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DECISION AND RATE ORDER

EB-2022-0065

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

**Application for rates and other charges to be effective
January 1, 2023**

BEFORE: **Allison Duff**
Presiding Commissioner

Michael Janigan
Commissioner

December 8, 2022

1. OVERVIEW

The Ontario Energy Board is approving changes to the rates that Toronto Hydro-Electric System Limited (Toronto Hydro) charges to distribute electricity to its customers, effective January 1, 2023.

As a result of this Decision, there will be a monthly total bill increase of \$4.93 for a residential customer consuming 750 kWh. This change does not factor in applicable taxes or the Ontario Electricity Rebate.

2. CONTEXT AND PROCESS

Toronto Hydro filed its application on August 23, 2022 under section 78 of the *Ontario Energy Board Act, 1998*. On September 6, 2022, Toronto Hydro filed an updated and corrected version of its manager's summary.¹ Toronto Hydro serves approximately 786,000 mostly residential and commercial electricity customers in the City of Toronto.

Distributors may choose one of three rate-setting methods: Price Cap Incentive Rate-setting (IR), Custom IR or Annual IR.² In respect of Toronto Hydro, the OEB approved a five-year Custom IR framework on December 19, 2019 (the 2019 Decision) that covers the years 2020 to 2024.³ For Toronto Hydro's Custom IR framework, rates were approved through a cost of service (COS or rebasing) application for the first year (2020) and are adjusted mechanistically through a custom price cap adjustment for each of the ensuing four (adjustment) years. In each of the adjustment years, Toronto Hydro is required to file an application to implement the OEB's approval of the framework as set out in the initial decision along with certain other adjustments that include pass-through costs such as those that are incurred by Toronto Hydro for settling with the Independent Electricity System Operator (IESO) on behalf of its customers. These costs are tracked in deferral or variance accounts.

The key components of Toronto Hydro's Custom IR framework are listed below:

- A Custom Price Cap Index formula based on the OEB's approved methodology and updated annually for the inflation factor
- A stretch factor of 0.6% to remain constant over the term of the plan
- A capital factor pre-approved for each year of the plan to account for incremental capital spending (including an offset for incremental revenues recovered by way of the Price Cap Index formula being applied to base distribution rates and a growth factor)
- A cumulative, asymmetrical earnings sharing mechanism (ESM) using an ROE-based calculation with all earnings in excess of 100 basis points over the approved ROE shared 50:50 with ratepayers. Disposition of any balance will occur at the end of the plan term.⁴

¹ EB-2022-0065, THESL_Letter_Update_of_Evidence_20220906, September 6, 2022

² Each of these options is explained in the OEB's [Handbook for Utility Rate Applications](#).

³ EB-2018-0165, Decision and Order, December 19, 2019

⁴ Ibid, pp. 192-193

- A capital-related revenue requirement variance account (CRRRVA) to be assessed on a cumulative basis at the end of the Custom IR term.⁵

Toronto Hydro applied for a base rate increase of 6.31% in accordance with the approved Custom IR framework, using the OEB approved 2022 Input Price Index (IPI) parameter for inflation of 3.30% as a proxy and incorporating a capital factor, and a growth factor, for 2023. The 6.31% price cap adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes with the exception of the microFIT rate class.

On October 20, 2022, the OEB issued the IPI applicable for 2023; this IPI serves as the inflation factor for formulaic adjustment plans. The 2023 IPI is calculated as 3.70% in accordance with the OEB's methodology.

As a result of the update for the 2023 IPI, the base increase for distribution rates becomes 6.42% under Toronto Hydro's approved Custom IR framework.

Notice of the application was issued on September 15, 2022. The Association of Major Power Consumers in Ontario (AMPCO), Power Workers' Union (PWU) and School Energy Coalition (SEC) applied for intervenor status. AMPCO and SEC also applied for eligibility to apply for an award of costs. The OEB approved AMPCO, PWU and SEC as intervenors. The OEB approved cost eligibility for AMPCO and SEC, though only in relation to Toronto Hydro's proposed new variance account to track depreciation impacts related to expected changes to the financial useful lives of its capital assets.

The application was supported by pre-filed written evidence and a completed Rate Generator Model⁶ and as required during the proceeding, Toronto Hydro updated and clarified the evidence.

Interrogatories were filed by OEB staff and AMPCO, and Toronto Hydro responded to these interrogatories. Final submissions on the application were filed by OEB staff, AMPCO, SEC and Toronto Hydro.

⁵ This CRRRVA is continued from the first Custom IR plan for the period 2015-2019 (EB-2014-0116), but the current version of the CRRRVA will track the variance between the capital-related revenue requirement included in rates and the actual capital-related revenue requirement (excluding balances captured in the separate Externally Driven Capital variance account) per the capital budget in the 2020-2024 Distribution System Plan, EB-2018-0165, Decisions and Order, December 19, 2019, pp. 193-195.

⁶ Toronto Hydro is using its own version of the Rate Generator Model, associated models and spreadsheets, to accommodate the unique features of its approved Custom Incentive Rate-setting plan for 2020-2024.

3. DECISION OUTLINE

Each of the following issues is addressed in this Decision, together with the OEB's findings.

- Custom Price Cap Adjustment
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts (DVA)
- Group 2 Deferral and Variance Accounts
- Lost Revenue Adjustment Mechanism Variance Account
- New DVA: Useful Life Changes
- Other Rates and Charges

Instructions for implementing Toronto Hydro's new rates and charges are set out in the final section of this Decision.

4. CUSTOM PRICE CAP ADJUSTMENT

Toronto Hydro's custom price cap adjustment follows an OEB-approved formula that includes annually updated components for inflation and a capital factor. The formula also includes a growth factor and the OEB's expectations of efficiency and productivity gains.⁷ This was subsequently accepted by the OEB in the Decision and Rate Order.⁸ The custom price cap index (CPCI) formula is $I - X + C_n - S_{cap} \times (I + X_{cap}) - g$, where:

- I is an adjustment for inflation based on the OEB's methodology and updated annually
- X is the sum of the productivity and stretch factors based on the OEB's methodology with one exception; the stretch factor is set at 0.6% for the term of the plan and not updated annually
- C_n is the capital factor value updated annually
- S_{cap} is the capex scale updated annually
- X_{cap} is an incremental stretch factor on capital
- g is the growth factor value set at 0.2% for the term of the plan

The capital factor reconciles Toronto Hydro's approved capital investments within a price cap index and is determined for a given year by calculating the incremental difference in forecasted capital-related revenue requirement between the given year and the prior year.

The $S_{cap} \times (I + X_{cap})$ is the mechanism that offsets the incremental funding for capital that would have been provided under the standard price cap index adjustment to base rates. It is determined by the proportion of forecasted capital related revenue requirement to forecasted total revenue requirement less an incremental stretch on capital as directed by the OEB.

On October 20, 2022, the OEB established the 2023 inflation factor to be used to set rates for certain electricity transmitters and electricity and natural gas distributors for 2023.⁹

The factors X, C_n , S_{cap} , X_{cap} and g were calculated for the period 2020-2024 in Toronto Hydro's 2020 Custom IR application and approved by the OEB in the decision in that application.¹⁰ This was updated in Toronto Hydro's Draft Rate Order filing¹¹ to reflect

⁷ EB-2018-0165, Decision and Order, December 19, 2019, page 11

⁸ Ibid., pp. 23-24

⁹ [Letter of the OEB - 2023 Inflation Parameters](#), October 20, 2022

¹⁰ EB-2018-0165, Decision and Order, December 19, 2019, page 17, Table 2

¹¹ EB-2018-0165, Updated Draft Rate Order, February 12, 2020

other determinations of the panel in that decision, with the updates approved in the OEB's Decision and Rate Order.¹²

All factors are shown in the table below for all four years of the custom incentive rate-setting term following the 2020 rebasing year.

Table 4.1 - CPCI Factors and Values¹³

| % | 2021 | 2022 | 2023 | 2024 |
|---|--------------------|--------------------|-------------------|-------------------|
| I-Inflation | 2.2 ¹⁴ | 3.3 ¹⁵ | 3.7 ¹⁶ | 2.0 ¹⁷ |
| X-Productivity | 0.0 | 0.0 | 0.0 | 0.0 |
| X-Stretch | 0.6 | 0.6 | 0.6 | 0.6 |
| X_{cap} | 0.3 | 0.3 | 0.3 | 0.3 |
| C_n-Capital Factor | 4.97 | 1.56 | 6.43 | 4.36 |
| S_{cap}-Share of Capital | 71.22 | 71.38 | 72.83 | 73.70 |
| g-Growth | 0.20 | 0.20 | 0.20 | 0.20 |
| | | | | |
| CPCI | 4.59 ¹⁴ | 1.49 ¹⁵ | 6.42 | 3.86 |

As part of the Custom IR plan, the OEB also approved a CRRRVA to track the variance between the cumulative 2020 to 2024 capital related revenue requirement included in rates and the actual capital in-service additions related revenue requirement.¹⁸ This is to allow Toronto Hydro the flexibility to optimize the implementation of its capital investment strategy, which may involve shifting the timing of project spending within the Custom IR period while ensuring that customers are kept whole related to Toronto Hydro's actual capital spending versus forecasted.

Also, as part of the Custom IR plan, the OEB approved an ESM that will track the variance between the non-capital related revenue requirement (the sum of operating, maintenance and administration (OM&A) and revenue offsets) embedded in rates and the actual non-capital related revenue requirement.¹⁹ The ESM is cumulative and asymmetrical using an ROE-based calculation with all earnings in excess of 100 basis

¹² EB-2018-0165, Decision and Rate Order, February 20, 2020, page 3

¹³ EB-2018-0165, Toronto Hydro, Updated Draft Rate Order, *op. cit.*, page 11/Table 8

¹⁴ Updated for Toronto Hydro's elected 2021 inflation factor of 2.2% per the November 13, 2020 letter in its 2021 Custom IR Update Application – EB-2020-0057.

¹⁵ Updated for OEB's decision in the 2022 Inflation Factor Generic Proceeding – EB-2021-0212

¹⁶ Updated for 2023 inflation factor as per footnote #9.

¹⁷ Placeholder until applicable inflation factor issued for respective year.

¹⁸ EB-2018-0165, Decision and Order, December 19, 2019, page 43

¹⁹ *Ibid*, page 42

points over the approved ROE shared 50:50 with ratepayers. Disposition of any balance will occur at the end of the plan term.²⁰

Pursuant to the expectation that Toronto Hydro will provide an update in each of the remaining rate update applications over the 2020-2024 Custom IR term²¹, Toronto Hydro provided an update in its current 2023 application on the status of the ESM variance account. Toronto Hydro reported that there continues to be a nil balance in the ESM variance account as Toronto Hydro has cumulatively underearned by 2.02% over 2020-2021 versus its approved ROE of 8.52%.²²

Findings

Toronto Hydro's request for a 6.42% rate adjustment is in accordance with the formula and 2023 capital spending previously approved by the OEB.²³ The adjustment is approved, and Toronto Hydro's new rates shall be effective January 1, 2023.

The 6.42% adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes.²⁴

Pursuant to the OEB's direction, Toronto Hydro provided information as to the status of the ESM variance account. As the ESM variance account balance is to be reviewed for disposition at the end of the current Custom IR term, there is no impact on 2023 rates.

²⁰ See footnote 4

²¹ EB-2020-0057, Decision and Rate Order, December 10, 2020, page 8

²² EB-2022-0065, Manager's Summary, Tab 2, Schedule 1, page 13

²³ EB-2018-0165, Decision and Order, December 19, 2019, pp. 2, 70-122

²⁴ This does not apply to the following rates and charges: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges, microFIT charge, and retail service charges.

5. RETAIL TRANSMISSION SERVICE RATES

Toronto Hydro is transmission connected.

To recover its cost of transmission services, Toronto Hydro requests approval to adjust the retail transmission service rates (RTSRs) that it charges its customers in accordance with the Uniform Transmission Rates (UTRs) currently in effect.

Findings

Toronto Hydro's proposed adjustment to its RTSRs is approved. The RTSRs were adjusted based on the 2022 OEB-approved UTRs.²⁵

UTRs and host-RTSRs are typically approved annually by the OEB. In the event that new UTRs and host-RTSRs take effect during Toronto Hydro's 2023 rate year, any resulting differences (from the prior-approved UTRs and host-RTSRs) are to be captured in Retail Settlement Variance Accounts 1584 (Retail Transmission Network Charge) and 1586 (Retail Transmission Connection Charge).

²⁵ EB-2022-0084, Decision and Order, April 7, 2022

6. GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts to determine whether those balances should be disposed. OEB policy states that Group 1 account balances should be disposed if they exceed, on a net basis (as a debit or credit), a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed.²⁶ If the net balance does not exceed the threshold, a distributor may still request disposition.²⁷

The 2021 year-end net balance for Toronto Hydro's Group 1 accounts eligible for disposition, including interest projected to December 31, 2022, is a debit of \$53,446,260, and pertains to variances accumulated during the 2020 to 2021 calendar years. This amount represents a total claim of \$0.0023 per kWh, which exceeds the disposition threshold. Toronto Hydro has requested approval of the balances on a final basis and disposition of this amount over a one-year period.

Included in the Group 1 accounts are certain variances related to costs that are paid for by a distributor's customers on different bases, depending on their classification. Namely, "Class A" customers, who participate in the Industrial Conservation Initiative, pay for Global Adjustment (GA) charges based on their contribution to the five highest Ontario demand peaks over a 12-month period. "Class B" customers pay for GA charges based on their monthly consumption totals, either as a standalone charge or embedded in the Regulated Price Plan (RPP).²⁸ A similar mechanism applies to Class A and Class B customers for Capacity Based Recovery (CBR) charges.²⁹ The balance in the GA variance account is attributable to non-RPP Class B customers and is disposed through a separate rate rider. The balance in the CBR Class B variance account is attributable to all Class B customers.

Toronto Hydro had Class A customers during the period in which variances accumulated so it has applied to have the balance of the CBR Class B variance account disposed through a separate rate rider for Class B customers to ensure proper allocation between Class A and Class B customers.

²⁶ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)", EB-2008-0046, July 31, 2009

²⁷ OEB letter, "Update to the Electricity Distributors' Deferral and Variance Account Review" ("EDDVAR Report"), released July 2009 (EB-2008-0046)", issued July 25, 2014

²⁸ For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)'s [website](#).

²⁹ All Class B customers (RPP and non-RPP) pay the CBR as a separate charge based on their monthly consumption. For additional details on the CBR for Class A customers, refer to the IESO's [website](#).

During the period in which variances accumulated, Toronto Hydro had customers transition between Class A and Class B. Under the general principle of cost causality, customer groups that cause variances that are recorded in Group 1 accounts should be responsible for paying (or receiving credits) for their disposal. Toronto Hydro has proposed to allocate a portion of the GA and CBR Class B balances to its transition customers, based on their customer-specific consumption levels.³⁰ The amounts allocated to each transition customer are proposed to be recovered (or refunded, as applicable), by way of 12 equal monthly installments.

OEB staff supported the disposition of Toronto Hydro's December 31, 2021 Group 1 DVA balances on an interim basis (with interest projected to December 31, 2022), excluding certain accounts. OEB staff made specific submissions on Account 1595 (2016), Account 1595 (2018), Account 1595 (2019), Account 1588, and Account 1589.

Account 1595

OEB staff submitted that the OEB should not approve the disposition of the following Group 1 DVA sub accounts:³¹

- Account 1595 (2016)
- Account 1595 (2018)
- Account 1595 (2019)

OEB staff listed several concerns relating to these Account 1595 balances in its submission.³² OEB staff submitted that the OEB should direct Toronto Hydro to perform an internal review of its Account 1595 (2016), Account 1595 (2018), and Account 1595 (2019) balances to ensure that its account balances being requested for disposition are correct. OEB staff recommended that the results of the review be filed with Toronto Hydro's next rate application.

In its reply submission, Toronto Hydro acknowledged that the adjustments and explanations to the continuity schedule are challenging to navigate, but submitted that the reconciliations provided are accurate, complete and sufficient to approve the total claims for Account 1595.³³ Furthermore, Toronto Hydro confirmed that it has robust controls in place to ensure that DVA balances are correct, including management reviews and annual external audits. Toronto Hydro stated that there is no reason to

³⁰ 2023 IRM Rate Generator Model, Tab 6.1a "GA Allocation" and Tab 6.2a "CBR B_Allocation"

³¹ EB-2022-0065, OEB Staff Submission, November 11, 2022, page 4

³² EB-2022-0065, OEB Staff Submission, November 11, 2022, page 7 & 8

³³ EB-2022-0065, THESL_Reply Submission, November 22, 2022, page 3 & 4

delay approval of disposition of these accounts or to approve other disposition of the accounts on an interim basis.

Findings

The OEB approves the December 31, 2021 balances for Account 1595 (2016) Account 1595 (2018) and Account 1595 (2019) with projected interest to December 31, 2022, for disposition on a final basis. The OEB notes the residual balance in each account is below Toronto Hydro's materiality threshold of \$1 million.

Toronto Hydro acknowledged that it had made errors in recording entries related to Account 1595 in prior years. Specifically, in preparing the OEB's continuity schedules, Toronto Hydro had in some instances failed to separate interest from principal and had recorded certain balances in the incorrect year. As Toronto Hydro now cites its robust controls and internal review processes to ensure DVA balances are correct, the OEB assumes these controls and processes have been strengthened in the intervening years.

The OEB finds that Toronto Hydro has adequately explained the adjustments made to the continuity schedule within the Rate Generator Model during this proceeding, sufficient to approve the balances for disposition. The OEB is not convinced that further internal review is necessary. An internal review may alter the allocation of balances within the continuity schedule, but not the December 31, 2021 balances to be disposed.

Accounts 1588 and 1589

OEB staff submitted that the OEB should also consider not disposing the balances in Accounts 1588 and 1589 at this time, pending any clarifications provided by Toronto Hydro in its reply submission.³⁴

OEB staff submitted that Toronto Hydro had misinterpreted the OEB's Instructions for Completing GA Analysis Workform – 2023 Rates.³⁵ OEB staff stated that reconciling items for 2020 and 2021 on certain tabs should also include the principal adjustments entered on the Principal Adjustments tab of the GA Analysis Workform.

OEB staff submitted that if Toronto Hydro was unable to revise its GA Workform in its reply submission such that the 2020 and 2021 unresolved differences were within the threshold of +/- 1%, the OEB should direct Toronto Hydro to perform an internal review of its Accounts 1588 and 1589 balances. This review would be done to ensure that its account balances being requested for disposition are correct. OEB staff noted that the

³⁴ EB-2022-0065, OEB Staff Submission, November 11, 2022, page 4

³⁵ Instructions for Completing GA Analysis Workform – 2023 Rates, May 27, 2022

Accounts 1588 and 1589 balance should be reviewed in conjunction, given the interconnectivity of the accounts. OEB staff recommended that the results of the review be filed with Toronto Hydro's next rate application.

In its reply submission, Toronto Hydro noted that the purpose of the GA Analysis Workform and specifically the reconciling items, is to assess the reasonability of the GA balance in a utility's general ledger, by comparing it to an expected balance calculated in the GA Analysis Workform.³⁶ Toronto Hydro stated that its general ledger balance and the expected balance calculated in the GA Analysis Workform are both determined based on estimated unbilled consumption. Toronto Hydro submitted that it is not appropriate for certain principal adjustments to be considered as reconciling items.

Toronto Hydro submitted that the OEB should approve the disposition of Accounts 1588 and 1589 balances on a final basis.

Findings

The OEB approves the \$13,567,190 balance in Account 1588 and the (\$17,990,510) balance in Account 1589 for disposition on a final basis.

As explained by Toronto Hydro, its approach to the accounting for billing its customers affects how the GA Analysis Workform is completed. Further internal review of Accounts 1588 and 1589 would unlikely change how Toronto Hydro completes the document. Within the GA Analysis Workform, Toronto Hydro has recorded the reconciling items such that the unresolved differences in Accounts 1588 and 1589 are within the +/- 1.0% differential used by the OEB as a reasonableness check prior to disposition.

The OEB finds the explanations provided by Toronto Hydro sufficient to approve disposition of Accounts 1588 and 1589 balances as of December 31, 2021 with interest projected to December 31, 2022. Further, the OEB notes that the updated GA Analysis Workform reconciles with the updated Rate Generator Model filed by Toronto Hydro.

Toronto Hydro submitted that it could have been more proactive in providing information during the proceeding. The OEB agrees. The clarification of Toronto Hydro's placement within the "Reconciling Items and Principal Adjustment" table in its reply submission and the use of estimated consumption for the accounting for unbilled revenue, was a determinative factor in the OEB's assessment of this issue.

Given the magnitude of these balances and the resulting billing impact on customers, the OEB finds disposition on a final basis is warranted, especially given the OEB's

³⁶ EB-2022-0065, THESL_Reply Submission, November 22, 2022, page 5

[Letter](#) “Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition, issued October 31, 2019.

Other Group 1 Account Balances

OEB staff did not take issue with the other December 31, 2021 Group 1 account balances (with interest projected to December 31, 2022) proposed for disposition. OEB staff noted that the internal reviews proposed for Accounts 1595 (2016, 2018, 2019), Account 1588 and Account 1589 may potentially impact other Group 1 accounts.³⁷ Therefore, OEB staff submitted that the OEB dispose of the other Group 1 balances on an interim basis, pending the completion of the internal reviews.

OEB staff supported Toronto Hydro’s proposal to dispose of the approved balances over a one-year period.

In its reply submission, Toronto Hydro reiterated its proposal to dispose of the approved Group 1 balances on a final basis. Toronto Hydro submitted that disposing of the Group 1 accounts on an interim basis was unwarranted on the facts of this case and would lead to undue regulatory burden.

Findings

The OEB approves the disposition of a debit balance of \$53,446,260 as of December 31, 2021, including interest projected to December 31, 2022, for Group 1 accounts on a final basis as detailed in Table 6.1. Given the OEB’s findings regarding final disposition of Accounts 1595, 1588 and 1589, final disposition of all Group 1 account balances is appropriate and provides Toronto Hydro with regulatory certainty in this regard.

³⁷ EB-2022-0065, OEB Staff Submission, November 11, 2022, page 4

Table 6.1: Group 1 Deferral and Variance Account Balances

| Account | Account | Principal | Interest | Total |
|---|----------------|---------------------|---------------------|-------------------|
| Name | Number | Balance (\$) | Balance (\$) | Claim (\$) |
| | | A | B | C=A+B |
| Low Voltage Variance Account | 1550 | 1,197,053 | 25,384 | 1,222,437 |
| Smart Metering Entity Charge Variance Account | 1551 | (454,326) | (47,853) | (502,180) |
| RSVA - Wholesale Market Service Charge | 1580 | 7,706,396 | (20,414) | 7,685,982 |
| Variance WMS – Sub-account CBR Class B | 1580 | (2,598,577) | 34,990 | (2,563,587) |
| RSVA - Retail Transmission Network Charge | 1584 | 50,589,055 | 898,611 | 51,487,666 |
| RSVA - Retail Transmission Connection Charge | 1586 | 1,285,654 | (38,948) | 1,246,706 |
| RSVA – Power | 1588 | 13,441,608 | 125,582 | 13,567,190 |
| RSVA - Global Adjustment | 1589 | (17,855,052) | (135,458) | (17,990,510) |
| Disposition and Recovery/Refund of Regulatory Balances (2016) | 1595 | 1,191,920 | (347,907) | 844,013 |
| Disposition and Recovery/Refund of Regulatory Balances (2018) | 1595 | 998,874 | (1,926,697) | (927,823) |
| Disposition and Recovery/Refund of Regulatory Balances (2019) | 1595 | (966,147) | 342,513 | (623,635) |
| Totals for Group 1 accounts | | 54,536,457 | (1,090,196) | 53,446,260 |

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in the

Accounting Procedures Handbook for Electricity Distributors.³⁸ The date of the transfer must be the same as the effective date for the associated rates, which is generally the start of the rate year.

The OEB approves these balances to be disposed through final rate riders, charges, or payments, as calculated in the updated Rate Generator Model. The final rate riders, charges, and payments, as applicable, will be in effect over a one-year period from January 1, 2023 to December 31, 2023.³⁹

³⁸ Article 220, Account Descriptions, Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

³⁹ 2023 IRM Rate Generator Model Tab 6.1 GA, Tab 6.1a GA Allocation, Tab 6.2 CBR B, Tab 6.2a CBR B_Allocation and Tab 7 Calculation of Def-Var RR

7. GROUP 2 DEFERRAL AND VARIANCE ACCOUNTS

In Toronto Hydro's 2020 Custom IR decision, the OEB approved the disposition of Group 2 DVA balances and Other Amounts⁴⁰ on a forecast basis.⁴¹ In the subsequent rate order, the OEB approved Toronto Hydro's proposal to true up any variance between the forecast principal and interest amounts and the actual principal and interest amounts in Account 1595, and to dispose of the true-up in the year that the underlying account is disposed.⁴²

In accordance with the OEB's direction in that decision, two accounts, the CRRRVA and PILs and Tax Variances – CCA Changes, were approved for disposition starting on January 1, 2023, and are therefore subject to a true-up as part of this application.

The true-up balance amount is a \$3.1 million debit in Toronto Hydro's favour.⁴³ As opposed to using a separate rater rider in the current proceeding to clear the \$3.1 million balance, Toronto Hydro stated that it prefers to follow the same treatment as approved for other Group 2 true-up balances in the 2021 and 2022 annual update applications and defer these balances for clearance with residual balances (i.e., transfer to Account 1595 (2023)).⁴⁴ Toronto Hydro stated that while a rate rider is not its preferred approach, Toronto Hydro is prepared to implement one to clear the Group 2 true-up balance, should the OEB find it to be more appropriate.⁴⁵

Two other accounts are subject to true-up as part of the current proceeding. These accounts are the Operating Centres Consolidation Program (OCCP) and the Gain on Sale of 50/60 Eglinton Avenue accounts.

Toronto Hydro stated that it had overestimated the forecast amount for the OCCP amount owed to customers by \$1.7 million" (i.e., a \$1.7 million debit amount).⁴⁶ Toronto Hydro also stated that no true-up amount was generated from the Gain on Sale of 50/60 Eglinton Avenue account because the disposition of this account is now complete and there is no resulting variance to be transferred to Account 1595.⁴⁷

⁴⁰ Other Amounts represent balances that have accumulated but for which Toronto Hydro did not previously request OEB approval to establish a DVA to capture these balances.

⁴¹ EB-2018-0165 Decision and Order, December 19, 2019, page 177 & 178

⁴² EB-2018-0165 Decision and Rate Order, February 20, 2020, page 4

⁴³ EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-13, October 28, 2022

⁴⁴ EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-13, October 28, 2022

⁴⁵ Ibid

⁴⁶ EB-2022-0065, Tab 2, Schedule 1, Page 6, September 6, 2022; EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-14, October 28, 2022

⁴⁷ EB-2022-0065, Tab 2, Schedule 1, Page 5, September 6, 2022

Toronto Hydro indicated that it was not proposing to transfer the \$1.7 million true-up amount to any account.⁴⁸ Toronto Hydro explained that due to the unique context around this account, the \$1.7 million true-up amount does not represent an actual balance recorded in the OCCP account that Toronto Hydro needs to recover from customers through a rate rider or transfer to an appropriate 1595 sub-account for future clearance. Toronto Hydro stated that when Account 1595 (2020) is proposed for disposition, it plans to reconcile and clear the variance related to the OCCP account.

OEB staff supported Toronto Hydro's proposal to transfer the true-up debit amount of \$3.1 million to Account 1595 (2023), instead of utilizing a separate rate rider to dispose this balance.⁴⁹ OEB staff submitted that this proposal is appropriate, as it is consistent with the recent treatment of other Group 2 true-up amounts as set out in Toronto Hydro's 2020 Custom IR decision.⁵⁰

OEB staff submitted that it was not clear why Toronto Hydro originally presented the \$1.7 million as a true-up amount in the application, yet indicated in an interrogatory response that the issue should be deferred until Account 1595 (2020) is proposed for disposition.^{51,52} However, OEB staff agreed to defer this issue to be analyzed further, rather than in the current proceeding.

Findings

The OEB approves the transfer of \$3.1 million to Account 1595 (2023) as proposed by Toronto Hydro. The OEB finds that a separate rate rider to dispose of this balance is not required, consistent with prior OEB decisions regarding Group 2 true-up balances.

The OEB agrees to defer the review of the stated \$1.7 million associated with the OCCP account true-up and acknowledges that no true-up amount was generated from the Gain on Sale of 50/60 Eglinton Avenue account.

⁴⁸ EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-14, October 28, 2022

⁴⁹ EB-2022-0065, OEB Staff Submission, November 11, 2022, page 11

⁵⁰ EB-2022-0065, OEB Staff Submission, November 11, 2022, page 11

⁵¹ Ibid

⁵² EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-14, October 28, 2022

8. LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT

The OEB has historically utilized a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) to capture a distributor's revenue implications resulting from differences between actual and forecast conservation and demand management (CDM) savings included in its last OEB-approved load forecast. The use of the LRAMVA is no longer the default approach for CDM activities.⁵³

Distributors delivered CDM programs to their customers through the Conservation First Framework (CFF) that began on January 1, 2015 until March 20, 2019, when the CFF was revoked.⁵⁴

Distributors filing an application for 2023 rates are required to seek disposition of all outstanding LRAMVA balances related to program savings related to CFF programs or other conservation programs they delivered, unless they do not have complete information on eligible program savings.⁵⁵

Toronto Hydro did not request disposition of outstanding LRAMVA balances resulting from its CDM activities. Toronto Hydro indicated:

...due to the relative timing of the discontinuation of the Conservation First Framework ("CFF") and the 2020-2024 Custom IR application, Toronto Hydro cannot appropriately clear any LRAMVA balances for the current rate period using the previously approved LRAMVA thresholds. Therefore, Toronto Hydro proposes to defer the clearance of the 2020 and 2021 balances, and any future balances within this rate period available at the time, to its next rebasing application.⁵⁶

Toronto Hydro stated that the OEB approved its load forecast and the related CDM forecast for rate-making purposes when the CFF was revoked by the Ministry of Energy, Northern Development and Mines. As a result, the approved LRAMVA thresholds include Toronto Hydro CDM programs under the CFF, while the actuals to be used for the LRAMVA calculations include only those programs that the utility continued to manage post-CFF.

⁵³ Conservation and Demand Management Guidelines for Electricity Distributors, December 20, 2021, chapter 8.

⁵⁴ On March 20, 2019 the Minister of Energy, Northern Development and Mines issued separate Directives to the OEB and the IESO.

⁵⁵ Chapter 3 Filing Requirements, section 3.2.6.1

⁵⁶ EB-2022-0065, Tab 2, Schedule 1, Page 10, September 6, 2022

Toronto Hydro intends to propose a modified LRAMVA threshold as part of its next rebasing application.

In its submission, OEB staff supported Toronto Hydro's request to address the final disposition of outstanding balances in the LRAMVA in its next rebasing application.

Findings

The OEB approves the deferral of Toronto Hydro's LRAMVA balances until its next rebasing application.

Electricity distributors are required to seek disposition of all outstanding LRAMVA balances, unless they do not have complete information on eligible program savings. The OEB agrees that Toronto Hydro does not have enough information for the OEB to consider any LRAMVA balances in this proceeding.

In deferring the consideration of the LRAMVA balances and the true-up of the OCCP account, the OEB's expectation would be that these issues are explored in a more intensive fashion, than through interrogatories and the exchange of submissions.

9. NEW DVA: USEFUL LIFE CHANGES

In the 2020 Custom IR decision and order, the OEB directed Toronto Hydro to file, in its next rebasing application, its annual useful lives reviews or a new depreciation study.⁵⁷ The depreciation study that Toronto Hydro has been using was completed in August 2009.⁵⁸

Toronto Hydro stated that in preparation for its 2025 rebasing application, a third-party depreciation study is currently underway.⁵⁹ The final results of the study are expected at the end of 2022 and Toronto Hydro intends to implement the revised useful lives as of January 1, 2023.

Toronto Hydro stated that preliminary results indicate changes in financial useful lives that will likely lead to an overall net decrease to the depreciation expense for 2023 and 2024. Toronto Hydro expects there will be a material variance, to the benefit of customers, in the approved versus actual depreciation expense that underlies the 2023 and 2024 CPCI.

Toronto Hydro proposed to separately track the difference in revenue requirement impacts between the existing and updated depreciation rates over 2023 and 2024 in a new sub-account of its existing capital-related revenue requirement variance account (CRRRVA).⁶⁰ Toronto Hydro stated that the new sub-account would be asymmetrical in favour of customers, consistent with the CRRRVA to be assessed on a cumulative basis at the end of the Custom IR term. Toronto Hydro revised its proposal, agreeing to a new account of Account 1508, Other Regulatory Assets for this purpose.⁶¹ Toronto Hydro proposed that the new account be cumulative in nature, consistent with the mechanism in the existing CRRRVA.

Regarding the causation, materiality, and prudence criteria⁶² to establish the new sub-account, Toronto Hydro stated the following:⁶³

- Causation: Toronto Hydro's rates for 2023-2024 were derived using existing depreciation rates. Therefore, any changes to those depreciation rates will be outside that base.

⁵⁷ EB-2018-0165, Decision and Order, December 19, 2019, page 146

⁵⁸ EB-2022-0065, Tab 4, Schedule 1, Page 1, August 23, 2022

⁵⁹ EB-2022-0065, Tab 2, Schedule 1, Page 11, September 6, 2022

⁶⁰ EB-2022-0065, Tab 2, Schedule 1, Page 12, September 6, 2022

⁶¹ EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-16, October 28, 2022

⁶² Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications, Chapter 2, Cost of Service, April 18, 2022, page 64 & 65

⁶³ EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-16, October 28, 2022

- Materiality: Given the comprehensive nature of the study (which covers all asset classes), and the evolution in construction processes and materials since 2009, it is reasonable to assume that the net impacts of the changes in useful lives coming out of this study will exceed the materiality threshold.
- Prudence: Toronto Hydro proposes an asymmetrical account that could only result in a payable balance in favour of rate payers. The final determination of prudence will be made at the time of disposition of the account when the OEB approves the new depreciation useful lives.

Toronto Hydro proposed to record the revenue requirement impact between the existing and updated depreciation rates in the new sub-account.⁶⁴ Toronto Hydro proposed the revenue requirement impact approach to calculate the balance in the new account for the updated depreciation rates. Toronto Hydro proposed not to apply the same methodology and mechanics as Account 1576, Accounting Changes Under CGAAP.

Toronto Hydro was unable to quantify the impact of the expected change in depreciation expense for 2023 and 2024, or the revenue requirement impacts.⁶⁵ Toronto Hydro noted that the depreciation study has not been finalized and the expected depreciation expense and revenue requirement impacts are unavailable. Toronto Hydro further proposed that the review of the study and the revenue requirement impacts be deferred to its next rebasing application.

OEB staff, AMPCO, and SEC agreed that it is appropriate for Toronto Hydro to establish Account 1508, Other Regulatory Assets, sub-account Useful Life Changes, to track and record the impact from the updated depreciation rates.⁶⁶ OEB staff noted that this new sub-account should be effective January 1, 2023. Both OEB staff and AMPCO submitted that Toronto Hydro had satisfied the OEB's causation, materiality, and prudence criteria required to establish a new DVA.⁶⁷

OEB staff submitted that the account should track the rate base impact over Toronto Hydro's remaining rate term, due to the differences arising from changes in its depreciation rates, as Toronto Hydro's rate base is underpinned by its existing depreciation policy. OEB staff submitted that there is insufficient evidence on the record in this proceeding for the OEB to decide which approach Toronto Hydro should be using to determine the balances in the new account.

⁶⁴ EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-17, October 28, 2022

⁶⁵ EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-19, October 28, 2022

⁶⁶ EB-2022-0065, OEB Staff Submission, November 11, 2022, page 15; AMPCO Submission, November 11, 2022, page 3; SEC Submission, November 11, 2022, page 1

⁶⁷ EB-2022-0065, OEB Staff Submission, November 11, 2022, page 16; AMPCO Submission, November 11, 2022, page 3

OEB staff submitted that Toronto Hydro should bring forward the calculations under both approaches to the OEB at the time of disposition of the new DVA.⁶⁸ At that time, Toronto Hydro should show the proposed balance in the new DVA under each approach, explaining the numbers and assumptions used.

AMPCO and SEC echoed some of OEB staff's concerns and submitted that the OEB should approve the establishment of the account, but not opine on the calculation of entries for the new account.⁶⁹ AMPCO submitted that the calculation methodology and impacts should be considered at rebasing, when Toronto Hydro applies to clear the balance in the account and includes new depreciation rates in revenue requirement calculations. SEC specifically noted that the OEB should make clear that approval of the proposed variance account is not an approval of changes to depreciation rates, implementation timing, entry or disposition calculation methodology during Toronto Hydro's Custom IR term.

In its reply submission, Toronto Hydro agreed that its next rebasing application is the most appropriate forum to examine the entries to the account, the depreciation changes, and their impacts.⁷⁰ Toronto Hydro confirmed that it will be prepared to address the merits of Toronto Hydro's versus OEB staff's proposed calculation approaches, in the next rebasing application.

Toronto Hydro filed an updated draft accounting order as part of its reply submission, to address some of OEB staff's concerns, explicitly noting that the details of the account are subject to review and approval at Toronto Hydro's next rebasing. Toronto Hydro also specified that the account remain open until the effective date of its next rebasing application, unless otherwise directed by the OEB.⁷¹

Findings

The OEB approves a new DVA account "Useful Life Changes", as a sub-account of 1508, Other Regulatory Assets. The OEB finds it appropriate to establish a new account, asymmetrical to the benefit of customers. Specifically, the new account will provide the opportunity to refund money to customers, if the balances are found to be prudent, accurate and material. The OEB commends Toronto Hydro for bringing forward this proposal during its Custom IR term, such that the new account may be effective January 1, 2023.

⁶⁸ EB-2022-0065, OEB Staff Submission, November 11, 2022, page 16

⁶⁹ EB-2022-0065, AMPCO Submission, November 11, 2022, page 3; SEC Submission, November 11, 2022, page 1

⁷⁰ EB-2022-0065, THESL_Reply Submission, November 22, 2022, page 7

⁷¹ EB-2022-0065, THESL_Reply Submission, November 22, 2022, page 7 and Appendix B

The OEB approves the new account based on the criteria of causation, materiality and prudence. The OEB finds it prudent to establish the account at this time, given the OEB's direction for Toronto Hydro to conduct a study related to asset useful lives or depreciation and the kind of expense to be recorded. This test of prudence is distinguished from the subsequent prudence review of any balance proposed for disposition.

The OEB has modified the draft accounting order filed by Toronto Hydro. The approved Accounting Order is attached in Schedule B. In particular, the OEB agrees with OEB staff's submission regarding the sample accounting entries. The offset to the new sub-account should be recorded to Account 4305 Regulatory Debits, instead of Account 4080 Distribution Services Revenue as proposed. The Distribution Services Revenue account balance should not be altered directly as a result of establishing this new DVA.

In addition, the Accounting Order approves a second new DVA to record carrying charges on the Useful Life Change variance account yet carrying charges on the variance account balance may not be appropriate. The second DVA is being established on a provisional basis, to enable the consideration of carrying charges on the variance account based on the calculation approach approved at rebasing.

The OEB agrees with AMPCO, SEC and OEB staff there are currently many unknowns regarding the study results, the changes to be adopted by Toronto Hydro, the assets affected and the entries to be calculated. In approving the two new DVAs and issuing the Accounting Order, the OEB does not want to limit the breath of review undertaken when the Custom IR term ends and Toronto Hydro rebases its rates. The OEB accepts Toronto Hydro's offer to address the merits of different calculation approaches in its rebasing application.

10. OTHER RATES AND CHARGES

Toronto Hydro requests continuation of the various rate riders approved in the 2020-2024 Custom IR Decision, in accordance with their respective effective and termination dates, and of the other rates and charges approved in that decision, including the Specific Service Charges and Loss Factors.

The OEB's Decision and Order, issued November 3, 2022, established the adjustment for energy retailer service charges, effective January 1, 2023. The OEB's Decision and Order, also issued November 3, 2022, established the generic distribution pole attachment charge for 2023 rates.⁷²

As part of its reply submission, Toronto Hydro incorporated the updated OEB-approved rates for these matters on its proposed Tariff of Rates and Charges.

Findings

The OEB approves of Toronto Hydro's request to continue the various rate riders approved in EB-2018-0165 in accordance with the respective effective and termination dates. The OEB also approves the other rates and charges approved in EB-2018-0165, including the Specific Service Charges and Loss Factors.

⁷² [EB-2022-0220, Decision and Order](#) (2023 retailer service charges), November 3, 2022; [EB-2022-0221, Decision and Order](#) (distribution pole attachment charge for 2023), November 3, 2022

11. IMPLEMENTATION

This Decision is accompanied by a Rate Generator Model, applicable supporting models, and a Tariff of Rates and Charges (Schedule A). The Rate Generator Model also incorporates the rates set out in Table 11.1.

Table 11.1: Regulatory Charges

| Rate | per kWh |
|--|----------|
| Rural or Remote Electricity Rate Protection (RRRP) | \$0.0005 |
| Wholesale Market Service (WMS) billed to Class A and B Customers | \$0.0030 |
| Capacity Based Recovery (CBR) billed to Class B Customers | \$0.0004 |

Each of these rates is a component of the “Regulatory Charge” on a customer’s bill, established annually by the OEB through a separate, generic order. The RRRP and WMS rates were set by the OEB on December 16, 2021 and July 12, 2022.⁷³

The Smart Metering Entity Charge is a component of the “Distribution Charge” on a customer’s bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set by the OEB at \$0.42 on September 8, 2022.⁷⁴ Toronto Hydro updated its proposed Tariff of Rates and Charges to incorporate the Smart Metering Entity Charge (SMC) to be charged starting January 1, 2023. Given that Toronto Hydro’s uses a 30-day basis for fixed based rates, Toronto Hydro provided the calculation of the SMC to be \$0.41 per 30 days.⁷⁵

In the *Report of the Board: Review of Electricity Distribution Cost Allocation Policy*,⁷⁶ the OEB indicated that it will review the default province-wide microFIT charge annually to ensure it continues to reflect actual costs in accordance with the established methodology. Distributors shall apply the updated value, if applicable, following the OEB’s announcement of the microFIT charge for the 2023 rate year.

⁷³ EB-2021-0300, Decision and Order, December 16, 2021 and EB-2021-0300, Supplemental Decision and Order, July 12, 2022

⁷⁴ EB-2022-0137, Decision and Order, September 8, 2022

⁷⁵ EB-2022-0065, THESL_IRR_2023Update_20221028, OEB Staff-1, October 28, 2022

⁷⁶ EB-2010-0219, Report of the Board “Review of Electricity Distribution Cost Allocation Policy”, March 31, 2011

The issuance of this Decision should enable Toronto Hydro to implement rates effective January 1, 2023, such that a foregone revenue deferral account, as proposed by Toronto Hydro, is not required.

12. ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Toronto Hydro-Electric System Limited's new final distribution rates shall be effective January 1, 2023, in accordance with the Tariff of Rates and Charges set out in Schedule A.
2. Toronto Hydro shall establish Account 1508, Other Regulatory Assets, Sub-account Useful Life Changes as set forth in Schedule B.
3. The Tariff of Rates and Charges are deemed draft until Toronto Hydro-Electric System Limited has complied with the subsequent procedural steps.
4. Toronto Hydro-Electric System Limited shall review the Tariff of Rates and Charges and shall file with the OEB, as applicable, a written confirmation of its completeness and accuracy, or provide a detailed explanation of any inaccuracies or missing information, by **December 15, 2022**.
5. This Decision and Rate Order will be considered a final rate order if Toronto Hydro-Electric System Limited does not provide a submission to the OEB that inaccuracies were found or information was missing pursuant to item 4.
6. If the OEB receives a submission from Toronto Hydro-Electric System Limited to the effect that inaccuracies were found or information was missing pursuant to item 4, the OEB will consider the submission prior to issuing a final rate order.
7. Toronto Hydro-Electric System Limited shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

COST AWARDS

The OEB will issue a separate decision on cost awards once the following steps are completed:

1. AMPCO and SEC shall submit to the OEB and copy Toronto Hydro their cost claims no later than **December 15, 2022**.
2. Toronto Hydro may file with the OEB and forward to AMPCO and SEC any objections to the claimed costs by **January 9, 2023**.
3. AMPCO and SEC may file with the OEB and forward to Toronto Hydro any responses to any objections for cost claims by **January 16, 2023**.

4. Toronto Hydro shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2022-0065** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Georgette Vlahos at georgette.vlahos@oeb.ca, and OEB Counsel, Michael Millar at michael.millar@oeb.ca.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)

DATED at Toronto, December 8, 2022

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A
DECISION AND RATE ORDER
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
TARIFF OF RATES AND CHARGES
EB-2022-0065
DECEMBER 8, 2022

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

**This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors**

EB-2022-0065

RESIDENTIAL SERVICE CLASSIFICATION

This classification is applicable to an account where electricity is used exclusively for residential purposes in a separately metered living accommodation, where the Competitive Sector Multi-Unit Residential classification is not applicable. Eligibility is restricted to a dwelling unit that consists of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex building, with a residential zoning; a separately metered dwelling within a town house complex or apartment building; and bulk metered residential buildings with six or fewer units. Class B consumers are defined in accordance with O. Reg. 429/04. Further details concerning the terms of service are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | | |
|---|--------|-----------|---------------|
| Service Charge | \$ | 43.31 | (per 30 days) |
| Rate Rider for Smart Metering Entity Charge - effective until December 31, 2027 | \$ | 0.41 | (per 30 days) |
| Rate Rider for Disposition of Stranded Meter Assets - effective until December 31, 2024 | \$ | (0.02) | (per 30 days) |
| Rate Rider for Disposition of Capital Related Revenue Requirement Variance Account - effective until December 31, 2024 | \$ | (2.17) | (per 30 days) |
| Rate Rider for Disposition of Wireless Pole Attachment Revenue - effective until December 31, 2024 | \$ | (0.01) | (per 30 days) |
| Rate Rider for Disposition of Accounts Receivable Credits - effective until December 31, 2024 | \$ | (0.10) | (per 30 days) |
| Rate Rider for Disposition of PILs and Tax Variance - effective until December 31, 2024 | \$ | (0.31) | (per 30 days) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2023) - effective until December 31, 2023 | \$/kWh | 0.00319 | |
| Rate Rider for Disposition of Capacity Based Recovery Account (2023) - Applicable only for Class B Customers - effective until December 31, 2023 | \$/kWh | (0.00015) | |
| Rate Rider for Disposition of Global Adjustment Account (2023) - Applicable only for Non-RPP Customers - effective until December 31, 2023 | \$/kWh | (0.00251) | |
| Retail Transmission Rate - Network Service Rate | \$/kWh | 0.01158 | |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.00733 | |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | | |
|--|--------|--------|---------------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0030 | |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 | |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0005 | |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 | (per 30 days) |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

**This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors**

EB-2022-0065

COMPETITIVE SECTOR MULTI-UNIT RESIDENTIAL SERVICE CLASSIFICATION

This classification is applicable to an account where electricity is used exclusively for residential purposes in a multi-unit residential building, where unit metering is provided using technology that is substantially similar to that employed by competitive sector sub-metering providers. Use of electricity in non-residential units of multi-unit buildings does not qualify for this classification and will instead be subject to the applicable commercial classification. Class B consumers are defined in accordance with O. Reg. 429/04. Further details concerning the terms of service are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | | |
|---|--------|-----------|---------------|
| Service Charge | \$ | 35.53 | (per 30 days) |
| Rate Rider for Smart Metering Entity Charge - effective until December 31, 2027 | \$ | 0.41 | (per 30 days) |
| Rate Rider for Disposition of Capital Related Revenue Requirement Variance Account - effective until December 31, 2024 | \$ | (1.45) | (per 30 days) |
| Rate Rider for Disposition of Wireless Pole Attachment Revenue - effective until December 31, 2024 | \$ | (0.01) | (per 30 days) |
| Rate Rider for Disposition of PILs and Tax Variance - effective until December 31, 2024 | \$ | (0.21) | (per 30 days) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2023) - effective until December 31, 2023 | \$/kWh | 0.00303 | |
| Rate Rider for Disposition of Capacity Based Recovery Account (2023) - Applicable only for Class B Customers - effective until December 31, 2023 | \$/kWh | (0.00015) | |
| Rate Rider for Disposition of Global Adjustment Account (2023) - Applicable only for Non-RPP Customers - effective until December 31, 2023 | \$/kWh | (0.00251) | |
| Retail Transmission Rate - Network Service Rate | \$/kWh | 0.01158 | |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.00733 | |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | | |
|--|--------|--------|---------------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0030 | |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 | |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0005 | |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 | (per 30 days) |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2022-0065

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification refers to a non-residential account whose monthly average peak demand is less than, or is forecast to be less than 50 kW. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | | |
|---|--------|-----------|---------------|
| Service Charge | \$ | 41.78 | (per 30 days) |
| Rate Rider for Smart Metering Entity Charge - effective until December 31, 2027 | \$ | 0.41 | (per 30 days) |
| Rate Rider for Disposition of Stranded Meter Assets - effective until December 31, 2024 | \$ | (0.13) | (per 30 days) |
| Distribution Volumetric Rate | \$/kWh | 0.03864 | |
| Rate Rider for Disposition of Capital Related Revenue Requirement Variance Account - effective until December 31, 2024 | \$/kWh | (0.00252) | |
| Rate Rider for Disposition of Wireless Pole Attachment Revenue - effective until December 31, 2024 | \$/kWh | (0.00002) | |
| Rate Rider for Disposition of Accounts Receivable Credits - effective until December 31, 2024 | \$/kWh | (0.00006) | |
| Rate Rider for Disposition of PILs and Tax Variance - effective until December 31, 2024 | \$/kWh | (0.00036) | |
| Rate Rider for Disposition of Deferral/Variance Accounts (2023) - effective until December 31, 2023 | \$/kWh | 0.00329 | |
| Rate Rider for Disposition of Capacity Based Recovery Account (2023) - Applicable only for Class B Customers - effective until December 31, 2023 | \$/kWh | (0.00015) | |
| Rate Rider for Disposition of Global Adjustment Account (2023) - Applicable only for Non-RPP Customers - effective until December 31, 2023 | \$/kWh | (0.00251) | |
| Retail Transmission Rate - Network Service Rate | \$/kWh | 0.01127 | |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.00656 | |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | | |
|--|--------|--------|---------------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0030 | |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 | |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0005 | |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 | (per 30 days) |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2022-0065

GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than 50 kW but less than 1,000 kW, or is forecast to be equal to or greater than 50 kW but less than 1,000 kW. This rate also applies to bulk metered residential apartment buildings or the house service of a residential apartment building with more than 6 units. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

The rate rider for the disposition of WMS - Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

The rate rider for the disposition of Post 2011 Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | | |
|---|--------|-----------|---------------|
| Service Charge | \$ | 55.52 | (per 30 days) |
| Rate Rider for Disposition of Stranded Meter Assets - effective until December 31, 2024 | \$ | (0.47) | (per 30 days) |
| Distribution Volumetric Rate | \$/kVA | 8.9153 | (per 30 days) |
| Rate Rider for Disposition of Capital Related Revenue Requirement Variance Account - effective until December 31, 2024 | \$/kVA | (0.4379) | (per 30 days) |
| Rate Rider for Disposition of Wireless Pole Attachment Revenue - effective until December 31, 2024 | \$/kVA | (0.0013) | (per 30 days) |
| Rate Rider for Disposition of Expansion Deposits - effective until December 31, 2024 | \$/kVA | (0.0699) | (per 30 days) |
| Rate Rider for Disposition of Accounts Receivable Credits - effective until December 31, 2024 | \$/kVA | (0.0005) | (per 30 days) |
| Rate Rider for Disposition of PILs and Tax Variance - effective until December 31, 2024 | \$/kVA | (0.0621) | (per 30 days) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2023) - effective until December 31, 2023 | \$/kVA | 0.8996 | (per 30 days) |
| Rate Rider for Disposition of Deferral/Variance Accounts for Non-Wholesale Market Participants (2023) - effective until December 31, 2023 | \$/kVA | 0.3679 | (per 30 days) |
| Rate Rider for Disposition of Capacity Based Recovery Account (2023) - Applicable only for Class B Customers - effective until December 31, 2023 | \$/kVA | (0.0578) | (per 30 days) |
| Rate Rider for Disposition of Global Adjustment Account (2023) - Applicable only for Non-RPP Customers - effective until December 31, 2023 | \$/kWh | (0.00251) | |
| Retail Transmission Rate - Network Service Rate | \$/kW | 3.8112 | (per 30 days) |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 2.3701 | (per 30 days) |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | | |
|--|--------|--------|---------------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0030 | |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 | |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0005 | |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 | (per 30 days) |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2022-0065

GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than 1,000 kW but less than 5,000 kW, or is forecast to be equal to or greater than 1,000 kW but less than 5,000 kW. This rate also applies to bulk metered residential apartment buildings or the house service of a residential apartment building with more than 6 units. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

The rate rider for the disposition of WMS - Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

The rate rider for the disposition of Post 2011 Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | | |
|---|--------|-----------|---------------|
| Service Charge | \$ | 1,046.03 | (per 30 days) |
| Distribution Volumetric Rate | \$/kVA | 7.3674 | (per 30 days) |
| Rate Rider for Disposition of Capital Related Revenue Requirement Variance Account - effective until December 31, 2024 | \$/kVA | (0.3301) | (per 30 days) |
| Rate Rider for Disposition of PILs and Tax Variance - effective until December 31, 2024 | \$/kVA | (0.0468) | (per 30 days) |
| Rate Rider for Disposition of Wireless Pole Attachment Revenue - effective until December 31, 2024 | \$/kVA | (0.0006) | (per 30 days) |
| Rate Rider for Disposition of Expansion Deposits - effective until December 31, 2024 | \$/kVA | (0.0527) | (per 30 days) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2023) - effective until December 31, 2023 | \$/kVA | 1.0560 | (per 30 days) |
| Rate Rider for Disposition of Deferral/Variance Accounts for Non-Wholesale Market Participants (2023) - effective until December 31, 2023 | \$/kVA | 0.4277 | (per 30 days) |
| Rate Rider for Disposition of Capacity Based Recovery Account (2023) - Applicable only for Class B Customers - effective until December 31, 2023 | \$/kVA | (0.0592) | (per 30 days) |
| Rate Rider for Disposition of Global Adjustment Account (2023) - Applicable only for Non-RPP Customers - effective until December 31, 2023 | \$/kWh | (0.00251) | |
| Retail Transmission Rate - Network Service Rate | \$/kW | 3.6824 | (per 30 days) |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 2.3677 | (per 30 days) |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | | |
|--|--------|--------|---------------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0030 | |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 | |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0005 | |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 | (per 30 days) |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2022-0065

LARGE USE SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

The rate rider for the disposition of WMS - Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

The rate rider for the disposition of Post 2011 Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | | |
|---|--------|-----------|---------------|
| Service Charge | \$ | 4,630.52 | (per 30 days) |
| Distribution Volumetric Rate | \$/kVA | 7.9826 | (per 30 days) |
| Rate Rider for Disposition of Capital Related Revenue Requirement Variance Account - effective until December 31, 2024 | \$/kVA | (0.3894) | (per 30 days) |
| Rate Rider for Disposition of Wireless Pole Attachment Revenue - effective until December 31, 2024 | \$/kVA | (0.0006) | (per 30 days) |
| Rate Rider for Disposition of Expansion Deposits - effective until December 31, 2024 | \$/kVA | (0.0622) | (per 30 days) |
| Rate Rider for Disposition of PILs and Tax Variance - effective until December 31, 2024 | \$/kVA | (0.0552) | (per 30 days) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2023) - effective until December 31, 2023 | \$/kVA | 1.0391 | (per 30 days) |
| Rate Rider for Disposition of Deferral/Variance Accounts for Non-Wholesale Market Participants (2023) - effective until December 31, 2023 | \$/kVA | 0.4119 | (per 30 days) |
| Rate Rider for Disposition of Capacity Based Recovery Account (2023) - Applicable only for Class B Customers - effective until December 31, 2023 | \$/kVA | (0.0340) | (per 30 days) |
| Rate Rider for Disposition of Global Adjustment Account (2023) - Applicable only for Non-RPP Customers - effective until December 31, 2023 | \$/kWh | (0.00251) | |
| Retail Transmission Rate - Network Service Rate | \$/kW | 4.1977 | (per 30 days) |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 2.6305 | (per 30 days) |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | | |
|--|--------|--------|---------------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0030 | |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 | |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0005 | |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 | (per 30 days) |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2022-0065

STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires THESL to provide back- up service. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component - APPROVED ON AN INTERIM BASIS

Standby Charge - for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility).

| | | | |
|---|--------|--------|---------------|
| Service Charge | \$ | 270.82 | (per 30 days) |
| Distribution Volumetric Rate | | | |
| For General Service 50 - 999 kW Service Classification | \$/kVA | 8.9153 | (per 30 days) |
| For General Service 1,000 - 4,999 kW Service Classification | \$/kVA | 7.3674 | (per 30 days) |
| For Large Use Service Classification | \$/kVA | 7.9826 | (per 30 days) |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2022-0065

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand at each location is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by THESL and the customer, based on detailed manufacturer information/ documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments there to as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|---|--------|--------------------|
| Service Charge | \$ | 6.84 (per 30 days) |
| Connection Charge (per connection) | \$ | 0.71 (per 30 days) |
| Distribution Volumetric Rate | \$/kWh | 0.08606 |
| Rate Rider for Disposition of Capital Related Revenue Requirement Variance Account - effective until December 31, 2024 | \$/kWh | (0.00514) |
| Rate Rider for Disposition of Wireless Pole Attachment Revenue - effective until December 31, 2024 | \$/kWh | (0.00003) |
| Rate Rider for Disposition of Expansion Deposits - effective until December 31, 2024 | \$/kWh | (0.00082) |
| Rate Rider for Disposition of PILs and Tax Variance - effective until December 31, 2024 | \$/kWh | (0.00073) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2023) - effective until December 31, 2023 | \$/kWh | 0.00339 |
| Rate Rider for Disposition of Capacity Based Recovery Account (2023) - Applicable only for Class B Customers - effective until December 31, 2023 | \$/kWh | (0.00015) |
| Rate Rider for Disposition of Global Adjustment Account (2023) - Applicable only for Non-RPP Customers - effective until December 31, 2023 | \$/kWh | (0.00250) |
| Retail Transmission Rate - Network Service Rate | \$/kWh | 0.00701 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.00463 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|--|--------|--------------------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0030 |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0005 |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 (per 30 days) |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2022-0065

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | | |
|---|--------|-----------|---------------|
| Service Charge (per device) | \$ | 1.76 | (per 30 days) |
| Distribution Volumetric Rate | \$/kVA | 39.3057 | (per 30 days) |
| Rate Rider for Disposition of Capital Related Revenue Requirement Variance Account - effective until December 31, 2024 | \$/kVA | (2.4517) | (per 30 days) |
| Rate Rider for Disposition of Wireless Pole Attachment Revenue - effective until December 31, 2024 | \$/kVA | (0.0120) | (per 30 days) |
| Rate Rider for Disposition of Expansion Deposits - effective until December 31, 2024 | \$/kVA | (0.3914) | (per 30 days) |
| Rate Rider for Disposition of PILs and Tax Variance - effective until December 31, 2024 | \$/kVA | (0.3476) | (per 30 days) |
| Rate Rider for Disposition of Deferral/Variance Accounts (2023) - effective until December 31, 2023 | \$/kVA | 1.0733 | (per 30 days) |
| Rate Rider for Disposition of Capacity Based Recovery Account (2023) - Applicable only for Class B Customers - effective until December 31, 2023 | \$/kVA | (0.0498) | (per 30 days) |
| Rate Rider for Disposition of Global Adjustment Account (2023) - Applicable only for Non-RPP Customers - effective until December 31, 2023 | \$/kWh | (0.00251) | |
| Retail Transmission Rate - Network Service Rate | \$/kW | 3.3900 | (per 30 days) |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 2.8259 | (per 30 days) |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | | |
|--|--------|--------|---------------|
| Wholesale Market Service Rate (WMS) - not including CBR | \$/kWh | 0.0030 | |
| Capacity Based Recovery (CBR) - Applicable for Class B Customers | \$/kWh | 0.0004 | |
| Rural or Remote Electricity Rate Protection Charge (RRRP) | \$/kWh | 0.0005 | |
| Standard Supply Service - Administrative Charge (if applicable) | \$ | 0.25 | (per 30 days) |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

**This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors**

EB-2022-0065

microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the utility's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | | |
|----------------|----|------|---------------|
| Service Charge | \$ | 4.49 | (per 30 days) |
|----------------|----|------|---------------|

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

**This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors**

EB-2022-0065

ALLOWANCES

| | | | |
|---|--------|--------|---------------|
| Transformer Allowance for Ownership | \$/kVA | (0.62) | (per 30 days) |
| Primary Metering Allowance for Transformer Losses - applied to measured demand & energy | % | (1.00) | |

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

Customer Administration

| | | |
|---|----|-------|
| Account history | \$ | 25.00 |
| Duplicate invoices for previous billing | \$ | 25.00 |
| Request for other billing or system information | \$ | 25.00 |
| Easement letter | \$ | 25.00 |
| Income tax letter | \$ | 25.00 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | \$ | 35.00 |
| Returned cheque (plus bank charges) | \$ | 25.00 |
| Special meter reads | \$ | 55.00 |
| Meter dispute charge plus Measurement Canada fees (if meter found correct) | \$ | 55.00 |

Non-Payment of Account

| | | |
|--|----|--------|
| Late payment - per month (effective annual rate 19.56% per annum or 0.04896% compounded daily rate) | % | 1.50 |
| Reconnection charge - at meter - during regular hours | \$ | 120.00 |
| Reconnection charge - at meter - after regular hours | \$ | 400.00 |
| Reconnection charge - at meter - during regular hours | \$ | 300.00 |
| Reconnection charge - at meter - after regular hours | \$ | 820.00 |

Other

| | | |
|--|----|----------|
| Reconnection charge - at meter - during regular hours | \$ | 120.00 |
| Reconnection charge - at meter - after regular hours | \$ | 400.00 |
| Reconnection charge - at meter - during regular hours | \$ | 300.00 |
| Reconnection charge - at meter - after regular hours | \$ | 820.00 |
| Temporary service install & remove - overhead - no transformer | \$ | 2,040.00 |
| Specific charge for access to the power poles (wireline attachments) - per pole/year | \$ | 36.05 |

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2023

This schedule supersedes and replaces all previously
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EB-2022-0065

RETAIL SERVICE CHARGES (if applicable)

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

Retail Service Charges refer to services provided by THESL to retailers or customers related to the supply of competitive electricity and are defined in the 2006 Electricity Distribution Rate Handbook.

| | | |
|--|----------|-----------|
| One-time charge, per retailer, to establish the service agreement between the distributor and the retailer | \$ | 111.66 |
| Monthly Fixed Charge, per retailer | \$ | 44.67 |
| Monthly Variable Charge, per customer, per retailer | \$/cust. | 1.11 |
| Distributor-consolidated billing monthly charge, per customer, per retailer | \$/cust. | 0.66 |
| Retailer-consolidated billing monthly credit, per customer, per retailer | \$/cust. | (0.66) |
| Service Transaction Requests (STR) | | |
| Request fee, per request, applied to the requesting party | \$ | 0.56 |
| Processing fee, per request, applied to the requesting party | \$ | 1.11 |
| Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party | | |
| Up to twice a year | | no charge |
| More than twice a year, per request (plus incremental delivery costs) | \$ | 4.47 |

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

| | |
|---|--------|
| Total Loss Factor - Secondary Metered Customer < 5,000 kW | 1.0295 |
| Total Loss Factor - Secondary Metered Customer > 5,000 kW | 1.0172 |
| Total Loss Factor - Primary Metered Customer < 5,000 kW | 1.0192 |
| Total Loss Factor - Primary Metered Customer > 5,000 kW | 1.0070 |

SCHEDULE B
DECISION AND RATE ORDER
TORONTO HYDRO-ELECTRIC SYSTEM LIMITED
ACCOUNTING ORDER
EB-2022-0065
DECEMBER 8, 2022

ACCOUNTING ORDER

NEW VARIANCE ACCOUNTS – USEFUL LIFE CHANGES

In accordance with the OEB's decision on the 2020-2024 Custom IR application (EB-2018-0165), Toronto Hydro intends to complete a comprehensive depreciation study on its assets. Toronto Hydro intends to adopt changes in asset useful lives where material differences might exist between the study's recommendations and current practices. This change in useful lives would impact all components of Toronto Hydro's revenue requirement as they relate to changes in depreciation.

The purpose of the new Useful Life Changes variance accounts is to track the cumulative difference between the utility's net Plant, Property, and Equipment under its former and updated depreciation rates and any associated impacts as appropriate. The account will be effective from January 1, 2023 until the effective date of the next rebasing decision, unless otherwise directed by the OEB. The account will be cumulative and asymmetrical in favour of customers. The calculation of any entries made to the Useful Life Changes accounts and the prudence of any account balances will be subject to review and OEB approval at rebasing.

Carrying charges will apply to the opening revenue requirement balances in the account (exclusive of accumulated interest) at the OEB-approved rate for deferral and variance accounts. The carrying charges sub-account is being established on a provisional basis, to enable the consideration of carrying charges on the variance account, based on the calculation approach approved at rebasing.

Toronto Hydro will use the following sub-accounts to record the amounts:

- Account 1508, Other Regulatory Assets, Sub-account Useful Life Changes
- Account 1508, Other Regulatory Assets, Sub-account Useful Life Changes Carrying Charges

The sample accounting entries for the variance accounts are:

- A. To record entries in the Useful Life Changes variance account:
 - CR 1508 Other Regulatory Assets, Sub-account Useful Life Changes
 - DR 4305 Regulatory Debits
- B. To record the carrying charges on the Useful Life Changes variance account:
 - CR 1508 Other Regulatory Assets, Sub-account Useful Life Changes Carrying Charges
 - DR 6035 Other Interest Expense