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BY EMAIL

December 14, 2023

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: EB-2023-00211 Application for 2024 Rates

In accordance with Procedural Order NO. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Chapleau Public Utilities Corporation's responses to interrogatories are due by January 16, 2024.

Any questions relating to this letter should be directed to Kelli Benincasa at Kelli.Benincasa@oeb.ca or at 416-440-7624. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Kelli Benincasa

Kelli Benincasa
Incentive Rate Setting & Regulatory Accounting

Encl.

**OEB Staff Interrogatories
Chapleau Public Utilities Corporation
EB-2023-0011**

Please note, Chapleau Public Utilities Corporation (Chapleau) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

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Ref 1: Manager's Summary, Page 17

Ref 2: RRR 2.1.5.6 ROE Complete Filing Guide

Chapleau's current distribution rates were rebased and approved by the OEB in 2019 and included an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. The actual return on equity for 2022 is 12.99% which indicates an over-earning compared to the OEB's approved 2019 rate of return based on Chapleau's 2019 cost of service application.

Achieved ROE	12.99
Deemed ROE	8.98
Difference	4.01

Chapleau notes that its earnings are 1.01% above the dead band of 300 basis points. As reported to the OEB on September 22, 2023, this overearning occurred when Chapleau's financial statements were revised by KPMG to adjust the balances in seven accounts both upwards and downwards.

The revisions were as follows:

- 1330-Plant Materials and Operating Supplies: from \$132,568 to \$188,985
- 2294-Accrual for Taxes Payments in Lieu of Taxes, etc. from -\$8,800 to -\$14000
- 3046-Balance Transferred from Income from \$82,191 to \$132,609

- 5020-Overhead Distribution Lines and Feeders - Operation Labour from \$113,835 to \$92,170
- 5025-Overhead Distribution Lines and Feeders – Operation Supplies and Expenses from \$47,918 to \$20,270
- 5085-Miscellaneous Distribution Expense from \$10,007 to \$2,903
- 6110-Income Taxes: from \$10,000 to \$16,000

Question(s)

- a) Please provide a copy of Chapleau's 2022 ROE filing.
- b) Please provide a variance analysis using the line items on the ROE summary of the 2022 ROE filing, comparing to the respective components in Chapleau's 2019 revenue requirement as approved in its 2019 cost of service proceeding. Please provide the explanation for any variance that is greater than 10% of the 2019 approved amount by the OEB.
- c) With respect to each revision listed above, please explain how the increase or decrease in these accounts, separately, impacts the calculation of the return on equity.
 - i. Please quantify the impact of each revision as listed above on the 2022 ROE %.
 - ii. Regarding the adjustments made by KPMG to revise the balance in the seven accounts, please elaborate on the rationale behind each of these revisions.
 - iii. Please discuss what mechanisms or procedures are in place to monitor and adjust account balances regularly to prevent significant deviations.
- d) Please detail any specific operational or financial changes that led to the observed over-earning in 2022 compared to the Board Approved 2019 rate of return.
- e) Please provide Chapleau's 2023 forecast ROE based on the 2023 actual and forecast data.

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Ref 1: Manager's Summary, Page 17

Ref 2: Chapter 3 Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Page 24

The Chapter 3 Filings Requirements for Electricity Distributor Rate Applications state that a distributor whose earnings are in excess of the dead band is expected to refrain from seeking an adjustment to its base rates through a Price Cap IR or Annual IR Index plan. If a distributor whose earnings are in excess of the dead band nevertheless

applies for an increase to its base rates, the OEB expects it to substantiate its reasons for doing so. Chapleau Public Utilities states that the reasons for the over-earning are due to revisions to its financial statements. Chapleau Public Utilities is still seeking a price-cap adjustment because it expects that significant investments in its distribution system will be required in the near future. Chapleau expects that rate increases will be required as a result of significant investment needs.

Question:

- a) Please explain further why Chapleau Public Utilities should be eligible for a price cap adjustment.
- b) Please explain the impact on Chapleau Public Utilities' distribution system plan and any other impacts if the price cap adjustment is not approved by the OEB.