

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by InnPower
Corporation for an order approving just and reasonable rates
and other charges for electricity distribution beginning
January 1, 2024.

INNPOWER CORPORATION

DRAFT RATE ORDER

FILED: DECEMBER 7, 2023

**InnPower Corporation
EB-2023-0033
Draft Rate Order**

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LIST OF ATTACHMENTS:

- Appendix A – Bill Impacts Model
- Appendix B – Draft Tariff of Rates and Changes effective January 1, 2024
- Appendix C – Revenue Requirement Workform

LIVE EXCEL MODELS:

In addition to the Appendices listed above, the following live excel models have been filed together with and form an integral part of this Draft Rate Order:

- IPC 2024_Cost_Allocation_Model_1.0_20231207
- IPC 2024_DVA_Continuity_Schedule_CoS_1.0_20231207
- IPC 2024_Filing_Requirements_Chapter2_Appendices_1.0_20231207
- IPC 2024_Rev_Reqt_Workform_1.0_20231207
- IPC 2024_RTSSR_Workform_1.0_20231207
- IPC 2024_Tariff_Schedule_and_Bill_Impact_Model_20231207
- IPC 2024_Test_year_Income_Tax_PILS_1.0_20231207

A. BACKGROUND

InnPower Corporation (“InnPower”) filed a Cost of Service application with the OEB on May 12, 2023 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) (the “Act”), seeking approval for changes to the rates that InnPower charges for electricity distribution, to be effective January 1, 2024 (OEB Docket Number EB-2023-0033) (the “Application”).

The OEB issued and published a Notice of Hearing dated June 1, 2023, and Procedural Order No. 1 on June 23, 2023, the latter of which required the parties to the proceeding to develop a proposed issues list.

On June 28, 2023, pursuant to Procedural Order No. 1, OEB Staff submitted a proposed issues list as agreed to by the parties. OEB Staff also advised the OEB that “parties may wish to raise additional matters for inclusion on the Issues List after the responses to the interrogatories are received.” On July 11, 2023, the OEB issued its Decision on Issues List, approving the list submitted by OEB Staff. This Settlement Proposal is filed with the OEB in connection with the Application and is organized in accordance with the Approved Issues List

Procedural Order No. 1 scheduled the Settlement Conference for August 21 to 23, 2023. InnPower filed most of its Interrogatory Responses with the OEB on August 8, 2023 and requested an extension until August 10, 2023 to file the remainder of the Interrogatory Responses.¹ The OEB granted the extension request on August 9, 2023. InnPower filed the remainder of its Interrogatory Responses on August 10, 2023, pursuant to which InnPower updated several models and submitted them to the OEB as Excel documents.

A Settlement Conference was convened between August 21 to 23, 2023 in accordance with the OEB’s *Rules of Practice and Procedure* (the “Rules”) and the OEB’s *Practice Direction on Settlement Conferences* (the “Practice Direction”).

Sarah Daitch acted as facilitator for the Settlement Conference which lasted for three days.

InnPower and the following Intervenors (the “Intervenors”), participated in the Settlement Conference:

Hydro One Networks Inc. (“HONI”)
School Energy Coalition (“SEC”); and
Vulnerable Energy Consumers Coalition (“VECC”).

InnPower and the Intervenors are collectively referred to below as the “Parties”. OEB Staff also participated in the Settlement Conference.

On October 13, 2023, Innpower filed a settlement proposal covering all issues. OEB Staff filed a submission on the settlement proposal on October 24, 2023. In response to submissions made by

OEB staff, InnPower filed a revised settlement proposal with certain corrections (“Revised Settlement Proposal”).

On November 23, 2023, the OEB issued its Decision and Order (“the Decision”). In its Decision, the OEB approved the Revised Settlement Proposal as filed and directed InnPower as follows:

“A draft Tariff of Rates and Charges was included with the revised settlement proposal for rates effective on January 1, 2024.

Consistent with the revised settlement proposal, InnPower shall update its short-term debt and return-on-equity with the OEB’s 2024 Cost of Capital Parameters, issued on October 31, 2023. InnPower shall also update its Cost of Power and the associated Tariff Schedule and Bill Impacts model to reflect the Regulated Price Plan Price Report for November 1, 2023, to October 31, 2024, issued on October 19, 2023.

InnPower shall file its draft rate order, updating the placeholder values for the components noted above, with detailed supporting material showing the impact of any required adjustments and corrections to the settlement proposal and DVA continuity schedule.”

InnPower submits this draft rate order (“DRO”), which incorporates the information directed by the Board from the Decision. Included in this DRO are the “live” excel models and appendices listed above.

The DRO has been prepared on the basis that InnPower’s new rates will be effective January 1, 2024.

B. UPDATES PURSUANT TO THE ORDER

In accordance with the Settlement Proposal and the OEB's directions in the Decision, InnPower has incorporated the following amendments in the Updated Models:

- Short-term debt and return-on-equity issued by the OEB on October 31, 2023 in the revenue requirement workform, cost allocation model, bill impact model and the PILS workform (i.e., change in revenue).
- Cost of Power to reflect the Regulated Price Plan Price Report ("RPP") and Ontario Electricity Rebate ("OER") for November 1, 2023 to October 31, 2024, issued on October 21, 2023.
 - RPP and OER rates have been updated in the bill impacts.
 - The impacts to the change in rate base and working capital have been updated in the revenue requirement workform, cost allocation model and PILS workform.

InnPower confirms that no other updates are required to the "live" Excel workbooks filed on November 6, 2023 and the Revised Settlement Proposal.

InnPower also confirms that as part of this DRO, the Updated Models also include the following changes to the Chapter 2 Appendices:

- Tab App. 2 – OA Capital Structure
 - 2024 Cost of Capital rates
- Tab App. 2 – Com. Exp. Forecast
 - Forecasted Commodity Prices
- Tab App. 2 – ZB_Cost of Power
 - RPP, GA and OER rates

1.1 Bill Impacts

The table below provides a summary of the bill impacts as a result of the updates from section B:

RATE CLASSES / CATEGORIES <i>(eg: Residential TDU, Residential Retailer)</i>	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kwh	\$ -	0.0%	\$ (0.51)	-0.9%	\$ 3.35	5.1%	\$ 3.21	2.2%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kwh	\$ (2.69)	-3.9%	\$ (4.03)	-3.7%	\$ 5.38	4.0%	\$ 5.24	1.5%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ 46.97	6.6%	\$ (58.94)	-4.5%	\$ 146.86	7.9%	\$ 226.88	4.3%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kwh	\$ (2.44)	-15.3%	\$ (2.15)	-12.4%	\$ (1.83)	-10.1%	\$ (1.71)	-6.9%
SENTINEL LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ (29.13)	-34.7%	\$ (27.37)	-31.1%	\$ (25.76)	-27.9%	\$ (24.12)	-23.8%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ (8,604.19)	-36.2%	\$ (8,850.23)	-35.8%	\$ (8,614.78)	-33.9%	\$ (9,572.93)	-25.8%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	\$ -	0.0%	\$ (1.40)	-2.5%	\$ 2.47	3.7%	\$ 2.39	1.7%
EMBEDDED DISTRIBUTOR - Non-RPP (Other)	kw	\$ (56.62)	-4.8%	\$ (274.40)	-11.6%	\$ 78.93	2.3%	\$ 295.31	2.1%

Specifically, the following tabs in the Bill Impacts Model were updated:

- Tab 3: Regulatory Charges
 - Time-of-Use RPP Prices
- Tab 6: Bill Impacts
 - RPP TOU rates
 - OER % rate

Appendix A also contains a detailed set of bill impact calculations. Innpower also filed the live Tariff and Bill Impacts Excel Model: IPC_2024_Tariff_Schedule_and_Bill_Impact_Model_20231207.

1.2 Revenue Requirement

As a result of the updates from section B, the revenue requirement is as follows:

- The service revenue requirement decreased by \$10,721 to \$17,451,169
- The base revenue requirement decreased by \$10,721 to \$13,883,549
- The revenue sufficiency increased by \$10,721 to \$700,946

The table below provides a summary of changes in the Revenue Requirement Workform:

Line No.	Particulars	Application	Interrogatory Responses	Settlement Agreement	Per Board Decision
1	OM&A Expenses	\$8,327,618	\$8,327,618	\$7,577,618	\$7,577,618
2	Amortization/Depreciation	\$5,027,633	\$5,029,700	\$5,096,877	\$5,096,877
3	Property Taxes	\$129,180	\$129,180	\$129,180	\$129,180
5	Income Taxes (Grossed up)	\$253,241	\$221,062	\$184,309	\$169,442
6	Other Expenses	\$-			
7	Return				
	Deemed Interest Expense	\$1,746,766	\$1,761,292	\$1,672,460	\$1,717,836
	Return on Deemed Equity	\$2,874,895	\$2,870,840	\$2,801,446	\$2,760,214
8	Requirement (before Revenues)	<u>\$18,359,333</u>	<u>\$18,339,691</u>	<u>\$17,461,890</u>	<u>\$17,451,169</u>
9	Revenue Offsets	\$3,937,483	\$3,417,532	\$3,567,620	\$3,567,620
10	Base Revenue Requirement (excluding Transformer Ownership Allowance credit)	<u>\$14,421,850</u>	<u>\$14,922,159</u>	<u>\$13,894,270</u>	<u>\$13,883,549</u>
11	Distribution revenue	\$14,421,850	\$14,922,159	\$13,894,270	\$13,883,549
12	Other revenue	\$3,937,483	\$3,417,532	\$3,567,620	\$3,567,620
13	Total revenue	<u>\$18,359,333</u>	<u>\$18,339,691</u>	<u>\$17,461,890</u>	<u>\$17,451,169</u>
14	Less Distribution Revenue Requirement before Revenues)	<u>(\$0)</u>	<u>(\$0)</u>	<u>(\$0)</u>	<u>(\$0)</u>

Specifically, the following tabs in the Revenue Requirement Workform were updated:

- Tab 3: Data Input Sheet
 - Cost of Power
 - Distribution Revenue at Proposed Rates
 - Income Taxes
 - Cost of Capital
- Tab 11: Cost Allocation
 - Allocated Cost
 - Calculated Class Revenues
 - Rebalancing Revenue-to-Cost Ratios
 - Proposed Revenue-to-Cost Ratios
- Tab 13: Rate Design
- Tab 14: Tracking Sheet

InnPower has also filed a live Revenue Requirement Workform Excel Model: IPC 2024_Rev_Req Workform_1.0_20231207.

1.3 Cost Allocation

As a result of the updates to the Revenue Requirement Workform, the Cost Allocation Model was also updated.

The following table provides the updated Revenue/Cost Ratios along with the comparison to the Revenue/Cost Ratios from the Settlement Proposal:

	Settlement Proposal Revenue/Cost Ratio	Draft Rate Order Revenue/Cost Ratio	Change	OEB Target Low	OEB Target High
Residential	103.15%	103.15%	-	85.00%	115.00%
GS<50	88.14%	88.15%	(0.01%)	80.00%	120.00%
GS>50	81.33%	81.34%	0.01%	80.00%	120.00%
Sentinel Lighting	120.00%	120.00%	-	80.00%	120.00%
Street Lighting	120.00%	120.00%	-	80.00%	120.00%
Unmetered Scattered Load	120.00%	120.00%	-	80.00%	120.00%
Embedded Distributor	114.63%	114.65%	0.02%	80.00%	120.00%

The following table provides the updated base revenue allocations and fixed-variable splits:

	Allocation Base Revenue Requirement	Percentage from Fixed Revenue	Percentage from Variable Revenue	Fixed Component of Revenue Requirement	Variable Component of Revenue Requirement
Residential	11,400,478	100.00%	0.00%	11,400,478	-
GS<50	1,157,611	62.99%	37.01%	729,158	428,453
GS>50	1,050,041	23.54%	76.46%	247,180	802,861
Sentinel Lighting	29,594	59.50%	40.50%	17,609	11,985
Street Lighting	211,849	74.33%	25.67%	157,464	54,385
Unmetered Scattered Load	20,503	53.53%	46.47%	10,976	9,528
Embedded Distributor	13,475	20.05%	79.95%	2,702	10,774

Specifically, the following tabs in the Cost Allocation Model were updated:

- Tab I3: TB Data
 - RRWF Reference
- Tab I6.1: Revenue
 - Deficiency/Sufficiency

InnPower has also filed a live Cost Allocation Model Excel Model: IPC 2024_Cost_Allocation_Model_1.0_20231207.

1.4 *Group 2 Deferral and Variance Account Rate Riders*

There were no changes to the Group 2 Deferral and Variance Account Rate Riders, as a result of the updates in section B.

1.5 Cost of Power

As a result of the updates from section B, the Cost of Power is as follows:

- The power purchased increased by \$2,451,950 to \$28,380,032
- The global adjustment increased by \$1,875,100 to \$4,746,921
 - This is due to the change in average supply cost for RPP consumers increasing from \$93.40 in 2023 to \$111.05 in 2024.
 - Wholesale Electricity Costs – RPP-weighted decreased from \$58.33 (2023) to \$31.79 (2024)
 - Global Adjustment Costs increased from \$39.04 (2023) to \$72.86 (2024)
 - Adjustment to Clear Existing Variances increased from (\$4.97) (2023) to \$5.40 (2024)
 - Adjustment to Address Bias Towards Unfavorable Variances stayed at \$1.00 (2023 & 2024)
- The miscellaneous A/R or A/P (OER) decreased by \$3,001,501 to (\$6,893,241)
 - This is due to the change in the OER from 11.7% in 2023 to 19.3% in 2024

The following table provides the Cost of Power for the Settlement Proposal, 1st OEB update (i.e., UTRs, WMS, Class B CBR and RRRP) and the Final OEB update (i.e., RPP, GA and OER).

Cost of Power	Settlement Proposal	Change	1st OEB Rate Change	Change	Final OEB Rate Change	Change	Total Change
4705 - Power Purchased	\$25,928,082	\$89,078	\$25,928,082	\$0	\$28,380,032	\$2,451,950	\$2,541,028
4707 - Global Adjustment	\$2,871,821	\$548	\$2,871,821	\$0	\$4,746,921	\$1,875,100	\$1,875,648
4708 - Charges WMS	\$1,470,917	\$4,669	\$1,470,917	\$0	\$1,470,917	\$0	\$4,669
4714 - Charges NW	\$2,526,095	\$8,370	\$3,161,280	\$635,185	\$3,161,280	\$0	\$643,555
4716 - Charges CN	\$1,811,891	\$6,004	\$2,623,720	\$811,829	\$2,623,720	\$0	\$817,833
4730 – RRRP	\$228,809	\$726	\$228,809	\$0	\$228,809	\$0	\$726
4750 - Charges LV	\$1,242,624	\$4,056	\$1,252,752	\$10,128	\$1,252,616	-\$136	\$14,048

4751 - IESO SME	\$111,134	\$504	\$111,134	\$0	\$111,134	\$0	\$504
Misc A/R or A/P	-\$3,777,028	-\$13,265	-\$3,891,732	-\$114,704	-\$6,893,241	-\$3,001,509	-\$3,129,478
Total	\$32,414,345	\$100,690	\$33,756,783	\$1,342,438	\$35,082,188	\$1,325,405	\$2,768,633

1.6 Cost of Capital

As a result of the updates from section B, the Cost of Capital is as follows:

- The long-term debt increased by \$2,032 to \$1,531,127
- The short-term debt increased by \$43,347 to \$186,712
- The return-on-equity decreased by \$41,232 to \$2,760,214

The following table provides the Cost of Capital with the updated parameters from section B:

	Per Board Decision			
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$41,957,644	3.65%	\$1,531,127
Short-term Debt	4.00%	\$2,996,975	6.23%	\$186,712
Total Debt	60.00%	\$44,954,618	3.82%	\$1,717,838
Equity				
Common Equity	40.00%	\$29,969,746	9.21%	\$2,760,214
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$29,969,746	9.21%	\$2,760,214
Total	100.00%	\$74,924,364	5.98%	\$4,478,052

The following table provides the Cost of Capital with the parameters used in the Settlement Agreement:

	Settlement Agreement			
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$41,901,977	3.65%	\$1,529,095
Short-term Debt	4.00%	\$2,992,998	4.79%	\$143,365
Total Debt	60.00%	\$44,894,975	3.73%	\$1,672,460
Equity				
Common Equity	40.00%	\$29,929,983	9.36%	\$2,801,446
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$29,929,983	9.36%	\$2,801,446
Total	100.00%	\$74,824,959	5.98%	\$4,473,906

1.7 PILS

As a result of the updates from section B, the PILS is as follows:

- The grossed-up PILS decreased by \$14,867 to \$169,442

The following table provides the PILS with the updated parameters from section B:

	Settlement Agreement	Board Decision	Change
Grossed-Up PILS	\$184,309	\$169,442	(\$14,867)

Specifically, the following tabs in the PILS Model were updated:

- Tab A: Data Input Sheet
 - Test year rate base
 - Cost of Capital rates

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InnPower has also filed a live PILS Model Excel Model: IPC
 2024_Test_year_Income_Tax_PILS_1.0_20231207

C. CONCLUSION

InnPower respectfully requests that the OEB approve its DRO and draft Tariff of Rates and Charges, to be effective and implemented as of January 1, 2024.

D. APPENDICES

Appendix A – Bill Impacts Model

Appendix B – Draft Tariff of Rates and Charges effective January 1, 2024

Appendix C – Revenue Requirement Workform