

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
Wasaga Distribution Inc.
For an order approving just and reasonable rates and
Other charges for electricity distribution beginning
May 1, 2024.

Wasaga Distribution Inc.

Settlement Proposal

Filed: March 27, 2024

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LIST OF ATTACHMENTS

WDI 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
10. Pole Attachment Revenue Update (9-Staff-57)

SETTLEMENT PROPOSAL

Wasaga Distribution Inc. (the Applicant or WDI) filed a Cost-of-Service application with the Ontario Energy Board (the OEB) on October 20, 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 WDI charges for electricity distribution, to be effective May 1, 2024 (OEB file number EB-2023-0055) (the Application).

The OEB issued a Letter of Direction and Notice of Application on November 10, 2023. In Procedural Order No. 1, dated December 6, 2023, the OEB approved the Vulnerable Energy Consumers Coalition (VECC), the School Energy Coalition (SEC) and Energy Probe (EP) as intervenors.

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

On December 6, 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 December 13, 2023 (the Approved Issues List).

WDI filed its interrogatory responses with the OEB on February 2, 2024.

The Settlement Conference was convened on February 21, 2024, in accordance with the OEB's Rules of Practice and Procedure (the Rules) and the OEB's Practice Direction on Settlement Conferences. EP, SEC and VECC (the Intervenors) participated in the Settlement Conference.

Michelle Dagnino acted as the facilitator for the Settlement Conference.

WDI, VECC, SEC and EP (collectively referred to as the Parties), reached a full, comprehensive settlement regarding WDI'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 at 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, including responses to Pre-Settlement Clarification questions (Clarification Responses). The Parties acknowledge that the attachments were prepared by WDI. 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 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 WDI 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 WDI, 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 Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2 Cost of Service, December 15, 2022, 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 \$0.62 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 \$6,003,201 by \$205,730 to \$5,797,471.

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

WDI 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 WDI's Application as filed, the interrogatory process and this Settlement Proposal.

Table 1 – Summary of 2024 Revenue Requirement

Particular	Original Application October 20, 2023	Response to IRs February 2, 2024 ¹	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
Long Term Debt (OEB Deemed Rate)	4.08%	3.98%	(0.10%)	3.98%	-
Short Term Debt	4.79%	6.23%	1.44%	6.23%	-
Return on Equity	9.36%	9.21%	(0.15%)	9.21%	-
Regulated Rate of Return	6.22%	6.16%	(0.06%)	6.16%	-
Controllable Expenses	4,015,049	4,001,449	(13,600)	3,926,449	(75,000)
Power Supply Expense	19,488,212	19,955,353	467,141	16,635,476	(3,319,877)
Total Eligible Distribution Expenses	23,503,261	23,956,802	453,541	20,561,925	(3,394,877)
Working Capital Allowance Rate	7.5%	7.5%	-	7.5%	-
Total Working Capital Allowance ("WCA")	1,762,745	1,796,760	34,016	1,542,144	(254,616)
Fixed Asset Opening Bal Test Year	21,779,585	21,761,832	(17,753)	21,761,832	-
Fixed Asset Closing Bal Test Year	24,187,319	24,172,360	(14,959)	23,624,019	(548,341)
Average Fixed Asset	22,983,452	22,967,096	(16,356)	22,692,962	(274,134)
Working Capital Allowance	1,762,745	1,796,760	34,016	1,542,144	(254,616)
Rate Base	24,746,197	24,763,856	17,660	24,235,106	(528,750)
Regulated Rate of Return	6.22%	6.16%	(0.06%)	6.16%	-
Regulated Return on Capital	1,539,222	1,526,615	(12,607)	1,494,019	(32,596)
Deemed Interest Expense	612,724	614,315	1,590	601,198	(13,117)
Deemed Return on Equity	926,498	912,300	(14,198)	892,821	(19,479)
OM&A	3,979,353	3,965,753	(13,600)	3,890,753	(75,000)
Depreciation Expense	919,029	1,370,165	451,136	1,347,205	(22,960)
Property Taxes	35,696	35,696	-	35,696	-
PILs	146,218	146,309	91	83,813	(62,494)
Revenue Offset	616,317	1,070,246	453,929	1,054,017	(16,229)
Base Revenue Requirement	6,003,201	5,974,292	(28,909)	5,797,471	(176,821)

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.

¹ Throughout this settlement proposal this column combines the impact of any changes related to IR clarification questions that were received and responded to, prior to the settlement conference.

Table 2 – Bill Impact Summary

RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer)	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kwh	\$(0.51)	-2.0%	\$(0.55)	-1.4%	\$0.66	1.2%	\$0.62	0.5%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kwh	\$(0.78)	-1.5%	\$(1.27)	-1.5%	\$1.53	1.3%	\$1.43	0.4%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$7.17	0.4%	\$159.44	6.3%	\$311.60	7.2%	\$344.01	1.3%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kwh	\$0.09	1.1%	\$0.42	3.6%	\$0.77	4.9%	\$0.72	1.7%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$79.89	1.3%	\$151.23	2.4%	\$199.96	2.9%	\$223.96	1.7%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	\$(0.51)	-2.0%	\$1.71	4.8%	\$2.92	5.9%	\$2.73	2.3%

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		

SETTLEMENT 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 WDI's proposed 2024 capital expenditures and 2024 net capital additions for the purpose of setting rates, subject to the following adjustments:

- a) WDI's proposed net System Access in-service addition forecast for 2024 will be reduced by \$205,000 for the purposes of setting rates, to reflect the uncertainty that all the forecast development work will be required and completed in the test year, and
- b) WDI will reduce its forecast System Renewal in-service addition forecast for 2024 by \$350,000 for the purposes of setting rates, to reflect a smoother forecast spending profile for WDI in the non-System Access categories of spending over the course of its 2024-2028 Distribution System Plan.²

Table 3 – 2024 Capital Expenditures

	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
System Access	\$4,896,480	\$4,896,480	\$0	\$3,520,743	(\$1,375,737)
System Renewal	\$1,916,242	\$1,916,242	\$0	\$1,566,242	(\$350,000)
System Service	\$500,000	\$500,000	\$0	\$500,000	\$0
General Plant	\$25,000	\$25,000	\$0	\$25,000	\$0
Capital Contribution	(\$3,985,958)	(\$3,985,958)	\$0	(\$2,815,221)	\$1,170,737
Total Expenditures	\$3,351,764	\$3,351,764	\$0	\$2,796,764	(\$555,000)

The Parties acknowledge WDI's comprehensive business and investment planning efforts and accept the evidence of WDI that the level of planned capital expenditures over the course of its Distribution System Plan 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.

² The Parties note that in reviewing the annual spending proposed by WDI in its Distribution System Plan with a view to achieving a levelized capital budget for 2024 in the non-System Access categories of spending, the Parties excluded consideration of the large proposed Station and related Feeder projects currently included in the forecast for the years 2026 and 2028, recognizing that those projects, if and when they become necessary, will be the subject of review by the OEB as projects brought forward by WDI for Incremental Capital Module rate relief.

Evidence References

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

IR Responses

- OEB Staff # 8-30
- EP #8-11
- VECC # 2-11
- SEC # 8-13

Clarification Questions

- OEB Staff # 2
- SEC # 26-28

Supporting Parties

- VECC, SEC, EP

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 WDI'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 \$24,235,106 for the purposes of setting rates, which reflects WDI's updated forecast in-service additions for 2023, the reductions in 2024 Capital Budget as set out under issue 1.1, and the working capital amount as updated to reflect the terms of this Settlement Proposal. The Parties note that in the Application WDI did not remove the value of the Ontario Energy Rebate from its calculation of the cost of power for the purpose of calculating the working capital allowance; that adjustment has now been made, as can be seen by the updated Appendix 2-ZB filed with the Settlement Proposal.
- b) The Parties agree to an updated depreciation expense of \$1,347,205, which reflects the update to the 2024 opening fixed assets based on WDI's updated forecast in-service additions for 2023 and the updated 2024 Capital Budget. **Table 1 – Summary of 2024 Revenue Requirement** above further outlines the updated depreciation expense values.

Table 4 – 2024 Working Capital

Particulars	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
Controllable Expenses	\$4,015,049	\$4,001,449	(\$13,600)	\$3,926,449	(\$75,000)
Cost of Power	\$19,488,212	\$19,955,353	\$467,141	\$16,635,476	(\$3,319,877)
Working Capital Base	\$23,503,261	\$23,956,802	\$453,541	\$20,561,925	(\$3,394,877)
Working Capital Rate %	7.50%	7.50%	-	7.50%	-
Working Capital Allowance	\$1,762,745	\$1,796,760	\$34,016	\$1,542,144	(\$254,616)

Table 5 – 2024 Rate Base

Particulars	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
Gross Fixed Assess (Average)	\$29,838,648	\$29,819,499	(\$19,149)	\$29,542,000	\$277,499
Accumulated Depreciation (Average)	(\$6,855,196)	(\$6,852,403)	(\$2,793)	(\$6,849,038)	(\$3,365)
Net Fixed Assets (Average)	\$22,983,452	\$22,967,096	(\$16,356)	\$22,692,962	(\$274,134)
Allowance for Working Capital	\$1,762,745	\$1,796,760	\$34,016	\$1,542,144	(\$254,616)
Total Rate Base	\$24,746,197	\$24,763,856	\$17,660	\$24,235,106	(\$528,750)

Evidence References

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

IR Responses

- OEB Staff # 8-30
- EP #8-11
- VECC # 2-11
- SEC # 8-13

Clarification Questions

- OEB Staff # 2
- SEC # 26-28

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

2. OM&A

2.1 Are the proposed OM&A expenditures appropriate?

Full Settlement

The Parties have agreed that WDI's proposed updated 2024 OM&A budget is appropriate, subject to a reduction of \$75,000, resulting in a 2024 Test Year Budget of \$3,890,753.

As shown in Table 6 the OM&A expenses have increase by 29% as compared to the last Board approved of \$3,003,789 in 2016. This represents an annual growth rate of approximately 3.29% per year. As was the case with the original budget, this updated budget keeps WDI within a Group 1 productivity rating in the Test year on a forecast basis. The Parties believe that this 2.23% reduction to the updated budget results in an OM&A budget that will allow WDI to provide an appropriate level of service to its customers.

Table 6 – 2024 Test Year OM&A Expenses

	2016 Last Rebasing Year OEB Approved	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
Operations	\$77,011	\$63,011	\$75,721	\$12,710	\$75,721	\$0
Maintenance	\$795,181	\$1,017,951	\$1,028,121	\$10,170	\$1,028,121	\$0
Billing and Collecting	\$1,027,236	\$1,207,141	\$1,124,640	(\$82,501)	\$1,124,640	\$0
Community Relations	\$17,803	\$19,885	\$19,885	\$0	\$19,885	\$0
Administration & General +LEAP	\$1,086,558	\$1,671,364	\$1,717,386	\$46,022	\$1,642,386	(\$75,000)
Total	\$3,003,789	\$3,979,353	\$3,965,753	(\$13,599)	\$3,890,753	(\$75,000)

Evidence References

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

IR Responses

- OEB Staff # 36-46
- EP # 12-21
- VECC # 16-20
- SEC # 15-20

Clarification Questions

- OEB Staff # 4

- SEC # 29

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

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

Full Settlement

Subject to the agreement made at Section 3.4 the Parties accept, for the purpose of the 2024 Test Year, WDI's proposed shared services cost allocation methodology and quantum, as updated to reflect other elements of the Settlement Proposal. See also issue 3.4, where the Parties have agreed that WDI will obtain a study to review, in addition to other things, the cost allocation methodology between WDI and its affiliate.

Evidence References

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

IR Responses

- OEB Staff # 46
- EP # 16-17, 19-21

Clarification Questions

- OEB Staff # 5

Supporting Parties

- VECC, SEC, EP

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 WDI's proposed cost of capital parameters as reflected below, which are based on, where appropriate, the OEB's cost of capital parameters for 2024 Cost of Service applications.

Table 7 – 2024 Cost of Capital Calculation

Particulars	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
Debt					
Long-term Debt (weighted)	4.08%	3.98%	0.10%	3.98%	-
Short-term Debt	4.79%	6.23%	(1.44%)	6.23%	-
Total Debt	4.13%	4.13%	-	4.13%	-
Equity					
Total Equity	9.36%	9.21%	0.15%	9.21%	-
Total	6.22%	6.16%	0.06%	6.16%	-

Year

2024

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) ²	Interest (\$) ¹
1	Affiliated Debt - from Shareholder	Town of Wasaga Beach	Affiliated	Variable Rate	1-Oct-00	Demand	\$3,593,269	4.58%	\$164,571.72
2	Long Term Loan Arrangement	Infrastructure Ontario	Third-Party	Fixed Rate	26-May-20	360 months	\$1,400,342	2.83%	\$39,629.67
3	Long Term Loan Arrangement	Infrastructure Ontario	Third-Party	Fixed Rate	7-Mar-22	360 months	\$2,417,580	3.69%	\$89,208.70
4	Long Term Loan Arrangement	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-23	360 months	\$1,993,090	5.38%	\$107,228.23
5	Long Term Loan Arrangement	Infrastructure Ontario	Third-Party	Fixed Rate	1-Jul-24	360 months	\$2,000,000	5.38%	\$53,800.00
Total							\$11,404,280	3.98%	\$454,438.32

Evidence References

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

IR Responses

- OEB Staff # 47
- EP # 22
- VECC # 21-23
- SEC # 21

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

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

Full Settlement

The Parties accept WDI’s updated calculations of forecast PILs in this Settlement Proposal. 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.

The Parties accept WDI’s proposal to not use accelerated CCA for both the 2023 bridge year and the 2024 test year and to not use accelerated CCA in subsequent years given that the option to take accelerated CCA will be phased out entirely by 2028. Given that WDI is not proposing to claim accelerated CCA beginning in 2023, reverting back to the legacy CCA practice of the half-year rule, there is no need to either smooth the impact of the phase out of accelerated CCA or to capture the impact of the phase out of accelerated CCA in the existing 1592 sub-account related to accelerated CCA; however, the Parties agree that WDI will maintain the existing 1592 sub-account to capture any further changes in accelerated CCA related policy or changes in how WDI applies accelerated CCA policy.

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

Table 8 – 2024 Income Taxes

	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
Income Taxes (Grossed up)	\$146,217	\$146,309	\$92	\$83,813	(\$62,496)

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 # 50-51

Clarification Questions

- OEB Staff # 7-8, 10

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

3.3 Is the proposed Other Revenue forecast appropriate?

Full Settlement

The Parties agree that WDI’s other revenue forecast is appropriate. The Parties note that the changes in Other Operating Revenues at the interrogatory phase and resulting from the Settlement Proposal relate to a change in how capital contributions are reflected for accounting purposes. As a result of OEB Staff’s request at 2-Staff-30 WDI now recognizes an annual revenue amount in account 4245 to represent the application of capital contributions, revenue that is offset by the recognition of an equal amount of depreciation expense related to the assets that attracted the capital contributions. Accordingly, the \$453,929 and (\$16,229) adjustments are offset by adjustments in depreciation expense, such that these adjustments reflect changes in accounting presentation only, not changes in revenue requirement.

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

Table 9 – 2024 Revenue Offsets

	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
Miscellaneous Service Revenues	\$66,573	\$66,319	(\$254)	\$66,319	\$0
Late Payment Charges	\$47,759	\$47,759	\$0	\$47,759	\$0
Other Operating Revenues	\$500,621	\$954,550	\$453,929	\$938,321	(\$16,229)
Other Income and Deductions	\$1,364	\$1,618	\$254	\$1,618	\$0
Total	\$616,317	\$1,070,246	\$453,929	\$1,054,017	(\$16,229)

Evidence References

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

IR Responses

- OEB Staff # 48-49
- EP # 23
- VECC # 24-25
- SEC # 22

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

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 WDI 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.

The Parties note that WDI continues to operate as a “virtual” utility; WDI has no employees, it relies entirely on an affiliated company, Wasaga Resources Services Inc. (“WRSI” or the “affiliate”) for its human and other resources. This includes its senior executive staff. The intervening Parties expressed concern as to how under this structure WDI is able to meet the various obligations, including certain IFRS accounting standards, imposed on WDI as a regulated distributor.

In order to address these concerns, the Parties have agreed that WDI will file an independent study in its next Cost of Service that reviews its virtual utility operating structure to confirm that it is meeting its various obligations as a distributor of electricity regulated by the Ontario Energy Board. Without limiting the generality of the foregoing, it is anticipated that the study will address the following identified concerns:

- a) that the virtual utility model does not result in the rejection of alternatives that are materially more cost efficient;
- b) that the derivation of the costs provided to the virtual utility are appropriate and can be determined to be appropriate through clear and transparent information as to its affiliate’s costs, including how any markups are derived and applied;
- c) that, where appropriate, market price data for services provided to the virtual utility by its affiliate is obtained to confirm that the prices paid by the regulated entity to its affiliate are reasonable;
- d) that the accounting standards and regulatory requirements as applicable to the virtual utility and its affiliate are being properly adhered to and applied to affiliate transactions;
- e) that the “Shared Corporate Services” costs can be clearly distinguished in description and quantum from other affiliate costs;
- f) that it can be clearly demonstrated that the Cost Allocation Model used to allocate costs from the affiliate to the regulated entity is being properly applied;

- g) That an independent verification of the data underpinning the Cost Allocation Model can and has been undertaken;
- h) that the virtual utility's confidential information is being held in confidence and not being used by the affiliate to unfairly compete with 3rd party service providers, including protection of customer data from use by unregulated affiliates;
- i) that the fiduciary duties of the officers of the virtual utility and appropriate corporate governance over the virtual utility are being properly maintained within the virtual utility structure. Specifically, that the study will examine the question of conflict, real or potential, that may arise in the circumstances where WRSI senior corporate officers (CEO, COO, CFO, etc.) share their time and act in the place of senior corporate officers of the virtual utility.

The Parties recognize that it remains open to WDI to change its corporate structure prior to its next Cost of Service application. If WDI elects to do so and files its next cost of service application as a non-virtual utility, then the Parties agree that to the extent WDI elects to change its corporate structure the scope of the independent study may be adjusted to reflect that change.

Evidence References

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

IR Responses

- None

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

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 WDI to calculate the Revenue Requirement is appropriate.

A summary of the adjusted Base Revenue Requirement of \$5,797,471 reflecting adjustments and settled issues is presented in Table 10 – 2024 Revenue Requirement Summary below.

Table 10 – 2024 Revenue Requirement Summary

	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
OM&A Expenses	\$3,979,353	\$3,965,753	(\$13,600)	\$3,890,753	(\$75,000)
Amortization/Depreciation	\$919,029	\$1,370,165	\$451,136	\$1,347,205	(\$22,960)
Property Taxes	\$35,696	\$35,696	\$0	\$35,696	\$0
Income Taxes (Grossed up)	\$146,217	\$146,309	(\$92)	\$83,813	(\$62,496)
Return					
Deemed Interest Expense	\$612,724	\$614,315	\$1,590,590	\$601,198	(\$13,117)
Return on Deemed Equity	\$926,498	\$912,300	(\$14,198)198	\$892,821	(\$19,479)
Service Revenue Requirement (before Other Revenue Offsets)	\$6,619,518	\$7,044,538	\$425,020	\$6,851,488	(\$193,050)
Revenue Offsets	\$616,317	\$1,070,246	\$453,929	\$1,054,017	(\$16,229)
Base Revenue Requirement	\$6,003,564	\$5,974,292	(\$29,272)	\$5,797,471	(\$176,821)
Gross Revenue Deficiency/Sufficiency	\$718,299	\$624,597	(\$93,702)	\$428,572	(\$196,031)

Evidence References

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

IR Responses

- None

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

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 Clarification Responses is appropriate for the purpose of setting rates.

Table 11 – 2024 Test Year Billing Determinants

Particulars	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
kWh					
Residential	108,847,740	109,154,919	307,179	109,154,919	-
General Service < 50 kW	19,131,278	19,282,193	150,915	19,282,193	-
General Service > 50 kW	21,413,260	21,826,931	413,671	21,826,931	-
Unmetered Scattered Load	215,972	242,514	26,542	242,514	-
Street Lighting	820,413	821,099	686	821,099	-
	150,428,663	151,327,656	898,993	151,327,656	-
kW					
General Service > 50 kW	52,076	53,115	1,045	53,115	-
Street Lighting	2,424	2,426	2	2,426	-
	54,500	55,541	1,047	55,541	-

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

Table 12 – Number of Customers & Devices

Particulars	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
Residential	14,408	14,501	93	14,501	0
General Service < 50 kW	858	866	8	866	0
General Service > 50 kW	37	38	1	38	0
Unmetered Scattered Load (Devices)	48	54	6	54	0
Street Lighting (Devices)	3,245	3,237	(8)	3,237	0
Total	18,596	18,696	100	18,696	0

Evidence References

- EXHIBIT 3 – Load and Customer Forecast

IR Responses

- OEB Staff # 31-35
- VECC # 12-15
- SEC # 14

Clarification Questions

- VECC # 33

Supporting Parties

- VECC, SEC, EP

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 WDI’s cost allocation methodology and its proposed revenue-to-cost ratios, as updated through the interrogatory process, the Clarification Responses, and to reflect changes resulting from this Settlement Proposal that require an update to the allocation of costs. In doing so the Parties note the following:

- a) while the Parties accepted the load profiles produced by WDI for the purposes of cost allocation, WDI agrees to provide updated load profiles for its next cost of service application; and
- b) the cost allocation methodology does not include the impact of some customers owning their own transformers; however, because there is no impact of making this correction on the resulting rates (because the impact of the change is so immaterial) the Parties did not require that adjustment in the final cost allocation run. However, WDI agrees to ensure that in its next cost of service application the cost allocation methodology will properly account for the customer ownership of transformers.

Table 13 – Summary of 2024 Revenue-to-Cost Ratios

Customer Class Name	Original Application October 20, 2023			Response to IRs February 2, 2024			Settlement Proposal March 27, 2024		
	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	101.04%	101.04%	0.0000	102.00%	102.00%	0.0000	101.89%	101.89%	0.0000
General Service < 50 kW	94.72%	94.72%	0.0000	91.65%	91.65%	0.0000	92.03%	92.03%	0.0000
General Service > 50 kW	91.65%	91.65%	0.0000	87.52%	87.52%	0.0000	88.10%	88.10%	0.0000
Unmetered Scattered Load	94.64%	94.64%	0.0000	97.11%	97.11%	0.0000	96.95%	96.95%	0.0000
Street Lighting	118.50%	118.50%	0.0000	109.13%	109.13%	0.0000	109.27%	109.27%	0.0000

Evidence References

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

IR Responses

- VECC # 28-29
- SEC # 23

Clarification Questions

- VECC # 34
- SEC # 30

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

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

Full Settlement

The Parties accept WDI’s approach to rate design including the proposed fixed/variable splits.

Table 14 – Summary of 2024 Fixed to Variable Split

Particulars	Original Application October 20, 2023	Original Application October 20, 2023	Original Application October 20, 2023	Response to IRs February 2, 2024	Response to IRs February 2, 2024	Response to IRs February 2, 2024	Settlement Proposal March 27, 2024	Settlement Proposal March 27, 2024	Settlement Proposal March 27, 2024
Customer Class	Fixed Rate	Variable Rate	TOTAL	Fixed Rate	Variable Rate	TOTAL	Fixed Rate	Variable Rate	TOTAL
Residential	100.00%	0.00%	83.15%	100.00%	0.00%	83.15%	100.00%	0.00%	83.07%
General Service < 50 kW	35.05%	64.95%	9.55%	35.05%	64.95%	9.55%	35.05%	64.95%	9.55%
General Service > 50 kW	5.51%	94.49%	5.81%	5.51%	94.49%	5.81%	5.51%	94.49%	5.89%
Unmetered Scattered Load	57.00%	43.00%	0.09%	57.00%	43.00%	0.09%	57.00%	43.00%	0.11%
Street Lighting	96.41%	3.59%	1.39%	96.41%	3.59%	1.39%	96.41%	3.59%	1.38%

Evidence References

- EXHIBIT 8 - Rate Design

IR Responses

- OEB Staff # 53
- VECC # 30

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

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. With respect to low voltage rates WDI has recalculated the rates using the 2024 low voltage charge from Hydro One, applied in the first instance to its 2023 charge determinants, with an adjustment to the variable component of the charge to reflect the load growth between 2023 and 2024.

Table 15 – 2024 RTSR Network and Connection Rates Charges

		Original Application October 20, 2023	Response to IRs February 2, 2024	Settlement Proposal March 27, 2024
<u>Transmission - Network</u>				
Class Name	Per	Rate \$	Rate \$	Rate \$
Residential	kWh	0.0100	0.0105	0.0105
General Service < 50 kW	kWh	0.0091	0.0096	0.0096
General Service > 50 kW	kW	3.6988	3.9020	3.9020
Unmetered Scattered Load	kWh	0.0091	0.0096	0.0096
Street Lighting	kW	2.7899	2.9432	2.9432
<u>Transmission - Connection</u>				
Class Name	Per			
Residential	kWh	0.0069	0.0079	0.0079
General Service < 50 kW	kWh	0.0061	0.0069	0.0069
General Service > 50 kW	kW	2.3453	2.6792	2.6792
Unmetered Scattered Load	kWh	0.0061	0.0069	0.0069
Street Lighting	kW	1.8132	2.0712	2.0712

Table 16 – 2024 Low Voltage Rates

		Original Application October 20, 2023	Response to IRs February 2, 2024	Settlement Proposal March 27, 2024
Low Voltage Amount		\$685,238	\$685,238	\$573,531
Class Name	Per	Rate \$	Rate \$	Rate \$
Residential	kWh	0.0044	0.0044	0.0040
General Service < 50 kW	kWh	0.0039	0.0039	0.0035
General Service > 50 kW	kW	1.5114	1.5114	1.2609
Unmetered Scattered Load	kWh	0.0039	0.0039	0.0035
Street Lighting	kW	1.1685	1.1685	0.9748

Evidence References

- EXHIBIT 8 - Rate Design

IR Responses

- OEB Staff # 52
- VECC # 31

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

5.4 Are the Proposed Loss Factors Appropriate?

Full Settlement

The Parties accept the 2024 forecast loss factors as appropriate for the purpose of setting rates.

Table 17 – 2024 Loss Factors

	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IRs
Supply Facilities Loss Factor	1.0325	1.0325	-	1.0325	-
Distribution Loss Factor - Secondary Metered Customer < 5,000 kW	1.0459	1.0459	-	1.0459	-
Distribution Loss Factor - Primary Metered Customer < 5,000 kW	1.0355	1.0355	-	1.0355	-
Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0798	1.0798	-	1.0798	-
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0690	1.0690	-	1.0690	-

Evidence References

- EXHIBIT 8 – Rate Design

IR Responses

- None

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

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

Full Settlement

The Parties accept that WDI's proposed Specific Service Charges and Retail Service Charges as updated by the OEB on June 29, 2023³ are appropriate.

Evidence References

- EXHIBIT 8 - Rate Design

IR Responses

- None

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

³ <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

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

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 WDI'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 the following adjustments:

- a) WDI agrees to forecast the Pole Attachment Revenue Variance Account balance to April 30, 2024, and to dispose of the account on a final basis, which will allow WDI to close the account;
- b) WDI agrees to forecast the OEB Cost Assessment Variance Account balance to April 30, 2024, and dispose of the account on a final basis, which will allow WDI to close the account;
- c) WDI agrees to dispose of the Accelerated CCA sub-account of Account 1592 to the credit of ratepayers. The Parties note that WDI is not proposing to claim accelerated CCA beginning in 2023, such that on clearing the account to the end of 2022 there will be no entries in the account for 2023 or future years based on the status of the Accelerated CCA tax rules. The Parties recognize that this sub-account will remain open and available for use by WDI in the event its behaviour with respect to accelerated CCA use, under either the existing rules or under any amendments to the rules, changes.
- d) For the purpose of possible future use of the Getting Ontario Connected Act Variance Account, the Parties agree that the amount embedded in WDI's 2024 OM&A budget for locate costs is \$152,600, which represents WDI's forecast locate costs for 2024 assuming no impact as a result of the *Getting Ontario Connected Act, 2022*. The Parties note that the 2024 forecast for locates was developed based on historical information that did not include any time periods that were impacted by the *Getting Ontario Connected Act, 2022*, such that to the extent that the *Getting Ontario Connected Act, 2022* has any material impact on WDI's locate costs that impact will be incremental to the current embedded budget of \$152,600.
- e) As per the request of the OEB staff, WDI has updated the balance of account 1509 – Impacts Arising from the COVID-19 Emergency to zero. This change was made because the total balance of \$1,845.37 created multiple rate riders with a null value. As a result, this amount will be transferred to account 1595 – Disposition of Recovery/Refund of Regulatory Balances 2024 and will be disposed of at a later time.

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 18 – DVA Balances for Disposition

	Original Application October 20, 2023	Response to IRs February 2, 2024	Variance over Original Application	Settlement Proposal March 27, 2024	Variance over IR's
Group 1					
Group 1 (excluding Account 1589)	\$821,843	\$821,843	-	\$821,843	-
Account 1589 RSVA - Global Adjustment	(\$29,041)	(\$29,041)	-	(\$29,041)	-
Total Group 1	\$792,802	\$792,802	-	\$792,802	-
Group 2					
Pole Attachment Revenue Variance	(\$520,023)	(\$520,023)	-	(\$612,761)	(\$92,738)
Other Reg Assets, Energy East	\$1,207	\$1,207	-	\$1,207	-
Other Reg Assets, OEB Cost Assessment	\$240,940	\$240,940	-	\$287,136	\$46,196
Customer Choice Initiative Costs	\$16,135	\$16,135	-	\$16,135	-
PILS and Tax – Subaccount CCA Changes	-	-	-	(\$216,978)	(\$216,978)
Impacts Arising from the COVID-19 Emergency	(\$1,845)	(\$1,845)	-	-	\$1,845
Total Group 2	(\$263,586)	(\$263,586)	-	(\$525,261)	(\$261,675)
Net Deferral Account Recovery	\$529,216	\$529,216	-	\$267,541	(\$261,675)

Evidence References

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

IR Responses

- OEB Staff # 52-57
- VECC # 32
- SEC # 24

Clarification Questions

- OEB Staff # 11-12

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None

7. Other

7.1 Is the proposed effective date appropriate?

Full Settlement

The Parties agree that WDI's new rates should be effective on May 1, 2024. It is the Parties' expectation that there should be sufficient time for WDI to implement rates effective May 1, 2024 should it receive approval of the final updated Rate Order on or before June 7, 2024.

Evidence References

- EXHIBIT 1 – Administrative Documents

IR Responses

- None

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

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 WDI's has responded appropriately to all outstanding OEB directions.

Evidence References

- EXHIBIT 1 – Administrative Documents

IR Responses

- None

Clarification Questions

- None

Supporting Parties

- VECC, SEC, EP

Parties Taking No Position

- None