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BY EMAIL

October 29, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ritchie Murray:

**Re: Ontario Energy Board (OEB) Staff Submission
Niagara-on-the-Lake Hydro Inc.
2026 Distribution Rate Application
OEB File Number: EB-2025-0019**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Marly Augustine
Senior Advisor, Application Policy & Conservation

Encl.



ONTARIO ENERGY BOARD

OEB Staff Submission

Niagara-on-the-Lake Hydro Inc.

2026 Distribution Rate Application

EB-2025-0019

October 29, 2025

Application Summary

Niagara-on-the-Lake Hydro Inc. (NOTL Hydro) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on August 14, 2025, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to its electricity distribution rates to be effective January 1, 2026.

As part of its application, NOTL Hydro requested:

- An annual adjustment mechanism of 3.55% applied uniformly across all rate classes
- An adjustment to electricity distribution retail transmission service rates (RTSRs)
- The disposition of a Group 1 deferral and variance account (DVA) balance in a debit amount of \$265,762
- The disposition of a Group 2 DVA balance in a credit amount of \$128,812

In the 2026 IRM Manager's Summary filed by NOTL Hydro, the Group 1 account and Group 2 account balances were written by NOTL Hydro as a credit amount of (\$265,762) and (\$128,812), respectively.¹ OEB staff has reviewed NOTL Hydro's application, including NOTL Hydro's 2026 Rate Generator Model, and notes that the request for disposition of the Group 1 DVA balance is for a *debit* amount of \$265,762 and the Group 2 DVA balance is a *credit* amount of \$128,812.

Regarding the annual adjustment mechanism, NOTL Hydro applied a Price Cap Incentive Rate-setting annual adjustment using the latest values for the inflation factor and its assigned stretch factor of 3.70% and 0.15%, respectively. The resulting 3.55% Price Cap Index value is used in the 2026 Rate Generator Model.

OEB staff has no concerns with NOTL Hydro's proposed Price Cap adjustment.

OEB staff has updated NOTL Hydro's 2026 Rate Generator Model to reflect the time-of-use pricing and Ontario Electricity Rebate values communicated on October 17, 2025.

OEB staff's submissions on the following are included below:

- Update to RTSRs
- Balance disposition of Account 1584, Retail Settlement Variance Account (RSVA) – Retail Transmission Network Charge and Account 1586, RSVA – Retail Transmission Connection Charge
- Group 1 DVAs
- Group 2 Large Use Customer Revenue Variance Account

¹ NOTL Hydro 2026 IRM Application – Manager's Summary (EB-2025-0019) (August 15, 2025), Page 14.

OEB Staff Submission

Update to RTSRs

Background

NOTL Hydro's historical costs for 2024 include Independent Electricity System Operator-invoiced costs for network and line connection. In 2024, NOTL Hydro was impacted by two transmission outages that resulted in double-peak billing (DPB), significantly increasing Network and Connection charges that year. As NOTL Hydro considers these events to be uncommon, it excluded them from the historical network and connection rates for the purpose of calculating RTSRs.

In accordance with the settlement agreement for NOTL Hydro's most recent cost of service (CoS) application², the Large Use customer RTSRs are proposed to be the most recently available Uniform Transmission Rates (UTRs). Therefore, the 2024 billed kW attributable to the Large Use class was also removed from the RTSR calculations in NOTL Hydro's 2026 Rate Generator Model (Tab 12, RTSR – Historical Wholesale).

NOTL Hydro's proposed RTSR were based on the most recently available transmission rates available at the time of application preparation (i.e., January 1, 2025).

Submission

OEB staff does not object to the rationale provided by NOTL Hydro for its adjustments in calculating its updated RTSRs. Further, OEB staff does not have concerns with NOTL Hydro's requested adjustments to its RTSRs.

OEB staff has updated NOTL Hydro's 2026 Rate Generator Model to reflect the preliminary 2026 UTRs and proposed Hydro One Networks Inc. (Hydro One) Sub-Transmission Rates (i.e., January 1, 2026), which were released by the OEB on October 9, 2025.

Disposition of RSVAs 1584 and 1586

Background

NOTL Hydro is requesting disposition of two Group 1 DVA balances of \$242,327, comprising a debit of \$220,998 for Account 1584, RSVA – Retail Transmission Network Charge and a debit of \$21,329 for Account 1586, RSVA – Retail Transmission Connection Charge. NOTL Hydro attributes the majority of this balance to the DPB issues that arose in 2024.

The issue of DBP events and treatment of associated charges is currently under review

² EB-2023-0041

in the OEB's UTR – Phase 2 proceeding³. As part of its application, NOTL Hydro notes that it submitted a written request to Hydro One seeking reimbursement for the 2024 DPB charges. Hydro One has indicated that it will not respond to this request until a decision has been made in the UTR – Phase 2 proceeding.

DPB charges are pass-through costs included in the UTR and typically result from either planned or unplanned transmission outages. In a month when an outage occurs, a transmission customer that transfers its load to another delivery point is charged more than it would have been otherwise, as transmission charges are calculated based on the monthly peak at each delivery point.

In response to an interrogatory⁴, NOTL Hydro stated that it considers the likelihood of receiving any reimbursement from Hydro One for the 2024 DPB charges to be very low. It explained that Hydro One has historically retained incremental revenue earned as a result of its own outages, and therefore NOTL Hydro does not expect a refund. The figures in Table 1 were provided by NOTL Hydro in the same interrogatory⁵, outlining the breakdown of the 2024 DPB charges included in the balances for disposition of Accounts 1584 and 1586.

Table 1: Table Provided in NOTL Hydro's Response to Staff-3 (part a)

	Account 1584	Account 1586	Total
Total Claim	220,998	21,329	242,327
Double-peak billing impact	231,989	44,395	276,384
Other	(10,991)	(23,066)	(34,057)

NOTL Hydro also noted that it considered not disposing of the balances of Accounts 1584 and 1586 to be imprudent. NOTL Hydro explained that deferring disposition for another year would result in higher recoveries owing to incremental interest costs as well as potentially higher recoveries were another outage and DBP issue to occur in 2025.

Submission

OEB staff does not take issue with NOTL Hydro's proposal to dispose of the balances in Accounts 1584 and 1586, which include charges related to the 2024 DPB issue. While these charges may potentially be refunded by Hydro One at a later date, OEB staff's position is based on the following considerations:

1. NOTL Hydro has indicated that the likelihood of not receiving any reimbursement

³ EB-2022-0325 (Appendix 5)

⁴ NOTLH_IRR_OEB Staff_20251003 (EB-2025-0019), Staff-3

⁵ *Ibid.*

from Hydro One for the 2024 DPB charges is very high⁶. In this case, the total debit balance in these two RSVAs of \$242,327 represents a legitimate pass-through cost to customers if no refund is provided at a later date.

2. OEB staff agrees with NOTL Hydro that deferring disposition of these two accounts may increase costs to ratepayers due to incremental interest costs and potentially larger bill impacts if additional outages in 2025 give rise to further DPB charges.
3. OEB staff notes that the generic UTR proceeding⁷ is considering potential DVAs to capture charges associated with DPB events. In any case, should Hydro One reimburse the 2024 DPB charges in the future, the amount would be recorded in the two existing RSVAs or in any newly established DVA to be refunded to ratepayers.

Group 1 DVAs

Background

NOTL Hydro requests to dispose of its Group 1 account balances in a debit amount of \$265,762. The total claim amount for Group 1 DVAs is inclusive of the \$242,327 debit amount associated with Account 1584, RSVA – Retail Transmission Network Charge and Account 1586, RSVA – Retail Transmission Connection Charge. The total disposition claim is \$0.0009 per kWh which is slightly below the disposition threshold of +/- \$0.001 per kWh. NOTL Hydro stated that the disposition request is practical as disposition in the earliest available year ensures the recovery aligns with the customers who contributed to the balances.

Submission

OEB staff supports the proposed final disposition of the Group 1 account balances as of December 31, 2024 (including interest projected to December 31, 2025) over a one-year period. OEB staff notes that the OEB has previously approved the disposition of balances below the disposition threshold, such as in the case of NOTL Hydro's Group 1 DVA disposition in its 2025 IRM application⁸.

Group 2 Large Use Customer Revenue Variance Account

Background

NOTL Hydro has requested disposition of Account 1508 – Other Regulatory Assets,

⁶ NOTLH_IRR_OEB Staff_20251003 (EB-2025-0019), Staff-3 (b)

⁷ UTRPh2_WG_Report_20250711 (EB-2022-0325), Page 15

⁸ EB-2024-0044

Sub-account – Large Use Customer Revenue Variance Account⁹ in the credit amount of \$128,812 over one year. NOTL Hydro states that it will allocate the total claim to each rate class based on 2024 distribution revenue.

Submission

OEB staff supports the disposition of the proposed 2024 balance in Account 1508 Sub-account – Large Use Customer Revenue Variance Account. OEB staff has reviewed the evidence and notes no issue from the 2024 credit balance. OEB staff also supports the account balance to be allocated to customer classes based on distribution revenues in the classes, consistent with the approved accounting order as part of NOTL Hydro's 2024 CoS proceeding.

~All of which is respectfully submitted~

⁹ In NOTL Hydro's 2024 CoS application (EB-2023-0041), the OEB approved the continuation of Account 1508 Sub-account – Large Use Customer Revenue Variance Account to track variances in estimated variable distribution revenue from 5,000 KW demand for the large customer rate class.