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## **OEB issues decision on Wasaga Distribution's 2024 major rates application**

### **DECISION**

Today, the Ontario Energy Board (OEB) issued its Decision and Rate Order on an application filed by Wasaga Distribution Inc. (Wasaga Distribution) for approval to change its electricity distribution rates effective May 1, 2024.

The OEB approved a settlement proposal between Wasaga Distribution and the intervenors in the proceeding, finding that the settlement is in the public interest.

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 \$1.71 or 1.2% per month beginning May 1, 2024 (excluding taxes and the Ontario Electricity Rebate).

### **BACKGROUND**

Wasaga Distribution serves approximately 15,400 mostly residential and commercial customers in the Town of Wasaga Beach. Wasaga Distribution is an embedded distributor of Hydro One Networks Inc. and owned by the Town of Wasaga Beach.

On October 20, 2023, Wasaga Distribution 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 Wasaga Distribution'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.

Energy Probe, the School Energy Coalition and the Vulnerable Energy Consumers Coalition applied for and were granted intervenor status.

Following a written interrogatory process, a settlement conference was held from February 21-23, 2024. Wasaga Distribution filed a settlement proposal on March 27, 2024 that reflected a settlement on all issues.

### **KEY FEATURES**

Key features of the approved settlement proposal include:

- A \$555k reduction (17%) in the 2024 capital expenditures budget, resulting in a revised budget of \$2.8M
- A \$89k reduction (2%) in the 2024 Operations, Maintenance & Administration budget, resulting in a revised budget of \$3.9M
- A \$206k reduction (3%) in the 2024 base revenue requirement from the original application, resulting in a revised revenue requirement of \$5.8M

## 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.

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*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.*