Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

November 10, 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
InnPower Corporation (InnPower)
Application for 2026 Electricity Distribution Rates
OEB File Number: EB-2025-0027

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

Yours truly,

Oluwole(Wolly)Bibiresanmi Digitally signed by Oluwole(Wolly)Bibiresanmi Date: 2025.11.10 14:34:31 -05'00'

Oluwole (Wolly) Bibiresanmi
Incentive Rate-Setting

Encl.

cc: All parties in EB-2025-0027

ONTARIO ENERGY BOARD

OEB Staff Submission

InnPower Corporation

2026 Distribution Rate Application

EB-2025-0027

November 10, 2025

Introduction

InnPower Corporation (InnPower) 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* (OEB Act) seeking approval for changes to its electricity distribution rates to be effective January 1, 2026. InnPower also requests 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. Approval to recover operating and capital costs related to restoration work from a Z-Factor event through two rate riders is also being requested.

Consistent with Chapter 3 of the OEB's Filing Requirements for Electricity Distribution Rate Applications (Filing Requirements),[1] InnPower applied the Price Cap IR adjustment factor to adjust the monthly service charge and distribution volumetric rate during the incentive rate-setting years. An inflation factor of 3.70% applies to all IRM applications for the 2026 rate year.[2] The stretch factor assigned to InnPower is 0.30%,[3] resulting in a rate adjustment of 3.40% based on the Price Cap adjustment formula. OEB staff has no concerns with InnPower's proposed price cap adjustment.

InnPower has also requested an update to its Retail Transmission Service Rates (RTSRs) to recover the wholesale transmission rates charged by the Independent Electricity System Operator. InnPower updated the RTSRs to reflect the OEB's preliminary Uniform Transmission Rates in its response to interrogatories.[4] OEB staff has no concerns with InnPower's adjustments to its RTSRs. Further, InnPower has updated the time-of-use pricing and Ontario Electricity Rebate in the 2026 Rate Generator Model to reflect the updated values set, effective November 1, 2025.

InnPower requested disposition of its December 31, 2024 Group 1 Deferral and Variance Account (DVA) balances in the debit amount of $399,617 on a final basis over 12 months. This includes interest projected to December 31, 2025. The Group 1 account balances exceed the OEB's $0.001/kWh threshold for disposition. OEB staff has no concerns with the proposed request for disposition of the Group 1 DVA balances.

OEB staff makes detailed submissions on the following requests:

- Z-Factor claim pertaining to a March 2025 ice storm for a total recovery of

[1] Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications - Chapter 3 Incentive Rate-Setting Applications, June 19, 2025
[2] OEB Letter, 2026 Inflation Parameters, issued June 11, 2025
[3] Empirical Research in Support of Incentive Rate-Setting: 2024 Benchmarking Update, Report to the Ontario Energy Board, August 2025 p.23, Table 5.
[4] EB-2025-0232, 2026 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, October 9, 2025

$496,013, comprising incremental operating costs of $426,794, interest of $7,665, and $61,554 revenue requirement related to capital expenditures of $1,224,964
- InnPower's request for four new DVAs

While the claimed Z factor costs largely satisfy the causation, materiality, and prudence criteria for Z-Factor recovery, OEB staff submits that the OEB should disallow certain costs: $199,282 for pole replacement costs, $5,717 for a transformer with only one year of remaining useful life, and $7,667 in carrying charges. The disallowance would represent an overall reduction of approximately 43% to the Z-Factor claim. OEB staff's proposed disallowance is based on the absence of pole condition data and inconsistencies with OEB policy in calculating carrying charges.

OEB staff does not support the requested new deferral accounts, primarily because they do not meet the materiality criterion.

Z-Factor Event

Background

On March 29, 2025, an ice storm occurred in InnPower's service area resulting in severe damage to the distribution system. InnPower indicated that 21,200 customers were affected by the storm and that it was able to restore power to 90% of the affected customers within 56 hours of the interruption. To aid in restoring power, InnPower relied on support through a mutual assistance agreement with Wasaga Distribution Inc., Enova Power Corp., and Orangeville Hydro Limited, and engaged several third-party contractors.

InnPower is seeking recovery of $496,013, comprising incremental operating costs, interest, and revenue requirement related to capital expenditures. The utility proposes a 12-month disposition period beginning January 1, 2026 for operating costs and carrying charges, and a second rate rider for the capital-related revenue requirement and carrying charges, effective January 1, 2026 until rebasing.[5]

A breakdown of the capital and operating costs from the storm is shown in Table 1 below.

Table 1: Ice Storm Event Cost Breakdown

[5] Manager's Summary, p. 22

Description	Operating[6] Expenses ($)	Capital[7] Expenses ($)	Total ($)
Labour	359,432	413,709	773,141
Materials	1,812	206,214	208,026
Equipment	3,060	36,250	39,310
Vehicle	28,024	126,815	154,839
Indirect Cost	34,466	15,182	49,648
Total	**426,794**	**798,170**	**1,224,964**
Amount Associated Z-Factor Claim	**426,794**	**61,554[8]**	**488,348**

A detailed breakdown of the various components of the Z-Factor claim is set out in Table 2 below.

Table 2: Ice Storm Amount Requested for Recovery

Z-Factor Components[9]	Total ($)
OM&A - Labour	359,432
OM&A - Materials	1,812
OM&A - Equipment	3,060
OM&A - Vehicle	28,024
OM&A - Indirect Cost	34,466
OM&A - Carrying Charges	965
Capital - Carrying Charges	6,700
Revenue Requirement Associated with Capital Expenditures	61,554
Total	**496,013**

OEB staff finds that InnPower has not substantiated that all amounts incurred for restoration following the March 29, 2025 ice storm qualify for recovery under the Z-Factor guidelines.[10] OEB staff has concerns regarding three issues: (1) InnPower's calculation of the $7,667 in carrying charges, which does not comply with the OEB's

[6] 1-Staff-3, a)
[7] 1-Staff-3, c)
[8] The capital spending of $798,170 is used to derive the revenue requirement associated with capital expenditures shown in Table 2.
[9] The total OM&A cost component of the Z-factor claim ($426,794), consisted of InnPower's labour Materials, Equipment, Vehicle, and Indirect cost. The interest amount of $965 is calculated based on the balance in this account.
[10] Handbook of Utility Rate Applications, October 13, 2016, p. 27, EB-2007-0673, Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, September 19, 2008, Appendix B: Amended Filing Guidelines, pp. VII-X

guidance on Z-Factor claims; (2) the absence of pole asset condition records; and (3) the inclusion of a transformer near the end of its useful life.

OEB staff notes that Z-Factors provide funding to address costs arising from unforeseen events beyond a distributor's control.[11] The OEB has stated that, for Z-Factor treatment to apply, costs must generally be material and clearly attributable to the event.[12] A distributor must provide evidence that the costs incurred satisfy three eligibility criteria:

- Causation: The amount must be directly attributable to the Z-Factor event and outside the base rates.
- Materiality: The amounts must exceed the OEB's materiality threshold and significantly affect the distributor's operations; otherwise, they should be treated as regular expenses and managed through normal productivity measures.
- Prudence: The amount must have been prudently incurred, with the distributor demonstrating that the decision to incur them was the most cost-effective option for ratepayers, even if not the lowest upfront cost.[13]

Causation

InnPower explained that the Z-Factor claim arises from the severe ice storm on March 29, 2025, which caused extensive damage to its distribution system and necessitated extraordinary restoration efforts. InnPower confirmed that total capital cost of $798,170 was incurred primarily for the replacement of wooden poles, transformers (pole-mounted and pad-mounted), and conductors (overhead and underground) on a like-for-like basis to restore the system to pre-storm conditions safely and promptly as shown in Table 3. InnPower stated that no betterments or scope enhancements beyond what was necessary for restoration were included.[14] However, one transformer listed in Table 4 was near the end of its life at the time of the ice storm incident.

Table 3: Lists of Assets Replaced Due to the Ice Storm Event[15]

Asset/Equipment	Qty	Actual Value ($)
Distribution Station- Arrestor	1	18,464
Transformers	11	67,845

[11] EB-2007-0673, *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors,* July 14, 2008, p. 34
[12] *Ibid.*
[13] EB-2007-0673, Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, July 14, 2008, p. 34
[14] Manager's Summary, p. 21
[15] 1-Staff-13, a)

Wooden Pole	14	569,377
Overhead Wires	1,693	93,427
Protection & switching	419	9,063
Underground Wires	63	39,994
Total		**798,170**

Table 4: Breakdown of Transformers Replaced Due to the Ice Storm Event[16]

Transformer Type	Qty	Remaining Useful Life	Total Actual Value ($)
100 KVA - Single Phase	1	11	8,496
75 KVA - Single Phase	1	11	13,124
50 KVA - Single Phase	1	20	3,775
50 KVA - Single Phase	1	33	3,775
25 KVA - Single Phase	5	21	27,577
25 KVA - Single Phase	1	37	5,717
25 KVA - Single Phase	1	1	5,381
Total			**67,845**

In response to OEB staff interrogatories,[17] InnPower states that it does not maintain a separate storm restoration budget; storm-related costs are typically captured under broader unplanned work categories. However, the storm-related expenditures were recorded under a dedicated storm work order and excluded from base rates, ensuring transparency and regulatory clarity.[18]

For operating costs, InnPower seeks recovery of $426,794 for incremental labour, overtime, contracted services, equipment rentals, materials, tree clearing, and transportation directly related to the event. InnPower explained that these costs are strictly incremental, excluding base salaries, regular wages, and routine operating expenses funded through approved rates. Year-to-date operating expenditures rose to $1.52 million compared to a budget of $1.05 million, with the variance attributable to storm restoration. When storm-related costs are excluded, operating spending aligns with historical averages, confirming the exceptional nature of these expenses.[19] InnPower states that these costs were unavoidable, prudently incurred, and essential to restoring service and maintaining system reliability, consistent with the OEB's Z-Factor eligibility criteria.

In response to OEB staff interrogatories,[20] InnPower confirmed that the assets listed

[16] 1-Staff-7
[17] *Ibid.*
[18] 1-Staff-2, a)
[19] *Ibid.*
[20] 1-Staff-3, e)

in Table 3 were replaced as part of its restoration work. Further, InnPower also provided a detailed breakdown of the $7,667 in carrying charges (Table 5) associated with its Z-Factor claim.

InnPower proposes to apply a fixed interest rate of 2.91%, which reflects the OEB's prescribed interests rates for 2025 Q3 and Q4, to the total requested Z-Factor claim rate rider, over a 12-month disposition period. The calculation of proposed carrying charges is outlined in Table 5 below.

Table 5: InnPower's Breakdown of Carrying Charges for Ice Storm[21]

Months	Balance ($)	Interest Rates%	Accumulated Interest ($)
Balance b/f	488,348	2.91	0
January	447,652	2.91	1,207
February	406,957	2.91	2,206
March	366,261	2.91	3,212
April	325,565	2.91	4,088
May	284,870	2.91	4,893
June	244,174	2.91	5,574
July	203,478	2.91	6,178
August	162,783	2.91	6,680
September	122,087	2.91	7,070
October	81,391	2.91	7,372
November	40,696	2.91	7,566
December	40,696	2.91	7,667

OEB Staff Submission on Causation

OEB staff notes that the OEB can reference a previous Z-Factor proceeding when making its determination on InnPower's Z-Factor request. In Elexicon Energy Inc.'s (Elexicon Energy) Z-Factor proceeding,[22] the OEB reduced the amount claimed for poles by $495,447, representing an overall 10.8% decrease to the Z-Factor claim. This reduction was based on two key reasons:

1. *Poles Already Due for Replacement*:
   Some poles were classified as "Poor" or "Fair-Poor." The OEB determined these poles would have been replaced within 1-2 years under normal maintenance programs, so they were not fully eligible for Z-Factor recovery.

2. *Poles with Missing Condition Records:*

[21] *Ibid.*
[22] EB-2022-0317, Decision and Order, June 15, 2023

> For many poles replaced during storm recovery, there were no records of asset condition. The OEB could not confirm whether these poles were storm-damaged or simply old. To address this, the OEB applied the same condition distribution as known poles (18.5% "Poor" or "Fair-Poor") and made an additional deduction. The OEB emphasized that only extraordinary and storm-related costs should be recovered. Poles near end-of-life or lacking condition records were partially excluded, resulting in the 10.8% reduction.

In contrast, InnPower responded to OEB staff's request for pole condition records by explaining that system limitations prevent retrieval of historical condition data. Legacy health information may be overwritten when new assets are added or replaced, making it difficult to confirm asset condition after events like the March 2025 ice storm.

This lack of verifiable data creates uncertainty about whether the replaced poles were near end-of-life and could have been replaced under normal asset management processes. OEB staff notes that under section 78(8) of the OEB Act, the burden of proof lies with the utility. Unlike Elexicon Energy, InnPower did not provide comparable pole condition data.

InnPower's Distribution System Plan already budgets for annual and unplanned system renewal programs, including replacing assets at end-of-life and for damage caused by weather or accidents. This raises further uncertainty about whether some claimed costs were incremental to existing budgets. While InnPower states that most assets were in "Good" condition before the ice storm, this claim is unsupported by the evidence. Given these factors—the absence of pole condition records, which creates ambiguity and prevents OEB staff from determining the actual condition of the poles—OEB staff has no choice but to apply a reasonable proxy. OEB staff recommends a 35% reduction (approximately $199,282) to InnPower's claimed pole-related costs. This adjustment reflects the uncertainty surrounding whether these assets were near end-of-life and could have been replaced under normal asset management practices.

OEB staff also proposes the disallowance of the $5,717 claimed for the transformer that was near the end of its useful life at the time of the ice storm. OEB staff submits that this transformer would have been replaced as part of InnPower's planned asset replacement program since it had only one year of useful life remaining. In the Elexicon Energy proceeding, the OEB disallowed recovery of costs for assets near the end of their useful life on the basis that such assets would have been replaced under planned programs, failing the causation and prudence criteria for Z-Factor recovery. For this same reasoning, OEB staff submits that InnPower's claim of $5,717 for a transformer with only one year of remaining useful life should also be disallowed.[23]

For operating costs, OEB staff submits that the total claimed $426,794, consisting of

[23] EB-2022-0317, Decision and Order, June 15, 2023

$419,127 in principal and $7,667 in proposed carrying charges, for incremental labour, contracted services, and materials, meets the Z-Factor causation criteria. OEB staff supports the proposed operating cost recovery of $419,127. However, the proposed carrying charges of $7,667 are subject to correction.

OEB staff submits that the methodology used by InnPower to calculate the $7,667 in carrying charges does not comply with the OEB's guidance on Z-Factor claims provided in Chapter 3 of the Filing Requirements and the Accounting Procedures Handbook. According to Chapter 3 of the Filing Requirements and Article 210 of the Accounting Procedures Handbook, carrying charges shall be calculated using the OEB's prescribed interest rates to the monthly opening balance in the Account 1572, Extraordinary Events Costs.[24] [25] However, Based on the calculation outlined in Table 5, InnPower applied carrying charges to the full principal amount of the total proposed Z-Factor claim of $488,348, and the principal is drawing down gradually over a 12-month disposition period. OEB staff submits that in its reply submission, InnPower should recalculate carrying charges in accordance with the OEB's guidance, applying carrying charges only to the eligible costs recorded in Account 1572, Extraordinary Events Costs, as they are incurred.

Materiality

The materiality threshold for distributors with an annual revenue requirement between $10 million and $200 million is 0.5% of the approved distribution revenue requirement.[26] For InnPower, its materiality threshold is $69,418, based on the $13,883,552 revenue requirement approved in its 2024 Cost of Service application.[27]

OEB Staff Submission on Materiality

The total Z-Factor claim requested by InnPower due to the March 29, 2025 ice storm is $1,224,964 – comprised of $426,794 in operating and $798,170 in capital costs. This total exceeds the materiality threshold of $69,418. OEB staff submits that InnPower's Z-Factor request meets the materiality threshold.

Prudence

InnPower explained that its response to the March 29, 2025 ice storm was guided by its Emergency Preparedness Plan and aligned with industry best practices. All restoration activities including the deployment of internal crews, engagement of mutual assistance resources, and use of overtime was executed with a focus on safety, efficiency, and cost-effectiveness.

---

[24] Chapter 3 Filing Requirements for Electricity Distribution Rate Applications, S.3.2.9, June 19, 2025
[25] Accounting Procedures Handbook for Electricity Distributors, January 1, 2012, Article 220, pp. 31-32
[26] Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications - Chapter 3 Incentive Rate-Setting Applications, June 19, 2025.
[27] EB-2023-0033, Decision and Order, November 23, 2023

InnPower noted that a centralized command centre was promptly established at InnPower's corporate office to coordinate emergency response efforts, ensuring streamlined decision-making, resource allocation, and communication. Labour and contractor costs were managed in accordance with pre-negotiated agreements, providing cost predictability and compliance with contractual obligations. InnPower also explored its mutual assistance agreements to supplement internal resources, enabling timely restoration while maintaining safety standards. Restoration materials were primarily sourced from existing inventory, minimizing emergency procurement and associated costs. Where necessary, infrastructure was rebuilt to original specifications to avoid incremental design or material expenses.

InnPower stated that its restoration efforts were actively coordinated in real time to eliminate redundancy and expedite service restoration. The company's actions reflect prudent utility management and demonstrate its preparedness and ability to respond effectively to high-impact, low-frequency events.

OEB Staff Submission on Prudence

OEB staff recognizes that InnPower acted promptly and restored power within a reasonable period and had minimal deviations from its Emergency Preparedness Plan. Based on the evidence InnPower provided in its application and interrogatory responses, OEB staff submits that InnPower has established prudence.

Establishment of Four New DVAs for Small Cell Wireless Pole Attachments

Background

InnPower notes that there is an increasing demand from customers, municipalities, and wireless carriers for expanded mobile connectivity and reliable broadband access. These evolving expectations have placed new operational and financial pressures on distributors, requiring them to accommodate non-standard pole uses, enhance coordination with third parties, and optimize asset utilization.[28]

To address these impacts, InnPower requested approval to establish four new deferral accounts under Account 1508, Other Regulatory Assets. The new deferral accounts would capture net incremental revenues, costs, and carrying charges associated with small cell wireless pole attachments that were not included in InnPower's 2024 revenue requirement.[29]

The proposed accounts are the following:

[28] Manager's Summary, p. 46
[29] EB-2023-0033, Decision and Order, November 23, 2023

- Account 1508 – Other Regulatory Assets, Wireless Attachments – Revenues
- Account 1508 – Other Regulatory Assets, Wireless Attachments – Costs
- Account 1508 – Other Regulatory Assets, Wireless Attachments – Revenue Carrying Charges
- Account 1508 – Other Regulatory Assets, Wireless Attachments – Cost Carrying Charges

InnPower states that the proposed deferral accounts meet the causation and prudence criteria of the eligibility criteria for the establishment of a new DVA, as set out in Chapter 2 of the Filing Requirements.[30] InnPower notes that the deployment of small cell wireless infrastructure is outside of its OEB-approved base rates as these activities were not anticipated or forecast in its last rebasing application. Further, the associated costs will typically include make-ready work, engineering assessments, inspection, and administrative coordination to facilitate safe and effective access to distribution infrastructure.[31]

InnPower notes that, although the current forecast of net revenues (totaling $9,833) from 2025 to 2028 does not meet its materiality threshold of $69,418,[32] the projection is subject to a high degree of uncertainty. This is attributed to the potential for changes in circumstances and possibility that the number of attachments, revenue and/or costs may increase in future years prior to the next rebasing.

In response to an OEB staff interrogatory, InnPower provided estimates to show the number of attachments needed, on an annual and cumulative basis from 2025 to 2028, to exceed its materiality threshold.[33] InnPower noted that there are no completed or active small cell wireless attachments in InnPower's distribution system at this time. The 2025 forecast installations are expected to materialize by the end of 2025. The estimates for the years 2025 to 2028, assuming the materiality threshold is met, are outlined in Table 6 below.

Table 6: Materiality Threshold of Net Revenue for Small Cell Wireless Pole Attachments

[30] Chapter 2 Filing Requirements for Electricity Distribution Rate Applications, December 9, 2024, S.2.9.2, pp. 68-69
[31] Manager's Summary, pp. 47-48
[32] Based on the base revenue requirement approved in InnPower's 2024 Cost of Service application.
[33] 1-Staff-16, d)

	2025		2026		2027		2028		Total
Number incremental attachments		10		110		110		100	
Accumulated number of attachments		10		120		230		330	330
Revenue ($250/per attachment)	$	833	$	30,000	$	57,500	$	82,500	$ 170,833
Cost recovery	$	16,500	$	181,500	$	181,500	$	165,000	$ 544,500
Total Revenue	**$**	**17,333**	**$**	**211,500**	**$**	**239,000**	**$**	**247,500**	**$ 715,333**
Make-ready work - 100% cost recover	$	13,500	$	148,500	$	148,500	$	135,000	$ 445,500
Inspection - 100% cost recovery	$	3,000	$	33,000	$	33,000	$	30,000	$ 99,000
Initial administrative costs	$	2,250	$	24,750	$	24,750	$	22,500	$ 74,250
Ongoing administrative costs			$	750	$	9,000	$	17,250	$ 27,000
Total Costs	**$**	**18,750**	**$**	**207,000**	**$**	**215,250**	**$**	**204,750**	**$ 645,750**
Net Revenue	**-$**	**1,417**	**$**	**4,500**	**$**	**23,750**	**$**	**42,750**	**$ 69,583**

OEB Staff Submission

OEB staff agrees with InnPower in that the eligibility criteria for causation and prudence have been met. However, OEB staff does not support the requested new accounts related to small cell wireless pole attachments. This is attributed to the requested accounts not meeting the materiality criterion for the establishment of a new DVA.

OEB staff acknowledges that the small cell wireless attachment deployment activities were not included in InnPower's 2024 rate base. Although the final determination of prudence of costs recorded in a Group 2 DVA will be made at disposition, OEB staff notes that the prudence criterion for the establishment of a new DVA is met as the deployment activities will be relying on make-ready work, and be assessed and inspected by engineers.

OEB staff notes that Table 6 provided by InnPower only demonstrates that the materiality threshold is met on a cumulative basis until next rebasing, not on an annual basis.[34] OEB staff also notes that although the cumulative net impact of $69,583 at the end of 2028 exceeds InnPower's materiality threshold, the average annual net impact of a credit amount of approximately $17,400 to be recorded in the accounts does not.

According to Chapter 2 of the Filing Requirements, to establish a new DVA, the annual forecast amounts to be recorded in the proposed account must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor.[35] The estimates provided in Table 6 significantly increase the annual estimated number of attachments to be built from 10 to 82 on an average basis, representing an eightfold increase. OEB staff is of the view that the net impact to be recorded in the proposed accounts is too immaterial relative to InnPower's materiality threshold to justify the establishment of a new DVA in this application.

[34] 1-Staff-16, d)
[35] Chapter 2 Filing Requirements for Electricity Distribution Rate Applications, December 9, 2024, S.2.9.2, pp. 68-69

While InnPower's estimates are contingent on factors such as growth in the telecommunications sector and municipal broadband expansion initiatives, none of the preliminary inquiries or requests for pole space appear to have materialized at this time.[36] OEB staff notes that although the requested deferral accounts do not currently meet the materiality threshold, InnPower may request the establishment of a new account(s) once the increase in wireless connection expansion demonstrates that the materiality threshold is met.

~All of which is respectfully submitted~

[36] 1-Staff-16, a)