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

BY EMAIL

November 20, 2025

Mr. 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
Canadian Niagara Power Inc.
2026 Electricity Distribution Rates Application
OEB File Number: EB-2025-0050

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 2.

Yours truly,

Arlene Bernardo
Digitally signed by Arlene Bernardo
Date: 2025.11.20 16:25:17 -05'00'

Arlene Bernardo
Analyst, Electricity Distribution Rates

Ontario

ONTARIO ENERGY BOARD

OEB Staff Submission

Canadian Niagara Power Inc.

2026 Electricity Distribution Rates Application

EB-2025-0050

November 20, 2025

Introduction

Canadian Niagara Power Inc. (Canadian Niagara Power) 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.

Consistent with Chapter 3 of the *Filing Requirements for Electricity Distribution Rate Applications*, Canadian Niagara Power applied the Price Cap IR adjustment factor to adjust the monthly service charge and distribution volumetric rate during the incentive rate-setting years. The annual adjustment follows an OEB-approved formula that includes components for inflation and the OEB's expectations of efficiency and productivity gains. The components in the formula are approved by the OEB annually. The formula prescribes a rate adjustment equal to the inflation factor minus the distributor's X-factor.[1]

An inflation factor of 3.70% applies to all electricity distributors for the 2026 rate year.[2] The stretch factor assigned to Canadian Niagara Power is 0.45%[3], resulting in a rate adjustment of 3.25% based on the Price Cap adjustment formula. OEB staff has no concerns with Canadian Niagara Power's proposed Price Cap adjustment.

Canadian Niagara Power is partially embedded within Hydro One Networks Inc.'s (Hydro One) system and is requesting approval to adjust the Retail Transmission Service Rates (RTSRs) it charges its customers in accordance with the preliminary Uniform Transmission Rates (UTRs). Canadian Niagara Power has updated its 2026 Rate Generator Model to reflect the preliminary UTRs and the proposed Hydro One Sub-Transmission Rates as communicated by the OEB on October 9, 2026.[4] [5]

OEB staff has no concerns with Canadian Niagara Power's requested adjustments to its RTSRs. Further, OEB staff has also updated the time-of-use pricing and Ontario Electricity Rebate in the 2026 Rate Generator Model to reflect the updated values, effective November 1, 2025. OEB staff requests that Canadian Niagara Power review and confirm these updates in its reply submission.

[1] Chapter 3 – Filing Requirements for Electricity Distribution Rate Applications, p. 8
[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. 25, Table 5
[4] EB-2025-0232, 2026 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, October 9, 2025
[5] Staff-13, October 17, 2025

OEB Staff Submission

In this document, OEB staff makes detailed submissions on the following:

- Group 1 Deferral and Variance Accounts (DVAs)
- National Grid Power Purchase
- Total Bill Impact for Street Lighting Class

Group 1 Deferral and Variance Accounts

Background

Canadian Niagara Power is requesting disposition of its December 31, 2024 Group 1 DVA balance, a total credit amount of $1,793,954[6], over a 12-month period on a final basis, excluding Accounts 1588 and 1589, for which it is seeking interim disposition of the 2023 and 2024 balances.[7] This includes interest projected to December 31, 2025. The components of this credit amount are shown in Table 1. The Group 1 DVA balance exceeds the OEB's $0.001/kWh threshold for disposition. The OEB most recently approved disposition of Canadian Niagara Power's Group 1 balances on a final basis, as of December 31, 2023, as part of its 2025 IRM application[8], while the Account 1588 and 1589 balances were last disposed of on a final basis in the 2024 IRM application.[9]

Table 1: Group 1 DVA Accounts Balances

Account Name	Account Number	Principal Balance ($) A	Interest Balance ($) B	Total Claim ($) C=A+B
LV Variance Account	1550	680	(439)	241
Smart Metering Entity Charge Variance Account	1551	(28,480)	(1,378)	(29,858)
RSVA - Wholesale Market Service Charge	1580	(201,021)	(11,656)	(212,677)

[6] Updated 2026 Rate Generator Model, October 17, 2025
[7] Manager's Summary, September 3, 2025, p. 15
[8] EB-2024-0011, Decision and Rate Order, December 12, 2024, p. 10
[9] EB-2023-0009, Decision and Rate Order, December 15, 2023 (revised), p. 11

Variance WMS – Sub-account CBR Class B	1580	174,180	5,946	180,126
RSVA - Retail Transmission Network Charge	1584	(26,581)	(5,606)	(32,187)
RSVA - Retail Transmission Connection Charge	1586	(315,369)	(18,535)	(333,904)
RSVA - Power	1588	(650,216)	17,318	(632,898)
RSVA - Global Adjustment	1589	(628,191)	(43,013)	(671,204)
Disposition and Recovery/Refund of Regulatory Balances (2022)	1595	(12,734)	(48,859)	(61,593)
Total for Group 1 Accounts		**(1,687,733)**	**(106,221)**	**(1,793,954)**

OEB Staff Submission

OEB staff supports Canadian Niagara Power's request for final disposition of its Group 1 balances (excluding Accounts 1588 and 1589) as of December 31, 2024. OEB staff takes no issue with Canadian Niagara Power's proposal for interim disposition of the 2023 and 2024 balances for Accounts 1588 and 1589. OEB staff notes that when the reasonability test is applied to the Account 1588 balance for 2023 and the unexplained discrepancies of Account 1589 for 2024, the results for both slightly exceed the OEB's 1% threshold.[10] OEB staff also notes that Accounts 1588 and 1589 were last disposed of on a final basis in Canadian Niagara Power's 2024 IRM application[11]. Canadian Niagara Power has not identified other material adjustments to the total balances (i.e., credit of $1.3 million) requested for disposition of these two accounts. OEB staff submits that Canadian Niagara Power's interim disposition request in this proceeding allows the distributor to conduct further reviews of the account balances, while not compromising intergenerational equity.

[10] The Commodity Accounts Analysis Workform assesses the reasonability of Accounts 1588 and 1589. The workform calculates an approximate expected balance in Account 1589 and compares the expected amount to the amount reported in the distributor's general ledger. Material differences between the two need to be reconciled and explained on an annual basis. Materiality is assessed on an annual basis based on a threshold of +/- 1% of the annual IESO Global Adjustment charge. For Account 1588, the 1% threshold assesses the Account 1588 balance as a percentage of Account 4705 (Commodity Accounts Analysis Workform, Note 7). For Account 1589, the 1% threshold assesses the unresolved difference as a percentage of expected Global Adjustment payments to the IESO (Commodity Accounts Analysis Workform, Note 6).

[11] EB-2023-0009, Decision and Rate Order, December 15, 2023 (revised), p. 11

OEB staff submits that Canadian Niagara Power should conduct a review of Accounts 1588 and 1589. This review should be centred on passing the 1% threshold test. Once the review is completed, Canadian Niagara Power should bring these account balances forward for final disposition in its 2027 rate application.

National Grid Power Purchase

Background

Canadian Niagara Power states that it purchased power from National Grid (NG) through the New York Independent System Operator (NYISO) from August to September 2023 (the Period). It purchased power from NG during the Period to support the continuation of power to its Fort Erie customers as the typical transmission connection for these customers was unavailable.[12] On June 2, 2023, the *Electricity Act, 1998* was amended to exempt Global Adjustment (GA) charges for power purchased from out-of-province suppliers. The amendments came into effect on July 1, 2023. Power that Canadian Niagara Power purchased from NG was through NYISO and supplied by International Power Line (IPL). This resulted in Canadian Niagara Power not paying GA for the power that it purchased in this way during the Period.[13]

In its Decision and Order, dated June 17, 2025 (June 2025 Decision), the OEB approved[14] Canadian Niagara Power's request to amend its distribution license for exemptions from section 3.2 of the *Retail Settlement Code* and section 2.2.2 of the *Standard Supply Service Code*, as well as an Accounting Order outlining the treatment of the out-of-province power purchased from NG. The OEB also directed Canadian Niagara Power to prorate the cost of power purchased from NG between Regulated Price Plan (RPP) and Class B Non-RPP customers, and to exclude power purchased from NG from its Independent Electricity System Operator (IESO) Charge Type (CT) 142 RPP settlement calculations. Canadian Niagara Power was also approved to record all GA costs avoided as a split between Accounts 1588 and 1589 (using the same percentages of RPP and Non-RPP used to separate IESO CT 148) and to refund customers under a harmonized disposition approach.

The June 2025 Decision states that "[Canadian Niagara Power]'s proposal for harmonized disposition is acceptable on a preliminary basis but will be subject to review when [Canadian Niagara Power] seeks actual disposition of its Account 1588 and 1589 balances in its next rate application." The June 2025 Decision also states that

[12] Manager's Summary, September 3, 2025, Section 1.2.1
[13] EB-2025-0081, Decision and Order, June 17, 2025, Section 4.2, p. 6
[14] EB-2025-0081, Decision and Order, June 17, 2025, Section 4

"…depending on the actual cost of power purchased from [NG] in the future, there may not be savings and under the harmonized disposition approach, all of [Canadian Niagara Power]'s distribution customers would share that additional cost" and that "…the final decision on any disposition of balances resulting from the Accounting Order should be made at the time that [Canadian Niagara Power] applies for disposition of those balances."[15]

In this proceeding, Canadian Niagara Power states that it has applied the guidelines from the June 2025 Decision in its August and September 2023 settlement recalculations, and has followed the approved Accounting Order and Excel illustrative commodity model approved by the OEB.[16] The total GA costs avoided for the Period total $1,616,726 ($549,227 for August 2023 and $1,067,499 for September 2023).[17] These amounts have been included in the balances of Accounts 1588 and 1589, and are being requested for disposition.

In response to an OEB staff interrogatory[18], Canadian Niagara Power confirmed that it will pass on the total savings to customers based on harmonized rates across the entire service area. Canadian Niagara Power estimates savings of $98,805 and $485,319 for the Wholesale Market Service and transmission, respectively, for the months of August and September 2023.

Canadian Niagara Power provided Excel worksheets to demonstrate the GA actual rate variance[19] which has been reflected within the Account 1588 and 1589 balances, for which disposition is requested. Canadian Niagara Power modified the 'GA 2023' tab cells I48 and I49 of the 2026 Commodity Accounts Analysis Workform to incorporate the GA costs avoided from the power purchased from NG for the Period and to show the effective GA rate paid which was derived by inputting the actual IESO CT 148 GA billed to better reflect what Canadian Niagara Power was actually billed for the month[20] (i.e., $0.05712/kWh for August 2023 and $0.01525/kWh for September 2023)[21] instead of the IESO-posted GA actual rate[22] (i.e., $0.07606/kWh for August 2023 and $0.05093/kWh for September 2023).

In response to an OEB staff supplementary interrogatory[23], Canadian Niagara Power updated Column L of Note 4 in the 2026 Commodity Accounts Analysis Workform.[24]

15 EB-2025-0081, Decision and Order, June 17, 2025, Section 4.2, pp. 7-8
16 Manager's Summary, September 3, 2025, Section 1.5.3, p. 16
17 Staff-11 (e), October 17, 2025
18 Staff-11, October 17, 2025
19 CNPI_IRR_AttachmentC_20251016, CNPI_IRR_AttachmentD_20251016
20 Staff Supplementary-3, November 7, 2025
21 2026 Commodity Accounts Analysis Workform, September 3, 2025
22 IESO Data Directory Global Adjustment Report
23 Staff Supplementary-3, November 7, 2025
24 CNPI_Supirr_Att A CNPI 2026_Commodity_Accounts_Analysis_Workform_2.0_20251107

The update was to reflect the IESO-posted GA actual rate and add an adjustment (Item 10) of $549,434 in Note 5 reconciling the GA billed difference for August 2023 and September 2023 between the IESO-posted actual GA rate and effective GA rate billed.

Canadian Niagara Power disclosed that it used IPL to supply customers in Fort Erie with power purchased from NG from July 26, 2025 to September 15, 2025 due to planned work on the transmission system.[25] In response to an OEB staff interrogatory[26], Canadian Niagara Power provided a high-level savings estimate of approximately $700,000 to $800,000 for this period.

OEB Staff Submission

OEB staff submits that Canadian Niagara Power's proposal for the harmonized disposition of the savings from its NG power purchase is acceptable and that the avoided GA costs have been appropriately reflected in the Account 1588 and 1589 balances included in this application. OEB staff notes that Canadian Niagara Power has applied the guidelines set out in the approved Accounting Order from the June 2025 Decision correctly and calculated the GA cost avoided to customers based on harmonized rates across the entire service area.

OEB staff does not take issue with Canadian Niagara Power calculating the GA effective rate based on the actual IESO invoice amount instead of the IESO-posted GA actual rate as the actual posted GA rate and the effective IESO invoiced rate may differ.[27] OEB staff submits that Canadian Niagara Power has properly captured GA costs avoided ($549,227 for August 2023 and $1,067,499 for September 2023) in the general ledger (based on the IESO-posted GA rate), which is supported by the RPP settlement worksheet in the Commodity Accounts Analysis Workform.[28]

OEB staff does not take issue with the methodology used in splitting/recording the GA costs avoided between RPP and Class B Non-RPP customers (using the same percentages of RPP and non-RPP used to separate IESO CT 148). This methodology follows the guidelines of the Accounting Order approved by the OEB in the June 2025 Decision. OEB staff acknowledges that Canadian Niagara Power has updated Column L of Note 4 to reflect the IESO-posted actual GA rate since the Commodity Accounts Analysis Workform is the standard template which should not be altered and notes that reconciling Item 10 (i.e., $549,434) has been added in Note 5 which is calculated based on the GA actual rate variance between Canadian Niagara Power's effective GA rates

[25] Manager's Summary, September 3, 2025, Section 1.2.1
[26] Staff-12, October 17, 2025
[27] Staff Supplementary-3 (b)(ii), November 7, 2025
[28] CNPI_IRR_AttachmentC_20251016, CNPI_IRR_AttachmentD_20251016

billed by the IESO[29] and the IESO-posted actual GA rate.

Total Bill Impact for Street Lighting Class

Background

The total bill impact across all customer classes did not exceed 10%[30], except for the Street Lighting class. The Street Lighting class has a total bill impact of 27.92%. Canadian Niagara Power explained that the increase is attributed to the expiry of a large credit rate rider from 2025 rates. In Canadian Niagara Power's 2025 IRM application[31], the Street Lighting class had a 30% decrease, resulting in these customers experiencing lower bills in 2025. In this proceeding, Canadian Niagara Power is proposing to return to a normal invoice level following the expiry of the large credit rate rider.[32]

Canadian Niagara Power confirmed that it has multiple customers in the Street Lighting class – which are typically municipalities, the regional municipality, or the Ministry of Transportation – that hold accounts across multiple customer classes. The estimated average bill impact across these accounts is 6%, with individual impacts ranging from a 0.7% decrease to a 10.5% increase.[33]

In response to an OEB staff interrogatory, Canadian Niagara Power confirmed that it considered smoothing the increase. However, Canadian Niagara Power expressed concern that smoothing may cause potential future fluctuations in billing, create greater complexity, and negatively impact intergenerational equity. The expiry of the credit rate rider, as stated by Canadian Niagara Power, is not an increase, but rather an expiry of a decrease. Although it was not in favour of smoothing the increase, Canadian Niagara Power noted that, should the OEB require it to do so, it would propose a new variance account to dispose of the balances at a later date.[34]

When questioned on whether it had a plan to communicate with affected Street Lighting customers regarding the potential bill increase, Canadian Niagara Power indicated that it had issued a letter. In the letter, Canadian Niagara Power requested that the Street Lighting customers provide any comments on the proposed bill impact by October 29,

[29] 2026 Commodity Accounts Analysis Workform, September 3, 2025
[30] Chapter 3 of the Filing Requirements, June 19, 2025, Section 3.2.3, outlines that distributors are required to file a mitigation plan if total bill increases for any customer class exceed 10%.
[31] EB-2024-0011
[32] Manager's Summary, September 3, 2025, pp. 24-25
[33] *Ibid.*
[34] Staff-3, October 17, 2025

2025.[35] On October 30, 2025, Canadian Niagara Power filed a letter with the OEB providing an update that it did not receive any comments from the affected Street Lighting customers.[36]

OEB Staff Submission

OEB staff is satisfied with Canadian Niagara Power's responses and agrees that smoothing the bill impact over multiple periods could result in potential bill fluctuations and add complexity to future disposition proceedings. Moreover, OEB staff acknowledges that the increase is primarily due to the expiry of a large credit rate rider in 2025, after which rates are expected to return to normal levels. OEB staff considers it acceptable, in light of the specific circumstances that Canadian Niagara Power has noted (and actions it has taken to seek comments from the affected Street Lighting customers), to have this increase and avoid the additional complexity associated with establishing a new variance account and accounting for its disposition.

~All of which is respectfully submitted~

[35] *Ibid.*
[36] Streetlight Responses Update Letter, October 30, 2025