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BY EMAIL

April 14, 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
Hydro 2000 Inc. (Hydro 2000)
Application for 2025 Electricity Distribution Rates
OEB File Number: EB-2024-0030**

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 27, 2025. Hydro 2000 and VECC have been copied on this filing.

Yours truly,

Amber Goher
Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2024-0030



ONTARIO ENERGY BOARD

OEB Staff Submission on Draft Rate Order

Hydro 2000 Inc.

Application for 2025 Electricity Distribution Rates

EB-2024-0030

April 14, 2025

Introduction

Hydro 2000 Inc. (Hydro 2000) filed a cost of service application with the Ontario Energy Board (OEB), seeking approval for changes to the rates that Hydro 2000 charges for electricity distribution, beginning May 1, 2025.¹ In its March 27, 2025, Decision and Order², the OEB approved the settlement proposal and directed Hydro 2000 to file a draft rate order (DRO) showing the impact of any required adjustments related to the final 2025 Cost of Capital parameters issued on March 27, 2025.³

Hydro 2000 filed its DRO on April 7, 2025.

OEB staff has reviewed the DRO and has confirmed that Hydro 2000 has implemented the OEB's direction related to the 2025 cost of capital update set out in the Decision and Order issued on March 27, 2025.

Cost of Capital

In the DRO, Hydro 2000 updated the return on equity (ROE), and deemed short-term debt rate in accordance with the final 2025 Cost of Capital parameters issued by the OEB on March 27, 2025.⁴

For the proposed 2025 long-term debt rate, Hydro 2000 has applied a blended approach, utilizing the OEB long-term debt rate of 4.51% for notional debt and 5.88% for actual debt.

Income Tax and Payments in Lieu of Taxes (PILs)

The final 2025 Cost of Capital parameters, specifically the change in return on equity, resulted in a decrease in the level of PILs, from \$3,561 to \$3,420, a decrease of \$141.

OEB staff submits that it has no concerns with the updated "Income Tax and PILs Model".

Revenue Requirement

As a result of the changes to the cost of capital parameters, Hydro 2000's revenue requirement has been updated, resulting in a base revenue requirement of \$766,798, which is a decrease of \$2,666. OEB staff submits that Hydro 2000's updated revenue requirement calculation accurately reflects the updated 2025 final cost of capital parameters.

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

² EB-2024-0030, Decision and Order, March 27, 2025

³ EB-2024-0063, Decision and Order, March 27, 2025

⁴ Ibid.

Cost Allocation and Rate Design

As a result of the changes to the revenue requirement, Hydro 2000 updated the Cost Allocation Model. OEB staff reviewed the cost allocation model, revenue-to-cost ratios, fixed-variable splits and notes that they are consistent with the Decision and Order in this proceeding and the methodologies used in the OEB-approved settlement proposal.

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.

DVA Continuity Schedule

In the DRO, Hydro 2000 did not provide any updates to the “DVA Continuity Schedule” which was last updated and filed on March 12, 2025.

OEB staff notes that distribution revenue (Tab 4, Row I of the “DVA Continuity Schedule”) is used to allocate certain Group 2 DVA balances to rate classes. Since the base revenue requirement has been updated in the DRO, the update should result in changes to the Group 2 DVA rate riders for certain rate classes. OEB staff submits that as part of its reply comment, Hydro 2000 should file an updated “DVA Continuity Schedule” with corrected Group 2 DVA rate riders which are derived based on corrected distribution revenue. These Group 2 rate riders should also be updated in the Tariff and Bill Impact Model.

Tariff Schedule and Bill Impact Model

As part of the DRO, Hydro 2000 was to update the Tariff Schedule and Bill Impact model to reflect the changes to revenue requirement due to the updated final 2025 cost of capital parameters.

As a result of the updates to the revenue requirement, distribution rates have been adjusted for all rate classes as shown in the RRWF. OEB staff identified a number of items requiring corrections in the Tariff Schedule and Bill Impact model as listed below:

- Hydro 2000 has not reflected the distribution rate changes due to the revenue requirement update in the Tariff Schedule and Bill Impact model.
- In Tab 4 of the model, the incorrect unit has been selected for the GA rate riders for GS >50 kW and Street Lighting Rate classes. These rate riders should be based on \$/kWh as per the DVA continuity schedule. Hydro 2000 should correct the unit and ensure that the GA rate rider is a separate line item in the bill impact

calculation in Tab 6 of the model (it is currently being added to the Group 1 rate riders).

- In Tab 4 of the model, the rate rider end date needs to be updated to April 30, 2027 for all riders.
- Group 1 DVAs: The units in Tab 4 of the model are incorrect for Street Lighting and USL. Street Lighting should have a unit of \$/kW and USL should have a unit of \$/kWh based on the DVA schedule.
- Group 2 DVAs: The units in Tab 4 of the model are incorrect for USL. USL should have a unit of \$/kWh based on the DVA schedule
- Group 2 DVAs must be updated as per the revisions to the DVA continuity schedule described in the DVA continuity schedule section above.

OEB staff submits that Hydro 2000 should make the above noted corrections and file a revised Tariff Schedule and Bill Impact Model along with its reply to this submission.

~All of which is respectfully submitted~