

SETTLEMENT PROPOSAL

**Independent Electricity System Operator
designated as the Smart Metering Entity**

**Ontario Energy Board
Application for a Smart Metering Charge
for the period January 1, 2018 to December 31, 2022**

January 31, 2018

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PREAMBLE

This Settlement Proposal is filed with the Ontario Energy Board ("OEB") in connection with the Application by the Independent Electricity System Operator ("IESO"), designated as the Smart Metering Entity ("SME"), for a Smart Metering Charge ("SMC") for the period January 1, 2018 to December 31, 2022.

A decision by the OEB approving the SMC of \$0.79/meter has been approved to be collected through to October 2018 covering the SME's revenue requirement for the period ending December 31, 2017.¹ Through this application, the SME is seeking a reduced monthly SMC of \$0.57/meter commencing January 1, 2018, representing a \$0.22/meter reduction.

In Procedural Order No. 1, dated October 27, 2017, the OEB established the process to address the Application, up to and including a Settlement Conference and associated activities.

In accordance with Procedural Order No. 2, a Settlement Conference was held on January 16 and 17, 2018. Karen Wiannecki acted as facilitator for the Settlement Conference. This Settlement Proposal arises from the Settlement Conference.

The SME and the following intervenors, as well as OEB technical staff ("OEB Staff"), participated in the Settlement Conference:

Building Owners and Managers Association Toronto ("BOMA")
Electricity Distributors Association ("EDA")
Niagara-on-the-Lake Hydro Inc. ("NOTL")

The Settlement Proposal deals with all of the relief sought in this proceeding. As set out in more detail below, a full settlement has been reached on all issues.

The SME and all intervenors listed above have agreed to the settlement described on the following pages. Any reference to "Parties" in this Settlement Proposal is intended to refer to the SME and the intervenors listed above.

¹ OEB Decision on Accounting Order, May 14, 2013;
<http://www.rds.oeb.ca/HPECMWebDrawer/Record?q=CaseNumber:EB-2012-0100&sortBy=recRegisteredOn-&pageSize=400>.

All Parties participated in the Settlement Conference and subsequent discussions. OEB Staff is not a party to the Settlement Proposal. One week after the Settlement Proposal is filed, OEB Staff will file a submission on the Settlement Proposal. Also, as noted in the OEB's *Practice Direction on Settlement Conferences*, OEB Staff who participated in the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the Parties to the proceeding.

This document is called a "Settlement Proposal" because it is a proposal by the Parties to the OEB to settle the issues in this proceeding. It is termed a proposal as between the Parties and the OEB. However, as between the Parties, and subject only to the OEB's approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the OEB in its entirety, then unless amended by the Parties, it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the *Ontario Energy Board Act, 1998*, the OEB has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as B-3-1. The identification and listing of the evidence that relates to each settled issue is provided to assist the OEB.

The Settlement Proposal describes the agreements reached on the issues. The Settlement Proposal provides a direct link between each settled issue and the supporting evidence in the record to date. In this regard, the Parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the OEB to make findings agreeing with the proposed resolution of the settled issues. In the event that the OEB does not accept the proposed settlement of any issue, then subject to the Parties' agreement on non-severability set out in the final paragraph below, further evidence may be required on the issue for the OEB to consider it fully.

None of the Parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the OEB's *Rules of Practice and Procedure*. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions Parties might take with respect to the same issue in future proceedings.

The Parties acknowledge that the Settlement Conference (including subsequent related discussions) is confidential in accordance with the OEB's *Practice Direction on Settlement Conferences*. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the OEB's *Practice Direction on Confidential Filings*, and the rules of that latter document do not apply. Instead, in the Settlement Conference, and in this Settlement Proposal, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the Settlement Conference, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal.

Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. The Parties agree that "attendees" is deemed to include, in this context, persons who were not physically in attendance at the Settlement Conference but were: a) any persons or entities that the Parties engage to assist them with the Settlement Conference, and b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

It is fundamental to the agreement of the Parties that none of the provisions of this Settlement Proposal are severable. If the OEB does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the Parties agree that any portion of the Settlement Proposal that the OEB does accept may continue as a valid Settlement Proposal).

OVERVIEW

The Parties have reached a package settlement of issues in this proceeding (the “Package Settlement”). The Package Settlement includes all issues in the OEB-approved Issues List that is attached as Schedule A to the OEB’s Decision on Issues List dated November 23, 2017.

Given the SME’S agreement to these settlement terms, the Package Settlement includes acceptance of the SME’S proposals in respect of all issues.

THE ISSUES

1.0 Is the SME’s proposed \$178.1 million revenue requirement for the January 1, 2018 to December 31, 2022 period appropriate?

As part of the Package Settlement, the Parties agree that it is appropriate to revise the SME’s revenue requirement for the January 1, 2018 to December 31, 2022 period to \$170.6 million from the originally proposed revenue requirement of \$178.1 million. This \$7.5 million reduction is based on: (1) a \$2.5 million reduction as a result of the forecast for the December 31, 2017 balance of the uncollected SME debt being \$2.5 million lower than the original forecast (as stated in the response to OEB Staff Interrogatories 7 and 2, Parties agreeing to a further reduction of \$1 million per year in the SME’s revenue requirement, resulting in a \$5 million reduction in the SME’s total revenue requirement. The reduction of \$1 million per year in the SME’s revenue requirement was agreed to by all Parties based on the SME having historically underspent in the 2012-2017 period while also recognizing that the SME had already accounted for a portion of this historic underspend in preparing this application. The amount of the reduction also took into account the additional responsibilities that the SME will be taking on.

Evidence:

Exhibit A-1-1-Application

Exhibit A-3-1-Background and Legal Authority

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-2-1-Smart Metering Charge and Calculation of the Charge

Exhibit B-3-1-SME Variance Accounts

Exhibit B-4-1-MDM/R Governance and Ongoing Stakeholder Outreach

Attachment 1-Q2 2017 SME MDM/R Report, July 31, 2017

Exhibit C-1-1-Third Party Access Implementation Status and Next Steps

Interrogatories:

Exhibit I, Tab 1.0, OEB Staff 1.01 to 1.10

Exhibit I, Tab 1.0, BOMA 2.01 to 2.12

Exhibit I, Tab 1.0, EDA 3.01 to 3.05

Exhibit I, Tab 1.0, NOTL 4.01

2.0 Is the proposed SME fee of \$0.59 per smart meter per month appropriate?

As part of the Package Settlement and as a result of the agreed upon SME revenue requirement of \$170.6 million, the Parties accept that the resulting SME fee of \$0.57 per smart meter per month is appropriate.

Evidence:

Exhibit A-1-1-Application

Exhibit A-3-1-Background and Legal Authority

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-2-1-Smart Metering Charge and Calculation of the Charge

Exhibit B-3-1-SME Variance Accounts

Exhibit B-4-1-MDM/R Governance and Ongoing Stakeholder Outreach

Attachment 1-Q2 2017 SME MDM/R Report, July 31, 2017

Exhibit C-1-1-Third Party Access Implementation Status and Next Steps

Interrogatories:

Exhibit I, Tab 2.0, NOTL 4.02 to 4.04

3.0 Is the proposed January 1, 2018 effective date for the SME fee appropriate?

As part of the Package Settlement, the Parties accept that January 1, 2018 is the appropriate effective date for the SME fee to be effective. Parties accept that the January 1, 2018 date is the appropriate effective date as the SME fee agreed to in this Settlement Proposal is lower than the current SME fee, and therefore customers will not be harmed, and the SME's August 31, 2017 application proposed a lower fee than the currently approved fee.

With an effective date of January 1, 2018 for the proposed SME fee of \$0.57 per smart meter per month, Parties recognize that the SME is collecting more revenue than required each month in 2018 that the SME fee of \$0.79 per smart meter per month is charged. Parties accept the SME rebating the difference between the amount that would have been collected in 2018 with the proposed SME fee of \$0.57 per smart meter per month and the amount collected with the currently approved SME fee of \$0.79 per smart meter per month until the end of the month in which OEB approval is received for the proposed SME fee. This rebate will be provided in the next billing cycle following the month in which OEB approval is received.

Evidence:

Exhibit A-1-1-Application

Exhibit A-3-1-Background and Legal Authority

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-2-1-Smart Metering Charge and Calculation of the Charge

Exhibit B-3-1-SME Variance Accounts

Interrogatories: N/A

4.0 Is the proposal to include the \$7 million projected uncollected SME debt (projected December 31, 2017 balance) in the SME costs appropriate?

As part of the Package Settlement, the Parties accept that the proposal to include the uncollected SME debt in the SME costs is appropriate. The Parties agree that it is appropriate to revise the forecast balance of the uncollected SME debt to \$4.5 million, as provided in response to OEB Staff Interrogatory 7, from the original forecast of \$7 million provided in the application.

Evidence:

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-2-1-Smart Metering Charge and Calculation of the Charge

Exhibit B-3-1-SME Variance Accounts

Interrogatories:

Exhibit I, Tab 1.0, OEB Staff 1.07

5.0 Are the projections for installed smart meters appropriate?

As part of the Package Settlement, the Parties accept that the SME's projections for installed smart meters are appropriate.

Evidence:

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-2-1-Smart Metering Charge and Calculation of the Charge

Exhibit B-3-1-SME Variance Accounts

Exhibit B-4-1-MDM/R Governance and Ongoing Stakeholder Outreach

Attachment 1-Q2 2017 SME MDM/R Report, July 31, 2017

Interrogatories: N/A

6.0 Are the forecast staffing levels appropriate and reasonable?

As part of the Package Settlement, the Parties accept that the SME's staffing levels are appropriate.

Evidence:

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-4-1-MDM/R Governance and Ongoing Stakeholder Outreach

Attachment 1-Q2 2017 SME MDM/R Report, July 31, 2017

Exhibit C-1-1-Third Party Access Implementation Status and Next Steps

Interrogatories:

Exhibit I, Tab 1.0, OEB Staff 1.05 and 1.06

Exhibit I, Tab 1.0, BOMA 2.08 and 2.09

7.0 Is the proposal to establish the Balancing Variance Account appropriate?

As part of the Package Settlement, the Parties accept that establishing the Balancing Variance Account ("BVA") is appropriate. The Parties accept that the establishment of the BVA is beneficial as it will provide a consolidated statement of the three existing variance accounts, which will become sub-accounts of the BVA. Parties accept that the establishment of the BVA will also allow for the tracking and reporting of the proposed

Operating Reserve and the proposed return to ratepayers of any year-end balance in the BVA over \$2.5 million and which results in a rebate to ratepayers of \$0.05 per meter or greater, respectively Issues 11.0 and 12.0, through one account, the BVA.

Evidence:

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-3-1-SME Variance Accounts

Interrogatories:

Exhibit I, Tab 7.0, OEB Staff 1.11 and 1.12

8.0 Is the proposal to continue the three existing variance accounts as sub accounts of the Balancing Variance Account appropriate?

As part of the Package Settlement, the Parties accept that the proposal to continue the three existing variance accounts as sub accounts of the BVA is appropriate.

Evidence:

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-3-1-SME Variance Accounts

Interrogatories:

Exhibit I, Tab 7.0, OEB Staff 1.11

9.0 Is the proposal to continue to carry the balances in the existing Costs variance and Revenue variance accounts forward appropriate?

As part of the Package Settlement, the Parties accept that the proposal to continue to carry the balances in the existing Costs variance and Revenue variance accounts forward is appropriate, as the uncollected SME debt is derived from the balances in these two accounts and Parties have accepted including the uncollected SME debt in the SME costs as appropriate under Issue 4.0.

Evidence:

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-3-1-SME Variance Accounts

Interrogatories:

Exhibit I, Tab 7.0, OEB Staff 1.07 and 1.11

10.0 Is the proposal to clear the balance in the Service Level Credits Account appropriate?

As part of the Package Settlement, the Parties accept that the proposal to clear the balance in the Service Level Credits Account (“SLCA”) is appropriate. Parties accept this is appropriate as this balance was accumulated while the SME/LDC Agreement (“Agreement”) was effective and the Agreement required OEB approval of the allocation of the service level credits amongst MDM/R service recipients as determined by the SME Steering Committee. As the Agreement is no longer in effect, any future credits in the SLCA will be credited in the BVA.

Evidence:

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-3-1-SME Variance Accounts

Interrogatories:

Exhibit I, Tab 7.0, OEB Staff 1.11

11.0 Is the proposal to retain \$2.5 million in the Balancing Variance Account as an operating reserve for the SME appropriate?

As part of the Package Settlement, the Parties accept that the proposal to retain \$2.5 million in the BVA as an operating reserve for the SME is appropriate. Parties accept that it is appropriate for the SME to establish an operating reserve which will allow it to accommodate unplanned work activities that may be material in scope and are beyond the control of the SME.

Evidence:

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-2-1-Smart Metering Charge and Calculation of the Charge

Exhibit B-3-1-SME Variance Accounts

Exhibit B-4-1-MDM/R Governance and Ongoing Stakeholder Outreach

Attachment 1-Q2 2017 SME MDM/R Report, July 31, 2017

Exhibit C-1-1-Third Party Access Implementation Status and Next Steps

Interrogatories:

Exhibit I, Tab 7.0, OEB Staff 1.11 and 1.12

12.0. Is the proposal to return to ratepayers any year-end balance in the Balancing Variance Account, exceeding \$2.5 million and which results in a rebate to ratepayers of \$0.05 per meter or greater, three months after the filing of the SME's annual report with the Board on April 30th appropriate?

As part of the Package Settlement and to provide an opportunity for review of the annual report ("report") the Parties accept that the report providing the final year-end balances in the BVA, each of the three sub-accounts and an explanation of the balances in the accounts shall be sent to all Parties and OEB Staff by April 30th. Parties and OEB Staff may ask the SME questions on the balances within the BVA and sub-accounts and any explanations provided in the report within 10 days of the report being sent by the SME and the SME will respond to these. The SME will file the report with the OEB by May 31st under OEB File No.: EB-2017-0290.

As part of the Package Settlement the Parties accept the SME's proposal to rebate any year-end balance in the BVA exceeding \$2.5 million and which results in a rebate of \$0.05 per meter or greater. If the balance in the BVA meets the threshold for a rebate the report will include a description of the total amount to be rebated and the amount to be rebated to each smart meter account. The Parties accept any rebate would be administered two months after the SME files the annual report with the OEB on May 31st unless the OEB provides alternative direction prior to the rebate being processed.

Evidence:

Exhibit B-1-1-SME Revenue Requirement

Attachment 1-SME Proposed Budget

Attachment 2-2016 Annual Cost and Variance Account Report

Exhibit B-2-1-Smart Metering Charge and Calculation of the Charge

Exhibit B-3-1-SME Variance Accounts

Exhibit B-4-1-MDM/R Governance and Ongoing Stakeholder Outreach

Attachment 1-Q2 2017 SME MDM/R Report, July 31, 2017

Exhibit C-1-1-Third Party Access Implementation Status and Next Steps

Interrogatories:

Exhibit I, Tab 7.0, OEB Staff 1.11

13.0 Are the current stakeholder efforts undertaken by the SME sufficient and do these efforts meet the specific needs of its customers?

As part of the Package Settlement, the Parties agree the current stakeholder efforts undertaken by the SME are sufficient and meet the specific needs of its customers.

Evidence:

Exhibit B-4-1-MDM/R Governance and Ongoing Stakeholder Outreach

Attachment 1-Q2 2017 SME MDM/R Report, July 31, 2017

Exhibit C-1-1-Third Party Access Implementation Status and Next Steps

Interrogatories:

Exhibit I, Tab 13.0, OEB Staff 1.13 and 1.14

Exhibit I, Tab 13.0, EDA 3.06

Exhibit I, Tab 13.0, NOTL 4.05 and 4.06