



Ontario | Commission
Energy | de l'énergie
Board | de l'Ontario

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 Nancy Marconi:

**Re: Ontario Energy Board (OEB) Staff Comments
Atikokan Hydro Inc.
2025 Cost of Service Application
OEB File Number: EB-2024-0008**

Please find attached OEB staff's comments on the draft rate order in the above referenced proceeding, pursuant to the OEB's March 27, 2025 Decision and Order. Atikokan Hydro and all parties have been copied on this filing.

Yours truly,

Petar Prazic
Senior Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2024-0008



ONTARIO ENERGY BOARD

OEB Staff Comments on Draft Rate Order

Atikokan Hydro Inc.

Cost of Service Application

EB-2024-0008

April 14, 2025

1. Introduction

Atikokan Hydro Inc. (Atikokan Hydro) filed a cost of service application dated October 30, 2024 with the OEB, seeking approval for changes to the rates that Atikokan Hydro charges for electricity distribution, beginning May 1, 2025.¹ In its Decision and Order, the OEB approved the settlement proposal and made provision for a draft rate order (DRO) process such that Atikokan Hydro may implement the outcomes of the OEB's decision in the generic Cost of Capital proceeding.² The OEB directed that the filing of any DRO shall also include customer rate impacts and detailed information in support of the calculation of final rates.³

Atikokan Hydro filed its DRO on April 7, 2025.

Due to the updated cost of capital parameters, the revenue requirement, cost allocation, and revenue-to-cost ratios, and fixed-variable splits also required updating.

OEB staff has reviewed the DRO and has confirmed that Atikokan Hydro has implemented the OEB's direction related to the 2025 cost of capital update set out in the Decision and Order.

2. OEB Staff Comments on DRO

Cost of Capital

As a result of the Decision in the Generic Proceeding on Cost of Capital issued by the OEB March 27, 2025, Atikokan Hydro made adjustments to the interest rates for its short-term, long-term, and common equity debt instruments.

Due to the changes in the OEB's deemed rate for long term debt, the total return on debt was reduced from \$99,251 to \$96,056, a decrease of \$3,195. Due to the changes in the OEB's deemed rate for short term debt, the total return on debt was reduced from \$7,667 to \$5,948, a decrease of \$1,719. The change in the OEB's deemed return on equity rate resulted in a decrease in the total return on equity from \$140,722 to \$136,919, a decrease of \$3,803.

Income Tax and Payments in Lieu of Taxes (PILs)

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

² EB-2024-0063, Decision and Order, March 27, 2025.

³ EB-2024-0008, Decision and Order, March 27, 2025, Order #3.

The changes in the cost of capital parameters did not result in a change to the grossed-up PILS (a nil balance of zero).

Revenue Requirement

The updates noted above decreased the base revenue requirement from \$1,642,723 to \$1,634,006, a decrease of \$8,717.

OEB staff submits that the updated base revenue requirement, reflecting the changes to the cost of capital parameters, is consistent with the OEB's Decision and Order in this proceeding.

OEB staff notes that, as a result of this DRO, Atikokan Hydro's gross revenue deficiency of \$22,476 (as per the approved settlement proposal) becomes a deficiency of \$13,759.

Cost Allocation

As a result of the changes to revenue requirement, the cost allocation model was also updated, and consequently the revenue-to-cost ratios.

OEB staff has reviewed the cost allocation model and revenue-to-cost ratios, and, subject to certain updates required as part of Atikokan Hydro's reply comment, notes that the revenue-to-cost methodology has changed slightly from the settlement proposal. Atikokan Hydro should address this change or update it as part of Atikokan Hydro's reply comments.

Rate Design

As a result of the updates to the revenue requirement, distribution rates have been adjusted for all rate classes.

OEB staff notes that the resulting fixed charges are consistent with the approach used in the settlement proposal and the OEB policy. However, due to the update that will be made to the revenue to cost ratios mentioned previously, the fixed-variable splits require updating.

DVA Continuity Schedule

In the DRO, Atikokan Hydro did not provide any updates to the DVA Continuity Schedule. OEB staff notes that distribution revenue is used to allocate certain Group 2 DVA balances to rate classes. As 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. As part of its reply comment, Atikokan Hydro should file updated billing determinants in an updated DVA Continuity Schedule with corrected Group 2 DVA rate riders which are derived based on corrected distribution revenue.

Tariff Schedule and Bill Impact Model

Atikokan Hydro provided an updated Tariff Schedule and Bill Impact model to reflect the above noted changes. OEB staff submits that Atikokan Hydro has updated the model appropriately to reflect the changes in the 2025 distribution rates, and that certain updates are required as part of Atikokan Hydro's reply comment.

~All of which is respectfully submitted~