
The Ontario Energy Board issues decision on InnPower Corporation's 2024 major rates application

DECISION

Today, the Ontario Energy Board (OEB) issued its Decision and Order approving changes to InnPower Corporation's (InnPower) 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 a bill increase of 2.3% per month beginning January 1, 2024.¹

BACKGROUND

InnPower provides electricity distribution services to approximately 25,900 residential, business and industrial customers in the Town of Innisfil and South Barrie.

On May 12, 2023, InnPower 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 InnPower's costs to serve its customers, following which InnPower can apply to have its rates adjusted mechanistically in each of the years 2025-2028, based on inflation and the OEB's assessment of InnPower's efficiency.

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

Following a written interrogatory process, a settlement conference was held from August 21 to 23, 2023. InnPower filed a settlement proposal on October 13, 2023 that reflected a comprehensive settlement by the Parties on all issues.

The OEB accepted the revised settlement proposal as filed, having concluded that it would result in reasonable outcomes for both InnPower and its customers.

KEY FEATURES

Key features of the approved settlement proposal include:

- A \$0.75M reduction in the 2024 operating, maintenance and administration budget, resulting in a revised budget of \$7.5M, which the OEB found reasonable given the potential economies of scale as InnPower continues to see customer growth.

¹ The final total bill impact will be updated once the calculations are updated using the OEB's 2024 Cost of Capital Parameters and Regulated Price Plan Price Report.

- A \$0.4M reduction in the 2024 capital expenditures budget, resulting in a revised budget of \$10.08M, which the OEB found reasonable given that InnPower underspent historical planned total net capital expenditures between 2017 and 2021.
- Approval to establish a Deferral Account to record the capital contributions made by InnPower for the Barrie Area Transmission Upgrade project², which the OEB found to be appropriate given it balances the interests of shareholder(s) and customers.

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.

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 “rebasings”.

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

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.

² This project involves transmission line and station work to increase capacity in the Barrie/Innisfil area. HONI received OEB approval to construct this project in 2020 (EB-2018-0117) and was authorized to recover capital contribution amounts from InnPower over a 5-year period (2023 to 2027).

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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 today, which is the official OEB document.