

Northern Ontario Wires Inc.

**Application for electricity distribution rates effective
May 1, 2025**

**Decision on Issues List
November 11, 2024**

Northern Ontario Wires Inc. (Northern Ontario Wires) filed a cost of service application with the Ontario Energy Board (OEB) on August 30, 2024, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that Northern Ontario Wires charges for electricity distribution, beginning May 1, 2025 (Application). The Application was accepted by the OEB as complete on August 20, 2024, and a Notice of Hearing was issued on September 13, 2024.

On October 17, 2024, the OEB issued Procedural Order No. 1 which approved School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC) as intervenors in this proceeding. Procedural Order No. 1 made provision for parties to recommend any revisions to the standard [Issues List](#) for electricity distribution rate applications for the OEB's consideration.

In that order, the OEB also made provision for a one-day Issues Meeting on October 30, 2024, where Northern Ontario Wires, SEC, VECC, and OEB staff were to discuss the Application; seek agreement on an issues list that sets out issues that are relevant to the Application; and identify which issues, if any, require further discovery through interrogatories.

On behalf of all parties to the October 30th Issues Meeting, OEB staff filed a proposed issues list, a proposed interrogatory issues list, a list of clarifications, updates and corrections Northern Ontario Wires agreed to make to its evidence, and a list of error-checking items to be corrected.

Findings

The OEB considered the proposed issues list. The OEB has revised the proposed issue 7.3 to clarify the policy implication of the rate making proposal. The proposed issue 7.3 was: "Is Northern Ontario Wires' proposal to include the associated Residential

customer impact of the New Cochrane Municipal Transformer Station in Distribution rates upon project in-service, appropriate?”

The revised issue 7.3 is:

Is Northern Ontario Wires’ proposal to adjust base distribution rates for residential customers appropriate in the circumstances when the New Cochrane Municipal Transformer Station is placed in service, rather than establish a rate rider in accordance with the Advanced Capital Module policy?

The revised issue 7.3 is included in the approved Issue List for the proceeding and the approved Interrogatory Issues List.

The OEB may update the Issues List as necessary to further define the scope of the proceeding.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The approved Issues List is attached as Schedule A.
2. The approved Interrogatory Issues List is attached as Schedule B.
3. Northern Ontario Wires Inc. shall file those clarifications, updates and corrections to its evidence, attached as Schedule C and Schedule D, with the OEB and deliver them to all parties by **December 2, 2024**.

DATED at Toronto, **November 11, 2024**

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

SCHEDULE A

NORTHERN ONTARIO WIRES INC.

EB-2024-0046

APPROVED ISSUES LIST

APPROVED ISSUES LIST
EB-2024-0046
NORTHERN ONTARIO WIRES INC.

1. Capital Spending and Rate Base

- 1.1 Are the proposed capital expenditures and in-service additions appropriate?
- 1.2 Are the proposed rate base and depreciation amounts appropriate?

2. OM&A

- 2.1 Are the proposed OM&A expenditures appropriate?
- 2.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?

3. Cost of Capital, PILs, and Revenue Requirement

- 3.1 Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?
- 3.2 Is the proposed PILs (or Tax) amount appropriate?
- 3.3 Is the proposed Other Revenue forecast appropriate?
- 3.4 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?
- 3.5 Is the proposed calculation of the Revenue Requirement appropriate?

4. Load Forecast

- 4.1 Is the proposed load forecast methodologies and the resulting load forecasts appropriate?

5. Cost Allocation, Rate Design, and Other Charges

- 5.1 Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios, appropriate?
- 5.2 Is the proposed rate design, including fixed/variable splits, appropriate?
- 5.3 Are the proposed Retail Transmission Service rates and Low Voltage rates appropriate?
- 5.4 Are the proposed loss factors appropriate?
- 5.5 Are the Specific Service Charges and Retail Service Charges appropriate?
- 5.6 Are rate mitigation proposals required and appropriate?

6. Deferral and Variance Accounts

- 6.1 Are the proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts,

requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?

7. Other

- 7.1 Is the proposed effective date appropriate?
- 7.2 Is the proposal for an Advanced Capital Module for the New Cochrane Municipal Transformer Station appropriate, and does the proposal include sufficient justification and cost estimates to show need and prudence?
- 7.3 Is Northern Ontario Wires' proposal to adjust base distribution rates for residential customers appropriate in the circumstances when the New Cochrane Municipal Transformer Station is placed in service, rather than establish a rate rider in accordance with the Advanced Capital Module policy?

SCHEDULE B

NORTHERN ONTARIO WIRES INC.

EB-2024-0046

APPROVED INTERROGATORY ISSUES LIST

Approved Interrogatory Issues List

1. Capital Spending and Rate Base

- 1.1 Are the proposed capital expenditures and in-service additions appropriate?
- 1.2 Are the proposed rate base and depreciation amounts appropriate?

2. OM&A

- 2.1 Are the proposed OM&A expenditures appropriate?
- 2.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?

7. Other

- 7.2 Is the proposal for an Advanced Capital Module for the New Cochrane Municipal Transformer Station appropriate, and does the proposal include sufficient justification and cost estimates to show need and prudence?
- 7.3 Is Northern Ontario Wires' proposal to adjust base distribution rates for residential customers appropriate in the circumstances when the New Cochrane Municipal Transformer Station is placed in service, rather than establish a rate rider in accordance with the Advanced Capital Module policy?

SCHEDULE C
NORTHERN ONTARIO WIRES INC.
EB-2024-0046
Commitments

Commitments to Provide Information

Generic

1. NOWI to provide an update to Appendices 2-AB, 2-AA, 2-JA, 2-JC, and 2-K on or before November 13, 2024, if there are material updates since the application was filed on August 30, 2024, so that parties can ask interrogatories with respect to any such material changes. The update is to consider changes for both 2024 and 2025, and NOWI is to advise the period of actuals used for the 2024 forecast both in the original application and in any update provided.

Capital Spending and Rate Base

2. NOWI to identify the specific assets tracked as CWIP at year-end 2024 and in 2025.
3. NOWI to provide a cost breakdown of the Iroquois Falls-Milgate and Kapuskasing conversion project capital spending included in the 2025 Capital Projects forecast.
4. NOWI to explain how it interprets the customer engagement responses to questions 12-14 in its customer survey in terms of the level of support from its customers for increased spending.
5. NOWI to summarize how it uses the fleet matrix in the context of actual vehicle replacement decisions.
6. In consideration of the apparent increase in reliability issues in 2023, NOWI to summarize its activities to deal with reliability issues, including specifically measures to deal with bird contacts.
7. NOWI to confirm whether SAIDI and SAIFI results (DSP pgs. 33 & 34) can be provided for each town in the NOWI service territory.

OM&A

8. With respect to its evidence on employee compensation, NOWI to respond to a request to file the referenced MEARIE Compensation Study on the case record.
9. With respect to the human resources NOWI uses to provide distribution service, NOWI to:
 - a) explain why its non-management staff are employed by an affiliate rather than NOWI;
 - b) explain the services received as part of the management fee charged to it by its affiliate and provide its rationale for continuing to pay the fee;

- c) confirm if the management fee is included in NOWI's Appendix 2-K numbers;
 - d) confirm how many of the employees provided to NOWI by its affiliate spend more than 95% of their time on NOWI work on an annual basis;
 - e) discuss whether NOWI anticipates a scenario where the arrangement between NOWI and affiliate could change; and
 - f) discuss whether, with the change in union representation for its unionized staff to the Power Workers Union, it may make more sense for utility staff be part of the NOWI.
10. NOWI to provide the percentage amount used for the 2025 labour escalation assumption for its unionized workers, on a confidential basis if necessary. NOWI to also provide the proposed annual increase in management salary budgeted for 2025. NOWI to confirm that the annual management salary increases noted on Exhibit 4, PDF page 234, Table 3 are based on the annual Consumer Price Index for Canada.
11. NOWI to clarify and reconcile the Regulatory Costs for the Cost-of-Service proceeding forecast in Exhibit 4, Table 5 with the amount forecast in Appendix 2-M.
12. NOWI to provide the annual OEB Cost Assessments amounts from 2017 actuals to 2025 forecast.
13. NOWI to provide the annual fees it pays for membership in utility organizations from 2017 to 2025.
14. NOWI to provide a breakdown of its FTEs by job classification for the 2017–2025 period.
15. NOWI to describe the job responsibilities of the new Billing Clerk and explain the need for this position.
16. NOWI to confirm its current staff complement, including a status update on any planned positions that have yet to be filled.
17. NOWI to provide the amount of overtime paid in 2023 and the amount of overtime included in the 2025 budget.

Cost of Capital, PILs, and Revenue Requirement

18. NOWI to confirm if/how it intends to implement the outcome from the generic Cost of Capital Review in EB-2024-0063.

19. NOWI to update its application for the 2025 Cost of Capital parameters issued by the OEB where applicable.
20. NOWI to confirm the extent to which it will implement the directions from the OEB's letter dated July 26, 2024, in EB-2024-0063, including specifically using the anticipated October 2024 issued Short Term Debt Rate for 2025 Cost-of-Service applications on an interim basis.
21. NOWI to provide the main driver(s) and the magnitude of the corresponding impact for the difference in ROE from OEB approved level of 8.78% for the years 2018 to 2022 on an annual basis.
22. NOWI to provide a forecast ROE for 2024 and the main driver(s) for any deviation from the deemed ROE of 8.78%.
23. NOWI to provide an updated estimate of the cost of Long-Term-Debt for the instrument that is planned to be issued on December 10, 2024, particularly considering recent decreases in the Bank of Canada rate.
24. NOWI to reconcile the cited interest cost of \$244,378 in Exhibit 5, Tab 1, Schedule 1, page 2 and the interest cost of \$239,206 in appendix 2-OB.
25. NOWI to explain the apparent increase in borrowing in 2024 relative to previous years, including the impact, if any, of increased capital spending on its borrowing activity.
26. NOWI to describe any due diligence that is done when seeking 3rd party debt in the market.

Load Forecast and Other Revenue

27. NOWI to confirm that the only difference between Other Revenue in Exhibit 6, Tab 2, Schedule 1, page. 2 Table 1 and Other Revenue in Appendix 2-H is due to the Streetlight Revenue from the service charge being incorrectly included in Appendix 2-H. NOWI to also provide a calculation of the 2023 Streetlight Revenue from the service charge.
28. NOWI to provide actual number of customer connections for each month in 2024 by customer class.
29. NOWI to provide the results of using residential customer counts as an additional variable in its load forecast regression analysis.

30. NOWI to explain why 2014 CDM program saving used for 2014/2015 in its Load Forecast do not match the 2011-2015 CDM results verification report.
31. NOWI to identify the source of the savings for 2017 CDM programs, given that the verified savings reported for those programs do not match the savings used for the purpose of the load forecast.
32. NOWI to explain how 2018 and 2019 CDM program savings were derived.
33. NOWI to confirm that values for the Save on Energy small business lighting program are not included and consider updating the load forecast to include those values if not already included.
34. NOWI to provide information on the CDM Framework targets for 2021-2024, identifying NOWI's percentage of the total provincial energy use by customer class.
35. NOWI to confirm if the new load identified in Exhibit 2 in the discussion of the new Cochrane TS is included in the load forecast, including a discussion around when that new load is expected to materialize.

Cost Allocation, Rate Design, and Other Charges

36. NOWI to explain why in Tab 6.2 of the cost allocation model for the Gas>50 class the primary customer count is 66, whereas the total customer count is 69.
37. NOWI to provide the supporting analysis used to determine its proposed billing and collecting weighting factors.
38. NOWI to explain how the contract demand rate for standby rates will be determined and explain what is proposed to happen from a billing perspective if under the standby rate a customer's actual demand exceeds its contract demand.
39. NOWI to consider whether something other than a flat load profile for EVs may be appropriate.
40. NOWI to explain, to the extent possible, why the revenue to cost ratio for the GS>50 rate has changed so drastically from 2017 to 2025.
41. NOWI to explain why meter reading costs for GS>50 are weighted higher than for the Residential class.

42. NOWI to provide the proposed total bill and distribution bill impacts for the three largest customers in the GS>50 class.
43. NOWI to show how many GS>50 customers fall within the following demand ranges: 50-99 kW; 100-199 kW; 200-499 kW; 500-999 kW; 1000 kW and above.
44. With respect to the RTSR calculation, NOWI to confirm that the RRR volumes and host volumes are sourced from the same year.
45. NOWI to update the RTSRs to account for the 2025 UTRs released by the OEB on November 1, 2024.
46. NOWI to provide further detail in support of calculation to derive the proposed Low Voltage charges, including confirming whether the calculation accounts for reductions in volumes relative to historical years.
47. NOWI to explain why the historical retail kWh used in the Loss factor calculation in Appendix 2-R does not match the historical kWh value in Exhibit 3, Table 1.

Deferral and Variance Accounts

48. NOWI to provide supporting calculation (number of poles, attachments and rates) for Pole Attachment revenue for the years 2023-2025.
49. NOWI to describe its status and any plans with respect to cloud computing, including any present or future request for a related Cloud Computing Deferral Account.
50. NOWI to confirm the impact, if any, of the Getting Ontario Connected Act (GOCA) on its locate costs and any planned use of the related (or similar) variance account.
51. NOWI to update Table 1 in Exhibit 9, Tab 1, Schedule 1, pg. 3 to also clarify which DVA accounts that are not being sought for disposition (including all the accounts in the DVA continuity schedule) NOWI is planning to either keep open or close.
52. NOWI to confirm for the ULO, Customer Choice, OEB Assessment, Misc. Deferred Dr./Cr., Pole Attachment Retail Cost and Green Button accounts which accounts it is seeking to dispose of and the rationale for the disposition, with consideration of any applicable materiality thresholds.
53. NOWI to provide details in support of the incremental costs associated with Green Button implementation, including a breakdown of the claimed \$106,000 between

incremental labour and 3rd party costs, an explanation of what is meant by incremental labour and how incremental labour was calculated.

54. NOWI to provide details of the ULO implementation costs and confirm that they are incremental.

55. NOWI to provide updated accelerated CCA information in the table below, which will also include 2024 on a forecast basis and include the relevant PILS amounts on a grossed-up basis. NOWI to also update the DVA continuity schedule with the grossed-up amount for principal adjustments for Account 1592.

CCA difference Calculation table for Account 1592 Sub-account CCA changes

Year	Capital Additions	CCA Using Legacy half-year rule	Accelerated CCA (AIIP)	Difference in CCA	Tax Rate (Approved in last rebasing application)	Tax Impact of the CCA Difference	Difference in Grossed Up PILs
	z	a	b	c= a-b	d	e = c x d	f = e / (1-d)
2019							
2020							
2021							
2022							
2023							
2024							
						Total	

56. NOWI to confirm that the proposed LRAM disposition includes all outstanding balances and is proposed to be cleared up to April 30, 2025.

Other

57. NOWI to provide details as to how the project cost budget for the new Cochrane TS was derived, and to provide, to the extent available, a more detailed project cost breakdown.

58. With respect to the proposed new Cochrane TS, NOWI to forecast the revenue requirement, bill impacts and rate riders by customer class, including consideration of how much of the impact will be absorbed by Distribution Rate Protection (DRP) under NOWI's request to account for the ACM revenue through a base rate adjustment for DRP eligible rate customers. NOWI to estimate the bill impacts and rate riders for the

Residential class in the scenario where the special rate treatment requested for the Residential class is not approved.

59. NOWI to discuss the potential for capital contributions in relation to the proposed new Cochrane TS.
60. NOWI to explain what the spending to date, shown on 2-AA, on the Cochrane TS and related projects was for and whether it was included in CWIP. If not included in CWIP, NOWI to explain why spending on the Cochrane TS is going into service before the station is in service.
61. Is the Cochrane 5 kV upgrade \$485k in 2028 and Feeder Fortification \$621k in 2027 only being done in conjunction with the Cochrane ACM and therefore part of ACM?

SCHEDULE D
NORTHERN ONTARIO WIRES INC.
EB-2024-0046
ERROR CHECKING QUESTIONS

Pre-Issues Meeting Error Checking Questions

Q-1

Deferred Revenue

Ref (1) Appendix 2-BA Fixed Asset Cont

Ref (2) Exhibit 2, p23-25.

Preamble: In reference 1, the deferred revenue on lines 503,570 and 636 does not match the same amount reflected in reference 2 pdf version.

Question(s):

- a) Please update the evidence as needed to reflect the correct amounts.

Q-2

Cost of acquisitions/additions during the year

Ref (1) Appendix 2-BA

Ref (2) Test Year Income Tax PILs, B8 Sch 8 CCA Bridge

	Additions as per		
Year	Appendix 2-BA Fixed Asset Continuity	Income Tax PILs B8 Sch 8 CCA	Difference
2024	\$2,884,284	\$2,027,275	\$857,008

Preamble: For bridge and test years, the capital additions in reference 1 should tie to cost of acquisitions in the year in column F, excluding the non-depreciable items.

Questions(s):

- a) Please explain/reconcile the differences noted in the table above for 2024.
- b) Please update the evidence as needed.

Q-3

Net Depreciation

Ref (1) Appendix 2-BA

Ref (2) Test Year Income Tax PILs

Preamble:

OEB staff has created the following table outlining the net depreciation reflected in reference 1 versus reference 2.

Year	Appendix 2-BA Fixed Asset Continuity	Test Year Income Tax PILs Model Sch 1	Difference
2023	\$380,320	\$476,677	(\$96,357)
2024	\$384,613	\$494,201	(\$109,588)
2025	\$440,407	\$542,412	(\$102,005)

Question(s):

- Please explain the difference between net depreciation amount between reference 1 and reference 2.
- If done in error, please update the evidence as needed.

Q-4

Property Tax

Ref (1) Exhibit 6, Schedule 4, page 1

Ref (2) 2025 Rev Reqt Workform, Tab 5 Utility Income, Line 6

Preamble: In reference 1, property tax for tax year is reflected as \$24,859, however in reference 2, property tax is reflected as \$3,029 for test year.

Question(s):

- Please confirm the correct property tax amount.
- Please update the evidence as needed to reflect the correct amount.

Q-5

DVA Continuity Schedule

Ref (1) Prescribed interest rates

Ref (2) DVA Continuity Schedule

Preamble: In reference 1, the OEB has recently published its prescribed interest rate for deferral and variance account balances for Q4 2024 of 4.40%. OEB staff notes that the DVA Continuity Schedule in reference 2 has not been updated with the Q4 2024 prescribed interest rate of 4.40%.

Question(s):

- a) Please update the total balance and carrying charges in the DVA Continuity Schedule to reflect the updated Q4 2024 prescribed interest rates.

Q-6

Please fill in the Chapter 2 Appendices - Appendix 2-BB Service Life tab.

Q-7

In the DSP (Exh 2, p. 137, Table 5.3-5), the two existing 115/25kV transformers show a capacity of 7.5 MVA, whereas the business case shows 10 MVA capacity. Please clarify.

Q-8

The material investment narrative for the New Cochrane MTS refers to the transformers as T3 and T4, but the DSP (Exh 2, p. 137, Table 5.3-5) refers to them as T1 and T2.

Q-9

Some of the scores for the fleet don't align with the legend. For example (p. 553 of Exh 2), 1) Unit #538, score is 20 but the cell is coloured "green"; 2) Unit#540, score is 30 but cell is coloured "orange".

Q-10

The Res Normalized sheet in the load forecasting model does not continue the Fall and Dec variables into 2024 and 2025. Please extend the variables or explain why not.

Q-11

On Sheet I6.2 of the Cost Allocation Model, the number of street light devices was left blank. Please populate the number of streetlights. If multiple streetlights share a connection in a "daisy chain" configuration, please ensure that the connection count entry reflects the number of actual connections to the distribution system.

Q-12

The rates in the LRAMVA workform (Tab 3) do not align with the approved distribution rates for Northern Ontario Wires. Can you clarify the discrepancies and confirm the updates made to ensure the LRAMVA reflects the approved rates