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BY EMAIL

November 13, 2023

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  
Niagara-on-the-Lake Hydro Inc.  
Application for 2024 Electricity Distribution Rates  
OEB File Number: EB-2023-0041**

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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. Niagara-on-the-Lake Hydro Inc. and all intervenors have been copied on this filing.

Yours truly,

Narisa Jotiban  
Senior Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2023-0041



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission on Draft Rate Order**

**Niagara-on-the-Lake Inc.**

**Application for 2024 Electricity Distribution Rates**

**EB-2023-0041**

**November 13, 2023**

## Introduction

Niagara-on-the-Lake Hydro Inc. (Niagara-on-the-Lake Hydro) filed a cost of service application with the Ontario Energy Board (OEB), seeking approval for changes to the rates that Niagara-on-the-Lake Hydro charges for electricity distribution, beginning January 1, 2024.<sup>1</sup> In its Decision and Order<sup>2</sup>, the OEB accepted the settlement proposal and directed Niagara-on-the-Lake Hydro to file a draft rate order (DRO) showing the impact of any required adjustments related to the approved 2024 Cost of Capital parameters, 2024 Uniform Transmission Rates, 2024 Retail Service Charges, Pole Attachment Charge, and Regulated Price Plan (RPP) pricing.

Niagara-on-the-Lake Hydro filed its DRO on November 7, 2023.

Due to the updated cost of capital parameters, uniform transmission rates, retail service charges, and pole attachment charge, the revenue requirement, PILs, cost allocation, revenue-to-cost ratios, and fixed-variable splits 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 \$5.25 per month (3.97%) before taxes and the Ontario Electricity Rebate.

OEB staff has reviewed the DRO and has confirmed that Niagara-on-the-Lake Hydro has implemented the OEB's direction set out in the Decision and Order.

### Retail Service Charges and Pole Attachment Charge

As noted in the OEB's Decision, Niagara-on-the-Lake Hydro will make updates when the OEB issues its decisions on the 2024 Retail Service Charges and Pole Attachment Charge. The 2024 decisions for these items have been issued by the OEB on September 26, 2023.<sup>3</sup>

The retail service charges and pole attachment charge submitted by Niagara-on-the-Lake Hydro in the OEB approved settlement proposal match the Decisions and Orders for the 2024 Retail Service Charges and Pole Attachment Charge issued by the OEB. Therefore, there is no change required in the DRO and no impact on the calculations of revenue requirement, distribution rates, or the projected bill impacts.

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

<sup>2</sup> EB-2023-0041, Decision and Order, September 21, 2023

<sup>3</sup> [Decision and Order](#), EB-2023-0193 and [Decision and Order](#), EB-2023-0194

**Uniform Transmission Rates**

As noted in the OEB's Decision, Niagara-on-the-Lake Hydro is required to make updates when the OEB issues its decision on the 2024 Uniform Transmission Rates. On September 28, 2023, the OEB issued a letter Re: 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates which contains the 2024 preliminary UTRs effective January 1, 2024.<sup>4</sup>

OEB staff confirms that Niagara-on-the-Lake Hydro updated the RTSR Workform to adjust the proposed RTSRs to reflect the 2024 preliminary UTRs effective January 1, 2024. OEB staff also confirms that Appendix 2-ZB - Cost of Power reflects the adjustment to the proposed RTSRs.

OEB staff submits that the RTSR adjustments accurately reflect the OEB's updated 2024 preliminary UTRs.

**Cost of Power**

As noted in the OEB's decision, Niagara-on-the-Lake Hydro is required to update its Cost of Power to reflect the Regulated Price Plan Price Report for November 1, 2023 to October 31, 2024.

Niagara-on-the-Lake Hydro states in its DRO that the proposed RTSR rates were updated in the Power Supply Expenses/Cost of Power calculation. Also, Niagara-on-the-Lake Hydro states that the OEB released its RPP Report for November 1, 2023 to October 31, 2024<sup>5</sup> and also announced a change to the level of the Ontario Electricity Rebate (OER) to 19.3%.<sup>6</sup>

OEB staff notes that Niagara-on-the-Lake Hydro updated Appendix 2-ZA - Power Supply Expenses and Appendix 2-ZB - Cost of Power calculations using the updated forecasts of the latest RPP Report and RTSRs rates respectively. The updates result in an increase of \$1,803,190 in the cost of power and consequently cause an increase in the working capital allowance, as well as rate base.

However, OEB staff notes that Niagara-on-the-Lake Hydro did not apply the OER Credit of 19.3% as an input in line 164 in Appendix 2-ZB – Cost of Power. If the OER Credit were applied, it would result in a lower cost of power.

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<sup>4</sup> [OEB letter, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates](#), September 28, 2023

<sup>5</sup> [Regulated Price Plan Price Report](#), November 1, 2023 to October 31, 2024, issued October 19, 2023

<sup>6</sup> <https://www.oeb.ca/newsroom/2023/ontario-energy-board-announces-changes-electricity-prices-households-small-business>

OEB staff submits that the cost of power adjustments accurately reflect the updated RPP Report and proposed RTSRs but do not reflect the updated OER Credit of 19.3%. In its reply comments, Niagara-on-the-Lake Hydro should provide a revised cost of power calculation in Appendix 2-ZB – Cost of Power to reflect the OER Credit of 19.3%.

### **Cost of Capital**

As per the OEB's decision, Niagara-on-the-Lake Hydro is required to update 2024 Cost of Capital parameters (return on equity (ROE), deemed long-term debt rate and deemed short-term debt rate). On October 31, 2023, the OEB issued the 2024 Cost of Capital parameters.<sup>7</sup>

Consistent with the approved Settlement Proposal, Niagara-on-the-Lake Hydro used the updated deemed long-term debt rate of 4.58% for its Promissory Note with the Town of Niagara-on-the-Lake in the DRO. Niagara-on-the-Lake Hydro also updated the deemed interest rate for long-term debt, the deemed interest rate for short term debt, and the ROE to reflect the OEB-approved 2024 Cost of Capital parameters.

The above noted correction for Cost of Power will impact rate base and hence cost of capital amounts. OEB staff submits that Niagara-on-the-Lake Hydro should provide revised Appendix 2-OA, Income Tax and PILs Model, and Revenue Requirement Workform in its reply comments.

### **Cost Allocation**

As a result of the changes to revenue requirement, Niagara-on-the-Lake Hydro updated the Cost Allocation Model. Niagara-on-the-Lake Hydro states in its DRO that the approach to the revenue-to-cost ratios is consistent with the approach in the Settlement Proposal with no adjustments to any of the rate classes.

OEB staff has reviewed the cost allocation model, revenue-to-cost ratios, fixed-variable splits and notes that they are consistent with the Decision and Order and the methodologies used in the OEB-approved settlement proposal.

OEB staff notes that the revenue requirement needs to be adjusted to reflect the correction in the cost of power calculation. OEB staff submits that Niagara-on-the-Lake Hydro should provide a revised Cost Allocation Model to reflect the revenue requirement adjustment in its reply comments.

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<sup>7</sup> [Letter of the OEB: 2024 Cost of Capital Parameters](#), issued October 31, 2023

**Rate Design**

As a result of the updates to the revenue requirement, Niagara-on-the-Lake Hydro provided two tables summarizing updated rate design and distribution rates in the DRO.

Since the revenue requirement requires further adjustment to reflect the correction in the cost of power calculations as mentioned previously, OEB staff submits that Niagara-on-the-Lake Hydro should provide a revised rate design and distribution rates summary to reflect the revenue requirement adjustment in its reply comments.

**Tariff Schedule and Bill Impact Model**

As per the OEB's decision, Niagara-on-the-Lake Hydro is required to update the Tariff Schedule and Bill Impact model to reflect the RPP Report for November 1, 2023 to October 31, 2024.

In the DRO, Niagara-on-the-Lake Hydro updated the Tariff Schedule and Bill Impact model to reflect the updated RPP report, as well as the OER of 19.3%.

OEB staff submits that Niagara-on-the-Lake Hydro updated the model appropriately to reflect the latest RPP Report, as well as the OER of 19.3%. However, the proposed 2024 distribution rates in the model should reflect the revised rate design noted in the previous section.

OEB staff submits that Niagara-on-the-Lake Hydro should provide a revised Tariff Schedule and Bill Impacts model, and a PDF of Tariff of Rates and Charges in its reply comments.

~All of which is respectfully submitted~