



Ontario | Commission
Energy | de l'énergie
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Ontario

DECISION AND ORDER

EB-2021-0212

ONTARIO ENERGY BOARD

In the matter of a proceeding commenced by the Ontario Energy Board on its own motion to consider the values of the inflation factors to be used in rate adjustment applications for rates effective in 2022

BEFORE: Allison Duff
Presiding Commissioner

Pankaj Sardana
Commissioner

Anthony Zlahtic
Commissioner

November 18, 2021

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SCHEDULE A

1 OVERVIEW

The Ontario Energy Board (OEB) initiated a generic proceeding on its own motion to consider the inflation factors to be used to set rates for certain electricity transmitters and electricity and natural gas distributors for 2022.

The OEB initiated this generic proceeding to review an uncharacteristic change in the 2022 inflation factors calculated by the methodology adopted by the OEB in the [*Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors*](#) (the Report).¹ This uncharacteristic change was driven by how pandemic-related restrictions on the work force affected the annual increase in Average Weekly Earnings, a statistic published by Statistics Canada. This generic proceeding enables the evaluation of various options to determine how inflation factors should be set for 2022 rate adjustment applications to ensure just and reasonable transmission and distribution rates in 2022.

Submissions were filed by OEB staff and some intervenors to this proceeding on October 1, 2021 and reply submissions were filed on October 15, 2021.

The OEB finds it appropriate to continue applying the existing formula and methodology to calculate the 2022 inflation factors, which is Option 1 as described in the Notice, Procedural Order No. 1 and this Decision. The resulting inflation factor to be used for 2022 rate adjustment applications applicable to electricity distributors and EPCOR is 3.3%. The 2022 inflation factor to be used for electricity transmission utilities is 2.5%. Schedule A contains full calculations of the 2022 inflation factors.

¹ EB-2010-0379

2 PROCESS

The OEB updates revenue requirements or base distribution rates of most electricity transmitters and electricity and natural gas distributors annually using an Incentive Rate Mechanism (IRM) methodology, between applications when utilities rebase their rates or revenue requirement. The IRM methodology adjusts revenue requirements or distribution rates by sector-specific inflation factor, offset by a productivity factor and possibly other factors.

2.1 Proceeding on the OEB's Own Motion

On August 6, 2021,² the OEB issued a Notice on its own motion to initiate a proceeding to consider the inflation factor to be used to set rates for electricity transmitters and electricity and natural gas distributors for 2022.

The Notice and Procedural Order No. 1 noted that preliminary calculations of the inflation factors used for adjusting rates in Price Cap Incentive Rate-setting (IR), Annual Index IR, Revenue Cap IR, and other approved rate adjustment applications for rates effective in 2022 showed the following values, compared with the OEB-approved 2021 inflation factor values:

Table 2.1: Calculated Inflation Factors for 2022 Compared to 2021

Year	Enbridge	Electricity Transmission	Electricity Distribution and EPCOR
2022	1.7%	2.5%	3.3%
2021 (approved)	2.0%	2.0%	2.2%

Analysis of the preliminary calculations showed that the labour inflation component of the inflation factor, Average Weekly Earnings (AWE) (Ontario, all businesses), increased by about 7% from 2019 to 2020. According to Statistics Canada, the increases in AWE and related statistics like Average Hourly Earnings (AHE), are largely affected by how COVID-19 lockdowns and other restrictions disproportionately affected, through removal from the active work force, lower wage-earning employees, relative to higher earning salaried employees, resulting in higher average weekly earnings for the

² Pursuant to sections 19, 36 and 78 of the *Ontario Energy Board Act, 1998*

active workforce during the COVID-19 pandemic.^{3,4} This increase in the labour inflation component is a significant driver of the projected increase to the total inflation factor used to set rates for utilities.

The Notice invited parties to apply for intervenor status. The following parties requested intervention status in the proceeding:

- Alectra Utilities Corporation (Alectra)
- Association of Major Power Consumers in Ontario (AMPCO)
- Consumers Council of Canada (CCC)
- Electricity Distributors Association (EDA)
- Elexicon Energy Inc. (Elexicon)
- Enbridge Gas Inc. (Enbridge)
- Entegrus Powerlines Inc. (Entegrus)
- Hydro One Networks Inc. (HONI)
- Hydro Ottawa Limited (Hydro Ottawa)
- London Property Management Association (LPMA)
- School Energy Coalition (SEC)
- Toronto Hydro-Electric System Limited (THESL)
- Vulnerable Energy Consumers Coalition (VECC)

AMPCO, CCC, LPMA, SEC and VECC applied for cost eligibility.

Procedural Order No. 1 approved the intervention and cost eligibility requests received.⁵ This Procedural Order also established the timetable for an untranscribed stakeholder meeting, submissions and reply submissions. Procedural Order No. 1 included a Fact Sheet⁶ prepared by OEB staff using publicly available data which provided the preliminary calculations of the 2022 inflation factors, and background on the inflation factor methodology as adopted by the OEB. The Fact Sheet also provided Statistics

³ Statistics Canada, The Daily, [July 30, 2020](#), [August 27, 2020](#), [September 24, 2020](#), [October 29, 2020](#), [November 26, 2020](#), [December 22, 2020](#), [January 28, 2021](#), [February 25, 2021](#), [March 30, 2021](#), [April 29, 2021](#), [May 27, 2021](#), [June 24, 2021](#). For example, in the June 24, 2021 The Daily, StatsCan states: “This disproportionate loss of lower-wage employment has the effect of increasing average earnings.” Each monthly issuance is for the month two months prior – i.e., the June issuance is for April data.

⁴ Statistics Canada, [The Daily, July 29, 2021](#).

⁵ Issued August 27, 2021

⁶ [Fact Sheet of Statistics Canada and Bank of Canada Data and Description of Possible Alternative Inflation Indices for 2022 Rates Compiled by Ontario Energy Board Staff](#), August 27, 2021, Schedule B to Procedural Order No. 1

Canada and Bank of Canada data used in the inflation factor calculations, as well as related inflation and labour statistics.

Submissions were filed by AMPCO, CCC, the Coalition of Large Distributors (CLD)⁷, the EDA, LPMA, SEC, VECC, and OEB staff (parties).

Reply submissions were filed by CLD, the EDA, Enbridge, LPMA, SEC, and OEB staff.

⁷ The CLD is comprised of Alectra, Elexicon Energy, HONI, Hydro Ottawa, and THESL. While each member intervened individually, the CLD provided a single submission on behalf of its members.

3 SCOPE

The framework for IRM, including the methodology for the inflation escalator (Input Price Index, or IPI) was adopted in the Report. Under this framework the OEB established a formulaic approach to setting rates for years between major rate applications, whereby electricity transmitters and electricity and natural gas distributors have their rates adjusted annually using an OEB-approved formula that is tied to inflation, using several statistical series published by Statistics Canada, and factors intended to promote efficiency and other cost components. The inflation rates and productivity factors in the OEB-approved formula are updated annually by the OEB.

There are separate IPIs for electricity distribution utilities and electricity transmission utilities based on different weightings of the labour and non-labour components. EPCOR uses the same IPI as electricity distributors. Enbridge Gas Inc. has its own IPI with no separate labour component.

As noted in Procedural Order No. 1, the 2020 data point for the labour component of the inflation factors (which is used to set rates for 2022) was atypical, and the scope of this proceeding is on what measures, if any, should the OEB take to ensure that rates remain just and reasonable for 2022.

The OEB clarified that this proceeding is not intended to be a review of the overall inflation factor methodology and formula as adopted in the Report, or the existing framework for setting rates through annual Price Cap IR, Annual IR, Revenue Cap IR or similar rate adjustment options made available by the OEB.

4 OEB PRINCIPLES

The *Ontario Energy Board Act, 1998*, outlines the OEB’s mandate with respect to electricity and natural gas regulation. Sections 1 and 2 of the OEB Act set out the OEB’s objectives in carrying out its responsibilities in relation to electricity and gas, respectively.

The OEB Act states that, among other objectives, the OEB shall be guided by the objective of facilitating the maintenance of a financially viable electricity industry, and the maintenance of a financially viable gas industry for the transmission, distribution, and storage of gas. The OEB Act includes objectives to inform consumers and protect their interests with respect to prices and the reliability and quality of electricity and gas services.

The OEB is guided by its objectives in approving “just and reasonable” rates for regulated electricity and natural gas services.⁸

The Report is a policy of the OEB. The OEB develops policies through a number of avenues, often through formal reports, rules and guidelines. These policy documents serve an important function by providing guidance to stakeholders regarding how the OEB intends to deal with certain recurring situations. They promote regulatory predictability, consistency, and efficiency for both regulated utilities, customers, and other stakeholders. By their very nature, however, policy documents are not binding. Panel members retain the discretion to deviate from policy where circumstances warrant.

⁸ Section 78 of the OEB Act for electricity rate-setting and section 36 for gas distributors.

5 OPTIONS CONSIDERED

The OEB's Notice and Procedural Order No. 1 set out the three options to consider in determining the appropriate inflation factor for 2022 but noted that the OEB would consider other options presented by parties. The three options outlined were:

1. Continue to apply the existing methodology and formula (including the existing inflation indices) to the 2022 rate adjustments.
2. Extend the approved values for 2021 inflation rates for 2022 rate adjustments.
3. Update the 2022 inflation rates under the existing methodology using a suitable sub-index of AWE or a related statistic, AHE, that is more representative of labour inflation expected to be experienced by distribution and transmission Utilities in 2022.

Regarding option 3, the Fact Sheet identified four potential subindices although parties were not limited to considering only these subindices:

- a. Average Weekly Earnings (Ontario, all businesses, Salaried employees, including overtime)
- b. Average Hourly Earnings (Ontario, all businesses, Salaried employees, including overtime)
- c. Average Hourly Earnings (Ontario, all businesses, Hourly wage employees, including overtime)
- d. Average Hourly Earnings (Ontario, all businesses, fixed weight, excluding overtime)

Parties made submissions on the options identified by the OEB in the Notice and Procedural Order No.1, and some parties also proposed other options. For purposes of this Decision, the OEB refers to these as options 4 and 5:

4. Use of GDP-IPI (FDD) only⁹
5. Smoothing using a simple average

Table 5.2 summarizes the preferred option of each party who filed a submission.

⁹ Implicit Price Index for (National) Gross Domestic Product, Final Domestic Demand

Table 5.2: Summary of Preferred Options

Year	Electricity Distributors & EPCOR	Electric Transmission	Enbridge ¹⁰	Proponent Preferred Option
2021 (Approved)	2.2%	2.0%	2.0%	
Option 1 - 2022	3.3%	2.5%	1.7%	CLD, EDA, OEB staff, LPMA ¹¹ , Enbridge
Option 2 – 2022	2.2%	2.0%	1.7%	---
Option 3(d) – 2022	2.2%	2.0%	1.7%	OEB staff ¹² , SEC
Option 4 – 2022	1.7%	1.7%	1.7%	CCC, VECC, LPMA
Option 5 - 2022	2.75%	2.25%	1.7%	AMPCO

In general, most parties noted that the scope of the proceeding was limited to the inflation factor values for 2022 rate adjustment applications as any adjustment to the formula for 2022 may need to consider future years. Most parties highlighted the unknown duration, extent and recovery of COVID-19 impacts on the labour force, and on the economy generally.

¹⁰ EB-2021-0147, EGI_SettlementProposal_20210929, p. 7, September 29, 2021. As per the settlement proposal, Enbridge and other parties agreed to a 1.7% IPI as proposed in the application. The OEB accepted the settlement proposal in its October 28, 2021 Decision on Settlement Proposal and Interim Rate Order.

¹¹ In its reply submission, LPMA submitted that if the OEB determines that it will maintain the current approved methodology and formula for setting the 2022 inflation rate based on maintaining a principles-based approach to rate setting, then it should continue with that approach in subsequent years as well.

¹² OEB staff submitted that either option 1 or 3(d) are reasonable for the reasons provided in its submission and reply submission.

5.1 Option 1 - Apply Existing Methodology and Formula

The CLD and EDA supported Option 1. Both the CLD and EDA submitted that there are other inflationary pressures affecting utilities, “such as those arising from supply chain issues”¹³ and that utilities have “experienced atypical increases in the prices for material and parts...”.¹⁴ The EDA and CLD described the 0.6% typical residential bill increase calculated in the Fact Sheet as “modest” and that the increases do not out-weigh the benefits of regulatory predictability and the following of a principled approach.

OEB staff supported both Option 1 and Option 3(d), explaining that Option 1 was reasonable unless the OEB considered departing from the policy. OEB staff submitted that for policies, such as those established in the Report, to achieve the objectives of regulatory predictability, consistency, and efficiency, they should be followed unless there is a good reason for not doing so.

AMPCO, CCC and SEC did not support Option 1. AMPCO stated that the uncharacteristic nature of the change in the labour component needs to be further assessed. The increase should not just be accepted as a flow through outcome for customers.¹⁵ CCC submitted that the increase in the AWE is not reflective of the average change in labour costs across the economy in general and not reflective of increases in utility wages between 2019 and 2020. CCC submitted Option 1 would result in a “windfall” gain for utilities with rates to customers that would not be just and reasonable.¹⁶ SEC made a similar argument, claiming that according to Statistics Canada, the growth appears to be entirely driven by the composition of the labour force, and not changes in labour rates. As a result, AWE in the formula does not currently serve its intended purpose.¹⁷

LPMA submitted that if Option 1 is approved, then the higher inflation factor should be taken into consideration when distributors apply to dispose balances in a COVID-19

¹³ EB-2021-0212, CLD_SUB_GPIF_20211001, October 1, 2021, Page 3

¹⁴ EB-2021-0212, EDA_SUB_GPIF_20211001, October 1, 2021, Page 3

¹⁵ EB-2021-0212, AMPCO_SUB_GPIF_20211001, October 1, 2021, Page 3

¹⁶ EB-2021-0212, CCC_SUB_GPIF_20211001, October 4, 2021, Page 2

¹⁷ EB-2021-0212, SEC_SUB_GPIF_20211001, October 1, 2021, Page 2

deferral account. In particular, the Exceptional Pool of costs should be reduced to reflect the OEB approval of the continuation of the existing methodology and indices.^{18,19}

In reply submission, the EDA submitted that the evidence in this proceeding is not sufficient to support deviating from regulatory policy. Similarly, the CLD submitted that there is no principled basis for a deviation from established OEB policy. A change to the OEB's methodology for determining the value of the inflation factor that is not material to the bill impacts does not justify any policy deviation.

SEC disagreed with the CLD's argument that "there is no evidence on the record of this proceeding that maintaining the existing approach to determining the inflation factor (i.e., Option 1) will not result in rates that are appropriate". SEC stated that the evidence is clear regarding the problems with the AWE data for 2020, and it is no longer reflective of changes in Ontario wage rates.²⁰

5.2 Option 2 - Extend the 2021 Approved Values for 2022

No party supported Option 2.

OEB staff submitted that Option 3, using more current data for a substitute of AWE, is a more principled way of dealing with the AWE outlier problem.²¹

5.3 Option 3(d) – Substitute AWE with AHE

OEB staff and SEC supported Option 3(d), to update the existing methodology using Average Hourly Earnings (Ontario, all businesses except unclassified, fixed weight, excluding overtime) instead of AWE.

OEB staff acknowledged that the Fact Sheet included statements from both Statistics Canada and the Bank of Canada regarding fixed-weight wage measures, which indicate that they provide a purer measure of wage inflation during the pandemic and subsequent economic recovery. OEB staff submitted that this is important if the OEB is inclined to make a change to the labour component of the IPI for 2022 rates, as this

¹⁸ EB-2021-0212, LPMA_SUB_GPIF_20211001, October 1, 2021, Page 3

¹⁹ As noted in the *Report of the Ontario Energy Board: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency*, issued June 17, 2021, the "Exceptional Pool" consists of necessary costs incurred to comply with government or OEB actions aimed at providing relief to customers in response to the pandemic (page 20).

²⁰ EB_2021-0212, SEC_ReplySUB_GPIF_20211015, October 15, 2021, Page 2

²¹ EB-2021-0212, OEB_staff_SUB_GPIF_20211001, October 1, 2021, Page 11

approach controls how government-mandated shutdowns affected the composition of the active labour force during this pandemic. Further, OEB staff stated that examination of the trends of the data over time indicates less volatility than is shown by the current AWE series or by other current weight AHE series. Ultimately, OEB staff submitted that either Option 1 or 3(d) would be a reasonable course of action to take. If the OEB determines that AWE is not the index that best reflects the wage pressures that utilities are currently facing, Option 3(d) is a preferable measure of wage inflation at this time.

In support of using AHE Fixed (Ontario), SEC stated that, between 2001 and 2019, the annual change in AHE Fixed (Ontario) had the lowest average annual deviation from the change in AWE. SEC submitted that AHE Fixed (Ontario) was appropriate if the purpose of considering an alternative for the labour value of the OEB's inflation factor is to address the concern with the 2020 AWE data and select one that most closely tracks with AWE in other years.²² Further, an annual change in a fixed weight index addresses the main problem with using AWE as it removes most of the impact of the change in labour force composition caused by the COVID-19 shutdowns which started in 2020, as the fixed weights were set on a pre-pandemic year.²³

SEC further submitted that layoffs did not impact utilities as they are an essential service. Over the same period, the general Ontario utility sub-index of the AWE decreased by 0.6%, and the Ontario electric power generation, transmission, and distribution sub-index decreased by 1.3%.²⁴

VECC submitted that it is not the appropriate time or forum to consider arguments around value of use AWE or AHE or other sub-indices. It further questioned whether any wage index can be isolated from the labour market disruptions occurring during the pandemic.²⁵

CCC took no position on Option 3 stating that it is unclear whether there is a more appropriate sub-index that is more representative of labour inflation expected to be experienced by utilities in 2022.

In reply submissions, the CLD and EDA stated that they do not support the use of another sub-index which differs from the established formula of the OEB. The EDA

²² EB-2021-0212, SEC_SUB_GPIF_20211001, October 1, 2021, Page 3

²³ Ibid

²⁴ Ibid, Page 2

²⁵ EB-2021-0212, VECC_SUB_GPIF_20211001, October 1, 2021, Pages 4-5

raised the risk of “cherry picking” indices²⁶ and that the OEB cannot act on parties’ doubts regarding the AWE unless supported by evidence or analysis. These doubts are not a reason to abandon a principle driven framework for setting rates and not a reason to reject a regulatory policy.²⁷ The CLD replied to SEC’s submission, claiming that this option fixates on the change in AWE, taken in isolation, as a basis to justify an outcome.²⁸

5.4 Option 4 - Use GDP-IPI (FDD) only

Some parties supported the use of Option 4 for 2022. LPMA submitted that historically, GDP-IPI (FDD) has been a stable measure of domestic inflation, which leads to stable increases in rates that are determined through IRM applications.²⁹ VECC and CCC submitted that the OEB deemed the use of GDP-IPI (FDD) as acceptable for many years.³⁰ SEC submitted that GDP-IPI (FDD) already makes up the bulk of the inflation factors with a weighting of either 70% (electricity distribution and EPCOR) or 86% (electricity transmission). Moreover, GDP-IPI (FDD) already includes the impact of changes in wages, as they indirectly affect GDP.³¹

In its reply submission, OEB staff noted that it does not prefer the use of GDP-IPI (FDD). OEB staff submitted that a temporary adjustment to remove the labour component entirely from the formula applicable to electricity distributors and transmitters is not appropriate in this proceeding.

In reply submission, the CLD noted that it would be unreasonable to adopt GDP-IPI (FDD) without any review of the finding already made by the OEB that GDP-IPI (FDD) does not provide as good an indication of Ontario price fluctuations as the two-factor measure.³² The EDA noted that parties who advocate for Option 3(d) are deliberately setting aside the OEB’s finding in the Report, in which the OEB stated that the two-

²⁶ EB-2021-0212_EDA_ReplySUB_GPIF_20211015, October 15, 2021, Page 2

²⁷ Ibid

²⁸ EB-2021-0212_CLD_ReplySUB_GPIF_20211015, October 15, 2021, Page 8

²⁹ EB-2021-0212_LPMA_SUB_GPIF_20211001, October 1, 2021, Page 6

³⁰ EB-2021-0212_VECC_SUB_GPIF_20211001, October 1, 2021, Page 5 and EB-2021-0212, CCC_SUB_GPIF_20211001, October 4, 2021, Page 3

³¹ EB-2021-0212_SEC_SUB_GPIF_20211001, October 1, 2021, Page 3

³² EB-2021-0212_CLD_ReplySUB_GPIF_20211015, October 15, 2021, Page 9

factor metric better indicates Ontario input price fluctuations and it provides a component to adjust for (inflation in) labour prices.³³

5.5 Option 5 - Simple Average

AMPCO supported Option 5. In averaging the 2021 approved and 2022 estimated inflation factors, it incorporated the uncharacteristic increase in the labour inflation component of the inflation factor, but at the same time smoothed the cost impact on customers. AMPCO proposed that this approach remain in place until COVID-19 impacts are no longer a material driver in the change in the IPI.³⁴

In their reply submissions, the EDA and OEB staff noted that the concept of averaging inflation indices was explored and rejected in the EB-2010-0379 consultation as it would embed swings in the averaging period. The CLD stated that, for Option 5 to be chosen, it would be essential to have full analysis which would include expert evidence, which was not available in this proceeding.

³³ EB-2021-0212, EDA_ReplySUB_GPIF_20211015, October 15, 2021, Page 2

³⁴ EB-2021-0212, AMPCO_SUB_GPIF_20211001, October 1, 2021, Page 3

6 DECISION

The OEB approves Option 1 for setting 2022 rates in accordance with the Report and the 2-factor IPI formula.

In making this determination on one of the inputs for just and reasonable rates, the OEB is guided by:

- OEB policy, and specifically the Report in the context of this proceeding, which promote regulatory predictability, consistency and efficiency for utilities, and other stakeholders
- The OEB's statutory objectives to facilitate the maintenance of a financially viable electricity industry and a financially viable gas industry for the transmission, distribution and storage of gas. Additionally, the objectives to inform consumers and protect their interests with respect to prices and the reliability and quality of electricity and gas services

The OEB notes that the COVID-19 pandemic was not anticipated when the 2-factor IPI formula was developed in the Report. Additionally, uncertainty remains as to the duration and the consequential inflationary impacts flowing from this ongoing event.

Alternatives to Option 1 were raised in this proceeding to address the unforeseen impact COVID-19 had on AWE which is one component of the 2-factor IPI formula. While Statistics Canada data and analysis indicated that COVID-19 and mandatory government ordered lockdowns caused structural changes to the composition of the employed labour market, it was but one of the factors that lead to an increase in AWE.³⁵

Given the ongoing uncertainty regarding forecast inflation in 2022, the OEB has decided to use the indices identified in the Report. Although a panel is not bound by policy, the OEB finds no compelling reason to depart from the policy in the Report in the absence of a comprehensive review of the complete framework, which was beyond the scope of this proceeding.

The OEB finds that Option 1 is consistent with just and reasonable rates for 2022. The range of 2022 inflation rates calculated from the formulae is not out of the realm of reasonable inflation rates for 2022. Despite the increase in AWE from 2019 to 2020, the outcome is reasonable. A 0.6% typical residential total bill increase for electricity

³⁵ Fact Sheet, pp. 4, 7-8, 17

distribution and EPCOR customers is not unreasonable, and the OEB does not find any compelling reason to vary from its established policy as set out in the Report. The OEB has considered the needs and impact to the utility, its customers and shareholders.

The OEB considered LPMA's submissions regarding Option 1 and the potential implications for generic COVID-19 deferral account balances. Future OEB panels will review any balances on a case-by-case basis at the time a balance is proposed for disposition by a utility. The OEB also considered LPMA's submission that, if Option 1 continues to apply for 2022 rates, then the existing indices should continue to be applied in the determination of subsequent rate years. This would be commensurate with a multi-year consideration that was beyond the scope of the proceeding. Other submissions expressed concern that, absent a review of the policy, continued application of the existing formula could lead to unjust and unreasonable rates for customers in subsequent years.

A policy review was not within the scope of this proceeding. While policy establishes regulatory consistency and certainty, it is also important that any policy continues to fulfill evolving regulatory objectives. In this Panel's view, a policy review would require an evidentiary examination of alternatives supported by industry experts such as macroeconomic and statistical experts, and rating agencies to assess Statistics Canada data, analysis and comments. Any future policy assessment should consider whether the formula and methodology continue to be robust over time, sufficient to withstand unforeseen events.

The OEB considered Options 2, 3, 4 and 5. As noted above, the OEB was not satisfied that there was a compelling reason to deviate from its established policy. In addition, the OEB had concerns about each of Options 2-5:

- Option 2 was not selected (extending the 2021 approved values for 2022) as it did not incorporate the long-established framework in which data is updated annually.
- Option 3(d) was not selected (substituting AWE for AHE) as the OEB did not find it appropriate to change the formula for one year, without any assurance of continued substitution in future years. SEC, which supported Option 3(d), submitted that it was important for a consistent application of this substitution in 2023/24 while the workforce returns to a more normal post-pandemic balance. This would be tantamount to a multi-year change which was beyond the 2022 scope of the proceeding.

- Option 4 was not selected (use GDP-IPI (FDD) only) as it did not recognize labour inflation as part of the policy as established in the Report.
- Option 5 was not selected (simple average) as it would distort the inflation result, should inflation moderate in 2023 and beyond.

In summary, the OEB approves Option 1 for 2022 after considering the scope of the proceeding and the options proposed.

7 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The 2022 inflation factor for electricity distributors and EPCOR is 3.3%, and for electricity transmitters is 2.5%. These values will be used for setting rates for 2022 for electricity distributors and for EPCOR, and for the 2022 revenue requirements of electricity transmitters, where the rates or revenue requirements are being updated through an application to adjust the rates or revenue requirement through an adjustment formula that includes the IPI as a component in the adjustment formula. For certainty, this applies to utilities whose rates or revenue requirements are being adjusted for 2022 under applicable Price Cap IR, Annual Index IR, Custom IR and Revenue Cap plans. Tables showing the derivation of the 2022 inflation values per the approved methodologies are provided in Schedule A.

Cost Awards

As indicated in Procedural Order No. 1, any cost awards approved by the OEB in this proceeding will be recovered from all electricity distributors, electricity transmitters and natural gas distributors (Rate-regulated Utilities) that are regulated by the OEB.

1. Intervenors must submit their cost claims by **November 25, 2021**. The cost claim must be filed with the OEB and one copy is to be sent by email to all Rate-regulated Utilities. The cost claim must be completed in accordance with section 10 of the OEB's *Practice Direction on Cost Awards*.
2. Rate-regulated Utilities will have until **December 6, 2021** to object to any aspect of the costs claimed. The objection must be filed with the OEB and one copy must be sent by email to the intervenor against whose claim the objection is being made.
3. An intervenor whose cost claim was objected to will have until **December 13, 2021** to file with the OEB a reply submission as to why its cost claim should be allowed. One copy of the reply submission is to be sent by email to the objecting Rate-regulated Utilities.
4. The OEB will then issue its decision on cost awards. The OEB's costs may also be addressed in the cost awards decision.

The OEB will use the process set out in section 12 of its [Practice Direction on Cost Awards](#) to implement the payment of the cost awards. Therefore, the OEB will act as a clearing house for all payments of cost awards in this process. For more information on this process parties may refer to the OEB's [Practice Direction on Cost Awards](#) and the [October 27, 2005 letter](#) regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB's [Rules, Codes, and Requirements](#) webpage.

Stakeholders are responsible for ensuring that any documents they file with the OEB **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-2021-0212** 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 [Filing Systems page](#) on the OEB's website.
- Stakeholders are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the web portal can contact registrar@oeb.ca for assistance.

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.

DATED at Toronto November 18, 2021

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar

SCHEDULE A
DECISION AND ORDER
TABLES OF 2022 ELECTRICITY DISTRIBUTION AND TRANSMISSION
INFLATION FACTORS
EB-2021-0212
NOVEMBER 18, 2021

Electricity Distribution – 2022 Inflation Factor

Table 1: Non-Labour Component - GDP-IPI (FDD) – National

Year	Q1	Q2	Q3	Q4	Annual	Annual % Change	Weight
2019	111.2	111.8	112.1	112.9	112		
2020	113.3	113.5	114.1	114.8	113.925	1.7%	70%

Table 2: Labour Component – AWE – All Employees – Ontario

Year	Annual	Annual % Change	Weight
2019	\$1,049.73		
2020	\$1,126.30	7.0%	30%

Table 3: Resultant Values – Annual Growth for the 2-Factor IPI Formula

Year	Annual GDP-IPI % Change (Table 1)	Weight	AWE % Change (Table 2)	Weight	Annual IPI	Annual % Change
2019					111	
2020	1.7%	70%	7.0%	30%	114.7	3.3%

Sources:

- [GDP-IPI \(FDD\): Statistics Canada, Table 36-10-0106-01 \(formerly CANSIM 380-0066\) - Price Indexes, gross domestic product, quarterly \(2012 = 100 unless otherwise noted\) - 2021 Q2, data accessed September 7, 2021](#)
- [Average Weekly Earnings \(AWE\): Statistics Canada, Table 14-10-0204-01 \(formerly CANSIM 281-0027\), Ontario, all businesses excluding unclassified, annual \(current dollars\), data accessed September 7, 2021](#)

Electricity Transmission – 2022 Inflation Factor

Table 1: Non-Labour Component - GDP-IPI (FDD) – National

Year	Q1	Q2	Q3	Q4	Annual	Annual % Change	Weight
2019	111.2	111.8	112.1	112.9	112		
2020	113.3	113.5	114.1	114.8	113.925	1.7%	86%

Table 2: Labour Component – AWE – All Employees – Ontario

Year	Annual	Annual % Change	Weight
2019	\$1,049.73		
2020	\$1,126.30	7.0%	14%

Table 3: Resultant Values – Annual Growth for the 2-Factor IPI Formula

Year	Annual GDP-IPI % Change (Table 1)	Weight	AWE % Change (Table 2)	Weight	Annual IPI	Annual % Change
2019					110.6	
2020	1.7%	86%	7.0%	14%	113.3	2.5%

Sources:

- [GDP-IPI \(FDD\): Statistics Canada, Table 36-10-0106-01 \(formerly CANSIM 380-0066\) - Price Indexes, gross domestic product, quarterly \(2012 = 100 unless otherwise noted\) - 2021 Q2, data accessed September 7, 2021](#)
- [Average Weekly Earnings \(AWE\): Statistics Canada, Table 14-10-0204-01 \(formerly CANSIM 281-0027\), Ontario, all businesses excluding unclassified, annual \(current dollars\), data accessed September 7, 2021](#)