

EB-2023-0058

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

Westario Power Inc.

Settlement Proposal

Filed: April 5, 2024

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LIST OF ATTACHMENTS

WPI 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

Westario Power Inc. (the Applicant or WPI) filed a Cost-of-Service application with the Ontario Energy Board (the OEB) on November 3, 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 WPI charges for electricity distribution, to be effective January 1, 2024 (OEB file number EB-2023-0058) (the Application).

The OEB issued a Letter of Direction and Notice of Application on November 27, 2023. In Procedural Order No. 1, dated December 11, 2023, the OEB approved the Vulnerable Energy Consumers Coalition (VECC), the School Energy Coalition (SEC) and Hydro One Networks Inc. as intervenors.

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

On January 19, 2024, 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 February 26, 2024.

WPI filed its interrogatory responses with the OEB on February 22, 2024.

The Settlement Conference was convened on March 6, 2024, in accordance with the OEB's Rules of Practice and Procedure (the Rules) and the OEB's Practice Direction on Settlement Conferences. VECC, SEC and OEB Staff participated in the Settlement Conference. Hydro One Networks Inc. did not participate in the Settlement Conference.

Michelle Dagnino acted as the facilitator for the Settlement Conference.

WPI, VECC and SEC (collectively referred to as the Parties), reached a full, comprehensive settlement regarding WPI's 2024 Cost of Service Application. The details and specific components of the settlement are detailed in this Settlement Proposal. This document is called a Settlement Proposal because it is a proposal by the Parties presented to the OEB to settle the issues in this proceeding. It is termed a proposal as between the Parties and the OEB. However, as between the Parties, and subject only to the OEB's approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. In entering into this Settlement Proposal, the Parties understand and agree that pursuant to the Act, the OEB has exclusive jurisdiction with respect to the interpretation and enforcement of the terms hereof.

The Parties acknowledge that the Settlement Conference was confidential in accordance with the OEB's Practice Direction on Settlement Conferences. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the OEB's Practice Direction on Confidential Filings, and the rules of that latter document do not apply. Instead, in this Settlement Conference, and in this Settlement Proposal, the specific rules with respect to confidentiality and privilege are as set out in the Practice Direction on Settlement Conferences, as amended on February 17, 2021. The Parties have interpreted the revised Practice Direction on Settlement Conferences to mean that the documents and other information provided during the Settlement Conference itself, the discussion of each issue, the offers and counteroffers, and the negotiations leading to the settlement – or not – of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal. Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. However, the Parties agree that attendees are deemed to include, in this context, persons who were not in attendance at the Settlement Conference but were a) any persons or entities that the Parties engaged to assist them with the Settlement Conference, and b) any persons or entities from whom the attendees' sought instructions with respect to the negotiations, in each case provided those persons are subject to the same obligations of confidentiality and privilege as those persons actually in attendance. OEB staff also participated in the Settlement Conference. The role adopted by OEB staff is set out in page 5 of the Practice Direction on Settlement Conferences. Although OEB staff is not a party to this Settlement Proposal, as noted in the Practice Direction on Settlement Conferences, OEB staff who did participate in the Settlement Conference are bound by the same confidentiality requirements that apply to the Parties to the proceeding. This Settlement Proposal provides a brief description of each of the settled issues, as applicable, together with references to the evidence. The Parties agree that references to the evidence in this Settlement Proposal shall, unless the context otherwise requires, include, in addition to the Application, the responses to interrogatories, all other components of the record up to and including the date hereof, and the additional information included by the Parties in this Settlement Proposal and the attachments and appendices to this document.

Included with the Settlement Proposal are attachments that provide further support for the proposed settlement, including responses to Pre-Settlement Clarification questions (Clarification Responses). The Parties acknowledge that the attachments were prepared by WPI. 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 WPI 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 WPI, 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 reduction of \$0.12 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 \$13,089,920 by \$537,178 to \$12,552,742.

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

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

Table 1 – Summary of 2024 Revenue Requirement

	Application Nov 3 2023	IRR Feb 22 2024	Variance over Original Filing	Settlement Proposal	Variance over IRR
Long Term Debt	3.62%	3.62%	0.00%	3.62%	0.00%
Short Term Debt	4.79%	6.23%	1.44%	6.23%	0.00%
Return on Equity	9.36%	9.21%	-0.15%	9.21%	0.00%
Controllable Expenses	\$7,020,725	\$7,020,725	\$0	\$6,835,725	-\$185,000
Power Supply Expense	\$50,496,893	\$54,181,734	\$3,684,842	\$53,788,562	-\$393,172
Total Eligible Distribution Expenses	\$57,517,618	\$61,202,460	\$3,684,842	\$60,624,288	-\$578,172
Working Capital Allowance Rate	7.50%	7.50%	0.00%	7.50%	\$0
Total Working Capital Allowance ("WCA")	\$4,313,821	\$4,590,184	\$276,363	\$4,546,822	-\$43,363
Gross Fixed Assets (avg)	\$86,096,163	\$84,233,580	-\$1,862,583	\$84,010,183	-\$223,396
Accumulated Depreciation (avg)	\$18,547,003	\$18,000,799	-\$546,204	\$17,941,005	-\$59,794
Net Fixed Assets (avg)	\$67,549,160	\$66,232,781	-\$1,316,379	\$66,069,178	-\$163,603
Working Capital Allowance	\$4,313,821	\$4,590,184	\$276,363	\$4,546,822	-\$43,363
Rate Base	\$71,862,982	\$70,822,965	-\$1,040,016	\$70,616,000	-\$206,965
Regulated Rate of Return	5.96%	5.96%	0.00%	5.96%	\$0
Regulated Return on Capital	\$4,284,910	\$4,221,198	-\$63,712	\$4,208,863	-\$12,336
OM&A Expenses	\$6,971,717	\$6,971,717	\$0	\$6,786,717	-\$185,000
Property Taxes	\$49,008	\$49,008	\$0	\$49,008	\$0
Depreciation Expense	\$2,409,135	\$2,208,429	-\$200,706	\$2,088,841	-\$119,588
PILs	\$218,219	\$280,161	\$61,942	\$224,325	-\$55,836
Revenue Offset	-\$843,069	-\$839,663	\$3,406	-\$805,012	\$34,651
Revenue Requirement	\$13,089,920	\$12,890,850	-\$199,070	\$12,552,742	-\$338,109
Revenue Sufficiency/Deficiency	\$833,571	\$523,206	-\$310,365	\$173,887	-\$349,319

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 (eg: Residential TOU, Residential Retailer)	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
Residential - RPP	kwh	-\$0.55	-1.8%	-\$2.66	-6.1%	-\$0.11	-0.2%	-\$0.12	-0.1%
GS less than 50 kw - RPP	kwh	-\$1.57	-2.7%	-\$7.19	-8.1%	-\$1.04	-0.9%	-\$1.08	-0.3%
GS 50 to 4,999 kw - Non-RPP (Other)	kw	-\$52.92	-7.2%	-\$323.38	-23.9%	-\$119.80	-5.2%	-\$150.08	-1.4%
Unmetered scattered load - Non-RPP (other)	kwh	-\$0.20	-1.4%	-\$1.82	-8.8%	-\$0.57	-2.2%	-\$0.59	-0.8%
Sentinel lighting - Non-RPP (other)	kw	-\$61.76	-0.8%	-\$201.96	-2.5%	\$18.79	0.2%	\$19.04	0.2%
Street lighting - Non-RPP (other)	kw	\$62.36	1.6%	-\$8.00	-0.2%	\$36.48	0.9%	\$37.38	0.5%
Residential - Non-RPP (retailer)	kwh	-\$0.55	-1.8%	-\$3.99	-9.0%	-\$1.45	-2.6%	-\$1.47	-1.1%

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 WPI's proposed forecast Capital Expenditures as proposed subject to a reduction in the System Renewal budget of \$450,000 to reflect uncertainty as to whether all of the planned System Renewal projects will be able to proceed on the forecast timetable.

With respect to in-service additions, the Parties agree to proposed forecast in-service additions subject to the following adjustments:

- a) The Work-In-Progress (WIP) at the end of 2023 of \$1,363,207 that, per the application, was originally forecast to remain as WIP throughout 2024 will be recognized as a 2024 in-service addition, to reflect the fact that the project to which that WIP relates to will now go into service in Q1 2024;
- b) Of the settled \$6,288,296 2024 capital budget, WPI will reflect \$1,360,000 of that spending as new WIP in 2024.

The result of the settlement, therefore, is a reduction in the Capital Budget for 2024 (net of capital contributions) from \$6,738,296 to \$6,288,296, and a reduction in the in-service additions (net of capital contributions) from \$6,738,296 to \$6,291,502.

Table 3 - 2024 Capital Expenditures

	Application Nov 3 2023	IRR Feb 22 2024	Variance over Original Filing	Settlement Proposal	Variance over IRR
2023 Fixed Asset Continuity					
Opening	\$76,119,333	\$76,256,075	\$136,743	\$76,256,075	\$0
Additions	\$8,276,849	\$6,624,315	-\$1,652,534	\$6,624,315	\$0
Disposals		-\$652,751	-\$652,751	-\$652,751	\$0
2023 WIP removed				-\$1,363,207	
Closing	\$84,396,182	\$82,227,639	-\$2,168,543	\$80,864,432	\$0
Accumulated Depreciation					
Opening	\$15,161,306	\$14,893,391	-\$267,915	\$14,893,391	\$0
Additions	\$2,181,129	\$2,003,193	-\$177,935	\$2,003,193	\$0
Disposals	\$0	\$0	\$0	\$0	
Closing	\$17,342,435	\$16,896,585	-\$445,851	\$16,896,585	\$0
2024 Fixed Asset Continuity					
Opening	\$82,727,015	\$80,864,432	-\$1,862,583	\$80,864,432	\$0
Additions	\$6,738,296	\$6,738,296	\$0	\$7,651,503	-\$446,793
Disposals	\$0	\$0	\$0	\$0	\$0
2024 WIP removed				-\$1,360,000	
Closing	\$89,465,311	\$87,602,728	-\$1,862,583	\$87,155,935	-\$446,793
Accumulated Depreciation					
Opening	\$17,342,435	\$16,896,585	-\$445,851	\$16,896,585	\$0
Additions	\$2,409,135	\$2,208,429	-\$200,706	\$2,088,841	-\$119,588
Disposals	\$0	\$0	\$0		
Closing	\$19,751,570	\$19,105,013	-\$646,557	\$18,985,425	-\$119,588
System Access	\$1,793,662	\$1,793,662	\$0	\$1,793,662	\$0
System Renewal	\$4,982,283	\$4,982,283	\$0	\$4,535,489	-\$446,794
System Service	\$353,295	\$353,295	\$0	\$353,295	\$0
General Plant	\$490,196	\$490,196	\$0	\$490,196	\$0
Total Expenditures	\$7,619,436	\$7,619,436	\$0	\$7,172,642	-\$446,794
Capital Contribution included in System Access	-\$881,140	-\$881,140	\$0	-\$881,140	\$0
Total Expenditures	\$6,738,296	\$6,738,296	\$0	\$6,291,502	-\$446,794

The Parties acknowledge WPI's comprehensive business and investment planning efforts and accept the evidence of WPI 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.

Evidence References

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

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7

- Exhibit 2 Rate Base
 - 2-Staff-5 to Staff-29
 - 2.0-VECC to 2.0-VECC -19
 - 2-SEC-8 to 2-SEC-15

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33

- Exhibit 2 - Rate Base
 - 2-Staff-50 to 2-Staff-56
 - SEC-34 to SEC-37

Supporting Parties

- VECC, SEC

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 WPI'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 \$70,616,000 for the purposes of setting rates, which reflects WPI's updated forecast in-service additions for 2023, the reductions in 2024 Capital Budget as set out under issue 1.1, the closing of 2023 WIP to rate base in 2024 and the forecast of new 2024 WIP as set out under Issue 1.1, 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 \$2,088,841 which reflects the update to the 2024 opening fixed assets based on WPI's updated forecast in-service additions for 2023 and the updated 2024 Capital Budget and in-service additions.

Table 1 – Summary of 2024 Revenue Requirement further outlines the updated depreciation expense values.

Table 4 – 2024 Working Capital

Particulars	Application Nov 3 2023	IRR Feb 22,2024	Variance over Original Filing	Settlement Proposal	Variance over IRs
Controllable Expenses	\$7,020,725	\$7,020,725	\$0	\$6,835,725	-\$185,000
Cost of Power	\$50,496,893	\$54,181,734	\$3,684,842	\$53,788,562	-\$393,172
Working Capital Base	\$57,517,618	\$61,202,460	\$3,684,842	\$60,624,288	-\$578,172
Working Capital Rate %	7.50%	7.50%	0.00%	7.50%	0.00%
Working Capital Allowance	\$4,313,821	\$4,590,184	\$276,363	\$4,546,822	-\$43,363

Table 5 – 2024 Rate Base

Particulars	Application Nov 3 2023	IRR Feb 22,2024	Variance over Original Filing	Settlement Proposal	Variance over IRs
Gross Fixed Assets (avg)	\$86,096,163	\$84,233,580	-\$1,862,583	\$84,010,183	-\$223,396
Accumulated Depreciation (avg)	-\$18,547,003	-\$18,000,799	\$546,204	-\$17,941,005	\$59,794
Net Fixed Assets (avg)	\$67,549,160	\$66,232,781	-\$1,316,379	\$66,069,178	-\$163,603
Allowance for Working Capital	\$4,313,821	\$4,590,184	\$276,363	\$4,546,822	-\$43,363
Total Rate Base	\$71,862,982	\$70,822,965	-\$1,040,016	\$70,616,000	-\$206,965

Evidence References

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

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7
- Exhibit 2 Rate Base
 - 2-Staff-5 to Staff-29
 - 2.0-VECC to 2.0-VECC -19
 - 2-SEC-8 to 2-SEC-15

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33

- Exhibit 2 - Rate Base
 - 2-Staff-50 to 2-Staff-56
 - SEC-34 to SEC-37

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

2. OPERATIONS, MAINTENANCE AND ADMINISTRATIVE COSTS (OM&A)

2.1 Are the proposed OM&A expenditures appropriate?

Full Settlement

The Parties have agreed that WPI's proposed 2024 OM&A budget is appropriate, subject to a reduction of \$185,000, resulting in a 2024 Test Year Budget of \$6,786,717. The reduction is to be applied on an envelope basis, subject only to a specific reduction in the budget for locate services of \$34,000, a reduction which is further discussed under issue 6.1.

As shown in Table 6 the OM&A expenses have increase by 16.79% as compared to the last Board approved budget of \$5,811,033 in 2018. This represents an annual growth rate of approximately 2.62% per year. Based on this budget WPI will achieve a cohort 2 efficiency rating in the test year on a forecast basis. The Parties believe that this 2.65% reduction to the updated budget results in an OMA budget that will allow WPI to provide an appropriate level of service to its customers.

Table 6 - 2024 Test Year OM&A Expenses

	Application Nov 3 2023	IRR Feb 22,2024	Variance over Original Filing	Settlement Proposal	Variance over IRs
Operations	\$670,580	\$670,580	\$0	\$636,580	-\$34,000
Maintenance	\$1,879,524	\$1,879,524	\$0	\$1,779,524	-\$100,000
Billing and collecting	\$1,079,683	\$1,079,683	\$0	\$1,079,683	\$0
Community Relations	\$35,422	\$35,422	\$0	\$35,422	\$0
Administration & General +LEAP	\$3,306,508	\$3,306,508	\$0	\$3,255,508	-\$51,000
Total	\$6,971,717	\$6,971,717	\$0	\$6,786,717	-\$185,000

(OM&A expenses in Table 6 were reduced as part of the settlement proposal in operations, maintenance and administration & general expenses for illustrative purposes only, subject to the specific reduction in the budget for locate services of \$34,000, which is further reflected under issue 6.1

	Board Approved	2024	Variance from 2018BA
Operations	\$580,760	\$636,580	\$55,820
Maintenance	\$1,386,773	\$1,779,524	\$392,751
Billing and collecting	\$1,132,000	\$1,079,683	-\$52,317
Community Relations	\$31,000	\$35,422	\$4,422
Administrative and General	\$2,680,500	\$3,255,508	\$575,008
Total	\$5,811,033	\$6,786,717	\$975,684

Evidence References

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

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7

- Exhibit 2 Rate Base
 - 2-Staff-5 to Staff-29
 - 2.0-VECC to 2.0-VECC -19
 - 2-SEC-8 to 2-SEC-15

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33

- Exhibit 2 - Rate Base
 - 2-Staff-50 to 2-Staff-56
 - SEC-34 to SEC-37

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

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

Full Settlement

The Parties confirm that WPI does not have or require a shared services cost allocation methodology as it does not share services with any affiliates.

Evidence References

None

IR Responses

None

Clarification Questions

- None

Supporting Parties

- VECC, SEC

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 WPI'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	Application Nov 3 2023	Application Nov 3 2023	IRR Feb 22,2024	IRR Feb 22,2024	Variance over Original Filing	Settlement Proposal	Settlement Proposal	Variance over IRs
Debt								
Long-term Debt	3.62%	\$1,456,671	3.62%	\$1,435,589	-\$21,081	0.00%	\$1,431,394	-\$4,195
Short-term Debt	4.79%	\$137,689	6.23%	\$176,491	\$38,801	6.23%	\$175,975	-\$516
Total Debt		\$1,594,360		\$1,612,080	\$17,720		\$1,607,369	-\$4,711
Equity								
Common Equity	9.36%	\$2,690,550	9.21%	\$2,609,118	-\$81,432	9.21%	\$2,601,493	-\$7,625
Preferred Shares	0.00%	\$0	0.00%	\$0	\$0	0.00%		
Total Equity		\$2,690,550		\$2,609,118	-\$81,432		\$2,601,493	-\$7,625
Total	5.96%	\$4,284,910	5.96%	\$4,221,198	-\$63,712	5.96%	\$4,208,863	-\$12,336

Evidence References

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

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7
- Exhibit 5 – Cost of Capital
 - 5-Staff-38 to 5-SEC-24

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33

- Exhibit 5 – Cost of Capital
 - SEC-40

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

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

Full Settlement

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

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

Table 8 - 2024 Income Taxes

	Application Nov 3 2023	IRR Feb 22,2024	Variance over Original Filing	Settlement Proposal	Variance over IRs
Income Taxes (Grossed up)	\$218,219	\$280,161	\$61,942	\$224,325	-\$55,836

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

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7

- Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency
 - 6-Staff-39 to 6-Staff-42
 - 6.0-VECC-40
 - 6-SEC-25

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33

- Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency
 - VECC-51
 - 6-Staff-57

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

3.3 Is the proposed Other Revenue forecast appropriate?

Full Settlement

As part of the responses to the IRRs, Other Revenues were revised to reflect actuals for 2023. A number of accounts were omitted by accident in the process of responding to the IRRs. This error was rectified in the pre-settlement clarification inquiries. As part of the adjustments agreed upon in the settlement, the revenues from pole leasing were also revised.

The Parties agree that WPI's other revenue forecast as updated through the Settlement proposal is appropriate.

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

Table 9 - 2024 Revenue Offsets

	Application Nov 3 2023	IRR Feb 22 2024	Variance over Original Filing	Settlement Proposal	Variance over IRR
Specific Service Charges	\$304,838	\$454,838	\$150,000	\$304,838	-\$150,000
Late Payment Charges	\$97,137	\$97,137	\$0	\$97,137	\$0
Other Distribution Revenues	\$383,614	\$275,788	-\$107,826	\$424,571	\$148,783
Other Income and Deductions	\$57,480	\$11,900	-\$45,580	-\$21,534	-\$33,434
Total	\$843,069	\$839,663	-\$3,406	\$805,012	-\$34,651

Evidence References

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

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7
- Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency
 - 6-Staff-39 to 6-Staff-42
 - 6.0-VECC-40
 - 6-SEC-25

Clarification Questions

- Exhibit 1 - Administration

- SEC-31 to SEC-33

- Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency
 - VECC-51
 - 6-Staff-57

Supporting Parties

- VECC, SEC

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 WPI 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

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7

- Exhibit 4 – Operating Costs
 - 4-Staff-34 to 4-Staff-37
 - 4.0 -VECC -27 to 4.0 -VECC -36
 - 4-SEC-18 to 4-SEC-23

- Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency
 - 6-Staff-39 to 6-Staff-42
 - 6.0-VECC-40
 - 6-SEC-25

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33

- Exhibit 4 – Operating Costs
 - 4-Staff-57
 - SEC-38 to SEC-39
 - SEC-41

- Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency
 - VECC-51

- 6-Staff-57

Supporting Parties

- VECC, SEC

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 WPI to calculate the Revenue Requirement is appropriate. A summary of the adjusted Base Revenue Requirement of \$12,522,742 reflecting adjustments and settled issues is presented in Table 10 - 2024 Revenue Requirement Summary below.

Table 10 - 2024 Revenue Requirement Summary

	Application Nov 3 2023	IRR Feb 22 2024	Variance over Original Filing	Settlement Proposal	Variance over IRR
Long Term Debt	3.62%	3.62%	0.00%	3.62%	0.00%
Short Term Debt	4.79%	6.23%	1.44%	6.23%	0.00%
Return on Equity	9.36%	9.21%	-0.15%	9.21%	0.00%
Controllable Expenses	\$7,020,725	\$7,020,725	\$0	\$6,835,725	-\$185,000
Power Supply Expense	\$50,496,893	\$54,181,734	\$3,684,842	\$53,788,562	-\$393,172
Total Eligible Distribution Expenses	\$57,517,618	\$61,202,460	\$3,684,842	\$60,624,288	-\$578,172
Working Capital Allowance Rate	7.50%	7.50%	0.00%	7.50%	\$0
Total Working Capital Allowance ("WCA")	\$4,313,821	\$4,590,184	\$276,363	\$4,546,822	-\$43,363
Gross Fixed Assets (avg)	\$86,096,163	\$84,233,580	-\$1,862,583	\$84,010,183	-\$223,396
Accumulated Depreciation (avg)	\$18,547,003	\$18,000,799	-\$546,204	\$17,941,005	-\$59,794
Net Fixed Assets (avg)	\$67,549,160	\$66,232,781	-\$1,316,379	\$66,069,178	-\$163,603
Working Capital Allowance	\$4,313,821	\$4,590,184	\$276,363	\$4,546,822	-\$43,363
Rate Base	\$71,862,982	\$70,822,965	-\$1,040,016	\$70,616,000	-\$206,965
Regulated Rate of Return	5.96%	5.96%	0.00%	5.96%	\$0
Regulated Return on Capital	\$4,284,910	\$4,221,198	-\$63,712	\$4,208,863	-\$12,336
OM&A Expenses	\$6,971,717	\$6,971,717	\$0	\$6,786,717	-\$185,000
Property Taxes	\$49,008	\$49,008	\$0	\$49,008	\$0
Depreciation Expense	\$2,409,135	\$2,208,429	-\$200,706	\$2,088,841	-\$119,588
PILs	\$218,219	\$280,161	\$61,942	\$224,325	-\$55,836
Revenue Offset	-\$843,069	-\$839,663	\$3,406	-\$805,012	\$34,651
Revenue Requirement	\$13,089,920	\$12,890,850	-\$199,070	\$12,552,742	-\$338,109
Revenue Sufficiency/Deficiency	\$833,571	\$523,206	-\$310,365	\$173,887	-\$349,319

Evidence References

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

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7
- Exhibit 4 – Operating Costs
 - 4-Staff-34 to 4-Staff-37
 - 4.0 -VECC -27 to 4.0 -VECC -36
 - 4-SEC-18 to 4-SEC-23
- Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency
 - 6-Staff-39 to 6-Staff-42
 - 6.0-VECC-40
 - 6-SEC-25

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33
- Exhibit 4 – Operating Costs
 - 4-Staff-57
 - SEC-38 to SEC-39
 - SEC-41
- Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency
 - VECC-51
 - 6-Staff-57

Supporting Parties

- VECC, SEC

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 test year forecast calculations were revised to use the 2024 customer count as determined by the geomean rather than the linear regression used in the original application.

The Parties agree that the updated load forecast provided in response to interrogatories and Clarification Responses is appropriate for the purpose of setting rates, as set out in Tables 11 and 12 below.

Table 11 – 2024 Test Year Billing Determinants

Particulars	Determinant	Application Nov 3 2023	IRR Feb 22 2024	Variance over Original Filing	Settlement Proposal	Variance over IRR
Residential	kWh	193,221,398	193,523,866	302,468	193,966,074	442207
General Service < 50 kW	kWh	70,181,854	70,281,525	99,671	70,658,032	376507
General Service > 50 to 4999 kW	kWh	177,439,811	177,691,807	251,997	177,981,278	289470
Unmetered Scattered Load	kWh	213,149	226,106	12,957	226,106	0
Sentinel Lighting	kWh	7,210	9,632	2,422	9,702	70
Street Lighting	kWh	2,494,298	3,026,171	531,873	3,024,694	-1477
Total		443,557,720	444,759,108	1,201,388	445,865,885	1106777
Residential	kW	0	0	0	0	0
General Service < 50 kW	kW	0	0	0	0	0
General Service > 50 to 4999 kW	kW	444,572	460,269	15,698	461,318	1049
Unmetered Scattered Load	kW	0	0	0	0	0
Sentinel Lighting	kW	16	18		18	0
Street Lighting	kW	6,650	8,038	1,388	8,034	-4
Total		451,238	468,325	17,086	469,370	1045

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

Table 12 - Number of Customers & Devices

Particulars	Application Nov 3 2023	IRR Feb 22,2024	Variance over Original Filing	Settlement Proposal	Variance over IRs
Residential	21,879	21,891	12	21,892	0
General Service < 50 kW	2,690	2,711	22	2,714	0
General Service > 50 to 4999 kW	154	168	14	170	0
Unmetered Scattered Load	47	48	1	48	0
Sentinel Lighting	8	9	1	9	0
Street Lighting	6,345	6,314	-31	6,311	0
Total	31,123	31,142	19	31,144	0

Evidence References

- EXHIBIT 3 – Load and Customer Forecast

IR Responses

- Exhibit 3 – Operating Revenue
 - 3-Staff-30 to 3-Staff-33
 - 3.0-VECC-16 to 3.0-VECC -26

Clarification Questions

- VECC-58

Supporting Parties

- VECC, SEC

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 WPI'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.

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

Particulars	Application Nov 3 2023			IRR Feb 22,2024			Settlement Proposal		
	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Calculated R/C Ratio	Proposed R/C Ratio	Variance
Customer Class Name									
Residential	1.10	1.03	-0.07	1.06	1.01	-0.05	1.06	1.06	0.00
General Service < 50 kW	1.02	1.02	0.00	0.98	0.98	0.00	0.96	0.96	0.00
General Service > 50 to 4999 kW	0.69	0.90	0.22	0.82	1.03	0.20	0.83	0.83	0.00
Unmetered Scattered Load	1.08	1.08	0.00	0.90	0.87	-0.03	0.89	0.89	0.00
Sentinel Lighting	1.08	1.08	0.00	0.83	0.81	-0.01	0.80	0.80	0.00
Street Lighting	0.93	0.93	0.00	0.87	0.87	0.00	0.90	0.90	0.00

Evidence References

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

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7
- Exhibit 7 – Cost Allocation
 - 7-Staff-43 to 7-Staff-45
 - 7.0-VECC-41 to 7.0-VECC-43
 - 7-SEC-26

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33

- Exhibit 7 – Cost Allocation
 - VECC-52 to VECC-53
 - 7-Staff-59

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

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

Full Settlement

The Parties accept WPI's approach to rate design including the proposed fixed/variable splits. In summary, WPI had maintained the status quo ratio between fixed and variable charges for all classes except for the GS>50 class, which WPI had kept at its existing fixed charge (as opposed to escalating it to maintain the status quo fixed/variable ratio) as that fixed charge is already above the OEB's policy range for fixed charges.

Table 14 – Summary of 2024 Fixed to Variable Split

Particulars		Application Nov 3 2023	Application Nov 3 2023	IRR Feb 22,2024	IRR Feb 22,2024	Settlement Proposal	Settlement Proposal
Customer Class Name	per	Fixed Split	Variable Split	Fixed Split	Variable Split	Fixed Split	Variable Split
Residential	kWh	100.00%	0.00%	100.00%	0.00%	100.00%	0.00%
General Service < 50 kW	kWh	53.76%	46.24%	56.45%	43.55%	50.93%	49.07%
General Service > 50 to 4999 kW	kW	21.16%	78.84%	23.75%	76.25%	31.02%	68.98%
Unmetered Scattered Load	kWh	41.67%	58.33%	40.69%	59.31%	40.76%	59.24%
Sentinel Lighting	kW	54.66%	45.34%	53.55%	46.45%	53.74%	46.26%
Street Lighting	kW	93.17%	6.83%	91.86%	8.14%	91.86%	8.14%

Evidence References

- EXHIBIT 8 - Rate Design

IR Responses

- Exhibit 8 – Rate Design
 - 8-Staff-47 to 8-Staff-48
 - 8.0-VECC to 8.0-VECC-47
 - 8-SEC-27 to 8-SEC-28

Clarification Questions

- Exhibit 8 – Rate Design
 - VECC-54 to VECC-57
 - 8-Staff-60 to Staff-62

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

5.3 Are the proposed Retail Transmission Service Rates (RTSR) 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 WPI has recalculated the rates using the latest low voltage charge from Hydro One.

Table 15 - 2024 RTSR Network and Connection Rates Charges

Transmission - Network	Application Nov 3 2023	Application Nov 3 2023	IRR Feb 22,2024	IRR Feb 22,2024	Settlement Proposal	Settlement Proposal
Class Name	Rate	Impact on CoP	Rate	Impact on CoP	Rate	Impact on CoP
Residential	0.0091	\$1,922,289	0.0098	\$2,071,539	0.0098	\$2,024,022
General Service < 50 kW	0.0082	\$646,602	0.0089	\$696,806	0.0089	\$668,724
General Service > 50 to 4999 kW	3.4632	\$1,539,648	3.7220	\$1,713,136	3.7220	\$1,717,039
Unmetered Scattered Load	0.0082	\$1,952	0.0089	\$2,103	0.0089	\$2,140
Sentinel Lighting	2.6280	\$42	2.8241	\$51	2.8241	\$51
Street Lighting	2.6078	\$17,342	2.8027	\$22,528	2.8027	\$22,517
		\$4,127,875		\$4,506,163		\$4,434,494
Transmission - Connection						
Class Name	Rate	Impact on CoP	Rate	Impact on CoP	Rate	Impact on CoP
Residential	0.0071	\$1,502,974	0.0076	\$1,611,694	0.0076	\$1,574,725
General Service < 50 kW	0.0065	\$507,640	0.0069	\$544,361	0.0069	\$522,423
General Service > 50 to 4999 kW	2.5717	\$1,143,323	2.7503	\$1,265,890	2.7503	\$1,268,774
Unmetered Scattered Load	0.0065	\$1,532	0.0069	\$1,643	0.0069	\$1,672
Sentinel Lighting	2.0306	\$32	2.1716	\$39	2.1716	\$39
Street Lighting	1.9848	\$13,199	2.1226	\$17,062	2.1226	\$17,053
		\$3,168,702		\$3,440,689		\$3,384,686

Table 16 - 2024 Low Voltage Rates

Transmission - Network	Application Nov 3 2023	Application Nov 3 2023	IRR Feb 22,2024	IRR Feb 22,2024	Settlement Proposal	Settlement Proposal
Class Name	Rate	Impact on CoP	Rate	Impact on CoP	Rate	Impact on CoP
Residential	0.0045	\$930,795	0.0050	\$1,040,330	0.0037	\$708,010
General Service < 50 kW	0.0041	\$316,032	0.0045	\$351,379	0.0033	\$234,886
General Service > 50 to 4999 kW	1.6157	\$443,972	1.8061	\$496,295	1.2366	\$570,452
Unmetered Scattered Load	0.0041	\$954	0.0045	\$1,061	0.0033	\$752
Sentinel Lighting	1.2757	\$19	1.4261	\$21	0.9764	\$18
Street Lighting	1.2469	\$8,125	1.3939	\$9,083	0.9543	\$7,666
		\$1,699,897		\$1,898,168		\$1,521,783

Evidence References

- EXHIBIT 8 - Rate Design

IR Responses

- Exhibit 8 – Rate Design
 - 8-Staff-47 to 8-Staff-48
 - 8.0-VECC to 8.0-VECC-47
 - 8-SEC-27 to 8-SEC-28

Clarification Questions

- Exhibit 8 – Rate Design
 - VECC-54 to VECC-57
 - 8-Staff-60 to Staff-62

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

5.4 Are the Proposed Loss Factors Appropriate?

Full Settlement

The Parties accept the updated 2024 forecast loss factors, as set out below in table 17, as appropriate for the purpose of setting rates.

Table 17 - 2024 Loss Factors

Particulars	Application Nov 3 2023	IRR Feb 22,2024	Variance over Original Filing	Settlement Proposal	Variance over IRR
Line Losses	1.0703	1.0703	0.0000	1.0694	-0.0009

Evidence References

- EXHIBIT 8 – Rate Design

IR Responses

- Exhibit 8 – Rate Design
 - 8-Staff-47 to 8-Staff-48
 - 8.0-VECC to 8.0-VECC-47
 - 8-SEC-27 to 8-SEC-28

Clarification Questions

- Exhibit 8 – Rate Design
 - VECC-54 to VECC-57
 - 8-Staff-60 to Staff-62

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

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

Full Settlement

The Parties accept that WPI's proposed Specific Service Charges and Retail Service Charges as updated by the OEB on June 29, 2023¹ are appropriate.

Evidence References

- EXHIBIT 8 - Rate Design

IR Responses

- Exhibit 8 – Rate Design
 - 8-Staff-47 to 8-Staff-48
 - 8.0-VECC to 8.0-VECC-47
 - 8-SEC-27 to 8-SEC-28

Clarification Questions

- Exhibit 8 – Rate Design
 - VECC-54 to VECC-57
 - 8-Staff-60 to Staff-62

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

¹ <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

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7
- Exhibit 8 – Rate Design
 - 8-Staff-47 to 8-Staff-48
 - 8.0-VECC to 8.0-VECC-47
 - 8-SEC-27 to 8-SEC-28

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33
- Exhibit 8 – Rate Design
 - VECC-54 to VECC-57
 - 8-Staff-60 to Staff-62

Supporting Parties

- VECC, SEC

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 WPI's proposals for deferral and variance accounts, including the updated 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) For the purpose of possible future use of the Getting Ontario Connected Act Variance Account, the Parties agree that the amount embedded in WPI's 2024 OM&A budget for locate costs is \$160,000, which represents WPI's forecast locate costs for 2024 assuming no impact as a result of the *Getting Ontario Connected Act*. This budget is inclusive of a \$34,000 reduction to the locate budget relative to the original application, a reduction that is included within the \$185,000 reduction to OM&A as discussed under Issue 2.1.
- b) The Parties agree that the Pole Attachment Revenue Variance Account and the Accelerated CCA Variance Accounts will be cleared to the end of 2023. WPI will close the Pole Attachment Revenue Variance Account upon disposition.
- c) The Parties agree that the balance in the Retail Cost Variance Accounts will be disposed of on a final basis and the accounts will be discontinued.
- d) The Parties have agreed to extend the disposition period for both the Group 1 and Group 2 accounts so that the related riders will expire on December 31, 2025. The Parties have, purely for the purposes of drafting the Settlement Proposal, assumed an implementation date of May 1, 2024 for the rates approved in this application, such that the assumed disposition period in the Settlement Proposal is 20 months. If the implementation date is April 1, 2024 the disposition period will be 21 months; to that end WPI has provided an alternate set of Rates and Bill Impacts based on a 21 month disposition period in the event rates are implemented for April 1, 2024. If the implementation period is June 1, 2024 or later WPI will provide an updated set of Rates and Bill Impacts to reflect an adjusted disposition period as necessary. The Parties have agreed to this change in order to avoid having more than one change in WPI's rates in 2025 (more specifically, this proposal will ensure that the riders will expire at the same WPI's 2026 rates are implemented, rather than in the middle of 2025).

Table 18 - DVA Balances for Disposition

		Application Nov 3 2023	IRR Feb 22,2024	Variance over Original Filing	Settlement Proposal	Variance over IRR
LV Variance Account	1550	458,189	458,189	0	458,189	0
Smart Metering Entity Charge Variance Account	1551	(67,594)	(67,594)	0	(67,594)	0
RSVA - Wholesale Market Service Charge	1580	0	0	0	0	0
RSVA - Retail Transmission Network Charge	1584	819,565	819,565	0	819,565	0
RSVA - Retail Transmission Connection Charge	1586	178,793	178,793	0	178,793	0
RSVA - Power (excluding Global Adjustment)	1588	0	0	0	0	0
RSVA - Global Adjustment	1589	0	0	0	0	0
Total Group 1 accounts above (excluding 1589)		1,388,953	1,388,953	0	1,388,953	0
Deferred IFRS Transition Costs	1508	0	0	0	0	0
Pole Attachment Revenue Variance	1508	(376,327)	(375,844)	484	(420,482)	(44,638)
Retail Service Charge Incremental Revenue	1508	0	0	0	0	0
Retail Cost Variance Account - Retail	1518	90,391	90,391	0	90,391	0
Retail Cost Variance Account - STR	1548	26,322	26,322	0	26,322	0
Total of Group 2 Accounts above		(259,615)	(259,131)	484	(303,769)	(44,638)
						0
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	0	0	0	0	0
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	(558,903)	(547,143)	11,760	(539,665)	7,478
Total of Account 1592		(558,903)	(547,143)	11,760	(539,665)	7,478
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		1388952.934	1388952.934	0	1,388,953	0
Total Group 2 Accounts including 1592		(818,518)	(806,274)	12,244	(843,434)	(37,160)

Evidence References

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

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7
- Exhibit 9 – Deferral and Variance Accounts
 - 9-Staff-49 to 9-Staff-50
 - 9-SEC-29 to 9-SEC-30

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None

7. OTHER

7.1 Is the proposed effective date appropriate?

Full Settlement

The Parties agree that WPI's new rates will be effective on the same day they are implemented, with WPI foregoing increases in its distribution rates for every month beyond January 1, 2024, that the new rates are not implemented. By way of reference, WPI can implement rates for the first of a month if its rates are approved within 8 days of the beginning of the following month. For example, if WPI receives approval of rates on or before May 8, 2024, it can implement new rates for April 1, 2024; if WPI receives approval of rates between May 9, 2024, and June 8, 2024, it can implement new rates for May 1, 2024. As described under issue 6.1 the Parties have, purely for the purposes of drafting the Settlement Proposal, assumed an implementation date of May 1, 2024, recognizing that the actual implementation change may be earlier or later depending on when rates are approved assuming the Settlement Proposal is accepted.

Evidence References

- EXHIBIT 1 – Administrative Documents

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33

Supporting Parties

- VECC, SEC

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

Evidence References

- EXHIBIT 1 – Administrative Documents

IR Responses

- Exhibit 1 – Administration
 - 1-Staff-1 to 1-Staff-4
 - 1.0-VECC-1 to 1.0-VECC-4
 - 1-SEC-1 to 1-SEC-7

Clarification Questions

- Exhibit 1 - Administration
 - SEC-31 to SEC-33

Supporting Parties

- VECC, SEC

Parties Taking No Position

- None