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

DECISION AND RATE ORDER

EB-2022-0026

ENTEGRUS POWERLINES INC.

Application for rates and other charges for Entegrus - St. Thomas rate zone to be effective January 1, 2023, and for Entegrus - Main rate zone to be effective May 1, 2023

BY DELEGATION, BEFORE: **Theodore Antonopoulos**
Vice President
Applications

Month XX, 20XX

1. OVERVIEW

The Ontario Energy Board is approving changes to the rates that Entegrus Powerlines Inc. (Entegrus Powerlines) charges to distribute electricity to its customers, effective January 1, 2023 for the St. Thomas rate zone and May 1, 2023 for the Main rate zone.

As a result of this Decision, there will be a monthly total bill increase of $4.78 in the Entegrus – St. Thomas rate zone and an increase of $6.67 in the Entegrus – Main rate zone, for a residential customer consuming 750 kWh. This change does not factor in applicable taxes or the Ontario Electricity Rebate.

2. CONTEXT AND PROCESS

Entegrus Powerlines filed its application on August 3, 2022 under section 78 of the *Ontario Energy Board Act, 1998* and in accordance with Chapter 3 of the OEB's *Filing Requirements for Incentive Rate-Setting Applications* (Filing Requirements). The application was based on the Price Cap Incentive Rate-setting (Price Cap IR) option, with a five-year term.

The Price Cap IR option is one of three incentive rate-setting mechanisms (IRM) approved by the OEB.[1] It involves the setting of rates through a cost of service application in the first year and mechanistic price cap adjustments which may be approved through IRM applications in each of the ensuing adjustment years.

The OEB follows a standardized and streamlined process for hearing IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes, as a placeholder, information from the distributor's past proceedings and annual reporting requirements. A distributor will then review, complete, and include the model with its application, and may update the model during the proceeding to make any necessary corrections or to incorporate new rate-setting parameters as they become available.

On March 15, 2018, the OEB granted Entegrus Powerlines approval to amalgamate with St. Thomas Energy Inc. (St. Thomas Energy).[2] As part of that decision, the OEB determined that Entegrus Powerlines would maintain two separate rate zones, the Main rate zone and the St. Thomas rate zone, for an eight-year deferral period until 2026, at which point Entegrus Powerlines' rates will be rebased.

Entegrus Powerlines serves approximately 61,500 mostly residential and commercial electricity customers in the Municipality of Chatham-Kent, the Towns of Strathroy and Parkhill, the Villages of Mount Brydges, Dutton and Newbury and the City of St. Thomas.

The application was supported by pre-filed written evidence and a completed Rate Generator Model and as required during the proceeding, Entegrus Powerlines updated and clarified the evidence.

[1] Each of these options is explained in the OEB's *Handbook for Utility Rate Applications*.
[2] EB-2017-0212, Decision and Order, March 15, 2018.

3. DECISION OUTLINE

Each of the following issues is addressed in this Decision, together with the OEB's findings.

- Annual Adjustment Mechanism
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Lost Revenue Adjustment Mechanism Variance Account

Instructions for implementing Entegrus Powerlines' new rates and charges are set out in the final section of this Decision.

This Decision does not address rates and charges approved by the OEB in prior proceedings, such as specific service charges[3] and loss factors, which are out of the scope of an IRM proceeding and for which no further approvals are required to continue to include them on the distributor's Tariff of Rates and Charges.

[3] Certain service charges are subject to annual inflationary adjustments to be determined by the OEB through a generic order. For example, the Decision and Order EB-2022-0220, issued November 3, 2022 established the adjustment for energy retailer service charges, effective January 1, 2023; and the Decision and Order EB-2022-0221, issued November 3, 2022, established the 2023 Wireline Pole Attachment Charge, effective January 1, 2023.

4. ANNUAL ADJUSTMENT MECHANISM

Entegrus Powerlines has applied to change its rates, effective January 1, 2023 and May 1, 2023 as applicable, based on a mechanistic rate adjustment using the OEB-approved **inflation minus X-factor** formula applicable to IRM applications. The adjustment applies to distribution rates (fixed and variable) uniformly across all customer classes.[4]

The components of the Price Cap IR adjustment formula applicable to Entegrus Powerlines are set out in the table below. Inserting these components into the formula results in a 3.70% increase to Entegrus Powerlines' rates: **3.70% = 3.70% - (0.00% + 0.00%)**.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation factor[5]		3.70%
Less: X-factor	Productivity factor[6]	0.00%
	Stretch factor (0.00% to 0.60%)[7]	0.00%

An inflation factor of 3.70% applies to all IRM applications for the 2023 rate year. The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that varies among different groupings of distributors. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience declining net income. The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all IRM applications for the 2023 rate year. The stretch factor component of the X-factor is distributor specific. The OEB has established five stretch factor groupings, ranging from 0.00% to 0.60%. The stretch factor assigned to any distributor is based on the distributor's total cost performance as

[4] The adjustment does not apply to the following components of delivery rates: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, smart metering entity charge, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges, microFIT charge, and retail service charges.

[5] OEB Letter, 2023 Inflation Parameters, October 20, 2022

[6] Report of the Ontario Energy Board – "Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors" EB-2010-0379, December 4, 2013

[7] Report to the Ontario Energy Board – "Empirical Research in Support of Incentive Rate-Setting: 2021 Benchmarking Update", prepared by Pacific Economics Group LLC., July 2022

benchmarked against other distributors in Ontario. The stretch factor assigned to Entegrus Powerlines is 0.00%, resulting in a rate adjustment of 3.70%.

Findings

Entegrus Powerlines' request for a 3.70% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Entegrus Powerlines' new rates for the Main rate zone shall be effective May 1, 2023 and for the St. Thomas rate zone shall be effective January 1, 2023.

5. RETAIL TRANSMISSION SERVICE RATES

Entegrus Powerlines is partially embedded within Hydro One Network Inc.'s distribution system in the Main rate zone and transmission connected in the St. Thomas rate zone.

To recover its cost of transmission services, Entegrus Powerlines requests approval to adjust the retail transmission service rates (RTSRs) that it charges its customers in accordance with the Uniform Transmission Rates (UTRs) and host distributor RTSRs currently in effect.

Findings

Entegrus Powerlines' proposed adjustment to its RTSRs is approved. The RTSRs were adjusted based on the current OEB-approved UTRs and host-RTSRs.[8]

UTRs and host-RTSRs are typically approved annually by the OEB. In the event that new UTRs and host-RTSRs take effect during Entegrus Powerlines' 2023 rate year, any resulting differences (from the prior-approved UTRs and host-RTSRs) are to be captured in Retail Settlement Variance Accounts 1584 (Retail Transmission Network Charge) and 1586 (Retail Transmission Connection Charge).

[8] EB-2022-0084, Decision and Order, April 7, 2022; EB-2021-0032, Decision and Order, December 14, 2021

6. GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts to determine whether those balances should be disposed. OEB policy states that Group 1 account balances should be disposed if they exceed, on a net basis (as a debit or credit), a pre-set disposition threshold of $0.001 per kWh, unless a distributor justifies why balances should not be disposed.[9] If the net balance does not exceed the threshold, a distributor may still request disposition.[10]

(I) Entegrus – Main rate zone

The 2021 year-end net balance for Entegrus – Main rate zone's Group 1 accounts eligible for disposition, including interest projected to December 31, 2022, is a debit of $4,909,048 and pertains to variances accumulated during the 2020 to 2021 calendar year(s). This amount represents a total claim of $0.0054 per kWh, which exceeds the disposition threshold. Entegrus Powerlines has requested disposition of this amount over a one-year period.

Included in the Group 1 accounts are certain variances related to costs that are paid for by a distributor's customers on different bases, depending on their classification. Namely, "Class A" customers, who participate in the Industrial Conservation Initiative, pay for Global Adjustment (GA) charges based on their contribution to the five highest Ontario demand peaks over a 12-month period. "Class B" customers pay for GA charges based on their monthly consumption totals, either as a standalone charge or embedded in the Regulated Price Plan (RPP).[11] A similar mechanism applies to Class A and Class B customers for Capacity Based Recovery (CBR) charges.[12] The balance in the GA variance account is attributable to non-RPP Class B customers and is disposed through a separate rate rider. The balance in the CBR Class B variance account is attributable to all Class B customers.

Entegrus Powerlines had Class A customers during the period in which variances accumulated so it has applied to have the balance of the CBR Class B variance account

[9] Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009.
[10] OEB letter, Update to the Electricity Distributors' Deferral and Variance Account Review ("EDDVAR Report"), issued July 2009 (EB-2008-0046)", issued July 25, 2014
[11] For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)'s website.
[12] All Class B customers (RPP and non-RPP) pay the CBR as a separate charge based on their monthly consumption. For additional details on the CBR for Class A customers, refer to the IESO's website.

disposed through a separate rate rider for Class B customers to ensure proper allocation between Class A and Class B customers.

During the period in which variances accumulated, Entegrus Powerlines had customers transition between Class A and Class B. Under the general principle of cost causality, customer groups that cause variances that are recorded in Group 1 accounts should be responsible for paying (or receiving credits) for their disposal. Entegrus Powerlines has proposed to allocate a portion of the GA and CBR Class B balances to its transition customers, based on their customer-specific consumption levels.[13] The amounts allocated to each transition customer are proposed to be recovered (or refunded, as applicable), by way of 12 equal monthly installments.

Findings

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements.*

The OEB approves the disposition of a debit balance of $4,909,048 as of December 31, 2021, including interest projected to December 31, 2022, for Group 1 accounts on a final basis.

Table 6.1 identifies the principal and interest amounts, which the OEB approves for disposition.

Table 6.1: Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance ($) A	Interest Balance ($) B	Total Claim ($) C=A+B
LV Variance Account	1550	2,286,519	66,072	2,352,591
Smart Meter Entity Variance Charge	1551	(29,957)	(1,082)	(31,039)
RSVA - Wholesale Market Service Charge	1580	301,314	5,265	306,579
Variance WMS - Sub-account CBR Class B	1580	(114,016)	(3,750)	(117,766)
RSVA - Retail Transmission Network Charge	1584	1,585,161	43,399	1,628,560

13 2023 IRM Rate Generator Model, Tab 6.1a “GA Allocation” and Tab 6.2a “CBR B_Allocation”

RSVA - Retail Transmission Connection Charge	1586	86,414	4,334	90,748
RSVA - Power	1588	495,945	14,153	510,097
RSVA - Global Adjustment	1589	(139,049)	3,846	(135,203)
Disposition and Recovery of Regulatory Balances (2018)	1595	279,132	25,349	304,481
Total for Group 1 accounts		4,751,461	157,587	4,909,048

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in the *Accounting Procedures Handbook for Electricity Distributors.*[14] The date of the transfer must be the same as the effective date for the associated rates, which is generally the start of the rate year.

The OEB approves these balances to be disposed through final rate riders, charges, or payments, as calculated in the Rate Generator Model. The final rate riders, charges, and payments, as applicable, will be in effect over a one-year period from May 1, 2023 to April 30, 2024.[15]

(II) Entegrus – St. Thomas rate zone

The 2021 year-end net balance for Entegrus – St. Thomas rate zone's Group 1 accounts eligible for disposition, including interest projected to December 31, 2022, is a debit of $292,588, and pertains to variances accumulated during the 2021 calendar year. This amount represents a total claim of $0.0010 per kWh, which meets the disposition threshold. Entegrus Powerlines has requested disposition of this amount over a one-year period.

Entegrus Powerline had Class A customers during the period in which variances accumulated so it has applied to have the balance of the CBR Class B variance account

[14] Article 220, Account Descriptions, Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012
[15] 2023 IRM Rate Generator Model Tab 6.1 GA, Tab 6.1a GA Allocation, Tab 6.2 CBR B, Tab 6.2a CBR B_Allocation and Tab 7 Calculation of Def-Var RR

disposed through a separate rate rider for Class B customers to ensure proper allocation between Class A and Class B customers.

During the period in which variances accumulated, Entegrus Powerlines had customers transition between Class A and Class B. Entegrus Powerlines has proposed to allocate a portion of the GA and CBR Class B balances to its transition customers, based on their customer-specific consumption levels.[16] The amounts allocated to each transition customer are proposed to be recovered (or refunded, as applicable), by way of 12 equal monthly installments.

Findings

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements.*

The OEB approves the disposition of a debit balance of $292,588 as of December 31, 2021, including interest projected to December 31, 2022, for Group 1 accounts on final basis.

Table 6.2 identifies the principal and interest amounts, which the OEB approves for disposition.

Table 6.2: Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance ($) A	Interest Balance ($) B	Total Claim ($) C=A+B
LV Variance Account	1550	0	0	0
Smart Meter Entity Variance Charge	1551	(7,806)	(108)	(7,914)
RSVA - Wholesale Market Service Charge	1580	226,854	3,956	230,810
Variance WMS - Sub-account CBR Class B	1580	(32,528)	(586)	(33,114)
RSVA - Retail Transmission Network Charge	1584	528,109	7,508	535,616

[16] 2023 IRM Rate Generator Model, Tab 6.1a “GA Allocation” and Tab 6.2a “CBR B_Allocation”

RSVA - Retail Transmission Connection Charge	1586	67,443	1,043	68,486
RSVA - Power	1588	(184,801)	(4,017)	(188,818)
RSVA - Global Adjustment	1589	(303,639)	(4,517)	(308,156)
Disposition and Recovery of Regulatory Balances (2019)	1595	(4,829)	505	(4,324)
Total for Group 1 accounts		288,804	3,784	292,588

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in the *Accounting Procedures Handbook for Electricity Distributors.*[17] The date of the transfer must be the same as the effective date for the associated rates, which is generally the start of the rate year.

The OEB approves these balances to be disposed through final rate riders, charges, or payments, as calculated in the Rate Generator Model. The final rate riders, charges, and payments, as applicable, will be in effect over a one-year period from January 1, 2023 to December 31, 2023.[18]

[17] Article 220, Account Descriptions, Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

[18] 2023 IRM Rate Generator Model Tab 6.1 GA, Tab 6.1a GA Allocation, Tab 6.2 CBR B, Tab 6.2a CBR B_Allocation and Tab 7 Calculation of Def-Var RR

7. LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT

The OEB has historically utilized a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) to capture a distributor's revenue implications resulting from differences between actual and forecast conservation and demand management (CDM) savings included in its last OEB-approved load forecast. The use of the LRAMVA is no longer the default approach for CDM activities.[19]

Distributors delivered CDM programs to their customers through the Conservation First Framework (CFF) that began on January 1, 2015 until March 20, 2019, when the CFF was revoked.[20]

Distributors filing an application for 2023 rates are required to seek disposition of all outstanding LRAMVA balances related to program savings for CFF programs or other conservation programs they delivered, unless they do not have complete information on eligible program savings.[21]

Entegrus Powerlines has applied to dispose of its LRAMVA debit balance of $392,743. The balance consists of lost revenues in 2021 from CDM programs delivered during the period from 2014 to 2019 in the Entegrus - Main and Entegrus - St. Thomas rate zones and carrying charges. Entegrus Powerlines did not offer any additional CDM programs in 2020 or 2021 and as a result, there are no new program savings for 2021 (only persistence of savings from prior programs). The LRAMVA balance, including carrying charges projected to April 30, 2023, is a debit amount of $331,790 for Entegrus - Main and a debit amount of $60,954 for Entegrus – St. Thomas. Entegrus is requesting disposition over 1 year for both rate zones. The actual conservation savings claimed by Entegrus Powerlines under the CFF were validated with reports from the IESO, project level savings files, or both.

Actual conservation savings were compared against Entegrus Powerlines forecasted conservation savings of 11,206,240 kWh included in its last OEB-approved load forecast, which was set out in Entegrus Powerlines' 2016 cost of service proceeding and St. Thomas Energy's 2015 cost of service proceeding.[22]

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[19] Conservation and Demand Management Guidelines for Electricity Distributors, December 20, 2021, chapter 8.
[20] On March 20, 2019 the Minister of Energy, Northern Development and Mines issued separate Directives to the OEB and the IESO.
[21] Chapter 3 Filing Requirements, section 3.2.6.1
[22] EB-2014-0113, Decision and Order, November 27, 2014

Distributors are also eligible under the 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.[23]

Entegrus Powerlines did not apply for approval of any LRAM-eligible amounts on a prospective basis, arising from persisting savings from completed CDM programs. More specifically, Entegrus Powerlines is not seeking disposition of 2022 LRAMVA amounts, or prospective disposition for 2023 onwards from persisting savings of completed CDM programs, for either the Entegrus - Main or Entegrus – St. Thomas rate zones. Entegrus - Main and Entegrus – St. Thomas have customers with CDM projects subject to the CFF extension directive that have not come into service as of the date of filing the application. Per the OEB's Filing Requirements[24], distributors with CDM projects subject to the CFF extension directive that have not come into service at the time of filing may delay disposition of the LRAMVA balance for 2022 and future years. Accordingly, Entegrus Powerlines proposes to delay disposition of the LRAMVA balances for 2022 and future years until the Entegrus 2024 IRM application when it has complete information on eligible savings for 2022 and future years

Findings

The OEB finds that Entegrus – Main and Entegrus – St. Thomas LRAMVA balance has been calculated in accordance with the OEB's CDM-related guidelines and updated LRAMVA policy. The OEB approves the disposition of Entegrus Powerlines' LRAMVA debit balance of $392,743, as set out in Table 7.1 below.

[23] Guidance on Prospective Lost Revenue Adjustment Mechanism (LRAM) Amounts – 2023 Rates, June 16, 2022
[24] Chapter 3 Filing Requirements, section 3.2.6.1

Table 7.1 LRAMVA Balance for Disposition

	Account Number	Actual CDM Savings ($) A	Forecasted CDM Savings ($) B	Carrying Charges ($) C	Total Claim ($) D = (A-B)+C
LRAMVA (Main Rate Zone)	1568	440,668	112,765	3,886	331,790
LRAMVA (St. Thomas Rate Zone)	1568	86,620	26,566	899	60,954
Total		**527,288**	**139,330**	**4,785**	**392,743**

The OEB also accepts Entegrus' proposal to delay disposition of LRAMVA balances for 2022 and future years to its 2024 IRM application as it is in accordance with the OEB's Filing Requirements.

8. IMPLEMENTATION

This Decision is accompanied by a Rate Generator Model, applicable supporting models, and a Tariff of Rates and Charges (Schedule A). The Rate Generator Model also incorporates the rates set out in Table 8.1.

Table 8.1: Regulatory Charges

Rate	per kWh
Rural or Remote Electricity Rate Protection (RRRP)	$0.0005
Wholesale Market Service (WMS) billed to Class A and B Customers	$0.0030
Capacity Based Recovery (CBR) billed to Class B Customers	$0.0004

Each of these rates is a component of the "Regulatory Charge" on a customer's bill, established annually by the OEB through a separate, generic order. The RRRP and WMS rates were set by the OEB on December 16, 2021 and July 12, 2022. [25]

The Smart Metering Entity Charge is a component of the "Distribution Charge" on a customer's bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set by the OEB at $0.42 on September 8, 2022.[26]

In the *Report of the Board: Review of Electricity Distribution Cost Allocation Policy*,[27] the OEB indicated that it will review the default province-wide microFIT charge annually to ensure it continues to reflect actual costs in accordance with the established methodology. Distributors shall apply the updated value, if applicable, following the OEB's announcement of the microFIT charge for the 2023 rate year.

[25] EB-2021-0300, Decision and Order, December 16, 2021 and EB-2021-0300, Supplemental Decision and Order, July 12, 2022
[26] EB-2022-0137, Decision and Order, September 8, 2022
[27] EB-2010-0219, Report of the Board "Review of Electricity Distribution Cost Allocation Policy", March 31, 2011

9. 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 effective January 1, 2023 for the Entegrus – St. Thomas rate zone for electricity consumed or estimated to have been consumed on and after such date. Entegrus Powerlines Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

2. The Tariff of Rates and Charges set out in Schedule B of this Decision and Rate Order is approved effective May 1, 2023 for the Entegrus – Main rate zone for electricity consumed or estimated to have been consumed on and after such date. Entegrus Powerlines Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

DATED at Toronto, Month, Date, Year

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A

DECISION AND RATE ORDER

ENTEGRUS POWERLINES INC.

TARIFF OF RATES AND CHARGES

EB-2022-0026

[DATE]