



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

BY EMAIL

November 14, 2022

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

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Comments on Draft Rate Order
Cooperative Hydro Embrun Inc.
Application for 2023 Electricity Distribution Rates
OEB File Number: EB-2022-0022**

Please find attached OEB staff's comments on the draft rate order in the above referenced proceeding, pursuant to the OEB's Decision and Order. Cooperative Hydro Embrun and the Vulnerable Energy Consumers Coalition have been copied on this filing.

Yours truly,

Georgette Vlahos
Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Encl.

cc: All parties in EB-2022-0022



ONTARIO ENERGY BOARD

OEB Staff Comments on Draft Rate Order

Cooperative Hydro Embrun Inc.

Application for 2023 Electricity Distribution Rates

EB-2022-0022

November 14, 2022

Introduction

Cooperative Hydro Embrun Inc. filed a cost of service application with the Ontario Energy Board (OEB), seeking approval for changes to the rates that Cooperative Hydro Embrun charges for electricity distribution, beginning January 1, 2023.¹ In its Decision and Order², the OEB accepted the settlement proposal and directed Cooperative Hydro Embrun to file a draft rate order (DRO) showing the impact of any required adjustments related to the approved 2023 cost of capital parameters and updated Regulated Price Plan (RPP) pricing.

Cooperative Hydro Embrun filed its DRO on November 7, 2022.

Due to the updated cost of capital parameters, the revenue requirement, payments in lieu of taxes (PILs), cost allocation, and revenue-to-cost ratios also required updating.

Based on the DRO, the total bill impact for a typical residential customer with a monthly consumption of 750 kWh, would be an increase of approximately \$0.41 per month before taxes and the Ontario Electricity Rebate, or 0.31%. OEB staff notes that these impacts are subject to change based on any corrections made by Cooperative Hydro Embrun as part of its reply comments to address certain matters below.

OEB staff has reviewed the DRO and has confirmed that Cooperative Hydro Embrun has implemented the OEB's direction set out in the Decision and Order related to required adjustments for the approved 2023 cost of capital parameters and updated RPP pricing. However, OEB staff notes the following:

1. Certain rates in the Tariff of Rates and Charges³ and Tariff and Bill Impact Model in the DRO filing do not reconcile to the Tariff of Rates and Charges and Tariff and Bill Impact Model filed as part of the settlement agreement. See section "Tariff of Rates and Charges and Tariff and Bill Impact Model" of OEB staff's comments for more detail.
2. Cooperative Hydro Embrun should update its proposed Tariff of Rates and Charges to reflect the impacts of the OEB's Decision and Order on each of the retail service charges and distribution pole attachment charge effective January 1, 2023. See section "Retail Service Charges and Wireline Pole Attachment Charge" of OEB staff's comments for more detail.
3. The PDF version of the Revenue Requirement Workform (RRWF) included as Appendix C of the DRO and the Excel version of the RRWF do not reconcile.

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

² EB-2022-0022, Decision and Order, July 19, 2022

³ Included as Appendix A in the DRO.

4. Page 5 of the DRO, section C notes incorrect figures for Cooperative Hydro Embrun’s updated service revenue requirement, base revenue requirement, and revenue deficiency.
5. Page 3 of the DRO notes an updated DVA continuity schedule was filed, however, OEB staff notes one was not provided.
6. Cooperative Hydro Embrun has updated the Smart Metering Entity Charge (SMC) pursuant to the OEB’s letter⁴ with regards to the SMC to be charged by distributors from January 1, 2023 to December 31, 2027. OEB staff notes that the “effective until” date in the Tariff of Rates and Charges should be updated to note December 31, 2027.

For items 3 and 4, OEB staff submits that the PDF documents should reflect the figures contained in the excel documents as the excel files reflect the correct figures. For item 5, OEB staff submits an updated DVA Continuity Schedule is not necessary as part of this DRO Filing.

Detailed comments are provided below.

Cost of Power

Cooperative Hydro Embrun updated the cost of power calculations using the updated forecasts as per the RPP Price Report for November 1, 2022 to October 31, 2023.⁵ Cooperative Hydro Embrun also incorporated the updated Ontario Electricity Rebate of 11.7%.⁶ The update to the cost of power causes a decrease of \$6,413 in working capital allowance, and consequently in rate base.

OEB staff submits that the adjustments accurately reflect the updated RPP Report and the Ontario Electricity Rebate and are consistent with the OEB’s Decision and Order.

Cost of Capital

The approved settlement agreement noted that the cost of capital parameters will be updated to reflect the deemed rates for 2023 applications when available.⁷ On October 20, 2022, the OEB issued the 2023 cost of capital parameters.⁸

⁴ [OEB Letter, Smart Metering Charge to be Charged by Electricity Distributors from January 1, 2023 – December 31, 2027](#)

⁵ [Regulated Price Plan Report - November 1, 2022 to October 31, 2023](#), issued October 21, 2022

⁶ [News Release - Ontario Energy Board announces changes to electricity prices for households and small businesses](#)

⁷ EB-2022-0022, Settlement Proposal (revised), June 28, 2022, page 25 of 62

⁸ [Letter of the OEB: 2023 Cost of Capital Parameters](#), issued October 20, 2022

Due to the changes in the interest rate for short-term debt and long-term debt, the total return on debt increased from \$93,008 to \$135,727, an increase of \$42,719. The total return on equity increased from \$160,993 to \$173,766, an increase of \$12,773. The DRO states “In addition to the change in the return on equity deemed rate, the return on equity amount was also impacted by the increase to rate base.”⁹ OEB staff invites Cooperative Hydro Embrun, as part of its reply comments, to clarify this statement as there was a decrease to rate base (as noted in the section above).

The change in return on equity resulted in an increase to the level of PILS, from \$2,132 to \$3,907, an increase of \$1,775.

The updates noted above increased the base revenue requirement from \$1,168,475 to \$1,225,742, an increase of \$57,267.

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

Cost Allocation and Rate Design

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

Cooperative Hydro Embrun has maintained the approach to revenue-to-cost ratios from the settlement agreement. The revenue-to-cost ratio for the Unmetered Scattered Load rate class was decreased to 120% by increasing the General Service>50kW ratio to 92% from 88%. All other rate classes continue to maintain status quo revenue-to-cost ratios.

No changes have been made to the fixed/variable splits for all rate classes.

OEB staff has reviewed the cost allocation model, revenue-to-cost ratios, and fixed-variable splits and submits that they are consistent with the Decision and Order and the methodologies used in the OEB-approved settlement agreement. OEB staff notes that, as a result of this DRO, Cooperative Hydro Embrun’s gross revenue sufficiency of \$120,840 (as per the approved settlement agreement) becomes a sufficiency of \$63,573 – a change of \$57,267.

Tariff of Rates and Charges and Tariff and Bill Impact Model

OEB staff notes that certain rates do not reconcile between the draft Tariff of Rates and

⁹ EB-2022-0022, Draft Rate Order, November 7, 2022, page 7

Charges included as Appendix A to the DRO, and the Tariff of Rates and Charges included as Appendix A to the settlement agreement. Similarly, the Tariff and Bill Impact Model filed as part of the DRO and the Tariff and Bill Impact Model filed as part of the settlement agreement do not reconcile for certain rates.

Cooperative Hydro Embrun should provide corrected versions of both the draft Tariff of Rates and Charges and the Tariff and Bill Impact Model filed as part of the DRO in its reply comments to address the matters outlined below:

- The Retail Transmission Service Rates (RTSRs) included in the Tariff of Rates and Charges and the Tariff and Bill Impact Model filed as part of the DRO do not agree with the settlement agreement or RTSR Workform filed as part of the settlement agreement.
- The rates for the “Rate Rider for RSVA - Power-Global Adjustment (applicable only to non-RPP customers) - effective until December 31, 2023”, for all applicable rate classes, filed as part of the DRO do not reconcile to the Tariff of Rates and Charges and the Tariff and Bill Impact Model in the settlement agreement.
- The “Rate Rider for RSVA - Power-Global Adjustment (applicable only to non-RPP customers) - effective until December 31, 2023” for the Street Lighting rate class is missing in the Tariff of Rates and Charges and Tariff and Bill Impact Model filed as part of the DRO.
- The language “applicable only to non-RPP customers” is missing from all “Rate Rider for RSVA - Power-Global Adjustment” line items for all applicable rate classes. This language was included in the Tariff of Rates and Charges and Tariff and Bill Impact Model included as part of the settlement agreement.
- In the Tariff and Bill Impact Model for the Unmetered Scattered Load rate class, the “Rate Rider for Disposition of Group 2 Deferral and Variance Accounts” should be in sub-total B on Tab 4.

Retail Service Charges and Wireline Pole Attachment Charge

The settlement agreement acknowledged that certain items may be subject to adjustments based on the outcome of pending OEB decisions. Two of these items included the Retail Service Charges and the Wireline Pole Attachment Charge for 2023.

The OEB’s Decision and Order, issued November 3, 2022, established the adjustment for energy retailer service charges, effective January 1, 2023. The OEB’s Decision and Order, also issued November 3, 2022, established the generic distribution pole

attachment charge for 2023 rates.¹⁰

OEB staff notes that Tab 3 of the Tariff and Bill Impact Model as well as Appendix A (Draft Tariff of Rates and Charges) of the DRO should reflect the updated rates. OEB staff submits that Cooperative Hydro Embrun should update its proposed Tariff of Rates and Charges to reflect the impacts of the Decision and Orders noted above and file its updated draft Tariff as part of its reply comments (in both Excel and PDF format).

All of which is respectfully submitted

¹⁰ [EB-2022-0220, Decision and Order](#) (2023 retailer service charges), November 3, 2022; [EB-2022-0221, Decision and Order](#) (distribution pole attachment charge for 2023), November 3, 2022