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

BY EMAIL

November 2, 2026

Mr. Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ritchie Murray:

Re: Ontario Energy Board (OEB) Staff Submission
Toronto Hydro-Electric System Limited (Toronto Hydro-Electric System)
Application for 2027 Distribution Rates
OEB File Number: EB-2026-0073

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Original Signed By

Arlene Bernardo
Digitally signed by Arlene Bernardo
Date: 2026.11.02 13:54:51 -05'00'

Arlene Bernardo
Advisor, Distribution Rates & Economics

Encl.



ONTARIO ENERGY BOARD

OEB Staff Submission

Toronto Hydro-Electric System Limited

Application for 2027 Distribution Rates

EB-2026-0073

November 2, 2026

Introduction

Toronto Hydro-Electric System Limited (Toronto Hydro-Electric System) filed a 2027 Custom Incentive Rate-setting (IR) Annual Update application with the Ontario Energy Board (OEB) on August 14, 2026[1] seeking approval for changes to its electricity distribution rates and other charges to be effective January 1, 2027.

On November 12, 2024, the OEB approved a five-year Custom IR framework for Toronto Hydro-Electric System that covers the years 2025 to 2029 (2025-2029 Custom IR Decision). For Toronto Hydro-Electric System's Custom IR framework, the rates for the first year (2025) were approved through a rebasing application and are then to be adjusted mechanistically through a Custom Revenue Cap Index (CRCI) adjustment for the subsequent years. Toronto Hydro-Electric System is required to file an application in each of the four years, consistent with the approved framework from the 2025-2029 Custom IR Decision.[2]

Toronto Hydro-Electric System is requesting approval of the following:[3]

- 2027 Revenue Growth Factor, based on the approved 2025-2029 Custom IR framework
- 2027 Retail Transmission Services Rates
- Group 1 Deferral and Variance Accounts balance disposition
- Revenue Variance Account interim disposition
- 2027 Retailer Service Charges and Distribution Pole Attachment
- 2027 Tariff Sheet Rates and Charges

In the 2025-2029 Custom IR Decision, the OEB also approved the continuation of Toronto Hydro-Electric System's existing asymmetrical five-year Earnings Sharing Mechanism (ESM) based on Return on Equity (ROE) using a 100-basis points threshold, that will be shared on a 50:50 basis with ratepayers. In this application, Toronto Hydro-Electric System submitted that it has underearned by 0.40% in 2025 compared to its approved ROE of 9.25%. Toronto Hydro-Electric System further stated that since the ESM is cumulative, it cannot perform the final calculation until the end of the term and intends to provide an update in each remaining Annual Update application under the approved Custom IR framework.[4]

On October 16, 2026, the OEB issued the time-of-use pricing (TOU) and Ontario Electricity Rebate (OER), effective November 1, 2026. OEB staff requests Toronto

[1] Under section 78 of the *Ontario Energy Board Act, 1998*
[2] EB-2023-0195, Partial Decision and Order, November 12, 2024
[3] Manager's Summary, August 14, 2026, p. 1
[4] Manager's Summary, August 14, 2026, p. 10

Hydro-Electric System to update the TOU and OER in its Bill Impacts model to reflect the rates.[5] [6]

OEB Staff Submission

OEB staff makes detailed submissions on the following:

- Custom Revenue Cap Index
- Group 1 Deferral and Variance Accounts
- Revenue Variance Account
- Retail Transmission Service Rates
- Other Rates Charges

[5] Toronto Hydro is using a custom Rate Generator Model, associated models and spreadsheets, to accommodate the unique features of its approved 2025-2029 Custom Incentive Rate-setting plan.
[6] Bill Impacts (Tab 4, Schedule 1), October 19, 2026

1. Custom Revenue Cap Index

Background

Toronto Hydro-Electric System is requesting OEB approval of an adjustment to its distribution revenue requirement determined using the custom CRCI methodology approved in the 2025-2029 Custom IR Decision [7] effective January 1, 2027.

Toronto Hydro-Electric System's approved Custom Revenue Cap Index is as follows:

CRCI = I – X + RGF

Where,

- ***I*** is the Inflation, to be set annually based on the OEB's inflation parameters for electricity distributors
- ***X*** is the Productivity Factor set at 0.6% for the term of the plan
- ***RGF*** is the custom Revenue Growth Factor, based on the incremental revenue required in years 2026-2026 to fund capital (less a capital stretch factor) and operational investments (including growth factor)

The OEB approved the values for all elements of the CRCI formula for the entire duration of the Custom IR period subject to the following adjustments:

- Inflation Factor, updated annually and;
- 2026-2027 cost of capital parameters, specifically ROE and short-term debt rate based on the Generic Cost of Capital proceeding

On June 11, 2026, the OEB established the inflation factor of 3.0% to be used to set rates for electricity distributors for 2027 rate applications beginning January 1, 2027.[8] Toronto Hydro-Electric System's current application reflects the updated 3.0% inflation factor for distributors calculated by the OEB.

Table 1.1 summarizes the component and results of the CRCI for 2027:

Table 1.1: 2027 Customer Revenue Cap Index (CRCI)

Components	Amounts
Inflation Factor (I)	3.0%
X Factor (X)	(0.60%)
Revenue Growth Factor (RGF)	1.22%

[7] EB-2023-0195, Partial Decision and Order, November 12, 2024, pp. 5-6
[8] OEB Letter – 2027 Inflation Parameters, June 11, 2026

Custom Revenue Cap Index Total	**3.62%**

Toronto Hydro-Electric System calculated the 2027 revenue requirement of $1,019.6M,[9] based on the proposed CRCI adjustment of 3.62%, which will be used to determine its 2027 distribution rates. Table 1.2 below shows the calculation of the 2027 revenue requirement:

Table 1.2: 2027 Revenue Requirement Calculation

Components	Amount
2026 Revenue Requirement	$ 984.0M
Proposed 2027 CRCI	3.62%
2027 Revenue Requirement	**$1,019.6M**

Revenue Growth Factor

In its Decision and Order (Generic Cost of Capital Proceeding) on March 27, 2025, the OEB set the cost of capital parameters effective January 1, 2025, including a ROE of 9.0% and a deemed short-term debt rate at 3.91%.[10] Toronto Hydro-Electric System is requesting to update the 2027 RGF to reflect the OEB-approved ROE and short-term debt rate from the Generic Cost of Capital Proceeding in the revenue requirement, replacing the rates in 2025, based on the methodology established in its 2026 Custom IR Update proceeding.[11]

Table 1 from the Manager's Summary filed by Toronto Hydro-Electric System[12] shows the components and derivation of the 2027 RGF.

In its response to an OEB staff interrogatory, Toronto Hydro-Electric System confirmed that the difference between the RGF components in the Manager's Summary and Table 2 in the EB-2023-0195 Draft Rate Order are the results of changes to the ROE from 9.25% to 9.00% and short-debt rate from 5.04% to 3.91%.[13]

OEB Staff Submission

OEB staff supports Toronto Hydro-Electric System's proposed 2027 CRCI of 3.62% and the calculation of the 2027 revenue requirement, in accordance with the CRCI methodology and parameters set in the 2025-2029 Custom IR Decision.

[9] Rate Generator Model, Tab 22, October 19, 2026
[10] EB-2024-0063, Decision and Order, March 27, 2025
[11] EB-2025-0006
[12] Manager's Summary, Table 1, August 14, 2026, p. 4
[13] Staff-10, October 19, 2026

OEB staff has reviewed the calculations of the proposed 2027 RGF of 1.22% and agrees with the calculation of the RGF based on the updates to the ROE and short-term debt rate. OEB staff submits that the RGF components affected by these changes are the Deemed Interest Expense, Return on Equity, and Payment-in-Lieu of Taxes and is satisfied with the explanations provided by Toronto Hydro-Electric System in its response to OEB staff.

OEB staff further submits that the methodology and calculations are consistent with Toronto Hydro-Electric System's 2026 Custom IR Update proceeding.

2. Group 1 Deferral and Variance Accounts

Background

Toronto Hydro-Electric System is requesting disposition of its December 31, 2025 Group 1 Deferral and Variance (DVA) balances in the total credit amount of $63,739,457[14], over a 12-month period on a final basis.[15] This includes interest projected to December 31, 2026. The components of this balance are shown in Table 2.1. The Group 1 DVA account balances exceeded the OEB's $0.001/kWh threshold for disposition.

Table 2.1: Group 1 DVA Balances

Account Name and Number		Principal Balance ($) A	Interest Balance ($) B	Total Claim ($) C=A+B
LV Variance Account	1550	346,813	14,639	361,453
Smart Metering Entity Charge Variance Account	1551	(279,904)	(11,162)	(291,066)
RSVA - Wholesale Market Service Charge	1580	(38,262,276)	(869,539)	(39,131,815)
Variance WMS - Sub-account CBR Class B	1580	9,302,244	305,475	9,607,719
RSVA - Retail Transmission Network Charge	1584	8,332,128	304,867	8,636,995
RSVA - Retail Transmission Connection Charge	1586	(7,978,986)	(312,187)	(8,291,173)
RSVA – Power	1588	12,983,739	433,763	13,417,502
RSVA - Global Adjustment	1589	(46,203,915)	(1,845,158)	(48,049,072)
Total for Group 1 accounts		**(61,760,157)**	**(1,979,300)**	**(63,739,457)**

OEB Staff Submission

OEB staff does not have concern with the Group 1 DVA balances requested for disposition. OEB staff notes that the annual variances recorded in Accounts 1588 and

[14] Rate Generator Model, Tab 3, October 19, 2026
[15] Manager's Summary, August 14, 2026, p. 6

1589 are reasonable, as both accounts met the +/- 1% reasonability test.[16] Further, OEB staff reviewed the explanations provided by Toronto Hydro-Electric System in its application[17] and interrogatory responses[18] related to Accounts 1586 and 1589 and is satisfied that the year-over year changes in the disposition balance requested for these accounts are attributable to normal transmission settlement and Global Adjustment reconciliation processes. OEB staff supports the final disposition of Toronto Hydro-Electric System's Group 1 DVA balances over a 12-month period on a final basis.

[16] 2026 Commodity Accounts Analysis Workform, August 14, 2026
[17] Manager's Summary, August 14, 2026, pp. 5-8
[18] Staff-7, Staff-8, October 19, 2026

3. Revenue Variance Account

Background

As part of the 2025-2029 Custom IR Decision, the OEB approved the establishment of an asymmetrical Revenue Variance Account (RVA) which records the revenue impact resulting from variances between the forecasted and weather-normalized billing determinant. To expeditiously return the balance to customers, the credit balances will be disposed annually on an interim basis, while final disposition of the balances will be in Toronto Hydro-Electric System's next rebasing application. The disposition of the annual credit balances will be based on the share of each rate class's prior year weather-normalized total distribution revenue.[19]

Toronto Hydro-Electric System is requesting the disposition of its 2025 RVA balance in total credit amount of $21,689,769, including projected interest until December 31, 2026[20] over a 12-month period, on an interim basis. The components of this balance are shown in Table 3.1.

Table 3.1: Revenue and Variance Account Balance

Account Name and Number		Principal Balance ($) A	Interest Balance ($) B	Total Claim ($) C=A+B
Revenue Variance Account	1508	(21,133,946)	(555,823)	(21,689,769)

As part of this application, Toronto Hydro-Electric System submitted an RVA excel model that contains the assumptions, values, and calculations used to determine the 2025 RVA balance.[21] In addition, Toronto Hydro-Electric System also included the derivation of the RVA rate riders in its modified Rate Generator Model.[22]

Toronto Hydro-Electric System submitted in its RVA model that the values in calculating the weather-normalized weather revenue impact, such as the 10-Year Average weather data and weather-related coefficients (Heating Degree Days, Cooling Degree Days and Dew Point) were based on the evidence filed as part of the 2025-2029 Custom IR proceeding. In its response to interrogatories, Toronto Hydro-Electric System reconciled the number and provided references, including the 2025 actual revenue and weather data.[23]

[19] EB-2023-0195, Partial Decision and Order, November 12, 2024, p. 12 and Settlement Proposal p. 27 and Schedule 31
[20] Rate Generator Model, Tab 3.1, October 19, 2026
[21] Revenue Variance Account (Tab 3 Schedule 3), August 14, 2026
[22] Rate Generator Model, Tab 23, October 19, 2026
[23] Staff-11, October 19, 2026

Toronto Hydro-Electric System further confirmed in its response to interrogatories that the derivation of the RVA riders, including the billing determinant, is consistent with the 2025-2029 Custom IR Decision and approach for the calculation of Group 2 rate riders.[24]

OEB Staff Submission

OEB staff supports Toronto Hydro-Electric System's disposition of its proposed 2025 RVA balance, on an interim basis over a 12-month period.

OEB staff has reviewed the values and calculations in the models and supporting documents submitted, including the calculation of the 2025 RVA balance and the derivation of corresponding rate riders. OEB staff submits that they are consistent with the approved accounting order as part of the 2025-2029 Custom IR Decision. OEB staff notes that annual credit balances are to be disposed of on an interim basis, with final disposition of the account subject to OEB review and to occur in Toronto Hydro-Electric System's next rebasing application, consistent with the framework approved in EB-2023-0195. OEB staff submits that interim disposition is appropriate because annual disposition of credit balances was specifically adopted in EB-2023-0195 to return amounts owing to customers on a timely basis pending final disposition at rebasing.

In future submissions, OEB staff recommends that Toronto Hydro-Electric System includes supporting information for the Actual Weather Data and Actual Distribution Revenue, similar to its interrogatory responses to OEB staff.[25]

[24] Staff-12, October 19, 2026
[25] Staff-11, October 19, 2026

4. Retail Transmission Service Rates (RTSR)

Background

Toronto Hydro-Electric System is requesting to update its 2027 Retail Transmission Service Rates (RTSRs) that it charges its customers based on the guidance set by the OEB.

On October 14, 2026, the OEB issued a letter[26] regarding the 2027 preliminary Uniform Transmission Rates (UTRs) for distributors with an effective date of January 1, 2027. As part of its interrogatory responses, Toronto Hydro-Electric System updated its Rate Generator Model to reflect the 2027 preliminary UTRs impacting the RTSRs.[27]

OEB Staff Submission

OEB staff has no concerns with Toronto Hydro-Electric System's requested adjustments to its RTSRs.

[26] EB-2026-0246 - 2027 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, October 14, 2026.
[27] Staff-14, October 19, 2026

5. Other Rates and Charges

Background

Toronto Hydro-Electric System is requesting to continue the various rate riders approved in the 2025-2029 Custom IR Decision, in accordance with their respective effective and termination dates, and of other rates and charges included in the 2025-2029 Custom IR Decision. This includes Specific Service Charges and Loss Factors. In addition, Toronto Hydro-Electric System is also proposing to maintain the monthly service charge for the microFIT Generator Service Classification at its 2026 rate of $4.93 per 30 days.[28]

As part of its application, Toronto Hydro-Electric System has also updated its Retail Service Charges and Distribution Pole Access charge in its proposed 2027 Tariff Sheet based on the OEB's 2027 inflation factor.[29]

Toronto Hydro-Electric System has also included a rate rider for the Disposition of Externally Driven Capital Variance Account in accordance with the 2025-2029 Custom IR Decision.[30]

OEB Staff Submission

OEB staff supports the continuation of the rate riders approved in the 2025-2029 Custom IR Decision, in accordance with their respective effective and termination dates, as well as other rates and charges, including Specific Service Charges and Loss Factors. OEB staff further submits that the rate rider for the Disposition of Externally Driven Capital Variance Account, effective January 1, 2027 is appropriate and consistent with the 2025-2029 Custom IR Decision.[31] [32]

OEB staff also supports the continuation of the microFIT charge.

In addition, OEB staff has reviewed the Retail Service Charges and Distribution Pole Access charges in Toronto-Hydro Electric System's 2027 Tariff Sheet and confirms that rates and charges are appropriate.

~All of which is respectfully submitted~

[28] Manager's Summary, August 14, 2026, p. 11
[29] Manager's Summary, August 14, 2026. p. 12
[30] EB-2023-0195, Partial Decision and Order, November 12, 2024, Settlement Proposal, Schedule 30.3
[31] *Ibid.*
[32] Staff-15, October 19, 2026