



By RESS and Email

December 3, 2020

Ms. Christine E. Long
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON, M4P 1E4

Dear Ms. Long:

**Subject: Hydro Ottawa Limited (“Hydro Ottawa”)
Custom Incentive Rate-Setting (“Custom IR”) Application for 2021-2025 Electricity
Distribution Rates and Charges – Draft Rate Order**

On February 10, 2020, Hydro Ottawa filed an application with the Ontario Energy Board (“OEB” or the “Board”) under Section 78 of the *Ontario ENergy Board Act, 1998* as amended and pursuant to the OEB’s *Filing Requirements for Incentive Rate-setting Applications* seeking approval for electricity distribution rates, and other charges, effective January 1, 2021.

The Board issued a Decision and Order in this matter on November 19, 2020. The Board directed Hydro Ottawa to file a Draft Rate Order by December 3, 2020, that incorporates the OEB’s determinations in its Decision and Order.

In accordance with the Decision and Order, Hydro Ottawa provides its Draft Rate Order which incorporates the direction provided by the Board from the Decision and Order. Accompanying this Draft Rate Order are the following live Excel workbooks:

- Chapter 2 Appendices
- Current and 2021 Tariff Schedule and Bill Impacts Model
- Hydro Ottawa 2021-2025 Bill Impacts Model
- 2021-2025 Revenue Requirement Workforms
- Deferral and Variance Account Continuity Schedule
- RTSR Workform
- Dry Core Calculations
- Cost Allocation Model
- 2021-2025 PILs Workforms and Schedule 8 for 2024 and 2025
- Low Voltage Rate Design



Should you have any questions or require additional information, please do not hesitate to contact me.

Yours truly,

DocuSigned by:

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Gregory Van Dusen

Director, Regulatory Affairs

Directeur, Affaires réglementaires

GregoryVanDusen@hydroottawa.com

Tel./tél.: 613 738-5499 | ext./poste 7472

Cell.: 613 806-1001

cc: All registered parties to EB-2019-0261



EB-2019-0261

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Hydro Ottawa Limited for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2021 and for each following year through December 31, 2025.

DRAFT RATE ORDER

FILED DECEMBER 3, 2020



DRAFT RATE ORDER

INTRODUCTION

1. This Draft Rate Order is filed with the Ontario Energy Board (“OEB” or “the Board”) in connection with Hydro Ottawa Limited’s (“Hydro Ottawa” or “the utility”) Custom Incentive Rate-setting (“Custom IR”) Application (the “Application”) submitted under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B). On February 10, 2020, Hydro Ottawa submitted the Application to the OEB seeking approval for changes to the rates that it charges for electricity distribution for a period of five years, to be effective January 1, 2021 through December 31, 2025. Hydro Ottawa submitted an update to the Application that included 2019 year-end Actuals on May 29, 2020.
2. On March 31, 2020, the OEB issued Procedural Order No. 1, which provided for the delivery of and responses to written interrogatories from OEB staff and intervenors. Procedural Order No. 2, issued on May 29, 2020, provided for an extension to the submission of interrogatory responses after an extension request made by Hydro Ottawa. Through the interrogatory process, Hydro Ottawa received 609 interrogatories, not including sub-parts, and responded with more than 5,600 pages of additional evidence in support of the Application.
3. On June 22, 2020 the OEB issued Procedural Order No. 3 and an Approved Issues List. The Issues List included 30 issues under eight subject categories. Procedural Order No. 3 further made provision for a Technical Conference on July 15 and 16, 2020 and July 17, 2020 if necessary, as well as a Settlement Conference on August 10-12, 2020 to continue to August 13, 2020 if necessary.
4. A transcribed Technical Conference was held on July 15, 16, 17, and continued on July 21, 2020. OEB staff and the following eight intervenors participated in the Technical Conference: Building Owners and Managers Association (“BOMA”), Consumers Council of Canada (“CCC”), Distributed Resource Coalition (“DRC”), Environmental Defence (“ED”), Energy Probe Research Foundation (“EPRF”), Pollution Probe (“PP”), School



- Energy Coalition (“SEC”) and Vulnerable Energy Consumers Coalition (“VECC”) (herein collectively referred to as “the Parties”).¹ Following the Technical Conference, Hydro Ottawa submitted written responses to a total of 95 undertakings by way of an initial filing on July 29, 2020, and subsequent filings on August 5, 6, and 7, 2020.
5. The Parties attended a Settlement Conference on August 10-12, 2020. The Settlement Conference continued through August 13, 14, and 17, 2020. Over the course of the Settlement Conference, the Parties came to an agreement on all issues with the exception of one relating to cost allocation and rate design (Issue 7.3). A settlement proposal was filed with the OEB on September 18, 2020. The Parties proposed to proceed with a written hearing on the one outstanding issue with a condition that intervenors had an opportunity to provide a response to any new items raised in Hydro Ottawa’s reply submission.
 6. Pursuant to Procedural Order No. 7, OEB staff filed a submission on the settlement proposal on September 29, 2020. OEB staff submitted that the settlement proposal reflected a reasonable evaluation of Hydro Ottawa’s planned outcomes, including appropriate considerations of the relevant issues, and allowed for appropriate resources for Hydro Ottawa to achieve its outcomes in its five-year plan. OEB staff also noted that the outcomes arising from the OEB’s approval of the settlement proposal would reflect the public interest and would result in just and reasonable rates for customers.
 7. On October 2, 2020, the OEB issued Procedural Order No. 8, which accepted the settlement proposal as filed, and noted that further written reasons on the settlement proposal would be provided at a later date. Procedural Order No. 8 further made provision to address the unsettled issue by way of a written hearing.

¹ Richard Parry and Nash Smith are registered intervenors in this Proceeding, but did not participate in the Settlement Conference.



8. On November 19, 2020, the OEB issued a Decision and Order accepting the settlement proposal as filed with reasons. As per page 12 of the Decision and Order, the Board found:

As stated in PO No. 8, the OEB accepts the settlement proposal as filed. The OEB concludes that implementation of the settlement proposal should result in reasonable outcomes for both Hydro Ottawa and its customers. The OEB has the following specific comments on certain aspects of the settlement proposal.

- The OEB finds that the estimated rate and bill impacts in each rate class, resulting from the settlement proposal, would be reasonable.*
- The effective date of the rates arising from the settlement proposal of January 1, 2021, is appropriate.*
- Reductions in Hydro Ottawa's proposed capital additions and OM&A spending, combined with increased ratepayer protection features in the settlement proposal, are reasonable.*
- The OEB is encouraged by Hydro Ottawa's commitment to complete upgrades to its asset condition and prioritization processes as well as to pursue further actions to reduce distribution line losses through cost effective measures over the 2021-2025 plan term.*

The OEB agrees with OEB staff about requiring Hydro Ottawa to do the following in future applications.

- Any future Custom IR application needs to be justified and the OEB needs to be satisfied that other rate-setting options have been considered.*
- Hydro Ottawa's efforts and achievements with respect to productivity improvements in its capital programs and projects, undertaken during the 2021-2025 term, should be reported as part of Hydro Ottawa's next rebasing application.²*

DECISION ON UNSETTLED ISSUE (ISSUE 7.3)

² Ontario Energy Board, *Decision and Order* EB-2019-0261 (November 19, 2020), page 12.



9. In accordance with Procedural Order No. 8, Hydro Ottawa filed its Argument-in-Chief on the unsettled issue (7.3) on October 13, 2020. One intervenor, ED, filed submissions on October 16, 2020. OEB staff and other intervenors (BOMA, DRC, EPRF, PP, SEC, and VECC) filed submissions on October 20, 2020. Hydro Ottawa filed its reply submission on October 27, 2020. PP filed its reply submission on October 30, 2020 and ED filed its reply submission on November 3, 2020.

10. On November 19, 2020, the Board issued a Decision and Order that addressed the unsettled issue and found that:

For the GS > 50 to 1,499 kW, GS 1,500 to 4,999 kW, and Large Use classes, the OEB finds that fixed charges should be set by comparing the fixed charge resulting from Hydro Ottawa's standard rate design approach with the previous year's level for the five year rate term. In years where maintaining the current fixed/variable revenue split results in a higher fixed charge than the previous year, Hydro Ottawa shall maintain the fixed charge at the previous year's level. In years where maintaining the current fixed variable revenue split results in a lower fixed charge than the previous year, Hydro Ottawa shall maintain the fixed charge at the lower value.³

Hydro Ottawa confirms that it has revised its rate design approach for the GS > 50 to 1,499 kW, GS 1,500 to 4,999 kW and Large Use classes as ordered by the Board and has updated in the Draft Rate Orders and relevant accompanying models.

11. On page 24 of its Decision and Order, the Board requested that Hydro Ottawa shall provide an updated version of Table 1 (as presented on page 25 of the Decision and Order) with the 2021 inflation and cost of capital parameters incorporated as part of the Draft Rate Order. Table 1 is therefore provided and updated below:

³ Ontario Energy Board, *Decision and Order* EB-2019-0261 (November 19, 2020), page 23.



Table 1: Illustration of the OEB-approved Fixed Charges

Customer Class	Cost Allocation Results		2020 Current Rate	2021	2022	2023	2024	2025
GS > 50 to 1,499 kW	\$25.49	\$76.11	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00
GS > 1,500 to 4,999 kW	\$64.71	\$369.57	\$4,193.93	\$4,193.93	\$4,193.93	\$4,193.93	\$4,132.49	\$4,034.09
Large Use	\$15.86	\$455.32	\$15,231.32	\$15,231.32	\$15,231.32	\$15,216.86	\$14,930.22	\$14,528.81

CONCLUSION

Hydro Ottawa has fully complied with the Decision and Order and has implemented changes as directed by the Board in its Decision and Order. Details of the changes are supported by the following live Excel workbooks accompanying this Draft Rate Order:

- Chapter 2 Appendices
- Current and 2021 Tariff Schedule and Bill Impacts Model
- Hydro Ottawa 2021-2025 Bill Impacts Model
- 2021-2025 Revenue Requirement Workforms
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