

ADDENDUM TO TECHNICAL CONFERENCE UNDERTAKING - JT 3.1

JT 3.1

To please provide a revised version of Appendix 2-AA, and Sec-49 Attachment A, on the same basis as Jt1.1. Please also provide update opening 2021 rate base and revenue requirement impact during the plan of any update to the 2020 in-service addition forecast.

RESPONSE:

The response below is an addendum to the undertaking response JT 3.1 that Hydro Ottawa submitted on August 5, 2020 and updated on August 6, 2020.

Please find a list below of updated models appended to this addendum as Excel files. Details of the changes are provided in the ensuing paragraphs.

- Attachment JT 3.1(D): OEB Workform - 2021 Income Tax/PILS Workform
- Attachment JT 3.1(E): OEB Workform - 2022 Income Tax/PILS Workform
- Attachment JT 3.1(F): OEB Workform - 2023 Income Tax/PILS Workform
- Attachment JT 3.1(G): OEB Workform - 2024 Income Tax/PILS Workform
- Attachment JT 3.1(H): OEB Workform - 2025 Income Tax/PILS Workform
- Attachment JT 3.1(I): 2024 Schedule 8 Capital Cost Allowance
- Attachment JT 3.1(J): 2025 Schedule 8 Capital Cost Allowance
- Attachment JT 3.1(K): OEB Workform - 2021 Revenue Requirement Workform
- Attachment JT 3.1(L): OEB Workform - 2022 Revenue Requirement Workform
- Attachment JT 3.1(M): OEB Workform - 2023 Revenue Requirement Workform
- Attachment JT 3.1(N): OEB Workform - 2024 Revenue Requirement Workform
- Attachment JT 3.1(O): OEB Workform - 2025 Revenue Requirement Workform
- Attachment JT 3.1(P): OEB Workform - Cost Allocation Model
- Attachment JT 3.1(Q): HOL Bill Impacts Model 2021-2025
- Attachment JT 3.1(R): OEB Workform - Deferral and Variance Account (Continuity Schedule)

1 **3.2 PAYMENTS IN LIEU OF TAXES**

2 The OEB Income Tax/PILS Workforms for the 2021-2025 Test Years are appended to this
3 undertaking response as the following Attachments:

4

- 5 • Attachment JT 3.1(D): OEB Workform - 2021 Income Tax/PILS Workform
- 6 • Attachment JT 3.1(E): OEB Workform - 2022 Income Tax/PILS Workform
- 7 • Attachment JT 3.1(F): OEB Workform - 2023 Income Tax/PILS Workform
- 8 • Attachment JT 3.1(G): OEB Workform - 2024 Income Tax/PILS Workform
- 9 • Attachment JT 3.1(H): OEB Workform - 2025 Income Tax/PILS Workform

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11 Hydro Ottawa has also included supplemental Schedule 8 worksheets for Test Years 2024 and
12 2025 to support the Capital Cost Allowance ("CCA") calculations in the PILS Tax Models (please
13 see Attachment JT 3.1(I): 2024 Schedule 8 Capital Cost Allowance and Attachment JT 3.1(J):
14 2025 Schedule 8 Capital Cost Allowance).

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16 **4. CALCULATION OF REVENUE DEFICIENCY AND SURPLUS**

17 More details for each year can be found in the Revenue Requirement Workforms, which have
18 been appended as the following excel Attachments:

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- 20 • Attachment JT 3.1(K): OEB Workform - 2021 Revenue Requirement Workform
- 21 • Attachment JT 3.1(L): OEB Workform - 2022 Revenue Requirement Workform
- 22 • Attachment JT 3.1(M): OEB Workform - 2023 Revenue Requirement Workform
- 23 • Attachment JT 3.1(N): OEB Workform - 2024 Revenue Requirement Workform
- 24 • Attachment JT 3.1(O): OEB Workform - 2025 Revenue Requirement Workform

1 **5. COST ALLOCATION**

2 **5.1 COST MODEL**

3 Hydro Ottawa has updated the Cost Allocation Model for 2021 to incorporate the changes to
4 rate base and the resulting change to revenue requirement. As described in the response to
5 undertaking JT 3.22-Q5, Hydro Ottawa has also updated the allocation factors for underground
6 (account 1845) and overhead (account 1835) to remain at 100% primary until a full study is
7 completed. The revised model has been attached as excel Attachment JT 3.1(P): OEB
8 Workform - Cost Allocation Model.

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10 Revenue Requirement Workforms for 2021-2025 have also been updated to reflect the revised
11 revenue requirement and cost allocations as described above. They are included as
12 Attachments JT 3.1(K) to (O).

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14 **5.2 COST ALLOCATION ADJUSTMENTS**

15 The Cost Allocation Model indicates that four rate classes require adjustments to bring them
16 within the OEB-approved ranges. General Service ("GS") <50 kW and Street Lighting were
17 above the upper limit, while Large Use and Sentinel Lighting were below the lower limit.

18

19 Hydro Ottawa proposes to adjust the revenue requirements in a two-step process to bring three
20 of the four rate classes into the OEB-approved ranges in 2021. Hydro Ottawa first reallocated
21 revenue requirement within the affected rate classes to bring them within OEB-approved limits.
22 The remaining revenue shortfall resulting from these adjustments was allocated to the GS 50 to
23 1,499 kW and Large Use customer classes that have revenue-to-cost ratios below 100.

24

25 It is proposed to bring the Sentinel Lighting rate class up to the lower bound over a five-year
26 period, in order to mitigate the large bill impact of an immediate adjustment. Required
27 adjustments to Sentinel Lighting in the 2022-2025 Test Years are offset against another
28 unmetered customer class, Street Lighting. The impact on the Street Lighting class will be
29 minimal at less than \$720 annually.

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6. RATE DESIGN

Hydro Ottawa has included Bill Impacts in excel Attachment JT 3.1(Q): HOL Bill Impacts Model 2021-2025. This includes the rate orders from 2021-2025.

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As noted in the response to interrogatory OEB-38, Hydro Ottawa encountered issues with the OEB's Bill Impact Model: OEB Workform 2020 Current and 2021 Proposed Tariff of Rates and Charges. For the "Sentinel Lights Service Classification", "Unmetered Scattered Load Service Classification", and "Street Lighting Service Classification" there were errors with the rate riders. The rate rider for Group 2 accounts is being calculated at both the sub total A and sub total B; however, it should only be calculated in sub total A. In addition, the model would not allow an update to the 2021 proposed rate for retailer-consolidated billing monthly credit per customer. As a result, Hydro Ottawa has only included excel Attachment JT 3.1(Q): HOL Bill Impacts Model 2021-2025.

14

The annual changes in the distribution charge for Residential customers who use 750 kWh per month, as well as General Service <50kW customers with consumption of 2,000 kWh per month, are shown in Table G. The 2021-2025 average dollar and percentage change has also been provided.

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**Table G – Annual Impact on Customers' Distribution Rates – Updated for 2020 Forecast
(Including 2021-2025 Average)**

Rate Class	Change in Distribution Charge	2021 Proposed	2022 Proposed	2023 Proposed	2024 Proposed	2025 Proposed	Average
Residential (750 kWh)	\$ / Month	\$1.65	\$1.97	\$1.81	\$0.97	\$0.63	\$1.41
	%	5.76%	6.50%	5.61%	2.85%	1.80%	4.50%
General Service <50 kW (2,000 kWh)	\$ / Month	\$2.75	\$5.27	\$4.89	\$3.04	\$2.46	\$3.68
	%	3.86%	7.11%	6.16%	3.61%	2.82%	4.71%

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Table H below summarizes the updates to bill impacts, based upon this undertaking response.

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Table H – Summary of Bill Impacts – Updated for 2020 Forecast

Rate Class		Approved	Proposed				
		2020	2021	2022	2023	2024	2025
Residential (750 kWh)	Distribution Charge	\$28.64	\$30.29	\$32.26	\$34.07	\$35.04	\$35.67
	Change in Distribution Charge		\$1.65	\$1.97	\$1.81	\$0.97	\$0.63
	% Distribution Increase		5.76%	6.50%	5.61%	2.85%	1.80%
	% Increase of Total Bill		1.19%	1.39%	1.57%	0.67%	0.44%
General Service <50 kW (2,000 kWh)	Distribution Charge	\$71.32	\$74.07	\$79.34	\$84.23	\$87.27	\$89.73
	Change in Distribution Charge		\$2.75	\$5.27	\$4.89	\$3.04	\$2.46
	% Distribution Increase		3.86%	7.11%	6.16%	3.61%	2.82%
	% Increase of Total Bill		0.54%	1.43%	1.63%	0.80%	0.64%
General Service 50 kW - 1,499 kW (250 kW)	Distribution Charge	\$1,461.93	\$1,530.68	\$1,645.81	\$1,798.45	\$1,865.91	\$1,919.52
	Change in Distribution Charge		\$68.75	\$115.14	\$152.64	\$67.46	\$53.61
	% Distribution Increase		4.70%	7.52%	9.27%	3.75%	2.87%
	% Increase of Total Bill		2.99%	(1.05)%	1.11%	0.37%	0.30%
General Service 1,500 kW - 4,999 kW (2,500 kW)	Distribution Charge	\$15,941.18	\$16,524.43	\$17,741.69	\$19,212.82	\$19,931.65	\$20,400.40
	Change in Distribution Charge		\$583.25	\$1,217.26	\$1,471.13	\$718.83	\$468.75
	% Distribution Increase		3.66%	7.37%	8.29%	3.74%	2.35%
	% Increase of Total Bill		2.86%	(0.99)%	1.09%	0.39%	0.26%
Large Use (7,500 kW)	Distribution Charge	\$48,420.32	\$51,444.32	\$55,080.02	\$59,719.14	\$61,805.64	\$63,179.64
	Change in Distribution Charge		\$3,024.00	\$3,635.70	\$4,639.12	\$2,086.50	\$1,374.00
	% Distribution Increase		6.25%	7.07%	8.42%	3.49%	2.22%
	% Increase of Total Bill		3.06%	(1.21)%	1.26%	0.37%	0.24%
Sentinel Lighting (0.4 kW)	Distribution Charge	\$9.53	\$11.31	\$13.68	\$16.18	\$18.35	\$20.45
	Change in Distribution Charge		\$1.79	\$2.37	\$2.50	\$2.17	\$2.10
	% Distribution Increase		18.74%	20.91%	18.28%	13.41%	11.44%
	% Increase of Total Bill		8.67%	9.15%	9.14%	7.05%	6.37%
Street Lighting (1 kW)	Distribution Charge	\$7.76	\$7.41	\$7.97	\$8.89	\$9.20	\$9.49
	Change in Distribution Charge		\$(0.36)	\$0.56	\$0.92	\$0.31	\$0.29
	% Distribution Increase		(4.58)%	7.55%	11.60%	3.50%	3.15%
	% Increase of Total Bill		(0.54)%	1.79%	3.57%	0.99%	0.91%
Unmetered Scattered Load (470 kWh)	Distribution Charge	\$17.08	\$17.72	\$19.38	\$21.48	\$22.79	\$23.94
	Change in Distribution Charge		\$0.64	\$1.67	\$2.10	\$1.30	\$1.16
	% Distribution Increase		3.75%	9.42%	10.82%	6.07%	5.09%
	% Increase of Total Bill		0.86%	1.92%	2.68%	1.44%	1.27%

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1 **7. DEFERRAL AND VARIANCE ACCOUNTS**

2 Hydro Ottawa has included a revised DVA Continuity Schedule in excel Attachment JT 3.1(R):
3 OEB Workform - Deferral and Variance Account (Continuity Schedule). Three Regulatory
4 Accounts have been updated as a result of changes, subsequent to the filing of updated
5 evidence on May 5, 2020:

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- 7 • USofA 1508 - Sub-Account Earnings Sharing Mechanism Variance Account (please
8 refer to the responses to undertaking JT 3.9 and interrogatory OEB-38 for details).
9 • USofA 1508 - PILS and Tax Variance for 2006 and Subsequent Year - Sub account CCA
10 Changes (please see the response to undertaking JT 4.8 for details).
11 • USofA 1568 - LRAM Variance Account (as outlined in the responses to interrogatories
12 OEB-171 and OEB-174).

13

14 The changes noted above related to interrogatory responses were incorporated into updated
15 rates as part of the response to interrogatory OEB-38; those additional changes related to
16 undertakings are being incorporated as part of the response to this undertaking. Table 1 from
17 UPDATED Exhibit 9-3-1: Disposition of Deferral and Variance Accounts has been updated
18 below as Table I - UPDATED FOR 2019 ESM, PILS and LRAM – Proposed DVA Dispositions.

1 **Table I – Proposed DVA Dispositions – Updated for 2019 ESM, PILS and LRAM**

Group	USofA Number	Group 1 and 2 Deferral/Variance Account Description	Amount	Principal	Interest
1	1550	LV Variance Account	\$(313,465)	\$(304,865)	\$(8,600)
1	1551	Smart Metering Entity Charge Variance Account	\$(77,882)	\$(75,564)	\$(2,317)
1	1580	RSVA - Wholesale Market Service Charge	\$(2,060,384)	\$(2,022,576)	\$(37,808)
1	1580	Variance WMS – Sub-account CBR Class A	\$0	\$0	\$0
1	1580	Variance WMS – Sub-account CBR Class B	\$(492,601)	\$(477,649)	\$(14,952)
1	1584	RSVA - Retail Transmission Network Charge	\$(742,184)	\$(714,195)	\$(27,988)
1	1586	RSVA - Retail Transmission Connection Charge	\$(4,728,044)	\$(4,577,938)	\$(150,106)
1	1588	RSVA - Power (excluding Global Adjustment)	\$757,478	\$743,192	\$14,286
1	1589	RSVA - Global Adjustment	\$6,051,424	\$5,762,960	\$288,464
1	1595	Disposition and Recovery/Refund of Regulatory Balances (2016)	\$66,600	\$91,297	\$(24,697)
1	1595	Disposition and Recovery/Refund of Regulatory Balances (2017)	\$(505,116)	\$(188,154)	\$(316,962)
		Group 1 Subtotal (Excluding Global Adjustment)	\$(8,095,597)	\$(7,526,452)	\$(569,145)
		Global Adjustment	\$6,051,424	\$5,762,960	\$288,464
		Group 1 TOTAL	\$(2,044,173)	\$(1,763,493)	\$(280,681)
		1508 Other Regulatory Assets - Sub-Account			
2	1508	Pension & Other Post-Employment Benefits ("OPEB")	\$(4,431,595)	\$(4,431,595)	\$0
2	1508	Energy East Cost Defer Cost	\$55,424	\$50,731	\$4,693
2	1508	Y-Factor Variance Account	\$320,332	\$320,332	\$0
2	1508	Gains/Losses from Sale of Existing Facilities Deferral	\$(2,151,861)	\$(2,151,861)	\$0
2	1508	New Facilities Deferral Account	\$4,627,793	\$4,627,793	\$0
2	1508	Gains and Loss on Disposal of Fixed Assets Variance Account	\$3,677,609	\$3,543,600	\$134,009
2	1508	Earnings Sharing Mechanism ("ESM") Variance Account	\$(5,196,006)	\$(4,985,981)	\$(210,025)
2	1508	Connection Cost Recovery Agreement ("CCRA") Payment	\$836,084	\$814,360	\$21,724
2	1508	Efficiency Adjustment Mechanism Deferral Account	\$(892,062)	\$(854,169)	\$(37,893)
2	1508	OEB Cost Assessment Variance	\$1,989,596	\$1,879,684	\$109,912
2	1508	OPEB Differential	\$0	\$0	\$0
2	1508	RCVA Retail Incremental Revenue	\$(36,725)	\$(35,714)	\$(1,011)
2	1508	STR Incremental Revenue	\$(1,005)	\$(977)	\$(28)
	1508	Sub-Total of 1508 Sub-Accounts	\$(1,202,416)	\$(1,223,798)	\$21,382
2	1518	Retail Cost Variance - Retail	\$(43,058)	\$(39,487)	\$(3,572)
2	1522	Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	\$(6,403)	\$0	\$(6,403)

2	1548	Retail Cost Variance - Service Transaction Requests ("STRs")	\$342,868	\$314,008	\$28,860
2	1592	PILs and Tax Variances - Sub-Account: Capital Cost Allowance ("CCA") Changes	\$(7,477,887)	\$(7,291,888)	\$(185,999)
		Group 2 Sub-Total Prior to Lost Revenue Adjustment Mechanism ("LRAM")	\$(8,386,897)	\$(8,241,164)	\$(145,732)
2	1568	LRAM Variance Account ("LRAMVA")	\$2,795,681	\$2,563,959	\$231,722
		Group 2 Sub-Total	\$(5,591,216)	\$(5,677,206)	\$85,990
TOTAL DVA BALANCE (Group 1 & Group 2) TO BE MOVED TO 1595 (2021)¹			\$(7,635,389)	\$(7,440,698)	\$(194,691)

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¹ Totals may not sum due to rounding.