



## Wellington North Power Inc.

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ESA # 7012854

December 18, 2024

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

### **Re: Request for a 3-year Deferral of 2026 Cost of Service Application**

Dear Registrar:

According to the OEB's letter "Applications for 2026 Electricity Distribution Rates" dated December 9, 2024, Wellington North Power Inc. is scheduled to file a Cost of Service application (CoS) for rates effective May 1, 2026. The LDC last filed a CoS application in November 2020 and received OEB-approval for rates effective May 1, 2021 – OEB file EB-2020-0061.

For the reasons listed below, Wellington North Power Inc. ("WNP") respectfully requests a three-year deferral from its rebasing Cost of Service application. Subject to OEB-approval of its deferral request, this would result in WNP filing a Cost of Service application in August 2028 for rates effective May 1, 2029.

In its decision to request a deferral, WNP has considered several factors, namely:

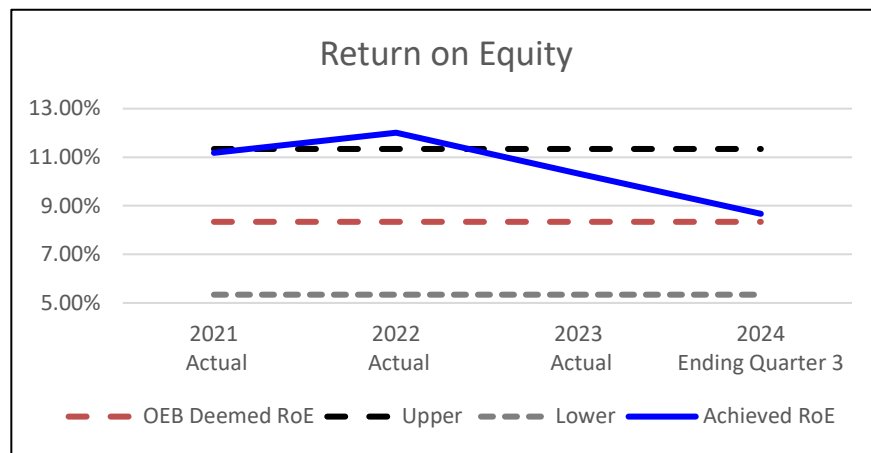
1. Financial results.
2. Distribution rates.
3. Service Quality Indicators.
4. System reliability performance.
5. Internal resources available to prepare a Cost of Service application.

#### **1) Financial results.**

Since WNP's last CoS rebasing application, the utility has had one year, 2022, where its Return on Equity (RoE) exceeded the 300 basis points of its OEB-approved RoE of 8.34%. This was primarily due to increased revenues driven by higher consumption and demand from industrial 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 steadily increased their usage and demand at the facility, and since 2022, the average monthly consumption has been 220,000 kWh with an 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.

The chart below illustrates WNP’s achieved RoE since its last CoS in 2021 including the latest unaudited RoE as of September 30, 2024:



## 2) Distribution Rates Adjustment History.

The table below summarizes the adjustments to WNP distribution rates since its last 2021 CoS application:

Rate Year	OEB Inflation Rate	OEB Allowable Rate for WNP	Rate Used in WNP Application	Comments	File Number
2021		-		2021 Cost of Service rates approved by OEB.	EB-2020-0061
2022	3.30%	3.00%	3.00%	Adjustment applied to 2021 approved rates.	EB-2021-0064
2023	3.70%	3.40%	3.40%	Adjustment applied to 2022 approved rates.	EB-2022-0069
2024	4.80%	4.50%	0.00%	Rate adjustment waived due to an overearning in 2022 Return on Equity.	EB-2023-0057
2025	3.60%	3.30%	0.00%	WNP has requested to forgo adjustment – pending OEB-approval.	EB-2024-0059

In its application for distribution rates effective May 1, 2024, EB-2023-0057, WNP requested to forgo the OEB-allowed Price Cap Index adjustment of 4.50%<sup>1</sup> due to an overearning of 367 basis points in its' 2022 Return on Equity<sup>2</sup>. The OEB-approved this request in its Decision & Rate Order<sup>3</sup> and resulted in the Applicant's 2024 distribution rates (Monthly Service Charges and Volumetric Charges) remaining the same as the 2023 OEB-approved distribution rates in WNP's 2023 IRM application (case EB-2022-0069).

In its application for distribution rates effective May 1, 2025, EB-2024-0059, WNP has requested to forgo the OEB-allowed Price Cap Index adjustment of 3.60%<sup>4</sup>. In preparing its' 2025 IRM application, WNP analyzed its financial position and determined that forgoing the inflation 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.

### 3) Service Quality Indicators.

WNP's service quality indicator metrics have continued to meet or exceed the OEB's targets as demonstrated in the table below:

Service Quality Metric	OEB Target	2021 Actual	2022 Actual	2023 Actual	2024 Ending Quarter 3
Connection of LV Services	90%	100.00%	100.00%	100.00%	100.00%
Connection of HV Services	90%	0.00%	0.00%	0.00%	0.00%
Appointment Scheduling	90%	99.94%	100.00%	99.94%	99.72%
Appointments Met	90%	99.56%	98.84%	97.40%	97.32%
Rescheduling a Missed Appointment	100%	100.00%	100.00%	100.00%	80.00%
Emergency Response (urban)	100%	100.00%	100.00%	100.00%	100.00%
Telephone Accessibility	65%	90.26%	89.85%	99.38%	99.39%
Telephone Call Abandon Rate	10%	0.16%	0.53%	0.49%	0.18%
Written Response to Enquiries	80%	100.00%	100.00%	100.00%	100.00%
Reconnection for Non-Payment	85%	100.00%	100.00%	100.00%	100.00%
Billing Accuracy	98%	99.52%	99.82%	99.57%	99.67%
Customer Satisfaction Results	?		79.00%		
ESA Public Safety Awareness Survey	?	84.70%		84.10%	

For 2024, WNP acknowledges that the utility will not meet the OEB's annual target for rescheduling a missed appointment. For this metric, as of September 30, 2024, WNP is at 80%

<sup>1</sup> "2024 Inflation Parameter" letter issued June 29, 2023, stated an inflation factor of 4.80%. As WNP's Stretch Factor was 0.30%, this would have resulted in a Price Cap Index rate of 4.50% adjustment on 2023 OEB-approved distribution rates

<sup>2</sup> EB-2023-0057 2024 Price Cap IR Distribution Rate Application, Wellington North Power Inc. section 14.1 Annual Adjustment Mechanism

<sup>3</sup> Decision and Rate Order EB-2023-0057 Wellington North Power inc., section 4. Annual Adjustment Mechanism

<sup>4</sup> "2025 Inflation Parameter" letter issued June 20, 2024, stated an inflation factor of 3.60%

which is below the annual OEB target of 100%. The reason for this was due to 2 locates that were rescheduled in May 2024 were not completed within the required time – this was a training issue for a newly hired powerline technician. Appropriate training was provided a few days the LDC identified the 2 rescheduled appointments had been missed. Since then, no further missed appointments have occurred reflecting the effectiveness of the utility’s corrective actions. Moving forward, WNP is confident that its training and monitoring will ensure compliance with OEB targets.

**4) System reliability performances.**

Since its 2021 CoS application, WNP has exceeded the OEB’s system reliability performance targets<sup>5</sup> except in 2022 as illustrated in the table below:

Service Reliability		OEB Target	2021 Actual	2022 Actual	2023 Actual	2024 Ending Quarter 3
Average Number of Hours that Power to a Customer is Interrupted	SAIDI	0.27	0.23	0.35	0.10	0.13
Average Number of Times that Power to a Customer is Interrupted	SAIFI	0.24	0.17	0.34	0.10	0.10

In 2022, WNP recorded 0.35 average hours of interrupted power for the year and 0.34 times power is interrupted, both of which are above the utility’s targets of 0.27 hours and 0.24 times. These results occurred because of planned pole-line replacement projects in residential neighbourhoods causing customers to experience a brief power outage to enable crews to work safely rather than work on a "live system". Each affected Residential and General Service customer was counted as an individual outage, which contributed to the elevated metrics.

WNP’s historic annual system reliability performance demonstrates the utility is effectively managing its distribution system as well as maintaining and replacing assets appropriately while ensuring a safe working environment for powerline technicians and the community.

**5) Internal resources available to prepare a Cost of Service application.**

In considering a deferral request, WNP has also evaluated whether the time, resources and expense related to preparing an application would be in the best interest of the utility, customers and stakeholders.

WNP recently hired a Manager of Operations who started at the utility on December 16, 2024. In previous CoS applications, WNP has submitted Distribution System Plans (DSP) prepared and written by the utility. In WNP’s opinion, the newly hired Manager of Operations requires time to

<sup>5</sup> SAIDI & SAIFI targets based on 5-year average of 2016-2020 actuals (Loss of Supply and Major Event Day adjusted)

become familiar with the utility's distribution system, assets, equipment and historical performance to be able to prepare a DSP for its next CoS.

If WNP were denied its deferral request, then the utility would likely need to retain a third-party to help write a compelling DSP that meets all the OEB's Chapter 5 Filing Requirements. This additional expense goes against the principles of the "Very Small Utilities Working Group Report to the OEB" (EB-2023-0229) which explored opportunities to reduce the regulatory burden on very small utilities in filing major rate applications.

**Summary:**

Based on the information provided above and in WNP's opinion, filing a Cost of Service application in 2025 would not benefit the utility's stakeholders. Therefore, WNP is requesting to defer its Cost of Service application for a 3-year period and to rebase for rates effective May 1, 2029. If this request is approved by the OEB, then WNP would file an annual Price Cap Index application for setting rates for the years of 2026, 2027 and 2028.

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

Respectfully submitted,



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CEO / President

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