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DECISION AND ORDER

EB-2025-0015

ORANGEVILLE HYDRO LIMITED

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

BEFORE: **David Sword**
 Presiding Commissioner

March 31, 2026

1. OVERVIEW

The Ontario Energy Board (OEB) is approving changes to the rates that Orangeville Hydro Limited (Orangeville Hydro) charges to distribute electricity to its customers, effective May 1, 2026. These changes include a mechanistic increase based on the OEB's inflation minus X-factor formula.

The OEB is denying Orangeville Hydro's request to dispose of the Group 1 accounts balances in this proceeding. However, the OEB is partially approving the retroactive recovery of \$201,219, disallowing recovery of \$68,353 due to intergenerational inequity and timing delay, further explained in section 9.

Orangeville Hydro is required to have an external third-party review of Accounts 1588 and 1589, for the years of 2023 to 2025, and include the results of this review in its next rate application.

Orangeville Hydro is directed to file a Draft Rate Order for the OEB's review, reflecting the OEB's findings in this Decision and Order.

2. CONTEXT AND PROCESS

Orangeville Hydro filed its application on October 9, 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 is 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 Rate Generator Model with its application, and may update the model during the proceeding to make any necessary corrections or to incorporate new rate-setting parameters as they become available.

Orangeville Hydro serves approximately 13,000 mostly residential and commercial electricity customers in the Town of Orangeville and Town of Grand Valley.

Notice of the application was issued on October 28, 2025. There were no intervenors.

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

Orangeville Hydro responded to interrogatories from OEB staff. Final submissions on the application were filed by OEB staff and Orangeville Hydro.

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 Order, together with the OEB's findings.

- Annual Adjustment Mechanism
- Revenue-to-Cost Ratio Adjustments
- Shared Tax Adjustments
- Retail Transmission Service Rates
- Low Voltage Service Rates
- Group 1 Deferral and Variance Accounts

This Decision and 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

Orangeville Hydro 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 Orangeville Hydro are set out in the table below. Inserting these components into the formula results in a 3.70% increase to Orangeville Hydro'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

Orangeville Hydro's request for a 3.70% rate increase is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, effective May 1, 2026.

5. REVENUE-TO-COST RATIO ADJUSTMENTS

A revenue-to-cost ratio measures the relationship between the revenues that a distributor expects to receive from a class of customers and the level of costs allocated to that class. A distributor may implement an adjustment to its revenue-to-cost ratios during an IRM term, in accordance with OEB-established target ranges, if the adjustment was approved by the OEB in a previous cost of service or standalone proceeding.⁷

In this proceeding, Orangeville Hydro proposed an increase to the revenue-to-cost ratio for the Sentinel Lighting service classification. This adjustment is being made to bring the Sentinel Lighting service classification to the 80% “floor”.⁸

Table 5.1 outlines the revenue-to-cost ratio adjustments proposed by Orangeville Hydro for the 2026 rate year.

Table 5.1: Proposed Revenue-to-Cost Ratio Adjustments

Rate Classification	Current 2025 Ratio (%)	Proposed 2026 Ratio (%)
Sentinel Lighting Service	75.67	80.00

Findings

The OEB approves Orangeville Hydro’s revenue-to-cost ratio adjustment for the 2026 rate year in accordance with Table 5.1 above. The OEB finds that the proposed adjustments are consistent with the OEB’s decision on Orangeville Hydro’s last cost of service application.

⁷ Report of the OEB – “Application of Cost Allocation for Electricity Distributors.” EB-2007-0667, November 28, 2007; and Report of the Board – “Review of Electricity Distribution Cost Allocation Policy.” EB-2010-0219, March 31, 2011

⁸ EB-2023-0045, Decision and Rate Order, April 23, 2024

6. SHARED TAX ADJUSTMENTS

In any adjustment year of an IRM term, a change in legislation may result in a change to the amount of taxes payable by a distributor.^{9, 10} OEB policy is that the impacts of such legislated tax changes are shared equally between shareholders and customers.¹¹ The shared tax change amount, whether in the form of a credit or a debit, will be assigned to customer rate classes in the same proportions as the OEB-approved distribution revenue by rate class from the distributor's last cost of service proceeding.

In its application, Orangeville Hydro identifies a total tax decrease of \$69,659, resulting in a shared amount of \$34,829 to be refunded to ratepayers.

Findings

The OEB approves the tax sharing credit in the amount of \$34,829.

The amount shall be refunded through a fixed monthly rate rider for residential customers, and through riders calculated on a volumetric basis for all other customers over a one-year period from May 1, 2026 to April 30, 2027.

⁹ On July 25, 2019, the OEB issued a [letter](#) providing accounting guidance with respect to changes in capital cost allowance (CCA) rules. The guidance provides that impacts from changes in CCA rules will not be assessed in IRM proceedings, and that any request for disposition of amounts related to CCA changes is to be deferred to the distributor's next cost-of-service rate proceeding. A distributor's request for disposition of shared tax adjustment amounts in an IRM application should, therefore, be comprised only of impacts for tax changes unrelated to CCA.

¹⁰ Chapter 3 Filing Requirements, section 3.2.8, notes that the Rate Generator Model reflects the change in the Small Business Deduction phase-out.

¹¹ EB-2007-0673, [Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors](#), September 17, 2008, p. 35

7. 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. Orangeville Hydro is fully embedded within Hydro One Networks Inc.'s (Hydro One) distribution system.

To recover its cost of transmission services, Orangeville Hydro requests approval to adjust the Retail Transmission Service Rates (RTSRs) that it charges its customers in accordance with the host distributor RTSRs currently in effect.¹²

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

Orangeville Hydro's proposed adjustment to its RTSRs is approved. The RTSRs have been adjusted based on the current OEB-approved host-RTSRs.

Host-RTSRs are typically approved annually by the OEB. In the event that the OEB updates the approved host-RTSRs during Orangeville Hydro's 2026 rate year, any resulting differences (from the prior-approved 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, Orangeville Hydro 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.

¹² EB-2025-0030, Rate Order, December 23, 2025

8. LOW VOLTAGE SERVICE RATES

Orangeville Hydro is fully embedded within Hydro One's distribution system.

Low voltage transactions, which are not part of the wholesale electricity market, are charged to a distributor by its host distributor(s). To recover the cost of its low voltage transactions, Orangeville Hydro requests approval to adjust its Low Voltage Service Rates that it charges its customers as part of this IRM application. The adjusted Low Voltage Service Rates are based on the current OEB-approved host distributor sub-transmission rates and the most recent demand data for low voltage transactions.

Findings

Orangeville Hydro's proposed adjustments to its Low Voltage Service Rates are approved. These rates have been updated based on the current OEB-approved host distributor's sub-transmission rates.

In the event that the OEB updates the approved host distributor sub-transmission rates during Orangeville Hydro's 2026 rate year, any resulting differences are to be captured in Account 1550 (LV Variance Account).

9. 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.¹³ If the net balance does not exceed the threshold, a distributor may still request disposition.¹⁴

The 2024 year-end net balance for Orangeville Hydro's Group 1 accounts eligible for disposition, including interest projected to April 30, 2026, is a debit of \$54,417, and pertains to variances accumulated during the 2020 to 2024 calendar years. This amount represents a total claim of \$0.0002 per kWh, which does not exceed the pre-set disposition threshold of \$0.001 per kWh.

Included in the Group 1 accounts are certain variances related to costs that are paid for by a distributor's customers. Customers pay different costs, depending on their classification. "Class A" customers, who participate in the Industrial Conservation Initiative, pay for Global Adjustment (GA) charges based on their contribution to the five highest Ontario demand peaks over a one-year period. "Class B" customers pay for GA charges based on their monthly consumption, either as a standalone charge or embedded in the Regulated Price Plan (RPP).¹⁵ A similar mechanism applies to Class A and Class B customers for Capacity Based Recovery (CBR) charges.¹⁶ The balance in the GA variance account is attributable to non-RPP Class B customers and is disposed of through a separate rate rider. The balance in the CBR Class B variance account is attributable to all Class B customers.

Orangeville Hydro had one or more Class A customers during the period in which variances accumulated so it has applied to have the balance of the CBR Class B variance account disposed of through a separate rate rider for Class B customers to ensure proper allocation between Class A and Class B customers.

During the period in which variances accumulated, Orangeville Hydro had one or more customers transition between Class A and Class B. Under the general principle of cost

¹³ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative" (EDDVAR), EB-2008-0046, July 31, 2009

¹⁴ OEB letter, "Update to the Electricity Distributors' Deferral and Variance Account Review ("EDDVAR Report"), released July 2009 (EB-2008-0046)", issued July 25, 2014

¹⁵ For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)'s [website](#).

¹⁶ All Class B customers (RPP and non-RPP) pay the CBR as a separate charge based on their monthly consumption. For additional details on the CBR for Class A customers, refer to the IESO's [website](#).

causality, customer groups that cause variances that are recorded in Group 1 accounts should be responsible for paying the debits (or receiving credits) for their disposal. Orangeville Hydro has proposed to allocate a portion of the GA and CBR Class B balances to its transition customers, based on their customer-specific consumption levels.¹⁷ The amounts allocated to each transition customer are proposed to be recovered by way of 12 equal monthly installments charges/payments.

For Accounts 1588 and 1589, Orangeville Hydro requested final disposition of these two accounts for the period of 2021 to 2022, and interim disposition for the balances for the period of 2023 to 2024.¹⁸ For the Group 1 DVA balances, excluding Accounts 1588 and 1589, Orangeville Hydro is requesting disposition of a total debit amount of \$6,597 as of December 31, 2024, over a one-year period on an interim basis.

Error in Accounts 1588 and 1589's 2020 Final-Disposed Balance

Orangeville Hydro recorded a total debit of \$201,219 as 2024 principal adjustments (PAs) in Account 1589. This amount was to reverse its original 2016 PAs (i.e., a credit of \$201,219), which were included in the final disposed 2020 balance of Account 1589 and filed in its 2020 rates proceeding. Orangeville Hydro indicated that the 2020 balances that were previously disposed on a final basis are impacted by these PAs since they were not reversed. Orangeville Hydro stated that these PAs should have been reversed in 2017.¹⁹

OEB staff acknowledged that Orangeville Hydro over-refunded its ratepayers \$201,219 for Account 1589's 2020 balance by not reversing the 2016 PAs in 2017, but submitted that Orangeville Hydro should not be permitted to recover that amount from ratepayers. Instead, OEB staff recommended that the \$201,219 and associated carrying charges be written off.

In its reply, Orangeville Hydro submitted that recovery of the \$201,219 is appropriate to correct amounts erroneously refunded to ratepayers in 2020, although it agreed to forgo the recovery of any interest accrued on the balance to recognize that the underlying error was within its control.

The 2017 PA correction, as stated by Orangeville Hydro, was related to a change in unbilled GA rates instead of funds received or paid by itself.²⁰ Orangeville Hydro submitted that the 2017 PA correction best reflects the policy intention of pass-through

¹⁷ 2026 IRM Rate Generator Model, Tab 6.1a "GA Allocation" and Tab 6.2a "CBR B_Allocation"

¹⁸ Response to OEB Staff Interrogatory - 20(a)

¹⁹ Response to OEB Staff Interrogatory - 24

²⁰ Orangeville Hydro Reply Submission, p. 2

accounts.²¹ Orangeville Hydro acknowledged that the 2017 PA correction should have been reversed on the 2017 GA Analysis Workform, but the process was new to it at the time, so the implications of not reversing the PA were not fully understood.²²

Orangeville Hydro noted that the OEB required a review to be undertaken by the OEB's Inspection and Enforcement team for the years 2017 to 2020 for Accounts 1588 and 1589. The inspection report was released by the OEB in September 2023.²³ Orangeville Hydro submitted that the inspection report did not identify or address the missing 2017 PA correction, for which it specifically sought clarification. Further, Orangeville Hydro noted that it only understood the impact of not making the 2017 PA correction until after the inspection, and that it first requested the 2017 PA correction in its 2025 IRM application²⁴.

OEB staff submitted that disallowing the retroactive adjustment aligns 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. The OEB's Letter outlines four factors²⁵ to assist the OEB in determining, on a case-by-case basis, whether to make retroactive adjustments.

Orangeville Hydro submitted that it does not earn a profit on pass-through accounts and that the OEB acknowledged that retroactive adjustments are permissible to pass-through accounts provided they meet the four factors. Further, Orangeville Hydro highlighted that the OEB's Letter notes that "[t]hese variance accounts are designed to ensure that customers ultimately pay no more and no less than what their distributor paid, and that costs are tracked for recovery on an appropriate basis."²⁶

OEB staff and Orangeville Hydro submitted the following on the four factors outlined in the OEB's Letter:

Factor 1 - Whether the error was within the control of the distributor:

OEB staff submitted that the error was within Orangeville Hydro's control as it is responsible for the accuracy of its general ledger and DVA continuity schedule.

²¹ Orangeville Hydro Reply Submission, p. 4

²² Orangeville Hydro Reply Submission, p. 2, paragraph 10

²³ EB-2023-0045, Application – Exhibit 9, Appendix 9-D

²⁴ EB-2024-0048

²⁵ The four factors include: (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; and (4) the degree to which other distributors are making similar errors.

²⁶ Orangeville Hydro Reply Submission, Item 15, p. 3

Orangeville Hydro stated that the error was unintentional and agreed that it was within its control, but also noted that the OEB's Inspection and Enforcement team did not respond to clarifications requested by Orangeville Hydro regarding the 2017 PA correction.

Factor 2 - The frequency with which the distributor has made the same error:

OEB staff submitted that the OEB has raised several concerns regarding the balances in Accounts 1588 and 1589 in Orangeville Hydro's proceedings since 2018. Orangeville Hydro stated that the error occurred when there was a new OEB process and that the same error has not been made before. It stated that the OEB's Inspection and Enforcement team did not identify the 2017 PA correction which was within the inspection scope.

Factor 3 - Failure to follow guidance provided by the OEB:

OEB staff submitted that Orangeville Hydro did not follow the OEB's Accounting Guidance for Accounts 1588 and 1589 because it did not reverse the 2016 PAs in a timely manner and therefore disposed an incorrect balance of Account 1589. Orangeville Hydro submitted that the error was inadvertent and stated that the guidance only applied retroactively to January 2019. Orangeville Hydro stated that there was significant confusion among distributors regarding the OEB's expectations for pass-through variance accounts and it was unreasonable of OEB staff to not provide a transition period to incorporate the Accounting Guidance for Accounts 1588 and 1589.

Factor 4 - The degree to which other distributors are making similar errors:

OEB staff referred to Festival Hydro's 2026 IRM proceeding²⁷, of which the retroactive ratemaking request was denied since it did not fall within the limited circumstances in which the OEB will allow retroactive corrections to pass-through variance accounts. Orangeville Hydro submitted that there are several instances where the OEB has approved recovery of retroactive adjustments from ratepayers instead of strictly denying the requests of retroactive ratemaking while accounting for intergenerational equity concerns as well as taking financial impacts of utilities into consideration.

In its submission, OEB staff referenced the Ontario Court of Appeal's decision in *Union Gas Ltd. v. Ontario Energy Board*, 2015 ONCA 453 that explained that the exceptions to the rule against retroactivity are relatively narrow.²⁸ Orangeville Hydro submitted this appears to suggest that the OEB's Letter is improper and that the OEB has previously ruled that the OEB's Letter does not constitute impermissible retroactive ratemaking.

²⁷ EB-2025-0039, Decision and Rate Order, December 11, 2025

²⁸ OEB Staff Submission, p. 6

Orangeville Hydro further submitted that the OEB distilled several key principles from *Union Gas Ltd. v. Ontario Energy Board* and permitted retroactive adjustments for pass-through accounts in accordance with the OEB's Letter.²⁹

OEB staff submitted that 2020 rates were made final in the OEB's decision on Orangeville Hydro's cost of service proceeding – which approved a comprehensive settlement between Orangeville Hydro and participating intervenors on all issues included on the approved issues list.³⁰ Orangeville Hydro submitted that neither the OEB's decision on its 2024 cost of service decision, nor rule against retroactivity prohibit the OEB from making retroactive adjustments in the circumstances of this proceeding. In its reply, Orangeville Hydro further submitted that the OEB's prior decisions on retroactive adjustments to pass-through accounts indicate that it is irrelevant whether the affected accounts were previously disposed of on a final basis. Orangeville Hydro noted several proceedings to support its position on the OEB's Letter permitting retroactive rates.³¹

OEB staff submitted that Orangeville Hydro's request does not fit into the asymmetric approach³² stated in the OEB's Letter as 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. Orangeville Hydro disagreed that the 2017 PA correction would solely benefit Orangeville Hydro and not ratepayers as ratepayers paid less for electricity than was required to recover Orangeville Hydro's incurred costs of providing that service. This resulted in unjust and unreasonable rates for Orangeville Hydro.

Orangeville Hydro also noted that its cash flows have been negatively impacted since the refund in 2020 and without the correction (i.e., recovery of the \$201,219) from ratepayers, it will never see payment of these cash flows. Further, if the amount were written off, Orangeville Hydro's net income and return on equity (ROE) would be negatively impacted and result in this error punitively impacting it twice.

Orangeville Hydro provided context on the financial consequences of a possible denial of the recovery of \$201,219. Orangeville Hydro submitted that similar to the OEB's findings in *Kitchener-Wilmot Hydro Inc.'s 2022 IRM application*³³, its current financial circumstances support approval of recovery of the full amount of the over-refund.

²⁹ Orangeville Hydro Reply Submission, Item 22, p. 4

³⁰ OEB Staff Submission, p. 5

³¹ Orangeville Hydro Reply Submission, Item 19, pp. 3-4

³² The OEB's Letter, dated October 31, 2019, notes that "[i]f a distributor repeats an error, and if correcting the error is solely to the benefit of the distributor, the OEB may not approve part or all of the correction and of any associated carrying charges."

³³ EB-2021-0038, Decision and Rate Order, December 16, 2021, pp. 17-18

Orangeville Hydro noted that its financial viability would be undermined, and its achieved ROE would be reduced by approximately 1.5 percentage points. Also, based on its expected achieved ROE for 2026, denial would put it below the OEB's off-ramp for early rebasing and result in a 20% reduction in net income. This reduction could also negatively affect Orangeville Hydro's debt service covenants, moving 2024 values from 1.46 to 1.33, getting closer to the debt service covenant limit of 1.20.

In its reply submission, Orangeville Hydro noted previous OEB decisions related to rates retroactivity in which the OEB, under intergenerational inequity concerns, approved amounts based on the proportion of customers who incurred errors initially, that remained customers at the time of the decision. Orangeville Hydro noted that 71% of the customers who received the \$201,219 refund remain customers of the distributor today. Orangeville Hydro submitted that if the OEB were only to approve recovery of 71% of the \$201,219, it would result in a 1.05% decrease in ROE. Using 2024's ROE calculations, this would put Orangeville Hydro below the OEB's off-ramp for early rebasing.

Further financial consequences were highlighted by Orangeville Hydro in its reply submission. Specifically, Orangeville Hydro noted that denial would not replenish its cash position from refunding customers in 2020 and, therefore, it would not be "kept whole". Orangeville Hydro noted that the \$201,219 is a significant portion of its overall cash balance – 54% of the year end 2024 cash balance and 20% of the year end 2025 cash balance. Without this recovery, Orangeville Hydro would be required to obtain additional financing earlier.

Findings

Orangeville Hydro applied for recovery of a full amount of a deferral account over-refund of \$201,219 that occurred in a 2020 rate proceeding. For the reasons that follow, the OEB approves a recovery of \$132,865 from its customers over a one-year period.

Accounts 1588 and 1589 are the OEB DVAs in question that were the source of the over-refund by Orangeville Hydro. These two accounts ensure electricity distributors like Orangeville Hydro recover exactly what they pay the Independent Electricity System Operator (IESO) for power, and GA, for their customers' use – no more or less.

Orangeville Hydro does not earn any income from these transactions; they are strictly a pass-through cost mechanism.

Because electricity distributors' billing cycles may not always align with the IESO settlements, variances may arise. Therefore, these two accounts capture those differences.

The two accounts track the billing differences and are reviewed and trued up during rate applications in order to ensure that any over- or under-collections are refunded or recovered from customers through OEB-approved rate riders, thus ensuring fairness and accuracy in electricity pricing.

Orangeville Hydro over-refunded its rate payers in these pass-through accounts by \$201,219 during its 2020 rates proceeding. In this application, Orangeville Hydro is seeking full recovery of that amount while agreeing to forgo the recovery of any interest on the balance, acknowledging that the underlying error was within its control.

The OEB approves a recovery of \$132,865 from Orangeville Hydro's customers, not the entire amount of \$201,219.

The \$132,865 amount was calculated as follows. First, consistent with the approach applied in EB-2023-0106 (Synergy North Corporation) and EB-2023-0039 (Newmarket-Tay Power Distribution Ltd.), the total claimed amount was reduced by 29%, to \$142,865, to reflect the fact that 29% of the customers who received the over-refund are no longer customers of Orangeville Hydro. Second, the OEB also disallows an additional \$10,000 due to the significant delay in identifying this error. As a regulated utility, Orangeville Hydro is ultimately responsible for maintaining the accuracy and integrity of all billing and account records. When errors remain uncorrected for an extended period, the risks increase – not only the risk of intergenerational inequity, but also the potential for customer confusion and reduced confidence in the utility's billing practices.

Longer delays also make it more difficult to verify historical data.

As outlined in the 2019 Letter, the OEB determines on a case-by-case basis whether to allow a retroactive adjustment of this nature based upon the particulars of each situation. In the circumstances of Orangeville Hydro, the OEB finds that partial recovery is just and reasonable.

In approving a significant portion of the amount requested, the OEB notes that the error was within Orangeville Hydro's control but was unintentional and related to a pass-through cost – there was no gain or profit in play.

One of the OEB's statutory objectives is to facilitate the maintenance of a financially viable electricity industry. The OEB finds that disallowing the entire \$201,219 would have had a significant financial impact on Orangeville Hydro, a small utility which provides a vital service delivering safe and reliable energy to more than 13,000 homes and businesses in the community.

The OEB does not require Orangeville Hydro to identify individual customers that are currently connected to the utility's system who were not customers in 2020 and only seek recovery from the remaining customers. The OEB recognizes it would be difficult and impractical for Orangeville Hydro's billing system to recover this amount solely from remaining customers.

The approval in this proceeding related to the requested retroactive adjustment is summarized below:

Table 9.1: Orangeville Hydro 2024 Principal Adjustments Retroactive Recovery Approved by the OEB

Description	Total (\$)
2024 principal adjustments in Account 1589	201,219
Less amount for proportion of remaining customers (29%)	(58,354)
Less amount due to extensive delay in identifying error	(10,000)
Net Total	132,865

Accounts 1588 and 1589's 2022 Disposed Balances

Orangeville Hydro requested to adjust the 2021 and 2022 balances for Accounts 1588 and 1589. In response to an OEB staff interrogatory,³⁴ Orangeville Hydro confirmed the revised 2022 closing balances for Accounts 1588 (i.e., debit of \$64,150) and 1589 (i.e., debit of \$28,746). Orangeville Hydro requested refunding customers \$213,425 for the revised 2022 Account 1588 balance and collecting \$28,123 for the revised 2022 Account 1589 balance.³⁵

In response to an OEB staff interrogatory,³⁶ Orangeville Hydro stated that it was unclear whether these balances were approved for interim or final disposition in its 2024 cost of service proceeding as there was no reference to interim or final disposition of these accounts in the OEB's decision. As a result, Orangeville Hydro submitted that it is of the view that the 2021 and 2022 balances for the two accounts were disposed on an interim basis and that there is no concern with rate retroactivity for the noted adjustments.

³⁴ Response to OEB Staff Interrogatory - 21

³⁵ OEB Staff Submission, p. 7

³⁶ Response to OEB Staff Interrogatory - Staff 7

In its reply submission, Orangeville Hydro referenced the GA Analysis Workform submitted in its 2025 IRM proceeding. Orangeville Hydro noted that the balances were approved on a final basis only up to the year 2020 based on the year selected in Note 1 of the information sheet in the GA Analysis Workform.³⁷

OEB staff submitted that the 2022 balances for Accounts 1588 and 1589 were disposed on a final basis in Orangeville Hydro's 2024 cost of service application. OEB staff stated that the absence of the term "interim basis" in the 2024 decision and tariff sheets indicated that the balances are final. OEB staff also noted that in prior decisions, where balances were disposed of on an interim basis, the term "interim basis" had been clearly used in both the decisions and tariff sheets – as exemplified in Orangeville Hydro's 2021 IRM Decision and Order in which Group 1 DVAs were disposed on an interim basis.³⁸

Due to multiple PAs in 2021 and 2022, and further adjustments in later years that relate back to those periods, OEB staff submitted that the accuracy of the balances cannot be confirmed. OEB staff further submitted that a comprehensive external review by an independent third party of the 2021 to 2025 balances is required, and that the results of such review should be filed in Orangeville Hydro's 2027 IRM application.³⁹ Furthermore, OEB staff noted that the impact of prior-period adjustments on the final disposed balances of these two accounts cannot be determined. As a result, OEB staff submitted that it is impossible to properly assess Orangeville Hydro's request in light of the principles set out in the OEB's Letter.

In its reply submission, Orangeville Hydro stated that the purpose of conducting an external review for 2021 and 2022 balances of Accounts 1588 and 1589 is unclear.⁴⁰ Orangeville Hydro further stated that an external review of balances in Accounts 1588 and 1589 for 2021 and 2022 would only be appropriate if the OEB agreed that these accounts were disposed of on an interim basis for 2021 and 2022.⁴¹ Orangeville Hydro submitted that OEB staff's position opposing recovery of the 2017 PA correction could equally be applied to deny any retroactive adjustments to 2021 and 2022 balances and that OEB staff did not provide reasoning distinguishing the 2017 PA correction.⁴²

³⁷ Orangeville Hydro Reply Submission, Item 47, pp. 9-10

³⁸ OEB Staff Submission, pp. 9-10

³⁹ OEB Staff Submission, p. 9

⁴⁰ OEB Staff Submission, Item 51, p. 11

⁴¹ OEB Staff Submission, Item 49, p. 10

⁴² OEB Staff Submission, Item 51, p. 11

Findings

The OEB denies Orangeville Hydro's request to adjust the 2021 and 2022 balances of Accounts 1588 and 1589. The OEB finds that the 2022 balances for Accounts 1588 and 1589 were disposed on a final basis in Orangeville Hydro's 2024 cost of service application. The OEB's 2024 cost of service decision did not reference interim disposition for Accounts 1588 and 1589. Historically, when the OEB intends balances to be disposed of on an interim basis, it explicitly states this in both the decision and also in the tariff sheets. This explicit language was used in Orangeville Hydro's 2021 IRM decision, where Group 1 DVAs were clearly identified as interim.

The absence of such language in 2024 therefore indicates that the 2022 balances were approved on a final basis, and final balances cannot be reopened without compelling justification. It follows that there is no need for an external review of the 2021 and 2022 balances. As discussed below, however, the OEB requires that a comprehensive external review of the 2023 to 2025 balances be completed by an independent third party and that these results be filed in Orangeville Hydro's next rate application.

Accounts 1588 and 1589 Balances for December 31, 2023 and December 31, 2024

Orangeville Hydro requested interim disposition of its Accounts 1588 and 1589 balances for 2023 and 2024.⁴³ The balances of Accounts 1588 and 1589, as of December 31, 2024, including interest projected to December 31, 2025, are a credit of \$553,774 and a debit of \$601,594, respectively.⁴⁴

OEB staff submitted that disposition of these balances should not occur in this proceeding and that Orangeville Hydro should be required to conduct an external review of the Accounts 1588 and 1589 balances for 2021 to 2025. After the external review is completed, then Orangeville Hydro should bring the accounts forward for disposition and be accompanied by the external review results in its 2027 IRM application.⁴⁵

In its reply submission, Orangeville Hydro agreed with OEB staff's view regarding the 2023 and 2024 balances.⁴⁶ Orangeville Hydro also agreed with the proposed external review for balances in Accounts 1588 and 1589 for the period from 2023 to 2025.⁴⁷

⁴³ Response to OEB Staff Interrogatory - Staff 20

⁴⁴ OHL_2026-IRM-Rate Generator Model V1_20260212, Tab 3

⁴⁵ OEB Staff Submission, pp. 10-11

⁴⁶ Orangeville Hydro Reply Submission, Item 44, p. 9

⁴⁷ *ibid*

Findings

The OEB denies Orangeville Hydro's request for interim disposition of its Accounts 1588 and 1589 balances for 2023 and 2024. Orangeville Hydro agreed to an external review of the balances for those two years, as suggested by OEB staff. Orangeville Hydro is directed to file the results of that review in its next rate application, and should bring the accounts forward for disposition at that time. As mentioned above, the review should also cover 2025 balances.

Disposition of Other Group 1 Accounts

Orangeville Hydro requested interim disposition of its December 31, 2024 Group 1 DVA balance excluding Accounts 1588 and 1589, a debit of \$6,597, over a one-year period. Orangeville Hydro stated that it is important to dispose of the balances with the customers who contributed to the balances within the variance accounts.

OEB staff submitted that it did not support this request as the balance does not meet the OEB's threshold test (i.e., \$0.001/kWh) and that the balance is not material enough to generate a rate rider. OEB staff submitted that once the proposed review for Accounts 1588 and 1589 concludes, Orangeville Hydro should bring the entirety of the Group 1 DVAs forward for disposition in its 2027 IRM application.⁴⁸

Findings

The OEB denies Orangeville Hydro's request for interim disposition of its December 31, 2024 Group 1 DVA balance excluding Accounts 1588 and 1589 finding that it is not material enough to generate a rate rider.

⁴⁸ OEB Staff Submission, p. 11

10. IMPLEMENTATION

The approved effective date for Orangeville Hydro's new rates is May 1, 2026.

The OEB directs Orangeville Hydro to file a Draft Rate Order that reflects the findings of this Decision and Order. The Draft Rate Order should be accompanied with an updated Rate Generator Model, along with any other supporting material(s), consistent with the OEB's findings.

11. ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Orangeville Hydro Limited shall file with the OEB a Draft Rate Order with a proposed Tariff of Rates and Charges that reflects the OEB's findings in this Decision and Order, no later than **April 7, 2026**. Orangeville Hydro Inc. shall also include customer rate impacts and detailed information in support of the calculation of final rates in the Draft Rate Order.
2. OEB staff shall file any comments on the Draft Rate Order with the OEB, and forward to Orangeville Hydro Limited, no later than **April 10, 2026**.
3. Orangeville Hydro Limited shall file with the OEB responses to any comments on its Draft Rate Order no later than **April 15, 2026**.
4. In accordance with the OEB's March 31, 2025 report, *Electric Vehicle Charging Rate Overview – Final Report*, Orangeville Hydro Limited 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.
5. Orangeville Hydro Limited shall conduct an external review of its 2023 to 2025 Accounts 1588 and 1589 balances and bring them forward for disposition along with the results of the external review in its next rate application.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2025-0015** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\)](#)

[Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.

- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Randy Doradat at Randy.Doradat@oeb.ca, and OEB Counsel, Ian Richler at Ian.Richler@oeb.ca.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)

DATED at Toronto, March 31, 2026

ONTARIO ENERGY BOARD

Ritchie Murray
Acting Registrar