

EB-2008-0227

ENWIN Utilities Ltd.

PROPOSED SETTLEMENT AGREEMENT

FEBRUARY 13, 2009

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is for the consideration of the Ontario Energy Board (the "Board") in its determination of *ENWIN* Utilities Ltd.'s ("EWU" or "*ENWIN*") 2009 electricity distribution rates application (EB-2008-0227).

By Procedural Order No. 2, dated November 28, 2008, the Board scheduled a Settlement Conference to commence February 2, 2009. The Settlement Conference was duly convened, in accordance with Procedural Order No. 2 with Mr. George Dominy as facilitator. The Settlement Conference concluded on February 4, 2009.

EWU and the following Intervenor participants participated in the Settlement Conference:

- *ENWIN* Utilities Ltd. ("EWU" or "*ENWIN*")
- Association of Major Power Consumers in Ontario ("AMPCO")
- Consumers Council of Canada ("CCC")
- School Energy Coalition ("SEC")
- Vulnerable Energy Consumers Coalition ("VECC")

Although Ford Motor Company ("Ford") and Canadian Manufacturers and Exporters ("CME") are Intervenor participants, neither Ford nor CME participated in the Settlement Conference. Both participating and non-participating Intervenor participants in respect of the Settlement Conference are collectively referred to herein as the "Parties". The role adopted by the Board Staff in the Settlement Conference is set out on page 5 of the Board's Settlement Conference Guidelines. Although Board Staff is not a party to this Agreement, as noted in the Guidelines, the Board Staff who did participate in the Settlement Conference are bound by the same confidentiality standards that apply to the Parties to the proceeding.

The Board's Issues List, as established in Procedural Order No. 2, is the framework for this Agreement and is attached as Appendix A. The Agreement is supported by the evidence previously filed in EB-2008-0227 and by additional evidence filed herein.

Each of the issues (or, in some cases, parts of issues) identified below falls within one of the following two categories:

1. An issue for which there is complete settlement, because EWU and all of the other parties who discussed the issue either agree with the settlement or take no position,
2. An issue for which there is no settlement.

For the purposes of this Agreement, the term “no position” may include both parties who were involved in negotiations on an issue but who ultimately took no position on that issue and parties who were not involved in negotiations on that issue at all.

This Agreement represents a settlement of all issues but one. The one issue unsettled (Issue 7.2) relates to the appropriate revenue-to-cost ratios. While the Parties have not settled that issue in substance, the Parties have agreed to the hearing process to resolve the issue. Accordingly, with that one exception, all the issues are settled.

It is acknowledged and agreed that none of the completely settled provisions of this Agreement is severable. If the Board does not, prior to commencement of any hearing of the evidence in EB-2008-0227, accept the Agreement in its entirety, then there is no Agreement (unless the Parties agree that the portion of the Agreement that the Board does accept may continue as a valid agreement).

It is further acknowledged and agreed that none of the Parties will withdraw from this Agreement under any circumstances, except as provided under Rule 32.05 of the Board's Rules of Practice and Procedure.

It is also agreed that this Agreement is without prejudice to any of the Parties re-examining these issues in any subsequent proceeding and taking positions inconsistent with the resolution of these issues in this Agreement. However, none of the Parties will in any subsequent proceeding take the position that the resolution therein of any issue settled in this Agreement, if contrary to the terms of this Agreement, should be applicable for all or any part of the 2009 Test Year.

The Parties agree that all positions, information, documents, negotiations, and discussions of any kind whatsoever which took place or were exchanged during the Settlement Conference are strictly confidential, without prejudice and inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provisions of this Agreement, all as set forth in the Board's Settlement Conference Guidelines.

The evidence supporting this Agreement on each issue is set out in each section of the Agreement. The Appendices to the Agreement provide further evidentiary support. The Parties agree that this Agreement and the Appendices form part of the record in EB-2008-0227.

Statement of Proposed Settlement by Issue

The complete Issues List, as approved by the Board on November 28, 2008, is set out below. All issues were settled except for Issue 7.2. In respect of all settled issues, the Parties were not required to consider whether the scope of any issue should be narrowed for the purpose of hearing evidence. For Issue 7.2, the scope is as described under that issue.

Overview

In support of the need for adjusted distribution rates, EWU has demonstrated that its forecast 2009 Test Year costs to provide electricity distribution service to its customers are reasonable. The rate adjustments arising from this Agreement will allow EWU to make the necessary investments to serve customers, maintain the integrity of the distribution system, to maintain and improve the quality of its service and to meet all compliance requirements during 2009. The resulting rates are just and reasonable.

The Parties have reached an agreement that achieves the following goals:

- 1) Protects the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;
- 2) Promotes economic efficiency and cost effectiveness in the distribution of electricity and facilitates the maintenance of the financial viability of EWU;

While EWU has filed a revised budget for the Test Year that is illustrative of how they would achieve these goals, as is always the case with forward test year cost of service cases the actual decisions as to how to allocate resources, and in what areas to spend the agreed-upon capital and OM&A, are ones that made by the utility during the course of the year.

The revenue deficiency for the 2009 Test Year, which the Parties have agreed to, is \$3,308,919. This is calculated as the difference between distribution revenue at current rates of \$43,991,082 and EWU's agreed Base Revenue Requirement of \$47,300,000.

Attached as Appendix B to this Agreement is a summary that demonstrates how this Agreement modifies the major components set out in the Application and Evidence.

Attached as Appendix C to this Agreement is an implementation overview that was prepared by EWU to demonstrate that the agreed Base Revenue Requirement under the settlement of Issue 3.1 is sufficient for the safe and reliable operation of the distribution system for the Test Year.

Attached as Appendix D to this Agreement are the rate schedules resulting from this Agreement. Subject to the resolution of Issue 7.2, the rate schedules were prepared by EWU to reflect the terms of this Agreement.

Attached as Appendices E and F to this Agreement are the bill impacts resulting from this Agreement. Subject to the resolution of Issue 7.2, the bill impacts were prepared by EWU to reflect the terms of this Agreement.

Through this Agreement, EWU agrees to certain changes from its initial 2009 Cost of Service EDR Application, received by the Board on September 18, 2008. The most significant changes are noted below:

- **Load Forecast:** The Parties agree to an update that reflects more recent information, particularly, the load forecast information that was filed by EWU in response to Board Staff and VECC interrogatories. The most recent information in the original Load Forecast filed in the Application and Evidence was from June 2008. The updated information from the interrogatory responses reflected EWU's load profile as of September 30, 2008. Compared to the originally filed information, the updated information projected 189 fewer customers, 2.7% less consumption (71,003,655 kWh), and 4.2% less demand (170,732 kW). The details of the update to the load forecast are set out in Appendices G and H.
- **OM&A Expenses Forecast:** EWU originally forecasted 2009 OM&A at \$25,282,116. The Parties agree that 2009 OM&A should be forecast at \$22,126,141. This revised amount reflects a 4.1% increase over 2007 actual OM&A of \$21,250,685. The Parties note that there is a decline in EWU's customer base and severe economic issues facing the customers that remain. The Parties agree that it is imperative that EWU continue to

undertake OM&A that supports a safe, reliable, well serviced distribution system. The Parties note that in ongoing pursuit of these objectives, EWU is engaged and is forecasted to continue to be engaged in numerous productivity improvement projects that are expected to both support these objectives and mitigate the costs of doing so. These projects include the Padmounted Switchgear Replacements, Pole-Top Recloser Program, Single-Phase Line Protection, SCADA Improvements, Transformer Station Upgrades, Comprehensive ERP, Customer Contact Centre, Digital GPS, and Reporting Software. Please also see Appendix C.

- **PILs Forecast:** The Parties have assumed a deemed tax rate of 29.5% instead of 33%. In consultation with Board Staff, additional adjustments were made to better reflect the Board's PILs methodology. As a result, the grossed-up PILs forecast changes from \$2,597,154 to \$1,799,988.
- **The Regulated Rate of Return:** The Parties have assumed a deemed ROE of 8.01% instead of 8.57%. This has the effect of reducing the Regulated Rate of Return from 7.40% to 7.17%. This changes the Regulated Return on Capital from \$14,868,316 to \$14,329,707. The Parties have also assumed a short-term debt rate of 4.47% and a long-term debt rate for callable affiliate debt of 6.10%.

The Parties have settled all issues, but for Issue 7.2.

Settlement Terms by Issue

1. Administration (Exhibit 1)

1.1 Has ENWIN responded appropriately to all relevant Board directions and settlement agreements from previous proceedings?

Status: Complete Settlement

The Parties agree that the only outstanding Board direction and settlement obligation is the shared services study referred to in Exhibit 4 Tab 2 Schedule 4, and agree that EWU has appropriately responded to that requirement.

The Intervenors take no position at this time on the content of those responses and reserve the right to consider issues arising therefrom at future proceedings.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 1, Tab 1, Schedule 16
Exhibit 4, Tab 2, Schedule 4, Attachments A-B

2. Rate Base (Exhibit 2)

2.1 Are the amounts proposed for Rate Base appropriate?

Status: Complete Settlement

Please see Issue 3.1.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 2

2.2 Are the amounts proposed for 2009 Capital Expenditures appropriate?

Status: Complete Settlement

Please see Issue 3.1.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 2, Tab 1, Schedule 1
Exhibit 2, Tab 1, Schedule 1, Attachments A-E

2.3 Are the 2009 sustaining/infrastructure capital expenditures proposed for the test year justified and appropriate, in particular the 4kv Conversion program and the Comprehensive ERP System?

Status: Complete Settlement

Based on the evidence cited below and consideration of the economic benefits arising from the Comprehensive ERP system, the Parties agree that procurement and implementation of the proposed Comprehensive ERP system is appropriate. The Parties agree that the Comprehensive ERP system is expected to demonstrate its cost-effectiveness through productivity gains to be achieved over its lifespan. Also, please see Issue 3.1.

The Parties also agree to the appropriateness of the 4kV Conversion program as an extension of the provisions set out in Issue 3.1.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 2, Tab 1, Schedule 1
Exhibit 2, Tab 1, Schedule 1, Attachments A-E
Interrogatory Response, VECC 7

2.4 Has the Working Capital Allowance been determined appropriately?

Status: Complete Settlement

Please see Issue 3.1.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 2, Tab 4, Schedule 1
Interrogatory Response, Board Staff 11

2.5 Does the asset condition information adequately address the condition of the distribution system assets and support the planning and budgeting for OMA and Capital expenditures for 2009?

Status: Complete Settlement

In the context of settlement of all issues except Issue 7.2, the Parties have accepted that EWU's evidence on capital and OM&A spending is sufficient to support the level of expenditures encompassed within the agreed upon Base Revenue Requirement.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 1, Tab 2, Schedule 1
Exhibit 2, Tab 1, Schedule 1
Exhibit 2, Tab 1, Schedule 1, Attachments A-E
Exhibit 4, Tab 2, Schedule 1
Interrogatory Response, Board Staff 4

2.6 Is ENWIN's overhead Capitalization Policy appropriate?

Status: Complete Settlement

For the purposes of settlement of all issues but for Issue 7.2, the Parties have accepted EWU's current capitalization policy.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 2, Tab 3, Schedule 3
Interrogatory Response, Board Staff 12
Interrogatory Response, SEC 24

3. Revenue Requirement (Exhibit 3)

3.1 Is the calculation of the proposed revenue requirement for 2009 appropriate?

Status: Complete Settlement

The Parties agree that the appropriate Base Revenue Requirement for the Test Year is \$47,300,000, which is sufficient for the Applicant to operate its distribution system in a safe and reliable manner, invest in capital projects and productivity initiatives appropriate for a utility such as the Applicant, and earn a fair and reasonable rate of return after recovery of all prudently incurred costs.

The Parties acknowledge that in coming to the agreed upon amounts for revenue requirement, assumptions were made as set out in Issues 4.7, 6.1 and 6.2. These assumptions pertain to the government prescribed tax rate and Board-approved and Board-deemed amounts related to cost of capital and rate of return. The Parties agree that in preparing the draft Rate Order, EWU shall use the officially announced rates in place of these assumptions and that the revenue requirement shall be adjusted accordingly specifically and exclusively to reflect those officially announced rates.

EWU has prepared a schedule, Appendix B to this Agreement, setting out the OM&A and capital budgets, and all other costs, that it anticipates incurring in the Test Year given the Base Revenue Requirement of \$47,300,000. EWU has prepared a schedule, Appendix I to this Agreement, setting out a full calculation of the components of the Base Revenue Requirement. The Parties other than EWU have not agreed to any of those components of the Base Revenue Requirement, which they agree are appropriately left to the discretion of EWU to manage in the most efficient manner. Appendix C has been prepared to demonstrate that the agreed Base Revenue Requirement is sufficient for the safe and reliable operation of the distribution system for the Test Year.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendices B, C, I
Exhibit 1, Tab 1, Schedule 21, Attachment A
Exhibit 1, Tab 2, Schedule 1
Exhibit 1, Tab 2, Schedule 3
Exhibit 2, Tab 1, Schedule 1
Exhibit 2, Tab 2, Schedule 3
Exhibit 2, Tab 4, Schedule 1
Exhibit 4, Tab 2, Schedule 1
Exhibit 6, Tab 1, Schedule 1

3.2 Is the proposed amount for 2009 Other Revenues, including Corporate and Shared Services appropriate? Is the methodology used to cost and price these services, appropriate?

Status: Complete Settlement

Please see Issue 3.1.

The Intervenors take no position at this time on the Affiliate Study performed by BDR North America and reserve the right to comment on the content in future proceedings.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 3, Tab 3, Schedule 1
Exhibit 4, Tab 1, Schedule 1
Exhibit 4, Tab 2, Schedule 4
Exhibit 4, Tab 2, Schedule 4, Attachments A-C
Interrogatory Responses, Board Staff 13, 23

3.3 Are the proposed Specific Service Charges for 2009 appropriate?

Status: Complete Settlement

For purposes of achieving settlement of all issues but for Issue 7.2, the Parties have accepted EWU's proposed Specific Service Charges for 2009.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 1, Tab 1, Schedule 17
Exhibit 3, Tab 3, Schedule 2

3.4 Are ENWIN's Economic and Business Planning Assumptions for 2009 appropriate?

Status: Complete Settlement

Please see Issue 3.1 and Issue 3.5.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendix C
Exhibit 1, Tab 2, Schedule 1
Exhibit 2, Tab 3, Schedule 1
Exhibit 2, Tab 3, Schedule 2
Exhibit 3, Tab 2, Schedule 1
Exhibit 3, Tab 2, Schedule 2
Interrogatory Response, Board Staff 14

3.5 Is the load forecast and methodology appropriate including the weather normalization methodology?

Status: Complete Settlement

The Parties agree to an updated load forecast including the impact of conservation and demand management. The updated load forecast is based on the original load forecast prepared by Elenchus Research Associates, which was included within the Application and Evidence, the responses to interrogatories posed by Board Staff (15-19 and 21-22) and VECC (9-10, 13-14, and 40), and Settlement Conference discussions between the Parties. The new load forecast is Appendices G and H.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendices G-H
Exhibit 3, Tab 2, Schedule 1
Exhibit 3, Tab 2, Schedule 2
Interrogatory Responses, Board Staff 15-19, 21-22
Interrogatory Responses, VECC 9-10, 13-14, 40

3.6 Has the impact of Conservation and Demand Management initiatives been suitably reflected in the load forecast?

Status: Complete Settlement

Please see Issue 3.5.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendices G-H
Exhibit 3, Tab 2, Schedule 1
Exhibit 3, Tab 2, Schedule 2

3.7 Is the Revenue Deficiency calculation for the test year appropriate? (Exhibit 7)

Status: Complete Settlement

Please see Issue 3.1.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendix J
 Exhibit 1, Tab 2, Schedule 2
 Exhibit 1, Tab 2, Schedule 3
 Exhibit 7, Tab 1, Schedule 1
 Exhibit 7, Tab 1, Schedule 1, Attachment A

4. Cost of Service (Exhibit 4)

4.1 Are the overall levels of the 2009 Operation, Maintenance and Administration budgets appropriate?

Status: Complete Settlement

Please see Issue 3.1.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 4, Tab 1, Schedule 1
Exhibit 4, Tab 2, Schedule 1
Interrogatory Responses, Board Staff 24, 26-28

4.2 Are the level of Purchased Services and Shared Services spending appropriate?

Status: Complete Settlement

Please see Issue 3.1.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 4, Tab 2, Schedule 3
Exhibit 4, Tab 2, Schedule 4
Interrogatory Response, Board Staff 29
Interrogatory Response, SEC 31

4.3 Are the methodologies used to allocate Corporate and Shared Services appropriate? Are the Affiliate Service Agreements appropriate?

Status: Complete Settlement

The Parties agree that the Affiliate Service Agreements are appropriate. Due to the settlement under Issue 3.1, the methodologies used to allocate Corporate and Shared Services do not have to be assessed in this proceeding. Please also see Issue 4.2.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 4, Tab 2, Schedule 4
Exhibit 4, Tab 2, Schedule 4, Attachments A-C
Interrogatory Responses, VECC 20-22

4.4 Are the 2009 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate?

Status: Complete Settlement

Please see Issue 3.1.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 4, Tab 2, Schedule 2
Interrogatory Response, Board Staff 30

4.5 Is ENWIN's depreciation expense appropriate?

Status: Complete Settlement

Please see Issue 3.1.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 2, Tab 2, Schedule 1
Exhibit 2, Tab 2, Schedule 3
Exhibit 4, Tab 2, Schedule 5

Status: Complete Settlement

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendix K
Exhibit 4, Tab 2, Schedule 7
Exhibit 4, Tab 3, Schedule 1
Exhibit 4, Tab 3, Schedule 2

4.7 Is the amount proposed for 2009 Payments in Lieu of taxes, including the methodology, appropriate?

Status: Complete Settlement

As noted above, the Parties accept EWU's grossed-up 2009 PILs amount of \$1,799,988.

The Parties have assumed a 2009 tax rate of 29.5% in arriving at this amount based on an agreed to expectation that the tax rate applicable to EWU in 2009 will be 29.5% rather than 33%. The Parties agree that EWU will use the most accurate announced tax rate available in preparing the draft Rate Order.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendix K
Exhibit 4, Tab 3, Schedule 1
Exhibit 4, Tab 3, Schedule 2

5. Regulatory Assets (Exhibit 5)

5.1 Is the proposal for the amounts, disposition and continuance of ENWIN's existing Deferral and Variance Accounts (Regulatory Assets) appropriate?

Status: Complete Settlement

For the purposes of settlement of all issues but for Issue 7.2, the Parties agree that the following accounts should be disposed of through rate riders:

- 1508 – Other Regulatory Assets
- 1518 – RCVA Retail
- 1525 – Miscellaneous Deferred Debits
- 1548 – RCVASTR
- 1574 – Deferred Rate Impact Amounts
- 1580 – RSVAWMS
- 1582 – RSVAONE-TIME
- 1584 – RSVANW
- 1586 – RSVACN
- 1588 – RSVAPOWER

The Parties propose disposal of these accounts, despite the Board's proceeding in respect of RCVA and RSVA accounts (EB-2008-0048). The Parties note that the Board granted disposition of the accounts subject to EB-2008-0048 in the 2008 Cost of Service EDR for Horizon Utilities Corporation (EB-2007-0697). As in that case, EWU presently has a significant net credit balance in those accounts. In light of the current economic conditions in the EWU service area, the Parties propose to refund these amounts to EWU's customers through this proceeding rather than awaiting the outcome of EB-2008-0048. The effect of disposition is a credit to all customer classes, except Sentinel Lighting and Street Lighting.

The Parties propose disposal over a 2 year period commencing May 1, 2009 and concluding April 30, 2011.

EWU is committed to proactively seeking new ways of improving its productivity, and the other Parties support their productivity goals. To further those goals, the Parties have agreed to the establishment of a new deferral account to be called the "Productivity Initiatives Deferral Account" to enable EWU to retain external experts and to facilitate stakeholder involvement to further EWU's productivity initiatives. The Parties propose that this account be a subaccount of 1508 "Other Regulatory Assets". The account would include expenditures of up to \$100,000 per year paid to external persons, including both experts and stakeholders, to assist in developing or assessing productivity initiatives. Internal costs associated with such initiatives are included in the Base Revenue Requirement. Disposition of the Productivity Initiatives Deferral Account would be reviewed in EWU's next rebasing rate case.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendix L
Exhibit 5, Tab 1

6. Cost of Capital / Debt (Exhibit 6)

6.1 Is the proposed Capital Structure and Rate of Return on Equity for ENWIN's distribution business appropriate?

Status: Complete Settlement

The Parties accept EWU's proposed Capital Structure. The Parties have assumed a 2009 Rate of Return on Equity of 8.01% rather than the current rate of 8.57%. The Parties agree that EWU will use the most accurate Board-approved rate available in preparing the draft Rate Order.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 6
Interrogatory Responses, VECC 26-27

6.2 Are ENWIN's proposed costs and mix for its short and long-term debt for the 2009 test year appropriate?

Status: Complete Settlement

The Parties accept EWU's proposed costs and mix for short-term debt and long-term debt. The Parties have assumed a 2009 short-term debt rate of 4.47% and a 2009 long-term deemed debt rate of 6.10%. The long-term debt includes third-party debentures of \$50,000,000 at an effective rate of 6.81% and a callable affiliate promissory note of \$3,255,973 at a rate of 6.10%. The Parties agree that EWU will use the most accurate Board-approved short-term debt rate and long-term deemed debt rate available in preparing the draft Rate Order.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 6
Interrogatory Response, Board Staff 34
Interrogatory Responses, VECC 26-27

7. Cost Allocation and Rate Design (Exhibit 8)

7.1 Is ENWIN's cost allocation appropriate?

Status: Complete Settlement

The Parties agree that EWU followed the Board's Cost Allocation Model in its Application and Evidence.

However, the Parties are concerned that the treatment of transformer ownership allowance in the current OEB Cost Allocation model results in an over allocation of costs to those classes where customers generally do not own their own transformers (e.g. Residential and GS<50). This circumstance arises because the model not only allocates these classes the full cost of the transformers used to serve them but also a share of the discount. In principle the discount is an intra-class issue for those classes where some customers own their transformer and other don't. The Cost Allocation model recognizes that some customers own their transformers. However, unless a discount is introduced for these customers (and paid for by the other customers in the same class) those who own their transformer will pay too much and those who don't will not bear full cost responsibility for the transformers they use. This change in the treatment of the transformer allowance is consistent with the approach approved for a number of distributors' 2008 rates.

In response to VECC interrogatory 29(b), EWU has provided a revised version of its Cost Allocation Informational filing that follows this approach and is consistent with its proposal regarding the transformer ownership allowance. The Parties agree that these results more closely represent the appropriate reference point to use. The Parties also agree that the Board has demonstrated its approval of an adjustment to that Cost Allocation Model related to the treatment of Transformer Allowance Credits in cases such as EB-2007-0697 (Horizon 2008 COS EDR) and EB-2007-0706 (Enersource 2008 COS EDR). The Parties agree that, in light of these recent precedents, it is appropriate for EWU to make these same adjustments to the Cost Allocation Model in determining its current revenue-to-cost ratios ("R/C ratios"). The results of these adjustments are set out in the table below:

| | R/C Ratios per CA Model as Filed | R/C Ratios per VECC 29(b) |
|----------------------------|----------------------------------|---------------------------|
| Residential | 0.88 | 0.90 |
| GS<50 | 1.03 | 1.05 |
| GS>50 | 1.37 | 1.44 |
| Intermediate | 0.41 | (0.04) |
| Large Use – Regular | 1.73 | 1.21 |
| Large Use – 3TS | 1.22 | 1.02 |
| Large Use – FA | 0.95 | 0.94 |
| USL | 2.41 | 2.58 |
| Sentinel Lighting | 0.57 | 0.62 |
| Street Lighting | 0.24 | 0.26 |

Further, the Parties agree that EWU shall undertake a study of its costs to serve its customers in the Intermediate, Large Use – Regular, Large Use – 3TS, and Large Use – FA rate classes. The purpose of the study derives from the fact that EWU did not fully update its 2006 Cost Allocation Model (based on 2004 actual expenses) for the 2009 Test Year. Instead, EWU adjusted the Cost Allocation Model to reflect the impact of the significant reduction in electricity consumption by one customer in each of the Large Use – Regular and Large Use – 3TS rate classes. The study will assist both in determining the true costs to serve customers in these 4 rate classes and determining the balancing of rates among all rate classes in the future. The study shall be filed as evidence in EWU's next rebasing rate application.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 8, Tab 1, Schedule 1
Exhibit 8, Tab 1, Schedule 1, Attachment A
Interrogatory Responses, Board Staff 35-36
Interrogatory Response, VECC 29

7.2 Are the proposed revenue to cost ratios appropriate?

Status: No Settlement

The Parties were unable to agree whether the revenue-to-cost ratios were appropriate. The Parties, however, agree as to process. The Parties agree that it would be best to have the revenue-to-cost ratios considered by the Board by way of written submission rather than oral hearing. The Parties agree that the settlement of Issue 7.1 shall not limit the arguments that may be raised by the Parties in respect of this Issue.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendix M
Exhibit 8, Tab 1, Schedule 2
Exhibit 10, Tab 1, Schedule 9
Interrogatory Responses, Board Staff 38, 40

8. Rate Design (Exhibit 10)

8.1 Are the customer charges and the fixed-variable splits for each class appropriate?

Status: Complete Settlement

For the purposes of settlement of all issues but for Issue 7.2, the Parties agree that a fixed monthly service charge for the Residential rate class of \$11.70, including the \$1.00 Smart Meter rate adder, is appropriate for the 2009 rate year. The fixed monthly service charge proposed in the Application and Evidence was \$13.45.

The Parties note that EWU's current rate of \$8.39, exclusive of the Smart Meter rate adder, is significantly below the maximum allowable charge of \$16.60, exclusive of the Smart Meter rate adder, set out in the Cost Allocation Study. The agreed to amount better reflects the fixed costs of the distribution system while balancing the interests of low volume Residential customers.

The Parties further agree that EWU shall not seek an increase to that fixed monthly service charge for rates in 2010 and 2011, to the extent that it is within EWU's discretion to do so. If EWU has the discretion to allocate the IRM adjustment or any portion thereof, relative to the Residential class, to the variable charge, it will exercise its discretion to do so.

The Parties also agree that a fixed monthly service charge for the GS>50 rate class of \$105.09, including the \$1.00 Smart Meter rate adder, is appropriate for the 2009 rate year. This amount reflects the top of the range set out in the Cost Allocation Study. The proposed rate is a decrease from the current fixed monthly service charge of \$323.74. The fixed monthly service charge proposed in the Application and Evidence was \$371.81.

The Parties also agree that the fixed-variable splits for the remaining rate classes shall be in the same proportion as proposed in the Application and Evidence.

Supporting Parties: SEC

Supporting Parties (Residential charges only): CCC, VECC

Parties Taking No Position: AMPCO, CME, Ford

Evidence References: Appendices D-F
Exhibit 10, Tab 1, Schedule 1
Exhibit 10, Tab 1, Schedule 2
Exhibit 10, Tab 1, Schedule 3
Exhibit 10, Tab 1, Schedule 4
Exhibit 10, Tab 1, Schedule 5
Exhibit 10, Tab 1, Schedule 6
Exhibit 10, Tab 1, Schedule 7
Exhibit 10, Tab 1, Schedule 8
Interrogatory Responses, Board Staff 44, 47

8.2 Are ENWIN's proposed rates appropriate?

Status: Complete Settlement

Subject to the resolution of Issue 7.2, the Parties agree that the cost drivers and amounts affecting the proposed rates are appropriate.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendix D
Exhibit 10, Tab 1, Schedule 4
Exhibit 10, Tab 1, Schedule 5

8.3 Are the customer bill impacts appropriate?

Status: Complete Settlement

Subject to the resolution of Issue 7.2, the Parties agree that the cost drivers and amounts affecting the proposed bill impacts are appropriate.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendices E-F
Exhibit 10, Tab 1, Schedule 10
Exhibit 10, Tab 1, Schedule 10, Attachment A

8.4 Is the proposed rate impact mitigation plan reasonable?

Status: Complete Settlement

Subject to the resolution of Issue 7.2, the Parties agree that the settlement appropriately mitigates rate impact.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 10, Tab 1, Schedule 2
Exhibit 10, Tab 1, Schedule 8

8.5 Are the proposed Retail Transmission Service Rates appropriate? (Exhibit 3)

Status: Complete Settlement

The Parties agree that the Retail Transmission Service Rates as proposed in the Application and Evidence are appropriate.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 3, Tab 5
Interrogatory Response, Board Staff 50

8.6 Are the proposed Loss Factors appropriate? (Exhibit 4)

Status: Complete Settlement

The Parties agree that the Loss Factors as proposed in the Application and Evidence are appropriate.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 4, Tab 2, Schedule 6
Interrogatory Response, Board Staff 51

8.7 Are the proposed Regulatory Asset (Deferral and Variance Account) rate riders appropriate? (Exhibit 5)

Status: Complete Settlement

The Parties agree that the rate riders resulting from the recovery as agreed to in Issue 5.1 are appropriate.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendix L
Exhibit 5, Tab 1, Schedule 3

8.8 Is the Smart Meter rate adder change appropriate? (Exhibit 5)

Status: Complete Settlement

The Parties agree that the \$1.00 Smart Meter rate adder proposed in the Application and Evidence is appropriate.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 5, Tab 2

9. Other Issues

9.1 Is the LRAM and SSM Proposal appropriate? (Exhibit 9)

Status: Complete Settlement

For purposes of achieving settlement of all issues but for Issue 7.2, the Parties have accepted the amounts of LRAM and SSM proposed for clearance in the current application. EWU acknowledges that it has an obligation to use best the available information in calculating LRAM and SSM. The Intervenors reserve the right to comment on the information used in future LRAM or SSM claims, irrespective of the information used to support the LRAM and SSM claims addressed by this Agreement.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Appendix L
Exhibit 9, Tab 1, Schedule 1
Exhibit 9, Tab 1, Schedule 1, Attachments A-D
Interrogatory Responses, Board Staff 52-53
Interrogatory Responses, CCC 21-22
Interrogatory Responses, VECC 32-34

9.2 Is service quality in relation to the OEB specified performance indicators acceptable?

For purposes of achieving settlement of all issues but for Issue 7.2, the Parties have accepted that EWU is actively working to improve its performance indicators and has proposed appropriate new and existing programs to do so. In the context of EWU's performance improvement programs, the Parties agree that service quality in relation to the OEB specified performance indicators is acceptable.

Supporting Parties: AMPCO, CCC, SEC, VECC

Parties Taking No Position: CME, Ford

Evidence References: Exhibit 1, Tab 2, Schedule 1, Attachment A
Interrogatory Response, Board Staff 5
Interrogatory Response, VECC 4