2025 IRM Application

Responses to OEB Staff Questions

EB-2024-0018

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QUESTION 1

Ref 1: 2024 IRM Rate Generator Model, Continuity Schedule, Tab 3
Ref 2: IRM Rate Generator – DVA Tabs Instructions - 2024 Rates
Ref 3: OEB Guidance for Electricity Distributors with Forgone Revenues Due to Postponed Rate Implementation from COVID-19, August 6, 2020, page 5

On July 18, 2023, the OEB issued the DVA Tabs Instructions for the 2024 IRM Rate Generator Model. Pages 1 and 3 noted that Account 1509 - Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation was added to the model. A separate rider is calculated for this account in Tab 7, if the disposition is approved.

Regarding Account 1509, Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation, the following steps are noted in the August 6, 2020 guidance:

1. Upon implementation of the forgone revenue rate rider that is calculated from the Forgone Revenue Model, the rate rider transactions will be recorded in the same Forgone Revenues Sub-account. This will draw down the accumulated balance of actual forgone revenues/amounts.

2. Any residual balance after the expiry of the rate riders should be requested for final disposition in a future rate application (cost of service or IRM), once the balance has been audited in accordance with normal deferral and variance account disposition practices.

3. If disposition is approved, the residual balance in the Forgone Revenues Sub-account should be disposed proportionately by customer class and the residual balance will be transferred to Account 1595.

Questions:

a) Please update Tab 3 (Continuity Schedule) and Tab 4 as necessary to reflect a balance in Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation. Please complete the above-noted steps #1, #2, #3.
b) If this balance is not applicable, please explain.

Response

a) Not applicable.

b) In its 2024 IRM Application (EB-2023-0016) Entegrus requested disposition of the $604 balance in Account 1509 – Impacts Arising from COVID-19 Emergency, Subaccount Foregone Revenues from Postponing Rate Implementation. As disposition of the $604 was approved in the 2024 IRM Application, Entegrus transferred the residual balance to Account 1595 per the August 6, 2020 guidance. The account 1595 balance is currently being drawn down by the approved rate rider effective May 1, 2024 to April 30, 2025. The balance in Account 1509 is now $Nil.

QUESTION 2

Ref: Rate Generator Model, Tab 3, Continuity Schedule

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.

Questions:

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

Response

a) Tab 3 in both the Main and St. Thomas Rate Zone Rate Generator Models has been updated. The live Excel versions are included as "Entegrus_Main_2025RateGen_20241003.xlsb" and "Entegrus_STT_2025RateGen_20241003.xlsb".

QUESTION 3

Ref 1: IRM Rate Generator – Bill Impact Tab - 2025 Rates
Ref 2: Filing Requirements for Electricity Distribution Rate Applications - Chapter 3.2.3
Ref 3: Entegrus Powerlines 2025 IRM Rate Application page. 19

In Reference 3, Entegrus provides a rationale for an 18.7% rate increase under the Embedded Distributor Rate Class. However, OEB staff notes in Reference 2 that, according to Chapter 3 Filing Requirements, there is no exception to the requirement for providing a mitigation plan if the total bill impact exceeds 10%, except in the case of residential rate design.

Question:

a) Please provide further clarification on the rate increase for the Embedded Distributor Rate Class and explain why Entegrus believes it is not necessary to propose a rate mitigation plan in this circumstance.
b) Please provide a scenario outlining a rate mitigation plan to address the Embedded Distributor Rate Class exceeding a total bill impact of 10%.

Response

a) As outlined in Entegrus' 2025 IRM Rate Application, page 19, the rate increase is a result of nil volumes in the Embedded Distributor rate class in 2022. The 2022 volumes were used in the 2024 IRM Rates Application (EB-2023-0016) to derive volumetric rates and as 2022 volumes were nil, the resulting 2024 rates from the Rate Generator Models were also nil. The 2024 bill impacts for the Embedded Distributor rate class were negative (11.8)%.

Hydro One Distribution (Hydro One) is the only customer in the Embedded Distributor rate class, and as of 2021 is no longer sub-embedded in Entegrus' service territory. Entegrus interprets that it cannot eliminate this rate class until its planned 2026 Cost of Service Application, even though Hydro One is no longer sub-embedded in Entegrus' service territory. In the interim, if a short-term load transfer (STLT) occurs, Entegrus assumes it must charge Hydro One the Embedded Distributor rates as long as the rate class exists. The frequency of STLTs is very low, and Entegrus does not anticipate any STLTs in 2024 or 2025. With no STLTs in 2024 or 2025, the volumes for this rate class would again be nil, as would the resultant volumetric rates. The table below shows how

significantly the Embedded Distributor volumes have decreased since the embedded situation ended in 2021.

Line No.	Year	kWh
1	2020	3,559,120
2	2021	1,688,560
3	2022	-
4	2023	2,909
5	2024 YTD	-

b) Prior to the Renewed Regulatory Framework (RRFE), "the Board established a requirement that distributors *consider* mitigation where total bill increases for any customer class exceed 10%."[1] The Board's conclusion in the RRFE was that it will maintain its current policy with respect to rate mitigation. The report further states, "In its mitigation plan a distributor may propose any, or no, mitigation mechanism as may be suitable in a particular circumstance."[2]

As shown in part a) above, since the embedded situation was eliminated, the volumes in this rate class have been minuscule. Entegrus is concerned that the proper allocation of costs between the Entegrus customer pool and the Hydro One customer pool will not occur in the event of an STLT. In this case, any rate mitigation would result in cross-subsidization of Hydro One customers by Entegrus customers.

The STLT in 2023 was for a three-hour planned outage on April 30. Hydro One requested to use Entegrus assets to serve its customer load so it could close a switch, in order to minimize the number of Hydro One customers affected. Had the STLT occurred in 2024 instead, Entegrus' May 1, 2024 rates would have been in effect with no volumetric charges, and Hydro One customers would have seen a benefit of approximately $7,000 for a 3-hour outage. This cost would have been borne by Entegrus customers, highlighting the cross-subsidization that would occur in the event of an STLT

[1] OEB Report, *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*, issued October 18, 2012, p. 23.
[2] Ibid, p. 25.

with rate mitigation. If Entegrus were to propose rate mitigation, a portion of the $7,000 in this example would flow to the deferral and variance accounts (i.e. Network, Connection and Low Voltage) for Entegrus customers to pay rather than Hydro One customers who enjoyed the benefit of the STLT onto the Entegrus distribution system.

In light of this, and the OEB's direction in the RRFE, Entegrus does not believe a mitigation plan is necessary, and is not proposing one at this time.