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

BY EMAIL

November 11, 2021

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

Dear Ms. Long:

**Re: Ontario Energy Board (OEB) Staff Submission**
**Milton Hydro Distribution Inc. (Milton Hydro)**
**2022 Electricity Distribution Rates**
**OEB File Number: EB-2021-0042**

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

Yours truly,

*Birgit M. Armstrong*

Birgit Armstrong
Project Advisor, Incentive Rate Setting & Regulatory Accounting

Encl.

cc: All parties in EB-2021-0042


# ONTARIO ENERGY BOARD

## STAFF SUBMISSION

## Milton Hydro Distribution Inc. (Milton Hydro)

## 2022 Electricity Distribution Rates

## EB-2021-0042

## November 11, 2021

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## Application Summary

Milton Hydro filed an incentive rate-setting mechanism (IRM) application with the OEB,[1] seeking approval for changes to its electricity distribution rates to be effective January 1, 2022. Milton Hydro was scheduled to file a cost-of-service application for the 2022 rate year, however, requested a one-year deferral, which the OEB granted.[2]

Milton Hydro's application includes:

1. A request to apply the price cap annual adjustment mechanism to its base rates
2. An adjustment to retail transmission service rates (RTSRs)
3. The disposition of Group 1 deferral and variance accounts (DVAs)
4. The disposition of its Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) balances
5. The alignment of its rate year with its fiscal year
6. An adjustment to its 2022 low voltage service rates (LVSRs)

OEB staff supports Milton Hydro's request for a price cap adjustment as part of its annual adjustment mechanism. The OEB, on its own motion, initiated a generic proceeding to consider the inflation factor used to set rates for the 2022 rate year. If the OEB's decision on the 2022 inflation factor is issued following the close of record for this proceeding, OEB staff intends to update Milton Hydro's 2022 IRM Model to reflect the OEB-approved 2022 inflation factor, and resulting price cap adjustment, pursuant to the process that the OEB may lay out for implementation once available.

OEB staff also supports the proposed RTSR adjustments and Milton Hydro's requests to clear its Group 1 account balances and LRAMVA balance.

In terms of the request to change the rate year, OEB staff notes that a change in the effective date of the rate year is typically part of a cost-of-service application, however, OEB staff takes no issue with the request being made in this proceeding, as there is no adverse rate impact for customers and is a mechanistic calculation. OEB staff agrees that a rate year alignment provides benefits such as increased efficiency for the rate application process, and improved consistency in reporting fiscal year return on equity.

[1] EB-2021-0042, filed under section 78 of the *Ontario Energy Board Act*, *1998* on August 12, 2021
[2] OEB Letter, March 31, 2021

OEB staff does not object to Milton Hydro's request to adjust its LVSRs. However, OEB staff recommends that this be approved on an exception basis, as this is a departure from the standard IRM process. OEB staff's support is largely rooted in the fact that Milton Hydro is expecting a substantive bill impact in 2023, and that the existing LVSRs are significantly lower than what is necessary to recover its current LV charges.

## 1. Annual Adjustment Mechanism

On August 6, 2021, the OEB issued a notice, on its own motion, to initiate a proceeding to consider the inflation factor to be used to set rates for electricity transmitters and electricity and natural gas distributors for the year 2022.[3] If the OEB's decision on the 2022 inflation parameters is issued following the close of record for this proceeding, OEB staff intends to update Milton Hydro's 2022 IRM Model to reflect the OEB-approved 2022 inflation factor, and resulting price cap adjustment, according to the process that the OEB may lay out for implementation once available.

Submission

OEB staff supports Milton Hydro's request for a price cap adjustment for 2022 rates.

## 2. Retail Transmission Service Rates

Milton Hydro requested an update to its RTSRs to recover the wholesale transmission rates charged by the Independent Electricity System Operator (IESO) and host distributor RTSRs charged by Hydro One Networks Inc. and Oakville Hydro Electricity Distribution Inc.[4] At the time of this submission, the 2022 Uniform Transmission Rates and the 2022 host distributors' RTSRs have not been approved.

Submission

[3] EB-2021-0212
[4] Manager's Summary, Page 8

OEB staff submits that it will make the appropriate updates to Milton Hydro's 2022 RTSRs if the OEB approves 2022 Uniform Transmission Rates or Milton Hydro's host distributors' RTSRs, effective January 1, 2022, following the close of record in this proceeding. If the OEB does not approve 2022 UTRs and/or host distributors' RTSRs prior to the issuance of a decision and order in this proceeding, Accounts 1584 – Retail Transmission Network Charge and 1586 – Retail Transmission Connection Charge will capture these differences.

## 3. Group 1 Deferral and Variance Accounts

Background

Milton Hydro's 2018 to 2020 Group 1 balances total a credit amount of $745,755, which does not meet the OEB's pre-set disposition threshold of $0.001 per kWh. However, Milton Hydro has requested final disposition of the Group 1 balances, as the account balances have been outstanding for a number of years.

Milton Hydro was last approved to dispose of its 2016 and 2017 Group 1 balances on an interim basis in its 2019 IRM.[5,6] In Milton Hydro's decision and rate order for 2020 rates, the OEB indicated that Milton Hydro was expected to implement the OEB's February 21, 2019 Accounting Guidance[7], including a review of this guidance in the context of 2017 and 2018 Group 1 DVA balances for the OEB's consideration in Milton Hydro's 2021 rate application[8]. In its 2021 rate application,[9] Milton Hydro explained that it recalculated its monthly Regulated Price Plan (RPP) settlements for fiscal 2019 in accordance with the Accounting Guidance, but had not yet done so for 2017, 2018 or 2020. In Milton Hydro's decision and rate order for 2021 rates, the OEB noted that it was concerned with the potential impact of intergenerational equity when deferring the disposition of balances from past periods, particularly when the OEB's disposition

[5] EB-2018-0053
[6] Per the OEB's July 20, 2018 letter regarding OEB's Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts, the OEB suspended approvals of Group 1 rate riders on a final basis as it was undertaking an initiative to standardize the RPP wholesale settlement accounting processes and procedures to improve the accuracy of Account 1588 – RSVA Power and Account 1589 – RSVA Global Adjustment.
[7] Accounting Procedures Handbook Update, Accounting Guidance Related to Commodity PassThrough Accounts 1588 & 1589
[8] Pages 6-7 of Decision and Rate Order, April 16, 2020, EB-2019-0053
[9] EB-2020-0039

threshold has been exceeded.[10] The OEB also reiterated its expectation that Milton Hydro complete implementation of the Accounting Guidance, including a review of the guidance in the context of its 2017 to 2020 Group 1 account balances, for consideration by the OEB in Milton Hydro's application for 2022 rates.

In the current application, Milton Hydro stated that it has updated its accounting processes to follow the Accounting Guidance. Milton Hydro also stated that it has completed its review and amended the transactions recorded to the commodity pass-through accounts for the years 2016 to 2020. Milton Hydro noted that the errors pertained to inappropriate data used in RPP settlement calculations, inappropriate allocation of global adjustment charges between Account 1588 – RSVA Power and Account 1589 – RSVA Global Adjustment, and account mapping errors made when recording IESO and host distributor invoices. As a result of its review of its accounts, Milton Hydro identified areas where it improved its processes and internal controls.

Submission

Milton Hydro states that it implemented the Accounting Guidance and reviewed its 2016 to 2020 balances in the context of the Accounting Guidance. OEB staff has reviewed the evidence Milton Hydro provided to support its Account 1588 and Account 1589 balances, including the correcting journal entries made to the applicable accounts, and notes no issues. OEB staff also notes no issues with the other Group 1 account balances. Therefore, OEB supports Milton Hydro's disposition request for Group 1 balances on a final basis.

## 4. Request for Disposition of Account 1568 LRAMVA

Background

Milton Hydro applied for disposition of Account 1568 – LRAMVA to recover lost revenues in the amount of $1,150,011 (including carrying charges), associated with differences between actual savings and forecast conservation savings included in the last OEB-approved load forecast. Milton Hydro requested disposition of the net lost

[10] Pages 8-9 of Decision and Rate Order, March 25, 2021, EB-2020-0039

revenues from persisting savings in 2015 of programs offered between 2011 to 2014. Milton Hydro also requested recovery of net lost revenues from savings resulting from programs offered between 2015 to 2020, including in-year results and persistence of savings to December 31, 2020. Carrying charges on these amounts through December 31, 2021 are also being claimed.

Milton Hydro previously received approval from the OEB for the recovery of lost revenues resulting from its CDM activities from 2011 to 2014.[11] Milton Hydro has not brought forward an application for the recovery of LRAMVA amounts since that proceeding.

Milton Hydro retained IndEco Strategic Consulting Inc. to develop its 2020 LRAMVA claim.

Milton Hydro proposed to recover the LRAMVA amount through class-specific volumetric rate riders that would be in effect for a period of twelve months, from January 1, 2022 to December 31, 2022. The class-specific rate riders were determined by totaling the class-specific LRAMVA amount by program and dividing by the amount of volume or demand billed in 2020.

Submission

OEB staff submits that Milton Hydro's LRAMVA balance has been calculated in accordance with the OEB's CDM-related guidelines[12] and updated LRAMVA policy[13]. Actual conservation savings are consistent with the savings in the IESO reports and additional supporting documentation. Forecast conservation savings that were used to compare against actual savings in the LRAMVA calculation are consistent with the LRAMVA threshold approved in its last cost-of-service proceeding.

OEB staff supports the LRAMVA balance requested for disposition, as noted in Table 1:

[11] EB-2016-0242
[12] Conservation and Demand Management Requirement Guidelines for Electricity Distributors, Revised August 16, 2016, EB-2014-0278, section 7
[13] Filing Requirements for Electricity Distribution Rate Applications - 2021 Edition for 2022 Rate Applications - Chapter 3 Incentive Rate-Setting Applications, June 24, 2021, section 3.2.6

**Table 1: LRAMVA Balances for Disposition**

| Account Name | Account Number | Actual CDM Savings ($) A | Forecasted CDM Savings ($) B | Carrying Charges ($) C | Total Claim ($) D=(A-B)+C |
|---|---|---|---|---|---|
| LRAMVA | 1568 | 1,387,608 | 289,999 | 52,402 | 1,150,011 |

## 5. Request to Change Rate Year

Background

As part of its application, Milton Hydro requests to align its rate year (currently effective May 1) with its fiscal year, effective January 1, 2022.

Milton Hydro notified the OEB of its intention to seek permission to align its rate year to January 1 as part of its deferral letter, dated January 28, 2021. OEB staff notes that while the OEB granted Milton Hydro's request to defer rebasing until the 2023 rate year, it did not opine on the issue of rate year alignment.[14]

Milton Hydro listed several benefits of aligning rate years, including greater regulatory certainty, greater efficiency of the rate application process, and improved consistency in reporting fiscal year return on equity. Milton Hydro also noted that it would simplify its financial budgeting and forecasting processes.[15] Milton Hydro further explained that its primary reason for this request being made in this proceeding is to mitigate the potential bill impacts resulting from the 2022 LRAMVA rate rider. Milton Hydro stated that rate year alignment as part of this application enables it to implement the LRAMVA rate rider on January 1, 2022. Since the sunset date for this one-year rate rider would be December 31, 2022, it would not compound the bill impacts associated with the 2023 rate application.[16]

[14] EB-2021-0042, OEB Letter, Application for 2022 Electricity Rates, March 31, 2021
[15] Manager's Summary, pp. 40-41
[16] Manager's summary, p. 39

Milton Hydro acknowledged that changing the effective date of the rate year has financial implications for customers. Realigning its rate year to its fiscal year effectively creates an over-collection that would otherwise not exist, equal to the incremental rate increase during the January to April 2022 period.

To address these financial impacts to its customers, Milton Hydro proposed a rate rider to return the difference between the 2022 and the 2021 distribution rates over four months (from January 1 to April 30, 2022). Milton Hydro stated that this approach negates the rate increase to base distribution rates in the first four months of 2022 and holds its customers harmless.

Milton Hydro provided a model that calculates this differential, based on a placeholder Price Cap Adjustment of 2.05%. Milton Hydro asked the OEB to update its rate rider calculation for the 2022 Price Cap Adjustment once the 2022 inflation parameters are known.[17] Milton Hydro is proposing to refund the resulting amounts to all rate classes over a four-month period.

Submission

OEB staff supports Milton Hydro's request to change its rate year, as well as the methodology for how it will negate this impact to customers.

In its letter of April 15, 2010, concluding the Rate Year Alignment consultation, the OEB found that it expects distributors to include an analysis of the benefits and ratemaking implications, if any, of the alignment as part of its application.[18] The OEB has since not required such an analysis as per the Chapter 2 Filing Requirements.[19] In addition, while rate year alignment is not on the list of exclusions identified in the Chapter 3 Filing Requirements, that section makes it clear that those items are just examples.[20]

[17] Manager's summary, p. 42
[18] OEB Letter, April 15, 2010, p. 2 and Appendix B
[19] Filing Requirements for Electricity Distribution Rate Applications - 2021 Edition for 2022 Rate Applications - Chapter 2 Cost of Service Applications, June 24, 2021, section 2.0.5
[20] Filing Requirements for Electricity Distribution Rate Applications - 2021 Edition for 2022 Rate Applications - Chapter 3 Incentive Rate-Setting Applications, June 24, 2021, section 3.4

In OEB staff's view, Milton Hydro's primary reason for requesting a rate change in this specific proceeding (to ensure that a twelve-month LRAMVA rider expires before January 1, 2023) could also be addressed through other methods that would not require a change to the rate year. For instance, an LRAMVA rider may have been proposed in this proceeding to span 8 months, from May 1, 2022 to December 31, 2022. Alternatively, a longer duration of 24 months could also have been an option to smooth out impacts. Furthermore, there are numerous other rate smoothing options that Milton Hydro may have proposed in its cost-of-service proceeding, for the OEB's consideration, if it was apparent based on the evidence presented in that application that bill mitigation was in the best interest of customers.

That said, OEB staff agrees with Milton Hydro that there are enduring benefits and efficiencies associated with having a fiscal period aligned with a rate-setting period. These would include the ability to align underlying costs structures and the associated rates to recover those costs and alignment of approved and achieved return on equity comparisons. In addition, the OEB has approved this alignment in previous IRM proceedings.[21] OEB staff therefore does not oppose the alignment request. Moreover, OEB staff has further reviewed the associated rate riders proposed by Milton Hydro and agrees that these riders properly adjust for the financial impacts on customers arising from the requested rate year change.

OEB staff notes that the rate rider calculation is based on a placeholder using the 2021 Price Cap Index. As noted previously, the OEB has initiated a proceeding on its own motion to consider the inflation factor to be used for 2022 electricity rates. If the OEB's decision on the 2022 inflation parameters is issued following the close of record for this proceeding, OEB staff intends to update the calculated rate year alignment riders, to reflect the OEB-approved 2022 inflation factor, and resulting price cap adjustment, according to the process that the OEB may lay out for implementation once available.

## 6. Low Voltage Service Rate Adjustment

Background

Milton Hydro is requesting to adjust its Low Voltage Service Rates (LVSRs) to smooth customer's anticipated bill impacts and to mitigate intergenerational inequities. Milton

[21] EB-2020-0013, Decision and Order, Elexicon Energy Inc., issued December 29, 2020

Hydro acknowledged that a LVSR adjustment is usually dealt with in a cost-of-service application. However, Milton Hydro requested this adjustment now to mitigate bill impacts anticipated in its upcoming rebasing application, scheduled for the 2023 rate year.
Low Voltage (LV) charges relate to the cost of a host distributor to distribute electricity to an embedded distributor. Any variance between the LV charges paid to the host distributor and the amounts collected from customers via LVSRs, which are billed to customers each month, are captured in Account 1550 - LV Variance Account. Account 1550 is a Group 1 pass-through account, and as such, a distributor typically disposes of these balances annually as part of the IRM process.

Milton Hydro is embedded into two host distributors' service areas, namely Hydro One Networks Inc. and Oakville Hydro Electricity Distribution Inc. The table below, which Milton Hydro provided in response to an OEB staff interrogatory, shows the LV charges from both host distributors and the revenues collected from customers through LVSRs from 2016 to 2020, as well as projections for 2021 and 2022 based on the current OEB-approved LVSRs.[22] Table 2 demonstrates the magnitude of the variance accumulated in Account 1550 if the LVSR is maintained at its current rate.

**Table 2: Low Voltage Charges, LVSRs Revenues and Variances**

| Year | Low Voltage Payments to Hydro One | Low Voltage Payments to Oakville Hydro | Low Voltage Payments to Host Distributors | LV Revenues | Variance Cost vs Revenues |
|---|---|---|---|---|---|
| 2016 Actual | $ 336,090 | $ 529,523 | $ 865,613 | $ 286,930 | $ 578,683 |
| 2017 Actual | $ 303,415 | $ 384,807 | $ 688,223 | $ 527,760 | $ 160,463 |
| 2018 Actual | $ 268,791 | $ 397,651 | $ 666,443 | $ 555,252 | $ 111,191 |
| 2019 Actual | $ 517,133 | $ 243,825 | $ 760,958 | $ 556,605 | $ 204,352 |
| 2020 Actual | $ 681,679 | $ 342,414 | $ 1,024,093 | $ 562,853 | $ 461,241 |
| 2021 Projected | $ 710,671 | $ 341,071 | $ 1,051,742 | $ 569,170 | $ 482,572 |
| 2022 Projected | $ 710,671 | $ 341,071 | $ 1,051,742 | $ 575,559 | $ 476,183 |
| | $ 3,528,450 | $ 2,580,362 | $ 6,108,814 | $ 3,634,129 | $ 2,474,685 |

[22] Response to OEB-Staff-9

In this application, Milton Hydro requested to adjust its LVSRs for the 2022 rate year.[23] In addition to citing concerns about compounding bill impacts associated with its 2023 rates application, Milton Hydro's reason for this request is two-fold:

1. To set its LVSRs at an appropriate level to reflect actual costs.
2. To minimize the variances accumulated in Account 1550, by reducing the differential between the LV charges incurred and its LVSRs charged to customers.

To set its LVSRs at a more appropriate level, Milton Hydro proposed to apply the previous year's actual (2020) LV charges paid to its host distributors as the numerator dollar amount and then allocate this amount to its customer classes on the same basis as the Transmission Connection Charges are allocated.[24] Milton Hydro then applied the previous year's transmission connection denominator volumes as billing determinants[25] to calculate the 2022 LVSRs.[26] While Milton Hydro acknowledged that its methodology has an inherent timing lag, its approach will match actual costs most closely and therefore smooth bill impacts as well as reduce the variances in Account 1550.[27] Milton Hydro also noted that to adjust the LVSRs now will help reduce the effect of adjusting the rates for the 2023 rate year, since its current LVSRs do not recover its forecast costs.[28]

As a secondary benefit, Milton Hydro suggested that the variances in Account 1550 can be minimized through an annual mechanistic adjustment to LVSRs.[29] Milton Hydro noted that LV costs can be volatile, depending on the host distributors' annually approved host RTSRs. Milton Hydro stated that to use a static forecast to set LVSRs, based on a forward-looking test year, will cause annual variances, unless the actual costs and billing determinants remain at the same level. While Milton Hydro referred to the benefits of adjusting LVSRs annually on a more general basis in its evidence, it

[23] VECC Interrogatory Response-4b)
[24] LV costs are allocated to rate classes in proportion to transmission connection rate revenues. Transmission connection amounts for each customer class is based on the customer class current RTSR connection charge multiplied by loss adjusted billed kWh.
[25] Billing determinants are based on 2020 metered kWh or kW by customer class
[26] EB-2021-0042 Manager's Summary, pp. 45-46
[27] ibid
[28] Manager's Summary, p. 48
[29] Manager's Summary, pp. 47-48

subsequently confirmed that it is only seeking an LVSR adjustment for the 2022 rate year and is not requesting approval to adjust LVSRs for future IRM periods.[30]

Submission

OEB staff does not object to Milton Hydro's request to update its 2022 LVSRs as part of its 2022 IRM application. OEB staff agrees that if Milton Hydro is anticipating a significant bill impact to its customers associated with its 2023 cost-of-service application, one way to mitigate that impact would be to reduce the year-over-year impact from 2022 to 2023 associated with LVSRs charged to customers. An update to the 2022 LVSRs would accomplish that.

Milton Hydro has also referred to minimization of the ongoing variance in Account 1550 as a primary reason for updating the LVSRs in 2022.[31] OEB staff does not agree that this is a significant factor. The variances that Milton Hydro seeks to minimize in this proceeding are for the 2022 fiscal year, which will not be disposed of in Milton Hydro's 2023 cost-of-service proceeding, and therefore, have no bill impact in 2023. OEB staff submits that Milton Hydro's request to update its LVSRs in an IRM proceeding should only be accommodated in consideration of mitigating bill impacts associated with the 2023 cost of service proceeding.

Milton Hydro provided the following preliminary, anticipated bill impacts calculation for its 2023 cost-of-service application, based on two scenarios (a) approval of the requested LVSRs adjustment and (b) denial of the LVSRs adjustment.[32]

[30] ibid
[31] Reply to OEB-Staff-9 e)
[32] VECC Interrogatory Response-1a)

**Table 3: Bill Impact Scenarios**

| Rate Class | Unit | Scenario 1: Total Bill Impact Assuming LVSR Approved in 2022 | | Scenario 2: Total Bill Impact Assuming LVSR Not Approved until 2023 | | Difference | |
|---|---|---|---|---|---|---|---|
| | | $ | % | $ | % | $ | % |
| Residential | $/kWh | $ 5.01 | 4.1% | $ 5.43 | 4.5% | $ 0.42 | 0.4% |
| GS<50 kW - RPP | $/kWh | $ 9.56 | 3.2% | $ 10.50 | 3.5% | $ 0.94 | 0.3% |
| GS 50-999 kW - Non-RPP | $/kW | $ 119.02 | 1.2% | $ 154.51 | 1.6% | $ 35.49 | 0.4% |
| GS 1,000-4,999 - Non-RPP | $/kW | $ 991.41 | 0.4% | $ 1,410.21 | 0.6% | $ 418.80 | 0.2% |
| Large Use - Non-RPP | $/kW | $ 2,322.95 | 0.5% | $ 3,728.85 | 0.8% | $ 1,405.90 | 0.3% |
| USL - RPP | $/kWh | $ 2.73 | 4.2% | $ 2.92 | 4.5% | $ 0.19 | 0.3% |
| Sentinel Lighting - Non-RPP | $/kW | $ 9.72 | 17.3% | $ 9.88 | 17.6% | $ 0.16 | 0.3% |
| Street Lighting - Non-RPP | $/kW | $ 4,902.54 | 4.4% | $ 5,112.08 | 4.6% | $ 209.54 | 0.2% |

While OEB staff does not object to Milton Hydro's request to amend its 2022 LVSRs in this proceeding, OEB staff's position is based on the unique circumstances of Milton Hydro, including (i) an expected significant bill impact in 2023, and (ii) the fact that the existing LVSRs are significantly lower than what is necessary to recover its current LV charges. At the same time, OEB staff does not believe that updating LVSRs in the last year of an IRM should be a common mitigation strategy permitted in all circumstances. Applicants filing cost-of-service applications have a number of other bill mitigation tools

at their disposal, which an OEB panel hearing the broader cost-based proceeding may consider.

In this proceeding, Milton Hydro could also have elected not to dispose of its Group 1 accounts, given that the total did not exceed the threshold. Postponing disposition of this credit amount to 2023 would have been one way of mitigating the 2023 bill impacts without deviating from standard OEB practice in an IRM.

Milton Hydro appears to have cited reasons for why an update to LVSRs on an annual basis would be appropriate in more general terms, such as minimization of intergenerational inequity. OEB staff submits that since Account 1550 is a Group 1 DVA, it is typically disposed on an annual basis. Accordingly, there are already mechanisms in place to ensure that variances do not accumulate for a lengthy period – and so intergenerational inequity concerns are minimized in the case of LVSRs. In contrast, OEB staff notes that the OEB may need to consider a number of other factors associated with updating LVSRs that are more suited to a cost of service application, including system configuration of the applicant's distribution system and the number of connection points with any host distributors.

IRM proceedings are designed to be mechanistic in nature. While LVSR changes may be considered analogous to an RTSR update, the OEB has developed a standard methodology for RTSR changes. Conversely, distributors have proposed, and the OEB has approved, a variety of approaches in setting the appropriate LVSRs, which often recognize some of the unique circumstances different distributors face.[33] The make-up of a fully or partially embedded distributor's LV costs varies between embedded distributors based on the ownership profile of the interconnection assets that are used to serve embedded distributors. A one-size-fits-all methodology may not work for all situations, and accordingly, increased OEB judgement and scrutiny would be required for this type of change, detracting from the mechanistic nature of an IRM application. OEB staff is also of the view that this type of adjustment may itself necessitate a hearing.

Accordingly, OEB staff reiterates its view that Milton Hydro's proposed adjustment be approved on an exception basis.

[33] EB-2021-0011, Canadian Niagara Power Inc. Exhibit 8, page 17, is a recent example.

~ All of which is respectfully submitted ~