

ONTARIO ENERGY BOARD NOTICE

The Ontario Energy Board is commencing a hearing on its own motion to consider the inflation factor to be used to set rates for electricity transmitters and electricity and natural gas distributors for the year 2022.

Learn more. Have your say.

The Ontario Energy Board (OEB) is initiating this proceeding on its own motion to review the inflation factors that are to be used to set rates for the year 2022.

In November 2013, the OEB issued a *Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors* which established a framework for annual electricity distribution rate adjustments. The OEB has subsequently approved similar formulas for annual rate adjustments for electricity transmitters and natural gas distributors.

Under this framework the OEB established a formulaic approach to setting rates for years between major rate applications, whereby electricity transmitters and electricity and natural gas distributors (collectively, Utilities) have their rates adjusted annually using an OEB-approved formula that is tied to inflation (using several inflation indices published annually by Statistics Canada) and other factors intended to promote efficiency. The inflation rates and productivity factors in the OEB-approved formula are updated annually by the OEB based on macro-economic data.

The OEB's preliminary calculations for 2022 rate adjustments suggest that the inflation indices typically used in the rate adjustment formulas may not be representative of the inflation that Utilities will experience in 2022.

Preliminary calculations using existing Statistics Canada data show the following estimated inflation factors for 2022 and the approved inflation factors used to adjust 2021 distribution and transmission rates. Actual distribution and transmission rate adjustments would also reflect adjustments for productivity and possibly other factors. A typical rate adjustment would have an offset of -0.3%, so that a 3.3% inflation factor would typically result in a 3.0% rate adjustment.

	Enbridge	Electricity Transmission	Electricity Distribution and EPCOR
2022 (estimate)	1.7%	2.5%	3.3%
2021 (approved)	2.0%	2.0%	2.2%

The 2022 inflation estimates are not expected to materially change when final calculations are made with updated Statistics Canada data in September 2021.

The OEB has been reviewing reasons for the changes in the inflation rates, and the differences in the inflation rates between the energy sectors of Enbridge, electricity transmitters, and electricity distributors and EPCOR. The non-labour index, the Implicit Price Index for National Gross Domestic Product, shows a 2020 over 2019 change of 1.7%.

By contrast, analysis shows that the labour inflation component of the inflation factor, Average Weekly Earnings (Ontario, all businesses), increased by about 7% from 2019 to 2020. According to Statistics Canada, the increases in Average Weekly Earnings and related statistics like Average Hourly Earnings, are largely affected by how COVID-19 lockdowns and other restrictions disproportionately affected, through removal from the active work force, lower wage-earning employees, relative to salaried employees, resulting in a higher average weekly earnings for the active workforce during the COVID-19 pandemic. This increase in the labour inflation component is a significant driver of the projected increases to the total inflation factors used to set rates for Utilities, while employees of Utilities are largely higher earning salaried workers in the labour force.

The Ontario Energy Board is considering three options:

1. Continue to apply the existing methodology and formula (including the existing inflation indices) to the 2022 rate adjustments
2. Extend the approved values for 2021 inflation rates for 2022 rate adjustments

3. Update the 2022 inflation rates under the existing methodology using a suitable sub-index of Average Weekly Earnings or a related statistic, Average Hourly Earnings, that is more representative of labour inflation expected to be experienced by Utilities in 2022.

The OEB will also consider other options as presented, with supporting rationale, by parties.

This proceeding will focus solely on determining the values for 2022 inflation factors that would result in just and reasonable rates when used in rate adjustment applications for rates effective in 2022. It is not intended to be a review of the inflation factor methodology and formula, or the existing framework for setting rates through annual Price Cap IR, Revenue Cap IR or similar rate adjustment options made available by the OEB.

THE ONTARIO ENERGY BOARD IS HOLDING A PUBLIC HEARING

The OEB will hold a public hearing to consider the values of the inflation factors to be used in rate adjustment applications for rates effective in 2022. We will hear arguments from parties that have registered to participate in the OEB's hearing and at the end of the hearing the OEB will decide the inflation factor to be used to set rates for the year 2022.

The OEB is an independent and impartial public agency. We make decisions that serve the public interest. Our goal is to promote a financially viable and efficient energy sector that provides you with reliable energy services at a reasonable cost.

BE INFORMED AND HAVE YOUR SAY

You have the right to information regarding this application and to be involved in the process.

- You can review this Notice on the OEB's website now.
- You can sign up to observe the proceeding by receiving OEB documents related to the hearing.
- You can file a letter with your comments which will be considered during the hearing.
- You can become an active participant (called an intervenor). Apply by **August 17, 2021** or the hearing will go ahead without you and you will not receive any further notice of the proceeding.
- At the end of the process, you can review the OEB's decision and its reasons on our website.

LEARN MORE

Our file number for this case is **EB-2021-0212**. To learn more about this hearing, find instructions on how to file letters or become an intervenor, or to access any document related to this case, please select the file number **EB-2021-0212** from the list on the OEB's website at www.oeb.ca/notice. You can also phone our Consumer Relations Centre at 1-877-632-2727 with any questions.

ORAL HEARING

There are two types of OEB hearings – oral and written. The OEB intends to proceed by way of a written hearing in this case. If you think an oral hearing is needed, you can write to the OEB to explain why by **August 17, 2021**.

PRIVACY

If you write a letter of comment, your name and the content of your letter will be put on the public record and the OEB website. However, your personal telephone number, home address and email address will be removed. If you are a business, all your information will remain public. If you apply to become an intervenor, all of your information will be public.

This hearing will be held under sections 19, 36 and 78 of the Ontario Energy Board Act, 1998.

