

Cochrane Office: (705) 272-6669  
Iroquois Falls Office: (800) 619-6722  
Kapuskasing Office: (800) 619-6722



153 Sixth Avenue – 153 Sixième avenue  
Cochrane, Ontario P0L 1C0  
customer@nowinc.ca

February 7, 2025

**BY EMAIL AND RESS**

**registrar@oeb.ca**

Ms. Nancy Marconi, Registrar  
Ontario Energy Board  
2300 Yonge Street, 26th Floor, P.O. Box 2319  
TORONTO, ON M4P 1E4

**Re: Northern Ontario Wires Inc. – ED-2003-0018 – EB-2024-0046  
2025 Cost of Service ("COS") Application for May 1, 2025 Electricity Distribution Rates**

Please find enclosed the Settlement Proposal in the above-noted Proceeding.

NOW Inc. requests that in the event the Settlement Proposal is approved but the Rate Order is not issued in time for May 1, 2025 implementation, rates should be made interim as of May 1, 2025 and NOW Inc. be permitted to track foregone revenue from the proposed effective date of May 1, 2025 until rates are implemented through a deferral and variance account or other mechanism approved by the OEB. NOW Inc. notes that the Parties have reached agreement on an effective date.

Please contact the undersigned with any questions.

Yours truly,

A handwritten signature in black ink, appearing to read 'Geoffrey Sutton', is written over a horizontal line.

Geoffrey Sutton, CPA, CA  
Chief Financial Officer  
Northern Ontario Wires Inc.  
705-272-2918

**EB-2024-0046**

**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  
Northern Ontario Wires Inc.  
For an order approving just and reasonable rates and  
Other charges for electricity distribution beginning  
May 1, 2025.

**Northern Ontario Wires Inc.**

**Settlement Proposal**

Filed: February 7, 2025

## TABLE OF CONTENTS

<b>SETTLEMENT PROPOSAL .....</b>	<b>5</b>
<b>SUMMARY .....</b>	<b>8</b>
<b>SETTEMENT PROPOSAL BY ISSUE NUMBER .....</b>	<b>11</b>
<b>1. Capital Spending and Rate Base.....</b>	<b>11</b>
1.1 Are the proposed capital expenditures and in-service additions appropriate? .....	11
1.2 Are the proposed rate base and depreciation amounts appropriate? .....	14
<b>2. OM&amp;A .....</b>	<b>16</b>
2.1 Are the proposed OM&A expenditures appropriate?.....	16
2.2 Is the proposed shared services cost allocation methodology and the quantum appropriate? .....	18
<b>3. Cost of Capital, PILs, and Revenue Requirement.....</b>	<b>19</b>
3.1 Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate? .....	19
3.2 Is the proposed PILs (or Tax) amount appropriate? .....	20
3.3 Is the proposed Other Revenue forecast appropriate?.....	21
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? .....	22
3.5 Is the proposed calculation of the Revenue Requirement appropriate? .....	23
<b>4. Load Forecast .....</b>	<b>24</b>
4.1 Is the proposed load forecast methodologies and the resulting load forecasts appropriate? .....	24
<b>5. Cost Allocation, Rate Design, and Other Charges.....</b>	<b>26</b>
5.1 Are the proposed cost allocation methodology, allocations, and revenue-to- cost ratios, appropriate? .....	26
5.2 Is the proposed rate design, including fixed/variable splits, appropriate? .....	28
5.3 Are the proposed Retail Transmission Service Rates and Low Voltage rates appropriate? .....	29
5.4 Are the Proposed Loss Factors Appropriate? .....	31
5.5 Are the Specific Service Charges and Retail Service Charges appropriate?.....	32
5.6 Are rate mitigation proposals required and appropriate?.....	33
<b>6. Deferral and Variance Accounts .....</b>	<b>35</b>
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? .....	35
<b>7. Other .....</b>	<b>37</b>
7.1 Is the proposed effective date appropriate? .....	37

7.2 Is the proposal for an Advanced Capital Module for the New Cochrane Municipal Transformer Station appropriate, and does the proposal include sufficient justification and cost estimates to show need and prudence? ..... 38

7.3 Is Northern Ontario Wires’ proposal to adjust base distribution rates for residential customers appropriate in the circumstances when the New Cochrane Municipal Transformer Station is placed in service, rather than establish a rate rider in accordance with the Advanced Capital Module policy?..... 40

## LIST OF ATTACHMENTS

NOW Inc. 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. Rate Mitigation Model
9. Tariff Schedule and Bill Impact Model
10. Responses to Pre-Settlement Clarification Questions (*attached to this document*)

## SETTLEMENT PROPOSAL

Northern Ontario Wires Inc. (the Applicant or NOW Inc.) filed a Cost-of-Service application with the Ontario Energy Board (the OEB) on August 30, 2024, 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 NOW Inc. charges for electricity distribution, to be effective May 1, 2025 (OEB file number EB-2024-0046) (the Application).

The OEB issued a Letter of Direction and Notice of Application on September 23, 2024. In Procedural Order No. 1, dated October 17, 2024, the OEB approved the Vulnerable Energy Consumers Coalition (VECC) and the School Energy Coalition (SEC) as intervenors. The order also approved the inclusion of the application in the OEB's Very Small Utility Pilot and indicated the prescribed dates for an Issues Day, the filing of a proposed Issues List, the submission of interrogatories, NOW Inc.'s responses to interrogatories, a Settlement Conference, and various other elements in the proceeding.

On November 5, 2024, OEB Staff, on behalf of the parties, submitted a proposed issues list (the Issues List) to the OEB for approval. The OEB approved the Issues List on November 11, 2024. OEB Staff also provided a summary list of the information commitments that NOW Inc. agreed to provide as a result of the Issues Day process and informed the OEB that NOW Inc., VECC, SEC and OEB staff had agreed to limit the scope of interrogatories to the issues of "Capital Spending and Rate Base" and "OM&A".

NOW Inc. filed its interrogatory responses, responses to information commitments and responses to error correction inquiries with the OEB on December 2, 2024.

The Settlement Conference was convened on December 12 and 13, 2024 and January 6, 2025 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.

Commissioner Allison Duff acted as the facilitator for the Settlement Conference.

NOW Inc., VECC and SEC (collectively referred to as the Parties), reached a full, comprehensive settlement regarding NOW Inc.'s 2025 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 NOW Inc. 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 NOW Inc. 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 NOW Inc., 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 2025 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 decrease of \$(0.76) 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 \$5,684,074 by \$(470,168) to \$5,213,906.

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

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

**Table 1 – Summary of 2025 Revenue Requirement**

Particular	Original Application August 30, 2024	Responses to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance Settlement over IRs / Commitment Responses	Variance Settlement over Original Application
Long Term Debt	3.86%	3.82%	-0.04%	3.80%	-0.02%	-0.06%
Short Term Debt	6.23%	5.04%	-1.19%	5.04%	0.00%	-1.19%
Return on Equity	9.21%	9.25%	0.04%	9.25%	0.00%	0.04%
<b>Regulated Rate of Return</b>	<b>6.10%</b>	<b>6.04%</b>	<b>-0.05%</b>	<b>6.03%</b>	<b>-0.01%</b>	<b>-0.06%</b>
Controllable Expenses	\$ 4,550,911	\$ 4,550,911	\$ -	\$ 4,100,911	-\$ 450,000	-\$ 450,000
Cost of Power	\$ 13,561,454	\$ 13,181,047	-\$ 380,407	\$ 13,724,244	\$ 543,197	\$ 162,790
Total Eligible Distribution Expenses	\$ 18,112,365	\$ 17,731,958	-\$ 380,407	\$ 17,825,155	\$ 93,197	-\$ 287,210
Working Capital Allowance Rate	7.5%	7.5%	-	7.5%	-	-
<b>Total Working Capital Allowance</b>	<b>\$ 1,358,427</b>	<b>\$ 1,329,897</b>	<b>-\$ 28,531</b>	<b>\$ 1,336,887</b>	<b>\$ 6,990</b>	<b>-\$ 21,541</b>
Fixed Asset Opening Bal. Test Year	\$ 9,305,435	\$ 9,311,693	\$ 6,258	\$ 9,415,058	\$ 103,366	\$ 109,623
Fixed Asset Closing Bal. Test Year	\$ 10,573,985	\$ 10,579,409	\$ 5,423	\$ 10,159,054	-\$ 420,355	-\$ 414,932
Average Fixed Assets	\$ 9,939,710	\$ 9,945,551	\$ 5,841	\$ 9,787,056	-\$ 158,495	-\$ 152,654
Working Capital Allowance	\$ 1,358,427	\$ 1,329,897	-\$ 28,531	\$ 1,336,887	\$ 6,990	-\$ 21,541
<b>Rate Base</b>	<b>\$ 11,298,137</b>	<b>\$ 11,275,448</b>	<b>-\$ 22,690</b>	<b>\$ 11,123,943</b>	<b>-\$ 151,505</b>	<b>-\$ 174,195</b>
Regulated Rate of Return	6.10%	6.04%	-0.05%	6.03%	-0.01%	-0.06%
<b>Regulated Return on Capital</b>	<b>\$ 688,757</b>	<b>\$ 681,282</b>	<b>-\$ 7,475</b>	<b>\$ 671,001</b>	<b>-\$ 10,281</b>	<b>-\$ 17,756</b>
Deemed Interest Expense	\$ 272,533	\$ 264,090	-\$ 8,443	\$ 259,415	-\$ 4,675	-\$ 13,118
Deemed Return on Equity	\$ 416,223	\$ 417,192	\$ 968	\$ 411,586	-\$ 5,606	-\$ 4,638
OM&A	\$ 4,547,882	\$ 4,526,052	-\$ 21,830	\$ 4,076,052	-\$ 450,000	-\$ 471,830
Depreciation Expense	\$ 444,406	\$ 445,241	\$ 835	\$ 442,037	-\$ 3,204	-\$ 2,369
Property Taxes	\$ 3,029	\$ 24,859	\$ 21,830	\$ 24,859	\$ -	\$ 21,830
PILs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Service Revenue Requirement</b>	<b>\$ 5,684,074</b>	<b>\$ 5,677,434</b>	<b>-\$ 6,640</b>	<b>\$ 5,213,949</b>	<b>-\$ 463,485</b>	<b>-\$ 470,125</b>
Revenue Offset	\$ 247,849	\$ 255,015	\$ 7,166	\$ 255,015	\$ -	\$ 7,166
<b>Base Revenue Requirement</b>	<b>\$ 5,436,225</b>	<b>\$ 5,422,419</b>	<b>-\$ 13,806</b>	<b>\$ 4,958,934</b>	<b>-\$ 463,485</b>	<b>-\$ 477,291</b>

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 Test Year bill impacts that would result from the acceptance of this Settlement Proposal.

**Table 2 - Bill Impact Summary**

Rate Class	Sub-Total A		Sub-Total B		Sub-Total C		Total Bill	
	\$	%	\$	%	\$	%	\$	%
Residential	-\$ 3.54	-8.5%	-\$ 4.21	-8.4%	-\$ 0.62	-1.0%	-\$ 0.68	-0.5%
General Service < 50 kW	\$ 15.02	18.6%	\$ 13.23	12.7%	\$ 22.17	16.8%	\$ 22.00	6.4%
General Service > 50 kW	\$ 177.29	35.8%	-\$ 11.93	-1.4%	\$ 341.73	18.1%	\$ 287.64	2.8%
Street Lighting	\$ 757.01	13.3%	\$ 720.78	12.6%	\$ 775.56	13.1%	\$ 857.15	10.4%
Unmetered Scattered Load	\$ 4.73	14.5%	\$ 4.17	10.5%	\$ 6.97	14.3%	\$ 6.91	6.0%

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
Distribution Rate Protection (DRP)	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

###### *Preamble*

The Parties note that NOW Inc. has material capital spending amounts related to its proposed New Cochrane Municipal Transformer Station, including spending in years prior to the Test Year and in the Test year, that will be carried by NOW Inc. as Construction Work in Progress (CWIP) until the proposed New Cochrane Municipal Transformer Station is constructed and put into service, which is not projected to occur in the Test Year. Accordingly, issues around the proposed New Cochrane Municipal Transformer Station and related spending are dealt with under issues 7.2 and 7.3; in discussing the 2025 Test Year revenue requirement the Parties have addressed the net capital addition amounts in the relevant years, which excludes capital spending related to the proposed New Cochrane Municipal Transformer Station.

###### *2024 Bridge Year Net Service Additions*

The Parties agree to NOW Inc.'s proposed 2024 net in-service additions, as updated through the application process, of \$2,995,633. This includes an adjustment of \$104,674 to reflect the movement of capital expenditures on the existing Cochrane MTS from CWIP to in-service.

###### *2025 Test Year Net Service Additions*

The Parties agree that for the purposes of setting rates NOW Inc. will reduce its proposed 2025 net in-service additions from the proposed \$1,826,925 to \$1,300,000. The Parties have agreed to the reduction in order to smooth the escalation of NOW Inc. capital spending from historical years into the Test Year.

In furtherance of the settlement of the 2025 net capital additions, NOW Inc. has made changes to its forecast spending to set the test year rates. Certain projects are being paced or delayed in order to reduce the level of 2025 capital expenditures and net in-service additions. These include:

- Extending the Kapuskasing 5Kv to 25 Kv Conversion Upgrade from a two year to a three year duration, and
- Extending the Iroquois Falls 2.4Kv Millgate 2.4 Kv to 12 Kv Upgrade from a one year to a two year duration

In order to help mitigate the risk of extending the timing of these projects, higher priority areas will be identified and addressed first. These changes have been reflected in the categories of capital spending, as summarized in Table 3 below, and further detail can be found in the attached Appendix 2-AA.

As part of this settlement the Parties recognize that NOW Inc. retains the discretion to adjust its capital spending as it sees fit in order to effectively manage its distribution system, notwithstanding the notional changes made in the context of the Settlement Proposal.

*2026 to 2029 DSP Budgets Exclusive of Cochrane TS Project*

The Parties have agreed that NOW Inc. will reduce its planned average annual net service additions, exclusive of the proposed New Cochrane Municipal Transformer Station, from an average of \$1,813,312 per year to an average of \$1.6M per year over the 2026-2029 period. The Parties have agreed to this reduction to mitigate the magnitude of the increase in NOW Inc. average capital spending in the 2026 to 2029 period relative to its previous historical spending levels, recognizing that an increase in spending is nevertheless required going forward. The Parties note that while the agreement in this Settlement Proposal is to, on a forecast basis, plan for an average net annual in service addition amount of \$1.6M per year from 2026 to 2029 (exclusive of the proposed New Cochrane Municipal Transformer Station), that plan may include spending either above or below the average amount in any particular year in order to accommodate the planning of particular projects over the period.

In furtherance of the settlement, NOW Inc. has made notional changes to its planned expenditures, exclusive of the proposed Cochrane TS project, over the 2026 to 2029 period, to show a revised forecast average annual net service addition amount over that period of \$1.6M per year. The new DSP budget for the 2026 to 2029 period, exclusive of the proposed Cochrane TS project spending, will provide the basis for the review of NOW Inc. capital spending over that period in NOW Inc.'s next cost of service proceeding.

As with the changes made to NOW Inc.'s 2025 capital budget, the Parties recognize that NOW Inc. retains the discretion to adjust its capital spending over the 2026 to 2029 period as it sees fit in order to effectively manage its distribution system, notwithstanding the notional changes to the 2026 to 2029 budgets made in the context of the Settlement Proposal.

**Table 3 – 2024 and 2025 In-Service Additions**

<b>2024 Bridge Year In-Service Additions</b>					
	<b>Original Application August 30, 2024</b>	<b>Response to IRs &amp; Commitments December 2, 2024</b>	<b>Variance over Original Application</b>	<b>Settlement Proposal February 7, 2025</b>	<b>Variance over IRs / Commitment Responses</b>
System Access	\$ -	\$ -	\$ -	\$ -	\$ -
System Renewal	\$ 90,000	\$ 90,000	\$ -	\$ 90,000	\$ -
System Service	\$ 1,467,337	\$ 1,467,337	\$ -	\$ 1,572,011	\$ 104,674
General Plant	\$ 1,326,947	\$ 1,333,622	\$ 6,675	\$ 1,333,622	\$ -
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenditures</b>	<b>\$ 2,884,284</b>	<b>\$ 2,890,959</b>	<b>\$ 6,675</b>	<b>\$ 2,995,633</b>	<b>\$ 104,674</b>

2025 Test Year In-Service Additions					
	Original Application August 30, 2024	Response to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance over IRs / Commitment Responses
System Access	\$ 15,000	\$ 15,000	\$ -	\$ 15,000	\$ -
System Renewal	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
System Service	\$ 1,697,925	\$ 1,697,925	\$ -	\$ 1,171,000	-\$ 526,925
General Plant	\$ 64,000	\$ 64,000	\$ -	\$ 64,000	\$ -
Capital Contributions	\$ -	\$ -	\$ -		\$ -
<b>Total Expenditures</b>	<b>\$ 1,826,925</b>	<b>\$ 1,826,925</b>	<b>\$ -</b>	<b>\$ 1,300,000</b>	<b>-\$ 526,925</b>

The Parties accept the evidence of NOW Inc. 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

- 2-VECC-1

#### Commitment Questions

- Commitment #1
- Commitment #60

#### Error Checking Questions

- Question #1

#### Clarification Questions

- SEC-13
- SEC-14
- SEC-15

#### Supporting Parties

- VECC, SEC

#### Parties Taking No Position

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

### Full Settlement

The Parties agree that NOW Inc.'s proposed 2025 rate base and depreciation amounts, including the methodology used to calculate depreciation and the methodology to calculate the Working Capital Allowance, are appropriate subject to the following adjustments that reflect changes in other areas of the Settlement Proposal and through the IR process, i.e. changes in OM&A and the Cost of Power that impact the Working Capital calculation and changes in capital additions in both 2024 and 2025 that impact depreciation.

**Table 4 – 2025 Working Capital**

	Original Application August 30, 2024	Responses to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance Settlement over IRs / Commitment Responses
Controllable Expenses	\$ 4,550,911	\$ 4,550,911	\$ -	\$ 4,100,911	-\$ 450,000
Cost of Power	\$ 13,561,454	\$ 13,181,047	-\$ 380,407	\$ 13,724,244	\$ 543,197
<b>Working Capital Base</b>	<b>\$ 18,112,365</b>	<b>\$ 17,731,958</b>	<b>-\$ 380,407</b>	<b>\$ 17,825,155</b>	<b>\$ 93,197</b>
Working Capital Rate %	7.50%	7.50%	-	7.50%	-
<b>Working Capital Allowance</b>	<b>\$ 1,358,427</b>	<b>\$ 1,329,897</b>	<b>-\$ 28,531</b>	<b>\$ 1,336,887</b>	<b>\$ 6,990</b>

**Table 5 – 2025 Rate Base**

	Original Application August 30, 2024	Responses to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance Settlement over IRs / Commitment Responses
Gross Fixed Assets (Average)	\$ 16,109,429	\$ 16,116,104	\$ 6,675	\$ 15,957,316	-\$ 158,788
Accumulated Depreciation (Average)	-\$ 6,169,719	-\$ 6,170,553	-\$ 834	-\$ 6,170,260	\$ 293
Net Fixed Assets (Average)	\$ 9,939,710	\$ 9,945,551	\$ 5,841	\$ 9,787,056	-\$ 158,495
Allowance for Working Capital	\$ 1,358,427	\$ 1,329,897	-\$ 28,531	\$ 1,336,887	\$ 6,990
<b>Total Rate Base</b>	<b>\$ 11,298,137</b>	<b>\$ 11,275,448</b>	<b>-\$ 22,690</b>	<b>\$ 11,123,943</b>	<b>-\$ 151,505</b>

Changes in depreciation reflect a \$104,674 increase in bridge year in-service additions and an apportionment of a \$526,925 reduction in test year in-service additions to specific projects and the associated reduction in depreciation expense based on specific asset service lives.

**Table 6 – 2025 Depreciation Expense**

	Original Application August 30, 2024	Responses to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance Settlement over IRs / Commitment Responses
Depreciation	\$ 558,374	\$ 559,209	\$ 834	\$ 556,004	-\$ 3,204
Fully Allocated Depreciation	\$ 113,968	\$ 113,968	\$ -	\$ 113,968	\$ -
<b>Net Depreciation</b>	<b>\$ 444,407</b>	<b>\$ 445,241</b>	<b>\$ 834</b>	<b>\$ 442,037</b>	<b>-\$ 3,204</b>

### Evidence References

- EXHIBIT 1 – Administrative Documents

- EXHIBIT 2 – Rate Base
- EXHIBIT 2 – Distribution System Plan

#### **IR Responses**

- 2-VECC-1

#### **Commitment Questions**

- Commitment #1
- Commitment #60

#### **Error Checking Questions**

- Question #1

#### **Clarification Questions**

- SEC-13
- SEC-14
- SEC-15

#### **Supporting Parties**

- VECC, SEC



## 2. OM&A

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

#### Full Settlement

The Parties have agreed to a reduction in the proposed 2025 Test Year OM&A budget, including LEAP and property taxes, from \$4,550,911 to \$4,100,911, a reduction of \$450,000.

In agreeing to the proposed new budget, the Parties note that it represents an annual increase in OM&A expense from NOW Inc.'s 2017 OEB Approved OM&A Budget to 2025 of 5.08%, higher than the expected annualized increase over the same period when considering the impact of the OEB's annual escalation factors. However, the Parties note that NOW Inc. has been in the OEB's Cohort 1 with respect to its benchmarking results throughout the 2016 to 2024 period, and that, despite the proposed increase, the proposed Test Year OM&A budget, in conjunction with the other elements of the proposed Test Year Revenue Requirement produce a benchmarking result for NOW Inc. within the OEB's Benchmarking Model of -36.4% for 2025, maintaining NOW Inc.'s position within Cohort 1.

More generally, in supporting the proposed OM&A budget, the Parties acknowledge several cost drivers that explain NOW Inc.'s need to significantly increase its proposed OM&A budget (while maintaining its efficiency ranking), including the nature of its service territory, particularly in connection with its vegetation management requirements and its need to increase and retain its employee complement to properly service its 3 distinct service territories, in addition to the other non-inflationary cost drivers that NOW Inc. has experienced over the 2017 to 2025 period.

In settling the 2025 Test Year OM&A budget the Parties acknowledge that NOW Inc. retains the discretion to manage its OM&A budget as it sees fit to responsibly manage its distribution system, notwithstanding the notional adjustments it has made to the forecast budget in order to reflect the settlement related adjustments. Accordingly, the reductions in Table 6 below are a reflection of NOW Inc.'s assessment of work priorities, management judgement and consideration of risk, but how it ultimately determines OM&A spending may change.

**Table 7 - 2025 Test Year OM&A Expenses**

	Original Application August 30, 2024	Response to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance over IRs / Commitment Responses
Operations	\$ 1,207,276	\$ 1,207,276	\$ -	\$ 1,128,158	-\$ 79,118
Maintenance	\$ 1,370,467	\$ 1,370,467	\$ -	\$ 1,119,097	-\$ 251,370
Billing & Collecting	\$ 937,555	\$ 937,555	\$ -	\$ 914,547	-\$ 23,008
Community Relations	\$ -	\$ -	\$ -	\$ -	\$ -
Administration & General	\$ 1,035,613	\$ 1,035,613	\$ -	\$ 939,109	-\$ 96,504
<b>Total</b>	<b>\$ 4,550,911</b>	<b>\$ 4,550,911</b>	<b>\$ -</b>	<b>\$ 4,100,911</b>	<b>-\$ 450,000</b>

## **Evidence References**

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

## **IR Responses**

### **Error Checking Questions**

- Question 4

### **Supporting Parties**

- VECC, SEC

### **Parties Taking No Position**

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

### **Full Settlement**

The Parties accept, for the purpose of the 2025 Test Year, NOW Inc.'s proposed shared services cost allocation methodology.

### **Evidence References**

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

### **IR Responses**

### **Clarification Questions**

### **Supporting Parties**

- VECC, SEC

### **Parties Taking No Position**

### 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 NOW Inc.'s proposed cost of capital parameters as reflected below. The updated long-term debt rate reflects NOW Inc.'s new debt obtained in December 2024.

**Table 8 - 2025 Cost of Capital Calculation**

Particulars	Original Application August 30, 2024	Response to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance over IRs / Commitment Responses
Debt					
Long-term Debt (weighted)	3.86%	3.82%	-0.04%	3.80%	-0.02%
Short-term Debt	6.23%	5.04%	-1.19%	5.04%	0.00%
Total Debt	4.02%	3.90%	-0.12%	3.89%	-0.02%
Equity					
Total Equity	9.21%	9.25%	0.04%	9.25%	0.00%
Total	6.10%	6.04%	-0.05%	6.03%	-0.01%

##### Evidence References

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

##### IR Responses

##### Commitment Questions

- Commitment #19
- Commitment #20
- Commitment #23

##### Supporting Parties

- VECC, SEC

##### Parties Taking No Position

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

#### Full Settlement

The Parties accept NOW Inc.'s updated calculations of forecast PILs in this Settlement Proposal, including NOW Inc.'s proposal to smooth the impacts of the phase out of accelerate CCA rules during NOW Inc.'s next IRM period.

The smoothing amount of \$36,757 included in 2025 Test Year PILS model, Schedule 1 Taxable Income Test, is calculated using a 5-year smoothing method.

**Table 9 - Smoothing Adjustment to 2025 Test Year for Enhanced CCA**

	2028	2029	Total
	Forecast	Forecast	Forecast
Planned Capital	\$ 1,600,000	\$ 1,600,000	\$ 3,200,000
CCA Using 2025 Test Year Rates	\$ 987,673	\$ 1,107,041	\$ 2,094,714
CCA Using Rates per C-97	\$ 917,858	\$ 993,072	\$ 1,910,930
CCA Difference	\$ 69,815	\$ 113,969	\$ 183,784
Take 1/5 of Difference			\$ 36,757

A summary of the updated PILs calculation is presented in Table 9 below.

**Table 10 - 2025 Income Taxes**

	Original Application August 30, 2024	Response to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance over IRs / Commitment Responses
PILs	\$ -	\$ -	\$ -	\$ -	\$ -

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

The Parties acknowledge that further adjustments to PILS calculation may be necessary when updates are made for the Cost of Capital.

#### Evidence References

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

#### IR Responses

##### Commitment Questions

- Commitment #55

##### Error Checking Questions

- Question #2
- Question #3

##### Clarification Questions

- Staff-16

### Supporting Parties

- VECC, SEC

### Parties Taking No Position

## 3.3 Is the proposed Other Revenue forecast appropriate?

### Full Settlement

The Parties agree that NOW Inc.'s other revenue forecast as updated during the application process is appropriate.

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

**Table 11 - 2025 Revenue Offsets**

Particulars	Original Application August 30, 2024	Response to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance over IRs / Commitment Responses
Specific Service Charges	\$ 34,311	\$ 34,311	\$ -	\$ 34,311	\$ -
Late Payment Charges	\$ 21,200	\$ 21,200	\$ -	\$ 21,200	\$ -
Other Distribution Revenues	\$ 178,027	\$ 185,193	\$ 7,166	\$ 185,193	\$ -
Other Income and Deductions	\$ 14,311	\$ 14,311	\$ -	\$ 14,311	\$ -
<b>Total</b>	<b>\$ 247,849</b>	<b>\$ 255,015</b>	<b>\$ 7,166</b>	<b>\$ 255,015</b>	<b>\$ -</b>

### Evidence References

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

### IR Responses

- 2-SEC-8

### Clarification Questions

- SEC-17

### Supporting Parties

- VECC, SEC

### Parties Taking No Position

**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 NOW Inc. 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 ratemaking process.

The Parties note that in connection with the settlement of issue 7.2 as it relates to the proposed New Cochrane Municipal Transformer Station, the Parties have agreed that, notwithstanding the fact that NOW Inc. generally employs the half year rule when recognizing the revenue requirement impact of its capital additions in a year, NOW Inc. will be entitled to recognize the revenue requirement impact of the proposed New Cochrane Municipal Transformer Station based on the day/month it is put into service rather than relying on the half year rule, given the magnitude of the proposed project spending, in order to minimize the revenue requirement impact of the project on NOW Inc. in the year it is placed into service given the agreement under issue 7.2 to move the in service year for the project to NOW Inc. next bridge year (2029) and to forgo applying for ACM relief for the project.

**Evidence References**

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

**IR Responses**

**Clarification Questions**

**Supporting Parties**

- VECC, SEC

**Parties Taking No Position**

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

#### Full Settlement

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

A summary of the adjusted Base Revenue Requirement of \$4,958,891 reflecting adjustments and settled issues is presented in Table 12 - 2025 Revenue Requirement Summary below.

Following responses to interrogatories and commitments, a portion of OM&A was recategorized to the specific property tax category, amortization expense and return were revised with more current actual 2024 capital spending and updated cost of capital parameters, and revenue offsets were increased to reflect more current information.

**Table 12 - 2025 Revenue Requirement Summary**

Particulars	Original Application August 30, 2024	Responses to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance Settlement over IRs / Commitment Responses	Variance Settlement over Original Application
OM&A Expenses	\$ 4,547,882	\$ 4,526,052	-\$ 21,830	\$ 4,076,052	-\$ 450,000	-\$ 471,830
Amortization/Depreciation	\$ 444,406	\$ 445,241	\$ 835	\$ 442,037	-\$ 3,204	-\$ 2,369
Property Taxes	\$ 3,029	\$ 24,859	\$ 21,830	\$ 24,859	\$ -	\$ 21,830
PILs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return						
Deemed Interest Expense	\$ 272,533	\$ 264,090	-\$ 8,443	\$ 259,415	-\$ 4,675	-\$ 13,118
Return on Deemed Equity	\$ 416,223	\$ 417,192	\$ 968	\$ 411,586	-\$ 5,606	-\$ 4,638
<b>Service Revenue Requirement</b>	<b>\$ 5,684,074</b>	<b>\$ 5,677,434</b>	<b>-\$ 6,640</b>	<b>\$ 5,213,949</b>	<b>-\$ 463,485</b>	<b>-\$ 470,125</b>
Revenue Offsets	\$ 247,849	\$ 255,015	\$ 7,166	\$ 255,015	\$ -	\$ 7,166
<b>Base Revenue Requirement</b>	<b>\$ 5,436,225</b>	<b>\$ 5,422,419</b>	<b>-\$ 13,806</b>	<b>\$ 4,958,934</b>	<b>-\$ 463,485</b>	<b>-\$ 477,291</b>
Gross Revenue Deficiency	\$ 1,459,517	\$ 1,444,352	-\$ 15,164	\$ 963,977	-\$ 480,375	-\$ 495,539

#### Evidence References

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

#### IR Responses

#### Clarification Questions

#### Supporting Parties

- VECC, SEC

#### Parties Taking No Position



## 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 filed with this Settlement Proposal, which reflects additional actual data for 2024 that was not included in the load forecast filed with the original application, is appropriate for the purpose of setting rates.

**Table 13 – 2025 Test Year Billing Determinants**

Rate Class	Original Application August 30, 2024	Responses to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance Settlement over IRs / Commitment Responses
<b>kWh</b>					
Residential	41,340,698	39,439,515	-1,901,183	39,585,261	145,746
General Service < 50 kW	17,945,241	18,009,024	63,783	18,203,252	194,227
General Service > 50 kW	56,240,557	56,240,557	0	56,644,689	404,132
Street Lighting	491,060	491,060	0	491,060	0
Unmetered Scattered Load	163,953	163,953	0	163,953	0
<b>Total</b>	<b>116,181,510</b>	<b>114,344,110</b>	<b>-1,837,400</b>	<b>115,088,215</b>	<b>744,105</b>
<b>kW</b>					
General Service > 50 kW	155,213	155,213	-	156,330	1,117
Street Lighting	1,468	1,468	-	1,468	-
<b>Total</b>	<b>156,681</b>	<b>156,681</b>	<b>-</b>	<b>157,798</b>	<b>1,117</b>

Table 13 below details the number of customers and connections for the test year. The settlement reflects additional months of actual customer and connection count data and more recent customer count trends.

**Table 14 – Number of Customers & Connections**

Rate Class	Original Application August 30, 2024	Responses to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance Settlement over IRs / Commitment Responses
Residential	5,179	5,179	0	5,182	3
General Service < 50 kW	707	707	0	717	10
General Service > 50 kW	69	69	0	71	2
Street Lighting	1,710	1,710	0	1,710	0
Unmetered Scattered Load	22	22	0	22	0
<b>Total</b>	<b>7,687</b>	<b>7,687</b>	<b>0</b>	<b>7,702</b>	<b>15</b>

#### Evidence References

- EXHIBIT 3 – Load and Customer Forecast

#### IR Responses

#### Commitment Questions

- Commitment #28

- Commitment #33

#### **Error Checking Questions**

- Question #10

#### **Clarification Questions**

- SEC-18

#### **Supporting Parties**

- VECC, SEC

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

## 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 NOW Inc.'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. As outlined in issue 5.6, this Settlement Proposal includes the phase in of revenue-to-cost ratios for the Street Light rate class over the 2025 to 2027 period as part of the mitigation of the total rate impact of the application on that class, with corresponding impacts on the GS>50 kW rate class in order to maintain a total overall revenue-to-cost ratio of 100%.

The Parties note that as part of the 2025 cost allocation run there was a correction to the allocation of secondary costs to the GS>50 kW class, increasing the overall allocation of costs to that class relative to NOW Inc.'s previous cost allocation. The increase in the allocation of costs to the GS>50 kW class caused the starting revenue-to-cost ratio for the GS>50 kW class to fall below the Board approved range for the class, necessitating an increase in the rates for that class in order to bring its revenue-to-cost ratio to within the OEB policy range. This increase is compounded by the need to mitigate Street Light rates. In order to smooth the rate impact associated with increasing the revenue-to-cost ratio for the GS>50 kW class, the Parties have agreed to a Rate Mitigation rate rider applicable to the GS>50 kW rate class, described in more detail at issue 5.6.

**Table 15 – Summary of 2025 Revenue-to-Cost Ratios**

Rate Class	Original Application August 30, 2024			Responses to IRs & Commitments December 2, 2024			Settlement Proposal February 7, 2025		
	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	100.80%	100.80%	0.00%	101.72%	101.72%	0.00%	101.50%	101.50%	0.00%
General Service < 50 kW	137.26%	120.00%	-17.26%	136.18%	120.00%	-16.18%	136.68%	120.00%	-16.68%
General Service > 50 kW	68.39%	89.28%	20.88%	66.97%	86.09%	19.12%	67.80%	83.81%	16.01%
Street Lighting	80.11%	72.72%	-7.40%	77.25%	70.86%	-6.39%	77.00%	77.72%	0.71%
Unmetered Scattered Load	102.09%	102.09%	0.00%	102.40%	102.40%	0.00%	103.36%	103.36%	0.00%

The revenue-to-cost ratios for 2025 to 2027, reflecting the shift between GS>50 kW and Street Light revenues due to Street Light mitigation, are summarized below.

**Table 16 – Summary of 2025-2027 Revenue-to-Cost Ratios**

Rate Class	2025 R/C Ratios	2026 R/C Ratios	2027 R/C Ratios
Residential	101.50%	101.50%	101.50%
General Service < 50 kW	120.00%	120.00%	120.00%
General Service > 50 kW	83.81%	83.02%	82.67%
Street Lighting	77.72%	79.29%	80.00%
Unmetered Scattered Load	103.36%	103.36%	103.36%

## **Evidence References**

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

## **IR Responses**

### **Commitment Questions**

- Commitment #36
- Commitment #39
- Commitment #40

### **Error Checking Questions**

- Question #11

### **Supporting Parties**

- VECC, SEC

### **Parties Taking No Position**

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

### Full Settlement

Aside from NOW Inc.'s proposal for a standby charge, discussed below, and subject to the Parties' agreement to maintain the fixed charge for the GS>50 Class at the current level (as opposed to NOW Inc.'s original proposal to increase the fixed charge for the GS>50 Class) the Parties accept NOW Inc.'s approach to rate design including the proposed fixed/variable splits.

With respect to NOW Inc.'s proposal to establish a standby charge, the Parties have agreed that no standby charge will be approved in this application, primarily because NOW Inc. does not currently have any customers that would use such a charge. The Parties agree that nothing in this agreement shall be interpreted as precluding NOW Inc.'s ability to apply for a standby charge in a future application or limiting the intervenors' position on the appropriateness of any such request.

**Table 17 – Summary of 2025 Fixed to Variable Split**

Rate Class	Original Application August 30, 2024		Responses to IRs & Commitments December 2, 2024		Settlement Proposal February 7, 2025	
	Fixed %	Variable %	Fixed %	Variable %	Fixed %	Variable %
Residential	100.00%	0.00%	100.00%	0.00%	100.00%	0.00%
General Service < 50 kW	45.87%	54.13%	45.77%	54.23%	45.86%	54.14%
General Service > 50 kW	42.81%	57.19%	43.48%	56.52%	36.81%	63.19%
Street Lighting	92.26%	7.74%	92.20%	7.80%	92.25%	7.75%
Unmetered Scattered Load	59.51%	40.49%	59.52%	40.48%	59.51%	40.49%

### Evidence References

- EXHIBIT 8 - Rate Design

### IR Responses

### Clarification Questions

### Supporting Parties

- VECC, SEC

### Parties Taking No Position

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

#### Full Settlement

The Parties accept that the RTSR rates as updated and presented in Table 18 below are appropriate.

**Table 18 - 2025 RTSR Network and Connection Rates Charges**

Rate Class	Per	Original Application August 30, 2024	Responses to IRs & Commitments December 2, 2024	Settlement Proposal February 7, 2025
<b>Transmission - Network</b>				
Residential	kWh	\$ 0.0128	\$ 0.0134	\$ 0.0135
General Service < 50 kW	kWh	\$ 0.0121	\$ 0.0128	\$ 0.0128
General Service > 50 kW	kW	\$ 4.8470	\$ 5.1000	\$ 5.1161
Street Lighting	kW	\$ 3.6557	\$ 3.8465	\$ 3.8587
Unmetered Scattered Load	kWh	\$ 0.0121	\$ 0.0128	\$ 0.0128
<b>Transmission - Connection</b>				
Residential	kWh	\$ 0.0048	\$ 0.0051	\$ 0.0051
General Service < 50 kW	kWh	\$ 0.0046	\$ 0.0048	\$ 0.0048
General Service > 50 kW	kW	\$ 1.8039	\$ 1.8967	\$ 1.9017
Street Lighting	kW	\$ 1.3942	\$ 1.4659	\$ 1.4698
Unmetered Scattered Load	kWh	\$ 0.0046	\$ 0.0048	\$ 0.0048

The Parties accept that the Low Voltage rates as updated and presented in Table 19 below are appropriate.

**Table 19 - 2025 Low Voltage Charges**

Rate Class	Per	Original Application August 30, 2024	Responses to IRs & Commitments December 2, 2024	Settlement Proposal February 7, 2025
Residential	kWh	\$ 0.0021	\$ 0.0021	\$ 0.0021
General Service < 50 kW	kWh	\$ 0.0020	\$ 0.0020	\$ 0.0020
General Service > 50 kW	kW	\$ 0.7439	\$ 0.7439	\$ 0.7513
Street Lighting	kW	\$ 0.5749	\$ 0.5749	\$ 0.5807
Unmetered Scattered Load	kWh	\$ 0.0021	\$ 0.0020	\$ 0.0020

#### Evidence References

- EXHIBIT 8 - Rate Design

#### IR Responses

#### Commitment Questions

- Commitment #45

**Supporting Parties**

- VECC, SEC

**Parties Taking No Position**

## 5.4 Are the Proposed Loss Factors Appropriate?

### Full Settlement

The Parties accept the proposed 2025 forecast loss factors as appropriate for the purpose of setting rates.

**Table 20 - 2025 Loss Factors**

	Original Application August 30, 2024	Response to IRs & Commitments December 2,	Settlement Proposal February 7, 2025
Supply Facilities Loss Factor	1.0153	1.0153	1.0153
Distribution Loss Factor - Secondary Metered Customer < 5,000 kW	1.0404	1.0404	1.0404
Distribution Loss Factor - Primary Metered Customer < 5,000 kW	1.0300	1.0300	1.0300
Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0563	1.0563	1.0563
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0457	1.0457	1.0457

### Evidence References

- EXHIBIT 8 – Rate Design

### IR Responses

### Supporting Parties

- VECC, SEC

### Parties Taking No Position



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

### **Full Settlement**

The Parties accept that NOW Inc.'s proposed Specific Service Charges and Retail Service Charges are appropriate.

### **Evidence References**

- EXHIBIT 8 - Rate Design

### **IR Responses**

### **Supporting Parties**

- VECC, SEC

### **Parties Taking No Position**

## 5.6 Are rate mitigation proposals required and appropriate?

### Full Settlement

The Parties agree to the rate mitigation proposal for the Streetlighting rate class, which involves phasing in the increase of the revenue to cost ratio for that class over the 2025 to 2027 period, to mitigate the total bill rate impact on that class.

In addition, the Parties agree to implement a new Rate Mitigation Rate Rider applicable to GS>50 kW Class to address the distribution rate impact of the approved revenue requirement on that class, which (absent the rider) would be 56.5% in 2025. The proposed Mitigation Rate Rider will be:

- a) funded by NOW Inc.<sup>1</sup>,
- b) in the amount of \$82,500 in the May 1, 2025 to April 30, 2026 rate year, \$35,000 in the May 1, 2026 to April 30, 2027 rate year, and \$7,500 in the May 1, 2027 to April 30, 2028 rate year, for a total amount of \$125,000 to be disposed of to the credit of GS>50 kW Class customers over the May 1, 2025 to April 30, 2028 period, after which the rider will cease to exist, and
- c) be applied to both the fixed and variable charges for the GS>50 class in proportion to the fixed and variable split for that class's distribution rates.

**Table 21 – GS>50 kW Rate Mitigation**

	2025	2026	2027	Total
Rate Mitigation Annual \$	\$82,500	\$35,000	\$7,500	\$125,000
Rate Mitigation Annual Spread %	66.0%	28.0%	6.0%	100%
Mitigation Rider Fixed %	36.7%	36.7%	36.7%	
Mitigation Rider Variable %	63.3%	63.3%	63.3%	
Rate Mitigation Rider Fixed (\$/Cust.)	(\$35.55)	(\$15.08)	(\$3.23)	
Rate Mitigation Rider Variable (\$/kW)	(\$0.3340)	(\$0.1417)	(\$0.0304)	

As described in detail under issue 5.1, the large distribution rate impact for the GS>50 kW rate class compared to other classes is driven in large part as a result of a correction in how costs are allocated to that class relative to the allocation of costs in NOW Inc.'s previous cost allocation study. The Rate Mitigation Rate Rider, in conjunction with the phase in of the revenue-to-cost ratio for the GS>50 kW class, smooth the distribution rate impact of this application on that rate class over the 2025 to 2027 period.

### Evidence References

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

### IR Responses

1-Staff-1

<sup>1</sup> The Parties acknowledge that to the extent NOW Inc. is unable to notionally fund the rider through temporary reductions to its revenue requirement, i.e. through reduced OM&A spending, the requirement that NOW Inc. fund the rider may result in a reduced return on equity for NOW Inc.

### **Supporting Parties**

- VECC, SEC

### **Parties Taking No Position**

## **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 NOW Inc.'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 and comments:

- a) The Parties agree that the Pole Attachment variance account should be forecast to April 30, 2025 and disposed of on a final basis and the account closed;
- b) The Parties agree that there are no relevant impacts for NOW Inc. to record in the Getting Ontario Connected Account, and that the account can be closed;
- c) The Parties agree that while, currently, NOW Inc. has no costs recorded in a Cloud Computing Implementation Costs Deferral Account, or planned in its 2025 OM&A budget, and that accordingly no such account is presently required. This agreement is without prejudice to NOW Inc.'s ability to come forward with a request to establish such an account should it take steps to implement cloud computing prior to its next cost of service application.
- d) The Parties agree that RCVA accounts 1518 and 1548 should be forecast to April 30, 2025 and disposed of on a final basis and the account closed.

**Table 22 – DVA Balances for Disposition**

	Original Application August 30, 2024	Response to IRs & Commitments December 2, 2024	Variance over Original Application	Settlement Proposal February 7, 2025	Variance over IRs / Commitment Responses
<b>Group 1</b>					
Group 1 (excluding 1589)	-\$ 14,123	-\$ 14,117	\$ 6	-\$ 14,117	\$ -
Account 1589 RSVA - Global Adjustment	\$ 114,717	\$ 114,247	-\$ 470	\$ 114,247	\$ -
<b>Total Group 1</b>	<b>\$ 100,594</b>	<b>\$ 100,130</b>	<b>-\$ 464</b>	<b>\$ 100,130</b>	<b>\$ -</b>
<b>Group 2</b>					
Pole Attachment Revenue Variance	-\$ 465,919	-\$ 464,075	\$ 1,843	-\$ 464,075	\$ -
Customer Choice Initiative Costs	\$ 19,746	\$ 19,665	-\$ 81	\$ 19,665	\$ -
Green Button Initiative Costs	\$ 106,710	\$ 106,256	-\$ 454	\$ 106,256	\$ -
Other Regulatory Assets, Sub-account ULO Implementation Cost <sup>14</sup>	\$ 10,052	\$ 10,009	-\$ 43	\$ 10,009	\$ -
Other Regulatory Assets, sub-account OEB Cost Assessment Variance	\$ 14,204	\$ 14,150	-\$ 55	\$ 14,150	\$ -
Other Regulatory Assets, sub-account OPEB	\$ 69,672	\$ 69,672	\$ -	\$ 69,672	\$ -
Retail Cost Variance Account - Retail	-\$ 2,455	-\$ 2,444	\$ 10	-\$ 2,444	\$ -
Retail Cost Variance Account - STR	\$ 18,865	\$ 18,791	-\$ 74	\$ 18,791	\$ -
LRAM Variance Accounts	\$ 135,145	\$ 151,325	\$ 16,180	\$ 151,325	\$ -
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	-\$ 53,744	-\$ 74,673	-\$ 20,929	-\$ 74,673	\$ -
<b>Total Group 2 Accounts</b>	<b>-\$ 147,724</b>	<b>-\$ 151,325</b>	<b>-\$ 3,602</b>	<b>-\$ 151,325</b>	<b>\$ -</b>

## Evidence References

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

## IR Responses

### Commitment Questions

- Commitment #33

### Error Checking Questions

- Question 5

### Supporting Parties

- VECC, SEC

### Parties Taking No Position

## **7. Other**

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

#### **Full Settlement**

The Parties agree that NOW Inc.'s new rates should be effective May 1, 2025. With respect to implementation, NOW Inc.'s new rates can be implemented and effective as of May 1, 2025, were it to receive approval of the settlement proposal on or before May 15, 2025.

#### **Evidence References**

- EXHIBIT 1 – Administrative Documents

#### **IR Responses**

N/A

#### **Supporting Parties**

- VECC, SEC

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

**7.2 Is the proposal for an Advanced Capital Module for the New Cochrane Municipal Transformer Station appropriate, and does the proposal include sufficient justification and cost estimates to show need and prudence?**

**Full Settlement**

The proposed New Cochrane Municipal Transformer Station (the "Project") is included in NOW Inc.'s DSP with an in-service date of 2028 and a total cost, inclusive of work in progress to date, of \$14,632,846, a single project budget that exceeds the annual average capital spending for NOW Inc. (as set out under issue 1.1) of \$1.6M by over 900%. Accordingly, it is both a very costly project for a distributor the size of NOW Inc. and a source of future material rate impact for NOW Inc.'s customers that are not subject to Distribution Rate Protection.

Accordingly, while the Parties agree that NOW Inc. has established the need for the Project given the age and condition of the existing Cochrane TS and the anticipated new load growth in the impacted area, the Parties have agreed to the following changes to how the Project will be managed in order to help ensure that the ultimate Project costs are prudently incurred and that the impact on customers of that spending is, to the extent possible, minimized:

- a) NOW Inc. agrees to move the planned in-service date for the Project from 2028 to 2029. This change in the Project timeline provides an additional year to develop the Project and defers the impact of the Project on NOW Inc.'s regulated revenue requirement in a way that facilitates NOW Inc.'s ability to absorb that impact without ACM or ICM funding as set out under clause b) below. The Parties accept NOW Inc.'s assessment that a delay of 1 year in the projected in-service date of the Project will not result in unacceptable incremental risk to the NOW Inc. distribution system;
- b) NOW Inc. agrees not to seek ACM or ICM relief for the Project during the 2025 to 2029 IRM period. This aspect of the Settlement Proposal is facilitated in part by the agreement to shift the forecast in service date of the Project from 2028 to 2029, as placing the Project into service in 2029, the planned Bridge Year to NOW Inc.'s next planned Cost of Service application for 2030 rates, will mean that the revenue requirement impact of the Project on NOW Inc. prior to rebasing will be on a partial year basis for only the forecast 2029 Bridge Year before the Project spending can be included in NOW Inc.'s 2030 Test Year revenue requirement on a full year basis;
- c) In order to further facilitate NOW Inc.'s ability to absorb the revenue requirement impact of the Project should it come into service during an IRM year and without ACM or ICM relief, the Parties agree that they would not object to NOW Inc. applying the day/month that the Project is put into service rather than using the half year rule, even though NOW Inc. uses the half-year rule for its other in-service additions. This would be done as a measure to reduce the impact on NOW Inc. in the year the Project is put into service and in no way inhibits the Board discretion as to the project's accounting in a subsequent cost of service application proceeding; and,
- d) NOW Inc. agrees to report on the progress towards the completion of the Project during its annual incentive rate-making applications in 2026, 2027, 2028, and 2029. The Parties have agreed to this requirement to provide the OEB with ongoing insight

into the development of the Project and to assist NOW Inc. with the task of explaining the prudence of its handling of the Project costs over time through the need to report on its progress annually. This annual reporting requirement will include explanations with respect to changes, updates and refinements in the Project's scope and forecast final costs, relative to the current scope and forecast cost of \$14,632,846, as well as reporting on new load associated with the Project and any capital contributions associated with that new load as appropriate.

### **Evidence References**

- EXHIBIT 1 – Administrative Documents

### **IR Responses**

- 7-Staff-12

### **Supporting Parties**

- VECC, SEC

### **Parties Taking No Position**



**7.3 Is Northern Ontario Wires' proposal to adjust base distribution rates for residential customers appropriate in the circumstances when the New Cochrane Municipal Transformer Station is placed in service, rather than establish a rate rider in accordance with the Advanced Capital Module policy?**

**Full Settlement**

Given the settlement of issue 7.2, which includes agreement to refrain from seeking an ACM rider for the proposed New Cochrane Municipal Transformer Station, the proposal to adjust base rates as part of its ACM funding request is withdrawn as part of this Settlement Proposal.

**Evidence References**

- EXHIBIT 1 – Administrative Documents

**IR Responses**

N/A

**Supporting Parties**

- VECC, SEC

**Parties Taking No Position**

**Attachment 10**  
**Responses to Pre-Settlement Clarification Questions**

*(Attachments 1-9 filed separately in Excel format)*

**Northern Ontario Wires Inc. Cost of Service – OEB Staff Pre-settlement Clarification Questions (EB-2024-0046)**

**December 11, 2024**

**Staff-13**

**Voltage conversion project costs**

**Ref:** Response to Commitment #3

**Preamble:**

Northern Ontario Wires provided project costs for the Iroquois Falls – Mill Gate and Kapuskasing voltage conversion projects. The project cost breakdown included contingency costs.

**Question(s):**

- a) Please describe the basis for the contingency cost estimate for the projects and why it is appropriate.
- b) Please describe how the contingency cost estimate for the Iroquois Falls – Mill Gate and Kapuskasing voltage conversion projects compare to contingency cost estimates developed for similar voltage conversion projects in Ontario.

**Response:**

- a) 
- b) *NOW Inc. has not compared contingency cost estimates developed for similar voltage conversion projects in Ontario.*

**Staff-14**

**ROE**

**Ref:** Response to Commitment #22

**Preamble:**

Northern Ontario Wires states that for the forecast ROE for 2024, regulatory costs amount to an 8.21% impact on the ROE and wages amount to a 7.78% impact.

**Question(s):**

- a) Please provide the information and calculations used to derive these impacts.

**Response:**

- a) *The base amount for the calculation is from Table 1 OM&A Cost Driver Table in Exhibit 4 -Tab 2 - Schedule 1, pg.1. These amounts were input into the ROE Template with the forecasted 2024 information. The Table 1 drivers were then removed from the ROE template to determine the individual impact on ROE resulting in the 8.21% for regulatory costs and 7.78% for wages.*

**Staff-15**

**Management Salaries**

**Ref:** Response to 2-Staff-8

**Preamble:**

Northern Ontario Wires states that in addition to inflationary increases, management staff are provided with step increases based on the salary grid.

**Question(s):**

- a) Please provide the average annual increase for management salaries resulting solely from step increases in salary from 2017-2025.

**Response:**

- a) *The average annual increase for management salaries solely from step increases from 2017-2025 for all management staff combined is \$2,559 per annum.*

**Staff-16**

**Accelerated CCA**

**Ref:** NOW Test Year PILS IRR

**Preamble:**

In reference 1, While reviewing the calculations, Staff notes that Northern Ontario Wires is applying AIIP to its PILs model for bridge and test year in schedule 8.

**Question(s):**

- a) Please confirm that Northern Ontario Wires is in fact applying for the AIIP in bridge year and test year's PILs Model.
- b) Given that the 2028 and 2029 PILs will be based on the legacy half- year rule, with the program ending in 2027, please propose a smoothing mechanism to increase the PILs in the test year that is generated from the PILs model.

**Response:**

- a) *NOW confirms that AIIP is applied in the bridge and test year PILs Model.*

***b) [Response to be provided]***

**Response:**

**Staff-17**

**Cloud Account**

**Ref 1: NOW\_2025 CoS\_IRR\_Commitment\_Error Checking, pg. 76**

**Ref 2: EB-003-2023, Accounting Order, November 2, 2023**

**Preamble:**

In response to OEB staff's commitment 49 in the reference, Northern Ontario Wires states:

NOW Inc. is familiar with the OEB letter of November 2, 2023 regarding the establishment of an Accounting Order in respect of incremental cloud computing costs and also the webinar Q&A session that was held on February 15, 2024. NOW Inc. is currently considering migration to a cloud based solution for an upgraded NorthStar billing system and will consider use of the deferral account consistent with the guidance that has been provided for this and any other cloud based solutions that may arise.

According to the Accounting Order issued on Nov 2023, utilities are expected to bring the proposals related to the cloud at the rebasing application:

At the utility's next rebasing rate proceeding, a utility may propose the regulatory treatment for any material cloud implementation costs expected during its rate-setting term. The proposal could include consideration of a new deferral account or other approaches that take into account the timing and duration of the contract term.

**Question(s):**

- a) Given Northern Ontario Wires' statement of "NOW Inc. is currently considering migration to a cloud based solution for an upgraded NorthStar billing system", please explain why Northern Ontario Wires is not including the forecasted cloud costs in this rate application as per the Accounting Order issued in November 2023.

**Response:**

- a) ***NOW Inc. has not included forecasted cloud costs in the rate application as the costs are not currently known. The solution is still in development and timing of transition and costs are not known.***

**Staff-18**

**GOCA Variance Account**

**Ref 1: NOW\_2025 CoS\_IRR\_Commitment\_Error Checking , pg. 76**

**Ref 2: The OEB's Decision and Order for Getting Ontario Connected Act Variance Account, October 31, 2023**

**Preamble:**

In response to OEB staff's commitment 50 in Reference 1, Northern Ontario Wires states:

NOW Inc. has not identified any impact of the GOCA on locate costs at this point as all locates are performed in house and there has not been any significant located requests associated with GOCA. If GOCA requests begin and are outside of normal expected locates, then NOW Inc. plans to use the related variance account.

In Reference 2, On October 31, 2023, the OEB issued a decision and order EB-2023-0143 for Getting Ontario Connected Act Variance Account (GOCA variance account).

The decision states that:

The OEB notes that the GOCA variance account will only be available to a utility until the end of its current IRM period. The account is not available for utilities that have reflected Bill 93 in their most recent rebasing applications.

The disposition of any balance in this account will be subject to a prudence review and a requirement to establish that any cost incurred over and above what is provided for in initial and IRM adjusted base rates is an incremental cost resulting from Bill 93.

**Question(s):**

- a) Please confirm Northern Ontario Wires' understanding that the deferral account would not be available for utilities filing Cost of Service applications for 2025 rates.

**Response:**

- a) ***NOW confirms its understanding that the deferral account will not be available for utilities filing Cost of Service Applications for 2025 rates.***

**Staff-19**

**Ref 1: NOW\_2025 CoS\_IRR\_Commitment\_Error Checking, pg. 80**

**Preamble:**

In response to OEB staff's commitment 53 in Reference 1, Northern Ontario Wires states:

Incremental labour costs are the additional resources that were required in order to implement/test and validate the Green Button solution. A staff member was set to retire and a replacement was hired. Due to Green Button, the retirement was postponed and the staff member stayed to work on and complete the Green Button project resulting in the incremental labour costs. If the retirement was not postponed, external resources would have been required to implement the project at a higher cost. The incremental labour was calculated by the by the rate inclusive of burden of the staff member for the time worked on the project.

**Question(s):**

- (a) Please provide detailed calculations using burden rate and hours used to calculate the incremental labor amount provided in Reference 1 response.
- (b) For the staff member who was set to retire, please confirm if their full salary inclusive of all benefits, was included as part of the last rebasing application.

**Response: *PART a) is CONFIDENTIAL***

**a)**

[REDACTED]

- b) *NOW Inc. confirms that the Billing Manager Position was included in the last rebasing, and this position was filled when the retiring Billing Manager went to work on Green Button. The retiring staff member was dedicated to the Green Button project and these costs were incremental to costs in the last rebasing application.***

**NORTHERN ONTARIO WIRES INC. (NOW)**  
**2025 RATE APPLICATION (EB-2024-0046)**  
**PRE-SETTLEMENT FOLLOW-UP AND CLARIFICATION QUESTIONS**

*(numbering follows from SEC's IRs)*

**SEC-13**

REFERENCE: Commitments 2, 60 and 2-VECC-5, 2-SEC-11a Please complete the following table

a) Please complete the following table by breaking out the assets in 2024 CWIP

	2024 opening balance CWIP	2024 additions to CWIP	2024 move from CWIP to In Service Additions	2024 closing balance CWIP
Total	\$1,432,612	\$463,870	-\$1,309,240	\$587,242
Breakdown				
New Cochrane Station	\$778,871	\$99,443	-\$395,746	\$482,568
Existing Cochrane Station	\$67,997	\$36,677		\$104,674
Other Assets	\$585,744	\$327,750	-\$913,494	\$0

- b) Please explain why such a large amount of assets had build up in CWIP as of the end of 2023.
- c) 2-SEC-11a states that a total of \$914,992 has been spend on the New Cochrane MS to the end of 2024. Please explain why the Land for the new station is not included in this amount.
- d) 2-VECC-5 states that the \$587,242 - \$104,674 in CWIP at the end of 2024 is for the New Cochrane MS. Please reconcile this with the tables provided in Clarification #60.
- e) In 2-VECC-5, NOW states that \$104,674 of the CWIP at the start of 2025 is for the current Cochrane station and is expected to go into service in 2024. Is NOW proposing to reduce the closing CWIP in 2024 and increasing In-Service Additions?

***Response:***

***a) See completed table above.***



- b) *The large amount of CWIP assets built up by end of 2023 was due to significant ongoing work by NOW Inc.. This included the acquisition of major spare parts necessary for the operation of the distribution system, along with modernization of computer software and station engineering feasibility studies and environmental assessments.*
- c) *The Land for the new station is not included in the CWIP amount as it will be used for more than just the new station (e.g. for equipment storage and work staging).*
- d) *The updated table reconciling the 2-VECC-5 values is as follows.*

New Cochrane TS			
	2-AA Spending (2019-2024)	Less Adjustments to Spare Parts	Adjusted WIP Balance 2024
	(A)	(B)	(C) = A+B
Engineering/Consulting	\$ 360,507		\$ 360,507
Site work	\$ 77,603		\$ 77,603
Equipment/Hardware	\$ 331,031	-\$ 327,750	\$ 3,281
Labour	\$ 41,178		\$ 41,178
	\$ 810,318	-\$ 327,750	\$ 482,568
Existing Cochrane TS			
	2-AA Spending (2019-2024)	Less Adjustments to In-Service	Adjusted WIP Balance 2024
	(A)	(B)	(C) = A+B
Engineering/Consulting	\$ -		\$ -
Site work	\$ 155,738	-\$ 67,997	\$ 87,741
Equipment/Hardware	\$ 16,934		\$ 16,934
Labour	\$ -		\$ -
	\$ 172,672	-\$ 67,997	\$ 104,675

- e) *NOW Inc. confirms it is proposing to reduce the closing CWIP in 2024 and increase the in-service additions. It is proposed that this adjustment be reflected in models as part of the updates from the settlement process.*

#### SEC-14

REFERENCE                      Commitment #1

- a) Please provide the actuals to October 31, 2024, for Appendices 2-AA and 2-JC and for 2022 and 2023 for the same period.

**Response:**

- a) ***Attachment 1 provides the requested Appendix 2-AA information and Attachment 2 provides the requested 2-JC information. For comparative purposes year-end 2022, 2023 and 2024 information has also been provided. It should be noted that the October month-end results do not reflect accruals and re-allocations (e.g. from OM&A to Capital and between work programs) that are done at year-end.***

## **SEC-15**

REFERENCE: 1-Staff-3 and 2-VECC-1

- a) 1-Staff-3 states that the 2024 transportation budget is for a bucket truck but 2-VECC-1 lists 4 vehicles that have been acquired in 2024 for the same budget. Please clarify and provide the status of the new bucket truck for 2024.

**Response:**

- a) ***In the 2024 transportation budget, the bucket truck was the largest single item (\$284,039 of the \$410,754 transportation budget,). Hence, this vehicle was specifically mentioned in Exhibit 2. NOW Inc. interpreted Interrogatory 1-Staff-3 to be asking about the bucket truck, and 2-VECC-1 to be asking for all transportation equipment in the 2024 budget. To more completely respond to 1-Staff-3 and to be consistent with the detail provided in 2-VECC-1, NOW Inc. is providing the following information:***
- ***Chevrolet Pickup (\$59,091): fleet addition to support Kapuskasing staff***
  - ***Chevrolet Pickup (\$60,381): fleet addition to support Iroquois Falls staff***
  - ***Galvanized Dump Trailer (\$13,917): fleet addition to support various work programs/projects***
  - ***2022 AT48 Dodge Ram 5500 4x4 (\$284,039): to replace Unit #540***

***All of the transportation equipment listed above has been acquired in 2024.***

## **SEC-16**

REFERENCE: 2-SEC-6, Clarification #17

- a) Please provide a version of 2-K that shows the costs of overtime separately for each year and the allocation between capital and OM&A.
- b) Please provide the vacancy rate for each of 2017 to 2024

**Response :**

**a) Please see Table below for annual overtime allocated between capital and OM&A.**

Summary of Overtime								
(K\$)	Year							
	2017	2018	2019	2020	2021	2022	2023	2024
Capital	22,286	29,487	24,486	22,708	22,879	48,771	13,985	40,768
OM&A	37,210	49,623	51,729	74,291	50,833	93,496	82,819	83,104
Total								
Overtime	<b>59,496</b>	<b>79,111</b>	<b>76,215</b>	<b>96,999</b>	<b>73,712</b>	<b>142,267</b>	<b>96,804*</b>	<b>123,872</b>

\* 2023 overtime is higher than in response to Commitment #17 (\$79,857) as certain pay codes were not included

**b) NOW Inc. defines the vacancy rate to be the difference between the number of approved positions and the number of FTE's in a given year. Vacancy information is summarized as follows:**

NOW Inc. - Staffing and Vacancies									
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Management	3.5	3.5	3.4	3.4	3.4	3.4	3.0	3.0	3.0
Outside Staff	9.0	8.0	8.0	8.3	8.0	8.0	8.0	11.0	11.0
Inside Staff	4.5	4.5	5.6	5.6	4.8	5.6	5.6	5.6	5.6
# Positions	17.0	16.0	17.0	17.3	16.2	17.0	16.6	19.6	19.6
# FTE	16.7	16.0	17.1	16.5	15.9	15.9	16.1	19.2	19.6
#Positions - #FTE	0.3	-0.1	-0.1	0.8	0.3	1.1	0.5	0.4	0.0
Vacancy Rate	1.5%	-0.3%	-0.7%	4.4%	1.9%	6.5%	3.0%	1.8%	0.0%

REFERENCE: 2-SEC-8a

- a) Please explain the reasons for the revisions to 2024 in the table provided.

**Response:**

- a) ***The 2024 and 2025 TGB Tower Rental amounts (\$13,179 each year) in the original Appendix 2-H were incorrect. In the updated Chapter 2 Appendices – Appendix 2-H, filed on December 2, 2024, these amounts were corrected to \$19,563 and \$20,345, which is consistent with the revenue agreement for the TGB Tower. Appendix 2-H is now consistent with Appendix 2-N.***

**SEC-18**

REFERENCE: Clarification #28 and #35

- a) If not already provided, please provide an updated load forecast that includes the actual customer #s and billing determinates to the end of October 2024.

**Response:**

- a) ***A load forecast that includes actual customer counts and billing determinants to October 2024 is provided as “NOW\_2025\_Load\_Forecast CQ-SEC-18 Update to Oct 2024”.***

**SEC-19**

REFERENCE: Clarification #57, Attachment 7

- a) The detailed budget estimate for the new Cochrane station totals \$14,150,278. NOW has requested an ACM of \$14,386,500 and has already spent \$914,992. Please explain what the additional funds (\$14,386,500 + \$914,992 -\$14,150,992) are for.

**Response:**

- a) ***The ACM budget estimate included higher amounts for Switchgear and P&C equipment than in the detailed budget estimate. This is shown in Commitment response #60, Attachment 7, on the Equipment Pricing worksheet. The initial budget for the [REDACTED] resulting in a reduction of \$286,260. This reduction is partially offset by the detailed budget estimate including [REDACTED] that was not included in the ACM estimate. This reconciliation is summarized as follows: \$14,386,500-***

***\$286,260+\$50,000 = \$14,150,240. (Different from detailed budget estimate by \$38 due to rounding.)***

***The detailed engineering budget estimate of \$14,150,278 for the new Cochrane station was for 2025 onward. It did not include costs incurred to the end of 2024 that are in CWIP (revised to \$482,568 per SEC-13). Accordingly, the current total cost estimate for the new Cochrane station is \$14,150,278 + \$482,568 = \$14,632,846 .***

**NORTHERN ONTARIO WIRES INC.  
2025 RATE APPLICATION (EB-2024-0046)  
PRE-SETTLEMENT FOLLOW-UP AND CLARIFICATION QUESTIONS**

**VECC-CQ-1**

REFERENCE: Commitment Response #31  
NOW\_Participation\_and\_Cost\_Report\_2019\_04\_20240830

PREAMBLE: The Commitment Response states:  
“CDM savings used in the load forecast for 2017 is from  
“NOW\_Participation\_and\_Cost\_Report\_2019\_04\_20240830  
”. Savings in 2017, including adjustments, is 1,687,550 kWh,  
consistent with the value used in the load forecast. See  
“NOWI CDM Reconciliation\_20241202”.

- a) The “NOW\_Participation\_and\_Cost\_Report\_2019\_04\_20240830” only provides CDM savings from 2017 programs for the years 2017 and 2020. What was the source for the savings in the other years (i.e. 2018-2019 and 2021-2025)?

**Response:**

- a) *Of the total 1,687,550 kWh first-year savings in 2017, 1,413,335 kWh is included in “NOW\_2017\_Final\_Verified\_Annual LDC CDM Program Results Report 20240830”. This report provides persistence figures to 2025 for those savings. For the remaining programs with 274,214 kWh of first-year savings in 2017, savings in 2018-2019 are estimated by applying equal loss in persistence in each year from 2017 to 2020 and savings in 2021-2025 are estimated using the annual loss in persistence from the same programs in previous years. A summary of 2017 savings is provided below. Estimated figures are italicized.*

	2017 Report Total	Save on Energy Coupon Program	Save on Energy Retrofit Program	Save on Energy Small Business Lighting Program	2017 Total
2017	1,413,335	633	269,452	4,130	1,687,550
2018	1,230,026	633	269,008	3,635	1,503,302
2019	1,221,286	633	268,564	3,141	1,493,624
2020	1,159,433	627	268,120	2,647	1,430,828
2021	1,147,280	627	268,120	2,348	1,418,375
2022	1,109,018	627	246,059	1,790	1,357,495
2023	1,080,049	627	246,059	1,197	1,327,933
2024	1,056,284	627	246,059	958	1,303,928
2025	1,013,652	627	232,203	707	1,247,189

## VECC-CQ-2

REFERENCE: Commitment Responses #32 & #33

- a) The “NOW\_Participation\_and\_Cost\_Report\_2019\_04\_20240830” only provides CDM savings from 2018 programs for the years 2018 and 2020. What was the source for the savings in the other years (i.e. 2019 and 2021-2025)?

**Response:**

- a) *Savings in 2019 are calculated as the average of 2018 and 2019 savings. Savings in 2021-2025 are estimated using the annual loss in persistence from the same programs in previous years. A summary of 2018 savings is provided below. Estimated figures are italicized.*

	Save on Energy Heating and Cooling Program	Save on Energy Instant Discount Program	Save on Energy Retrofit Program	Save on Energy Small Business Lighting Program	Instant Savings Program	2018 Total
2018	1,890	163,221	1,026,692	220,383	62,777	<b>1,474,963</b>
2019	1,890	162,550	1,024,153	181,044	62,777	<b>1,432,414</b>
2020	1,890	161,879	1,021,615	141,704	62,777	<b>1,389,865</b>
2021	1,890	161,879	1,021,615	70,869	62,777	<b>1,319,030</b>
2022	1,890	161,879	1,021,615	62,847	62,777	<b>1,311,008</b>
2023	1,890	161,879	937,558	47,919	62,777	<b>1,212,022</b>
2024	1,890	161,879	937,558	32,050	62,777	<b>1,196,154</b>
2025	1,890	161,876	937,558	25,634	62,775	<b>1,189,733</b>

- b) The “NOW\_Participation\_and\_Cost\_Report\_2019\_04\_20240830” only provides CDM savings from 2019 programs for the years 2019 and 2020. What was the source for the savings in the other years (i.e. 2021-2025)?

**Response:**

***b) Savings in 2021-2025 are estimated using the annual loss in persistence from the same programs in previous years. Savings from the Save on Energy Small Business Lighting Program, the only program in 2019 is summarized below. Estimated figures are italicized.***

	Save on Energy Small Business Lighting Program
2019	23,198
2020	20,426
2021	<i>19,320</i>
2022	<i>9,662</i>
2023	<i>8,568</i>
2024	<i>6,533</i>
2025	<i>4,370</i>



# Attachment 1

## Response to SEC #14

### Appendix 2-AA Capital Projects Table

Projects	2022	2022 Jan - Oct	2023	2023 Jan - Oct	2024 Bridge Year	2024 Jan - Oct
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
System Access						
Metering	6,033	5,984	35,040	32,929		10,485
System Access Gross Expenditures	6,033	5,984	35,040	32,929	0	10,485
System Access Capital Contributions						
Sub-Total	6,033	5,984	35,040	32,929	0	10,485
System Renewal						
Pole Changes- Cochrane	15,990	7,667	4,200	4,200		21,315
Pole Changes- Kapuskasing			2,803	296		26,306
Pole Changes-Iroquois Falls	8,218	6,383	33,654	23,465		44,099
Cochrane 5Kv Upgrade	79,434	43,887	19,484	2,991		61,444
Substations					90,000	
System Renewal Gross Expenditures	103,642	57,936	60,141	30,952	90,000	153,164
System Renewal Capital Contributions						
Sub-Total	103,642	57,936	60,141	30,952	90,000	153,164
System Service						
Kapuskasing - 5Kv to 25Kv Conv. Upgrade	265,347	159,898	6,550	522	285,720	159,592
Iroquois Falls - 2.4 to 12 Kv Upgrade	17,090	2,590	53,993	22,139	170,000	63,015
Cochrane Feeder Fortification						
Cochrane New Station	181,708	154,991	249,331	238,023	107,745	83,720
Cochrane Existing Station			39,622		28,375	
Iroquois Falls - 2.4 to 12 Kv Upgrade - Downtown						
Iroquois Falls - 2.4 to 12 Kv Upgrade - Millgate						
System Service Gross Expenditures	464,145	317,479	349,495	260,684	591,840	306,326
System Service Capital Contributions						
Sub-Total	464,145	317,479	349,495	260,684	591,840	306,326
General Plant						
Transportation Equipment	213,425	102,599	118,513	118,513	417,429	417,429
Computer Hardware	6,843		8,496	2,751	25,000	10,215
Computer Software	22,790	13,545	150,730	92,746	719,993	163,024
Buildings	21,623	570	4,270	4,270		26,520
Power Operated Tools					86,200	86,200
Land					85,000	
Capital in Inventory (Spare Parts)	80,429		-4,646			
General Plant Gross Expenditures	345,110	116,714	277,363	218,280	1,333,622	703,389
General Plant Capital Contributions						
Sub-Total	345,110	116,714	277,363	218,280	1,333,622	703,389
Miscellaneous	27,890	27,496	4,500	4,500		31,348
Total	946,820	525,608	726,539	547,345	2,015,462	1,204,712
Less Renewable Generation Facility Assets and Other Non-Rate-Regulated Utility Assets <i>(input as negative)</i>						
Total	946,820	525,608	726,539	547,345	2,015,462	1,204,712

## Attachment 2

### Response to SEC #14

#### Appendix 2-JC OM&A Programs Table

Programs						
<i>Reporting Basis</i>	2022 Actuals	2022 Jan - Oct	2023 Actuals	2023 Jan - Oct	2024 Bridge Year	2024 Jan - Oct
Operation	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Transformer/Substation						
Customer Premises	43,949	30,945	110,014	86,393	81,536	18,020
Load Dispatching	340,553	150,746	413,485	163,822	397,538	160,938
Eng & Ops Admin	204,653	92,096	212,609	79,255	198,839	104,165
Meter Expenses	282,900	708,893	239,899	755,917	273,555	951,783
Sub-Total	47,222	21,738	49,054	16,624	48,137	54,121
Maintenance	919,278	1,004,417	1,025,060	1,102,011	999,605	1,289,027
Maintenance of O/H Lines						
Maintenace of Line Transformers	477,425	199,815	535,237	211,942	593,233	186,762
Maintenance of U/G Conductors	33,571	19,938	5,291	5,258	42,525	3,391
Maintenance Transformer/Substation	16,132	8,168	40,990	16,821	63,752	22,172
Tree Trimming and Vegetation Control	13,713	10,093	39,659	21,719	34,921	833
	162,140	54,423	122,784	50,955	246,478	75,819
Sub-Total						
Billing and Collecting	702,981	292,438	743,962	306,695	980,909	288,976
Billing and Collecting						
Meter Reading	517,177	344,547	494,901	389,953	530,113	366,831
Bad Debt	207,154	165,877	203,075	166,057	216,054	186,420
	-81,747	24,781	5,407	25,000	30,000	25,000
Sub-Total						
Community Relations	642,584	535,205	703,383	581,010	776,167	578,252
Sub-Total						
Administrative and General	0		0		0	
Administration						
Regulatory	489,325	662,919	562,161	689,072	589,020	828,802
Outside Services	37,920	26,893	40,097	28,934	46,866	217,844
Property	73,553	52,674	106,802	92,761	66,937	51,430
	47,741	39,595	56,758	47,143	56,525	50,031
Sub-Total						
Miscellaneous	648,539	782,081	765,818	857,911	759,348	1,148,107
Total						
	2,913,382	2,614,141	3,238,223	2,847,627	3,516,029	3,304,362