

April 17, 2023

The Ontario Energy Board issues decision on PUC Distribution's 2023 major rates application

DECISION

On April 6, 2023, the Ontario Energy Board (OEB) issued its [Decision and Rate Order](#) on an application by PUC Distribution Inc. for approval to change its electricity distribution rates effective May 1, 2023.

Through this Decision, the OEB approved the settlement proposal filed by PUC Distribution on March 10, 2023, which the OEB concluded should result in reasonable outcomes for both PUC Distribution and its customers.

The estimated total bill impact for a typical residential customer with a monthly consumption of 750 kWh will be an increase of \$4.25 per month before taxes and the Ontario Electricity Rebate, or 3.55%. These bill impacts do not reflect anticipated energy savings that may be achieved through the implementation of PUC Distribution's large and innovative Sault Smart Grid (SSG) project. PUC Distribution anticipates being able to start measuring savings on November 1, 2023.

KEY FEATURES

PUC Distribution's application was unique in that, in addition to PUC Distribution's on-going operations, maintenance and administration (OM&A) and capital needs, the revenue requirement and rate impacts arising from the SSG project had to be carefully considered. The settlement proposal filed by PUC Distribution was agreed to by all of the intervenors in the proceeding and supported by OEB staff.

The key features of the OEB-approved settlement proposal, compared to PUC Distribution's application, include:

- A \$1.8M reduction in the 2023 base revenue requirement
- A \$550k reduction in the proposed 2023 OM&A expenses
- A reduction of \$1.2M in the 2022 capital additions and a reduction of \$750k in the 2023 capital expenditures

The OEB-approved settlement proposal also includes a separate rate to recover the costs of the SSG project over the 2023 to 2027 period. It also makes provision for the OEB to consider the prudence of any unanticipated increases in the cost of that project at the time of PUC Distribution's next major rate application, before allowing PUC Distribution to recover those costs. The OEB commended the parties for formulating and settling on an SSG project recovery mechanism that should mitigate potential adverse financial impacts to PUC Distribution while minimizing rate impacts to PUC Distribution's customers.

The OEB agreed with PUC Distribution that the settlement proposal was the culmination of extensive discussion and consideration by the parties which represented an array of interests affected this application.

BACKGROUND

PUC Distribution provides electricity distribution services to approximately 33,865 residential, commercial, and industrial customers in most of the City of Sault Ste. Marie as well as parts of Prince Township, Dennis Township and the Rankin Reserve.

The SSG project is a community wide smart grid which will cover PUC Distribution's entire service territory. The intent of the project is to implement various technologies such as Voltage/VAR Optimization (VVO), Distribution Automation and Advanced Metering Infrastructure.

The OEB approved PUC Distribution's application for incremental capital funding for the SSG project in its April 2021 Decision and Order, finding that the SSG project is in the public interest, delivering direct benefits to customers through reduction in energy consumption, reliability improvements and improved planning and data reporting systems.¹ As noted in PUC Distribution's application at the time, the actual net benefit of the SSG project to customers can vary and is dependent on numerous factors, including energy consumption and electricity prices. The amount of savings is also dependent on PUC Distribution's success in achieving an anticipated 2.70% energy reduction from the VVO aspect of the project.² As part of its April 2021 Decision and Order approving funding for the SSG project, the OEB imposed several conditions in order to manage the risks associated with the project and to appropriately monitor its progress.

The updated cost of the SSG project approved in the current proceeding is \$31.9M, of which \$7.4M will be funded by a contribution from Natural Resources Canada.

Intervenors in the current proceeding were:

- Consumers Council of Canada
- Environmental Defence
- School Energy Coalition
- Vulnerable Energy Consumers Coalition

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 decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order issued April 6, 2023, which is the official OEB document.

¹ [April 29, 2021 Decision and Order \(EB-2020-0249/EB-2018-0219\).](#)

² VVO allows a utility to operate its distribution system at the lower end of the acceptable voltage ranges and reduces reactive power in the distribution system resulting in lower system losses, lower energy consumption, and an overall system energy and demand reduction.