

BY E-MAIL AND WEB POSTING

December 16, 2020

Updated: December 17, 2020

**To: All Licensed Electricity Distributors
All Other Interested Parties**

Re: Applications for 2022 to 2025 Electricity Distribution Rates

Providing clear and timely guidance to industry is a key part of the Ontario Energy Board's (OEB) commitment to making the regulatory process more efficient. This letter sets out a preliminary list of cost of service filers for the 2022-2025 rate years, invites interested distributors to defer their rebasing if appropriate, and indicates important filing and notice deadlines.

At this time, 20 electricity distributors are scheduled to file a cost of service application for 2022 rates, 10 for 2023 rates, five for 2024 and six for 2025. In light of the imbalance in the number of distributors scheduled to file a cost of service application over the next four years, the OEB is inviting interested electricity distributors that are scheduled to file a cost of service application for 2022 to 2024 to submit expressions of interest for a deferral to rebase in any subsequent year, up to 2025. As with past deferral requests, the OEB will assess requests based on the individual circumstances of the distributor and its past performance.

This letter also sets out the deadlines for filing 2022 cost of service applications and any notice that must be given to the OEB on related matters.

Background

As set out in the *Handbook for Utility Rate Applications*, issued by the OEB on October 13, 2016, three incentive rate-setting (IR) methods are available to electricity distributors: Price Cap IR; Custom IR; and the Annual IR Index.

Inclusion on the Rebasing List for 2022 and Cost of Service Application Deadline

Most distributors that have been included on the Rebasing List for 2022 are those whose rates were last set based on a cost of service application for January 1 or May 1,

2017, as well as distributors that were scheduled to have their rates rebased for the 2021 rate year but whose rate rebasing was deferred by one year.

Distributors that are on the Rebasing List for 2022 and that intend to file for rates effective January 1 or May 1 are expected to file their 2022 rate applications on a cost of service basis no later than **April 30, 2021** or **August 31, 2021**, respectively. Distributors whose current rate years commence on May 1 that plan on requesting a change to a January 1 rate year should notify the OEB of this intent no later than **January 29, 2021**. Any distributor which intends to select to have its rates set using either the Custom IR or the Annual IR Index method must refer to the sections below.

Adjustments to the Rebasing List

Distributors that Wish to Submit Expressions of Interest to Defer Beyond the 2022, 2023 or 2024 Rate Years

Any distributor that has been included on the Rebasing List for 2022 to 2024 but wishes to submit an expression of interest to defer its application beyond its scheduled rebasing year must send a letter to the OEB no later than **January 29, 2021**.

Distributors scheduled for 2022 may request any rebasing year from 2023 to 2025. Distributors on the 2023 list, may request to go to 2024 or 2025. Those on the 2024 list, may request to rebase for 2025 rates.

Distributors interested in deferring should identify whether their requests are relying upon the availability of an Incremental Capital Module (ICM), and if so, should provide a description of the project to be funded through the ICM. The OEB generally requires an updated Distribution System Plan (DSP) with any ICM request that is filed beyond the five-year horizon of the distributor's current DSP. A distributor that is relying on an ICM for its extended IRM period must demonstrate to the OEB in its letter, why it is appropriate to file for an ICM with an updated DSP, as opposed to proceeding with its planned rebasing application. If the OEB grants approval for the deferral, the OEB panel hearing the IRM application will ultimately determine if an ICM will be approved.

In making its determinations on each deferral request, the OEB will consider, among other relevant factors, the distributor's scorecard performance results. If a distributor has earned beyond 300 basis points above or below the OEB-approved return on equity, a deferral will typically not be granted, unless it is clear that the over or under earnings are an anomaly.

Selection of Custom IR or Annual IR Index Methods

Any distributor that has been included on the Rebasing List for 2022 and that intends to select either the Custom IR or the Annual IR Index method for 2022 rates must, if it has not already done so, notify the OEB as soon as possible and in any event no later than **January 29, 2021**. Distributors filing Custom IR applications should review the OEB's performance standards for rate applications as a guide to an appropriate filing date.

Distributors that have filed Annual IR Index applications for 2021 rates have not been included on the Rebasing List for 2022. These distributors can choose to move to the Price Cap IR method, but would only be eligible to rebase for 2022 if their last cost of service application was for May 1, 2017 rates or earlier. Distributors that choose to move to the Price Cap IR method and rebase their rates for 2022 must notify the OEB no later than **January 29, 2021**. If a distributor's rates were rebased after 2017, the early rebasing approach discussed below would apply.

Distributors that Intend to File an Early Rebasing Application

A distributor that is not included on the Rebasing List for 2022 but wishes to have its 2022 rates set on a cost of service basis under the Price Cap IR option must notify the OEB in writing to registrar@oeb.ca as soon as possible and in any event no later than **January 29, 2021**. In keeping with the OEB's approach to early rebasing as set out in its [April 20, 2010 letter](#) a distributor that seeks to have its rates rebased earlier than scheduled must clearly demonstrate, in its cost of service application, why early rebasing is required and why and how the distributor cannot adequately manage its resources and financial needs during the remaining years of its Price Cap IR plan term. Any questions regarding this process should be directed to contact Jane Scott at jane.scott@oeb.ca.

Yours truly,

Original Signed By

Christine E. Long
Registrar

**APPENDIX A
2022-2025 Rebasers**

2022	2023	2024	2025
January 1	January 1	January 1	January 1
Bluewater Power Distribution Corporation ¹	Centre Wellington Hydro Ltd.	Chapleau Public Utilities Corporation	Algoma Power Inc.
Brantford Power Inc.	Cooperative Hydro Embrun Inc.	Energy +	Enwin Utilities Ltd.
Canadian Niagara Power Inc.	Hydro Hawkesbury Inc.	May 1	Kitchener-Wilmot Hydro Inc.
Festival Hydro Inc. ²	Hydro One Networks Inc. Custom IR	Lakeland Power Distribution Ltd.	Toronto Hydro
Grimsby Power Inc.	Westario Power Inc.	Niagara-on-the-Lake Hydro Inc.	May 1
Kingston Hydro Corp.	May 1	Synergy North	Greater Sudbury Hydro Inc.
Lakefront Utilities Inc.	EPCOR		Hydro2000
Renfrew Hydro Inc.	Essex Powerlines Corporation		
May 1	Hydro One Remote Communities Inc.		
Attawapiskat Power Corporation	P.U.C. Distribution Inc.		
Atikokan Hydro Inc.	Sioux Lookout Hydro Inc.		
E.L.K Energy Inc. ³			
Fort Albany Power Corporation			
Innpower Distribution Systems Limited ²			
Kashechewan Power Corporation			
London Hydro Inc.			
Milton Hydro Distribution Inc.			
Northern Ontario Wires Inc.			
Ottawa River Power Corporation			
Wasaga Distribution			
Welland Hydro-Electric System Corp.			

Note:LDCs currently on Annual IR: Bluewater Power Distribution Corporation, Elexicon Energy Inc.– Whitby service area, Fort Frances Power Corporation, Newmarket-Tay Power Distribution Ltd., Oakville Hydro Electricity Distribution Inc., Orangeville Hydro Limited, Tillsonburg Hydro Inc.

1. The OEB has indicated to Bluewater Power Distribution Corporation that it is required to rebase in 2022, [OEB letter to Bluewater Power, June 19, 2020](#)

2. Festival Hydro Inc. and Innpower Distribution Systems Limited have requested to defer their 2022 applications to 2023. If they wish to revise that request as a result of this letter, they can resubmit their request.

3. E.L.K Energy Inc. is currently on Annual IR however is required to rebase in 2022 as per its 2017 Cost of Service application (EB-2016-0066). In the approved settlement proposal, the parties agreed that E.L.K Energy Inc. would file its next cost of service rebasing application no later than for 2022 rates.

**APPENDIX B
Summary of Deadlines**

Action	OEB Deadline
Notification from any distributor on the 2022 Rebasing List that will be selecting either the Custom IR or Annual IR Index method and therefore will not be filing a cost of service rate application for 2022 rates	January 29, 2021
Notification from any distributor that is currently on Annual IR Index but that plans to file a cost of service rate application under the Price Cap IR method or a Custom IR application for 2022 rates	January 29, 2021
Letter from any distributor included on the 2022 to 2025 Rebasing List that wishes to submit a request to defer rebasing beyond its scheduled rebasing year	January 29, 2021
Notification from any distributor that is not included on the 2022 Rebasing List but that plans to file a cost of service application for 2022 rates under the Price Cap IR method (early rebasing)	January 29, 2021
Notification from any distributor that plans to file a cost a service application for 2022 rates and that wishes to convert its rate year from May 1 to January 1	January 29, 2021
Deadline for cost of service applications for January 1, 2022 rates including those distributors that wish to convert from May 1 rates to January 1 rates	April 30, 2021
Deadline for cost of service applications for May 1, 2022 rates and for Custom IR annual update applications	August 31, 2021