

RENFREW HYDRO INC.

2025 IRM APPLICATION

EB-2024-0052

Applicant's Responses to OEB Staff Questions



Renfrew Hydro Inc.
EB-2024-0052

Please note, Renfrew Hydro is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions 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*.

Staff Question-1

Reference: (1) *2025 IRM Application PDF, page 16-17 of 32*
(2) *2025 IRM Application PDF, page 19 of 32*

Preamble:

In the first reference above, RHI states that it is requesting an update to its Low Voltage (LV) service rates. RHI's LV service rates were last updated in RHI's 2024 Cost of Service application (EB-2023-0049).

In the second reference above, RHI is requesting disposal of its Group 1 deferral and variance account in this proceeding, the disposal includes a \$88,101 balance sitting in the LV Variance Account.

OEB staff notes the actual LV costs fluctuate year over year, which is directly related to the LV rates charged by Hydro One Network Inc. The actual LV costs in 2023-year (i.e. \$251,763) are 23% lower than the 2022-year actual costs at \$325,987. Therefore, the proposed LV service rates update would lower the 2025 LV service rates as compared to the current (i.e. 2024) rates; the bill impact is similar to a negative rate rider.

In addition, since there is uncertainty on the future years' (i.e. 2024 and going forward) actual LV costs, even RHI updates the LV service rates for the 2025 year, the LV Variance Account will still accumulate variance and will need request for balance disposal.

Question(s):

- a) Please provide reason(s) for the request to update LV service rates, as opposed to accumulate variance in the LV Variance Account and seek request for disposal of the variance account balance once threshold is reached.

Renfrew Hydro Inc. – Response

Renfrew Hydro Inc. (RHI) filed a cost-of-service in 2016 for 2017 rates and then again in 2023 for 2024 rates. The rate for LV remained unchanged for the 7 years between these applications. This resulted in an average bill impact increase of over 120% for LV rates across all customer groups in the 2024 Cost of Service. RHI believes this amount to be significant and is supportive of this new mechanism to adjust LV rates between cost-of-service applications.

RHI notes that the significant reduction of \$74,224 in LV charges from 2022 to 2023 relates primarily to rate riders charged/credited by Hydro One. The 2022 rate riders contributed additional costs to RHI of \$10,166, while 2023 rate riders reduced charges by \$49,828. This represents a year-on-year reduction in LV charge of \$59,994. These rate rider credits expire December 2024 and therefore will not be reducing the actual 2025 LV costs. Additionally, new Hydro One LV rate rider charges were also effective July 2024 which have increased the monthly LV expenses. Given this new information, RHI would like to retract its request to adjust the LV rates for the 2025 year. The goal will always be to reduce the accumulation of variances in Account 1550 LV Variance and RHI will continue to monitor the differences annually.

RHI is attaching an updated model to state it does not want to adjust Low Voltage rates for 2025.

- b) Given the size of RHI, please provide, from the operational efficiency and interest expense perspective, whether:
- i. it is more efficient to only update the LV service rates at cost-of-service applications. Therefore, continue to accumulate LV cost billed vs. actual variance in the LV Variance Account for the years in between cost-of-service applications, and dispose the balance through rate rider, as opposed to update the LV service rates.

Renfrew Hydro Inc. – Response

RHI believes embedded distributors should have the opportunity to adjust LV rates between cost-of-service applications if the annual variances are material and continue to trend in one direction (i.e. continue to under collect/over collect annually). The objective will always be to reduce the accumulation of variances and keep the rates charged to customers (revenues) as close as possible to the rate that the distributor pays (expenses). RHI believes using the 2023 LV expense to support an updated LV rate may not reduce the annual variance. The 2024 LV expense is estimated to be higher than 2023 with the changes to LV rate riders charged by Hydro One. The 2023 annual LV expense appears to be an outlier when analyzing the 4-year trend.

Or,

- ii. it is more efficient to frequently (i.e. annually) update the LV service rates through IRM applications. Therefore, it may result in lower balance accumulating in the LV Variance Account and a lower interest bearing on the variance account.

Renfrew Hydro Inc. – Response

RHI believes the mechanical adjustment to LV rates is not overly burdensome but may not be necessary annually, especially when a Cost-of-Service application is current. In RHI's experience, the further away from a Cost-of-Service application, the greater the discrepancy becomes due to annually changed rates charged by Hydro One.

- c) Please provide the alternative bill impacts without the proposed update to the LV service rates.

Renfrew Hydro Inc. – Response

Please find below a bill impact comparison table with and without the change to the LV service rates, both with the update to the Q4 2024 OEB-prescribed interest rate (Staff question 5) that changed GS>50 and Street Lighting only from original submission.

Rate Class	As Filed – Q4 Interest changed		No Update to LV rate	
	\$	%	\$	%
Residential	\$0.46	0.35%	\$1.59	1.20%
GS<50	\$1.24	0.36%	\$3.87	1.12%
GS>50	\$309.71	2.26%	\$447.74	3.76%
UMSL	\$3.21	2.83%	\$4.18	3.68%
Street Lighting	\$235.95	2.85%	\$284.96	3.45%

Staff Question-2

Reference: (1) 2025 IRM Rate Generator Model Excel, “Shared Tax – Rate Rider” tab
(2) Revenue Requirement Workform Excel, “Load Forecast” tab, RHI’s 2024 Cost of Service application (EB-2023-0049)

Preamble:

In the first reference above, OEB staff notes the highlighted figure as below (i.e. 3,889,078) does not line up to the figure provided in the 2024 Cost of Service application.

In the second reference above, the figure is provided as 388,078.

As per Chapter 3 Filing Requirements, shared tax rate riders are based on a 1 year disposition.

Rate Class		Re-based Billed Customers or Connections	Re-based Billed kWh	Re-based Billed kW	Re-based Service Charge	Re-based Distribution Volumetric Rate kWh	V
RESIDENTIAL SERVICE CLASSIFICATION	kWh	3,922	31,331,438	0	31.61	0.0000	
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	458	11,637,596	0	34.90	0.0219	
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kW	42	43,975,532	104,523	221.53	0.0000	
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	37	264,699	0	23.26	0.0074	
STREET LIGHTING SERVICE CLASSIFICATION	kW	1,197	3,889,078	1,075	2.49	0.0000	
Total		5,656	91,098,343	105,598			

Rate Class		Total kWh (most recent RRR filing)	Total kW (most recent RRR filing)	Allocation of Tax Savings by Rate Class	Distribution Rate Rider
RESIDENTIAL SERVICE CLASSIFICATION	kWh	30,505,616		0	\$/customer
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	11,275,409		0	0.0000 kWh
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kW	42,819,732	103,596	0	0.0000 kW
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	271,530		0	0.0000 kWh
STREET LIGHTING SERVICE CLASSIFICATION	kW	388,066	1,076	0	0.0000 kW
Total		85,260,353	104,672	\$0	

6. Class A Consumption Data	6.1 GA	6.2 CBR B	7. Calculation of Def-Var RR	8. STS - Tax Change	9. Shared Tax - Rate Rider	10. RTSR Current Rates	11. RT
-----------------------------	--------	-----------	------------------------------	---------------------	----------------------------	------------------------	--------

Question(s):

Please verify the figure for the 2025 IRM Rate Generator Model Excel, update the model as appropriate.

Renfrew Hydro Inc. – Response

RHI confirms this was a typing error. The model has been updated to reflect the correct number of 388,066. Please note, the update did not change the results since the Shared Tax (Tab-8) did not generate a rate rider that required allocation.

Staff Question-3

Reference: (1) 2025 IRM Rate Generator Model Excel, "LV Service Rate" tab

Preamble:

In the reference above, RHI provides the allocation calculation of the LV expense.

OEB staff notes the highlighted column show that the LV expense to allocate is indicated as 2022 year.

Rate Class	Units	Allocation based on Tx- Connection Revenue %	Allocated 2022 LV Expense
RESIDENTIAL SERVICE CLASSIFICATION	kWh	40.5%	101941.42
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	13.8%	34735.63
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kW	45.0%	113338.60
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	0.3%	836.49
STREET LIGHTING SERVICE CLASSIFICATION	kW	0.4%	910.13
Total		100.0%	251762.27

< > ... 14. RTSR - Forecast Wholesale 15. RTSR Rates to Forecast 16.1 LV Expense 16.2 LV Service Rate 17

Question(s):

Please verify if the description of the column should be read as "Allocated 2023 LV Expense", and please verify the amounts for the year it intends to allocate, so that the allocation amounts match the correct year.

Renfrew Hydro Inc. – Response

RHI confirms the allocated costs inclusive are for 2023. The column description cell is locked in the model but should be updated to read "Allocated 2023 LV Expense."

Staff Question-4

Reference: (1) *2025 IRM Proposed Tariff PDF*

Preamble:

In the reference above, RHI provides the proposed Tariff effective for the 2025 year.

OEB staff notes there are rate riders for Disposition of Group 2 Deferral/Accounts - effective until December 31, 2025.

Question(s):

Since this application is for the 2025 IRM application and RHI does not have any new request to dispose Group 2 account balance through the current application. Please confirm that such active rate riders for Disposition of Group 2 Deferral/Accounts have been approved as multi-year (i.e. 2-year) rate riders through the previous rate proceedings.

Renfrew Hydro Inc. – Response

RHI confirms the Group 2 account balances were requested and approved for disposition during its 2024 Cost- of-Service application. RHI further confirms the active Group 2 rate rider was approved for a 2-year period expiring December 31, 2025.

Staff Question-5

Reference: (1) Rate Generator Model, Tab 3, Continuity Schedule

Preamble:

On September 13, 2024, the OEB published the 2024 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

- a) Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2024 OEB-prescribed interest rate of 4.40%.

Renfrew Hydro Inc. – Response

RHI has updated Tab 3 in model to reflect the 4.40% rate for the fourth quarter.