

**EB-2023-0049**

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

**AND IN THE MATTER OF** an application by  
Renfrew Hydro Inc.  
For an order approving just and reasonable rates and  
Other charges for electricity distribution beginning  
January 1, 2024.

**Renfrew Hydro Inc.**

**Settlement Proposal**

Filed: September 29, 2023

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## LIST OF ATTACHMENTS

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

1. OEB Chapter 2 Appendices
2. Revenue Requirement Workform
3. Income Tax PILs Model
4. Load Forecast Model
5. Cost Allocation Model
6. DVA Continuity Schedule
7. RTSR Model
8. Tariff Schedule and Bill Impact Model
9. Proposed Tariff of Rates and Charges

## SETTLEMENT PROPOSAL

Renfrew Hydro Inc. (the Applicant or RHI) filed a Cost-of-Service application with the Ontario Energy Board (the OEB) on May 24, 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 RHI charges for electricity distribution, to be effective January 1, 2024 (OEB file number EB-2023-0049) (the Application).

The OEB issued a Letter of Direction and Notice of Application on June 14, 2023. In Procedural Order No. 1, dated July 7, 2023, the OEB approved the Vulnerable Energy Consumers Coalition (VECC) as an intervenor.

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

On July 12, 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 July 25, 2023.

RHI filed most of its interrogatory responses with the OEB on August 24, 2023, with the remainder having been filed on August 28, 2023.

The Settlement Conference was convened on September 5, 2023 in accordance with the OEB's Rules of Practice and Procedure (the Rules) and the OEB's Practice Direction on Settlement Conferences. VECC and OEB Staff participated in the Settlement Conference. Pursuant to the direction from the OEB on August 9, 2023, OEB Staff's participation in the Settlement Conference was as a party.

Andrew Pride acted as the facilitator for the Settlement Conference.

RHI, VECC and OEB Staff (collectively referred to as the Parties), reached a full, comprehensive settlement regarding RHI'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.

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, including responses to Pre-Settlement Clarification questions (Clarification Responses). The Parties acknowledge that the attachments were prepared by RHI. The Parties have reviewed the attachments and are relying on the accuracy of the attachments and the underlying evidence in entering into this Settlement Proposal.

For ease of reference, this Settlement Proposal follows the format of the final approved Issues List.

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

## SUMMARY

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

In reaching this Settlement Proposal, the Parties have been guided by the Filing Requirements for 2024 rates and the approved Issues List.

The Parties have described below, in detail, areas where they have settled an issue by agreeing to adjustments to the Application as updated.

This Settlement Proposal will, if accepted, result in a total bill increase of \$6.97 per month for the typical residential customer consuming 750 kWh per month.

The financial impact of the Settlement Proposal is to reduce the total revenue requirement requested of \$2,717,112 by 28,701 to \$2,688,411. The result is an increase the total base revenue requirement by \$571,968. The Parties noted the improving trend of Renfrew Hydro's cost bench marking results as shown in the PEG forecasting model and acknowledge how they are working towards moving from Cohort 3 to Cohort 2. The agreement contemplates updates to the deemed ROE, Long Term Debt Rate and deemed Short Term Debt Rate as discussed under issue 3.1 (Cost of Capital), and, if applicable, updated Retail Transmission Service Rates as discussed under issue 5.3 (Retail Transmission Service Rates and Low Voltage Rates).

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

RHI has provided the following tables summarizing the Application and highlighting the changes to its Rate Base and Capital, Operating Expenses, and Revenue Requirement as between RHI's Application as filed, the interrogatory process and this Settlement Proposal.



**Table 1 – Summary of 2024 Revenue Requirement**

Particular	Original Application May 24, 2023	Response to IRs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over IRs
Long Term Debt (OEB Deemed Rate)	4.88%	4.88%	0.00%	4.88%	0.00%
Short Term Debt	4.79%	4.79%	0.00%	4.79%	0.00%
Return on Equity	9.36%	9.36%	0.00%	9.36%	0.00%
<b>Regulated Rate of Return</b>	<b>6.67%</b>	<b>6.67%</b>	0.00%	<b>6.67%</b>	-0.00%
Controllable Expenses	\$1,664,865	\$1,665,089	\$224	\$1,665,089	\$0
Power Supply Expense	\$10,172,608	\$10,358,819	\$186,211	\$10,367,159	\$8,340
Total Eligible Distribution Expenses	\$11,837,474	\$12,023,909	\$186,435	\$12,032,249	\$8,340
Working Capital Allowance Rate	7.50%	7.50%	0.00%	7.50%	0.00%
<b>Total Working Capital Allowance ("WCA")</b>	<b>\$887,811</b>	<b>\$901,793</b>	\$13,983	<b>\$902,419</b>	\$626
Fixed Asset Opening Bal Test Year	\$8,382,169	\$8,382,169	\$0	\$8,289,140	(\$93,029)
Fixed Asset Closing Bal Test Year	\$8,723,750	\$8,723,750	\$0	\$8,634,666	(\$89,084)
Average Fixed Asset	\$8,552,959	\$8,552,959	\$0	\$8,461,904	(\$91,055)
Working Capital Allowance	\$887,811	\$901,793	\$13,983	\$902,419	\$626
<b>Rate Base</b>	<b>\$9,440,770</b>	<b>\$9,454,752</b>	\$13,983	<b>\$9,364,323</b>	(\$90,430)
Regulated Rate of Return	6.67%	6.67%	0.81%	6.67%	-0.22%
<b>Regulated Return on Capital</b>	<b>\$629,548</b>	<b>\$630,481</b>	\$933	<b>\$624,450</b>	(\$6,031)
Deemed Interest Expense	\$276,086	\$276,495	\$409	\$273,850	(\$2,645)
Deemed Return on Equity	\$353,462	\$353,986	\$524	\$350,600	(\$3,386)
OM&A	\$1,655,134	\$1,655,358	\$224	\$1,655,358	\$0
Depreciation Expense	\$388,351	\$388,351	\$0	\$384,406	(\$3,945)
Property Taxes	\$9,731	\$9,731	\$0	\$9,731	\$0
PILs	\$34,347	\$34,536	\$189	\$14,465	(\$20,071)
Revenue Offset	\$189,455	\$194,128	\$4,673	\$194,128	\$0
<b>Revenue Requirement</b>	<b>\$2,527,657</b>	<b>\$2,524,329</b>	(\$3,328)	<b>\$2,494,283</b>	(\$30,046)

Based on the foregoing, and the evidence and rationale provided below, the Parties accept this Settlement Proposal as appropriate and recommend its acceptance by the OEB. Table 2 below illustrates the updated bill impacts that would result from the acceptance of this Settlement Proposal.

**Table 2 - Bill Impact Summary**

RATE CLASSES / CATEGORIES <i>(eg. Residential TOU, Residential Retailer)</i>	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	\$ 1.76	6.3%	\$ 4.76	13.4%	\$ 6.91	15.1%	\$ 6.97	5.7%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kWh	\$ 4.18	6.0%	\$ 12.38	13.9%	\$ 17.52	15.4%	\$ 17.65	5.6%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	\$ (91.06)	-9.4%	\$ 505.79	65.7%	\$ 706.05	41.6%	\$ 701.01	5.5%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - Non-RPP (Other)	kWh	\$ 1.67	6.8%	\$ 5.51	19.8%	\$ 7.04	20.0%	\$ 7.10	7.1%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kW	\$ 270.49	9.1%	\$ 489.79	17.0%	\$ 557.69	17.4%	\$ 593.46	7.7%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kWh	\$ 1.76	6.3%	\$ 6.44	19.6%	\$ 8.60	19.9%	\$ 8.67	7.0%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	\$ 1.80	6.4%	\$ 3.02	9.7%	\$ 3.90	11.0%	\$ 3.93	5.9%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kWh	\$ 1.80	6.4%	\$ 3.70	12.3%	\$ 4.58	13.3%	\$ 4.63	6.9%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - Non-RPP (Retailer)	kWh	\$ 4.18	6.0%	\$ 16.87	20.6%	\$ 22.01	20.7%	\$ 22.19	6.9%

The chart below outlines the rates that comprise the Sub-Totals 'A', 'B', 'C', and Total Bill in Table 2 above:

Subtotal A	Sub-Total B - Distribution (includes Sub-Total A)	Sub-Total C - Delivery (including Sub-Total B)	Total Bill - Sub-Total C and Items below
Monthly Service Charge	Line Losses on Cost of Power	RTSR - Network	Wholesale Market Service Charge (WMSC)
Distribution Volumetric Rate	Total Deferral/Variance Account Rate Riders	RTSR - Connection and/or Line and Transformation Connection	Rural and Remote Rate Protection (RRRP)
Fixed Rate Riders	CBR Class B Rate Riders		Standard Supply Service Charge
Volumetric Rate Riders	GA Rate Riders		Ontario Electricity Support Program (OESP) if applicable
	Low Voltage Service Charge		Commodity
	Smart Meter Entity Charge (if applicable)		HST
	Additional Fixed Rate Riders		OER (if applicable)
	Additional Volumetric Rate Riders		

## SETTEMENT PROPOSAL BY ISSUE NUMBER

### 1. Capital Spending and Rate Base

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

##### Full Settlement

The Parties agree to RHI's proposed 2024 capital expenditures and 2024 net capital additions for the purpose of setting rates.

**Table 3 - 2024 Capital Expenditures**

	Original Application May 24, 2023	Response to IRs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over IRs
System Access	\$135,000	\$135,000	\$0	\$135,000	\$0
Capital Contribution	(\$90,000)	(\$90,000)	\$0	(\$90,000)	\$0
System Renewal	\$475,000	\$475,000	\$0	\$475,000	\$0
System Service	\$185,000	\$185,000	\$0	\$185,000	\$0
General Plant	\$125,000	\$125,000	\$0	\$125,000	\$0
<b>Total Expenditures</b>	<b>\$830,000</b>	<b>\$830,000</b>	<b>\$0</b>	<b>\$830,000</b>	<b>\$0</b>

The Parties acknowledge Renfrew Hydro's comprehensive business and investment planning efforts and accept the evidence of RHI that the level of planned capital expenditures and the rationale for planning and pacing choices are appropriate to maintain system reliability, service quality objectives and the reliable and safe operation of the distribution system. The Parties expect that the proposed investment levels will allow Renfrew Hydro to modernize its distribution system while maintaining its current service levels. Required System Renewal investments remain the largest of the four investment categories. The purchase of a new double bucket truck in 2023 is the primary reason for the large General Plant spend in 2023. System Service investments are increasing to introduce improvements to Renfrew Hydro's public safety levels through the introduction of ground fault detection and the introduction of other technologies (reclosers & SCADA) that are in common use across most other Ontario electrical utilities. The Parties expect that these expenditures will enhance Renfrew Hydro's overall distribution system's efficiency while allowing for remote monitoring, control and operability.

##### Evidence References

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 2 – Rate Base
- EXHIBIT 2 – Distribution System Plan

##### IR Responses

- VECC # 6-12
- OEB Staff # 3-14

**Clarification Questions**

- None

**Supporting Parties**

- VECC, OEB STAFF

**Parties Taking No Position**

- None

## 1.2 Are the proposed rate base and depreciation amounts appropriate?

### Full Settlement

For the purpose of settlement, the Parties agree that RHI's proposed 2024 rate base and depreciation amounts are appropriate subject to the following adjustments:

- a) The Parties agree to a 2024 rate base of \$9,364,323, which reflects RHI's updated forecast in-service additions for 2023 and the working capital amount as updated to reflect the terms of this Settlement Proposal.
- b) The Parties agree to an updated depreciation expense of \$384,406, which reflects the the updates to the 2024 opening fixed assets based on RHI's updated in-service additions for 2023. **Table 1 – Summary of 2024 Revenue Requirement** above further outlines the updated depreciation expense values.

**Table 4 – 2024 Working Capital**

Particulars	Original Application May 24, 2023	Response to IRs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over IRs
Controllable Expenses	\$1,664,865	\$1,665,089	\$224	\$1,665,089	\$0
Cost of Power	\$10,172,608	\$10,358,819	\$186,211	\$10,367,159	\$8,340
Working Capital Base	\$10,837,474	\$12,023,909	\$186,435	\$12,032,249	\$8,340
Working Capital Rate %	7.50%	7.50%	0%	7.50%	0%
<b>Working Capital Allowance</b>	<b>\$887,811</b>	<b>\$901,793</b>	<b>\$13,983</b>	<b>\$902,419</b>	<b>\$626</b>

**Table 5 – 2024 Rate Base**

Particulars	Original Application May 24, 2023	Interrogatory Response August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over IRs
Gross Fixed Assess (Average)	\$12,068,769	\$12,068,769	\$0	\$11,973,769	(\$95,000)
Accumulated Depreciation (Average)	(\$3,515,810)	(\$3,515,810)	\$0	(\$3,511,865)	\$3,945
Net Fixed Assets (Average)	\$8,552,959	\$8,552,959	\$0	\$8,461,904	(\$91,055)
Allowance for Working Capital	\$887,811	\$901,793	\$13,983	\$902,419	\$626
<b>Total Rate Base</b>	<b>\$9,440,770</b>	<b>\$9,454,752</b>	<b>\$13,983</b>	<b>\$9,364,323</b>	<b>(\$90,430)</b>

### **Evidence References**

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 2 – Rate Base
- EXHIBIT 2 – Distribution System Plan

### **IR Responses**

- VECC # 6-12
- OEB Staff # 3-14

### **Clarification Questions**

- None

### **Supporting Parties**

- VECC, OEB STAFF

### **Parties Taking No Position**

- None

## 2. OM&A

### 2.1 Are the proposed OM&A expenditures appropriate?

#### Full Settlement

The Parties have agreed that RHI's proposed 2024 OM&A budget of \$1,665,089 is appropriate. In agreeing to the proposed budget the Parties note that it represents an annual increase in OM&A expense from RHI's 2017 Board Approved OM&A Budget to 2023 of 1.78% (exclusive of LEAP funding), compared to the annualized increase in the OEB's approved PCI over the same period of 2.43%.

The Parties note that as part of this Settlement Agreement RHI has agreed to update its proposed LEAP funding (which is accounted for in the revenue requirement outside of the OM&A budget) per interrogatory response to 4-Staff-24 to \$3,262.

**Table 6 - 2024 Test Year OM&A Expenses**

	Original Application May 24, 2023	Response to IRs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over IRs
Operations	\$482,953	\$482,953	\$0	\$482,953	\$0
Maintenance	\$155,947	\$155,947	\$0	\$155,947	\$0
Billing and Collecting	\$491,400	\$491,400	\$0	\$491,400	\$0
Community Relations	\$13,750	\$13,750	\$0	\$13,750	\$0
Administration & General +LEAP	\$520,815	\$521,039	\$224	\$521,039	\$0
Total	\$1,664,865	\$1,665,089	\$224	\$1,665,089	\$0

#### Evidence References

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 4 – OM&A

#### IR Responses

- VECC # 1, 4, 19-25
- OEB Staff # 3, 24-25

#### Clarification Questions

- None

#### Supporting Parties

- VECC, OEB STAFF

**Parties Taking No Position**

- None



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

### **Full Settlement**

The Parties accept, for the purpose of the 2024 Test Year, RHI's proposed shared services cost allocation methodology and quantum, as updated to reflect other elements of the Settlement Proposal.

### **Evidence References**

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 4 – Operating Expenses

### **IR Responses**

- VECC # 1, 4, 19-25
- OEB Staff # 3, 24-25

### **Clarification Questions**

- None

### **Supporting Parties**

- VECC, OEB STAFF

### **Parties Taking No Position**

- None

### 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?

##### Full Settlement

The Parties agree to RHI's proposed cost of capital parameters as reflected in the calculation below. The Parties note that the updated cost of capital parameters are based on the OEB's cost of capital parameters for 2023 rate applications as a placeholder. Parties agree that RHI will update the ROE, the Long Term Debt Rate for the affiliated debt between RHI and the Town of Renfrew, and the Short-term Debt rate in the calculation when the OEB releases the new deemed rates for 2024 rate applications.

**Table 7 - 2024 Cost of Capital Calculation**

Particulars	Original Application May 24, 2023	Original Application May 24, 2023	Response to IRs August 28, 2023	Response to IRs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Settlement Proposal September 29, 2023	Variance over IRs
<b>Debt</b>								
Long-term Debt (weighted)	4.88%	\$257,997	4.88%	\$258,379	\$382	4.88%	\$255,908	(\$2,471)
Short-term Debt	4.79%	\$18,089	4.79%	\$18,115	\$26	4.79%	\$17,942	(\$173)
<b>Total Debt</b>	<b>4.87%</b>	<b>\$276,086</b>	<b>4.87%</b>	<b>\$276,495</b>	<b>\$408</b>	<b>4.87%</b>	<b>\$273,850</b>	<b>(\$2,644)</b>
<b>Equity</b>								
<b>Total Equity</b>	<b>9.36%</b>	<b>\$353,462</b>	<b>9.36%</b>	<b>\$353,986</b>	<b>\$524</b>	<b>9.36%</b>	<b>\$350,600</b>	<b>(\$3,386)</b>
<b>Total</b>	<b>6.67%</b>	<b>\$629,548</b>	<b>6.67%</b>	<b>\$630,481</b>	<b>\$933</b>	<b>6.67%</b>	<b>\$624,450</b>	<b>(\$6,031)</b>

##### Evidence References

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 5 – Cost of Capital and Capital Structure

##### IR Responses

- VECC # 26-28

##### Supporting Parties

- VECC, OEB STAFF

##### Parties Taking No Position

- None

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

#### Full Settlement

The Parties accept RHI’s updated calculations of forecast PILs in this Settlement Proposal, including the recognition of accelerated CCA in the Test Year. The updated calculation 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.

RHI notes that, for actual tax filing purposes, RHI does not qualify for this reduction due to the requirement that taxable capital be determined based on RHI and any associated companies’ taxable capital. This requirement increases RHI’s taxable capital above the \$50 million threshold. RHI believes the stand-alone policy is discriminatory to smaller LDCs like RHI who do not qualify for the reduction yet will have their PILs expense set as if they do, while LDCs with taxable capital above \$50 million have their PILs expense set in line with their actual experience.

The Parties accept RHI’s proposal to capture future changes in accelerated CCA rules in the existing 1592 sub-account related to accelerated CCA, such that no smoothing proposal related to those future changes has been incorporated in the Test Year PILs calculation.

A summary of the updated PILs calculation is presented in Table 8 below.

**Table 8 - 2024 Income Taxes**

	Original Application May 24, 2023	Response to IRs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over IRs
Income Taxes (Grossed up)	\$34,347	\$34,536	\$189	\$14,465	(\$20,071)

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

#### Evidence References

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

#### IR Responses

- OEB Staff # 26-27

**Clarification Questions**

- None

**Supporting Parties**

- VECC, OEB STAFF

**Parties Taking No Position**

- None

### 3.3 Is the proposed Other Revenue forecast appropriate?

#### Full Settlement

The Parties agree to an updated forecast of total other revenue of \$194,128.

A summary of the updated Revenue Offsets are presented in Table 9 below.

**Table 9 - 2024 Revenue Offsets**

	<b>Original Application May 24, 2023</b>	<b>Response to IRs August 28, 2023</b>	<b>Variance over Original Application</b>	<b>Settlement Proposal September 29, 2023</b>	<b>Variance over IRs</b>
Miscellaneous Service Revenues	\$37,849	\$37,840	(\$9)	\$37,840	\$0
Late Payment Charges	\$19,588	\$19,588	\$0	\$19,588	\$0
Other Operating Revenues	\$111,879	\$116,559	\$4,680	\$116,559	\$0
Other Income and Deductions	\$20,140	\$20,140	\$0	\$20,140	\$0
<b>Total</b>	<b>\$189,455</b>	<b>\$194,128</b>	<b>\$4,673</b>	<b>\$194,128</b>	<b>\$0</b>

#### Evidence References

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

#### IR Responses

- VECC # 29-30

#### Clarification Questions

- None

#### Supporting Parties

- VECC, OEB STAFF

#### Parties Taking No Position

- None

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

**Full Settlement**

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

**Evidence References**

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 4 – Operating Expenses
- EXHIBIT 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

**IR Responses**

- VECC # 22

**Clarification Questions**

- None

**Supporting Parties**

- VECC, OEB STAFF

**Parties Taking No Position**

- None

### 3.5 Is the proposed calculation of the Revenue Requirement appropriate?

#### Full Settlement

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

A summary of the adjusted Base Revenue Requirement of \$2,494,283 reflecting adjustments and settled issues is presented in Table 10 - **2024 Revenue Requirement Summary** below.

**Table 10 - 2024 Revenue Requirement Summary**

	Original Application May 24, 2023	Response to IRs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over IRs
OM&A Expenses	\$1,655,134	\$1,655,358	\$224	\$1,655,358	\$0
Amortization/Depreciation	\$388,351	\$388,351	\$0	\$384,406	(\$3,945)
Property Taxes	\$9,731	\$9,731	\$0	\$9,731	\$0
Income Taxes (Grossed up)	\$34,347	\$34,536	\$189	\$14,465	(\$20,071)
Return					
Deemed Interest Expense	\$276,086	\$276,495	\$409	\$273,850	(\$2,648)
Return on Deemed Equity	\$353,462	\$353,986	\$524	\$350,600	(\$3,386)
Service Revenue Requirement (before Other Revenue Offsets)	\$2,717,112	\$2,718,457	\$1,345	\$2,688,411	(\$30,046)
Revenue Offsets	\$189,455	\$194,128	(\$4,673)	\$194,128	\$0
<b>Base Revenue Requirement</b>	<b>\$2,527,657</b>	<b>\$2,524,329</b>	<b>(\$3,328)</b>	<b>\$2,494,282</b>	<b>(\$30,047)</b>
Gross Revenue Deficiency/Sufficiency	\$416,706	\$411,921	(\$4,795)	\$333,470	(\$8,451)

#### Evidence References

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 4 – Operating Expenses
- EXHIBIT 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

#### IR Responses

- VECC # 19-25, 29-30
- OEB Staff # 24-27

#### Clarification Questions

- None

#### Supporting Parties

- VECC, OEB STAFF

#### Parties Taking No Position

- None

## 4. Load Forecast

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

#### Full Settlement

The Parties agree that the updated load forecast provided in response to interrogatories and Pre ADR Clarification questions is appropriate for the purpose of setting rates, subject to the removal of the daylight variable used in the purchased power regression analysis model. This change impacts the Residential and General Service < 50 kW customer classes.

**Table 11 – 2024 Test Year Billing Determinants**

Particulars	Original Application May 24, 2023	Response to Irs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over Irs
<b>kWh</b>					
Residential	31,290,547	31,290,547	0	31,331,438	40,891
General Service < 50 kW	11,622,476	11,622,476	0	11,637,596	15,120
General Service > 50 kW	43,975,532	43,975,532	0	43,975,532	0
Unmetered Scattered Load	264,699	264,699	0	264,699	0
Street Lighting	388,078	388,078	0	388,078	0
	<b>87,541,331</b>	<b>87,541,331</b>	<b>0</b>	<b>87,597,343</b>	<b>56,011</b>
<b>kW</b>					
General Service > 50 kW	104,523	104,523	0	104,523	0
Street Lighting	1,075	1,075	0	1,075	0
	<b>105,598</b>	<b>105,598</b>	<b>0</b>	<b>1,225,489</b>	<b>0</b>

Table 12 below details the number of customers and devices for the test year.

**Table 12 – Number of Customers & Devices**

Particulars	Original Application May 24, 2023	Response to Irs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over Irs
Residential	3,922	3,922	0	3,922	0
General Service < 50 kW	458	458	0	458	0
General Service > 50 kW	42	42	0	42	0
Unmetered Scattered Load (Devices)	37	37	0	37	0
Street Lighting (Devices)	1,197	1,197	0	1,197	0
Total	5,656	5,656	0	5,656	0



### **Evidence References**

- EXHIBIT 3 – Load and Customer Forecast

### **IR Responses**

- VECC # 13-18
- OEB Staff # 15-23

### **Clarification Questions**

- OEB Staff ref: VECC 3-15

### **Supporting Parties**

- VECC, OEB STAFF

### **Parties Taking No Position**

- None

## 5. Cost Allocation, Rate Design, and Other Charges

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

#### Full Settlement

The Parties accept the results of RHI's cost allocation methodology and its proposed revenue-to-cost ratios, as updated through the interrogatory process and to reflect changes resulting from this Settlement Proposal; in doing so the Parties note the following:

- a) While the Parties accept the load profiles produced by RHI for the purposes of cost allocation, VECC and OEB Staff do not necessarily accept the appropriateness of the methodology that RHI used to produce the load profiles;
- b) The Parties note that through the Settlement Process RHI has corrected the accounting for customers with their own transformers, with those corrections having been implemented in the cost allocation results underpinning the Settlement Proposal;
- c) In this Settlement Proposal the revenue to cost ratios have not been further adjusted up or down for any class relative to the calculated R/C ratio, as all the calculated R/C ratios fall within the OEB's acceptable ranges.

**Table 12 – Summary of 2024 Revenue-to-Cost Ratios**

Customer Class Name	Original Application May 24, 2022			Response to IRs August 28, 2023			Settlement Proposal September 29, 2023		
	Calculated R/C Ratio	Proposed R/C Ratio	Var	Calculated R/C Ratio	Proposed R/C Ratio	Var	Calculated R/C Ratio	Proposed R/C Ratio	Var
Residential	1.0227	1.0000	-0.0227	1.0025	1.0025	0.0000	0.9979	0.9979	0.0000
General Service < 50 kW	1.2202	1.1393	-0.0809	1.1812	1.1812	0.0000	1.1801	1.1801	0.0000
General Service > 50 kW	0.8112	0.9093	0.0971	0.8675	0.8675	0.0000	0.8796	0.8796	0.0000
Unmetered Scattered Load	1.0748	1.0795	0.0047	1.0662	1.0662	0.0000	1.0597	1.0597	0.0000
Street Lighting	1.0129	1.0773	0.0644	1.00155	1.0155	0.0000	1.0081	1.0081	0.0000

#### Evidence References

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 7 – Cost Allocation

**IR Responses**

- VECC # 31-39
- OEB Staff # 28-29

**Clarification Questions**

- None

**Supporting Parties**

- VECC, OEB STAFF

**Parties Taking No Position**

- None

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

### Full Settlement

The Parties accept RHI's approach to rate design, subject to RHI's agreement to set the fixed charge for the GS>50, GS<50 and USL rate class at their existing levels as they were each already above the applicable ceiling<sup>1</sup>, rather than increase those fixed charges as was originally proposed.

**Table 13 – Summary of 2024 Fixed to Variable Split**

Particulars	Original Application May 24, 2023	Original Application May 24, 2023	Original Application May 24, 2023	Response to IRs August 28, 2023	Response to IRs August 28, 2023	Response to IRs August 28, 2023	Settlement Proposal September 29, 2023	Settlement Proposal September 29, 2023	Settlement Proposal September 29, 2023
Customer Class	Fixed Rate	Variable Rate	TOTAL	Fixed Rate	Variable Rate	TOTAL	Fixed Rate	Variable Rate	TOTAL
Residential	100.0%	0.0%	58.7%	100.0%	0.0%	60.1%	100.0%	0.0%	60.1%
General Service < 50 kW	49.0%	51.0%	16.8%	49.0%	51.0%	18.0%	43.0%	57.0%	18.0%
General Service > 50 kW	26.1%	73.9%	22.2%	26.1%	73.9%	19.7%	22.9%	77.1%	19.7%
Unmetered Scattered Load	95.9%	4.1%	0.4%	95.9%	4.1%	0.5%	84.1%	15.9%	0.5%
Street Lighting	86.3%	13.7%	1.9%	86.3%	13.7%	1.7%	86.3%	13.7%	1.7%

### Evidence References

- EXHIBIT 8 - Rate Design

### IR Responses

- VECC # 40
- OEB Staff # 32

### Clarification Questions

- None

### Supporting Parties

- VECC, OEB STAFF

### Parties Taking No Position

- None

<sup>1</sup> The minimum system with peak load carrying capability from the cost allocation model, which is commonly referred to as the ceiling for fixed charges. [OEB-Filing-Reqs-Chapter-2-2023-Clean-20221215.pdf](#), page 51

**5.3 Are the proposed Retail Transmission Service Rates and Low Voltage rates appropriate?**

**Full Settlement**

The Parties accept that the RTSR rates and low voltage rates as updated and presented in Table 15 and Table 16 below are appropriate, subject to RHI’s undertaking to update the applicable RTSRs as part of the final rate order approval process if the OEB releases updates to Hydro One’s Sub-Transmission RTSRs for 2024 or any other guidance in this regard, in time for those updated rates to be incorporated in RHI’s final rate order for 2024.

**Table 14 - 2024 RTSR Network and Connection Rates Charges**

		Original Application May 24, 2023	Response to IRs August 28, 2023	Settlement Proposal September 29, 2023
<b><u>Transmission - Network</u></b>				
<b>Class Name</b>	<b>Per</b>	<b>Rate \$</b>	<b>Rate \$</b>	<b>Rate \$</b>
Residential	kWh	0.0087	0.0090	0.0090
General Service < 50 kW	kWh	0.0078	0.0081	0.0081
General Service > 50 kW	kW	3.2124	3.3293	3.3293
Unmetered Scattered Load	kWh	0.0078	0.0081	0.0081
Street Lighting	kW	2.4227	2.5109	2.5109
<b><u>Transmission - Connection</u></b>				
<b>Class Name</b>	<b>Per</b>	<b>Rate \$</b>	<b>Rate \$</b>	<b>Rate \$</b>
Residential	kWh	0.0060	0.0064	0.0064
General Service < 50 kW	kWh	0.0054	0.0058	0.0058
General Service > 50 kW	kW	2.2297	2.2312	2.2312
Unmetered Scattered Load	kWh	0.0054	0.0058	0.0058
Street Lighting	kW	1.6816	1.7250	1.7250

**Table 15 - 2024 Low Voltage Rates**

		Original Application May 24, 2023	Response to IRs August 28, 2023	Settlement Proposal September 29, 2023
Low Voltage Amount		\$ 387,988	\$ 387,988	\$ 387,988
Class Name	Per	Rate \$	Rate	Rate
Residential	kWh	0.0048	0.0049	0.0049
General Service < 50 kW	kWh	0.0043	0.0045	0.0045
General Service > 50 kW	kW	1.7764	1.7174	1.7163
Unmetered Scattered Load	kWh	0.0043	0.0045	0.0045
Street Lighting	kW	1.3397	1.3278	1.3269

**Evidence References**

- EXHIBIT 8 - Rate Design

**IR Responses**

- VECC # 41
- OEB Staff # 30,31 and 34

**Supporting Parties**

- VECC, OEB STAFF

**Parties Taking No Position**

- None

## 5.4 Are the Proposed Loss Factors Appropriate?

### Full Settlement

The Parties accept that the 2024 forecast loss factors. As part of this Settlement Proposal, RHI agrees to report to the OEB as part of its next Cost of Service Application with respect to the implementation and effectiveness of the measures it has proposed in its DSP to address the line losses on its system.

**Table 16 - 2024 Loss Factors**

	Original Application May 24, 2023	Response to IRs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over IRs
Supply Facilities Loss Factor	1.0255	1.0255	-	1.0255	-
Distribution Loss Factor - Secondary Metered Customer < 5,000 kW	1.0447	1.0447	-	1.0447	-
Distribution Loss Factor - Secondary Metered Customer > 5,000 kW	1.0447	1.0447	-	1.0447	-
Distribution Loss Factor - Primary Metered Customer < 5,000 kW	1.0352	1.0352	-	1.0352	-
Distribution Loss Factor - Primary Metered Customer > 5,000 kW	1.0352	1.0352	-	1.0352	-
Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0714	1.0714	-	1.0714	-
Total Loss Factor - Secondary Metered Customer > 5,000 kW	1.0714	1.0714	-	1.0714	-
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0607	1.0607	-	1.0607	-
Total Loss Factor - Primary Metered Customer > 5,000 kW	1.0607	1.0607	-	1.0607	-

### Evidence References

- EXHIBIT 8 – Rate Design

### IR Responses

- OEB Staff # 33

### Supporting Parties

- VECC, OEB STAFF

### Parties Taking No Position

- None

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

### **Full Settlement**

The Parties accept that RHI's proposed Specific Service Charges and Retail Service Charges as updated by the inflation factor of 4.8% established by the OEB on June 29, 2023<sup>2</sup> are appropriate.

### **Evidence References**

- EXHIBIT 8 - Rate Design

### **IR Responses**

- VECC # 29-30

### **Supporting Parties**

- VECC, OEB STAFF

### **Parties Taking No Position**

- None

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<sup>2</sup> <https://www.oeb.ca/sites/default/files/OEBltr-2024-inflation-updates-20230629.pdf>, June 29, 2023



## **5.6 Are rate mitigation proposals required and appropriate?**

### **Full Settlement**

The Parties agree that, within the context of the Settlement Proposal, no rate mitigation is required.

### **Evidence References**

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 8 - Rate Design

### **IR Responses**

- None

### **Supporting Parties**

- VECC, OEB STAFF

### **Parties Taking No Position**

- None

## 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 the continuation of existing accounts, appropriate?**

### Full Settlement

The Parties agree that RHI's proposals for deferral and variance accounts, including the balances (as presented in Table 18 below) are appropriate, including the proposed disposition of those accounts on a final basis, subject to RHI's agreement to forego recovery of the \$5,373 balance recorded in the Customer Choice Initiative Deferral Account.

The Parties agree that the balance in the Retail Cost Variance Accounts will be disposed of on a final basis and the account will be discontinued.

**Table 17 - DVA Balances for Disposition**

	Original Application May 24, 2023	Response to IRs August 28, 2023	Variance over Original Application	Settlement Proposal September 29, 2023	Variance over IR's
<b>Group 1</b>					
Group 1 (excluding Account 1589)	\$180,538	\$180,538	\$0	\$180,538	\$0
Account 1589 RSVA - Global Adjustment	(\$45,805)	(\$45,805)	\$0	(\$45,805)	\$0
<b>Total Group 1</b>	<b>\$134,733</b>	<b>\$134,733</b>	<b>\$0</b>	<b>\$134,733</b>	<b>\$0</b>
<b>Group 2</b>					
Pole Attachment Revenue Variance	(\$189,108)	(\$189,108)	\$0	(\$189,108)	\$0
Retail Cost Variance Account - Retail	(\$13,716)	(\$13,716)	\$0	(\$13,716)	\$0
Retail Cost Variance Account - STR	\$6,449	(\$60,909)	\$0	\$6,449	\$0
Customer Choice Initiative Costs	\$5,373	\$5,373	\$0	\$0	(\$5,373)
Accounting Changes Under CGAAP Balance + Return Component	(\$77,771)	(\$77,771)	\$0	(\$77,771)	\$0
PIUs and Tax Variance for 2006 and subsequent Years - subaccount CCA changes	(\$91,329)	(\$91,329)	\$0	(\$91,329)	\$0
Impacts Arising from the COVID-19 Emergency	\$5,470	\$5,470	\$0	\$5,470	\$0
Smart Meter Capital and Recovery Offset Variance - sub-account - Stranded Meter Costs	\$9,174	\$9,174	\$0	\$9,174	\$0
<b>Total Group 2</b>	<b>(\$345,458)</b>	<b>(\$345,458)</b>	<b>\$0</b>	<b>(\$350,831)</b>	<b>(\$5,373)</b>
<b>Net Deferral Account Recovery</b>	<b>(\$210,725)</b>	<b>(\$210,725)</b>	<b>\$0</b>	<b>(\$216,098)</b>	<b>(\$5,373)</b>

### Evidence References

- EXHIBIT 1 – Administrative Documents
- EXHIBIT 9 – Deferral and Variance Accounts

**IR Responses**

- VECC # 45
- OEB Staff # 35 - 38

**Supporting Parties**

- VECC, OEB STAFF

**Parties Taking No Position**

- None

## **7. Other**

### **7.1 Is the proposed effective date appropriate?**

#### **Full Settlement**

The Parties agree that RHI's new rates should be effective on January 1, 2024. It is the Parties' expectation that there should be sufficient time for RHI to implement rates effective January 1, 2024 should it receive approval of the final updated Rate Order on or before January 12, 2024.

The Parties agree that in the event RHI is, as a result of the timing of any approval of this Settlement Proposal and related Rate Order, unable to implement rates for January 1, 2024, then RHI will be entitled to establish a forgone revenue deferral account to track the impact of the implementation of rates later than the effective date of January 1, 2024.

#### **Evidence References**

- EXHIBIT 1 – Administrative Documents

#### **IR Responses**

- None

#### **Supporting Parties**

- VECC, OEB STAFF

#### **Parties Taking No Position**

- None

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

### **Full Settlement**

The Parties accept that RHI's has responded appropriately to the following OEB directions, all of which were contained within the Settlement Agreement in RHI's 2017 Cost of Service Application (EB-2016-0166):

- a) RHI fulfilled its obligation to file as part of its next (2024) cost of service application a Distribution System Plan that:
  - i) describes how outages are linked to defective equipment and how RHI will address such outages;
  - ii) includes a detailed asset condition assessment, including a health index and a description of how asset conditions were ascertained;
  - iii) includes business cases for material projects included in the DSP;
  - iv) indicates how its capital plan is linked to customer feedback; and
  - v) considers the pacing of material projects.

RHI fulfilled its obligation to undertake a line loss system study to look for opportunities to reduce Distribution System Losses and examine its relationship with HONI and its supply to the substations to explore opportunities, if any, to reduce its Total Loss Factor.

### **Evidence References**

- EXHIBIT 1 – Administrative Documents

### **IR Responses**

- None

### **Supporting Parties**

- VECC, OEB STAFF

### **Parties Taking No Position**

- None