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**BY E-MAIL**

July 19, 2016

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited  
Application for Distribution Rates  
Board File Number EB-2015-0173**

Please find attached OEB staff's submission on the Settlement Proposal filed on July 12, 2016.

*Original Signed By*

Martin Davies  
Project Advisor, Electricity Rates & Accounting

**Toronto Hydro-Electric System Limited**

**EB-2015-0173**

**ONTARIO ENERGY BOARD**

**STAFF SUBMISSION**

**Incremental Capital Module (“ICM”) True-up Application – Settlement  
Proposal**

**July 19, 2016**

## **INTRODUCTION**

On July 12, 2016 Toronto Hydro-Electric System Limited (Toronto Hydro) filed a settlement proposal with respect to its application for an order approving an Incremental Capital Module (“ICM”) funding true-up amount of \$11.1 million and the resulting rate riders (the “ICM True-up Application”).

The parties to the settlement proposal are Toronto Hydro and the following OEB-approved intervenors in the proceeding: the Association of Major Power Consumers in Ontario, the Consumers Council of Canada, the School Energy Coalition, and Vulnerable Energy Consumers Coalition. The Building Owners and Managers Association of Greater Toronto, an intervenor in this proceeding did not participate in the Settlement Conference and is not one of the Parties.

The settlement proposal represents a complete settlement of the ICM True-up Application.

This submission reflects observations which arise from OEB staff’s review of the evidence and the settlement proposal, and is intended to assist the OEB in deciding upon Toronto Hydro’s application with respect to the issues laid out in the Settlement Proposal and in setting just and reasonable rates.

### **Submission**

OEB staff has reviewed the settlement proposal in the context of the objectives of the Renewed Regulatory Framework for Electricity, other applicable OEB policies, relevant OEB decisions, and the OEB’s statutory obligations. OEB staff is of the view that the settlement proposal reflects a reasonable outcome for all customers of Toronto Hydro.

For the purposes of obtaining a complete settlement in this proceeding, the Parties agreed that the \$41.2 million in revenue requirement, collected through the initial ICM Rate Rider pursuant to EB-2012-0064 forms the full and final ICM funding for the ICM period of 2012 to 2014 and that, as such, the associated ICM variance accounts established by the OEB in the EB-2012-0064 proceeding should be closed without any further disposition to or from ratepayers.

The Parties also agreed that the variance account established by the OEB in EB-2014-0116 to capture any differences between amounts included in 2015 rate base related to the ICM work undertaken and any disallowance based on prudence determined in this proceeding should be closed at a zero balance.

OEB staff submits that the settlement proposal is appropriate and reasonable in the specific circumstances of this proceeding. The outcome of its acceptance would be that the amount owed by customers arising from the ICM True-up Application would be zero, as compared to a proposed recovery from customers of \$11.1 million in the period running from November 1, 2016 to December 31, 2017 in the application. Accordingly, there would be no bill impacts in the form of new rate riders and/or rate adjustments for customers resulting from the OEB's acceptance of the settlement proposal.

OEB staff submits that the OEB's approval of the proposal as filed would adequately reflect the public interest and would result in just and reasonable rates for customers.

*---All of which is respectfully submitted---*