



Niagara On-The-Lake HYDRO

November 7, 2023

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

Attn: Nancy Marconi, Registrar

Re: EB-2023-0041.

Dear Ms. Marconi:

On April 27, 2023, Niagara-on-the-Lake Hydro Inc. (NOTL Hydro) filed its Cost-of-Service application for rates effective January 1, 2024. The Board issued its Decision and Order in this rates case on September 21, 2023, subject to an update for OEB approval of certain rates, charges, and parameters.

Attached please find the Draft Rate Order with the updates as per the Decision.

Please do not hesitate to contact me with any questions.

Yours truly,

Tim Curtis
President

EB-2023-0041

DRAFT RATE ORDER

Niagara-on-the-Lake Hydro Inc.

2024 Cost of Service Distribution Rates Proceeding

November 7, 2023

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1. BACKGROUND

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.

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. On August 24th, 2023, NOTL Hydro filed a Settlement Proposal with the OEB representing a full settlement of the issues in this Application.

On September 21, 2023, the OEB issued its Decision and Order. In its Decision, the OEB approved the Settlement Proposal as filed and made the following findings:

“As noted in the settlement proposal, prior to finalizing its rate order, Niagara-on-the-Lake Hydro will make updates when the OEB issues its decisions on the following:

- 2024 Cost of Capital parameters (return on equity, deemed long-term debt rate and deemed short-term debt rate)
- 2024 Uniform Transmission Rates
- 2024 Retail Service Charges and Pole Attachment Charge

Niagara-on-the-Lake Hydro shall file its draft rate order, updating the placeholder values for the components noted, with detailed supporting material showing the impact of any required adjustments. Niagara-on-the-Lake Hydro will also be required to update its Cost of Power and the associated Tariff Schedule and Bill Impacts model to reflect the Regulated

Price Plan Price Report for November 1, 2023, to October 31, 2024, once the updated information is available.”

NOTL Hydro submits this draft rate order, which incorporates the information directed by the Board from the Decision. Included in this Draft Rate Order are the following Appendices:

- Appendix “A” NOTL 2024 Rev Req Workform 20231107
- Appendix “B” NOTL 2024 Filing Requirements Chapter 2 Appendices 20231107
- Appendix “C” NOTL 2024 Load Forecast Model 20231107
- Appendix “D” NOTL 2024 Tariff Schedule and Bill Impact Model 20231107
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The Draft Rate Order has been prepared on the basis that NOTL Hydro’s new rates will be effective January 1, 2024.

2. BILL IMPACTS

A summary of the bill impacts is presented in the table below. Appendix D contains a detailed set of bill impact calculations.

Table 1. Summary of Bill Impacts

RATE CLASSES	Units	Sub-Total						Total	
		A - Distribution (excluding pass-through)		B - Distribution		C - Delivery		Total Bill	
		\$	%	\$	%	\$	%	\$	%
RESIDENTIAL	kwh	\$ 2.58	8.1%	\$ 4.01	11.1%	\$ 5.25	11.8%	\$ 4.92	4.0%
GENERAL SERVICE LESS THAN 50 KW	kwh	\$ 6.00	8.8%	\$ 10.02	12.7%	\$ 13.14	13.2%	\$ 12.31	3.9%
GENERAL SERVICE 50 to 4,999 Kw	kw	\$ 47.57	7.0%	\$ 142.81	18.4%	\$ 241.44	17.1%	\$ 273.45	3.4%
LARGE USE	kw	\$ 2,779.00	16.2%	\$ 13,106.00	69.8%	\$ 12,548.50	23.7%	\$ 14,179.81	2.9%
UNMETERED SCATTERED LOAD	kwh	\$ 2.77	9.8%	\$ 4.62	14.3%	\$ 5.86	14.5%	\$ 5.50	4.4%
STREET LIGHTING	kw	\$ 258.14	10.6%	\$ 272.20	10.9%	\$ 285.85	11.1%	\$ 323.01	7.6%

NOTL Hydro notes that no bill impact exceeds 10% at the average usage level, therefore no further rate mitigation is required. The separate rate mitigation proposed by NOTL Hydro and agreed to in the Settlement Agreement is reflected in the Draft Rate Order. The bill impacts have been updated to reflect the changes to the 2024 distribution rates resulting from the revenue requirement changes outlined below. Additionally, NOTL Hydro has used

the updated RPP and OER rates in the calculation of the total bill impact. Consistent with Chapter 2 of the OEB's Filing Requirements for Electricity Distribution Rate Applications, the commodity rates and regulatory rates are held constant in these calculations.

3. DECISION

As a result of the OEB Decision, NOTL Hydro's service revenue requirement has been updated to \$7,151,818 and the base revenue requirement to \$6,535,936. The revenue deficiency has been updated to \$456,730 as per the attached Revenue Requirement Workform (Appendix A) filed in excel format.

Inflation Rate for 2024 Retail Service Charges and Pole Attachment Charge

On September 26, 2023, the OEB issued two decisions EB-2023-0193 – Inflation Adjustment for Energy Retailer Service Charges and EB-2023-1094 – Distribution Pole Attachment Charge. The charges reflected in these orders were the same as those submitted by NOTL Hydro in its settlement agreement. Therefore, no changes were required.

Uniform Transmission Rates / Cost of Power / Rate Base

On September 28, 2023, the OEB issued a letter Re: 2024 Preliminary Uniform Transmission Rates and Hydro One Transmission Rates that outlined the expected increase in Uniform Transmission Rates and noted that it was expected that "Distributors with an effective date of January 1, 2024, should update their 2024 rate applications to reflect these preliminary UTRs".

The OEB has calculated 2024 preliminary UTRs effective January 1, 2024, as follows:

- \$5.76/kW/Month Network Service Rate (a \$0.39/kW increase)
- \$0.95/kW/Month Line Connection Service Rate (a \$0.07/kW increase)
- \$3.21/kW/Month Transformation Connection Service Rate (a \$0.23/kW increase)

NOTL Hydro updated the forecast rates on tab 4 of the RTSR Workform submitted as Appendix I with the preliminary UTR rates. Table 2 contains the Network and Connection charges resulting from this change except for the Large Use Rate class which is outlined below.

Table 2. 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	Proposed RTSR-Network
Residential	RTSR - Network	\$/kWh	0.0104	80,969,904		842,614	37.9%	885,077	0.0109
General Service < 50kW	RTSR - Network	\$/kWh	0.0094	46,064,595		435,292	19.6%	457,228	0.0099
General Service >= 50kW	RTSR - Network (interval)	\$/kW	4.1712		225,603	941,040	42.3%	988,463	4.3814
Unmetered Scattered Load	RTSR - Network	\$/kWh	0.0094	327,140		3,091	0.1%	3,247	0.0099
Street Lighting Connections	RTSR - Network (interval)	\$/kW	2.9102		786	2,287	0.1%	2,403	3.0569

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	Proposed RTSR- Connection
Residential	RTSR - Connection	\$/kWh	0.0013	80,969,904		109,292	26.8%	115,390	0.0014
General Service < 50kW	RTSR - Connection	\$/kWh	0.0013	46,064,595		62,177	15.3%	65,647	0.0014
General Service >= 50kW	RTSR - Connection (interval)	\$/kW	1.0053		234,060	235,289	57.7%	248,418	1.0613
Unmetered Scattered Load	RTSR - Connection	\$/kWh	0.0013	327,140		442	0.1%	466	0.0014
Street Lighting Connections	RTSR - Connection (interval)	\$/kW	0.3231		1,572	508	0.1%	536	0.3411

* The table above excludes the Large Use Category.

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

Network Service Rate \$5.76 per kW
 Line Connection Service Rate \$0.95 per kW

NOTL Hydro is not charged a Transformation Connection Service Charge.

Table 3. Change in RTSRs

Network Charges			
Rate Class	Settlement Proposal	Draft Rate Order	Change
Residential	\$0.0102	\$0.0109	\$0.0007
General Service < 50kW	\$0.0093	\$0.0099	\$0.0007
General Service >= 50kW	\$4.0848	\$4.3814	\$0.2967
Large User	\$5.3700	\$5.7600	\$0.3900
Unmetered Scattered Load	\$0.0093	\$0.0099	\$0.0007
Street Lighting Connections	\$2.8499	\$3.0569	\$0.2070

Connection Charges			
Rate Class	Settlement Proposal	Draft Rate Order	Change
Residential	\$0.0013	\$0.0014	\$0.0001
General Service < 50kW	\$0.0013	\$0.0014	\$0.0001
General Service >= 50kW	\$0.9831	\$1.0613	\$0.0782
Large User	\$0.8800	\$0.9500	\$0.0700
Unmetered Scattered Load	\$0.0013	\$0.0014	\$0.0001
Street Lighting Connections	\$0.3159	\$0.3411	\$0.0251

The proposed RTSR rates were also updated in the Cost of Power / Power Supply Expenses calculation and are reflected in Table 4 below.

On October 19, 2023, the OEB released its Regulated Price Plan Report for November 1, 2023, to October 31, 2024. The report accompanied the announcement of increases to the Time-of-Use (TOU) and Tiered Rates effective November 1, 2023, with Ultra-Low Rates (ULO) unchanged. The OEB also announced a change to the level of the Ontario Electricity Rebate (OER) to 19.3% effective November 1, 2023. As a result of the updated Regulated Price Plan Report, updated forecasts for the wholesale cost of power were available. NOTL Hydro updated the Power Supply Expenses/Cost of Power calculations using the updated forecasts in Table ES-1 of the updated Regulated Price Plan Report. These changes along with the updates to the RTSR rates are reflected in Table 4 below.

Table 4. Cost of Power / Power Supply Expense Summary

Particulars	Settlement Proposal	Adjustments	Draft Rate Order
Commodity	\$19,959,832	(\$1,382,398)	\$18,577,434
Global Adjustment	\$3,788,137	\$2,974,829	\$6,762,965
Transmission Network	\$2,519,753	\$176,065	\$2,695,818
Transmission Connection	441,716	\$34,695	476,411
Wholesale Market Service Charge	\$1,084,945	\$0	\$1,084,945
CBR - Class B	\$86,388	\$0	\$86,388
CBR - Class A	\$11,773	\$0	\$11,773
Rural Rate Assistance	\$185,658	\$0	\$185,658
Smart Meter Entity Charge	\$50,029	\$0	\$50,029
Total Cost of Power	\$28,128,230	\$1,803,190	\$29,931,420

In turn, the updated Cost of Power Expense resulted in a change to the Working Capital Allowance component of Rate Base. A summary of the rate base changes is provided below.

Table 5. Working Capital Allowance

Particulars	Settlement Proposal	Adjustments	Draft Rate Order
Controllable Expenses	\$3,490,269	\$0	\$3,490,269
Cost of Power	\$28,128,230	\$1,803,190	\$29,931,420
Working Capital Base	\$31,618,499	\$1,803,190	\$33,421,689
Working Capital %	7.50%	0.00%	7.50%
Working Capital Allowance	\$2,371,387	\$135,239	\$2,506,627

Table 6. Summary of Rate Base

Particulars	Settlement Proposal	Adjustments	Draft Rate Order
Gross Fixed Assets (average)	\$64,533,076	\$0	\$64,533,076
Accumulated Depreciation (average)	(\$31,659,313)	\$0	(\$31,659,313)
Net Fixed Assets (average)	\$32,873,763	\$0	\$32,873,763
Allowance for Working Capital	\$2,371,387	\$135,239	\$2,506,627
Total Rate Base	\$35,245,151	\$135,239	\$35,380,390

Cost of Capital

On October 31, 2023, the OEB issued a letter Re: 2024 Cost of Capital Parameters. Due to the change in value for Return on Equity (ROE), from 9.36% to 9.21%, NOTL Hydro's return on equity declined from \$1,319,578 to \$1,303,414. In addition to the change in the return on equity deemed rate, the return on equity amount was also impacted by the increase to rate base.

Due to the changes to the deemed interest rate for long-term debt and the deemed interest rate for short term debt, the total return on debt increased from \$823,468 to \$843,044. Consistent with the Settlement Proposal, NOTL Hydro utilized deemed long-term debt rate for NOTL Hydro's Promissory Note with the Town of Niagara-on-the-Lake. The deemed rate was updated from 4.88% to 4.58% All other debt instruments attract the actual rather than the deemed interest rate. The increase in rate base described above also contributed to the change in the total return on debt.

The total return on rate base increased from \$2,143,046 to \$2,146,457. In addition to the change in the return on equity deemed rate, the return on rate base amount was also impacted by the increase to rate base.

The calculations supporting these changes are included in the excel models submitted with the Draft Rate Order.

Table 7. Cost of Capital

	Item	Settlement Proposal	Draft Rate Order	Change
Capitalization Ratios	Long Term Debt	56%	56%	0%
	Short Term Debt	4%	4%	0%
	Equity	40%	40%	0%
	Total	100%	100%	0%
	Total Debt	60%	60%	0%
Allocation of Rate Base	Long Term Debt	\$ 19,737,284	\$ 19,813,018	\$ 75,734
	Short Term Debt	\$ 1,409,806	\$ 1,415,216	\$ 5,410
	Equity	\$ 14,098,060	\$ 14,152,156	\$ 54,096
	Total Rate Base	\$ 35,245,151	\$ 35,380,390	\$ 135,239
Rates of Return	Weighted Long Term Debt Rate	3.83%	3.81%	(0.02%)
	Short Term Debt Rate	4.79%	6.23%	1.44%
	Return on Equity	9.36%	9.21%	(0.15%)
	Weighted Average Cost of Capital	6.08%	6.07%	(0.01%)
Return on Rate Base	Long Term Debt	\$ 755,938	\$ 754,876	\$ (1,062)
	Shot Term Debt	\$ 67,530	\$ 88,168	\$ 20,638
	Return on Equity	\$ 1,319,578	\$ 1,303,414	\$ (16,165)
	Total Return on Rate Base	\$ 2,143,046	\$ 2,146,457	\$ 3,411

Revenue Requirement

As a result of the changes to cost of power, RTSR rates, cost of capital and PILs, the service revenue requirement has been updated from \$7,152,437 to \$7,151,818. The table below provides a summary of these changes.

Table 8. Changes to Revenue Requirement

Particulars	Settlement Agreement	Draft Rate Order	Change
OM&A Expenses	\$3,446,885	\$3,446,885	\$0
Amortization/Depreciation	\$1,402,141	\$1,402,141	\$0
Property Taxes	\$43,384	\$43,384	\$0
Income Taxes (Grossed up)	\$116,981	\$112,951	(\$4,030)
Other Expenses	\$0	\$0	\$0
Return			
Deemed Interest Expense	\$823,468	\$843,044	\$19,576
Return on Deemed Equity	\$1,319,578	\$1,303,414	(\$16,165)
Service Revenue Requirement (before Revenue Offsets)	\$7,152,437	\$7,151,818	(\$618)
Revenue Offsets	\$615,882	\$615,882	\$0
Base Revenue Requirement¹	\$6,536,554	\$6,535,936	(\$618)
Distribution revenue	\$6,536,554	\$6,535,936	(\$618)
Other revenue	\$615,882	\$615,882	\$0
Total revenue	\$7,152,437	\$7,151,818	(\$618)
1. Excluding Transformer Ownership Allowance Credit Adjustment.			

Cost Allocation

As a result of the changes to the revenue requirement, the Cost Allocation Model was updated with the new data. NOTL Hydro has submitted the updated Cost Allocation Model as Appendix F to this filing.

The approach to the revenue to cost ratios is consistent with the approach in the Settlement Proposal with no adjustments to any of the rate classes.

Table 9. Revenue to Cost Ratios

Rate Class	Revenue to Cost Ratio		
	Settlement Agreement	Draft Rate Order	Policy Range
Residential	0.9053	0.9052	85 - 115
General Service < 50kW	1.1340	1.1340	80 - 120
General Service >= 50kW	1.1267	1.1268	80 - 120
Large User	1.0007	1.0008	85 - 115
Unmetered Scattered Load	1.1869	1.1869	80 - 120
Street Lighting Connections	1.4036	1.4036	80 - 120

Rate Design

As a result of the updates to the revenue requirement, distribution rates have been adjusted. As per the Settlement Agreement, NOTL Hydro is maintaining the fixed charge for rate classes where the fixed charge is already above the ceiling as calculated by the Cost Allocation Model and maintaining the fixed/variable split where that results in a fixed charge below the ceiling. In the case of Unmetered Scattered Load class, the Parties agreed that the fixed charge would be increased to the ceiling, and that this reflects a smaller percentage increase than the variable charge. Note that the table below is prior to rate the rate mitigation agreed to in the Settlement Proposal.

Table 10. Updated Rate Design Summary

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	\$3,466,252	\$3,466,252	\$0	100.00%	0.00%
General Service < 50kW	kWh	1,523	45,128,762	0	\$1,481,531	\$795,841	\$685,690	53.72%	46.28%
General Service >= 50kW	kWh	132	87,792,872	223,773	\$1,138,124	\$491,714	\$646,410	43.20%	56.80%
Large User	kW	1	43,800,000	60,000	\$184,615	\$48,972	\$135,643	26.53%	73.47%
Unmetered Scattered Load	kWh	67	423,310	0	\$22,984	\$20,080	\$2,903	87.37%	12.63%
Street Lighting Connections	kW	2,331	582,590	1,626	\$242,431	\$222,377	\$20,053	91.73%	8.27%

The adjustments result in distribution rates shown below in Table 11, and are included in Appendix D.

Table 11. Summary of Distribution Rates

Rate Class	2024 Rates (mitigated)		2025 Base Rates	
	Monthly Service Charge	Volumetric Rate	Monthly Service Charge	Volumetric Rate
Residential	\$33.17	\$0.0000	\$34.37	\$0.0000
General Service < 50kW	\$43.56	\$0.0140	\$43.56	\$0.0152
General Service >= 50kW	\$311.31	\$2.7834	\$311.31	\$2.9611
Large User	\$4,080.99	\$2.7132	\$4,080.99	\$2.8207
Unmetered Scattered Load	\$24.20	\$0.0064	\$24.98	\$0.0069
Street Lighting Connections	\$7.95	\$7.1248	\$7.95	\$12.3351

There were no changes to any rate riders due to the updates.

Conclusion

NOTL Hydro respectfully submits is draft Tariff of Rates and Charges, to be effective January 1, 2024, for the Board’s approval.

Appendix "A" - NOTL 2024 Rev Reqt Workform 20231107

Included in models filed electronically (through RESS) with the Draft Rate Order

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