

EB-2023-0041

SETTLEMENT PROPOSAL

Niagara-on-the-Lake Hydro Inc.

2024 Cost of Service Distribution Rates Proceeding

August 25, 2023

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PREAMBLE

Niagara-on-the-Lake Hydro Inc. (the Applicant or NOTL Hydro) filed a Cost-of-Service application with the Ontario Energy Board (the OEB) on April 27, 2023 under section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15 (Schedule B) (the Act), seeking approval for changes to the rates that NOTL Hydro charges for electricity distribution, to be effective January 1, 2024 (OEB file number EB-2023-0041) (the Application).

The OEB issued a Letter of Direction and Notice of Application on May 11, 2023. In Procedural Order No. 1, dated June 7, 2023, the OEB approved the School Energy Coalition (SEC) and the Vulnerable Energy Consumers Coalition (VECC) as intervenors (collectively referred to as the “Intervenors”).

The Procedural Order also indicated the prescribed dates for the written interrogatories, NOTL Hydro’s responses to interrogatories, a Settlement Conference, and various other elements in the proceeding.

On June 15, 2023, OEB staff, on behalf of all the parties, submitted a proposed issues list (the Issues List) to the OEB for approval. The OEB approved the Issues List on June 20, 2023.

NOTL Hydro filed its interrogatory responses with the OEB on July 17, 2023.

The Settlement Conference was convened on August 2 and 3, 2023 in accordance with the OEB’s Rules of Practice and Procedure (the Rules) and the OEB’s Practice Direction on Settlement Conferences (the Practice Direction).

Michelle Dagnino acted as the facilitator for the Settlement Conference.

NOTL Hydro and the Intervenors (collectively referred to as the Parties), reached a full, comprehensive settlement regarding NOTL Hydro’s 2024 Cost of Service Application. The details and specific components of the settlement are detailed in this Settlement Proposal.

This document is called a Settlement Proposal because it is a proposal by the Parties presented to the OEB to settle the issues in this proceeding. It is termed a proposal as between the Parties and the OEB. However, as between the Parties, and subject only to the OEB’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. 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 was confidential in accordance with the OEB’s Practice Direction on Settlement Conferences. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the OEB’s Practice Direction on Confidential Filings, and the rules of that latter document do

not apply. Instead, in this Settlement Conference, and in this Settlement Proposal, the specific rules with respect to confidentiality and privilege are as set out in the Practice Direction on Settlement Conferences, as amended on February 17, 2021. The Parties have interpreted the revised Practice Direction on Settlement Conferences to mean that the documents and other information provided during the Settlement Conference itself, the discussion of each issue, the offers and counteroffers, and the negotiations leading to the settlement – or not – of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal. Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. However, the Parties agree that attendees are deemed to include, in this context, persons who were not in attendance at the Settlement Conference but were a) any persons or entities that the Parties engaged to assist them with the Settlement Conference, and b) any persons or entities from whom the attendees' sought instructions with respect to the negotiations, in each case provided those persons are subject to the same obligations of confidentiality and privilege as those persons actually in attendance.

OEB staff also participated in the Settlement Conference. The role adopted by OEB staff is set out in page 5 of the Practice Direction on Settlement Conferences. Although OEB staff is not a party to this Settlement Proposal, as noted in the Practice Direction on Settlement Conferences, OEB staff who did participate in the Settlement Conference are bound by the same confidentiality requirements that apply to the Parties to the proceeding.

This Settlement Proposal provides a brief description of each of the settled issues, as applicable, together with references to the evidence. The Parties agree that references to the evidence in this Settlement Proposal shall, unless the context otherwise requires, include, in addition to the Application, the responses to interrogatories, all other components of the record up to and including the date hereof, and the additional information included by the Parties in this Settlement Proposal and the attachments and appendices to this document.

Included with the Settlement Proposal are attachments that provide further support for the proposed settlement. Responses to Pre-Settlement Clarification questions (Clarification Responses) have been filed on the record. The Parties acknowledge that the attachments were prepared by NOTL Hydro. The Intervenor has reviewed the attachments and is relying on the accuracy of the attachments and the underlying evidence in entering into this Settlement Proposal.

For ease of reference, this Settlement Proposal follows the format of the final approved Issues List, with additional sub-issues added as appropriate to highlight specific aspects of the settlement.

According to section 6 of the Practice Direction on Settlement Conferences, the Parties must consider whether a Settlement Proposal should include an appropriate adjustment

mechanism for any settled issue that may be affected by external factors. Any such adjustments are specifically set out in the text of the Settlement Proposal.

The Parties have settled the issues as a package, and none of the parts of this Settlement Proposal are severable. If the OEB does not accept this Settlement Proposal in its entirety, then there is no settlement (unless the Parties agree in writing that any part(s) of this Settlement Proposal that the OEB accepts may continue as a valid settlement without inclusion of any part(s) that the OEB does not accept).

If 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 the Parties must agree with any revised Settlement Proposal as it relates to that issue, or take no position, prior to its resubmission to the OEB.

Unless stated otherwise, the settlement of any particular issue in this proceeding and the positions of the Parties in this Settlement Proposal are without prejudice to the rights of the Parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not NOTL Hydro is a party to such proceeding, provided that no Party shall take a position that would result in the Settlement Proposal not applying in accordance with the terms contained herein.

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

NOTL Hydro has filed revised OM&A and capital tables and appendices to reflect the impact of the settlement. The breakdown of the capital and OM&A expenses into the various cost categories is not intended to reflect any agreement amongst the Parties of its appropriateness, nor is it intended to be a deviation from the normal rule that it is up to management to determine throughout the year how best to incur expenses given the actual circumstances and priorities of the company throughout the Test Year.

OVERVIEW

The Parties are pleased to advise the OEB that they have reached an agreement with respect to all issues in this proceeding (the Settled Items).

In reaching this Settlement Proposal, the Parties have been guided by the OEB's [Filing Requirements](#) for 2024 rates, incorporation of all applicable laws and the Approved Issues List. Each item on the Approved Issues List has been identified and addressed by number in the body of this proposal. If accepted, this Settlement Proposal will support approval of NOTL Hydro's January 1, 2024 rates.

A summary of the changes in NOTL Hydro's revenue requirement resulting from answers to Interrogatories and from this Settlement Proposal as compared to NOTL Hydro's original filing is provided in Table 1 below.

Table 1. Summary of Changes in Revenue Requirement

Reference ⁽¹⁾	Item / Description ⁽²⁾	Cost of Capital		Rate Base and Capital Expenditures			Operating Expenses			Revenue Requirement			
		Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance (\$)	Amortization / Depreciation	Taxes/PILs	OM&A	Service Revenue Requirement	Other Revenues	Base Revenue Requirement	Grossed up Revenue Deficiency / Sufficiency
	Original Application	\$ 2,161,440	6.08%	\$ 35,547,664	\$ 31,491,657	\$ 2,361,874	\$ 1,417,700	\$ 140,029	\$ 3,571,884	\$ 7,334,438	\$ 608,681	\$ 6,725,757	\$ 713,109
1	Change to 2024 PILS model issued by OEB	\$ 2,161,440	6.08%	\$ 35,547,664	\$ 31,491,657	\$ 2,361,874	\$ 1,417,700	\$ 118,091	\$ 3,571,884	\$ 7,312,499	\$ 608,681	\$ 6,703,819	\$ 685,924
	Interrogatories - Impact of change to small business Change	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ 21,938	\$ -	\$ 21,938	\$ -	\$ 21,938	\$ 27,184
2	Change to 2024 RTSR model	\$ 2,160,975	6.08%	\$ 35,540,007	\$ 31,389,569	\$ 2,354,218	\$ 1,417,700	\$ 117,994	\$ 3,571,884	\$ 7,311,937	\$ 608,681	\$ 6,703,256	\$ 685,308
	Interrogatories - changes to Change	\$ 466	0.00%	\$ 7,657	\$ 102,088	\$ 7,657	\$ -	\$ 97	\$ -	\$ 563	\$ -	\$ 563	\$ 616
3	Based on 4.8% increase in revised Tariff	\$ 2,160,975	6.08%	\$ 35,540,007	\$ 31,389,569	\$ 2,354,218	\$ 1,417,700	\$ 117,994	\$ 3,571,884	\$ 7,311,937	\$ 615,882	\$ 6,696,054	\$ 676,153
	Interrogatories - Update pole attachment from \$36.05 to Change	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,202	\$ 7,202	\$ 9,155
4	Load forecast updates	\$ 2,162,915	6.08%	\$ 35,571,921	\$ 31,815,089	\$ 2,386,132	\$ 1,417,700	\$ 118,398	\$ 3,571,884	\$ 7,314,282	\$ 615,882	\$ 6,696,399	\$ 638,539
	Interrogatories - Update data with 2023 actuals to May and Change	\$ 1,940	0.00%	\$ 31,914	\$ 425,520	\$ 31,914	\$ -	\$ 404	\$ -	\$ 2,345	\$ -	\$ 2,345	\$ 37,615
5	PILs Model Update	\$ 2,162,915	6.08%	\$ 35,571,921	\$ 31,815,089	\$ 2,386,132	\$ 1,417,700	\$ 116,937	\$ 3,571,884	\$ 7,312,821	\$ 615,882	\$ 6,696,938	\$ 638,539
	Interrogatories - Update UCC and taxable income based on Change	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ 1,461	\$ -	\$ 1,461	\$ -	\$ 1,461	\$ -
6	Adjust 2024 opening and 2024 additions	\$ 2,143,943	6.08%	\$ 35,259,895	\$ 31,815,089	\$ 2,386,132	\$ 1,402,141	\$ 117,166	\$ 3,571,884	\$ 7,278,518	\$ 615,882	\$ 6,662,636	\$ 593,796
	Settlement Proposals - Reduced 2024 opening balance Change	\$ 18,972	0.00%	\$ 312,026	\$ -	\$ -	\$ 15,559	\$ 229	\$ -	\$ 34,302	\$ -	\$ 34,302	\$ 44,743
7	Load forecast updates	\$ 2,143,615	6.08%	\$ 35,254,526	\$ 31,743,278	\$ 2,380,746	\$ 1,402,141	\$ 117,099	\$ 3,571,884	\$ 7,278,123	\$ 615,882	\$ 6,662,241	\$ 591,654
	Settlement Proposal - Correction to Load Forecast, addition of COVID variable and Change	\$ 327	0.00%	\$ 5,369	\$ 71,811	\$ 5,386	\$ -	\$ 68	\$ -	\$ 395	\$ -	\$ 395	\$ 2,141
8	OM&A updates	\$ 2,143,046	6.08%	\$ 35,245,151	\$ 31,618,499	\$ 2,371,387	\$ 1,402,141	\$ 116,981	\$ 3,446,885	\$ 7,152,437	\$ 615,882	\$ 6,536,554	\$ 457,348
	Settlement Proposal - Reduced Change	\$ 569	0.00%	\$ 9,375	\$ 124,779	\$ 9,358	\$ -	\$ 118	\$ 125,000	\$ 125,686	\$ -	\$ 125,686	\$ 134,306

NOTL Hydro has prepared the Appendices and Tables to this Settlement Proposal on the following basis: (a) any updates to NOTL Hydro's filing arising from the answers to interrogatories have been reflected in the relevant materials; and (b) all impacts from the Settlement Proposal have been reflected in the relevant materials. The updated RRWF is provided at Appendix "A".

The proposed Bill Impacts (including mitigation as outlined in Section 5.6) that will result from this Settlement Proposal are summarized in Table 2 below and set out Appendix "D".

Table 2. Summary of Bill Impacts

		Sub-Total						Total	
		A - Distribution (excluding pass-through)		B - Distribution		C - Delivery		Total Bill	
RATE CLASSES	Units	\$	%	\$	%	\$	%	\$	%
RESIDENTIAL	kwh	\$ 2.58	8.1%	\$ 4.01	11.2%	\$ 4.63	10.5%	\$ 4.69	3.9%
GENERAL SERVICE LESS THAN 50 KW	kwh	\$ 6.00	8.8%	\$ 10.02	12.9%	\$ 11.68	11.9%	\$ 11.83	3.9%
GENERAL SERVICE 50 to 4,999 Kw	kw	\$ 47.60	7.0%	\$ 142.84	18.4%	\$ 190.87	13.5%	\$ 216.31	2.7%
LARGE USE	kw	\$ 2,780.00	16.2%	\$ 13,107.00	69.8%	\$ 10,249.50	19.4%	\$ 11,581.94	2.3%
UNMETERED SCATTERED LOAD	kwh	\$ 2.77	9.8%	\$ 4.62	14.6%	\$ 5.28	13.3%	\$ 5.35	4.4%
STREET LIGHTING	kw	\$ 258.34	10.6%	\$ 272.38	11.0%	\$ 279.30	10.9%	\$ 315.61	7.8%

Proposed tariffs for 2024 are also included in Appendix “D”. The proposed base tariffs for 2025 are included in item 5.6 Table 22.

Details of the settlement on the Settled Items are set out in the balance of this document.

THE SETTLED ITEMS

1. Capital Spending and Rate Base

1.1 Are the proposed capital expenditures and in-service additional appropriate?

The Parties accept the evidence of NOTL Hydro that the level of planned in-service capital additions in 2024, as summarized in Table 3 is appropriate.

Table 3 also reflects the changes to the proposed capital in-service additions by OEB category determined by NOTL Hydro.

Table 3. Planned 2024 Net Capital In-service Additions

Category	Initial Application	Interrogatories	Settlement Proposal
System Access	\$770,000	\$770,000	\$770,000
System Renewal	\$1,055,000	\$1,055,000	\$810,000
System Service	\$170,000	\$170,000	\$70,000
General Plant	\$555,778	\$555,778	\$757,000
Total Expenditure	\$2,550,778	\$2,550,778	\$2,407,000
Capital Contributions	(\$575,000)	(\$575,000)	(\$575,000)
Net Capital Expenditures	\$1,975,778	\$1,975,778	\$1,832,000

1.2 Are the proposed rate base and depreciation amounts appropriate?

The Parties agree that the 2024 Rate Base of \$35,245,151, which has been updated to take account of NOTL Hydro's most recent capital in-service additions forecast for 2023 and 2024, is reasonable. The 2023 in-service additions have been reduced by \$250,000 to spread the new building construction over two years and 2024 in-service additions have been reduced by \$144,000 to match the average of the proposed 2024-2028 additions.

Working Capital, as part of this calculation and as shown in Tables 4 and 5, has been updated to reflect:

- a) the revised customer forecast forming part of this Settlement Proposal (see Item 4);
- b) the changes to the OM&A forming part of this Settlement Proposal (see Item 2); and
- c) revised load forecast forming part of this Settlement Proposal (see Item 4)

The Parties accept the evidence of NOTL Hydro that the rate base calculations, after making the adjustment to the working capital and the in-service additions for 2023 and 2024, as detailed in this Settlement Proposal, are reasonable and have been appropriately determined in accordance with OEB policies and practices. Table 6 below outlines NOTL Hydro's Rate Base calculation. An updated fixed asset continuity schedule has been included in Appendix "B".

Table 4. – Summary of Cost of Power

Particulars	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
Commodity	\$19,682,178	\$337,750	\$20,019,928	(\$60,096)	\$19,959,832
Global Adjustment	\$3,745,495	\$43,408	\$3,788,903	(\$767)	\$3,788,137
Transmission Network	\$2,585,444	(\$59,247)	\$2,526,198	(\$6,444)	\$2,519,753
Transmission Connection	\$469,805	(\$27,238)	\$442,567	(\$851)	441,716
Wholesale Market Service Charge	\$1,064,455	\$23,208	\$1,087,663	(\$2,717)	\$1,084,945
CBR - Class B	\$86,165	\$482	\$86,648	(\$260)	\$86,388
CBR - Class A	\$10,672	\$1,101	\$11,773	\$0	\$11,773
Rural Rate Assistance	\$182,145	\$3,968	\$186,113	(\$456)	\$185,658
Smart Meter Entity Charge	\$50,029	\$0	\$50,029	\$0	\$50,029
Total Cost of Power	\$27,876,388	\$323,432	\$28,199,820	(\$71,590)	\$28,128,230

Table 5. – Summary of Working Capital Allowance

Particulars	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
Controllable Expenses	\$3,615,268	\$0	\$3,615,268	(\$125,000)	\$3,490,269
Cost of Power	\$27,876,388	\$323,432	\$28,199,820	(\$71,590)	\$28,128,230
Working Capital Base	\$31,491,657	\$323,432	\$31,815,089	(\$196,590)	\$31,618,499
Working Capital %	7.50%	0.00%	7.50%	0.00%	7.50%
Working Capital Allowance	\$2,361,874	\$24,257	\$2,386,132	(\$14,744)	\$2,371,387

Table 6. Summary of Rate Base

Particulars	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
Gross Fixed Assets (average)	\$64,854,965	\$0	\$64,854,965	(\$321,889)	\$64,533,076
Accumulated Depreciation (average)	(\$31,669,176)	\$0	(\$31,669,176)	\$9,863	(\$31,659,313)
Net Fixed Assets (average)	\$33,185,789	\$0	\$33,185,789	(\$312,026)	\$32,873,763
Allowance for Working Capital	\$2,361,874	\$24,257	\$2,386,132	(\$14,744)	\$2,371,387
Total Rate Base	\$35,547,664	\$24,257	\$35,571,921	(\$326,770)	\$35,245,151

The Parties accept that NOTL Hydro has correctly calculated depreciation. Accounting for NOTL Hydro's most recent capital in-service addition forecast for 2023, and the changes to the capital in-service addition forecast for 2024 as agreed to by the Parties in the Settlement Conference, the depreciation amount is \$1,402,141.

Table 7. Summary of Change in Depreciation

OEB Account	OEB Account Description	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
1611	Computer Software (Formally known as Account 1925)	\$26,482	\$0	\$26,482	(\$4,571)	\$21,911
1815	Transformer Station Equipment >50 kV	\$211,898	\$0	\$211,898	\$0	\$211,898
1825	Storage Battery Equipment	\$49,751	\$0	\$49,751	\$0	\$49,751
1830	Poles, Towers & Fixtures	\$163,142	\$0	\$163,142	(\$833)	\$162,308
1835	Overhead Conductors & Devices	\$110,984	\$0	\$110,984	(\$500)	\$110,484
1840	Underground Conduit	\$91,286	\$0	\$91,286	(\$183)	\$91,103
1845	Underground Conductors & Devices	\$233,141	\$0	\$233,141	(\$264)	\$232,877
1850	Line Transformers	\$226,177	\$0	\$226,177	(\$694)	\$225,483
1855	Services (Overhead & Underground)	\$120,396	\$0	\$120,396	\$0	\$120,396
1860	Meters	\$171,524	\$0	\$171,524	\$0	\$171,524
1908	Buildings & Fixtures	\$35,650	\$0	\$35,650	(\$2,195)	\$33,455
1915	Office Furniture & Equipment (10 years)	\$4,314	\$0	\$4,314	\$0	\$4,314
1920	Computer Equipment - Hardware	\$15,063	\$0	\$15,063	(\$1,319)	\$13,745
1940	Tools, Shop & Garage Equipment	\$15,756	\$0	\$15,756	\$0	\$15,756
1980	System Supervisor Equipment	\$69,614	\$0	\$69,614	(\$5,000)	\$64,614
1985	Miscellaneous Fixed Assets	\$0	\$0	\$0	\$0	\$0
1990	Other Tangible Property	\$0	\$0	\$0	\$0	\$0
1995	Contributions & Grants	(\$127,476)	\$0	(\$127,476)	\$0	(\$127,476)
	Total	\$1,417,700	\$0	\$1,417,700	(\$15,559)	\$1,402,141

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

Original filing	Exhibit 2 Rate Base and Capital
Interrogatories	SEC Interrogatories #9-13, VECC #8-14, OEB staff #8-33
Pre-settlement questions	Staff 1-3, SEC 29-30, 32, VECC 57-59

2. OM&A

2.1 Are the proposed OM&A expenditures appropriate?

The Parties have agreed to reduce the OM&A expenditures from the proposed amount of \$3,571,884 to \$3,446,885, a reduction of \$125,000 to the total OM&A envelope. The table below summarizes the changes to the proposed OM&A from the initial application as determined by NOTL Hydro. The agreed upon reduction takes into consideration that NOTL Hydro moved from Cohort 3 productivity rating to Cohort 2 in 2021 and remained in Cohort 2 in 2022 and provides sufficient OM&A spending to maintain a safe and reliable distribution system.

Table 8. Summary of Operating Costs

Particulars	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
Operations	\$792,135	\$0	\$792,135	(\$7,778)	\$784,357
Maintenance	\$513,942	\$0	\$513,942	(\$17,681)	\$496,260
Subtotal - Operations & Maintenance	\$1,306,077	\$0	\$1,306,077	(\$25,459)	\$1,280,618
Billing and Collecting	\$800,299	\$0	\$800,299	(\$46,537)	\$753,762
Community Relations	\$0	\$0	\$0	\$0	\$0
Administrative and General	\$1,465,508	\$0	\$1,465,508	(\$53,003)	\$1,412,505
Total OMA	\$3,571,884	\$0	\$3,571,884	(\$125,000)	\$3,446,885

2.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?

The Parties have agreed that the proposed shared services cost allocation and its quantum is appropriate.

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

Original filing	Exhibit 4 OM&A
Interrogatories	SEC Interrogatories #17-23, VECC #20-31, OEB staff #37-45
Pre-settlement questions	SEC-31

3. Cost of Capital, PILs and Revenue Requirement

3.1 Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?

NOTL Hydro's filing uses the OEB approved deemed capital structure of 4% short term debt, 56% long term debt and 40% equity. The Parties have agreed that this is appropriate.

The Parties have agreed to the proposed return on equity (ROE), interest rate on short-term debt and calculated average rate of interest on long-term debt. No changes were made to these original proposals.

The Parties have also agreed that the ROE applicable to NOTL Hydro's cost of capital, the rate of interest applicable to the short-term debt and the rate of interest applicable to the balance of the Original Promissory Note will be updated to the OEB's approved rates for 2024 cost of service applications. Tables 9 and 10 below are based on the 2023 OEB Cost of Capital Parameters.

Table 9 – Long Term Debt

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Calculated Interest (\$)
Original Promissory Note	Town of NOTL	Affiliated	Fixed Rate	July 1, 2000	Open	\$1,087,664	4.88%	\$53,078
Infrastructure Ontario Loan	Infrastructure Ontario	Third-Party	Fixed Rate	February 15, 2011	15	\$216,667	4.27%	\$9,252
Town loan - transformer	Town of NOTL	Affiliated	Fixed Rate	February 1, 2015	10	\$402,512	3.50%	\$14,088
Town loan - capital projects	Town of NOTL	Affiliated	Fixed Rate	October 1, 2015	10	\$417,565	3.50%	\$14,615
Operating Loan 2016	CIBC	Third-Party	Fixed Rate	December 5, 2016	15	\$2,208,579	3.17%	\$69,968
Transformer Loan 2019	CIBC	Third-Party	Fixed Rate	August 1, 2019	15	\$2,358,174	2.27%	\$53,625
Operating Loan 2021	CIBC	Third-Party	Fixed Rate	May 10, 2021	15	\$2,695,493	3.37%	\$90,703
Operating Loan 2022	CIBC	Third-Party	Fixed Rate	September 2, 2022	15	\$2,847,430	4.75%	\$135,253
Operating Loan 2023	CIBC	Third-Party	Fixed Rate	July 1, 2023	15	\$3,000,000	4.75%	\$142,500
						\$15,234,084	3.83%	\$583,081

Table 10 – Cost of Capital

Particulars	Capitalization Ratio	Cost Rate	Return	
	Initial Application			
Debt	(%)	(\$)	(%)	(\$)
Long-term Debt	56.00%	\$19,906,692	3.83%	\$762,426
Short-term Debt	4.00%	\$1,421,907	4.79%	\$68,109
Total Debt	60.00%	\$21,328,598	3.89%	\$830,536
	Equity			
Common Equity	40.00%	\$14,219,065	9.36%	\$1,330,905
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$14,219,065	9.36%	\$1,330,905
Total	100.00%	\$35,547,664	6.08%	\$2,161,440
	Interrogatory Responses			
Debt	(%)	(\$)	(%)	(\$)
Long-term Debt	56.00%	\$19,920,276	3.83%	\$762,947
Short-term Debt	4.00%	\$1,422,877	4.79%	\$68,156
Total Debt	60.00%	\$21,343,153	3.89%	\$831,102
	Equity			
Common Equity	40.00%	\$14,228,768	9.36%	\$1,331,813
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$14,228,768	9.36%	\$1,331,813
Total	100.00%	\$35,571,921	6.08%	\$2,162,915
	Settlement Agreement			
Debt	(%)	(\$)	(%)	(\$)
Long-term Debt	56.00%	\$19,737,284	3.83%	\$755,938
Short-term Debt	4.00%	\$1,409,806	4.79%	\$67,530
Total Debt	60.00%	\$21,147,090	3.89%	\$823,468
	Equity			
Common Equity	40.00%	\$14,098,060	9.36%	\$1,319,578
Preferred Shares	0.00%	\$ -	0.00%	\$ -
Total Equity	40.00%	\$14,098,060	9.36%	\$1,319,578
Total	100.00%	\$35,245,151	6.08%	\$2,143,046

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

Original submission	Exhibit 5 Cost of Capital
Interrogatories	SEC-24
Pre-settlement questions	none

3.2 Is the proposed PILs (or Tax) amount appropriate?

The Parties accept NOTL Hydro's forecast of property taxes for the Test Year as appropriate.

The Parties agree that the methodology used by NOTL Hydro to calculate PILs is appropriate recognizing that the actual PILs balance will change from the original proposal due to other Settled Items. NOTL Hydro has calculated the final proposed grossed up PILs as \$116,981.

Table 11. PILs Summary

Particulars	Application	Interrogatory Response	Settlement Agreement
<u>Determination of Taxable Income</u>			
Utility net income before taxes	\$1,330,905	\$1,331,813	\$1,319,578
Adjustments required to arrive at	(\$895,445)	(\$900,829)	(\$885,417)
Taxable income	\$435,460	\$430,984	\$434,162
<u>Calculation of Utility income Taxes</u>			
Income taxes	\$105,957	\$91,980	\$92,151
Total taxes	\$105,957	\$91,980	\$92,151
Gross-up of Income Taxes	\$34,072	\$24,957	\$24,829
Grossed-up Income Taxes	\$140,029	\$116,937	\$116,981
Income taxes + Capital taxes)	\$140,029	\$116,937	\$116,981
Other tax Credits	\$ -	\$ -	\$ -
<u>Tax Rates</u>			
Federal tax (%)	12.83%	12.84%	12.79%
Provincial tax (%)	11.50%	8.51%	8.44%
Total tax rate (%)	24.33%	21.34%	21.23%

The agreed upon methodology includes a reduction in the tax rate for small businesses with taxable capital below \$50 million (i.e. similar to the small business deduction for actual tax purposes). This reduction has been applied to the PILs expense based on a utility stand-alone basis, consistent with OEB policy which requires LDCs to determine their PILs as if they are a stand-alone entity. For actual tax filing purposes, NOTL Hydro does not actually qualify for this reduction due to the requirement for taxable capital to be determined based on NOTL Hydro and any associated companies' (i.e. the Town of NOTL) taxable capital. This requirement increases NOTL Hydro's taxable capital to above the \$50 million threshold.¹ NOTL Hydro believes the stand-alone policy is discriminatory to smaller LDCs as none will actually qualify for the reduction yet will have their PILs expense set as if they do. Meanwhile, LDCs with taxable capital above \$50 million will have PILs expense set in line with their actual experience which is with no reduction. A letter summarizing NOTL Hydro's concerns regarding this issue will be sent to the OEB. While the Parties have agreed to the inclusion of NOTL Hydro's commentary in this Settlement Proposal, that should not be interpreted as agreement of Intervenors with NOTL Hydro's views.

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

Original filing	Exhibit 6 pages 10-14
Interrogatories	Staff 46-47
Pre-settlement questions	Staff question 4

3.3 Is the proposed Other Revenue forecast appropriate?

The Parties have agreed that the updated Other Revenue forecast provided in the interrogatory responses is appropriate.

Table 12. Other Revenues and Revenue Offsets

Particulars	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
Miscellaneous Service Revenues	\$97,654	\$0	\$97,654	\$0	\$97,654
Late Payment Charges	\$33,156	\$0	\$33,156	\$0	\$33,156
Other Operating Revenues	\$394,866	\$7,202	\$402,068	\$0	\$402,068
Other Income or Deductions	\$83,004	\$0	\$83,004	\$0	\$83,004
Total Revenue Offsets	\$608,681	\$7,202	\$615,882	\$0	\$615,882

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

Original filing	Exhibit 6 pages 14-18
Interrogatories	VECC 32-33
Pre-settlement questions	None

¹ The [small business deduction](#) (SBD) is phased out for Canadian-controlled private corporations (CCPCs) (including associated corporations) with taxable capital employed in Canada of more than \$10 million in the previous tax year.

3.4 Have all the impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of these impacts appropriate?

The Parties agree that the impacts of any changes in accounting standards, policies, estimates and adjustments have been properly identified and recorded, and the rate-making treatment of these impacts is appropriate.

3.5 Is the proposed calculation of the Revenue Requirement appropriate?

The Parties agree that the methodology used by NOTL Hydro to calculate the Revenue Requirement is appropriate recognizing that the actual Revenue Requirement will change from the original proposal due to other Settled Items. NOTL Hydro has calculated the final proposed Base Revenue Requirement as \$6,536,554.

Table 13 - Revenue Requirement

Particulars	Application	Interrogatory Responses	Settlement Agreement
OM&A Expenses	\$3,571,884	\$3,571,884	\$3,446,885
Amortization/Depreciation	\$1,417,700	\$1,417,700	\$1,402,141
Property Taxes	\$43,384	\$43,384	\$43,384
Income Taxes (Grossed up)	\$140,029	\$116,937	\$116,981
Other Expenses	\$ -	\$ -	\$ -
Return			
Deemed Interest Expense	\$830,536	\$831,102	\$823,468
Return on Deemed Equity	\$1,330,905	\$1,331,813	\$1,319,578
Service Revenue Requirement (before Revenue Offsets)	\$7,334,438	\$7,312,821	\$7,152,437
Revenue Offsets	\$608,681	\$615,882	\$615,882
Base Revenue Requirement¹	\$6,725,757	\$6,696,938	\$6,536,554
Distribution revenue	\$6,725,757	\$6,696,938	\$6,536,554
Other revenue	\$608,681	\$615,882	\$615,882
Total revenue	\$7,334,438	\$7,312,821	\$7,152,437
1. Excluding Transformer Ownership Allowance Credit Adjustment.			

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

Original filing	Exhibit 6 pages 3-9
Interrogatories	None
Pre-settlement questions	None

4. Load Forecast

4.1 Is the proposed load forecast methodologies and the resulting load forecasts appropriate?

Customer/Connection Forecast

The Parties have agreed the 2024 customer/connection count as filed and updated should be increased by 46 streetlights based on the estimated impact of residential customer growth and that with this change it is a reasonable forecast of customer/connection count for use in setting rates.

Table 14 – Customer/Connection Forecast

Rate Class	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
Residential	8,404	0	8,404	0	8,404
General Service < 50kW	1,523	0	1,523	0	1,523
General Service >= 50kW	127	5	132	0	132
Large User	1	0	1	0	1
Unmetered Scattered Load	60	7	67	0	67
Street Lighting Connections	2,254	31	2,285	46	2,331

Load Forecast

The Parties have agreed with NOTL Hydro's load forecast as updated following interrogatories and pre-settlement questions, with the addition of a COVID variable and formula correction, subject to the increase in the streetlight count. The revised load forecast as determined by NOTL Hydro is shown in the table below.

Table 15 – Load Forecast (kWh) for 2024

Customers / Connections					
Rate Class	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
Residential	8,404	0	8,404	0	8,404
General Service < 50kW	1,523	0	1,523	0	1,523
General Service >= 50kW	127	5	132	0	132
Large User	1	0	1	0	1
Unmetered Scattered Load	60	7	67	0	67
Street Lighting Connections	2,254	31	2,285	46	2,331
Total	12,368	43	12,411	46	12,457
Consumption kWh					
Rate Class	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
Residential	79,654,824	77,302	79,732,127	(407,181)	79,324,945
General Service < 50kW	45,316,433	43,978	45,360,411	(231,650)	45,128,762
General Service >= 50kW	86,743,031	1,049,840	87,792,872	0	87,792,872
Large User	39,420,000	4,380,000	43,800,000	0	43,800,000
Unmetered Scattered Load	379,083	44,226	423,310	0	423,310
Street Lighting Connections	563,345	7,748	571,093	11,497	582,590
Total	252,076,717	5,603,095	257,679,812	(627,334)	257,052,478
Consumption KW					
Rate Class	Initial Application	Adjustments	Interrogatory Response	Adjustments	Settlement Proposal
Residential	0	0	0	0	0
General Service < 50kW	0	0	0	0	0
General Service >= 50kW	221,036	2,737	223,773	0	223,773
Large User	60,000	0	60,000	0	60,000
Unmetered Scattered Load	0	0	0	0	0
Street Lighting Connections	1,572	19	1,591	35	1,626
Total	282,608	2,756	285,364	35	285,398

The updated Load Forecast model is attached as Appendix “C”.

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

Initial filing	Exhibit 3
Interrogatories	SEC #14-16, VECC #15-19, Staff #34-36
Pre-settlement questions	VECC 52-55

5. Cost Allocation, Rate Design, and Other Charges

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

The Parties agree the proposed cost allocation methodology, allocations and revenue-to-cost ratios are appropriate. NOTL Hydro's calculation of the final cost allocation, reflecting the Settled Items, and proposed revenue-to-cost ratios are provided below in Tables 16 and 17. The updated Cost Allocation Model is attached as Appendix "F".

Table 16 - Table Revenue to Cost Ratios

Rate Class	Proposed Revenue to Cost Ratio	Policy Range
Residential	0.9053	85 - 115
General Service < 50kW	1.1340	80 - 120
General Service >= 50kW	1.1267	80 - 120
Large User	1.0007	85 - 115
Unmetered Scattered Load	1.1869	80 - 120
Street Lighting Connections	1.4036	80 - 120

Table 17 - Summary of Cost Allocation

	Total	1 Residential	2 GS <50	3 GS>50-Regular	6 Large Use >5MW	7 Street Light	9 Unmetered Scattered Load
Distribution Revenue at Existing Rates	\$6,079,206	\$3,224,031	\$1,378,002	\$1,058,592	\$171,714	\$225,490	\$21,378
Miscellaneous Revenue (mi)	\$615,882	\$395,596	\$108,682	\$78,866	\$11,088	\$19,463	\$2,188
Miscellaneous Revenue Input equals Output							
Total Revenue at Existing Rates	\$6,695,089	\$3,619,627	\$1,486,684	\$1,137,458	\$182,802	\$244,953	\$23,565
Factor required to recover deficiency (1 + D)	1.0752						
Distribution Revenue at Status Quo Rates	\$6,536,554	\$3,466,579	\$1,481,671	\$1,138,232	\$184,632	\$242,454	\$22,986
Miscellaneous Revenue (mi)	\$615,882	\$395,596	\$108,682	\$78,866	\$11,088	\$19,463	\$2,188
Total Revenue at Status Quo Rates	\$7,152,437	\$3,862,176	\$1,590,353	\$1,217,097	\$195,720	\$261,917	\$25,173
Expenses							
Distribution Costs (di)	\$1,060,158	\$672,725	\$199,698	\$130,748	\$27,482	\$26,508	\$2,997
Customer Related Costs (cu)	\$974,222	\$693,974	\$135,305	\$108,787	\$771	\$31,414	\$3,971
General and Administration (ad)	\$1,455,889	\$965,986	\$244,753	\$176,651	\$22,405	\$41,176	\$4,918
Depreciation and Amortization (dep)	\$1,402,141	\$773,221	\$307,038	\$240,017	\$47,480	\$31,012	\$3,373
PILs (INPUT)	\$116,981	\$60,067	\$26,691	\$21,946	\$5,044	\$2,924	\$308
Interest	\$823,468	\$422,835	\$187,889	\$154,486	\$35,505	\$20,584	\$2,168
Total Expenses	\$5,832,858	\$3,588,809	\$1,101,375	\$832,635	\$138,686	\$153,618	\$17,735
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Net Income (NI)	\$1,319,578	\$677,579	\$301,086	\$247,559	\$56,895	\$32,985	\$3,474
Revenue Requirement (includes NI)	\$7,152,437	\$4,266,388	\$1,402,461	\$1,080,194	\$195,581	\$186,604	\$21,209
Revenue Requirement Input equals Output							
Rate Base Calculation							
Net Assets							
Distribution Plant - Gross	\$70,801,236	\$39,667,573	\$15,221,436	\$11,534,021	\$2,184,501	\$1,998,183	\$195,521
General Plant - Gross	\$9,533,162	\$5,260,032	\$2,064,872	\$1,605,171	\$333,833	\$243,968	\$25,287
Accumulated Depreciation	(\$31,659,313)	(\$17,600,884)	(\$6,880,266)	(\$5,176,950)	(\$923,418)	(\$981,760)	(\$91,235)
Capital Contribution	(\$15,801,321)	(\$10,337,698)	(\$2,938,278)	(\$1,849,804)	(\$200,616)	(\$431,958)	(\$42,967)
Total Net Plant	\$32,873,763	\$16,989,223	\$7,467,765	\$6,112,438	\$1,394,300	\$823,433	\$86,605
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Power (COP)	\$28,128,230	\$8,707,130	\$4,937,151	\$9,589,738	\$4,784,335	\$63,637	\$46,239
OM&A Expenses	\$3,490,269	\$2,332,685	\$579,756	\$416,186	\$50,657	\$99,098	\$11,885
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$31,618,499	\$11,039,815	\$5,516,907	\$10,005,924	\$4,834,992	\$162,735	\$58,124
Working Capital	\$2,371,387	\$827,986	\$413,768	\$750,444	\$362,624	\$12,205	\$4,359
Total Rate Base	\$35,245,151	\$17,817,210	\$7,881,533	\$6,862,882	\$1,756,924	\$835,638	\$90,965
Rate Base Input equals Output							
Equity Component of Rate Base	\$14,098,060	\$7,126,884	\$3,152,613	\$2,745,153	\$702,770	\$334,255	\$36,386
Net Income on Allocated Assets	\$1,319,578	\$273,367	\$488,978	\$384,462	\$57,034	\$108,298	\$7,439
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$1,319,578	\$273,367	\$488,978	\$384,462	\$57,034	\$108,298	\$7,439
RATIOS ANALYSIS							
REVENUE TO EXPENSES STATUS QUO%	100.00%	90.53%	113.40%	112.67%	100.07%	140.36%	118.69%
EXISTING REVENUE MINUS ALLOCATED COSTS	(\$457,348)	(\$646,761)	\$84,223	\$57,264	(\$12,779)	\$58,349	\$2,357
Deficiency Input equals Output							
STATUS QUO REVENUE MINUS ALLOCATED COSTS	\$0	(\$404,212)	\$187,892	\$136,903	\$139	\$75,313	\$3,965
RETURN ON EQUITY COMPONENT OF RATE BASE	9.36%	3.84%	15.51%	14.01%	8.12%	32.40%	20.44%

The Parties agree that in its next Cost of Service application, NOTL Hydro will develop its own load profile using updated NOTL Hydro customer data.

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

Initial filing
Interrogatories

Exhibit 7
Sec-25, VECC #34-41, Staff #48-50

Pre-settlement questions None

5.2 Is the proposed rate design, including the fixed/variable splits, appropriate?

The Parties have agreed that the rate design is appropriate.

NOTL Hydro had originally proposed to keep the fixed/variable ratio constant in its rate design. Instead, as part of the Settlement Proposal, the Parties agreed that NOTL Hydro would follow OEB policy and the results of the cost allocation model in designing its fixed/variable split. The result allocates all the increase to the variable rates as the fixed rates from the Cost Allocation Model are lower than NOTL Hydro's current approved fixed rates, for all classes except the Unmetered Scattered Load class. The fixed rate for the Unmetered Scattered Load class was increased to a maximum value of \$24.98 as per tab O2 of the cost allocation model. The results are shown below in Tables 18 and 19. The distribution rates below are shown as if all changes are being implemented in 2024 whereas under the agreed rate mitigation approach (see Issue 5.6) NOTL Hydro will phase in the changes over two years.

Table 18 – Summary of Calculated Distribution Rates

Rate Class	Customers / Connections				Distribution Rates (no mitigation)	
	Volumetric Charge Determinant	Customers / Connections	kWh	kW or kVa	Monthly Service Charge	Volumetric Rate
Residential	n/a	8,404	79,324,945	0	\$34.38	\$0.0000
General Service < 50kW	kWh	1,523	45,128,762	0	\$43.56	\$0.0152
General Service >= 50kW	kW	132	87,792,872	223,773	\$311.31	\$2.9616
Large User	kW	1	43,800,000	60,000	\$4,080.99	\$2.8210
Unmetered Scattered Load	kWh	67	423,310	0	\$24.98	\$0.0069
Street Lighting Connections	kW	2,331	582,590	1,626	\$7.95	\$12.3492

Table 19 – Summary of Fixed Variable Splits

Rate Class	Customers / Connections				Total Class Revenue Requirement	Distribution Rates (no mitigation)		Fixed / Variable Split	
	Volumetric Charge Determinant	Customers / Connections	kWh	kW or kVa		Monthly Service Charge (no mitigation)	Volumetric Rate (no mitigation)	Fixed	Variable
Residential	n/a	8,404	79,324,945	0	\$3,466,579	\$3,466,579	\$0	100.00%	0.00%
General Service < 50kW	kWh	1,523	45,128,762	0	\$1,481,671	\$795,841	\$685,830	53.71%	46.29%
General Service >= 50kW	kW	132	87,792,872	223,773	\$1,138,232	\$491,714	\$646,517	43.20%	56.80%
Large User	kW	1	43,800,000	60,000	\$184,632	\$48,972	\$135,660	26.52%	73.48%
Unmetered Scattered Load	kWh	67	423,310	0	\$22,986	\$20,082	\$2,904	87.37%	12.63%
Street Lighting Connections	kW	2,331	582,590	1,626	\$242,454	\$222,377	\$20,076	91.72%	8.28%

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

Initial filing	Exhibit 8 pages 3-7
Interrogatories	Sec-#26-27, VECC #42-51, Staff #51-55
Pre-settlement questions	None

5.3 Are the proposed Retail Transmission Service Rates appropriate?

The Parties agree that the proposed Retail Transmission Service Rates (RTSRs) are appropriate.

Table 20 – Proposed RTSRs

The purpose of this table is to update the re-aligned RTS Network Rates to recover future wholesale network costs.								
Rate Class	Rate Description	Unit	Adjusted RTSR- Network	Loss Adjusted Billed kWh	Billed kW	Billed Amount	Billed Amount %	Forecast Wholesale Billing
Residential	RTSR - Network	\$/kWh	0.0104	80,969,904		842,614	37.9%	825,150
General Service < 50kW	RTSR - Network	\$/kWh	0.0094	46,064,595		435,292	19.6%	426,270
General Service >= 50kW	RTSR - Network (interval)	\$/kW	4.1712		225,603	941,040	42.3%	921,536
Unmetered Scattered Load	RTSR - Network	\$/kWh	0.0094	327,140		3,091	0.1%	3,027
Street Lighting Connections	RTSR - Network (interval)	\$/kW	2.9102		786	2,287	0.1%	2,240
The purpose of this table is to update the re-aligned RTS Connection Rates to recover future wholesale connection costs.								
Rate Class	Rate Description	Unit	Adjusted RTSR- Connection	Loss Adjusted Billed kWh	Billed kW	Billed Amount	Billed Amount %	Forecast Wholesale Billing
Residential	RTSR - Connection	\$/kWh	0.0013	80,969,904		109,292	26.8%	106,888
General Service < 50kW	RTSR - Connection	\$/kWh	0.0013	46,064,595		62,177	15.3%	60,810
General Service >= 50kW	RTSR - Connection (interval)	\$/kW	1.0053		234,060	235,289	57.7%	230,113
Unmetered Scattered Load	RTSR - Connection	\$/kWh	0.0013	327,140		442	0.1%	432
Street Lighting Connections	RTSR - Connection (interval)	\$/kW	0.3231		1,572	508	0.1%	497

* The table above excludes the Large Use Category.

The Parties agree that the Large Use customer RTSRs will be the current Uniform Transmission Rates (UTR).

Network Service Rate	\$5.37 per kW
Line Connection Service Rate	\$0.88 per kW

NOTL Hydro is not charged a Transformation Connection Service Charge.

NOTL Hydro provides a 1% discount on demand charges to customers that own their own primary transformers. The Parties agree that this discount will not apply to the Large Use customer RTSRs.

The Parties agree that should the UTRs be updated prior to the final approval of this application, then all the NOTL Hydro RTSR rates will be updated.

As also confirmed in item 7.3 below, the Parties agree, that subsequent to the approval of this Settlement Proposal, any future changes to the Large Use customer RTSRs due to changes in the UTR rates will require OEB approval.

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

Exhibit 8	Exhibit 8 pages 7-10
Interrogatories	None
Pre-settlement questions	None

5.4 Are the proposed loss factors appropriate?

The Parties agree that the proposed loss factors are appropriate.

Total Loss Factor – Secondary Metered Customer < 5,000 kW 1.0374
Total Loss Factor – Secondary Metered Customer > 5,000 kW 1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW 1.0274
Total Loss Factor – Primary Metered Customer > 5,000 kW 1.0045

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

Exhibit 8	Exhibit 8 pages 15-17
Interrogatories	None
Pre-settlement questions	None

5.5 Are the Specific Service Charges and Retail Service Charges appropriate?

The Parties agree the updated Specific Service Charges as originally filed and Retail Service Charges as filed with the interrogatory responses are appropriate. See Table 21. NOTL Hydro will update the Retail Service Charges and Pole Attachment Charge to reflect the OEB's approved charges for 2024, if available at the time the final rate order is issued.

Table 21 - Specific Service Charges

		Current	Proposed
Customer Administration			
Arrears certificate	\$	15.00	15.00
Statement of account	\$	15.00	15.00
Pulling post dated cheques	\$	15.00	15.00
Duplicate invoices for previous billing	\$	15.00	15.00
Request for other billing information	\$	15.00	15.00
Easement letter	\$	15.00	15.00
Account history	\$	15.00	15.00
Credit check (plus credit agency costs)	\$	15.00	15.00
Returned cheque (plus bank charges)	\$	15.00	15.00
Charge to certify cheque	\$	15.00	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00	30.00
Special meter reads	\$	30.00	115.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	190.00	145.00
Non-Payment of Account			
Late payment - per month (effective annual rate 19.56% per annum or 0.04896% compounded daily)	%	1.50	1.50
Reconnection at meter - during regular hours	\$	95.00	115.00
Reconnection at meter - after regular hours	\$	320.00	415.00
Reconnection at pole - during regular hours	\$	185.00	225.00
Reconnection at pole - after regular hours	\$	610.00	810.00
Other			
Service call - customer-owned equipment - during regular hours	\$	30.00	225.00
Service call - customer-owned equipment - after regular hours	\$	320.00	810.00
Temporary service - install & remove - overhead - no transformer	\$	Variable	Variable
Temporary service - install & remove - underground - no transformer	\$	Variable	Variable
Temporary service - install & remove - overhead - with transformer	\$	Variable	Variable

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

Exhibit 8	Exhibit 8 pages 11-15
Interrogatories	None
Pre-settlement questions	None

5.6 Are rate mitigation proposals required and appropriate?

Although no rate mitigation proposals are required under OEB policies, as part of its original Application, NOTL Hydro proposed to implement its distribution rate increases over two years in each of its customer classes. The Parties have agreed to this proposal.

As part of this settlement proposal, NOTL Hydro will calculate the proposed 2024 fixed and variable distribution rates that represent 50% of the final proposed rate increase. NOTL

Hydro will also calculate the revised base rates for fixed and variable distribution rates in 2025; also representing 50% of the total increase agreed to by the Parties. These resulting 2025 base rates will be used as the starting point to calculate the 2025 rates under the regular IRM process with the inflation adjustment at the OEB approved inflation rate less the NOTL Hydro productivity factor. The updated 2024 Tariff Schedule and Bill Impact Model is attached as Appendix "D".

It is estimated by NOTL Hydro that this rate mitigation proposal will save its customers \$228,674. NOTL Hydro is not seeking to recover its lost revenue from this rate mitigation proposal.

Table 22 – 2024 Distribution Rates and 2025 Base Rates

Rate Class	2024 Rates (mitigated)		2025 Base Rates	
	Monthly Service Charge	Volumetric Rate	Monthly Service Charge	Volumetric Rate
Residential	\$33.17	\$0.0000	\$34.38	\$0.0000
General Service < 50kW	\$43.56	\$0.0140	\$43.56	\$0.0152
General Service >= 50kW	\$311.31	\$2.7836	\$311.31	\$2.9616
Large User	\$4,080.99	\$2.7134	\$4,080.99	\$2.8210
Unmetered Scattered Load	\$24.20	\$0.0064	\$24.98	\$0.0069
Street Lighting Connections	\$7.95	\$7.1318	\$7.95	\$12.3492

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

Exhibit 8	Exhibit 8 page 21
Interrogatories	None
Pre-settlement questions	VECC-56

6. Deferral and Variance Accounts

6.1 Are the proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts, requests for discontinuation of accounts and continuation of existing accounts, appropriate?

Clearance of Group 1 and Group 2 Accounts

The Parties agree that the proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts, requests for discontinuation of accounts and continuation of existing accounts, are appropriate as filed, with three exceptions. The changes from the filing are that the Parties have agreed that NOTL Hydro will not clear the OEB Cost Assessment Variance Account (\$15,595.68), the Customer Choice Variance Account (\$17,801.41) and the Green Button account (\$333.62), because the balances in those Group 2 accounts do not meet the relevant materiality threshold of \$50,000. In addition, the Parties agreed that account 1508 OEB

Costs Assessment Variance Account and account 1508 Customer Choice Variance Account will be discontinued.

The Parties agree that the balance in account 1576 will be disposed of on a final basis and the account will be discontinued.

The Parties agree that the Group 1 balances are disposed of on a final basis consistent with OEB policy and that the remaining Group 2 balances are settled on a final basis.

The Parties agree that the recovery period for all Group 1 and Group 2 deferral and variance account rate riders will be 1 year.

The updated DVA Continuity Schedule has been attached as Appendix “E”.

The Accounting Order for the Large User Variance Account, which was included in the original proposal, is attached as Appendix “I”. The amounts recorded in this account are the differences between actual revenue collected from the Large Use Customers and the amount of revenue associated with a monthly billing demand of 5,000 kW, based on the approved fixed and variable rates in effect during the period. NOTL Hydro books variances monthly to this account pursuant to the attached Accounting Order. The Parties agreed to the continuation of this account.

Table 23 – Variance Account Dispositions

Account Description	USoA	Closing Principal Balance as of Dec 31, 2022	Closing Interest Balance as of Dec 31, 2022	OEB- Approved Disposition during 2023	Closing Balance as of Dec 31, 2022 adjusted for 2023 OEB approved dispositions	Projected Interest for 2023 on 2022 balance adjusted for dispositions during 2023	Total Claim Proposed for Disposition	Account to be continued / discontinued
Smart Metering Entity Charge Variance Account	1551	(33,439.11)	(409.14)	6,225.14	(27,623.11)	(1,343.52)	(28,966.63)	Continue
RSVA - Wholesale Market Service Charge	1580	572,644.51	9,209.83	(147,337.96)	434,516.38	21,032.89	455,549.27	Continue
Variance WMS – Sub-account CBR Class B	1580	(43,669.55)	(950.72)	24,020.19	(20,600.08)	(988.21)	(21,588.29)	Continue
RSVA - Retail Transmission Network Charge	1584	455,487.28	6,810.33	(150,315.41)	311,982.20	15,127.60	327,109.80	Continue
RSVA - Retail Transmission Connection Charge	1586	(29,481.65)	(1,250.19)	66,449.55	35,717.71	1,749.47	37,467.18	Continue
RSVA - Power	1588	40,665.76	744.10	(19,843.54)	21,566.32	1,048.10	22,614.42	Continue
RSVA - Global Adjustment	1589	34,564.59	268.35	(4,679.08)	30,153.86	1,459.67	31,613.53	Continue
Total of Group 1 Accounts (including 1589)		1,057,993.32	48,671.13	(282,557.44)	824,107.01	39,036.26	823,799.28	
Other Regulatory Assets - Sub-Account - Pole Attachments	1508	5,649.81	(1,207.61)	-	4,442.20	277.83	4,720.03	Continue
Other Regulatory Assets - Sub-Account - Large Use	1508	110,020.75	866.72	14,028.97	124,916.44	6,083.58	131,000.02	Continue
Retail Cost Variance Account - Retail	1518	8,590.14	607.76	-	9,197.90	422.42	9,620.32	Discontinue
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522	-	(8,949.73)	-	(8,949.73)	-	(8,949.73)	Continue
Retail Cost Variance Account - STR	1548	9,595.87	682.71	-	10,278.58	471.88	10,750.46	Discontinue
Group 2 Sub-Total		166,376.86	(6,789.73)	14,028.97	173,616.10	8,854.89	147,141.10	
Accounting Changes Under CGAAP Balance + Return Component	1576	145,840.36	-	-	145,840.36	-	145,840.36	Discontinue
Total		1,378,664.54	42,061.40	(277,162.47)	1,143,563.47	47,891.16	1,116,780.73	

Table 24 - Deferral/Variance Account Balances and Rate Riders

Rate Rider Calculation for Group 1 Deferral / Variance Accounts Balances (excluding Global Adj.) 1550, 1551, 1584, 1586, 1595, 1580 and 1588				
Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 1 Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL	kWh	79,324,945	\$235,541	0.0030
GENERAL SERVICE LESS THAN 50 KW	kWh	45,128,762	\$143,511	0.0032
GENERAL SERVICE 50 TO 4,999 KW	kW	223,773	\$287,827	1.2862
LARGE USE	kW	60,000	\$143,597	2.3933
UNMETERED SCATTERED LOAD	kWh	423,310	\$1,388	0.0033
STREET LIGHTING	kW	1,626	\$1,910	1.1749
Total			\$813,774	
Rate Rider Calculation for Account 1580, sub-account CBR Class B 1580, Sub-account CBR Class B				
Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Sub- account 1580 CBR Class B Balance	Rate Rider for Sub- account 1580 CBR Class B
RESIDENTIAL	kWh	79,324,945	(\$8,158)	(0.0001)
GENERAL SERVICE LESS THAN 50 KW	kWh	45,128,762	(\$4,641)	(0.0001)
GENERAL SERVICE 50 TO 4,999 KW	kW	208,892	(\$8,507)	(0.0407)
LARGE USE	kW	-	\$0	0.0000
UNMETERED SCATTERED LOAD	kWh	423,310	(\$44)	(0.0001)
STREET LIGHTING	kW	1,626	(\$60)	(0.0369)
Total			(\$21,410)	
Rate Rider Calculation for RSVA Global Adjustment Balance of Account 1589 Allocated to Non-WMPs				
Rate Class (Enter Rate Classes in cells below)	Units	kWh	Allocated Global Adjustment Balance	Rate Rider for RSVA - Power - Global Adjustment
RESIDENTIAL	kWh	825,651	\$319	0.0004
GENERAL SERVICE LESS THAN 50 KW	kWh	4,819,814	\$1,860	0.0004
GENERAL SERVICE 50 TO 4,999 KW	kWh	73,406,928	\$28,330	0.0004
LARGE USE	kWh	-	\$0	-
UNMETERED SCATTERED LOAD	kWh	158,105	\$61	0.0004
STREET LIGHTING	kWh	509,254	\$197	0.0004
Total			\$30,766	
Rate Rider Calculation for Group 2 Accounts Please indicate the Rate Rider Recovery Period (in months)				
			12	
Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
RESIDENTIAL	# of Customers	8,404	\$86,114	\$ 0.85
GENERAL SERVICE LESS THAN 50 KW	kWh	45,128,762	\$32,254	\$ 0.0007
GENERAL SERVICE 50 TO 4,999 KW	kW	223,773	\$20,841	\$ 0.0931
LARGE USE	kW	60,000	\$2,311	\$ 0.0385
UNMETERED SCATTERED LOAD	kWh	423,310	\$597	\$ 0.0014
STREET LIGHTING	kW	1,626	\$5,024	\$ 3.0903
Total			\$147,141	
Rate Rider Calculation for Accounts 1575 and 1576 Please indicate the Rate Rider Recovery Period (in months)				
			12	
Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Accounts 1575 and 1576 Balances	Rate Rider for Accounts 1575 and 1576
RESIDENTIAL	# of Customers	8,404	\$45,006	0.4463
GENERAL SERVICE LESS THAN 50 KW	kWh	45,128,762	\$25,604	0.0006
GENERAL SERVICE 50 TO 4,999 KW	kW	223,773	\$49,810	0.2226
LARGE USE	kW	60,000	\$24,850	0.4142
UNMETERED SCATTERED LOAD	kWh	423,310	\$240	0.0006
STREET LIGHTING	kW	1,626	\$331	0.2033
Total			\$145,840	

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

Exhibit 8	Exhibit 9
Interrogatories	SEC #28, Staff #56-62
Pre-settlement questions	None

7. Other

7.1 Is the proposed effective date appropriate?

The Parties agree that the proposed effective date of January 1, 2024 is appropriate.

7.2 Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?

The Parties agree that the applicant has responded appropriately to all relevant OEB directions from previous proceedings.

7.3 Is the applicant's proposal to have the Large Use customer Retail Transmission Service Rate automatically change to match changes in the Uniform Transmission Rates appropriate?

The Parties have agreed that the Applicant will apply to the OEB for any future changes to the Large Use customer RTSR either as part of an IRM or as a stand-alone application.

Appendix “A” - NOTL 2024 Rev Reqt Workform 20230825

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

Appendix “B”- NOTL 2024 Filing Requirements Chapter 2 Appendices 20230825

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

Appendix “C” - NOTL 2024 Load Forecast Model 20230825

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

Appendix “D”- NOTL 2024 Tariff Schedule and Bill Impact Model 20230825

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

Appendix “E”- NOTL 2024 DVA Continuity Schedule CoS 20230825

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

Appendix “F” - NOTL 2024 Cost Allocation Model 20230825

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

Appendix “G” - NOTL 2024 Test Year Income Tax PILs 20230825

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

Appendix “H” - NOTL 2024 Benchmarking Spreadsheet Forecast model 20230825

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

Appendix “I” - NOTL Hydro Large Use customer variance account Accounting Order

Niagara-on-the-Lake Hydro

Inc. ACCOUNTING ORDER

Large Use Customer Revenue Variance
Account

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

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

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

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

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

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

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

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

Dr. 4080 Distribution Revenue
Cr. 1100 Customer Accounts Receivable

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

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

Dr. 1100 Customer Accounts Receivable
Cr. 4080 Distribution Revenue

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

Within each customer class it will be allocated across customers based on allocators consistent with the disbursement of other Group 2 balances. Specifically;

Residential Service Classification be a Fixed rate

General Service less than 50kW Service Classification be based on kWh

General Service 50 to 4,999 kW Service Classification be based on kW

Unmetered Scattered Load Service Classification be based on kWh

Street Lighting Service Classification be based on kW

Appendix “J” - NOTL 2024 GA Analysis Workform 20230825

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