



Ontario
Energy
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DECISION AND RATE ORDER

EB-2022-0061

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

**Application for rates and other charges to be
effective May 1, 2023**

BY DELEGATION, BEFORE: Theodore Antonopoulos
Vice President
Applications

[Date]

1. OVERVIEW

The Ontario Energy Board is approving changes to the rates that Rideau St. Lawrence Distribution Inc. (Rideau St. Lawrence Distribution) charges to distribute electricity to its customers, effective May 1, 2023.

As a result of this Decision, there will be a monthly total bill increase of \$3.97 for a residential customer consuming 750 kWh. This change does not factor in applicable taxes or the Ontario Electricity Rebate.

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2. CONTEXT AND PROCESS

Rideau St. Lawrence Distribution filed its application on October 14, 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.

Rideau St. Lawrence Distribution serves approximately 6,000 mostly residential and commercial electricity customers in the Town of Prescott, and within the Villages of Cardinal, Iroquois, Morrisburg, Westport and Williamsburg.

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

¹ Each of these options is explained in the OEB's [Handbook for Utility Rate Applications](#).

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
- Advanced Capital Module

Instructions for implementing Rideau St. Lawrence Distribution's 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 charges² 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.

² 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

Rideau St. Lawrence Distribution has applied to change its rates, effective May 1, 2023, 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.³

The components of the Price Cap adjustment formula applicable to Rideau St. Lawrence Distribution are set out in the table below. Inserting these components into the formula results in a 3.55% increase to Rideau St. Lawrence Distribution's rates: **3.55% = 3.70% - (0.00% + 0.15%)**.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation factor ⁴		3.70%
Less: X-factor	Productivity factor ⁵	0.00%
	Stretch factor (0.00% to 0.60%) ⁶	0.15%

An inflation factor of 3.55% 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 benchmarked

³ 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.

⁴ [OEB Letter, 2023 Inflation Parameters, issued October 20, 2022](#)

⁵ 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

⁶ 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

against other distributors in Ontario. The stretch factor assigned to Rideau St. Lawrence Distribution is 0.15%, resulting in a rate adjustment of 3.55%.

Findings

Rideau St. Lawrence Distribution's request for a 3.55% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Rideau St. Lawrence Distribution's new rates shall be effective May 1, 2023.

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5. RETAIL TRANSMISSION SERVICE RATES

Rideau St. Lawrence Distribution is fully embedded within Hydro One Network Inc.'s distribution system.

To recover its cost of transmission services, Rideau St. Lawrence Distribution requested approval to adjust the retail transmission service rates (RTSRs) that it charges its customers in accordance with host distributor RTSRs currently in effect.

Findings

Rideau St. Lawrence Distribution's proposed adjustment to its RTSRs is approved. The RTSRs have been adjusted based on the current OEB-approved host-RTSRs.⁷

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

⁷ EB-2021-0110, Decision and Rate Order, November 29, 2022

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.⁸ If the net balance does not exceed the threshold, a distributor may still request disposition.⁹

The 2021 year-end net balance for Rideau St. Lawrence Distribution's Group 1 accounts eligible for disposition, including interest projected to April 30, 2023, is a debit of \$222,091 and pertains to variances accumulated during the 2021 calendar year. This amount represents a total claim of \$0.0022 per kWh, which exceeds the disposition threshold. Rideau St. Lawrence Distribution has requested the 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).¹⁰ A similar mechanism applies to Class A and Class B customers for Capacity Based Recovery (CBR) charges.¹¹ 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.

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

⁸ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

⁹ OEB letter, "Update to the Electricity Distributors' Deferral and Variance Account Review ("EDDVAR Report"), released July 2009 (EB-2008-0246)", issued July 25, 2014

¹⁰ For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)'s [website](#).

¹¹ 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](#).

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 \$222,091 as of December 31, 2021, including interest projected to April 30, 2023, 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	115,293	3,714	119,007
Smart Meter Entity Variance Charge	1551	(2,901)	(98)	(2,999)
RSVA - Wholesale Market Service Charge	1580	90,046	3,233	93,279
Variance WMS - Sub-account CBR Class B	1580	(11,891)	(408)	(12,300)
RSVA - Retail Transmission Network Charge	1584	(10,315)	(455)	(10,770)
RSVA - Retail Transmission Connection Charge	1586	(38,810)	(1,309)	(40,119)
RSVA - Power	1588	48,389	1,383	49,772
RSVA - Global Adjustment	1589	21,270	420	21,689
Disposition and Recovery of Regulatory Balances (2018)	1595	2,112	2,420	4,531
Total for Group 1 accounts		213,191	8,899	222,091

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in the *Accounting*

Procedures Handbook for Electricity Distributors.¹² 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, 2024.¹³

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¹² Article 220, Account Descriptions, Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

¹³ 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.¹⁴

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.¹⁵

Distributors filing an application for 2023 rates are required to seek disposition of all outstanding LRAMVA balances related to program savings related to CFF programs or other conservation programs they delivered, unless they do not have complete information on eligible program savings.¹⁶

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.¹⁷

Rideau St. Lawrence Distribution has applied to dispose of its LRAMVA debit balance of \$41,024. The balance consists of lost revenues from 2020 to 2021 from CDM programs delivered during the period from 2016 to 2020 and carrying charges. During the proceeding, Rideau St. Lawrence Distribution updated its LRAMVA balance to incorporate the 2022 LRAMVA related to CDM programs. This update results in an increase of \$9,288 and a revised LRAMVA balance of \$50,312. The actual conservation savings claimed by Rideau St. Lawrence Distribution under the CFF were validated with reports from the IESO, project level savings files, or both.

¹⁴ Conservation and Demand Management Guidelines for Electricity Distributors, December 20, 2021, chapter 8.

¹⁵ On March 20, 2019 the Minister of Energy, Northern Development and Mines issued separate Directives to the OEB and the IESO.

¹⁶ Chapter 3 Filing Requirements, section 3.2.6.1

¹⁷ [Guidance on Prospective Lost Revenue Adjustment Mechanism \(LRAM\) Amounts – 2023 Rates](#), June 16, 2022

Actual conservation savings were compared against Rideau St. Lawrence Distribution's forecasted conservation savings of 540,480 kWh included in its last OEB-approved load forecast.¹⁸

Rideau St. Lawrence Distribution did not apply for approval of any LRAMVA-eligible amounts on a prospective basis, arising from persisting savings from completed CDM programs.

Findings

The OEB finds that Rideau St. Lawrence Distribution's LRAMVA balance has been calculated in accordance with the OEB's CDM-related guidelines and updated LRAMVA policy. The OEB approves the disposition of Rideau St. Lawrence Distribution's LRAMVA debit balance of \$50,312, as set out in Table 7.1 below.

Table 7.1 LRAMVA Balance for Disposition

Account Name	Account Number	Actual CDM Savings (\$) A	Forecasted CDM Savings (\$) B	Carrying Charges (\$) C	Total Claim (\$) D=(A-B)+C
LRAMVA	1568	69,812	21,152	1,652	50,312

The balance in the LRAMVA is now zero, and no further entries to the LRAMVA are permitted at this time. The LRAMVA will not be discontinued, in the event that Rideau St. Lawrence Distribution requests the use of the LRAMVA for a CDM activity in a future application, which the OEB will consider on a case-by-case basis.¹⁹

¹⁸ EB-2015-0100, Decision and Order, June 15, 2017¹⁹ Conservation and Demand Management Guidelines for Electricity Distributors, December 20, 2021, p. 28

¹⁹ Conservation and Demand Management Guidelines for Electricity Distributors, December 20, 2021, p. 28

8. ADVANCED CAPITAL MODULE

In its 2022 cost of service application,²⁰ Rideau St. Lawrence Distribution was approved to apply for Advanced Capital Module (ACM) rate riders for the Morrisburg Substation #2 (MS2) capital project with a budget of \$775,000²¹ and an estimated in-service date of October 2023.²² In issuing its Decision in the proceeding, the OEB approved a settlement proposal filed by the parties, which noted the agreement of the parties that the proposal for the MS2 capital project included sufficient justification and cost estimates to show need and prudence.²³

In the pre-filed evidence, Rideau St. Lawrence Distribution updated the cost estimate for the MS2 capital project to \$771,070 in the ACM model to determine the ACM rate riders to recover the costs.²⁴ The updated MS2 capital project cost estimate of \$771,070 is within the ACM funding amount of \$775,000 approved in Rideau St. Lawrence Distribution's last cost of service application.

Rideau St. Lawrence Distribution confirmed that the MS2 capital project schedule has not changed from what was approved in Rideau St. Lawrence Distribution's 2022 cost of service application.²⁵

Findings

The OEB finds that the proposed ACM amount to be disposed through rate riders, as calculated in the ACM Model, is consistent with the approved settlement proposal in Rideau St. Lawrence Distribution's 2022 cost of service application. The OEB approves the disposition of the ACM balance through rate riders that will be effective from May 1, 2023 until April 30, 2024.

²⁰ EB-2021-0056, Decision and Rate Order, June 14, 2022

²¹ *Ibid*

²² Staff Question-1

²³ EB-2021-0056, Settlement Proposal, May 16, 2022

²⁴ ACM Model, Tab 9b: Proposed ACM ICM Projects

²⁵ Staff Question-1

9. 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 9.1.

Table 9.1: Regulatory Charges

Rate	per kWh
Rural or Remote Electricity Rate Protection (RRRP)	\$0.0007
Wholesale Market Service (WMS) billed to Class A and B Customers	\$0.0041
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 8, 2022.²⁶

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, 2022.²⁷

²⁶ EB-2022-0269, Decision and Order, December 8, 2022

²⁷ EB-2022-0137, Decision and Order, September 8, 2022

10. 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 May 1, 2023 for electricity consumed or estimated to have been consumed on and after such date. Rideau St. Lawrence 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
RIDEAU ST. LAWRENCE DISTRIBUTION INC.
TARIFF OF RATES AND CHARGES
EB-2022-0061
[DATE]