

**Cooperative Hydro Embrun
Inc.
EB-2025-0048
October 3, 2025**

Please note, Cooperative Hydro Embrun Inc. (Cooperative Hydro) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*, unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff Question-1

Ref: 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: CHEI has updated the projected interest rate to reflect 2.91% for the Q4 period.](#)

Staff Question-2

Ref: Manager Summary, Pages 7, 17, and 18

Preamble:

In Table 1 of the executive summary, Cooperative Hydro indicates that it is requesting disposition of Group 1 deferral and variance accounts. In section 11, on page 17, it indicates that it is not seeking approval to dispose of its Group 1 deferral and variance accounts as the calculated debit does not exceed the threshold established in the EDDVAR Report. Then, on page 18, it indicates that it is seeking disposition of the commodity accounts 1588 and 1589.

Question(s):

- a) Please confirm that Cooperative Hydro is not seeking disposition of Group 1 deferral and variance accounts and is not seeking disposition of accounts 1588 and 1589 in this proceeding.

Response: Confirmed. The balance does not meet the threshold and as such CHEI confirms that it is not disposing of its balances of \$16,689 in this proceeding.

Staff Question-3

Ref: Manager Summary, Pages 20-21

Preamble:

Cooperative Hydro identified that its achieved ROE of 4.93% in 2024 is 4.43% below the Deemed ROE of 9.36%. It identified several factors totaling \$466,538, leading to the lower achieved ROE. It appears to OEB staff, that the temporary additional employee and recruitment consulting costs would be transitory in nature, but that the remaining expenses totaling \$387,417 could be recurring in nature.

Question(s):

- a) Please clarify or confirm OEB staff's understanding.

Response: CHEI notes that the \$466,538 cited by OEB staff does not represent a net variance in achieved income, but rather the gross sum of absolute values of several listed explanatory items.

This approach overstates the magnitude of change because it disregards the direction of each variance. It is evident that some items increased income (e.g., interest and cost-of-capital adjustments), while others reduced it.

From an analytical standpoint, it is not appropriate to aggregate absolute variances when assessing impacts on achieved ROE. The valid measure of overall change is the net variance, which in this case is approximately (\$76,789), the actual change in regulated net income between the 2023 COS and 2024.

Accordingly, OEB staff's residual figure of \$387,417 should not be interpreted as an ongoing "recurring pressure."

<u>Item</u>	<u>Variance (\$)</u>	<u>Comment</u>
<u>4405 Interest & Dividend Income</u>	<u>+72,115</u>	<u>higher interest income</u>
<u>OM&A</u>	<u>-136,946</u>	<u>increase in OM&A</u>
<u>Depreciation</u>	<u>-43,726</u>	<u>increase due to new assets</u>
<u>Income Taxes</u>	<u>-22,870</u>	<u>tax-related change</u>
<u>Cost of Capital</u>	<u>+128,786</u>	<u>deemed, not real</u>
<u>Patronage Dividends</u>	<u>-65,900</u>	<u>accounting reclass</u>
<u>OEB-calculated adjustments</u>	<u>-80,840</u>	<u>non-rate-making</u>
<u>OEB-calculated adjustments</u>	<u>+12,530</u>	<u>non-rate-making</u>

b) Please comment on Cooperative Hydro's solvency through the IRM term.

Response: Given the clarification provided in response to part (a), the premise of this "solvency" question is misplaced. In the interest of completing the record, CHEI confirms that it remains financially healthy.

The (\$76,789) change in regulated income is modest and reflects transitional and timing factors, not financial strain. The utility has no external debt, positive retained earnings, and continues to fund all operations and capital projects from internal cash flow.

The \$466,538 figure referenced by OEB staff represents the gross sum of absolute variances and does not reflect the actual change in earnings. When viewed correctly, the net impact is minor and fully consistent with normal operations.

The lower 2024 ROE is expected, as CHEI chose not to apply its Price Cap Index that year, effectively holding rates flat while operating costs rose with inflation. This short-term margin compression was intentional and does not indicate any solvency risk.

Staff Question-4 Question(s):

- a) In the instance the OEB releases any updated rates/charges (e.g., 2026 Uniform Transmission Rates) before Cooperative Hydro provides its response to OEB staff's questions, please update the Rate Generator Model, as applicable. If any updates are made, please identify the rate and/or charge that has been updated.

Response: The model has been updated to reflect the newly released UTRs.

Staff Question-5

Preamble:

OEB staff have corrected the proposed tariff to reflect a charge of \$2.51 per letter for the retailer notice of switch letter charge.

Question(s):

- a) Please confirm that the update to the charge is appropriate.

Response: [Confirmed](#)