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Energy
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DECISION AND RATE ORDER

EB-2023-0015

Enova Power Corp.

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

BY DELEGATION, BEFORE:

Ceiran Bishop
Director
Critical Initiatives

December XX, 2023

1. OVERVIEW

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

As a result of this Decision, there will be a monthly total bill increase of \$2.55 for a residential customer consuming 750 kWh in Enova's Kitchener-Wilmot rate zone and a monthly total bill increase of \$3.39 for a residential customer consuming 750 kWh in its Waterloo North rate zone. This change does not factor in applicable taxes or the Ontario Electricity Rebate.

2. CONTEXT AND PROCESS

On June 28, 2022, the OEB granted Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. approval to amalgamate and continue as Enova.¹ As part of that decision, the OEB determined that Enova would maintain two separate rate zones, the Kitchener-Wilmot rate zone and the Waterloo North rate zone, for a ten-year deferral period until 2033, at which point Enova's rates are expected to be rebased.

The requests in this application relate to Enova's service territory as represented by the Waterloo North rate zone and the Kitchener-Wilmot rate zone. Except where otherwise noted, a reference to "customers" in this Decision and Rate Order is a reference to all customers in these two rate zones.

Enova serves approximately 160,000 mostly residential and commercial electricity customers in the Cities of Kitchener and Waterloo and the Townships of Wilmot, Wellesley and Woolwich.

Enova filed its application on August 18, 2023 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.

The Price Cap IR option is one of three incentive rate-setting mechanisms (IRM) approved by the OEB.² 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 processing IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term mechanism, 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.

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

¹ EB-2022-0006, Decision and Order, June 28, 2022

² 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
- Low Voltage Service Rates
- Group 1 Deferral and Variance Accounts
- Group 2 Deferral and Variance Accounts

Instructions for implementing Enova'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 charges³ 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-2023-0193, issued September 26, 2023 established the adjustment for energy retailer service charges, effective January 1, 2024; and the Decision and Order EB-2023-0194, issued September 26, 2023, established the 2024 Wireline Pole Attachment Charge, effective January 1, 2024.

4. ANNUAL ADJUSTMENT MECHANISM

Enova has applied to change its rates, effective January 1, 2024, 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 adjustment formula applicable to both of Enova's rate zones are set out in the table below. Inserting these components into the formula results in a 4.50% increase to Enova's rates: **4.50% = 4.80% - (0.00% + 0.30%)**.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation factor ⁵		4.80%
Less: X-factor	Productivity factor ⁶	0.00%
	Stretch factor (0.00% to 0.60%) ⁷	0.30%

An inflation factor of 4.80% applies to all IRM applications for the 2024 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 2024 rate year. The stretch factor component of the X-factor is one of five stretch factor groupings established by the OEB, 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 against other distributors in Ontario. The stretch factor assigned to Enova is 0.30%, resulting in a rate adjustment of 4.50%.

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

⁵ [OEB Letter, 2024 Inflation Parameters, issued June 29, 2023](#)

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: 2022 Benchmarking Update”, prepared by Pacific Economics Group LLC., July 2023

Findings

Enova's request for a 4.50% rate adjustment for both rate zones is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Enova's new rates for both rate zones shall be effective January 1, 2024.

DRAFT

5. RETAIL TRANSMISSION SERVICE RATES (RTSRs)

The portion of Enova's distribution system that serves the Kitchener-Wilmot rate zone is directly connected to the provincial transmission system. The portion of Enova's distribution system that serves the Waterloo North rate zone is partially embedded within the distribution systems of Hydro One Networks Inc. (Hydro One), the former Kitchener-Wilmot Hydro (now Enova's Kitchener-Wilmot rate zone), and GrandBridge Energy Inc (GrandBridge).

On September 28, 2023, the OEB announced preliminary Uniform Transmission Rates (UTRs) effective January 1, 2024.⁸ The OEB also announced that an embedded distributor should update its RTSRs with Hydro One's proposed host-RTSRs.⁹

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 RTSRs 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, Enova requests approval to adjust the RTSRs for each rate zone. Enova requests to adjust Kitchener-Wilmot's RTSRs based on preliminary UTRs. To reflect the configuration of its Waterloo North rate zone, Enova requests to adjust its RTSRs in accordance with the preliminary UTRs, proposed host RTSRs for Hydro One¹⁰ and OEB-approved host-RTSRs for Enova's Kitchener-Wilmot rate zone¹¹ and GrandBridge.¹²

Findings

Enova's proposed adjustments to its RTSRs have been updated consistent with its requests and are approved. Applicable variance accounts will capture any differences between the preliminary and proposed rates on which Enova's rates were established (in whole or part) and the final UTRs and host-RTSRs whose approvals are outstanding.

⁸ EB-2023-0222, OEB Letter "2024 Preliminary Uniform Transmission Rates", issued September 28, 2023

⁹ Ibid

¹⁰ EB-2023-0222, OEB Letter "2024 Preliminary Uniform Transmission Rates", issued September 28, 2023

¹¹ EB-2022-0045, Decision and Rate Order, December 8, 2022

¹² EB-2022-0017, Decision and Rate Order, December 8, 2022

6. LOW VOLTAGE SERVICE RATE

Waterloo North rate zone is partially embedded within the distribution systems of Hydro One, Enova's Kitchener-Wilmot Hydro rate zone, and GrandBridge.

Low voltage transactions, which are not part of the wholesale electricity market, are charged to a distributor by its host distributor. To recover the cost of its low voltage transactions, Enova requests approval to adjust Waterloo North rate zone's Low Voltage Service Rates (LV Service Rates) as part of this IRM application. The adjusted LV Service Rates are based on the current OEB-approved host distributor sub-transmission rates by Hydro One and applicable embedded distributor rates by Enova and GrandBridge, applicable to embedded distributors and the most recent demand data for low voltage transactions.

Findings

Enova's proposed adjustment to its LV Service Rates for the Waterloo North rate zone is approved. The LV Service Rates have been updated based on the current OEB-approved sub-transmission rates by Hydro One and applicable embedded distributor rates by Enova and GrandBridge. In the event that, during Enova's 2024 rate year, the OEB updates the rates upon which Enova's LV rates are based, any resulting differences are to be captured in Account 1550 LV Variance Account.

7. 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 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.¹³ If the net balance does not exceed the threshold, a distributor may still request disposition.¹⁴

The 2022 year-end net balance for the Kitchener-Wilmot rate zone Group 1 accounts eligible for disposition, including interest projected to December 31, 2023, is a debit of \$6,645,991 and pertains to variances accumulated during the 2022 calendar year. This amount represents a total claim of \$0.0036 per kWh, which exceeds the disposition threshold. Enova has requested disposition of this amount over a one-year period.

The 2022 year-end net balance for the Waterloo North rate zone Group 1 accounts eligible for disposition, including interest projected to December 31, 2023, is a debit of \$4,023,906 and pertains to variances accumulated during the 2022 calendar year. This amount represents a total claim of \$0.0027 per kWh, which exceeds the disposition threshold. Enova 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).¹⁵ A similar mechanism applies to Class A and Class B customers for Capacity Based Recovery (CBR) charges.¹⁶ 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.

Enova had one or more Class A customers in both of its rate zones during the period in which variances accumulated so it has applied to have the balance of the CBR Class B

¹³ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

¹⁴ OEB letter, "Update to the Electricity Distributors' Deferral and Variance Account Review ("EDDVAR Report"), released July 2009 (EB-2008-0246)", issued July 25, 2014

¹⁵ For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)'s [website](#).

¹⁶ 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](#).

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, one or more customers in each rate zone transitioned 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. Enova has proposed to allocate a portion of the GA and CBR Class B balances to its transition customers for both rate zones, based on their customer-specific consumption levels.¹⁷ The amounts allocated to each transition customer are proposed to be refunded, 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 credit balance of \$6,645,991 for the Kitchener-Wilmot rate zone, and a credit balance of \$4,023,906 for the Waterloo North rate zone as of December 31, 2022, including interest projected to December 31, 2023, for Group 1 accounts on a final basis.

Table 8.1 and 8.2 identify the principal and interest amounts, which the OEB approves for disposition.

Table 8.1: Kitchener-Wilmot Rate Zone Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
Smart Metering Entity Charge Variance Account	1551	(278,787)	(16,988)	(295,774)
RSVA - Wholesale Market Service Charge	1580	3,961,621	275,916	4,237,538

¹⁷ 2024 IRM Rate Generator Model, Tab 6.1a "GA Allocation" and Tab 6.2a "CBR B_Allocation"

Variance WMS - Sub-account CBR Class B	1580	(173,167)	(14,908)	(188,075)
RSVA - Retail Transmission Network Charge	1584	1,852,866	137,729	1,990,595
RSVA - Retail Transmission Connection Charge	1586	252,483	14,574	267,057
RSVA - Power	1588	780,266	51,053	831,319
RSVA - Global Adjustment	1589	(88,108)	(8,710)	(96,818)
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	(132,838)	32,988	(99,850)
Total for Group 1 accounts		6,174,337	471,654	6,645,991

Table 8.2: Waterloo North Rate Zone 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	157,830	8,450	166,280
Smart Metering Entity Charge Variance Account	1551	(160,856)	(8,252)	(169,108)
RSVA - Wholesale Market Service Charge	1580	3,201,897	238,856	3,440,752

Variance WMS - Sub-account CBR Class B	1580	(176,197)	(14,779)	(190,975)
RSVA - Retail Transmission Network Charge	1584	1,267,940	95,423	1,363,364
RSVA - Retail Transmission Connection Charge	1586	112,291	4,284	116,575
RSVA - Power	1588	(380,518)	(30,942)	(411,460)
RSVA - Global Adjustment	1589	(306,040)	(35,080)	(341,120)
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	153,321	(103,722)	49,599
Total for Group 1 accounts		3,869,668	154,238	4,023,906

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*.¹⁸ 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, 2024.¹⁹

¹⁸ Article 220, Account Descriptions, Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

¹⁹ 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

8. GROUP 2 DEFERRAL AND VARIANCE ACCOUNTS

The OEB approved an accounting order (Accounting Order) related to the amalgamation of Kitchener-Wilmot Hydro and Waterloo North Hydro.²⁰ The Accounting Order required Enova to establish and use Account 1508, Other Regulatory Assets, sub-account Impact of Post-Merger Accounting Policy Changes. This sub-account has been used to record the cumulative difference between Waterloo North Hydro's net property, plant and equipment (PP&E) under the pre-merger capitalization policy and pre-merger depreciation policy and its net PP&E under the post-merger capitalization policy and post-merger depreciation policy.

This Accounting Order further stated that the cumulative difference recorded in this account will be reviewed at Enova's 2024 IRM application for materiality. The OEB noted that should the balance be below the materiality of \$465,000, the account will be closed without disposition and no further entries will be required.

In this application for 2024 rates, Enova noted that the forecasted balance as at December 31, 2023 in Account 1508, Other Regulatory Assets, sub-account Impact of Post-Merger Accounting Policy Changes is below the materiality threshold of \$465,000.²¹

Findings

The OEB approves the closure of Account 1508, Other Regulatory Assets, sub-account Impact of Post-Merger Accounting Policy Changes, given that the forecasted balance as at December 31, 2023 in this sub-account is less than the materiality threshold noted in the Accounting Order. Therefore, no disposition and no further entries are required.

²⁰ EB-2022-0006, Kitchener-Wilmot Hydro Inc., Waterloo North Hydro Inc., Accounting Order, July 28, 2022

²¹ Staff Question 3 Response, October 20, 2023; Staff Question 4 Response, October 20, 2023

9. IMPLEMENTATION

This Decision is accompanied by a Rate Generator Model for each rate zone, applicable supporting models, and Tariffs of Rates and Charges (Schedule A). The Rate Generator Models also incorporate the rates set out in Table 10.1.

Table 10.1: 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, 2022.²²

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, 2022.²³

In the *Report of the Board: Review of Electricity Distribution Cost Allocation Policy*,²⁴ 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. On November 29, 2023, the OEB issued a letter advising electricity distributors that the microFIT charge shall remain at \$4.55 for the duration of the 2024 rate year (January 1 to December 31, 2024).²⁵

²² EB-2022-0269, Decision and Order, December 8, 2022

²³ EB-2022-0137, Decision and Order, September 8, 2022

²⁴ EB-2010-0219, Report of the Board “Review of Electricity Distribution Cost Allocation Policy”, March 31, 2011

²⁵ OEB Letter, “Review of Fixed Monthly Charge for microFIT Generator Service Classification”, issued November 29, 2023

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 January 1, 2024 for electricity consumed or estimated to have been consumed on and after such date. Enova Power Corp. 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
ENOVA POWER CORP.
TARIFF OF RATES AND CHARGES
EB-2023-0015
MONTH XX, 20XX