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November 24, 2025

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Mr. Ritchie Murray
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: Five Nations Energy Inc. (“Five Nations”) Application for 2026 Transmission Revenue Requirement (“Application”) Ontario Energy Board (“OEB”) File No. EB-2025-0129 48 Hour Letter

We are counsel to Five Nations Energy Inc. (“FNEI”) in the above-noted matter.

In accordance with OEB Procedural Order No. 1 in the above noted matter, issued on August 27, 2025, FNEI and OEB staff participated in a settlement conference on October 27, 2025. On behalf of FNEI and OEB staff, we submit the settlement proposal attached as Appendix “A” for the OEB’s review and consideration.

Please contact me if you have any questions or concerns.

Sincerely,

Cole Tavener

Cole Tavener

CT:lh

c:
Richard J. King (Osler, Hoskin & Harcourt LLP)
Chris Chilton (Five Nations Energy Inc.)
Dorothy Kioke (Five Nations Energy Inc.)
Andrew Mandyam (Utilis Consulting Inc.)
Jeffrey Sauer (Ontario Energy Board)
James Sidlofsky (Ontario Energy Board)



Appendix “A”
Settlement Proposal

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15 (Sched. B) (the “Act”);

AND IN THE MATTER OF an application by Five Nations
Energy Inc. for an Order or Orders made pursuant to section 78 of
the Act, approving or fixing just and reasonable rates for the
transmission of electricity

FIVE NATIONS ENERGY INC.

SETTLEMENT PROPOSAL

November 24, 2025

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A. OVERVIEW

1. Introduction

This Settlement Proposal is filed with the Ontario Energy Board (“**OEB**”) in connection with Five Nations Energy Inc.’s (“**FNEI**”) rebasing application made 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 electricity transmission revenue requirements for the 2026 to 2030 period, to be effective January 1, 2026 (the “**Application**”).

FNEI is a non-profit, non-share capital corporation with directors appointed by Attawapiskat First Nation, Kashechewan First Nation, Fort Albany First Nation, Taykwa Tagamou First Nation and Moose Cree First Nation. FNEI owns assets that are located in northern Ontario in the James Bay region, comprised of a 170 km double circuit 115 kV transmission line, a 100 km single circuit 115 kV transmission line and three 115/8.32 kV transmission stations, connecting the communities of Attawapiskat, Fort Albany and Kashechewan to Hydro One’s Moosonee Transformer Station.

The OEB assigned file number EB-2025-0129 to this Application. As set forth herein, the Settlement Proposal contains a comprehensive settlement of all issues within the Application.

2. Background

FNEI filed the Application on July 9, 2025, and the OEB published the Notice of Hearing on August 1, 2025. On August 27, 2025, the OEB issued Procedural Order No. 1 which, among other things, provided for (i) the development of a proposed Issues List by OEB staff (“**Staff**”) and FNEI for the OEB’s consideration, (ii) a schedule for written interrogatories, and (iii) a Settlement Conference (with Staff as a party to the Settlement Conference and any resulting Settlement Proposal). Procedural Order No. 1 also confirmed no intervention requests were received by the OEB.

On September 16, 2025, the OEB approved the Issues List.

On September 23, 2025, written interrogatories from Staff were received. FNEI filed interrogatory responses on October 16, 2025.

3. Settlement Process

Pursuant to Procedural Order No. 1, a Settlement Conference was convened on October 27, 2025. The Settlement Conference was conducted in accordance with the OEB’s *Rules of Practice and Procedure* (the “**Rules**”) and the OEB’s *Practice Direction on Settlement Conferences* (the “**Practice Direction**”).

Mr. McLaren of InterGroup Consultants Ltd. acted as facilitator for the Settlement Conference.

FNEI and Staff participated in the Settlement Conference. FNEI and Staff are collectively referred to as the “**Parties**”.

The Parties reached a complete settlement on all issues on the Approved Issues List, as further described in Part B of this Settlement Proposal.

4. *Settlement Proposal Preamble*

This document comprises the Settlement Proposal and is presented jointly to the OEB by the Parties. This document is called a “Settlement Proposal” because it is a proposal by the Parties to the OEB to settle the issues in this proceeding identified as settled in this Settlement Proposal. 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. As set forth later in this Preamble, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the OEB in its entirety, then unless amended by the Parties, it is null and void and of no further effect. 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, including any settlement information relating thereto, is privileged and confidential in accordance with the Practice Direction. 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 that the rules of the latter document do not apply. Instead, in this Settlement Conference, and in this Settlement Proposal, the Parties have interpreted “confidential” to mean that the documents and other information provided during the course of the Settlement Conference, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement of each issue during the Settlement Conference and during the preparation of this Settlement Proposal 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 settlement information to persons who were not attendees at the Settlement Conference. However, the Parties agree that “attendees” is deemed to include, in this context, persons who were not in attendance via video conference 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 they have sought instructions with respect to the negotiations, in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions as the Parties.

As determined by the OEB in Procedural Order No. 1, OEB staff is a party to the Settlement Conference and to this Settlement Proposal and, accordingly, there is no need for OEB staff to make a submission, as contemplated in the Practice Direction, with respect to whether the Settlement Proposal represents an acceptable outcome from a public interest perspective, or whether the accompanying explanation and rationale is adequate to support the Settlement Proposal.

This Settlement Proposal is organized in accordance with the Approved Issues List. This Settlement Proposal provides a brief description of each of the settled issues, together with

1 references to the evidence submitted for the record in this proceeding. The Parties agree that
2 references to the “evidence” in this Settlement Proposal shall, unless the context otherwise
3 requires, include, in addition to the Application, the written responses to interrogatories and other
4 components of the record up to and including the date hereof, including the attachments to this
5 document (the “**Attachments**”).¹

6 The supporting Parties for each settled issue agree that the evidence in respect of that settled issue
7 is sufficient in the context of the overall settlement to support the proposed settlement, and the
8 sum of the evidence in this proceeding provides an appropriate evidentiary record to support
9 acceptance by the OEB of this Settlement Proposal.

10 The final agreements of the Parties following the Settlement Conference are set out below. The
11 Parties explicitly request that the OEB consider and accept this Settlement Proposal as a package.
12 None of the matters in respect of which a settlement has been reached is severable. If the OEB
13 does not accept the Settlement Proposal in its entirety, then there is no agreement, unless the Parties
14 agree, in writing, that the balance of this Settlement Proposal may continue as valid settlement
15 subject to any revisions that may be agreed upon by the Parties.

16 It is further acknowledged and agreed that none of the Parties will withdraw from this agreement
17 under any circumstances, except as provided under Rule 30.05 of the Rules. In the event that the
18 OEB directs the Parties to make reasonable efforts to revise the Settlement Proposal, the Parties
19 agree to use reasonable efforts to discuss any potential revisions, but no Party will be obligated to
20 accept any proposed revision. The Parties agree that all of the Parties who took a position on a
21 particular issue must agree with any revised Settlement Proposal as it relates to that issue, or decide
22 to take no position on the issue, prior to its resubmission to the OEB for its review and
23 consideration as a basis for making a decision.

24 Unless otherwise expressly stated in this Settlement Proposal, the settlement of any particular issue
25 in this proceeding and the positions of the Parties in this Settlement Proposal are without prejudice
26 to the rights of the Parties to raise the same issue and/or to take any position thereon in any other
27 proceeding, whether or not FNEI is a party to such proceeding.

28 In this Settlement Proposal, where any of the Parties “accept” the evidence of FNEI, or “agree” to
29 a revised term or condition, including a revised budget or forecast, then, unless expressly stated to
30 the contrary, the words “for the purpose of settlement of the issues herein” shall be deemed to
31 qualify that acceptance or agreement.

32 **5. *Settlement Proposal Overview***

33 The Parties are pleased to advise that they have reached a complete settlement on all aspects of the
34 Approved Issues List, as summarized in the following table, and as described in greater detail
35 below.

¹ FNEI’s responses to OEB staff’s pre-settlement clarifying questions, which the Parties have agreed to include as part of this Settlement Proposal, are provided in Attachment 5.

1

<p>“Complete Settlement” means an issue for which complete settlement was reached by all Parties, and if this Settlement Proposal is accepted by the OEB, none of the Parties (including Parties who take no position on that issue) will adduce any evidence or argument during the hearing (if any) in respect of the specific issue.</p>	<p>Issues Settled: ALL</p>
<p>“Partial Settlement” means an issue for which there is partial settlement, as FNEI and Staff were able to agree on some, but not all, aspects of the particular issue. If this Settlement Proposal is accepted by the OEB, the Parties (including Parties who take no position on the Partial Settlement) will only adduce evidence and argument during the hearing (if any) on the portions of the issue for which no agreement has been reached.</p>	<p>Issues Partially Settled: NONE</p>
<p>“No Settlement” means an issue for which no settlement was reached.</p>	<p>Issues Not Settled: NONE</p>

2

3 The following summarizes, at a high level, the most significant elements of the Settlement
4 Proposal. The particulars of the Settlement Agreement are detailed by issue in **Part B** of this
5 Settlement Proposal below. Detailed calculations in support of the settled 2026 to 2030 revenue
6 requirements and their underlying components, as well as 2026 Uniform Transmission Rates
7 (“UTRs”) and bill impacts, are provided in the models appended to **Part C** of the Settlement
8 Proposal. The Parties agreed to the following terms:

- 9 a) With respect to the rate setting framework, the proposed revenue requirement
10 framework will be based on a Custom IR five-year forecast of depreciation and return
11 on capital, plus OM&A, adjusted for inflation and stretch factor annually, as further
12 described below;
13
- 14 b) The Parties agree to reduce the 2026 OM&A expenditures by approximately 4% on
15 an envelope basis (\$250,000 reduction). Details of the total OM&A are outlined in
16 Table 2 below;
17
- 18 c) Under this agreed-upon revenue requirement framework, FNEI will file annual update
19 applications with the OEB throughout the five-year term to adjust the OM&A
20 component of its revenue requirement by the OEB’s Electricity Transmission Inflation
21 Factor less a stretch factor of 0.3%;
- 22 d) FNEI will be subject to an Earnings Sharing Mechanism over the 2026 to 2030 period.
23 Any earnings in excess of the OEB-approved ROE of 9.11%, calculated on a
24 cumulative basis over the 2026 to 2030 period, will be shared on a 50/50 basis with
25 ratepayers;
- 26 e) With respect to cost of capital parameters:

- i. the 2026 to 2030 cost of common equity and short-term debt rate will be based on the OEB's 2026 cost of capital parameters published October 31st, 2025; and
- ii. the 2026 to 2030 long-term debt rate will be based on FNEI's 2026 weighted actual debt.

Based on this Settlement Proposal, the Parties have accepted the following 2026 to 2030 revenue requirements as set out in Table 1 below, subject to an annual change to reflect inflationary increases (less the stretch factor) to OM&A based on the applicable OEB Inflation Factor for each of the years 2027 through 2030.

Table 1 - Settled 2026-2030 Revenue Requirement (\$M)

Components	2026	2027	2028	2029	2030
OM&A ²	5.95	6.05	6.16	6.26	6.37
Depreciation	2.01	2.06	2.10	2.14	2.19
Regulated Return on Capital	2.33	2.29	2.25	2.21	2.17
Service Revenue Requirement	10.29	10.40	10.51	10.61	10.72
Less: External Revenues and Other	-0.08	-0.08	-0.08	-0.08	-0.08
Base Revenue Requirement	10.21	10.32	10.43	10.53	10.64

Table 2 below shows adjustments made to the proposed Revenue Requirement from FNEI's initial application filed July 9, 2025, through to the submission of this Settlement Proposal, including updates to reflect the OEB's 2026 cost of capital parameters (issues October 31, 2025).

² Values shown in Table 1 for 2027-2030 are based on OM&A amounts calculated assuming the OEB's Electricity Transmission Inflation Factor will be 2.00% each year. Actual values for 2027-2030 will vary based on the actual OEB Electricity Transmission Inflation Factor applied to OM&A amounts.

1 **Table 2 – 2026 Revenue Requirement Variance in EB-2025-0129 (\$M)**

2026 Revenue Requirement Components	Application as Filed	Interrogatory Responses ("IRs")	Variance: Application to IRs	Settlement Proposal	Variance: IRs to Settlement	Variance: Application to Settlement
OM&A ³	6.19	6.20	0.01	5.95	-0.25	-0.24
Depreciation	2.01	2.01	0.00	2.01	0.00	0.00
Regulated Return on Capital	2.31	2.30	-0.01	2.33	0.02	0.01
Service Revenue Requirement	10.52	10.52	-0.00	10.29	-0.23	-0.23
Less: External Revenues and Other	-0.08	-0.08	0.00	-0.08	0.00	0.00
Base Revenue Requirement	10.44	10.44	-0.00	10.21	-0.23	-0.23

2
3 The 2026 estimated bill impacts arising from settlement are set out in Tables 3 and 4 below:

4 **Table 3 - Summary of Impacts on Typical Residential Customer**

	Current	Proposed	Change (\$)	Change (%)
Distribution	43.94	43.94		
RISRs	18.87	18.90		
Total Delivery	62.81	62.84	0.03	0.05%
Regulatory Charges	5.01	5.01		
Cost of Power	74.90	74.90		
Total Bill Before Taxes	142.71	142.74	0.03	0.02%

5
6 **Table 4 - Summary of Impacts on Typical Small Commercial Customers**

	Current	Proposed	Change (\$)	Change (%)
Distribution	108.51	108.51		
RISRs	40.76	40.83		
Total Delivery	149.27	149.35	0.07	0.05%
Regulatory Charges	13.05	13.05		
Cost of Power	199.72	199.72		
Total Bill Before Taxes	362.04	362.12	0.07	0.02%

7 Based on the foregoing and the evidence and rationale provided below, the Parties agree that this
8 Settlement Proposal is appropriate and recommend its acceptance by the OEB.

3 Ibid.

B. SETTLEMENT BY ISSUE

The subsections below summarize the key components of the comprehensive settlement reached by the Parties, including details on how each of the issues in the Approved Issues List has been addressed either through the Application or through the modifications to FNEI's proposals which have been agreed upon in this Settlement Proposal.

GENERAL

1. Has Five Nations Energy Inc. (FNEI) responded appropriately to all relevant Ontario Energy Board (OEB) directions from previous proceedings, including but not limited to:

1.1 The OEB's directions regarding FNEI's reserve funds?

1.2 The OEB's directions regarding FNEI's annual reporting and record keeping requirements and presentation in the current application related to its use of revenues in excess of costs to meet other non-transmission related corporate objects (i.e. funding community projects)?

Complete Settlement

Yes.

During the Settlement Conference, and through its responses to clarifying questions, FNEI confirmed that it has only maintained an insurance reserve fund in accordance with the OEB's directions in EB-2016-0231. Furthermore, FNEI has agreed to establish a separate legal entity prior to its next rate application to hold and disburse revenues that FNEI declares to be "excess funds" akin to a dividend issued by a for-profit utility. Any non-regulated revenues or expenditures will be recorded in OEB Accounts 4375 and 4380 for the purposes of RRR reporting and in FNEI's next cost of service application.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 5.21
Interrogatories	1-Staff-1, 7-Staff-1, 7-Staff-2, 7-Staff-3, 7-Staff-4
Pre-Settlement Clarification Questions	7-Staff Clarification-1, 7-Staff Clarification-2, 7-Staff Clarification-3

Supporting Parties

FNEI, Staff

Parties Taking No Position

None

2. *Are all elements of the proposed revenue requirement and their associated total bill impacts reasonable?*

Complete Settlement

The Parties accept that the impacts arising from FNEI's proposal, as modified by the terms of this Settlement Proposal⁴, and the associated total bill impacts are reasonable.

The total bill impacts are unchanged from those presented in Exhibit 10, Section 3.0 of the Application.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Sections 3.14 and 5.8; Exhibit 10, Section 3.0
Interrogatories	10-Staff-1(c), 10-Staff-2
Pre-Settlement Clarification Questions	N/A

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

⁴ See Part B, Issue 8 for modifications to proposed OM&A expenditures

3. *Is the proposed effective date appropriate?*

Complete Settlement

The Parties agree the proposed effective date of January 1, 2026 is appropriate.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 5.7
Interrogatories	N/A
Pre-Settlement Clarification Questions	N/A
Settlement Attachments	Attachment 1 Updated_FNEI_2026_Rates_Appendices_Settlement_20251124 Attachment 2 Updated_FNEI_2026_Rates_RRWF_Settlement_20251124

Supporting Parties

FNEI, Staff

Parties Taking No Position

None

REVENUE REQUIREMENT FRAMEWORK

4. *Is FNEI's proposed revenue requirement framework (including, but not limited to, its proposals related to inflation, productivity, and stretch factors, Z-Factor claims and any other mechanisms) appropriate?*

Complete Settlement

The Parties agree that for the purpose of settlement, the revenue requirement framework will be modified to include (i) fixed amounts for depreciation and return on capital (i.e. capital-related revenue requirement) and Other Revenue/Revenue Offsets, and (ii) an annual increase to OM&A (after being reduced by \$250,000 in 2026) based on the OEB's Electricity Transmission Inflation Factor less a Stretch Factor of 0.3% starting January 1, 2027.

Table 5 below provides the fixed capital-related revenue requirement which will be relied upon for the purpose of establishing FNEI's revenue requirement within Uniform Transmission Rates over the 2026 to 2030 period.

Table 5 – Fixed Capital-Related Revenue Requirement 2026-2030 (\$M)

Components (\$ millions)	2026	2027	2028	2029	2030
Depreciation	2.01	2.06	2.10	2.14	2.19
Regulated Return on Capital	2.33	2.29	2.25	2.21	2.17
Capital-Related Revenue Requirement	4.34	4.35	4.35	4.35	4.35

Table 6 below provides the fixed Other Revenue / Revenue Offsets which will be relied upon for the purpose of establishing FNEI's revenue requirement within Uniform Transmission Rates over the 2026 to 2030 period.

Table 6 – Fixed Other Revenue / Revenue Offsets 2026-2030 (\$M)

(\$ millions)	2026	2027	2028	2029	2030
Other Revenue / Revenue Offsets	-0.08	-0.08	-0.08	-0.08	-0.08

To protect ratepayers from any cumulative overearnings above 0 basis points over the entire rate setting term, a cumulative earnings sharing mechanism ("ESM") is established as part of this rate setting framework.⁵

The Z-Factor mechanism is also accepted as part of this rate setting framework, including acceptance of FNEI's proposed Z-Factor materiality threshold of \$100,000.

⁵ See Part B, Issue 5 for proposed ESM

1 **Evidence**

2 The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 3.4; Exhibit 5
Interrogatories	1-Staff-3, 7-Staff-4
Pre-Settlement Clarification Questions	N/A

3 **Supporting Parties**

4 FNEI and Staff

5 **Parties Taking No Position**

6 None

5. *Is the proposal to mitigate significant earning above the regulatory net income supported by the approved return on equity appropriate?*

Complete Settlement

The Parties agree that a cumulative ESM is appropriate. Any cumulative earnings above the 0-basis point threshold over the rate setting term (not an annual assessment of earnings in each year of the term) are to be shared on a 50-50 basis with ratepayers at the next rebasing application.

See Attachment 3 for a draft accounting order based on the requirements agreed upon above.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	N/A
Interrogatories	N/A
Pre-Settlement Clarification Questions	N/A
Settlement Attachments	Attachment 3 ESM Accounting Order

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

TRANSMISSION SYSTEM PLAN

6. *Are the proposed capital expenditures and in-service additions arising from the Transmission System Plan appropriate?*

Complete Settlement

The Parties agree that the proposed capital expenditures and in-service additions arising from the Transmission System Plan are appropriate.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 3.7; Exhibit 2
Interrogatories	1-Staff-2(e), 2-Staff-1, 2-Staff-2, 2-Staff-3, 2-Staff-4, 2-Staff-5, 2-Staff-6, 2-Staff-7
Pre-Settlement Clarification Questions	N/A
Settlement Attachments	Attachment 1 Updated_FNEI_2026_Rates_Appendices_Settlement_20251124, tabs 2-AB and 2-BA

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

PERFORMANCE

7. *Is the proposed monitoring and reporting of performance adequate?*

Complete Settlement

The Parties agree that FNEI will provide the performance scorecards in its annual rate application (based on the table set out in Exhibit 4, Table 8 of its Application, as updated in 4-Staff-2(a)).

Table 7 below provides FNEI's performance scorecard targets for the 2026 to 2030 period.

Table 7 – FNEI Performance Scorecard Targets 2026-2030

Metric	2026	2027	2028	2029	2030
Average System Availability	99.9	99.9	99.9	99.9	99.9
T-SAIDI	0.80	0.80	0.80	0.80	0.80
T-SAIFI	3.00	3.00	3.00	3.00	3.00
Recordable Injuries per Year	0	0	0	0	0
Maintenance Cost per Circuit-km	3,247	3,247	3,247	3,247	3,247
Compliance with FNEI Veg. Mgt. Policy	Compliant	Compliant	Compliant	Compliant	Compliant
Notional Achieved ROE	9.11%	9.11%	9.11%	9.11%	9.11%

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 4
Interrogatories	4-Staff-2
Pre-Settlement Clarification Questions	N/A

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

OPERATIONS MAINTENANCE & ADMINISTRATION COSTS

8. *Are the proposed OM&A expenditures appropriate?*

Complete Settlement

The Parties agree to reduce the OM&A expenditures by approximately 4% on an envelope basis (\$250,000 reduction) in 2026, and each year thereafter increase the OM&A by the OEB's Electricity Transmission Inflation Factor less a 0.3% Stretch Factor beginning in 2027 as discussed under Issue 4.

The parties determined that the 4% reduction to 2026 OM&A is appropriate in consideration of FNEI's increased maintenance costs, its remote operating environment, and the effects of inflation.

Table 8, below, shows the settled 2026 OM&A and estimated OM&A values for 2027-2030, assuming an inflation factor of 2% and using the settled stretch factor of 0.3%:

Table 8 - Settled 2026 OM&A and Estimated 2027-2030 OM&A (\$M)

(\$ millions)	2026	2027	2028	2029	2030
Proposed OM&A (Interrogatory Phase) ⁶	6.20	N/A	N/A	N/A	N/A
Settlement Reduction	0.25				
Settled OM&A (2026) and Indexing (2027-2030)	5.95	6.05	6.16	6.26	6.37

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 3.10; Exhibit 5, Exhibit 6, Sections 4 and 5
Interrogatories	5-Staff-1
Pre-Settlement Clarification Questions	N/A

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

⁶ *Supra* note 1.

9. *Is the proposed depreciation expense appropriate?*

Complete Settlement

The Parties agree that the proposed depreciation expense is appropriate.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 6, Section 11
Interrogatories	3-Staff-4, 5-Staff-2
Pre-Settlement Clarification Questions	N/A

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

RATE BASE & COST OF CAPITAL, AND REVENUE REQUIREMENT

10. *Are the amounts proposed for rate base reasonable?*

Complete Settlement

The Parties agree that the proposed rate base is reasonable.

FNEI's rate base is set out in Exhibit 3 of the Application.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 3.8; Exhibit 3
Interrogatories	1-Staff-2, 1-Staff-3, 3-Staff-1, 3-Staff-4, 7-Staff-1, 7-Staff-6
Pre-Settlement Clarification Questions	7-Staff-2
Settlement Attachments	Attachment 1 Updated_FNEI_2026_Rates_Appendices_Settlement_20251124, tab 2-BA Attachment 2 Updated_FNEI_2026_Rates_RRWF_Settlement_20251124, tab 7

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

11. *Is the proposed working capital allowance appropriate?*

Complete Settlement

The Parties agree that the proposed working capital allowance is appropriate.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 3, Section 3.0
Interrogatories	3-Staff-2
Pre-Settlement Clarification Questions	N/A

Supporting Parties

FNEI, Staff

Parties Taking No Position

None

12. *Is the proposed cost of capital (interest on long-term and short-term debt, return on equity) and capital structure appropriate?*

Complete Settlement

The Parties agreed that: (i) the 2026 to 2030 cost of common equity and short-term debt rate will be based on the OEB's 2026 cost of capital parameters published on October 31, 2025; and (ii) the 2026-2030 long-term debt rate will be based on FNEI's weighted actual cost of long-term debt as of 2026.

FNEI's deemed capital structure for rate-making purposes is 60% debt and 40% common equity of utility rate base. The 60% debt component is comprised of 4% deemed short-term debt and 56% long-term debt.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 3.11; Exhibit 7
Interrogatories	7-Staff-2, 7-Staff-5
Pre-Settlement Clarification Questions	7-Staff Clarification-2, 7-Staff Clarification-3
Settlement Attachments	Attachment 1 Updated_FNEI_2026_Rates_Appendices_Settlement_20251124, tabs 2-OA and 2-OB Attachment 2 Updated_FNEI_2026_Rates_RRWF_Settlement_20251124, tab 7

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

13. *Have the impacts associated with the decommissioning of the DeBeers Victor Mine been appropriately reflected in the proposed revenue requirement?*

Complete Settlement

The Parties agree that the decommissioning of the DeBeers Victor Mine has been appropriately reflected in the proposed revenue requirement.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 3, Section 5.4; Exhibit 6, Section 5.2
Interrogatories	3-Staff-4, 5-Staff-2, 6-Staff-5, 9-Staff-1
Pre-Settlement Clarification Questions	N/A

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

14. *Is the proposed calculation of the revenue requirement appropriate?*

Complete Settlement

Subject to the reduction to OM&A expenditures by \$250,000 for 2026, and subsequent annual inflation of OM&A expenditures by the OEB's Electricity Transmission Inflation Factor less a 0.3% Stretch Factor, the Parties agree that the proposed calculation of the revenue requirement is appropriate.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 5
Interrogatories	N/A
Pre-Settlement Clarification Questions	N/A

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

15. *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?*

Complete Settlement

The Parties agree that the impacts of all changes in accounting standards, policies, estimates and adjustments have been properly identified and recorded, and the rate making treatment of each of these impacts is appropriate.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 5.19
Interrogatories	7-Staff-6, 8-Staff-3
Pre-Settlement Clarification Questions	N/A

Supporting Parties

FNEI and Staff

Parties Taking No Position

None

DEFERRAL/VARIANCE ACCOUNTS

16. *Are the proposed deferral accounts appropriate?*

Complete Settlement

The Parties agree that the proposed deferral accounts are appropriate, including the establishment of the Environmental Remediation Deferral Account (“ERDA”) and the ESM Deferral Account, as well as the use of the Incremental Cloud Computing Implementation Costs Deferral Account established by the OEB on a generic basis.⁷

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 3.13 and 5.13; Exhibit 8
Interrogatories	8-Staff-1, 8-Staff-2, 8-Staff-3(d), 8-Staff-4, 8-Staff-5
Pre-Settlement Clarification Questions	N/A
Settlement Attachments	Attachment 3 ESM Accounting Order Attachment 4 ERDA Accounting Order

Supporting Parties

FNEI, Staff

Parties Taking No Position

None

⁷ Accounting Order (003-2023) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs, November 2, 2023

COST ALLOCATION

17. *Are the proposed charge determinants and cost allocation appropriate?*

Complete Settlement

The parties agree that the proposed charge determinants and cost allocations are appropriate.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 3.6; Exhibit 5, Section 8
Interrogatories	5-Staff-3, 5-Staff-4, 10-Staff-1
Pre-Settlement Clarification Questions	N/A

Supporting Parties

FNEI, Staff

Parties Taking No Position

None

OTHER REVENUE

18. *Is the proposed forecast for Other Revenue appropriate?*

Complete Settlement

The Parties agree that the proposed forecast of Other Revenue is appropriate.

Evidence

The evidence in relation to this issue includes the following:

Application Evidence	Exhibit 1, Section 3.3; Exhibit 5, Section 2
Interrogatories	5-Staff-2, 7-Staff-2
Pre-Settlement Clarification Questions	7-Staff Clarification-1

Supporting Parties

FNEI, Staff

Parties Taking No Position

None

1 **C. ATTACHMENTS**

2 The following attachments that have been updated to reflect the terms of settlement are indicated
3 as UPDATED below:

4 Attachment 1: Updated_FNEI_2026_Rates_Appendices_Settlement_20251124

5 Attachment 2: Updated_FNEI_2026_Rates_RRWF_Settlement_20251124

6 Attachment 3: ESM Accounting Order

7 Attachment 4: ERDA Accounting Order⁸

8 Attachment 5: FNEI Responses to Staff Clarification Questions
9

⁸ From Exhibit 8 of the Application.

ATTACHMENT 1

UPDATED FNEI 2026 RATES APPENDICES SETTLEMENT

See Updated_FNEI_2026_Rates_Appendices_Settlement_20251124 file.

ATTACHMENT 2

UPDATED FNEI 2026 RATES RRWF SETTLEMENT

See Updated_FNEI_2026_Rates_RRWF_Settlement_20251124 file.

ATTACHMENT 3

ESM ACCOUNTING ORDER

The Earnings Sharing Mechanism (ESM) Deferral Account (i.e., Account 2435 Accrued Rate-Payer Benefit) shall record 50% of overall earnings at the end of the five-year term that exceed the allowed regulatory return on equity (ROE) reflected in this Application by more than 0 basis points over the five-year term through Five Nations Energy Inc.'s (FNEI) transmission revenue.

In accordance with Section 6 of the Ontario Energy Board's Custom IR Guidance for Transmitters with a Declining Rate Base dated October 31, 2025, FNEI shall establish the ESM Deferral Account to track cumulative ESM balances over the rate term. The calculation of actual ROE shall use the average actual equity component of rate base and average annual net income for the five-year term.

The account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2026.

The following outlines the proposed accounting entries for this deferral account.

To record the 50% sharing with customers of the amount, if any, of the achieved regulated earnings of FNEI that are greater than 0 basis points above the allowed regulated ROE over the five-year term (2026 to 2030):

Debit Account 4395 Rate-Payer Benefit Including Interest

Credit Account 2435 Accrued Rate-Payer Benefit

To record interest accrued on the principal balance of the ESM Deferral Account:

Debit Account 4395 Rate-Payer Benefit Including Interest

Credit Account 2435 Accrued Rate-Payer Benefit

The account will be asymmetrical and dispositioned as a refund to customers as part of FNEI's revenue requirement application for the subsequent five-year term (i.e., in the revenue requirement application for 2031-2035).

ATTACHMENT 4

ERDA ACCOUNTING ORDER

**Account 1508 – Other Regulatory Assets, Sub-account Environmental Remediation
Deferral Account (“ERDA”)**

Five Nations Energy Inc. (FNEI) shall establish the new deferral account, “Environmental Remediation Deferral Account” (ERDA), effective January 1, 2026, to record expenses incurred from FNEI’s portion of costs for the environmental remediation of lands in Attawapiskat that are currently not included in 8 transmission rates.

Amounts entered in the ERDA will be debit entries that are equal to all of the environmental remediation project costs that are incurred by FNEI. Amounts will be credited to the ERDA as incurred. Carrying charges will be applied to the ERDA on a monthly basis at the Ontario Energy Board’s (OEB) prescribed rates.

Balances in the ERDA sought for disposition are subject to an OEB prudence review, which will require the presentation of appropriate supporting documentation. FNEI will seek disposition of the amounts in the ERDA no later than its next Cost of Service application, or as otherwise directed by the OEB. At the time of FNEI’s next Cost of Service application, FNEI will recommend either the continuance or discontinuance of the Sub-Account, and the OEB will make a determination in that matter.

Annual Entries:

Cr: 1508	Sub-Account ERDA
Dr: Various Accounts	
To record expenses generated from FNEI’s portion of costs for environmental remediation of lands in Attawapiskat.	
Cr: 1508	Sub-Account ERDA
Cr: Various Accounts	Interest Expense
To record Carrying Charges associated with amounts recorded in Sub-Account ERDA.	

ATTACHMENT 5

FNEI RESPONSES TO STAFF CLARIFICATION QUESTIONS

1-Staff Clarification-1

Reference 1: Interrogatory 1-Staff-2

Preamble

FNEI has proposed a Revenue Cap index to set its 2027-2030 transmission rates. The Revenue Cap IR escalates transmission revenues by an inflation factor, less a productivity and stretch factor.

Question

- a) Please calculate what FNEI's revenue requirement would be for the years 2027-2030, assuming only the OM&A portion of the test year revenue requirement is escalated by inflation, less a productivity and stretch factor.

Response:

- a) Please see below a scenario showing transmission revenue wherein OM&A is escalated by inflation less a stretch factor of 0.3%, while capital-related revenue requirement is funded on a forecast basis.

(\$ millions)	2026	2027	2028	2029	2030
Base Transmission Revenue	\$10.44	\$10.62	\$10.73	\$10.84	\$10.95

6-Staff Clarification-1

Reference 1: FNEI's response to IR 6-Staff-3

Preamble

At Reference 1, FNEI provides historical vegetation management costs for 2018-2024, and anticipated costs for 2025-2026.

Based on FNEI's response, staff calculated that the average annual vegetation management cost in 2018-2024 was \$288.29k.

Reference 1 also states:

"FNEI anticipates that its yearly vegetation management costs will vary based on the type of activities performed and seasonal variations year-to-year but anticipates that average costs will be in line with FNEI's Test Year costs for vegetation management plus inflation, set in this application at a generic 2%."

Staff interprets the above sentence to mean that average annual vegetation management costs for the period 2027-2030 would be approximately \$510,000 (i.e. the test year cost) plus inflation.

Question(s)

- a) Please provide a breakdown (including costs) of vegetation management activities completed in 2018-2025, and of those FNEI plans to complete in the 2026-2030 period.
- b) Please explain why average annual vegetation management costs for 2027-2030 are anticipated to be approximately 80% ($510/288.29 - 1$) higher than average annual costs in 2018-2024.

Response:

- a) & b) Responded verbally during settlement conference.

Additionally, FNEI referenced responses to OEB Staff Interrogatory 6-STAFF-3 that noted that FNEI anticipates that its yearly vegetation management costs will vary based on the type of activities performed and seasonal variations year-to-year but anticipates that average costs will be in line with FNEI's Test Year costs for vegetation management.

6-Staff Clarification-2

Reference 1: Interrogatory 6-Staff-4b)

Preamble

Interrogatory 6-Staff-4b) requested FNEI to discuss the increase in Executive Salaries and Expenses between 2018 (\$468,087) and 2026 (\$889,772).

Staff calculates that the increase represents an increase of approximately 90%, or a compound annual growth rate of greater than 8%.

At Reference 1 FNEI states that:

“Drivers of the increase in Executive Salaries and Expenses between 2018 and 2026 include increases to CEO salary and benefits, travel and disbursements, as well as board travel costs and related disbursements.”

Question(s)

- a) Please provide a dollar breakdown of the increase in Executive Salaries and Expenses between 2018 to 2026 according to the drivers of the increase. If an exact breakdown is not possible, please provide a best estimate.
- b) Please explain why FNEI believes the increase in Executive Salaries and Expenses between 2018-2026 is appropriate.

Response:

a) & b) Due to FNEI’s lean executive structure FNEI cannot disclose the breakdown in increases in Executive Salaries and Expenses without divulging the salaries of individuals. Since FNEI has limited overlap between its few executives, to ensure a smooth transition of leadership FNEI determined that its former CEO should remain engaged by FNEI for a transition period following the appointment of its new CEO in 2025. As a result, a material portion of the increase in the Executive Salaries and Expenses for 2026 included in the application was related to the cost of the CEO transition period. Since the CEO transition period will end in 2026, FNEI now proposes to recover the one-time CEO transition period costs over the five-year rate term.

6-Staff Clarification-3

Reference 1: Appendix 2-BA Fixed Asset Continuity Schedule

Reference 2: Appendix 2-C Depreciation Expense

Preamble

Appendix 2-C contains a Column K labelled “Depreciation Expense per Appendix 2-BA Fixed Assets, Column K”.

Question

- a) Please explain why the values in the “Total” rows of Column K in Appendix 2-C do not match the values in the “Total” rows of Column K in Appendix 2-BA. For example, the “Total” value for 2026 in Appendix 2-C is \$2,035,121, while the “Total” value for 2026 in Appendix 2-BA is \$2,013,957.

Response:

- a) The totals in Appendices 2-BA and 2-C match, however \$2,013,957 is not the appropriate total for comparison in OEB Staff’s example. The appropriate comparison is the row entitled “Sub-Total” for each year in Appendix 2-BA, against the row entitled “Total” for each year in Appendix 2-C. The “Total” row in Appendix 2-BA removes Socialized Renewable Energy Generation Investments and Other Non Rate-Regulated Utility Assets for rate-making purposes. No such adjustment or removal exists in Appendix 2-C.

7-Staff Clarification-1

Reference 1: 7-Staff-1

Preamble

There are non-regulated expenses for Community Support. For the year ended December 31, 2024, most of the Non-regulated expenses of \$556,465 shown in the audited financial statements are related to “Community support”.

However, in the interrogatory responses, FNEI stated that “there are no non-regulated revenues or expenses included within FNEI’s 2026 revenue requirement.” FNEI also stated that revenues are limited to transmission revenue from the IESO and Other Revenue from Interest and Dividend Income, and expenses are limited to capital and operating related expenditures required for FNEI’s regulated transmission business.

Question(s):

- a) Please clarify FNEI’s statement that “there are no non-regulated revenues or expenses included within FNEI’s 2026 revenue requirement”, as it appears that non-regulated expenses are included in FNEI’s proposed 2026 revenue requirement.
- b) For example, please confirm and show where in the proposed 2026 revenue requirement there are expenses similar in nature to the non-regulated expenses of \$556,465 related to “Community support” (i.e., that were recorded in December 31, 2024 audited financial statements).
- c) Please clarify FNEI’s statement that “expenses are limited to capital and operating related expenditures required for FNEI’s regulated transmission business” when FNEI’s audited financial statements show that there are non-regulated expenses of \$556,465 related to “Community support”.

Response:

a, b & c) FNEI’s 2026 revenue requirement does not include non-regulated expenses. The appearance of community support in FNEI’s 2024 financial statements is irrelevant to the question of whether or not community support is included in FNEI’s revenue requirement. As noted in the referenced financial statements, these items are clearly identified as “Non-Regulated”. As such, they are recorded for rate-making purposes in UsoA 4380—Expenses of Non Rate-Regulated Utility Operations. Account 4380 does not contribute to FNEI’s 2026 service revenue requirement. Account 4380 can in some

1 circumstances contribute to a utility's Other Revenue, however amounts in this account
2 are also often manually excluded from a utility's Other Revenue. FNEI has manually
3 excluded Account 4380 from impacting Other Revenue, thus excluding these amounts
4 from having any impact on FNEI's 2026 base revenue requirement.
5

7-Staff Clarification-2

Reference 1: 7-Staff-2

Preamble

In the last revenue requirement decision, the OEB stated:

- “because... non-regulated activities will be recorded according to the OEB’s accounting requirements, FNEI will be able and required to report on them as part of its annual regulatory record keeping and reporting to the OEB and in its next cost of service application.”
- “it is important that the OEB is able to identify what non-utility decisions are made and expenses incurred.”
- “when FNEI’s Board of Directors approves non-transmission spending decisions, the accounting entries must be recorded as non-rate regulated revenues and expenses.”
- “non-regulated capital assets should not be included in the utility’s rate base” and “non-regulated capital expenditures should also be recorded separately.”

For the 2026 test year revenue requirement, Appendix 2-H also shows \$0 for both:

- Account 4375, Revenues from Non Rate-Regulated Utility Operations
- Account 4380, Expenses of Non Rate-Regulated Utility Operations.

In the interrogatory responses, FNEI stated that “to improve transparency, FNEI is open to formally identifying and declaring revenues in excess of costs which are not needed for the operation of its regulated transmission business (i.e. amounts akin to a dividend for a for-profit entity).”

Question(s):

- a) Please explain why FNEI has not followed the above-noted OEB’s directions from the last revenue requirement proceeding.
- b) Please confirm that for fiscal year 2025 and forward, non-regulated activities will be recorded according to the OEB’s accounting requirements in Accounts 4375

1 and 4380, as part of its annual RRR 2.1.7 filings, as well as in its next cost of
2 service application.

3 c) Please confirm that in its next cost of service application, FNEI will formally
4 identify and declare revenues in excess of costs which are not needed for the
5 operation of its regulated transmission business (i.e. amounts akin to a dividend
6 for a for-profit entity).

7 d) Please confirm that in its next cost of service application, FNEI will discuss in
8 more detail the nature and amount of the non-regulated expenses it has incurred
9 and plans to incur, as well as where they are reflected in the historic, bridge, and
10 test years.

11
12 **Response:**

13 a, b, c, & d) Further to the response to 7-Staff Clarification-1, FNEI is planning to create
14 a separate legal entity to hold and disburse those revenues that FNEI declares
15 (annually or at some other time interval) to be “excess funds” (i.e., funds not required for
16 FNEI’s transmission business). This would be akin to a dividend for a for-profit utility.
17 The costs of establishing and maintaining this separate entity (“NewCo”) would not form
18 part of FNEI’s revenue requirement, but would be funded out of the excess funds
19 transferred to NewCo. The cost of establishing and maintaining NewCo are expected to
20 be minimal (e.g., a few thousand dollars per year – legal costs to incorporate are less
21 than \$1,500 and legal disbursements to maintain a corporation are less than \$500). The
22 Board of Directors of NewCo would be the same as the Board of Directors of FNEI.
23 FNEI is proposing this after consulting with FNEI’s auditors, who prefer a separate
24 entity.

25
26 FNEI understands that the quantum of any “excess revenues” declared by FNEI is
27 relevant from a rate-setting perspective (e.g., overleveraging can impact borrowing
28 costs). However, how those excess revenues are used is beyond the Board’s
29 jurisdiction (e.g., it would be akin to a municipality having to advise the Board how it
30 spends the dividend funds received from its wholly-owned distributor.)
31

7-Staff Clarification-3

Reference 1: 7-Staff-2

Preamble

The OEB's generic cost of capital proceeding decision (page 18) stated that "the OEB is firmly of the view that the cost of capital should be determined based on the use of funds and the risk profiles of utilities, rather than their ownership type or capital source."

FNEI was asked in an interrogatory that given the cost of capital generic proceeding, FNEI was to provide more detail regarding FNEI's use of funds (including the use of funds dedicated to non-transmission spending). No response was provided.

Question(s):

- a) In the context of the cost of capital generic proceeding, please provide more detail regarding FNEI's use of funds (including the use of funds dedicated to non-transmission spending).

Response:

- a) See response to 7-Staff Clarification-2

7-Staff Clarification-4

Reference 1: 7-Staff-5

Reference 2: App.2-OB_Debt Instruments

Reference 3: Exhibit 1 / Appendix 3 / FNEI Financial Statements, July 9, 2025

Preamble

An update was made by FNEI to include notional long-term debt at the OEB's deemed long-term debt rate of 4.51%, in the amount of \$11.5 million as shown in Appendix 2-OB. Inclusion of notional long-term debt has revised the weighted long-term debt rate applicable to FNEI's cost of capital and revenue requirement, from 4.59% in the original application to 4.54%.

In FNEI's audited financial statements, Statement of Financial Position, As at December 31, 2024, page 260/582, total debt of \$12.8 million is shown.

Question(s):

a) Please confirm that FNEI will update the notional debt component to reflect the OEB's deemed long-term debt rate that will be issued by the OEB in October 2025.

b) Please explain how the notional debt of \$11.5 million was calculated, given that the 2026 test year principal debt in Appendix 2-OB has been revised to show \$20,459,135, but the December 31, 2024 audited financial statements shows total debt of \$12.8 million.

Response:

a) Confirmed.

b) \$11.5 million in notional debt is the difference between FNEI's actual long-term debt (\$8.9 million) as presented in Exhibit 7 and the original Appendix 2-OB, and deemed long-term debt (i.e. \$20,459,135) as presented in Exhibit 7 and tab 7 of the RRWF. Actual and notional long-term debt sum to equal deemed long-term debt in the revised Appendix 2-OB, as specifically requested in interrogatory 7-Staff-5. The total debt provided in FNEI's financial statements has no relevance to deemed long-term debt for rate-making purposes.

7-Staff Clarification-5

Reference: FNEI_2026_Rates_RRWF_IRR_20251016

Preamble

Each sheet in the Revenue Requirement Workform contains columns for “Initial Application”, “Adjustments”, and “Interrogatory Responses”, which are intended to allow for comparisons between calculations in the applicant’s initial application and any updates made as a result of interrogatory responses. The updated file “FNEI 2026_Rates_RRWF_IRR_20251016” does not contain data in the “Interrogatory Responses” column.

Question

- a) Please provide an updated Revenue Requirement Workform that contains correct data in both the Initial Application, Adjustments, and Interrogatory Responses columns.

Response:

- a) Please find attached FNEI 2026_Rates_RRWF_Clarifications_20251124.

8-Staff Clarification-1

Reference 1: 8-Staff-1

Preamble

In an interrogatory response, FNEI stated:

“Since the new FNEI transmission line essentially replaced the diesel generation assets in the three James Bay communities, responsibility for any future remediation costs associated with the generation station was transferred to FNEI. Thus, FNEI has legal responsibility for any diesel generation station-related remediation costs in Attawapiskat.”

FNEI further stated that “the parties with responsibility for remediation costs are currently negotiating a cost sharing arrangement. It is not yet finalized.”

Question(s):

- a) Does FNEI have an update as to when the cost sharing agreement may be finalized?
- b) Please provide a legal document that explicitly states that FNEI is responsible for the remediation costs.

Response:

- a) FNEI does not have an update on when the cost sharing agreement may be finalized.
- b) Please see attached Transferred Liabilities and Release Agreement.