Niagara On-The-Lake HYDRO

December 6, 2024

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Sirs:

Re: Advancing Performance-based Rate Regulation (EB-2024-0129)

The following are the comments of Niagara-on-the-Lake Hydro (NOTL Hydro) with respect to the Advancing Performance-based Rate Regulation (PBR) (EB-2024-129) consultation,

NOTL Hydro has no comments on the subject of Performance Incentive Mechanisms other than noting that it did not appear to be successful in the other jurisdictions that were presented.

NOTL Hydro supports the concept of a fundamental review of rate regulation in Ontario.

The ownership of local distribution companies (LDCs) in Ontario is now more varied and has become more increasingly so over time. Some LDCs are publicly traded investor owned (Hydro One, Fortis), some LDCs are partially or wholly owned by other investors (EPCOR, part of Alectra), some municipally owned LDCs serve municipalities that do not have an ownership interest and some LDCs are wholly owned by the municipality or municipalities in which they serve.

The rate objectives of the owners of LDCs is also varied and reflects this ownership diversity. For some owners, the goal is to maximize the long-term return to shareholders. For other owners, the goal is low rates. Others may be somewhere in between. In all cases this goal can still be achieved while providing good reliability and meeting OEB standards. However, the results in terms of rates from these different objectives become apparent over time as the impact of annual investment and other decisions accumulate.

The Ontario Energy Board (OEB) continues to regulate as if all LDCs had the objective of maximizing the long-term return to shareholders. This is adding extra and unnecessary costs to those LDCs that do not have a profit maximizing objective while potentially diverting resources and attention away from where it is most needed.

In their PBR presentation on November 19, 2024, Christensen Associates noted that the US state regulators only had oversight over the investor-owned utilities. Municipal utilities, of which there are many and of a number similar to Ontario, had their rates set by the municipalities. Appealing as this appears, NOTL Hydro is not advocating this for a number of reasons.

However, this is a good indicator that there are alternatives to the current OEB rate regulation model beyond the examples given in the presentation.

For this reason, NOTL Hydro supports the fundamental review of rate regulation in Ontario with the scope to include alternative rate regulation where the LDC owner clearly demonstrates an objective that is not maximizing long-term shareholder value.

Yours truly,

Tim Curtis
President

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