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BY EMAIL

April 8, 2025

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission  
Essex Powerlines Corporation (Essex Powerlines)  
Application for 2025 Electricity Distribution Rates  
OEB File Number: EB-2024-0022/EB-2024-0096**

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Please find attached OEB staff's comments on the draft rate order in the above referenced proceeding, pursuant to the OEB's Decision and Order on March 18, 2025. Essex Powerlines and all intervenors have been copied on this filing.

Yours truly,

Amber Goher  
Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2024-0022/EB-2024-0096



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission on Draft Rate Order**

**Essex Powerlines Corporation**

**Application for 2025 Electricity Distribution Rates**

**EB-2024-0022/EB-2024-0096**

**April 8, 2025**

## Introduction

Essex Powerlines filed a cost of service application with the Ontario Energy Board (OEB), seeking approval for changes to the rates that Essex Powerlines charges for electricity distribution, beginning January 1, 2025.<sup>1</sup> On October 15, 2024, the OEB issued its decision and order approving a partial settlement proposal and establishing a written hearing for an unsettled issue relating to 2025 PowerShare Distribution System Operator (DSO) capital additions (Unsettled Issue).<sup>2</sup> On February 20, 2025, the OEB accepted Essex Powerlines' request to withdraw the 2025 PowerShare DSO capital additions, rendering the Unsettled Issue moot.<sup>3</sup>

In its March 18, 2025 Decision and Order<sup>4</sup>, the OEB found that while certain matters related to the PowerShare Deferral Account remain outstanding, the disposition of those matters will not affect Essex Powerlines' 2025 distribution rates. The OEB approved Essex Powerlines' 2025 electricity distribution rates on the basis of the approved partial settlement proposal and the withdrawal of all proposed 2025 PowerShare DSO project capital additions. The OEB directed Essex Powerlines to file a draft rate order (DRO) showing the impact of any required adjustments related to the 2025 Cost of Capital parameters, forgone revenue rate riders, 2025 Uniform Transmission Rates (UTRs) and Hydro One's Sub-Transmission Rates, Regulated Price Plan (RPP) pricing, and Ontario Electricity Rebate (OER).

Essex Powerlines filed its DRO on April 1, 2025.

The updated cost of capital parameters, uniform transmission rates, retail service charges, pole attachment charge, and OER result in changes to a number of schedules discussed in the next sections.

Based on the DRO, the total bill impact for a typical residential customer with a monthly consumption of 750 kWh, would be a decrease of approximately \$10.16 per month (7.42%) before taxes and the Ontario Electricity Rebate (OER).

OEB staff has reviewed the DRO and has confirmed that Essex Powerlines has implemented the OEB's direction set out in the March 18, 2025 Decision and Order.

## Cost of Power

As noted in the OEB's decision, Essex Powerlines is required to update its Cost of

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<sup>1</sup> Pursuant to section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B)

<sup>2</sup> EB-2024-0022/EB-2024-0096, Decision and Order, October 15, 2024

<sup>3</sup> EB-2024-0022/EB-2024-0096, Procedural Order No. 4, February 20, 2025

<sup>4</sup> EB-2024-0022/EB-2024-0096, Decision and Order, March 18, 2025

Power to reflect the Regulated Price Plan Price Report for November 1, 2024 to October 31, 2025, 2025 UTRs and Hydro One's Sub-Transmission rates, and the updated OER.

OEB staff submits that the cost of power adjustments accurately reflect the updated RPP Report, proposed RTSRs, and the updated OER of 13.1%.

### **Cost of Capital**

Pursuant to the OEB's decision, Essex Powerlines is required to update its cost of capital calculations to reflect the OEB's 2025 Cost of Capital parameters. The parameters relate to return on equity (ROE), deemed long-term debt rate and deemed short-term debt rate. The OEB issued the final 2025 Cost of Capital parameters in a decision and order dated March 27, 2025.<sup>5</sup>

Consistent with the agreed-upon approach in the approved settlement proposal, Essex Powerlines has used the lower of (a) the deemed long-term debt rate issued by the OEB for the 2025 Cost of Capital Parameters (4.51%) or (b) the quoted rate from TD for a 20-year amortization loan (4.305%) at the time of the DRO process for the new loan dated December 20, 2024.

Furthermore, Essex Powerlines updated the deemed interest rate for short term debt and the ROE to reflect the OEB-approved 2025 final Cost of Capital parameters in the the DRO. However, while the values provided on page 17 of the DRO and in the Revenue Requirement Workform (RRWF) are correct, they do not reconcile against the tables provided in the Chapter 2 appendices (Tab 2-OA). OEB staff submits that Essex Powerlines should file updated Chapter 2 appendices with the correct rate base value reconciled with the RRWF.

### **Income Tax and Payments in Lieu of Taxes (PILs)**

OEB staff notes that Essex Powerlines has updated the 2025 Test Year PILs to NIL from \$11,856 resulting from the updates to the OEB-approved 2025 final Cost of Capital parameters and the agreed-upon approach in the approved Settlement Proposal.

### **Deferral and Variance Accounts (DVAs)**

As part of the DRO, Essex Powerlines has provided an updated DVA Continuity Schedule which reflects a change in the Group 1 and Group 2 DVA recovery period from twelve months (January – December) to eight months (May to December), based on the Settlement Proposal load forecast. This update is aligned with the Implementation Date of May 1, 2025, for Essex Powerlines' rates.

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<sup>5</sup> EB-2024-0063, Decision and Order, March 27, 2025

OEB staff notes that the recovery period of the DVA rate riders has been appropriately updated to reflect the 8-month period.

### **Revenue Requirement**

As a result of the changes to rate base, deemed long-term and short-term debt rates, and ROE, total revenue requirement has been updated. Essex Powerlines provided a revenue requirement breakdown comparison between the settlement proposal (as approved in the Decision and Order issued on October 15, 2025) and the DRO shown on page 11 of the DRO.

OEB staff submits that Essex Powerlines' updated revenue requirement calculation accurately reflects the updated 2025 final cost of capital parameters and the 2025 UTRs, resulting in a base revenue requirement of \$17,098,804, which is a decrease of \$166,762.

### **Cost Allocation**

As a result of the changes to the revenue requirement, Essex Powerlines updated the Cost Allocation Model. Essex Powerlines use the same approach in its DRO as in the Settlement Proposal.

With respect to revenue-to-cost ratios, the Parties agreed that the revenue-to-cost ratio for the Sentinel Lighting class would be increased over the 2025-2027 period such that the total bill impact is no greater than 10% in 2025 and such that it reaches an 80% revenue-to-cost floor by 2027. The Sentinel Lighting revenue-to-cost ratio is increased to 80% over 3 years in the DRO, however the resulting impact on total bill for the Sentinel Lighting class in 2025 is 14.75%. OEB staff submits that the Sentinel Lighting revenue-to-cost ratio should be reduced in 2025 to achieve a maximum total bill impact of 10%, consistent with OEB policy, while maintaining the overall increase to achieve 80% revenue-to-cost by 2027.

The GS 50 – 4,999 kW, USL, and Embedded Distributor revenue-to-cost ratios are reduced to 120.44% in 2025 and reach 120% (the top end of the target range) in 2027. These changes offset the increase in Sentinel Light revenue in 2026 and 2027. The resulting shortfall in 2025 is recovered by increasing the revenue-to-cost ratio for the Residential and Street Lighting rate classes to 94.18%. OEB staff has no concerns with the approach used to set the revenue-to-cost ratios for all rate classes except for the Sentinel Lighting class.

OEB staff reviewed the cost allocation model, revenue-to-cost ratios, and fixed-variable

splits, and notes that with the exception of the Sentinel Lighting concern, they are consistent with the Decision and Order and the methodologies used in the OEB-approved settlement proposal.

### **Rate Design**

As a result of the updates to the revenue requirement, distribution rates have been adjusted for all rate classes. No material changes have been made to the fixed/variable split for any class, and the resulting fixed charges are consistent with OEB policy.

The fixed/variable splits in the DRO are presented on page 12.

As part of the DRO, Essex Powerlines also provided an updated RTSR Workform which contains updates for the approved 2025 UTRs and Hydro One host RTSRs.<sup>6</sup>

### **Forgone Revenue Rate riders**

In its March 18, 2025, Decision and Order, the OEB directed Essex Powerlines to propose forgone revenue rate riders to be collected from customers from the implementation date of 2025 approved rates to December 31, 2025.

In the DRO, Essex Powerlines has calculated both fixed and variable distribution rate riders to recover the 4 months of forgone revenue over an 8-month recovery period. These forgone revenue rate riders are proposed to be effective from May 1, 2025 to December 31, 2025.

OEB staff has reviewed the calculations and is satisfied they have been implemented correctly.

### **Tariff Schedule and Bill Impact Model**

Pursuant to the OEB's decision, Essex Powerlines was required to update the Tariff Schedule and Bill Impact model to reflect the RPP Report for November 1, 2024 to October 31, 2025, the updated OER and the 2025 UTRs.

OEB staff submits that Essex Powerlines updated the model appropriately to reflect the changes in the 2025 distribution rates. The bill impacts for the sentinel rate class are now above 10% compared to the settlement proposal as discussed in the cost allocation section above.

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<sup>6</sup> EB-2024-0032, December 19, 2024

~All of which is respectfully submitted~