



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

BY EMAIL

March 3, 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
Hydro Hawkesbury Inc.
Application for 2026 Electricity Distribution Rates
OEB File Number: EB-2025-0031**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1. This document is also being forwarded to Hydro Hawkesbury Inc.

Yours truly,

Cecilia Wang
Analyst, Natural Gas

Encl.



ONTARIO ENERGY BOARD

OEB Staff Submission

Hydro Hawkesbury Inc.

2026 Electricity Distribution Rates Application

EB-2025-0031

March 3, 2026

Introduction

Hydro Hawkesbury Inc. (Hydro Hawkesbury) 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. Hydro Hawkesbury has also applied for disposition, over a one-year period through a rate rider, of Group 2 Cost of Capital Variance Accounts.

On December 18, 2025, the OEB issued an order making Hydro Hawkesbury's rates interim as of January 1, 2026.

Consistent with Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications (Filing Requirements),¹ Hydro Hawkesbury 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 Hydro Hawkesbury 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 Hydro Hawkesbury's proposed Price Cap adjustment. In light of the timing of the issuance of a Final Rate Order, OEB staff invites Hydro Hawkesbury, in its reply submission, to indicate whether it is requesting any forgone revenue for the period between January 1, 2026 and the implementation date of the new rates, and if so, to provide a proposed implementation date.

Hydro Hawkesbury has also requested an update to its Retail Transmission Service Rates (RTSRs) to recover the cost of transmission charged by its host distributor, Hydro One Networks Inc. (Hydro One). OEB staff has no concerns with Hydro Hawkesbury's requested adjustments to its RTSRs.

Hydro Hawkesbury has confirmed OEB staff's updates on its Rate Generator Model to reflect the final Uniform Transmission Rates (UTRs)⁴ and final Hydro One Sub-Transmission Rates.⁵ Further, OEB staff has also updated the time-of-use pricing and Ontario Electricity Rebate in the Rate Generator Model to reflect the updated values set on October 17, 2025.

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, Decision and Rate Order, January 15, 2026

⁵ EB-2025-0030, Rate Order, December 23, 2025

OEB staff makes detailed submissions on the following issues:

- Class A Consumption Data
- Group 1 Deferral and Variance Accounts (DVAs) Disposition
- Cost of Capital

Class A Consumption Data

Background

In response to an interrogatory⁶, Hydro Hawkesbury stated that a discrepancy in the number of Class A customers between the Management Summary and the Rate Generator Model was an error in populating the model. Hydro Hawkesbury stated that it updated Tab 6 in the Rate Generator Model to reflect the correct number of Class A customers.

Submission

OEB staff notes that under table “Rate Classes with Class A customers – Billing Determinants by Rate Class” in Tab 6 of the Rate Generator Model, Hydro Hawkesbury does not identify the Rate Class category and the customer volume associated with Rate Class 2 for 2024.

OEB staff requests that, in its reply submission, Hydro Hawkesbury update Tab 6 of the Rate Generator Model to include the Rate Class and customer volume in 2024 associated with Rate Class 2 in the “Rate Classes with Class A customers – Billing Determinants by Rate Class” table.

Group 1 DVAs Disposition

Background

In Hydro Hawkesbury’s 2025 cost of service application⁷, the OEB approved disposition on a final basis of Group 1 accounts including Accounts 1588 and 1589. The accounts reflected balances as of December 31, 2023, including interest projected to December 31, 2024.⁸

In this application, Hydro Hawkesbury is seeking final disposition of Group 1 DVAs, including Accounts 1588 and 1589, as of December 31, 2024 and interest projected to December 31, 2025, a total debit amount of \$411,689. The total debit amount of \$411,689 includes a debit balance of \$11,052 for Account 1595 (2022).

In response to an interrogatory⁹, Hydro Hawkesbury states that Account 1595 (2020) (a credit balance of \$14,016) was eligible for disposition in the 2024 rate year, and Account 1595 (2021) (a credit balance of \$3,499) was eligible for disposition in the 2025 rate year. Hydro Hawkesbury is not proposing to dispose of Accounts 1595 (2020) and

⁶ Response to Staff Interrogatory-8

⁷ EB-2024-0031

⁸ EB-2024-0031, Decision and Rate Order, January 9, 2025

⁹ Response to Staff Interrogatory-7

1595 (2021) in this application as it states that the accounts are “not newly eligible in the 2026 rate year and therefore not being proposed for disposition”.

Submission

OEB staff supports Hydro Hawkesbury’s request for final disposition of its Group 1 balances (including Accounts 1588 and 1589) as of December 31, 2024, in this application. OEB staff notes that the threshold tests have been met for Accounts 1588 and 1589 and there were no issues noted from the other Group 1 accounts. However, OEB staff does not support Hydro Hawkesbury’s proposal to not dispose of the Accounts 1595 (2020) and 1595 (2021) balances.

OEB staff notes that Accounts 1595 (2020) and 1595 (2021) meet the eligibility for disposition as per Chapter 3 of the Filing Requirements¹⁰ and were not disposed of in a prior rate application. Hydro Hawkesbury confirmed, through its interrogatory response, that both accounts were eligible for disposition in the 2024 and 2025 rate years, respectively. In addition, the total balance of these two sub-accounts under Account 1595 is a credit of \$17,515 representing a refund to ratepayers. OEB staff notes that the rate riders for Account 1595 (2020) and 1595 (2021) have already ended and is of the view that these two sub-accounts under Account 1595 should be disposed of in this application to avoid further delay and potential intergenerational inequity.

OEB staff requests that, in its reply submission, Hydro Hawkesbury update the Rate Generator Model to include disposition of Accounts 1595 (2020) and 1595 (2021), and update the rate rider accordingly.

Cost of Capital

Background

As per the OEB’s decision on Hydro Hawkesbury’s 2025 cost of service application¹¹, the distributor implemented 2025 rates using interim cost of capital parameters – a Deemed Long-Term Debt Rate (DLTDR) of 3.59%, Deemed Short-Term Debt Rate (DSTDR) of 5.04%, and Return on Equity (ROE) of 9.25%. Hydro Hawkesbury has been tracking the variances of 2025 revenue requirement impacts between interim and final cost of capital parameters through the OEB’s approved generic DVAs (i.e., DLTDR, DSTDR, and ROE) for 2025.

Hydro Hawkesbury proposed¹² to adjust 2025 base rates to account for the differences

¹⁰ Chapter 3 of the Filing Requirements, June 19, 2025, p. 14

¹¹ EB-2024-0031, Decision and Order, January 9, 2025, Settlement Proposal, Section 3.1, Table 8

¹² Response to Staff Question-2

between the interim and final cost of capital parameters.¹³ This adjustment resulted in the 2025 test year distribution revenue requirement decreasing by \$11,778¹⁴ (not inclusive of any interest), which has been recorded, as appropriate, in the three generic DVAs. Hydro Hawkesbury also stated that the updated base rates align with Hydro Hawkesbury's 2025 approved rates, reflect the final cost of capital parameters, and eliminate the need for any future variance tracking or disposition beyond 2025.

In response to an interrogatory¹⁵, Hydro Hawkesbury corrected a formula error and provided an updated Rate Generator Model with revised rate riders. Hydro Hawkesbury also updated the interest balance of the three cost of capital DVAs to include the forecast carrying charges for the period up to December 31, 2025. Hydro Hawkesbury confirmed that it continues to use its actual DLTD of 3.59% which is consistent with OEB policy permitting the use of actual third-party debt.

Hydro Hawkesbury confirms that there is a balance recorded in the three DVAs starting from January 1, 2025, and is proposing to dispose of all three DVAs for a total credit balance of \$12,150, which includes interest (a credit of \$372), as of December 2025, through a one-time rate rider effective January 1, 2026. Hydro Hawkesbury also requests to close the three cost of capital DVAs after disposition of the credit balance.

Submission

OEB staff does not take issue with Hydro Hawkesbury's proposal for implementing the updated cost of capital framework established in the OEB's Decision and Order regarding cost of capital, and other matters, issued in March 2025 (Cost of Capital Proceeding). Hydro Hawkesbury's proposal in this application is amending its 2025 base rates to reflect the application of the updated cost of capital parameters and use the three OEB-approved generic cost of capital DVAs to record the 2025 credit variance and refund the credit balance to customers.

OEB staff has no concerns with Hydro Hawkesbury's disposition of the three cost of capital DVAs or the adjustment to the base revenue requirement formula for its 2026 rates on an interim basis. While audited balances are normally disposed, Hydro Hawkesbury's cost of capital DVAs arise from a mechanistic true-up from interim to final 2025 parameters. OEB staff notes that in Centre Wellington Hydro Ltd.'s (Centre Wellington Hydro) 2026 IRM application¹⁶, OEB staff made a similar submission. OEB

¹³ In its Decision and Order in EB-2024-0063, dated March 27, 2025, the OEB established the final cost of capital parameters. The Decision and Order regarding final cost of capital parameters was issued after the OEB's Decision and Order on Hydro Hawkesbury's 2025 cost of service application.

¹⁴ HHI_Base Current Rates vs Revised Rates 20260219, Tab-1508 Rate Rider Calcs (2025)

¹⁵ Response to Staff Interrogatory-2

¹⁶ EB-2025-0049

staff noted that it had no concerns with the disposition of the three cost of capital DVAs, but proposed that Centre Wellington Hydro should perform a true-up in its IRM application for 2027 rates if the interim disposed balance from its 2026 IRM application materially changed, once audited. Further, OEB staff noted that the OEB could then declare the cost of capital DVAs to be disposed on a final basis in Centre Wellington Hydro's 2027 IRM application.¹⁷

In its Decision and Rate Order, the OEB approved the interim disposition of Centre Wellington Hydro's three cost of capital-related DVAs. Centre Wellington Hydro was also required to include a true-up in its 2027 IRM application if there is any material changes between the interim disposed balances in its 2026 IRM application and the final audited balances for the three cost of capital DVAs.¹⁸

As it proposed in Centre Wellington Hydro's case, OEB staff submits that Hydro Hawkesbury should perform a true-up in its 2027 IRM application if the interim disposed balance from its 2026 IRM application materially changes, once audited. The OEB can then declare the cost of capital DVAs disposed of on a final basis in its decision on Hydro Hawkesbury's 2027 rates. OEB also staff proposes that Hydro Hawkesbury can include a statement to confirm whether there are any material changes between the interim disposed balance in this application and the final audited balance for the three DVAs in the 2027 IRM application.

OEB staff notes that Hydro Hawkesbury's proposal aligns with the OEB's Cost of Capital Proceeding and that the OEB's Decision and Order in the Cost of Capital Proceeding provided direction that the three cost of capital DVAs may be disposed of in an IRM or Custom IR application. OEB staff submits that the proposed disposition by Hydro Hawkesbury is consistent with the objectives of the Decision and Order in the Cost of Capital Proceeding. Disposition in this proceeding also avoids carrying principal balances and interest into future years and supports intergenerational equity. Further, forecasting error for the balances is not expected, given that the final cost of capital rates are available.

~All of which is respectfully submitted~

¹⁷ EB-2025-0049, OEB Staff Submission, October 28, 2025, p. 14

¹⁸ EB-2025-0049, Decision and Rate Order, December 19, 2025, p. 15