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March 15, 2016

**Delivered by RESS, Email and Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2701  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Ottawa River Power Corporation (“ORPC”)  
Board File No. EB-2014-0105  
Settlement Proposal**

We are counsel to ORPC in the above captioned matter. We are pleased to report that the parties were able to resolve the unexpected issue that arose. We would like to thank the board for the additional time that has been afforded to reach this resolution.

Please find enclosed ORPC’s Settlement Proposal and related supporting documentation in regards to this matter.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

Per:

*Original signed by John A.D. Vellone*

John A.D. Vellone

cc: Jane Donnelly, Ottawa River Power Corporation  
Parties in EB-2014-0105

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O.  
1998, c.15, 3 Schedule B, as amended (the “OEB Act”);

**AND IN THE MATTER OF** an Application by Ottawa River Power  
Corporation under Section 78 of the OEB Act to the Ontario  
Energy Board for an Order or Orders approving or fixing just and  
reasonable rates and other service charges for the distribution of  
electricity as of May 1, 2016.

OTTAWA RIVER POWER CORPORATION (“ORPC”)  
**APPLICATION FOR APPROVAL OF 2016 ELECTRICITY  
DISTRIBUTION RATES**  
**EB-2014-0105**

**SETTLEMENT PROPOSAL**

**Filed: March 15, 2016**

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## **LIVE EXCEL MODELS**

The following live excel models have been filed together with and form an integral part of this Settlement Proposal:

- EB-2014-0105 2016 ORPC RTSR\_Model\_20160315
- EB-2014-0105 2016 ORPC Cost\_Allocation\_Model\_20160315
- EB-2014-0105 2016 ORPC EDDVAR\_Continuity\_Schedule\_20160315
- EB-2014-0105 2016 ORPC  
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- EB-2014-0105 2016 ORPC LRAMVA \_20160315
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- EB-2014-0105 2016 ORPC Load Forecast\_Wholesale\_20160315
- EB-2014-0105 2016 ORPC Bill Impact Workbook\_20160315
- EB-2014-0105 2016 ORPC Fixed Asset Continuity Schedules\_20160315
- EB-2014-0105 2016 ORPC Smart Meter Model\_20160315

**Ottawa River Power Corporation**  
**EB-2014-0105**  
**Settlement Proposal**

1

2 Ottawa River Power Corporation (the “Applicant” or “ORPC”) filed a cost of service application  
3 with the Ontario Energy Board (the “OEB”) on October 5, 2015 under section 78 of the  
4 *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) (the “Act”), seeking  
5 approval for changes to the rates that ORPC charges for electricity distribution, to be effective  
6 May 1, 2016 (OEB File Number EB-2014-0105) (the “Application”).

7 ORPC issued a Notice of Hearing (Notice) to customers on November 12, 2015. In Procedural  
8 Order No. 1, dated December 15, 2015, the OEB approved each of VECC and SEC for  
9 intervenor status as well as prescribing dates for the following: written interrogatories from OEB  
10 staff, VECC and SEC; ORPC’s responses to interrogatories; a Settlement Conference; a  
11 Presentation Day (wherein ORPC is to, among other things, present a summary of the settlement  
12 proposal, inclusive of any salient facts, to the OEB, OEB staff and intervenors); and various other  
13 elements in the proceeding.

14 Following the receipt of interrogatories from OEB staff and the Intervenors, ORPC filed its  
15 interrogatory responses with the OEB on January 28, 2016.

16 On February 2, 2016, OEB staff submitted a proposed issues list as agreed to by the parties. On  
17 February 4, 2016, the OEB issued its decision on the proposed issues list (the “Issues List  
18 Decision”). The Issues List Decision attached a Schedule A, being the Approved Issues List (the  
19 “Issues List”).

20 This Settlement Proposal is filed with the OEB in connection with the Application.

21 Further to the OEB’s Procedural Order No. 1 and its Issues List Decision, a settlement  
22 conference was convened on February 9 and 10, 2016 in accordance with the OEB’s *Rules of*  
23 *Practice and Procedure* (the “Rules”) and the OEB’s *Practice Direction on Settlement*  
24 *Conferences* (the “Practice Direction”). Mr. Chris Haussmann acted as facilitator for the  
25 settlement conference.

26 ORPC and the following intervenors (the “Intervenors”), participated in the settlement  
27 conference:

1 School Energy Coalition ("SEC"); and

2 Vulnerable Energy Consumers Coalition ("VECC").

3 ORPC and the Intervenor are collectively referred to below as the "Parties".

4 OEB staff also participated in the settlement conference. The role adopted by OEB staff is set  
5 out in page 5 of the Practice Direction. Although OEB staff is not a party to this Settlement  
6 Proposal, as noted in the Practice Direction, OEB staff who did participate in the settlement  
7 conference are bound by the same confidentiality and privilege rules that apply to the Parties  
8 to the proceeding.

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

19 These settlement proceedings are subject to the rules relating to confidentiality and  
20 privilege contained in the Practice Direction. The Parties understand that confidentiality in that  
21 context does not have the same meaning as confidentiality in the OEB's Practice Direction  
22 on Confidential Filings, and the rules of that latter document do not apply. Instead, in this  
23 settlement conference, and in this settlement proposal, the Parties have interpreted  
24 "confidential" to mean that the documents and other information provided during the course of  
25 the settlement proceeding, the discussion of each issue, the offers and counter-offers, and the  
26 negotiations leading to the settlement – or not – of each issue during the settlement  
27 conference are strictly privileged and without prejudice. None of the foregoing is admissible as  
28 evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent  
29 dispute over the interpretation of any provision of this Settlement Proposal. Further, the Parties  
30 shall not disclose those documents or other information to persons who were not attendees at  
31 the settlement conference. However, the Parties agree that "attendees" is deemed to

1 include, in this context, persons who were not physically in attendance at the settlement  
2 conference but were a) any persons or entities that the Parties engage to assist them with the  
3 settlement conference, and b) any persons or entities from whom they seek instructions with  
4 respect to the negotiations; in each case provided that any such persons or entities have  
5 agreed to be bound by the same confidentiality provisions.

6 This Settlement Proposal provides a brief description of each of the settled and partially settled  
7 issues, as applicable, together with references to the evidence. The Parties agree that  
8 references to the "evidence" in this Settlement Proposal shall, unless the context otherwise  
9 requires, include (a) additional information included by the Parties in this Settlement  
10 Proposal, and (b) the Appendices to this document. The supporting Parties for each settled  
11 and partially settled issue, as applicable, agree that the evidence in respect of that settled or  
12 partially settled issue, as applicable, is sufficient in the context of the overall settlement to  
13 support the proposed settlement, and the sum of the evidence in this proceeding provides an  
14 appropriate evidentiary record to support acceptance by the OEB of this Settlement Proposal.  
15 The Parties agree that references to the evidence in this Settlement Proposal shall, unless the  
16 context otherwise requires, include, in addition to the Application, the responses to  
17 interrogatories, clarifying questions, and all other components of the record up to and  
18 including the date hereof, including additional information included by the Parties in this  
19 Settlement Proposal and the Appendices to this document.

20 There are Appendices to this Settlement Proposal which provide further support for the  
21 proposed settlement. The Parties acknowledge that the Appendices were prepared by ORPC.  
22 While the Intervenors have reviewed the Appendices, the Intervenors are relying on the  
23 accuracy of the underlying evidence in entering into this Settlement Proposal.

24 For ease of reference, this Settlement Proposal follows the format of the final approved Issues  
25 List.

26

1 The Parties are pleased to advise the OEB that the Parties have reached a partial settlement  
2 with respect to some of the issues in this proceeding. Specifically:

3

<p><b>“Complete Settlement”</b> means an issue for which complete settlement was reached by all Parties, and if this Settlement Proposal is accepted by the OEB, the Parties will not adduce any evidence or argument during the oral hearing in respect of these issues.</p>	<p># issues settled:</p> <p><b>11</b></p>
<p><b>“Partial Settlement”</b> means an issue for which there is partial settlement, as ORPC and the Intervenors who take any position on the issue were able to agree on some, but not all, aspects of the particular issue. If this Settlement Proposal is accepted by the OEB, the Parties who take any position on the issue will only adduce evidence and argument during the hearing on those portions of the issues not addressed in this Settlement Proposal.</p>	<p># issues partially settled:</p> <p><b>1</b></p>
<p><b>“No Settlement”</b> means an issue for which no settlement was reached. ORPC and the Intervenors who take a position on the issue will adduce evidence and/or argument at the hearing on the issue.</p>	<p># issues not settled:</p> <p><b>None</b></p>

4 According to the Practice Direction (p. 4), the Parties must consider whether a Settlement  
5 Proposal should include an appropriate adjustment mechanism for any settled issue that may be  
6 affected by external factors. These adjustments are specifically set out in the text of the  
7 Settlement Proposal.

8 The Parties have settled the issues as a package, and none of the parts of this Settlement  
9 Proposal are severable. If the OEB does not accept this Settlement Proposal in its entirety,  
10 then there is no settlement (unless the Parties agree in writing that any part(s) of this  
11 Settlement Proposal that the OEB does accept may continue as a valid settlement without  
12 inclusion of any part(s) that the OEB does not accept).

13 In the event that the OEB directs the Parties to make reasonable efforts to revise the  
14 Settlement Proposal, the Parties agree to use reasonable efforts to discuss any potential  
15 revisions, but no Party will be obligated to accept any proposed revision. The Parties agree  
16 that all of the Parties who took a position on a particular issue must agree with any revised



1 Settlement Proposal as it relates to that issue prior to its resubmission to the OEB.  
2 Unless stated otherwise, the settlement of any particular issue in this proceeding and the  
3 positions of the Parties in this Settlement Proposal are without prejudice to the rights of Parties  
4 to raise the same issue and/or to take any position thereon in any other proceeding, whether  
5 or not ORPC is a party to such proceeding, provided that no Party shall take a position that  
6 would result in this Agreement not applying in accordance with the terms contained herein.  
7 Where in this Settlement Proposal, the Parties or any of them "accept" the evidence of  
8 ORPC, or "agree" to a revised term or condition, including a revised budget or forecast, then  
9 unless the Agreement expressly states to the contrary, the words "for the purpose of  
10 settlement of the issues herein" shall be deemed to qualify that acceptance or agreement.

## SUMMARY

In reaching this settlement, the Parties have been guided by the Filing Requirements for 2016 rates and the approved Issues List.

This Settlement Proposal reflects a partial settlement of the issues in this proceeding.

The sole issue not settled, the proposed method of hearing the issue, and the reasons are as follows:

**Cost of affiliate debt:** The Parties have been unable to agree to the Applicant's proposed long-term debt cost for the affiliate debt. Specifically, the Parties have been unable to agree on the Applicant's proposal to use a 7.25% interest rate as the cost of affiliate debt for rate setting purposes. The Applicant intends to produce a witness at the hearing to address certain facts that are in dispute. Given this, the Parties submit that this matter should be determined by way of oral hearing.

### **Evidence:**

- Exhibit 5, Tab 2, Schedule 1: Cost of Capital (Return on Equity and Cost of Debt)
- Chapter 2 Appendix 2-OA Capital Structure and Cost of Capital
- Chapter 2 Appendix 2-OB Debt Instruments

### **Interrogatories:**

- 5-Staff-68 Ref: Exhibit 5, p. 3 of 17, Appendix 2-OA and RRWF
- 1-SEC-8 Ex. 1/4/1, 2014, p. 17 and 5/1/3, p. 15
- 1-SEC-10 Ex. 1/8/2, p. 68
- 5.0-VECC-36 Reference: E5/pg.16- Agreement
- 5.0-VECC-37 Reference E/5

The Parties note that this Settlement Proposal including all tables, appendices and the live Excel models represent the evidence and the settlement between the Parties at the time of filing the Settlement Proposal, however some evidence may need to be updated subject to the OEB's determination of the unsettled issue, as discussed below.

The OEB's determination of the issue related to the cost of affiliate debt is expected to have impacts on other components of this Settlement Proposal. For example, a change in the cost of capital will result in changes to revenue requirement. All aspects of this Settlement Proposal are subject to the normal impacts that would arise with a change to cost of capital.

A Revenue Requirement Work Form, incorporating all of the changes agreed in this Settlement

1 Proposal, but assuming for all purposes the cost affiliate debt is as filed, is annexed as Appendix B.  
2 The assumption in that document of the cost of affiliate debt is as filed is not intended by any of the  
3 Parties to be indicative of the appropriateness of that assumption, but is instead intended as a  
4 placeholder pending the OEB's determination on that issue at the hearing.

5 Through the settlement process, ORPC has agreed to certain adjustments from its original 2016  
6 Application. The changes are described in the following sections.

7 The matters that are the subject of partial settlement are not in dispute; rather, they cannot be finalized  
8 until the matters relating to the cost of affiliate debt are addressed and disposed by the OEB.

9 Based on the foregoing, and the evidence and rationale provided below, the parties agree this  
10 Settlement Proposal is appropriate and recommend its acceptance by the OEB.

11 The Parties have agreed that the effective date of the rates arising out of this Settlement Proposal, and  
12 out of the OEB's decision on the outstanding matters, should be May 1, 2016. In the event that it is not  
13 possible for the OEB to issue its Rate Order in time for a May 1, 2016 implementation, the Parties have  
14 agreed to a rate rider to refund/recover to or from ratepayers the difference in revenue collected from  
15 the effective date of May 1, 2016 through to the actual implementation date as determined by the OEB.

16

1 ORPC has provided the following Table 1 highlighting the changes to its Rate Base and Capital,  
2 Operating Expenses and Revenue Requirement from ORPC's Application, as filed, interrogatories and  
3 clarifying questions and this Settlement Proposal. This Table does not reflect the unsettled issues that  
4 have yet to be determined by the OEB.

5 **Table 1 – Summary of Changes to Revenue Requirement**

	Application Aug 28 2015	Interrogatories Jan 28 2016	Variance over Original Filing	Settlement Proposal Mar 15 2016	Variance over IRs
OM&A Expenses	\$3,294,964	\$3,294,964	\$0	\$3,064,964	-\$230,000
Amortization/Depreciation	\$749,620	\$749,620	\$0	\$739,929	-\$9,691
Property Taxes	\$0	\$0	\$0	\$0	\$0
Capital Taxes	\$0	\$0	\$0	\$0	\$0
Income Taxes (Grossed up)	\$90,372	\$90,137	-\$236	\$84,883	-\$5,254
Other Expenses	\$0	\$0	\$0	\$0	\$0
Return					
Deemed Interest Expense	\$510,564	\$510,639	\$75	\$486,962	-\$23,676
Return on Deemed Equity	\$442,682	\$454,946	\$12,264	\$433,852	-\$21,094
Service Revenue Requirement (before Revenues)	\$5,088,203	\$5,100,306	\$12,103	\$4,810,590	-\$289,715
Revenue Offsets	\$284,010	\$284,010	\$0	\$284,010	\$0
Base Revenue Requirement	\$4,804,193	\$4,816,296	\$12,103	\$4,526,580	-\$289,715
Gross Revenue Deficiency/Sufficiency	\$674,940	\$785,170	\$16,132	\$486,753	-\$298,417

# 1. Planning

## 1.1 Capital

*Is the level of planned capital expenditures appropriate and is the rationale for planning and pacing choices appropriate and adequately explained, giving due consideration to:*

- customer feedback and preferences;*
- productivity;*
- benchmarking of costs;*
- reliability and service quality;*
- impact on distribution rates;*
- trade-offs with OM&A spending;*
- government-mandated obligations; and*
- the objectives of the applicant and its customers.*

### **Complete Settlement:**

The Parties accept the evidence of ORPC that the level of planned capital expenditures for 2016 is appropriate. ORPC agrees to the following adjustments:

- ORPC agrees to use actual capital additions of \$776,484 and associated depreciation expenses of 780,932 for 2015. The utility also agrees to additions of \$1,245,950 with associated depreciation expenses of \$879,986 for 2016 Test Year.
- ORPC agrees to revise continuity statements to reflect updated data for accumulated depreciation of stranded meters as at December 31, 2015. Accordingly accumulated depreciation will be adjusted to \$715,270 as at the end of 2015. Revised continuity statements are attached as:

EB-2014-0105 2016 ORPC Fixed Asset Continuity Schedule\_20160315

Table 2 below depicts the changes in the 2016 depreciation numbers:

1 **Table 2 – Summary of Changes to Depreciation Expenses**

	Original Forecast 2016		Actual 2016		2016 Difference
	Additions	Depreciation	Additions	Depreciation	Depreciation
	(d)				
Computer Software (Formally known as Account 1925)	\$19,000	\$35,926	\$19,000	\$30,814	-\$5,112
Land Rights (Formally known as Account 1906)		\$335		\$335	\$0
Buildings	\$38,000	\$16,446	\$38,000	\$12,206	-\$4,240
Buildings		\$4,447		\$4,853	\$406
Distribution Station Equipment <50 kV	\$193,500	\$37,635	\$193,500	\$32,999	-\$4,636
Distribution Station Equipment <50 kV		\$13,465		\$13,465	\$0
Distribution Station Equipment <50 kV		\$19,652		\$21,532	\$1,880
Poles, Towers & Fixtures	\$137,700	\$157,385	\$137,700	\$152,299	-\$5,086
Poles, Towers & Fixtures		\$1,661		\$3,963	\$2,302
Overhead Conductors & Devices		\$110,116		\$110,116	\$0
Overhead Conductors & Devices	\$172,080	\$13,275	\$172,080	\$12,908	-\$367
Overhead Conductors & Devices	\$17,208	\$1,589	\$17,208	\$1,540	-\$49
Overhead Conductors & Devices	\$1,912	\$171	\$1,912	\$167	-\$4
Underground Conduit		\$76,782		\$75,322	-\$1,460
Underground Conduit		\$1,138		\$1,138	\$0
Underground Conductors & Devices		\$22,185		\$24,229	\$2,044
Underground Conductors & Devices	\$163,650	\$8,983	\$163,650	\$5,070	-\$3,913
Line Transformers		\$78,795		\$78,795	\$0
Line Transformers	\$172,000	\$12,625	\$172,000	\$12,493	-\$132
Services (Overhead & Underground)		\$36,395		\$35,622	-\$773
Services (Overhead & Underground)	\$15,150	\$1,993	\$15,150	\$1,154	-\$839
Services (Overhead & Underground)	\$85,850	\$5,700	\$85,850	\$6,953	\$1,253
Meters		\$74		\$0	-\$74
Meters	\$7,500	\$2,933	\$7,500	\$897	-\$2,036
Meters (Smart Meters)	\$35,200	\$7,634	\$35,200	\$6,101	-\$1,533
Meters (Smart Meters)		\$102,942		\$102,942	\$0
Office Furniture & Equipment (10 years)	\$8,000	\$2,218	\$8,000	\$1,991	-\$227
Computer Equip.-Hardware(Post Mar. 19/07)	\$10,000	\$13,206	\$10,000	\$12,534	-\$672
Computer Equip.-Hardware(Post Mar. 19/07)		\$891		\$891	\$0
Transportation Equipment	\$328,000	\$78,291	\$300,000	\$68,916	-\$9,375
Transportation Equipment		\$16,830	\$28,000	\$26,980	\$10,150
Transportation Equipment		\$62,622		\$64,408	\$1,786
Tools, Shop & Garage Equipment	\$10,000	\$8,319	\$10,000	\$8,729	\$410
Measurement & Testing Equipment		\$1,809		\$1,809	\$0
Communications Equipment	\$1,200	\$1,104	\$1,200	\$4,393	\$3,289
Miscellaneous Equipment		\$1,210		\$1,210	\$0
System Supervisor Equipment	\$130,000	\$30,229	\$130,000	\$27,430	-\$2,799
Contributions & Grants		-\$71,181		-\$64,926	\$6,255

Other Operating Revenues	-\$300,000	-\$14,720	-\$300,000	-\$10,958	\$3,762
Other Operating Revenues		-\$11,334		-\$11,334	\$0
<b>Total</b>	<b>\$1,245,950</b>	<b>\$889,778</b>	<b>\$1,245,950</b>	<b>\$879,986</b>	<b>-\$9,791</b>

In addition, the Parties accept the evidence of ORPC that the rationale for planning and pacing choices for capital spending in the Test Year are appropriate and adequately explained, giving due consideration to:

- The customer feedback and preferences as more fully detailed in:
  - Ex.1/Tab 3/Sch.1 - Overview of Customer Engagement
- The past and planned productivity initiatives of ORPC as more fully detailed in:
  - Ex.1/Tab 2/Sch.2 - Budget and Accounting Assumptions
  - Ex.1/Tab 2/Sch.4 - Rate Base and Capital Planning
  - Exhibit 2 in its Entirety
- The compatibility with historic expenditures as more fully detailed in:
  - Ex.1/Tab 1/Sch.1 – Management Discussion and Analysis
  - Ex.2/Tab 5/Sch.2 - Distribution System Plan
- ORPC's compatibility with appropriate benchmarks as more fully detailed in:
  - Ex.1/Tab 2/Sch.4 - Rate Base and Capital Planning
  - Ex.2/Tab 5/Sch.2 - Distribution System Plan
- ORPC's reliability and service quality performance as well as ORPC's targets for performance in the Test Year as more fully detailed in:
  - Ex.2/Tab 5/Sch.8 - Service Quality and Reliability
- The total impact on distribution rates, as more fully detailed in file EB-2014-0105 2016 ORPC Bill Impact Workbook\_20160315 (subject to the OEB's determination of the remaining unsettled issues);
- ORPC's past and planned performance meeting government mandated obligations as more fully detailed in:
  - Ex.1/Tab 1/Sch.1 – Management Discussion and Analysis p 6 & 7
- ORPC's targets and objectives as more fully detailed in:
  - Ex.1/Tab 1/Sch.1 – Management Discussion and Analysis
  - Ex.2/Tab 5/Sch.2 - Distribution System Plan

ORPC confirms that neither the adjustments agreed to in this Settlement Proposal, nor the OEB's decision on the cost of affiliate debt, will compromise its ability to (a) pursue continued improvement in productivity; (b) maintain system reliability and service quality objectives; and (c) maintain reliable and safe operation of its distribution system.

Table 3 below provides a summary of ORPC's 2016 Gross Capital Additions.

**Table 3 –Capital Additions Summary**

	Application Aug 28 2015	Interrogatorie s Jan 28 2016	Variance over Original Filing	Settlement Proposal Mar 15 2016	Variance over IRs
<b>Gross Assets</b>					
<b>2016 Gross Open Bal</b>	\$29,997,439	\$29,997,439	\$0.00	\$29,642,153	-\$355,286
<b>2016 Additions</b>	\$1,245,950	\$1,245,950	\$0.00	\$1,245,950	\$0
<b>2016 Disp/Ret</b>	\$0	\$0	\$0.00		\$0
<b>2016 Gross Close Bal</b>	\$31,243,389	\$31,243,389	\$0.00	\$30,888,103	-\$355,286
<b>Accumulated Depreciation</b>					
<b>2016 Open Bal</b>	-\$19,868,782	-\$19,868,782	\$0.00	-\$20,099,663	-\$230,881
<b>2016 Additions</b>	-\$889,676	-\$889,676	\$0.00	-\$879,985	\$9,691
<b>2016 Disp/Ret</b>	\$0	\$0	\$0.00	\$0	\$0
<b>2016 Close Bal</b>	-\$20,758,458	-\$20,758,458	\$0.00	-\$20,979,648	-\$221,190
<b>Adj for Fully Allocated Depreciation</b>	\$140,056	\$140,056	\$0.00	\$140,056	\$0
<b>Net Depreciation Expense</b>	-\$749,620	-\$749,620	\$0.00	-\$739,929	\$9,691

**Evidence:**

Application:

- Ex.1/Tab 2/Sch.4 - Rate Base and Capital Planning
- Ex.1/Tab 1/Sch.1 – Management Discussion and Analysis, page 6 (Operational Effectiveness)
- Ex.1/Tab 1/Sch.1 – Management Discussion and Analysis, pages 6 and 7 (Public Policy Responsiveness)
- Ex.1/Tab 9/Sch.1(Scorecard Performance)



- Exhibit 2: Rate Base in its entirety including Ex.2/Tabe5/Sch.2 Distribution System Plan

Interrogatory Responses:

- 2-Staff-7 to 2-Staff-29
- 2-Staff-34
- 2-Staff-40 to 2-Staff-43
- 2.0-VECC-2
- 2.0-VECC-5 to 2.0-VECC-14
- 1-SEC-1
- 1-SEC-3
- 1-SEC-17

Appendices to this Settlement Proposal: None

**Supporting Parties:** All

**1.2 OM&A**

*Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained, giving due consideration to:*

- *customer feedback and preferences;*
- *productivity;*
- *benchmarking of costs;*
- *reliability and service quality;*
- *impact on distribution rates;*
- *trade-offs with capital spending;*
- *government-mandated obligations; and*
- *the objectives of the applicant and its customers.*

**Complete Settlement:**

1 The Parties accept the evidence of ORPC that the adjusted level of planned OM&A expenditures  
2 is appropriate. ORPC agrees to reduce its proposed OM&A expenses in the Test Year by  
3 \$230,000 to \$3,065,000.

4 The Parties agree with ORPC's overall objectives to serve its customers, and have agreed that  
5 the revised OM&A budget will allow ORPC to achieve those objectives in the Test Year. Based on  
6 the foregoing and the evidence filed by ORPC, the Parties agree that the level of planned OM&A  
7 expenditures and the rationale for planning and pricing choices are appropriate and adequately  
8 explained, giving due consideration to:

- 9 • The customer feedback and preferences as more fully detailed in:
  - 10 • Ex.1/Tab 3/Sch.1 - Overview of Customer Engagement
  - 11
- 12 • The past and planned productivity initiatives of ORPC as more fully detailed in:
  - 13 • Ex.1/Tab 2/Sch.2 - Budget and Accounting Assumptions;
  - 14 • Ex.4/Tab 1/Sch.1 - Overview of Operating Expenses
  - 15 • Ex.4/Tab 2/Sch.1 - Cost Driver Tables
  - 16 • Ex.4/Tab 3 – Program Delivery Costs
  - 17
- 18 • ORPC's benchmarking performance as more fully detailed in:
  - 19 • Ex.1/Tab 2/Sch.4 - Rate Base and Capital Planning
  - 20 • Ex.2/Tab 5/Sch.2 - Distribution System Plan
  - 21
- 22 • ORPC's past reliability and service quality performance as well as ORPC's targets for  
23 performance in the test year as more fully detailed in:
  - 24 • Ex.2/Tab 5/Sch.8 - Service Quality and Reliability
  - 25
- 26 • The total impact on distribution rates, as more fully detailed in file EB-2014-0105 2016  
27 ORPC Bill Impact Workbook\_20160315 (subject to the OEB's determination of the  
28 remaining unsettled issues)
- 29 • The settlement in respect of capital as described under issue 1.1 of this Settlement  
30 Proposal
- 31 • ORPC's performance meeting government mandated obligations as more fully detailed in

- Ex.1/Tab 1/Sch.1 – Management Discussion and Analysis p 6 & 7
- ORPC's targets and objectives as more fully detailed in:
  - Ex.1/Tab 1/Sch.1 – Management Discussion and Analysis
  - Ex.2/Tab 5/Sch.2 - Distribution System Plan

ORPC has considered the adjustments to its budget on a preliminary basis and has provided, in Table 4 below: a revised OM&A budget based on the proposed total amount. The breakdown of the budget into categories is not intended by the Parties to be in any way a deviation from the normal rule that, once the budget is established, it is up to management to determine through the year how best to spend that budget given the actual circumstances and priorities of the company throughout the test year.

**Table 4 – 2016 OM&A**

	Application Aug 28 2015	IRs Jan 28 2016	Variance over Original Filing	Settlement Proposal Mar 15 2016	Variance over IRs
Operations	\$630,467	\$630,467	\$0.00	\$572,467	(\$58,000)
Maintenance	\$802,123	\$802,123	\$0.00	\$728,123	(\$74,000)
Billing and Collecting	\$733,000	\$733,000	\$0.00	\$733,000	\$0
Community Relations	\$67,000	\$67,000	\$0.00	\$67,000	\$0
Administration & General +LEAP	\$1,062,375	\$1,062,375	\$0.00	\$964,375	(\$98,000)
Total	\$3,294,964	\$3,294,964	\$0.00	\$3,064,965	(\$230,000)

**Evidence:**

Application:

- Ex.1/Tab 2/Sch.5 - Overview of Operation Maintenance and Administrative Costs
- Exhibit 4 in its Entirety

Interrogatory Responses:

- 4-Staff-51 Benefits from OM&A Increases to 4-Staff 67 OPEBs
- 4.0 -VECC -25 Reference:E4/pg. 5 to 4.0 -VECC -34 Reference:E4/pg. 57

- 1-SEC-12 Ex. 4/1/1, Table 4-1

## Appendices to this Settlement Proposal:

**Supporting Parties:** All

## **2. Revenue Requirement**

### **2.1 Are all elements of the revenue requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices?**

#### **Partial Settlement:**

The Parties accept the evidence of ORPC that all elements of the Base Revenue Requirement, with the exception of Cost of affiliate debt, have been correctly determined in accordance with OEB policies and practices. Specifically:

- a) Rate Base: The Parties accept the evidence of ORPC that the rate base calculations, after making the adjustments as detailed in this Settlement Proposal, are reasonable and have been appropriately determined in accordance with OEB policies and practices. Table 5 below outlines ORPC's Rate Base calculation. The calculation provided in Table 5 does not include the OEB determination on the unsettled issues.

**Table 5 – Rate Base Calculation**

Particulars	Application Aug 28 2015	Interrogatories Jan 28 2016	Variance over Original Filing	Settlement Proposal Mar 15 2016	Variance over IRs
Gross Fixed Assets (avg)	\$30,620,414	\$30,620,414	\$0.00	30,265,128	-\$355,286
Accumulated Depreciation (avg)	- \$20,313,620	-\$20,313,620	\$0.00	-\$20,539,657	-\$226,037
Net Fixed Assets (avg)	10,306,794	10,306,794	\$0.00	9,725,471	-581,323
Allowance for Working Capital	\$2,017,328	\$2,069,327	\$51,998. 71	2,076,813	\$7,486
Total Rate Base	12,324,122	12,376,120	\$51,998. 71	11,802,284	-\$573,836

- b) Working Capital: The parties accept the evidence of ORPC that the working capital calculations are reasonable for ORPC and have been appropriately determined in accordance with OEB policies and practices. ORPC has not carried out a lead/lag study, and has instead used the working capital allowance default value of 7.5% in this calculation.

**Table 6 – Determination of Working Capital Allowance**

Particulars	Application Aug 28 2015	IRs Jan 28 2016	Variance over Original Filing	Settlement Proposal Mar 15 2016	Variance over IRs
Controllable Expenses	\$3,294,964	\$3,294,964	\$0.00	3,064,964	-\$230,000
Cost of Power	\$23,602,740	\$24,296,056	\$693,316.13	24,625,876	\$329,820
Working Capital Base	\$26,897,704	\$27,591,020	\$693,316	\$27,690,840	\$99,820
Working Capital Rate %	7.50%	7.50%	\$0.00	7.50%	7.50%
Working Capital Allowance	\$2,017,328	\$2,069,327	\$51,998.71	\$2,076,813	\$7,486

- c) Cost of Capital. **Partial Settlement.**

The Parties accept the evidence of ORPC that the proposed capital structure, rate of return on equity and short-term debt costs have been correctly determined in accordance with OEB policies and practices.

However, as noted above, the Parties have been unable to agree to the Applicant's proposed long-term debt cost. Specifically, the Parties have been unable to agree on the Applicant's proposal to use a 7.25% interest rate as the cost of affiliate debt for rate setting purposes. The Applicant intends to produce a witness at the hearing to address certain facts that are in dispute. Given this, the Parties submit that this matter should be determined by way of oral hearing.

- d) Other Revenue: The Parties accept the evidence of ORPC that its Other Revenue in the amount of \$284,010 is appropriate and correctly determined in accordance with OEB policies and practices.

- e) Depreciation: Subject to any adjustments to rate base noted above, the Parties accept the evidence of ORPC that its forecast depreciation/amortization expenses

are appropriate, reflect the useful lives of the assets, and have been correctly determined in accordance with OEB accounting policies and practices.

Table 7 below captures the Depreciation Expense figures from ORPC's initial Application interrogatories and the Settlement Conference.

**Table 7 – Depreciation**

	<b>Depreciation Expense</b>
Original Application	\$749,620
Interrogatories	\$749,620
Settlement Conference	\$739,929

f) Taxes/PILs: Subject to the other adjustments arising in this Settlement Proposal, the Parties accept the evidence of ORPC that the proposed level of taxes is accurate.

**Evidence:**

Application:

- Exhibit 5, Tab 2, Schedule 1: Cost of Capital (Return on Equity and Cost of Debt)
- Chapter 2 Appendix 2-OA Capital Structure and Cost of Capital
- Chapter 2 Appendix 2-OB Debt Instruments

Interrogatory Responses:

- 5-Staff-68 Ref: Exhibit 5, p. 3 of 17, Appendix 2-OA and RRWF
- 1-SEC-8 Ex. 1/4/1, 2014, p. 17 and 5/1/3, p. 15
- 1-SEC-10 Ex. 1/8/2, p. 68
- 5.0-VECC-36 Reference:E5/pg.16-Agreement
- 5.0-VECC-37 Reference E/5

Appendices to this Settlement Proposal:

**Supporting Parties:** All

**2.2 Has the revenue requirement been accurately determined based on these elements?**

**Complete Settlement:**

With the exception of Cost of affiliate debt, and subject to the adjustments expressly noted in this Settlement Proposal, the Parties accept the evidence of ORPC that the proposed Base Revenue Requirement has been accurately determined in accordance with OEB policies and practices. Table 1 above sets out ORPC's Base Revenue Requirement calculation for the Test Year. The OM&A amount of \$3,064,964, Depreciation Expense of \$739,929, PILs of \$84,833 and Revenue Offsets of \$284,010 were accepted by all parties. The Capital Structure of 40% Equity to 60% Debt was also accepted by all parties, while the unsettled Cost of Affiliate Debt will be settled through an oral hearing.

**Evidence:**

Application:

- Exhibit 1, Tab 2, Schedule 1: Proposed Revenue Requirement
- Exhibit 2: Rate Base in its entirety
- Exhibit 3, Tab 4, Other Revenue
- Chapter 2 Appendix 2-H Other Operating Revenue
- Exhibit 4: Operating Expenses in its entirety
- Exhibit 5, Tab 2, Schedule 1: Cost of Capital (Return on Equity and Cost of Debt)
- Chapter 2 Appendix 2-OA Capital Structure and Cost of Capital

Interrogatory Responses:

- 2-Staff-7

Appendices to this Settlement Proposal:

**Supporting Parties:** All

**3. Load Forecast, Cost Allocation and Rate Design**

**3.1 *Are the proposed load and customer forecast, loss factors, CDM adjustments and resulting billing determinants appropriate, and, to the extent applicable, are they an appropriate reflection of the number and energy and demand requirements of the applicant's customers?***

**Complete Settlement:**

The Parties accept the evidence of ORPC that the customer forecast, loss factors, and the resulting billing determinants, as adjusted as set forth below, are appropriate and are an

1 appropriate reflection of the number and energy and demand requirements of the Applicant's  
2 customers.

3 It was also agreed that ORPC will make the following adjustments to its load forecast and  
4 LRAMVA:

5 a) The original methodology used to forecast 2016 kWh for the GS>50, Sentinel Lighting, Street  
6 Lighting and Unmetered Scattered Load classes assumed the ratio of predicted 2016 power  
7 purchases to predicted 2014 power purchases was applied to the actual 2014 values.  
8 However, Parties agreed that using the ratio of predicted 2016 power purchases to actual  
9 power 2014 purchases was more appropriate. This adjustment resulted in an overall increase  
10 of 3,332,750 kWh before CDM adjustments.

11 b) The CDM adjustment agreed to as part of settlement involved the following;

- 12 • an addition of 700,468 kWh for Manual Adjustment for 2016 Load Forecast (billed basis)
- 13 • a decrease of "Amounts used for CDM threshold for LRAMVA(2014)" of 371,063 kWh  
14 which does not affect the Test Year Load Forecast
- 15 • a removal of Amount used for CDM threshold for LRAMVA (2016) of 1,559,360 kWh  
16 which also does not affect the Test Year Load Forecast

17  
18 The following Table 8 sets out the agreed to load forecast for the purposes of this Settlement  
19 Proposal.



1

**Table 8 – 2016 Load Forecast**

Particulars	Application Aug 28 2015	IRs Jan 28 2016	Variance over Original Filing	Settlement Proposal Mar 15 2016	Variance over IRs
Residential					
# of Customers	9,463	9,463	0	9,463	0
kWh	81,190,920	77,245,367	-3,945,553	76,966,389	-278,978
General Service < 50 kW					
# of Customers	1,281	1,281	0	1,281	0
kWh	32,329,405	34,421,978	2,092,574	34,297,661	-124,318
General Service > 50 kW - 4999 kW					
# of Customers	148	148	0	148	0
kWh	70,929,970	71,194,283	264,313	74,077,571	2,883,288
kW	195,150	195,878	727	210,853	14,975
Sentinel Lighting					
# of Customers	195	195	0	195	0
kWh	240,210	241,105	895	250,870	9,764
kW	685	687	2	715	28
Streetlighting					
# of Customers	2,849	2,849	0	2,849	0
kWh	1,250,197	1,254,856	4,659	1,379,313	124,456
kW	3,481	3,494	13	3,840	346
Unmetered Scattered Load					
# of Customers	20	20	0	20	0
kWh	444,487	446,143	1,656	464,212	18,068
Totals					
Customers / Connections	13,956	13,956	0	13,956	0
kWh	186,385,189	184,803,733	-1,581,456	187,436,014	2,632,281
kW from applicable classes	199,316	200,059	743	215,408	15,349

2

- c) ORPC agrees to adjust the 2016 LRAMVA baseline to reflect full year of persistence from 2015 CDM programs plus a full year from 2016 programs for the Test Year as set out in the following Table 9. Subject to the foregoing adjustments, the parties agree that the LRAMVA forecast and LRAMVA Baseline are appropriate.

**Table 9 –2016 LRAMVA Baseline**

kWh	Year	2016 LF	Share	Target
Residential	kWh	78,290,332	41.07%	1,368,928.80
General Service < 50 kW	kWh	34,887,634	18.30%	610,020.25
Unmetered Scattered Load	kWh	472,197	0.25%	8,256.50
General Service > 50 kW - 4999 kW	kWh	75,351,822	39.53%	1,317,548.13
Streetlighting	kWh	1,379,313	0.72%	24,117.67
Sentinel Lighting	kWh	255,185	0.13%	4,461.98
Total		190,636,483	100.00%	3,333,333

- d) The Parties agree that the balance in ORPC's Account 1568 (LRAMVA) of \$112,868 has been appropriately determined and that the rate riders to dispose of this balance over 2 years is appropriate. The following Table 9b shows the calculation of rate riders:

**Table 9b – Allocation of LRAMVA Balances**

kWh	Year	2016	Share	Target
Residential	kWh	78,290,332	41.37%	1,378,906
General Service < 50 kW	kWh	34,887,634	18.43%	614,466
Unmetered Scattered Load	kWh	472,197	0.25%	8,317
General Service > 50 kW - 4999 kW	kWh	75,351,822	39.81%	1,327,150
Streetlighting	kWh	1,379,313	0.00%	0
Sentinel Lighting	kWh	255,185	0.13%	4,494
Total		190,636,483	100.00%	3,333,333.33

**Evidence:**

Application:

- Exhibit 3 Tab 1 Load and Revenue Forecast in its entirety
- Exhibit 3 Tab 3 Impact and Persistence from Historical CDM Programs
- Exhibit 3 Tab 4 Accuracy of Load Forecast and Variance Analysis
- Ex.8/Tab 1/Sch.11 - Loss Adjustment Factors

Interrogatory Responses:

- 3-Staff-45 Ref: Exhibit 3, p. 12 – 17 of 71
- 3-Staff-46 Ref: Load forecast model – Tab 10, CDM adjustment
- 3.0 –VECC -15 Reference: E3/pages 4-5
- 3.0 –VECC -16 Reference: E3/page 7 (lines 3-4 & 28-29); page 8 (lines 1-2) and page 27 (Table 3.15)
- 3.0 –VECC -17 Reference: E3/pages 10 and 27
- 3.0 –VECC -18 Reference: E3/pages 12-19
- 3.0 –VECC -19 Reference: E3/pages 28-33
- 3.0 –VECC -20 Reference: E3/pages 34-38 Load Forecast Model, Tab 10 - CDM Adjustment
- 3.0 –VECC -21 Reference: E3/pages 41-47

Appendices to this Settlement Proposal:

**Supporting Parties: All**

**3.2 Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios appropriate?**

**Complete Settlement:**

The Parties accept the evidence of ORPC that, subject to the adjustments identified below, the cost allocation methodology, allocations and revenue-to-cost ratios are appropriate.

- a) ORPC agrees to balance its revenue requirement across customer classes by using the OEB's standard methodology: that is by moving the revenue to cost ratios to the edge of the OEB range, if outside of the range, and then beginning with the lowest revenue to cost ratios, as determined by the cost allocation model, and increasing it until it matches the next lowest revenue to cost ratio, then continuing to increase each in this manner until the revenue requirement is balanced. The following Table 10 sets out the results of the Cost Allocation

model and the revenue to cost ratios settled upon by the Parties. It is acknowledged that ORPC's revenue requirement may be subject to change based on the OEB's determination on the unsettled issues.

**Table 10 – Proposed Revenue to Cost Ratios**

IRs	Application Aug 28 2015			IRs Jan 28 2016			Settlement Proposal Mar 15 2016		
	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Calculated R/C Ratio	Proposed R/C Ratio	Variance
Customer Class Name									
Residential	0.95	0.97	-0.02	0.92	0.95	-0.03	0.92	0.92	0.00
General Service < 50 kW	1.04	1.04	0.00	1.15	1.15	0.00	1.16	1.16	0.00
General Service > 50 to 4999 kW	1.17	1.10	0.07	1.18	1.05	0.13	1.17	1.17	0.00
Sentinel Lighting	0.85	0.85	0.00	0.76	0.80	-0.04	0.77	0.80	-0.03
Streetlights	0.95	0.95	0.01	0.98	0.98	0.00	1.23	1.20	0.04
Unmetered Scattered Load	0.43	0.60	-0.17	0.54	0.80	-0.26	0.52	0.80	-0.28

**Evidence:**

Application:

- Ex.7/Tab 1/Sch.1 - Overview of Cost Allocation
- Ex.7/Tab 2/Sch.1 - Class Revenue Analysis
- Ex.7/Tab 3/Sch.1 - Cost Allocation Results and Analysis

Interrogatory Responses:

- 7-Staff-69 Cost Allocation Ref: Cost Allocation Model, Tab I6.2 – Customer Data and Exhibit 1, p.7 of 73
- 7.0 – VECC –38 Reference:E7/pages 2-5 Cost Allocation Model, Tabs I5.2, I6.1, I6.2, I7.1
- 7.0 – VECC –39 Reference:E7/pages 9-10
- 7.0 – VECC –40 Reference:E7/pages 14-16 and Appendix 2-P

Appendices to this Settlement Proposal:

**Supporting Parties:** All

**3.3 Are the applicant's proposals for rate design appropriate?**

**Complete Settlement:**

The Parties accept the evidence of ORPC that, subject to the adjustments identified below, ORPC's proposal for rate design, including the proposed fixed/variable splits is appropriate. The rate design for residential class reflects the OEB's *New Distribution Rate Design for Residential Electricity Customers (EB-2014-0210)*. The following Table 11 sets out ORPC's proposed fixed/variable rates, subject to the OEB determination on the unsettled issues.

- a) ORPC agrees to reduce the Monthly Fixed Distribution Charge for the General Service > 50 – 4,999 kW customer class to \$85.43, being the ceiling identified from the cost allocation study.
- b) In an effort to reduce the bill impacts for low volume consumers, ORPC is proposing to recover the cost of smart meters over a 4 year period instead of a 2 year period, as originally requested. ORPC is also proposing to transition to a Fully Fixed Residential Rate over a period of 5 years instead of 4 years, as originally requested. The combination of the two revisions has reduced the bill impacts for low volume consumers to 11.80%.

**Table 11 – Proposed 2016 Distribution Charges**

Rate Design - Original Application		Application Aug 28 2015	Application Aug 28 2015	Settlement Proposal Mar 15 2016	Settlement Proposal Mar 15 2016
Customer Class Name	per	Fixed Rate	Variable Rate (i)	Fixed Rate	Variable Rate (i)
Residential	kWh	\$18.05	\$0.0114	\$14.59	\$0.0135
General Service < 50 kW	kWh	\$27.35	\$0.0125	\$22.97	\$0.0131
General Service > 50 to 4999 kW	kW	\$378.72	\$1.1140	\$85.43	\$3.5716
Sentinel Lighting	kW	\$3.58	\$10.8722	\$3.00	\$9.3167
Streetlights	kW	\$2.61	\$13.9024	\$2.41	\$13.2071
Unmetered Scattered Load	kWh	\$6.20	\$0.0059	\$10.85	\$0.0037
		<b>Cost Allocation - Minimum Fixed Rate (b)</b>	<b>Cost Allocation - Maximum Fixed Rate (b)</b>	<b>Cost Allocation - Minimum Fixed Rate (b)</b>	<b>Cost Allocation - Maximum Fixed Rate (b)</b>
Customer Class Name	per				
Residential	kWh	\$6.96	\$19.59	\$6.85	\$18.50
General Service < 50 kW	kWh	\$10.14	\$28.40	\$7.02	\$21.44
General Service > 50 to 4999 kW	kW	\$31.87	\$105.06	\$27.32	\$85.43
Sentinel Lighting	kW	\$0.99	\$8.34	\$0.72	\$7.60
Streetlights	kW	\$0.80	\$4.41	\$0.66	\$3.27
Unmetered Scattered Load	kWh	\$7.53	\$18.03	\$2.88	\$10.83

**Evidence:**

Application:

- Ex.8/Tab 1/Sch.1 2 - Rate Design Policy Consultation
- Ex.8/Tab 1/Sch.3 - Comparison 1 of Fixed and Variable Charges under current and proposed rates
- Ex.8/Tab 1/Sch.12 - Revenue Reconciliation
- Ex.8/Tab 1/Sch.13 - Tariff of Rates and Charges
- 17 Ex.8/Tab 1/Sch.14 - Bill Impact Information;
- 18 Ex.8/Tab 1/Sch.15 - Rate Mitigation/Foregone Revenues

Interrogatory Responses:

- 8-Staff-70 Maximum Fixed Charge - Minimum System with PLCC Adjustment Ref: Cost Allocation Model, Tab O2 and Exhibit 8, p. 7, Table 8.2 and 8.3
- 8-Staff-75 Residential Rate Design Ref: Exhibit 8, p. 4, Table 8.2 and Appendix 2-PA
- 8.0 –VECC – 41 Reference: E8/pages 4-8
- 8.0 –VECC – 43 Reference: E8/page 30 and Appendix 2-W
- 1-SEC-18 Ex. 8 Please recalculate the proposed rates for GS>50 on the assumption that the monthly fixed charge is set at the Minimum System plus PLCC cap.

Appendices to this Settlement Proposal:

**Supporting Parties:** All

**3.4 *Are the proposed Retail Transmission Service Rates and Low Voltage service rates appropriate?***

**Complete Settlement:**

Subject to the adjustment identified below, the Parties accept the evidence of ORPC that the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates and Low Voltage service rates, is appropriate.

- a) ORPC will update the RTSR model to reflect the most current Hydro One Sub-Transmission Rates available as of the date of this Settlement Proposal.

The Retail Transmission Service Rates are set out in Table 12 below:

**Table 12: Retail Transmission Service Rates**

Transmission - Network	Original Application	Original Application	Settlement	Settlement	Variance	Variance
Customer						
Class Name	Rate	Impact on CoP	Rate	Impact on CoP		
Residential	0.0060	\$508,855	0.0059	\$472,480	-0.0001	-\$36,375
General Service < 50 kW	0.0056	\$186,540	0.0054	\$193,836	-0.0001	\$7,296
General Service > 50 to 4999 kW	2.2676	\$442,524	2.2211	\$468,320	-0.0465	\$25,796
Sentinel Lighting	1.7188	\$428,968	1.6835	\$438,811	-0.0353	\$9,843
Streetlighting	1.7101	\$5,952	1.6750	\$6,432	-0.0351	\$480
Unmetered Scattered Load	0.0056	\$2,565	0.0054	\$2,624	-0.0001	\$59
		\$1,575,404		\$1,582,503		\$7,099
Transmission - Connection						
Customer						
Class Name	Rate	Impact on CoP	Rate	Impact on CoP		
Residential	0.0046	\$388,002	0.0045	\$362,190	-0.0001	-\$25,812
General Service < 50 kW	0.0041	\$137,332	0.0040	\$143,465	-0.0001	\$6,133
General Service > 50 to 4999 kW	1.6312	\$318,327	1.6062	\$338,682	-0.0249	\$20,355
Sentinel Lighting	1.2875	\$321,321	1.2678	\$330,449	-0.0197	\$9,128
Streetlighting	1.2611	\$4,389	1.2418	\$4,769	-0.0193	\$380
Unmetered Scattered Load	0.0041	\$1,888	0.0040	\$1,942	-0.0001	\$54
Impact on Cost of Power		\$1,171,259		\$1,181,497		\$10,238



The Low Voltage Service Rates are set out in Table 13 below:

**Table 13: Low Voltage Service Rates**

		Application Aug 28 2015	Application Aug 28 2015	Settlement Proposal Mar 15 2016	Settlement Proposal Mar 15 2016	Variance	Variance
Customer Class							
Residential	kWh	0.0008	\$67,486	0.0008	\$63,974	0.0000	-\$3,511
General Service < 50 kW	kWh	0.0007	\$23,513	0.0007	\$24,945	0.0000	\$1,432
General Service > 50 to 4999 kW	kW	0.2855	\$55,715	0.2787	\$58,765	-0.0068	\$3,049
Sentinel Lighting	kW	0.2253	\$56,230	0.22	\$57,344	-0.0053	\$1,114
Streetlighting	kW	0.2207	\$768	0.2155	\$828	-0.0052	\$59
Unmetered Scattered Load	kW	0.0007	\$323	0.0007	\$338	0.0000	\$14
			\$204,036		\$206,193		\$2,157

A revised RTSR model in working Microsoft Excel format is being filed with this Settlement Proposal under file name: EB-2014-0105 2016 ORPC RTSR\_Model\_20160315

**Evidence:**

Application:

- Ex.8/Tab 1/Sch.4 - Retail Transmission Service Rates
- Ex.8/Tab 1/Sch.10 - Low Voltage Service Rates

Interrogatory Responses:

- 8-Staff-73 Low Voltage Charges Ref: Exhibit 8, p. 21, Table 8.11

Appendices to this Settlement Proposal:

**Supporting Parties: All**

## 4. Accounting

### 4.1 *Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?*

#### **Complete Settlement:**

The Parties accept the evidence of ORPC that any changes in accounting standards, policies, estimates and adjustments have been properly identified and recorded, and that the rate-making treatment of each of these impacts is appropriate.

An updated EDDVAR Continuity Schedule is provided in working Microsoft Excel format reflecting this Settlement Proposal under file named "EB-2014-0105 2016 ORPC EDDVAR\_Continuity\_Schedule\_20160315". This file also includes the calculation of the various riders discussed below.

#### **Evidence:**

##### Application:

- Ex.1/Tab 4/Sch.1 - Historical Financial Statements
- Ex.1/Tab 4/Sch.2 1 - Reconciliation between Financial Statements and Results Filed
- Ex.1/Tab 6/Sch.13 - Accounting Standards for Regulatory and Financial Reporting
- Ex.1/Tab 1 4/Sch.5 - Other Relevant Information- accounting orders

##### Interrogatory Responses:

##### Appendices to this Settlement Proposal:

#### **Supporting Parties: All**

### 4.2 *Are the applicant's proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, and the continuation of existing accounts appropriate?*

#### **Complete Settlement:**

Subject to the adjustment identified below, the Parties accept the evidence of ORPC that the proposed deferral and variance accounts, including the balances in the existing accounts and their disposition, and the continuation of existing accounts, are appropriate.

- a) ORPC has confirmed that no OPEB amounts are included in rates as budgeted for the Test Year. No deferral account is required for OPEBs due to the limited future liability expected

1 by ORPC.

- 2 b) ORPC agrees to update of the balance of Accounts identified in Appendix A below which  
3 are reflected in EDDVAR Model which is attached to this Settlement Proposal as "EB-2014-  
4 0105 2016 ORPC EDDVAR\_Continuity\_Schedule\_20160315".
- 5 c) ORPC agrees to update Account 1576 to an amount of \$151,181 as agreed by the Parties  
6 and being inclusive of the return on rate base component. The calculations supporting the  
7 disposition of account 1576 are presented at Appendix C of this document
- 8 d) ORPC agrees to update the LRAMVA balances to reflect adjustments and persistence as  
9 reported in the IESO 2014 Final Report.

10  
11 Appendix A sets out the different rate riders for the disposition of the Deferral and Variance  
12 Accounts.

13 **Evidence:**

14 Application:

- 15 • Ex.9 Deferral and Variance Accounts in its entirety including the DVA Continuity  
16 Schedule
- 17 • Ex.4/Tab 6/Sch.2 - LRAM
- 18 • Exhibit 3, page 70 2011 to 2013 Verified OPA Final and 2014 Preliminary CDM Results;  
19 (LRAMVA)

20 Interrogatory Responses:

- 21 • 4-Staff-66 Ref: Ex 4, T6, S2 – LRAMVA
- 22 • 3.0 (h) –VECC -20 Reference: E3/pages 34-38, Load Forecast Model, Tab 10 - CDM  
23 Adjustment
- 24 • 3.0 –VECC -19 (c)(iv) Reference: E3/pages 28-33
- 25 • 4.0 -VECC -35 Reference:E4/pages 65-69

26 Clarifying Questions:

- 27 • VECC – CQ 46 Reference: 4-Staff-674-VECC-35 LRAMVA Model (Updated January  
28 28, 2016)

29 Appendices to this Settlement Proposal:

30 **Supporting Parties:** All

31

32

**5. Other**

**5.1 *Are the proposed changes to specific service charges appropriate (change of return cheque charge, new Meter Dispute Charge plus Measurement Canada charge)?***

**Complete Settlement:**

The Parties accept the evidence of ORPC that any changes to specific service charges, including specifically those set out in the Smart Meter Model, are appropriate.

The Parties accept the evidence of ORPC that a new service charge - Meter Dispute Charge plus Measurement Canada Charges is justified and reasonable. The new charge is intended to cover the cost of customers questioning faulty meters which is most often explained by meter reading rather than faulty meters. The Returned Cheque Charge was also increased to reflect actual costs

**Evidence:**

Application:

- Ex.3/Tab 5/Sch.4 - Proposed changes to Specific Service Revenues

Interrogatory Responses:

- 8-Staff-72 Specific Service Charges Ref: Exhibit 3, p. 58 of 71 and proposed tariff of rates and charges

Appendices to this Settlement Proposal:

**Supporting Parties: All**

**5.2 *Are the proposed Smart Meter Capital and OM&A costs requested for disposition and the resulting rate riders appropriate?***

**Complete Settlement:**

The Parties accept the evidence of ORPC that the proposed Smart Meter Capital and OM&A costs requested for disposition and the resulting rate riders are appropriate. Group 1 and Group 2 DVA balances are proposed to be disposed of over 2 year and the Smart Meter Disposition riders is proposed to be disposed over 4 year to help reduce bill impacts for low volume customers. ORPC has followed the OEB's guidance as provided by the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report.

Changes in the rate riders are set out in Table 14 below:

**Table 14: Changes in the Rate Riders**

Particulars	Application Aug 28 2015	Interrogatories Jan 28 2016	Variance over Original Filing (1)	Settlement Proposal Mar 15 2016	Variance over IRs (2)
Smart Meter related Capital Costs	\$1,773,732.00	\$1,773,732.00	\$0.00	\$1,773,732.00	\$0.00
Smart Meter related OM&A Costs	\$97,382.00	\$97,382.00	\$0.00	\$97,382.00	\$0.00
Rate Rider					
Residential	\$3.36	\$3.33	-\$0.03	<b>\$1.68</b>	-\$1.65
General Service < 50 kW	\$8.92	\$8.90	-\$0.02	\$4.47	-\$4.43

(1) The variance between the original application filed on August 28 and ORPCs responses to IRs filed on January 28 can be explained by a change in cost of capital. The OEB updated the cost of capital parameters for distribution rates effective in 2016 in a letter issued on October 15, 2015. Reference: 5-Staff-69 Ref: Exhibit 5, p. 3 of 17

(2) The variance between ORPCs responses filed on January 28 and the Settlement Proposal can be explained by a change in disposition period from 2 years to 4 years.

**Evidence:**

Application:

- Ex.2/Tab 4/Sch.1 - Disposition of Smart Meters
- Ex.2/Tab 4/Sch.2- Treatment of Stranded Meters

Interrogatory Responses:

- 2.0-VECC-3 Reference: E1/pg.32
- 2.0-VECC-4 Reference: E1/pgs. 43-45
- 9-Staff-77 Smart Meters Ref: Smart Meter Model, Tab 3 – Cost of Capital Parameters
- 9-Staff-78 Smart Meter Ref: Smart Meter Model, Tab 3 – Cost of Capital Parameters
- 9-Staff-79 Ref: Smart Meter Model, Tab 8 – Interest rates
- 9-Staff-80 Ref: Smart Meter Model, Tab 9 – Average number of customers

- 1                   • 9-Staff-81 Ref: Smart Meter Model, Tab 10A
- 2                   • 9-Staff-82 Smart Meters
- 3                   • 9-Staff-83 Ref: Exhibit 9, p. 4 of 45
- 4                   • 9-Staff-76 Stranded Meters Ref: Exhibit 2, pp. 43 – 45

5           Clarifying Questions:

- 6                   • N/A

7           Appendices to this Settlement Proposal:

- 8                   • Appendix 2-S Stranded Meters

9           **Supporting Parties: All**

## Appendix A

### Deferral & Variance Account Balances

		Allocator	Original Application	Settlement
LV Variance Account	1550	kWh	163,055	165,499
Smart Metering Entity Charge Variance Account	1551	# of Customers	(2,178)	(2,211)
RSVA - Wholesale Market Service Charge	1580	kWh	(519,789)	(527,866)
RSVA - Retail Transmission Network Charge	1584	kWh	(11,829)	(12,007)
RSVA - Retail Transmission Connection Charge	1586	kWh	77,454	78,507
RSVA - Power (excluding Global Adjustment)	1588	kWh	(469,006)	(476,225)
RSVA - Global Adjustment	1589	Non-RPP kWh	688,755	699,279
Disposition and Recovery/Refund of Regulatory Balances (2010)	1595	kWh	(436,699)	(442,309)
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	kWh	(98,335)	(99,621)
<b>Total of Group 1 Accounts (excluding 1589)</b>			<b>(1,297,327)</b>	<b>(1,316,232)</b>
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	kWh	30,000	30,000
<b>Total of Group 2 Accounts</b>			<b>30,000</b>	<b>30,000</b>
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	kWh	32,159	32,660
<b>Total of Account 1562 and Account 1592</b>			<b>32,159</b>	<b>32,660</b>
LRAM Variance Account (Enter dollar amount for each class)	1568		93,052	114,214
(Account 1568 - total amount allocated to classes)			93,052	87,109
<b>Variance</b>			<b>0</b>	<b>27,106</b>
<b>Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)</b>			<b>(308,532)</b>	<b>(312,141)</b>
<b>Total of Account 1580 and 1588 (not allocated to WMPs)</b>			<b>(988,795)</b>	<b>(1,004,091)</b>
<b>Balance of Account 1589 Allocated to Non-WMPs</b>			<b>688,755</b>	<b>699,279</b>
<b>Group 2 Accounts - Total balance allocated to each class</b>			<b>30,000</b>	<b>30,000</b>
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	kWh	0	0
Accounting Changes Under CGAAP Balance + Return Component	1576	kWh	87,623	(151,181)
<b>Total Balance Allocated to each class for Accounts 1575 and 1576</b>			<b>87,623</b>	<b>(151,181)</b>

**Appendix B**  
**Revenue Requirement Work Form**

[refer to PDF]





Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers



Version 6.00

Utility Name	Ottawa River Power Corporation
Service Territory	
Assigned EB Number	eb-2014-0195
Name and Title	Jane Donnelly, Chief Financial Officer
Phone Number	
Email Address	

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*While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.*





# Revenue Requirement Workform (RRWF) for 2016 Filers

Data Input <sup>(1)</sup>

	Initial Application	(2)	Adjustments	Settlement Agreement	(6)	Adjustments	Per Board Decision
<b>1 Rate Base</b>							
Gross Fixed Assets (average)	\$30,620,414		(\$355,286)	\$ 30,265,128			\$30,265,128
Accumulated Depreciation (average)	(\$20,313,620)	(5)	(\$226,037)	(\$20,539,657)			(\$20,539,657)
<b>Allowance for Working Capital:</b>							
Controllable Expenses	\$3,294,964		(\$230,000)	\$ 3,064,964			\$3,064,964
Cost of Power	\$23,602,740		\$1,023,136	\$ 24,625,876			\$24,625,876
Working Capital Rate (%)	7.50%	(9)		7.50%	(9)		7.50% (9)
<b>2 Utility Income</b>							
Operating Revenues:							
Distribution Revenue at Current Rates	\$4,125,223		(\$85,396)	\$4,039,828			
Distribution Revenue at Proposed Rates	\$4,804,192		(\$277,612)	\$4,526,580			
<b>Other Revenue:</b>							
Specific Service Charges	\$67,000		\$0	\$67,000			
Late Payment Charges	\$55,000		\$0	\$55,000			
Other Distribution Revenue	\$97,010		\$0	\$97,010			
Other Income and Deductions	\$65,000		\$0	\$65,000			
Total Revenue Offsets	\$284,010	(7)	\$0	\$284,010			
<b>Operating Expenses:</b>							
OM+A Expenses	\$3,294,964		(\$230,000)	\$ 3,064,964			\$3,064,964
Depreciation/Amortization	\$749,620		(\$9,691)	\$ 739,929			\$739,929
Property taxes							
Other expenses							
<b>3 Taxes/PILs</b>							
Taxable Income:							
Adjustments required to arrive at taxable income	(\$104,642)	(3)		(\$75,372)			
<b>Utility Income Taxes and Rates:</b>							
Income taxes (not grossed up)	\$71,985			\$68,632			
Income taxes (grossed up)	\$90,372			\$84,883			
Federal tax (%)	12.59%			12.12%			
Provincial tax (%)	7.75%			7.02%			
Income Tax Credits							
<b>4 Capitalization/Cost of Capital</b>							
<b>Capital Structure:</b>							
Long-term debt Capitalization Ratio (%)	56.0%			56.0%			
Short-term debt Capitalization Ratio (%)	4.0%	(8)		4.0%	(8)		(8)
Common Equity Capitalization Ratio (%)	40.0%			40.0%			
Preferred Shares Capitalization Ratio (%)							
	100.0%			100.0%			
<b>Cost of Capital</b>							
Long-term debt Cost Rate (%)	7.25%			7.25%			
Short-term debt Cost Rate (%)	2.07%			1.65%			
Common Equity Cost Rate (%)	8.98%			9.19%			
Preferred Shares Cost Rate (%)							

## Notes:

**General** Data inputs are required on Sheets 3. Data from Sheet 3 will automatically complete calculations on sheets 4 through 9 (Rate Base through Revenue Requirement). Sheets 4 through 9 do not require any inputs except for notes that the Applicant may wish to enter to support the results. Pale green cells are available on sheets 4 through 9 to enter both footnotes beside key cells and the related text for the notes at the bottom of each sheet.

- (1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
- (2) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I
- (3) Net of addbacks and deductions to arrive at taxable income.
- (4) Average of Gross Fixed Assets at beginning and end of the Test Year
- (5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (6) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.
- (7) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement
- (8) 4.0% unless an Applicant has proposed or been approved for another amount.
- (9) The default Working Capital Allowance factor is 7.5% (of Cost of Power plus controllable expenses), per the letter issued by the Board on June 3, 2015. Alternatively, WCA factor based on lead-lag study or approved WCA factor for another distributor, with supporting rationale.



Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers

## Rate Base and Working Capital

Line No.	Particulars		Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
1	Gross Fixed Assets (average) (3)		\$30,620,414	(\$355,286)	\$30,265,128	\$ -	\$30,265,128
2	Accumulated Depreciation (average) (3)		(\$20,313,620)	(\$226,037)	(\$20,539,657)	\$ -	(\$20,539,657)
3	Net Fixed Assets (average) (3)		\$10,306,794	(\$581,323)	\$9,725,471	\$ -	\$9,725,471
4	Allowance for Working Capital (1)		\$2,017,328	\$59,485	\$2,076,813	\$ -	\$2,076,813
5	<b>Total Rate Base</b>		<b>\$12,324,122</b>	<b>(\$521,837)</b>	<b>\$11,802,284</b>	<b>\$ -</b>	<b>\$11,802,284</b>

### (1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$3,294,964		(\$230,000)		\$3,064,964		\$ -		\$3,064,964	
7	Cost of Power	\$23,602,740		\$1,023,136		\$24,625,876		\$ -		\$24,625,876	
8	Working Capital Base	\$26,897,704		\$793,136		\$27,690,840		\$ -		\$27,690,840	
9	Working Capital Rate %	(2)	7.50%		0.00%		7.50%		0.00%		7.50%
10	Working Capital Allowance		\$2,017,328		\$59,485		\$2,076,813		\$ -		\$2,076,813

#### Notes

(2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2016 cost of service applications is 7.5%, per the letter issued by the Board on June 3, 2015. Alternatively, a utility could conduct and file its own lead-lag study.

(3) Average of opening and closing balances for the year.



Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers

## Utility Income

Line No.	Particulars	Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
	<b>Operating Revenues:</b>					
1	Distribution Revenue (at Proposed Rates)	\$4,804,192	(\$277,612)	\$4,526,580	\$ -	\$4,526,580
2	Other Revenue (1)	\$284,010	\$ -	\$284,010	\$ -	\$284,010
3	Total Operating Revenues	\$5,088,202	(\$277,612)	\$4,810,590	\$ -	\$4,810,590
	<b>Operating Expenses:</b>					
4	OM+A Expenses	\$3,294,964	(\$230,000)	\$3,064,964	\$ -	\$3,064,964
5	Depreciation/Amortization	\$749,620	(\$9,691)	\$739,929	\$ -	\$739,929
6	Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$4,044,584	(\$239,691)	\$3,804,893	\$ -	\$3,804,893
10	Deemed Interest Expense	\$510,564	(\$23,601)	\$486,962	\$1,983	\$488,945
11	Total Expenses (lines 9 to 10)	\$4,555,148	(\$263,292)	\$4,291,856	\$1,983	\$4,293,838
12	Utility income before income taxes	\$533,054	(\$14,320)	\$518,735	(\$1,983)	\$516,752
13	Income taxes (grossed-up)	\$90,372	(\$5,489)	\$84,883	\$ -	\$84,883
14	Utility net income	\$442,682	(\$8,830)	\$433,852	(\$1,983)	\$431,869

### Notes

#### Other Revenues / Revenue Offsets

(1)	Specific Service Charges	\$67,000	\$ -	\$67,000		\$67,000
	Late Payment Charges	\$55,000	\$ -	\$55,000		\$55,000
	Other Distribution Revenue	\$97,010	\$ -	\$97,010		\$97,010
	Other Income and Deductions	\$65,000	\$ -	\$65,000		\$65,000
	Total Revenue Offsets	\$284,010	\$ -	\$284,010	\$ -	\$284,010



# Revenue Requirement Workform (RRWF) for 2016 Filers

## Taxes/PILs

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
<b>Determination of Taxable Income</b>				
1	Utility net income before taxes	\$442,682	\$433,852	\$423,938
2	Adjustments required to arrive at taxable utility income	(\$104,642)	(\$75,372)	(\$104,642)
3	Taxable income	\$338,040	\$358,480	\$319,296
<b>Calculation of Utility income Taxes</b>				
4	Income taxes	\$71,985	\$68,632	\$68,632
6	Total taxes	\$71,985	\$68,632	\$68,632
7	Gross-up of Income Taxes	\$18,387	\$16,251	\$16,251
8	Grossed-up Income Taxes	\$90,372	\$84,883	\$84,883
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$90,372	\$84,883	\$84,883
10	Other tax Credits	\$ -	\$ -	\$ -
<b>Tax Rates</b>				
11	Federal tax (%)	12.59%	12.12%	12.12%
12	Provincial tax (%)	7.75%	7.02%	7.02%
13	Total tax rate (%)	20.35%	19.15%	19.15%

## Notes



# Revenue Requirement Workform (RRWF) for 2016 Filers

## Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial Application			
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$6,901,508	7.25%	\$500,359
2	Short-term Debt	4.00%	\$492,965	2.07%	\$10,204
3	<b>Total Debt</b>	60.00%	\$7,394,473	6.90%	\$510,564
	<b>Equity</b>				
4	Common Equity	40.00%	\$4,929,649	8.98%	\$442,682
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	40.00%	\$4,929,649	8.98%	\$442,682
7	<b>Total</b>	100.00%	\$12,324,122	7.73%	\$953,246
		Settlement Agreement			
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$6,609,279	7.25%	\$479,173
2	Short-term Debt	4.00%	\$472,091	1.65%	\$7,790
3	<b>Total Debt</b>	60.00%	\$7,081,371	6.88%	\$486,962
	<b>Equity</b>				
4	Common Equity	40.00%	\$4,720,914	9.19%	\$433,852
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	40.00%	\$4,720,914	9.19%	\$433,852
7	<b>Total</b>	100.00%	\$11,802,284	7.80%	\$920,814
		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
8	Long-term Debt	56.00%	\$6,609,279	7.25%	\$479,173
9	Short-term Debt	4.00%	\$472,091	2.07%	\$9,772
10	<b>Total Debt</b>	60.00%	\$7,081,371	6.90%	\$488,945
	<b>Equity</b>				
11	Common Equity	40.00%	\$4,720,914	8.98%	\$423,938
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	<b>Total Equity</b>	40.00%	\$4,720,914	8.98%	\$423,938
14	<b>Total</b>	100.00%	\$11,802,284	7.73%	\$912,883

### Notes

(1)

Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I



Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers

## Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application		Settlement Agreement		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$674,940		\$486,753		\$476,474
2	Distribution Revenue	\$4,125,223	\$4,129,252	\$4,039,828	\$4,039,828	\$4,039,828	\$4,050,106
3	Other Operating Revenue	\$284,010	\$284,010	\$284,010	\$284,010	\$284,010	\$284,010
	Offsets - net						
4	<b>Total Revenue</b>	<b>\$4,409,233</b>	<b>\$5,088,202</b>	<b>\$4,323,838</b>	<b>\$4,810,590</b>	<b>\$4,323,838</b>	<b>\$4,810,590</b>
5	Operating Expenses	\$4,044,584	\$4,044,584	\$3,804,893	\$3,804,893	\$3,804,893	\$3,804,893
6	Deemed Interest Expense	\$510,564	\$510,564	\$486,962	\$486,962	\$488,945	\$488,945
8	<b>Total Cost and Expenses</b>	<b>\$4,555,148</b>	<b>\$4,555,148</b>	<b>\$4,291,856</b>	<b>\$4,291,856</b>	<b>\$4,293,838</b>	<b>\$4,293,838</b>
9	<b>Utility Income Before Income Taxes</b>	<b>(\$145,915)</b>	<b>\$533,054</b>	<b>\$31,982</b>	<b>\$518,735</b>	<b>\$29,999</b>	<b>\$516,752</b>
10	Tax Adjustments to Accounting Income per 2013 PILs model	<b>(\$104,642)</b>	<b>(\$104,642)</b>	<b>(\$75,372)</b>	<b>(\$75,372)</b>	<b>(\$75,372)</b>	<b>(\$75,372)</b>
11	<b>Taxable Income</b>	<b>(\$250,557)</b>	<b>\$428,412</b>	<b>(\$43,390)</b>	<b>\$443,363</b>	<b>(\$45,373)</b>	<b>\$441,380</b>
12	Income Tax Rate	20.35%	20.35%	19.15%	19.15%	19.15%	19.15%
13	<b>Income Tax on Taxable Income</b>	<b>(\$50,977)</b>	<b>\$87,163</b>	<b>(\$8,307)</b>	<b>\$84,883</b>	<b>(\$8,687)</b>	<b>\$84,503</b>
14	<b>Income Tax Credits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
15	<b>Utility Net Income</b>	<b>(\$94,938)</b>	<b>\$442,682</b>	<b>\$40,289</b>	<b>\$433,852</b>	<b>\$38,686</b>	<b>\$431,869</b>
16	<b>Utility Rate Base</b>	<b>\$12,324,122</b>	<b>\$12,324,122</b>	<b>\$11,802,284</b>	<b>\$11,802,284</b>	<b>\$11,802,284</b>	<b>\$11,802,284</b>
17	Deemed Equity Portion of Rate Base	\$4,929,649	\$4,929,649	\$4,720,914	\$4,720,914	\$4,720,914	\$4,720,914
18	Income/(Equity Portion of Rate Base)	-1.93%	8.98%	0.85%	9.19%	0.82%	9.15%
19	Target Return - Equity on Rate Base	8.98%	8.98%	9.19%	9.19%	8.98%	8.98%
20	Deficiency/Sufficiency in Return on Equity	-10.91%	0.00%	-8.34%	0.00%	-8.16%	0.17%
21	Indicated Rate of Return	3.37%	7.73%	4.47%	7.80%	4.47%	7.80%
22	Requested Rate of Return on Rate Base	7.73%	7.73%	7.80%	7.80%	7.73%	7.73%
23	Deficiency/Sufficiency in Rate of Return	-4.36%	0.00%	-3.33%	0.00%	-3.26%	0.07%
24	Target Return on Equity	\$442,682	\$442,682	\$433,852	\$433,852	\$423,938	\$423,938
25	Revenue Deficiency/(Sufficiency)	\$537,620	(\$0)	\$393,563	\$ -	\$385,252	\$7,931
26	<b>Gross Revenue Deficiency/(Sufficiency)</b>	<b>\$674,940 (1)</b>		<b>\$486,753 (1)</b>		<b>\$476,474 (1)</b>	

### Notes:

(1) Revenue Deficiency/Sufficiency divided by (1 - Tax Rate)





Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers

## Revenue Requirement

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
1	OM&A Expenses	\$3,294,964	\$3,064,964	\$3,064,964
2	Amortization/Depreciation	\$749,620	\$739,929	\$739,929
3	Property Taxes	\$ -		
5	Income Taxes (Grossed up)	\$90,372	\$84,883	\$84,883
6	Other Expenses	\$ -		
7	Return			
	Deemed Interest Expense	\$510,564	\$486,962	\$488,945
	Return on Deemed Equity	\$442,682	\$433,852	\$423,938
8	<b>Service Revenue Requirement (before Revenues)</b>	\$5,088,203	\$4,810,590	\$4,802,659
9	Revenue Offsets	\$284,010	\$284,010	\$ -
10	<b>Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)</b>	\$4,804,193	\$4,526,580	\$4,802,659
11	Distribution revenue	\$4,804,192	\$4,526,580	\$4,526,580
12	Other revenue	\$284,010	\$284,010	\$284,010
13	<b>Total revenue</b>	\$5,088,202	\$4,810,590	\$4,810,590
14	<b>Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)</b>	(\$0) (1)	\$ - (1)	\$7,931 (1)

### Notes

(1) Line 11 - Line 8



Ontario Energy Board

# Revenue Requirement Workform (RRWF) for 2016 Filers

## Tracking Form

The last row shown is the most current estimate of the cost of service data reflecting the original application and any updates provided by the applicant distributor (for updated evidence, responses to interrogatories, undertakings, etc.) Please ensure a Reference (Column B) and/or Item Description (Column C) is entered. Please note that unused rows will automatically be hidden and the PRINT AREA set when the PRINT BUTTON on Sheet 1 is activated.

<sup>(1)</sup> Short reference to evidence material (interrogatory response, undertaking, exhibit number, Board Decision, Code, Guideline, Report of the Board, etc.)

<sup>(2)</sup> Short description of change, issue, etc.

60 Tracking Rows have been provided below. If you require more, please contact Industry Relations @ [IndustryRelations@ontarioenergyboard.ca](mailto:IndustryRelations@ontarioenergyboard.ca).

## Summary of Proposed Changes

Reference <sup>(1)</sup>	Item / Description <sup>(2)</sup>	Cost of Capital		Rate Base and Capital Expenditures			Operating Expenses			Revenue Requirement			
		Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance (\$)	Amortization / Depreciation	Taxes/PILs	OM&A	Service Revenue Requirement	Other Revenues	Base Revenue Requirement	Grossed up Revenue Deficiency / Sufficiency
	Original Application	\$ 953,246	7.73%	\$ 12,324,122	\$ 26,897,704	\$ 2,017,328	\$ 749,620	\$ 90,372	\$ 3,294,964	\$ 5,088,203	\$ 284,010	\$ 4,804,193	\$ 674,940
1 3-VECC-19	Update to the LF and Cost of Power (WMS/RPPP)	\$ 957,268	7.73%	\$ 12,376,120	\$ 27,591,020	\$ 2,069,327	\$ 749,620	\$ 90,372	\$ 3,294,964	\$ 5,092,225	\$ 284,010	\$ 4,808,215	\$ 679,439

## Appendix C

### Account 1576 – Accounting Changes under CGAAP

#### Appendix 2-EC

##### Account 1576 - Accounting Changes under CGAAP 2013 Changes in Accounting Policies under CGAAP

For applicants that made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013

Reporting Basis				2013	2014	2015 Rebasing Year
				IRM	IRM	MIFRS
				Actual	Actual	Actual
					\$	\$
<b>PP&amp;E Values under former CGAAP</b>						
Opening net PP&E - Note 1				7,731,371	8,265,231	8,471,518
Net Additions - Note 4				1,287,023	580,010	754,384
Net Depreciation (amounts should be negative) - Note 4				-753,162	-373,724	-804,402
<b>Closing net PP&amp;E (1)</b>				8,265,231	8,471,518	8,421,500
<b>PP&amp;E Values under revised CGAAP (Starts from 2013)</b>						
Opening net PP&E - Note 1				7,731,371	8,305,982	8,556,887
Net Additions - Note 4				1,287,023	580,010	754,384
Net Depreciation (amounts should be negative) - Note 4				-712,411	-329,105	-758,634
<b>Closing net PP&amp;E (2)</b>				8,305,982	8,556,887	8,552,437
<b>Difference in Closing net PP&amp;E, former CGAAP vs. revised CGAAP</b>				-40,751	-85,369	-130,938

#### Effect on Deferral and Variance Account Rate Riders

Closing balance in Account 1576	-	130,938
Return on Rate Base Associated with Account 1576 balance at WACC - Note 2	-	20,243
<b>Amount included in Deferral and Variance Account Rate Rider Calculation</b>	-	151,181

WACC	7.73%
# of years of rate rider disposition period	2