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Ontario

DECISION AND RATE ORDER

EB-2025-0004

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

Application for rates and other charges to be effective
May 1, 2026

BY DELEGATION, BEFORE: Donald Lau
Manager
Electricity Distribution II

Month XX, 20XX

1. OVERVIEW

The Ontario Energy Board (OEB) is approving changes to the rates that Welland Hydro-Electric System Corp. (WHESC) charges to distribute electricity to its customers, effective May 1, 2026.

As a result of this Decision and Rate Order, there will be a monthly total bill increase of \$4.24 for a residential customer with a monthly consumption of 750 kWh. This change does not factor in applicable taxes or the Ontario Electricity Rebate.

2. CONTEXT AND PROCESS

WHESC filed its application on November 11, 2025 under section 78 of the *Ontario Energy Board Act, 1998* and in accordance with [Chapter 3 \(Incentive Rate-Setting Applications\)](#) of the OEB's *Filing Requirements for Electricity Distribution Rate Applications* (Filing Requirements). The application was based on the Price Cap Incentive Rate-setting (Price Cap IR) option, with a five-year term.

The Price Cap IR option is one of three incentive rate-setting mechanisms (IRM) used by the OEB.¹ It involves the setting of rates through a cost of service application in the first year and mechanistic price cap adjustments which may be approved through IRM applications in each of the ensuing adjustment years.

The OEB follows a standardized and streamlined process for processing IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes, as a placeholder, information from the distributor's past proceedings and annual reporting requirements. The distributor then reviews, completes, and includes the models with its application, and may update the models during the proceeding to make any necessary corrections or to incorporate new rate-setting parameters as they become available.

WHESC serves approximately 26,200 mostly residential and commercial electricity customers in the City of Welland.

The application was supported by pre-filed written evidence and a completed Rate Generator Model and, as required during the proceeding, WHESC updated and clarified the evidence.

¹ Each of these options is explained in the OEB's [Handbook for Utility Rate Applications](#).

3. DECISION OUTLINE

Each of the following issues is addressed in this Decision and Rate Order, together with the OEB's findings.

- Annual Adjustment Mechanism
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts

Instructions for implementing WHESC's new rates and charges are set out in the final section of this Decision and Rate Order.

This Decision and Rate Order does not address rates and charges approved by the OEB in prior proceedings, such as specific service charges² and loss factors, which are out of the scope of an IRM proceeding and for which no further approvals are required to continue to include them on the distributor's Tariff of Rates and Charges.

² Certain service charges are subject to annual inflationary adjustments to be determined by the OEB through a generic order. For example, the OEB's Decision and Order in EB-2025-0199, June 19, 2025, established the adjustment for energy retailer service charges, effective January 1, 2026; and the OEB's Decision and Order in EB-2025-0200, issued June 19, 2025, established the 2026 Wireline Pole Attachment Charge, effective January 1, 2026.

4. ANNUAL ADJUSTMENT MECHANISM

WHESC has applied to change its rates, effective May 1, 2026. The proposed rate change is based on a mechanistic rate adjustment using the OEB-approved **inflation minus X-factor** formula applicable to IRM applications. The adjustment applies to distribution rates (fixed and variable) uniformly across all customer classes.³

The components of the Price Cap adjustment formula applicable to WHESC are set out in the table below. Inserting these components into the formula results in a 3.70% increase to WHESC's rates: **3.70% = 3.70% - (0.00% + 0.00%)**.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation factor ⁴		3.70%
Less: X-factor	Productivity factor ⁵	0.00%
	Stretch factor (0.00% to 0.60%) ⁶	0.00%

An inflation factor of 3.70% applies to all IRM applications for the 2026 rate year. The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that varies among different groupings of distributors. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience declining net income. The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all IRM applications for the 2026 rate year. The stretch factor component of the X-factor is one of five stretch factor groupings established by the OEB, ranging from 0.00% to 0.60%. The stretch factor assigned to any distributor is based on the distributor's total cost performance as benchmarked against other distributors in Ontario.

³ The adjustment does not apply to the following components of delivery rates: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, smart metering entity charge, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges (other than the Wireline Pole Attachment charge), and microFIT charge.

⁴ OEB Letter, 2026 Inflation Parameters, issued June 11, 2025

⁵ Report of the Ontario Energy Board – “Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors” EB-2010-0379, December 4, 2013

⁶ Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2024 Benchmarking Update”, prepared by Pacific Economics Group LLC., August 18, 2025

Findings

WHESC's request for a 3.70% rate increase is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and WHESC's new rates shall be effective May 1, 2026.

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5. RETAIL TRANSMISSION SERVICE RATES

In Ontario, some distributors are connected directly to a licensed transmitter, while others may be embedded, or partially-embedded, within the distribution system of another licensed distributor. WHESC is connected directly to a licensed transmitter.

To recover its cost of transmission services, WHESC requests approval to adjust the Retail Transmission Service Rates (RTSRs) that it charges its customers in accordance with the Uniform Transmission Rates (UTRs) currently in effect.^{7, 8}

On March 31, 2025, the OEB issued a report on the design of a new Electric Vehicle Charging Rate (EVC Rate), *Electric Vehicle Charging Rate Overview – Final Report*. The EVC Rate reduces the RTSRs that participating electric vehicle charging stations pay. The report requires electricity distributors to begin offering the EVC Rate to eligible customers in 2026, once their OEB-approved 2026 distribution rates become effective.

Findings

WHESC's proposed adjustment to its RTSRs is approved.

The RTSRs have been adjusted based on the current OEB-approved UTRs.

UTRs and host-RTSRs are typically approved annually by the OEB. In the event that the OEB updates the approved UTRs and host-RTSRs during WHESC's 2026 rate year, any resulting differences (from the prior-approved UTRs and host-RTSRs) will be captured in Retail Settlement Variance Accounts 1584 (Retail Transmission Network Charge) and 1586 (Retail Transmission Connection Charge).

In accordance with the OEB's March 31, 2025 report, WHESC will provide eligible electric vehicle charging station customers with the option to elect to be charged the RTSRs on the basis of the EVC Rate.

⁷ EB-2025-0232, Decision and Rate Order, January 15, 2026

⁸ EB-2025-0030, Rate Order, December 23, 2025

6. GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts (DVAs) to determine whether those balances should be disposed of. OEB policy states that Group 1 account balances should be disposed of if they exceed, on a net basis (as a debit or credit), a pre-set disposition threshold of \$0.001 per kWh, unless a distributor can justify why balances should not be disposed of.⁹ If the net balance does not exceed the threshold, a distributor may still request disposition.¹⁰

The 2024 year-end net balance for WHESC's Group 1 accounts eligible for disposition, including interest projected to April 30, 2026, is a debit of \$157,520, and pertains to variances accumulated during the 2024 calendar year. This amount represents a total claim of \$0.0004 per kWh, which does not exceed the pre-set disposition threshold of \$0.001 per kWh.

WHESC has not requested disposition of its Group 1 DVA balances.

Findings

The Group 1 account balances appear reasonable, and the calculated net balance for the threshold test is correct. The OEB finds that no disposition is required at this time, as the disposition threshold has not been exceeded and the distributor did not request disposition.

⁹ Report of the OEB – “Electricity Distributors’ Deferral and Variance Account Review Initiative” (EDDVAR), EB-2008-0046, July 31, 2009

¹⁰ OEB letter, “Update to the Electricity Distributors’ Deferral and Variance Account Review (“EDDVAR Report”), released July 2009 (EB-2008-0046)”, issued July 25, 2014

7. IMPLEMENTATION

This Decision and Rate Order is accompanied by a Rate Generator Model, applicable supporting models, and a Tariff of Rates and Charges (Schedule A). The Rate Generator Model also incorporates the following regulatory rates and charges set out in Table 7.1.

Table 7.1: Regulatory Rates and Charges

Rates	per kWh (\$)
Rural or Remote Electricity Rate Protection (RRRP)	0.0006
Wholesale Market Service (WMS) billed to Class A and B Customers	0.0041
Capacity Based Recovery (CBR) billed to Class B Customers	0.0006
Charges	(\$)
Smart Metering Entity Charge	0.42
microFIT Charge	11.00
Standard Supply Service - Administrative Charge (if applicable)	0.25

Each of the rates is a component of the “Regulatory Charge” on a customer’s bill and established separately by the OEB. The RRRP and WMS rates were set by the OEB on December 11, 2025.¹¹

The Smart Metering Entity Charge is a component of the “Distribution Charge” on a customer’s bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set by the OEB on September 8, 2022.¹²

The Standard Supply Service Charge is a monthly fee set by the OEB that covers the administrative costs of an electricity distributor when a customer buys power directly from them under the Regulated Price Plan instead of a third-party energy retailer. This fixed charge is uniform across all utilities in the province and is in addition to the

¹¹ EB-2025-0299, Decision and Order, December 11, 2025

¹² EB-2022-0137, Decision and Order, September 8, 2022

Wholesale Market Service charge.

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8. ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT

1. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is approved effective May 1, 2026 for electricity consumed or estimated to have been consumed on and after such date. Welland Hydro-Electric System Corp. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.
2. In accordance with the OEB's March 31, 2025 report, *Electric Vehicle Charging Rate Overview – Final Report*, Welland Hydro-Electric System Corp. will, as of May 1, 2026, provide eligible customers with the option to elect to be charged Retail Transmission Service Rates on the basis of the Electric Vehicle Charging Rate, subject to the standard terms and conditions set out in Appendix A of the report.

DATED at Toronto, Month, Date, Year

ONTARIO ENERGY BOARD

Ritchie Murray
Acting Registrar

SCHEDULE A
DECISION AND RATE ORDER
WELLAND HYDRO-ELECTRIC SYSTEMS CORP.
TARIFF OF RATES AND CHARGES

EB-2025-0004

Month XX, 20XX