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**BY EMAIL**

October 26, 2022

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission  
Hydro One Networks Inc. (HONI)  
Application for 2023 Rates for Areas formerly served by Orillia Power  
Distribution Corporation and Peterborough Distribution Inc.  
OEB File Number: EB-2022-0040**

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

Yours truly,

Arturo Lau  
Advisor

Encl.

cc: All parties in EB-2022-0040



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission**

**Hydro One Networks Inc.**

**2023 Rates Application**

**EB-2022-0040**

**October 26, 2022**

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## Background

In 2018, Hydro One Networks Inc. (HONI) filed two (2) applications pursuant to section 86 of the *Ontario Energy Board Act, 1998* (OEB Act), to acquire the distribution businesses of Orillia Power Distribution Corporation (Orillia Power Distribution) and Peterborough Distribution Inc. (Peterborough Distribution) and Peterborough Utilities Services Inc. (collectively the MAADs Applications).<sup>1</sup> The MAADs Applications also requested various related approvals under several different sections of the OEB Act.

The OEB approved both MAADs Applications on April 30, 2020 which allowed Hydro One Inc., the parent company of HONI, to purchase all the issued and outstanding shares of Orillia Power Distribution, and to purchase, through its subsidiary, the distribution system of the amalgamated corporation of Peterborough Distribution and Peterborough Utilities Services Inc. and subsequently transfer the assets and liabilities of the amalgamated corporation to HONI (collectively the MAADs Decisions).<sup>2</sup>

The distribution licences for Orillia Power Distribution and Peterborough Distribution have been transferred to HONI. The integration of Orillia Power Distribution and Peterborough Distribution into HONI's distribution system was completed on June 1, 2021. References to the HONI service areas formerly served by Orillia Power Distribution and Peterborough Distribution, are herein referred to as "Orillia" and "Peterborough", respectively.

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<sup>1</sup> In EB-2018-0270 (Orillia MAADs Application), the proposed transaction was for Hydro One Inc., the parent company of HONI, to purchase all of the shares of OPDC and then transfer the assets and liabilities of the electricity distribution business from OPDC to HONI. In EB-2018-0242 (Peterborough MAADs Application), the proposed transaction was to amalgamate PDI and PUSI, sell the amalgamated corporation to 1937680 Ontario Inc., a subsidiary of Hydro Inc., and then allow 1937680 Ontario Inc. to dispose of its distribution system and transfer its rate orders to HONI.

<sup>2</sup> Decision and Order in EB-2018-0270 and Decision and Order in EB-2018-0242, both issued on April 30, 2020

## Application Summary

HONI filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on August 3, 2022, under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) for the areas formerly served by OPDC Distribution Corporation (Orillia Power Distribution) and Peterborough Distribution Inc. (Peterborough Distribution) seeking approval for changes to its electricity distribution rates to be effective January 1, 2023.

OEB staff notes that the customers of both former service areas are currently in a ten-year deferred rebasing period pursuant to the terms of the MAADs Decisions. During the years one to five (2021 to 2026) of the deferred rebasing period, all base distribution delivery rates for the Orillia and Peterborough service areas are frozen. In addition, all base delivery rates would be subject to a 1% reduction through an ongoing rate rider during the first five years.

## OEB Staff Submission

OEB staff makes submissions on the following issues:

- Group 1 Deferral and Variance Accounts (DVAs)
- Group 2 DVAs
- Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)
- Retail Transmission Service Rates

### Group 1 Deferral and Variance Accounts

HONI requested the final disposition of Group 1 balances as of December 31, 2020, for a debit amount of \$1,855,584 pertaining to the Orillia rate zone, and a debit amount of \$2,113,769 pertaining to the Peterborough rate zone.<sup>3</sup> HONI has requested a one-year disposition period for both rate zones.

HONI proposed to defer the disposition of 2021 Group 1 balances until its 2024 rate application. HONI noted that the 2021 balances include seven months of post-integration data that is recorded on a consolidated basis for the Orillia and Peterborough rate zones, HONI Distribution and the other acquired utilities.<sup>4</sup> HONI indicated that the 2021 balances for these entities will not be considered until their 2024 rate application due to their ongoing 2023 cost of service rate application.<sup>5</sup> HONI stated that this deferral allows the OEB to review the disposal of these consolidated balances for all entities at one time.

Based on the threshold test calculation, HONI's 2020 Group 1 balances exceed the OEB's disposition threshold of \$0.001 per kWh for both rate zones.

#### *a) Orillia Rate Zone*

The Orillia rate zone's 2016 Group 1 balances were last approved for final disposition in the former Orillia Power Distribution's 2018 rate application.<sup>6</sup> Subsequently in Orillia Power Distribution's 2019 and 2020 rate applications, Group 1 balances were not disposed as the disposition threshold was not exceeded.<sup>7</sup> However, in Orillia Power Distribution's 2020 rate application, it confirmed that it had implemented the OEB's Accounting Guidance for Account 1588 – Power and Account 1589 – Global Adjustment<sup>8</sup> (Accounting Guidance) retroactive to January 1, 2019. Orillia Power Distribution also stated that it applied the Accounting Guidance in the context of its 2017 and 2018 balances, and concluded that there were no systemic issues with its

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<sup>3</sup> IRR OEB Staff-3

<sup>4</sup> Application Summary, p.13

<sup>5</sup> EB-2021-0110

<sup>6</sup> EB-2017-0264

<sup>7</sup> EB-2018-0061, EB-2019-0061

<sup>8</sup> Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass Through Accounts 1588 & 1589, February 21, 2019

Regulated Price Plan (RPP) settlements and related accounting processes, and no adjustments to account balances were required.<sup>9</sup> No rate application was filed for 2021 rates as due to Orillia Power Distribution's MAADs application. In HONI's 2022 rate application for the Orillia rate zone, HONI requested, and was approved a deferral to dispose Group 1 accounts as the transfer of customer data was still pending integration with HONI's system. In the current proceeding, HONI has requested the final disposition of 2020 Group 1 balances.

### Submission

OEB staff does not object HONI's proposal to defer the disposition of its 2021 Group 1 balances for the Orillia rate zone. OEB staff supports HONI's proposal that 2020 Group 1 balances should be disposed of in the current proceeding. HONI indicated that the Orillia rate zone's 2021 Group 1 balances include seven months of post-integration data that has been tracked and recorded on a consolidated basis for the Orillia and Peterborough rate zones, HONI Distribution and other acquired utilities. OEB staff believes that the proposal to review consolidated Group 1 balances that are allocated to HONI's various rate zones in the 2024 rate year is reasonable and may result in regulatory efficiencies.

OEB staff notes that Orillia Power Distribution had previously confirmed that it has implemented the Accounting Guidance effective January 1, 2019, and has reviewed its 2017 and 2018 balances in the context of the Accounting Guidance.<sup>10</sup> OEB staff further notes that Orillia Power Distribution previously provided the GA Analysis Workform for its 2017 and 2018 balances.<sup>11</sup> HONI has not provided the GA Analysis Workform for the Orillia rate zone's 2019 and 2020 balances, however, OEB staff calculated the Account 1588 balance as a percentage of the Account 4705 – Power Purchased balance<sup>12</sup> to be below 1% for both 2019 and 2020.<sup>13</sup> Therefore, OEB staff does not have concerns over the Orillia rate zone's 2020 Group 1 balances.

#### *b) Peterborough Rate Zone*

The Peterborough rate zone's 2016 Group 1 balances were last approved for final disposition in the former Peterborough Distribution's 2018 rate application.<sup>14</sup> In Peterborough Distribution's 2019 rate application, the OEB did not approve the disposition of Group 1 balances. The OEB noted concerns with Accounts 1588 and

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<sup>9</sup> EB-2019-0061, Decision and Rate Order, April 16, 2020

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Account 4705 is reported through the OEB's Reporting and Record-Keeping Requirements (RRR)

<sup>13</sup> The Account 1588 balance is typically expected to be small as it is to record unaccounted for energy. Account 1588 as a percentage of Account 4705 is the test incorporated into the GA Analysis Workform to assess whether the Account 1588 balance is reasonable. When the percentage is greater than +/-1%, an explanation is required per the GA Analysis Workform Instructions.

<sup>14</sup> EB-2017-0266

1589 and made the following finding:<sup>15</sup>

The OEB finds that an audit of Peterborough Distribution's December 31, 2017 balances in Accounts 1588 and 1589, is necessary. The purpose of the audit is to obtain further validation of these commodity account balances through a more detailed review of the underlying transactions and processes, including a review of Peterborough Distribution's process over its monthly RPP settlements and the subsequent true-up of those settlements. The OEB expects that Peterborough Distribution file a report in its next rate application outlining the changes it made to its RPP settlement processes and any adjustments it made to its Account 1588 and Account 1589 balances explaining each.

Peterborough Distribution did not file rate applications for 2020 and 2021 rates due to its MAADs application. In HONI's 2022 rate application for the Peterborough rate zone, HONI requested and was approved, a deferral to dispose of Group 1 accounts as the transfer of customer data was still pending integration with HONI's system, and the audit that was directed in Peterborough Distribution's 2019 Decision and Order was still pending. In the current proceeding, HONI has requested the final disposition of 2020 Group 1 balances.

HONI is requesting the final disposition of Group 1 balances as it is not aware of any changes required to the requested balances.<sup>16</sup> Furthermore, HONI stated that it does not believe an audit is necessary prior to disposing of Peterborough rate zone's Group 1 balances due to the following reasons:<sup>17</sup>

- i. The financial statements as at July 31, 2020, which includes Group 1 balances, were audited by Peterborough Distribution's former auditor.
- ii. Based on HONI's review of documentation and discussions with the former Peterborough Distribution staff, Peterborough Distribution followed the Accounting Guidance. Corrections relate to a reporting error, which Peterborough Distribution identified, corrected, and included in its audited financials as at July 31, 2020.
- iii. HONI did not acquire Peterborough Distribution's accounting systems. There may be certain limitations as to what type of data is available as the inquiry into the Group 1 accounts occurred prior to acquisition.
- iv. Since integration, account balances are managed through HONI's RPP Settlement Process, which complies with established IESO Market Rules and

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<sup>15</sup> EB-2018-0067, Decision and Rate Order, March 28, 2019

<sup>16</sup> IRR OEB Staff-3

<sup>17</sup> Ibid.



Ontario Regulations, as confirmed in OEB's Staff's March 2019 Audit report.

### Submission

OEB staff agrees with HONI's proposal to defer the disposition of the Peterborough rate zone's 2021 Group 1 balances for the same reasons as discussed for the Orillia rate zone. In addition, OEB staff submits that Peterborough rate zone's 2020 Group 1 balances should not be disposed of in this proceeding, for the reasons below.

OEB staff submits that HONI's proposal regarding the final disposition of the Peterborough rate zone's 2020 Group 1 balances is not appropriate in this proceeding because the audit that was directed in Peterborough Distribution's 2019 Decision and Order is still pending. OEB staff notes that the Accounts 1588 and 1589 balances requested for disposition are a credit amount of \$768,039, and a debit amount of \$2,714,384 respectively. OEB staff notes that these amounts are material and will be disposed to customers specific to the Peterborough rate zone. OEB staff submits that an audit is still necessary. OEB staff discusses the reasons for its position and addresses HONI's points below.

- i. HONI noted that the Peterborough Distribution's financial statements, including Group 1 balances, were audited as of July 31, 2020, prior to its acquisition date. OEB staff notes that this audit is a financial statement audit which may not provide assurance specifically on the accuracy of the balances in Accounts 1588 and 1589 because these two accounts would likely be grouped into two line items on the balance sheet and the auditor may not audit the individual account balances that were grouped together, depending on the materiality of the accounts.<sup>18</sup>
- ii. HONI provided its review of Peterborough rate zone's Accounts 1588 and 1589 based on the discussion with former Peterborough Distribution staff and reliance on the July 31, 2020 audited financial statements.<sup>19</sup> In the OEB's 2019 decision and rate order, the OEB stated that it expects each adjustment to Accounts 1588 and 1589, if any, to be explained.<sup>20</sup> OEB staff notes that the 2017 balances shown in the current proceeding have been materially adjusted from the 2017 balances presented in Peterborough Distribution's 2019 rate application. The adjustments to the account balances are as follows:

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<sup>18</sup> In Peterborough Distribution's 2019 financial statements that were also audited by the same auditor, as filed with the OEB through RRR, Accounts 1588 and 1589 would have been included in the lines Regulatory Assets or Regulatory Liabilities on the balance sheet.

<sup>19</sup> IRR OEB Staff - 3b

<sup>20</sup> EB-2018-0067, Decision and Rate Order, March 28, 2019

	Per the 2019 DVA Continuity Schedule	Per the 2023 DVA Continuity Schedule	Difference (Staff Calculation)
<b>2017 Account 1588 Balance</b>	(\$225,722)	\$1,933,489	\$2,159,211
<b>2017 Account 1589 Balance</b>	\$794,526	\$ 186,444	(\$608,082)

OEB staff notes that HONI has not provided an explanation for the adjustments in HONI's Review Report.<sup>21</sup> HONI also has not been able to confirm that the balances comply with the Accounting Guidance.<sup>22</sup>

In addition, OEB staff notes that the opening 2017 principal balances for Accounts 1588 and 1589 as shown in this proceeding do not match with the 2016 closing principal balances approved in Peterborough Distribution's 2018 rate application.<sup>23</sup>

Furthermore, no updated GA Analysis Workform has been provided for 2017 balances after the 2017 balances have been adjusted. No GA Analysis Workforms have been provided for 2018 to 2020 balances. OEB staff notes that Account 1588 as a percentage of Account 4705,<sup>24</sup> is 6% in 2017, 5% in 2018, and below 1% for each of 2019 and 2020, as calculated by staff using the RRR balances reported. OEB staff notes that the 2017 and 2018 percentages are considered high, indicating that there is a high risk for inaccurate balances in Account 1588 (and potentially Account 1589) for these periods.<sup>25</sup>

Based on the above concerns, OEB staff is of the view that there is insufficient evidence on record to assess the reasonability of the Account 1588 and 1589 balances.

- iii. OEB staff understands that there may be limitations in the data available to facilitate the audit. However, OEB staff is unclear on the extent of the data limitation and the extent that it may affect the audit.

<sup>21</sup> Application Summary, Appendix D

<sup>22</sup> IRR OEB Staff - 5

<sup>23</sup> The differences in Accounts 1588 and 1589 ending 2016 and opening 2017 balances are \$7,819 and \$666,491, respectively.

<sup>24</sup> Account 4705 is reported through the OEB's Reporting and Record-Keeping Requirements

<sup>25</sup> Account 1588 balances are typically expected to be small as it is to record the unaccounted for energy. Account 1588 as a percentage of Account 4705 is the test incorporated into the GA Analysis Workform to assess whether the Account 1588 balance is reasonable. When the percentage is greater than +/-1%, an explanation is required per the GA Analysis Workform Instructions.

- iv. HONI noted that post-integration, account balances are managed through HONI's RPP Settlement Process, which complies with established Independent Electricity System Operator (IESO) Market Rules and Ontario Regulations. OEB staff notes that the balances requested for disposition are pre-integration balances, and therefore, post-integration balances are not relevant in this proceeding.

In conclusion, OEB staff is of the view that an audit is required for the Peterborough rate zone's Account 1588 and 1589 balances. OEB staff notes that the OEB's decision that found the audit necessary did not specify whether the audit was to be performed by the OEB's Inspection and Enforcement department or by a third-party auditing firm. OEB staff notes that the OEB may wish to refer the audit to the OEB's Inspection & Enforcement department for consideration.

## Group 2 Deferral and Variance Accounts

In its decision and order for the 2022 IRM application for the Orillia and Peterborough rate zones, the OEB directed HONI "to bring forward the Group 2 DVA balances for disposition in the next rate proceeding".<sup>26</sup> HONI requested to dispose of the balances in Group 2 accounts in this application.

For the Orillia rate zone, HONI has requested the disposition of Group 2 balances for a credit amount of \$455,340.<sup>27</sup> For the Peterborough rate zone, HONI has requested the disposition of Group 2 balances for a credit amount of \$538,654.<sup>28</sup> HONI has proposed to dispose of these balances over a one-year period.

HONI has not requested the disposition of the following Group 2 accounts:

- Orillia and Peterborough rate zones' Account 1576 – Accounting Changes Under CGAAP Balance + Return Component. HONI confirmed that these accounts will be reviewed and brought forth for disposition in its next rebasing application as per the applicable accounting orders.<sup>29</sup>
- Orillia and Peterborough rate zones' Account 1508, Sub-account Incremental Capital Module (ICM). These balances were removed from the disposition requested in response to interrogatories.<sup>30</sup>
- Peterborough rate zone's Account 1533 – Distribution Generation – Provincial – Express Feeders – Deferral Account<sup>31</sup> as HONI intends to continue receiving

<sup>26</sup> EB-2021-0050, Decision and Rate Order, December 16, 2022

<sup>27</sup> IRR OEB-Staff 13, Attachment 1

<sup>28</sup> IRR OEB-Staff 13, Attachment 2

<sup>29</sup> IRR OEB Staff - 10

<sup>30</sup> IRR OEB Staff - 13

<sup>31</sup> OEB staff notes that this account is named Account 1533 - Renewable Generation Connection Funding Adder Deferral Account in the Accounting Procedures Handbook

revenues from the Renewable Generation Connection Funding Adder for the inservicing of Distributed Generation assets.<sup>32</sup>

HONI has also requested the discontinuation of Orillia and Peterborough rate zones' Account 1508, Sub-account ICM and Peterborough rate zone's Account 1555, Sub-account Stranded Meter Costs.

### Submission

OEB staff takes no issue with HONI's proposals for Group 2 accounts, including the discontinuation of certain accounts. OEB staff makes the following submission on certain aspects of the Group 2 accounts.

#### *a) Account 1508, Sub-account Incremental Capital Module (ICM)*

In its pre-filed evidence, HONI requested the disposition of Orillia and Peterborough rate zones' Account 1508, Sub-account ICM for debit amounts of \$10,025 and \$15,855, respectively. In its interrogatory responses, HONI removed the disposition request for these two accounts.<sup>33</sup> OEB staff agrees with the removal of the disposition request as HONI has not provided supporting evidence for the two account balances.

#### *b) Account 1592, Sub-account CCA Changes*

In its interrogatory responses, HONI updated the Orillia and Peterborough rate zones' Account 1592, Sub-account CCA Changes balances to a credit amount of \$279,670 and a credit amount of \$288,442, respectively, in order to reflect the "actual additions method" of calculating the balance in the sub-accounts.<sup>34</sup> HONI noted that the use of the actual additions method is consistent with the OEB's Decision and Order on its motion relating to Account 1576 and Account 1592 for HONI's Norfolk, Haldimand and Woodstock rate zones.<sup>35</sup> OEB staff supports the use of the actual additions method in calculating the sub-account balances as it is one of the acceptable methods to calculate the sub-account balance and it is consistent with the OEB's previous decision for HONI's other rate zones.

#### *c) Account 2405, Pole Attachment Charge Variance Account*

HONI updated the balances for the Orillia and Peterborough rate zones' Account 2405, Sub-account Pole Attachment Charge Variance Account in its interrogatory responses to a credit amount of \$113,529 and a credit amount of \$631,177, respectively, and provided supporting calculations for the Orillia rate zone's sub-account balance.<sup>36</sup>

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<sup>32</sup> IRR OEB Staff - 16

<sup>33</sup> IRR OEB Staff - 13

<sup>34</sup> IRR OEB Staff - 14

<sup>35</sup> EB-2022-0071, Decision and Order on Motion to review and vary aspects of the EB-2021-0033 Decision and Order relating to Account 1576 and Account 1592, April 7, 2022

<sup>36</sup> IRR OEB Staff - 15

Based on the calculation for the Orillia rate zone, it appears that the 2020 pole attachment charge as approved by the OEB effective January 1, 2020 may have been implemented in September 1, 2020, instead of January 1, 2020.<sup>37</sup> If this were the case, the delayed rate implementation would have resulted in an understated sub-account balance and it may have also resulted in cross-subsidization between carriers and ratepayers. However, OEB staff notes that the potential understatement in the sub-account and the cross-subsidization between carriers and ratepayers would not be material. Therefore, OEB staff does not take issue with the sub-account balance requested for disposition.<sup>38</sup>

*d) Account 1533 – Distribution Generation – Provincial – Express Feeders – Deferral Account*

HONI has not requested the disposition of Peterborough's Account 1533 - Distribution Generation – Provincial – Express Feeders – Deferral Account as HONI intends to continue receiving revenues from the Renewable Generation Connection Funding Adder for the in-servicing of Distributed Generation assets.<sup>39</sup> HONI also indicated that it plans to file a prudence review required for additional funding in a separate application. HONI noted that this approach is similar to the one taken for the Haldimand rate zone's Account 1533, which was approved by the OEB.<sup>40</sup> OEB staff accepts HONI's proposal for Account 1533. OEB staff notes that there may be regulatory efficiency gained if the Peterborough rate zone's Account 1533 is reviewed for disposition along with HONI's Account 1533 in a future proceeding.

*e) Future Disposition of Group 2 Accounts*

OEB staff notes that the next disposition of the Orillia and Peterborough rate zones' Group 2 accounts would be expected in HONI's next Orillia and Peterborough rate zones' rebasing rate application, which is currently expected to be for 2030 rates. Given the lengthy amount of time in which the Group 2 balances will accumulate, OEB staff submits that the OEB may wish to consider requiring HONI to bring forth the Orillia and Peterborough rate zones' Group 2 accounts for disposition in its 2027 rate application. OEB staff notes that the OEB has previously required Group 2 accounts to be brought forth for disposition during the deferred rebasing period.<sup>41</sup>

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<sup>37</sup>EB-2020-0288, Order for Wireline Pole Attachment Charge, December 10, 2022

<sup>38</sup> OEB calculates the potential understatement of the 2405 sub-account and cross-subsidization between ratepayers and carriers to be approximately \$3k.

<sup>39</sup> IRR OEB Staff - 16

<sup>40</sup> EB-2021-0033, Decision and Order, December 21, 2021, p. 9.

<sup>41</sup> MAADs for the former Brantford Energy Inc. and former Energy+ Inc. (EB-2021-0280), MAADs for the former Orillia Power Distribution Corporation and Hydro One Networks Inc. (EB-2018- 0270) and MAADs for former Peterborough Distribution Inc. and Hydro One Networks Inc. (EB-2018- 0242)

## Lost Revenue Adjustment Mechanism Variance Account

Distributors filing an application for 2023 rates are required to seek disposition of all outstanding Lost Revenue Adjustment Variance Account (LRAMVA) balances related to program savings related to Conservation First Framework programs or other conservation programs they delivered unless they do not have complete information on eligible program savings.<sup>42</sup> Orillia and Peterborough are requesting the final disposition of all outstanding LRAMVA balances related to previously established LRAMVA thresholds resulting from their conservation and demand management (CDM) activities. This includes approval of the LRAMVA balances for 2016-2022 for Orillia and 2012-2022 for Peterborough. The LRAMVA balance, including carrying charges projected to December 31, 2022, is a debit amount of \$598,236 for Orillia and a debit amount of \$954,506 for Peterborough. HONI is requesting, for its Orillia and Peterborough rate zones, disposition over 12 months. Should the OEB approve the requests, the LRAMVA would have a balance of zero for each of the Orillia and Peterborough rate zones.

### Orillia:

The components of the LRAMVA balance are shown in Table 1.

**Table 1 - LRAMVA Balance for Disposition**

Account Number	Actual CDM Savings (\$)	Forecasted CDM Savings (\$)	Carrying Charges (\$)	Total Claim (\$)
	A	B	C	D = (A-B)+C
1568	566,885	0	31,351	598,236

The OEB's CDM Guidelines<sup>43</sup> indicate that distributors are also eligible for LRAM for persisting impacts of conservation programs until their next rebasing. The OEB provided direction for distributors to seek approval of LRAM-eligible amounts for 2023 onwards on a prospective basis, and a rate rider in the corresponding rate year, to address amounts that would otherwise be recorded in the LRAMVA for all years until their next rebasing application.<sup>44</sup> For Orillia rate zone, HONI has requested approval on a prospective basis for an LRAM-eligible debit amount of \$204,140 in 2023-2029, arising from persisting savings in 2023-2029 from previously implemented CDM programs as

<sup>42</sup> Chapter 3 Filing Requirements, section 3.2.6.1

<sup>43</sup> [Conservation and Demand Management Guidelines for Electricity Distributors](#) (EB-2021-0106), December 20, 2021.

<sup>44</sup> [Guidance on Prospective Lost Revenue Adjustment Mechanism \(LRAM\) Amounts – 2023 Rates](#), June 16, 2022

set out in Table 2 below.<sup>45</sup> Since the Orillia rate zone is on a 10-year deferred rebasing period, HONI believes that it remains appropriate to seek approval for lost revenues from 2023 to 2029. This amount would be adjusted mechanistically by the approved inflation minus X factor for 2023-2029, when available. HONI is proposing a separate LRAM-Eligible Amount Rate Rider to be included beginning with the 2023 rate year to recover this amount.

**Table 2 - LRAM-Eligible Amounts for Prospective Disposition**

Year	LRAM-Eligible Amount (in 2022 \$)
2023	53,826
2024	41,903
2025	31,257
2026	27,038
2027	21,429
2028	17,128
2029	11,559

Peterborough:

The components of the LRAMVA balance are shown in Table 3.

**Table 3 - LRAMVA Balance for Disposition**

Account Number	Actual CDM Savings (\$)	Forecasted CDM Savings (\$)	Carrying Charges (\$)	Total Claim (\$)
	A	B	C	D = (A-B)+C
1568	1,664,577	767,179	57,108	954,506

For its Peterborough Rate zone, HONI has requested approval on a prospective basis for an LRAM-eligible debit amount of \$153,404 in 2023-2029, arising from persisting savings in 2023-2029 from previously implemented CDM programs as set out in Table 4 below. Since the Peterborough rate zone is on a 10-year deferred rebasing period, HONI believes that it remains appropriate to seek approval for lost revenues from 2023 to 2029. This amount would be adjusted mechanistically by the approved inflation minus X factor for 2023-2029, when available. HONI is proposing a separate LRAM-Eligible

Amount Rate Rider to be included beginning with the 2023 rate year to recover this amount.

**Table 4 - LRAM-Eligible Amounts for Prospective Disposition**

<b>Year</b>	<b>LRAM-Eligible Amount (in 2022 \$)</b>
2023	68,003
2024	53,213
2025	38,812
2026	29,574
2027	6,050
2028	(11,339)
2029	(30,909)

### Submission

OEB staff supports the requests to dispose of the Orillia and Peterborough LRAMVA balances on a final basis, and to also approve the 2023-2029 LRAM-eligible amounts, including recovering these amounts, subject to adjustment by the approved inflation minus X factors, beginning with the 2023 rate year. OEB staff submits that approval for lost revenues for the prospective years from 2023 to 2029 is appropriate given that the Orillia and Peterborough rate zones are on 10-year deferred rebasing periods. OEB staff further submits that the requests are consistent with the OEB's CDM Guidelines. OEB staff has reviewed the December 31, 2022 LRAMVA balances and the LRAM-eligible amounts, and the supporting evidence substantiating these amounts. In OEB staff's opinion, the LRAMVA balances and the LRAM-eligible amounts are reasonable.

On October 20, 2022, the OEB announced the inflation factors for 2023 rate applications.<sup>46</sup> OEB staff requests that HONI update the rate riders in the IRM rate generator models for the Orillia and Peterborough rate zones for the 2023 LRAM-eligible amounts to reflect the 2023 inflation factor for electricity distributors, and that the updated IRM rate generator models be included with HONI's reply submission.

### **Retail Transmission Service Rates**

HONI's Orillia rate zone is fully embedded within its host distributor's (HONI's) distribution system, while the Peterborough rate zone is partially embedded. HONI has requested an update to its RTSRs for each rate zone to recover the wholesale transmission rates charged by the Independent Electricity System Operator (IESO) and

<sup>46</sup> OEB Letter, 2023 Inflation Parameters, issued October 20, 2022



host distributor RTSRs charged by HONI.<sup>47</sup> At the time of this submission, the 2023 Uniform Transmission Rates (UTRs) and the 2023 host RTSRs have not been approved by the OEB.

### Submission

OEB staff submits that it will make the appropriate updates to the 2023 Rate Generator models, provided the OEB approves the 2023 UTRs and/or host distributor RTSRs, effective January 1, 2023, following the close of record in this proceeding and before the issuance of a decision and order in this proceeding. If the OEB does not approve the 2023 UTRs and/or host distributor RTSRs prior to the issuance of a decision and order in this proceeding, Accounts 1584 RSVA – Retail Transmission Network Charge and 1586 Retail Transmission Connection Charge will capture these differences.

~All of which is respectfully submitted~

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<sup>47</sup> Manager's Summary, Page 41