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BY EMAIL

April 30, 2025

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Nancy Marconi:

**Re: Ontario Energy Board (OEB) Staff Comments
Greater Sudbury Hydro Inc.
2025 Cost of Service Application
OEB File Number: EB-2024-0026**

Please find attached OEB staff's comments on the draft rate order in the above referenced proceeding, pursuant to the OEB's April 15, 2025 Partial Decision and Interim Rate Order. Greater Sudbury Hydro and all intervenors have been copied on this filing.

Yours truly,

Georgette Vlahos
Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2024-0026



ONTARIO ENERGY BOARD

OEB Staff Comments on Draft Rate Order

Greater Sudbury Hydro Inc.

Cost of Service Application

EB-2024-0026

April 30, 2025

1. Introduction

Greater Sudbury Hydro filed a cost of service application dated October 30, 2024 with the OEB, seeking approval for changes to the rates that Greater Sudbury Hydro charges for electricity distribution, beginning May 1, 2025.¹ In its Partial Decision and Interim Rate Order², the OEB accepted the partial settlement proposal and made provision for a draft rate order (DRO) process for Greater Sudbury Hydro to implement the outcomes of the OEB's decision in the generic Cost of Capital proceeding.³ The OEB directed that the filing of the DRO would include customer rate impacts and detailed information in support of the calculation of final rates.⁴

Greater Sudbury Hydro filed its DRO on April 24, 2025.

OEB staff has reviewed the DRO and has confirmed that Greater Sudbury Hydro has implemented the OEB's direction related to the 2025 cost of capital update as set out in the Partial Decision and Interim Rate Order. OEB staff has identified certain other updates that may be required as part of Greater Sudbury Hydro's reply comments. The following section provides OEB staff's detailed comments on the DRO.

2. OEB Staff Comments on DRO

Cost of Capital

Consistent with the partial settlement proposal for its long-term debt component, Greater Sudbury Hydro applied the OEB's deemed 2025 rate of 4.51%⁵ to its affiliate debt (the only debt instrument that uses the OEB's deemed long-term debt rate as per the partial settlement proposal).⁶ The updated weighted average cost of long-term debt is 4.15%, as opposed to 4.26%.

Greater Sudbury Hydro's DRO also reflects updates for the OEB's deemed 2025 short-term debt rate and return on equity rate (3.91% and 9.00%, respectively).⁷

Due to the changes in the OEB's deemed rates for long-term debt and short-term debt, the total return on debt was reduced from \$3,289,732, to \$3,153,932, a decrease of \$135,800. The change in the OEB's deemed return on equity rate resulted in a

¹ Pursuant to section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B)

² EB-2024-0026, Partial Decision and Interim Rate Order, April 15, 2025

³ EB-2024-0063, Decision and Order, March 27, 2025

⁴ EB-2024-0026, Partial Decision and Interim Rate Order, April 15, 2025, Order #4

⁵ EB-2024-0063, Decision and Order, March 27, 2025

⁶ GSHI_Settlement_2025_Filing_Requirements_Chapter 2_Appendices_20250319, Tab 2-OEB – Debt Instruments

⁷ EB-2024-0063, Decision and Order, March 27, 2025

decrease in the total return on equity from \$4,704,704 to \$4,577,550, a decrease of \$127,154.

Income Tax and Payments in Lieu of Taxes (PILs)

The change in return on equity resulted in a decrease to the level of PILs, from \$798,732 to \$752,888, a decrease of \$45,844.

Revenue Requirement

The updates noted above decreased the base revenue requirement from \$31,173,311 to \$30,864,512, a decrease of \$308,799.

OEB staff submits that the updated base revenue requirement, reflecting the changes to the cost of capital parameters, is consistent with the OEB's Partial Decision and Interim Order in this proceeding.

Cost Allocation and Rate Design

As a result of the changes to revenue requirement, the cost allocation model was also updated, and consequently the revenue-to-cost ratios.

The Sentinel Lighting rate class remains the only rate class outside of the target revenue-to-cost ranges, now at 79.41%, down from 79.49%. Greater Sudbury Hydro continues to propose an increase to 80% in 2025, with an offsetting decrease to the Street Lighting rate class, the class with the highest revenue-to-cost ratio, now at 119.57% after adjustment.

OEB staff submits that the updated cost allocation, reflecting updates as a result of the cost of capital parameter updates, is consistent with the settlement proposal in this proceeding.

DVA Continuity Schedule

In the DRO, Greater Sudbury Hydro did not provide any updates to the "DVA Continuity Schedule" filed as part of the partial settlement proposal on March 19, 2025.

OEB staff notes that distribution revenue (Tab 4, Column 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 may result in changes to the Group 2 DVA rate riders for certain rate classes.

OEB staff submits that as part of its reply comments, Greater Sudbury Hydro should file an updated "DVA Continuity Schedule" with corrected Group 2 DVA rate riders which reflect the distribution revenue changes.

Tariff Schedule and Bill Impact Model

Greater Sudbury Hydro provided two versions of the OEB's Tariff Schedule and Bill Impact Model – one which reflects the partially settled issues and one which reflects the impact of the unsettled matters, as proposed.⁸ The updated models, respectively, reflect the changes due to the cost of capital updates, but do not reflect the DVA issue identified by OEB staff in the section above. OEB staff submits that Greater Sudbury Hydro should refile the Tariff Schedule and Bill Impact Model to reflect the updated Group 2 DVA rate riders.

In its DRO, Greater Sudbury Hydro requested that the words “(per connection)” be added to the Unmetered Scattered Load rate class for the “Rate Rider for Disposition of Capacity Based Recovery Account Applicable only for Class B Customers – effective until April 30, 2026” as it would be consistent with how the rate rider is calculated.⁹ OEB staff does not take issue with this request in this case.

In its DRO, Greater Sudbury Hydro noted that it corrected an error related to the Group 2 DVA rate rider for the GS>50 kW customer class. The rate rider was entered as a **debit** of \$0.0717/kW into the Tariff Schedule and Bill Impact Model, when it should have been a **credit** of \$0.0717/kW.¹⁰ As stated above, Greater Sudbury Hydro should reflect any updated Group 2 DVA rate riders (as a result of the distribution revenue updates) in the next iteration of its Tariff Schedule and Bill Impact Model.

Further, OEB staff note the following discrepancies in the Tariff Schedule and Bill Impact Model which should also be addressed by Greater Sudbury Hydro as part of its reply comments:

- Tab 5 - Final Tariff Schedule: the total loss factor for a primary metered customer < 5,000kW does not match the partial settlement proposal. Tab 5 shows 1.0354 while Table 19 of the partial settlement proposal shows 1.0355.
- Tab 3 - Regulatory Charges:
 - The [latest Ontario Electricity Rebate](#) rate is 13.1%. The model shows 19.3% on Tab 3, which also pulls into Tab 6.
 - Time-of-Use Regulated Price Plan (RPP) Prices should be updated to reflect the latest RPP Report¹¹
 - The Rural or Remote Electricity Rate Protection (RRRP) rate on Tab 3

⁸ As per the OEB's [Partial Decision and Interim Rate Order](#), issued April 15, 2025, the OEB accepted the proposal for a written hearing process to consider the unsettled issues in this proceeding. The OEB issued [Procedural Order No. 2](#) on April 24, 2025 which made provision for procedural steps for the unsettled issues in this proceeding.

⁹ EB-2024-0026, Greater Sudbury Hydro Draft Rate Order, April 24, 2025, p. 2

¹⁰ Ibid

¹¹ [Regulated Price Plan Price Report](#), November 1, 2024 to October 31, 2025, issued October 18, 2024

(and Tab 6) does not match the OEB's latest generic decision.¹² OEB staff note that Tab 5 of the model (i.e., the Tariff of Rates and Charges) reflects the correct current rate of \$0.0015/kWh.

When Greater Sudbury Hydro is preparing its updated Tariff Schedule and Bill Impact model for its reply comments, OEB staff reminds Greater Sudbury Hydro that the Chapter 2 Requirements state that "The bill impacts are to be based on commodity rates based on time-of-use and regulatory charges held constant."

Greater Sudbury Hydro did not provide a stand-alone Tariff of Rates and Charges as part of the DRO filing. OEB staff submits that as part of its reply, along with filing revised models, Greater Sudbury Hydro should file a standalone version of its proposed Tariff of Rates and Charges.

~All of which is respectfully submitted~

¹² EB-2024-0282, Decision and Order, December 10, 2024