Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2014-0105

OTTAWA RIVER POWER CORPORATION

Application for electricity distribution rates beginning May 1, 2016

BEFORE: Ellen Fry
Presiding Member

Allison Duff
Member

May 12, 2016

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1. INTRODUCTION AND SUMMARY

This is a Decision of the Ontario Energy Board (OEB) on an application filed by Ottawa River Power Corporation (Ottawa River Power) to change its electricity distribution rates effective May 1, 2016 (the Application). Under the OEB Act, distributors must apply to the OEB to change the rates they charge their customers.

Ottawa River Power provides electricity distribution services to approximately 13,000 customers in the City of Pembroke and its vicinity.

The rates approved in this Decision are set based on the OEB's determination of the revenue required to cover the cost of operating and maintaining Ottawa River Power's distribution system at a level of service that meets the needs of its customers.

Ottawa River Power and the intervenors filed a settlement proposal with the OEB. The OEB approves the settlement proposal which reduces the required 2016 revenue by $0.3M from the amount proposed in the Application.

The settlement proposal covered all but one issue. The parties did not agree on the interest rate applicable to the long-term debt Ottawa River Power has with its four shareholders (the affiliate debt).

The OEB finds that the affiliate debt has a variable interest rate. As a result, the OEB's current deemed interest rate on long-term debt of 4.54% shall be used to calculate Ottawa River Power's cost of capital.

After implementing the findings of this Decision, Ottawa River Power will provide the OEB with a final calculation of its rates and charges. The OEB will review these filings and determine Ottawa River Power's final rates for 2016.

2. THE PROCESS

On October 5, 2015, Ottawa River Power filed an application for 2016 rates that complied with the OEB's filing requirements. School Energy Coalition (SEC) and the Vulnerable Energy Consumers Coalition (VECC) applied for and were granted intervenor status. OEB staff also participated in the proceeding.

The OEB provided parties the opportunity to ask Ottawa River Power questions about the evidence in writing, through interrogatories. A settlement conference was held on February 9-10, 2016 and all parties were invited to participate. Following the settlement conference, the parties continued discussions. The OEB granted three extensions to accommodate these discussions. Ottawa River Power, SEC and VECC reached a settlement on all but one issue and a settlement proposal was filed with the OEB on March 15, 2016. The settlement proposal is attached as Schedule A. OEB staff filed a submission supporting the settlement proposal on March 22, 2016.

The OEB decided to proceed with an oral hearing on March 31, 2016 for Ottawa River Power to present the settlement proposal and for the OEB to hear the unsettled issue. Ottawa River Power witnesses provided further evidence on the unsettled issue of the interest rate on its long-term affiliate debt.

Following cross-examination of the witnesses, Ottawa River Power presented its argument-in-chief orally and OEB staff made an oral submission in response. SEC and VECC filed written arguments on April 3 and 6, 2016 respectively. Ottawa River Power filed its reply argument on April 13, 2016.

3. DECISION ON THE ISSUES

3.1 Settlement Proposal

The settlement proposal was a settlement of all issues except the interest rate for Ottawa River Power's long-term affiliate debt. In the settlement proposal, the parties agreed to certain reductions to Ottawa River Power's proposed opening rate base and operating, maintenance and administrative costs for 2016. The reductions result in Ottawa River Power requiring less revenue by approximately $0.3M (5.45%) than what was proposed in the Application.

Findings

The OEB approves the settlement proposal and the associated impact on 2016 rates, which it considers will result in fair and reasonable rates.

3.2 Interest Rate on Long-Term Affiliate Debt

Since 2000, the OEB has employed a deemed capital structure for distributors. Under this structure, the OEB establishes annually the deemed interest rate for long-term debt.

The OEB's Report on the Cost of Capital for Ontario's Regulated Utilities[1] (2009 Report) indicates that its deemed long-term debt rate is used as a ceiling when loans are secured from an affiliate or have a variable interest rate. As a placeholder, the settlement proposal included Ottawa River Power's proposed interest rate of 7.25% for its long-term affiliate debt. However, as part of the settlement proposal, the parties agreed that Ottawa River Power would recalculate its required revenue to incorporate the interest rate that the OEB approves as part of this Decision. Ottawa River Power's long-term debt is comprised of four debts owed to its four municipal shareholders, namely the city of Pembroke (Pembroke), the village of Beachburg (Beachburg), the town of Mississippi Mills (Mississippi Mills) and the township of Killaloe, Hagarty & Richards (Killaloe). Ottawa River Power indicated that the interest rate of 7.25% on each of these loans is a fixed rate over a 20 years term and was based on the OEB's deemed long-term rate when the debt was issued.

Ottawa River Power stated that its affiliate debt terms were established in promissory notes when the electricity market opened in 2002, yet it was unable to produce the actual promissory notes. Ottawa River Power instructed its current lawyers to create replacement notes[2] in place of the original promissory notes. The replacement notes were filed as evidence in the proceeding.

The intervenors and OEB staff questioned whether the four promissory notes were ever executed. During the oral hearing, Ottawa River Power's witness testified that the original notes were either lost or "not done"[3] at all. The intervenors and OEB staff submitted that the interest rate in the intended promissory notes was variable, and the rate was to be re-negotiated annually. In response, Ottawa River Power argued that the option to renegotiate the debt rate on an annual basis is a void and unenforceable 'agreement to agree'. Ottawa River Power stated that it was not in a position to re-negotiate the rate of the debt instruments.

OEB staff and intervenors also argued that it is not prudent for Ottawa River Power to pay its shareholders an interest rate significantly above the current market rate. In addressing the question of prudence, Ottawa River Power submitted that the debt rate

[1] EB-2009-0084 Report of the Board on the Cost of Capital for Ontario's Regulated Utilities, December 11
[2] Transcript, pg. 30 - 32
[3] Transcript, pg. 47, lines 20-23

of 7.25% was the OEB's deemed rate at the time of implementing the debt instrument and that no hindsight should be applied when assessing prudence.

Since the promissory notes could not be proven to exist, the intervenors and OEB staff submitted that the replacement notes should be treated as new debt, to which the current deemed debt rate would apply. Ottawa River Power argued that the replacement notes embody the original debt obligation and not new debt.

For these reasons, SEC, VECC and OEB submitted that the OEB's deemed long-term debt rate of 4.54% for 2016 should be the applicable interest rate for the affiliate debt for ratemaking purposes.

Findings

The OEB's 2009 Report sets out the principles that the OEB considers in approving a deemed interest rate on long-term debt. The general approach is that:

> [An OEB] panel will determine the debt treatment, including the rate allowed based on the record before it and considering the [OEB's] policy (these Guidelines) and practice. The onus will be on the utility to establish the need for and prudence of its actual and forecasted debt, including the cost of such debt.

The policy set out in the 2009 Report treats affiliate debt with a fixed rate differently from debt with a variable rate for ratemaking purposes. It is clear that Ottawa River Power has had a 20-year debt obligation to each of its affiliated shareholder municipalities of Pembroke, Killaloe, Mississippi Mills and Beachburg and has always paid interest on the debt to each municipality at a rate of 7.25%. However, the terms that govern the interest rate are not so clear.

Ottawa River Power argues that its affiliate debt has a fixed rate. If this position is correct, the 2009 Report indicates that the OEB's deemed interest rate on long-term debt at the time of issuance (7.25%) should be used as the ceiling to be incorporated in the rates to be recovered from customers.

The intervenors and OEB staff argue that the affiliate debt has a variable rate. If this position is correct, the 2009 Report indicates that the OEB's annual deemed interest rate on long-term debt, which is 4.54% for 2016, should be used as the ceiling for the allowed rates.

For the reasons outlined below, the OEB concludes that Ottawa River Power and the municipalities intended the debt to have a variable interest rate, rather than a fixed interest rate.

Ottawa River Power submits that the terms of the debt were recorded in four promissory notes between Ottawa River Power and the municipalities. However these promissory notes were not filed in evidence. They were also not filed in evidence in the previous OEB proceedings that considered the interest rate on long-term debt[4]. Ottawa River Power submits that the promissory notes have been lost.

It is clear from the evidence that the parties to the debt arrangement contemplated that there would be promissory notes. However, it is possible, based on the evidence, that the promissory notes were never executed as contemplated. It is difficult to imagine that Ottawa River Power, all four municipalities, the lawyers involved and the accountants involved would all have failed to retain or have lost every copy of these promissory notes, involving obligations of millions of dollars. Furthermore, no evidence was provided to indicate that anyone has ever actually seen any of the contemplated promissory notes.

To determine whether this debt has a fixed or variable interest rate, in the absence of promissory notes, it is necessary to look at the intent of Ottawa River Power and the municipalities at the time when they entered into the debt arrangement.

In June 2000 each of the municipalities passed a by-law whereby its electricity utility business was transferred to Ottawa River Power. Each by-law has a schedule referring to a promissory note, which contains identical wording concerning the interest rate:

> to bear interest at an effective rate, currently 7.25% per annum, term and interest to be re-negotiated annually.

As of October 1, 2000 the municipalities and Ottawa River Power entered into a shareholders' agreement that provides as follows:

> The parties further agree that [Ottawa River Power] shall pay interest on the Promissory Notes to Pembroke, Beachburg, Mississippi and Killaloe on their respective Notes in an amount not to exceed the maximum interest rate allowed by the Ontario Energy Board based upon their Handbook or any other regulation, schedule, document to be prepared or enacted by them or any successors to the said Ontario Energy Board or any other entity with regulatory authority for utilities in the Province of Ontario.

[4] EB-2009-0165

> The parties hereto agree that they may adjust the interest rate on the said Promissory Notes at the times and in the manner as set out by the regulation, and in an amount not to exceed the maximum interest rate allowed by any schedule, statute or otherwise as enacted by the Ontario Energy Board or any successor in the Province of Ontario.

On November 1, 2000 the municipalities and Ottawa River Power were parties to a Letter of Amendment agreeing to amend the terms of the contemplated promissory notes:

> It is, however, further agreed by the parties that interest may be [charged] on the Note[s], pursuant to regulations as enacted by the Ontario Energy Board or other regulatory bodies in the Province of Ontario for the calculation of interest on these Notes.

Six years later, the notes to Ottawa River Power’s 2006 and 2007 financial statements state the following:

> The notes bear interest at 7.25% with the term and interest rate to be re-negotiated annually.

None of these documents states specifically that the interest rate is either a fixed rate or a variable rate. An interest rate is either fixed or it is not fixed. It is a standard financial term with a clear definition. The OEB has considered the documents collectively, and finds that the wording indicates that the rate was intended to change, since it was to be re-negotiated annually to reflect the policies of the OEB for the next 20 years, with the OEB’s allowed interest rate as the ceiling.

The fact that the parties did not undertake any renegotiation and that Ottawa River Power paid 7.25% consistently from 2000 are indicative of past practice. However, they do not indicate the intention of the parties when entering into the debt arrangement, which is embodied in the documentary evidence discussed above.

The OEB notes that replacement promissory notes were executed in March 2016. The evidence indicates that these replacement notes embody Ottawa River Power’s understanding of the terms of the original promissory notes. The replacement documents do not provide any new information regarding the intent of the parties when they entered into the debt arrangements.

Because the OEB concludes that the affiliate debt has a variable interest rate, the 2009 Report indicates that the maximum interest rate for ratemaking purposes should be the OEB’s current interest rate on long-term debt of 4.54%. The OEB approves 4.54%, its deemed 2016 interest rate on long-term debt, to set Ottawa River Power’s rates for

2016. Ottawa River Power and its shareholders are of course at liberty to continue the current arrangement of paying 7.25%; however, the difference between 4.54% and 7.25% would be a cost to the shareholders.

In addition, the OEB will not allow Ottawa River Power to recover 7.25% from customers for long-term debt in 2016 because it is significantly more than current market rates. Ottawa River Power has not established that paying 7.25% interest would be prudent.

The OEB notes that although a rate of 7.25% was approved for ratemaking purposes in previous proceedings, the OEB did not have evidence in those proceedings concerning the inability to locate the promissory notes or to identify anyone who had seen their contents.

4. IMPLEMENTATION

Ottawa River Power shall include the cost consequences of the settlement proposal, updated to incorporate the approved long-term debt rate of 4.54% in its calculation of its revenue requirement to be recovered from customers.

The OEB expects Ottawa River Power to file detailed supporting material showing the impact of this Decision on the overall revenue requirement, the allocation of revenues between classes and the derivation of base rates.

Ottawa River Power shall calculate foregone revenue and rate riders to recover the difference between the effective date of May 1, 2016 and the implementation date of June 1, 2016.

SEC and VECC were deemed eligible for cost awards in this proceeding. The OEB has made provisions for these intervenors to file their cost claims following the issuance of the OEB's final Rate Order regarding the Application. A cost awards decision will be issued after the following steps are completed.

5. ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Ottawa River Power shall file with the OEB and shall also forward to intervenors a draft rate order attaching a proposed Tariff of Rates and Charges reflecting the OEB's findings in this Decision and Order, within **7 days** of the date of this Decision and Order. The draft rate order shall also include customer rate impacts and detailed supporting information showing the calculation of final rates.

2. Intervenors and OEB staff shall file any comments on the draft rate order with the OEB, and forward to Ottawa River Power, within **7 days** of the date of filing of the draft rate order.

3. Ottawa River Power shall file with the OEB and forward to intervenors responses to any comments on its draft Rate Order within **7 days** of the date of receipt of the submission.

All filings to the OEB must quote the file number, EB-2014-0105, be made in searchable / unrestricted PDF format electronically through the OEB's web portal at https://www.pes.ontarioenergyboard.ca/eservice/. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at http://www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Birgit Armstrong at Birgit.Armstrong@ontarioenergyboard.ca and OEB Counsel, Maureen Helt at Maureen.Helt@ontarioenergyboard.ca.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto May 12, 2016

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE A

DECISION AND ORDER

OTTAWA RIVER POWER CORPORATION

EB-2014-0105

MAY 12, 2016

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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 Filing_Requirements_Chapter2_Appendices_20160315
- EB-2014-0105 2016 ORPC LRAMVA _20160315
- EB-2014-0105 2016 ORPC PILs_Workform_20160315
- EB-2014-0105 2016 ORPC Rev Reqt Work Form_20160315
- 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

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

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

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

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

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

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

ORPC and the following intervenors (the "Intervenors"), participated in the settlement conference:

School Energy Coalition ("SEC"); and

Vulnerable Energy Consumers Coalition ("VECC").

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

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

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

These settlement proceedings are subject to the rules relating to confidentiality and privilege contained in the Practice Direction. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the OEB's Practice Direction on Confidential Filings, and the rules of that latter document do not apply. Instead, in this settlement conference, and in this settlement proposal, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the settlement proceeding, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the settlement conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal. Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the settlement conference. However, the Parties agree that "attendees" is deemed to include, in this context, persons who were not physically in attendance at the settlement conference but were a) any persons or entities that the Parties engage to assist them with the settlement conference, and b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

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

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

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

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

"Complete Settlement" 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.	# issues settled: **11**
"**Partial Settlement**" 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.	# issues partially settled: **1**
"No Settlement" 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.	# issues not settled: **None**

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

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

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

Settlement Proposal as it relates to that issue prior to its resubmission to the OEB.

Unless stated otherwise, the settlement of any particular issue in this proceeding and the positions of the Parties in this Settlement Proposal are without prejudice to the rights of Parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not ORPC is a party to such proceeding, provided that no Party shall take a position that would result in this Agreement not applying in accordance with the terms contained herein.

Where in this Settlement Proposal, the Parties or any of them “accept” the evidence of ORPC, or “agree” to a revised term or condition, including a revised budget or forecast, then unless the Agreement expressly states to the contrary, the words “for the purpose of 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

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

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

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

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

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

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

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
Total	**$1,245,950**	**$889,778**	**$1,245,950**	**$879,986**	**-$9,791**

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

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

The Parties agree with ORPC's overall objectives to serve its customers, and have agreed that the revised OM&A budget will allow ORPC to achieve those objectives in the Test Year. Based on the foregoing and the evidence filed by ORPC, the Parties agree that the level of planned OM&A expenditures and the rationale for planning and pacing choices 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.4/Tab 1/Sch.1 - Overview of Operating Expenses
    - Ex.4/Tab 2/Sch.1 - Cost Driver Tables
    - Ex.4/Tab 3 – Program Delivery Costs

- ORPC's benchmarking performance 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 past 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)
- The settlement in respect of capital as described under issue 1.1 of this Settlement Proposal
- 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:

<u>Application:</u>

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

<u>Interrogatory Responses:</u>

- 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

	Depreciation Expense
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:

<u>Application:</u>

- 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

<u>Interrogatory Responses:</u>

- 2-Staff-7

<u>Appendices to this Settlement Proposal:</u>

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

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

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

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

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

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

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

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**		
Customer Class Name	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
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
		Cost Allocation - Minimum Fixed Rate (b)	**Cost Allocation - Maximum Fixed Rate (b)**	**Cost Allocation - Minimum Fixed Rate (b)**	**Cost Allocation - Maximum Fixed Rate (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.

<u>Appendices to this Settlement Proposal:</u>

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:

<u>Application:</u>

- 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

<u>Interrogatory Responses:</u>

<u>Appendices to this Settlement Proposal:</u>

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 by ORPC.

b) ORPC agrees to update of the balance of Accounts identified in Appendix A below which are reflected in EDDVAR Model which is attached to this Settlement Proposal as "EB-2014-0105 2016 ORPC EDDVAR_Continuity_Schedule_20160315".

c) ORPC agrees to update Account 1576 to an amount of $151,181 as agreed by the Parties and being inclusive of the return on rate base component. The calculations supporting the disposition of account 1576 are presented at Appendix C of this document

d) ORPC agrees to update the LRAMVA balances to reflect adjustments and persistence as reported in the IESO 2014 Final Report.

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

Evidence:

Application:

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

Interrogatory Responses:

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

Clarifying Questions:

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

Appendices to this Settlement Proposal:

Supporting Parties: All

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	**$1.68**	-$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:

<u>Application:</u>

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

<u>Interrogatory Responses:</u>

- 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

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

Clarifying Questions:

- N/A

Appendices to this Settlement Proposal:

- Appendix 2-S Stranded Meters

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)
Total of Group 1 Accounts (excluding 1589)			**(1,297,327)**	**(1,316,232)**
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	kWh	30,000	30,000
Total of Group 2 Accounts			**30,000**	**30,000**
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	kWh	32,159	32,660
Total of Account 1562 and Account 1592			**32,159**	**32,660**
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
Variance			**0**	**27,106**
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)			**(308,532)**	**(312,141)**
Total of Account 1580 and 1588 (not allocated to WMPs)			**(988,795)**	**(1,004,091)**
Balance of Account 1589 Allocated to Non-WMPs			**688,755**	**699,279**
Group 2 Accounts - Total balance allocated to each class			**30,000**	**30,000**
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)
Total Balance Allocated to each class for Accounts 1575 and 1576			**87,623**	**(151,181)**

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	

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.

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Data Input [1]

		Initial Application	(2)	Adjustments	Settlement Agreement	(6)	Adjustments	Per Board Decision	
1	**Rate Base**								
	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)	
	Allowance for Working Capital:								
	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)
2	**Utility Income**								
	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				
	Other Revenue:								
	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				
	Operating Expenses:								
	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								
3	**Taxes/PILs**								
	Taxable Income:								
	Adjustments required to arrive at taxable income	($104,642)	(3)		($75,372)				
	Utility Income Taxes and Rates:								
	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								
4	**Capitalization/Cost of Capital**								
	Capital Structure:								
	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%				
	Prefered Shares Capitalization Ratio (%)								
		100.0%			100.0%				
	Cost of Capital								
	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%				
	Prefered 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 colimn 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

Rate Base

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	**Total Rate Base**		$12,324,122	($521,837)	$11,802,284	$ -	$11,802,284

(1) Allowance for Working Capital - Derivation

Line No.	Particulars		Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
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
	Operating Revenues:						
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
	Operating Expenses:						
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

		Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
(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

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Taxes/PILs

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
	Determination of Taxable Income			
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
	Calculation of Utility income Taxes			
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	$ -	$ -	$ -
	Tax Rates			
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

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial Application			
		(%)	($)	(%)	($)
	Debt				
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	**Total Debt**	60.00%	$7,394,473	6.90%	$510,564
	Equity				
4	Common Equity	40.00%	$4,929,649	8.98%	$442,682
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$4,929,649	8.98%	$442,682
7	**Total**	100.00%	$12,324,122	7.73%	$953,246
		Settlement Agreement			
		(%)	($)	(%)	($)
	Debt				
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	**Total Debt**	60.00%	$7,081,371	6.88%	$486,962
	Equity				
4	Common Equity	40.00%	$4,720,914	9.19%	$433,852
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$4,720,914	9.19%	$433,852
7	**Total**	100.00%	$11,802,284	7.80%	$920,814
		Per Board Decision			
		(%)	($)	(%)	($)
	Debt				
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	**Total Debt**	60.00%	$7,081,371	6.90%	$488,945
	Equity				
11	Common Equity	40.00%	$4,720,914	8.98%	$423,938
12	Preferred Shares	0.00%	$ -	0.00%	$ -
13	**Total Equity**	40.00%	$4,720,914	8.98%	$423,938
14	**Total**	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 colimn M and Adjustments in column I

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application: At Current Approved Rates	Initial Application: At Proposed Rates	Settlement Agreement: At Current Approved Rates	Settlement Agreement: At Proposed Rates	Per Board Decision: At Current Approved Rates	Per Board Decision: 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 Offsets - net	$284,010	$284,010	$284,010	$284,010	$284,010	$284,010
4	**Total Revenue**	$4,409,233	$5,088,202	$4,323,838	$4,810,590	$4,323,838	$4,810,590
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	**Total Cost and Expenses**	$4,555,148	$4,555,148	$4,291,856	$4,291,856	$4,293,838	$4,293,838
9	**Utility Income Before Income Taxes**	($145,915)	$533,054	$31,982	$518,735	$29,999	$516,752
10	Tax Adjustments to Accounting Income per 2013 PILs model	($104,642)	($104,642)	($75,372)	($75,372)	($75,372)	($75,372)
11	**Taxable Income**	($250,557)	$428,412	($43,390)	$443,363	($45,373)	$441,380
12	Income Tax Rate	20.35%	20.35%	19.15%	19.15%	19.15%	19.15%
13	**Income Tax on Taxable Income**	($50,977)	$87,163	($8,307)	$84,883	($8,687)	$84,503
14	**Income Tax Credits**	$ -	$ -	$ -	$ -	$ -	$ -
15	**Utility Net Income**	($94,938)	$442,682	$40,289	$433,852	$38,686	$431,869
16	**Utility Rate Base**	$12,324,122	$12,324,122	$11,802,284	$11,802,284	$11,802,284	$11,802,284
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	**Gross Revenue Deficiency/(Sufficiency)**	$674,940 **(1)**		$486,753 **(1)**		$476,474 **(1)**	

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	**Service Revenue Requirement (before Revenues)**	$5,088,203		$4,810,590		$4,802,659	
9	Revenue Offsets	$284,010		$284,010		$ -	
10	**Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)**	$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	**Total revenue**	$5,088,202		$4,810,590		$4,810,590	
14	**Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)**	($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.
(1) Short reference to evidence material (interrogatory response, undertaking, exhibit number, Board Decision, Code, Guideline, Report of the Board, etc.)
(2) Short description of change, issue, etc.

60 Tracking Rows have been provided below. If you require more, please contact Industry Relations @ IndustryRelations@ontarioenergyboard.ca.

Summary of Proposed Changes

			Cost of Capital		Rate Base and Capital Expenditures			Operating Expenses			Revenue Requirement			
	Reference [1]	Item / Description [2]	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

				2013	2014	2015 Rebasing Year
Reporting Basis				**IRM**	**IRM**	**MIFRS**
				Actual	**Actual**	**Actual**
					$	$
PP&E Values under former CGAAP						
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
Closing net PP&E (1)				8,265,231	8,471,518	8,421,500
PP&E Values under revised CGAAP (Starts from 2013)						
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	-758,834
Closing net PP&E (2)				8,305,982	8,556,887	8,552,437
Difference in Closing net PP&E, former CGAAP vs. revised CGAAP				-40,751	-85,369	-130,938

Effect on Deferral and Variance Account Rate Riders				
Closing balance in Account 1576	-	130,938	**WACC**	7.73%
Return on Rate Base Associated with Account 1576 balance at WACC - Note 2	-	20,243		
Amount included in Deferral and Variance Account Rate Rider Calculation	-	151,181	**# of years of rate rider disposition period**	2