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ESA # 7012854

December 11, 2024

Ontario Energy Board
Attention: OEB Registrar
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear OEB Registrar:

Re: OEB File: EB-2024-0059

2025 Price Cap IR Distribution Rate Application

Applicant's Responses to OEB Staff Questions

On December 2, 2024, Wellington North Power Inc. (WNP) received questions from OEB Staff regarding the utility's 2025 IRM Rate Application (EB-2024-0059). Please find enclosed the Applicant's responses to the questions raised.

An electronic copy of this letter containing responses to the questions has been filed on the Board's web portal together with an updated IRM Rate Generator excel model.

Should the Board have questions regarding this matter please do not hesitate to contact me.

Respectfully submitted,

Richard Bucknall

Richard Bucknall
Regulatory Manager

Wellington North Power Inc.

c.c. Urooj Iqbal, Advisor, Incentive Rate-Setting Mechanism, Operations Decision Support (OEB)

Wellington North Power Inc. (WNP).

**2025 Price Cap Index for Electricity Distribution Rates
Using the Incentive Rate Setting Method.**

EB-2024-0059

Applicant's responses to OEB staff questions.

Wellington North Power Inc. (WNP) confirms that documents and information filed with the OEB, including responses to OEB staff questions and any other supporting documentation, does not include personal information.

Staff Question-1

Reference:

- I. EB-2024-0059, 2025 Rates Application, Rate Generator Model, Tab 11, Column L, Cells L22, L24, L26 and L35
- II. EB-2024-0059, 2025 Rates Application, Rate Generator Model, Tab 18, Columns B-E and Rows 21-28
- III. EB-2024-0244, Letter for 2025 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, issued November 1, 2024, p. 2 and Appendix B
- IV. Time of Use (TOU) prices set by the OEB for November 1, 2024, issued October 18, 2024

Preamble:

Distributors must enter the applicable rates in Tab 11 and Tab 18 of the 2025 IRM Rate Generator Model, for the Uniform Transmission Rates (UTRs), Hydro One Sub-Transmission Rates, Time of Use (TOU) prices and Ontario Electricity Rebate (OER). These rates must align with the most recent charges issued by the OEB.

Question(s):

- a) OEB staff has updated the current UTRs and Hydro One Sub-Transmission Rates in Reference (I). Please verify the update and ensure that all subsequent tabs are updated accordingly.
- b) OEB staff has also updated the latest TOU prices and OER under the Regulatory Charges in Reference (II). Please verify the update and ensure that all subsequent tabs are updated accordingly.

Wellington North Power (WNP) Response:

- a) Wellington North Power Inc (WNP) has reviewed the updates to the Rate Generator model as made by OEB staff.

The Applicant confirms the Uniform Transmission Rates (UTRs) and the Hydro One Sub-Transmission Rates (Sub-Tx) for 2025 updated in the Rate Generator model are accurate and correctly reflect the rates included in the OEB's letter issued November 1, 2024, regarding 2025 Preliminary UTS and Sub-transmission rates.

WNP advises the resulting Retail Transmission Service Rates (RTSRs) are correct. The updated proposed 2025 RTSRs the LDC will charge its customers are illustrated in the tables below:

Proposed 2025 RTSR – Network Rates

Rate Class	Unit	Current RTSR – Network	Proposed RTSR - Network	Change	
Residential	kWh	\$0.0099	\$0.0114	\$0.0015	15%
General Service <50kW	kW	\$0.0092	\$0.0106	\$0.0014	16%
General Service 50 - 999kW	kW	\$3.8096	\$4.3813	\$0.5717	15%
General Service 1000 - 4999kW	kW	\$4.0464	\$4.6536	\$0.6072	15%
Unmetered Scattered Load	kWh	\$0.0092	\$0.0106	\$0.0014	16%
Sentinel Lighting	kW	\$2.8875	\$3.3208	\$0.4334	15%
Streetlights	kW	\$2.8730	\$3.3041	\$0.4312	15%

Proposed 2025 RTSR - Line & Transformation Rates

Rate Class	Unit	Current RTSR – Connection	Proposed RTSR - Connection	Change	
Residential	kWh	\$0.0084	\$0.0090	\$0.0006	7%
General Service <50kW	kW	\$0.0070	\$0.0075	\$0.0005	8%
General Service 50 - 999kW	kW	\$2.8300	\$3.0387	\$0.2087	7%
General Service 1000 - 4999kW	kW	\$3.1027	\$3.3315	\$0.2288	7%
Unmetered Scattered Load	kWh	\$0.0070	\$0.0075	\$0.0005	8%
Sentinel Lighting	kW	\$2.2336	\$2.3983	\$0.1647	7%
Streetlights	kW	\$2.1882	\$2.3496	\$0.1614	7%

Note: The proposed 2025 RTSR - Line & Transformation rates in the above table are the same as filed in WNP in its 2025 IRM application.¹ This is because Hydro One's 2025 Proposed Sub-Transmission RTSRs rates for both Line Connection Service Rate and Transformation Connection Service Rate² are the same rates as 2024.

WNP has reviewed the proposed tariff schedule in the Rate Generator model and confirms the schedule accurately represents the revised RTSR rates the utility will charge its customers.

¹ WNP's Price Cap IR Application for 2025 Distribution Rates, filed October 16, 2024, section "14.6 Approval for Adjustments to Current Retail Transmission Service Rates", page 18

² EB-2024-0244 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, Appendix B

- b) WNP confirms the updates made by OEB staff in worksheet "18. Regulatory Charges" of the IRM Rate Generator model reflecting the latest Time-of-Use (TOU) prices and Ontario Electricity Rebate (OER) credit are accurate and correct.

The RTSR, TOU and OER updates as made by OEB staff as noted above are correctly flowing through to the worksheet "21. Bill Impact" of the Rate Generator model. WNP has refreshed the calculated bill impacts in the worksheet "21. Bill Impact" and filed an updated copy of Rate Generator model on the Board's web portal.

Staff Question-2

Reference:

- I. EB-2024-0059, Letter of request to allow one-time Miscellaneous Charges, issued on November 6, 2024
- II. EB-2023-0057, Decision and Rate Order, Application for rates and other charges to be effective May 1, 2024, Issued on March 21, 2024, p.10
- III. EB-2023-0057, One-time Payment Proposal, Issued on January 31, 2024

Preamble:

In Reference (I), Wellington North has requested the OEB's approval for the two one-time Miscellaneous Charges to be applied to a customer who transitioned from Class A to Class B on July 1, 2023. These charges are to be included in the customer's first electricity invoice, scheduled for issuance in June 2025. The charges are based on calculations related to the GA allocation and Capacity-Based Recovery allocation, as outlined in the 2025 IRM Rate Generator Model.

OEB staff observes that Wellington North made a similar request in its 2024 IRM application, which was approved by the OEB in Reference (II). OEB staff also notes that these charges are not reflected in the tariff sheet for the General Service 1,000 to 4,999 kW classification, which applies to the affected customer.

Question(s):

- a) Could you please confirm if the one-time miscellaneous charge request in Ref. (I) is similar to the one submitted by Wellington North during the 2024 distribution rates application (Ref. III)?
- b) OEB staff requests clarification on whether Wellington North expects to propose similar charges in future applications. If so, OEB staff seeks input on the feasibility of including a placeholder in the tariff sheet for such charges under the relevant customer class, clearly outlining the timing, amount, and duration of these charges.

Wellington North Power (WNP) Response:

- a) WNP confirms this request for a one-time miscellaneous charge is like the request submitted by the Applicant in its IRM application for 2024 distribution rates (EB-2023-0057).
- b) The one-time miscellaneous charge requests from WNP are a consequence of customers opting into, or not opting into, the Industrial Conservation Initiative (ICI) program. Depending on the eligible customer's decision as to whether to opt-in or not to opt-in to the ICI program will determine if they are billed as Class A or Class B. In WNP's cases:

- WNP's "One Payment Proposal" request submitted on January 31, 2024, related to one customer who opted into the 2022/2023 ICI program therefore switched from being billed as Class B to be a Class A customer.
- WNP's "One Payment Proposal" request submitted on November 6, 2024, related to one customer who opted into the 2023/2024 ICI program therefore switched from being billed as Class A to be a Class B customer.

Under the yearly ICI program, the decision to opt-in or not is the responsibility of the customer, not the utility. Consequently, it is difficult for the LDC to predict customer switching behaviour. However, WNP would submit a similar request if the situation occurs because, as mentioned in its requests, the LDC believes it is more efficient to set-up and test a one-time miscellaneous charge as opposed to 12-monthly rate rider amounts.

In WNP's opinion, it is not feasible for OEB staff to include a placeholder in the tariff sheet.

Staff Question-3

Reference:

- I. EB-2024-0059, IRM Rate Application – 2025 Distribution Rates, p. 24
- II. EB-2024-0059, IRM Rate Application, Rate Generator model, Tab 4, Cell C29
- III. Chapter 3, Incentive Rate-Setting Applications, Issued on June 18, 2024, p. 10

Preamble:

Chapter 3 of the filing requirements, as outlined in Reference (III), allows distributors to choose whether to dispose of Group 1 account balances that fall below the threshold. Distributors are encouraged to evaluate the practicality of clearing what may be minimal balances for one or more customer classes.

OEB staff notes that the total claim for all Group 1 accounts results in an amount below the threshold of \$0.001 per kWh.

Question(s):

- a) OEB staff requests that Wellington North explains its assessment of the practicality of disposing of the Group 1 account balances in its 2025 rates application, as opposed to deferring the disposition to a future application.

Wellington North Power (WNP) Response:

- a) Chapter 3 Filing Requirements³ provide distributors with the flexibility to request the disposition of Group 1 account balances even when these balances fall below the materiality threshold. This option is contingent upon the distributor assessing the practicality of such a request. Given the OEB guidelines, WNP believes it is prudent to dispose of Group 1 account balances on a final basis annually for the following reasons:

- 1) Minimizing Customer Impact of Cumulative Balances:

Regularly disposing of Group 1 accounts every 12 months results in smaller rate riders, which mitigate the impact on customers' bills compared to the accumulation of larger balances over multiple years.

- 2) Consistent Debit Balances:

Since 2019, WNP's Group 1 accounts have consistently shown debit balances. Addressing these balances annually ensures timely and consistent recovery.

³ Filing Requirements for Electricity Rate Applications Filed in 2024 of Rates Taking Effect in 2025 – Chapter 3 – Incentive Rate Setting Application, June 18, 2024, section 3.2.6 Review and Disposition of Group 1 Deferral and Variance Account Balances

3) Efficiency in Review during IRM period:

Annual disposition simplifies the process of addressing questions from OEB staff. Reviewing and explaining 12 months of accounting entries is more efficient and less complex than analyzing multiple years of data.

4) Efficiency and Consistency in Implementation of Rates:

Updating rates and charges in the Customer Information System (CIS) and conducting billing tests requires the same level of effort regardless of the number of rate riders. Therefore, disposing of Group 1 accounts annually does not impose additional operational burdens.

Staff Question-4

Reference:

- I. EB-2024-0059, IRM Rate Application – 2025 Distribution Rates, Manager's Summary, Section 14.3, p. 34

Preamble:

In its 2025 rates application, Wellington North states that it is not applying the OEB-allowed Price Cap Index adjustment of 3.30%. Instead, the application focuses solely on the disposition of Group 1 Deferral and Variance Account balances, adjustments to Retail Transmission Service Rates, and adjustments to Low Voltage Service Rates.

Wellington North cites both financial and non-financial reasons for opting out of price adjustments, despite being within the +/-3% deemed target established during its 2021 Cost of Service application for the year 2023 (EB-2020-0061). The utility acknowledges that it has one of the highest distribution rates for the Residential rate class in the province. By foregoing the OEB-allowed 3.30% adjustment, Wellington North aims to narrow the gap between its distribution rates and those of other utilities in the province, assuming other local distribution companies apply the OEB's inflation adjustment factor.

Question(s):

- a) OEB staff requests that Wellington North confirms the omission of the Price Cap Index adjustment in its 2025 distribution rates, despite being within the +/-3% range of the deemed targets for 2023.
- b) OEB staff also requests that Wellington North provide a brief explanation of the factors contributing to its distribution rates being among the highest for the Residential rate class in the province.
- c) Please explain how not applying the 3.30% price adjustment for 2025 will not affect the utility's Return on Equity, as mentioned in Reference (I) under the financial reasons. Please provide further details on the financial rationale.

Wellington North Power (WNP) Response:

- a) WNP confirms that it wishes to forgo the Price Cap Index adjustment in its 2025 distribution rates, despite the utility being within the +/-3% range of the deemed targets for 2023. By way of its application filed October 16, 2024, WNP is requesting no adjustments to its base rates (i.e. Monthly Service Charges and Distribution Volumetric Rates).
- b) It is important to note that WNP's rates have been consistently explained, justified, and scrutinized through the rate application process, with the OEB ultimately deeming the LDC's

rates to be just and reasonable in accordance with the regulator's mandate. This rigorous process ensures that rates are fair and equitable, balancing the utility's need for financial sustainability with the interests of its customers.

WNP has attempted to minimize rate increases for its residential class. For example, in its 2021 Cost of Service application (EB-2020-0061), for the residential rate class, WNP proposed to maintain the revenue to cost ratio of 93.79% as OEB-approved in its 2016 Cost of Service application.^{4 5} However, all intervening parties agreed the residential rate class revenue-to-cost ratio should be adjusted to 100.00% as approved in the OEB's Decision and Order.⁶

As such, WNP respectfully submits that questioning the fairness of these rates is unwarranted as they have been thoroughly evaluated and approved by the regulator.

c) WNP wishes to clarify that the decision to forego the 3.30% Price Cap Index adjustment for 2025 will have an impact on WNP's Return on Equity (ROE), as it results in lower rates. However, this reduction is expected to be offset by increased revenues driven by higher consumption and demand from key customers, as detailed below:

- In 2021, WNP connected a new GS 1,000-4,000 kW service. This new connection was not included in WNP's 2021 Cost of Service application. From April 2021, the customer has increased their usage and demand at the facility, with an average monthly consumption of 220,000 kWh and average monthly demand of 1,230 kW.
- Since November 2021, one industrial customer's usage in rate class GS 50-999 kW has increased significantly with an average monthly demand of 805 kW. This increase has been due to the customer closing one of its facilities and shifting production to this service. Prior to this date, the average monthly demand at this service was approx. 68 kW and this lower demand value was used when preparing WNP's 2021 Cost of Service application.

WNP has analyzed its financial position and determined that the combined effect of these increased revenues and the foregone adjustment will allow the utility to maintain its RoE within the OEB's +/-3% deemed RoE range. This decision aligns with WNP's commitment to balancing financial sustainability with rate affordability for its customers.

⁴ EB-2020-0061 Wellington North Power Inc. Cost of Service application, Exhibit 7 Costs Allocation, section 7.4.1 Cost Allocation Results and Analysis, table 22 page 28

⁵ EB-2020-0061 Wellington North Power Inc. Cost of Service application, IR 7-Staff-73 Revenue-to-Cost, response to question b), page 172

⁶ EB-2020-0061 Decision & Order, section 3.2. table 17 page 69

Staff Question-5

Reference:

- I. EB-2024-0059, Rate Generator Models, Tab 3, Continuity Schedule

Preamble:

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.

Question(s):

- a) Please confirm whether Wellington North has already updated the new rates in its original application submitted on October 16, 2024. If not, please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2024 OEB-prescribed interest rate of 4.40%.

Wellington North Power (WNP) Response:

- a) WNP confirms that in its application filed October 16, 2024, the LDC had already updated the Continuity Schedule in the Rate Generator model to include Quarter 4 2024 OEB-prescribed interest rate of 4.40%. Please refer to section "14.8.1 Deferral and Variance Accounts", page 25 of the application which details the interest rates used in the Continuity Schedule.
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