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DECISION AND ORDER

EB-2025-0033

HEARST POWER DISTRIBUTION CO. LTD.

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

BEFORE: **Allison Duff**
 Presiding Commissioner

March 31, 2026

1. OVERVIEW

- [1] The Ontario Energy Board (OEB) is approving changes to the rates that Hearst Power Distribution Co. Ltd. (Hearst Power) charges to distribute electricity to its customers, effective May 1, 2026. The OEB approves the requested Price Cap Incentive Rate-setting (Price Cap IR) rate increase of 3.70% effective May 1, 2026.
- [2] In this Decision and Order, the OEB also addresses Hearst Power's request for \$510,475 in incremental capital funding for the purchase of a new digger derrick truck. The OEB approves incremental capital funding for \$383,175 associated with the purchase of the boom and utility body installation for the new digger derrick truck, but does not approve the requested funding of \$127,300 associated with the purchase of the chassis in 2025. This previous year's capital purchase does not qualify for incremental capital funding.
- [3] In approving the incremental capital funding described above, the OEB finds that Hearst Power qualifies for an exception to the OEB's policy against incremental capital funding during a deferred rebasing period, on the basis that the digger derrick truck is needed to ensure reliability and in emergency situations.
- [4] Hearst Power is directed to file a draft rate order for the OEB's review, reflecting the findings in this Decision and Order.

2. CONTEXT AND PROCESS

- [5] Hearst Power filed its application on October 9, 2025¹ 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 IR option.
- [6] The Price Cap IR option is one of three incentive rate-setting mechanisms (IRM) used by the OEB.² 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.
- [7] 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.
- [8] Hearst Power serves approximately 2,750 mostly residential and commercial electricity customers in the Town of Hearst. The utility covers a service area of 93 square km and maintains 57 km of overhead lines and 11 km of underground lines.
- [9] Notice of the application was issued on November 19, 2025. There were no intervenors.
- [10] The application was supported by pre-filed written evidence and a completed Rate Generator Model and, as required during the proceeding, Hearst Power updated and clarified its evidence.
- [11] Hearst Power responded to interrogatories from OEB staff. Final submissions on the application were filed by OEB staff and Hearst Power.

¹ An updated application was filed by Hearst Power on November 4, 2025 as the application filed on October 9, 2025 was deemed to be incomplete.

² Each of these options is explained in the OEB's [Handbook for Utility Rate Applications](#).

3. DECISION OUTLINE

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

- Annual Adjustment Mechanism
- Retail Transmission Service Rates
- Low Voltage Service Rates
- Group 1 Deferral and Variance Accounts
- Incremental Capital Module
- Gain on Disposition – Sale of Truck
- Commodity Account 1588 – RSVA Power – Line Losses

[13] This Decision and Order does not address rates and charges approved by the OEB in prior proceedings, such as specific service charges³ 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.

³ 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

- [14] Hearst Power 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.⁴
- [15] The components of the Price Cap adjustment formula applicable to Hearst Power are set out in the table below. Inserting these components into the formula results in a 3.70% increase to Hearst Power's rates: **3.70% = 3.70% - (0.00% + 0.00%)**.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation factor ⁵		3.70%
Less: X-factor	Productivity factor ⁶	0.00%
	Stretch factor (0.00% to 0.60%) ⁷	0.00%

- [16] 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

⁴ 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.

⁵ OEB Letter, 2026 Inflation Parameters, issued June 11, 2025

⁶ 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

⁷ 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

distributor's total cost performance as benchmarked against other distributors in Ontario.

2024 Regulatory Return on Equity

- [17] As per Chapter 3 of the Filing Requirements, a regulatory review may be initiated if a distributor's earnings fall outside of a deadband of +/- 300 basis points from the OEB-approved Return on Equity (ROE). A distributor whose earnings are in excess of the deadband is expected to refrain from seeking an adjustment to its base rates through a Price Cap IR or Annual IR Index plan. If a distributor whose earnings are in excess of the deadband nevertheless applies for an increase to its base rates, the OEB expects it to substantiate its reasons for doing so.⁸
- [18] Hearst Power indicated that it achieved a ROE of 13.96% in 2024 which is 562 basis points above its deemed ROE of 8.34%.⁹ Hearst Power indicated that this over-earning was driven by isolated and non-recurring factors, primarily due to Hearst Power's engagement in sub-contracting to assist other utilities and third-party organizations with fulfilling locate requests following the *Ontario Underground Infrastructure Notification System Act* (OUINS Act) amendment. The amendment resulted in some utilities modifying their locating practices as project owners were allowed to designate a specific locator (e.g., Hearst Power) for their projects. Hearst Power noted that these requests, which were submitted through the Ontario Call Before You Dig system, occurred during peak periods of increased activity associated with major projects in Northern Ontario (e.g., road and highway expansions, and new broadband installations).¹⁰
- [19] In response to interrogatories from OEB staff, Hearst Power provided a preliminary achieved ROE of 6.15% for 2025 which falls within the 300 basis-point deadband.¹¹ Additionally, Hearst Power shared documentation regarding the early cancellation of a locates contract in 2026 to highlight that its sub-contracting activity is not certain and the reason it anticipates lower locates jobbing in 2026.¹²
- [20] OEB staff did not object to Hearst Power's request for a Price Cap IR adjustment. OEB staff submitted that the over-earning was temporary in nature, and the large sub-contracting requests for locate services would have a higher impact on the ROE of a distributor such as Hearst Power, given its size. OEB staff also

⁸ Chapter 3 - Filing Requirements for Electricity Distribution Rate Applications, issued June 19, 2025, p. 21

⁹ EB-2025-0033, Manager's Summary, p. 23

¹⁰ EB-2025-0033, Staff Interrogatory Response - 13

¹¹ EB-2025-0033, Staff Interrogatory Response - 11

¹² EB-2025-0033, Staff Interrogatory Response - 13

highlighted that the OEB previously approved Price Cap IR adjustments for Chapleau Public Utilities Corporation (Chapleau Public Utilities) during its 2023 and 2024 IRM proceedings¹³, even though its ROE was above the 300-basis point deadband.

Findings

- [21] Hearst Power'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 Hearst Power's new rates shall be effective May 1, 2026.
- [22] The OEB accepts Hearst Power's explanation for over-earning in 2024. The OEB finds that the revenue in 2024 resulting from the provision of locate services is not recurring in 2025. The 2025 preliminary achieved ROE of 6.15%, which falls within the 300 basis-point deadband, is the more relevant indicator of current equity returns compared to the 13.96% in 2024.
- [23] Further, the historical variability of Hearst Power's ROE since 2020 also results from the relatively small size of the utility, which affects the magnitude of percentage change in earnings from year to year.

¹³ EB-2022-0021 and EB-2023-0011

5. RETAIL TRANSMISSION SERVICE RATES

- [24] 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. Hearst Power is partially embedded within Hydro One's distribution system.
- [25] To recover its cost of transmission services, Hearst Power requests approval to adjust the Retail Transmission Service Rates (RTSRs) that it charges its customers in accordance with the Uniform Transmission Rates (UTRs) and host distributor RTSRs currently in effect.^{14, 15}
- [26] 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 rates become effective.
- [27] OEB staff submitted that it had no concerns with Hearst Power's requested adjustment to its RTSRs.¹⁶

Findings

- [28] Hearst Power's proposed adjustment to its RTSRs is approved.
- [29] The RTSRs have been adjusted based on the current OEB-approved UTRs and host-RTSRs.
- [30] 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 Hearst Power'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).

¹⁴ EB-2025-0232, Decision and Rate Order, January 15, 2026

¹⁵ EB-2025-0030, Rate Order, December 23, 2025

¹⁶ EB-2025-0033, OEB Staff Submission, p. 1

- [31] In accordance with the OEB's March 31, 2025 report, Hearst Power 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.

6. LOW VOLTAGE SERVICE RATES

- [32] Hearst Power is partially embedded within Hydro One's distribution system.
- [33] 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, Hearst Power 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.
- [34] OEB staff submitted that it had no concerns with Hearst Power's requested adjustment to its Low Voltage Service Rates.¹⁷

Findings

- [35] Hearst Power'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 Hearst Power's 2026 rate year, any resulting differences are to be captured in Account 1550 (LV Variance Account).

¹⁷ EB-2025-0033, OEB Staff Submission, p. 1

7. GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

- [36] 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.¹⁸ If the net balance does not exceed the threshold, a distributor may still request disposition.¹⁹
- [37] The 2024 year-end net balance for Hearst Power's Group 1 accounts eligible for disposition, including interest projected to April 30, 2026, is a credit of \$78,081, and pertains to variances accumulated during the 2024 calendar year. This amount represents a total claim of \$0.0011 per kWh, which exceeds the pre-set disposition threshold of \$0.001 per kWh.
- [38] Hearst Power has requested disposition of this amount over a one-year period.
- [39] 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).²⁰ A similar mechanism applies to Class A and Class B customers for Capacity Based Recovery (CBR) charges.²¹ 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.
- [40] Hearst Power 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

¹⁸ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative" (EDDVAR), EB-2008-0046, July 31, 2009

¹⁹ OEB letter, "Update to the Electricity Distributors' Deferral and Variance Account Review ("EDDVAR Report"), released July 2009 (EB-2008-0046)", issued July 25, 2014

²⁰ For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)'s [website](#).

²¹ 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](#).

variance account disposed of through a separate rate rider for Class B customers to ensure proper allocation between Class A and Class B customers.

- [41] OEB staff submitted that it had no concerns with Hearst Power's requested disposition of its Group 1 DVA balances.²²

Findings

- [42] The OEB finds that the balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.
- [43] The OEB approves the disposition of a credit balance of \$78,081 as of December 31, 2024, including interest projected to April 30, 2026, for Group 1 accounts on a final basis. Table 7.1 identifies the principal and interest amounts, which the OEB approves for disposition.

Table 7.1: Approved Group 1 Deferral and Variance Account Balances

Account Name and Number		Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
LV Variance Account	1550	3,238	211	3,449
Smart Metering Entity Charge Variance Account	1551	(2,104)	(165)	(2,269)
RSVA - Wholesale Market Service Charge	1580	(60,805)	(4,216)	(65,021)
Variance WMS - Sub-account CBR Class B	1580	8,928	460	9,387
RSVA - Retail Transmission Network Charge	1584	43,158	2,687	45,845
RSVA - Retail Transmission Connection Charge	1586	43,065	2,865	45,930
RSVA – Power	1588	(98,589)	(7,488)	(106,077)
RSVA - Global Adjustment	1589	(7,769)	(1,556)	(9,325)
Total for Group 1 Accounts		(70,878)	(7,203)	(78,081)

²² EB-2025-0033, OEB Staff Submission, p. 1

- [44] The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in the *Accounting Procedures Handbook for Electricity Distributors*.²³ The date of the transfer must be the same as the effective date for the associated rates, which is generally the start of the rate year.
- [45] The OEB approves these balances to be disposed of through final rate riders, charges, or payments, as calculated in the Rate Generator Model filed by Hearst Power on February 10, 2026. The final rate riders, charges, and payments, as applicable, will be in effect over a one-year period from May 1, 2026 to April 30, 2027.²⁴

²³ Article 220, Account Descriptions, *Accounting Procedures Handbook for Electricity Distributors*, effective January 1, 2012

²⁴ 2026 IRM Rate Generator Model Tab 6.1 GA, Tab 6.1a GA Allocation, Tab 6.2 CBR B, Tab 6.2a CBR B_Allocation and Tab 7 Calculation of Def-Var RR

8. INCREMENTAL CAPITAL MODULE

- [46] The OEB's incremental capital module (ICM) policy²⁵ was established to address the treatment of a distributor's capital investment needs that arise during a Price Cap IR rate-setting plan and which are incremental to a calculated materiality threshold. To qualify for ICM funding, a distributor must satisfy the eligibility criteria of materiality, need and prudence.²⁶
- [47] The distributor must also pass a "means" test. Under this test, if a distributor's most recently available regulated ROE exceeds 300 basis points above the deemed return embedded in rates, then funding for any incremental capital project would not be allowed.

The Half-Year Rule

- [48] For ICM-related capital additions, the ICM policy allows for recovery of a full-year's depreciation, capital cost allowance, and return on capital, for all years of a Price Cap IR plan, other than in the final year prior to rebasing.²⁷ However, in the final year prior to rebasing, the standard half-year rule is used for calculation of the depreciation and return on capital, and associated taxes or payments in lieu of taxes (PILs) are treated as if it was the first year that an asset enters service.²⁸

ICM Funding Request

- [49] Hearst Power requested \$510,475 in incremental capital funding for the purchase of a new digger derrick truck. The current digger derrick truck used by Hearst Power has reached the end of its useful life after 25 years in service. The digger derrick truck is used by Hearst Power for various essential operations activities, such as pole setting, transformer installations, overhead line maintenance, and emergency response.²⁹ The breakdown of the cost for the new digger derrick truck is set out in the table below:

²⁵ The OEB's policy for the funding of incremental capital is set out in the *Report of the Board New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, September 18, 2014 (ACM Report) and the subsequent *Report of the OEB New Policy Options for the Funding of Capital Investments: Supplemental Report* (Supplemental Report) (collectively referred to as the ICM policy).

²⁶ ACM Report, p. 16

²⁷ Supplemental Report pp. 7-11. When the half-year rule is applied, only half of the annual depreciation and CCA is allowed for depreciation and tax/PILs purposes. This ensures that the distributor recovers only a half-year of return on depreciation and capital as per the intent of the half-year rule.

²⁸ ACM Report, p. 23

²⁹ EB-2025-0033, Manager's Summary, p. 19

Table 8.1: Breakdown of Costs for Digger Derrick Truck

	Cost (\$)
Boom and Utility Body Installation (Wajax)	383,175
Chassis (Freightliner M2 106 Plus)	127,300
Total	510,475

[50] The maximum eligible incremental capital amount for Hearst Power is \$487,206, with a total incremental annual revenue requirement of \$54,212.³⁰ Hearst Power proposed recovery of the incremental annual revenue requirement through fixed and variable ICM rate riders effective May 1, 2026, until the effective date of its next cost of service rate order.³¹

Cost of Service Deferral Period

[51] On May 23, 2025, Hearst Power requested a two-year rebasing deferral period and noted that it would be filing an ICM request as part of its 2026 IRM application. Hearst Power cited the below reasons for seeking a deferral to its rebasing:³²

- While Hearst Power over-earned in 2024, the overearning was due to extraordinary and time-limited sub-contracting activity as a result of external regulatory developments. Hearst Power did not expect the financial performance to sustain in 2025 and beyond.
- Resource constraints attributed to internal staffing transitions for two senior roles impacting Hearst Power's ability to file a cost of service application in 2025 for 2026 rates.
- Hearst Power indicated that it did not have specific major capital projects underway but would file an ICM as part of its 2026 IRM rate application. This approach of filing an ICM as part of its 2026 IRM application would allow Hearst Power to recover specific capital costs outside of base rates without the distributor requiring a full rebasing, further supporting the rationale for a deferral.

³⁰ HPDCL 2026 IRM ACM-ICM Workform 20260206

³¹ EB-2025-0033, Staff Interrogatory Response - 1

³² Letter: Request for Deferral of 2026 Cost of Service Application, filed May 23, 2025

- [52] The OEB granted Hearst Power's deferral request by letter dated June 18, 2025, and reiterated the OEB's policy that an ICM is not available to utilities during deferred rebasing periods (other than those related to consolidations). The OEB's letter also noted that if Hearst Power included an ICM request in its 2026 rate application, a panel of Commissioners would, at that time, determine whether departure from the OEB's policy is warranted.³³
- [53] In its submission on Hearst Power's capital funding request for the digger derrick truck, OEB staff submitted that that the OEB should grant Hearst Power an exemption to the OEB's policy on ICM requests during deferred rebasing period and approve the ICM funding – but at a reduced amount of \$383,175. Even though Hearst Power is in a deferred rebasing period, OEB staff viewed Hearst Power to be a unique case. OEB staff also acknowledged that denial of the ICM funding request would place significant financial strain on Hearst Power during the deferred rebasing period.
- [54] Although OEB staff supported Hearst Power being granted ICM funding during a deferred rebasing period, OEB staff's view was that Hearst Power failed to adhere to the principles of good distribution system planning or promoting rate predictability by deferring its rebasing application while in need of a significant asset to maintain its distribution system. OEB staff submitted that it would have been in Hearst Power's interest to prepare and file a cost of service application given its capital needs. However, OEB staff supported the ICM request on an exceptional basis and without prejudice.³⁴

Findings

- [55] Hearst Power requested deferred rebasing in 2025 and the OEB approved the request. Based on the OEB's letter of June 18, 2025, it is the OEB's policy that the ICM is not available to utilities during deferred rebasing periods (other than those related to consolidations). However, the letter did indicate that a panel of Commissioners would determine whether departure from the OEB's policy is warranted.
- [56] There are many reasons why the OEB has a policy to deny ICM requests if a utility requests a deferred rebasing. For example, if incremental funding is needed to operate the utility, then the utility should not have requested to defer its rebasing.

³³ OEB Letter, Response re: COS Deferral Request, June 18, 2025

³⁴ EB-2025-0033, OEB Staff Submission, pp. 6-7

- [57] Notwithstanding the foregoing, the OEB approves partial ICM funding after considering the evidence and circumstances of this case. It is on the basis of protecting customers with respect to reliability under section 1 (1) of the *Ontario Energy Board Act, 1998*, that the OEB approves this policy exception.
- [58] Hearst Power is a small utility with a large service area relative to its customer base. These circumstances expose the utility to unique risks. It currently owns one truck that is at the end of its useful life. Such a truck is needed to provide services for customers to ensure reliable electricity customers, including emergency response activities. If the current truck is not operational, service could be negatively affected while rentals or alternative arrangements are made. Response time is crucial in the utility's ability to restore service in an emergency situation. The OEB finds the evidence persuasive and Hearst Power's risks sufficiently unique, to approve an exception to policy for incremental funding to support the purchase of a new digger derrick truck.

ICM Criteria

Materiality

- [59] To satisfy the materiality requirement in the ICM policy, a distributor's application must meet three criteria. The application must meet the materiality threshold, which determines a distributor's maximum eligible capital funding. The distributor also needs to show that the project is not a minor expenditure when compared to its overall capital budget. Also, the incremental funding must have a significant influence on the distributor's operations.³⁵

Materiality Threshold

- [60] The OEB uses the materiality threshold formula which considers both the growth of the distributor and the inflationary increase since the last rebasing year to determine the maximum eligible incremental capital amount.³⁶ Using the OEB-approved materiality threshold formula, Hearst Power estimated a threshold capital expenditure of \$226,269. Also, Hearst Power's 2026 capital forecast is \$713,475, while the total cost of the new digger derrick truck is \$510,475. Hearst Power confirmed through interrogatory responses that, based on the 2026 capital

³⁵ ACM Report, p. 17

³⁶ *Ibid*, pp. 19-22

forecast and calculated materiality threshold, the maximum eligible incremental capital amount is \$487,206.³⁷

- [61] OEB staff submitted that Hearst Power meets the materiality threshold. However, OEB staff noted that the cost of the chassis amounting to \$127,300 was incurred in 2025. While not a part of the utility's 2026 capital expenditures, OEB staff stated that this cost should be included in the threshold calculation since this cost was recorded as construction work in progress and forms part of the overall cost for the new digger derrick truck. Further, OEB staff was of the view that the chassis alone was not used and useful in 2025, instead it will be used and useful in 2026 when the boom is installed and the asset is fully commissioned.³⁸

Findings

- [62] The OEB finds that Hearst Power's ICM request meets the materiality threshold as the funding request exceeds the maximum eligible capital amount of \$487,206.

Project-Specific Materiality Threshold

- [63] The project-specific materiality threshold criterion provides that minor expenditures in comparison to the overall capital budget should be considered ineligible for Advanced Capital Module (ACM) or ICM treatment, and a certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.³⁹
- [64] OEB staff submitted that the project-specific materiality threshold is satisfied as the new digger derrick truck constitutes a significant portion of Hearst Power's overall capital expenditure forecast.⁴⁰

Findings

- [65] The OEB finds that the project is material and meets the project-specific materiality threshold as the 2026 capital forecast is \$713,475 and the requested incremental capital funding sought by Hearst Power is \$510,475.

³⁷ EB-2025-0033, Staff Interrogatory Response - 6

³⁸ EB-2025-0033, OEB Staff Submission, p. 9

³⁹ ACM Report, p. 17

⁴⁰ EB-2025-0033, OEB Staff Submission, p. 10

Significant Influence on Operations

- [66] The ACM Report provides that any amount being requested for ICM funding must clearly have a significant influence on the distributor's operations.⁴¹
- [67] Hearst Power noted that it owns and operates a single digger derrick truck making it critical to safe and reliable system operation.⁴² Also, Hearst Power highlighted that the purchase of a new digger derrick truck is a significant, discrete investment outside of normal capital spending⁴³ and will have a significant influence on its operations.
- [68] OEB staff agreed with Hearst Power and submitted that the new digger derrick truck is a critical asset of Hearst Power's day-to-day operations and will have a significant impact on ensuring the distributor operates in a safe and reliable manner.⁴⁴ This was reiterated by Hearst Power in its reply submission as it noted how it will rely on this vehicle to perform pole setting, transformer installation, overhead line work, and emergency response activities across its service territory.⁴⁵

Findings

- [69] The OEB finds that the purchase of the new digger derrick truck will have a significant influence on operations as it is needed to perform planned capital work and emergency response.

Need

- [70] To satisfy the "need" requirement, a distributor's application must pass the Means Test; amounts must be based on discrete projects and should be directly related to the claimed driver, and the amounts must be clearly outside of the base upon which the rates were derived.⁴⁶

Means Test

- [71] Under the Means Test, if a distributor's regulated ROE for the most recently completed fiscal year exceeds 300 basis points above the deemed ROE

⁴¹ ACM Report, p. 17

⁴² EB-2025-0033, Manager's Summary, p. 19

⁴³ EB-2025-0033, Manager's Summary, p. 21

⁴⁴ EB-2025-0033, OEB Staff Submission, p. 10

⁴⁵ EB-2025-0033, Hearst Power Reply Submission, p. 2

⁴⁶ ACM Report, p. 17

embedded in the distributor's rates, then the distributor does not qualify for funding for an incremental capital project.⁴⁷

- [72] Hearst Power stated that its ROE for 2024 exceeded the 300 basis-point deadband above its deemed ROE. The utility's 2024 actual ROE was 13.96%, which was 562 basis points higher than its deemed ROE of 8.34%. Hearst Power noted that the additional revenues in 2024 were driven by isolated and non-recurring factors, primarily resulting from an unusually large number of requests for locates received in 2024. Following amendments to the OUINS Act, Hearst Power was sub-contracted for utility locates services more often than in previous years. However, Hearst Power indicated that it does not expect this level of revenue to recur.⁴⁸
- [73] In response to interrogatories, Hearst Power provided a preliminary 2025 ROE of 6.15%, which is below the deemed ROE of 8.34% and within the 300 basis-point deadband.⁴⁹
- [74] OEB staff submitted that because the 2024 actual ROE exceeded the 300 basis-point deadband, Hearst Power does not pass the Means Test. However, OEB staff submitted that the OEB should nevertheless consider granting a reduced ICM amount of \$383,175. The reduction of \$127,300 from Hearst Power's original request reflects the cost of the chassis delivered in early 2025.
- [75] In its reply submission, Hearst Power submitted that the chassis was recorded as construction work in progress and was neither used nor useful on its own. The chassis, boom and utility body together form a single asset that would enter service in 2026 and the chassis should not be considered separately from the rest of the project. Hearst Power submitted that the full cost of the truck should be considered when determining the eligible ICM amount.⁵⁰
- [76] Hearst Power also noted in its reply that it is a very small distributor operating in a remote, northern service territory. As a result, it is faced with operational challenges related to geography, climate and the day-to-day realities of operating a distribution system in northern Ontario. Hearst Power further submitted that it would not be appropriate for the OEB to treat a temporary revenue fluctuation as

⁴⁷ Chapter 3 - Filing Requirements for Electricity Distribution Rate Applications, issued June 19, 2025, p. 22

⁴⁸ EB-2025-0033, Manager's Summary, p. 23

⁴⁹ EB-2025-0033, Staff Interrogatory Response - 11

⁵⁰ EB-2025-0033, Hearst power Reply Submission, p. 2

a source of funding for a major capital asset that is required to safely and reliably operate its distribution system.⁵¹

Findings

- [77] The OEB finds that the ICM funding request is needed and Hearst Power passes the means test based on 2025 preliminary earnings of 6.15%.
- [78] However, what Hearst Power needs in 2026 is a new truck. It already has a chassis which it purchased in 2025. This application requests ICM funding in 2026. The purpose of an ICM is to provide funding to enable incremental capital purchases. The OEB finds that incremental funding in 2026 should be approved for the incremental purchase of the boom and utility body installation of \$383,175 to complete the new truck.

Discrete Project

- [79] The ACM Report indicates that incremental capital funding is for discrete projects and not for ongoing capital programs.⁵² Hearst Power stated that the replacement of its primary digger derrick truck is not part of its baseline capital program and is a discrete, non-recurring need.⁵³
- [80] OEB staff submitted that the proposed ICM project is discrete and is not related to ongoing capital programs.⁵⁴

Findings

- [81] The OEB finds that the project, the replacement of the current truck, is discrete as it is not related to any ongoing capital program.

Directly Related to the Claimed Driver

- [82] Hearst Power stated that the digger derrick truck is the only vehicle in its fleet capable of safely lifting, setting and maintaining poles and large distribution equipment. Without a reliable digger derrick truck, which is an indispensable asset for Hearst Power's day-to-day and emergency operations, it would not be able to ensure safe working conditions for its crews.⁵⁵ Hearst Power also confirmed that

⁵¹ *Ibid.*

⁵² ACM Report, p. 17

⁵³ EB-2025-0033, Manager's Summary, p. 19

⁵⁴ EB-2025-0033, OEB Staff Submission, p. 12

⁵⁵ EB-2025-0033, Manager's Summary, p. 20

after 25 years, its current digger derrick truck has exceeded its expected service life and is no longer reliable as a frontline vehicle.

- [83] OEB staff submitted that the ICM funding request directly relates to the claimed driver of a new digger derrick truck as identified by Hearst Power.⁵⁶

Findings

- [84] The OEB finds that the truck is directly related to the claimed driver. The purpose of the truck is directly related to Hearst Power's ability to meet its planned distribution services.

Outside of Base Upon Which Rates Were Derived

- [85] Hearst Power stated that the current digger derrick truck entered service in 2000 and is well beyond its expected service life. Hearst Power also confirmed in an interrogatory response that the current vehicle has been fully depreciated.⁵⁷
- [86] OEB staff submitted that the new digger derrick truck is a project that is outside of the base upon which rates were derived.⁵⁸

Findings

- [87] The OEB finds that the purchase of the truck was not planned when the last capital project was approved by the OEB;⁵⁹ therefore, the purchase is outside the base upon which rates were derived.

Prudence

- [88] The ACM Report states that the amounts to be incurred must be prudent. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.⁶⁰
- [89] Hearst Power stated that prior to proceeding with the purchase of a new digger derrick truck, it considered multiple options:⁶¹

⁵⁶ EB-2025-0033, OEB Staff Submission, p. 12

⁵⁷ EB-2025-0033, Staff Interrogatory Response - 8

⁵⁸ EB-2025-0033, OEB Staff Submission, p. 13

⁵⁹ EB-2020-0027, Decision and Rate Order, May 27, 2021.

⁶⁰ EB-2014-0219, Report of the Board New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, p. 17

⁶¹ EB-2025-0033, Manager's Summary, p. 21

- Continuing Maintenance and Repairs: Hearst Power had already spent over \$55,000 in five years with growing risks and this approach was deemed to be unsustainable.
- Used Units (2014 Terex RBDs): Approximately \$119,500 each; mileage 155,000–174,000 km; ~3,600 hrs. Hearst Power determined that this approach would have limited useful life and ongoing risk.
- New Units (POSI+ / Terex quotes): \$510,000–\$516,000, comparable to final procurement.

[90] Hearst Power stated that a Request for Quotation was issued in 2024 and the chosen supplier (Freightliner / Wajax) provided the lowest bid and full warranty support. The Request for Quotation procurement process followed Hearst Power's purchasing policy,⁶² and the new digger derrick truck ensures long-term safety, compliance, and reliability.

[91] OEB staff submitted that the purchase of the new digger derrick truck is prudent.⁶³

Findings

[92] The OEB finds that Hearst Power adequately considered its options and that the purchase to complete the new digger derrick truck is a prudent expense.

⁶² *Ibid.*

⁶³ EB-2025-0033, OEB Staff Submission, p. 13

9. GAIN ON DISPOSITION – SALE OF TRUCK

- [93] Hearst Power intends to sell its current digger derrick truck following the commissioning of its replacement unit in 2026. The current truck entered service in 2000 at a cost of \$198,762 and is fully depreciated. Hearst Power estimates salvage proceeds in the range of \$25,000 to \$50,000.
- [94] Hearst Power is seeking approval to establish a sub-account under Account 1508 to record any gain on disposition, with OEB-prescribed carrying charges applied to the balance and final disposition to be addressed in Hearst Power's next rebasing application. Hearst Power submitted that this treatment satisfies the OEB's criteria for causation, materiality, and prudence for establishing a new DVA.⁶⁴
- [95] OEB staff submitted that the causation criterion is satisfied because the gain arises from the disposition of an asset in 2026, which was not forecast or part of Hearst Power's base rates. On materiality, OEB staff noted that the estimated gain is material based on the materiality threshold of \$50,000 accepted as part of Hearst Power's last rebasing application. OEB staff also submitted that Hearst Power's decision in disposing of the retired digger derrick truck is prudent and the forecast quantum is based on appropriate planning.
- [96] Based on the above, OEB staff supported Hearst Power's proposed accounting treatment and stated that refunding the gain on the retired truck is justified, as it would mitigate the rate impact arising from any ICM funding for the replacement of the truck in this proceeding.⁶⁵

Findings

- [97] The OEB approves the establishment of a new deferral account to record the gain on sale of the existing digger derrick truck when it is sold, in a sub account to Account 1508. If a gain of \$50,000 is realized, it would meet the materiality threshold for the utility, sufficient to justify the establishment of a new deferral account. The OEB acknowledges that Hearst Power requested the new account to pass on any gain to its customers despite the uncertainty of the amount of gain realized.

⁶⁴ Hearst Power addendum letter, dated February 10, 2026

⁶⁵ EB-2025-0033, OEB Staff Submission, p. 15

- [98] The OEB approves the draft accounting order filed. The approved Accounting Order is attached as Schedule A to this Decision and Order.

10. COMMODITY ACCOUNT 1588 – RSVA POWER – LINE LOSSES

- [99] Hearst Power recorded a credit balance of \$98,589 in Account 1588 – RSVA Power as of December 31, 2024, representing -1.9% of Account 4705 – Power Purchased, exceeding the OEB’s 1% reasonability threshold. In its Commodity Accounts Analysis Workform, Hearst Power attributed the majority of this balance to unaccounted for energy, or an overstated line loss factor.
- [100] In its submission, OEB staff noted that during Hearst Power’s 2025 IRM proceeding⁶⁶, Hearst Power conducted a detailed analysis of its Account 1588 balance and determined that the OEB-approved line loss factor of approximately 5.98% used for billing purposes did not reflect its weighted average of actual supply losses, which were closer to 4.60%, and the divergence was a significant driver of the Account 1588 balance.⁶⁷
- [101] In this proceeding, Hearst Power quantified the impact of the overstated line loss factor as -\$88,961 in the Commodity Accounts Analysis Workform.⁶⁸ OEB staff calculated that, per Hearst Power’s explanation, approximately 90% of the 2024 balance is attributable to the same loss factor discrepancy. After removing this amount, the remaining balance represents -0.19% of the cost of power, which is below the OEB’s 1% reasonability threshold.
- [102] OEB staff submitted that it was satisfied that the primary driver of the 2024 balance is known and consistent with prior-year results. However, OEB staff stated that Hearst Power should provide a comparable quantification and analysis in its future IRM applications until the line loss factor is updated at rebasing.

Findings

- [103] The OEB is satisfied with the explanation provided in this proceeding regarding the source of the prior variances in Account 1588. The OEB finds that the impact of applying the weighted average actual supply line losses of 4.60% reduces the variance considerably. The OEB finds the remaining variance of -0.19% to be reasonable, which is below the 1% cost of power threshold.

⁶⁶ EB-2024-0029

⁶⁷ EB-2024-0029, Staff Interrogatory Response - 11

⁶⁸ HPECL 2026 IRM Commodity Accounts Workform_20251015, Tab 1588

- [104] The OEB agrees with OEB staff that Hearst Power should file comparable quantification and analysis in its future IRM applications until its next rebasing.

11. IMPLEMENTATION

- [105] The approved effective date for Hearst Power's new rates is May 1, 2026. It is expected that rates will also be implemented on May 1, 2026.
- [106] This Decision and Order is accompanied by an Accounting Order (Schedule A). The Accounting Order is approved for the deferral account to track any gain on disposition on sale of Hearst Power's retired digger derrick truck, effective May 1, 2026.
- [107] The OEB directs Hearst Power to file a draft rate order that reflects the findings in this Decision and Order. The draft rate order should be accompanied with an updated Rate Generator Model and ICM model, along with any other supporting material(s), consistent with the OEB's findings.

12. ORDER

[108] THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Accounting Order in Schedule A of this Decision and Order is approved effective May 1, 2026.
2. Hearst Power Distribution Co. Ltd. shall file with the OEB a draft rate order with a proposed Tariff of Rates and Charges attached that reflects the OEB's findings in this Decision and Order, no later than **April 6, 2026**. Hearst Power Distribution Co. Ltd. shall also include customer rate impacts and detailed information in support of the calculation of final rates in the draft rate order.
3. OEB staff shall file any comments on the draft rate order with the OEB, and forward to Hearst Power Distribution Co. Ltd., no later than **April 10, 2026**.
4. Hearst Power Distribution Co. Ltd. shall file with the OEB responses to any comments on its draft rate order no later than **April 14, 2026**.
5. In accordance with the OEB's March 31, 2025 report, *Electric Vehicle Charging Rate Overview – Final Report*, Hearst Power Distribution Co. Ltd. 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.

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-2025-0033** 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, Harshleen Kaur at Harshleen.Kaur@oeb.ca, and OEB Counsel, Julia Nowicki at Julia.Nowicki@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

SCHEDULE A
DECISION AND ORDER
HEARST POWER DISTRIBUTION CO. LTD.
ACCOUNTING ORDER
EB-2025-0033
MARCH 31, 2026

HEARST POWER DISTRIBUTION CO. LTD.
DEFERRAL ACCOUNT FOR GAINS ON SALE OF RETIRED DIGGER
TRUCK ACCOUNTING ORDER

Purpose of the Account

The purpose of this deferral account is to record any gain arising from the disposition of Hearst Power Distribution Co. Ltd.'s (Hearst Power) retired digger truck (2000 Freightliner FL80 chassis with Telelect C4047 boom and Protek PVT134 fiberglass utility body), such that the proceeds may be returned to ratepayers at the time of disposition through Hearst Power's next rebasing application.

The actual gain on disposition will be defined as the proceeds from sale, net of closing costs, less the net book value of the asset at the time of disposal.

Establishment of Accounts

Hearst Power will establish the following accounts:

- Account 1508 – Other Regulatory Assets, Sub-account: *Digger Truck Gains Deferral Account*
- Account 1508 – Other Regulatory Assets, Sub-account: *Digger Truck Gains Deferral Account – Carrying Charges*

Effective Date and Carrying Charges

The effective date of the account will be May 1, 2026 as approved by the Ontario Energy Board (OEB). Carrying charges will apply to the balances recorded in the deferral account (exclusive of accumulated interest) at the OEB-prescribed interest rate for deferral and variance accounts, calculated using simple interest on the monthly opening balances.

The account will remain open until disposition is approved by the OEB on a final basis.

Disposition

Hearst Power will apply for disposition of the account in a future proceeding, expected to be its 2028 cost-of-service application, once the sale of the retired digger truck has been completed and the balance in the account has been finalized and audited.

Sample Accounting Entries

A. To record the gain on disposition of the retired digger truck to be refunded to ratepayers:

- DR Account 4355 – Gain on Disposition of Utility and Other Property
- CR Account 1508 – Other Regulatory Assets, Sub-account: Digger Truck Gains Deferral Account

B. To record carrying charges on the deferral account balance:

- DR Account 6035 – Other Interest Expense
- CR Account 1508 – Other Regulatory Assets, Sub-account: Digger Truck Gains Deferral Account – Carrying Charges