

September 3, 2021

**RESS & EMAIL**

Ontario Energy Board  
P.O. Box 2319  
27th Floor, 2300 Yonge Street  
Toronto, ON M4P 1E4

Attention: Ms. Christine E. Long, Registrar

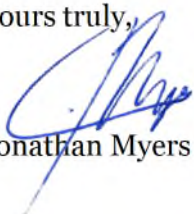
Dear Ms. Long:

**Re: Wataynikaneyap Power LP - Application for Approval of 2022 Electricity Transmission Rates (EB-2021-0134) – Settlement Proposal**

We are legal counsel to Wataynikaneyap Power LP (“WPLP”), which is the Applicant in the above-referenced proceeding. In accordance with Procedural Order No. 1 in the above-referenced proceeding, WPLP participated in a settlement conference with OEB Staff and Hydro One Remote Communities Inc. from August 16-18, 2021. The remaining parties in the proceeding did not wish to participate. On behalf of WPLP, we are pleased to submit the attached Settlement Proposal for the OEB Panel’s review and consideration. The Parties have worked diligently to reach and document a full settlement of all issues in the proceeding, and we look forward to presenting the Settlement Proposal to the OEB Panel on September 10, 2021.

WPLP has filed this document through the OEB’s Regulatory Electronic Submissions System and served all parties to the proceeding. If you have any questions, please do not hesitate to contact me at the number shown above.

Yours truly,



Jonathan Myers

cc: Ms. Margaret Kenequanash, WPLP  
Mr. Duane Fecteau, WPLP  
Mr. Charles Keizer, Torys LLP  
All Parties

**ONTARIO ENERGY BOARD**

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

**AND IN THE MATTER OF** an application by Wataynikaneyap Power GP Inc. on behalf of Wataynikaneyap Power LP (“WPLP”) for an Order or Orders made pursuant to section 78 of the Act, approving or fixing just and reasonable rates for the transmission of electricity

**WATAYNIKANEYAP POWER GP INC. on behalf of  
WATAYNIKANEYAP POWER LP**

**SETTLEMENT PROPOSAL**

**September 3, 2021**

## TABLE OF CONTENTS

A.	OVERVIEW .....	2
1.	Introduction.....	2
2.	Background .....	2
3.	Settlement Process .....	3
4.	Settlement Proposal Preamble .....	3
5.	Settlement Proposal Overview .....	5
B.	SETTLEMENT BY ISSUE .....	8
1.	Issue 1: General.....	9
2.	Issue 2: Rate Base .....	11
3.	Issue 3: Performance .....	13
4.	Issue 4: Operating Revenue .....	16
5.	Issue 5: Operating Costs .....	17
6.	Issue 6: Cost of Capital & Capital Structure.....	19
7.	Issue 7: Deferral & Variance Accounts .....	21
8.	Issue 8: Cost Allocation .....	23
C.	ATTACHMENTS .....	24

## **A. OVERVIEW**

### **1. Introduction**

This Settlement Proposal is filed with the Ontario Energy Board (“OEB”) in connection with Wataynikaneyap Power LP’s (by its general partner Wataynikaneyap Power GP Inc., together, “WPLP”) cost of service application made under section 78 of the Act, seeking approval of an electricity transmission revenue requirement and associated rates, effective April 1, 2022 and to charge Hydro One Remote Communities Inc. (“HORCI”) a fixed charge for transmission service, effective May 1, 2022 (OEB Proceeding Number EB-2021-0134) (the “Application”). The Application is for WPLP’s new transmission system that is currently under construction in northwest Ontario, a portion of which is expected to be put into service during the 2022 test year.

As set forth herein, the Settlement Proposal contains a comprehensive settlement of all issues within the Application.

### **2. Background**

The Application was filed by WPLP on April 28, 2021. On May 12, 2021, the OEB issued a letter confirming the completeness of the Application. The OEB issued and published a Notice of Hearing on May 14, 2021, and Procedural Order No. 1 on June 14, 2021. In Procedural Order No. 1, the OEB granted intervenor status to Hydro One Networks Inc. (“HONI”), HORCI and the Independent Electricity System Operator (“IESO”). The OEB also directed WPLP, the intervenors and OEB staff to jointly develop a proposed issues list. OEB staff filed a proposed issues list on June 22, 2021, indicating that all parties had agreed on it. On June 25, 2021, as part of Procedural Order No. 2, the OEB approved the proposed issues list for the purposes of the proceeding (the “Approved Issues List”).

Interrogatories from OEB staff and HORCI were filed on July 12, 2021 and, in accordance with Procedural Order No. 1, WPLP filed its responses to those interrogatories on July 30, 2021. In connection with WPLP’s response to OEB staff IR #8, WPLP filed an update to certain aspects of the Application in the form of a new Exhibit K, along with live Excel documents for certain of the information included in the update.

Procedural Order No. 1 also made provision for a Settlement Conference to be held on August 16, 2021, and continuing to August 17 and 18, 2021 if needed. In Procedural Order No. 2, the OEB determined that, as there are only three intervenors in this proceeding – HONI, HORCI and the IESO – and none of them directly represents the interests of electricity consumers, and in accordance with the OEB’s *Practice Direction on Settlement Conferences* (the “Practice Direction”), OEB staff is required to be a party to the Settlement Conference and to any resulting settlement agreement.

### **3. *Settlement Process***

Pursuant to Procedural Orders No. 1 and 2, a Settlement Conference was convened on August 16, 2021 and continued until August 18, 2021. The Settlement Conference was conducted in accordance with the OEB's Rules of Practice and Procedure (the "Rules") and the Practice Direction. Mr. Andrew Pride of Andrew Pride Consulting acted as facilitator for the Settlement Conference. WPLP, OEB staff and HORCI (collectively referred to as the "Parties") participated in the Settlement Conference. The IESO and HONI elected not to participate in the Settlement Conference.

The Parties have reached a complete settlement on all of the issues in the Approved Issues List, as further described in Part B, below. Notwithstanding any other wording in this Settlement Proposal, HORCI is neither supporting nor opposing any elements of this Settlement Proposal, and takes no position on the issues addressed in this Settlement Proposal, except for those provisions specifically identified under Issue 3 (Performance). For further clarity, where this Settlement Proposal refers to the "Parties" agreeing to or accepting something, that does not include HORCI except as noted above.

### **4. *Settlement Proposal Preamble***

This document comprises the Settlement Proposal and is presented jointly to the OEB by the Parties. This document is called a "Settlement Proposal" because it is a proposal by the Parties to the OEB to settle the issues in this proceeding identified as settled in this Settlement Proposal. 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.

The Parties acknowledge that the Settlement Conference, including any settlement information relating thereto, is privileged and confidential in accordance with the Practice Direction. 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 that the rules of the latter document do not apply. Instead, in this Settlement Conference, and in this Settlement Proposal, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the Settlement Conference, 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 and during the preparation of this Settlement Proposal 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 settlement 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 via video conference at the Settlement Conference but were (a) any persons or entities that the Parties engaged to assist them with the Settlement Conference; and (b) any persons or entities from whom they have sought 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 as the Parties.

As determined by the OEB in Procedural Order No. 2, OEB staff is a party to the Settlement Conference and to this Settlement Proposal and, accordingly, there is no need for OEB staff to make a submission, as contemplated in the Practice Direction, with respect to whether the Settlement Proposal represents an acceptable outcome from a public interest perspective, or whether the accompanying explanation and rationale is adequate to support the Settlement Proposal.

This Settlement Proposal is organized in accordance with the Approved Issues List. This Settlement Proposal provides a brief description of each of the settled issues, together with references to the evidence submitted for the record in this proceeding. 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 written responses to interrogatories and other components of the record up to and including the date hereof, including additional information included by the Parties in this Settlement Proposal and the attachments to this document (the “Attachments”).

The supporting Parties for each settled issue agree that the evidence in respect of that settled issue is sufficient in the context of the overall settlement to support the proposed settlement, and the sum of the evidence in this proceeding provides an appropriate evidentiary record to support acceptance by the OEB of this Settlement Proposal.

There are Attachments to this Settlement Proposal which provide further support for the Settlement Proposal. The Parties acknowledge that the Attachments were prepared by WPLP. While the Parties have reviewed the Attachments, the Parties are relying on the accuracy of those Attachments and the underlying evidence in entering into this Settlement Proposal.

The final agreements of the Parties following the Settlement Conference are set out below. The Parties explicitly request that the OEB consider and accept this Settlement Proposal as a package. None of the matters in respect of which a settlement has been reached is severable. If the OEB does not accept the Settlement Proposal in its entirety, then there is no agreement, unless the Parties agree, in writing, that the balance of this Settlement Proposal may continue as valid settlement subject to any revisions that may be agreed upon by the Parties.

It is further acknowledged and agreed that none of the Parties will withdraw from this agreement under any circumstances, except as provided under Rule 30.05 of the Rules.

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 who took a position on a particular issue must agree with any revised Settlement Proposal as it relates to that issue, or decide to take no position on the issue, prior to its resubmission to the OEB for its review and consideration as a basis for making a decision.

Unless otherwise expressly stated in this Settlement Proposal, 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 WPLP is a party to such proceeding.

In this Settlement Proposal, where any of the Parties “accept” the evidence of WPLP, or “agree” to a revised term or condition, including a revised budget or forecast, then, unless expressly stated to the contrary, the words “for the purpose of settlement of the issues herein” shall be deemed to qualify that acceptance or agreement.

#### **5. Settlement Proposal Overview**

The Parties have reached a complete settlement, partial settlement or no settlement on the aspects of the Approved Issues List as summarized in the following Table and as described in greater detail in Part B, below.

<b>“Complete Settlement”</b> means an issue for which complete settlement was reached by all Parties, and if this Settlement Proposal is accepted by the OEB, none of the Parties (including Parties who take no position on that issue) will adduce any evidence or argument during the hearing (if any) in respect of the specific issue.	Issues Settled:  <b>ALL</b>
<b>“Partial Settlement”</b> means an issue for which there is partial settlement, as WPLP and the Intervenors who take any position on the issue were able to agree on some, but not all, aspects of the particular issue. If this Settlement Proposal is accepted by the OEB, the Parties (including Parties who take no position on the Partial Settlement) will only adduce evidence and argument during the hearing (if any) on the portions of the issue for which no agreement has been reached.	Issues Partially Settled:  <b>NONE</b>
<b>“No Settlement”</b> means an issue for which no settlement was reached. WPLP and the Intervenors who take a position on the issue will adduce evidence and/or argument at the hearing on the issue (if any).	Issues Not Settled:  <b>NONE</b>

The Application and the supporting evidence, including WPLP’s interrogatory responses and Application updates filed as Exhibit K, provide extensive detail on WPLP’s proposals in respect of its proposed 2022 electricity transmission revenue requirement and associated rates, including the proposed fixed charge to HORCI for electricity transmission service in 2022. The Parties,

through negotiations, have agreed on modifications to WPLP's proposed revenue requirement and associated rates and charges, as well as on other aspects proposed in the Application. In particular, these include (i) a reduction in WPLP's proposed rate base by the amount of contingency allocated to 2022 in-service additions that WPLP had sought to include in its rate base, (ii) the establishment of a new deferral account to record the revenue requirement impact associated with the contingency amount removed from rate base (to the extent that such contingency is realized and to a maximum of the amount removed from rate base), and (iii) the recovery of incremental audited year end 2020 COVID costs as an expense over a 4-year period, rather than over a 2-year period as proposed in the Application.

In addition, the Parties have agreed to additional aspects relating to:

- the presentation of evidence in WPLP's 2023 transmission rate application in relation to the line segments and stations that will be going into service in that year;
- performance monitoring and reporting, including with respect to:
  - the timing for reporting on performance measures and specific metrics to monitor and report on with respect to reliability, including in relation to vegetation management and safety, and
  - the inclusion of additional information in future semi-annual reports filed pursuant to the OEB's directions in EB-2018-0190, including in relation to (i) expected connection dates for communities not yet connected to WPLP's transmission system, (ii) current and long term operations and operating plans, (iii) the status of communities, for which independent power authorities will be transferring their distribution systems to HORCI, in relation to the conditions for transfer under the applicable transfer agreements (if such information is available to WPLP), and (iv) the status of milestones in relation to communities currently served by HORCI in becoming ready for connection to WPLP's transmission system;
- The preparation and filing by WPLP in its 2023 transmission rate application of benchmarking studies in relation to OM&A costs and compensation costs; and
- Clarification in the Settlement Proposal as to the process for updating the cost of capital parameters to reflect the OEB's 2022 parameters once issued.

Based on this Settlement Proposal, WPLP has revised its 2022 revenue requirement as summarized in Table 1, below.

**Table 1 - Summary of 2022 Revenue Requirement**

	Revenue Requirement for Rates (\$000's)		
	Line to Pickle Lake	Remote Connection Lines	Total
Updated Evidence (2021-07-30) (Exhibit K-1-1)	24,181	23,533	47,714
Settlement (2021-09-03)	20,261	21,285	41,546
Change	-3,920	-2,248	-6,168
% Change	-16.2%	-9.6%	-12.9%

Detailed calculations in support of the revised 2022 revenue requirement and its underlying components, as well as 2022 transmission rates and bill impacts are provided in **Attachment 'A'**.

The bill impacts resulting from this Settlement Proposal are summarized in Table 2, below.

**Table 2 - Summary of Bill Impacts**

Item	Description	Amount <sup>1</sup>	
		Residential	General Service
A	Typical monthly bill	\$120.91 <sup>2</sup>	\$393.42 <sup>3</sup>
B	Increase related to Network RTSR	\$0.10	\$0.22
C	Increase related to RRRP rate	\$0.12	\$0.35
D = B + C	Total bill increase	\$0.22	\$0.57
E = D / A	Bill impact (%)	0.18%	0.15%

The Parties acknowledge that many of the figures presented in this Settlement Proposal have been determined based on the 2021 Cost of Capital parameters established by the OEB. The Parties agree that WPLP will update its Revenue Requirement and Bill Impact calculations, as detailed herein, based on the updated Cost of Capital parameters established by the OEB for 2022 when they are issued. Accordingly, certain figures set forth in this Settlement Proposal which rely on 2021 Cost of Capital parameters should be viewed as being for illustrative purposes only, with the understanding that they will be updated during the draft rate order stage of this proceeding.

<sup>1</sup> All amounts are inclusive of 13% HST and the Ontario Electricity Rebate.

<sup>2</sup> Total bill amount for a Hydro One R1 TOU customer (700 kWh per month), as indicated in the OEB's online bill calculator (<https://www.oeb.ca/rates-and-your-bill/bill-calculator>), as at April 12, 2021.

<sup>3</sup> Total bill amount for a Hydro One General Service Energy Billed TOU customer (2000 kWh per month), as indicated in the OEB's online bill calculator, as at April 12, 2021

Based on the foregoing and the evidence and rationale provided below, the Parties agree that this Settlement Proposal is appropriate and recommend its acceptance by the OEB. To implement this Settlement Proposal in a manner that accommodates WPLP's cost recovery framework, WPLP will work with OEB staff following approval of the Settlement Proposal and as part of the draft rate order process to either (a) develop a stand-alone transmission rate order, or (b) modify the Ontario UTR Schedule as required.

## **B. SETTLEMENT BY ISSUE**

The subsections below summarize the key components of the comprehensive settlement reached by the Parties, including details on how each of the issues in the Approved Issues List has been addressed either through the Application or through the modifications to WPLP's proposals which have been agreed upon in this Settlement Proposal.

**1. Issue 1: General**

- *Has WPLP responded appropriately to all relevant OEB directions from previous proceedings?*
- *Are all elements of the proposed revenue requirement and their associated total bill impacts reasonable?*
- *Is the proposed effective date of April 1, 2022 and proposed timing for inclusion in the UTRs and Hydro One Remote Communities Inc. (HORCI) billings appropriate?*

**(a) Complete Settlement**

The Parties agree that WPLP has responded appropriately to all relevant OEB directions from previous proceedings, that all elements of the proposed revenue requirement and their associated total bill impacts as modified in this Settlement Proposal are reasonable, and that the proposed effective date of April 1, 2022 and proposed timing for inclusion in the UTRs and HORCI billings are appropriate.

With respect to the effective date, WPLP has proposed that the OEB incorporate WPLP's revenue requirement by updating UTRs for existing transmitters on an interim basis effective January 1, 2022 and then further updating UTRs effective April 1, 2022, by incorporating WPLP's 2022 revenue requirement in respect of the Line to Pickle Lake portion of the Transmission System as the initial assets go into service.

This would enable WPLP to begin collecting Network UTRs concurrently with the in-service timing of its Line to Pickle Lake. In respect of the Remote Connection Lines, WPLP has proposed to implement the monthly fixed charge to HORCI, based on the revenue requirement associated with segments expected to go into service in 2022, effective from the first day of the month following the month in which the initial segment of the Remote Connection Lines goes into service (i.e. May 1, 2022). No Parties took issue with WPLP's proposed effective date or proposed methods for implementation.

The Parties agree that WPLP, in its future transmission rate applications for years in which additional transmission line segments and stations will be placed into service, will present detailed information on variances and the use of contingency amounts for such line segments and stations being placed into service, relative to both the values presented in the Application and the values that were presented in its leave to construct proceeding (EB-2018-0190).

**(b) Evidence**

The evidence in relation to this issue includes the following:

Pre-filed Evidence	<i>Prior OEB Directions:</i> Exhibit A, Tab 5, Schedule 2; Exhibit B, Tab 1, Schedule 5.  <i>Bill Impacts:</i> Exhibit I, Tab 4, Schedule 1.  <i>Effective Date:</i> Exhibit A, Tab 2, Schedule 1; Exhibit I, Tab 1, Schedule 1; Exhibit I, Tab 3, Schedule 1; Exhibit I, Tab 3, Schedule 2.
Interrogatories	<i>Bill Impacts and Effective Date:</i> Staff-8 (Exhibit K)
Other	Attachment ‘A’ – Updated 2022 Revenue Requirement

**(c) Supporting Parties**

OEB Staff

**(d) Parties Taking No Position**

HORCI

**2. Issue 2: Rate Base**

- *Are the amounts proposed for rate base appropriate?*

**(a) Complete Settlement**

The Parties agree that the amounts proposed by WPLP for rate base, as modified through this Settlement Proposal, are appropriate. In the Application, as originally filed, WPLP requested approval of a 2022 average rate base for the Line to Pickle Lake of \$215,101,535 and for the Remote Connection Lines of \$551,717,301, for a total of \$766,818,837.<sup>4</sup> As a result of the evidence updates reflected in Exhibit K, which were largely driven by updated community connection dates which resulted in a number of the community connection dates being pushed beyond the 2022 test year, WPLP's updated 2022 average rate base for the Line to Pickle Lake was \$218,069,345 and for the Remote Connection Lines was \$230,110,659, for a total of \$448,180,004.

The Parties agree that WPLP will remove and defer \$48,075,777 in forecasted contingency amounts from the \$727,210,619 in 2022 in-service asset additions used to calculate year-end rate base (the "Deferred Contingency Amount"). Updated calculations of fixed assets going into service in 2022 and the resulting rate base after removing and deferring the Deferred Contingency Amount are presented in **Attachment 'A'**. As further described under Issue 7, the Parties also agree that WPLP will establish a new deferral account to track the revenue requirement impacts associated with the Deferred Contingency Amount, which WPLP will seek to recover, if and to the extent realized, subject to OEB review in a future transmission rate application.

As a result of the modifications agreed to in this Settlement Proposal, WPLP's 2022 average rate base for the Line to Pickle Lake is \$203,653,158 and for the Remote Connection Lines it is \$214,898,442, for a total of \$418,551,600.

**(b) Evidence**

The evidence in relation to this issue includes the following:

Pre-filed Evidence	Exhibit C, Exhibit I, Tab 2, Schedule 1
Interrogatories	Staff-5, Staff-8 (Exhibit K)
Other	Attachment 'A' – 2022 Updated Revenue Requirement

---

<sup>4</sup> Rate base figures include the allocation of General Plant items between the Line to Pickle Lake and the Remote Connection Lines as detailed in Exhibit I, Tab 2, Schedule 1.

**(c) Supporting Parties**

OEB Staff

**(d) Parties Taking No Position**

HORCI

**3. Issue 3: Performance**

- *Is the proposed approach to monitoring and OEB reporting of WPLP's transmission system performance (once in service) adequate?*

**(a) Complete Settlement**

The Parties agree that WPLP's proposed approach to monitoring and OEB reporting of its transmission system performance (once in service), as modified through this Settlement Proposal, is adequate.

In the Application, WPLP explained that as it does not yet have any transmission assets in service, the typically required information about historical reliability performance is not applicable. WPLP proposed to begin tracking information for typical transmission scorecard measures relating to safety, reliability and costs during the construction period so that the information could be used to set future performance expectations. WPLP expressed its intention to file an initial draft scorecard in 2024 when applying for a multi-year revenue requirement for the period beginning with the 2025 test year, and that the scorecard would propose measures that will be tracked starting in 2024.

The Parties agree that, in respect of the Line to Pickle Lake and the portions of the Remote Connection Lines that will be placed into service in 2022, WPLP will monitor performance on the basis of the following reliability metrics without establishing performance targets and report to the OEB on such performance, based on data as at Year End 2022, to be provided in approximately April 2023 consistent with the timing of (but not pursuant to) the OEB's RRR reporting requirements:

- Total Recordable Injuries Frequency Rate ("TRIFR") - # of recordable injuries per 200,000 hours worked, using Canadian Electricity Association definition of "recordable injuries";
- Recordable Injuries - (# of recordable injuries per year, using Canadian Electricity Association definition of "recordable injuries");
- Violations of NERC FAC-003-4 Vegetation Compliance Standard (in respect of the Line to Pickle Lake portion of the transmission system only);
- OM&A cost per kilometre of line and OM&A cost per station;
- Average system availability;
- Transmission System Average Interruption Duration Index (T-SAIDI); and
- Transmission System Average Interruption Frequency Index (T-SAIFI).

In connection with the two metrics listed above for Recordable Incidents, the Parties agree that WPLP will advise the OEB if and when the Canadian Electricity Association amends its definition of “recordable injuries”.

Furthermore, the Parties, including HORCI, agree that WPLP will include the following additional information in the semi-annual reports that it continues to be required to file pursuant to the OEB’s directions in EB-2018-0190, commencing with its October 15, 2021 semi-annual report:

- a) A current schedule of the expected connection dates for each remote community that is, at the time of the semi-annual report, not yet connected to WPLP’s transmission system;
- b) Details of any updates to WPLP’s current operations, and material changes to its long-term operating plans with respect to operations, operating and maintenance systems and practices, including (in the October 15, 2021 semi-annual report) with respect to 2023 if known;
- c) Updated information, in respect of each community for which an independent power authority (IPA) will be transferring their distribution system assets to HORCI, on the status of each such IPA community in meeting the transfer conditions included in the IPA community’s transfer agreements with Indigenous Services Canada (ISC) and HORCI, subject to WPLP being able to obtain this information from ISC along with consent from ISC to provide it on the public record in WPLP’s semi-annual reports; and
- d) High-level status updates, in respect of each of the communities currently served by HORCI and which will be connected to WPLP’s transmission system, on key milestones relating to those communities’ efforts to become ready for connection to WPLP’s transmission system, consistent with the information provided in response to HORCI IR #2(d).

With respect to the information relating to the expected connection dates for the remote communities referred to in a) above, the Parties agree that if as a result of concluding commercial negotiations with its contractor WPLP has greater certainty with respect to such expected connection dates materially in advance of October 15, 2021, then WPLP will provide such dates on the public record by way of a letter issued as a supplement to its semi-annual reporting in EB-2018-0190 prior to October 15, 2021.

With respect to WPLP’s ability to obtain the information referred to in c) above from ISC, the Parties agree that upon the OEB approving this Settlement Proposal WPLP will promptly make a request to ISC for the relevant information.

**(b) Evidence**

The evidence in relation to this issue includes the following:

Pre-filed Evidence	Exhibit D
Interrogatories	Staff-12; HORCI-2; HORCI-3
Other	-

**(c) Supporting Parties**

OEB Staff, HORCI

**(d) Parties Taking No Position**

N/A

**4. Issue 4: Operating Revenue**

- *Are the proposed load and revenue forecasts appropriate?*

**(a) Complete Settlement**

The Parties agree that WPLP's proposed load and revenue forecasts are appropriate.

In the Application, as originally filed, WPLP requested approval of total forecasted charge determinants of 38.6 MW for inclusion in the 2022 UTR calculation. As a result of the evidence updates reflected in Exhibit K, WPLP reduced its total charge determinant forecast to 10.9 MW. The reduced load forecast is a result of: (i) a reduction in the number of communities being connected in 2022 as detailed in Exhibit K, and (ii) obtaining more recent demand information from HORCI for the communities being connected in 2022, as detailed in response to Exhibit HORCI-4.

WPLP's revenue forecast at each stage of the proceeding has been consistent with its calculated revenue requirement, subject to immaterial rounding variances arising in the UTR calculations.

No Parties took issue with WPLP's proposed load and revenue forecasts.

**(b) Evidence**

The evidence in relation to this issue includes the following:

Pre-filed Evidence	Exhibit E
Interrogatories	Staff-8 (Exhibit K), Staff-13, HORCI-4
Other	-

**(c) Supporting Parties**

OEB Staff

**(d) Parties Taking No Position**

HORCI

**5. Issue 5: Operating Costs**

- *Are the proposed spending levels for OM&A in 2022 appropriate, including consideration of factors such as system reliability and asset condition?*
- *Are the amounts proposed to be included in the revenue requirement for income taxes appropriate?*
- *Is the proposed depreciation expense appropriate?*
- *Are the services to be provided by third parties, and their associated costs, appropriate?*

**(a) Complete Settlement**

The Parties agree that WPLP's proposed spending levels for OM&A in 2022 are appropriate and have appropriately considered factors such as system reliability and asset condition; that the amounts proposed to be included in the revenue requirement for income taxes and depreciation expense are appropriate; and that the services to be provided by third parties, and their associated costs, are appropriate.

In the Application, as originally filed, WPLP proposed to recover \$14,798,749 in OM&A expenses, \$14,235,663 in depreciation expense, and \$338,438 in income tax expense. As a result of the evidence updates reflected in Exhibit K, WPLP reduced its OM&A expense to \$9,441,237, because of a reduction in assets in service in 2022. WPLP's depreciation expense was updated in Exhibit K to reflect reduced in-service assets and WPLP's income tax expense was similarly updated to reflect a reduced revenue requirement. WPLP's depreciation and income tax expenses are further recalculated in Attachment 'A' (depreciation expense of \$7,886,518 and income tax expense of \$187,206) to reflect all aspects of this Settlement Proposal. No Parties took issue with WPLP's proposed OM&A spending levels, including with respect to income taxes, depreciation and third-party services.

Though not resulting in any modification to WPLP's proposed OM&A spending levels in 2022, the Parties agree that WPLP will prepare and file benchmarking studies in its 2023 transmission rate application to compare (i) WPLP's OM&A spending levels on a per line kilometer basis and on a per station basis relative to comparable Ontario and Canadian transmitters, and (ii) WPLP's compensation costs relative to Hydro One compensation costs.

**(b) Evidence**

The evidence in relation to this issue includes the following:

Pre-filed Evidence	Exhibit F
--------------------	-----------

Interrogatories	Staff-8 (Exhibit K), Staff-14, Staff-15, Staff-16, Staff-17, HORCI-5
Other	

**(c) Supporting Parties**

OEB Staff

**(d) Parties Taking No Position**

HORCI

**6. Issue 6: Cost of Capital & Capital Structure**

- *Is the proposed capital structure appropriate?*
- *Is the proposed cost of capital, including updates appropriate?*

**(a) Complete Settlement**

The Parties agree that WPLP's proposed capital structure and proposed cost of capital, including updates, are appropriate.

In the Application, WPLP requested approval of a capital structure of 56% long-term debt, 4% short-term debt and 40% equity. WPLP applied its forecasted cost of debt to the long-term debt component of its capital structure and applied the OEB's 2021 Cost of Capital parameters to the short-term debt and equity component, resulting in a weighted average cost of capital rate of 4.21%. WPLP's proposed capital structure and cost of capital parameters are unchanged in Exhibit K and Attachment 'A', with reductions in cost of capital resulting solely from reductions in rate base.

The Parties acknowledge that many of the figures presented in this Settlement Proposal have been determined based on the 2021 Cost of Capital parameters established by the OEB and, with respect to the mechanics of updating those parameters for 2022, the Parties agree that WPLP will update its Revenue Requirement and Bill Impact calculations, as detailed herein, based on the updated Cost of Capital parameters established by the OEB for 2022 when they are issued, and that WPLP will reflect those updates in its Draft Rate Order when filed for approval by the OEB. For greater certainty, the Parties agree that the filing of the Draft Rate Order will not be required until twenty (20) days after the OEB issues its 2022 Cost of Capital parameters, following which the parties to the proceeding will have seven (7) days to comment on the Draft Rate Order.

**(b) Evidence**

The evidence in relation to this issue includes the following:

Pre-filed Evidence	Exhibit G
Interrogatories	Staff-8 (Exhibit K)
Other	-

**(c) Supporting Parties**

OEB Staff

**(d) Parties Taking No Position**

HORCI

**7. Issue 7: Deferral & Variance Accounts**

- *Are the proposed amounts, disposition, continuance and discontinuance of existing deferral and variance accounts appropriate?*
- *Are the proposed new deferral and variance accounts appropriate?*
- *Are WPLP's COVID-19 related costs and their proposed treatment appropriate?*

**(a) Complete Settlement**

The Parties agree that WPLP's proposed amounts, disposition, continuance and discontinuance of existing deferral and variance accounts, as well as its proposed new deferral and variance accounts and its COVID-19 related costs and their proposed treatment, as modified through this Settlement Proposal, are appropriate.

In the Application, WPLP proposed to continue its Pikangikum Distribution System Deferral Account. WPLP also proposed to continue its CWIP Account, subject to discontinuing the CWIP subaccount used to track funding amounts without applying the amounts recorded in that subaccount as offsets to development and construction costs. WPLP also proposed to establish three new deferral and variance accounts: (i) the In Service Date Variance Account (ISDVA) to record the revenue requirement impact attributable to differences between forecasted and actual in-service dates, (ii) the Construction Period Interest Cost Variance Account (CPICVA) to record the revenue requirement impact attributable to differences between forecasted and actual effective interest rates on WPLP's long-term debt, and (iii) the COVID Construction Costs Deferral Account (CCCD) to record incremental construction costs attributable to the COVID-19 pandemic. Except as provided below in relation to the CCDA, no Parties took issue with WPLP's proposed new accounts, amounts recorded in deferral and variance accounts, or discontinuance of the funding subaccount within the CWIP account.

In the Application, WPLP proposed to dispose of the audited December 31, 2020 balance in the Pikangikum Distribution System Deferral Account, specifically by adding \$2,046,966 to its 2022 revenue requirement. WPLP also requested partial disposition of the proposed CCDA, based on COVID costs incurred to December 31, 2020, as confirmed in its 2020 audited financial statements, and to recover 50% of its 2020 COVID-related incremental construction costs through revenue requirement adders in each of the 2022 and 2023 test years. WPLP also noted in the Application that, in its 2022 application for approval of its 2023 test year revenue requirement and rates, it would request disposition of 50% of its audited 2021 COVID-related costs for each of the Line to Pickle Lake and the Remote Connection Lines, through revenue requirement adders for each of the 2023 and 2024 test years, and that disposition of any audited costs recorded in the CCDA after December 31, 2021 would be addressed in subsequent applications. The Parties acknowledge that the recoverability of, and, if recoverable, any methodology related to the recovery of, post December 31, 2020 incremental COVID-related costs are not agreed to at this time and do not form part of this Settlement Proposal.

The Parties agree that, instead of recovering 50% of its 2020 COVID-related costs through revenue requirement adders in each of the 2022 and 2023 years, WPLP will recover its audited 2020 year-end balance of COVID-related costs as an expense through disposition of the balance in the CCCDA over a 4-year period (i.e. 25% in each of 2022, 2023, 2024 and 2025). Detailed reasons in support of WPLP's recovery of its COVID-related costs as an expense through the CCCDA, in addition to those which were provided in pre-filed evidence and interrogatory responses, are set out in **Attachment 'B'** (CQ-Staff-1).

As noted under Issue 2, the Parties also agree that WPLP will establish a new Deferred Contingency Deferral Account (DCDA) to track the revenue requirement impacts associated with WPLP's actual contingency costs associated with 2022 in-service additions to a maximum of the Deferred Contingency Amount (defined under Issue 2), which WPLP may seek to recover subject to OEB review in a future transmission rate application. A Draft Accounting Order for the DCDA is provided in **Attachment 'C'**.

**(b) Evidence**

The evidence in relation to this issue includes the following:

Pre-filed Evidence	Exhibit H
Interrogatories	Staff-18, Staff-19, Staff-20, Staff-21, Staff-23, Staff-24
Other	Attachment 'B' (CQ-Staff-1), Attachment 'C'

**(c) Supporting Parties**

OEB Staff

**(d) Parties Taking No Position**

HORCI

**8. Issue 8: Cost Allocation**

- *Is the proposed cost allocation appropriate?*

**(a) Complete Settlement**

The Parties agree that WPLP's proposed cost allocation is appropriate.

In the Application, WPLP explained that due to its unique cost recovery and rate framework, its 2022 revenue requirement is allocated between the Line to Pickle Lake and the Remote Connection Lines. The Line to Pickle Lake portion of the revenue requirement is recovered through the UTR Network rate and the Remote Connection Lines revenue requirement is recovered through a fixed monthly charge applicable to HORCI over the 8 months in 2022 during which there are expected to be in-service assets. Based on the Application as originally filed, the UTR Network rate was estimated to increase by \$0.10/kW and the fixed monthly charge to HORCI was proposed to be \$6,092,864 effective May 1, 2022. Based on the Exhibit K evidence update, the UTR Network rate was estimated to increase by the same amount of \$0.10/kW and the fixed monthly charge to HORCI was proposed to be \$2,941,629 effective May 1, 2022. As a result of the modifications in this Settlement Proposal, the UTR Network rate is estimated to increase by \$0.08/kW effective April 1, 2022 and the fixed monthly charge to HORCI is proposed to be \$2,660,666 effective May 1, 2022.

**(b) Evidence**

The evidence in relation to this issue includes the following:

Pre-filed Evidence	Exhibit I
Interrogatories	Staff-8 (Exhibit K), Staff-13, HORCI-6
Other	-

**(c) Supporting Parties**

OEB Staff

**(d) Parties Taking No Position**

HORCI

**C. ATTACHMENTS**

**Attachment ‘A’** – 2022 Revenue Requirement Update

**Attachment ‘B’** - CQ-Staff-1 – Response to Pre-Settlement Clarification Question (Updated)

**Attachment ‘C’** – Draft Accounting Order for Deferred Contingency Deferral Account (DCDA)

**SETTLEMENT PROPOSAL – 2022 REVENUE REQUIREMENT UPDATE**

**A. INTRODUCTION AND SUMMARY**

This Attachment 'A' updates various components of WPLP's written evidence as required to recalculate WPLP's 2022 test year transmission revenue requirement in alignment with the Settlement Proposal. Unless otherwise stated, variances calculated within this Attachment compare the results of the Settlement Proposal to WPLP's July 30, 2021 revised evidence, which was filed as Exhibit K-1-1 as part of WPLP's response to Board Staff IR#8. WPLP's revised 2022 revenue requirement resulting from the Settlement Proposal is summarized in Table 1.

**Table 1: Summary of Change in Revenue Requirement**

	Revenue Requirement for Rates (\$000's)		
	Line to Pickle Lake	Remote Connection Lines	Total
Updated Evidence (2021-07-30) (Exhibit K-1-1)	24,181	23,533	47,714
Settlement Proposal (2021-09-03)	20,261	21,285	41,546
Change	-3,920	-2,248	-6,168
% Change	-16.2%	-9.6%	-12.9%

Section B provides high-level summaries of two aspects of the Settlement Proposal which directly affect WPLP's 2022 test year transmission revenue requirement: (i) the treatment of 2022 contingency cost forecasts, and (ii) extending the recovery period of incremental construction costs related to COVID-19 incurred to December 31, 2020 from 2 years to 4 years. Section C provides updates of various tables that support the recalculation of WPLP's 2022 revenue requirement, with reference to the corresponding tables in the Application and Exhibit K.

Additionally, fixed asset continuity schedules and calculations of depreciation and income tax expenses have been filed in live Excel format in conjunction with the Settlement Proposal.

**B. SETTLEMENT AGREEMENT EFFECT ON 2022 REVENUE REQUIREMENT**

***1. Capital Cost Forecast and Treatment of Contingency Forecast***

WPLP's capital cost forecast for construction of its transmission system, including contingency forecast, is consistent with the forecast presented in Exhibit K-1-1, as summarized in Table 2 below.

**Table 2 – Project Capital Cost Summary (Costs in \$000's)**  
**(Comparison to Total Cost Column in Exhibit C-2-1, Appendix A, Table A-1;**  
**Update of K-1-1, Table 3)**

Cost Type	Application	K-1-1 / Settlement	Variance	
			\$	%
EPC Costs	1,432,779	1,432,779	0	0%
EPC Excluded Costs	49,280	49,280	0	0%
Non-EPC Attributed to Capital	116,308	126,743	10,435	9%
Overheads Allocated to Capital	72,372	85,807	13,436	19%
Contingency + Change Orders	118,211	118,211	0	0%
<b>Total (Excluding Capitalized Interest)</b>	<b>1,788,950</b>	<b>1,812,820</b>	<b>23,871</b>	<b>1%</b>

WPLP's capital cost forecast is unchanged from Exhibit K, however the Settlement Proposal provides for a reduction to 2022 in-service additions, related to \$48,075,777 in contingency cost forecast associated with 2022 in-service assets. Table 3 below shows the removal of forecasted contingency amounts from the capital cost allocation methodology that WPLP outlined in Exhibit C-2-1, Appendix A. The exclusion of the previously allocated contingency forecast from WPLP's capital cost allocation methodology is shown in Table 3 for the purpose of supporting the calculations in Table 4 to reflect the Settlement Proposal. Treatment of post-2022 contingency cost forecasts is not addressed in the Settlement Proposal and will therefore be addressed in future rate applications.

**Table 3 – Project Capital Cost Summary**  
(Update of: C-2-1-A, Table A-1; and K-1-1, Table 7)

Cost Category	Allocation of Capital Costs (\$000's)			
	Direct to Fixed Assets	Allocate Proportional to EPC Costs	Excluded from In-Service Additions	Total
EPC Costs	1,419,979	12,800	0	1,432,779
EPC Excluded Costs	32,790	16,490	0	49,280
Non-EPC Attributed to Capital	0	126,743	0	126,743
Overheads Allocated to Capital	0	85,807	0	85,807
Contingency + Change Orders	533	0	117,678	118,211
<b>Total</b>	<b>1,453,302</b>	<b>241,840</b>	<b>117,678</b>	<b>1,812,820</b>
<b>Total from Exhibit K-1-1</b>	<b>1,453,302</b>	<b>359,518</b>	<b>0</b>	<b>1,812,820</b>
<i>Change</i>	<i>0</i>	<i>-117,678</i>	<i>117,678</i>	<i>0</i>

**Table 4 – Proportional Allocation for 2022 In-Service Assets (Costs in \$000's)**  
(Update of: C-2-1-A, Table A-2; and K-1-1, Table 8)

Asset Designation	EPC Base Amount	% of EPC Costs	Proportional Allocation	Additions to Fixed Asset Accounts
	A	B = A / 1,419,979	C = B * 241,840	D = A + C
Line W54W	211,222	14.88%	35,974	247,196
Line WBC	101,812	7.17%	17,340	119,152
Line WCJ	59,381	4.18%	10,113	69,495
Line J1 (25 kV)	2,184	0.15%	372	2,556
Line WCD	91,167	6.42%	15,527	106,694
Line D1 (25kV)	950	0.07%	162	1,112
Line WP1P2	14,195	1.00%	2,418	16,613
Station A	10,778	0.76%	1,836	12,614
Station B	25,133	1.77%	4,280	29,414
Station C	12,091	0.85%	2,059	14,150
Station D	17,979	1.27%	3,062	21,041
Station J	22,939	1.62%	3,907	26,846
Station P	9,279	0.65%	1,580	10,859
Station Q	999	0.07%	170	1,169
<b>Total</b>	<b>580,111</b>	<b>40.85%</b>	<b>98,800</b>	<b>678,911</b>

<b>Total from Exhibit K-1-1</b>	<b>580,111</b>	<b>0</b>	<b>146,876</b>	<b>726,987</b>
<b><i>Change</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>-48,076</i></b>	<b><i>-48,076</i></b>

The reduction to WPLP's 2022 in-service assets is reflected in the updated calculations of WPLP's rate base, cost of capital, depreciation expense, income taxes and revenue requirement, and the resulting bill impacts, in Section C of this Attachment.

**2. *Recovery of Incremental COVID Construction Costs***

WPLP incurred incremental COVID costs of \$17,399,652 to December 31, 2020. The Settlement Proposal provides that WPLP will recover this amount as an expense, over a 4-year period instead of the 2-year period proposed in the Application. The revenue requirement impact of extending the disposition period from 2 years to 4 years is shown in Table 5.

**Table 5 – CCCDA Disposition and Recovery Period**

	<b>Application / Exhibit K</b>	<b>Settlement</b>	<b>Variance</b>
CCCDA - Initial Disposition Amount	\$17,399,652	\$17,399,652	0
Recovery Period	2022-2023	2022-2025	+ 2 years
Revenue Requirement Adder	\$8,699,826	\$4,349,913	-\$4,349,913

**C. DETAILED CALCULATIONS FOR UPDATED REVENUE REQUIREMENT**

The following sections provide detailed calculations to support the recalculation of WPLP's 2022 test year revenue requirement resulting from Settlement Proposal.

For ease of reference, each numbered section below corresponds to a specific Exhibit from the Application, and revised tables include references to the corresponding tables in the Application and Exhibit K.

**I. Rate Base and In-Service Additions (Updates to Exhibit C)**

**(a) Rate Base Summary**

WPLP's 2022 rate base forecast has been revised to \$418.6 million as a result of the Settlement Proposal. Table 6 below summarizes WPLP's revised 2022 rate base calculation, with supporting details for in-service additions and accumulated depreciation provided in subsections (b) through (e) below.

**Table 6 – 2022 Rate Base Forecast**  
**(Update of: C-1-1, Table 1; and K-1-1, Table 4)**

Item	2022 Forecast (\$000's)		
	Opening	Closing	12-Month Avg
Gross Fixed Assets	0	679,135	420,879
Less Accumulated Depreciation	0	-7,887	-2,328
<b>Net Fixed Assets</b>	<b>0</b>	<b>671,248</b>	<b>418,552</b>
Working Capital Allowance			0
<b>Total Rate Base</b>			<b>418,552</b>

**(b) In-Service Additions**

WPLP's forecast of 2022 in-service additions for the 7 line segments and 7 substations forecasted to be in service in 2022, excluding \$48,075,777 in contingency costs previously allocated to these assets, is shown in Table 7. Table 8 provides a summary of WPLP's

Filed: September 3, 2021

forecasted 2022 test year in-service additions by category, which total \$679.1 million, consistent with the closing gross fixed assets identified in subsection (a) above.

**Table 7 – 2022 Transmission In-Service Additions by Asset**  
(Update of: C-2-1, Table 1; and K-1-1, Table 5)

<b>Asset Designation</b>	<b>Description</b>	<b>2022 In-Service Additions (\$000's)</b>
Line W54W	230 kV - Dinorwic to Pickle Lake	247,196
Station A	Wataynikaneyap SS (Dinorwic)	12,614
Station B	Wataynikaneyap TS (Pickle Lake)	29,414
<i>Subtotal LTPL Stations</i>		<i>42,027</i>
Line WBC	115 kV - Pickle Lake to Eban/Pipestone SS	119,152
Line WCJ	115 kV - Eban/Pipestone SS to Kingfisher Lake TS	69,495
Line J1 (25 kV)	25 kV - Kingfisher Lake TS to HORCI Kingfisher Lake	2,556
Line WCD	115 kV - Eban/Pipestone SS to North Caribou Lake TS	106,694
Line D1 (25kV)	25 kV - North Caribou Lake TS to HORCI North Caribou Lake	1,112
Line WP1P2	115 kV - Red Lake SS to Existing Pikangikum 44 kV Line	16,613
<i>Subtotal RCL Lines</i>		<i>315,622</i>
Station C	Eban/Pipestone SS	14,150
Station D	North Caribou Lake TS	21,041
Station J	Kingfisher Lake TS	26,846
Station P	Red Lake SS	10,859
Station Q	Pikangikum TS	1,169
<i>Subtotal RCL Stations</i>		<i>74,066</i>
<b>Total</b>		<b>678,911</b>

**Table 8 – Total 2022 In-Service Additions by Asset Category**  
**(Update of: C-2-1, Table 6; and K-1-1, Table 6)**

Asset Category	2022 In-Service Additions (\$000's)
Line to Pickle Lake – Lines	247,196
Line to Pickle Lake – Stations	42,027
Remote Connection Lines – Lines	315,622
Remote Connection Lines – Stations	74,066
General Plant – Fleet	224
<b>Total 2022 In-Service Additions</b>	<b>679,135</b>

**(c) Gross Assets – PP&E and Accumulated Depreciation**

Exhibit C-3-1 of the Application and Tables 9 through 13 in Exhibit K provide WPLP's gross asset and accumulated depreciation balances by rate pool and OEB Account. Monthly totals are also provided by rate pool to support the 12-month average calculations for determining WPLP's 2022 test year rate base. Tables 9 through 13 below provide updates of all relevant tables.

**Table 9 – 2022 Year-End Gross Assets by OEB Account (Costs in \$000's)**  
**(Update of: C-3-1, Table 1; and K-1-1, Table 9)**

OEB Account and Description	Line to Pickle Lake (UTR Network Rate)	Remote Connection Lines (HORCI Rate)	Total
1715 - Station Equipment (Station and Transformers)	34,238	64,439	98,677
1715A - Station Equipment (Switches and Breakers)	6,299	6,716	13,015
1715B - Station Equipment (Protection and Control)	1,491	2,911	4,402
1720 - Towers and Fixtures	112,476	145,754	258,230
1725 - Poles and Fixtures	0	1,744	1,744
1730 - OH Conductor and Devices	134,720	168,125	302,845
<b>Sub-Total Transmission System Plant</b>	<b>289,223</b>	<b>389,688</b>	<b>678,911</b>
1930 - Transportation Equipment	109	115	224
<b>Total</b>	<b>289,332</b>	<b>389,803</b>	<b>679,135</b>

**Table 10 – 2022 Year-End Accumulated Depreciation by OEB Account (Costs in \$000's)**  
**(Update of: C-3-1, Table 2; and K-1-1, Table 10)**

OEB Account and Description	Line to Pickle Lake (UTR Network Rate)	Remote Connection Lines (HORCI Rate)	Total
1715 - Station Equipment (Station and Transformers)	457	678	1,134
1715A - Station Equipment (Switches and Breakers)	105	91	196
1715B - Station Equipment (Protection and Control)	50	76	126
1720 - Towers and Fixtures	1,250	1,239	2,488
1725 - Poles and Fixtures	0	19	19
1730 - OH Conductor and Devices	1,996	1,897	3,893
<b>Sub-Total Transmission System Plant</b>	<b>3,857</b>	<b>4,000</b>	<b>7,857</b>
1930 - Transportation Equipment	15	15	30
<b>Total</b>	<b>3,871</b>	<b>4,015</b>	<b>7,887</b>

**Table 11 – Summary of 2022 Average Net Fixed Assets**  
**(Update of: C-3-1, Table 3; and K-1-1, Table 11)**

<b>Item</b>	<b>2022 12-Month Average (\$000's)</b>			
	<b>LTPL</b>	<b>RCL</b>	<b>GP</b>	<b>Total</b>
Gross Fixed Assets	204,867	215,854	158	420,879
Less Accumulated Depreciation	-1,286	-1,032	-10	-2,328
<b>Net Fixed Assets</b>	<b>203,581</b>	<b>214,822</b>	<b>148</b>	<b>418,552</b>



**Table 13 – 2022 Accumulated Depreciation by Month (Costs in \$000's)**  
**(Update of: C-3-1, Table 5; and K-1-1, Table 13)**

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Avg
LTPL	Opening	0	0	0	0	0	482	964	1,446	1,928	2,410	2,893	3,375	
	Additions	0	0	0	0	482	482	482	482	482	482	482	482	
	Closing	0	0	0	0	482	964	1,446	1,928	2,410	2,893	3,375	3,857	
	Average	0	0	0	0	241	723	1,205	1,687	2,169	2,652	3,134	3,616	1,286
RCL	Opening	0	0	0	0	0	48	97	747	1,398	2,048	2,699	3,349	
	Additions	0	0	0	0	48	48	651	651	651	651	651	651	
	Closing	0	0	0	0	48	97	747	1,398	2,048	2,699	3,349	4,000	
	Average	0	0	0	0	24	73	422	1,073	1,723	2,374	3,024	3,675	1,032
GP	Opening	0	0	0	0	0	4	7	11	15	19	22	26	
	Additions	0	0	0	0	4	4	4	4	4	4	4	4	
	Closing	0	0	0	0	4	7	11	15	19	22	26	30	
	Average	0	0	0	0	2	6	9	13	17	20	24	28	10

2. *Load Forecast (Updates to Exhibit E)*

WPLP's 2022 peak demand forecast for UTR charge determinants is unchanged from the updated evidence provided in Exhibit K and is reproduced in Table 14 for ease of reference.

**Table 14 – WPLP Peak Demand (MW) for UTR Charge Determinants**  
**(Update of E-1-1, Table 3; Unchanged from K-1-1, Table 14)**

Community	Forecast Demand by Month (MW)								
	Jan-May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
North Caribou First Nation	-	0.9	0.9	0.8	0.9	1.0	1.1	1.1	6.8
Kingfisher Lake First Nation	-	0.5	0.5	0.5	0.5	0.6	0.7	0.7	4.1
<b>Total</b>	<b>-</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.4</b>	<b>1.6</b>	<b>1.8</b>	<b>1.9</b>	<b>10.9</b>

3. *Operating Costs (Updates to Exhibit F)*

(a) **Operating Cost Summary**

WPLP's 2022 operating costs have been revised from \$18.1 million to \$17.5 million as a result of the Settlement Proposal. Table 15 below summarizes the revised operating costs compared to the amounts presented in Exhibit K. Details of recalculated depreciation and income tax expenses are provided in subsections (b) and (c) below. OM&A expenses are unchanged from those presented in Exhibit K.

**Table 15 – Summary of 2022 Operating Costs (Costs in \$000's)**  
**(Update of: F-1-1, Table 1; and K-1-1, Table 15)**

Operating Cost Category	Exhibit K	Settlement	Variance	
			\$	%
OM&A Expenses	9,441	9,441	0	0%
Depreciation and Amortization	8,443	7,887	-556	-7%
Income Taxes	200	187	-13	-7%
<b>Total Operating Costs</b>	<b>18,085</b>	<b>17,515</b>	<b>-570</b>	<b>-3%</b>

**(b) Depreciation Expense**

Table 16 provides a revised calculation of WPLP's 2022 depreciation expense by OEB account. The depreciation rates and calculation methodology underpinning the depreciation expense calculations are consistent with Exhibit F-4-1, and the reduction in depreciation expense from \$8.4 million in Exhibit K to \$7.9 million in Table 25 is solely attributable to reductions in 2022 in-service additions.

**Table 16 – 2022 Depreciation Expense (\$000's)**  
**(Update of: F-4-1, Table 2; and K-1-1, Table 25)**

OEB Account and Description	Line to Pickle Lake (UTR Network Rate)	Remote Connection Lines (HORCI Rate)	Total
1715 - Station Equipment (Station and Transformers)	457	678	1,134
1715A - Station Equipment (Switches and Breakers)	105	91	196
1715B - Station Equipment (Protection and Control)	50	76	126
1720 - Towers and Fixtures	1,250	1,239	2,488
1725 - Poles and Fixtures	0	19	19
1730 - OH Conductor and Devices	1,996	1,897	3,893
<b>Sub-Total Transmission System Plant</b>	<b>3,857</b>	<b>4,000</b>	<b>7,857</b>
1930 - Transportation Equipment	15	15	30
<b>Total</b>	<b>3,871</b>	<b>4,015</b>	<b>7,887</b>

**(c) Income Taxes**

Table 17 provides a revised calculation of WPLP's 2022 income tax expense. The depreciation rates and calculation methodology underpinning the depreciation expense calculations are consistent with Exhibit K.<sup>1</sup> The reduction in income tax expense from \$200k to \$187k results from the reduction in WPLP's 2022 revenue requirement arising from the Settlement Proposal.

**Table 17 – WPLP's 2022 Ontario Corporate Minimum Tax (\$000's)**  
**(Update of: F-5-1, Table 1; and K-1-1, Table 26)**

Item	Description	Allocation / Rate	Amount
A	WPLP Regulatory Net Income (before Tax and adjustments, includes gross-up of income tax expense)		14,150
B	% of LP Interests Held by Taxable Entities	49%	
C = A x B	Regulatory Net Income subject to Taxation		6,934
D	Ontario Minimum Corporate Tax Rate	2.7%	
<b>E = C x D</b>	<b>Ontario Minimum Corporate Tax</b>		<b>187</b>
F	Ontario Corporate Income Tax Payable		0
<b>G = E-F</b>	<b>Ontario Corporate Minimum Tax Payable</b>		<b>187</b>

**4. Capital Structure and Cost of Capital (Updates to Exhibit G)**

Table 18 provides a revised calculation of WPLP's 2022 capital structure and cost of capital. The interest and ROE rates are consistent with Exhibit G-2-1, and the reduction in return on rate base from \$18.9 million in Exhibit K to \$17.6 million in Table 18 is solely attributable to the reduced 2022 rate base.

<sup>1</sup> Note that a correction to the income tax calculation methodology was addressed between Exhibit F-5-1 of the Application and the Exhibit K evidence update.

**Table 18 – 2022 Capital Structure and Cost of Capital**  
**(Update of: G-2-1, Table 1; and K-1-1, Table 27)**

	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Long-term Debt	56%	\$234,388,896	1.44%	\$3,378,560
Short-term Debt	4%	\$16,742,064	1.75%	\$292,986
<i>Total Debt</i>	<i>60%</i>	<i>\$251,130,960</i>	<i>1.46%</i>	<i>\$3,671,546</i>
<i>Common Equity</i>	<i>40%</i>	<i>\$167,420,640</i>	<i>8.34%</i>	<i>\$13,962,881</i>
<b>Total</b>	<b>100%</b>	<b>\$418,551,600</b>	<b>4.21%</b>	<b>\$17,634,427</b>

**5. *Deferral and Variance Accounts (Exhibit H)***

WPLP incurred incremental COVID costs of \$17,399,652 to December 31, 2020. The Settlement Proposal provides that WPLP will recover this amount as an expense, over a 4-year period instead of the 2-year period proposed in the Application. Accordingly, WPLP's 2022 revenue requirement includes recovery of \$4,349,913 (\$17,399,652/4), as shown in Section C.6(a) below.

**6. *Cost Allocation, Rate Design and Bill Impacts (Updates to Exhibit I)***

**(a) *Revised Revenue Requirement and Cost Allocation***

Exhibit I-2-1 described the methodology for allocating each component of WPLP's revenue requirement to either the Line to Pickle Lake (recovered via Network UTR rates) or the Remote Connection Lines (recovered via a monthly fixed charge to HORCI). WPLP continues to apply the same cost allocation methodologies to each component of its revised 2022 revenue requirement, as illustrated in Tables 19 through 22.

**Table 19 – Rate Base by Category**  
**(Update of: I-2-1, Table 1; and K-1-1, Table 28)**

Category	Item	2022 Forecast (\$000's)		
		Opening	Closing	12-Month Average
<b>LTPL</b>	Gross Fixed Assets	0	289,223	204,867
	Less Accumulated Depreciation	0	-3,857	-1,286
	<b>Net Fixed Assets</b>	<b>0</b>	<b>285,367</b>	<b>203,581</b>
	Working Capital Allowance	0	0	0
	<b>Rate Base</b>	<b>0</b>	<b>285,367</b>	<b>203,581</b>
	<i>% of Transmission System Rate Base</i>			<b>48.7%</b>
<b>RCL</b>	Gross Fixed Assets	0	389,688	215,854
	Less Accumulated Depreciation	0	-4,000	-1,032
	<b>Net Fixed Assets</b>	<b>0</b>	<b>385,688</b>	<b>214,822</b>
	Working Capital Allowance	0	0	0
	<b>Rate Base</b>	<b>0</b>	<b>385,688</b>	<b>214,822</b>
	<i>% of Transmission System Rate Base</i>			<b>51.3%</b>
<b>Sub-Total Transmission System</b>		<b>0</b>	<b>671,055</b>	<b>418,403</b>
<b>GP</b>	Gross Fixed Assets	0	224	158
	Less Accumulated Depreciation	0	-30	-10
	<b>Net Fixed Assets</b>	<b>0</b>	<b>194</b>	<b>148</b>
	Working Capital Allowance	0	0	0
	<b>Rate Base</b>	<b>0</b>	<b>194</b>	<b>148</b>
<b>Total Rate Base</b>		<b>0</b>	<b>671,248</b>	<b>418,552</b>

**Table 20 – Rate Base by Category with General Plant Allocations**  
(Update of: I-2-1, Table 2; and K-1-1, Table 29)

Category	2022 Rate Base (\$000's)		
	Transmission System Assets	Allocation of GP Assets	Total
LTPL	203,581	72	203,653
RCL	214,822	76	214,898
<b>Total</b>	<b>418,403</b>	<b>148</b>	<b>418,552</b>

**Table 21 – Allocation of 2022 OM&A and Income Tax Expense**  
(Update of: I-2-1, Table 3; and K-1-1, Table 30)

	LTPL	RCL	Total
Direct OM&A Expenses	1,257,014	1,138,801	2,395,814
Indirect OM&A Expenses			7,045,422
Income Tax Expense			187,206
<i>Allocation Factor from Table 19</i>	<i>48.7%</i>	<i>51.3%</i>	<i>100%</i>
Allocation of Indirect OM&A	3,428,066	3,617,356	7,045,422
Allocation of Income Tax Expense	91,088	96,118	187,206
<b>Total 2022 Allocated OM&amp;A</b>	<b>4,685,080</b>	<b>4,756,157</b>	<b>9,441,237</b>
<b>Total 2022 Allocated Income Tax</b>	<b>91,088</b>	<b>96,118</b>	<b>187,206</b>

**Table 22 – Allocation of 2022 Revenue Requirement**  
(Update of: I-2-1, Table 6; and K-1-1, Table 31)

	LTPL	RCL	Total
Gross Fixed Assets (avg)	204,943,582	215,935,792	420,879,374
Accumulated Depreciation (avg)	-1,290,424	-1,037,351	-2,327,774
Net Fixed Assets (avg)	203,653,158	214,898,442	418,551,600
Working Capital Allowance	0	0	0
Rate Base	203,653,158	214,898,442	418,551,600
Regulated Rate of Return	4.21%	4.21%	4.21%

	LTPL	RCL	Total
Regulated Return on Rate Base	8,580,320	9,054,107	17,634,427
OM&A Expenses	4,685,080	4,756,157	9,441,237
Property Taxes	0	0	0
Depreciation Expense	3,871,271	4,015,247	7,886,518
Income Taxes	91,088	96,118	187,206
<b>Service Revenue Requirement</b>	<b>17,227,759</b>	<b>17,921,628</b>	<b>35,149,387</b>
Other Revenue Offset	0	0	0
<b>Base Revenue Requirement</b>	<b>17,227,759</b>	<b>17,921,628</b>	<b>35,149,387</b>
Disposition of Pikangikum Deferral Account	0	2,046,966	2,046,966
Disposition of COVID Deferral Account (CCFDA)	3,033,179	1,316,734	4,349,913
<b>Revenue Requirement for Rates</b>	<b>20,260,938</b>	<b>21,285,328</b>	<b>41,546,266</b>

(b) Calculation of Uniform Transmission Rates

The Network UTR calculations provided in Exhibit I-3-1 are updated in Tables 23 through 26 to reflect the following:

- The revised 2022 revenue requirement for the Line to Pickle Lake, as detailed in Table 22 above.
- The revised forecast of incremental 2022 Network UTR charge determinants, as summarized in Table 14 above.
- The OEB's June 24, 2021 decision and order in EB-2021-0176, which updated 2021 UTRs (updated from I-3-1 to Exhibit K; unchanged between Exhibit K and the Settlement Proposal).

**Table 23 – Current UTR Calculations**

**(Update of I-3-1, Table 1; Unchanged from K-1-1, Table 32)**

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$5,088,754	\$852,315	\$2,355,576	\$8,296,645
CNPI	\$3,113,139	\$521,419	\$1,441,067	\$5,075,626
WPLP	\$0	\$0	\$0	\$0
H1N SSM	\$26,439,376	\$4,428,329	\$12,238,745	\$43,106,449
H1N	\$1,089,035,757	\$182,402,502	\$504,112,899	\$1,775,551,158
B2MLP	\$35,062,648	\$0	\$0	\$35,062,648
NRLP	\$12,455,767	\$0	\$0	\$12,455,767
All Transmitters	\$1,171,195,441	\$188,204,565	\$520,148,287	\$1,879,548,293

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	230.410	248.860	73.040	
CNPI	522.894	549.258	549.258	
WPLP	0.000	0.000	0.000	
H1N SSM	3,498.236	2,734.624	635.252	
H1N	234,886.872	228,497.312	194,724.427	
B2MLP	0.000	0.000	0.000	
NRLP	0.000	0.000	0.000	
All Transmitters	239,138.412	232,030.054	195,981.977	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	4.90	0.81	2.65	
	↓	↓	↓	
FNEI	0.00434	0.00453	0.00453	
CNPI	0.00266	0.00277	0.00277	
WPLP	0.00000	0.00000	0.00000	
H1N SSM	0.02257	0.02353	0.02353	
H1N	0.92985	0.96917	0.96917	
B2MLP	0.02994	0.00000	0.00000	
NRLP	0.01064	0.00000	0.00000	
Total of Allocation Factors	1.00000	1.00000	1.00000	

1

2

3

**Table 24 – Calculation of 2022 UTRs**  
**(Update of: I-3-1, Table 2; and K-1-1, Table 33)**

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$5,088,754	\$852,315	\$2,355,576	\$8,296,645
CNPI	\$3,113,139	\$521,419	\$1,441,067	\$5,075,626
WPLP	\$20,260,938	\$0	\$0	\$20,260,938
H1N SSM	\$26,439,376	\$4,428,329	\$12,238,745	\$43,106,449
H1N	\$1,089,035,757	\$182,402,502	\$504,112,899	\$1,775,551,158
B2MLP	\$35,062,648	\$0	\$0	\$35,062,648
NRLP	\$12,455,767	\$0	\$0	\$12,455,767
All Transmitters	\$1,191,456,379	\$188,204,565	\$520,148,287	\$1,899,809,231

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	230.410	248.860	73.040	
CNPI	522.894	549.258	549.258	
WPLP	10.851	0.000	0.000	
H1N SSM	3,498.236	2,734.624	635.252	
H1N	234,886.872	228,497.312	194,724.427	
B2MLP	0.000	0.000	0.000	
NRLP	0.000	0.000	0.000	
All Transmitters	239,149.263	232,030.054	195,981.977	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	4.98	0.81	2.65	
	↓	↓	↓	
FNEI	0.00427	0.00453	0.00453	
CNPI	0.00261	0.00277	0.00277	
WPLP	0.01701	0.00000	0.00000	
H1N SSM	0.02219	0.02353	0.02353	
H1N	0.91404	0.96917	0.96917	
B2MLP	0.02943	0.00000	0.00000	
NRLP	0.01045	0.00000	0.00000	
Total of Allocation Factors	1.00000	1.00000	1.00000	

**Table 25 – Change in UTRs Resulting from WPLP Line to Pickle Lake**  
**(Update of: I-3-1, Table 3; and K-1-1, Table 34)**

Transmitter	Change in Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$0	\$0	\$0	\$0
CNPI	\$0	\$0	\$0	\$0
WPLP	\$20,260,938	\$0	\$0	\$20,260,938
H1N SSM	\$0	\$0	\$0	\$0
H1N	\$0	\$0	\$0	\$0
B2MLP	\$0	\$0	\$0	\$0
NRLP	\$0	\$0	\$0	\$0
All Transmitters	\$20,260,938	\$0	\$0	\$20,260,938

Transmitter	Change in Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	-	-	-	
CNPI	-	-	-	
WPLP	10.851	-	-	
H1N SSM	-	-	-	
H1N	-	-	-	
B2MLP	-	-	-	
NRLP	-	-	-	
All Transmitters	10.851	-	-	

Transmitter	Change in Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	0.08	0.00	0.00	
	↓	↓	↓	
FNEI	-0.00007	0.00000	0.00000	
CNPI	-0.00005	0.00000	0.00000	
WPLP	0.01701	0.00000	0.00000	
H1N SSM	-0.00038	0.00000	0.00000	
H1N	-0.01581	0.00000	0.00000	
B2MLP	-0.00051	0.00000	0.00000	
NRLP	-0.00019	0.00000	0.00000	
Total of Allocation Factors	0.00000	0.00000	0.00000	

1  
2

3

**Table 26 – Revenue Reconciliation – UTR Rate**  
**(Update of: I-3-1, Table 4; and K-1-1, Table 35)**

2022 Network Charge Determinants (kW)	239,146,002
2022 Network UTR Rate	\$4.98
2022 WPLP Network Allocation Factor	0.01701
2022 Revenue Forecast	\$20,266,673
2022 WPLP LTPL Revenue Requirement	\$20,260,938
Difference due to Rounding	\$5,735
	0.028%

**(c) Monthly Fixed Charge to HORCI**

Application of a fixed monthly charge to HORCI will commence in May 2022 (i.e. the first full month following the in-service date), consistent with the Application and Exhibit K.

WPLP's revised 2022 revenue requirement attributable to the Remote Connection Lines is \$21,285,328. Recovering this amount over an 8-month period from May to December 2022 results in a fixed monthly charge of \$2,660,666, that would apply for each month from May 2022 to December 2022.

**(d) Bill Impacts**

Exhibit I-4-1 provided detailed bill impact analysis related to WPLP's 2022 revenue requirement for typical residential, general service and transmission-connected customers. All of the bill impact tables from Exhibit I-4-1 have been updated below to reflect the revised revenue requirement presented in this Attachment, including the related updates to cost allocation and rate design.

**Table 27 – Summary of Total 2022 Bill Impact**  
**(Update of: I-4-1, Table 1; and K-1-1, Table 36)**

Item	Description	Amount <sup>2</sup>	
		Residential	General Service
A	Typical monthly bill	\$120.91 <sup>3</sup>	\$393.42 <sup>4</sup>
B	Increase related to Network RTSR	\$0.10	\$0.22
C	Increase related to RRRP rate	\$0.12	\$0.35
D = B + C	Total bill increase	\$0.22	\$0.57
E = D / A	Bill impact (%)	0.18%	0.15%

**Table 28 – Bill Impact – Line to Pickle Lake**  
**(Update of: I-4-1, Table 2; and K-1-1, Table 37)**

Item	Description	Amount	
		Residential	General Service
A	Typical monthly bill (see Table 1)	\$120.91	\$393.42
B	Portion of bill related to Network RTSR	\$5.67 <sup>5</sup>	\$12.84
C	Increase in Network UTR	1.73%	1.73%
D = B x C	Bill increase	\$0.10	\$0.22
E = D / A	Bill impact (%)	0.08%	0.06%

<sup>2</sup> All amounts are inclusive of 13% HST and the Ontario Electricity Rebate.

<sup>3</sup> Total bill amount for a Hydro One R1 TOU customer (700 kWh per month), as indicated in the OEB's online bill calculator (<https://www.oeb.ca/rates-and-your-bill/bill-calculator>), as at April 12, 2021.

<sup>4</sup> Total bill amount for a Hydro One General Service Energy Billed TOU customer (2000 kWh per month), as indicated in the OEB's online bill calculator, as at April 12, 2021

<sup>5</sup> HONI R1 Network RTSR Rate of \$0.0082/kWh \* 700 kWh \* 1.076 loss factor = \$6.18 (\$5.67 after 13% HST and 21.2% Ontario Electricity Rebate)

**Table 29 – RRRP Rate Calculation**  
(Update of: I-4-1, Table 3; and K-1-1, Table 38)

	2021	2022	Change
First Nations (O. Reg. 442/01, schedule 1)	\$1,600,000	\$1,600,000	\$0
Algoma Power	\$14,253,193	\$14,253,193	\$0
Hydro One Remote Communities Inc.	\$35,223,000	\$35,223,000	\$0
Hydro One Remote Communities Inc. – WPLP	\$0	\$21,285,328	\$21,285,328
<b>Total RRRP Funding Required<sup>6</sup></b>	<b>\$51,076,193</b>	<b>\$72,361,521</b>	<b>\$21,285,328</b>
Ontario TWh	129.1	129.1	0
RRRP Rate (Calculated)	\$0.000396	\$0.000561	\$0.000165
RRRP Rate (Rounded to 4 Decimals)	\$0.0004	\$0.0006	\$0.0002

**Table 30 – RRRP Bill Impact Calculation**  
(Update of I-4-1, Table 4; Unchanged from K-1-1, Table 39)

Item	Description	Amount	
		Residential	General Service
A	Typical monthly bill (see Table 1)	\$120.91	\$393.42
B	RRRP rate increase (\$/kWh)	\$0.0002	\$0.0002
C = kWh * 1.076	Uplifted consumption (kWh)	753	2,152
D = B x C	Bill increase due to RRRP	\$0.15	\$0.43
E = D * (1 + 0.13 - 0.212)	Bill increase adjusted for HST and OER	\$0.12	\$0.35
F	Bill impact (%)	0.10%	0.09%

<sup>6</sup> RRRP variance account balances have been omitted from this analysis in order to isolate the impact of the RRRP funding requested in this application. Similarly, the 2022 RRRP funding requirements for parties other than WPLP have been held constant from 2021 to 2022 for the purpose of bill impact analysis. WPLP expects that the OEB will consider the RRRP variance account balance and changes to 2022 RRRP funding for other parties when it determines the 2022 RRRP rate in due course.

**Table 31 – Transmission-Connected Customer Bill Impacts**  
**(Update of: I-4-1, Table 5; and K-1-1, Table 40)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
A	Total Wholesale Market Charges (\$/MWh)	146.57
B	Total Wholesale Transmission Charges (\$/MWh)	11.15
$C = B / A$	Transmission % of Total Bill	7.61%
D	% Increase in Transmission Revenue Requirement	1.08%
$E = C * D$	% Bill Increase from Line to Pickle Lake	0.08%
F	Total RRRP Charges (\$/MWh)	0.50
$G = F / A$	RRRP % of Total Bill	0.34%
H	% Increase in RRRP Rate	50%
$I = G * H$	% Bill Increase from Remote Connection Lines	0.17%
<b>J = E + I</b>	<b>Total % Bill Increase</b>	<b>0.25%</b>

**Wataynikaneyap Power LP**

**Response to Pre-Settlement Clarification Question**

**CQ-Staff-1**

**Reference:** Staff 21(d) and (e)

**Please explain and quantify the impact on Owner's Equity, Ratepayers and Trust Fund balance in the following 2 scenarios:**

- All the forecast pandemic costs are capitalized
- All the forecast pandemic costs are expensed

**Response:**

There are three key and important reasons why expensing of COVID-19 costs is the better approach relative to capitalizing the COVID-19 costs. These are (i) the ratepayer is better off or at worst neutral when the COVID-19 costs are expensed, (ii) the incentive under the Federal Funding Framework which incentivizes WPLP to seek capital cost reductions in exchange for higher project equity levels is preserved, and (iii) WPLP's credit funding surplus under its credit arrangements for the Project is maintained thereby enabling it to fund unforeseen events.

These aspects must be considered in the unique context of the Project. As a project that has been designated as a priority project under the *Ontario Energy Board Act*, it is important to give weight to those aspects that facilitate the completion of the Project in the most efficient and cost-effective manner possible. In addition, the completion of this Project will have a fundamental beneficial impact on the communities that will be served by it. Against this backdrop, the Project faces many challenges, including difficult terrain and geography, forest fire threats, remote work sites and variable weather that can limit access and construction periods. The funding and credit arrangements that WPLP has established are structured to aid WPLP in meeting these challenges and successfully completing this project. WPLP's proposal to expense rather than capitalize its COVID costs is consistent with this structure, while the capitalization of these costs will extinguish these advantages.

In EB-2018-0190, WPLP described a contemplated Federal Funding Framework relating to its project, resulting from a March 12, 2018 Memorandum of Understanding between WPLP, Canada and Ontario. On July 3, 2019, WPLP, Canada and Ontario signed definitive documents regarding the Federal Funding Framework for the project.

At a high level, Canada will provide \$1.55 billion in funding in relation to the project, which will serve to reduce the resulting ratepayer impact in two ways:

a) a portion of the funding will be applied as a Contribution in Aid of Construction ("CIAC"), reducing WPLP's rate base in respect of the Remote Connection Lines; and,

b) the remainder of the funding would be provided to an independent Trust which will use the funding to help offset the impacts of the Remote Connection Lines on RRRP for Ontario ratepayers.

The portion of funding that would be provided to WPLP as a CIAC will be determined by WPLP's total project capital costs. The negotiated Federal Funding Framework establishes a sliding scale such that, as WPLP's costs increase, the CIAC amount increases at a rate that reduces WPLP's deemed equity position in the project. This provides a strong incentive to control and reduce capital costs during construction.<sup>1</sup> Federally funded CIAC treatment for the Remote Connection Lines results in a reduction to the fixed monthly charges that WPLP recovers from HORCI, which will in turn result in HORCI needing to collect less revenue from the RRRP pool. Funding provided to the independent Trust will further reduce rate impacts for Ontario ratepayers because the independent Trust will be required to provide funds to the IESO to be applied against the total RRRP funding that the IESO needs to collect from Ontario ratepayers each month, until such time as the independent Trust's funds are exhausted.

To respond to the question posed and to show the relative Rate Payer Impact depending on whether COVID-19 costs are expensed or capitalized, WPLP has prepared the tables below to explain and quantify the impact on Owner's Equity, Ratepayers and Trust Fund balance. As the receipt of funding under the Federal Funding Framework remains subject to Parliamentary appropriation, WPLP has provided the requested analysis under two scenarios: 1) without federal funding, and 2) with federal funding. WPLP has utilized the updated evidence included in Exhibit K to answer this question.

Table 1 calculates rate base before the CIAC and the total capital costs used to determine Owner Equity under the Federal Funding Framework (all figures in \$M):

---

<sup>1</sup> Exhibit I-4-1, p.5-6

**Table 1: Calculation of Capital Cost**

	Expensed (2 year amort)	Capitalized	Expensed (4 year amort)
<b>Calculation of Capital Costs</b>			
AFUDC incurred	\$1.43	\$1.43	\$1.43
Cost of funds during construction	\$40.05	\$40.24	\$40.11
Development costs incurred	\$62.51	\$62.51	\$62.51
Construction costs incurred	\$1,750.31	\$1,840.76	\$1,750.31
Total rate base carried into operations	\$1,854.30	\$1,944.94	\$1,854.37
Pikangikum	\$62.82	\$62.82	\$62.82
<b>Rate Base before CIAC</b>	<b>\$1,917.12</b>	<b>\$2,007.76</b>	<b>\$1,917.19</b>
CWIP carried into final regulatory implementation	(\$41.48)	(\$41.67)	(\$41.55)
<b>Capital Cost used to determine Owner Equity under federal funding framework</b>	<b>\$1,875.64</b>	<b>\$1,966.09</b>	<b>\$1,875.64</b>

Table 2 provides the owner equity, rate payer impact and impact on trust under the assumption there is no federal funding (i.e. Canada does not appropriate funds). WPLP believes this analysis needs to be considered as the risk of appropriation is still outstanding (all figures in \$M).

**Table 2: Rate Payer Impact – No Federal Funding**

	Expensed (2 year amort)	Capitalized	Expensed (4 year amort)
<b>No Federal Funding Framework</b>			
<b>Owners Equity at end of Construction</b>	<b>\$766.85</b>	<b>\$803.10</b>	<b>\$766.87</b>
<b>Rate Payer Impact</b>			
Revenue Requirement Impact During Construction			
Cashflows from Operations (Result of delay of in-service dates)	(\$63.98)	(\$59.80)	(\$63.05)
COVID-19 Proceeds	\$73.03	\$0.00	\$38.79
Total	\$9.05	(\$59.80)	(\$24.26)
Revenue Requirement Impact			
Incremental Rate Base	\$23.05	\$111.82	\$23.12
Incremental Return	\$16.56	\$80.33	\$16.61
Collection of remaining deferral account plus carrying charges	\$19.05	\$0.00	\$53.88
Total	\$58.66	\$192.15	\$93.61
<b>Total Rate Payer Impact*</b>	<b>\$67.71</b>	<b>\$132.35</b>	<b>\$69.36</b>
<b>Trust Impact</b>			
	N/A	N/A	N/A

*\*Before diesel costs as it has the same impact on both scenarios*

Table 3 provides the owner equity, rate payer impact and impact on trust under the assumption there is federal funding (WPLP receives a CIAC under the Federal Funding Framework) (all figures in \$M).

**Table 3: Rate Payer Impact – With Federal Funding**

<b>Federal Funding Framework</b>	<b>Expensed ( 2 year amort)</b>	<b>Capitalized</b>	<b>Expensed (4 year amort)</b>
<b>Owners Equity at end of Construction</b>	<b>\$400.00</b>	<b>\$400.00</b>	<b>\$400.00</b>
<b>Rate Payer Impact</b>			
Revenue Requirement Impact During Construction			
Cashflows from Operations (Result of delay of in-service dates)	(\$63.98)	(\$59.80)	(\$63.05)
COVID-19 Proceeds	\$73.03	\$0.00	\$38.79
<b>Total</b>	<b>\$9.05</b>	<b>(\$59.80)</b>	<b>(\$24.26)</b>
Revenue Requirement Impact			
Loss of Trust funds as a result of increased contribution to WPLP	\$32.03	\$120.80	\$32.10
Collection of remaining deferral account plus carrying charges	\$19.05	\$0.00	\$53.88
<b>Total</b>	<b>\$51.08</b>	<b>\$120.80</b>	<b>\$85.98</b>
<b>Total Rate Payer Impact*</b>	<b>\$60.13</b>	<b>\$61.00</b>	<b>\$61.73</b>
<b>Calculation of Trust Impact (Balance)</b>			
OEB construction costs	\$1,875.64	\$1,966.09	\$1,875.64
Interest accounts	\$41.48	\$41.67	\$41.55
Rate Base before Capital Contribution	\$1,917.12	\$2,007.76	\$1,917.19
Rate base after CIAC (per Schedule 1.1 (d) = Owner Equity / 40%)	(\$1,000.00)	(\$1,000.00)	(\$1,000.00)
Interim depreciation	(\$45.77)	(\$47.64)	(\$45.77)
Capital contribution	\$871.35	\$960.12	\$871.42
Federal Funding	\$1,550.00	\$1,550.00	\$1,550.00
<b>Funds Remaining in Trust</b>	<b>\$678.65</b>	<b>\$589.88</b>	<b>\$678.58</b>

*\*Before diesel costs as it has the same impact on both scenarios*

### ***Ratepayer Impact***

As noted in Table 2 and Table 3 above, the Rate Payer Impact is less when the COVID-19 costs are expensed and amortized over a 2-year period rather than capitalized, regardless of whether the Federal Funding is provided. When the COVID-19 costs are expensed and amortized over a 4-year period and there is no Federal Funding provided, the Rate Payer Impact is also less than it would be if the COVID-19 costs are capitalized. When the COVID-19 costs are expensed and amortized over a 4-year period and Federal Funding is provided, the Rate Payer Impact is close to neutral relative to the impact of capitalizing those costs, but expensing those COVID-19 costs instead of capitalizing them would result in additional funds remaining in the Trust to offset the total RRRP funding that the IESO would otherwise need to collect from Ontario ratepayers each month.

A 4-year amortization period has been proposed, rather than a 2-year amortization period, in recognition of the financial hardships that COVID-19 has had on many individuals and businesses in Ontario. Recovery over a 4-year period reduces the short-term impact on ratepayers during this critical recovery period. Under the proposed 4-year amortization, there would be a reduction in WPLP's revenue requirement in the first two years by \$8.7 million (less

interest) compared to the 2-year proposal, while still maintaining the incentive for WPLP under the Federal Funding Framework to reduce capital costs during construction. In addition, as described following Table 4, below, the same potential savings for rate payers under the Federal Funding Framework are maintained regardless of the amortization period selected (i.e. \$16.36 million of potential savings in the example given, based either on \$60.13 million minus \$43.77 million for a 2-year amortization period, or \$61.73 million minus \$45.37 million with a 4-year amortization period).

### ***Funding Incentive***

As indicated above, the negotiated Federal Funding Framework establishes a sliding scale such that, as WPLP's costs increase, the CIAC amount increases at a rate that reduces WPLP's deemed equity position in the project. This provides a strong incentive to control and reduce costs during construction.<sup>2</sup>

As noted in Table 3 above, based on current forecasted construction cost, the Owner's equity at the end of construction is \$400M. Based on the agreed Federal Funding Framework, the Owner's equity cannot rise above \$400M when costs are above \$1.87B. Where the COVID-19 costs are expensed, construction costs are forecasted to be approximately \$1.875B, which would imply an Owner's equity of \$400M. However, the incentive built into the Federal Funding Framework remains intact since owner's equity can increase when costs go below \$1.87B. This possibility is still available to WPLP since it is still in the construction phase of the Project and has a contingency of approximately \$118M built into the forecasted construction costs. Through to project completion, WPLP will have an opportunity to seek costs reductions and undertake efforts to minimize the use of contingency, thereby bringing the project under the \$1.87B. This is consistent with the incentive built into the Federal Funding Framework.

However, this incentive is impaired if the COVID-19 Costs are capitalized. As indicated in Table 3 where the COVID-19 costs are capitalized, the Project's capital cost is approximately \$1.966B. Contingency is a project cost that is established to account for foreseeable risks that have not yet materialized. While WPLP will work to mitigate the impact of those risks, it cannot ignore the potential impact of those risks and the use of contingency. As a result, its ability to reduce costs over the remainder of construction will have its limitations. This, together with the increased level of capital costs above \$1.87B when COVID-19 costs are capitalized, will make it almost impossible for WPLP to reduce costs below \$1.87B. This will have the effect of rendering a key incentive in the Federal Funding Framework moot.

An example of the application of the incentive is set out in Table 4 below.

---

<sup>2</sup> Exhibit I-4-1, p.5-6

**Table 4 – Example of Capital Cost Reduction**

Federal Funding Framework	Expensed	Expensed (4 Year Amortization)	Expensed (20M CWIP Savings)	Expensed (20M CWIP Savings 4 Year Amortization)
<b>Owners Equity at end of Construction</b>	<b>\$400.00</b>	<b>\$400.00</b>	<b>\$414.36</b>	<b>\$414.36</b>
<b>Rate Payer Impact</b>				
Revenue Requirement Impact During Construction				
Cashflows from Operations (Result of delay of in-service dates)	(\$63.98)	(\$63.05)	(\$63.34)	(\$62.41)
COVID-19 Proceeds	\$73.03	\$38.79	\$73.03	\$38.79
<b>Total</b>	<b>\$9.05</b>	<b>(\$24.26)</b>	<b>\$9.69</b>	<b>(\$23.61)</b>
Revenue Requirement Impact				
Loss (Increase) of Trust funds as a result of increased contribution to WPLP	\$32.03	\$32.10	(\$24.12)	(\$24.06)
Earnings on Incremental Trust Balance	\$0.00	\$0.00	(\$26.97)	(\$26.97)
Incremental Rate Base	\$0.00	\$0.00	\$35.90	\$35.90
Incremental Return	\$0.00	\$0.00	\$30.23	\$30.23
Collection of remaining deferral account plus carrying charges	\$19.05	\$53.88	\$19.05	\$53.88
<b>Total</b>	<b>\$51.08</b>	<b>\$85.98</b>	<b>\$34.09</b>	<b>\$68.98</b>
<b>Total Rate Payer Impact*</b>	<b>\$60.13</b>	<b>\$61.73</b>	<b>\$43.77</b>	<b>\$45.37</b>
<b>Calculation of Trust Impact (Balance)</b>				
OEB construction costs	\$1,875.64	\$1,875.64	\$1,855.64	\$1,855.64
Interest accounts	\$41.48	\$41.55	\$41.50	\$41.56
Rate Base before Capital Contribution	\$1,917.12	\$1,917.19	\$1,897.14	\$1,897.20
Rate base after CIAC (per Schedule 1.1 (d) = Owner Equity / 40%)	(\$1,000.00)	(\$1,000.00)	(\$1,035.90)	(\$1,035.90)
Interim depreciation	(\$45.77)	(\$45.77)	(\$46.04)	(\$46.04)
Capital contribution	\$871.35	\$871.42	\$815.20	\$815.26
Federal Funding	\$1,550.00	\$1,550.00	\$1,550.00	\$1,550.00
<b>Funds Remaining in Trust</b>	<b>\$678.65</b>	<b>\$678.58</b>	<b>\$734.80</b>	<b>\$734.74</b>

*\*Before diesel costs as it has the same impact on both scenarios*

Calculation of Incremental Trust Earnings		
	Inputs (A)	Inputs (B)
Incremental Trust Balance	56.16	\$56.16
Interest Rate	4%	4%
Period (years)	10	10
<b>Earnings on Incremental Trust Balance</b>	<b>\$26.97</b>	<b>\$26.97</b>

The example assumes a hypothetical \$20M reduction in capital costs, such as from an underspend of contingency by WPLP. This represents a reduction to Capital Cost from \$1.875B to \$1.855B with a corresponding increase in equity to \$414M. Importantly, there are two key additional benefits. First, when the COVID-19 costs are expensed, the Rate Payer Impact declines from \$60.13M to \$43.77M with a 2-year amortization period and from \$61.73 to \$45.37 with a 4-year amortization period. Second, because capital costs have decreased, the level of the CIAC correspondingly declines. The decline in CIAC means that more funds remain in the Trust. As that amount will accrue interest or a return over time, there will be an incremental amount in the Trust to offset the costs of the Remote Connection Lines for ratepayers over time. Although WPLP is not privy to the

investment parameters of the Trust, Table 4 sets out an example to show how the incremental increase in the Trust amount extends the time over which the Trust is available to offset RRRP funding.

As result, the expensing of the COVID-19 costs provides benefits to the Rate Payer or at worst is close to neutral depending on the amortization period, while maintaining the incentive to manage the capital costs of the Project and the available funds for the Trust amount, both of which are key to the Federal Funding Framework.

### ***Credit Surplus***

WPLP completed a negotiated Common Terms and Inter-Creditor Agreement ("CTIA") with the Province of Ontario and a group of Senior Bank Lenders to provide total project financing of up to \$2.02 billion, consisting of up to \$1.34 billion from Ontario (the "Ontario Facility") and up to \$680 million from the Senior Bank Lenders 20 (the "Senior Bank Facility")<sup>3</sup>. WPLP is not forecasting to require the entire available financing amount. However, as prudent project management, WPLP has secured financing that would cover a combination of worst-case scenarios resulting in cost increases, interest rate increases and/or construction delays. This amount reflects WPLP's credit surplus.

Under WPLP's original proposal, WPLP proposed to transfer COVID-19 costs to a deferral account and recover those amounts over a two-year period.<sup>4</sup> As noted in Table 3, this would allow WPLP to collect COVID-19 Proceeds of approximately \$73.03M. This would allow WPLP to fund a portion of the overall forecasted COVID-19 costs from rate revenues and not require the COVID-19 costs to be funded through the available credit surplus. Under a 4-year amortization WPLP would collect COVID-19 Proceeds of approximately \$38.79M.

Under a capitalization approach, WPLP would recover no COVID -19 Proceeds in rates (except for a limited amount through depreciation). The result is that WPLP would be required to fund a significant portion of the COVID-19 costs out of its credit surplus which would otherwise be available to cover cost increases, interest rate increases and construction delays.

Maintaining a credit surplus is particularly important for the Project given its unique circumstances. As noted above, the Project faces a number of geographical and environmental challenges that are not readily predictable. For example, since the Project depends on the availability of winter roads, a shortened winter season may limit transportation causing delays and increased costs. Likewise, the summer months present forest fire risks. This summer the Project has already been subject to an Emergency Area Order declared under the *Forest Fires Prevention Act* by the Minister of Northern Development, Mines, Natural Resources and Forestry prohibiting construction activity on the Project for approximately five weeks. Preserving the credit surplus to meet these challenges (if needed) is an appropriate way to manage risk in completing this priority project. In addition, maintaining the surplus avoids material additional costs to obtain and negotiate incremental credit arrangements.

---

<sup>3</sup> Exhibit B, Tab 1, Schedule 2, p. 5

<sup>4</sup> Exhibit H, Tab 1, Schedule 1, p. 12

It may also be helpful to note that there has been at least one previous OEB decision where the OEB granted an applicant's request to recover storm damage costs entirely as O&M, rather than requiring any portion of the Z factor claim to be capitalized.<sup>5</sup> The OEB noted in the Storm Damage Cost Decision that its acceptance of the approved amounts to be recovered as O&M should not be construed as providing the Board's views on capitalization generally.<sup>6</sup>

---

<sup>5</sup> OEB, Decision and Order in Combined Proceeding on Storm Damage Cost Claims for Canadian Niagara Power Inc. – Fort Erie, Canadian Niagara Power Inc. – Port Colborne, Peterborough Distribution Inc. and Lakeland Power Distribution Ltd. (EB-2007-0514, EB-2007-0595, EB-2007-0571, and EB-2007-0551), dated July 31, 2007 (“Storm Damage Cost Decision”).

<sup>6</sup> Storm Damage Cost Decision, page 10.

**DRAFT ACCOUNTING ORDER – WATAYNIKANEYAP POWER LP**  
**DEFERRED CONTINGENCY DEFERRAL ACCOUNT (DCDA)**

Wataynikaneyap Power LP (WPLP) shall establish a new “Deferred Contingency Deferral Account” to record the revenue requirement impact attributable to contingency costs associated with 2022 in-service asset additions.

For clarity, the amount eligible to be recorded in the DCDA is limited to the revenue requirement impact attributable to contingency costs to a maximum of \$48,075,777, corresponding to the forecasted contingency amounts which were removed and deferred from the 2022 in-service asset additions used to calculate WPLP’s 2022 rate base (the “Deferred Contingency Amount”), pursuant to the Settlement Proposal in EB-2021-0134.

The revenue requirement impact in respect of contingency costs attributable to or allocated to any specific asset will be recorded from the actual in-service date of the asset<sup>1</sup> until the effective date of WPLP’s next transmission rate application.

The account will be established as Account 1508, Other Regulatory Assets – Sub Account “Deferred Contingency Deferral Account”, effective January 1, 2022. WPLP will record interest on the balance in the sub-account using the OEB’s prescribed interest rate for deferral and variance accounts. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed. WPLP will establish separate sub-accounts within the DCDA in order to separately record principle and interest amounts related to the Line to Pickle Lake and the Remote Connections Lines.

---

<sup>1</sup> Prior to the in-service date, interest will be calculated on WPLP’s CWIP account balance, in accordance with the OEB’s Decision and Order in EB-2018-0190 and will be recorded as a carrying cost within the CWIP account.

The balance in this account will be brought forward for prudency review and disposition in a future proceeding after the proposed 2022 asset additions are in service.

The following outlines the proposed accounting entries for this account:

<u>USofA#</u>	<u>Account Description</u>
DR/CR 1508	Other Regulatory Assets – Sub Account “Deferred Contingency Deferral Account”
CR/DR 4110	Transmission Service Revenue

- *To record the revenue requirement impact attributable to contingency costs associated with 2022 in-service asset additions*

<u>USofA#</u>	<u>Account Description</u>
DR/CR 1508	Other Regulatory Assets – Sub Account “Deferred Contingency Deferral Account”
CR/DR 6035	Other Interest Expense

- *To record interest on the principal balance of the deferral account*