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BY EMAIL

November 1, 2024

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission
ENWIN Utilities Ltd. (ENWIN Utilities)
Application for 2025 Electricity Distribution Rates
OEB File Number: EB-2024-0019**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Oluwole (Wolly) Bibiresanmi
Advisor, Incentive Rate-Setting Mechanism

Encl.

cc: All parties in EB-2024-0019



ONTARIO ENERGY BOARD

OEB Staff Submission

ENWIN Utilities Ltd. (ENWIN Utilities)

Application for 2025 Electricity Distribution Rates

EB-2024-0019

November 1, 2024

Introduction

On August 15, 2024, ENWIN Utilities Ltd. (ENWIN Utilities) filed an incentive rate-setting (IRM) application with the Ontario Energy Board (OEB) under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to its electricity distribution rates to be effective January 1, 2025.

Consistent with Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications, ENWIN Utilities applied the Price Cap IR adjustment factor to adjust the monthly service charge and distribution volumetric rate during the incentive rate-setting years. The annual adjustment follows an OEB-approved formula that includes components for inflation and the OEB's expectations of efficiency and productivity gains. The components in the formula are approved by the OEB annually. The formula prescribes a rate adjustment equal to the inflation factor minus the distributor's X-factor.¹

An inflation factor of 3.60% applies to all IRM applications for the 2025 rate year.² The stretch factor assigned to ENWIN Utilities is 0.0%,³ resulting in a rate adjustment of 3.60% based on the Price Cap adjustment formula.

OEB staff has no concerns with ENWIN Utilities' proposed price cap adjustment.

ENWIN Utilities is a transmission connected distributor and is requesting approval to adjust the Retail Transmission Service Rates (RTSRs) that it charges its customers in accordance with the preliminary Uniform Transmission Rates (UTRs).

OEB staff has no concerns with ENWIN Utilities' requested adjustments to its RTSRs.

In this document, OEB staff makes detailed submissions on the following:

- Deferred Lost Customer Distribution Revenue Account

¹ Chapter 3 – Filing Requirements for Electricity Distribution Rate Applications, pg. 6

² [OEB Letter, 2025 Inflation Parameters, issued June 20, 2024.](#)

³ Empirical Research in Support of Incentive Rate-Setting: 2023 Benchmarking Update, Report to the Ontario Energy Board, July 2024 pg. 23, Table 5.

Deferred Lost Customer Distribution Revenue Account

Background

ENWIN Utilities requests that Account 1508 Subaccount – Deferred Lost Customer Distribution Revenue in the credit amount of \$287,388 be approved for disposition on a final basis in this proceeding over a one-year period starting January 1, 2025. ENWIN Utilities proposes to discontinue this Group 2 deferral account following disposition.

ENWIN Utilities proposes allocating the disposition balance to rate classes based on each rate class's share of total kWh. ENWIN Utilities notes that the allocation strategy aligns with the approach used to allocate Group 2 account balances in ENWIN Utilities' 2020 Cost of Service⁴ proceeding.

The OEB approved an accounting order for the establishment of a deferral account related to the loss of revenues connected to a large-use customer as part of ENWIN Utilities' 2020 Cost of Service proceeding. The sub-account was established to record any incremental distribution revenue arising from a large-use customer. The associated load forecast for this specific customer was excluded from ENWIN Utilities' 2020 base rates because of the customer's anticipated cease of operations in 2020. The approved accounting order in the 2020 Cost of Service proceeding stated that "ENWIN will apply for disposition of the account in a future proceeding once the lost customer has fully ceased operations and the final balance in the account has been audited."⁵

In response to an OEB staff interrogatory in this application, ENWIN Utilities confirmed that the large-use customer fully ceased operations in November 2023.⁶

Below is the updated summary of the account balance provided by ENWIN Utilities:⁷

Table 1: Summary of Revised Account 1508, Other Regulatory Assets, Subaccount Deferred Lost Customer Distribution Revenue

Year	Opening Balance	Transaction	Interest*	Closing Balance
2020	\$0	(\$218,335)	(\$905)	(\$219,240)
2021	(\$219,240)	(\$11,328)	(\$1,277)	(\$231,845)
2022	(\$231,845)	(\$11,478)	(\$4,549)	(\$247,872)
2023	(\$247,872)	(\$13,881)	(\$12,515)	(\$274,267)
2024	(\$274,267)	\$0	(\$13,121)	(\$287,388)

⁴ EB-2019-0032

⁵ EB-2019-0032, Decision and Order, Schedule A – Appendix F

⁶ Interrogatory Response 1-Staff-7

⁷ Interrogatory Response 1-Staff-5

Total Principal	(\$255,022)
Total Interest	(\$32,366)
Total revised balance requested for disposition	(\$287,388)
*Interest projected for Jan 1 to Dec 31, 2024, calculated on Dec 31, 2023, principal balance	

On March 5, 2024, the OEB approved ENWIN Utilities' Cost of Service deferral request. However, the OEB requested ENWIN Utilities to file a proposal for clearance of any balances accumulated in the variance account as part of this proceeding.⁸

Submission

OEB staff supports the disposition of Account 1508 Subaccount – Deferred Lost Customer Distribution Revenue in the credit amount of \$287,388 over a one-year period and the closure of the account after the disposition. OEB staff has reviewed the evidence and has no issues with the requested disposition balance.

However, OEB staff is of the view that the account balance should be allocated to each rate class based on the distribution revenues of ENWIN Utilities' last rebasing application and then allocated within each customer class based on kWh. OEB staff submits that this approach results in each customer benefiting from the variance in proportion to their overall revenue contribution that was approved in ENWIN Utilities' last rebasing application. Furthermore, this allocation approach reflects the principle of cost causation, where each class bears the cost, or in this case benefits, from the refunds associated with its consumption patterns and revenue contributions. OEB staff notes that the same allocation method was used in a revenue variance account in another OEB decision which approved a Specified Customer Revenue Variance Account (SCRVA).⁹ The approved accounting order for the SCRVA stated that "[t]he rate rider will be determined by allocating the balance of the variance account across customer classes based on customer class revenue. Within each customer class, it will be allocated across customers based on kWh."¹⁰

OEB staff submits that, if ENWIN Utilities agrees with this allocation method, it should file in its reply submission the updated rate rider calculation based on distribution revenues to each rate class and allocate across customers based on kWh. If it does not agree with this allocation method, it should provide the rationale for why the allocation based on the share of total kWh is preferred to the allocation based on distribution revenues.

⁸ Letter of Correspondence, March 5, 2024, pg. 1

⁹ EB-2018-0056 [Niagara-on-the-Lake Hydro Inc. 2019 Cost of Service](#)

¹⁰ EB-2018-0056, Decision and Order, April 11, 2019, Appendix I - Draft Accounting Order for Specified Customer Revenue Variance Account.

~All of which is respectfully submitted~