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BY EMAIL

February 27, 2026

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
Orangeville Hydro Limited
Application for 2026 Distribution Rates
OEB File Number: EB-2025-0015**

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

Yours truly,

Randy Doradat
Advisor, Natural Gas

Encl.



ONTARIO ENERGY BOARD

OEB Staff Submission

Orangeville Hydro Limited

Application for 2026 Distribution Rates

EB-2025-0015

February 27, 2026

Introduction

Orangeville Hydro Limited (Orangeville Hydro) filed an incentive rate-setting mechanism (IRM) application, dated October 9, 2025, with the Ontario Energy Board (OEB) under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to its electricity distribution rates to be effective May 1, 2026.

Consistent with Chapter 3 of the Filing Requirements,¹ Orangeville Hydro applied the Price Cap Incentive Rate-setting annual 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 Orangeville Hydro is 0.00%,³ resulting in a rate adjustment of 3.70% based on the Price Cap adjustment formula. OEB staff has no concerns with Orangeville Hydro's proposed Price Cap adjustment.

In addition to its Price Cap adjustment, Orangeville Hydro has also requested: (i) an update to its Retail Transmission Service Rates; (ii) an update to its Low Voltage Service Rates; (iii) a shared tax rate rider to refund customers \$34,829; and (iv) approval of the 2026 revenue-to-cost ratio adjustment for the Sentinel Lighting class. OEB staff has no concerns with these requests made by Orangeville Hydro.

Orangeville Hydro requested an OEB order granting an exception to the Independent Electricity System Operator (IESO) two-year limitation period for 2021 and 2022, relating to Charge Type (CT) 1142 claims. However, in response to an OEB staff interrogatory⁴, Orangeville Hydro confirmed that an OEB order was not required as the two-year limitation period does not apply to CT 1142 claims. As a result, OEB staff is not providing a comment on this matter.

OEB staff makes submissions on the following issues:

- Disposition of Accounts 1588 and 1589 balances
- Disposition of other Group 1 accounts

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 Response to OEB Staff Interrogatory – 31(a)

Disposition of Accounts 1588 and 1589 Balances

Orangeville Hydro requests the final disposition for Accounts 1588 and 1589 balances for the period of 2021 to 2022, and interim disposition for Accounts 1588 and 1589 balances for the period of 2023 to 2024.⁵ OEB staff notes several issues related to multiple years' account balances. As a result, the submission below is divided into sections for the respective years with the noted issues.

To assist with an understanding of the issues that will be addressed in its submission, OEB staff has compiled a history regarding Orangeville Hydro's disposition of the two commodity variance accounts.

Table 1: Historical Overview of Orangeville Hydro's Disposition of Accounts 1588 and 1589

Proceeding	Outcomes
2020 IRM Decision and Rate Order (EB-2019-0060)	The OEB approved the disposition of Accounts 1588 and 1589 2016 balances, plus interest, on a final basis. In addition, the OEB also requested Orangeville Hydro to complete a review of its 2017 and 2018 transactions for Accounts 1588 and 1589.
2021 IRM Decision and Rate Order (EB-2020-0046)	The OEB approved the disposition of Accounts 1588 and 1589 2019 balances, plus interest, on an interim basis. The OEB also referred an issue concerning Accounts 1588 and 1589 to its Inspection & Enforcement team for the consideration of a review of Orangeville Hydro's internal controls and associated accounting practices relating to those accounts.
2022 IRM Decision and Rate Order (EB-2021-0049)	The OEB deferred disposition of Accounts 1588 and 1589, pending the OEB's inspection. The OEB also directed Orangeville Hydro to provide the outcomes of the inspection for the OEB's consideration in its first rate application following the conclusion of the review.
2023 IRM Decision and Rate Order (EB-2022-0056)	The OEB deferred disposition of Accounts 1588 and 1589 as the inspection was ongoing.
2024 Cost of Service Decision and Rate Order (EB-2023-0045)	The OEB approved a complete settlement agreement. The settlement agreement stated that the parties agreed that Orangeville Hydro's proposals for deferral and variance accounts (DVAs), including the balances

⁵ Response to OEB Staff Interrogatory - 20(a)

	<p>in the existing accounts and their disposition, were appropriate. Orangeville Hydro proposed the disposition of Accounts 1588 and 1589 2020 balances on a final basis as the balances were included in the OEB inspection. Orangeville Hydro proposed the disposition of Accounts 1588 and 1589 2022 audited balances, but the basis of disposition was not specified.</p> <p>On September 6, 2023, the OEB’s Inspection & Enforcement team completed the inspection of Orangeville Hydro’s Accounts 1588 and 1589 for the period of January 1, 2017 to December 31, 2020, and released its Inspection Report.⁶</p>
2025 IRM Decision and Rate Order (EB-2024-0048)	<p>Orangeville Hydro withdrew its request to dispose of the Group 1 account balances (including Accounts 1588 and 1589) as it wanted to further investigate the balances within Accounts 1588 and 1589. By removing Accounts 1588 and 1589 from its Group 1 DVA balances, the remaining Group 1 DVA balance did not meet the disposition threshold.⁷</p>

Issue 1: One Material Error in Accounts 1588 and 1589’s 2020 Final-Disposed Balance – Potential Rates Retroactivity Issue

Background

In response to an OEB staff interrogatory⁸, Orangeville Hydro notes that it recorded a total debit of \$201,219 (i.e., \$200,868 + \$351) as the 2024 principal adjustments (PA) in Account 1589. The purpose of the adjustments, as stated by Orangeville Hydro, was to reverse its original 2016 PAs (i.e., a credit of \$201,219) that were included in the 2020 balance of Account 1589.

The original 2016 PAs, per the analysis completed by Orangeville Hydro in its 2020 Global Adjustment Analysis Workform⁹ and filed in its 2020 rates proceeding, are provided below.

⁶ EB-2023-0045, Exhibit 9, Appendix 9-D, p. 41, September 29, 2023

⁷ EB-2024-0048, Orangeville Hydro Submission of Updated IRM Rate Generator Model, February 14, 2025

⁸ Response to OEB Staff Interrogatory - 24

⁹ [OHL 2020 GA Analysis Workform 20200219](#), Tab GA 2016, Note 5, Item 2a & 6

Table 2: 2016 Principal Adjustments Included in Final Disposed 2020 Balance of Account 1589 Global Adjustment

Item # on Global Adjustment Analysis Workform	Adjustment Description	Amount \$	Explanation Provided by Orangeville Hydro
2a	Remove prior year end unbilled to actual revenue differences	(200,868)	Remove difference from 1 st estimate Global Adjustment in unbilled to actual Global Adjustment
6	Difference in Global Adjustment IESO posted rate and rate charged on IESO invoice	(351)	Included to true up to table above which uses Global Adjustment final posted rate, as General Ledger is IESO billed Global Adjustment rate

Orangeville Hydro confirms that the original 2016 PAs were included in the 2020 disposed balances of Accounts 1588 and 1589 and its reversal amount (i.e., a debit of \$201,219) was not included in the 2020 disposed balances of Accounts 1588 and 1589.¹⁰

Orangeville Hydro states that these two amounts were not recorded / reversed in the 2016 general ledger nor in the 2024 general ledger. Orangeville Hydro also notes that "...because these PAs were not reversed, it does impact the 2020 balances that were disposed on a final basis in a previous Decision and Order" and that it agrees "...that these principal adjustments should have reversed in 2017 in a timely manner."¹¹

Orangeville Hydro states that it "...believes it should be kept whole by the 2016 reversal [PAs] in the 2024 [PA] tab of the 2026 Commodity Accounts Analysis Workform".¹²

OEB Staff Submission

OEB staff notes that by not reversing the 2016 PAs in 2017, Orangeville Hydro essentially over-refunded its ratepayers \$201,219 for Account 1589's 2020 balance. By requesting the debit PAs in 2024, Orangeville Hydro proposes to be kept whole of its own mistake by collecting \$201,219 from its ratepayers in this application (Orangeville Hydro requests the interim disposition of Account 1589's 2024 balance).

¹⁰ Response to OEB Staff Interrogatory - 24(b)

¹¹ Response to OEB Staff Interrogatory - 24

¹² *Ibid.*

OEB staff submits that the over-refunding by Orangeville Hydro in its 2024 cost of service application should not be corrected because the incorrect refunding was accepted by the parties in that proceeding and approved by the OEB as a package. Furthermore, Orangeville Hydro's request of being kept whole should not be allowed because it offends the rule against retroactivity. OEB staff submits that the specific prior-period debit adjustments totaling \$201,219 should not be allowed in 2024 or any other years in Account 1589. OEB staff submits that Orangeville Hydro should write off this debit amount (i.e., \$201,219) together with its associated carrying charges.

OEB staff is of the view that not allowing the retroactive adjustment in this case would be in line with the principles and asymmetric approach set out in the [OEB's letter, dated October 31, 2019](#) (Letter), regarding prior period adjustments in pass-through variance accounts. OEB staff recognizes that this view also aligns with the OEB's decision on Festival Hydro Inc.'s (Festival Hydro) 2026 IRM application¹³ where a retroactive adjustment was requested, but denied by the OEB.

First, OEB staff notes that 2020 rates were made final based on the costs as a package. Parties that participated in the 2024 settlement agreement did not have knowledge that the rates were subject to future change. Orangeville Hydro's proposal to make an adjustment to its 2020 balance in this application offends the rule against retroactivity and effectively undoes what had been agreed to by the parties to that proceeding, and what was subsequently approved by the OEB.

Second, the OEB's 2019 Letter provides four factors to assist the OEB to determine, on a case-by-case basis, whether to make retroactive adjustments:

1. Whether the error was within the control of the distributor
2. The frequency with which the distributor has made the same error
3. Failure to follow guidance provided by the OEB
4. The degree to which other distributors are making similar errors

OEB staff is of the view that this error was within Orangeville Hydro's control as it is responsible for ensuring the accuracy of amounts recorded in its general ledger and DVA continuity schedule. OEB staff notes that it is not the first time Orangeville Hydro made an error. The OEB has raised concerns, in several instances, regarding balances of Accounts 1588 and 1589 in Orangeville Hydro's rate proceedings since 2018.¹⁴ Further, Orangeville Hydro did not follow the OEB's Accounting Guidance for the Commodity Variance Accounts 1588 and 1589 because it had not reserved the 2016 PAs on a timely basis and therefore disposed an incorrect balance of Account 1589.

¹³ EB-2025-0039, Decision and Rate Order, December 16, 2025

¹⁴ EB-2020-0046, Decision and Rate Order, March 25, 2021, p. 13

OEB staff notes that similar errors have been addressed in other distributors' rate applications. One recent precedent is the OEB's Decision and Rate Order¹⁵ regarding Festival Hydro's 2026 IRM application. In its Decision and Rate Order, the OEB denied Festival Hydro's request to recover \$158,079 from ratepayers to retroactively correct a billed rates error resulting from the incorrect DVA and Global Adjustment rate riders in the IRM Rate Generator Model. The OEB determined that Festival Hydro's request constituted impermissible retroactive ratemaking and did not fall within the limited circumstances in which the OEB will allow retroactive corrections to pass-through variance accounts.¹⁶

The OEB, relying on the Ontario Court of Appeal's (the Court) decision in *Union Gas Ltd. v. Ontario Energy Board*, 2015 ONCA 453, explained that the exceptions to the rule against retroactivity are narrow:

Subject to certain exceptions, retroactive ratemaking is presumptively impermissible because it undermines certainty, predictability, and fairness by reallocating costs across different rate periods and customer cohorts. The Court recognized only narrow exceptions to this rule, holding that adjustments affecting past periods may be permissible where the regulatory framework clearly contemplated that the amounts at issue remained subject to later disposition, such as where revenues are effectively "encumbered" within an inherently retrospective mechanism or tracked through DVAs that put parties on notice that final determination would occur later.¹⁷

OEB staff also submits that Orangeville Hydro's request does not fit into the asymmetric approach stated in the OEB's 2019 Letter. Allowing Orangeville Hydro to correct its own error by collecting \$201,219 from ratepayers would be solely to the benefit of Orangeville Hydro and not ratepayers.

OEB staff submits that Orangeville Hydro's request should be denied. Although, OEB staff does note that the OEB has previously recognized certain exceptions to retroactive ratemaking.¹⁸ OEB staff submits that Orangeville Hydro's error does not warrant an exception for the reasons discussed above.

¹⁵ EB-2025-0039, Decision and Rate Order, December 16, 2025

¹⁶ *Ibid.*, pp. 13-15

¹⁷ EB-2025-0039, Decision and Rate Order, December 16, 2025, p. 14

¹⁸ EB-2023-0047, Decision and Rate Order, April 9, 2024 and EB-2021-0011, Decision and Rate Order, December 16, 2021

Issue 2: Accounts 1588 and 1589's 2022 Disposed Balances – Potential Rates Retroactivity Issue**Background**

In this proceeding, Orangeville Hydro is requesting to adjust the balances of 2021 and 2022 for Accounts 1588 and 1589, based on its understanding that these two years' balances were disposed of on an interim basis in its 2024 cost of service application.

OEB staff asked interrogatories seeking clarification from Orangeville Hydro regarding the disposition status of the 2021 and 2022 balances for Accounts 1588 and 1589, because OEB staff is of a different view. OEB staff also asked Orangeville Hydro to address the four factors listed in the OEB's 2019 Letter for potential rates retroactivity.

In a response to an OEB staff interrogatory, Orangeville Hydro states that there should be no rates retroactivity issue for the adjustments made in Accounts 1588 and 1589's 2021 and 2022 balances as these balances have not been disposed on a final basis.¹⁹ Orangeville Hydro did not address the four factors as requested. In another response to an OEB staff interrogatory²⁰, Orangeville Hydro states that it was unclear as to whether these balances were approved for interim or final disposition in its 2024 cost of service application, and that there is no reference to interim or final disposition of Accounts 1588 or 1589 in its 2024 cost of service application.

In this application, Orangeville Hydro made material adjustments in Accounts 1588 and 1589 'interim-disposed' balances for 2021 and 2022. These adjustments stem from: (i) IESO CT 2148 adjustments split between Accounts 1588 and 1589 that were originally only charged to Account 1589; and (ii) IESO post-claims related to Class A customer re-billing that occurred in early 2023, of which the increased energy billed to this customer was accrued in 2022, but affected 2021 energy balances.²¹

In response to an OEB staff interrogatory²² regarding the 2022 principal balance of Account 1588, Orangeville Hydro confirms that the correct December 31, 2022 balance should be a debit of \$64,150. However, a debit of \$277,575 was disposed in Orangeville Hydro's 2024 cost of service application. As a result, Orangeville Hydro is requesting a refund to ratepayers of \$213,425 for the revised 2022 Account 1588 balance. Further, for the 2022 principal balance of Account 1589, Orangeville Hydro confirms that the correct December 31, 2022 balance should be a debit of \$28,746.²³ However, a debit of \$623 was disposed in its 2024 cost of service application. Orangeville Hydro is

¹⁹ Manager's Summary, October 9, 2025, Section 3.2.6.1a, p. 23, Rows 16-18

²⁰ Response to OEB Staff Interrogatory - 7

²¹ Manager's Summary, October 9, 2025, Section 3.2.6.1a, p. 19, Rows 11-22

²² Response to OEB Staff Interrogatory - 21

²³ *Ibid.*

requesting a collection from ratepayers of \$28,123 for the revised 2022 Account 1589 balance. These revised balances for Accounts 1588 and 1589 are based on the adjustments presented in 2021 and 2022 of the Commodity Accounts Analysis Workform.

However, in reviewing the later years' PAs on the Commodity Accounts Analysis Workform, OEB staff notes that certain PAs recorded in other years (i.e., 2023 and 2025) could also be related to 2021 and 2022. For example, per Orangeville Hydro's response to an OEB staff interrogatory regarding potential errors related to the PAs of Account 1589 in 2023:²⁴

Table 3: Examples of Principal Adjustment Amounts Provided by Orangeville Hydro

Principal Adjustment Amounts Related to Y2021 & Y2022	Description	Orangeville Hydro Response	Year Related
\$78,422	CT 2148, 2023 Issue 1327 for prior period corrections, 2021 energy	It is recorded as 2023 current period PA. It is CT 2148 Issue 1327 settled on the April 2023 IESO invoice but relates to 2021 to remove the 2021 energy portion which is in 2023 1589 Global Adjustment General Ledger. The journal entry will occur in the 2025 General Ledger, and the PA will reverse in 2025.	This adjustment is related to Y2021 Class A load, however, it was recorded in Y2023 as a PA and will be reversed in Y2025
\$75,262	CT 2148, 2023 Issue 1327 for prior period corrections, 2022 energy	It is recorded as 2023 current period PA. It is CT 2148 Issue 1327 settled on the April 2023 IESO invoice, but relates to 2022 to remove the 2022 energy portion which is in 2023 Account 1589 Global Adjustment General Ledger.	This adjustment is related to Y2022 Class A load, however, it was recorded in Y2023 as a PA and will be reversed in Y2025

²⁴ OHL Staff Questions Attachment A_20260212

		The journal entry will occur in the 2025 General Ledger, and the PA will reverse in 2025.	
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OEB Staff Submission

OEB staff submits that Orangeville Hydro’s 2022 balances for Accounts 1588 and 1589 were disposed of on a final basis in its 2024 cost of service application. Any adjustments to the period prior to the 2022 year-end would constitute rate retroactivity. However, OEB staff notes that the impact of prior-period adjustments on the final disposed balances of these two accounts cannot be determined. As a result, it is impossible to properly assess Orangeville Hydro’s request in light of the principles set out in the OEB’s 2019 Letter. OEB staff is of the view that the OEB should require Orangeville Hydro to conduct a comprehensive review of the balances in Accounts 1588 and 1589 for the period from 2021 to 2025, performed by an independent external party.²⁵ OEB staff submits that Orangeville Hydro should file the outcome of this review, along with a complete review report, as part of its next rate application (i.e., its 2027 IRM application) for the OEB’s consideration in determining the disposition of Accounts 1588 and 1589 balances.

First, OEB staff is of the view that the lack of specific wording in the OEB’s findings regarding the disposition of DVA balances should not be interpreted as the balances being disposed on an interim basis. In general, if the disposition of the DVAs was approved on an interim basis, the wording of interim basis will show in the decision and tariffs. One such example is the Decision and Rate Order²⁶ for Orangeville Hydro’s 2021 IRM application. In the 2021 IRM application, interim disposition was approved for Accounts 1588 and 1589, and the Decision and Rate Order, as well as the associated tariff, clearly state “interim basis”. OEB staff also notes that, in the case of interim disposed DVA balances, the DVA rate riders and the Global Adjustment rate riders derived based on these balances would clearly be marked as “interim basis”. However, this is not the case for the DVA rate rider and Global Adjustment rate riders that were shown on the decision and tariff for Orangeville Hydro’s 2024 cost of service application.²⁷

Second, OEB staff submits that the total adjustments made to the 2022 balances of

²⁵ The majority of the principal adjustments Orangeville Hydro has proposed in this application is recorded in General Ledger 2025.

²⁶ EB-2020-0046, Decision and Rate Order, March 25, 2021

²⁷ EB-2023-0045, Decision and Rate Order, April 23, 2024, Appendix E

Accounts 1588 and 1589 cannot be accurately summarized or verified in this proceeding. The accuracy of the account balances cannot be confirmed due to multiple PAs made in 2021 and 2022, as well as additional PAs recorded in subsequent years, but may relate to those periods. OEB staff notes that, given the volume and complexity of these adjustments and the lack of a third-party review, a rate proceeding may not be an appropriate forum to undertake a comprehensive examination of these balances. OEB staff submits that there is not enough information to make a determination approving the disposition of 2021 and 2022 balances of the two accounts in this proceeding.

As outlined in the table above, several potential errors may have been identified in relation to the adjustments affecting 2021 and 2022 balances. OEB staff is therefore of the view that the adjustments proposed in this application may not be accurate. Further review and analysis is required to validate the accuracy of the 2021 and 2022 balances for Accounts 1588 and 1589. OEB staff submits that it is Orangeville Hydro's responsibility to ensure the completeness, accuracy and reliability of all adjustments recorded in Accounts 1588 and 1589.

Issue 3: Accounts 1588 and 1589 Balances for December 31, 2023 and December 31, 2024

Background

For Accounts 1588 and 1589 balances, Orangeville Hydro states that it is seeking interim disposition for the period from 2023 to 2024.²⁸ The total balances of Accounts 1588 and 1589 as of December 31, 2024, including interest projected to December 31, 2025, is a debit of \$47,820.²⁹

OEB Staff Submission

OEB staff does not support Orangeville Hydro's proposal for the interim disposition of its Accounts 1588 and 1589 balances for the period from 2023 to 2024. As a result of the concerns OEB staff has regarding the adjustments made in the 2021 and 2022 balances for its Accounts 1588 and 1589, as discussed above, OEB staff is of the view that the errors identified through the interrogatory³⁰ which related to Orangeville Hydro's 2021 and 2022 balances may also impact the balance for 2023.

OEB staff submits that there should be no disposition of the 2023 and 2024 balances of Accounts 1588 and 1589 in this application. As noted above, Orangeville Hydro should be required to conduct an external review of the 2021 to 2025 balances of Accounts

²⁸ Response to OEB Staff Interrogatory - 20

²⁹ OHL_2026-IRM-Rate Generator Model V1_20260212, Tab 3

³⁰ OHL Staff Questions Attachment A_20260212

1588 and 1589, and bring the accounts for disposition, along with result / details of the review, in its 2027 IRM application.

Disposition of Other Group 1 Accounts

Background

Orangeville Hydro is requesting disposition of its December 31, 2024, Group 1 DVA balance, excluding Accounts 1588 and 1589, a total debit amount of \$6,597, over a one-year period on an interim basis. Although the Group 1 DVA balance does not exceed the OEB's \$0.001/kWh threshold for disposition, Orangeville Hydro states it is important to dispose of the balances with the customers who contributed to the balances within the variance accounts.³¹

OEB Staff Submission

OEB staff does not support Orangeville Hydro's proposal for the interim disposition of its December 31, 2024, Group 1 DVA balance, excluding Accounts 1588 and 1589 balances, for the period from 2023 to 2024 as the balance does not meet the OEB's threshold test (i.e., \$0.001/kWh) and the balance is not material enough to generate a rate rider. OEB staff submits that Orangeville Hydro should bring the entire Group 1 DVAs for disposition in its 2027 IRM application once the review has been completed for its Accounts 1588 and 1589.

~All of which is respectfully submitted~

³¹ Manager's Summary, October 9, 2025, Section 3.2.6, p. 15, Rows 20-21