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**BY EMAIL**

April 9, 2025

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Nancy Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission  
Welland Hydro-Electric System Corp.  
Application for 2025 Electricity Distribution Rates  
OEB File Number: EB-2024-0058**

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Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Decision and Order dated March 27, 2025.

Yours truly,

Narisa Jotiban  
Senior Advisor – Electricity Distribution

Encl.

cc: All parties in EB-2024-0058



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission**

**Welland Hydro-Electric System Corp.**

**Application for 2025 Electricity Distribution Rates**

**EB-2024-0058**

**April 9, 2025**

## Introduction

Welland Hydro-Electric System Corp. (Welland Hydro-Electric System) filed a cost of service application with the Ontario Energy Board (OEB) under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for the rates that Welland Hydro-Electric System charges for electricity distribution effective May 1, 2025.

On January 23, 2025, Welland Hydro-Electric System filed a settlement proposal (Settlement Proposal), representing a complete agreement on all issues agreed to by Welland Hydro-Electric System and the parties in the settlement conference.

OEB staff filed a submission on the Settlement Proposal on February 6, 2025 which requested that Welland Hydro-Electric System should file an updated “RTSR Workform” and “Tariff Schedule and Bill Impact Model” to reflect updated 2025 Retail Transmission Service Rates (RTSR) rates derived based on the 2025 final Uniform Transmission Rates (UTRs) issued on January 21, 2025.

In response to OEB staff’s submission, Welland Hydro-Electricity System filed an updated “RTSR Workform” and “Tariff Schedule and Bill Impact Model” on February 18, 2025.

In Its Decision and Order<sup>1</sup> issued on March 27, 2025 (Decision), the OEB accepted the Settlement Proposal and directed Welland Hydro-Electric System to file a draft rate order (DRO) showing the impact of any required adjustments related to the 2025 final Cost of Capital Parameters<sup>2</sup> and 2025 final UTRs.<sup>3</sup>

Welland Hydro-Electric System filed its draft rate order (DRO) on April 3, 2025. The total bill impacts (excluding taxes and Ontario Electricity Rebate) for a typical residential customer with a monthly consumption of 750kWh will be a decrease of \$4.68 (3.5%).

OEB staff has reviewed and has no concerns with the DRO. OEB staff has confirmed that Welland Hydro-Electric System has implemented the OEB’s direction set out in the Decision.

The following section provides OEB staff’s detailed comments on the DRO.

## Comments on the DRO

### Uniform Transmission Rates and Retail Transmission Service Rates

On January 23, 2025, Welland Hydro-Electric System filed its “RTSR Workform” as part of the Settlement Proposal. In OEB staff’s submission on the Settlement Proposal, OEB staff noted that the 2025 RTSR rates used in the Settlement Proposal were derived

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<sup>1</sup> EB-2024-0058, [Decision and Order](#), March 27, 2025

<sup>2</sup> EB-2024-0063, [Decision and Order](#), March 27, 2025

<sup>3</sup> EB-2024-0244, [Decision and Rate Order](#), January 21, 2025

based on the 2025 preliminary UTRs and submitted that Welland Hydro-Electric System should file updated “RTSR Workform” to reflect updated 2025 RTSR rates based on the OEB’s 2025 final UTRs.<sup>4</sup> On February 18, 2025, Welland Hydro-Electric System filed an updated “RTSR Workform” with updated 2025 RTSR rates which were derived based on the 2025 final UTRs.<sup>5</sup>

As noted in the Decision, Welland Hydro-Electric System is required to make updates to reflect the OEB’s final decision on the 2025 UTRs. In its DRO, Welland Hydro-Electric System confirmed that no other updates are required to the “RTSR Workform” that was filed on February 18, 2025.<sup>6</sup>

OEB staff has reviewed and confirmed that the proposed 2025 RTSR rates contained in the updated “RTSR Workform” (filed on February 18, 2025) were derived using the 2025 final UTRs. OEB staff submits that it has no concerns with the proposed 2025 RTSR rates.

### **Cost of Power**

Welland Hydro-Electric System filed the “Chapter 2 Appendices” as part of its DRO. OEB staff notes that the cost of power calculation in Appendix 2-ZB remains unchanged from the Settlement Proposal (filed on January 23, 2025) since the 2025 RTSR rates used in the cost of power calculation in the DRO are based on the 2025 RTSR rates from the “RTSR Workform” filed on January 23, 2025, not the updated “RTSR Workform” (filed on February 18, 2025).

OEB staff notes if the cost of power were calculated using the 2025 RTSR rates from the updated “RTSR Workform” filed on February 18, 2025, there would be no material impact on the revenue requirement nor distribution rates for the 2025 Test Year compared to using the 2025 RTSR rates from the “RTSR Workform” filed on January 23, 2025. OEB staff submits that it has no concerns with the total cost of power amount of \$46.0M in Appendix 2-ZB of the DRO.

### **Cost of Capital**

As per the Decision, Welland Hydro-Electric System was directed to file a DRO to reflect the 2025 final Cost of Capital Parameters.<sup>7</sup>

Welland Hydro-Electric System stated in its DRO that it updated its 2025 short-term debt to 3.91% (compared to 5.04% in the Settlement Proposal) and return on equity to 9% (compared to 9.25% in the Settlement Proposal) based on the OEB’s 2025 final Cost of Capital Parameters which have been incorporated into the “Revenue Requirement Workform”, “Cost Allocation Model”, “Income Tax and PILs Model”, and

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<sup>4</sup> EB-2024-0058, [OEB Staff Submission](#), February 6, 2025, p. 11

<sup>5</sup> EB-2024-0244, [Decision and Rate Order](#), January 21, 2025

<sup>6</sup> EB-2024-0058, [Draft Rate Order](#), April 3, 2025, p. 6

<sup>7</sup> EB-2024-0063, [Decision and Order](#), March 27, 2025

“Tariff Schedule and Bill Impact Model”.<sup>8</sup>

OEB staff confirms that the cost of capital has been appropriately calculated to reflect the 2025 final Cost of Capital Parameters for short-term debt rate and return on equity (ROE). For the proposed 2025 long-term debt rate, Welland Hydro-Electric System used the agreed upon rate of 2.99% from the Settlement Proposal which is lower than the OEB’s deemed long-term rate of 4.51%.

OEB staff submits that it has no concerns with the cost of capital and the capital structure for the 2025 Test Year.

### **Income Tax and Payments in Lieu of Taxes (PILs)**

In the DRO, OEB staff notes that Welland Hydro-Electric System appropriately updated the Cost of Capital Parameters in the updated “Income Tax and PILs Model”. The resulting PILs (grossed up) is a decrease of \$16.6k, to \$306k compared to \$323k in the Settlement Proposal.

OEB staff submits that it has no concerns with the updated “Income Tax and PILs Model”.

### **Revenue Requirement**

The aforementioned changes to the deemed short-term rate and the ROE result in changes to the revenue requirement for the 2025 Test Year. Welland Hydro-Electric System provided an updated “Revenue Requirement Workform” as part of its DRO.

The total change in the base revenue requirement is a decrease of \$83k to \$12.6M compared to \$12.7M in the Settlement Proposal. OEB staff notes that Welland Hydro-Electric System accurately updated the revenue requirement amounts in the “Revenue Requirement Workform” for the 2025 Test Year.

OEB staff submits that it has no concerns with the updated revenue requirement for the 2025 Test Year.

### **Cost Allocation**

As a result of the changes to the 2025 revenue requirement, Welland Hydro-Electric System updated the Cost Allocation Model in its DRO. OEB staff has reviewed the Cost Allocation Model including the revenue-to-cost ratios, and notes that they are consistent with the methodologies used in the OEB-approved settlement proposal. OEB staff submits that it has no concerns with the updated cost allocation including the revenue-to-cost ratios.

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<sup>8</sup> EB-2024-0058, [Draft Rate Order](#), April 3, 2025, p. 5

## Rate Design

As a result of the changes to the revenue requirement and the revenue-to-cost ratios for the 2025 Test Year, Welland Hydro-Electric System provided updated fixed/variable splits, monthly service charges, and volumetric rates for all rate classes in its DRO. OEB staff notes that the rate design methodologies are consistent with the methodologies in OEB-approved settlement proposal. OEB staff submits that it has no concerns with the proposed rate design.

## DVA Continuity Schedule

In the DRO, Welland Hydro-Electric System did not provide any updates to the “DVA Continuity Schedule” which was last updated and filed on February 18, 2025.

OEB staff notes that distribution revenue (Tab 4, Row I of the “DVA Continuity Schedule”) is used to allocate certain Group 2 DVA balances to rate classes. Since the base revenue requirement has been updated in the DRO, the update should result in changes to the Group 2 DVA rate riders for certain rate classes. OEB staff submits that as part of its reply comment, Welland Hydro-Electric System should file updated “DVA Continuity Schedule” with corrected Group 2 DVA rate riders which are derived based on corrected distribution revenue.

## Tariff Schedule and Bill Impact Model

In the “Tariff Schedule and Bill Impact Model” filed on February 18, 2025, Welland Hydro-Electric System updated the proposed 2025 Tariff of Rates and Charges (Tab 5) and bill impacts (Tab 6) to reflect the updated 2025 RTSR rates derived based on the final 2025 UTRs in response to OEB staff’s submission on the Settlement Proposal.

In the DRO, Welland Hydro-Electric System updated the “Tariff Schedule and Bill Impact Model” further to reflect the updated 2025 monthly service charges and volumetric rates.

OEB staff notes that Welland Hydro-Electric System accurately updated the proposed 2025 Tariff of Rates and Charges (Tab 5 of the “Tariff Schedule and Bill Impact Model”) with an exception of the Group 2 DVA rate riders which should be updated to reflect the correct distribution revenue contained in Tab 4, Row I of the “DVA Continuity Schedule”. OEB staff submits that Welland Hydro-Electric System should refile the “Tariff Schedule and Bill Impact Model” to reflect the updated Group 2 DVA rate riders as well as recalculate the bill impacts (Tab 6 of the “Tariff Schedule and Bill Impact Model”) as part of its reply comment.

~All of which is respectfully submitted~