

Hydro 2000 Inc.

2020 Cost of Service Application

Settlement Proposal

EB-2019-0041

Filed: July 31, 2020

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LIST OF ATTACHMENTS

A. Revenue Requirement Work Form

Note:

Hydro 2000 Inc. has filed revised models as evidence to support this Settlement Proposal. The models have been filed through the OEB's e-filing service and include:

- a) 2020 Filing Requirements Chapter 2 Appendices
- b) 2020 Revenue Requirement Work Form
- c) 2020 Test Year Income Tax PILs Model
- d) 2020 Cost Allocation Model
- e) 2020 Load Forecast Model
- f) 2020 H2000 Rate Design Model
- g) 2020 DVA Continuity Schedule
- h) 2020 RTSR Model
- i) 2020 LRAMVA Model

- j) 2020 Benchmarking Model
- k) 2020 Bill Impact Model
- l) 2019 and 2020 Fixed Assets and Depreciation Continuity Schedule
- m) 2020 Standalone Proposed Tariff Sheet

SETTLEMENT PROPOSAL

Hydro 2000 Inc. (the “Applicant” or “H2000”) filed a Cost of Service application with the Ontario Energy Board (the “OEB”) on February 25, 2020, 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 H2000 charges for electricity distribution, to be effective May 1, 2020 (OEB file number EB-2019-0041) (the “Application”).

The OEB issued a Letter of Direction and Notice of Application on April 14, 2020. In Procedural Order No. 1, dated May 5, 2020, the OEB approved the Vulnerable Energy Consumers Coalition (VECC) as an intervenor and prescribed dates for the following: written interrogatories from OEB staff and VECC; H2000’s responses to interrogatories; a Settlement Conference; and various other elements in the proceeding. By letter dated May 22, 2020 the OEB determined that OEB staff would participate in the Settlement Conference and any resulting Settlement Proposal as a party to the proceeding.

Following the receipt of interrogatories, H2000 filed its interrogatory responses with the OEB on June 12, 2020.

On June 18, 2020 OEB staff submitted a proposed issues list as agreed to by the parties. On June 22, 2020 the OEB issued its decision on the final issues list (the “Issues List”).

The Settlement Conference was convened on June 24 and 25, 2020 in accordance with the OEB’s *Rules of Practice and Procedure* (the “Rules”) and the OEB’s Practice Direction. H2000, VECC and OEB staff participated in the Settlement Conference.

Andrew Pride acted as facilitator for the Settlement Conference.

H2000, VECC and OEB Staff collectively referred to below as the “Parties”, reached a full, comprehensive settlement regarding H2000’s 2020 cost of service application. The details and specific components of the settlement are detailed in the “Settlement Proposal”.

This document is called a Settlement Proposal because it is a proposal by the Parties presented 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 Settlement Proposal 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 Settlement Proposal, 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 acknowledge that this settlement proceeding is confidential in accordance with the OEB's Practice Direction on settlement conferences. 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 specific rules with respect to confidentiality and privilege are as set out in the Practice Direction, as amended on October 28, 2016. Parties have interpreted the revised Practice Direction 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 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 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, in addition to the Application, the responses to interrogatories, all other components of the record up to and including the date hereof, including evidence filed concurrently with this Settlement Proposal (with the Parties' consent) titled "Responses to Pre-Settlement Clarification Questions", and the additional information

included by the Parties in this Settlement Proposal and the attachments and appendices to this document.

Included with the Settlement Proposal are attachments that provide further support for the proposed settlement. The Parties acknowledge that the attachments were prepared by H2000. While the Intervenors have reviewed the attachments, the Intervenors are relying on the accuracy of the attachments and 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, with additional sub-issues added as appropriate in order to highlight specific aspects of the settlement.

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. Any such 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 accepts 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 must agree with any revised Settlement Proposal as it relates to that issue, or take no position, 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 the Parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not H2000 is a party to such proceeding, provided that no Party shall take a position that would result in the Settlement Proposal not applying in accordance with the terms contained herein.

Where in this Settlement Proposal the Parties “accept” the evidence of H2000, or “agree” to any issue, 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.

SUMMARY

IMPACT OF THE COVID-19 PANDEMIC

On March 17th, 2019, the Government of Ontario declared an emergency under section 7.0.1 of the *Emergency Management and Civil Protection Act* due to the COVID-19 pandemic. The order declaring an emergency was in effect at the time of the Settlement Conference and has remained in place through the date of the filing of the Settlement Proposal.

The Parties have determined that the appropriate course of action in the circumstances is to propose a settlement that does not consider the COVID-19 pandemic and any potential impacts. This is because the impacts to both H2000 and its customers are not known with any specificity at this time. The Parties have reviewed the evidence and come to an agreement with respect to the Test Year revenue requirement for H2000 for the purposes of setting rates as though there will be no COVID-19 pandemic related impacts on its operations, in order to provide a test year that is an appropriate basis for rates not only for 2020, but also for the IRM period going forward, during which the Parties are hopeful there will be no lasting impacts on H2000's operations. In this way the Parties have intentionally agreed to a revenue requirement for the Test Year that puts H2000 and its customers in the same position as distributors, along with their customers, whose rates for 2020 were set without any embedded impacts related to the COVID-19 pandemic because those rates were determined in 2019 prior to the pandemic becoming known.

Additionally, the Parties have agreed that H2000 should have the option to defer rate implementation until November 1, 2020 and track any resulting foregone revenue in the COVID-19 related deferral and variance accounts as proposed in the Board's letter dated April 16, 2020; as part of this Settlement Proposal H2000 can advise that it will exercise that option, as detailed under the settlement of Issue 5.2.

In agreeing to a Settlement Proposal on this basis, the Parties agree that any Party may take any position, or request any relief from the OEB, that they may deem appropriate as it relates to the impact or effect of the COVID-19 pandemic on H2000 and/or its customers, for 2020 or otherwise. Furthermore, nothing in the Settlement Proposal shall be construed as limiting the OEB's legal authority to take any action it deems appropriate as it relates to COVID-19 pandemic on H2000 and/or its customers, for 2020 or otherwise.

The parties were able to reach agreement on all aspects of the application; capital costs, operations, maintenance & administration (OM&A) costs, revenue requirement-related issues, including the accuracy of the requirement determination, OEB policies and practices and accounting.

In reaching this Settlement Proposal, the Parties have been guided by the Filing Requirements for 2020 rates and the Approved Issues List.

This Settlement Proposal reflects a full settlement of the issues in the proceeding. The Parties have described below, in detail, areas where they have settled an issue by agreeing to adjustments to the application as updated.

This settlement will result in total bill increases of 3.75% or \$4.70 per month for the typical residential customer consuming 750 kWh per month. This compares to a decrease of 0.9% or \$1.15 per month in the original proposal.

The overall financial impact of the Settlement Proposal is to reduce the total base revenue requirement by 5.29% from \$581,156 to \$551,898.

While the overall settlement reduced the revenue requirement to be recovered in rates, the Parties agreed that H2000 will not dispose of the 2017 and 2018 balances in accounts 1588 and 1589, which were largely responsible for the net negative bill impact in the original application.

The Parties note that this Settlement Proposal includes all tables, appendices and the live Excel models that represent the evidence and the settlement between the Parties at the time of filing the Settlement Proposal.

A Revenue Requirement Work Form (RRWF), incorporating all terms that have been agreed to is filed with the Settlement Proposal. Through the settlement process, H2000 has agreed to certain adjustments to its original 2020 Application. The changes are described in the following sections.

H2000 has provided the following tables summarizing the application highlighting the changes to its Rate Base and Capital, Operating Expenses and Revenue Requirement from H2000's Application as filed as a result of interrogatories and this Settlement Proposal.

Table 1 - 2020 Revenue Requirement

	Application February 24, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRs
Long Term Debt	3.21%	3.21%	0.00%	3.21%	0.00%
Short Term Debt	2.75%	2.75%	0.00%	2.75%	0.00%
Return on Equity	8.52%	8.52%	0.00%	8.52%	0.00%
Regulated Rate of Return	5.32%	5.32%	0.00%	5.32%	0.00%
Controllable Expenses	\$507,699	\$507,700	\$1	\$492,699	-\$15,001
Power Supply Expense	\$3,090,754	\$3,140,905	\$50,151	\$2,529,321	-\$611,584
Total Eligible Distribution Expenses	\$3,598,453	\$3,648,605	\$50,152	\$3,022,020	-\$626,585
Working Capital Allowance Rate	7.50%	7.50%	7.50%	7.50%	7.50%
Total Working Capital Allowance ("WCA")	\$269,884	\$273,645	\$3,761	\$226,652	-\$46,994
Gross Fixed Assets (avg)	\$1,074,600	\$1,074,600	\$0	\$1,051,398	\$34,525
Accumulated Depreciation (avg)	-\$317,426	-\$317,426	\$0	-\$317,219	-\$20,680
Net Fixed Assets (avg)	\$757,174	\$757,174	\$0	\$734,179	\$13,845
Working Capital Allowance	\$269,884	\$273,645	\$3,761	\$226,652	-\$46,994
Rate Base	\$1,027,058	\$1,030,819	\$3,761	\$960,830	-\$33,149
Regulated Rate of Return	5.32%	5.32%	0.00%	5.32%	0.00%
Regulated Return on Capital	\$54,594	\$54,794	\$200	\$51,074	-\$3,720
OM&A Expenses	\$507,699	\$507,699	\$0	\$492,699	-\$15,000
Property Taxes	\$0	\$0	\$0	\$0	\$0
Depreciation Expense	\$47,219	\$47,219	\$0	\$43,774	-\$3,445
PILs	\$0	\$0	\$0	\$1,924	\$1,924
Revenue Offset	\$28,356	\$37,511	\$9,155	\$37,573	\$62
Revenue Requirement	\$581,156	\$572,201	-\$8,955	\$551,898	-\$20,303
Gross Revenue Deficiency/Sufficiency	\$42,595	\$31,597	-\$10,998	\$9,183	-\$22,414

The following Table 2 is provided to show the corrected calculation of Gross Revenue Deficiency/(Sufficiency) from the Revenue Requirement Workform, when taking into account Income Tax Credits.

Table 2 - 2020 Revenue Deficiency (At Current Approved Rates)

	Application February 24, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRs
Revenue Deficiency from Below	\$48,680	\$36,099	-\$12,581	\$9,183	-\$26,917
Distribution Revenue	\$532,476	\$536,102	\$3,626	\$542,715	\$6,613
Other Operating Revenue Offsets - net	\$28,356	\$37,511	\$9,155	\$37,573	\$62
Total Revenue	\$609,512	\$609,712	\$200	\$589,471	-\$20,241
Operating Expenses	\$554,918	\$554,918	-\$0	\$536,473	-\$18,445
Deemed Interest Expense	\$19,592	\$19,664	\$72	\$18,329	-\$1,335
Total Cost and Expenses	\$574,510	\$574,581	\$71	\$554,802	-\$19,780
			\$0		\$0
Utility Income Before Income Taxes	\$35,002	\$35,130	\$128	\$34,669	-\$461
Tax Adjustments to Accounting Income per 2013 PILs model	-\$54,693	-\$54,693	-\$0	-\$19,275	\$35,418
Taxable Income	-\$19,691	-\$19,563	\$128	\$15,394	\$34,957
			\$0		\$0
Income Tax Rate	12.50%	12.50%	\$0	12.50%	\$0
Income Tax on Taxable Income	\$0	\$0	\$0	\$1,924	\$1,924
Income Tax Credits	\$0	\$0	\$0	0	\$0
Utility Net Income	\$35,002	\$35,130	\$128	\$32,745	-\$2,385
Utility Rate Base	\$1,027,058	\$1,030,819	\$3,761	\$960,830	-\$69,990
			\$0		\$0
Deemed Equity Portion of Rate Base	\$410,823	\$412,328	\$1,505	\$384,332	-\$27,996
Income/ (Equity Portion of Rate Base)	8.52%	8.52%	\$0	8.52%	-\$0
Target Return - Equity on Rate Base	8.52%	8.52%	\$0	8.52%	\$0
Deficiency/Sufficiency in Return on Equity	0.00%	0.00%	\$0	0.00%	-\$0
			\$0		\$0
Indicated Rate of Return	5.32%	5.32%	-\$0	5.32%	-\$0
Requested Rate of Return on Rate Base	5.32%	5.32%	-\$0	5.32%	\$0
Deficiency/Sufficiency in Rate of Return	0.00%	0.00%	\$0	0.00%	-\$0
Target Return on Equity	\$35,002	\$35,130	\$128	\$32,745	-\$2,385
Gross Revenue Deficiency/(Sufficiency)	\$48,680	\$36,099	-\$12,581	\$9,183	-\$26,917

Based on the foregoing, and the evidence and rationale provided below, the Parties accept this Settlement Proposal as appropriate and recommend its acceptance.

Table 3 - 2020 Bill Impact Summary below illustrates the updated Bill Impacts based on the results of this Settlement Proposal.

Table 3 - 2020 Bill Impact Summary

Customer Classification and Billing Type	Energy kWh	Demand kW	Monthly Distribution Charge (Sub-Total A)			
			2019	2020	Change	
					\$	%
Residential - (RPP)	213	-	\$27.24	\$30.56	\$3.32	12.20%
Residential - (Retailer)	213		\$27.24	\$30.56	\$3.32	12.20%
Residential - (RPP)	750	-	\$30.57	\$32.39	\$1.82	5.95%
Residential - (Retailer)	750	-	\$30.57	\$32.39	\$1.82	5.95%
General Service <50 kW (RPP)	2,000	-	\$42.57	\$48.01	\$5.44	12.78%
General Service >50 kW (Non-RPP)	25,321	268	\$476.65	\$541.27	\$64.61	13.56%
Unmetered Scattered Load (RPP)	361	-	\$78.71	\$24.18	-\$54.53	-69.28%
Street Lighting (non-RPP)	12,621	68	\$958.33	\$1,166.58	\$208.25	21.73%
Customer Classification and Billing Type	Energy kWh	Demand kW	Total Bill			
			2019	2020	Change	
					\$	%
Residential - (RPP)	213	-	\$51.07	\$54.687	\$3.61	7.07%
Residential - (Retailer)	213		\$47.61	\$51.21	\$3.60	7.56%
Residential - (RPP)	750	-	\$125.09	\$129.78	\$4.70	3.75%
Residential - (Retailer)	750	-	\$113.42	\$118.07	\$4.65	4.10%
General Service <50 kW (RPP)	2,000	-	\$299.11	\$311.76	\$12.66	4.23%
General Service >50 kW (Non-RPP)	25,321	268	\$6471.38	\$7095.67	\$624.29	9.65%
Unmetered Scattered Load (RPP)	361	-	\$106.23	\$63.41	-\$42.82	-40.317%
Street Lighting (non-RPP)	12,621	68	\$3308.03	\$3,666.35	\$358.33	10.83%

RRF OUTCOMES

The Parties accept the Applicant's compliance with the OEB's required outcomes as defined by the Renewed Regulatory Framework (RRF). For the purpose of the settlement of the issues in this proceeding, and subject to the adjustments noted in this Settlement Proposal and the Parties' comments with respect to the fact that the Settlement Proposal has been arrived at on an intentionally "COVID-19 neutral" basis, the Parties accept that H2000's proposed rates in the 2020 Test Year will, in all reasonably foreseeable circumstances, allow the Applicant to meet its obligations to its customers while maintaining its financial viability.

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
- the objectives of Hydro 2000 and its customers
- the distribution system plan, and
- the business plan

Full Settlement

Subject to:

- a) a reduction of \$81,000 from the applied for capital budget (both capital expenditures and in service additions) resulting from the shift of \$36,000 in forecast spending on software from 2020 to 2021 and a general reduction in planned spending in other areas for 2020 of \$45,000, and
- b) the addition of \$32,290 to reflect the unplanned spending in relation to the connection of a large customer in the first half of the test year (largely offset by a related capital contribution of \$27,134),

the Parties agree that H2000's proposed capital budget and forecast net in service additions are appropriate.

See also issue 1.2 wherein H2000 agrees to enter into a formal contract with its primary service provider Sproule Inc.

Table 4 - Fixed Asset Continuity and 2020 Capital Expenditures

	Application February 24, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRs
2019 Fixed Asset Continuity					
Opening	\$862,397	\$862,397	\$0	\$862,397	\$0
Additions	\$121,554	\$121,554	\$0	\$142,798	\$21,244
Disposals	-\$5,000	-\$5,000	\$0	-\$11,524	-\$6,524
Closing	\$978,951	\$978,951	\$0	\$993,671	\$14,720
Accumulated Depreciation					
Opening	\$256,689	\$256,689	\$0	\$256,689	\$0
Additions	\$40,128	\$40,128	\$0	\$43,086	\$2,958
Disposals	-\$2,000	-\$2,000	\$0	-\$3,443	-\$1,443
Closing	\$294,817	\$294,817	\$0	\$296,333	\$1,516
2020 Fixed Asset Continuity					
Opening	\$978,951	\$978,951	\$0	\$993,671	\$14,720
Additions	\$196,298	\$196,298	\$0	\$120,454	-\$75,844
Disposals	-\$5,000	-\$5,000	\$0	-\$5,000	\$0
Closing	\$1,170,249	\$1,170,249	\$0	\$1,109,125	-\$61,124
Accumulated Depreciation					
Opening	\$294,817	\$294,817	\$0	\$296,333	\$1,516
Additions	\$47,219	\$47,219	\$0	\$43,774	-\$3,445
Disposals	-\$2,000	-\$2,000	\$0	-\$2,000	\$0
Closing	\$340,036	\$340,036	\$0	\$338,106	-\$1,930
System Access	\$5,000	\$5,000	\$0	\$37,290	\$32,290
System Renewal	\$151,798	\$151,798	\$0	\$79,664	-\$72,134
System Service	\$0	\$0	\$0	\$0	\$0
General Plant	\$39,500	\$39,500	\$0	\$3,500	-\$36,000
Total Expenditures	\$196,298	\$196,298	\$0	\$120,454	-\$75,844

For the purposes of settlement of all the issues in this proceeding, subject to the adjustment described above, the Parties accept the evidence of H2000 that the level of planned capital expenditures and the rationale for planning and pacing choices are appropriate in order to maintain system reliability, service quality objectives and the reliable and safe operation of the distribution system.

Evidence References

- Exhibit 1. Section 1.2. Executive Summary/Business Plan Section 5.2
- Exhibit 1. Section 1.5 Application Summary
- Exhibit 2. Rate Base, Including Appendix B - DSP

IR Responses

- 2-Staff 10 to 2-Staff-22
- VECC-5 to VECC-16

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

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
- the objectives of Hydro 2000 and its customers
- the distribution system plan
- the business plan

Full Settlement

Subject to a reduction of \$15,000 from the applied for amount, the Parties agree that the resulting proposed OM&A budget of \$492,699 for the Test Year is appropriate.

The reduction of \$15,000.00 has been allocated to the various expense categories below in Table 5 below in order to illustrate how the reduction might be managed; however the Parties acknowledge that it is for H2000 to manage its OM&A budget in its sole discretion as it sees fit based on the actual operating circumstances it experiences in the test year and beyond.

Currently, H2000 does not have a formal service agreement with its primary contractor Sproule Inc. The Parties have agreed that H2000 will enter into a service agreement with Sproule Inc. to formalize the terms of their working relationship within 1 year. H2000 will file a copy of that agreement under the EB- 2019-0041 docket number to confirm compliance with this term of the Settlement Proposal.

Table 5 - 2020 Test Year OM&A Expenses

	Application February 24, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRs
Operations	\$10,000	\$10,000	\$0	\$10,000	\$0
Maintenance	\$41,146	\$41,146	\$0	\$31,146	-\$10,000
Billing and Collecting	\$160,231	\$160,231	\$0	\$155,231	-\$5,000
Community Relations	\$0	\$0	\$0	\$0	\$0
Administration & General +LEAP	\$296,322	\$296,322	\$0	\$296,322	\$0
Total	\$507,699	\$507,699	\$0	\$492,699	-\$15,000

Evidence References

- Exhibit 1. Section 1.5.4 – Overview of Operation, Maintenance, and Administrative Costs
- Exhibit 1. Business Plan Section 5.3
- Exhibit 4 – Operating Expenses

IR Responses

- 4-Staff 31 to 4-Staff-42
- VECC-26 to VECC-32

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

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?

Full Settlement

The Parties agree that the methodology used by H2000 to calculate the Revenue Requirement is appropriate.

A summary of the adjusted Revenue Requirement of -\$20,240 reflecting adjustments and settled issues in accordance with the above is presented in Table 6 - 2020 Revenue Requirement Summary below.

Table 6 - 2020 Revenue Requirement Summary

	Application February 24, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRs
OM&A Expenses	\$507,699	\$507,699	\$0	\$492,699	-\$15,000
Amortization/Depreciation	\$47,219	\$47,219	\$0	\$43,774	-\$3,445
Property Taxes	\$0	\$0	\$0	\$0	\$0
Capital Taxes	\$0	\$0	\$0	\$0	\$0
Income Taxes (Grossed up)	\$0	\$0	\$0	\$1,924	\$1,924
Other Expenses	\$0	\$0	\$0	\$0	\$0
Return			\$0		
Deemed Interest Expense	\$19,592	\$19,664	\$72	\$18,329	-\$1,335
Return on Deemed Equity	\$35,002	\$35,130	\$128	\$32,745	-\$2,385
			\$0		
Service Revenue Requirement (before Revenues)	\$609,512	\$609,712	\$200	\$589,471	-\$20,240
			\$0		
Revenue Offsets	\$28,356	\$37,511	\$9,155	\$37,573	\$62
Base Revenue Requirement	\$581,156	\$572,201	-\$8,955	\$551,898	-\$22,303

An updated Revenue Requirement Work Form has been filed through the OEB's e-filing service.

Evidence References

- Exhibit 1, Section 1.5 Application Summary
- Exhibit 6 Revenue Requirement.

IR Responses

- N/A

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

2.1.1 Cost of Capital

Full Settlement

The Parties agree to H2000's proposed cost of capital parameters as reflected in the calculation below.

Table 7 - 2020 Cost of Capital Calculation

Particulars	Application February 24, 2020	Application February 24, 2020	IRR June 12, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Settlement Proposal July 31 2020	Variance over IRs
Debt								
Long-term Debt	3.21%	\$18,530	3.21%	\$18,530	\$0	3.21%	\$17,272	-\$1,258
Short-term Debt	2.75%	\$1,134	2.75%	\$1,134	\$0	2.75%	\$1,057	-\$77
Total Debt	3.18%	\$19,664	3.18%	\$19,664	\$0	4.04%	\$18,329	-\$1,335
Equity								
Common Equity	8.52%	\$35,130	8.52%	\$35,130	\$0	8.52%	\$32,745	-\$2,385
Preferred Shares	0.00%	\$0	0.00%	\$0	\$0	0.00%	\$0	\$0
Total Equity	8.52%	\$35,130	8.52%	\$35,130	\$0	8.52%	\$32,745	-\$2,385
Total	5.32%	\$54,794	5.32%	\$54,794	\$0	5.32%	\$51,074	-\$3,720

Evidence References

- Exhibit 1. Section 1.5 Application Summary
- Exhibit 5 Cost of Capital

IR Responses

- 5-Staff-43 to 5-Staff-44
- VECC-34 to VECC-35

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

2.1.2 Rate Base

Full Settlement

The Parties accept the evidence of H2000 that the rate base calculations, after adjusting for updates to the opening rate base to reflect 2019 actuals, the agreed to reduction to the 2020 proposed net in service additions and the updated working capital allowance included in rate base have been appropriately determined in accordance with OEB policies and practices.

Table 8 - 2020 Rate Base

	Application February 24, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRs
Gross Fixed Assets (avg)	\$1,074,600	\$1,074,600	\$0	\$1,051,398	\$34,525
Accumulated Depreciation (avg)	-\$317,426	-\$317,426	\$0	-\$317,219	-\$20,680
Net Fixed Assets (avg)	\$757,174	\$757,174	\$0	\$734,179	\$13,845
Working Capital Allowance	\$269,884	\$273,645	\$3,761	\$226,652	-\$46,994
Total Rate Base	\$1,027,058	\$1,030,819	\$3,761	\$960,830	-\$69,989
Controllable Expenses	\$507,699	\$507,700	\$1	\$492,699	-\$15,001
Cost of Power	\$3,090,754	\$3,140,905	\$50,151	\$2,529,321	-\$611,584
Working Capital Base	\$3,598,453	\$3,648,605	\$50,152	\$3,022,020	-\$626,585
Working Capital Rate %	7.50%	7.50%	\$0.00	7.50%	0.00%
Working Capital Allowance	\$269,884	\$273,645	\$3,761	\$226,652	-\$46,994

Evidence References

- Exhibit 1. Section 1.5
- Exhibit 2 – Rate Base

IR Responses

- 2-Staff 10 to 2-Staff-22
- VECC-5 to VECC-16
- 4-Staff 31 to 4-Staff-42
- VECC-26 to VECC-32
- 5-Staff-43 to 5-Staff-44
- VECC-34 to VECC-35

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

2.1.3 Working Capital Allowance

Full Settlement

The Parties agree that the Working Capital Allowance of \$226,652 has been appropriately calculated, including the consequential adjustments made to reflect other aspects of the Settlement Proposal.

Table 9 - 2020 Working Capital Allowance Calculation

	Application February 24, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRRs
Controllable Expenses	\$507,699	\$507,700	\$1	\$492,699	-\$15,001
Cost of Power	\$3,090,754	\$3,140,905	\$50,151	\$2,529,321	-\$611,584
Working Capital Base	\$3,598,453	\$3,648,605	\$50,152	\$3,022,020	-\$626,585
Working Capital Rate %	7.50%	7.50%	\$0.00	7.50%	0.00%
Working Capital Allowance	\$269,884	\$273,645	\$3,761	\$226,652	-\$46,994

Evidence References

- Exhibit 1. Section 1.5 Application Summary
- Exhibit 2. Section 2.1 Overview of Rate base

IR Responses

- 2-Staff-11, 2-Staff-12, 2-Staff-15

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

2.1.4 Depreciation

Full Settlement

The Parties accept that the forecast of depreciation/amortization expenses in the amount of \$43,774 are appropriate. The settled amount reflects the agreed upon reduction to 2020 capital expenditures/rate base, as well as other consequential adjustments made necessary as a result of other aspects of this Settlement Proposal.

Table 10 - 2020 Depreciation

Particulars	Application February 24, 2020	IRR June 12 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRs
Depreciation	\$47,219	\$47,219	\$0.00	\$43,774	-\$3,445

Evidence References

- Exhibit 4. Section 4.8 Depreciation, Amortization and Depletion

IR Responses

- 2-Staff-10, 2-Staff-14, 2-Staff-20, VECC-5, 4-Staff-40

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

2.1.5 Taxes

Full Settlement

The Parties agree that forecast taxes, as updated, have been correctly determined in accordance with OEB accounting policies and practices, including the OEB's July 25, 2019 accounting direction relating to changes to capital cost allowance. As part of the settlement the Parties have agreed that there is no need for a smoothing mechanism to address the impacts of accelerated depreciation, and that H2000 will use account 1592 to address future CCA changes including specifically the contemplated elimination of accelerated CCA in 2024. The Parties further agree that the proposed Income Tax/PILS Model properly reflects consequential adjustments made necessary as a result of other aspects of this Settlement Proposal.

A summary of the updated Taxes is presented in Table 11 - 2020 Income Taxes below; the increase in taxes is mainly the result of the of the reduction in capital spending in the test year in relation to software described under issue 1.1, which materially reduces the amount of CCA available to H2000 in the test year.

Table 11 - 2020 Income Taxes

	Application February 24, 2020	IRR June 12 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRRs
Income Taxes (Grossed up)	\$0	\$0	\$0	\$1,924	\$1,924

An updated Income Tax / PILS Model has been submitted in Live Excel format as part of this Settlement Proposal.

Evidence References

- Exhibit 4. Section 4.9 – Taxes & Payments in Lieu of Taxes (PILS)

IR Responses

- 4-Staff-41

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

2.1.6 Other Revenue

Full Settlement

The Parties accept the evidence of H2000 that its proposed other revenue forecast of \$37,511 is appropriate and has been correctly determined in accordance with OEB accounting policies and practices.

Table 12 - 2020 Other Revenue

	Application February 24, 2020	IRR June 12 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRs
Specific Service Charges	-\$7,596	-\$7,596	\$0	-\$7,596	\$0
Late Payment Charges	-\$6,337	-\$6,337	\$0	-\$6,337	\$0
Other Distribution Revenues	-\$13,588	-\$22,743	-\$9,155	-\$22,805	-\$62
Other Income and Deductions	-\$835	-\$835	\$0	-\$835	\$0
Total	-\$28,356	-\$37,511	-\$9,155	-\$37,573	-\$62

Evidence References

- Exhibit 1. Section 1.5.2 – Revenue Requirements
- Exhibit 3. Section 3.4 – Other Revenues

IR Responses

- N/A

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

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

Full Settlement

The Parties accept the evidence of H2000 that the proposed Base Distribution Revenue Requirement has been determined accurately.

Evidence References

- Exhibit 6, Revenue Requirement Work Form

IR Responses

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

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 energy and demand requirements of Hydro 2000's customers?

Full Settlement

The Parties accept the evidence of H2000 that the load forecast, customer forecast and loss factors is appropriate after removing any CDM adjustment related to 2020 related CDM activity. The Parties agree that, to the extent there is any CDM activity in 2020, H2000 is at liberty to seek recovery for the related impacts through the LRAM in the normal course.

While the Parties agree to load forecast for the purposes of the settlement, there is no specific agreement with respect to the use of a labour force variable within the methodology. Notwithstanding the disagreement with respect to the inclusion of the labour force variable in the methodology, the Parties have agreed that the resulting load forecast is nevertheless appropriate for the purposes of setting rates for the test year.

The resulting billing determinants are presented in

Table 13 - 2020 Test Year Billing **Determinants** below.

Table 13 - 2020 Test Year Billing Determinants

Particulars	Determinant	Application February 24, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRS
Residential	kWh	12,367,886	12,510,875	142,989	12,657,112	146,237
General Service < 50 kW	kWh	3,861,286	3,954,192	92,906	4,049,207	95,015
General Service > 50 to 4999 kW	kWh	3,984,230	4,047,318	63,088	4,111,838	64,520
Street Lighting	kWh	153,000	153,000	0	153,000	0
Unmetered Scattered Load	kWh	17,280	17,280	0	17,280	0
Total kWh		20,383,682	20,682,665	298,983	20,988,437	305,772
Residential	kW			0	0	0
General Service < 50 kW	kW			0	0	0
General Service > 50 to 4999 kW	kW	10,671	10,840	169	11,013	173
Street Lighting kW	kW	421	421	0	421	0
Unmetered Scattered Load	kW			0	0	0
Total		11,092	11,261	169	11,434	173

An updated copy of H2000's Load Forecast Model has been submitted in Live Excel format as part of this Settlement Proposal.

Evidence References

- Exhibit 1. Section 1.5 Application Summary
- Exhibit 3. Section 3.1 Load and Revenue Forecast and Section 3.2 Impact and Persistence from Historical CDM Programs and Section 3.3 Accuracy of Load Forecast and Variance Analysis
- Load Forecast Model

IR Responses

- 3-Staff-23 to 3-Staff-30
- VECC-17-VECC-25

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

3.1.1 Customer/Connection Forecast

Full Settlement

The Parties have agreed to the forecast of customers/connections set out in Table 14 - Summary of 2020 Load Forecast Customer Counts/Connections below.

Table 14 - Summary of 2020 Load Forecast Customer Counts/Connections

Particulars	Application February 24, 2020	IRR June 12, 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRS
Residential	1,113	1,113	0	1,113	0
General Service < 50 kW	141	141	0	141	0
General Service > 50 to 4999 kW	13	13	0	13	0
Street Lighting	370	370	0	370	0
Unmetered Scattered Load	4	4	0	4	0
Total	1,641	1,641	0	1,641	0

Evidence References

- Exhibit 1. Section 1.5 Application Summary
- Exhibit 3. Section 3.1 Load and Revenue Forecast and Section 3.2 Impact and Persistence from Historical CDM Programs and Section 3.3 Accuracy of Load Forecast and Variance Analysis
- Load Forecast Model

IR Responses

- 3-Staff-23 to 3-Staff-30
- VECC-17-VECC-25

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

3.1.2 Load Forecast

Full Settlement

The Parties agreed to H2000's Load Forecast Model results as detailed in Table 15 below:

Table 15 - Summary of 2020 Load Forecast Billed kWh

Particulars	Determinant	Application February 24, 2020	IRR June 12 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRS
Residential	kWh	12,367,886	12,510,875	142,989	12,657,112	146,237
General Service < 50 kW	kWh	3,861,286	3,954,192	92,906	4,049,207	95,015
General Service > 50 to 4999 kW	kWh	3,984,230	4,047,318	63,088	4,111,838	64,520
Street Lighting	kWh	153,000	153,000	0	153,000	0
Unmetered Scattered Load	kWh	17,280	17,280	0	17,280	0
Total kWh		20,383,682	20,682,665	298,983	20,988,437	305,772
Residential	kW			0	0	0
General Service < 50 kW	kW			0	0	0
General Service > 50 to 4999 kW	kW	10,671	10,840	169	11,013	173
Street Lighting	kW	421	421	0	421	0
Unmetered Scattered Load	kW			0	0	0
Total kW		11,092	11,261	169	11,434	173

As noted under issue 3.1.4 below, the Parties agreed to eliminate any CDM adjustments in the 2020 load forecast.

Evidence References

- Exhibit 1. Section 1.5 Application Summary
- Exhibit 3. Section 3.1 Load and Revenue Forecast and Section 3.2 Impact and Persistence from Historical CDM Programs and Section 3.3 Accuracy of Load Forecast and Variance Analysis
- Load Forecast Model

IR Responses

- 3-Staff-23 to 3-Staff-30
- VECC-17-VECC-25

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

3.1.3 Loss Factors

Full Settlement

The Parties agree to the proposed Total Loss Factor of 8.18% as proposed by H2000.

The Parties note that in H2000's previous cost of service proceeding (EB-2011-0326) the OEB provided the following encouragement to H2000 with respect to Line Losses at page 19 of the OEB's Decision dated July 5, 2012:

The Board accepts the proposed Total Loss Factors of 1.0772 (for secondary metered customers < 5,000 kW) and encourages Hydro 2000 to monitor the condition of its assets and address any persistent increases in the next cost of service application.

The Parties acknowledge that H2000 commissioned a Load Flow Study, filed as part of the evidence in this proceeding, which had as one of its objectives the examination of line losses on H2000's system. The Load Flow Study made two recommendations for capital spending on the system. The first proposal, which was a \$15,000 project to enhance the tracking of asset conditions in the H2000 system. H2000 determined that this would not have a direct effect on its line losses and is an expensive undertaking relative to H2000's overall capital budget. Given the proposed, sustained increase in capital spending, which will in any event begin the process of replacing the assets that the project would be tracking, H2000 will not be making that extra expenditure in the near term. The second proposal was a \$2,000 project that might have an impact on line losses on a particular section of the distribution system; however H2000 will not be undertaking that project as any need to expand the system in that area will make that project obsolete. Accordingly, the Parties agree that H2000 will continue to explore possible avenues to lower line losses going forward, including revisiting the proposals in the Load Flow Study if they become more viable during the IRM period.

Table 16 - 2020 Loss Factors

Particulars	Application February 24, 2020	IRR June 12 2020	Variance over Original Filing	Settlement Proposal July 31, 2020	Variance over IRs
Loss Factor in Distributor's system = C / F	1.0463	1.0463	0.0000	1.0463	0.0000
Losses Upstream of Distributor's System					
Supply Facilities Loss Factor	1.0340	1.0340	0.0000	1.0340	0.0000
Total Losses					
Total Loss Factor = G x H	1.0819	1.0819	0.0000	1.0818	0.0000

Evidence References

- Exhibit 8. Section 8.1.11 Loss Adjustment Factors

IR Responses

- 8-Staff-49 to 8-Staff-51
- VECC-44

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

3.1.4 LRAMVA Baseline

Full Settlement

The Parties have agreed to an LRAMVA threshold of zero, which is reflective of the Parties' agreement not to include any CDM adjustment in the load forecast as is noted in issue 3.1.

Evidence References

- Exhibit 3. Section 3.2.2 Allocation of CDM Results
- Load Forecast Model

IR Responses

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

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

Full Settlement

The Parties agree that H2000's proposed cost allocation methodology, allocations and revenue-to-cost ratios are appropriate after making the following adjustments:

- a) The service weightings have been adjusted to reflect the default weightings in the OEB's cost allocation model, in conjunction with weightings of 1 for both the streetlighting and USL classes (which have no default weightings in the OEB model); and
- b) The billing and collection weighting for the GS>50 class will be adjusted from 0.26 to 1.63, reflecting the removal of the one-time credit for interval meters and the assignment of cost of interval metering to the GS>50 class.

The Parties further agree that for H2000's next rebasing application it will seek to reflect a more precise allocation of costs between primary and secondary assets. This is expected to improve the accuracy of the costs allocated to the streetlighting class.

Table 17 - Summary of 2020 Revenue to Cost Ratios

Particulars	Application February 24, 2020			IRR June 12 2020			Settlement Proposal July 31, 2020		
	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	0.96	-0.01	0.95	0.96	-0.01	0.96	0.97	0.01
General Service < 50 kW	1.22	1.20	0.02	1.22	1.20	0.02	1.21	1.20	-0.01
General Service > 50 to 4999 kW	1.29	1.20	0.09	1.28	1.19	0.10	1.08	1.05	0.00
Street Lighting	1.26	1.20	0.06	1.24	1.19	0.05	0.94	0.97	-0.02
Unmetered Scattered Load	3.67	1.20	2.47	3.61	1.20	2.42	3.81	1.20	-2.61

Evidence References

- Exhibit 3. Section 3.2.2 Allocation of CDM Results
- CPUC Load Forecast Model

IR Responses

- 7-Staff-45 to 3-Staff-48
- VECC-36-VECC-39

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

3.3 Are Hydro 2000's proposals for rate design, including the rate design for the residential customers, appropriate?

Full Settlement

The Parties accept the evidence of H2000 that all elements of the proposed rate design have been correctly determined in accordance with OEB policies and practices.

Table 18 - 2020 Distribution Rates & Fixed to Variable Split

Particulars		Application February 24, 2020	Application February 24, 2020	IRR June 12 2020	IRR June 12 2020	Settlement Proposal July 31, 2020	Settlement Proposal July 31, 2020
Customer Class Name	per	Fixed Split	Variable Split	Fixed Split	Variable Split	Fixed Split	Variable Split
Residential	kWh	90.93%	9.07%	90.85%	9.15%	90.76%	9.24%
General Service < 50 kW	kWh	50.20%	49.80%	49.60%	50.40%	49.01%	50.99%
General Service > 50 to 4999 kW	kW	45.71%	54.29%	46.43%	53.57%	44.26%	55.74%
Street Lighting	kWh	64.39%	35.61%	64.39%	35.61%	64.39%	35.61%
Unmetered Scattered Load	kW	49.58%	50.42%	49.58%	50.42%	49.58%	50.42%

Evidence References

- Exhibit 1. Section 1.5 Application Summary
- Exhibit 7 Cost Allocation
- Exhibit 8 Rate Design

IR Responses

- 8-Staff-49 to 8-Staff-55
- VECC-40 to VECC-44

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

3.4 Are the proposed Retail Transmission Service Rates and Low Voltage Service Rates, Specific Service Charges, Retail Service Charges and Pole Attachment Charges appropriate?

Full Settlement

The Parties have agreed to the RTSR rates and low voltage rates as presented in Table 19 - 2020 RTSR Network, Connection Rates and Table 20 - 2020 Low Voltage Rates below. An updated copy of the OEB's RTSR model has been submitted in live Excel format as part of this Settlement Proposal.

The Parties have agreed that H2000 will reflect the OEB's most recent updates to the approved Specific Service Charges, Retail Service Charges and Pole Attachment Rates.

The Parties note that in H2000's previous cost of service proceeding (EB-2011-0326) the Board provided the following encouragement to H2000 with respect to Low Voltage Charges at page 19 of the Board's Decision dated July 5, 2012:

The Board approves the LV costs of \$128,226 and recognizes Hydro 2000's argument that these costs are largely beyond its control. Nevertheless, Hydro 2000 is encouraged to explore any alternatives to reduce LV costs given their proportional magnitude.

The Parties acknowledge that H2000 filed, as part of this application, a Load Flow Study which included in its objectives the identification of any low voltage support problems and any options to maximize voltage support; however the Load Flow Study did not result in any recommendations directly related to the reduction of Low Voltage Charges. Accordingly, the Parties have agreed that H2000 will continue to explore alternatives to reduce Low Voltage costs, including specifically consulting with Hydro One Networks Inc., as H2000 is fully embedded within Hydro One Networks Inc.'s system.

Table 19 - 2020 RTSR Network, Connection Rates

Transmission - Network	Application February 24, 2020	Application February 24, 2020	IRR June 12 2020	IRR June 12 2020	Settlement Proposal July 31, 2020	Settlement Proposal July 31, 2020
Class Name	Rate	Impact on CoP	Rate	Impact on CoP	Rate	Impact on CoP
Residential	0.0064	\$86,142	0.0066	\$89,957	0.0067	91,278
General Service < 50 kW	0.0059	\$24,689	0.0061	\$26,101	0.0061	26,586
General Service > 50 to 4999 kW	2.4177	\$25,799	2.4959	\$27,056	2.4864	27,382
Street Lighting	1.8232	\$768	1.8821	\$792	1.8750	789
Unmetered Scattered Load	0.0059	\$110	0.0061	\$114	0.0061	113
		\$137,508		\$144,021		\$146,149
Transmission - Connection						
Class Name	Rate	Impact on CoP	Rate	Impact on CoP	Rate	Impact on CoP
Residential	0.0054	\$72,696	0.0056	\$75,151	0.0056	76,029
General Service < 50 kW	0.0052	\$21,750	0.0053	\$22,763	0.0053	23,405
General Service > 50 to 4999 kW	2.0467	\$21,841	2.0917	\$22,674	2.0823	22,932
Street Lighting	1.5823	\$666	1.6171	\$681	1.6098	678
Unmetered Scattered Load	0.0052	\$97	0.0053	\$99	0.0053	100
		\$117,050		\$121,368		\$123,143

Table 20 - 2020 Low Voltage Rates

Transmission - Network	Application February 24, 2020	Application February 24, 2020	IRR June 12 2020	IRR June 12 2020	Settlement Proposal July 31, 2020	Settlement Proposal July 31, 2020
Class Name	Rate	Impact on CoP	Rate	Impact on CoP	Rate	Impact on CoP
Residential	\$0.0081	\$100,180	\$0.0080	\$100,087	0.0079	108,174
General Service < 50 kW	\$0.0078	\$30,118	\$0.0077	\$30,447	0.0076	33,292
General Service > 50 to 4999 kW	\$3.0615	\$32,669	\$3.0174	\$32,709	2.9607	32,606
Street Lighting	\$2.3668	\$996	\$2.3327	\$982	2.2889	964
Unmetered Scattered Load	\$0.0078	\$135	\$0.0077	\$133	0.0076	142
		\$164,098		\$164,358		\$175,178

Evidence References

- Exhibit 8, Tab 3 – Retail Transmission Service Rates (RTSRs) and Other Charges
 - Including Tab 7 – Low Voltage Service Charges
- RTSR Workform

IR Responses

- VECC-41

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

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?

Full Settlement

The Parties agree that all impacts of any changes to accounting standards, policies, estimates, and adjustments have been properly identified and recorded, and have been treated appropriately in the rate-making process.

Evidence References

- Exhibit 4. Section 4.8 Depreciation, Amortization and Depletion

IR Responses

- N/A

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

4.2 Are H2000's proposals for deferral and variance accounts (excluding Account 1576), including the balances in the existing accounts and their disposition, requests for new accounts and the continuation of existing accounts, appropriate?

Full Settlement

Subject to the Parties' agreement that:

- a) H2000 will continue to track impacts caused by changes to CCA rates in Account 1592 - PILS and Tax Variances, Sub-account CCA Changes,
- b) H2000 will not seek disposition of the \$27,108.57 remaining in account 1592.
- c) With respect to accounts 1588 and 1589, OEB staff had identified a number of issues during the proceeding with the 2017 and 2018 balances in these two accounts and suggested further review was required before disposing of these balances. As agreed to by the parties, H2000 will not dispose of balances in this proceeding. Instead H2000 will be permitted to dispose the balance to December 31, 2016 and bring forward a request for approval and clearance of amounts post December 31, 2016 in its 2021 IRM application. In bringing the post December 31, 2016 amounts forward for approval and clearance H2000 will ensure that its 1588 and 1589 balances from January 1, 2017 to December 31, 2018 have been thoroughly reviewed. The Parties agree that it will be to the discretion of H2000 whether the review to be filed with the 2021 IRM rate application is completed in-house or by an independent auditor. Whichever approach, the Parties expect sufficient detail to be filed with the OEB to support balances proposed for disposition. This review shall include an assessment of accounting and settlement practices for Accounts 1588 and 1589, necessary workforms and detailed explanation for any adjustment made.

The Parties agree that H2000's proposals for deferral and variance accounts are appropriate, including the proposed disposition of those accounts.

Table 21 - DVA Balances for Disposition

		Amounts from Sheet 2	Allocator
LV Variance Account	1550	56,034	kWh
Smart Metering Entity Charge Variance Account	1551	523	# of Customers
RSVA - Wholesale Market Service Charge	1580	498	kWh
RSVA - Retail Transmission Network Charge	1584	9,922	kWh
RSVA - Retail Transmission Connection Charge	1586	8,839	kWh
RSVA - Power (excluding Global Adjustment)	1588	0	kWh
RSVA - Global Adjustment	1589	0	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	0	%
Total of Group 1 Accounts (excluding 1589)		75,815	
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	48,869	kWh
Pole Attachment Revenue Variance	1508	(652)	kWh
Total of Group 2 Accounts		48,217	
LRAM Variance Account (Enter dollar amount for each class)	1568	22,515	
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		75,318	
Total of Account 1580 and 1588 (not allocated to WMPs)		498	
Account 1589 (allocated to Non-WMPs)		0	
Group 2 Accounts (including 1592, 1532, 1555)		48,217	
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0	kWh
Accounting Changes Under CGAAP Balance + Return Component	1576	(28,538)	kWh
Total of Accounts 1575 and 1576		(28,538)	

Table 22 - DVA and LRAMVA Rate Riders below summarizes the amounts for disposition and associated rate riders by rate class.

Table 22 - DVA and LRAMVA Rate Riders

Please indicate the Rate Rider Recovery Period (in months)

24

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

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 SERVICE CLASSIFICATION	Kwh	12,657,112	\$45,869	\$0.0018
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	Kwh	4,049,207	\$14,585	\$0.0018
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	Kw	11,013	\$14,751	\$0.6697
STREET LIGHTING SERVICE CLASSIFICATION	Kw	421	\$549	\$0.6519
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	Kwh	17,280	\$62	\$0.0018
Total			\$75,815	

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

1580 and 1588

Rate Class (Enter Rate Classes in cells below)	Units	Kw / kwh / # of Customers	Allocated Group 1 Balance - Non-WMP	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL SERVICE CLASSIFICATION	Kwh	12,657,112	\$0	\$0.0000
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	Kwh	4,049,207	\$0	\$0.0000
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	Kw	11,013	\$0	\$0.0000
STREET LIGHTING SERVICE CLASSIFICATION	Kw	421	\$0	\$0.0000
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	Kwh	17,280	\$0	\$0.0000
		-	\$0	\$0.0000
		-	\$0	\$0.0000
Total			\$0	

Only for rate classes with WMP customers are the Deferral/Variance Account Rate Riders for Non-WMP calculated separately in the table above. For all rate classes without WMP customers, balances in Accounts 1580 and 1588 are included in Deferral/Variance Account Rate Riders calculated in the first table above and disposed through a combined Deferral/Variance Account and Rate Rider.

Rate Rider Calculation for RSVA - Power - Global Adjustment

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 SERVICE CLASSIFICATION	Kwh	12,657,112	\$0	\$0.0000

GENERAL SERVICE LESS THAN 50 KW SWERVICE CLASSIFICATION	Kwh	4,049,207	\$0	\$0.0000
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	Kwh	4,111,838	\$0	\$0.0000
STREET LIGHTING SERVICE CLASSIFICATION	Kwh	153,000	\$0	\$0.0000
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	Kwh	17,280	\$0	\$0.0000
Total			\$0	

Rate Rider Calculation for Group 2 Accounts

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
RESIDENTIAL SERVICE CLASSIFICATION	# of Customers	1,113	\$29,078	\$1.0886
GENERAL SERVICE LESS THAN 50 KW SWERVICE CLASSIFICATION	Kwh	4,049,207	\$9,302	\$0.0011
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	Kw	11,013	\$9,446	\$0.4289
STREET LIGHTING SERVICE CLASSIFICATION	Kw	421	\$351	\$0.4174
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	Kwh	17,280	\$40	\$0.0011
Total			\$48,217	

Rate Rider Calculation for Accounts 1575 and 1576

Please indicate the Rate Rider Recovery Period (in months)

24

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Allocated Accounts 1575 and 1576 Balances	Rate Rider for Accounts 1575 and 1576
RESIDENTIAL SERVICE CLASSIFICATION	# of Customers	1,113	-\$17,210	-\$0.6443
GENERAL SERVICE LESS THAN 50 KW SWERVICE CLASSIFICATION	Kwh	4,049,207	-\$5,506	-\$0.0007
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	Kw	11,013	-\$5,591	-\$0.2538
STREET LIGHTING SERVICE CLASSIFICATION	Kw	421	-\$208	-\$0.2471
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	Kwh	17,280	-\$23	-\$0.0007
Total			-\$28,538	

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 SERVICE CLASSIFICATION	Kwh	12,657,112	\$5,160	\$0.0002
GENERAL SERVICE LESS THAN 50 KW SWERVICE CLASSIFICATION	Kwh	4,049,207	\$15,024	\$0.0019
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	Kw	11,013	\$462	\$0.0210

STREET LIGHTING SERVICE CLASSIFICATION	Kw	421	\$1,869	\$2.2197
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	Kwh	17,280	\$0	\$0.0000
Total			\$22,515	

Evidence References

- Exhibit 9.

IR Responses

- 9-Staff56 to 9-Staff-62

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

4.3 Are Hydro 2000's proposed balance, method and the two-year disposition period for the disposition of the Account 1576 Accounting Changes under CGAAP Deferral Account appropriate?

Full Settlement

The Parties agree that H2000's proposed balance, method and two-year disposition period for Account 1576 as updated are appropriate.

Evidence References

- Exhibit 9

IR Responses

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

5.0 Other

5.1 Are rate mitigation proposals required for any rate classes?

Full Settlement

The Parties agree that no mitigation proposals are required for any rate classes.

Evidence References

IR Responses

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

5.2 Is the proposed effective date (i.e., May 1, 2020) for 2020 rates appropriate?

Full Settlement

The Parties agreed that H2000 should have the option to defer implementation of its new distribution rates and recovery of its approved rate riders until November 1, 2020 as contemplated in the OEB's letter dated April 16, 2020. H2000 intends to exercise that option, tracking any foregone revenue resulting from delayed implementation in the COVID-19 related deferral and variance accounts. For the purpose of tracking foregone revenue, the Parties agree that the effective date of the new rates will be the first day of the month following the issuance of the OEB decision approving the settlement proposal. In the event the OEB does not approve the Settlement Proposal then, as noted in the preamble, there is no settlement of any of the issues, including the appropriate effective date.

Evidence References

IR Responses

-

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

5.3 Should the application incorporate any consideration of the impacts of COVID-19 and, if so, how should it be treated?

Full Settlement

As elaborated in the summary section above, the Parties have determined that the appropriate course of action in the circumstances is to propose a settlement that does not consider the COVID-19 pandemic and any potential impacts.

Evidence References

IR Responses

Supporting Parties

H2000, VECC, OEB staff

Parties Taking No Position

None

6 ATTACHMENTS

Revenue Requirement Workform



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers



Version 8.00

Utility Name	Hydro 2000 Inc.
Service Territory	
Assigned EB Number	EB-2019-0041
Name and Title	Lise Wilkinson
Phone Number	613-679-4093
Email Address	Lisewilkinson@hydro2000.ca
Test Year	2020
Bridge Year	2019
Last Rebasing Year	2012

The RRWF has been enhanced commencing with 2017 rate applications to provide estimated base distribution rates. The enhanced RRWF is not intended to replace a utility's formal rate generator model which should continue to be the source of the proposed rates as well as the final ones at the conclusion of the proceeding. The load forecasting addition made to this model is intended to be demonstrative only and does not replace the information filed in the utility's application. In an effort to minimize the incremental work required from utilities, the cost allocation and rate design additions to this model do in fact replace former appendices that were required to be filed as part of the cost of service (Chapter 2) filing requirements.

This Workbook Model is protected by copyright and is being made available to you solely for the purpose of filing your application. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing the application or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.

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 2019 Filers

[1. Info](#)

[2. Table of Contents](#)

[3. Data Input Sheet](#)

[4. Rate Base](#)

[5. Utility Income](#)

[6. Taxes PILs](#)

[7. Cost of Capital](#)

[8. Rev Def Suff](#)

[9. Rev Req](#)

[10. Load Forecast](#)

[11. Cost Allocation](#)

[12. Residential Rate Design](#)

[13. Rate Design and Revenue Reconciliation](#)

[14. Tracking Sheet](#)

Notes:

- (1) Pale green cells represent inputs
- (2) Pale green boxes at the bottom of each page are for additional notes
- (3) Pale yellow cells represent drop-down lists
- (4) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***
- (5) ***Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel format.***



Revenue Requirement Workform (RRWF) for 2019 Filers

Data Input ⁽¹⁾

	Initial Application	(2)	Adjustments	Settlement Agreement	(6)	Adjustments	Per Board Decision
1 Rate Base							
Gross Fixed Assets (average)	\$1,074,600		(\$23,202)	\$ 1,051,398			\$1,051,398
Accumulated Depreciation (average)	(\$317,426)	(5)	\$207	(\$317,219)			(\$317,219)
Allowance for Working Capital:							
Controllable Expenses	\$507,699		(\$15,000)	\$ 492,699			\$492,699
Cost of Power	\$3,090,754		(\$561,432)	\$ 2,529,321			\$2,529,321
Working Capital Rate (%)	7.50%	(9)		7.50%	(9)		(9)
2 Utility Income							
Operating Revenues:							
Distribution Revenue at Current Rates	\$538,561		\$4,154	\$542,715			
Distribution Revenue at Proposed Rates	\$581,156		(\$29,258)	\$551,898			
Other Revenue:							
Specific Service Charges	\$7,596		\$0	\$7,596			
Late Payment Charges	\$6,337		\$0	\$6,337			
Other Distribution Revenue	\$13,588		\$9,217	\$22,805			
Other Income and Deductions	\$835		\$0	\$835			
Total Revenue Offsets	\$28,356	(7)	\$9,217	\$37,573			
Operating Expenses:							
OM+A Expenses	\$507,699		(\$15,000)	\$ 492,699			\$492,699
Depreciation/Amortization	\$47,219		(\$3,445)	\$ 43,774			\$43,774
Property taxes							
Other expenses							
3 Taxes/PILs							
Taxable Income:							
Adjustments required to arrive at taxable income	(\$54,693)	(3)		(\$19,275)			
Utility Income Taxes and Rates:							
Income taxes (not grossed up)	\$ -			\$1,684			
Income taxes (grossed up)	\$ -			\$1,925			
Federal tax (%)	9.00%			9.00%			
Provincial tax (%)	3.50%			3.50%			
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%			
Preferred Shares Capitalization Ratio (%)	0.0%			0.0%			
	100.0%			100.0%			
Cost of Capital							
Long-term debt Cost Rate (%)	3.21%			3.21%			
Short-term debt Cost Rate (%)	2.75%			2.75%			
Common Equity Cost Rate (%)	8.52%			8.52%			
Preferred Shares Cost Rate (%)	0.00%			0.00%			

Notes:

- General** Data inputs are required on Sheets 3. Data from Sheet 3 will automatically complete calculations on sheets 4 through 9 (Rate Base through Revenue Requirement). Sheets 4 through 9 do not require any inputs except for notes that the Applicant may wish to enter to support the results. Pale green cells are available on sheets 4 through 9 to enter both footnotes beside key cells and the related text for the notes at the bottom of each sheet.
- (1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
- (2) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I
- (3) Net of addbacks and deductions to arrive at taxable income.
- (4) Average of Gross Fixed Assets at beginning and end of the Test Year
- (5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (6) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.
- (7) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement
- (8) 4.0% unless an Applicant has proposed or been approved for another amount.
- (9) The default Working Capital Allowance factor is **7.5%** (of Cost of Power plus controllable expenses), per the letter issued by the Board on June 3, 2015. Alternatively, a WCA factor based on lead-lag study, with supporting rationale could be provided.



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers

Rate Base and Working Capital

Line No.	Rate Base Particulars	Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
1	Gross Fixed Assets (average) ⁽²⁾	\$1,074,600	(\$23,202)	\$1,051,398	\$ -	\$1,051,398
2	Accumulated Depreciation (average) ⁽²⁾	(\$317,426)	\$207	(\$317,219)	\$ -	(\$317,219)
3	Net Fixed Assets (average) ⁽²⁾	\$757,174	(\$22,995)	\$734,179	\$ -	\$734,179
4	Allowance for Working Capital ⁽¹⁾	\$269,884	(\$43,232)	\$226,652	(\$226,652)	\$ -
5	Total Rate Base	\$1,027,058	(\$66,227)	\$960,831	(\$226,652)	\$734,179

(1) Allowance for Working Capital - Derivation

6	Controllable Expenses	\$507,699	(\$15,000)	\$492,699	\$ -	\$492,699
7	Cost of Power	\$3,090,754	(\$561,432)	\$2,529,321	\$ -	\$2,529,321
8	Working Capital Base	\$3,598,453	(\$576,432)	\$3,022,020	\$ -	\$3,022,020
9	Working Capital Rate % ⁽¹⁾	7.50%	0.00%	7.50%	-7.50%	0.00%
10	Working Capital Allowance	\$269,884	(\$43,232)	\$226,652	(\$226,652)	\$ -

Notes

(1) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2018 cost of service applications is 7.5%, per the letter issued by the Board on June 3, 2015.

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



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers

Utility Income

Line No.	Particulars	Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
	Operating Revenues:					
1	Distribution Revenue (at Proposed Rates)	\$581,156	(\$29,258)	\$551,898	\$ -	\$551,898
2	Other Revenue ⁽¹⁾	\$28,356	\$9,217	\$37,573	\$ -	\$37,573
3	Total Operating Revenues	\$609,512	(\$20,041)	\$589,471	\$ -	\$589,471
	Operating Expenses:					
4	OM+A Expenses	\$507,699	(\$15,000)	\$492,699	\$ -	\$492,699
5	Depreciation/Amortization	\$47,219	(\$3,445)	\$43,774	\$ -	\$43,774
6	Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$554,918	(\$18,445)	\$536,473	\$ -	\$536,473
10	Deemed Interest Expense	\$19,592	(\$1,263)	\$18,329	(\$4,324)	\$14,005
11	Total Expenses (lines 9 to 10)	\$574,510	(\$19,708)	\$554,801	(\$4,324)	\$550,478
12	Utility income before income taxes	\$35,002	(\$333)	\$34,670	\$4,324	\$38,993
13	Income taxes (grossed-up)	\$ -	\$1,925	\$1,925	\$ -	\$1,925
14	Utility net income	\$35,002	(\$2,257)	\$32,745	\$4,324	\$37,069

Notes

Other Revenues / Revenue Offsets

⁽¹⁾	Specific Service Charges	\$7,596	\$ -	\$7,596		\$7,596
	Late Payment Charges	\$6,337	\$ -	\$6,337		\$6,337
	Other Distribution Revenue	\$13,588	\$9,217	\$22,805		\$22,805
	Other Income and Deductions	\$835	\$ -	\$835		\$835
	Total Revenue Offsets	\$28,356	\$9,217	\$37,573	\$ -	\$37,573



Revenue Requirement Workform (RRWF) for 2019 Filers

Taxes/PILs

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$35,002	\$32,745	\$25,021
2	Adjustments required to arrive at taxable utility income	(\$54,693)	(\$19,275)	(\$19,275)
3	Taxable income	(\$19,691)	\$13,470	\$5,746
<u>Calculation of Utility income Taxes</u>				
4	Income taxes	\$ -	\$1,684	\$1,684
6	Total taxes	\$ -	\$1,684	\$1,684
7	Gross-up of Income Taxes	\$ -	\$241	\$241
8	Grossed-up Income Taxes	\$ -	\$1,925	\$1,925
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$ -	\$1,925	\$1,925
10	Other tax Credits	\$ -	\$ -	\$ -
<u>Tax Rates</u>				
11	Federal tax (%)	9.00%	9.00%	9.00%
12	Provincial tax (%)	3.50%	3.50%	3.50%
13	Total tax rate (%)	12.50%	12.50%	12.50%

Notes



Revenue Requirement Workform (RRWF) for 2019 Filers

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return	
		Initial Application					
		(%)		(\$)		(%)	(\$)
	Debt						
1	Long-term Debt	56.00%		\$575,152	3.21%		\$18,462
2	Short-term Debt	4.00%		\$41,082	2.75%		\$1,130
3	Total Debt	60.00%		\$616,235	3.18%		\$19,592
	Equity						
4	Common Equity	40.00%		\$410,823	8.52%		\$35,002
5	Preferred Shares	0.00%		\$ -	0.00%		\$ -
6	Total Equity	40.00%		\$410,823	8.52%		\$35,002
7	Total	100.00%		\$1,027,058	5.32%		\$54,594
		Settlement Agreement					
		(%)		(\$)		(%)	(\$)
	Debt						
1	Long-term Debt	56.00%		\$538,065	3.21%		\$17,272
2	Short-term Debt	4.00%		\$38,433	2.75%		\$1,057
3	Total Debt	60.00%		\$576,498	3.18%		\$18,329
	Equity						
4	Common Equity	40.00%		\$384,332	8.52%		\$32,745
5	Preferred Shares	0.00%		\$ -	0.00%		\$ -
6	Total Equity	40.00%		\$384,332	8.52%		\$32,745
7	Total	100.00%		\$960,831	5.32%		\$51,074
		Per Board Decision					
		(%)		(\$)		(%)	(\$)
	Debt						
8	Long-term Debt	56.00%		\$411,140	3.21%		\$13,198
9	Short-term Debt	4.00%		\$29,367	2.75%		\$808
10	Total Debt	60.00%		\$440,507	3.18%		\$14,005
	Equity						
11	Common Equity	40.00%		\$293,672	8.52%		\$25,021
12	Preferred Shares	0.00%		\$ -	0.00%		\$ -
13	Total Equity	40.00%		\$293,672	8.52%		\$25,021
14	Total	100.00%		\$734,179	5.32%		\$39,026

Notes



Revenue Requirement Workform (RRWF) for 2019 Filers

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application		Settlement Agreement		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$48,680		\$9,183		(\$3,969)
2	Distribution Revenue	\$538,561	\$532,476	\$542,715	\$542,715	\$542,715	\$555,866
3	Other Operating Revenue	\$28,356	\$28,356	\$37,573	\$37,573	\$37,573	\$37,573
	Offsets - net						
4	Total Revenue	<u>\$566,917</u>	<u>\$609,512</u>	<u>\$580,288</u>	<u>\$589,471</u>	<u>\$580,288</u>	<u>\$589,471</u>
5	Operating Expenses	\$554,918	\$554,918	\$536,473	\$536,473	\$536,473	\$536,473
6	Deemed Interest Expense	\$19,592	\$19,592	\$18,329	\$18,329	\$14,005	\$14,005
8	Total Cost and Expenses	<u>\$574,510</u>	<u>\$574,510</u>	<u>\$554,801</u>	<u>\$554,801</u>	<u>\$550,478</u>	<u>\$550,478</u>
9	Utility Income Before Income Taxes	(\$7,593)	\$35,002	\$25,487	\$34,670	\$29,810	\$38,993
10	Tax Adjustments to Accounting Income per 2013 PILs model	(\$54,693)	(\$54,693)	(\$19,275)	(\$19,275)	(\$19,275)	(\$19,275)
11	Taxable Income	(\$62,286)	(\$19,691)	\$6,212	\$15,395	\$10,535	\$19,718
12	Income Tax Rate	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
13	Income Tax on Taxable Income	\$ -	\$ -	\$776	\$1,924	\$1,317	\$2,465
14	Income Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Utility Net Income	(\$7,593)	\$35,002	\$24,710	\$32,745	\$28,493	\$37,069
16	Utility Rate Base	\$1,027,058	\$1,027,058	\$960,831	\$960,831	\$734,179	\$734,179
17	Deemed Equity Portion of Rate Base	\$410,823	\$410,823	\$384,332	\$384,332	\$293,672	\$293,672
18	Income/(Equity Portion of Rate Base)	-1.85%	8.52%	6.43%	8.52%	9.70%	12.62%
19	Target Return - Equity on Rate Base	8.52%	8.52%	8.52%	8.52%	8.52%	8.52%
20	Deficiency/Sufficiency in Return on Equity	-10.37%	0.00%	-2.09%	0.00%	1.18%	4.10%
21	Indicated Rate of Return	1.17%	5.32%	4.48%	5.32%	5.79%	6.96%
22	Requested Rate of Return on Rate Base	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%
23	Deficiency/Sufficiency in Rate of Return	-4.15%	0.00%	-0.84%	0.00%	0.47%	1.64%
24	Target Return on Equity	\$35,002	\$35,002	\$32,745	\$32,745	\$25,021	\$25,021
25	Revenue Deficiency/(Sufficiency)	\$42,595	(\$0)	\$8,035	(\$0)	(\$3,473)	\$12,048
26	Gross Revenue Deficiency/(Sufficiency)	\$48,680 ⁽¹⁾		\$9,183 ⁽¹⁾		(\$3,969) ⁽¹⁾	

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



Revenue Requirement Workform (RRWF) for 2019 Filers

Revenue Requirement

Line No.	Particulars	Application		Settlement Agreement		Per Board Decision	
1	OM&A Expenses	\$507,699		\$492,699		\$492,699	
2	Amortization/Depreciation	\$47,219		\$43,774		\$43,774	
3	Property Taxes	\$ -					
5	Income Taxes (Grossed up)	\$ -		\$1,925		\$1,925	
6	Other Expenses	\$ -					
7	Return						
	Deemed Interest Expense	\$19,592		\$18,329		\$14,005	
	Return on Deemed Equity	\$35,002		\$32,745		\$25,021	
8	Service Revenue Requirement (before Revenues)	<u>\$609,512</u>		<u>\$589,471</u>		<u>\$577,423</u>	
9	Revenue Offsets	\$28,356		\$37,573		\$ -	
10	Base Revenue Requirement (excluding Transformer Ownership Allowance credit adjustment)	<u>\$581,156</u>		<u>\$551,898</u>		<u>\$577,423</u>	
11	Distribution revenue	\$581,156		\$551,898		\$551,898	
12	Other revenue	\$28,356		\$37,573		\$37,573	
13	Total revenue	<u>\$609,512</u>		<u>\$589,471</u>		<u>\$589,471</u>	
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ -</u>	⁽¹⁾	<u>(\$0)</u>	⁽¹⁾	<u>\$12,048</u>	⁽¹⁾

Summary Table of Revenue Requirement and Revenue Deficiency/Sufficiency

	Application	Settlement Agreement	Δ% ⁽²⁾	Per Board Decision	Δ% ⁽²⁾
Service Revenue Requirement	\$609,512	\$589,471	(\$0)	\$577,423	(\$1)
Grossed-Up Revenue					
Deficiency/(Sufficiency)	\$48,680	\$9,183	(\$1)	(\$3,969)	(\$1)
Base Revenue Requirement (to be recovered from Distribution Rates)	\$581,156	\$551,898	(\$0)	\$577,423	(\$1)
Revenue Deficiency/(Sufficiency) Associated with Base Revenue Requirement	\$42,595	\$9,183	(\$1)	\$ -	(\$1)

Notes

⁽¹⁾ Line 11 - Line 8

⁽²⁾ Percentage Change Relative to Initial Application



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers

Load Forecast Summary

This spreadsheet provides a summary of the customer and load forecast on which the test year revenue requirement is derived. The amounts serve as the denominators for deriving the rates to recover the test year revenue requirement for purposes of this RRWF.

The information to be input is inclusive of any adjustments to kWh and kW to reflect the impacts of CDM programs up to and including CDM programs planned to be executed in the test year. i.e., the load forecast adjustments determined in **Appendix 2-I** should be incorporated into the entries. The inputs should correspond with the summary of the Load Forecast for the Test Year in **Appendix 2-IB** and in Exhibit 3 of the application.

Appendix 2-IB is still required to be filled out, as it also provides a year-over-year variance analysis of demand growth and trends from historical actuals to the Bridge and Test Year forecasts.

Stage in Process:				Settlement Agreement			Per Board Decision		
Customer Class				Initial Application			Settlement Agreement		
Input the name of each customer class.				Customer / Connections	kWh	kW/kVA ⁽¹⁾	Customer / Connections	kWh	kW/kVA ⁽¹⁾
				Test Year average or mid-year	Annual	Annual	Test Year average or mid-year	Annual	Annual
1	Residential			1,113	12,367,886	-	1,113	12,657,112	
2	General Service < 50 kW			141	3,861,286	-	141	4,049,207	
3	General Service > 50 to 4999 kW			13	3,984,230	10,671	13	4,111,838	11,013
4	Street Lighting			370	153,000	421	370	153,000	421
5	Unmetered Scattered Load			4	17,280	-	4	17,280	
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
Total					20,383,682	11,092		20,988,437	11,434
								-	-

Notes:

⁽¹⁾ Input kW or kVA for those customer classes for which billing is based on demand (kW or kVA) versus energy consumption (kWh)



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers

Cost Allocation and Rate Design

This spreadsheet replaces **Appendix 2-P** and provides a summary of the results from the Cost Allocation spreadsheet, and is used in the determination of the class revenue requirement and, hence, ultimately, the determination of rates from customers in all classes to recover the revenue requirement.

Stage in Application Process: **Settlement Agreement**

A) Allocated Costs

Name of Customer Class ⁽³⁾	Costs Allocated from Previous Study ⁽¹⁾	%	Allocated Class Revenue Requirement ⁽¹⁾	%
From Sheet 10. Load Forecast				
			(7A)	
1 Residential	\$ 352,207	68.35%	\$ 480,807	81.55%
2 General Service < 50 kW	\$ 107,443	20.85%	\$ 69,140	11.73%
3 General Service > 50 to 4999 kW	\$ 42,118	8.17%	\$ 28,702	4.87%
4 Street Lighting	\$ 11,697	2.27%	\$ 10,502	1.78%
5 Unmetered Scattered Load	\$ 1,823	0.35%	\$ 414	0.07%
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
Total	\$ 515,288	100.00%	\$ 589,564	100.00%
Service Revenue Requirement (from Sheet 9)			\$ 589,471.03	

- (1) Class Allocated Revenue Requirement, from Sheet O-1, Revenue to Cost || RR, row 40, from the Cost Allocation Study in this application. This excludes costs in deferral and variance accounts. For Embedded Distributors, Account 4750 - Low Voltage (LV) Costs are also excluded.
- (2) Host Distributors - Provide information on any embedded distributor(s) as a separate class, if applicable. If embedded distributors are billed in a General Service class, include the allocated costs and revenues of the embedded distributor(s) in the applicable class, and also complete Appendix 2-Q.
- (3) Customer Classes - If these differ from those in place in the previous cost allocation study, modify the customer classes to match the proposal in the current application as closely as possible.

B) Calculated Class Revenues

Name of Customer Class		Load Forecast (LF) X current approved rates (7B)	LF X current approved rates X (1+d) (7C)	LF X Proposed Rates (7D)	Miscellaneous Revenues (7E)
1	Residential	\$ 424,662	\$ 431,896	\$ 433,978	\$ 31,261
2	General Service < 50 kW	\$ 78,614	\$ 79,953	\$ 78,952	\$ 4,004
3	General Service > 50 to 4999 kW	\$ 29,301	\$ 29,801	\$ 29,801	\$ 1,086
4	Street Lighting	\$ 8,620	\$ 8,767	\$ 8,766	\$ 1,127
5	Unmetered Scattered Load	\$ 1,518	\$ 1,544	\$ 464	\$ 32
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
Total		\$ 542,715	\$ 551,961	\$ 551,961	\$ 37,510

- (4) In columns 7B to 7D, LF means Load Forecast of Annual Billing Quantities (i.e., customers or connections, as applicable X 12 months, and kWh, kW or kVA as applicable. Revenue quantities should be net of the Transformer Ownership Allowance for applicable customer classes. Exclude revenues from rate adders and rate riders.
- (5) Columns 7C and 7D - Column Total should equal the Base Revenue Requirement for each.
- (6) Column 7C - The OEB-issued cost allocation model calculates "1+d" on worksheet O-1, cell C22. "d" is defined as Revenue Deficiency/Revenue at Current Rates.
- (7) Column 7E - If using the OEB-issued cost allocation model, enter Miscellaneous Revenues as it appears on worksheet O-1, row 19,

C) **Rebalancing Revenue-to-Cost Ratios**

	Name of Customer Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
		Most Recent Year:	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
		2014			
		%	%	%	%
1	Residential	95.00	96.33%	96.76%	85 - 115
2	General Service < 50 kW	120.00	121.43%	119.98%	80 - 120
3	General Service > 50 to 4999 kW	120.00	107.61%	107.61%	80 - 120
4	Street Lighting	103.00	94.21%	94.21%	80 - 120
5	Unmetered Scattered Load	110.00	381.17%	119.98%	80 - 120
6					
7					
8					
9					
10					
11					
12					
13					
14					
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16					
17					
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19					
20					

- (8) Previously Approved Revenue-to-Cost (R/C) Ratios - For most applicants, the most recent year would be the third year (at the latest) of the Price Cap IR period. For example, if the applicant, rebased in 2012 with further adjustments to move within the range over two years, the Most Recent Year would be 2015. However, the ratios in 2015 would be equal to those after the adjustment in 2014.
- (9) Status Quo Ratios - The OEB-issued cost allocation model provides the Status Quo Ratios on Worksheet O-1. The Status Quo means "Before Rebalancing".
- (10) Ratios shown in red are outside of the allowed range. Applies to both Tables C and D.

(D) **Proposed Revenue-to-Cost Ratios** ⁽¹¹⁾

Name of Customer Class		Proposed Revenue-to-Cost Ratio			Policy Range
	Test Year	Price Cap IR Period			
	2020	2021	2022		
1	Residential	96.76%	96.76%	96.76%	85 - 115
2	General Service < 50 kW	119.98%	119.98%	119.98%	80 - 120
3	General Service > 50 to 4999 kW	107.61%	107.61%	107.61%	80 - 120
4	Street Lighting	94.21%	94.21%	94.21%	80 - 120
5	Unmetered Scattered Load	119.98%	119.98%	119.98%	80 - 120
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

(11) The applicant should complete Table D if it is applying for approval of a revenue-to-cost ratio in 2019 that is outside of the OEB's policy range for any customer class. Table D will show that the distributor is likely to enter into the 2020 and 2021 Price Cap IR models, as necessary. For 2020 and 2021, enter the planned revenue-to-cost ratios that will be "Change" or "No Change" in 2018 (in the current Revenue/Cost Ratio Adjustment Workform, Worksheet C1.1 'Decision - Cost Revenue Adjustment, column d), and enter TBD for class(es) that will be entered as 'Rebalance'.



Ontario Energy Board

Revenue Requirement (RRWF) for 2019 F

New Rate Design Policy For Residential C

Please complete the following tables.

A Data Inputs (from Sheet 10. Load Forecast)

Test Year Billing Determinants for Residential Class	
Customers	1,113
kWh	12,657,112

Proposed Residential Class Specific Revenue Requirement ¹	\$ 433,977.98
--	---------------

Residential Base Rates on Current Tariff	
Monthly Fixed Charge (\$)	\$ 25.92
Distribution Volumetric Rate (\$/kWh)	\$ 0.0062

B Current Fixed/Variable Split

	Base Rates	Billing Determinants
Fixed	25.92	1,113
Variable	0.0062	12,657,112
TOTAL	-	-

C Calculating Test Year Base Rates

Number of Remaining Rate Design Policy Transition Years ²	2
--	---

	Test Year Revenue @ Current F/V Split	Test Year Base Rates @ Current F/V Split
Fixed	\$ 353,782.30	26.49
Variable	\$ 80,195.69	0.0063
TOTAL	\$ 433,977.98	-

	New F/V Split	Revenue @ new F/V Split
--	---------------	----------------------------

Fixed	90.76%	\$	393,880.14
Variable	9.24%	\$	40,097.84
TOTAL	-	\$	433,977.98

Checks ³	
Change in Fixed Rate	\$ 3.00
Difference Between Revenues @ Proposed Rates	\$393.21
and Class Specific Revenue Requirement	0.09%

Notes:

- ¹ The final residential class specific revenue requirement, excluding allocated Miscellaneous Revenues, a used (i.e. the revenue requirement after any proposed adjustments to R/C ratios).
- ² The distributor should enter the number of years remaining before the transition to fully fixed rates is complete over a four year period and began the transition in 2016 would input the number "3" into cell D40. A would input the number "4". Where the change in the residential rate design will result in the fixed charge may propose an additional transition year.
- ³ Change in fixed rate due to rate design policy should be less than \$4. The difference between the proposed calculated base rates should be minimal (i.e. should be reasonably considered as a rounding error)

Workform Filers

Customers

Revenue	% of Total Revenue
\$ 346,187.52	81.52%
\$ 78,474.09	18.48%
\$ 424,661.61	-

Reconciliation - Test Year Base Rates @ Current F/V Split	
\$	353,800.44
\$	79,739.81
\$	433,540.25

Final Adjusted Base Rates	Revenue Reconciliation @ Adjusted Rates
------------------------------	---

\$	29.49	\$	393,868.44
\$	0.0032	\$	40,502.76
	-	\$	434,371.20

s shown on Sheet 11. Cost Allocation, should be

npleted. A distributor transitioning to fully fixed
 \ distributor transitioning over a five-year period
 e increasing by more than \$4/year, a distributor

sed class revenue requirement and the revenue at

This sheet replaces Appendix 2-V, and provides a simplified model for calculating the standard monthly and volumetric rates based on the allocated class revenues and fixed/variable split resulting from the cost allocation study and rate design and as proposed by the applicant. However, the RRFW does not replace the rate generator model that an applicant distributor may use in support of its application. The RRFW provides a demonstrative check on the derivation of the revenue requirement and on the proposed base distribution rates to recover the revenue requirement, based on summary information from a more detailed rate generator model and other models that applicants use for cost allocation, load forecasting, taxes/PILs, etc.

[illegible]

¹ Transformer Ownership Allowance is entered as a positive amount, and only for those classes to which it applies.

² The Fixed/Variable split, for each customer class, drives the "rate generator" portion of this sheet of the RRWF. Only the "fixed" fraction is entered, as the sum of the "fixed" and "variable" portions must sum to 100%. For a distributor that may set the Monthly Service Charge, the "fixed" ratio is calculated as: $[MSC \times (\text{average number of customers or connections}) \times 12 \text{ months}] / (\text{Class Allocated Revenue Requirement})$.



Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2019 Filers

Tracking Form

The first row shown, labelled "Original Application", summarizes key statistics based on the data inputs into the RRWF. After the original application filing, the applicant provides key changes in capital and operating expenses, load forecasts, cost of capital, etc., as revised through the processing of the application. This could be due to revisions or responses to interrogatories. 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.

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	\$ 54,594	5.32%	\$ 1,027,058	\$ 3,598,453	\$ 269,884	\$ 47,219	\$ -	\$ 507,699	\$ 609,512	\$ 28,356	\$ 581,156	\$ 48,680