

Hydro Hawkesbury Inc. Response to OEB Staff Questions EB-2025-0031

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Staff Question-1

Ref: EB-2025-0031, 2026 IRM Rate Generator Model, Tab 3, Continuity Schedule

Preamble:

On September 11, 2025, the OEB published the 2025 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

- a) Please confirm that Tab 3 (Continuity Schedule) reflects the Q4 2025 OEB- prescribed interest rate of 2.91%. If not, please update Tab 3, as necessary.

Response: (MNP)The prescribed interest rate for Q4 is the same as for Q3. The rate of 2.91% was used for the last 6 months of 2025. No changes required.

Staff Question-2

Ref 1: EB-2024-0063, OEB Letter, July 26, 2024

Ref 2: EB-2024-0063, OEB Letter, October 31, 2024

Ref 3: EB-2024-0063, Decision and Order, March 27, 2025, Page 92

Ref 4: EB-2024-0031, Settlement Proposal, December 20, 2024, Page 18

Preamble:

On July 26, 2024, the OEB issued a Letter and Accounting Order establishing a variance account for the deemed short-term debt rate (DSTDR) related to the generic proceeding on cost of capital and other matters.

On October 31, 2024, the OEB issued a Letter and Accounting Orders establishing two variance accounts. One is the account regarding the return on equity (ROE) and the

other is the account regarding deemed long-term debt rate (DLTDR), both related to the generic proceeding on cost of capital and other matters.

On March 27, 2025, the OEB issued its decision and order for the above-noted generic proceeding. The OEB addressed the variance accounts established by the above-noted Accounting Order and stated:

Utilities that implemented rates in 2025 using interim cost of capital parameters were granted variance accounts to record the difference between the revenue requirement at interim and final cost of capital parameters. The OEB will consider the disposition of these balances in both IRM and Custom IR update rate applications. The OEB will also consider applications to amend base rates to reflect any changes in revenue requirement for 2025, but only if there was no specific treatment previously approved by the OEB for the 2025 rate application. This approach will allow the variance accounts for 2025 to be disposed and closed.

Any adjustment to base rates should use only data from the final approved revenue requirement calculation and billing determinants (no updated forecast).

Question(s):

- a) Please confirm whether there is any balance recorded in these three variance accounts starting from January 1, 2025.
 - 1) If yes, please explain whether Hydro Hawkesbury is planning to dispose of and close the variance accounts relating to the DSTDR, DLTD, and ROE, as applicable, as part of this application for 2026 rates.
 - i) If Hydro Hawkesbury is not planning to dispose these DVAs in this application. Please explain when Hydro Hawkesbury plans to dispose of these variance accounts.
 - ii) Please explain when Hydro Hawkesbury plans to dispose of these variance account(s).
 - iii) Please explain how Hydro Hawkesbury plans to mitigate generating significant balances in the variance account(s) and minimize intergenerational equity if it is not requesting for the disposition in this application.
 - 2) If no, please explain why there is no balance recorded in these DVAs since Hydro Hawkesbury is tracking the variance for 2025.
- b) Please confirm whether Hydro Hawkesbury is considering applications to amend base rates to reflect any changes in revenue requirement for 2025 per Ref3.
 - 1) If yes, please provide details of this proposal.
- c) If Hydro Hawkesbury is recording balance and decides to seek disposition for these three DVAs in this application
 - 1) Please submit the continuity schedule of these three accounts.
 - 2) Please explain how the requirements of the OEB's March 27, 2025 decision and Accounting Orders have been addressed in the current application to dispose of these variance account(s) and confirm the accuracy of the balances in such variance accounts.

Response:

Preamble:

Hydro Hawkesbury Inc. (HHI) has reviewed the OEB's Cost of Capital Decision and Order issued March 27, **2025** (EB-2024-0063) and subsequent OEB Staff guidance confirming that base-rate amendments may be incorporated within a 2026 IRM proceeding.

Accordingly, HHI is applying a two-part approach
Disposition of 2025 accumulated balances in the DSTDR, DLTD, and ROE variance
accounts through a one-time rate rider effective January 1, 2026; and

1. Realignment of 2025 base rates to the OEB's final cost-of-capital parameters, thereby eliminating the need for any further variance tracking or disposition beyond 2025.
 2. This treatment ensures that all 2025 variances are cleared and that HHI's approved rates are fully aligned with the OEB's final parameters going forward.
- a) HHI confirms that balances have been recorded in the DSTDR, DLTD, and ROE variance accounts beginning January 1, 2025, consistent with the OEB's Accounting Orders of July 26 and October 31 2024. HHI is proposing to dispose of the accumulated 2025 balances as part of this 2026 IRM application through a one-time rate rider effective January 1, 2026. This rider will clear all 2025 variances, and the associated accounts will be closed following the year-end reconciliation of 2025.

In parallel, HHI has amended its 2025 base rates to reflect the OEB's final cost-of-capital parameters, which eliminates the need for any variance tracking on a prospective basis.

- b) HHI confirms that it is amending its 2025 base rates to reflect the OEB's final cost-of-capital decision dated March 27, 2025. The recalculation of the 2025 revenue requirement uses the OEB's final parameters as shown below:

Parameter	Final Value
Return on Equity (ROE)	9.00 %
Deemed Long-Term Debt Rate	4.51 %
Deemed Short-Term Debt Rate	3.91 %
Weighted Average Cost of Capital (WACC)	6.28 %

The recalculation was performed within a worksheet based on the RRWF framework.

The return-on-equity and debt rates were updated, which automatically adjusted the overall revenue requirement while preserving the Board-approved revenue-to-cost ratios and fixed-to-variable splits from the 2025 Cost Allocation and Rate

Design models.

All related models (RRWF, ACM, and IRM) have been updated to reflect the revised revenue requirement and base rates.

This approach ensures that the rates effective January 1, 2026, fully align with the OEB's final cost-of-capital decision while disposing of the 2025 balances through the one-time rate rider.

- c) By embedding the OEB's final cost-of-capital parameters directly into the 2025 base rates, HHI has eliminated the need for any future tracking or disposition of cost-of-capital variances.
Only the 2025 accumulated balances will be disposed of through this application, after which the DSTDR, DLTDR, and ROE variance accounts will be closed.

The supporting file HHI Base Current Rates vs Revised Rates (20251015) illustrates the comparative rate calculations and revenue-requirement adjustments as well as calculations of the rate riders to dispose of the variance account balances.

All balances have been recorded in accordance with the OEB's Accounting Orders (July 26 and October 31, 2024) and reconciled to internal financial records.

The revised RRWF, ACM, and IRM models filed with this application demonstrate that both the one-time variance disposition and the base-rate realignment fully comply with the OEB's March 27, 2025, Decision and related accounting guidance.

Table 1 – Revised Rates

<u>Fixed Rates</u>	<u>Current Rates</u>	<u>Proposed</u>	<u>Change</u>
	Fixed	Fixed	
Residential	\$22.51	\$22.39	-\$0.1203
General Service<50kW	\$20.28	\$20.17	-\$0.1083
General Service 50-4999kW	\$112.00	\$111.40	-\$0.5984
Unmetered Scattered Load	\$9.62	\$9.57	-\$0.0514
Sentinel Lights	\$1.74	\$1.73	-\$0.0093
Streetlights	\$0.58	\$0.57	-\$0.0031

<u>Variable Rates</u>	<u>Current Rates</u>	<u>Proposed</u>	<u>Change</u>
	Var	Var	
Residential	\$0.0000	\$0.0000	\$0.0000
General Service<50kW	\$0.0092	\$0.0092	\$0.0000
General Service 50-4999kW	\$2.1118	\$2.7005	\$0.5887
Unmetered Scattered Load	\$0.0057	\$0.0057	\$0.0000
Sentinel Lights	\$4.0790	\$4.0572	-\$0.0218
Streetlights	\$6.3099	\$6.2761	-\$0.0337

Table 2 - 2025 DSTDR, DLTD, and ROE Rate Rider

# Months	12
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Rate Class (Enter Rate Classes in cells below)	Units	Billing Unit	Rev Reqt Allocation	% Allocation	Balance of Group 2 Accounts	1508 Cost of Capital 2025 Var Rider
RESIDENTIAL	# of Customers	4,972	\$1,336,056.71	60.93%	-\$7,175.95	-\$0.01
GENERAL SERVICE LESS THAN 50 KW	kWh	18,064,851	\$313,152.76	14.28%	-\$1,681.94	\$0.0000
GENERAL SERVICE 3,000 TO 4,999 KW	kW	188,790	\$518,211.21	23.63%	-\$2,783.31	-\$0.0012
UNMETERED SCATTERED LOAD	kWh	412,999	\$4,077.14	0.19%	-\$21.90	\$0.0000
SENTINEL LIGHTING	kW	704	\$3,789.60	0.17%	-\$20.35	-\$0.0024
STREET LIGHTING	kW	1,431	\$17,640.24	0.80%	-\$94.75	-\$0.0055
Total			\$2,192,927.67	100.00%	-\$11,778.20	

*Difference in
Base Rev Req*

Staff Question-3

Ref: EB-2025-0031, HHI_2026 IRM Rate Generator_20250814, Tab 4, Billing Det.
For Def-Var, Cell J4

Preamble:

The checkbox on top of Tab 4 in the 2026 IRM Rate Generator Model relating to distributor validation of volumetric data has not been checked by Hydro Hawkesbury.

Question(s):

- a) Please check the checkbox if Hydro Hawkesbury has confirmed the accuracy of the data in Tab 4.
- b) If Hydro Hawkesbury has found issues with the tariff sheet or identified any issues, please explain the differences.

Response:

- a) The checkbox has been checked accordingly
- b) N/A.

Staff Question-4

Ref 1: EB-2025-0031, HHI_2026 IRM Rate Generator_20250814, Tab 6, Class A Consumption Data, Note 3a

Ref 2: EB-2025-0031, HHI_2026 IRM Manager Summary 20250820, 10.3 Class A and Class B Customers, Page 14

Preamble:

Hydro Hawkesbury did not identify if Customer 1 and Customer 2 were Class A or Class B customer in Cells F32, G32, F35 and G35.

3a Enter the number of transition customer you had during the period the Account 1589 GA or Account 1580 CBR B balance accumulated (i.e. from the year after the balance was last disposed per #1a/1b above to the current year requested for disposition).

2	Clear All
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Transition Customers - Non-loss Adjusted Billing Determinants by Customer

Customer	Rate Class	2024	
		July to December	January to June
Customer 1	GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kWh 2,169,863	2,246,620
		kW 5,139	4,078
	Class A/B		
Customer 2	GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kWh 1,157,130	1,155,523
		kW 4,992	4,580
	Class A/B		

Question(s):

- a) Please update Tab 6, to identify Class A or Class B for transition Customers 1 and 2 for the above noted periods. Please confirm that these updates have been accurately reflected throughout the Rate Generator Model.

Response:

Both Customer 1 and Customer 2 were Class B customers from January 1 to June 30, 2024, and transitioned to Class A effective July 1, 2024, consistent with the IESO's annual Class A designation cycle.

Accordingly, Tab 6 (Class A Consumption Data) of the Rate Generator Model has been updated to identify:

January – June 2024: Class B

July – December 2024: Class A

These updates have been applied to the noted cells (F32, G32, F35, G35) and verified throughout the Rate Generator Model to ensure the correct classification is reflected in all dependent worksheets and calculations.

Staff Question-5

Ref 1: EB-2025-0031, Hydro Hawkesbury, HHI_2026 IRM Rate Generator_20250814, Tab 3, Continuity Schedule, Columns BM and BN

Ref 2: EB-2024-0031, Hydro Hawkesbury, Decision and Rate Order, Settlement Proposal by Issue Number, 6. Deferral and Variance Accounts, Table 19 – DVA Balances for Disposition, Page 37

Preamble:

The Decision and Rate Order in Hydro Hawkesbury's Cost of Service application for 2025 rates indicates that the OEB-approved disposition amount for Account 1580 is

\$37,327. The Tab 3 Continuity Schedule in the 2026 IRM Rate Generator Model shows the OEB-approved disposition amount for Account 1580 as \$37,171.

Account	Account 1580 RSVA – Wholesale Market Service Charge	Account 1580 Variance WMS – Sub-account CBR Class A	Account 1580 Variance WMS – Sub-account CBR Class B
Settlement Proposal Dec 20, 2024	\$37,327	N/A	N/A
Principal Disposition during 2025 – instructed by OEB in Tab 3	\$31,355	(\$131)	(\$1,889)
Interest Disposition during 2025 – instructed by OEB in Tab 3	\$9,447	(\$26)	(\$1,585)
Total Disposition in Tab 3	\$40,802	(\$157)	(\$3,474)

Question(s):

- Please explain the discrepancy in the OEB-approved disposition amount for Account 1580, between the EB-2024-0031 Decision and Order and Tab 3 Continuity Schedule of the 2026 IRM rate application.

Response: (MNP)The amount in the settlement is the total of 1580 (\$40,802) and 1580 Class B (-\$3,474). 1580 Class A has not been considered in the claim. On tab 3, cell BT24 should be -\$157, not \$0.

Staff Question-6

Ref 1: EB-2025-0031, Hydro Hawkesbury, HHI_2026 IRM Rate Generator_20250814, Tab 3, Continuity Schedule, Cells BV24 and BV 25

Ref 2: EB-2025-0031, Hydro Hawkesbury, HHI_2026 IRM Rate Generator_20250814, Tab 3, Continuity Schedule, Note 5

Ref 3: 2025 RRR Filing Guide for Electricity Distributors' reporting and record keeping requirements (RRR), March 14, 2025, Page 114

Preamble:

Hydro Hawkesbury records a balance of \$1,576 in Column BW for Account 1580 RSVA – Wholesale Market Service Charge but has a balance of 0 for both accounts Variance WMS – Sub-account CBR Class A and Variance WMS – Sub-account CBR Class A, Cell BV24 and Cell BV 25 respectively.

As per 2025 RRR filing guide, the reported Account 1580 balance should include the balances in the Wholesale Market Service, sub-account CBR Class A, and sub-account CBR Class B.

Question(s):

- a) Based on Tab 3, note 5, the control account should include the balance for Account 1580, Variance WMS – Sub-account CBR Class B. RRR balance for Account 1580 RSVA – Wholesale Market Service Charge should equal to the control account as reported in the RRR. Please confirm if Hydro Hawkesbury has submitted a revision request to the RRR filing. If not, please explain why.

Response: (MNP) Currently, the total of BW23, BW24 and BW25 is \$0. We have always reported accounts 1580 this way. If we follow the instructions in note 5, we will have -\$455 in cell BW23 and \$475 in cell BW24.

Staff Question-7

Ref 1: EB-2025-0031, Hydro Hawkesbury 2026 IRM Application, Table 1 – Executive Summary Table, Page 7

Ref 1: EB-2025-0031, Hydro Hawkesbury 2026 IRM Application, Section 10 Low Voltage Service Rates, Page 12

Preamble:

Hydro Hawkesbury indicates that it is requesting an update of its low voltage service rates in the Executive Summary Table. However, on page 12 of the Manager's

Summary, Hydro Hawkesbury indicates that *'For the 2026 rate year, HHI is not proposing any changes to LV charges...'*

Question(s):

- a) Please confirm if Hydro Hawkesbury is requesting to update its low voltage service rate in the 2026 IRM Application. If yes, please update the Rate Generator Model accordingly.

Response:

- a) HHI is not requesting to update its LV charges as they are based on the most current information available and as such are up to date.

Staff Question-8

Ref: EB-2025-0031, HHI_2026 IRM Commodity Accounts Analysis_20250814, Tab GA 2024, Note 5 Reconciling Items, Item 2a and Item 2b

Preamble:

Hydro Hawkesbury recorded \$13,931 as 'Remove prior year end unbilled to actual revenue differences' and recorded \$72,565 as 'Add current year end unbilled to actual revenue differences' in 2a and 2b respectively in Tab GA 2024.

Hydro Hawkesbury did not select Yes/No in Cell I78 and I79 for principal adjustment on DVA Continuity Schedule.

Question(s):

- a) Please select 'Yes' or 'No' to indicate whether Hydro Hawkesbury seeks to include these two amounts as principal adjustment on DVA Continuity Schedule.
- b) If Hydro Hawkesbury selects not to include these two amounts as principal adjustment on DVA Continuity Schedule, please provide an explanation.

Response (MNP): The numbers in tab GA 2024 are from January to December 2024. When making the entries, some of the entries for December 2023 are made in January 2024 and some entries for December 2024 are made in January 2025. To compare to the variances, we have to add the entries for December 2023 recorded in January 2024 and we have to remove the entries for December 2024 made in January 2025. No adjustments are required to the Continuity Schedule because the entries are made according to the OEB instructions.

Staff Question-9

Question(s):

- a) As applicable, please update the Rate Generator Model to reflect any updated rates/charges (e.g., 2026 Uniform Transmission Rates).

- a) **Response:** HHI has incorporated the OEB-approved UTRs and related rates in its revised model,.