



Proposed Settlement Agreement

Hydro Ottawa Limited 2012 Electricity Distribution Rates EB-2011-0054

November 1, 2011



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I. INTRODUCTION

This Proposed Settlement Agreement is filed with the Ontario Energy Board (“OEB” or the “Board”) in connection with the application of Hydro Ottawa Limited (“Hydro Ottawa” or the “Company”) for an order or orders approving or fixing just and reasonable distribution rates effective January 1, 2012 and, in addition, the specific relief that Hydro Ottawa requested as described in Exhibit A1-4-1. A copy of Exhibit A1-4-1 is attached as Schedule A for ease of reference.

II. SETTLEMENT CONFERENCE

A Settlement Conference was held October 13 and 14, 2011 in accordance with Rule 31 of Board’s *Rules of Practice and Procedure* (“the Rules”) and the Board’s *Settlement Conference Guidelines* (the “Guidelines”) . This Proposed Settlement Agreement arises from the Settlement Conference and subsequent discussions between the parties.

Hydro Ottawa and the following Intervenors (the “Intervenors”), as well as the Board’s technical staff (“OEB Staff” or “Board Staff”), participated in the Settlement Conference:

- Consumers Council of Canada (“CCC”),
- Energy Probe Research Foundation (“Energy Probe”),
- School Energy Coalition (“SEC”), and
- Vulnerable Energy Consumers Coalition (“VECC”).

In addition, Enersource Hydro Mississauga Inc., Envirocentre and Ecology Ottawa intervened in this proceeding. They did not, however, participate in any part of the Settlement Conference.

III. ISSUES

The Proposed Settlement Agreement deals with all of the issues identified in the Issues List attached as Appendix “A” to the Board’s Procedural Order No. 2 dated August 11, 2011 (the



"Issues List") even if there was no agreement to settle a particular issue. A copy of the Issues List is attached as Schedule B for ease of reference.

IV. SETTLEMENT CATEGORIES

Each issue dealt with in this Proposed Settlement Agreement falls within one of the following three categories:

1. **Complete Settlement** – an issue in respect of which Hydro Ottawa and the other parties who discussed the issue agree with the settlement;
2. **Incomplete Settlement** – an issue in respect of which Hydro Ottawa and the other parties who discussed the issue were only able to agree on some, but not all, aspects of that issue; and
3. **No Settlement** – an issue in respect of which Hydro Ottawa and the other parties who discussed the issue are unable to reach an agreement to settle the issue.

The following table summarizes the outcome of the Settlement Conference:

Table 1: Outcome of Settlement Conference

Complete Settlement	Incomplete Settlement	No Settlement
<ul style="list-style-type: none">• 1.1, 1.3, 1.4• 2.3, 2.5• 3.3, 3.5• 4.3, 4.5, 4.6• 5.1• 6.3• 7.1, 7.2• 8.1, 8.2, 8.3, 8.4• 9.2, 9.3	<ul style="list-style-type: none">• 1.2• 2.1, 2.2• 3.1, 3.2• 6.1, 6.2• 9.1	<ul style="list-style-type: none">• 2.4• 3.4• 4.1, 4.2, 4.4• 5.2• 10.1• 11.1, 11.2



V. PARAMETERS OF PROPOSED SETTLEMENT AGREEMENT

The Proposed Settlement Agreement has been prepared in accordance with Rule 32 of the Board's *Rules of Practice and Procedure* and the Board's *Settlement Conference Guidelines* by Hydro Ottawa in consultation with CCC, Energy Probe, SEC, and VECC (the "Participating Parties"). They discussed every issue, negotiated each agreement to settle an issue, and so they are collectively the parties to this Proposed Settlement Agreement.

The role adopted by OEB staff in the Settlement Conference is set out in page 5 of the Guidelines. Although OEB staff is not a party to this agreement, as noted in the Guidelines, OEB staff who did participate in the Settlement Conference are bound by the same confidentiality standards that apply to the Participating Parties to the proceeding.

The Proposed Settlement Agreement describes the agreements reached on the completely settled and incompletely settled issues. The Proposed Settlement Agreement also provides a direct link between each issue and the supporting evidence in the record to date.

Best efforts have been made to identify all of the evidence that relates to each issue. The supporting evidence for each issue is identified individually by reference to its Exhibit number in an abbreviated format; for example, Exhibit A1, Tab 8, Schedule 1 is referred to as A1-8-1. The interrogatories are listed under the asking party, with their number provided in brackets. For example, K1-1-1 (1) under Board Staff Interrogatories refers to Board Staff interrogatory #1. Under Additional Evidence, D1 and D2 refer to the transcripts from Day 1 and Day 2 of the Technical Conference held on September 26 and 27, 2011. LT refers to Undertakings and MT refers to handouts at the Technical Conference.

The identification and listing of the evidence that relates to each issue is provided to assist the Board. The identification and listing of the evidence that relates to each issue is not intended to limit any Participating Party who wishes to assert that other evidence is relevant to a particular issue.

The Participating Parties are of the view that the evidence provided is sufficient to support the Proposed Settlement Agreement 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 Board to make findings agreeing with the proposed resolution of the settled issues.

The issues listed in the “Complete Settlement” and “Incomplete Settlement” columns of Table 1 have been settled by the Participating Parties as a package (the “Proposed Settlement Agreement”) and none of the parts of this Proposed Settlement Agreement are severable. The distinct issues addressed in this agreement are intricately interrelated and reductions or increases to the agreed-upon amounts may have financial consequences in other areas of this Proposed Settlement Agreement which may be unacceptable to one or more of the Participating Parties. If the Board does not accept the Proposed Settlement Agreement in its entirety, then there is no Proposed Settlement Agreement (unless the Participating Parties agree that any portion of the Proposed Settlement Agreement that the Board does accept may continue as part of a valid settlement agreement). None of the Participating Parties can withdraw from the Proposed Settlement Agreement except in accordance with Rule 32 of the Rules. Finally, unless stated otherwise, the settlement of any particular issue in this proceeding is without prejudice to the rights of the Participating Parties to raise the same issue in any future proceeding.

These settlement proceedings are subject to the rules relating to confidentiality and privilege contained in the Guidelines. The Participating Parties agree that all positions, information, documents, offers and counter-offers, negotiations and discussion of any kind whatsoever which took place or were exchanged during the Settlement Conference are strictly confidential and without prejudice, and inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provision of this Proposed Settlement Agreement.

It is also agreed that this Proposed Settlement Agreement is without prejudice to any of the Participating Parties re-examining these issues in any subsequent proceeding and taking positions inconsistent with the resolution of these issues in this Proposed Settlement Agreement. However, none of the Participating Parties will in any subsequent proceeding take the position that the resolution therein of any issue settled in this Proposed Settlement Agreement, if contrary to the terms of this Proposed Settlement Agreement, should be applicable for all or any part of the 2012 Test Years.



The Participating Parties agree that inability to achieve settlement on all of the issues should not otherwise displace the settlement described in this Proposed Settlement Agreement. The Participating Parties agree that all unsettled issues will be dealt with during the hearing phase of this proceeding.

VI. OVERVIEW OF SETTLEMENT PACKAGE

In this Proposed Settlement Agreement, Issues 1 through 10 inclusive are addressed on the basis of Canadian Generally Accepted Accounting Principles ("CGAAP"). Issue 11 is the sole issue related to the modified International Financial Reporting Standards ("IFRS") requirements.

Hydro Ottawa and the Intervenor achieved complete settlement of 21 of the 37 issues on the Board's Issues List. Eight issues have incomplete settlement and eight further issues have no settlement.

Given the nature of the unsettled issues it is not possible to provide a precise statement regarding the bill impact of this Proposed Settlement Agreement. However, the Application filed by Hydro Ottawa in June 2011, and updated in September 2011 had a bill impact for residential customers (800 kWh) of 0.49% and for GS<50kW customers of 0.20% (Based on IFRS). It is expected that this Proposed Settlement Agreement will result in a rate reduction from the Application for the majority of Hydro Ottawa's ratepayers.

VII. ISSUE-BY-ISSUE SETTLEMENTS

1 GENERAL

1.1 Has Hydro Ottawa responded appropriately to all relevant Board directions from previous proceedings?

- **Complete Settlement:** As per Exhibit A1-8-1, Hydro Ottawa had two outstanding Board directives. One is related to distribution losses and has been addressed in Exhibit H4-3-1. The other is related to Smart Meters and has been addressed in Exhibit I2-1-1. For the purposes of settlement, the Participating Parties accept the



evidence of Hydro Ottawa that there are no outstanding Board directions from previous proceedings.

- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	A1-8-1; H4-2-1; H4-3-1, I2-1-1
Board Staff Interrogatories	K1-1-1(1)
Energy Probe Interrogatories	K1-1-2(1)
CCC Interrogatories	K1-1-3(1); K1-1-4(2); K1-1-5(3); K1-1-6(4); K1-1-7(5)
SEC Interrogatories	K1-1-8(1)
VECC Interrogatories	K1-1-9(1)
Additional Evidence	D1-13; D2-71; LT2.6; LT2.8; D1-15; D1-56; D1-81; D2-13

1.2 Are Hydro Ottawa's economic and business planning assumptions for 2012 appropriate?

- **Incomplete Settlement:** For the purposes of settlement, the Participating Parties have accepted Hydro Ottawa's economic and business planning assumptions for 2012, except as they relate to OM&A expenses (see Issue 4.1).

- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	A1-9-1; A1-2-2; B5-4-1; B5-1-1; B5-3-1; B6-1-1; B8-1-1; D1-1-2
Board Staff Interrogatories	K1-2-1(2)
Energy Probe Interrogatories	K1-2-2(2); K1-2-3(3);
CCC Interrogatories	K1-2-4(6)
SEC Interrogatories	K1-2-5(2); K1-2-6(3); K1-2-7(4)
VECC Interrogatories	K1-2-8(2); K1-2-9(5); K1-2-10(6);
Additional Evidence	D1-13; D1-34; D1-50; D2-40 to D2-45; LT2.4

1.3 Is service quality, based on the Board specified performance indicators, acceptable?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties have agreed that service quality, based upon the Board specified performance indicators and the Hydro Ottawa evidence, is acceptable.

- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	B6-1-1; B8-1-1
Board Staff Interrogatories	K1-3-1(3)
VECC Interrogatories	K1-3-2(3); K1-3-3(4)
Additional Evidence	D1-72; D2-40 to D2-45; LT2.4

1.4 Is the proposal to align the rate year with Hydro Ottawa's fiscal year, and for rates effective January 1, 2012 appropriate?



- **Complete Settlement:** For the purposes of settlement, the Participating Parties agree that the proposal to align the rate year with Hydro Ottawa's fiscal year is appropriate. Further, the Participating Parties agree that rates be effective January 1, 2012.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	A1-2-2; D1-1-2
Board Staff Interrogatories	K1-4-1(4); K1-4-2(5); K1-4-3(6)
Energy Probe Interrogatories	K1-4-4(4); K1-4-5(5); K1-4-6(6)
CCC Interrogatories	K1-4-7(7)
Additional Evidence	D1-34

2 RATE BASE

2.1 Is the proposed rate base for the test year appropriate?

- **Incomplete Settlement:** Hydro Ottawa had forecasted a rate base of \$669,087k, based on Average Net Fixed Assets of \$563,116k and an Allowance for Working Capital of \$105,971k, based on CGAAP. For the purposes of settlement, the Participating Parties have settled on the Average Net Fixed Assets portion of the rate base as adjusted by the settled Issue 2.3, as set out below. As part of the settlement, for the purposes of setting rates, the \$4,000k adjustment below is to a non-depreciable asset. The Average Net Fixed Assets under modified IFRS are dealt with under Issue 11.1. Rate base has not been settled with respect to Issue 2.2, the Working Capital Allowance.

CGAAP	Application \$000	Adjustment for \$4M in capital additions \$000	Adjustment for hybrid premiums \$000	Settlement \$000
2011 Net Fixed Assets	\$547,514	\$0	(\$314)	\$547,200
2012 Net Fixed Assets	\$578,718	(\$4,000)	(\$399)	\$574,319
Average Net Fixed Assets	\$563,116	(\$2,000)	(\$357)	\$560,759

- **Evidence:** The evidence in relation to this issue includes the following:



Exhibits	A1-9-1; B1-1-1; B1-2-3; B1-2-4; B1-2-5; B1-2-6; B1-2-7; B3-1-1; B4-5-2; B5-1-1; B5-2-1; B5-3-1; B5-4-1; B5-4-2; B5-1-1; B5-3-1; B5-3-2; C1-1-1; D1-1-1; D1-5-1
Board Staff Interrogatories	K2-1-1(7); K2-1-2(8)
Energy Probe Interrogatories	K2-1-3(7); K2-1-4(8); K2-1-5(9); K2-1-6(10); K2-1-7(11); K2-1-8(12); K2-1-9(13)
SEC Interrogatories	K2-1-10(5); K2-1-11(6); K2-1-12(7); K2-1-13(8); K2-1-14(9); K2-1-15(10); K2-1-16(11); K2-1-17(12); K2-1-18(13); K2-1-19(14); K2-1-20(15); K2-1-21(16)
VECC Interrogatories	K2-1-22(7); K2-1-23(8); K2-1-24(9); K2-1-25(10); K2-1-26(11); K2-1-27(12); K2-1-18(13); K2-1-29(14); K2-1-30(15); K2-1-31(16); K2-1-32(23)
EnviroCentre	K2-1-33(1&2); K2-1-34(3)
Additional Evidence	D1-50; D1-73; MT1.8; MT1.9; D2-10; D1-18; LT1.1; D1-74; D2-4; D2-8; D2-50; MT2.2; D2-45; D1-8; D1-66; MT1.2; LT1.4; LT1.5

2.2 Is the working capital allowance for the test year appropriate?

- **Incomplete Settlement:** The Hydro Ottawa forecast of its Working Capital Allowance (“WCA”) for the Test Year is \$105,971k. This forecast is based on a lead-lag study that determined the WCA% to be 14.2% applied to a Cost of Power of \$680,576k and OM&A of \$66,698k. For the purposes of settlement, the Participating Parties have agreed that the Cost of Power will be updated with the load forecast as per Issue 3.2 and the updated 2012 wholesale transmission rates established by the Board at the time a decision in this proceeding is issued. No agreement was reached with respect to the WCA% nor Issue 4.1, the Operating, Maintenance and Administration (“OM&A”).
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	B4-1-1; B4-2-1
Board Staff Interrogatories	K2-2-1(9); K2-2-2(10); K2-2-3(11)
Energy Probe Interrogatories	K2-2-4(14); K2-2-5(15); K2-2-6(16); K2-2-7(17)
VECC Interrogatories	K2-2-19(17); K2-2-20(18)
Additional Evidence	D1-41; D1-49; D1-50; D2-8 to D2-10; D2-4; D2-40 to D2-45; D2-52; D2-53; LT1.2; LT1.3; LT2.4

2.3 Is the capital expenditure forecast for the test year appropriate?

- **Complete Settlement:** Hydro Ottawa’s forecasted capital expenditures (net of contributed capital) are \$90,577k, based on CGAAP. For purposes of settlement, the Participating Parties agreed to the following:
 - Removal of \$4M from 2012 capital expenditures (\$2M from Average Net Fixed Assets).



- Removal of \$175k from 2012 capital expenditures related to the hybrid premium on vehicle purchases (removal of \$89k from Fixed Assets) and \$357k from Average Net Fixed Assets related to the hybrid premium on all vehicle purchases since 2005, as per Issue 2.1.

The capital expenditures under modified IFRS are dealt with under Issue 11.1.

- Evidence:** The evidence in relation to this issue includes the following:

Exhibits	A1-9-1; B1-1-1; B1-2-3; B1-2-4; B1-2-5; B1-2-6; B1-2-7; B4-5-2; B5-1-1; B5-1-2; B5-2-1; B5-2-2; B5-3-1; B5-3-2; B5-4-1; B5-4-2; B5-4-3; B5-5-1; B5-5-2; B5-6-1; B5-7-1; C1-1-1; C2-1-1; D1-5-1; F1-1-1
Board Staff Interrogatories	K2-3-1(12); K2-3-2(13); K2-3-3(14); K2-3-4(15); K2-3-5(16)
Energy Probe Interrogatories	K2-3-6(18); K2-3-7(19); K2-3-8(20); K2-3-9(21); K2-3-10(22)
SEC Interrogatories	K2-3-11(17); K2-3-12(18); K2-3-13(19); K2-3-14(20); K2-3-15(21); K2-3-16(22); K2-3-17(23); K2-3-18(24); K2-3-19(25); K2-3-20(26); K2-3-21(27); K2-3-22(28); K2-3-23(29); K2-3-24(30); K2-3-25(31); K2-3-26(32); K2-3-27(33); K2-3-28(34); K2-3-29(35); K2-3-30(36)
Additional Evidence	D1-50; D1-73; MT1.8; MT1.9; D2-10; D1-18; LT1.1; D1-74; D2-4; D2-8; D2-51; MT2.3; D1-8; D1-12; D2-54; D1-64; MT1.4; D2-45

2.4 Is the capitalization policy and allocation procedure appropriate?

- No Settlement:** No agreement was reached with respect to settlement of this issue because the capitalization policy and allocation procedure for the Test Year will be dealt with under Issue 11.1 in this Proposed Settlement Agreement.
- Evidence:** The evidence in relation to this issue includes the following:

Exhibits	B1-3-1; D1-1-1
VECC Interrogatories	K2-4-1(19); K2-4-2(20)
Additional Evidence	D2-11; MT2.1

2.5 Is Hydro Ottawa's Green Energy Act Plan appropriate?

- Complete Settlement:** For the purposes of settlement, the Participating Parties agree that the Hydro Ottawa Green Energy Act Plan for the test year is appropriate.
- Evidence:** The evidence in relation to this issue includes the following:

Exhibits	B1-2-2
Board Staff Interrogatories	K2-5-1(17); K2-5-2(18); K2-5-3(19); K2-5-4(20); K2-5-5(21); K2-5-6(22); K2-5-7(23)
CCC Interrogatories	K2-5-8(19); K2-5-9(20); K2-5-10(21)



VECC Interrogatories	K2-5-11(21); K2-5-12(22)
EnviroCentre	K2-5-13(4); K2-5-14(5); K2-5-15(6); K2-5-16(7)
Additional Evidence	D1-23 to D1-29; D1-75; D1-76; D1-77; D2-55; D2-56

3 LOAD FORECASTING AND OPERATING REVENUE (EXHIBIT C)

3.1 Is the load forecast methodology including weather normalization appropriate?

- **Incomplete Settlement:** For the purposes of settlement, the Participating Parties accept Hydro Ottawa's load forecast methodology with respect to the kW sales for each rate class. The Participating Parties did not agree on the methodology with respect to the forecast of system energy and the kWh sales for each rate class.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	C1-1-1; C1-1-2
Board Staff Interrogatories	K3-1-1(23); K3-1-2(24); K3-1-3(25); K3-1-4(26); K3-1-5(27); K3-1-6(28)
Energy Probe Interrogatories	K3-1-7(24)
VECC Interrogatories	K3-1-8(24); K3-1-9(25); K3-1-10(26); K3-1-11(27); K3-1-12(28)
Additional Evidence	D1-51; D2-62; LT2.5; D1-67, MT1.3

3.2 Are the proposed customers/connections and load forecasts (both kWh and kW) for the test year appropriate?

- **Incomplete Settlement:** For the purposes of settlement, the Participating Parties have agreed to adjust the customer/connection counts for 2012 as shown in the table below. The load forecast was not settled as the issue is dependent upon a resolution of Issue 3.1.

Class	Application	Adjustment	Settlement
Residential	278,421	0	278,421
GS < 50 kW	23,587	0	23,587
GS > 50 < 1,499 kW	3,296	+27	3,323
GS > 1,500 < 4,499 kW	67	+4	71
Large Use	12	-1	11
UMSL	3,093	0	3,093
Streetlight	55,051	0	55,051

- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	B5-3-1; C1-1-1; D1-1-1
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Board Staff Interrogatories	K3-2-1(29)
Energy Probe Interrogatories	K3-2-2(25); K3-2-3(26); K3-2-4(27)
VECC Interrogatories	K3-2-5(29); K3-2-6(30)
Additional Evidence	D1-67; D2-71; LT2.6; LT2.8; D1-8; D1-66, MT1.3

3.3 Is the impact of CDM appropriately reflected in the load forecast?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties agreed to reduce the impact of CDM reflected in the load forecast for 2012 from 165 GWhs to 75 GWhs and a reduction to the forecasted system peak of 38 MW in 2012. The revision to the GWh CDM reduction reflects the changed interpretation of 'cumulative' targets.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	C1-1-1
Board Staff Interrogatories	K3-3-1(30)
Energy Probe Interrogatories	K3-3-2(28); K3-3-3(29); K3-3-4(30)
VECC Interrogatories	K3-3-5(31); K3-3-6(32)

3.4 Is the proposed forecast of test year throughput revenue appropriate?

- **No Settlement:** See Issues 3.1 and 3.2.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	C1-1-1; C2-1-1
VECC Interrogatories	K3-4-1(33)

3.5 Is the test year forecast of other revenues appropriate?

- **Complete Settlement:** The Hydro Ottawa forecast for other revenues is \$9,026k. For the purposes of settlement the Participating Parties agree that the forecast is appropriate.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	A1-7-1; A1-7-2; A1-7-3; A1-7-4; A1-9-1; C2-1-1; C2-2-1; D1-2-1
Board Staff Interrogatories	K3-5-1(31); K3-5-2(32)
Energy Probe Interrogatories	K3-5-3(31); K3-5-4(32); K3-5-5(33); K3-5-6(34)
CCC Interrogatories	K3-5-7(22)
VECC Interrogatories	K3-5-8(34); K3-5-9(35); K3-5-10(36); K3-5-11(37)
Additional Evidence	D1-13; D1-54; D2-15



4 OPERATING COSTS (EXHIBIT D)

4.1 Is the overall OM&A forecast for the test year appropriate?

- **No Settlement:** Hydro Ottawa's forecast of OM&A (not including property taxes) for the Test Year is \$63,891k, based on CGAAP. No agreement was reached with respect to the settlement of this issue. The OM&A, under modified IFRS, is dealt with under Issue 11.1.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	B5-1-1; B5-3-1; C1-1-1; D1-1-1; D1-1-2; D1-4-2; D1-5-1; D2-1-1; D2-1-4; D2-1-5; D3-1-1; D6-1-1
Board Staff Interrogatories	K4-1-1(33); K4-1-2(34); K4-1-3(35); K4-1-4(36); K4-1-5(37); K4-1-6(38); K4-1-7(39)
Energy Probe Interrogatories	K4-1-8(35); K4-1-9(36); K4-1-10(37); K4-1-11(38); K4-1-12(39)
CCC Interrogatories	K4-1-14(23); K4-1-15(24); K4-1-16(25); K4-1-17(26); K4-1-18(27)
SEC Interrogatories	K4-1-19(37); K4-1-20(38); K4-1-21(39); K4-1-22(40); K4-1-23(41)
VECC Interrogatories	K4-1-24(38); K4-1-25(39)
EnviroCentre	K4-1-26(8); K4-1-27(9); K4-1-28(10)
Additional Evidence	D2-45; D1-8; D1-66; D1-15; D1-56; D1-81; D2-13; D1-80; D1-83; MT1.10; LT1.8; D2-78; LT2.9; D1-57; D1-15

4.2 Are the methodologies used to allocate shared services and other costs appropriate?

- **No Settlement:** No agreement was reached with respect to the settlement of this issue.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	A1-7-1; A1-7-2; A1-7-3; A1-7-4; D1-2-1
Energy Probe Interrogatories	K4-2-1(40); K4-2-2(41); K4-2-3(42); K4-2-4(43); K4-2-5(44); K4-2-6(45); K4-2-7(46); K4-2-8(47); K4-2-9(48); K4-2-10(49); K4-2-11(50)
CCC Interrogatories	K4-2-12(32); K4-2-13(33); K4-2-14(34); K4-2-15(35)

4.3 Is the proposed level of depreciation/amortization expense for the test year appropriate?

- **Complete Settlement:** Hydro Ottawa's forecast of depreciation/amortization is \$47,415k, under CGAAP. For the purposes of settlement, the Participating Parties accept the forecasted depreciation/amortization, adjusted for the removal of the hybrid premiums as outlined in Issue 2.3, as appropriate. As noted below, no



agreement was reached with respect to Issue 11.1 and the conversion of depreciation/amortization to modified IFRS.

- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	D5-1-1
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4.4 Are the 2012 compensation costs and employee levels appropriate?

- **No Settlement:** Hydro Ottawa applied for \$63,651k (based on CGAAP) in gross compensation costs for 598 full time equivalents. No agreement was reached with respect to settlement of this Issue.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	A1-7-4; B1-3-1; D1-1-1; D1-1-2; D1-5-1; D2-1-4; D3-1-1
Board Staff Interrogatories	K4-4-1(4); K4-4-2(41); K4-4-3(42); K4-4-4(43); K4-4-5(44); K4-4-6(45); K4-4-7(46); K4-4-8(47)
Energy Probe Interrogatories	K4-4-9(51)
CCC Interrogatories	K4-4-10(28); K4-4-11(29); K4-4-12(30); K4-4-13(31)
SEC Interrogatories	K4-4-14(42); K4-4-15(43); K4-4-16(44); K4-4-17(45); K4-4-18(46); K4-4-19(47); K4-4-20(48); K4-4-21(49); K4-4-22(50); K4-4-23(51)
VECC Interrogatories	K4-4-24(40); K4-4-25(41); K4-4-26(42); K4-4-27(43)
Additional Evidence	D2-11; MT2.1; D1-80; D1-83; MT1.10; LT1.8; D2-78; LT2.9; D1-57; D2-15

4.5 Is the test year forecast of property taxes appropriate?

- **Complete Settlement:** Hydro Ottawa's forecast of property tax was \$1,806k. For the purposes of settlement, the Participating Parties have agreed to adjust the property tax forecast to \$1,700k. The settlement value is comprised of 2011 actual costs plus 2.5% inflation based on assumed Municipal property tax increases for 2012.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	D1-1-1; D1-2-1
Energy Probe Interrogatories	K4-5-1(52)

4.6 Is the test year forecast of PILs appropriate?

- **Complete Settlement:** Hydro Ottawa forecast of PILs was \$5,951k, based on CGAAP. For the purposes of settlement, the Participating Parties have agreed: (i) the PILs will be recalculated when the revenue and expense issues are determined; and (ii) Energy Probe noted that there was a potential generic issue with the PILS



model in calculating the Ontario Small Business Deduction (“SBD”) surtax (also known as claw back). The estimated amount of this was a \$20k reduction in PILS from the original forecast. Hydro Ottawa agrees that the recalculation in part (i) will reflect the SBD surtax calculation correctly to address this noted issue. The calculation of PILS under modified IFRS will be dealt with under Issue 11.1.

- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	D6-1-1; D6-1-1 Attach AD; D6-2-1; J3-1-1; J3-1-1 Attach AU
Board Staff Interrogatories	K4-6-1(48); K4-6-2(49); K4-6-3(50)
Energy Probe Interrogatories	K4-6-4(53); K4-6-5(54); K4-6-6(55)
Additional Evidence	D1-11; D1-58

5 CAPITAL STRUCTURE AND COST OF CAPITAL

5.1 Is the proposed capital structure, rate of return on equity and short term debt rate appropriate?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties have agreed that the Hydro Ottawa proposed capital structure of 56% long term debt, 4% short term debt, and 40% equity is appropriate. In addition, the Participating Parties have agreed to use the most up to date Cost of Capital Parameters updated for Cost of Service Applications effective January 1, 2012, return on equity (“ROE”) and short term debt rate set by the Board.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	A2-1-2; E1-1-1; E1-1-1 Attach AF; E1-1-1 Attach AG
Board Staff Interrogatories	K5-2-1(51); K5-2-2(52)
Energy Probe Interrogatories	K5-1-1(56); K5-2-3(57)
CCC Interrogatories	K5-1-2(36); K5-2-4(37)
SEC Interrogatories	K5-2-5(52)
VECC Interrogatories	K5-1-3(44); K5-1-4(45)
Additional Evidence	MT1.5; MT1.6; MT1.7; MT1.11; LT1.11; LT1.11 Attach 1; LT2.1; LT2.2

5.2 Is the proposed long term debt rate appropriate?

- **No Settlement:** Hydro Ottawa requested a weighted average long term debt rate of 5.39%. No agreement was reached with respect to settlement of this Issue.
- **Evidence:** The evidence in relation to this issue includes the following:



Exhibits	E1-1-1
Board Staff Interrogatories	K5-2-1(51); K5-2-2(52)
Energy Probe Interrogatories	K5-2-3(57)
CCC Interrogatories	K5-2-4(37)
SEC Interrogatories	K5-2-5(52)
Additional Evidence	D1-57; D1-69; MT1.5; Mt1.6; Mt1.7; D1-93; D1-97; MT1.11; D1-100; LT1.11; LT2.1; LT2.2

6 SMART METERS

6.1 Is the proposed elimination of the smart meter rate adder and the inclusion of the smart meter costs in the 2012 revenue requirement appropriate?

- **Incomplete Settlement:** For the purposes of settlement, the Participating Parties have agreed on the elimination of the smart meter adder and the inclusion of the smart meter costs in the 2012 revenue requirement as presented in the evidence cited below. In addition, based on the attached Schedule C and draft Board model, the Participating Parties agree that Hydro Ottawa's current Smart Meter adder of \$1.42/metered customer/month will end December 31, 2011 and will be replaced by a Smart Meter Disposition Rider to collect \$1.511.586. The Participating Parties also agreed that this amount could be collected on a fixed amount per month; therefore this amount was removed from the regulatory rate riders referred to in Issue 9.1 below, without prejudice to the determination of the disposition rate rider. No agreement was reached with respect to whether the disposition rider should be:
 - a) as proposed by Hydro Ottawa on a per meter basis, or
 - b) rate class specific, based on the smart meter capital costs incurred on behalf of each rate class such that some classes would be entitled a refund, while others will have to fund a deficit.

- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	I2-1-1
Board Staff Interrogatories	K6-1-1(53)
Energy Probe Interrogatories	K6-1-2(38); K6-1-3(39); K6-1-4(40)
SEC Interrogatories	K6-1-5(53)
VECC Interrogatories	K6-1-6(46)
Additional Evidence	D1-9; D1-61; D1-118; LT1.12; D1-124; LT1.13



6.2 Is the proposal not to dispose of the balances in variance accounts 1555 and 1556 appropriate?

Note that this issue should have been updated with 'Is the proposal to dispose of the balances in variance accounts 1555 and 1556 appropriate as a result of the Board's updated Filing Requirements?'

- **Incomplete Settlement:** See Issue 6.1 above.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	I1-1-2; I2-1-1
Board Staff Interrogatories	K6-2-1(54); K6-2-2(55)
VECC Interrogatories	K6-2-3(47); K6-2-4(48); K6-2-5(49)
Additional Evidence	D1-126; D1-127; LT1.14; D1-132; LT1.15

6.3 Is the proposal related to stranded meters appropriate?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties have agreed that the Hydro Ottawa proposed treatment of stranded meters is appropriate.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	I1-1-2; I2-1-1
Board Staff Interrogatories	K6-3-1(56)
Additional Evidence	D1-126; D1-127; LT1.14; D1-132; LT1.15

7 COST ALLOCATION

7.1 Is Hydro Ottawa's cost allocation appropriate?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties accept the Hydro Ottawa cost allocation methodology as appropriate.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	G1-1-1
Board Staff Interrogatories	K7-1-1(57); K7-1-2(58); K7-1-3(59)
Energy Probe Interrogatories	K7-1-4(58)
SEC Interrogatories	K7-1-5(54)
VECC Interrogatories	K7-1-6(50); K7-1-7(51)



7.2 Are the proposed revenue to cost ratios for each class appropriate?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties accept as appropriate the revenue to cost ratios for the Residential and General Service rate classes. All rate classes are within the Board Target Range for their respective rate classes, after adjustments. With respect to the Large Use, Streetlighting, Sentinel and Unmetered Scattered load rate classes, the Intervenor, for the purposes of settlement, take no position with respect to the appropriateness of the revenue to cost ratios.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	G1-1-1
Energy Probe Interrogatories	K7-2-1(59)
CCC Interrogatories	K7-2-2(41)

8 RATE DESIGN

8.1 Are the fixed to variable splits for each class appropriate?

- **Complete Settlement:** For purposes of settlement, the Participating Parties have settled on the basis that the fixed monthly service charges for the GS > 50 kW < 1,499 kW, GS > 1,500 kW < 4,999 kW and Large Use classes will be held constant at the 2011 levels. For the remainder of rate classes the Participating Parties have accepted the fixed to variable splits included in the Hydro Ottawa Application as submitted in the evidence below.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	H1-2-1
Board Staff Interrogatories	K8-1-1(60)
VECC Interrogatories	K8-1-2(52); K8-1-3(53)
Additional Evidence	C2-17

8.2 Are the proposed retail transmission service rates appropriate?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties have agreed that Hydro Ottawa's proposed Retail Transmission rates, as submitted in the evidence below, will be updated based on the updated 2012 wholesale transmission rates established by the Board at the time a decision in this proceeding is issued.
- **Evidence:** The evidence in relation to this issue includes the following:



Exhibits	H2-1-1; I1-5-1 Updated
Board Staff Interrogatories	K8-2-1(61)
Additional Evidence	D1-10; D1-39

8.3 Are the proposed LV rates appropriate?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties have accepted Hydro Ottawa's proposed new LV rates as set out in the evidence cited below, as appropriate.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	H3-1-1; I1-4-1
Energy Probe Interrogatories	K8-3-1(60)
VECC Interrogatories	K8-3-2(54); K8-3-3(55)

8.4 Are the proposed loss factors appropriate?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties have accepted Hydro Ottawa's Distribution Loss Factors, as set out in the evidence cited below, as appropriate.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	H1-2-1; H4-1-1; H4-2-1; H4-3-1; H5-1-1
Board Staff Interrogatories	K8-4-1(62); K8-4-2(63); K8-4-3(64); K8-4-4(65)
VECC Interrogatories	K8-4-5(56)
Additional Evidence	D1-10; D1-56

9 DEFERRAL AND VARIANCE ACCOUNTS

9.1 Are the account balances, cost allocation methodology and disposition period appropriate?

- **Incomplete Settlement:** For the purposes of settlement, the Participating Parties have agreed that the account balances, cost allocation methodology and disposition period for the deferral and variance accounts as presented in the evidence cited below, adjusted for the disposal of the Smart Meters as described in Issues 6.1 and 6.2 above, are appropriate. No agreement was reached with respect to whether the Smart Meter disposition rider should, as proposed by Hydro Ottawa, be on a per meter basis or rate class specific, based on capital costs.



The revised rate riders are as follows:

Class	Rate Rider as per I1-1-2 Attachment AR Updated	Rate Rider with Smart Meter Variance Accounts Removed	Global Adjustment Rate Rider
Residential	-\$0.0024	-\$0.0026	\$0.0024
GS < 50 kW	-\$0.0027	-\$0.0027	\$0.0024
GS > 50 < 1,499 kW	-\$1.1509	-\$1.1516	\$0.0024
GS > 1,500 < 4,499 kW	-\$1.3606	-\$1.3606	\$0.0024
Large Use	-\$1.5859	-\$1.5859	\$0.0024
UMSL	-\$0.0028	-\$0.0028	N/A
Sentinel	-\$0.9828	-\$0.9828	N/A
Streetlight	-\$0.9425	-\$0.9426	\$0.0024

- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	I1-1-1; I1-1-2
Board Staff Interrogatories	K9-1-1(66); K9-1-2(67); K9-1-3(68); K9-1-4(69); K9-1-5(70); K9-1-6(71); K9-1-7(72); K9-1-8(73); K9-1-9(74); K9-1-10(75); K9-1-11(76); K9-1-12(77); K9-1-13(78)
SEC Interrogatories	K9-14(55)
Additional Evidence	D1-17; D1-135; LT1.16; D1-139; D1-140; LT1.17; LT1.18; D1-155; LT1.19; D1-152

9.2 Are the proposed rate riders to dispose of the account balances appropriate?

- **Complete Settlement:** For the purposes of settlement, the Participating Parties have accepted Hydro Ottawa's proposed rate riders to dispose of the account balances, as set out in the evidence cited below and as adjusted for the disposal of the Smart Meters as described in Issues 6.1 and 6.2 above, are appropriate. No agreement was reached with respect to whether the Smart Meter disposition rider should, as proposed by Hydro Ottawa, be on a per meter basis or rate class specific, based on capital costs.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	I1-1-2
Energy Probe Interrogatories	K9-2-1(61)

9.3 Are the proposed new deferral and variance accounts appropriate?

- **Complete Settlement:** Hydro Ottawa has requested two new sub-accounts to Account 1595 to record the disposition and recoveries of the deferral and variance accounts. For the purposes of settlement, the Participating Parties have agreed to



Hydro Ottawa's proposal to establish two new sub-accounts. This issue of new deferral and variance accounts requested under modified IFRS is addressed under Issue 11.2.

- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	I1-1-3
Energy Probe Interrogatories	K9-3-1(62)

10 LOST REVENUE ADJUSTMENT MECHANISM

10.1 Is the proposal related to LRAM appropriate?

- **No Settlement:** Hydro Ottawa requested a LRAM of \$859k related to lost revenue in 2009 to 2011 due to 2009 and 2010 Ontario Power Authority programs. No agreement was reached with respect to the settlement of this Issue, with some intervenors advancing the position that the CDM adjustment to the load forecast in 2008 resulted in Hydro Ottawa collecting excess revenue from some rate classes and under collecting from others.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	I3-1-1
VECC Interrogatories	K10-1-1(57); K10-1-2(58)
Additional Evidence	D1-10, MT2.4, LT2.8, LT2.13, LT1.14

11 MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS

11.1 Is the proposed revenue requirement determined using modified IFRS appropriate?

- **No Settlement:** As noted previously, Issues 1 through 10 inclusive are addressed in this Proposed Settlement Agreement on the basis of CGAAP. No agreement was reached with respect to settlement of whether the proposed revenue requirement determined using modified IFRS is appropriate. For greater certainty, this includes but is not limited to, the proposed rate base and capital expenditures as calculated in modified IFRS, capitalization policy and allocation procedure and depreciation/amortization expenses for the test year.
- **Evidence:** The evidence in relation to this issue includes the following:



Exhibits	B1-3-1; J1-1-1; J2-1-1; J3-1-1; J3-1-2; J3-1-3; J3-1-4
Board Staff Interrogatories	K11-1-1(79); K11-1-2(80); K11-1-3(81); K11-1-4(82); K11-1-5(83); K11-1-6(84); K11-1-7(85); K11-1-8(86); K11-1-9(87); K11-1-10(88); K11-1-11(89); K11-1-12(90); K11-1-13(91); K11-1-14(92); K11-1-15(93); K11-1-16(94)
Energy Probe Interrogatories	K11-1-17(63); K11-1-18(64); K11-1-19(65); K11-1-20(66)
Additional Evidence	D1-158; D1-168; D1-170; D2-30; D2-37

11.2 Are the proposed new MIFRS deferral and variance accounts appropriate?

- **No Settlement:** Hydro Ottawa proposed two new deferral accounts for the Test Year related to the transition to modified IFRS; one to capture the opening balance sheet adjustment required to pensions as a result of converting to modified IFRS and the other to capture future gains and losses on disposals of pooled assets, which is not required under modified IFRS. No agreement was reached on the settlement of this Issue.
- **Evidence:** The evidence in relation to this issue includes the following:

Exhibits	J4-1-1
Board Staff Interrogatories	K11-2-1(95); K11-2-2(96); K11-2-3(97)
Energy Probe Interrogatories	K11-2-4(67)
Additional Evidence	D1-172; D1-174; MT1.12



Schedule A – Specific Approvals Requested (Exhibit A1-4-1)



SPECIFIC APPROVALS REQUESTED

Hydro Ottawa Limited ("Hydro Ottawa") requests the following specific approvals:

1. The approval of (a) Hydro Ottawa's forecast Base Revenue Requirement for the Test Year, or such other Base Revenue Requirement as the Board may find reasonable for the Test Year, in each case adjusted as required to update the Return On Equity and short-term debt rate as described in Exhibit E1-1-1 and (b) corresponding final rates effective January 1, 2012.
2. The approval of clearing the balances recorded in certain deferral and variance accounts by means of class-specific rate riders effective January 1, 2012 for a period of one year.
3. Approval for four new deferral and variance accounts, or sub-accounts as described in Exhibits I1-1-3 and J4-1-1.
4. Approval of all expenditures made as part of the Smart Meter Initiative to the end of 2010, as identified in Exhibit I2-1-1, and inclusion of the capital spending in the 2012 rate base.
5. Pursuant to Section 84 (a) of the *Ontario Energy Board Act*, deem the following assets which operate at a voltage greater than 50 kilovolts to be distribution assets:
 - a) Transformer substations Cyrville, Ellwood and Terry Fox, as discussed in Exhibits B5-1-1 and B5-5-1; and,
 - b) Additional transformation capacity constructed at the existing Fallowfield transformer substation, consistent with the existing Fallowfield substation owned by Hydro Ottawa.
6. Approval of revised Distribution Loss Factors as described in Exhibit H4-1-1.
7. Approval of updated rates for Dry Core Transformer Charges that are incorporated in Hydro Ottawa's proposed Tariff of Rates and Charges effective January 1, 2012.
8. Approval of revised Low Voltage rates as proposed in Exhibit H3-1-1.
9. Approval of Stand By rates as final effective January 1, 2012.



Schedule B – Issues List (Appendix “A” to Procedural Order No. 2, issued August 11, 2011)



Appendix 'A'

To

Procedural Order No. 2

Hydro Ottawa Limited
EB-2011-0054

Approved Issues List
August 11, 2011



Hydro Ottawa Limited
2012 Electricity Distribution Rates
EB-2011-0054
Issues List

1 General

- 1.1 Has Hydro Ottawa responded appropriately to all relevant Board directions from previous proceedings?
- 1.2 Are Hydro Ottawa's economic and business planning assumptions for 2012 appropriate?
- 1.3 Is service quality, based on the Board specified performance indicators, acceptable?
- 1.4 Is the proposal to align the rate year with Hydro Ottawa's fiscal year, and for rates effective January 1, 2012 appropriate?

2 Rate Base

- 2.1 Is the proposed rate base for the test year appropriate?
- 2.2 Is the working capital allowance for the test year appropriate?
- 2.3 Is the capital expenditure forecast for the test year appropriate?
- 2.4 Is the capitalization policy and allocation procedure appropriate?
- 2.5 Is Hydro Ottawa's Green Energy Act Plan appropriate?

3 Load Forecast and Operating Revenue

- 3.1 Is the load forecast methodology including weather normalization appropriate?
- 3.2 Are the proposed customers/connections and load forecasts (both kWh and kW) for the test year appropriate?
- 3.3 Is the impact of CDM appropriately reflected in the load forecast?
- 3.4 Is the proposed forecast of test year throughput revenue appropriate?
- 3.5 Is the test year forecast of other revenues appropriate?

4 Operating Costs

- 4.1 Is the overall OM&A forecast for the test year appropriate?
- 4.2 Are the methodologies used to allocate shared services and other costs appropriate?
- 4.3 Is the proposed level of depreciation/amortization expense for the test year appropriate?
- 4.4 Are the 2012 compensation costs and employee levels appropriate?



4.5 Is the test year forecast of property taxes appropriate?

4.6 Is the test year forecast of PILs appropriate?

5 Capital Structure and Cost of Capital

5.1 Is the proposed capital structure, rate of return on equity and short term debt rate appropriate?

5.2 Is the proposed long term debt rate appropriate?

6 Smart Meters

6.1 Is the proposed elimination of the smart meter rate adder and the inclusion of the smart meter costs in the 2012 revenue requirement appropriate?

6.2 Is the proposal not to dispose of the balances in variance accounts 1555 and 1556 appropriate?

6.3 Is the proposal related to stranded meters appropriate?

7 Cost Allocation

7.1 Is Hydro Ottawa's cost allocation appropriate?

7.2 Are the proposed revenue to cost ratios for each class appropriate?

8 Rate Design

8.1 Are the fixed to variable splits for each class appropriate?

8.2 Are the proposed retail transmission service rates appropriate?

8.3 Are the proposed LV rates appropriate?

8.4 Are the proposed loss factors appropriate?

9 Deferral and Variance Accounts

9.1 Are the account balances, cost allocation methodology and disposition period appropriate?

9.2 Are the proposed rate riders to dispose of the account balances appropriate?

9.3 Are the proposed new deferral and variance accounts appropriate?

10 Lost Revenue Adjustment Mechanism

10.1 Is the proposal related to LRAM appropriate?



11 Modified International Financial Reporting Standards

11.1 Is the proposed revenue requirement determined using modified IFRS appropriate?

11.2 Are the proposed new MIFRS deferral and variance accounts appropriate?



Schedule C - Issue 6.1 Smart Meters – Additional Explanation

Hydro Ottawa Limited has requested disposition of the Smart Meter variance and deferral accounts 1555 (except for Stranded Meters) and 1556 where the net balance of the two accounts is based on the revenue received from the funding adders and the calculated revenue requirement based on the capital expenditures and OM&A.

Revenue:

- (EB-2005-0381) Hydro Ottawa started spending capital dollars on the Smart Meter program and collecting revenue from a funding adder (\$0.41 for Residential and \$0.81 for GS < 50 kW) May 2006-April 2007.
- (EB-2007-0544) For May 2007-April 2008 the approved smart meter funding adder was \$1.74.
- (EB-2007-0748) Actual capital spending to April 30, 2007 was approved to be included in rate base, no longer included in variance account.
- (EB-2007-0713) For May 2008-April 2009 the approved smart meter funding adder was \$1.15.
- (EB-2008-0188) For May 2009-April 2010 the approved smart meter funding adder was \$1.68.
- (EB-2009-0231) For May 2010-April 2011 the approved smart meter funding adder was \$1.68.
- (EB-2010-0326) For May 2011-April 2012 the approved smart meter funding adder was \$1.42.

The calculation of the Smart Meter funding adder has always been based on the revenue requirement related to the Smart Meter spending, as per Ontario Energy Board (the "Board") Direction (G-2008-0002).

On October 22, 2008 Board issued a "*Guideline for Smart Meter Funding and Cost Recovery G-2008-0002*" (the "Guidelines"). The Guidelines (Appendix A) indicated that:

- The smart meter funding was to be recorded in 1555 – Hydro Ottawa did this.



- The capitalized direct costs related to the smart meter program should be recorded in 1555 – Hydro Ottawa did not do this. Instead Hydro Ottawa recorded the return and interest related to the capitalized costs in this account. The reason for doing this was that it more correctly matched the revenue which was being collected.
- Carrying charges were to be applied to the net monthly principle balance of 1555 – Hydro Ottawa did this but only the return and interest were used and not the capitalized cost. Hydro Ottawa's calculation of the carrying costs is lower as shown in the table below.
- The OM&A and amortization was to be recorded in 1556 – Hydro Ottawa recorded the OM&A, the amortization and the PILS in 1556.
- Carrying charges were to apply to the monthly principle balance of 1556 – Hydro Ottawa did this and the total calculated carrying charges were recorded in 1556.

Accounting FAQs were issued August 2008 and December 2010 which attempted to clarify the accounting for Smart Meters, however Q8 from the August 2008 FAQs stated:

"The following example is provided to illustrate the accounting treatment applicable to the smart meters variance accounts upon the Board's review of a distributor's in-service smart meters, which results in the issuance of a rate order to the distributor. The information in this **illustrative example** is not precedent setting and does not imply Board approval of any smart meter policy matter. The specific approval of these matters in the individual decision and order of a distributor apply." Note the emphasis was part of the FAQ.

2011 Smart Meter Rate Calculation Model was issued August 20, 2010, was for calculating the Smart Meter Rate Adder. In the model the carrying charges were only calculated on the revenue collected. This was shown as (\$1,116,291) for Hydro Ottawa in the model. Hydro Ottawa did not use this interest calculation for the Smart Meter rate disposition rider.

The Board has issued an updated draft Smart Meter Model (October 27, 2011) and in addition pointed out an error in Hydro Ottawa's calculations. The information is summarized below and is shown for both situations if the rate adder continues to April 30, 2012 or ends December 31, 2011:



	April 30, 2012 end date	Dec 31, 2011 end date
Board Staff's Draft Updated Model	(\$363k)	\$1,512k
Hydro Ottawa Methodology ¹	\$166k	\$1,906k

Hydro Ottawa is prepared to accept Board Staff's Draft Updated Model calculation (copy attached) and would prefer that the current Smart Meter Adder end as of December 31, 2011.

¹ High level approximation.