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BY EMAIL AND WEB POSTING

April 11, 2024

**To: All Licensed and Rate-regulated Electricity Distributors
All Intervenors in Electricity Distribution Cost of Service Proceedings
for 2024 Rates
All Other Interested Stakeholders**

**Re: Filing Requirements for Electricity Distribution Rate Applications
for 2025 Rates**

The OEB typically updates Chapters 1, 2 and 5 of the *Filing Requirements for Electricity Distribution Rate Applications* (Filing Requirements) each year, in preparation for the next batch of scheduled cost of service applications. The purpose of this letter is to communicate a change to the OEB's approach to the 2025 Filing Requirements.

The OEB has several initiatives underway that may affect future versions of the Filing Requirements commencing as early as 2026 rates. Combined with the absence of any significant changes that have arisen to date in other decisions or policy forums since the issuance of the current Filing Requirements for 2024 rates, the OEB has decided that it will not issue an updated version of Chapters 1, 2 and 5 for purposes of 2025 rates. Models will be updated. The current Filing Requirements for 2024 rates will be used for 2025 rate applications.¹

In addition, the OEB will be piloting a budget for intervenors participating in cost of service applications for utilities with less than 30,000 customers. The budget for these applications will be **\$20,000 per intervenor** for the pilot, which is approximately 60 hours of work at the rate of \$330/hour in accordance with the OEB's *Practice Direction on Cost Awards*. This budget has been informed by historical cost of service proceedings for small utility applications and is intended to encourage intervenors to

¹ [Filing Requirements for Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications – Chapter 2, December 15, 2022](#)
[Filing Requirements for Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications – Chapter 5, December 15, 2022](#)

manage their activities to stay within the budget. The OEB expects that the pilot will allow the OEB to understand possible implications of restricting costs and provide the relevant applicants with information about the costs they are likely to pay for interventions. The OEB will seek feedback from parties as part of the OEB's post-decision debrief meetings. For this pilot:

- Intervenors must still follow the standard process to file hours for approval.
- There is no guarantee of recovery of the full budget.
- Any amounts above the \$20,000 must be further justified. Justification could include an explanation of atypical complexities in the application, or an intervenor taking a leadership role amongst other intervenors to minimize duplication (which should also demonstrate that other intervenors were below the budget amount).
- This \$20,000 budget is not applicable to single-issue or limited-issue intervenors, whose cost awards are expected to be well below the budget unless specifically approved by the Panel. The Registrar will identify this in the first procedural order.
- The budget may be amended at the discretion of the Panel early in a proceeding if it is clear there are additional complexities.
- The OEB continues to have the expectation that intervenors will coordinate their activities to avoid duplication.

The OEB has issued certain generic decisions since the 2024 Filing Requirements were issued. Those decisions and other changes that have arisen are outlined below for convenience.

Generic Decisions

- [Review of Fixed Monthly Charge for microFIT Generation Service Classification](#)
- [Wholesale Market Services rate and the Rural or Remote Electricity Rate Protection charge](#)
- [Retail Service Charges](#)
- [Pole Attachment Charge](#)
- [Distribution Rate Protection](#)
- [Renewable Generation Connection Rate Protection](#)
- [Low-Income Energy Assistance Program Emergency Financial Assistance](#)

Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

Changes to Chapter 3 of the OEB's Filing Requirements (for Incentive Rate Setting Applications) related to the LRAMVA that were made in June 2023 for 2024 rate applications should be incorporated by any distributor filing a cost of service application for 2025 rates.

Specifically, a distributor with a zero balance in the LRAMVA should indicate this fact in its application and advise that it is not requesting any disposition. Unique to rebasing applications, if a distributor had LRAM-eligible volumes previously approved on a prospective basis for the year of rebasing or later, the LRAMVA amounts will not be recoverable, as any persisting impacts of CDM can be taken into consideration in setting new base rates.

A distributor that has a balance in the LRAMVA should seek disposition as part of its application. A distributor is expected to provide supporting information or provide a rationale for not doing so and should refer to section 3.2.7 of Chapter 3 for the latest information on how to prepare their LRAMVA filing.²

Filing Guidelines for Incentives to Use Third-Party Distributed Energy Resources as Non-Wires Alternatives

On January 30, 2023, the OEB released its [Report on a Framework for Energy Innovation: Setting a Path Forward for DER Integration](#) which, among other things, invited distributors to apply for an incentive mechanism to encourage the use of third-party DERs as non-wires alternatives.

On March 28, 2023, the OEB issued [Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives](#). These guidelines identify the information distributors should include in their rate applications for any incentive mechanisms proposed to assist them in developing their incentive proposals and to facilitate an effective and timely regulatory review.

When an incentive proposal is included in a rebasing application, it is expected that rate funding for DER activities related to the incentive would be integrated with the applicant's overall spending proposals.

² [Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications – Chapter 3 - Incentive Rate-Setting Applications, June 15, 2023](#)

Proposal for the regulatory treatment for material cloud implementation costs

A distributor may propose the regulatory treatment for any material cloud implementation costs expected during its rate-setting term. The proposal could include consideration of a new deferral account or other approaches that consider the timing and duration of the contract term. Furthermore, the distributor's proposal for cloud computing implementation costs is expected to be informed by any results of the generic proceeding³ related to this issue.

Models

To assist distributors in preparing their applications, the OEB is posting updated versions of all models for 2025 rate applications, including the cost of service checklist, with this letter. Distributors should be mindful of reconciling the updated 2025 rates models with any references in the 2024 Filing Requirements.

The OEB has also updated Appendix 2-M of the Chapter 2 Appendices. The OEB will no longer require distributors to file on-going regulatory costs in Appendix 2-M. The focus of Appendix 2-M will therefore be the incremental one-time regulatory costs associated with the application. The OEB continues to expect that ongoing regulatory costs will be included in administration costs of the Operations, Maintenance & Administration (OM&A) expense, and that if there is a material change, it would be reported in Appendix 2-JB OM&A Cost Drivers. The OEB has also removed "incremental operating expenses with staff/other resources allocated to this application" from the one-time regulatory costs. The OEB expects that if there are any costs that fall into these categories that they be included under other one-time regulatory cost categories, with an appropriate description of the cost.

Very Small Utilities Working Group

The OEB established a [working group](#) to assess opportunities for reducing regulatory burden for very small utilities (<5,000 customers) in August 2023. A [Very Small Utilities Working Group Report](#) (the Report) was filed with the OEB on March 14, 2024. The OEB issued a [response](#) providing its feedback on the Report on March 28, 2024 addressing expectations for very small utilities commencing with 2025 rates.

Orientation Session

Notwithstanding the absence of a comprehensive update to the Filing Requirements for 2025 rates, the OEB is pleased to offer its annual Orientation Session for distributors filing cost of service applications for [2025 rates](#). The OEB will provide an overview of


³ [Generic Proceeding – Cost of Capital and Other Matters, EB-2024-0063.](#)

the current Chapters 1, 2 and 5. The OEB anticipates that invited distributors and their staff that have not been through the cost of service process in several years will welcome a refresher session where they may also ask clarifying questions on the substance of the Filing Requirements and/or the process used to review their applications. As in previous years, distributors filing cost of service applications for January 1, 2026, rates may also register should they wish to do so. The orientation session is anticipated to be held in spring 2024. The date will be communicated to applicants at a later date.

Any questions relating to this letter should be directed to the OEB's Industry Relations Enquiry e-mail at IndustryRelations@oeb.ca. Please include "2025 Cost of Service Rate Applications" in the subject line.

Yours truly,

Nancy
Marconi

 Digitally signed by Nancy
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Nancy Marconi
Registrar