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DECISION AND RATE ORDER

EB-2023-0032

HYDRO OTTAWA LIMITED

Application for rates and other charges to be effective
January 1, 2024

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

[Date]

1. OVERVIEW

The Ontario Energy Board is approving changes to the rates that Hydro Ottawa Limited (Hydro Ottawa) charges to distribute electricity to its customers, effective January 1, 2024.

Hydro Ottawa serves approximately 358,900 customers in the City of Ottawa and the Village of Casselman. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of licensed and rate-regulated distributors in Ontario.

A distributor may choose one of three rate-setting methodologies approved by the OEB.

Commencing with 2021 rates, Hydro Ottawa selected the Custom Incentive Rate-setting methodology (Custom IR) that has a five-year term. The OEB approved the settlement agreement submitted on September 18, 2020 (2021-2025 Approved Settlement Agreement) that included a five-year Custom IR framework which covered the years 2021 to 2025.¹ As part of that proceeding, the OEB issued a final rate order establishing the rates for 2021.² Rates for subsequent years were to be adjusted mechanistically through a custom price adjustment formula for Operations, Maintenance and Administration (OM&A) costs and a pre-approved capital investment forecast for years two through five of the Custom IR term. An annual incremental capital stretch factor of 0.6% is applied to the capital-related revenue requirement for each year of 2022-2025. This is referred to in section four of this Decision and Rate Order as the Base Rate Adjustment.

The key components of the Custom IR framework are listed below:

- Capital spending and operating expenses have been set for a five-year period (2021 to 2025), pursuant to specific adjustments
- A custom price escalation factor (CPEF) applies to OM&A costs for the 2022-2025 period
- A capital stretch factor applies to the capital-related revenue requirement for the 2022-2025 period
- An asymmetrical earnings sharing mechanism (ESM) account on a 50/50 basis with no dead band

¹ Decision and Order, EB-2019-0261, November 19, 2020.

² Decision and Rate Order, EB-2019-0261, January 7, 2021.

- A performance outcomes accountability mechanism (POAM) deferral account to link the execution of certain aspects of Hydro Ottawa's distribution system plan (DSP) to the recovery of amounts included in the agreed-upon revenue requirement
- Three asymmetrical sub-accounts to record the revenue requirement impact of underspending in the System Access (excluding plant relocation and residential expansion), System Renewal/System Service, and General Plant categories
- A separate symmetrical System Access sub-account to track the revenue requirement impacts associated with plant relocation requested by third parties and residential expansion
- Adjusting the working capital allowance by the OEB's inflation factor for the 2022-2025 period
- Fixed short-term debt and long-term debt rates over the 2021-2025 period. Adopting the OEB's 2021 return on equity (ROE) for the 2021-2023 period, and updating it using the OEB's 2024 ROE for the 2024-2025 period

As part of its approved Custom IR, Hydro Ottawa was required to file applications annually to implement the OEB's approval of that framework for the years following the initial decision. Hydro Ottawa was also required to file certain adjustments that include pass-through costs (i.e., costs for which Hydro Ottawa does not charge a mark-up) such as those that are incurred by Hydro Ottawa for settling with the Independent Electricity System Operator (IESO) on behalf of its customers.

As a result of this Decision, there will be a monthly total bill increase of \$4.38 for a residential customer consuming 750 kWh. This change does not factor in applicable taxes or the Ontario Electricity Rebate.

2. CONTEXT AND PROCESS

Hydro Ottawa filed its application on August 17, 2023 under section 78 of the *Ontario Energy Board Act, 1998*. The application was based on the Custom IR option, with a five-year term.

The OEB follows a standardized and streamlined process for Custom IR update applications. An application of this nature may be decided by a panel of Commissioners, or it may be delegated to OEB staff, depending on the complexity of the application.

After an initial review of the application, the OEB determined that the application is largely mechanistic in nature with respect to the adjustments contemplated. Therefore, this Decision and Rate Order is being issued by delegated authority, without a hearing, under section 6 of the OEB Act.

Under this type of process, the application is reviewed by OEB staff to verify whether the requested adjustments are consistent with the OEB's decision and order issued on November 19, 2020. This includes but is not limited to updates or adjustments identified in the OEB's decision and order issued on November 19, 2020.

Hydro Ottawa supported its application with written evidence and completed rate models. During the course of the proceeding, Hydro Ottawa responded to OEB staff questions through emails and phone calls and, where required, updated and clarified the evidence.

3. DECISION OUTLINE

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

- Base Rate Adjustment
- Cost Allocation
- Rate Design
- Retail Transmission Service Rates
- Low Voltage Service Rates
- Group 1 Deferral and Variance Accounts
- Lost Revenue Adjustment Mechanism Variance Account
- Retail Service Charges
- Specific Service Charges

Instructions for implementing Hydro Ottawa's new rates and charges are set out in the final section of this Decision.

4. BASE RATE ADJUSTMENT

Hydro Ottawa's base rates are made up of a monthly fixed charge and a monthly variable charge³. Together, these charges recover Hydro Ottawa's OM&A and capital costs.

As part of the 2021-2025 Approved Settlement Agreement, the base for the five-year custom price cap adjustment formula for recoverable OM&A was set at \$90.6 million for the 2021 test year, including property taxes. For the 2022-2025 rate years, a CPEF was agreed upon to escalate OM&A expenditures on an annual basis.

The CPEF is derived as "I minus X plus G", where I (inflation factor) is the OEB's standard Input Price Index, X (productivity factor) is the sum of the OEB's current base productivity factor of 0% and an agreed-upon stretch factor of 0.45%, and G (growth factor) is calculated using the average annual growth in customers from 2021 to 2025 (i.e., 0.97%) multiplied by a scaling factor (i.e., 0.35). Using the 2024 OEB-established inflation factor of 4.8%⁴, Hydro Ottawa calculated the 2024 CPEF as 4.69%. The resulting OM&A proposed to be incorporated into the 2024 revenue requirement is \$101.4 million.

Hydro Ottawa's capital additions, depreciation, and disposal have been set for the Custom IR term as part of the 2021-2025 Approved Settlement Agreement. Hydro Ottawa's working capital allowance will be annually adjusted based on the OEB's inflation factor. The 2023 OEB-approved working capital allowance was \$91.5 million. Hydro Ottawa has updated the 2024 working capital allowance to \$95.9 million. The 2024 proposed rate base is \$1,374 million.

As part of the 2021-2025 Approved Settlement Agreement, the parties agreed that payments in lieu of taxes (PILs) will be updated annually for changes to rate base resulting from the annual update to working capital allowance. The 2024 proposed PILs is \$10.5 million.

With respect to cost of capital, the parties agreed in the 2021-2025 Approved Settlement Agreement that short-term and long-term debt rates are fixed over the Custom IR term. The OEB-established ROE for 2021 rates is embedded in rates for the period of 2021-2023. For 2024 and 2025, Hydro Ottawa will update its ROE using the OEB-established value for 2024 rates.

As part of the 2021-2025 Approved Settlement Agreement, the parties agreed to a

³ The residential class completed the transition to a fully fixed distribution charge through the OEB's approval of Hydro Ottawa's 2020 rate adjustment application.

⁴ [OEB Letter, 2024 Inflation Parameters, issued June 29, 2023](#)

capital stretch factor to incentivize Hydro Ottawa to achieve productivity savings and continuous improvement in its capital programs. For the 2022 rate year, a capital stretch factor of 0.6% was applied to the proposed capital-related revenue requirement, which is calculated by adding a stretch factor of 0.15% to the stretch factor of 0.45% included in the CPEF. For the period of 2023-2025, the capital stretch factor will increase by a value of 0.6% on an annual basis. For the 2024 rate year, the capital stretch factor of 1.8% is applied. The application of the capital stretch factor results in a reduction of \$2,701k in capital-related revenue requirement for the 2024 rate year.

With respect to other revenue, in accordance with the 2021-2025 Approved Settlement Agreement, some portions of other revenue (i.e., late payment charges, other operating revenue, other income & deductions) have been set for the Custom IR term, while a portion of revenues from specific service charges will be updated annually per the CPEF, excluding the G factor. The proposed 2024 other revenue is \$9.79 million.

The capital additions revenue requirement differential variance accounts were established to track revenue requirement impacts resulting from any underspending in Hydro Ottawa's three capital spending categories (i.e., System Access, System Renewal/System Service, and General Plant). These three sub-accounts are asymmetrical, in that overspending will not result in recording amounts to be recovered from customers. There is a separate symmetrical System Access sub-account to track the revenue requirement impacts associated with plant relocation requested by third parties and residential expansion.

The purpose of the ESM variance account is to refund ratepayers 50% of any earnings above Hydro Ottawa's deemed regulated ROE. In accordance with the 2021-2025 Approved Settlement Agreement, this account functions on a cumulative basis. The balance, if any, will be disposed on a final basis to customers at the end of the Custom IR term.

The POAM deferral account was established to provide ratepayers a refund when Hydro Ottawa's performance metrics established in the 2021-2025 DSP are not met. There are five performance metrics which have an annual target. If the target is not met in any year of the Custom IR term, Hydro Ottawa will credit the deferral account up to \$200k. The maximum amount that can be credited in any year is \$1.0 million for all five targets. If all targets are met, no credit will be recorded into this account.

Findings

In determining 2024 rates, the OM&A, PILs, capital additions, and revenue offset amounts included in Hydro Ottawa's 2024 revenue requirement and, accordingly, its base rates, have been adjusted as per the 2021-2025 Approved Settlement Agreement and are approved.

Hydro Ottawa has reported balances in the capital additions revenue requirement differential, ESM and POAM deferral and variance accounts. In accordance with the 2021-2025 Approved Settlement Agreement, these accounts will be reviewed for disposition at the end of the Custom IR term

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5. COST ALLOCATION

As part of the 2021-2025 Approved Settlement Agreement, Hydro Ottawa's cost allocation model and customer class revenue-to-cost ratio ranges were approved, with the modification that the Sentinel Lighting class would transition to the OEB's approved revenue-to-cost ratio range by 2025.

Table 5.1 outlines the revenue-to-cost ratio adjustments proposed by Hydro Ottawa for the 2024 rate year.

Table 5.1: Revenue-to-Cost Ratios

Rate Classification	Current 2023 Ratio (%)	Proposed 2024 Ratio (%)
RESIDENTIAL SERVICE	101.08	101.07
GENERAL SERVICE LESS THAN 50 KW SERVICE	119.89	119.93
GENERAL SERVICE 50 TO 1,499 KW SERVICE	90.43	90.44
GENERAL SERVICE 1,500 TO 4,999 KW SERVICE	102.32	102.32
LARGE USE	86.09	86.10
STREET LIGHTING SERVICE	119.90	119.86
SENTINEL LIGHTING SERVICE	62.15	70.02
UNMETERED SCATTERED LOAD SERVICE	104.57	104.64
STANDBY POWER	33.23	33.23

Sentinel Lighting is the only customer class with a revenue-to-cost ratio outside the OEB's policy range. As part of the 2021-2025 Approved Settlement Agreement, it was agreed that Hydro Ottawa would bring this customer class into that range (80-120%) over the five-year period. In order to maintain the Sentinel Lighting rate class's proposed 2024 total bill increase at under 10%, a smaller adjustment in revenue-to-cost ratio is proposed than illustrated in the 2021-2025 Approved Settlement Agreement⁵. The revenue-to-cost ratio adjustments to the Sentinel Lighting rate class are offset by

⁵ Hydro Ottawa Limited, [2021-2025 Custom Incentive Rate-Setting Approved Settlement Proposal](#), EB-2019-0261 (September 18, 2020), p. 27

the Street Lighting rate class. The impact on the Street Lighting rate class is minimal.

Findings

The OEB approves Hydro Ottawa's revenue-to-cost ratio adjustments for the 2024 rate year in accordance with Table 5.1 above. The OEB finds that the proposed adjustments are consistent with the 2021-2025 Approved Settlement Agreement and approves the minor deviation from the illustration in the 2021-2025 Approved Settlement Agreement to address bill impacts and finds the impact on the Street Lighting class to be immaterial.

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6. RATE DESIGN

As part of the 2021-2025 Approved Settlement Agreement, the parties agreed to the rate design methodologies for each rate class except for three commercial customer classes: General Service > 50 to 1,499 kW, General Service 1,500 to 4,999 kW, and Large Use.

With respect to these three commercial customer classes, pursuant to the OEB's decision and order issued on November 19, 2020, the fixed/variable rate design for these classes shall be determined based on the following terms:

Fixed charges should be set by comparing the fixed charge resulting from Hydro Ottawa's standard rate design approach with the previous year's level for the five-year rate term. In years where maintaining the current fixed/variable revenue split results in a higher fixed charge than the previous year, Hydro Ottawa shall maintain the fixed charge at the previous year's level. In years where maintaining the current fixed/variable revenue split results in a lower fixed charge than the previous year, Hydro Ottawa shall maintain the fixed charge at the lower value.

In determining 2024 rates, Hydro Ottawa proposed to maintain the fixed charges for these three commercial classes at the 2023 level and adjust variable rates to ensure recovery of the requested revenue requirement for those classes.

Table 6.1 outlines the 2023 proposed fixed and variable charges by rate class.

Table 6.1: Fixed/Variable Charges

Rate Classification	Current 2023		Proposed 2024	
	Fixed \$	Variable \$/kWh or \$/kW	Fixed \$	Variable \$/kWh or \$/kW
RESIDENTIAL SERVICE	32.14	0.0000	33.94	0.0000
GENERAL SERVICE LESS THAN 50 KW SERVICE	21.84	0.0283	23.15	0.0300
GENERAL SERVICE 50 TO 1,499 KW SERVICE	200.00	5.9845	200.00	6.4215
GENERAL SERVICE 1,500 TO 4,999 KW SERVICE	4,193.93	5.5121	4,193.93	5.9586
LARGE USE	15,231.32	5.4310	15,231.32	5.8845
STREET LIGHTING SERVICE	1.05	7.3273	1.11	7.7320
SENTINEL LIGHTING SERVICE	5.16	24.2011	5.96	27.9495
UNMETERED SCATTERED LOAD SERVICE	6.24	0.0297	6.80	0.0324
STANDBY POWER 50 TO 1,499 KW SERVICE	171.83	2.2930	183.33	2.4465
STANDBY POWER 1,500 TO 4,999 KW SERVICE	171.83	2.1033	183.33	2.2441
STANDBY POWER LARGE USE	171.83	2.3341	183.33	2.4904

Findings

The OEB finds that Hydro Ottawa's proposed rate design is consistent with the OEB's November 19, 2020 decision and order. The resulting total bill impacts for all customer classes demonstrate that no further mitigation is required. The OEB approves the fixed and variable charges by rate class as proposed by Hydro Ottawa.

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7. RETAIL TRANSMISSION SERVICE RATES (RTSRs)

Hydro Ottawa is transmission connected and partially embedded within Hydro One Networks Inc.'s (Hydro One's) distribution system. On September 28th 2023, the OEB announced preliminary Uniform Transmission Rates (UTRs) effective January 1, 2024.⁶ The OEB also announced that an embedded distributor should update its RTSRs with Hydro One Networks Inc's proposed RTSRs.⁷

Hydro Ottawa updated its RTSRs based on the preliminary UTRs and Hydro One's proposed host RTSRs. The OEB sets the UTRs based on the approved revenue requirements for multiple transmitters. Preliminary UTRs are based on those revenue requirements that have already been approved for 2024. These preliminary UTRs are to be used for the setting of RTS rates to minimize the accumulation of variances in Retail Settlement Variance Accounts 1584 (Retail Transmission Network Charge) and 1586 (Retail Transmission Connection Charge). The cost consequences of any future adjustments to 2024 UTRs to reflect remaining approvals to a transmitter's revenue requirement will be tracked in these accounts and recovered over time.

To recover its cost of transmission services, Hydro Ottawa requests approval to adjust the RTSRs that it charges its customers in accordance with the preliminary UTRs and proposed RTSRs for Hydro One.

Findings

Hydro Ottawa's proposed adjustment to its RTSRs is approved.

The RTSRs have been adjusted based on the preliminary UTRs⁸ and proposed host-RTSRs for Hydro One.

In the event that final UTRs and final host-RTSRs differ from the preliminary UTRs and proposed host-RTSRs, the resulting differences will be captured in Retail Settlement Variance Accounts 1584 (Retail Transmission Network Charge) and 1586 (Retail Transmission Connection Charge).

⁶ EB-2023-0222, OEB Letter "2024 Preliminary Uniform Transmission Rates, issued September 28, 2023

⁷ Ibid

⁸ Ibid

8. LOW VOLTAGE CHARGES

Hydro Ottawa pays charges to Hydro One for a number of shared distribution stations, specific lines and shared lines.

The 2021-2025 Approved Settlement Agreement requires that Hydro Ottawa's Low Voltage (LV) rates are to be updated annually. Hydro Ottawa has used the approved 2024 LV expense forecast of \$360,497 in the calculations of the LV charges for the customer classes. Hydro Ottawa has allocated the charges to the customer classes based on the class percentage of retail transmission connection dollars using Hydro One's proposed 2024 RTSRs.⁹

The resulting LV charges are shown in the table below.

Table 10.1: Proposed LV Charges

Class	Per	Current 2023 LV Charge	Proposed 2024 LV Charge
Residential	kWh	\$0.00005	\$0.00005
General Service < 50 kW	kWh	\$0.00005	\$0.00005
General Service 50 to 1,499 kW	kW	\$0.02011	\$0.02033
General Service 1,500 to 4,000 kW	kW	\$0.02149	\$0.02173
Large Use (> 5,000 kW)	kW	\$0.02420	\$0.02447
Unmetered Scattered Load	kWh	\$0.00005	\$0.00005
Sentinel Lighting	kW	\$0.01494	\$0.01511
Street Lighting	kW	\$0.01525	\$0.01542

Findings

Hydro Ottawa's proposed adjustment to its LV Service Rates is approved. The LV Service Rates have been updated based on the host distributor's proposed sub-transmission rates applicable to embedded distributors. In the event that the OEB approves host sub-transmission rates applicable to embedded distributors that are different than the proposed rates, any resulting differences are to be captured in Account 1550 - LV Variance Account.

⁹ Ibid

9. GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of a Custom IR update term, the OEB will review a distributor's Group 1 deferral and variance accounts to determine whether those balances should be disposed of. OEB policy states that Group 1 account balances should be disposed of 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 of.¹⁰ If the net balance does not exceed the threshold, a distributor may still request disposition.¹¹

The 2022 year-end net balance for Hydro Ottawa's Group 1 accounts eligible for disposition, including interest projected to December 31, 2023, is a debit of \$14,211,028 and pertains to variances accumulated during the 2022 calendar year. This amount represents a total claim of \$0.002 per kWh, which exceeds the disposition threshold. Hydro Ottawa 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, either as a standalone charge or embedded in the Regulated Price Plan (RPP).¹² A similar mechanism applies to Class A and Class B customers for Capacity Based Recovery (CBR) charges.¹³ The balance in the GA variance account is attributable to non-RPP Class B customers and is disposed of through a separate rate rider. The balance in the CBR Class B variance account is attributable to all Class B customers.

Hydro Ottawa had one or more 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 of 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, Hydro Ottawa had one or more customers transition between Class A and Class B. Under the general principle of cost

¹⁰ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

¹¹ OEB letter, "Update to the Electricity Distributors' Deferral and Variance Account Review ("EDDVAR Report"), released July 2009 (EB-2008-0246)", issued July 25, 2014

¹² For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)'s [website](#).

¹³ 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](#).

causality, customer groups that cause variances that are recorded in Group 1 accounts should be responsible for paying (or receiving credits) for their disposal. Hydro Ottawa 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.¹⁴ 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 by Hydro Ottawa pursuant to the OEB's *Electricity Reporting and Record-Keeping Requirements*.

The OEB approves the disposition of a debit balance of \$14,211,028 as of December 31, 2022, including interest projected to December 31, 2023, for Group 1 accounts on a final basis.

Table 9.1 identifies the principal and interest amounts, which the OEB approves for disposition.

Table 9.1: Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance (\$)	Interest Balance (\$)	Total Claim (\$)
		A	B	C=A+B
LV Variance Account	1550	43,638	1,147	44,784
Smart Metering Entity Charge Variance Account	1551	(998,249)	(58,514)	(1,056,763)
RSVA - Wholesale Market Service Charge	1580	13,193,911	894,211	14,088,122
Variance WMS - Sub-account CBR Class B	1580	(675,272)	(50,551)	(725,824)
RSVA - Retail Transmission Network Charge	1584	6,822,690	455,694	7,278,383

¹⁴ 2024 IRM Rate Generator Model, Tab 6.1a "GA Allocation" and Tab 6.2a "CBR B_Allocation"

RSVA - Retail Transmission Connection Charge	1586	(2,396,262)	(149,293)	(2,545,555)
RSVA - Power	1588	(267,201)	1,920	(265,282)
RSVA - Global Adjustment	1589	(2,286,434)	(171,882)	(2,458,316)
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	(95,658)	(52,864)	(148,521)
Total for Group 1 accounts		13,341,161	869,867	14,211,028

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*.¹⁵ 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 of 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, 2024 to December 31, 2024.¹⁶

¹⁵ Article 220, Account Descriptions, Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

¹⁶ 2024 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

10. LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT

The OEB has historically used a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) to capture implications a distributor's revenues which arise 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.¹⁷

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.¹⁸

Distributors filing an application for 2024 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.¹⁹

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 2024 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.²⁰

In its 2023 CIR update application²¹, Hydro Ottawa applied to dispose of its LRAMVA balance of \$2,048,767. The balance consisted of lost revenues from 2017 to 2020 from conservation and demand management (CDM) programs delivered during the period from 2015 to 2020 and carrying charges projected to December 31, 2022. Hydro Ottawa had requested disposition to be recovered uniformly over 3 years for all classes except for the Street Lighting rate class. For the Street Lighting rate class, Hydro Ottawa had requested disposition of the 2017 LRAMVA account balance in 2023 and the 2018-2020 LRAMVA account balances uniformly in 2024 and 2025. This approach resulted in a more levelized rate impact for the Street Lighting class over the remainder years of the

¹⁷ Conservation and Demand Management Guidelines for Electricity Distributors, December 20, 2021, chapter 8.

¹⁸ On March 20, 2019 the Minister of Energy, Northern Development and Mines issued separate Directives to the OEB and the IESO.

¹⁹ Chapter 3 Filing Requirements, section 3.2.6.1

²⁰ [Guidance on Prospective Lost Revenue Adjustment Mechanism \(LRAM\) Amounts – 2023 Rates](#), June 16, 2022

²¹ EB-2022-0042

rate term. The OEB approved Street Lighting LRAM rate rider for 2024 was set at \$7.3388 per kW.²²

In the current application, Hydro Ottawa is proposing to amend the approved LRAM recovery for the Street Lighting rate class only, by extending the disposition period by one year to keep total bill impacts under 10%. This will result in an annual rate rider of \$4.8925 per kW.

Hydro Ottawa is not seeking disposition of the 2021 or 2022 LRAMVA amounts, or prospective disposition for 2023 onwards from persisting savings of completed CDM programs at this time. The 2021-2025 Approved Settlement Agreement²³ includes a clause stating that Hydro Ottawa intends to include CDM savings from ongoing IESO programs (and potentially other provincial or federal programs) impacting 2021 and beyond in the LRAMVA account until its next rebasing period. Hydro Ottawa confirmed during the current proceeding that this is still its intent.²⁴

The 2021-2025 Approved Settlement Agreement further notes that any updated OEB CDM guidelines will not preclude Hydro Ottawa from bringing forward an LRAMVA claim requesting disposition of its LRAMVA for the impact of both known and unknown CDM initiatives. However, this settlement agreement should not be construed as agreement to the disposition of such a claim.

Findings

The OEB notes that the approach to the LRAMVA recovery from the Street Lighting class results in more reasonable bill impacts. The OEB further accepts Hydro Ottawa's intent to keep the LRAMVA account open until rebasing and to not seek disposition of 2021 or 2022 LRAMVA amounts or seek prospective disposition within this proceeding. This approach is in accordance with the 2021-2025 Approved Settlement Agreement²⁵ which states that "any updated OEB guidelines will not preclude Hydro Ottawa from bringing forward an LRAMVA claim requesting disposition of its LRAMVA for the impact of both known and unknown CDM initiatives." The OEB also notes that, even for the 2021 and 2022 years, an LRAMVA claim by Hydro Ottawa may require supporting information on CDM results during these years that is not yet available.

However, the 2021-2025 Approved Settlement Agreement also states that "this should not be construed as agreement to the disposition of such account." As such, the OEB

²² Ontario Energy Board, Decision and Order, EB-2022-0042 (December 8, 2022).

²³ Hydro Ottawa Limited, [2021-2025 Custom Incentive Rate-Setting Approved Settlement Proposal](#), EB-2019-0261 (September 18, 2020), p. 24

²⁴ IRR OEB-4

²⁵ Hydro Ottawa Limited, [2021-2025 Custom Incentive Rate-Setting Approved Settlement Proposal](#), EB-2019-0261 (September 18, 2020), p. 24

takes no position at this time on the methodology and substance of any potential future LRAMVA claims that may include savings from ongoing IESO programs impacting 2021 and beyond. The OEB will address the final disposition of outstanding balances in Hydro Ottawa's LRAMVA account balance in its next rebasing application.

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11. RETAIL SERVICE CHARGES

Retail Service Charges (RSCs) are levied to recover the cost of the services provided by a distributor to retailers or customers for supply of competitive electricity through retailer contracts, in accordance with the OEB's Retail Settlement Code.

In accordance with the 2021-2025 Approved Settlement Agreement, Hydro Ottawa proposed to adopt the OEB's generic RSCs. The OEB's Decision and Order issued September 26, 2023 established the adjustment for energy retailer service charges, effective January 1, 2024²⁶. The RSCs for 2024 are set out in the table below.

Table 11.1 – Retail Service Charges

	2024 Proposed
Monthly Fixed Charge, per retailer	\$46.81
Standard Charge, per retailer	\$117.02
Monthly Variable Charge, per customer, per retailer	\$1.16
Distributor Consolidated Billing Charge, per customer, per retailer	\$0.69
Retailer Consolidated Billing Credit, per customer, per retailer	\$(0.69)
Service Transaction Requests, per process	\$1.16
Service Transaction Requests, per request	\$0.59
Electronic Business Transaction, up to twice per year	\$0.00
Electronic Business Transaction, more than twice a year, per request	\$4.68

Findings

The OEB approves the 2024 RSCs, which represent the generic RSCs set out in the OEB's September 26, 2023 Decision and Order.

²⁶ [EB-2023-0193](#), Decision and Order (2024 retailer service charges), September 26, 2023

12. SPECIFIC SERVICE CHARGES

Specific Service Charges (SSCs) apply to services that are over and above Hydro Ottawa's standard level of service offerings and may result from a customer's action or inaction. The revenue from these charges offsets the total revenue requirement.

The 2021-2025 Approved Settlement Agreement identified a list of SSCs that account for the majority of the SSCs that would be increased per the CPEF, excluding the G factor, as part of this application. All other service charges will remain at the 2023 approved rates.

Table 12.1 Summary of Revised Specific Service Charges

	2023 Current	2024 Proposed
Customer Administration		
Arrears Certificate	\$17.00	\$17.00
Easement Certificate for Unregistered Easements	\$27.00	\$28.00
Duplicate Invoices for Previous Billing	\$6.00	\$6.00
Special Billing Service, per hour	\$130.00	\$136.00
Credit Reference/Credit Check (+ credit agency costs)	\$17.00	\$17.00
Unprocessed Payment Charge (+ bank charges)	\$27.00	\$28.00
Account Set Up/Change of Occupancy Charge	\$27.00	\$27.00
Interval Meter - Field Reading	\$334.00	\$348.00
High Bill Investigation - If Billing is Correct	\$251.00	\$262.00
Non-Payment of Account		
Reconnect at Meter - Regular Hours	\$71.00	\$74.00
Reconnect at Meter - After Regular Hours	\$107.00	\$111.00
Reconnect at Pole - Regular Hours	\$266.00	\$278.00

	2023 Current	2024 Proposed
Reconnect at Pole - After Regular Hours	\$449.00	\$468.00
Other		
Temporary Service - Install and Remove ("TS-I&R") - Overhead - no transformer	\$936.00	\$976.00
TS-I&R - Underground - no transformer	\$1,357.00	\$1,416.00
TS-I&R - Overhead - with transformer	\$3,336.00	\$3,481.00
Specific Charge to Access Power Poles - Wireline	\$36.05	\$37.78
ERF Administration Charge Without Account Set Up	\$151.00	\$158.00

The OEB's Decision and Order issued September 26, 2023, established the generic distribution pole attachment charge for 2024 rates.²⁷ Hydro Ottawa adopted the OEB's 2024 generic wireline pole attachment charge of \$37.78 per attached, per year, per pole.

In addition, as per the 2021-2025 Approved Settlement Agreement, Hydro Ottawa has adjusted the Dry Core Transformer Charges to reflect any related changes in the Regulated Price Plan and Hydro One rates. Table 12.2 below lists Hydro Ottawa's updated 2024 Dry Core Transformer charges.

²⁷ [EB-2023-0194](#), Decision and Order (distribution pole attachment charge for 2024), September 26, 2023

Table 12.2 Dry Core Transformer Charges

Transformers	No Load Loss (W)	Load Loss (W)	Cost of Transmission and LV per kW	Cost of Energy and Wholesale Market per kWh	Total Monthly cost of power	Cost of Distribution per kW	Total
Rates			\$ 7.2109	\$ 0.1192		\$ 6.0882	
25 KVA 1 PH, 1.2kV BIL	150	900	\$ 1.16	\$ 10.83	\$ 11.99	\$ 0.98	\$ 12.97
37.5 KVA 1 PH, 1.2kV BIL	200	1200	\$ 1.55	\$ 14.44	\$ 15.99	\$ 1.30	\$ 17.29
50 KVA 1 PH, 1.2kV BIL	250	1600	\$ 1.97	\$ 18.17	\$ 20.14	\$ 1.66	\$ 21.80
75 KVA 1 PH, 1.2kV BIL	350	1900	\$ 2.63	\$ 25.05	\$ 27.67	\$ 2.22	\$ 29.89
100 KVA 1 PH, 1.2kV BIL	400	2600	\$ 3.17	\$ 29.12	\$ 32.29	\$ 2.67	\$ 34.96
112.5 kVA 1 PH, 1.2kV BIL	447	2936	\$ 3.55	\$ 32.58	\$ 36.13	\$ 3.00	\$ 39.13
*150 KVA 1 PH, 1.2kV BIL	525	3500	\$ 4.19	\$ 38.32	\$ 42.51	\$ 3.54	\$ 46.05
167 KVA 1 PH, 1.2kV BIL	650	4400	\$ 5.21	\$ 47.52	\$ 52.74	\$ 4.40	\$ 57.14
175 KVA 1PH, 1.2kV BIL	665	4496	\$ 5.33	\$ 48.61	\$ 53.95	\$ 4.50	\$ 58.45
*200 KVA 1 PH, 1.2kV BIL	696	4700	\$ 5.58	\$ 50.87	\$ 56.45	\$ 4.71	\$ 61.16
*225 KVA 1 PH, 1.2kV BIL	748	5050	\$ 6.00	\$ 54.67	\$ 60.67	\$ 5.06	\$ 65.73
250 KVA 1 PH, 1.2kV BIL	800	5400	\$ 6.41	\$ 58.47	\$ 64.88	\$ 5.41	\$ 70.30
333 KVA 1PH 1.2kV BIL	1000	6600	\$ 7.96	\$ 72.92	\$ 80.87	\$ 6.72	\$ 87.59
*10 KVA 3 PH, 1.2kV BIL	83	400	\$ 0.60	\$ 5.88	\$ 6.48	\$ 0.51	\$ 6.99
*15 KVA 3 PH, 1.2kV BIL	125	650	\$ 0.93	\$ 8.91	\$ 9.84	\$ 0.78	\$ 10.62
*30 KVA 3PH, 1.2kV BIL	250	1300	\$ 1.85	\$ 17.82	\$ 19.68	\$ 1.57	\$ 21.24
*45 KVA 3 PH, 1.2kV BIL	300	1800	\$ 2.32	\$ 21.67	\$ 23.98	\$ 1.96	\$ 25.94
*75 KVA 3 PH, 1.2kV BIL	400	2400	\$ 3.09	\$ 28.89	\$ 31.98	\$ 2.61	\$ 34.59
*112.5 KVA 3 PH, 1.2kV BIL	600	3400	\$ 4.56	\$ 43.10	\$ 47.66	\$ 3.85	\$ 51.51
125 KVA 3PH, 1.2kV BIL	633	3767	\$ 4.88	\$ 45.68	\$ 50.56	\$ 4.12	\$ 54.68
*150 KVA 3 PH, 1.2kV BIL	700	4500	\$ 5.52	\$ 50.90	\$ 56.43	\$ 4.66	\$ 61.09
*175 KVA 3PH, 1.2kV BIL	766	4767	\$ 5.98	\$ 55.52	\$ 61.50	\$ 5.05	\$ 66.55
*200 KVA 3PH, 1.2kV BIL	833	5033	\$ 6.45	\$ 60.20	\$ 66.65	\$ 5.44	\$ 72.09
*225 KVA 3 PH, 1.2kV BIL	900	5300	\$ 6.91	\$ 64.88	\$ 71.80	\$ 5.84	\$ 77.63
*300 KVA 3 PH, 1.2kV BIL	1100	6300	\$ 8.38	\$ 79.09	\$ 87.48	\$ 7.08	\$ 94.55
*450 KVA 3PH, 1.2kV BIL	2075	7275	\$ 14.03	\$ 143.86	\$ 157.89	\$ 11.85	\$ 169.73
*500 KVA 3 PH, 95kV BIL	2400	7600	\$ 15.91	\$ 165.44	\$ 181.36	\$ 13.44	\$ 194.79
*750 KVA 3 PH, 95kV BIL	3000	12000	\$ 20.86	\$ 209.70	\$ 230.56	\$ 17.61	\$ 248.17
*1000 KVA 3 PH, 95kV BIL	3400	13000	\$ 23.41	\$ 236.97	\$ 260.38	\$ 19.76	\$ 280.14
*1500 KVA 3 PH, 95kV BIL	4500	18000	\$ 31.29	\$ 314.56	\$ 345.84	\$ 26.42	\$ 372.26
*2000 KVA 3 PH, 95kV BIL	5400	21000	\$ 37.31	\$ 376.77	\$ 414.08	\$ 31.50	\$ 445.59
*2500 KVA 3 PH, 95kV BIL	6500	25000	\$ 44.81	\$ 453.20	\$ 498.00	\$ 37.83	\$ 535.84
*3000 KVA 3PH, 95kV BIL	7700	29000	\$ 52.84	\$ 536.15	\$ 588.99	\$ 44.61	\$ 633.61
*3750 KVA 3PH, 95kV BIL	9500	35000	\$ 64.89	\$ 660.58	\$ 725.47	\$ 54.79	\$ 780.26
*5000 KVA 3PH, 95kV BIL	11000	39000	\$ 74.55	\$ 763.11	\$ 837.66	\$ 62.94	\$ 900.61

Findings

The OEB approves the 2024 SSCs including the Dry Core Transformer charges as per the 2021-2025 Approved Settlement Agreement, and as updated in this proceeding. The OEB notes that impacts on revenues arising from revised charges have been included in Hydro Ottawa's proposed rates in accordance with the 2021-2025 Approved Settlement Agreement, as noted in section 4 of this decision.

13. IMPLEMENTATION

This Decision and Rate Order is accompanied by a Deferral and Variance Account workform, applicable supporting models, and a Tariff of Rates and Charges (Schedule A). The Tariff Schedule and Bill Impacts Model incorporates the Regulatory Charges set out in Table 13.1.

Table 13.1: 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, 2022.²⁸ and are the latest OEB-approved rates.

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, 2022.²⁹ and is the latest OEB-approved rate.

²⁸ EB-2022-0269, Decision and Order, December 8, 2022

²⁹ EB-2022-0137, Decision and Order, September 8, 2022

14. 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, 2024 for electricity consumed or estimated to have been consumed on and after such date. Hydro Ottawa Limited 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
HYDRO OTTAWA LIMITED
TARIFF OF RATES AND CHARGES
EB-2023-0032
MONTH XX, 2023