



**Niagara
On-The-Lake
HYDRO**

November 15, 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 November 7, 2023, Niagara-on-the-Lake Hydro Inc. (NOTL Hydro) filed its Draft Rate Order for rates effective January 1, 2024. OEB Staff issued its Staff Submission on Draft Rate Order on November 13, 2023.

Attached please find the Draft Rate Order Reply Comments with the updates as per the Staff Submission.

Please do not hesitate to contact me with any questions.

Yours truly,

Tim Curtis
President

EB-2023-0041

DRAFT RATE ORDER – REPLY COMMENTS

Niagara-on-the-Lake Hydro Inc.

2024 Cost of Service Distribution Rates Proceeding

November 14, 2023

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1. BACKGROUND

Niagara-on-the-Lake Hydro Inc. (the Applicant or NOTL Hydro) filed a draft rate order (DRO) on November 7, 2023.

The OEB Staff Submission on Draft Rate Order was issued on November 13, 2023. The OEB Staff Submission noted that NOTL Hydro did not apply the OER Credit of 19.3% as an input in line 164 in Appendix 2-ZB Cost of Power.

NOTL Hydro has adjusted Appendix 2-ZB to include the 19.3% OER Credit in line 164. This change impacted:

- Cost of Power
- Working Capital Allowance
- Revenue Requirement
- Cost of Capital
- Payment in Lieu of Taxes
- Cost Allocation
- Rate Design
- Tariffs and Bill impacts

NOTL Hydro submits these draft rate order reply comments, which incorporates the information in the OEB Staff Submission of Draft Rate Order. Included in this submission are the following revised Appendices:

Appendix "A" NOTL 2024 Rev Reqt Workform 20231115
Appendix "B" NOTL 2024 Filing Requirements Chapter 2 Appendices 20231115
Appendix "C" NOTL 2024 Tariff Schedule and Bill Impact Model 20231115
Appendix "D" NOTL 2024 Cost Allocation Model 20231115
Appendix "E" NOTL 2024 Test Year Income Tax PILs 20231115
Appendix "F" NOTL 2024 Tariff of Rates 20231115 (PDF)

2. BILL IMPACTS

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

Table 1. Summary of Bill Impacts

		Sub-Total						Total	
		A - Distribution (excluding pass-through)		B - Distribution		C - Delivery		Total Bill	
RATE CLASSES	Units	\$	%	\$	%	\$	%	\$	%
RESIDENTIAL	kwh	\$ 2.54	7.9%	\$ 3.97	11.0%	\$ 5.21	11.7%	\$ 4.89	3.9%
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	\$ 46.66	6.8%	\$ 141.89	18.3%	\$ 240.53	17.0%	\$ 272.41	3.4%
LARGE USE	kw	\$ 2,758.50	16.1%	\$ 13,085.50	69.7%	\$ 12,528.00	23.7%	\$ 14,156.64	2.9%
UNMETERED SCATTERED LOAD	kwh	\$ 2.75	9.8%	\$ 4.60	14.3%	\$ 5.84	14.5%	\$ 5.48	4.4%
STREET LIGHTING	kw	\$ 252.38	10.4%	\$ 266.44	10.7%	\$ 280.09	10.9%	\$ 316.51	7.4%

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 Reply Comments. The bill impacts have been updated to reflect the changes to the 2024 distribution rates resulting from the revenue requirement changes outlined below.

3. REPLY COMMENTS

As a result of including the OER credit in the cost of power calculation, NOTL Hydro's service revenue requirement has been updated to \$7,134,421 and the base revenue requirement to \$6,518,538. The revenue deficiency has been updated to \$439,332 as per the attached Revenue Requirement Workform (Appendix A) filed in excel format.

Cost of Power / Rate Base

In the DRO filed on November 7, 2023, NOTL Hydro updated the Power Supply Expenses/Cost of Power calculations using the updated forecasts in Table ES-1 of the OEB Regulated Price Plan Report for November 1, 2023, to October 31, 2024. NOTL Hydro did not apply the OER credit of 19.3% as an input in line 164 in Appendix 2-ZB – Cost of Power. NOTL Hydro has updated Appendix 2-ZB, and the changes are reflected in Table 2 below.

Table 2. Cost of Power / Power Supply Expense Summary

Particulars	Settlement Proposal	Adjustments	Draft Rate Order (11-7-23)	Adjustments	Draft Rate Order Reply Comments (11-15-23)
Commodity	\$19,959,832	(\$1,382,398)	\$18,577,434	\$0	\$18,577,434
Global Adjustment	\$3,788,137	\$2,974,829	\$6,762,965	\$0	\$6,762,965
Transmission Network	\$2,519,753	\$176,065	\$2,695,818	\$0	\$2,695,818
Transmission Connection	441,716	\$34,695	476,411	\$0	476,411
Wholesale Market Service Charge	\$1,084,945	\$0	\$1,084,945	\$0	\$1,084,945
CBR - Class B	\$86,388	\$0	\$86,388	\$0	\$86,388
CBR - Class A	\$11,773	\$0	\$11,773	\$0	\$11,773
Rural Rate Assistance	\$185,658	\$0	\$185,658	\$0	\$185,658
Smart Meter Entity Charge	\$50,029	\$0	\$50,029	\$0	\$50,029
OER	\$0	\$0	\$0	(\$3,178,496)	(\$3,178,496)
Total Cost of Power	\$28,128,230	\$1,803,190	\$29,931,420	(\$3,178,496)	\$26,752,923

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 3. Working Capital Allowance

Particulars	Settlement Proposal	Adjustments	Draft Rate Order (11-7-23)	Adjustments	Draft Rate Order Reply Comments (11-15-23)
Controllable Expenses	\$3,490,269	\$0	\$3,490,269	\$0	\$3,490,269
Cost of Power	\$28,128,230	\$1,803,190	\$29,931,420	(\$3,178,496)	\$26,752,923
Working Capital Base	\$31,618,499	\$1,803,190	\$33,421,689	(\$3,178,496)	\$30,243,192
Working Capital %	7.50%	0.00%	7.50%	0.00%	7.50%
Working Capital Allowance	\$2,371,387	\$135,239	\$2,506,627	(\$238,387)	\$2,268,239

Table 4. Summary of Rate Base

Particulars	Settlement Proposal	Adjustments	Draft Rate Order (11-7-23)	Adjustments	Draft Rate Order Reply Comments (11-15-23)
Gross Fixed Assets (average)	\$64,533,076	\$0	\$64,533,076	\$0	\$64,533,076
Accumulated Depreciation (average)	(\$31,659,313)	\$0	(\$31,659,313)	\$0	(\$31,659,313)
Net Fixed Assets (average)	\$32,873,763	\$0	\$32,873,763	\$0	\$32,873,763
Allowance for Working Capital	\$2,371,387	\$135,239	\$2,506,627	(\$238,387)	\$2,268,239
Total Rate Base	\$35,245,151	\$135,239	\$35,380,390	(\$238,387)	\$35,142,003

Cost of Capital

Due to the changes to cost of power noted above, NOTL Hydro's return on equity declined to \$1,294,631 and the total return on debt decreased to \$837,364.

The total return on rate base decreased to \$2,131,995.

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

Table 5. Cost of Capital

		Settlement Proposal	Draft Rate Order (11-7-23)	Change	Draft Rate Order Reply Comments (11-15-23)	Change
Item						
Capitalization Ratios	Long Term Debt	56%	56%	0%	56%	0%
	Short Term Debt	4%	4%	0%	4%	0%
	Equity	40%	40%	0%	40%	0%
	Total	100%	100%	0%	100%	0%
	Total Debt	60%	60%	0%	60%	0%
Allocation of Rate Base	Long Term Debt	\$ 19,737,284	\$ 19,813,018	\$ 75,734	\$ 19,679,521	\$ (133,497)
	Short Term Debt	\$ 1,409,806	\$ 1,415,216	\$ 5,410	\$ 1,405,680	\$ (9,535)
	Equity	\$ 14,098,060	\$ 14,152,156	\$ 54,096	\$ 14,056,801	\$ (95,355)
	Total Rate Base	\$ 35,245,151	\$ 35,380,390	\$ 135,239	\$ 35,142,003	\$ (238,387)
Rates of Return	Weighted Long Term Debt Rate	3.83%	3.81%	(0.02%)	3.81%	0.00%
	Short Term Debt Rate	4.79%	6.23%	1.44%	6.23%	0.00%
	Return on Equity	9.36%	9.21%	(0.15%)	9.21%	0.00%
	Weighted Average Cost of Capital	6.08%	6.07%	(0.01%)	6.07%	0.00%
Return on Rate Base	Long Term Debt	\$ 755,938	\$ 754,876	\$ (1,062)	\$ 749,790	\$ (5,086)
	Short Term Debt	\$ 67,530	\$ 88,168	\$ 20,638	\$ 87,574	\$ (594)
	Return on Equity	\$ 1,319,578	\$ 1,303,414	\$ (16,165)	\$ 1,294,631	\$ (8,782)
	Total Return on Rate Base	\$ 2,143,046	\$ 2,146,457	\$ 3,411	\$ 2,131,995	\$ (14,462)

Revenue Requirement

Due to the changes to cost of power, and resulting impacts on cost of capital and PILs, the service revenue requirement has been updated \$7,134,421. The table below provides a summary of these changes.

Table 6. Changes to Revenue Requirement

Particulars	Settlement Agreement	Draft Rate Order (11-7-23)	Change	Draft Rate Order Reply Comments (11-15-23)	Change
OM&A Expenses	\$3,446,885	\$3,446,885	\$0	\$3,446,885	\$0
Amortization/Depreciation	\$1,402,141	\$1,402,141	\$0	\$1,402,141	\$0
Property Taxes	\$43,384	\$43,384	\$0	\$43,384	\$0
Income Taxes (Grossed up)	\$116,981	\$112,951	(\$4,030)	\$110,016	(\$2,935)
Other Expenses	\$0	\$0	\$0	\$0	\$0
Return					
Deemed Interest Expense	\$823,468	\$843,044	\$19,576	\$837,364	(\$5,680)
Return on Deemed Equity	\$1,319,578	\$1,303,414	(\$16,165)	\$1,294,631	(\$8,782)
Service Revenue Requirement (before Revenue Offsets)	\$7,152,437	\$7,151,818	(\$618)	\$7,134,421	(\$17,398)
Revenue Offsets	\$615,882	\$615,882	\$0	\$615,882	\$0
Base Revenue Requirement¹	\$6,536,554	\$6,535,936	(\$618)	\$6,518,538	(\$17,398)
Distribution revenue	\$6,536,554	\$6,535,936	(\$618)	\$6,518,538	(\$17,398)
Other revenue	\$615,882	\$615,882	\$0	\$615,882	\$0
Total revenue	\$7,152,437	\$7,151,818	(\$618)	\$7,134,421	(\$17,398)
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 D to this filing.

The approach to the revenue to cost ratios is consistent with the approach in the November 7, 2023, DRO with no adjustments to any of the rate classes.

Table 7. Revenue to Cost Ratios

Rate Class	Revenue to Cost Ratio			Policy Range
	Settlement Agreement	Draft Rate Order (11-7-23)	Draft Rate Order Reply Comments (11-15-23)	
Residential	0.9053	0.9052	0.9050	85 - 115
General Service < 50kW	1.1340	1.1340	1.1344	80 - 120
General Service >= 50kW	1.1267	1.1268	1.1274	80 - 120
Large User	1.0007	1.0008	1.0021	85 - 115
Unmetered Scattered Load	1.1869	1.1869	1.1866	80 - 120
Street Lighting Connections	1.4036	1.4036	1.4034	80 - 120

Rate Design

As a result of the updates to the revenue requirement, distribution rates have been adjusted. Note that the table below is prior to rate the rate mitigation agreed to in the Settlement Proposal.

Table 8. 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	\$3,457,025	\$3,457,025	\$0	100.00%	0.00%
General Service < 50kW	kWh	1,523	45,128,762	0	\$1,477,588	\$795,841	\$681,747	53.86%	46.14%
General Service >= 50kW	kW	132	87,792,872	223,773	\$1,135,094	\$491,714	\$643,380	43.32%	56.68%
Large User	kW	1	43,800,000	60,000	\$184,123	\$48,972	\$135,151	26.60%	73.40%
Unmetered Scattered Load	kWh	67	423,310	0	\$22,922	\$20,039	\$2,883	87.42%	12.58%
Street Lighting Connections	kW	2,331	582,590	1,626	\$241,785	\$222,377	\$19,408	91.97%	8.03%

The adjustments result in distribution rates shown below in Table 9, and are included in Appendix C.

Table 9. Summary of Distribution Rates

Rate Class	2024 Rates (mitigated)		2025 Base Rates	
	Monthly Service Charge	Volumetric Rate	Monthly Service Charge	Volumetric Rate
Residential	\$33.13	\$0.0000	\$34.28	\$0.0000
General Service < 50kW	\$43.56	\$0.0140	\$43.56	\$0.0151
General Service >= 50kW	\$311.31	\$2.7766	\$311.31	\$2.9476
Large User	\$4,080.99	\$2.7091	\$4,080.99	\$2.8125
Unmetered Scattered Load	\$24.18	\$0.0064	\$24.92	\$0.0068
Street Lighting Connections	\$7.95	\$6.9263	\$7.95	\$11.9382

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

Conclusion

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

Appendix “A” - NOTL 2024 Rev Reqt Workform 20231115

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

Appendix “B”- NOTL 2024 Filing Requirements Chapter 2 Appendices 20231115

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