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BY EMAIL

November 28, 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
Centre Wellington Hydro Limited (Centre Wellington Hydro)
Application for 2025 Electricity Distribution Rates
OEB File Number: EB-2024-0012**

Please find attached OEB staff's comments on the draft rate order in the above referenced proceeding, pursuant to the OEB's Decision and Order. Centre Wellington Hydro and all intervenors have been copied on this filing.

Yours truly,

Narisa Jotiban
Senior Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2024-0012



ONTARIO ENERGY BOARD

OEB Staff Submission on Draft Rate Order

Centre Wellington Hydro Ltd.

Application for 2025 Electricity Distribution Rates

EB-2024-0012

November 28, 2024

Introduction

Centre Wellington Hydro Ltd. (Centre Wellington Hydro) filed a cost of service application with the Ontario Energy Board (OEB), seeking approval for changes to the rates that Centre Wellington Hydro charges for electricity distribution, beginning January 1, 2025.

On September 24, 2024, Centre Wellington Hydro filed a settlement proposal (Settlement Proposal). In its Decision and Order¹ issued on November 7, 2024 (Decision), the OEB accepted the Settlement Proposal and directed Centre Wellington Hydro to file a draft rate order (DRO) showing the impact of any required adjustments related to the 2025 interim Cost of Capital parameters, 2025 Uniform Transmission Rates (UTRs) and Hydro One's Sub-Transmission Rates, 2025 Retail Service Charges, 2025 Pole Attachment Charge, Regulated Price Plan (RPP) pricing, and Ontario Electricity Rebate (OER).

Centre Wellington Hydro filed its DRO on November 21, 2024.

OEB staff has reviewed the DRO and has confirmed that Centre Wellington Hydro has implemented the OEB's direction set out in the Decision subject to the changes and corrections discussed further in this submission

The updated cost of capital parameters, uniform transmission rates, retail service charges, pole attachment charge, and OER result in changes to a number of schedules discussed in the following sections of this submission.

Based on the corrections described later in this submission to be confirmed by Centre Wellington Hydro, the total bill impact for a typical residential customer with a monthly consumption of 750 kWh, would be a decrease of approximately \$2.16 per month (1.58%) before taxes and the Ontario Electricity Rebate.

Retail Service Charges and Pole Attachment Charge

As noted in the Decision, Centre Wellington Hydro is required to make updates when the OEB issues its decisions on the 2025 Retail Service Charges and Pole Attachment Charge. The 2025 decisions for these items were issued by the OEB on September 26, 2024.²

OEB staff submits that the 2025 Retail Service Charges and Pole Attachment Charge

¹ EB-2024-0012, Decision and Order, November 7, 2024

² [Decision and Order](#), EB-2024-0226 and [Decision and Order](#), EB-2024-0227

have been appropriately applied to the Tariff Schedule and Bill Impact model.

Uniform Transmission Rates

As noted in the Decision, Centre Wellington Hydro is required to make updates when the OEB issues its decision on the 2025 Uniform Transmission Rates. On November 1, 2024, the OEB issued a letter Re: 2025 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates which contained the 2025 preliminary UTRs and Hydro One's Sub-Transmission rates effective January 1, 2025.³

OEB staff confirms that Centre Wellington Hydro updated the RTSR Workform to adjust the proposed RTSRs to reflect the 2025 preliminary UTRs effective January 1, 2025. OEB staff also confirms that Appendix 2-ZB - Cost of Power reflects the adjustment to the proposed RTSRs.

OEB staff submits that the RTSR adjustments accurately reflect the OEB's updated 2025 preliminary UTRs.

Cost of Power

As noted in the Decision, Centre Wellington Hydro is required to update its Cost of Power to reflect the Regulated Price Plan Price Report for November 1, 2024 to October 31, 2025, 2025 UTRs and Hydro One's Sub-Transmission rates, and the updated OER.

OEB staff submits that the cost of power adjustments accurately reflect the updated RPP Report, proposed RTSRs, and the updated OER of 13.1%.

Cost of Capital

As per the Decision, Centre Wellington Hydro is required to update 2025 Cost of Capital parameters which are return on equity (ROE), deemed long-term debt rate and deemed short-term debt rate. On October 31, 2024, the OEB issued the 2025 interim Cost of Capital parameters in its letter.⁴

Consistent with the agreed-upon approach in the approved Settlement Proposal, Centre Wellington Hydro used the OEB's 2025 deemed long term debt rate of 4.66% for its proposed July 1, 2025, Infrastructure Ontario loan of \$3,200,000 and calculated the weighted average cost of debt by assuming that the proposed issuance is in place for 6 months of the Test Year. In addition, Centre Wellington Hydro updated the interest rate

³ [OEB letter, 2025 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates](#), November 1, 2024

⁴ EB-2024-0063, [OEB Letter and Accounting Orders](#), October 31, 2024

for the promissory note with the Township of Centre Wellington using the 2025 deemed long term debt rate of 4.66%.

Furthermore, Centre Wellington Hydro updated the deemed interest rate for short term debt, and the ROE to reflect the OEB-approved 2025 interim Cost of Capital parameters.

OEB staff submits that the cost of capital for the 2025 Test Year has been appropriately calculated to reflect the 2025 interim Cost of Capital parameters based on the agreed-upon approach approved in the settlement proposal.

Income Tax and Payments in Lieu of Taxes (PILs)

OEB staff notes that Centre Wellington Hydro has updated the deemed long-term debt rate in the Income Tax Workform to 3.86% instead of 3.89%. OEB staff notes that the incorrect rate does not affect the PILs calculations.

As part of this submission, OEB staff has corrected the long-term debt rate to 3.89% and attached a revised Income Tax Workform. OEB staff submits that Centre Wellington Hydro should review the revised Income Tax Workform and confirm the accuracy in its reply comments.

Revenue Requirement

As a result of the changes to rate base, deemed long-term and short-term debt rates, and ROE, total revenue requirement has been updated. Centre Wellington Hydro provided a revenue requirement breakdown comparison between the settlement proposal (as approved in the Decision and Order issued on November 7, 2024) and the DRO shown in Table 6 of the DRO.

OEB staff notes that the deemed interest expense, service revenue requirement, and base revenue requirement amounts in Table 6 do not reconcile with the numbers in Tab 9 of the Revenue Requirement Workform (cells R22, R25, and R28) filed as part of the DRO.

OEB staff submits that Centre Wellington Hydro should file a revised DRO with corrected deemed interest expense, service revenue requirement, and base revenue requirement amounts, as well as corrected variances in Table 6 in its reply comments.

Cost Allocation

As a result of the changes to the revenue requirement, Centre Wellington Hydro updated the Cost Allocation Model. Centre Wellington Hydro states in its DRO that the

approach to the revenue-to-cost ratios is consistent with the approach in the Settlement Proposal with no adjustments to any of the rate classes.

OEB staff reviewed the cost allocation model, revenue-to-cost ratios, fixed-variable splits and notes that they are consistent with the Decision and the methodologies used in the OEB-approved Settlement Proposal.

Rate Design

As a result of the updates to the revenue requirement, distribution rates have been adjusted for all rate classes. However, no changes have been made to the fixed/variable split for all classes.

Table 8 of the DRO shows the fixed/variable splits approved in the Decision and Order compared to the DRO and Table 9 of the DRO shows updated distribution rates.

As part of the DRO, Centre Wellington Hydro also provided updated RTSR Workform which contains adjusted RTSRs in Tab 9 (see Uniform Transmission Rates section) and low voltage rates in Tab 9 of the RTSR Workform. OEB staff notes that Tab 9 contains an incorrect loss factor of 1.0593 (cell C32) since the approved loss factor in the Decision is 1.0485. The incorrect loss factor results in incorrect 2025 low voltage rates generated in Tab 9 of the RTSR Workform.

As part of this submission, OEB staff has corrected the loss factor in Tab 9 and attached a revised RTSR Workform. OEB staff submits that Centre Wellington Hydro should review the revised RTSR Workform and confirm the accuracy of the loss factor and the 2025 low voltage rates in its reply comments.

Tariff Schedule and Bill Impact Model

As per the Decision, Centre Wellington Hydro is required to update the Tariff Schedule and Bill Impact model to reflect the RPP Report for November 1, 2024 to October 31, 2025, the updated OER, 2025 Retail Service Charges, and 2025 Pole Attachment Charge.

In the DRO, Centre Wellington Hydro updated the Tariff Schedule and Bill Impact model to reflect the above updates. However, OEB staff identified several errors contained in the model as listed below:

- In Tab 3, the percentages of Time-of-Use consumption (cells E23 to E25) were not updated to reflect the updated numbers in the RPP Report for November 1, 2024 to October 31, 2025 which are 64% for off-peak, 18% for mid-peak, and

18% for on-peak.⁵

- As a result of the incorrect low voltage rates for 2025 (see Rate Design section), the low voltage rates in Tabs 5 and 6 of the Tariff Schedule and Bill Impact model, Appendix A and Appendix B of the DRO, and the Excel file CWH_Tariff with Merged Classes_DRO_20241121 are incorrect.
- In Tab 5, OEB staff notes that several retail transmission rates for 2025 (cells E93, E94, E127, E128, E157, E188, E189, E219, and E220) do not reconcile with the numbers in Tab 8 of the RTSR Workform.
- Due to the errors in the retail transmission rates noted above, the rates in Appendix A and Appendix B of the DRO, and the Excel file CWH_Tariff with Merged Classes_DRO_20241121 contain the same errors.
- In Tab 6, Table 1, the consumption value for Unmetered Scattered Load rate class (cell K34) does not reconcile with the value in the Tariff Schedule and Bill Impact model from the OEB-approved settlement proposal. In addition, the consumption, demand (if applicable), and billing determinant numbers for Street Lighting (row 36) and Sentinel Lighting (rows 35 and 40) rate classes do not reconcile with the numbers in the Tariff Schedule and Bill Impact model from the OEB-approved settlement proposal. The incorrect load and billing determinant numbers (cells G368, J368, G424, J424, G648, and J648) result in incorrect monthly service charges, volumetric charges and bill impacts for these rate classes.
- In Tabs 4 and 5, the unit for Global Adjustment Account rate rider for GS 50 to 2,999 kW, GS 3,000 to 4,999 kW, Sentinel Lighting, and Street Lighting rate classes shows \$/kW instead of \$/kWh.
- In Tab 5, the charge in cell E312 should be 2.42 instead of 2.45.
- In Tab 6, the GA rate riders should only be applied to non-RPP customers. However, OEB staff notes that the GA rate riders are currently being added to the Total Deferral/Variance Account Rate Riders for all the non-RPP customers.
- In Tab 6, the GA rate riders for non-RPP customers are being added to the Total Total Deferral/Variance Account Rate Riders instead of showing the GA rate riders as a separate line.
- In Tabs 4 and 5, the Rate Rider for Disposition of Deferral/Variance Accounts for Account 1580 Class B is being added to the GS 50 to 2,999 kW, GS 3,000 to 4,999 kW, Sentinel Lighting, and Street Lighting rate classes. However, in Tab 7 of the DVA Continuity Schedule, the rate riders for Account 1580, Sub-account CBR class B for all rate classes have been adjusted to zero (cells G72 to G77) since the entire balance in Account 1580, Sub-account CBR Class B has been added to the Account 1580 WMS and disposed through the general DVA rate

⁵ [Regulated Price Plan Price Report](#), November 1, 2024 to October 31, 2025, issued October 18, 2024

rider (see cell I70). As a result, the bill impacts in Tab 6 of the Tariff Schedule and Bill Impact model for these rate classes are calculated incorrectly.

As part of this submission, OEB staff has corrected the errors noted above and attached a revised Tariff Schedule and Bill Impact model, as well as a revised Excel file Tariff with Merged Classes. OEB staff submits that Centre Wellington Hydro should review the revised files and confirm the accuracy in its reply comments. OEB staff also submits that Centre Wellington Hydro should file a revised DRO which includes corrected Appendix A and Appendix B in its reply comments.

~All of which is respectfully submitted~