EB-2025-0027

InnPower Corporation

Application for electricity distribution rates and other charges effective January 1, 2026

VECC Submissions November 7, 2025

InnPower Corporation (InnPower) filed an incentive rate-setting mechanism 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. InnPower has requested approval to establish four new deferral accounts under Account 1508 to track net incremental revenues, costs, and carrying charges related to small cell wireless attachments which were not included in its approved 2024 revenue requirement. InnPower has also applied to recover operating and capital costs related to restoration work from a Z-Factor event through two rate riders, effective January 1, 2026.

VECC submissions below relate to InnPower's Z-factor request.

Z-factor

The purpose of the Z-factor is to permit recovery of costs of major unforeseen and uncontrollable events.

On March 29, 2025, InnPower experienced a severe ice storm that caused damage to its distribution system. Restoration activities included emergency repairs, pole and conductor replacements, tree removal, and system re-energization.

In total, approximately 21,200 customers, representing 89% of InnPower's customer base, experienced outages. InnPower. restored service to 90% of affected customers within 56 hours. Full restoration was completed by April 4, 2025.[1] The total number of hours to restore power to 100% of customer was 154 hours and 15 minutes.[2]

InnPower filed a Major Event Report with the OEB on May 6, 2025.[3] InnPower notified the OEB of its intent to file a Z-factor claim on July 14, 2025, which is within the required six months following the Major Event.[4]

[1] Manager's Summary p. 18
[2] VECC 1-d
[3] Appendix E
[4] Appendix F

InnPower is seeking recovery of $426,794 in operating costs and $798,170 in capital costs directly related to the restoration work undertaken during and after the event as follows:

Table 1: Z-factor Operating & Capital Costs[5]

	Operating $	Capital $	Total
Labour - InnPower	108,611	31,228	139,839
Labour - Contractors	91,446	382,481	473,927
Labour - Utilities	159,375		159,375
Materials - InnPower		162,256	162,256
Materials - Contractors		43,958	43,958
Materials - Utilities	1,812		1,812
Equipment - Contractors	3,060	36,250	39,310
Vehicle - InnPower		7,859	7,859
Vehicle - Contractors	5,925	118,955	124,880
Vehicle - Utilities	22,099		22,099
Indirect Costs - InnPower	6,950		6,950
Indirect Costs - Contractors	23,341	15,182	38,523
Indirect Costs - Utilities	4,176		4,176
Total	**426,794**	**798,170**	**1,224,964**
InnPower (26%)			316,904
Contractors. (59%)			720,598
Utilities. (15%)			187,462
Total			**1,224,964**

Relief Requested

InnPower is requesting recovery of $496,013 in total costs, which includes $426,794 in operating costs, $61,554 in revenue requirement related to capital investments and $7,665 in associated carrying charges.

	Principle	Carrying Charges	Total
Operating	426,794	6,700	433,494
Capital	61,554	965	62,519
Total	**488,349**	**7,665**	**496,013**

Eligibility Criteria

As per the 2025 Chapter 3 Filing Requirements[6], distributors under a Price Cap IR or Annual IR

[5] VECC 1-a, b; Staff 3-a, Staff 3-h

[6] *June 19, 2025*

Index rate-setting plan may request to recover costs associated with unforeseen events that are outside the control of a distributor's ability to manage, referred to as a claim for a "Z-factor" event. A distributor must submit evidence that the costs incurred meet the three eligibility criteria of causation, materiality, and prudence, as follows:

Criteria	Description
Causation	Amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which rates were derived.
Materiality	The amounts must exceed the Board-defined materiality threshold and have a significant influence on the operation of the distributor; otherwise they should be expensed in the normal course and addressed through organizational productivity improvements.
Prudence	The amount must have been prudently incurred. This means that the distributor's decision to incur the amount must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

Causation

InnPower evidence is that its operating costs are strictly incremental to InnPower's approved base revenue requirement.[7]

InnPower's Z-factor claim includes a total of 5,026 hours of labour that consists of 1,587 internal labour hours, 2,547 of contractor labour hours and 892 of other utility labour hours. InnPower confirms base salaries, regular wages, and routine operating expenses already funded through existing rates have been excluded. InnPower has included only incremental labour (overtime).[8] InnPower's regular labour hours (2,710) have not been included in the Z-factor.[9]

With respect to capital costs, InnPower's evidence is that the costs are incremental to the capital investment plans set out in InnPower's most recent Distribution System Plan (DSP) (EB-2023-0033).[10]

Through interrogatory responses, InnPower provided the following information:

- InnPower does not maintain a separate budget exclusively for storm restoration. Instead, costs associated with storm response and restoration are included within broader unplanned work categories.[11]

[7] Manager's Summary p. 20
[8] VECC 1-a
[9] VECC 1-c
[10] Manager's Summary p. 21
[11] Staff 2-a

- InnPower overspent on its OEB approved[12] Maintenance and Trouble Call/Customer Oriented budget in 2024 and 2025 YTD as of September 30, 2025.[13]
- InnPower overspent on its OEB approved System Renewal budget (which includes asset replacement) in 2024 and 2025 YTD as of September 30, 2025.[14]
- InnPower did not allocate a specific contingency budget for extreme weather events in its latest Cost of Service (CoS) application (EB-2023-0033).[15]

InnPower provided a detailed list of capital assets that were replaced due to the ice storm primarily consisting of: Poles, Transformers (pole-mounted and pad-mounted) and Conductor (overhead and underground).[16]

InnPower confirms that none of the assets replaced or reconstructed following the March 2025 ice storm had been flagged in InnPower's asset management systems or capital plans for near-term replacement. These assets were not identified in poor condition under the 2021 Asset Condition Assessment (ACA) and were performing as expected prior to the storm.[17]

InnPower indicates the assets replaced or repaired following the event were not flagged as being in poor condition or nearing end-of-life within InnPower's tracking systems or capital programs. These assets were operating normally and were not identified as at-risk prior to the extraordinary storm event.[18]

At the same time, InnPower indicates that while individual asset health data is tracked, there is currently a system limitation whereby legacy health information may be overwritten when new assets are added or replaced. This issue can make it difficult to retrieve historical condition data for specific assets following replacement events such as the March 2025 ice storm. InnPower is actively working to resolve this through planned system enhancements to ensure historical condition data is preserved.[19]

VECC assumes that based on InnPower's claim that the assets replaced were not in poor condition, the legacy health information for these assets was not overwritten when the assets were replaced following the storm and InnPower has this information.

On this basis, VECC submits that InnPower has demonstrated that its amounts are directly attributable to the ice storm event and that the amounts fall outside of InnPower's base rates.

[12] 2024 COS EB-2023-0033
[13] Staff 2-a
[14] Staff 2-a
[15] Staff 5-b
[16] Staff 2-c
[17] Staff 7-c
[18] Staff 13-c
[19] Staff 13-c

In the event InnPower no longer has the legacy health information for the assets replaced and cannot verify the condition of each asset replaced and confirm the asset was not in poor condition, VECC proposes that the percentage of assets in poor and very poor as identified in the 2021 ACA for each asset type be applied to the asset quantities and removed from the Z-factor claim on the basis that poor condition assets are likely to be replaced within 1 to 2 years. For example, 20.7% of wood poles were identified as being in poor or very poor condition in the 2021 ACA.[20] Accordingly, under this proposal, 20.7% or 3 of the 14 wood poles replaced would be removed from the capital expenditures using the average cost per pole in Staff 3-c. In this case, the total capital expenditures for wood poles of $569,376.87 would be reduced by $122,100.[21] [22]

Materiality

In accordance with OEB Guidelines, for utilities with an approved revenue requirement between $10 million and $200 million, the materiality threshold is set at 0.5% of its approved distribution revenue requirement. Based on InnPower's approved distribution revenue requirement of $13,883,552 approved in its 2024 Cost of Service application (EB-2023-0033), the applicable materiality. threshold is $69,418.

InnPower's request to recover storm amounts of $488,349 exceeds the $69,418 materiality threshold.

VECC submits InnPower has met the OEB's materiality criterion for Z-factor eligibility.

Prudence

InnPower responded to the storm through internal resources (26%), third-party contractors (59%) and mutual assistance from Wasaga Distribution, Enova, and Orangeville Hydro (15%).[23]

The majority of the storm costs (74%) are attributable to third party services. InnPower explains that all available InnPower staff and crews were deployed, but the scale and urgency of the event exceeded the capacity of internal resources and relying solely on internal staff would have led to significantly longer outages for customers.[24]

Approximately 70% of the capital expenditures resulting from the storm relate to the replacement of wooden poles.[25] VECC notes the average cost to replace a wooden pole in response to the storm event ($40,700) is double InnPower's historical average cost ($19,676) to

[20] DSP Appendix J p. 13
[21] 3 x $40,700 (avg cost per pole) as per Staff 3-c
[22] See Decision Elexicon Z-factor EB-2022-0317 p.12
[23] See Table 1 on page 2
[24] Staff 6-d
[25] Staff 3-c ($569,376.87/$798,170.16 = 71.3%)

replace poles over the 2023 to 2025 period.[26] While VECC expects there would be a premium paid to replace assets as a result of this reactive emergency situation, double the cost seems excessive. Regardless of this observation, VECC is unable to point to imprudence on the part of InnPower in responding to the storm.

In 2020, InnPower implemented a four-year trimming cycle. Between 2020 and 2024, the utility completed tree trimming in each cycle according to the schedule.[27] Tree contact outages decreased in 2021 and have remained low. InnPower has attributed this improvement to the effectiveness of its vegetation management program.[28]

Other Considerations

- Labour and contractor costs were incurred complying with pre-existing agreements[29]
- Materials were sourced primarily from available inventory[30]
- InnPower did not experience equipment or material shortages during the storm restoration
- All assets reconstructed following the March 2025 ice storm were replaced on a like-for-like basis[31]
- InnPower has made historical investments in resilient infrastructure[32]

Emergency Preparedness

InnPower indicates all response and restoration activities such as dispatching crews, hiring external services and using overtime were executed following its Emergency Preparedness Plan (EPP).

InnPower's Major Event Report for the March Ice Storm indicates InnPower had prior warning but did not issue any media announcements to the public warning of possible outages. InnPower has updated its EPP to include minimum customer communication requirements to meet OEB expectations for timely outage notifications, estimated restoration updates, and coordinated messaging with municipal emergency management partners. This aligns with the OEB's direction under File No. EB-2021-0307 – Amendments to the Distribution System Code Regarding Customer Communication During Severe Weather Events.

VECC requested a copy of InnPower's EPP to review if its storm response was largely in agreement with its EPP. A copy of the EPP was not provided by InnPower on the basis it contains sensitive operational and security information, and disclosure could pose risks to system

[26] Staff 3-c ($569.376.87/14 poles = $40,700/pole) compared to VECC. $19,675.60/pole
[27] VECC 3-c
[28] VECC 6-a, b
[29] Manager's Summary p. 18
[30] I.b.i.d.
[31] Staff 7-b
[32] VECC 6-d

reliability and public safety. VECC did not seek a confidential copy of InnPower's EPP and as a result is unable to verify if InnPower followed its EPP.

ROE Impact

InnPower confirms that its most recent Regulatory Return on Equity (ROE) did not surpass the 300-basis point threshold above the OEB-approved deemed ROE. For 2024, InnPower's actual ROE was 6.77%, which is 2.44% lower than the approved ROE of 9.21%.[33]

Conclusion

The March 29, 2025 ice storm event was beyond InnPower's control and resulted in significant operating and capital expenditures totalling $1,224,964. As discussed above, and based on the assumption that InnPower has the legacy health information for the replaced assets and can confirm that the assets replaced were not in poor condition, VECC submits the storm meets the OEB's Z-factor eligibility criteria of causation, materiality and prudence and the OEB should approve InnPower's Z-factor.

[33] EB-2023-0033 InnPower 2024 COS