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BY EMAIL

January 28, 2025

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission
Ottawa River Power Corporation
2025 Electricity Distribution Rates Application
OEB File Number: EB-2024-0050**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Urooj Iqbal
Advisor, Incentive Rate-Setting

Encl.



ONTARIO ENERGY BOARD

OEB Staff Submission

Ottawa River Power Corporation

2025 Distribution Rates

EB-2024-0050

January 28, 2025

Introduction

Ottawa River Power Corporation (ORPC) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on October 9, 2024 under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to its electricity distribution rates to be effective May 1, 2025.

Consistent with Chapter 3 of the Filing Requirements, ORPC applied the Price Cap IR adjustment factor to adjust the monthly service charge and distribution volumetric rate during the incentive rate-setting years. An inflation factor of 3.60% applies to all IRM applications for the 2025 rate year.¹ The stretch factor assigned to ORPC is 0.00%, resulting in a rate adjustment of 3.60% based on the Price Cap adjustment formula. OEB staff has no concerns with ORPC's proposed price cap adjustment.

Retail Transmission Service Rates are updated by OEB staff in the Rate Generator model, based on 2025 Uniform Transmission Rates (UTRs)² and final sub-transmission rates,³ to recover the wholesale transmission rates charged by the Independent Electricity System Operator and host distributor, Hydro One Networks Inc. (Hydro One). OEB staff has provided the updated Rate Generator Model with this submission to ORPC for review and confirmation on the updated UTRs and Hydro One sub-transmission rates.

In its application, ORPC also seeks approval of the continuation of the Specific Services charges and Loss Factors, microFIT charge, and Smart Meter Entity charge based on the rate prescribed in the letter issued by the OEB on September 8, 2022.⁴ OEB staff has no concerns related to the continuation of these charges.

¹ OEB Letter, 2025 Inflation Parameters, issued June 20, 2024

² EB-2024-0244, Letter for 2025 Uniform Transmission Rates January 21, 2025, p. 1

³ EB-2024-0032, Hydro One Networks Inc. 2025 Electricity Distribution Rates, December 19, 2024, p. 12

⁴ EB-2022-0137, September 8, 2022, Smart Metering Charge from January 1, 2023 – December 31, 2027

OEB Staff Submission

In this document, OEB staff makes detailed submissions on the following:

- Low Voltage Service Rates
- Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)
- Group 1 Deferral and Variance Accounts (DVAs)
- Power Purchased True-Up Proposal

Low Voltage Service Rates

ORPC applied for an adjustment of its Low Voltage Service Rates based on the most recent historical low voltage costs. This approach is expected to minimize variances in Account 1550.

ORPC mentioned that it used the Low Voltage Service Rates Adjustment Worksheets embedded in the 2025 Rate Generator Model to determine the proposed adjustments to the Low Voltage Service Rates. The Loss Factor applied to the metered kWh is the OEB-approved 2022 Loss Factor. The proposed adjustments of the Low Voltage Service Rates are shown in Table 1 below:

Table 1: Proposed Low Voltage Service Rates

Rate Class	Unit	Current Low Voltage Service Rate	Proposed Low Voltage Service Rate
Residential Service	\$/kWh	0.0040	0.0032
General Service Less Than 50 kW Service	\$/kWh	0.0035	0.0028
General Service 50 To 4,999 kW Service	\$/kW	1.3680	1.0829
Sentinel Lighting Service	\$/kW	1.0800	0.8549
Street Lighting Service	\$/kW	1.0577	0.8372
Unmetered Scattered Load Service	\$/kWh	0.0035	0.0028

OEB Staff Submission

OEB staff does not take issue with ORPC's proposal to adjust its Low Voltage Service Rates. The Low Voltage Service Rates have been updated based on Hydro One's 2024 sub-transmission rates and ORPC's 2023 consumption data.

Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

ORPC requested disposition of its LRAMVA balances in 2021 and up to April 30, 2022 from its Conservation and Demand Management (CDM) activities. This includes persisting savings from CDM programs delivered in the 2015 to 2019 period. The April 30, 2022 LRAMVA balance (including carrying charges projected to April 30, 2025) is a debit of \$58,726 to be collected from customers. The components of the LRAMVA balance are shown in Table 2 below.

Table 2: LRAMVA Balance

Account Name	Account Number	Actual CDM Savings (\$) A	Forecasted CDM Savings (\$) B	Carrying Charges (\$) C	Total Claim (\$) D=(A-B) +C
LRAMVA	1568	80,874	29,627	7,479	58,726

OEB Staff Submission

OEB staff supports ORPC's request to dispose of its LRAMVA balance. OEB staff reviewed the respective LRAMVA balances and the supporting evidence substantiating these balances. In OEB staff's opinion, the LRAMVA balance is reasonable.

Additionally, ORPC confirmed that following its request for disposition of outstanding LRAMVA amounts up to April 30, 2022, Account 1568 will have a balance of zero. ORPC confirmed it will not seek disposition of any lost revenues related to CDM programs delivered as part of the Conservation First Framework. OEB staff submits that, consistent with the OEB's treatment of Account 1568 with other electricity distributors and the Non-Wires Solution Guidelines⁵, that the OEB should not allow further entries to the LRAMVA at this time, but maintain the account in the event ORPC requests the use of the LRAMVA for a CDM activity in a future application, which the OEB can consider on a case-by-case basis.

⁵ Non-Wires Solution Guidelines for Electricity Distributors (EB-2024-0118), p. 30

Group 1 Deferral and Variance Accounts (DVAs)

ORPC requested disposition on a final basis of December 31, 2023 Group 1 DVA balances of a total debit amount of \$610,631, over a 12-month period.⁶ The components of this debit amount are shown in Table 3. The Group 1 account balances exceed the OEB's \$0.001/kWh threshold for disposition.

ORPC's request relates to balances that accumulated in the 2023 calendar year for its Group 1 DVAs, with proposed disposition on a final basis. ORPC is also requesting the final disposition of its Accounts 1588 and 1589 balances related to the 2018 through 2022 calendar years that were disposed on an interim basis in its 2024 IRM proceeding, with no adjustments to those balances.⁷ Similarly, ORPC is also requesting the final disposition of its remaining Group 1 balances related to the 2022 calendar year that were disposed on an interim basis in its 2024 IRM proceeding, with no adjustments to those balances.

Accounts 1588 and 1589 were last approved on a final basis, as of December 31, 2017, as part of ORPC's 2023 IRM proceeding.⁸

In its 2024 IRM decision, the OEB required ORPC to undertake a detailed review of its Accounts 1588 and 1589 balances before it was to file its next rate application.⁹ The OEB determined that ORPC should file sufficient detail with the OEB to support balances proposed for disposition in ORPC's next application, after completion of the internal review.

In the current proceeding, ORPC confirmed that it had conducted a detailed review of Accounts 1588 and 1589 for the period of 2018 to 2023.¹⁰ ORPC also filed evidence with the OEB to support balances proposed for final disposition in the current application. ORPC stated that after completing its internal review, it confirmed that the balances approved for disposition on an interim basis in its 2024 IRM decision in Accounts 1588 and 1589 for calendar years 2018 and 2022 were reasonable and accurate.¹¹ ORPC also stated that it has conformed with the OEB's Accounting Guidance.¹²

⁶ Updated IRM Rate Generator Model, January 14, 2025

⁷ EB-2023-0047, 2024 IRM Decision and Rate Order, April 9, 2024, p. 12; Manager's Summary, October 9, 2024, p. 18

⁸ EB-2022-0058, 2023 IRM Decision and Rate Order, March 23, 2023, pp. 10 & 11

⁹ EB-2023-0047, 2024 IRM Decision and Rate Order, April 9, 2024, p. 12

¹⁰ Response to Staff-4, January 14, 2025

¹¹ Manager's Summary, October 9, 2024, p. 13

¹² Manager's Summary, October 9, 2024, p. 19; Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

Table 3: Group 1 DVA Accounts Balances

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
LV Variance Account	1550	88,569	15,428	103,997
Smart Metering Entity Charge Variance Account	1551	(27,087)	(2,543)	(29,630)
RSVA - Wholesale Market Service Charge	1580	(187,480)	(19,048)	(206,528)
RSVA - Retail Transmission Network Charge	1584	156,455	16,403	172,858
RSVA - Retail Transmission Connection Charge	1586	84,245	9,935	94,180
RSVA - Power	1588	123,160	92,930	216,090
RSVA - Global Adjustment	1589	187,088	72,576	259,664
Total for Group 1 accounts		424,950	185,681	610,631

OEB Staff Submission

OEB staff supports ORPC's request to dispose balances that accumulated in the 2023 calendar year for its Group 1 DVAs on a final basis of a debit of \$610,631, over a 12-month period. OEB staff also supports ORPC's request for final disposition of its:

- Accounts 1588 and 1589 balances related to the 2018 through 2022 calendar years that were disposed on an interim basis in its 2024 IRM proceeding, with no adjustments to those balances.
- Remaining Group 1 balances related to the 2022 calendar year that were disposed on an interim basis in its 2024 IRM proceeding, with no adjustments to those balances.

OEB staff is satisfied with ORPC's statement that it conducted a detailed review of Accounts 1588 and 1589 for the period of 2018 to 2023 because of:

- ORPC specifically noting that it had addressed all five bullet points of deficiencies

noted by the OEB in the 2024 IRM decision, but the scope of its review was not limited to those five bullet points¹³

- ORPC's statement that it has conformed with the OEB's Accounting Guidance¹⁴

Power Purchased True-up Proposal

ORPC stated that historically it has paid Global Adjustment (GA) on the volumes of electricity purchased from Brookfield's Waltham Generating Station.¹⁵ On June 2, 2023, the *Electricity Act, 1998* was amended to exempt GA charges for customers who consume electricity supplied from outside Ontario using private transmission lines. The amendments came into effect July 1, 2023. Electricity purchased from Waltham Generating Station is supplied from Quebec with a private transmission line resulting in ORPC no longer paying GA for those purchases since July 1, 2023.

ORPC also stated that electricity supply costs paid by ORPC's ratepayers continue to include GA, either explicitly as GA charges for non-RPP customers or within time-of-use or tiered rates for RPP customers.¹⁶ ORPC's payments to Brookfield, as set out in the legacy power purchase agreement, include an Avoided GA component in which ORPC pays to Evolgen (which invoices ORPC on behalf of Brookfield) based on 50% of GA costs avoided by purchasing from Waltham Generating Station. Therefore, the amendment to the *Electricity Act, 1998* increases the cost of electricity purchased from Waltham Generating Station.

To address the above matters, ORPC stated that the purpose of its new Power Purchased True-Up rate mechanism (as first proposed in its 2024 IRM proceeding) is to:¹⁷

1. Refund the over-collection of GA from ratepayers since July 1, 2023
2. Collect increased electricity costs of Waltham Generating Station purchases since July 1, 2023
3. Pass GA savings to ratepayers on a go-forward basis so ORPC does not over-collect GA
4. Collect increased electricity costs on a go-forward basis so ratepayers pay

¹³ Manager's Summary, October 9, 2024, p. 12; Response to Staff-4, January 14, 2025; EB-2023-0047, 2024 IRM Decision and Rate Order, April 9, 2024, pp. 11 & 12

¹⁴ Manager's Summary, October 9, 2024, p. 19; Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

¹⁵ Manager's Summary, October 9, 2024, p. 22

¹⁶ *Ibid.*

¹⁷ Manager's Summary, October 9, 2024, p. 23

incremental supply costs as they are incurred by ORPC

In the 2024 IRM decision, the OEB:¹⁸

- Approved the establishment of Account 1508, Other Regulatory Assets, Sub-account Power Purchased True-Up, effective July 1, 2023
- Approved ORPC's proposed Power Purchased True-Up Rate of a credit of \$0.0070 per kWh to be refunded to all of its customers, effective May 1, 2024 for 12 months, on an interim basis
- Determined that it is appropriate for ORPC to apply to the OEB to update this rate rider in each of its rate applications going forward
- Determined that this up-front credit rate rider to ORPC's customers is appropriate, as the timing and amounts attempt to correspond to the GA that is paid by its customers relating to the Quebec generation (i.e., either explicitly as GA charges for non-RPP customers, or within time-of-use or tiered rates for RPP customers)
- Found that this mechanism proposed by ORPC may potentially mitigate large credit DVA balances from being incurred by ORPC going forward
- Was concerned with the continued discrepancies in ORPC's Excel Appendix K Power Purchased True-Up Rate Model and ordered ORPC to file a revised Excel model in its application for 2025 rates, after performing a detailed review of this spreadsheet

In the current proceeding, ORPC stated that it had retained Elenchus Research Associates (Elenchus) to assist in the creation of rate mechanisms to implement its Power Purchased True-Up Proposal.¹⁹ ORPC further stated that Elenchus performed a detailed review of ORPC's Power Purchased True-Up Model, subsequent to the issuance of the 2024 IRM decision.²⁰ As a result of this review, Elenchus confirmed that no revisions were required to the figures or calculations used to derive the 2024 Power Purchased True-Up rate of a credit of \$0.0070 per kWh approved by the OEB in its 2024 IRM decision.²¹

¹⁸ EB-2023-0047, 2024 IRM Decision and Rate Order, April 9, 2024, p. 16

¹⁹ Manager's Summary, October 9, 2024, p. 23

²⁰ Manager's Summary, October 9, 2024, p. 25

²¹ *Ibid.*

In response to interrogatories, ORPC updated its Power Purchased True-Up rate effective May 1, 2025 from a credit of \$0.0108 per kWh to a credit of \$0.0107 per kWh, to reflect some additional up-to-date data.²² However, some updated values do not flow through the entire model and other values were not updated, due to data availability issues.²³ Thus the impact of complete and up-to-date data on ORPC's Power Purchased True-Up Model is not clear.

ORPC also made a significant formula change to the model impacting tab "Power Purchased True-Up" column N "Adjustment for audited variances (2-year lag) and Overcollection".²⁴ This type of formula change would impact "Power Purchased True-Up" Rates in 2026 and forward rate years.

OEB Staff Submission

OEB staff submits that it is appropriate for ORPC to continue to apply to the OEB to update the Power Purchased True-Up Rate in each of its rate applications going forward.

OEB staff does not take issue with the OEB making final ORPC's Power Purchased True-Up Rate of:

- A credit of \$0.0070 per kWh that was previously approved by the OEB in the 2024 IRM decision to be refunded to all of its customers on an interim basis, effective May 1, 2024 for 12 months
- A credit of \$0.0107 per kWh that is proposed to be refunded in the current proceeding to all of its customers on a final basis, effective May 1, 2025 for 12 months

ORPC is proposing a credit of \$0.0107 per kWh for 2025 Power Purchased True-Up Rate in this proceeding. However, the impact on this rate is not clear, if ORPC was to flow through all available updated data through to the final output of the Power Purchased True-Up model. That said, OEB staff is not suggesting that the model needs to be updated with more recent data to calculate the 2025 Power Purchased True-Up Rate. This is because it is standard OEB practice to use data that is reported in the most recent Reporting and Record Keeping Requirements (RRR) filings to derive rates

²² Response to Staff-8, January 14, 2025; Response to Staff-9, January 14, 2025; Forecast GA value in the OEB's October 2024 RPP Report, OEB's prescribed interest rates Q4 2024 and Q1 2025

²³ Response to Staff-10, January 14, 2025; Updated Data Available: Brookfield kWh May to December 2024; Actual GA rate \$/kWh May to November 2024; Column V the Forecast (4-Year Average) 2021 to 2024; Customer kWh volumes January to November 2024; Updated Data Not Available: Customer kWh volumes December 2024; RRR kWh volumes 2024 with full-year data; Actual GA rate \$/kWh December 2024

²⁴ Response to Staff-11, January 14, 2025

and there may be a lag (e.g., both 2023 kWh volumes and December 31, 2023 DVA balances are used to derive 2025 rates).²⁵

However, OEB staff is concerned with the significant formula change to the model, as indicated in the response to interrogatories, impacting tab “Power Purchased True-Up” column N “Adjustment for audited variances (2-year lag) and Overcollection”, specifically the 2026 and forward rate years’ “Power Purchased True-Up” rates. OEB staff submits that ORPC should perform another detailed review of this spreadsheet before its next rate application filing, including an assessment of the appropriateness of the above-noted formula change. Findings from the detailed review should be included in ORPC’s evidence for its 2026 IRM proceeding.

~All of which is respectfully submitted~

²⁵ For example: the Filing Requirements for Electricity Distribution Rate Applications Filed in 2024 for Rates Taking Effect in 2025, Chapter 3 Incentive Rate-Setting Applications, June 18, 2024, p. 11 states that “the Rate Generator model will calculate the DVA disposition threshold using the last full year of actual load data as reported through the RRR.”