

## Ontario Energy Board issues Decision on Niagara-on-the-Lake Hydro's electricity distribution rate application

Today the Ontario Energy Board (OEB) issued its [Decision and Order](#) approving changes to Niagara-on-the-Lake Hydro Inc. (Niagara-on-the-Lake Hydro) electricity distribution rates effective January 1, 2024.

As a result of this Decision, the estimated total bill impact for a typical residential customer with a monthly consumption of 750 kWh will be an increase of approximately \$4.69 or 3.91% per month beginning January 1, 2024, after taxes and the Ontario Electricity Rebate.

### BACKGROUND

Niagara-on-the-Lake Hydro provides electricity distribution services to approximately 10,000 residential, commercial, and industrial customers in the Town of Niagara-on-the-Lake.

On April 27, 2023, Niagara-on-the-Lake Hydro filed for approval of its proposed electricity distribution rates and other charges for five years, using the Price Cap Incentive<sup>1</sup> rate-setting option. With this cost-based rates decision for 2024, Niagara-on-the-Lake Hydro will be able to apply to have its rates adjusted mechanistically in each of the years 2025-2028, based on inflation and the OEB's assessment of Niagara-on-the-Lake Hydro's performance. Intervenor (the Parties) in the proceeding were:

- School Energy Coalition
- Vulnerable Energy Consumers Coalition

Following a written interrogatory process, a settlement conference took place on August 2 and 3, 2023.

Niagara-on-the-Lake Hydro filed a settlement proposal dated August 25, 2023 that represented a complete settlement on all issues between Niagara-on-the-Lake Hydro and the Parties.

OEB staff filed a submission supporting the settlement proposal on September 1, 2023.

The OEB accepted the proposal as filed, noting that it addressed all issues in the proceeding, appropriately serves the public interest, and will result in just and reasonable rates.

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<sup>1</sup> The Price Cap Incentive rate-setting option consists of a cost of service (or rebasing) followed by four years of incentive rate-setting mechanism (IRM) adjustments, set by a simple price cap index formula (i.e., I-X), where the X-factor is based on a combination of industry conditions (productivity component) and distributor-specific performance (stretch factor component).

**Key features of the approved settlement proposal include, among other things:**

- **Reduction** of 2024 opening net fixed assets by \$250,000
- **Reduction** of 2024 in-service additions by \$144,000 (7%) resulting in a revised lower budget of \$1.8 million
- **Reduction** of 2024 Operations, Maintenance & Administration by \$125,000 (3.5%) resulting in a revised lower budget of \$3.4 million
- **Reduction** of 2024 test year base revenue requirement by \$189,000 (2.8%) resulting in a revised lower base revenue requirement of \$6.5 million
- **Increase** of 2024 test year load forecast by 5 GWh, 3 MW and 89 customers and connections, resulting in a revised higher load of 257 GWh, 285 MW, and 12,457 customers and connections, compared to the original application
- **A commitment** by Niagara-on-the-Lake Hydro to develop its own load profiles using its updated customer data in the next Cost of Service application
- **Clearing deferral and variance account (DVAs) balances** beginning January 1 to December 31, 2024. Past costs amounting to \$1.1 million will be collected from customers.
- **Rate mitigation** - As part of Niagara-on-the-Lake Hydro's rate mitigation proposal, its distribution rate increases will be implemented over two years with the updated rates being calculated using the OEB models. Rate mitigation was not required because the percentage total bill increase is well below 10%. Nevertheless, Niagara-on-the-Lake Hydro proposed the rate mitigation since its distribution rates increase is more than 10%.

**REGULATORY TERMS**

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

**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.

**Deferral and variance accounts (DVAs)** are commonly used regulatory tools that allow a utility an opportunity to address costs that were unknown or uncertain when its rates were set.

A **deferral account** tracks the cost of a project or program which the utility could not forecast when its current rates were set. When the costs are known, the utility can request OEB approval to recover the costs in future rates.

A **variance account** tracks the difference between the forecast cost of a project or program, which has been included in rates, and the actual cost. If the actual cost is lower or higher, then the utility can request OEB approval to return the difference to customers as a credit or to recover the difference through rate riders.

**Revenue requirement** is the total annual cost for a utility to provide its regulated services. 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 cost-based application and uses it to set rates that the utility can charge its customers.

**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 decision 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 Order issued today, which is the official OEB document.*