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DECISION AND ORDER

EB-2024-0032

HYDRO ONE NETWORKS INC.

**Application for rates and other charges to be effective
January 1, 2025**

BEFORE: **Anthony Ziahtic**
 Presiding Commissioner

December 11, 2024

1. OVERVIEW

The Ontario Energy Board (OEB) is approving changes to the rates that Hydro One Networks Inc. (Hydro One) charges to distribute electricity to its customers, effective January 1, 2025.

The OEB approves the disposition of Group 1 deferral and variance accounts in the credit amount of \$79,696,390 on an interim basis, with the exception of Account 1588, Account 1589, and Account 1595 (2021). Hydro One had originally requested disposition, on a final basis, a total credit amount of \$93,151,828. The OEB finds it prudent to not dispose of these accounts (1588, 1589 and 1595) at this time due to unreconciled amounts and instead orders that they be brought forward to Hydro One's next rate application for 2026 rates.

The OEB is also approving the recovery of wheeling debits and credits for the years 2021-2023 (since integration) for the Hydro One Distribution and Orillia Rate Zone, on an interim basis.

As a result of this Decision, there will be an estimated monthly total bill decrease of \$2.31 for a residential customer consuming 750 kWh. There may be minor changes to these estimates in calculating the final rate order, as set out in the Implementation section of this Decision. This change does not factor in applicable taxes or the Ontario Electricity Rebate but includes impacts resulting from the Distribution Rate Protection program. The applicant is one of eight electricity distributors in Ontario to which this tax-funded program applies. The program has been in effect since July 2017, and currently caps monthly distribution charges at \$41.39.¹

On April 18, 2024, the OEB approved the sale of Chapleau Public Utilities Corporation (CPUC) distribution system assets to Hydro One². On August 2, 2024, Hydro One notified the OEB that the sale and integration of CPUC was completed. Former CPUC customers have been mapped to corresponding Hydro One rate classes. As part of the integration, Hydro One's existing rate riders will not apply to former CPUC customers, and the OEB had approved bill mitigation measures to limit bill impacts to no more than 10% for all non-residential customers.

In 2015, the OEB issued a decision to eliminate Hydro One's seasonal distribution rate class and move the existing seasonal class customers to one of three Hydro One residential rate classes (i.e., R1, R2 and UR) according to their density³. To implement

¹ Decision and Order, EB-2024-0133, May 30, 2024

² Decision and Order, EB-2023-0328, April 18, 2024

³ Decision, EB-2013-0416/EB-2014-0247, March 12, 2015

these changes, a subsequent OEB decision⁴ permitted Hydro One to phase-in the fixed charge for seasonal customers transitioning to the R2 rate class to the same all-fixed distribution charge as R2 customers over the number of years, beginning January 1, 2023, required to limit the total bill impacts for affected seasonal customers to 10% per year. As part of this mitigation, all R2 customers pay an increased volumetric rate that ensures recovery of the total revenue to be collected from the R2 class that is not covered by the lower monthly fixed charge to affected seasonal R2 customers.⁵

⁴ Decision and Order, EB-2020-0246, November 10, 2021

⁵ *Ibid.*

2. CONTEXT AND PROCESS

Hydro One serves approximately 1.5 million distribution customers, primarily in the rural and remote areas of the province.

Hydro One filed its application for 2025 distribution rates on August 30, 2024 under section 78 of the *Ontario Energy Board Act, 1998* (the OEB Act). The application was based on the Custom Incentive Rate-setting (Custom IR) option, with a five-year term. This is the second annual update application filed by Hydro One using the Custom IR methodology approved by the OEB in 2022, as described below.

In November 2022, the OEB approved a settlement proposal submitted on October 24, 2022, and updated November 16, 2022, for a five-year Custom IR framework (Custom IR Decision) that covers the years 2023 to 2027.⁶ As part of the 2023-2027 Custom IR Decision, the OEB issued a final rate order establishing distribution rates for 2023. The distribution revenue requirement and the rates to recover it for subsequent years are to be adjusted mechanistically through a custom revenue cap index adjustment formula. This is referred to in Section 5 of this Decision as the Custom Revenue Cap Index Adjustment.

The key components of Hydro One's Custom IR framework are listed below:

- A custom revenue cap approach for adjusting rates for 2024-2027 of the five-year term
- A productivity factor of 0.45% to remain constant over the term of the plan
- A capital factor, reduced by a supplemental stretch factor on capital of 0.20%, and updated annually to reflect any changes to the inflation factor. The capital factor is designed to recover the incremental revenue each test year to support Hydro One's distribution system plan
- Forecast number of customers and load by rate class for 2023-2027
- An earnings sharing mechanism (ESM) and access to the OEB's Z-factor mechanism. Hydro One is to bring any ESM balances for the years 2021-2024, to the extent that the ESM is triggered and there are balances required to be disposed of, for disposition as part of Hydro One's 2026 rate application
- Annual updates to Retail Transmission Service Rates
- No changes to its capital structure

⁶ EB-2021-0110, Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, November 29, 2022.

The OEB follows a standardized and streamlined process for Custom IR update applications. Applications of this nature may be decided by a panel of Commissioners, or may be delegated to OEB staff, depending on the complexity of the applications.

Hydro One requested that the application be disposed of without a hearing, however after an initial review of the application, the OEB proceeded by way of a written hearing because of questions with respect to certain account balances.

Notice of the application was issued on October 17, 2024. Richard Gruchala requested intervenor status and was approved by the OEB as an intervenor. Richard Gruchala does not intend to seek a cost award.

The application was supported by pre-filed written evidence and customized Excel models, and as required during the proceeding, Hydro One updated and clarified the evidence.

On November 11, 2024, Hydro One responded to interrogatories from OEB staff and Richard Gruchala. As part of its interrogatory responses, Hydro One requested confidential treatment of the Wheeling Agreements in response to OEB staff 1a⁷, pursuant to the OEB's *Practice Direction on Confidential Filings* (Practice Direction)⁸. OEB staff and the intervenor did not file any submissions regarding this confidentiality request.

Final submissions on the application were filed by OEB staff, Richard Gruchala and Hydro One.

⁷ Exhibit I, Tab 1, Schedule 1, pg. 2 of 4.

⁸ Ontario Energy Board, *Practice Direction on Confidential Filings*, Revised February 17, 2021

3. DECISION OUTLINE

Each of the following issues is addressed in this Decision, together with the OEB's findings:

- Confidentiality
- Custom Revenue Cap Index Adjustment
- Cost Allocation and Rate Design
- Retail Transmission Service Rates and Sub Transmission Rates
- Group 1 Deferral and Variance Accounts
- Wheeling Credits
- Retail Service and Specific Service Charges

Instructions for implementing Hydro One's new rates and charges are set out in the final section of this Decision.

4. DECISION ON CONFIDENTIALITY

Hydro One (formerly Ontario Hydro) and Orillia Power Generation Corporation (OPGC) (formerly Orillia, Water, Light and Power Commission) entered into agreements in the early 1990s regarding wheeling and supply of power for two generation stations embedded in Hydro One's distribution system (the Wheeling Agreements). These agreements were later amended to reflect changes in ownership and operational structures, transitioning from Ontario Hydro to Hydro One Networks and from the Orillia Water, Light, and Power Commission to OPGC and Orillia Power Distribution Corporation (OPDC). These agreements were further amended following a share purchase agreement in 2016, where Hydro One acquired OPDC.

On November 11, 2024, Hydro One filed its interrogatory responses and requested confidential treatment of the entirety of the Wheeling Agreements⁹ pursuant to the OEB's *Practice Direction on Confidential Filings* (Practice Direction)¹⁰.

In its response, Hydro One stated that the document contains commercial information that is consistently treated as confidential by Hydro One. Specifically, Hydro One stated that the agreements included actuals of aggregate output from the generation facility at the Delivery Point for both Connection and Network pools, upon which payment is calculated. Hydro One stated that this information is considered presumptively confidential under the OEB's Practice Direction, under Appendix B, part 3. Further, Hydro One stated that release of this information could prejudice OPGC's competitive positions and/or interfere with ongoing negotiations.

Parties to the proceeding did not provide submissions on the confidentiality request.

Hydro One filed a confidential unredacted version of the agreements for the OEB's review.

Findings

The OEB grants Hydro One's request for confidential treatment of the Wheeling Agreements as they are presumptively confidential pursuant to Appendix B, part 3 of the Practice Direction. Access to the agreements will be restricted in accordance with the Practice Direction

⁹ Exhibit I-1-01. part a).

¹⁰ Ontario Energy Board, Practice Direction on Confidential Filings, Revised February 17, 2021

5. CUSTOM REVENUE CAP INDEX ADJUSTMENT

The OEB approved a five-year Custom IR plan with the revenue requirement to be adjusted annually through a custom revenue cap index (RCI). The approved formula for the Custom IR for the test year (t+1) is equal to the revenue in year t inflated by the RCI. Hydro One's approved custom RCI formula is $I - X + C$, where:

- **I** is the Inflation Factor, and is updated annually as determined by the OEB. The application reflects the 3.6% Inflation Factor for electricity distributors calculated by the OEB for 2025 applications, effective January 1, 2025.
- **X** is the Productivity Factor, that is equal to the sum of Hydro One's Custom Industry Total Factor Productivity measure and Hydro One's Custom Productivity Stretch Factor. The approved Productivity Factor is 0.45% and will not be updated over the 2024 to 2027 period.
- **C** is Hydro One's Custom Capital Factor, reduced by a Supplemental Stretch Factor on Capital of 0.20%, and updated annually to reflect any changes to the Inflation Factor. The Capital Factor is designed to recover the incremental revenue each test year to support Hydro One's distribution system plan.

The components of the RCI adjustment formula are set out in Table 5.1. They result in a total RCI of 4.00%.

Table 5.1: 2025 Custom RCI by Component

Components	2025
Inflation Factor ¹¹ (I)	3.60%
Productivity Factor (X)	0.45%
Custom Capital Factor (C)	0.85%
Total RCI = I – X + C	4.00%

Hydro One's total revenue requirement for the 2025 rate year is then determined by applying the RCI of 4.00% to Hydro One's OEB-approved 2024 total revenue requirement. The result is a 2025 total revenue requirement of \$1,892.6 million, as shown in Table 5.2.

¹¹ OEB Letter, 2025 Inflation Parameters, June 20, 2024

Table 5.2: Hydro One's Total Revenue Requirement by Year

Year	Formula	Total Revenue Requirement (million)
2024	OEB-Approved Hydro One Total Revenue Requirement	\$1,819.8
2025	2024 Total Revenue Requirement x 2025 RCI = \$1,819.8 million x 1.04	\$1,892.6

The 2025 load forecast approved in the Custom IR Decision,¹² including the Acquired Utilities¹³, by rate class is summarized in the following table:

Table 5.3: 2025 Load Forecast by Rate Class

Rate Classification	Number of Customers	GWh	kW
Distributed Generation – DGen	1,662	32	220,170
General Service Demand Billed – GSd	5,439	2,158	6,917,466
General Service Energy Billed – GSe	88,891	1,945	
Residential Medium Density – R1	553,488	5,096	
Residential Low Density – R2	419,947	4,760	
Sub Transmission – ST	924	15,056	30,766,395
Urban General Service Demand Billed – UGd	1,764	876	2,273,002
Urban General Service Energy Billed – UGe	18,620	540	
Residential Urban Density – UR	252,081	2,040	
Street Lighting – STL	5,577	82	
Sentinel Lighting – Sen LGT	18,765	11	
Unmetered Scattered Load – USL	5,832	33	

¹² EB-2021-0110, Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, November 29, 2022, Attachment 2, Schedule 2.0 pp. 1 – 3

¹³ Norfolk Power Distribution Inc., Haldimand County Hydro Inc. and Woodstock Hydro Services Inc.

Residential Acquired Mixed Density – AR	39,401	332	
Acquired Mixed Density General Service Energy Billed – AGSe	4,203	115	
Acquired Mixed Density General Service Demand Billed – AGSd	308	227	635,376
Residential Acquired Urban Density – AUR	15,622	119	
Acquired Urban Density General Service Energy Billed – AUGe	1,404	42	
Acquired Urban Density General Service Demand Billed – AUGd	208	119	334,687
Total	1,434,135	33,582	41,157,096

Findings

Hydro One's final 2025 RCI is 4.00% (i.e., 3.60% - 0.45% + 0.85%). The OEB approves the revenue requirement for 2025 of \$1,892.6 million, which is determined as the revenue requirement in 2024 (\$1,819.8 million) inflated by the 2025 RCI. The 2025 distribution rates are derived from the calculated 2025 revenue requirement and the approved load forecast.

The OEB finds that Hydro One has calculated the RCI adjustment in accordance with the Custom IR Decision. Accordingly, the total formulaic increase yielded by the RCI formula of 4.00% will apply to Hydro One's distribution rates effective January 1, 2025.

6. COST ALLOCATION AND RATE DESIGN

Hydro One stated that it is not updating the cost allocation model over the term of the Custom IR plan pursuant to the Custom IR Decision.¹⁴ Hydro One also noted that the determination of costs and revenue requirement by rate class for 2025 is consistent with the methodology approved for in the Custom IR Decision. Hydro One further noted that, consistent with the Custom IR Decision, it has not performed any revenue-to-cost ratio adjustments for the 2025 rate year.

Residential Density Zones

The OEB approved the elimination of the seasonal rate class in a previous decision and as a result, Hydro One's R2 rate class will continue to have a declining volumetric rate until 2032 as a mitigation measure for those low-volume seasonal customers that would otherwise see total bill impacts greater than 10%.¹⁵

Intervenor Richard Gruchala filed interrogatories questioning Hydro One's Geographic Information System (GIS) methodology for determining residential density classifications. Richard Gruchala's submission noted that Hydro One's current methodology is producing anomalous results for certain customers at the margins of competing residential density zones, for example, Hydro One customers on one portion of a road are placed into medium density classification while neighbours slightly further down that road have been placed in the low density class. Richard Gruchala submitted that the GIS methodology has not been applied appropriately and should be amended to better classify customers in close proximity into one class. Additionally, Richard Gruchala recommended more immediate action to address the financial impacts of these classifications instead of deferring any review to Hydro One's next rebasing application.

In its response, Hydro One reaffirmed that its methodology for establishing density boundaries was approved by the OEB in EB-2013-0416 and applied using its GIS system to maintain accuracy and consistency. Hydro One noted that its next rebasing application for 2028-2032 will include evidence on plans for reviewing density boundaries. Hydro One further submitted that this proceeding is not the appropriate forum for revisiting or amending the density boundary methodology, and stated that changes to density classifications require a comprehensive review, which will be addressed during the rebasing application.

¹⁴ EB-2021-0110, Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, November 29, 2022

¹⁵ EB-2020-0246, Decision and Order, November 10, 2021, pp. 6-8

OEB staff did not comment on the matter of residential density zones.

CPUC Acquisition and Bill Impacts

Hydro One provided bill impacts for former CPUC customers after mitigation which were reduced to \$37.48 or 10% for GSe customers. As part of the decision approving the acquisition of CPUC, the OEB approved the creation of “Account 1508 – Other Regulatory Assets, Sub Account Bill Impact Mitigation Deferral Account - non-residential customers” to track all expenses associated with the bill mitigation credits for non-residential CPUC customers.¹⁶ Hydro One stated that it will start tracking the mitigation costs in 2025 and will bring forward the balances for the OEB’s review in its next rebasing application.¹⁷ Hydro One also confirmed that the 2023 Group 1 balances proposed for disposition in the current application are not impacted by the mitigation measures for CPUC.¹⁸

Hopper Foundry and Transformer Cost Allowance Rate Adders

Hydro One stated that the proposed 2025 Hopper Foundry rate adder reflects the proposed 2025 General Service Demand Billed (GSd) rates and that the forecast lost revenue related to Hopper Foundry is \$100,536 and results in a rate adder of \$0.0145 per kW. Hydro One further stated that this adder is included in the volumetric rate shown on the proposed 2025 tariff schedule for the GSd class.

Hydro One also stated that in accordance with the Custom IR Decision that the Customer Supplied Transformer Allowance (CSTA) rate adders for the GSd, Urban General Service Demand Billed (UGd), Distributed Generation (DGen), Acquired Urban Density General Service Demand Billed (AUGd) and Acquired Mixed Density General Service Demand Billed (AGSd) rate classes will remain unchanged at their current approved values.¹⁹

Findings

The OEB accepts Hydro One’s evidence on the Hopper Foundry, and the CSTA rate adders as proposed by Hydro One. The OEB also accepts Hydro One’s evidence on the mitigation credit to limit the bill impacts to no more than 10% for non-residential customers of the acquired service areas of CPUC. The OEB concludes that the approach is consistent with the acquisition decision.

¹⁶ EB-2023-0328, Decision and Order, Section 4.4.1

¹⁷ Exhibit I, Tab 1, Schedule 4, pg. 2

¹⁸ Ibid.

¹⁹ EB-2021-0110, Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, November 29, 2022, Attachment 2, Schedule 4.3, p. 1

The OEB is satisfied with Hydro One's undertaking to revisit the residential density zones in its next rebasing application for the 2028 to 2032 term.

7. RETAIL TRANSMISSION SERVICE RATES (RTSRs) AND SUB TRANSMISSION (ST) RATES

Hydro One is billed by the Independent Electricity System Operator (IESO) at each of its transmission delivery points for the transmission of power. The IESO charges the Uniform Transmission Rates (UTRs) approved by the OEB. On November 1, 2024, the OEB announced preliminary UTRs effective January 1, 2025.²⁰

Hydro One updated its RTSRs based on the preliminary UTRs. The OEB sets the UTRs based on the approved revenue requirements for multiple transmitters. Preliminary UTRs are based on those revenue requirements that have already been approved for 2025. These preliminary UTRs are to be used for the setting of RTSRs to minimize the accumulation of variances in Retail Settlement Variance Accounts 1584 (Retail Transmission Network Charge) and 1586 (Retail Transmission Connection Charge). The cost consequences of any future adjustments to 2025 UTRs to reflect remaining approvals to a transmitter's revenue requirement will be tracked in these accounts and recovered over time.

As a result of its proposed update of RTSRs for 2025, Hydro One also updated the proposed 2025 ST rates, including high voltage distribution station (HVDS)-high charge, HVDS-low charge and the Common ST line charge to reflect the proposed 2025 ST RTSR for Transformation Connection.

Findings

The OEB approves Hydro One's proposed 2025 RTSRs and ST rates. Hydro One updated both the RTSRs and ST rates to reflect the preliminary 2025 UTRs set by the OEB on November 1, 2024.

²⁰ EB-2024-0244, OEB Letter "2025 Preliminary Uniform Transmission Rates", issued November 1, 2024

8. GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

Disposition of Group 1 Deferral and Variance Accounts

In each year of an IRM (or Custom IR update) term, the OEB will review a distributor's Group 1 deferral and variance accounts (DVAs) to determine whether those balances should be disposed of. OEB policy states that Group 1 account balances should be disposed of if they exceed, on a net basis (as a debit or credit), a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed of.²¹ If the net balance does not exceed the threshold, a distributor may still request disposition.²²

Hydro One requested the disposition of its December 31, 2023 Group 1 DVA balances in the amount of a credit of \$93,151,828 on a final basis.²³ These balances pertain to variances accumulated during the 2023 calendar year, with the exception of certain wheeling adjustments that encompass the 2021 to 2023 calendar years, as discussed in section 9. Hydro One requested the disposition of these balances over a 12-month period, beginning January 1, 2025.²⁴

Included in the Group 1 accounts are certain variances related to costs that are paid for by a distributor's customers on different bases, depending on their classification. "Class A" customers, who participate in the Industrial Conservation Initiative, pay for Global Adjustment (GA) charges based on their contribution to the five highest Ontario demand peaks over a 12-month period. "Class B" customers pay for GA charges based on their monthly consumption, either as a standalone charge or embedded in the Regulated Price Plan (RPP).²⁵ A similar mechanism applies to Class A and Class B customers for Capacity Based Recovery (CBR) charges.²⁶ The balance in the GA variance account is attributable to non-RPP Class B customers and is disposed of through a separate rate rider. The balance in the CBR Class B variance account is attributable to all Class B customers.

²¹ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative" (EDDVAR), EB-2008-0046, July 31, 2009

²² OEB letter, "Update to the Electricity Distributors' Deferral and Variance Account Review ("EDDVAR Report")", released July 2009 (EB-2008-0046)", issued July 25, 2014

²³ Hydro One Distribution DVA Continuity Schedule, A-04-01-10, November 11, 2024; Reply Submission, Attachment 1, November 27, 2024.

²⁴ Exhibit A, Tab 2, Schedule 1, Page 2, August 30, 2024.

²⁵ For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)'s [website](#).

²⁶ All Class B customers (RPP and non-RPP) pay the CBR as a separate charge based on their monthly consumption. For additional details on the CBR for Class A customers, refer to the IESO's [website](#).

Hydro One had one or more Class A customers during the period in which variances accumulated so it has applied to have the balance of the CBR Class B variance account disposed of through a separate rate rider for Class B customers to ensure proper allocation between Class A and Class B customers.

During the period in which variances accumulated, Hydro One had one or more customers transition between Class A and Class B. Under the general principle of cost causality, customer groups that cause variances that are recorded in Group 1 accounts should be responsible for paying the debits (or receiving credits) for their disposal. Hydro One has proposed to allocate a portion of the GA and CBR Class B balances to its transition customers, based on their customer-specific consumption levels.²⁷ The amounts allocated to each transition customer are proposed to be recovered by way of 12 equal monthly installments charges/payments.

OEB staff supported the disposition of Hydro One's December 31, 2023 Group 1 balances on an interim basis due to OEB staff's submission on certain wheeling adjustments, as discussed in section 9, below. However, this was subject to Hydro One's clarification of several matters in its reply submission relating to Accounts 1588, 1589, and Account 1595 (2021).

OEB staff submitted that if the OEB determined that Hydro One had not adequately addressed OEB staff's concerns discussed below, the balances in Accounts 1588, 1589, and 1595 (2021) balances should not be disposed of, given that there may be systemic issues with these balances. These issues should be addressed in Hydro One's next rate application for 2026 rates, and Hydro One could request the disposition of these Group 1 balances at that time.

Regarding these balances in particular, Hydro One requested the following for disposition on a final basis:

- Account 1588 credit balance of \$40,098,264
- Account 1589 debit balance of \$29,115,150
- Account 1595 (2021) credit balance of \$2,472,323

Matters to be Clarified Relating to Accounts 1588 and 1589 – Reversal of Principal Adjustments

OEB staff requested that Hydro One clarify, in its reply submission, why it was proposing two different approaches to record its principal adjustments in the GA Analysis Workform and DVA Continuity Schedule (i.e., in one interrogatory response not

²⁷ 2025 IRM Rate Generator Model, Tab 6.1a "GA Allocation" and Tab 6.2a "CBR B_Allocation"

reversing principal adjustments but in another interrogatory response reversing them). Hydro One was also asked to provide evidence that there was no double-counting in the GA Analysis Workforms and DVA Continuity Schedules of the equal and offsetting reclassification adjustments in Accounts 1588 and 1589 of \$24,748,877 and \$20,162,335. OEB staff submitted that the evidence currently suggested a need to reverse as a 2023 principal adjustment the equal and offsetting reclassification adjustments to the 2021 and 2022 balances in Accounts 1588 and 1589 of \$24,748,877 for 2021 and \$20,162,335 for 2022.

In response to OEB staff's submission, Hydro One reflected the \$44,911,212 reclassification adjustment from 2021 and 2022 as a 2023 principal adjustment to conform with the guidance set out in the GA Analysis Workform Instructions. For greater transparency, Hydro One updated the DVA Continuity Schedule for the presentation of the reversing entry.

Hydro One provided a detailed reconciliation for both principal and interest for the consolidated Account 1588 and 1589 balances at Attachment 3 to the Reply Submission.

Matters to be Clarified Relating to Account 1589 – \$22.5 Million Credit Reconciling Item

OEB staff submitted that it required further information on an Account 1589 credit reconciling item in the amount of \$22.5 million given the size of this amount; the fact that it was a reconciling item (as opposed to a principal adjustment); and in light of statements made in Hydro One's 2024 rate proceeding regarding RPP settlements.²⁸

While addressing OEB staff's submissions on this issue, in its reply, Hydro One identified two corrections to its evidence (including the \$22.5 million credit reconciling item noted above) and one addition to the reconciling items on the GA Analysis Workform.

Correction – Note 5, Reconciling Item 8

The "LDC customer adjustment on the rate used" was corrected from a credit of \$1,195,744 to a debit of \$2,973,658. The update was required due to a link to an incorrect source file.

²⁸ EB-2023-0030, Reply Submission, November 24, 2023, pp. 13 & 14.

Correction – Note 5, Reconciling Item 9

The “Retail Billed kWh at Weighted Average GA billed paid Adjustment” was corrected from a credit of \$22,461,232 to a credit of \$2,342,682. Hydro One submitted that this reconciliation item was appropriate, as distributors can propose modifications to the GA Analysis Workform to accommodate their specific circumstances.

Addition – Note 5, Reconciling Item 10 (New)

Hydro One identified a new reconciling item, which results from the difference between the estimated \$ Consumption at GA Rate Billed (Tab “GA 2023”, Note 4 table, column K) of the GA Analysis Workform and Hydro One’s GA revenue practice. It is Hydro One’s view that the Note 4 table of the GA Analysis Workform oversimplifies the GA revenue accounting practice used by Hydro One.

As a result, a credit reconciliation item of \$27,492,434 has been added to adjust the GA Analysis Workform Note 4 GA revenue calculation to align the calculation with Hydro One’s GA Revenue recognition approach.

Matters to be Clarified Relating to Account 1595 (2021)

Regarding Account 1595 (2021), OEB staff submitted that it was unable to reconcile Hydro One’s stated “combined principal amount of a credit of \$51.6 million and carrying charges of a debit of \$3.6 million” to its EB-2020-0030 and EB-2020-0031 evidence. OEB staff requested that Hydro One clarify, in its reply submission, how these numbers were calculated by Hydro One and also provide a reconciliation to the specific EB-2020-0030 and EB-2020-0031 evidence.

In its reply submission, Hydro One stated that upon further review of the EB-2020-0030 and EB-2020-0031 decisions, it appears that the principal and interest total columns of Table 7.1 of the EB-2020-0030 Decision and Rate Order should be corrected by the OEB to be consistent with the totals in Hydro One’s DVA Continuity Schedule filed in that proceeding.

Based on the reconciliation provided, Hydro One submitted that the Account 1595 (2021) balance requested for disposition is appropriate.

Findings

The OEB approves the disposition of Group 1 deferral and variance accounts in the credit amount of \$79,696,390 on an interim basis, with the exception of Account 1588, Account 1589, and Account 1595 (2021).

The OEB agrees with OEB staff that the balances in Accounts 1588, 1589 and 1595 (2021) should not be disposed of at this time as there appear to be unreconciled amounts in these balances.²⁹ Clearly, OEB staff and Hydro One are of divergent views on this complicated accounting matter which is further compounded by Hydro One's attempt in its reply submission to reconcile Account 1589 reconciling item errors in its calculations that would result in an approximately \$1 million credit changing to an almost \$3 million debit, and a credit being reduced by over \$20 million. Accordingly, the OEB does not approve the disposition of the balances for these accounts and instead orders that they be brought forward to Hydro One's next rate application for 2026 rates.

While this Panel of the OEB is only seized of the current proceeding, the OEB notes that these findings may affect the OEB's consideration of similar requests to dispose of Group 1 DVA balances in its other two rate zones (Hydro One Orillia and Hydro One Peterborough).³⁰ The OEB directs OEB staff to place this Decision and Order on the record of that proceeding for the OEB's consideration in that proceeding.

The post-integration consolidated Group 1 balances are allocated to each of the Hydro One Distribution rate zone, Orillia rate zone, and Peterborough rate zone based on the post-integration sales volume (kWh) of each of the utilities.³¹ Accordingly, the OEB also directs OEB staff to place the GA Analysis Workform and consolidated DVA Continuity Schedule from the Hydro One Distribution rate zone proceeding (filed as part of the reply submission) on the record of the Hydro One Orillia and Hydro One Peterborough proceeding.

In Hydro One's 2024 rate proceeding, the OEB directed Hydro One and OEB staff to participate in a "settlement conference" to find a common solution for the balances in Accounts 1588 and 1589. In the 2024 rates proceeding, a full settlement was reached between Hydro One and OEB staff who participated in the settlement conference.³² The OEB considered a similar approach in the current proceeding. The OEB, however, is of the view that it would be more efficient for Hydro One and OEB staff to meet prior to Hydro One filing its 2026 rate applications to reach an agreement on the balances to be included for disposition in 2026 rates. If an agreement is reached between Hydro One

²⁹ Note that the Account 1595 (2021) DVA only relates to the Hydro One Distribution rate zone.

³⁰ EB-2024-0033

³¹ Exhibit A, Tab 4, Schedule 1, Page 7, August 30, 2024

³² EB-2023-0030/EB-2023-0059, Settlement Proposal, May 24, 2024

and OEB staff, Hydro One is to bring forward the Accounts 1588, 1589 and 1595 (2021) resolved balances in its 2026 rate applications together with an explanation of the agreed upon amounts. Failing an agreement, Hydro One shall bring forward the Accounts 1588, 1589 and 1595 (2021) balances for disposition in its 2026 rate applications with a report on the account balances for which there is disagreement with OEB staff.

The OEB notes that annual rate applications during an incentive rate (IR) setting term (or in some cases during a Custom IR term) are intended to be largely mechanistic and are largely adjudicated by OEB staff under delegated authority. Where an annual rate adjustment is filed in a timely manner based on the OEB's filing schedule, the initial Procedural Order includes a timeline that (in the absence of complications during the proceeding like the identification of errors in calculations) will result in a decision and rate order for rates effective and implemented January 1st and avoid a late decision that causes the complexity of an intra-rate year forgone revenue calculation and rate rider. This timeline allows for an application to be adjudicated through a written proceeding that includes a round of interrogatories, submissions by parties, and a reply submission by the applicant.

The OEB is of the view that in certain instances such a procedural schedule may not always be optimal for Hydro One distribution rate applications, particularly involving the settling of complex accounts often involving the post-integration of acquired utilities which is particularly evident in this proceeding. The OEB encourages Hydro One to carefully consider the complexity of the issues it intends to bring forward in its annual rate applications through proactive consultation with OEB staff. Such consultation should include consideration of the timing for filing an application together with the time required for a potential pre-hearing meeting that enables a procedural schedule that incorporates the necessary procedural steps and time needed.

The OEB approves the disposition of a credit balance of \$79,696,390 as of December 31, 2023, including interest projected to December 31, 2024, for Group 1 accounts on an interim basis, for the Hydro One Distribution rate zone. The OEB notes that, while the Account 1588, Account 1589, and Account 1595 (2021) balances require an internal review (as discussed further below), other Group 1 account balances may also potentially be impacted by the outcomes of this review. Therefore, with respect to the disposition of the Group 1 balances as of December 31, 2023, the OEB finds that deferring disposition of Account 1588, Account 1589, and Account 1595 (2021), while disposing of the remaining Group 1 balances on an interim basis only, is appropriate at this time. Further, similar as discussed in section 9 below, the OEB finds that it is appropriate to implement certain wheeling adjustments (and their associated impact on certain Group 1 DVA balances) on an interim basis.

Table 8.1 identifies the principal and interest amounts, which the OEB approves for disposition.

For the following reasons, the OEB directs Hydro One to perform a detailed internal review of its Account 1588, Account 1589, and Account 1595 (2021) balances for all three rate zones (Hydro One Distribution, Hydro One Orillia, and Hydro One Peterborough) to ensure that its account balances being requested for disposition are correct. The scope of the internal review shall address, but not be limited to, the five points listed below.

1. As part of the Hydro One reply submission, certain Account 1589 reconciling items were corrected:
 - a. A credit of \$1,195,744 was corrected to a debit of \$2,973,658.
 - b. A credit of \$22,461,232 was corrected to a credit of \$2,342,682.
 - c. A new item of a credit of \$27,492,434 was identified.
2. The Hydro One reply submission Attachment 2, GA Analysis Workform, Tab “Account 1588”, shows the “Account 1588 as % of Account 4705” of -4.0% which has not been explained by Hydro One. The *OEB’s Instructions for Completing GA Analysis Workform – 2025 Rates*³³ requires an explanation of annual Account 1588 variances greater than +/- 1% of the Cost of Power purchased for that year.
3. It is unclear whether there is any impact on customers from the principal and interest total columns (as well as some of the sub-components when broken down by account) of Table 7.1 of the EB-2020-0030 Decision and Rate Order that need to be corrected by the OEB to be consistent with the totals in Hydro One’s DVA Continuity Schedule filed in that proceeding (as noted in the Hydro One reply submission). Any impacts could affect:
 - a. The DVA amounts approved in the 2021 Custom IR Update proceeding.³⁴
 - b. In the DVA Continuity Schedule for 2024 rates, the columns “OEB-Approved Principal Disposition during 2021” and “OEB-Approved Interest Disposition during 2021” incorporated into the 2021 balances approved by the OEB in Hydro One’s 2024 rates proceeding.

³³ *OEB’s Instructions for Completing GA Analysis Workform – 2025 Rates*, April 11, 2024, p. 1.

³⁴ EB-2020-0030, Hydro One Distribution, Decision and Rate Order, December 17, 2020, Revised: February 18, 2021, p. 26.

- c. The Account 1595 (2021) balance being requested for disposition in the current proceeding.
4. Attachment 4 to the Hydro One reply submission relating to Account 1595 (2021) reflects a debit balance of \$3.2 million with the description “Note 1 - (2021 DVA & GA reallocation booked post OEB decision)” that has not been explained.
5. Attachment 4 to the Hydro One reply submission shows different interest and total claim amounts for Account 1595 (2021) compared to Attachment 1 (albeit immaterial differences).

The results of this review shall be filed with Hydro One’s next rate applications for all three rate zones (Hydro One Distribution, Hydro One Orillia, and Hydro One Peterborough), after completion of the internal review. In these next rate applications, Hydro One shall confirm that the balances in Account 1588, Account 1589, and Account 1595 (2021) that are being requested for disposition for all three rate zones (Hydro One Distribution, Hydro One Orillia, and Hydro One Peterborough) are accurate and have been adjusted accordingly based on the result of the internal review.³⁵ Hydro One shall quantify the adjustments made to these account balances and provide supporting calculations and explanations for each adjustment. Sufficient detail shall be filed with the OEB to support balances proposed for disposition in Hydro One’s next applications, after completion of the internal review.

The following Table 8.1 sets out the Group 1 DVA account balances being approved by the OEB for disposition on an interim basis.

³⁵ Note that the Account 1595 (2021) DVA only relates to the Hydro One Distribution rate zone.

Table 8.1: Group 1 Deferral and Variance Account Balances Approved for Disposition on an Interim Basis – Hydro One Distribution Rate Zone

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
Low Voltage Variance Account	1550	1,305,825	(49,705)	1,256,120
Smart Metering Entity Charge Variance Account	1551	(2,192,385)	(112,676)	(2,305,061)
RSVA - Wholesale Market Service Charge	1580	(40,513,977)	(2,622,497)	(43,136,474)
Variance WMS – Sub-account CBR Class B	1580	937,018	98,150	1,035,168
RSVA - Retail Transmission Network Charge	1584	(21,054,871)	(1,389,005)	(22,443,876)
RSVA - Retail Transmission Connection Charge	1586	(13,616,047)	(486,221)	(14,102,268)
Totals for Group 1 accounts		(75,134,437)	(4,561,953)	(79,696,390)

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in the *Accounting Procedures Handbook for Electricity Distributors*.³⁶ The date of the transfer must be the same as the effective date for the associated rates, which is generally the start of the rate year.

The OEB approves these balances to be disposed of through interim rate riders, charges, or payments, as calculated in the Rate Generator Model. The interim rate riders, charges, and payments, as applicable, will be in effect over a one-year period from January 1, 2025 to December 31, 2025.³⁷

³⁶ Article 220, Account Descriptions, *Accounting Procedures Handbook for Electricity Distributors*, effective January 1, 2012

³⁷ 2025 IRM Rate Generator Model Tab 6.1 GA, Tab 6.1a GA Allocation, Tab 6.2 CBR B, Tab 6.2a CBR B_Allocation and Tab 7 Calculation of Def-Var RR

9. WHEELING CREDITS

Hydro One requested approval to recover and allocate credits in accordance with Wheeling Agreements related to two OPGC generation stations, Swift Rapids GS and Minden GS, embedded in Hydro One's distribution system. These amounts are for the years 2021-2023 and will result in a credit to the Orillia Rate Zone and a corresponding debit to the Hydro One Distribution rate zone (Wheeling Amounts). The credit is reflected in Hydro One's application for 2025 rates for the Orillia Rate Zone.³⁸ The Wheeling Agreements define the settlement terms for the transmission of power from these stations through Hydro One's network to customers in the former OPDC service territory, now the Hydro One Orillia Rate Zone.

In its application, Hydro One stated that the original Wheeling Agreements were established in the early 1990's, between Ontario Hydro (now Hydro One) and the Orillia Water, Light, and Power Commission. These agreements were later amended to reflect changes in ownership and operational structures, transitioning from Ontario Hydro to Hydro One Networks and from the Orillia Water, Light, and Power Commission to OPGC and OPDC. These agreements were further amended following a share purchase agreement in 2016, where Hydro One acquired OPDC. The Wheeling Amounts include an RTSR and WMSC amount and affect RSVA accounts 1580, 1584, and 1586.

Pre-integration, Hydro One calculated the Wheeling Amounts as follows:

Wholesale Market Service Charge (WMSC)

Monthly WMSC credit based on the generation output from the Minden GS and Swift Rapids GS. This credit was applied to OPGC bills, which OPGC subsequently transferred to OPDC.

Retail Transmission Service Rate (RTSR)

Hydro One deducted the generation output from OPDC's RTSR billing quantities, resulting in reduced RTSR charges on OPDC's bills. These reductions were reflected in OPDC's RTSR variance accounts.

Post integration, Hydro One states that the practice of issuing separate bills ceased. Instead, the calculated credits are directly allocated to the Group 1 DVA balances for

³⁸ EB-2024-0033

the Orillia Rate Zone, while corresponding debit amounts are added to the Group 1 DVA balances for Hydro One Distribution.

The calculation of Wheeling Amounts post integration are as follows:

For WMSC amount: Monthly generation output (kWh) is determined from generator station meter readings, and the applicable WMSC (net of IESO fees) and Rural and Remote Rate Protection (RRRP) charges are applied to calculate the credit.

For RTSR amount: Monthly RTSR billing units (kW) are determined based on Network and Connection charges as specified in the updated Wheeling Agreements, with the applicable rates applied to derive the credit.

OEB staff submitted that the Hydro One Distribution rate zone should not be allowed to recover the 2021-2022 Wheeling Amounts (i.e., for a total debit amount of \$1,303,172) but that the Orillia Rate Zone should be allowed to receive the reciprocal credits for the years 2021-2023 on an interim basis based on the following reasons:

Retroactive Adjustments

Hydro One proposed to recover and allocate Wheeling Amounts for the years 2021–2023. OEB staff submitted that the request to recover the amounts for the years 2021 and 2022 (i.e., debits to Hydro One Distribution rate zone and credits to Hydro One Orillia Rate Zone) constituted a retroactive adjustment. The balances in Accounts 1580, 1584, and 1586 from 2021 and 2022 were already disposed of on a final basis in the 2024 rate applications for the Hydro One Orillia Rate Zone and Hydro One Distribution rate zone.³⁹

OEB staff submitted that Orillia Rate Zone customers should receive the wheeling credits for all years, but that the corresponding debits for Hydro One Distribution Rate Zone customers for 2021 and 2022 should be denied.

OEB staff submitted that these amounts totaling \$1,303,172 are material and reflect a reallocation of benefits to the Hydro One Orillia Rate Zone that should have been incorporated into the 2021 and 2022 balances approved on a final basis in the 2024 rate applications. OEB staff also noted that the concept of retroactive ratemaking was explored in-depth during the 2024 rate applications. OEB staff submitted that Hydro

³⁹ EB-2023-0030 EB-2023-0059, Decision and Rate Order, June 13, 2024, p. 4.

One did not adequately address the OEB's October 31, 2019 Letter (the October 2019 Letter),⁴⁰ which provides guidance for evaluating retroactive adjustments.

OEB staff noted that the error has benefited customers in the Hydro One Distribution rate zone at the expense of Orillia Rate Zone customers, although on a consolidated basis, Hydro One has been unaffected. In this case, OEB staff submitted that the error was entirely within Hydro One's control and that the OEB should apply an asymmetrical approach to the retroactive adjustment. OEB staff submitted that customers in the Orillia Rate Zone should have received the benefit of the wheeling credits, and an adjustment is therefore appropriate. However, OEB staff submitted that Hydro One (and its shareholders) should bear the responsibility for its error, and the recovery of the 2021 and 2022 amounts should not be imposed on ratepayers.

In reply, Hydro One submitted that OEB staff's submissions should be rejected. Hydro One stated that its request is not a retroactive adjustment and even if the October 2019 Letter were applied (which Hydro One submits it should not be), there is no justification for the asymmetric treatment asserted by OEB staff.

In the event the OEB determined that the October 2019 Letter does apply, Hydro One addressed in its reply submission the four factors outlined in the OEB 2019 Letter. Hydro One stated that even if there was an error as suggested by OEB staff (although Hydro One disagrees with that argument), the remaining criteria (and not based on a singular factor listed by OEB staff) must be considered and to not do so is contrary to the underlying purpose of the OEB 2019 Letter which is to give a case-by-case consideration based on a variety of criteria.

Furthermore, Hydro One stated that the impact of including the 2021 and 2022 debit amounts associated with Wheeling Amounts (\$1,367,542)⁴¹ for Hydro One Distribution customers is not material.

Hydro One submitted that the asymmetric treatment proposed by OEB staff will result in Hydro One Distribution customers receiving an unfair benefit by not contributing toward the 2021 and 2022 Wheeling Amounts provided to Orillia RZ customers, despite the fact that they were making those contributions in the years prior to integration.

⁴⁰ OEB Letter, Adjustments to Correct for Errors in Electricity Distributor "Pass -Through" Variance Accounts After Disposition, October 31, 2019.

⁴¹ The OEB notes that Table 5 of the OEB staff submission includes interest for only the years 2021-2022. Hydro One has calculated interest on all disposition years from 2021-2023. The difference of these amounts is \$64,370 which represents 2023 interest on 2021 and 2022 principal amounts.

Accuracy of Credit Amounts

OEB staff raised concerns about the accuracy of Hydro One's calculation of wheeling credits to the Orillia rate zone for the RTSR amounts, noting that the methodology relies on billing quantities established in 2016 (when the Wheeling Agreements were last updated). OEB staff submitted that this reliance introduces a risk of material inaccuracies and recommended that Hydro One either update the agreements to reflect more current data or justify the continued use of the existing quantities. OEB staff proposed that the wheeling credits be approved on an interim basis pending further resolution of these issues. Such balances may be made final after the finalization of a new agreement, after any further adjustments have been made to these balances that have not yet already been disposed on a final basis.

In its reply, Hydro One stated that the OEB's approval of the Wheeling Amounts should be on a final basis and not an interim basis as there is no evidence that the amounts that are subject to the Wheeling Agreements are inaccurate. Hydro One stated that the OEB has no jurisdiction to impose contractual amendments on the parties to the Wheeling Agreements. Hydro One confirmed that its billing quantities after 2016 are consistent with and have no material differences from the billing quantities in the existing Wheeling Agreements.

Findings

The OEB has two broad issues to consider with regard to the wheeling credits and debits:

1. Is this a retroactive adjustment, and if so, should the adjustment be permitted, and if the OEB determines that an adjustment should be made, then should an asymmetrical approach be taken in making it?
2. Is the methodology used by Hydro One in determining the credits and debits appropriate?

The OEB finds that Hydro One's proposed allocations of wheeling-related credits and debits between the Orillia Rate Zone and Hydro One's other customers for 2021 and 2022 represent a retroactive adjustment to account balances that were previously disposed of on a final basis. While the OEB is satisfied (and OEB staff and Hydro One apparently agree) that the consolidated balances are not affected by this proposed allocation, the OEB finds that Hydro One erred in not addressing this allocation issue at the time it requested final disposition of the 2021 and 2022 balances.

However, in the circumstances of this case, the OEB will allow the retroactive adjustment, and will allow Hydro One to make the adjustment symmetrically. The OEB does not consider this to be a case in which asymmetrical treatment is appropriate.

The OEB has concerns, though, about the methodology used to determine the wheeling credits and debits. As a result, the OEB finds that the Orillia Rate Zone should receive the wheeling credits in the amount of \$2,372,701 for the years 2021 – 2023 on an interim basis. Additionally, Hydro One is permitted to recover the equal and offsetting 2021- 2023 debit amounts of \$2,372,701 for the Hydro One Distribution rate zone, on an interim basis, for the reasons discussed below. The OEB does not accept Hydro One's request that the wheeling credits and debits be disposed of on a final basis. Instead, the OEB directs Hydro One to come forward with a proposal in its applications for 2026 rates to rectify the issue of accuracy to make disposition final.

The retroactive adjustment:

As noted above, while the 2021 and 2022 balances may have been accurate on a consolidated basis, the OEB finds that Hydro One should have addressed the allocation of wheeling-related credits and debits for 2021 and 2022 at the time it requested final disposition of the DVA balances for those years. Hydro One erred in not doing so.

With the balances for 2021 and 2022 having been disposed of on a final basis, the OEB considers the current request for the approval of wheeling-related allocations for 2021 and 2022 to be retroactive adjustments. The request for 2023 is not a retroactive adjustment because the 2023 DVA balances have not been disposed of on a final basis.

The October 2019 Letter sets out the OEB's approach to addressing accounting or other errors in respect of certain electricity distributor variance accounts through retroactive adjustments in appropriate cases. The approach applies to accounts for so-called "pass-through costs" including, among others, accounts 1580, 1584, and 1586. The October 2019 Letter states, in part:

Where an accounting or other error is discovered after the balance in one of the above-listed variance accounts has been cleared by a final order of the OEB, the OEB will determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case, including factors such as:

- whether the error was within the control of the distributor
- the frequency with which the distributor has made the same error
- failure to follow guidance provided by the OEB

- the degree to which other distributors are making similar errors

Consistent with the OEB's past practice, an asymmetrical approach to the correction of the error may be appropriate. For example, if a distributor repeats an error, and if correcting the error is solely to the benefit of the distributor, the OEB may not approve part or all of the correction and of any associated carrying charges.

The OEB agrees with OEB staff that this error was within Hydro One's control. That is one of the examples of factors set out in the October 2019 Letter, and it is a factor the OEB has considered here. However, in considering the circumstances of this case, the OEB finds that that factor should not be determinative, and that this is not a case that warrants asymmetrical treatment. First, the OEB finds that this is an unusual situation, and the Wheeling Adjustments relate to a long-standing arrangement that predates Hydro One. Second, while Hydro One does not consider this to have been an error, the OEB considers it noteworthy that Hydro One raised this matter with the OEB as part of its next rate application after it determined that the adjustments were necessary. This is consistent with the guidance in the October 2019 Letter that:

The OEB expects electricity distributors to disclose errors that have been discovered in their accounting records and to record correcting adjustments to the affected accounts in the year in which the error is discovered. The OEB also expects electricity distributors to bring these correcting adjustments to the attention of the OEB for consideration as part of the distributor's next rate application.

The OEB therefore finds that in the circumstances of this case, it will allow symmetrical retroactive wheeling-related adjustments for 2021 and 2022. It will also approve the proposed symmetrical 2023 adjustments. The amounts of those adjustments for 2021 through 2023 are being approved on an interim basis, as discussed below.

Interim approval of the values of the wheeling adjustments:

The OEB is permitting the disposition of the wheeling credits and debits on an interim basis for the reasons that follow.

The OEB agrees with OEB staff's submission that the wheeling credit amounts are significant to the customers in the Orillia Rate Zone and given that materiality they should receive that benefit in 2025 rates, albeit on an interim basis subject to further evidence in Hydro One's application for 2026 rates that will (subject to OEB approval in that proceeding) support the final disposition of the amounts. Because the OEB's

approach to the wheeling-related adjustments is symmetrical, a corresponding amount should be allocated from Hydro One's other rate zones on an interim basis at this time.

The OEB is not satisfied that Hydro One has provided sufficient evidence to support that the deemed billing units set out in the amended Wheeling Agreements for the Minden GS and Swift Rapids GS used to determine the Connection Pool and Network Pool credit and debit amounts accurately reflect the monthly generation kW. Hydro One provided no evidence to support a finding of accuracy beyond an unsubstantiated assertion in its reply argument that it "can confirm that examined billing quantities after 2016 are consistent, with no material differences from the billing quantities in the existing Wheeling Agreements."⁴² It is not clear to the OEB how Hydro One is determining those quantities when it is the OEB's understanding that Hydro One removed the necessary measurement facilities after its integration of OPDC⁴³ and it has not updated the billing kW in the amended Wheeling Agreements since 2016.⁴⁴ Further, it may be accurate for Hydro One to state that there are no material differences and that the billing quantities are consistent with the billing quantities in the Wheeling Agreements. However, that statement does not support that the billing quantities in the Wheeling Agreements reflect the actual OPGC generation quantities being wheeled from the Minden GS and Swift Rapids GS. The OEB's role is to set just and reasonable rates. The OEB is concerned that differences between the deemed generation quantities set out in the Wheeling Agreements and actual quantities could be significant enough that inappropriate subsidies are being created among rate zones. For example, if the actual wheeled quantities are significantly below the deemed quantities, then Hydro One customers outside of the Orillia Rate Zone may be subsidizing the credit being allocated to the Orillia Rate Zone.

OEB staff in its submission recommended that Hydro One should update the existing 2016 amended Wheeling Agreements among Hydro One Networks Inc., OPGC and OPDC or justify why the wheeling billing quantities in the Wheeling Agreements remain appropriate in order to remedy the potential measurement error, to enable the disposition of the 2021–2023 credits and 2023 debits (because OEB staff had recommended an asymmetrical approach to the 2021 and 2022 balances) on a final basis in Hydro One's 2026 rate application.

Hydro One opposed this recommendation, stating that the OEB does not have jurisdiction to order Hydro One to amend the Wheeling Agreements.⁴⁵ The OEB notes that subsection 78(2) of the OEB Act provides that "No distributor shall charge for the

⁴² Hydro One Reply submission, at p.18

⁴³ EB-2023-0059, Exhibit I, Tab 1, Schedule 14.

⁴⁴ Hydro One Reply Submission, November 27, 2024.

⁴⁵ *Ibid.*

distribution of electricity or for meeting its obligations under section 29 of the *Electricity Act, 1998* except in accordance with an order of the Board, which is not bound by the terms of any contract.” The OEB reads OEB staff’s suggestion as a recommended remedy for Hydro One to consider, and not as a submission that the OEB should require Hydro One to amend the Wheeling Agreements. While Hydro One may wish to consider OEB staff’s suggestion, the OEB is not requiring Hydro One to amend its Wheeling Agreements.

The issue of the accuracy of the billing quantities only first came to light in this proceeding through OEB staff’s interrogatories and its submission. The OEB finds that Hydro One should have the opportunity in its 2026 rate adjustment proceeding to address the accuracy of the RTSR billing quantities used to determine wheeling-related credits and debits and the appropriate approach to allocating those credits and debits between its rate zones.

The OEB directs Hydro One to bring forward a proposal in its application for 2026 rates to address the potential discrepancies between deemed and actual wheeling-related quantities billing determinants used to determine credits and debits in the Wheeling Agreements in order for the Panel in that proceeding to consider disposition of the 2021-2023 allocations between rate zones on a final basis.

10. RETAIL SERVICE AND SPECIFIC SERVICE CHARGES

The OEB issued a report on energy Retail Service Charges (RSCs) on November 29, 2018. This report amended the RSCs effective May 1, 2019. RSCs were to be increased by the OEB's inflation factor on January 1 of each year starting on January 1, 2020. The OEB issued a decision to establish the 2025 RSCs, effective January 1, 2025.⁴⁶ Hydro One's 2025 tariff schedule reflects the new RSCs.

Specific service charges (SSCs) are charges for certain extra miscellaneous services such as special meter reads, late payment interest and reconnections. Hydro One has not updated SSCs for 2025 pursuant to the Custom IR Decision.⁴⁷ The existing SSCs are included on the 2025 tariff schedule.

The OEB issued a decision to establish the 2025 Wireline Pole Attachment Charge, effective January 1, 2025.⁴⁸ Hydro One's 2025 tariff schedule reflects the new charge of \$39.14 per attachment, per year, per pole.

Findings

The RSCs, SSCs and wireline pole attachment charges have already been approved by the OEB in previous decisions. Hydro One shall implement the approved charges pursuant to those decisions.

⁴⁶ EB-2024-0226 Decision and Order, September 26, 2024

⁴⁷ EB-2021-0110 Decision and Order, November 29, 2022, Schedule A, p. 104 of 117

⁴⁸ EB-2024-0227 Decision and Order, September 26, 2024

11. IMPLEMENTATION

Pursuant to the approval by the OEB of this Decision and Rate Order, the new rates are effective January 1, 2025 and to be implemented on January 1, 2025.

The Tariff of Rates and Charges incorporates the rates set out in the following table.

Table 11.1: Regulatory Charges

Rate	per kWh
Rural or Remote Electricity Rate Protection (RRRP)	\$0.0015
Wholesale Market Service (WMS) billed to Class A and B Customers	\$0.0041
Capacity Based Recovery (CBR) billed to Class B Customers	\$0.0004

Each of these rates is a component of the “Regulatory Charge” on a customer’s bill, established annually by the OEB through a separate, generic order. The RRRP and WMS rates were set by the OEB on December 10, 2024.⁴⁹

The Smart Metering Entity Charge is a component of the “Distribution Charge” on a customer’s bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set by the OEB at \$0.42 on September 8, 2022.⁵⁰

In the *Report of the Board: Review of Electricity Distribution Cost Allocation Policy*,⁵¹ the OEB indicated that it will review the default province-wide microFIT charge annually to ensure it continues to reflect actual costs in accordance with the established methodology. On November 19, 2024, the OEB issued a letter advising electricity distributors that the microFIT charge shall be \$5.00 for the duration of the 2025 rate year (January 1 to December 31, 2025).⁵²

⁴⁹ EB-2024-0282, Decision and Order, December 10, 2024

⁵⁰ EB-2022-0137, Decision and Order, September 8, 2022

⁵¹ EB-2010-0219, Report of the Board “Review of Electricity Distribution Cost Allocation Policy”, March 31, 2011

⁵² OEB Letter, “Review of Fixed Monthly Charge for microFIT Generator Service Classification“, November 19, 2024

12. DECISION AND ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Hydro One Networks Inc. shall file with the OEB and forward to intervenors a draft Rate Order with a proposed Tariff of Rates and Charges attached that reflects the OEB's findings in this Decision and Order, no later than December 16, 2024. Hydro One Networks Inc. shall also include customer rate impacts and detailed information in support of the calculation of final rates in the draft Rate Order.
2. The intervenor and OEB staff shall file any comments on the draft Rate Order with the OEB and forward them to Hydro One Networks Inc. no later than December 17, 2024
3. Hydro One Networks Inc. shall file with the OEB and forward to the intervenor, responses to any comments on its draft Rate Order no later than December 18, 2024.

DATED at Toronto, December 11, 2024

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar