



Ontario
Energy
Board

Commission
de l'énergie
de l'Ontario

DECISION AND ORDER

EB-2022-0158

NIAGARA-ON-THE-LAKE HYDRO INC.

Application to change the Large Use Service Retail Transmission Rates and related approvals

BEFORE: Allison Duff
Presiding Commissioner

Pankaj Sardana
Commissioner

August 18, 2022

TABLE OF CONTENTS

1	OVERVIEW	1
2	THE PROCESS	2
3	DECISION	3
4	ORDER	8
	SCHEDULE A	
	SCHEDULE B	

1 OVERVIEW

Niagara-on-the-Lake Hydro Inc. (Niagara-on-the-Lake Hydro) filed an application with the Ontario Energy Board (OEB) under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval to modify its Large Use Retail Service Transmission Rates (RTSR), and to modify the conditions of its Specified Customer Revenue Variance Account (SCRVA), effective July 1, 2022.

Niagara-on-the-Lake Hydro serves approximately 9,600 mostly residential and commercial electricity customers in the Town of Niagara-on-the-Lake.

In Niagara-on-the-Lake Hydro's 2019 cost of service rate application, the OEB approved the creation of the SCRVA.¹ The rationale for the account was because the load forecast associated with the only large-use customer was uncertain, and that customer's load was large relative to Niagara-on-the-Lake Hydro's total load.²

In this application, Niagara-on-the-Lake Hydro is requesting the modification of its 2022 Large Use Service Retail Transmission Rates (Large Use RTSR), and an amendment of its SCRVA. The application is being driven by the planned introduction of a new Large Use customer that intends to engage in a cryptocurrency mining business (New Customer) in Niagara-on-the-Lake, and the cessation of business by the previous Large Use customer.³

The OEB approves the request of Niagara-on-the-Lake Hydro to change its Large Use RTSRs effective July 1, 2022, and the proposal to amend the SCRVA into a generic variance account applicable to the New Customer and potential all future Large Use customers.

¹ EB-2018-0056.

² Manager's Summary, Page 11

³ Manager's Summary, Page 8.

2 THE PROCESS

The OEB issued a Notice of Application on May 27, 2022, inviting interested parties to register as intervenors or file a letter of comment with the OEB. School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC) applied for intervenor status and cost eligibility.

On June 16, 2022, the OEB issued Procedural Order No. 1 and granted SEC and VECC intervenor status and cost eligibility. The procedural order established the timetable for a written discovery process and submissions.

On July 6, 2022, Niagara-on-the-Lake Hydro responded to the interrogatories submitted by OEB staff, SEC, and VECC.

On July 18, 2022, SEC and VECC filed their submissions. On July 19, 2022, OEB staff filed its submission.

On July 27, 2022, Niagara-on-the-Lake Hydro filed its reply submission.

3 DECISION

Modification of 2022 Large Use RTSRs

Niagara-on-the-Lake Hydro requested an amendment to its Large Use RTSR to match the Uniform Transmission Rates (UTRs) charged by the Independent Electricity System Operator (IESO).⁴

The OEB previously approved the rates that Niagara-on-the-Lake Hydro could charge its customers effective January 1, 2022, which included pass-through charges such as RTSRs that the utility pays to the IESO.⁵

Niagara-on-the-Lake Hydro stated that continuing to charge the current Large Use RTSRs would cause a potential \$500K annual shortfall in its SCRVA. As this shortfall would need to be recovered from all customers upon disposition, it would not be equitable from a customer perspective. Additionally, if Niagara-on-the-Lake Hydro's RTSRs were not matched with UTRs charged by the IESO, there would be a commensurate cash shortfall for Niagara-on-the-Lake Hydro with added interest costs arising from higher short-term debt.⁶

All parties supported Niagara-on-the-Lake Hydro's request to amend the 2022 Large Use RTSRs to match the UTRs because the proposal would mitigate a potential material variance that would accumulate in the variance account throughout 2022 if the Large Use RTSRs remained unchanged. However, VECC submitted that the UTRs for the Large Use class should also be adjusted for line losses.⁷ VECC submitted that the RTSRs should equal the Provincial Transmission Rates (UTR) adjusted for estimated line losses. VECC submitted that the adjustment is needed to align the transmission costs recovered from the Large Use customers with the transmission costs incurred by Niagara-on-the-Lake Hydro to serve those customers.⁸

In its reply submission, Niagara-on-the-Lake Hydro acknowledged VECC's proposal but noted several challenges with the proposal in that:

- No other customer class has RTSRs adjusted for line losses so the proposal would be inconsistent.

⁴ The UTRs were last updated by the OEB on April 7, 2022, in EB-2022-0084.

⁵ [EB-2021-0045, Decision and Rate Order, December 9, 2021.](#)

⁶ Manager's Summary, Page 9.

⁷ VECC Submission, July 19, 2022, Pages 5-7.

⁸ VECC Submission, page 7

- Niagara-on-the-Lake Hydro is unable to estimate the losses at this time and services to the New Customer will likely come from a mix of dedicated feeders from both of the utility's stations as well as from existing feeders that also serve other customers. The actual line losses could therefore vary from month to month depending on which feeder lines the power is being drawn and thus no definitive line loss can be applied.
- As line losses have already been approved and covered by the line loss gross-up applied to usage, Niagara-on-the-Lake Hydro is concerned with potentially double counting line losses.⁹

Findings

The OEB approves the update to the 2022 Large Use RTSRs to incorporate the current UTRs approved by the OEB in April 2022. The OEB finds that this application provides a unique opportunity to update the rate schedules to provide accurate RTSR pricing for any Large Use customer. Further, as the New Customer is expected to operate at 100% continuous (24/7) load, any incremental load will increase Niagara-on-the-Lake Hydro's peak load subject to UTRs.

Maintaining the current RTSR rate in Niagara-on-the-Lake Hydro's rate schedules would lead to an unnecessary balance accumulation and interest carrying costs in variance accounts 1584 and 1586. An estimated annual balance of \$470,184 at 20 MW is material for Niagara-on-the-Lake Hydro given its materiality threshold of \$50,000 and, as Niagara-on-the-Lake Hydro submitted, would have a significant adverse cash flow impact.

The OEB will not direct Niagara-on-the-Lake Hydro to estimate line losses to adjust the UTRs for its Large Use class. The OEB does not dismiss VECC's observations, yet finds that this application, narrow in scope, is not the appropriate forum to consider line losses potentially affecting all customer classes.

The approved Tariff of Rates and Charges for the Large Use Service Classification is in Schedule A of this decision.

Large Use Customer Revenue Variance Account

⁹ Reply Submission, July 26, 2022, Pages 1-2.

In its 2019 cost of service proceeding¹⁰, the OEB approved a Specified Customer Revenue Variance Account (SCRVA) to track the difference between actual and forecasted revenue for a new Large Use customer. Niagara-on-the-Lake Hydro stated that the SCRVA protected the utility from the uncertainties related to the new Large Use customer while allowing its other customers to benefit from the increased revenues. In 2021 and 2022, its other customers benefited from credit rate riders with the clearing of the SCRVA.¹¹

In this proceeding, Niagara-on-the-Lake Hydro is seeking to modify the SCRVA into a generic variance account which would apply to the New Customer and other potential Large Use customers.

Furthermore, Niagara-on-the-Lake Hydro's proposal would maintain revenue at current levels and allocate any increase in revenue to all its customers through the SCRVA, subject to OEB review. If the change to the SCRVA is not made, any increase in revenue from the New Customer would accrue as income.¹²

In response to OEB staff interrogatories, Niagara-on-the-Lake Hydro stated that the connection of the New Customer will require an unknown level of system expansion. Niagara-on-the-Lake Hydro indicated that it is following its Conditions of Service regarding any cost recovery for system expansion capital required and that it will not commence construction until a deposit to cover 100% of the costs had been received.¹³

The proposal to amend the SCRVA into a Generic Variance Account would reduce or eliminate the debit balances currently accruing to the SCRVA due to the loss of the former Large Use customer as the revenue associated with the load of the New Customer over 5 MW would be collected in the variance account.

All parties supported Niagara-on-the-Lake Hydro's request to modify the SCRVA into a generic variance account which would apply to the New Customer and other potential additional Large Use customers. VECC and SEC suggested that the wording of the accounting order specify that the variance threshold is 5 MW. In its reply submission, Niagara-on-the-Lake Hydro agreed with this suggested change to the accounting order.¹⁴

¹⁰ EB-2018-0056.

¹¹ 2022 Rate Modification Application, page 11.

¹² Manager's Summary, Page 11

¹³ Staff Interrogatory – 1, part f).

¹⁴ Reply Submission, July 26, 2022, Page 1.

In its submission, OEB staff noted that there are existing mechanisms that deal with the risks of a large customer ceasing operations which could be applied to the New Customer connection. OEB staff also noted that, in another recent case, parties to the settlement proposal did not agree to a proposed variance account similar to the one proposed in this case.¹⁵ However, OEB staff submitted that the unique circumstances in the current application supported the proposed amendments to the existing SCRVA for the following reasons:

1. The existence of the SCRVA, which remains active until the utility next rebases (depending on the outcome of that proceeding), and
2. A customer with a potential load of 80 MW represents a significant portion of the utility's revenue which would exceed the utility's materiality threshold.¹⁶

Findings

The OEB approves the proposal to amend the Specified Customer Variance Account into a general variance account applicable to all Large Use customers. Accordingly, the OEB finds that the name of the account should also be amended to "Large Use Customer Revenue Variance Account". With this name change and certain clarifying edits to the draft filed by Niagara-on-the-Lake Hydro, the OEB approves the Accounting Order in Schedule B of this decision.

The incremental load of any new Large Use customer will reduce or eliminate the amended account's annual debit entry required after the loss of the former Large Use customer.

SEC and VECC found the amended account would be consistent with the original purpose of the variance account that was established to address load uncertainty. The OEB agrees. The OEB also notes that Niagara-on-the-Lake Hydro regarded the New Customer's load with greater uncertainty, compared to the load of the former Large Use customer for which the account was established.

OEB staff also supported the "generic" account amendment on a non-precedential basis. OEB staff submitted that the circumstances in the current application may warrant a different treatment to address large use customer risk and demand

¹⁵ [EB-2021-0056](#), Rideau St. Lawrence Distribution Inc. Decision and Order, Schedule A (Settlement Proposal), page 27 / 111.

¹⁶ OEB Staff's submission, July 19, 2022, Page 4.

uncertainty. The OEB agrees that the circumstances of this application are unique to Niagara-on-the-Lake Hydro and its customers.

Bill Impacts of the Variance Account

The estimated annual balance for the amended variance account is \$470,184 associated with a load of 20 MW from the New Customer.

To dispose of this estimated balance, the potential bill impact to a residential customer would be a 2% reduction in the amount billed by Niagara-on-the-Lake Hydro. For a sentinel lighting customer, the potential bill reduction would be 11%.

As SEC submitted, the amendment to the variance account will allow Niagara-on-the-Lake Hydro to capture incremental distribution revenue from new Large User customers to the benefit of existing customers.

Findings

The disposition of any balances accrued in the Large Use Customer Revenue Variance Account will be considered in a subsequent application. The future bill impacts to existing customers is unknown at this time. What is relevant in this decision, is that the OEB finds the estimated variance account balances material, sufficient to justify the update to the original account.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is approved as final effective July 1, 2022. The Tariff of Rates and Charges will apply to electricity consumed, or estimated to have been consumed, on and after July 1, 2022, for the Large Use customers. Niagara-on-the-Lake Hydro Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new final rates.
2. The Accounting Order set out in Schedule B of this Decision and Rate Order is approved.
3. Intervenors shall submit their cost claims to the Ontario Energy Board and forward a copy to Niagara-on-the-Lake Hydro Inc. by **September 1, 2022**.
4. Niagara-on-the-Lake Hydro Inc. shall file with the Ontario Energy Board and forward to Intervenors any objections to the claimed costs by **September 12, 2022**.
5. Intervenors shall file with the Ontario Energy Board and forward to Niagara-on-the-Lake Hydro Inc. any responses to any objections for cost claims by **September 19, 2022**.
6. Niagara-on-the-Lake Hydro Inc. shall pay the Ontario Energy Board's costs incidental to this proceeding upon receipt of the Ontario Energy Board's invoice.
7. Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2022-0158** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.

- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Kelli Benincasa at Kelli.Benincasa@oeb.ca, and OEB Counsel, Ljuba Djurdjevic at Ljuba.Djurdjevic@oeb.ca.

Email: registrar@oeb.ca
Tel: 1-877-632-2727 (Toll free)

DATED at Toronto August 18, 2022

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A
DECISION AND RATE ORDER
NIAGARA-ON-THE-LAKE HYDRO INC.
EB-2022-0158
AUGUST 18, 2022

Niagara-on-the-Lake Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date July 1, 2022
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2021-0045 and EB-2022-0158

LARGE USE SERVICE CLASSIFICATION

This classification applies to a non-residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than 5,000 kW. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

If included in the following listing of monthly rates and charges, the rate rider for the disposition of WMS - Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

If included in the following listing of monthly rates and charges, the rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	3,941.08
Distribution Volumetric Rate	\$/kW	2.5164
Rate Rider for Disposition of Deferral/Variance Accounts (2022) - effective until December 31, 2022	\$/kW	(0.4774)
Rate Rider for Disposition of Large Use Deferral/Variance Accounts - effective until December 31, 2022	\$/kW	(0.0198)
Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	5.4600
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	0.8800

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

SCHEDULE B
DECISION AND RATE ORDER
NIAGARA-ON-THE-LAKE HYDRO INC.
EB-2022-0158
AUGUST 18, 2022

Niagara-on-the-Lake Hydro Inc.

ACCOUNTING ORDER

Large Use Customer Revenue Variance Account

This Large Use Customer Revenue Variance Account modifies and replaces the Specified Customer Revenue Variance Account.

On a monthly basis the aggregate demand revenue from all Large Use Customers will be reviewed and any variance from an aggregate demand of 5,000 kW will result in a journal entry in the account. Demand revenue will include any standby revenue billed due to a User's behind-the-meter generation displacing demand revenue. The amount recorded will be the difference between actual revenue collected from the Customers and the amount of revenue associated with monthly billing demand of 5,000 kW, based on the approved fixed and variable rates in effect during that period.

If the demand exceeds 5,000 kW then the entry is:

Dr. 4305 Regulatory Debit

Cr. 1508 sub-account Large Use Customer Revenue Variance Account

If the demand is lower than 5,000 kW then the entry is:

Dr. 1508 sub-account Large Use Customer Revenue Variance Account

Cr. 4310 Regulatory Credit

Following the audit of the account's year-end balance, Niagara-on-the-Lake Hydro Inc. will request disposition of the account via a rate rider which will be in effect for one year. A rate rider will be determined for all customer classes including the Large User class.

Assuming the variance account has a credit balance, the monthly recording of the billing of the rate rider will be:

Dr. 1508 sub-account Large Use Customer Revenue Variance Account

Cr. 4305 Regulatory Debit

Dr. 4080 Distribution Revenue

Cr. 1100 Customer Accounts Receivable

If the variance account has a debit balance, the entries would be:

Dr. 4310 Regulatory Credit

Cr. 1508-sub-account Large Use Customer Revenue Variance Account

Dr. 1100 Customer Accounts Receivable

Cr. 4080 Distribution Revenue

Following the audit of the year in which the last month of the rate rider was billed, any remaining balance in the variance account will be included in the balance requested for disposition in a future period. The rate rider will be determined by allocating the balance of the variance account across customer classes based on customer class revenue.

Within each customer class it will be allocated across customers based on kWh.