

OEB issues decision on Orangeville Hydro's 2024 major rates application

DECISION

Today, the Ontario Energy Board (OEB) issued its [Decision and Rate Order](#) approving changes to the rates Orangeville Hydro Limited (Orangeville Hydro) charges for electricity distribution effective May 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 \$5.10 or 3.6% per month beginning May 1, 2024 (excluding taxes and the Ontario Electricity Rebate).

BACKGROUND

Orangeville Hydro serves approximately 12,900 mostly residential and commercial customers in the Town of Orangeville and the Town of Grand Valley. The utility is owned by the Town of Orangeville (94.5%) and the Town of Grand Valley (5.5%).

On October 2, 2023, Orangeville Hydro 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 Orangeville Hydro's costs to serve its customers, following which it can apply to have its 2025-2028 rates adjusted annually based on inflation and the OEB's assessment of Orangeville Hydro's efficiency.

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 on February 5 and 6, 2024. Orangeville Hydro filed a settlement proposal on March 13, 2024¹ that reflected a comprehensive settlement on all issues.

The OEB approved the settlement proposal as filed, having concluded that the outcomes are acceptable and result in just and reasonable rates for customers of Orangeville Hydro.

KEY FEATURES

Key features of the approved settlement proposal include:

- A \$375k reduction (12.7%) in the 2024 capital expenditures budget, resulting in a revised budget of \$2.6M.
- A \$150k reduction (3.5%) in the 2024 Operations, Maintenance & Administration budget, resulting in a revised budget of \$4.1M.

¹ Updated to correct a small number of typographical errors on March 26, 2024.

- A \$178k reduction (2.6%) in the 2024 base revenue requirement, resulting in a revised budget of \$6.7M.
- Clearing deferral and variance account (DVAs) balances beginning May 1, 2024 to April 30, 2025 (except the Sentinel Lighting rate class which will be subject to a 3-year clearance period for certain DVAs). A total of \$1.7 million, reflecting past costs incurred by Orangeville Hydro but not previously included in rates, will be collected from customers.

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.

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 rates.

Incentive regulation (also referred to as an Incentive Regulation 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.