
OEB issues decision on Westario Power Inc.'s 2024 major rates application

DECISION

Today, the Ontario Energy Board (OEB) issued its [Decision and Rate Order](#) on an application filed by Westario Power Inc. (Westario Power) for approval to change its electricity distribution rates effective January 1, 2024.

The application was the subject of settlement negotiations between the utility and participating intervenors¹ in the proceeding and resulted in a comprehensive settlement proposal filed with the OEB. The settlement proposal included reductions in capital expenditures and operating, maintenance and administration costs relative to what Westario Power had requested in its application.

The OEB approved the settlement proposal, noting that its implementation should result in reasonable outcomes for Westario Power and its customers.

As a result of this Decision and Rate Order, the estimated total bill impact for a typical residential customer with a monthly consumption of 750 kWh will be a reduction of \$0.12 or 0.1% per month for 2024 (excluding taxes and the Ontario Electricity Rebate).

BACKGROUND

Westario Power's electrical distribution network is located in Southwestern Ontario, serving almost 25,000 customers in 15 communities throughout the Counties of Bruce, Grey, Huron, and Wellington: namely, Clifford, Elmwood, Hanover, Harriston, Kincardine, Lucknow, Mildmay, Neustadt, Palmerston, Port Elgin, Ripley, Southampton, Teeswater, Walkerton, and Wingham.

On November 3, 2023, Westario Power filed an application for approval of its proposed electricity distribution rates under the Price Cap Incentive Rate-setting option. Under this option, rates are set for the first year (2024) based on an in-depth review of Westario Power's costs to serve its customers, following which it can apply to have its 2025-2028 rates adjusted annually using a pre-approved mechanism that accounts for inflation and the OEB's assessment of its efficiency.

The School Energy Coalition, the Vulnerable Energy Consumers Coalition and Hydro One Networks Inc. applied for and were granted intervenor status.

Following a written interrogatory process, a settlement conference was held on March 6 and 7, 2024. Westario Power filed a settlement proposal on April 5, 2024 that reflected a settlement on all issues.

KEY FEATURES

Key features of the approved settlement proposal relative to what Westario applied for include:

¹ Hydro One Networks Inc. did not participate in the settlement conference.

- Westario Power's new rates will be effective May 1, 2024 instead of January 1, 2024.
- A \$450k reduction (6.7%) in the 2024 capital expenditures budget, resulting in a revised budget of \$6.3M.
- A \$185k reduction (2.6%) in the 2024 Operations, Maintenance & Administration budget, resulting in a revised budget of \$6.8M.
- A \$537k reduction (3%) in the 2024 base revenue requirement, resulting in a revised revenue requirement of \$12.6M.

REGULATORY TERMS

The following is a list of some of the commonly used regulatory terms that appear in this background, along with a plain language description for each one.

Incentive regulation (also referred to as an Incentive Rate-Setting Mechanism or “IRM”) is a method of setting rates that encourages utilities to become more efficient in ways that will benefit their customers through better service and lower rate increases. The shareholders of the utilities also have the opportunity to benefit from higher earnings through efficiency improvements.

Electricity distributors typically file a cost-based application with the OEB to reset their rates every five years based on an in-depth review of their costs to serve their customers and to invest in and maintain their distribution systems. This is also referred to as “rebasing.”

In each year between cost-based applications, the utility's rates are typically adjusted through a pre-approved mechanism.

Revenue requirement – The revenue requirement is the total annual cost for a utility to provide service to its customers. It includes the cost of salaries, equipment, capital projects depreciation, taxes, interest and a return on equity.

The OEB approves a utility's revenue requirement when it decides a major (cost-based) application and uses it to set rates that the utility can charge its customers.

Settlement conference – The purpose of a settlement conference is for the applicant and intervenors to try and settle (reach agreement on) as many issues as possible, other than any issues that the OEB has indicated should not be settled and should proceed to hearing.

Settlement negotiations are confidential.

Commissioners do not participate in a settlement conference and are not advised of the discussions that take place in the settlement conference.

Where the parties reach agreement, a settlement proposal is filed by the applicant for approval by the OEB.

About the OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development.

Contact Us

Media Inquiries

Phone: 416-544-5171

Email: oebmedia@oeb.ca

Consumer Inquiries

416-314-2455/1-877-632-2727

Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decisions and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for the decision; those may be found in the Decision and Rate Order issued today, which is the official OEB document.