

SETTLEMENT PROPOSAL
Niagara-on-the-Lake Hydro Inc.

2019 Cost of Service Distribution Rates Proceeding

January 10, 2019

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PREAMBLE

This Settlement Proposal is filed with the Ontario Energy Board (the “OEB” or the “Board”) in connection with the Application of Niagara-on-the-Lake Hydro Inc. (NOTL Hydro), for an order or orders approving changes to the distribution rates that NOTL Hydro charges for electricity distribution and other charges to be effective May 1, 2019.

On September 7, 2018, the OEB issued its Notice of Application in this proceeding. In Procedural Order No. 1, dated October 10, 2018, the Board established the process to address the application, up to and including a Settlement Conference and presentation of any Settlement Proposal.

A Settlement Conference was held on December 10 and 11, 2018, and discussions continued after that time. Karen Wiancki acted as facilitator for the Settlement Conference. This Settlement Proposal arises from the Settlement Conference.

NOTL Hydro and the following intervenors, as well as Ontario Energy Board technical staff (OEB Staff), participated in the Settlement Conference:

School Energy Coalition (SEC)
Vulnerable Energy Consumers Coalition (VECC)

The intervenors listed above participated in the Settlement Conference and subsequent discussions. Any reference to “the Parties” in this Settlement Proposal is intended to refer to NOTL Hydro and the intervenors listed above.

OEB Staff is not a Party to the Settlement Proposal. Although it is not a Party to the Settlement Proposal, once the Settlement Proposal is filed, OEB Staff will file a submission commenting on two aspects of the settlement: whether the settlement represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the settlement. Also, as noted in the Practice Direction on Settlement Conferences, OEB Staff who participated in the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the Parties to the proceeding.

All items in NOTL Hydro’s Application and pre-filed evidence were addressed by the Parties during the Settlement Conference. These matters have been considered under the topic headings included in this Settlement Proposal. These topic headings address the key items required for NOTL Hydro’s 2019 rates to be approved, and include all items set out in the Board-approved Issues List in this proceeding (see Appendix “A” for the OEB approved list of issues and sub-issues, as well as a Table of Concordance showing where each of the issues on the Issues List is addressed in this Settlement Proposal). As set out herein, the Parties have reached complete agreement on all but six items in this Application (the Settled Items). The remaining six items have not been resolved, and the

Parties propose that each of them be determined by the Board (the “Unsettled Items”). No other issues or proposals were addressed by the Parties during the Settlement Conference or are addressed in this Settlement Proposal.

Where in this Settlement Proposal, the Parties “accept” the evidence of NOTL Hydro, or the Parties “agree” to a revised term or condition, including a revised budget or forecast, then unless the Settlement Proposal 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.

This document is called a “Settlement Proposal” because it is a proposal by the Parties to the Board to settle issues in this proceeding. It is termed a proposal as between the Parties and the Board. However, as between the Parties, and subject only to the Board’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and is binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the Board 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 *Ontario Energy Board Act, 1998*, the Board has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Best efforts have been made to identify all of the evidence that relates to each Settled Item. The identification and listing of the evidence that relates to each settled issue is provided to assist the Board. The supporting evidence for each Settled Item is identified individually by reference to its exhibit or interrogatory number in an abbreviated format.

The evidence in support of the Settlement Proposal also includes the Appendices to this document. The Parties acknowledge that the Appendices were prepared by NOTL Hydro. While the intervenors have reviewed the Appendices, the intervenors are relying on the accuracy of the underlying evidence in entering into this Settlement Proposal.

The Settlement Proposal describes the agreements reached on the Settled Items. The Settlement Proposal provides a direct link between each Settled Item and the supporting evidence in the record to date and/or the additional evidence attached to hereto. In this regard, the Parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the Settled Items and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings agreeing with the proposed resolution of the Settled Items.

None of the Parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the *Ontario Energy Board Rules of Practice and Procedure*. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions Parties might take with respect to the same issue in future proceedings, whether for NOTL Hydro or other applicants.

The Parties acknowledge that all data, documents or information provided and any discussions, including negotiations, admissions, concessions, offers and counter-offers occurring during the course of the Settlement Conference (settlement information), including subsequent related discussions, are privileged and confidential and without prejudice in accordance with (and subject to the exceptions set out in) the Board's *Practice Direction on Settlement Conferences* (see pages 5-6 of the OEB's *Practice Direction on Settlement Conferences*, as revised October 28, 2016).

It is fundamental to the agreement of the Parties that none of the provisions of this Settlement Proposal are severable. If the Board does not accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the Parties agree that any portion of the Settlement Proposal that the Board does accept may continue as a valid Settlement Proposal).

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 must agree with any revised Settlement Proposal as it relates to that issue prior to its resubmission to the OEB.

OVERVIEW

The Parties are pleased to advise the OEB that they have reached an agreement with respect to most issues in this proceeding (the Settled Items). This agreement on the Settled Items is subject to any updates that will be required to reflect and implement the Board's decisions on the Unsettled Items (which are described below).

In reaching this Settlement Proposal, the Parties have been guided by the Filing Requirements for 2019 rates, incorporation of all applicable laws and the Approved Issues List (found at Appendix "A"). If accepted, this Settlement Proposal will support approval of most aspects of NOTL Hydro May 1, 2019 rates – final rates will be prepared after the Unsettled Items are determined.

A summary of the changes in NOTL Hydro's revenue requirement resulting from answers to Interrogatories (as summarized in response to Staff Interrogatory #1) and from this Settlement Proposal as compared to NOTL Hydro's filing is provided in Table 1 below.

The outstanding items (the Unsettled Items) are the following:

- (i) Rate Base and capital expenditures, specifically the underground conversion program/projects (replacing older overhead distribution lines with a higher voltage underground system);
- (ii) OM&A cost forecast of \$2,964,765 for the Test Year;
- (iii) the cost of NOTL Hydro's long-term debt;
- (iv) Cost Allocation and Rate Design, specifically, the proposal to include previous ICM rate rider in revenue at current rates for the purposes of determining the appropriate R/C ratios, which have an impact on rate design;
- (v) whether NOTL Hydro's proposal for gross load billing should be approved; and
- (vi) disposition period of agreed upon Group 2 deferral and variance account balances.

NOTL plans to file updated evidence on a number of unsettled issues, and the Parties agree that Intervenor and Board Staff be permitted the opportunity to ask interrogatories to file on that evidence. As a result, the Parties agree that the Board should defer any request for submissions and/or consideration of which unsettled issues should be heard in writing, and for which issues the OEB should hold an oral hearing, until responses to those interrogatories have been provided.

Table 1. Summary of Changes in Revenue Requirement

| Summary of Proposed Changes | | | | | | | | | | | | | | |
|-----------------------------|--|-----------------------------|--------------------------|------------------------------------|-----------------|--------------------------------|-----------------------------|--------------------|--------------|-----------------------------|---------------------|--------------------------|---|--|
| Reference ⁽¹⁾ | Item / Description ⁽²⁾ | Cost of Capital | | Rate Base and Capital Expenditures | | | | Operating Expenses | | | Revenue Requirement | | | |
| | | Regulated Return on Capital | Regulated Rate of Return | Rate Base | Working Capital | Working Capital Allowance (\$) | Amortization / Depreciation | Taxes/PILs | OM&A | Service Revenue Requirement | Other Revenues | Base Revenue Requirement | Grossed up Revenue Deficiency / Sufficiency | |
| | Original Application | \$ 1,771,030 | 5.77% | \$ 30,698,011 | \$ 28,964,816 | \$ 2,172,361 | \$ 1,157,365 | \$ 109,828 | \$ 2,974,186 | \$ 6,047,363 | \$ 502,939 | \$ 5,544,424 | \$ 50,401 | |
| 3-STAFF-36 | Updated Load Forecast tab 10.1 to reflect CDM impact of 3,770,854 consistent with tab 10 | \$ 1,770,796 | 5.77% | \$ 30,693,964 | \$ 28,910,864 | \$ 2,168,315 | \$ 1,157,365 | \$ 109,775 | \$ 2,974,186 | \$ 6,047,077 | \$ 502,939 | \$ 5,544,138 | \$ 53,904 | |
| | Change | \$ 233 | 0.00% | \$ 4,046 | \$ 53,952 | \$ 4,046 | \$ - | \$ 53 | \$ - | \$ 286 | \$ - | \$ 286 | \$ 3,503 | |
| 2-STAFF-23 | Updated Other Revenue for the assumption of 100 Bell Canada poles 100 x \$43.63 | \$ 1,770,796 | 5.77% | \$ 30,693,964 | \$ 28,910,864 | \$ 2,168,315 | \$ 1,157,365 | \$ 109,775 | \$ 2,974,186 | \$ 6,047,077 | \$ 507,302 | \$ 5,539,775 | \$ 49,541 | |
| | Change | \$ - | 0.00% | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,363 | \$ 4,363 | \$ 4,363 | |
| 2-STAFF-46 | Updated Other Revenue to reconcile Share Services mark-up in Appendix 2-N to Other Revenue Appendix 2-H | \$ 1,770,796 | 5.77% | \$ 30,693,964 | \$ 28,910,864 | \$ 2,168,315 | \$ 1,157,365 | \$ 109,775 | \$ 2,974,186 | \$ 6,047,077 | \$ 507,793 | \$ 5,539,284 | \$ 49,050 | |
| | Change | \$ - | 0.00% | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 491 | \$ 491 | \$ 491 | |
| 2-STAFF-23 | Updated Pole Attachment expense (account 5095) to reflect assumption of 100 Bell Canada poles 100 x \$43.63 | \$ 1,770,777 | 5.77% | \$ 30,693,637 | \$ 28,906,501 | \$ 2,167,988 | \$ 1,157,365 | \$ 109,771 | \$ 2,969,823 | \$ 6,042,691 | \$ 507,793 | \$ 5,534,898 | \$ 44,664 | |
| | Change | \$ 19 | 0.00% | \$ 327 | \$ 4,363 | \$ 327 | \$ - | \$ 4 | \$ 4,363 | \$ - | \$ - | \$ 4,363 | \$ 4,386 | |
| 4-STAFF-47 | Reduced Intervenor cost estimate from \$75,000 to \$50,000 based on 2 intervenors in this case vs. an estimate of 3 in the original submission | \$ 1,770,756 | 5.77% | \$ 30,693,262 | \$ 28,901,501 | \$ 2,167,613 | \$ 1,157,365 | \$ 109,766 | \$ 2,964,823 | \$ 6,037,664 | \$ 507,793 | \$ 5,529,872 | \$ 39,638 | |
| | Change | \$ 22 | 0.00% | \$ 375 | \$ 5,000 | \$ 375 | \$ - | \$ 5 | \$ 5,000 | \$ 5,027 | \$ - | \$ 5,027 | \$ 5,027 | |
| Updated Information | Moved the disposal of the T1 transformer from 2019 test year to 2018 bridge year | \$ 1,764,473 | 5.77% | \$ 30,584,366 | \$ 28,901,501 | \$ 2,167,613 | \$ 1,150,110 | \$ 100,905 | \$ 2,964,823 | \$ 6,015,265 | \$ 507,793 | \$ 5,507,473 | \$ 17,239 | |
| | Change | \$ 6,282 | 0.00% | \$ 108,896 | \$ - | \$ - | \$ 7,255 | \$ 8,861 | \$ - | \$ 22,399 | \$ - | \$ 22,399 | \$ 22,399 | |
| 2-STAFF-13 2-VECC-14 | Updated Appendix 2-BA to include actual disposals year to date and forecast disposals for the remainder of the year | \$ 1,762,622 | 5.77% | \$ 30,552,276 | \$ 28,901,501 | \$ 2,167,613 | \$ 1,146,311 | \$ 99,119 | \$ 2,964,823 | \$ 6,007,829 | \$ 507,793 | \$ 5,500,037 | \$ 9,803 | |
| | Change | \$ 1,851 | 0.00% | \$ 32,090 | \$ - | \$ - | \$ 3,799 | \$ 1,786 | \$ - | \$ 7,436 | \$ - | \$ 7,436 | \$ 7,436 | |
| Updated Information | Updated Leap amount based on revised Service Revenue Requirement | \$ 1,762,622 | 5.77% | \$ 30,552,272 | \$ 28,901,444 | \$ 2,167,608 | \$ 1,146,311 | \$ 99,119 | \$ 2,964,765 | \$ 6,007,771 | \$ 507,793 | \$ 5,499,979 | \$ 9,745 | |
| | Change | \$ 0 | 0.00% | \$ 4 | \$ 58 | \$ 4 | \$ - | \$ 0 | \$ 58 | \$ 58 | \$ - | \$ 58 | \$ 58 | |
| 4-STAFF-49 | Updated PILs model to move Building & Fixture additions from CCA class 47 (8%) to CCA class 1b (6%) | \$ 1,762,622 | 5.77% | \$ 30,552,272 | \$ 28,901,444 | \$ 2,167,608 | \$ 1,146,311 | \$ 99,553 | \$ 2,964,765 | \$ 6,008,205 | \$ 507,793 | \$ 5,500,413 | \$ 10,178 | |
| | Change | \$ - | 0.00% | \$ - | \$ - | \$ - | \$ - | \$ 434 | \$ - | \$ 434 | \$ - | \$ 434 | \$ 434 | |
| Settlement Proposal | Update 2018 capital spend to more recent capital forecast for 2018 | \$ 1,761,984 | 5.77% | \$ 30,541,220 | \$ 28,901,444 | \$ 2,167,608 | \$ 1,128,766 | \$ 96,495 | \$ 2,964,765 | \$ 5,986,964 | \$ 499,484 | \$ 5,487,480 | \$ 2,754 | |
| | Change | \$ 638 | 0.00% | \$ 11,051 | \$ - | \$ - | \$ 17,545 | \$ 3,058 | \$ - | \$ 21,241 | \$ 8,309 | \$ 12,932 | \$ 12,932 | |
| Settlement Proposal | Add 2 GS<50 customers to the 2019 customer count | \$ 1,762,015 | 5.77% | \$ 30,541,761 | \$ 28,908,652 | \$ 2,168,149 | \$ 1,128,766 | \$ 96,502 | \$ 2,964,765 | \$ 5,987,003 | \$ 499,496 | \$ 5,487,507 | \$ 5,449 | |
| | Change | \$ 31 | 0.00% | \$ 541 | \$ 7,208 | \$ 541 | \$ - | \$ 7 | \$ - | \$ 38 | \$ 12 | \$ 26 | \$ 2,696 | |
| Settlement Proposal | Update OEB Cost of Capital Parameters to 2019 values | \$ 1,764,336 | 5.78% | \$ 30,541,761 | \$ 28,908,652 | \$ 2,168,149 | \$ 1,128,766 | \$ 95,621 | \$ 2,964,765 | \$ 5,988,443 | \$ 499,496 | \$ 5,488,947 | \$ 4,009 | |
| | Change | \$ 2,321 | 0.01% | \$ - | \$ - | \$ - | \$ - | \$ 881 | \$ - | \$ 1,440 | \$ - | \$ 1,440 | \$ 1,440 | |
| Settlement Proposal | Update Retail Service Charges EB-2015-0304 | \$ 1,764,336 | 5.78% | \$ 30,541,761 | \$ 28,908,652 | \$ 2,168,149 | \$ 1,128,766 | \$ 95,621 | \$ 2,964,765 | \$ 5,988,443 | \$ 506,635 | \$ 5,481,808 | \$ 11,148 | |
| | Change | \$ - | 0.00% | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,139 | \$ 7,139 | \$ 7,139 | |
| Settlement Proposal | Remove collection of account charges | \$ 1,764,336 | 5.78% | \$ 30,541,761 | \$ 28,908,652 | \$ 2,168,149 | \$ 1,128,766 | \$ 95,621 | \$ 2,964,765 | \$ 5,988,443 | \$ 482,447 | \$ 5,505,995 | \$ 13,039 | |
| | Change | \$ - | 0.00% | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 24,188 | \$ 24,188 | \$ 24,188 | |
| Settlement Proposal | Reduce loss factor for Large User Customer from 1.0373 to 1.0045 | \$ 1,764,252 | 5.78% | \$ 30,540,302 | \$ 28,889,192 | \$ 2,166,689 | \$ 1,128,766 | \$ 95,602 | \$ 2,964,765 | \$ 5,988,340 | \$ 482,447 | \$ 5,505,892 | \$ 12,936 | |
| | Change | \$ 84 | 0.00% | \$ 1,460 | \$ 19,460 | \$ 1,460 | \$ - | \$ 19 | \$ - | \$ 103 | \$ - | \$ 103 | \$ 103 | |
| Settlement Proposal | Update interest rate on 2015 loans from the Town from 3.0% to 3.5% | \$ 1,807,009 | 5.92% | \$ 30,540,302 | \$ 28,889,192 | \$ 2,166,689 | \$ 1,128,766 | \$ 95,602 | \$ 2,964,765 | \$ 6,031,096 | \$ 482,447 | \$ 5,548,649 | \$ 55,693 | |
| | Change | \$ 42,756 | 0.14% | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 42,756 | \$ - | \$ 42,756 | \$ 42,756 | |
| Settlement Proposal | Add an additional 2 GS<50 customers to the 2019 customer count | \$ 1,807,040 | 5.92% | \$ 30,540,840 | \$ 28,896,373 | \$ 2,167,228 | \$ 1,128,766 | \$ 95,609 | \$ 2,964,765 | \$ 6,031,135 | \$ 482,447 | \$ 5,548,687 | \$ 54,901 | |
| | Change | \$ 32 | 0.00% | \$ 539 | \$ 7,182 | \$ 539 | \$ - | \$ 7 | \$ - | \$ 39 | \$ - | \$ 39 | \$ 791 | |

NOTL Hydro has prepared the Appendices and Tables to this Settlement Proposal on the following basis: (a) any updates to NOTL Hydro's filing arising from the answers to interrogatories have been reflected in the relevant materials; (b) all impacts from the Settlement Proposal have been reflected in the relevant materials; and (c) the Unsettled Items have been reflected on an as-filed basis (including the impact of updated evidence related to the cost of long-term debt and the proposal to clear the LRAMVA and Group 2 Accounts over two years). The updated RRWF is provided at Appendix "B".

The proposed Bill Impacts that will result from this Settlement Proposal are set out Appendix "E".

Proposed tariffs are included in Appendix "E". The Total Revenue and Base Revenue Requirement agreed to as part of this Settlement Proposal for the Test Year are \$6,031,135 and \$5,548,687 respectively. This translates into a Grossed-up Revenue Deficiency of \$54,901.

Details of the settlement on the Settled Items, along with a description of the Unsettled Items, are set out in the balance of this document.

THE SETTLED AND UNSETTLED ITEMS

1. Rate Base - Is the rate base element of the revenue requirement reasonable and has it been appropriately determined in accordance with OEB policies and practices?

With the exception of the unsettled issue described below, the parties are in agreement that the 2019 Base of \$30,540,840, which has been updated to take account of NOTL Hydro's most recent capital expenditure forecast for 2018, is reasonable.

The unsettled issue related to the prudence of NOTL Hydro's underground conversion project/program since its last rebasing (impacting opening 2019 Opening Rate Base) and its proposed test year expenditures for underground conversion program, described in section 2 (impacting 2019 net additions and Closing Rate Base).

The Parties agree that NOTL Hydro will file updated evidence on the issue of the prudence of its underground conversion project/program spending. The Parties further agree that Intervenor and Board Staff be permitted the opportunity to ask interrogatories to file on any updated evidence on this unsettled issue.

Working Capital, as part of this calculation, been updated to reflect:

- a) the revised customer forecast forming part of this Settlement Proposal (see Item 5); and
- b) the impact on Cost of Power resulting from the update to the loss factors applicable to the Large User rate (see Item 8).

The Parties accept the evidence of NOTL Hydro that the rate base calculations, after making the adjustment to the working capital and the in-service additions for 2019, as detailed in this Settlement Proposal, are reasonable and have been appropriately determined in accordance with OEB policies and practices. Table 4 below outlines NOTL Hydro's Rate Base calculation. An updated fixed asset continuity schedule has been included in Appendix "B" as well as a live version being filed on RESS.

Table 2. – Summary of Cost of Power

| Particulars | Initial Application | Adjustments | Interrogatory Responses | Adjustments | Settlement Proposal |
|----------------------------|---------------------|-------------------|-------------------------|------------------|---------------------|
| Electricity Projections | \$23,015,166 | (\$47,890) | \$22,967,276 | (\$3,672) | \$22,963,605 |
| Wholesale Market Service | \$832,836 | (\$1,783) | \$831,053 | (\$2,274) | \$828,779 |
| Transmission Network | \$1,521,236 | (\$3,214) | \$1,518,022 | \$826 | \$1,518,848 |
| Transmission Connection | \$451,219 | (\$916) | \$450,303 | \$212 | \$450,515 |
| Rural Rate Assistance | \$69,403 | (\$149) | \$69,254 | (\$189) | \$69,065 |
| IESO Smart Meter Entity | \$65,815 | \$ - | \$65,815 | \$27 | \$65,842 |
| Total Cost of Power | \$25,955,675 | (\$53,952) | \$25,901,724 | (\$5,070) | \$25,896,653 |

Table 3. – Summary of Working Capital

| Particulars | Initial Application | Adjustments | Interrogatory Responses | Adjustments | Settlement Proposal |
|---------------------------|---------------------|-------------|-------------------------|-------------|---------------------|
| Controllable Expenses | \$3,009,141 | (\$9,421) | \$2,999,720 | \$ - | \$2,999,720 |
| Cost of Power | \$25,955,675 | (\$53,952) | \$25,901,724 | (\$5,070) | \$25,896,653 |
| Working Capital Base | \$28,964,816 | (\$63,372) | \$28,901,444 | (\$5,070) | \$28,896,373 |
| Working Capital Rate % | 7.50% | 0.00% | 7.50% | 0.00% | 7.50% |
| Working Capital Allowance | \$2,172,361 | (\$4,753) | \$2,167,608 | (\$380) | \$2,167,228 |

Subject to the determination of the Unsettled Item related to the underground conversion program (see Item 2, below), the Parties have agreed that the 2019 Test Year capital additions of \$5,848,590 are reasonable.

The Parties accept the evidence of NOTL Hydro that the Net Depreciation is correctly determined from the above is \$1,128,766. Continuity Schedules are provided at Appendix “B”.

Table 4. Summary of Rate Base

| Particulars | Initial Application | Adjustments | Interrogatory Responses | Adjustments | Settlement Proposal |
|------------------------------------|---------------------|--------------------|-------------------------|-------------------|---------------------|
| Gross Fixed Assets (average) | \$56,132,843 | (\$961,368) | \$55,171,475 | (\$20,788) | \$55,150,687 |
| Accumulated Depreciation (average) | (\$27,607,193) | \$820,382 | (\$26,786,811) | \$9,737 | (\$26,777,075) |
| Net Fixed Assets (average) | \$28,525,650 | (\$140,986) | \$28,384,663 | (\$11,051) | \$28,373,612 |
| Allowance for Working Capital | \$2,172,361 | (\$4,753) | \$2,167,608 | (\$380) | \$2,167,228 |
| Total Rate Base | \$30,698,011 | (\$145,739) | \$30,552,272 | (\$11,432) | \$30,540,840 |

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

| | |
|-------------------------|---|
| Exhibit 2 | Rate Base |
| I.2.STAFF.10-30 | Staff Interrogatories #10-30 |
| I.2.SEC.13-24 | SEC Interrogatories #13-24 |
| I.2.VECC 3-14 | VECC Interrogatories #3-14 |
| Supplementary Responses | Supplementary Responses to Staff 25 and 27 and VECC 8 |

2. Distribution System Plan and capital expenditures - Are NOTL Hydro's proposed capital expenditures appropriate and have the trade-offs with the proposed level of Operating Cost been given adequate consideration?

Subject to one Unsettled Item described below, for the purposes of settlement the Parties accept the evidence of NOTL Hydro that the level of planned capital expenditures, as summarized in Table 5 below, and the rationale for planning and pacing choices are appropriate to maintain system reliability, service quality objectives and the reliable and safe operations of the distribution system, is appropriate.

Similar to the unsettled issue discussed in section 2, there no agreement on NOTL Hydro's proposed underground conversion projects in the Olde Towne and Virgil areas of the service territory. The forecast capital cost for these projects in 2019 is \$460,000 (see Distribution System Plan, filed at Exhibit 2, at pages 35 and 55 – 58). The Parties agree that all issues about the underground conversion projects should be determined by the Board.

The Parties agree that NOTL Hydro will file updated evidence on the issue of the reasonableness of its proposed underground conversion project/program Test Year expenditures. The Parties further agree that Intervenors and Board Staff be permitted the opportunity to ask interrogatories to file on any updated evidence on this unsettled issue.

The Parties acknowledge that NOTL Hydro retains the full discretion to manage its capital spending in the Test Year and beyond in accordance with the actual operating conditions it experiences in any year.

Table 5. Planned Capital Expenditures

| | Initial Application | Interrogatories | Settlement Proposal |
|----------------|----------------------------|------------------------|----------------------------|
| System Access | \$835,500 | \$835,500 | \$835,500 |
| System Renewal | \$1,097,000 | \$1,097,000 | \$1,097,000 |
| System Service | \$3,832,340 | \$3,832,340 | \$3,832,340 |

| | | | |
|---------------------|--------------------|--------------------|--------------------|
| General Plant | \$83,750 | \$83,750 | \$83,750 |
| Total Assets | \$5,848,590 | \$5,848,590 | \$5,848,590 |

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

| | |
|-------------------------|---|
| Exhibit 2 | Rate Base |
| I.2.STAFF.10-30 | Staff Interrogatories #10-30 |
| I.2.SEC.13-24 | SEC Interrogatories #13-24 |
| I.2.VECC 3-14 | VECC Interrogatories #3-14 |
| Supplementary Responses | Supplementary Responses to Staff 25 and 27 and VECC 8 |

3. Operating Costs

Subject to any updates that are required to reflect and implement the Board's decisions on the Unsettled Items, the Parties agree that the 2019 Test Year operating expenses related to Depreciation/Amortization, Property Taxes and PILs are reasonable. There is no agreement on the forecast OM&A expenses for the 2019 Test Year.

Table 6. Summary of Operating Costs

| Particulars | Initial Application | Adjustments | Interrogatory Responses | Adjustments | Settlement Proposal |
|------------------------------|---------------------|-------------------|-------------------------|-------------------|---------------------|
| OM+A Expenses | \$2,974,186 | (\$9,421) | \$2,964,765 | \$ - | \$2,964,765 |
| Depreciation/Amortization | \$1,157,365 | (\$11,054) | \$1,146,311 | (\$17,545) | \$1,128,766 |
| Property taxes | \$34,955 | \$ - | \$34,955 | \$ - | \$34,955 |
| Income taxes (grossed up) | \$109,828 | (\$10,275) | \$99,553 | (\$3,944) | \$95,609 |
| Other expense | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Operating Costs | \$4,276,333 | (\$30,750) | \$4,245,584 | (\$21,489) | \$4,224,095 |

OM&A

NOTL Hydro's 2019 Test Year OM&A forecast is \$2,964,765. There is no agreement on this portion of NOTL Hydro's operating costs. The Parties agree that all issues about the OM&A expenses should be determined by the Board.

Depreciation

Subject to any updates that are required to reflect and implement the Board's decisions on the Unsettled Items, the Parties accept that NOTL Hydro has correctly calculated

depreciation. Accounting for NOTL Hydro's most recent capital expenditure forecast for 2018, the depreciation amount is \$1,128,766.

Table 7. Summary of Change in Depreciation

| | | Depreciation Expense | | | | |
|-----------|---|----------------------|-----------------|------------------------|-----------------|---------------------|
| OEB Class | OEB Account | Initial Application | Adjustments | Interrogatory Response | Adjustments | Settlement Proposal |
| 1611 | Computer Software | 67,001 | - | 67,001 | 876 | 67,877 |
| 1815 | Transformer Station Equipment - Normally Primary Above 50kV | 190,683 | (7,255) | 183,428 | 2,255 | 185,682 |
| 1820 | Transformer Station Equipment - Normally Primary Below 50kV | - | - | - | - | - |
| 1825 | Storage Battery Equipment | 22,117 | - | 22,117 | - | 22,117 |
| 1830 | Poles, Towers & Fixtures | 122,877 | (2,698) | 120,179 | (571) | 119,608 |
| 1835 | Overhead Conductors & Devices | 91,281 | (595) | 90,686 | 2,355 | 93,041 |
| 1840 | Underground Conduit | 76,029 | - | 76,029 | (819) | 75,210 |
| 1845 | Underground Conductors & Devices | 196,571 | - | 196,571 | (4,248) | 192,324 |
| 1850 | Line Transformers | 162,827 | (506) | 162,322 | (301) | 162,021 |
| 1855 | Services | 107,184 | - | 107,184 | (5,851) | 101,333 |
| 1860 | Meters | 149,180 | - | 149,180 | (721) | 148,460 |
| 1908 | Buildings & Fixtures | 20,723 | - | 20,723 | (13) | 20,710 |
| 1915 | Office Furniture & Equipment | 6,186 | - | 6,186 | - | 6,186 |
| 1920 | Computer Equipment - Hardware | 15,074 | - | 15,074 | (1,667) | 13,407 |
| 1940 | Tools, Shop & Garage Equipment | 10,979 | - | 10,979 | 1,142 | 12,121 |
| 1955 | Communications Equipment | 336 | - | 336 | - | 336 |
| 1980 | System Supervisor Equipment | 45,791 | - | 45,791 | (9,983) | 35,809 |
| 1995 | Contributions & Grants - Credit | (127,476) | - | (127,476) | - | (127,476) |
| | Total | 1,157,365 | (11,054) | 1,146,311 | (17,545) | 1,128,766 |

Property Taxes and PILs

The Parties accept NOTL Hydro's forecast of property taxes for the Test Year, as set out above in Table 6.

Subject to any updates that are required to reflect and implement the Board's decisions on the Unsettled Items, Parties accept that NOTL Hydro has correctly calculated PILs in the amount of \$95,609.

The live PILs workform has been filed on the Board's website.

Table 8. PILs Summary

| Particulars | Initial Application | Interrogatories | Settlement Proposal |
|--|---------------------|-----------------|---------------------|
| <u>Determination of Taxable Income</u> | | | |
| Utility net income before taxes | \$1,105,128 | \$1,099,882 | \$1,097,027 |
| Adjustments required to arrive at taxable utility income | (\$800,512) | (\$823,764) | (\$831,847) |
| Taxable income | \$304,617 | \$276,118 | \$265,180 |
| <u>Calculation of Utility income Taxes</u> | | | |
| Income taxes | \$80,723 | \$73,171 | \$70,273 |
| Total taxes | \$80,723 | \$73,171 | \$70,273 |
| Gross-up of Income Taxes | \$29,104 | \$26,381 | \$25,336 |
| Grossed-up Income Taxes | \$109,828 | \$99,553 | \$95,609 |
| PILs / tax Allowance (Grossed-up Income taxes + Capital taxes) | \$109,828 | \$99,553 | \$95,609 |
| Other tax Credits | \$ - | \$ - | \$ - |
| <u>Tax Rates</u> | | | |
| Federal tax (%) | 15.00% | 15.00% | 15.00% |
| Provincial tax (%) | 11.50% | 11.50% | 11.50% |
| Total tax rate (%) | 26.50% | 26.50% | 26.50% |

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

| | |
|-------------------------|---|
| Exhibit 4 | Operations, Maintenance & Administration |
| I.4.STAFF.39-54 | Staff Interrogatories #39-54 |
| I.2.SEC.27-30 | SEC Interrogatories #27-30 |
| I.2.VECC.24-36 | VECC Interrogatories #24-36 |
| Supplementary Responses | Supplementary Responses to Staff 42 and VECC 29 and SEC Supplementary 2 |

4. Cost of Capital

NOTL Hydro's filing uses the OEB approved deemed capital structure of 4% short term debt, 56% long term debt and 40% equity.

The Parties have agreed that the return on equity (ROE) applicable to NOTL Hydro's cost of capital will be updated to the Board's approved rate for 2019 cost of service applications (8.98%). This item is also subject to any updates that are required to reflect the Board's decisions on the Unsettled Items.

The Parties have agreed that the rate for short-term debt will be updated to the Board's approved rate for 2019 cost of service applications (2.82%). This item is also subject to any updates that are required to reflect the Board's decisions on the Unsettled Items.

There is no agreement on NOTL Hydro's cost of long-term debt. The parties agree that all issues related to this item will be determined by the Board.

Concurrently with this filing of this Settlement Proposal NOTL Hydro has indicated to Parties it will be filing updated evidence about its cost of long-term debt, applying: (i) an updated notional rate associated with a promissory note with the Town of NOTL to reflect the Board's approved long-term debt rate for 2019 cost of service applications (4.13%); and (ii) a proposed increased interest rate on two loans from the Town of NOTL from 3.0% to 3.5%.

While there is no agreement on these items, or even on the appropriateness of NOTL Hydro filing the updated evidence, the Settlement Proposal has been updated to reflect the impact of the updated evidence about long-term debt in the tables, appendices and schedules associated with this Settlement Proposal. Table 9 shows the impact of NOTL Hydro's updated evidence about long-term debt, and Table 10 shows the overall updated Cost of Capital

The Parties further agree that it is appropriate that intervenors and Board Staff be permitted the opportunity to ask interrogatories on the updated evidence or to object to the appropriateness of the filing of the updated evidence, in whole or in part.

Table 9 – Long Term Debt

| Initial Application | | | | | | | | |
|---------------------------------|------------------------|---------------------------------|-------------------------|------------|--------------|----------------|-------------------|--------------------------|
| Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal (\$) | Rate (%) (Note 2) | Calculated Interest (\$) |
| Original Promissory Note | Town of NOTL | Affiliated | Fixed Rate | 1-Jul-00 | Open | \$ 2,098,770 | 4.16% | \$ 87,308.82 |
| York TS Demand Installment Loan | CIBC | Third-Party | Fixed Rate | 29-Aug-03 | 15 | \$ - | 6.03% | \$ - |
| NOTL TS Demand Installment Loan | CIBC | Third-Party | Fixed Rate | 27-Oct-05 | 15 | \$ 424,320 | 6.13% | \$ 26,010.81 |
| Infrastructure Ontario Loan | Infrastructure Ontario | Third-Party | Fixed Rate | 15-Feb-11 | 15 | \$ 716,667 | 4.27% | \$ 30,601.68 |
| Town loan - transformer | Town of NOTL | Affiliated | Fixed Rate | 1-Feb-15 | 10 | \$ 1,954,706 | 3.00% | \$ 58,641.19 |
| Town loan - capital projects | Town of NOTL | Affiliated | Fixed Rate | 1-Oct-15 | 10 | \$ 1,430,402 | 3.00% | \$ 42,912.05 |
| | | | | | | \$ 6,624,865 | 3.71% | \$ 245,474.55 |
| Interrogatory Responses | | | | | | | | |
| Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal (\$) | Rate (%) (Note 2) | Calculated Interest (\$) |
| Original Promissory Note | Town of NOTL | Affiliated | Fixed Rate | 1-Jul-00 | Open | \$ 2,098,770 | 4.16% | \$ 87,308.82 |
| York TS Demand Installment Loan | CIBC | Third-Party | Fixed Rate | 29-Aug-03 | 15 | \$ - | 6.03% | \$ - |
| NOTL TS Demand Installment Loan | CIBC | Third-Party | Fixed Rate | 27-Oct-05 | 15 | \$ 424,320 | 6.13% | \$ 26,010.81 |
| Infrastructure Ontario Loan | Infrastructure Ontario | Third-Party | Fixed Rate | 15-Feb-11 | 15 | \$ 716,667 | 4.27% | \$ 30,601.68 |
| Town loan - transformer | Town of NOTL | Affiliated | Fixed Rate | 1-Feb-15 | 10 | \$ 1,954,706 | 3.00% | \$ 58,641.19 |
| Town loan - capital projects | Town of NOTL | Affiliated | Fixed Rate | 1-Oct-15 | 10 | \$ 1,430,402 | 3.00% | \$ 42,912.05 |
| | | | | | | \$ 6,624,865 | 3.71% | \$ 245,474.55 |
| Updated Evidence | | | | | | | | |
| Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal (\$) | Rate (%) (Note 2) | Calculated Interest (\$) |
| Original Promissory Note | Town of NOTL | Affiliated | Fixed Rate | 1-Jul-00 | Open | \$ 2,098,770 | 4.13% | \$ 86,679.19 |
| York TS Demand Installment Loan | CIBC | Third-Party | Fixed Rate | 29-Aug-03 | 15 | \$ - | 6.03% | \$ - |
| NOTL TS Demand Installment Loan | CIBC | Third-Party | Fixed Rate | 27-Oct-05 | 15 | \$ 424,320 | 6.13% | \$ 26,010.81 |
| Infrastructure Ontario Loan | Infrastructure Ontario | Third-Party | Fixed Rate | 15-Feb-11 | 15 | \$ 716,667 | 4.27% | \$ 30,601.68 |
| Town loan - transformer | Town of NOTL | Affiliated | Fixed Rate | 1-Feb-15 | 10 | \$ 1,954,706 | 3.50% | \$ 68,414.72 |
| Town loan - capital projects | Town of NOTL | Affiliated | Fixed Rate | 1-Oct-15 | 10 | \$ 1,430,402 | 3.50% | \$ 50,064.06 |
| | | | | | | \$ 6,624,865 | 3.95% | \$ 261,770.46 |

Table 10 – Cost of Capital, including LT Debt

| Initial Application | | | | |
|-------------------------|----------------------|--------------|-----------|-------------|
| Particulars | Capitalization Ratio | | Cost Rate | Return |
| | | | | |
| Debt | | | | |
| Long-term Debt | 56.00% | \$17,190,886 | 3.71% | \$637,782 |
| Short-term Debt | 4.00% | \$1,227,920 | 2.29% | \$28,119 |
| Total Debt | 60.00% | \$18,418,806 | 3.62% | \$665,901 |
| Equity | | | | |
| Common Equity | 40.00% | \$12,279,204 | 9.00% | \$1,105,128 |
| Preferred Shares | 0.00% | \$ - | 0.00% | \$ - |
| Total Equity | 40.00% | \$12,279,204 | 9.00% | \$1,105,128 |
| Total | 100.00% | \$30,698,011 | 5.77% | \$1,771,030 |
| Interrogatory Responses | | | | |
| Particulars | Capitalization Ratio | | Cost Rate | Return |
| | | | | |
| Debt | | | | |
| Long-term Debt | 56.00% | \$17,109,272 | 3.71% | \$634,754 |
| Short-term Debt | 4.00% | \$1,222,091 | 2.29% | \$27,986 |
| Total Debt | 60.00% | \$18,331,363 | 3.62% | \$662,740 |
| Equity | | | | |
| Common Equity | 40.00% | \$12,220,909 | 9.00% | \$1,099,882 |
| Preferred Shares | 0.00% | \$ - | 0.00% | \$ - |
| Total Equity | 40.00% | \$12,220,909 | 9.00% | \$1,099,882 |
| Total | 100.00% | \$30,552,272 | 5.77% | \$1,762,622 |
| Updated Evidence | | | | |
| Particulars | Capitalization Ratio | | Cost Rate | Return |
| | | | | |
| Debt | | | | |
| Long-term Debt | 56.00% | \$17,102,569 | 3.95% | \$675,551 |
| Short-term Debt | 4.00% | \$1,221,612 | 2.82% | \$34,449 |
| Total Debt | 60.00% | \$18,324,181 | 3.87% | \$710,001 |
| Equity | | | | |
| Common Equity | 40.00% | \$12,216,121 | 8.98% | \$1,097,008 |
| Preferred Shares | 0.00% | \$ - | 0.00% | \$ - |
| Total Equity | 40.00% | \$12,216,121 | 8.98% | \$1,097,008 |
| Total | 100.00% | \$28,384,663 | 5.92% | \$1,807,009 |

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

| | |
|-------------------------------|--|
| Exhibit 5 | Cost of Capital |
| I.5.STAFF.55-56 | Staff Interrogatories #55-56 |
| I.5. SEC.31-32 | SEC Interrogatories #31-32 |
| I.5.VECC.37 | VECC Interrogatory #37 |
| Exhibit 5 Additional Evidence | Additional Evidence re. Cost of Long-Term Debt |

5. Load Forecast and Other Revenue

Customer Forecast

The Parties have agreed the 2019 customer count as filed should be increased by 4 GS < 50 kW customers and that with this change it is a reasonable forecast of customer count for use in setting rates. This takes account of additional information provided by NOTL Hydro in response to VECC clarification question #50-part c.

Table 11. Customer Forecast

| Class | Initial Application | Settlement Proposal |
|----------------------------|---------------------|---------------------|
| Residential | 8,152 | 8,152 |
| GS<50 | 1,338 | 1,342 |
| GS>50 (50 to 4999) | 131 | 131 |
| Large Use | 1 | 1 |
| Street Light (connections) | 2,187 | 2,187 |
| Unmetered Scattered Load | 26 | 26 |

Load Forecast

The Parties have agreed with NOTL Hydro's as-filed load forecast updated for an additional 4 GS<50 kW customers as reflected in Table 11. Table 12 below, provides the agreed 2019 CDM Adjusted Forecast which includes the 2016 and 2017 actual verified results. NOTL Hydro agrees that any future calculations for LRAM or CDM will exclude the impact of the CHP generation unit expected to be operated by the Large Use customer.

Table 12 – CDM Adjusted Load Forecast (kWh) for 2019

| Customers or Connections | | | | | |
|--------------------------|---------------------|------------------|-------------------------|----------------|---------------------|
| Customer Class Name | Initial Application | Adjustments | Interrogatory Responses | Adjustments | Settlement Proposal |
| Residential | 8,152 | 0 | 8,152 | 0 | 8,152 |
| GS<50 | 1,338 | 0 | 1,338 | 4 | 1,342 |
| GS>50 | 131 | 0 | 131 | 0 | 131 |
| Unmetered | 26 | 0 | 26 | 0 | 26 |
| Streetlights | 2,187 | 0 | 2,187 | 0 | 2,187 |
| Large User | 1 | 0 | 1 | 0 | 1 |
| TOTAL | 11,835 | 0 | 11,835 | 4 | 11,839 |
| Consumption (kWh) | | | | | |
| Customer Class Name | Initial Application | Adjustments | Interrogatory Responses | Adjustments | Settlement Proposal |
| Residential | 73,998,981 | (100,283) | 73,898,698 | 0 | 73,898,698 |
| GS<50 | 41,877,513 | (139,557) | 41,737,956 | 127,721 | 41,865,678 |
| GS>50 | 82,705,771 | (237,722) | 82,468,049 | 0 | 82,468,049 |
| Unmetered | 251,508 | 0 | 251,508 | 0 | 251,508 |
| Streetlights | 886,616 | 0 | 886,616 | 0 | 886,616 |
| Large User | 23,308,825 | 0 | 23,308,825 | 0 | 23,308,825 |
| TOTAL | 223,029,214 | (477,562) | 222,551,653 | 127,721 | 222,679,374 |
| Consumption (kW) | | | | | |
| Customer Class Name | Actual | | | | |
| | Initial Application | Adjustments | Interrogatory Responses | Adjustments | Settlement Proposal |
| Residential | 0 | 0 | 0 | 0 | 0 |
| GS<50 | 0 | 0 | 0 | 0 | 0 |
| GS>50 | 212,896 | (612) | 212,284 | 0 | 212,284 |
| Unmetered | 0 | 0 | 0 | 0 | 0 |
| Streetlights | 2,475 | 0 | 2,475 | 0 | 2,475 |
| Large User | 60,000 | 0 | 60,000 | 0 | 60,000 |
| TOTAL | 275,370 | (612) | 274,758 | 0 | 274,758 |

Table 13 – LRAMVA Thresholds

| | 2017 | 2018 | 2019 | Total for 2019 |
|---|--------------|--------------|--------------|----------------|
| Amount used for CDM threshold for LRAMVA (2019) | 3,447,680.00 | 1,524,390.03 | 1,045,247.50 | 6,017,317.53 |

Other Revenue

The Parties have agreed that Other Revenue as filed is appropriate subject to the following adjustments:

- A reduction in forecast Other Revenue of \$24,188 to reflect the expected implementation of the OEB's determination in the Review of Customer Service Rules (EB-2017-0183) that distributors will no longer be permitted to use Collection of Account charges as of May 1, 2019.
- An increase in Retail Service Charges by \$7,139 to reflect the expected implementation of the OEB's Energy Retailer Service Charges report (EB-2015-0304).
- Increase in Standard Supply Service – Administrative charge of \$12 due an increase of 4 GS<50 customers in the Test Year.

The fourth change relates to the updated capital forecast for 2018 as described in Item 1. The reduction in the estimate for Contributed Capital results in a \$8,309 decrease forecast Other Revenue in 2019.

Table 14 below shows NOTL Hydro's updated Other Revenues, as agreed by the parties.

For further discussion of the Service Charges, and the MicroFit Charge, see Item 10, below.

Table 14. Other Revenues and Revenue Offsets

| Particulars | Initial Application | Adjustments | Interrogatory Responses | Adjustments | Settlement Proposal |
|-----------------------------|------------------------|----------------|----------------------------|-------------------|------------------------|
| Specific Service Charges | \$87,551 | \$491 | \$88,042 | (\$24,188) | \$63,854 |
| Late Payment Charges | \$54,284 | \$ - | \$54,284 | \$ - | \$54,284 |
| Other Distribution Revenue | \$310,170 | \$4,363 | \$314,533 | (\$1,158) | \$313,375 |
| Other Income and Deductions | \$50,934 | \$ - | \$50,934 | \$ - | \$50,934 |
| Total Revenue Offsets | <u>\$502,939</u> | <u>\$4,854</u> | <u>\$507,793</u> | <u>(\$25,345)</u> | <u>\$482,447</u> |

| Change in Other Distribution Revenue | |
|--------------------------------------|-----------|
| Retail Service Charges | \$7,139 |
| Deferred Revenue | (\$8,309) |
| SSS Admin | \$12 |
| Total Change | (\$1,158) |

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

| | |
|-------------------------|--|
| Exhibit 3 | Load and Other Revenue Forecast |
| I.3.STAFF.31-38 | Staff Interrogatories #31-38 |
| I.3.SEC.25-26 | SEC Interrogatories #25-26 |
| I.3.VECC.15-23 | VECC Interrogatories #15-23 |
| Supplementary Responses | Responses to VECC Supplementary #50 – 54 |

6. Revenue Sufficiency/Deficiency

Subject to any updates that are required to reflect and implement the Board's decisions on the Unsettled Items, the Parties accept the evidence of NOTL Hydro that it has calculated the revenue deficiency of \$54,901 in accordance with the Board's policies and practices and the agreed elements of the Settlement Proposal discussed herein.

The RRWF is included as Appendix "B" and a live version of the RRWF is on the Board's RESS as part of this Settlement Proposal which incorporates the changes agreed to herein.

Table 15 – Summary of Revenue Sufficiency/Deficiency

| Particulars | Initial Application | | Interrogatory Responses | | Settlement Proposal | |
|---|---------------------------|---------------------|---------------------------|---------------------|---------------------------|---------------------|
| | At Current Approved Rates | At Proposed Rates | At Current Approved Rates | At Proposed Rates | At Current Approved Rates | At Proposed Rates |
| Revenue Deficiency from Below | | \$50,401 | | \$10,178 | | \$54,901 |
| Distribution Revenue | \$5,494,023 | \$5,494,023 | \$5,490,234 | \$5,490,234 | \$5,493,786 | \$5,493,786 |
| Other Operating Revenue | \$502,939 | \$502,939 | \$507,793 | \$507,793 | \$482,447 | \$482,447 |
| Offsets - net | | | | | | |
| Total Revenue | \$5,996,962 | \$6,047,363 | \$5,998,027 | \$6,008,205 | \$5,976,234 | \$6,031,135 |
| Operating Expenses | \$4,166,506 | \$4,166,506 | \$4,146,031 | \$4,146,031 | \$4,128,486 | \$4,128,486 |
| Deemed Interest Expense | \$665,901 | \$665,901 | \$662,740 | \$662,740 | \$710,013 | \$710,013 |
| Total Cost and Expenses | \$4,832,407 | \$4,832,407 | \$4,808,771 | \$4,808,771 | \$4,838,499 | \$4,838,499 |
| Utility Income Before Income Taxes | \$1,164,555 | \$1,214,956 | \$1,189,256 | \$1,199,434 | \$1,137,735 | \$1,192,636 |
| Tax Adjustments to Accounting Income per 2013 | (\$800,512) | (\$800,512) | (\$823,764) | (\$823,764) | (\$831,847) | (\$831,847) |
| Taxable Income | \$364,043 | \$414,445 | \$365,492 | \$375,670 | \$305,887 | \$360,789 |
| Income Tax Rate | 26.50% | 26.50% | 26.50% | 26.50% | 26.50% | 26.50% |
| Income Tax on Taxable Income | \$96,471 | \$109,828 | \$96,855 | \$99,553 | \$81,060 | \$95,609 |
| Income Tax Credits | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Utility Net Income | \$1,068,083 | \$1,105,128 | \$1,092,401 | (\$5,247) | \$1,056,674 | \$1,146,902 |
| Utility Rate Base | \$30,698,011 | \$30,698,011 | \$30,552,272 | \$30,552,272 | \$30,540,840 | \$30,540,840 |
| Deemed Equity Portion of Rate Base | \$12,279,204 | \$12,279,204 | \$12,220,909 | \$12,220,909 | \$12,216,336 | \$12,216,336 |
| Income/(Equity Portion of Rate Base) | 8.70% | 9.00% | 8.94% | -0.04% | 8.65% | 9.39% |
| Target Return - Equity on Rate Base | 9.00% | 9.00% | 9.00% | 9.00% | 8.98% | 8.98% |
| Deficiency/Sufficiency in Return on Equity | -0.30% | 0.00% | -0.06% | -9.04% | -0.33% | 0.41% |
| Indicated Rate of Return | 5.65% | 5.77% | 5.74% | 2.15% | 5.78% | 6.08% |
| Requested Rate of Return on Rate Base | 5.77% | 5.77% | 5.77% | 5.77% | 5.92% | 5.92% |
| Deficiency/Sufficiency in Rate of Return | -0.12% | 0.00% | -0.02% | -3.62% | -0.13% | 0.16% |
| Target Return on Equity | \$1,105,128 | \$1,105,128 | \$1,099,882 | \$1,099,882 | \$1,097,027 | \$1,097,027 |
| Revenue Deficiency/(Sufficiency) | \$37,045 | \$ - | \$7,481 | (\$1,105,128) | \$40,353 | \$49,875 |
| Gross Revenue | \$50,401 | | \$10,178 | | \$54,901 | |

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

Exhibit 6

Revenue Requirement

7. Cost Allocation

Subject to the amendments from NOTL Hydro's filing described below, as well as any updates that are required to reflect and implement the Board's decisions on the Unsettled Items, the Parties agree the cost allocation methodology and the allocations reflect OEB policies and are appropriate.

NOTL Hydro's determination of revenue at existing rates for cost allocation purposes includes the impact of the ICM revenue because the project associated with the ICM will be included in 2019 base rates. NOTL Hydro believes that this approach is a fair way to assess rate impacts from its updated revenue requirement. Intervenor's are not aware of

any other LDC who in its rebasing application after an ICM has applied ICM riders to base rates for the revenue at existing rates calculation. There is no agreement on whether this approach is appropriate. The issue will be determined by the Board. Appendix "H" to this Settlement Proposal shows the impact of including the ICM revenue in distribution revenue at current rates.

NOTL Hydro has agreed to remove the direct allocation to its Large User Customer of the distribution line that will serve its Large User customer and other customers, and instead allocate the costs of that asset to all customers on the same basis as the allocation of costs associated with other like assets. NOTL Hydro has also agreed to update its 4 NCP value for the Large Use Customer as set out in response to VECC clarification question #59.

An updated cost allocation model has been included as Appendix "G" and has been filed on the OEB's RESS system as part of this Settlement Proposal which incorporates the changes agreed to herein.

Table 16. Summary of Cost Allocation

| | | 1 | 2 | 3 | 6 | 7 | 9 |
|---|---------------------|---------------------|--------------------|--------------------|--------------------|------------------|--------------------------|
| | Total | Residential | GS <50 | GS >50kW | Large User | Street Light | Unmetered Scattered Load |
| Distribution Revenue at Existing Rates | \$5,492,956 | \$2,923,268 | \$1,177,925 | \$977,428 | \$124,034 | \$281,952 | \$8,350 |
| Miscellaneous Revenue (mi) | \$482,447 | \$304,702 | \$86,364 | \$63,375 | \$10,313 | \$16,937 | \$756 |
| Miscellaneous Revenue Input equals Output | | | | | | | |
| Total Revenue at Existing Rates | \$5,975,403 | \$3,227,970 | \$1,264,289 | \$1,040,803 | \$134,347 | \$298,889 | \$9,106 |
| Factor required to recover deficiency (1 + D) | 1.0101 | | | | | | |
| Distribution Revenue at Status Quo Rates | \$5,548,649 | \$2,952,907 | \$1,189,868 | \$987,338 | \$125,291 | \$284,810 | \$8,434 |
| Miscellaneous Revenue (mi) | \$482,447 | \$304,702 | \$86,364 | \$63,375 | \$10,313 | \$16,937 | \$756 |
| Total Revenue at Status Quo Rates | \$6,031,096 | \$3,257,609 | \$1,276,232 | \$1,050,713 | \$135,605 | \$301,747 | \$9,190 |
| Expenses | | | | | | | |
| Distribution Costs (di) | \$931,637 | \$565,651 | \$178,720 | \$123,290 | \$28,285 | \$34,341 | \$1,350 |
| Customer Related Costs (cu) | \$862,631 | \$630,126 | \$122,984 | \$81,045 | \$627 | \$26,547 | \$1,301 |
| General and Administration (ad) | \$1,205,452 | \$796,213 | \$205,208 | \$140,899 | \$20,756 | \$40,609 | \$1,768 |
| Depreciation and Amortization (dep) | \$1,128,766 | \$633,630 | \$235,486 | \$191,020 | \$37,388 | \$29,951 | \$1,290 |
| PILs (INPUT) | \$95,602 | \$50,346 | \$20,657 | \$17,708 | \$4,055 | \$2,719 | \$118 |
| Interest | \$710,001 | \$373,903 | \$153,410 | \$131,509 | \$30,111 | \$20,190 | \$877 |
| Total Expenses | \$4,934,088 | \$3,049,870 | \$916,465 | \$685,470 | \$121,223 | \$154,356 | \$6,704 |
| Direct Allocation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Allocated Net Income (NI) | \$1,097,008 | \$577,709 | \$237,031 | \$203,192 | \$46,525 | \$31,195 | \$1,356 |
| Revenue Requirement (includes NI) | \$6,031,096 | \$3,627,579 | \$1,153,496 | \$888,662 | \$167,748 | \$185,551 | \$8,060 |
| Revenue Requirement Input equals Output | | | | | | | |
| Rate Base Calculation | | | | | | | |
| Net Assets | | | | | | | |
| Distribution Plant - Gross | \$60,395,904 | \$34,454,054 | \$12,448,909 | \$9,572,474 | \$1,882,192 | \$1,958,626 | \$79,649 |
| General Plant - Gross | \$7,196,876 | \$4,038,108 | \$1,490,532 | \$1,196,458 | \$254,026 | \$208,778 | \$8,975 |
| Accumulated Depreciation | (\$26,777,075) | (\$15,258,743) | (\$5,568,307) | (\$4,164,732) | (\$769,240) | (\$978,483) | (\$37,570) |
| Capital Contribution | (\$12,442,094) | (\$8,230,189) | (\$2,256,303) | (\$1,382,338) | (\$176,235) | (\$381,059) | (\$15,969) |
| Total Net Plant | \$28,373,612 | \$15,003,230 | \$6,114,831 | \$5,221,862 | \$1,190,742 | \$807,862 | \$35,085 |
| Directly Allocated Net Fixed Assets | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cost of Power (COP) | \$25,889,472 | \$8,628,863 | \$4,858,359 | \$9,566,379 | \$2,703,848 | \$102,848 | \$29,175 |
| OM&A Expenses | \$2,999,720 | \$1,991,991 | \$506,911 | \$345,234 | \$49,669 | \$101,497 | \$4,418 |
| Directly Allocated Expenses | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Subtotal | \$28,889,192 | \$10,620,853 | \$5,365,270 | \$9,911,613 | \$2,753,517 | \$204,345 | \$33,594 |
| Working Capital | \$2,166,689 | \$796,564 | \$402,395 | \$743,371 | \$206,514 | \$15,326 | \$2,520 |
| Total Rate Base | \$30,540,302 | \$15,799,794 | \$6,517,227 | \$5,965,233 | \$1,397,256 | \$823,187 | \$37,604 |
| Rate Base Input equals Output | | | | | | | |
| Equity Component of Rate Base | \$12,216,121 | \$6,319,918 | \$2,606,891 | \$2,386,093 | \$558,902 | \$329,275 | \$15,042 |
| Net Income on Allocated Assets | \$1,097,008 | \$207,739 | \$359,767 | \$365,243 | \$14,382 | \$147,391 | \$2,486 |
| Net Income on Direct Allocation Assets | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Income | \$1,097,008 | \$207,739 | \$359,767 | \$365,243 | \$14,382 | \$147,391 | \$2,486 |
| RATIOS ANALYSIS | | | | | | | |
| REVENUE TO EXPENSES STATUS QUO% | 100.00% | 89.80% | 110.64% | 118.24% | 80.84% | 162.62% | 114.03% |
| EXISTING REVENUE MINUS ALLOCATED COSTS | (\$55,693) | (\$399,609) | \$110,793 | \$152,141 | (\$33,401) | \$113,337 | \$1,046 |
| Deficiency Input equals Output | | | | | | | |
| STATUS QUO REVENUE MINUS ALLOCATED COSTS | \$0 | (\$369,970) | \$122,736 | \$162,051 | (\$32,143) | \$116,196 | \$1,130 |
| RETURN ON EQUITY COMPONENT OF RATE BASE | 8.98% | 3.29% | 13.80% | 15.31% | 2.57% | 44.76% | 16.53% |

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

Exhibit 7
I.7.STAFF.57-63
I.7.VECC.38-44
Supplementary Responses

Cost Allocation
Staff Interrogatories #57-63
VECC Interrogatories #38-44
Responses to Staff Supplementary #8 and VECC Supplementary #55-59

8. Rate Design

Subject to any updates that are required to reflect and implement the Board's decisions on the Unsettled Items, the Parties accept the Proposed Tariff and the Parties accept the evidence of NOTL Hydro that it has calculated the Bill Impacts correctly and accept that such impacts are acceptable.

NOTL Hydro has agreed to treat the split between fixed and variable charges for the streetlighting and USL rate classes in the same manner as the GS >50 rate class. With that change, the Parties accept the evidence of NOTL Hydro that all elements of the rate design, including fixed-variable splits and revenue to cost ratios, have been appropriately determined, taking account of OEB policies and practices.

NOTL Hydro has updated the loss factor associated with the Large Use customer class. NOTL Hydro's filing did not include any separate loss factor for this customer class. After having reviewed the applicable loss factor for similar customer classes with other distributors, NOTL Hydro has proposed to update the applicable Tariffs to include the following:

Total Loss Factor – Secondary Metered Customer < 5,000 kW 1.0373 [no change]
Total Loss Factor – Secondary Metered Customer > 5,000 kW 1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW 1.0275 [no change]
Total Loss Factor – Primary Metered Customer > 5,000 kW 1.0045

The only impact on rates from the proposed change will be through the calculation of Cost of Power for the purpose of determining the Working Capital Allowance. This impact (an approximate \$1,500 reduction in rate base) is shown in Item 1, above. The Parties accept this change. In agreeing to the Large Use rate, the Parties accept and rely on the evidence of NOTL Hydro that it has consulted with its Large Use customer, and that such customer is amenable to the proposed new Large Use rate.

For discussion of the proposed Standby Charges and the proposed Transmission Gross Load Billing Charge, see Item 10, below.

A copy of the Proposed Tariff is included at Appendix "E". The Proposed Tariff reflects the items described in this Settlement Proposal, including those related to the unsettled items.

Table 17 – Summary of Distribution Rates

| Customer Class | Customer and Load Forecast | | | | Distribution Rates | |
|----------------|-------------------------------|-------------------------|------------|-----------|------------------------|-----------------|
| | Volumetric Charge Determinant | Customers / Connections | kWh | kW or kVA | Monthly Service Charge | Volumetric Rate |
| Residential | kWh | 8,152 | 73,898,698 | - | \$ 30.47 | \$ - /kWh |
| GS<50 | kWh | 1,342 | 41,865,678 | - | \$ 39.41 | \$ 0.0133 /kWh |
| GS>50 | kW | 131 | 82,468,049 | 212,284 | \$ 281.65 | \$ 2.6169 /kW |
| Unmetered | kWh | 26 | 251,508 | - | \$ 21.20 | \$ 0.0072 /kWh |
| Streetlights | kW | 2,187 | 886,616 | 2,475 | \$ 7.85 | \$ 7.3887 /kW |
| Large User | kW | 1 | 23,308,825 | 60,000 | \$ 2,829.49 | \$ 2.6169 /kW |

Table 18 - Table Revenue to Cost Ratios

| Name of Customer Class | Proposed Revenue-to-Cost Ratio | | Policy Range |
|------------------------|--------------------------------|---------------------|--------------|
| | Test Year | Price Cap IR Period | |
| | 2019 | 2020 - 2023 | |
| 1 Residential | 90.58% | 91.09% | 85 - 115 |
| 2 GS<50 | 110.64% | 110.64% | 80 - 120 |
| 3 GS>50 | 118.24% | 118.24% | 80 - 120 |
| 4 Unmetered | 114.03% | 114.03% | 80 - 120 |
| 5 Streetlights | 130.00% | 120.00% | 80 - 120 |
| 6 Large User | 100.00% | 100.00% | 85 - 115 |

Table 19 – Summary of Fixed Variable Splits

| Customer Class | Customer and Load Forecast | | | | Fixed / Variable Splits | | | | |
|----------------|-------------------------------|-------------------------|------------|-----------|---------------------------------|------------------------|------------|---------|----------|
| | Volumetric Charge Determinant | Customers / Connections | kWh | kW or kVA | Total Class Revenue Requirement | Monthly Service Charge | Volumetric | Fixed | Variable |
| Residential | kWh | 8,152 | 73,898,698 | - | \$ 2,980,917 | \$ 2,980,917 | \$ - | 100.00% | 0.00% |
| GS<50 | kWh | 1,342 | 41,865,678 | - | \$ 1,190,494 | \$ 634,501 | \$ 555,993 | 53.30% | 46.70% |
| GS>50 | kW | 131 | 82,468,049 | 212,284 | \$ 987,196 | \$ 442,754 | \$ 544,442 | 44.85% | 55.15% |
| Unmetered | kWh | 26 | 251,508 | - | \$ 8,433 | \$ 6,614 | \$ 1,819 | 78.43% | 21.57% |
| Streetlights | kW | 2,187 | 886,616 | 2,475 | \$ 224,278 | \$ 205,993 | \$ 18,285 | 91.85% | 8.15% |
| Large User | kW | 1 | 23,308,825 | 60,000 | \$ 157,369 | \$ 33,954 | \$ 123,415 | 21.58% | 78.42% |

RTSRs

The Parties accept the evidence of NOTL Hydro that it has calculated the RTSRs correctly and agree that they are acceptable.

Table 20 - Proposed RTSRs

| The purpose of this table is to update the re-aligned RTS Network Rates to recover future wholesale network costs. | | | | | | | | | |
|--|-------------------|------|---------------------------|--------------------------|-----------|---------------|-----------------|---------------------------|---------------------------|
| Rate Class | Rate Description | Unit | Adjusted RTSR- Network | Loss Adjusted Billed kWh | Billed kW | Billed Amount | Billed Amount % | Current Wholesale Billing | Proposed RTSR- Network |
| Residential | RTSR - Network | kWh | 0.0068 | 73,708,854 | | 501,767 | 37.8% | 501,767 | 0.0068 |
| General Service Less Than 50 kW | RTSR - Network | kWh | 0.0062 | 42,276,847 | | 263,475 | 19.8% | 263,475 | 0.0062 |
| General Service 50 to 4,999 kW | RTSR - Network | kW | 2.5322 | | 122,962 | 311,361 | 23.4% | 311,361 | 2.5322 |
| General Service 50 to 4,999 kW – Internal Metered | RTSR - Network | kW | 2.7367 | | 89,640 | 245,314 | 18.5% | 245,314 | 2.7367 |
| Unmetered Scattered Load | RTSR - Network | kWh | 0.0062 | 260,263 | | 1,622 | 0.1% | 1,622 | 0.0062 |
| Street Lighting | RTSR - Network | kW | 1.9093 | | 2,400 | 4,583 | 0.3% | 4,583 | 1.9093 |
| The purpose of this table is to update the re-aligned RTS Connection Rates to recover future wholesale connection costs. | | | | | | | | | |
| Rate Class | Rate Description | Unit | Adjusted RTSR- Connection | Loss Adjusted Billed kWh | Billed kW | Billed Amount | Billed Amount % | Current Wholesale Billing | Proposed RTSR- Connection |
| Residential | RTSR - Connection | kWh | 0.0016 | 73,708,854 | | 118,331 | 32.2% | 118,331 | 0.0016 |
| General Service Less Than 50 kW | RTSR - Connection | kWh | 0.0016 | 42,276,847 | | 67,871 | 18.4% | 67,871 | 0.0016 |
| General Service 50 to 4,999 kW | RTSR - Connection | kW | 0.5327 | | 122,962 | 65,503 | 17.8% | 65,503 | 0.5327 |
| General Service 50 to 4,999 kW – Internal Metered | RTSR - Connection | kW | 1.2812 | | 89,640 | 114,846 | 31.2% | 114,846 | 1.2812 |
| Unmetered Scattered Load | RTSR - Connection | kWh | 0.0016 | 260,263 | | 418 | 0.1% | 418 | 0.0016 |
| Street Lighting | RTSR - Connection | kW | 0.4118 | | 2,400 | 989 | 0.3% | 989 | 0.4118 |

LRAMVA

NOTL Hydro is only seeking clearance of the LRAMVA for 2016 and 2017. The Parties accept that NOTL Hydro has determined the LRAMVA appropriately. The Parties agree the results are acceptable. Table 20 provides a history of LRAMVA actuals versus forecast from 2011 to 2017 and the amounts to be recovered from each rate class.

Table 21 - LRAMVA

| Description | LRAMVA Previously Claimed | Residential | GS<50 kW | Street Lighting | Unmetered Scattered Load | General Service 50 - 4,999 kW | Total |
|-----------------------------|---------------------------|-----------------|-----------------|-----------------|--------------------------|-------------------------------|------------------|
| | | kWh | kWh | kW | kWh | kW | |
| 2011 Actuals | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| 2011 Forecast | □ | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Amount Cleared | | | | | | | |
| 2012 Actuals | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| 2012 Forecast | □ | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Amount Cleared | | | | | | | |
| 2013 Actuals | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| 2013 Forecast | □ | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Amount Cleared | | | | | | | |
| 2014 Actuals | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| 2014 Forecast | □ | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Amount Cleared | | | | | | | |
| 2015 Actuals | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| 2015 Forecast | □ | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Amount Cleared | | | | | | | |
| 2016 Actuals | | \$22,353.60 | \$30,305.37 | \$31,223.24 | \$0.00 | \$24,738.05 | \$108,620.26 |
| 2016 Forecast | □ | (\$4,979.74) | (\$14,033.57) | \$0.00 | \$0.00 | (\$2,379.45) | (\$21,392.76) |
| Amount Cleared | | | | | | | |
| 2017 Actuals | | \$25,384.05 | \$36,341.80 | \$31,743.35 | \$0.00 | \$35,082.11 | \$128,551.31 |
| 2017 Forecast | □ | (\$3,550.37) | (\$14,279.77) | \$0.00 | \$0.00 | (\$2,419.08) | (\$20,249.23) |
| Amount Cleared | | | | | | | |
| 2018 Actuals | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| 2018 Forecast | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Amount Cleared | | | | | | | |
| 2019 Actuals | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| 2019 Forecast | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Amount Cleared | | | | | | | |
| 2020 Actuals | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| 2020 Forecast | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Amount Cleared | | | | | | | |
| Carrying Charges | | \$1,438.19 | \$1,398.16 | \$2,346.80 | \$0.00 | \$1,995.69 | \$7,178.85 |
| Total LRAMVA Balance | | \$40,646 | \$39,732 | \$65,313 | \$0 | \$57,017 | \$202,708 |

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

Exhibit 8
I.8.STAFF.64-65
I.8.SEC.33

Rate Design
Staff Interrogatories #64-65
SEC Interrogatories #33

I.8.VECC.45-46 VECC Interrogatories #45-46
Supplementary Responses Responses to VECC Supplementary #60 and SEC Supplementary #3

9. Deferral and Variance Accounts

Clearance of Group 1 and Group 2 Accounts

The Parties agree to the clearance of NOTL Hydro's Deferral and Variance accounts as-filed, with one exception. The change from the filing is that the parties have agreed, in the context of the overall partial settlement, that NOTL Hydro will not clear the OEB Cost Assessment Variance Account, because the balance in that account (\$16,762) does not meet the relevant materiality threshold.

The Parties also agree that the Group 1 balances are disposed of on an interim basis consistent with Board policy and that the Group 2 balances are settled on a final basis.

The Parties agree that the recovery period for all Group 1 deferral and variance account rate riders will be 1 year.

There is no agreement on the disposition period of Group 2 deferral and variance accounts and the LRAMVA. Concurrently with this filing of this Settlement Proposal NOTL Hydro has indicated to Parties it will be filing updated evidence proposing to clear the accounts over a 2-year period (the original prefiled evidence had proposed a one-year clearance period). The table below sets out the relative impacts of clearance over 1 or 2 years. The Parties agree that the Board should determine this item. The Parties further agree that it is appropriate that intervenors and Board Staff be permitted the opportunity to ask interrogatories on the updated evidence or to object to the appropriateness of the updated evidence

Table 22 – LRAMVA and Group 2 Deferral and Variance Accounts

| LRAM | Rate Rider 1 Year | Rate Rider 2 Years | Variance | Bill Impact |
|--------------|--------------------------|---------------------------|-----------------|--------------------|
| Residential | \$ 0.42 | \$ 0.21 | \$ 0.21 | \$ 0.21 |
| GS<50 | \$ 0.0010 | \$ 0.0005 | \$ 0.0005 | \$ 1.00 |
| GS>50 | \$ 0.2686 | \$ 0.1343 | \$ 0.1343 | \$ 18.13 |
| Steet Lights | \$ 26.3920 | \$ 13.1960 | \$ 13.1960 | \$ 382.68 |
| Unmetered | \$ - | \$ - | \$ - | \$ - |
| Large User | \$ - | \$ - | \$ - | \$ - |

| Group 2 | Rate Rider 1 Year | Rate Rider 2 Years | Variance | Bill Impact |
|----------------|--------------------------|---------------------------|-----------------|--------------------|
| Residential | \$ 0.80 | \$ 0.40 | \$ 0.40 | \$ 0.40 |
| GS<50 | \$ 0.0011 | \$ 0.0005 | \$ 0.0006 | \$ 1.10 |
| GS>50 | \$ 0.4104 | \$ 0.2052 | \$ 0.2052 | \$ 27.70 |
| Steet Lights | \$ 0.3785 | \$ 0.1893 | \$ 0.1893 | \$ 5.49 |
| Unmetered | \$ 0.0011 | \$ 0.0005 | \$ 0.0006 | \$ 0.41 |
| Large User | \$ 0.4104 | \$ 0.2052 | \$ 0.2052 | \$ 1,026.00 |

Table 23 - Deferral/Variance Account Balances and Rate Riders

**Rate Rider Calculation for Group 1 Deferral / Variance Accounts Balances
(excluding Global Adj.)**

Please indicate the Rate Rider Recovery Period (in months)

12

1550, 1551, 1584, 1586, 1595, 1580 and 1588 per instructions

| Rate Class (Enter Rate Classes in cells below) | Units | kW / kWh / # of Customers | Allocated Group 1 Balance (excluding 1589) | Rate Rider for Deferral/Variance Accounts |
|---|-------|------------------------------|--|---|
| RESIDENTIAL | kWh | 73,898,698 | -\$ 44,565 | - 0.0006 |
| GENERAL SERVICE LESS THAN 50 KW | kWh | 41,865,678 | -\$ 23,992 | - 0.0006 |
| GENERAL SERVICE 50 TO 4,999 KW | kW | 212,284 | -\$ 46,247 | - 0.2179 |
| STREET LIGHTING | kW | 2,475 | -\$ 497 | - 0.2009 |
| UNMETERED | kWh | 251,508 | -\$ 141 | - 0.0006 |
| LARGE USER | kW | 60,000 | -\$ 13,071 | - 0.2179 |
| Total | | | -\$ 128,514 | |

Rate Rider Calculation for RSVA - Power - Global Adjustment

Please indicate the Rate Rider Recovery Period (in months)

12

Balance of Account 1589 Allocated to Non-WMPs

| Rate Class (Enter Rate Classes in cells below) | Units | kWh | Allocated Global Adjustment Balance | Rate Rider for RSVA - Power - Global Adjustment |
|---|-------|------------|---|--|
| RESIDENTIAL | kWh | 1,777,899 | -\$ 3,221 | - 0.0018 |
| GENERAL SERVICE LESS THAN 50 KW | kWh | 6,392,462 | -\$ 11,580 | - 0.0018 |
| GENERAL SERVICE 50 TO 4,999 KW | kWh | 76,481,342 | -\$ 138,544 | - 0.0018 |
| STREET LIGHTING | kWh | 779,154 | -\$ 1,411 | - 0.0018 |
| UNMETERED | kWh | - | \$ - | - |
| LARGE USER | kWh | 23,308,825 | -\$ 42,223 | - 0.0018 |
| Total | | | -\$ 196,979 | |

Rate Rider Calculation for Group 2 Accounts

Please indicate the Rate Rider Recovery Period (in months)

24

| Rate Class (Enter Rate Classes in cells below) | Units | # of Customers | Allocated Group 2 Balance | Rate Rider for Group 2 Accounts |
|---|----------------|----------------|------------------------------|------------------------------------|
| RESIDENTIAL | # of Customers | 8,152 | \$ 78,073 | \$ 0.40 |
| GENERAL SERVICE LESS THAN 50 KW | kWh | 41,865,678 | \$ 44,230 | \$ 0.0005 |
| GENERAL SERVICE 50 TO 4,999 KW | kW | 212,284 | \$ 87,126 | \$ 0.2052 |
| STREET LIGHTING | kW | 2,475 | \$ 937 | \$ 0.1893 |
| UNMETERED | kWh | 251,508 | \$ 266 | \$ 0.0005 |
| LARGE USER | kW | 60,000 | \$ 24,625 | \$ 0.2052 |
| Total | | | \$ 235,257 | |

Rate Rider Calculation for Accounts 1568

Please indicate the Rate Rider Recovery Period (in months)

24

| Rate Class (Enter Rate Classes in cells below) | Units | kW / kWh / # of Customers | Allocated Account 1568 Balance | Rate Rider for Account 1568 |
|---|----------------|------------------------------|--------------------------------------|--------------------------------|
| RESIDENTIAL | # of Customers | 8,152 | \$ 40,646 | 0.21 |
| GENERAL SERVICE LESS THAN 50 KW | kWh | 41,865,678 | \$ 39,732 | 0.0005 |
| GENERAL SERVICE 50 TO 4,999 KW | kW | 212,284 | \$ 57,017 | 0.1343 |
| STREET LIGHTING | kW | 2,475 | \$ 65,313 | 13.1960 |
| UNMETERED | kWh | 251,508 | \$ - | - |
| LARGE USER | kW | 60,000 | \$ - | - |
| Total | | | \$ 202,708 | |

Specified Customer Revenue Variance Account

The Parties agree to the creation of a Specified Customer Revenue Variance Account that will record the difference between forecast and actual revenues solely from the Large Use customer forecast in NOTL Hydro's application. As explained in the prefiled evidence, the reason for the account is that the load forecast for the one customer that will be included in the Large Use Customer Class is uncertain, and it is quite large relative to NOTL Hydro's total load. The Parties agree that it is appropriate that neither the distributor nor customers bear the benefit or burden of currently unknown variances in the large customer's load, and that a variance account is appropriate. The name of the large customer is set out in Appendix "J" to the Settlement Proposal. The Parties agree that it would be appropriate for Appendix "J" to be filed confidentially with the OEB, pursuant to the OEB's Practice Direction on Confidential Filings.

The account will record the annual difference between forecast revenues from this customer versus the actual revenues from the customer at the current or adjacent location (including any standby charges), regardless of the number of accounts it has, and the rate class(es) they ultimately may end up within. The Parties agree that the new account will be cleared annually via a rate rider which will be in effect for one year by allocating the balance of the variance account across customer classes based on customer class revenue. Within each customer class it will be allocated across customers based on kwh.. The Parties agree that the clearance of the account will include the Large Use customer class. A draft updated Accounting Order for the Specified Customer Revenue Variance Account is attached as Appendix "I".

Retail Service Cost Variance Account

Consistent with the expected outcome from the EB-2015-0304 Report of the Ontario Energy Board on Energy Retailer Service Charges, issued on November 29, 2018, the Parties agree that NOTL Hydro will discontinue its Retail Service Cost Variance Account as of May 1, 2019.

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

| | |
|-------------------------------|--|
| Exhibit 9 | Deferral and Variance Accounts |
| I.9.STAFF.66-74 | Staff Interrogatories #66-74 |
| I.9.SEC.34 | SEC Interrogatory #34 |
| I.9.VECC.47-49 | VECC Interrogatories #47-49 |
| Supplementary Responses | Supplementary Responses to Staff #67 and 71 |
| Exhibit 9 Additional Evidence | Additional Evidence re. Group 2 and LRAM Rate Riders |

10. Other

(a) Is the proposed microFIT rate appropriate?

The Parties agree that the proposed MicroFIT monthly service charge of \$10.00 is appropriate.

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

Exhibit 8
I.8.VECC.46

Rate Design
VECC Interrogatory #46

(b) Are the proposed changes to the Specific Service Charges appropriate?

The Parties agree with the Service Charges proposed in NOTL Hydro's application, with two changes.

First, the Retail Service Charges will be updated to reflect expected updates in the EB-2015-0304 Report of the Ontario Energy Board on Energy Retailer Service Charges, issued on November 29, 2018.

Second, NOTL Hydro will update its approved Service Charges (effective May 1, 2019) to reflect the expected changes resulting from the OEB's Review of Customer Service Rules (EB-2017-0183). NOTL Hydro will remove the Collection of Account, Install/Remove load control device – during regular business hours, and Install/Remove load control device – after regular business hours charges, and will change the name of the "Disconnect/Reconnect" Charge to "Reconnection" and will ensure that its late payment charge is reflected as 1.5% per month (effective annual rate 19.56% per annum or 0.04896% compounded daily).

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

Exhibit 8
I.8.VECC.46

Rate Design
VECC Interrogatory #46

(c) Is the proposed transmission gross load billing appropriate?

There is no agreement on this item. The Parties agree that the Board should determine all issues related to this item.

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

Exhibit 8

Rate Design (Additional Evidence)

(d) Is the proposed distribution standby charge appropriate?

NOTL and VECC accept NOTL Hydro's proposal for a Distribution Standby Charge as set out in the Additional Rate Design Evidence (Exhibit 8), with one change. The change is that the minimum level to which the Distribution Standby Charge will apply is 500kW. As set out in response to SEC Supplementary Interrogatory #3, NOTL Hydro's evidence is that there is one customer who will be immediately impacted by the Distribution Standby Charge, and that customer supports the proposed charge. SEC takes no position on this issue.

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

| | |
|-------------------------|------------------------------------|
| Exhibit 8 | Rate Design (Additional Evidence) |
| I.8.SEC.46 | SEC Interrogatory #33 |
| Supplementary Responses | SEC Supplementary Interrogatory #3 |

Appendix “A”- Approved Issues List and Table of Concordance

**Approved Issues List
EB-2018-0056
Niagara-on-the-Lake Hydro Inc.**

1. PLANNING

1.1 Capital

Is the level of planned capital expenditures appropriate and is the rationale for planning and pricing 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

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.

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?

2.2 Has the Revenue Requirement been accurately determined based on these elements?

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?

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

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

3.4 Has the applicant appropriately applied the OEB's policy on residential rate design?

3.5 Are the proposed Retail Transmission Service Rates appropriate?

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?

4.2 Are the applicant's proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, the continuation of existing accounts, and the request for a new revenue variance account for the Large User customer appropriate?

5. OTHER

5.1 Is the proposed microFIT rate appropriate?

5.2 Are the proposed changes to the Specific Service Charges appropriate?

5.3 Is the proposed transmission gross load billing appropriate?

5.4 Is the proposed distribution standby charge appropriate?

Concordance Table between Issues List and Settlement Proposal

| Issue from Issues List | Where this is addressed in the Settlement Proposal |
|---|--|
| <p>1.1 Capital</p> <p>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:</p> <ul style="list-style-type: none"> ➤ 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 | <p>Item 1 – Rate Base</p> <p>Item 2 – Distribution System Plan and capital expenditures</p> |
| <p>1.2 OM&A</p> <p>Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained, giving due consideration to:</p> <ul style="list-style-type: none"> ➤ 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. | <p>Item 3 – Operating Costs</p> |
| <p>2.1 Are all elements of the Revenue Requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices?</p> <p>2.2 Has the Revenue Requirement been accurately determined based on these elements?</p> | <p>Item 1 – Rate Base</p> <p>Item 2 – Distribution System Plan and capital expenditures</p> <p>Item 3 – Operating Costs</p> <p>Item 4 – Cost of Capital</p> <p>Item 5 – Load Forecast and Other Revenue</p> <p>Item 6 – Revenue Deficiency/Sufficiency</p> |

| | |
|--|--|
| 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? | Item 5 – Load Forecast and Other Revenue |
| 3.2 Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios appropriate? | Item 7 – Cost Allocation |
| 3.3 Are the applicant's proposals for rate design appropriate? | Item 8 – Rate Design |
| 3.4 Has the applicant appropriately applied the OEB's policy on residential rate design? | Item 8 – Rate Design |
| 3.5 Are the proposed Retail Transmission Service Rates appropriate? | Item 8 – Rate Design |
| 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? | Throughout |
| 4.2 Are the applicant's proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, the continuation of existing accounts, and the request for a new revenue variance account for the Large User customer appropriate? | Item 9 – Deferral and Variance Accounts |
| 5.1 Is the proposed microFIT rate appropriate? | Item 10(a) – Other |
| 5.2 Are the proposed changes to the Specific Service Charges appropriate? | Item 10(b) – Other |
| 5.3 Is the proposed transmission gross load billing appropriate? | Item 10 (c) – Other |
| 5.4 Is the proposed distribution standby charges appropriate? | Item 10(d) - Other |

Appendix “B” - NOTL Hydro 2019 Revenue Requirement Work Form 20190110

Included in models filed electronically (through RESS) with the Settlement Proposal

**Appendix "C"- NOTL Hydro 2019 Filing Requirements Chapter 2 Appendices
20190110 & NOTL Hydro 2019 Filing Requirements Chapter 2 Appendix 2C
20190110**

Included in models filed electronically (through RESS) with the Settlement Proposal

Appendix “D” - NOTL Hydro 2019 Load Forecast Wholesale 20190110

Included in models filed electronically (through RESS) with the Settlement Proposal

Appendix “E”- NOTL Hydro 2019 Tariff Schedule and Bill Impact Model 20190110

Included in models filed electronically (through RESS) with the Settlement Proposal

Appendix “F”- NOTL Hydro 2019 DVA Continuity Schedule CoS 20190110

Included in models filed electronically (through RESS) with the Settlement Proposal

Appendix “G” - NOTL Hydro 2019 Cost Allocation Model RUN3 20190110

Included in models filed electronically (through RESS) with the Settlement Proposal

Appendix “H” - Impact of Including ICM in Distribution Revenue at Existing Rates

2019 Rates with ICM included in Revenue at Existing Rates

| Customer Class | Distribution Rates | | Revenue less Transformer Ownership | | | |
|----------------|------------------------|-----------------|------------------------------------|---------------------|-----------------------|------------------------------------|
| | Monthly Service Charge | Volumetric Rate | Monthly Service Charge | Volumetric Revenues | Transformer Allowance | Revenue less Transformer Ownership |
| Residential | \$ 30.47 | \$ - /kWh | \$ 2,980,834 | \$ - | \$ - | \$ 2,980,834 |
| GS<50 | \$ 39.41 | \$ 0.0133 /kWh | \$ 634,501 | \$ 556,814 | \$ - | \$ 1,191,315 |
| GS>50 | \$ 281.65 | \$ 2.6169 /kW | \$ 442,754 | \$ 555,525 | \$ 11,086 | \$ 987,193 |
| Unmetered | \$ 21.20 | \$ 0.0072 /kWh | \$ 6,614 | \$ 1,811 | \$ - | \$ 8,425 |
| Streetlights | \$ 7.85 | \$ 7.3887 /kW | \$ 205,993 | \$ 18,285 | \$ - | \$ 224,279 |
| Large User | \$ 2,829.49 | \$ 2.6169 /kW | \$ 33,954 | \$ 157,014 | \$ 33,600 | \$ 157,368 |
| | | | \$ 4,304,651 | \$ 1,289,449 | \$ 44,686 | \$ 5,549,413 |

2019 Rates with ICM excluded from Revenue at Existing Rates

| Customer Class | Distribution Rates | | Revenue less Transformer Ownership | | | |
|----------------|------------------------|-----------------|------------------------------------|---------------------|-----------------------|------------------------------------|
| | Monthly Service Charge | Volumetric Rate | Monthly Service Charge | Volumetric Revenues | Transformer Allowance | Revenue less Transformer Ownership |
| Residential | \$ 30.97 | \$ - /kWh | \$ 3,029,749 | \$ - | \$ - | \$ 3,029,749 |
| GS<50 | \$ 39.41 | \$ 0.0131 /kWh | \$ 634,501 | \$ 548,440 | \$ - | \$ 1,182,941 |
| GS>50 | \$ 281.65 | \$ 2.4248 /kW | \$ 442,754 | \$ 514,745 | \$ 11,086 | \$ 957,499 |
| Unmetered | \$ 21.20 | \$ 0.0080 /kWh | \$ 6,614 | \$ 2,012 | \$ - | \$ 8,626 |
| Streetlights | \$ 7.85 | \$ 7.3887 /kW | \$ 205,993 | \$ 18,285 | \$ - | \$ 224,279 |
| Large User | \$ 3,790.12 | \$ 2.4248 /kW | \$ 45,481 | \$ 145,488 | \$ 33,600 | \$ 190,969 |
| | | | \$ 4,365,093 | \$ 1,228,971 | \$ 44,686 | \$ 5,594,064 |

**Appendix "I" -
Draft Accounting Order for Specified Customer Revenue Variance Account**

Niagara-on-the-Lake Hydro Inc.

DRAFT ACCOUNTING ORDER

Specified Customer Revenue Variance Account

The Specified Customer Revenue Variance Account is established with respect to a Specified Customer that is initially classified in the Large User rate class in NOTL Hydro's 2019 cost of service rate application. This variance account remains applicable irrespective of the Specified Customer's rate classification(s), or if they have multiple accounts at the current or adjacent location.

On a monthly basis the demand revenue from the Specified Customer will be reviewed and any variance from a demand of 5,000 kW will result in a journal entry in the account. Demand revenue will include any standby revenue billed due to the Specified User's behind-the-meter generation displacing demand revenue. The amount recorded will be the difference between actual revenue collected from the Specified Customer and the amount of revenue forecasted to be collected for that period, based on the approved fixed and variable rates in effect during that period

If the demand exceeds 5,000 kW then the entry is:

Dr. 4305 Regulatory Debit
Cr. 1508- sub-account Specified Customer Revenue Variance Account

If the demand is lower than 5,000 kW then the entry is:

Dr. 1508 – sub-account Specified Customer Revenue Variance Account
Cr. 4310 Regulatory Credit

Following the audit of the account's year-end balance, NOTL Hydro will request disposition of the account via a rate rider which will be in effect for one year. A rate rider will be determined for all customer classes including the Specified Customer who is currently forecasted in Large User class.

Assuming the variance account has a credit balance, the monthly recording of the billing of the rate rider will be:

Dr. 1508-sub-account Specified Customer Revenue Variance Account
Cr. 4305 Regulatory Debit

Dr. 4080 Distribution Revenue

Cr. 1100 Customer Accounts Receivable

If the variance account has a debit balance, the entries would be:

Dr. 4310 Regulatory Credit
Cr. 1508-sub-account Specified Customer Revenue Variance Account
Dr. 1100 Customer Accounts Receivable
Cr. 4080 Distribution Revenue

Following the audit of the year in which the last month of the rate rider was billed, any remaining balance in the variance account will be included in the balance requested for disposition in a future period. The rate rider will be determined by allocating the balance of the variance account across customer classes based on customer class revenue. Within each customer class it will be allocated across customers based on kwh.

Appendix "J" - CONFIDENTIAL

**Name of Large Use Customer for the Specified Customer Revenue Variance
Account**

The customer's name is

34870543.1