

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

DECISION

Today, the Ontario Energy Board (OEB) issued its Decision and Order approving changes to Renfrew Hydro Inc.'s (Renfrew 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 \$6.97, or 5.71%, per month beginning January 1, 2024, after taxes and the Ontario Electricity Rebate.

BACKGROUND

Renfrew Hydro provides electricity distribution services to approximately 4,350 residential, business and industrial customers in the Town of Renfrew.

On May 24, 2023, Renfrew Hydro filed an application for approval of its proposed electricity distribution rates, using 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 Renfrew Hydro's costs to serve its customers, and Renfrew Hydro can apply to have its rates adjusted mechanistically in each of the years 2025-2028, based on inflation and the OEB's assessment of Renfrew Hydro's efficiency. The Vulnerable Energy Consumers Coalition (VECC) applied for and was granted intervenor status.

Following a written interrogatory process, a settlement conference took place on September 5, 2023, with Renfrew Hydro, VECC, and OEB staff (collectively, the Parties) participating. Renfrew Hydro filed a settlement proposal on September 29, 2023, that reflected a comprehensive settlement of the Parties on all issues.

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

KEY FEATURES

Key features of the approved settlement proposal include acknowledgement by the Parties that:

- The proposed 2024 capital expenditures and in-service additions are appropriate to maintain system reliability, service quality objectives and the reliable and safe operation of the distribution system.
- The proposed 2024 Operations, Maintenance & Administration (OM&A) budget, which represents an increase of \$196,551 (13.4%) from the previously OEB approved 2017 OM&A budget, is appropriate.

The estimated impact of the settlement proposal on the requested 2024 total service revenue requirement is a reduction of \$28,701 (from \$2,717,112 to \$2,688,411). This \$2,688,411 represents an increase of \$571,968 (27%) from the last OEB approved 2017 service revenue requirement.

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.

Capital Expenditure – A capital expenditure is an amount spent by a utility to obtain or enhance fixed assets, such as land, buildings and major equipment. When the asset is ready to be used, the cost is added to the utility’s rate base. The cost is then recovered through rates over the life of the asset.

Operating, maintenance and administrative expenses – referred to as “OM&A” – are the costs associated with running a utility on a day-to-day basis. Examples of these costs include employee salaries, tools and equipment, and office expenses.

OM&A expenses do not include capital expenditures or costs associated with investment in assets, such as depreciation or interest payments.

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.

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 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.

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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.