

**EB-2024-0115**

**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 Hydro Ottawa Limited for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2026 and for each following year through December 31, 2030.

**SETTLEMENT PROPOSAL**

**FILED December 19, 2025**

## TABLE OF CONTENTS

<b>A. INTRODUCTION</b>	<b>3</b>
<b>B. BACKGROUND</b>	<b>3</b>
<b>C. THE SETTLEMENT PROCESS</b>	<b>4</b>
<b>D. PREAMBLE TO THE TERMS OF THE SETTLEMENT PROPOSAL</b>	<b>6</b>
<b>E. SETTLEMENT PROPOSAL OVERVIEW</b>	<b>8</b>
<b>F. KEY COMPONENTS OF THE SETTLEMENT</b>	<b>16</b>
1. Effective Date	16
2. Custom Incentive Rate-Setting Plan	16
3. Performance Monitoring and Reporting	22
4. Rate Base	23
5. Load Forecast	27
6. OM&A	28
7. Cost of Capital	28
8. Other Revenue	28
9. PILs	31
10. Cost Allocation	31
11. Rate Design	31
12. Deferral and Variance Accounts	32
<b>G. SETTLEMENT PROPOSAL BY ISSUE</b>	<b>36</b>
1. General	36
2. Custom Incentive Rate Setting	39
3. Capital Spending and Rate Base	41
4. OM&A	43
5. Cost of Capital, PILs, and Revenue Requirement	43
6. Load Forecast	48
7. Cost Allocation, Rate Design, and Other Charges	50
8. Deferral and Variance Accounts	55
<b>H. STUDIES, REPORTS AND OTHER COMMITMENTS</b>	<b>56</b>
<b>I. ATTACHMENTS</b>	<b>60</b>

## **A. INTRODUCTION**

This Settlement Proposal is filed with the Ontario Energy Board (“OEB”) in connection with Hydro Ottawa Limited’s (“Hydro Ottawa” or the “Utility”) Custom Incentive Rate-setting (“Custom IR”) 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 rates that it charges for electricity distribution for a period of five years, effective from January 1, 2026, and for each following year through to December 31, 2030 (the “Application”). The OEB assigned File Number EB-2024-0115 to the Application.

As set forth herein, the Settlement Proposal contains a substantial settlement of the issues within the Application, except for the following matters which will be determined through a hearing: (i) two issues related to Hydro Ottawa’s proposed 2026 OM&A which are fully unsettled (Issues 4.1 and 4.2); (ii) the Net Metering Charge which relates to rate design (Issue 7.2) and (which may affect the 2026 Other Revenue Amount (Issue 5.3); and (iii) whether a proposed Shared Savings Mechanism incentive should be included in the Non-Wires Solutions Customer Program (which pertains to Issue 5.3 but will not affect the Other Revenue amount).

## **B. BACKGROUND**

Hydro Ottawa filed the Application, together with a request for confidential treatment of certain aspects of the Application, on April 15, 2025. The OEB issued a Letter of Completeness on April 29, 2025, and a Notice of Hearing and Letter of Direction on May 9, 2025. On June 3, 2025, the OEB issued Procedural Order No. 1 which approved intervenor status requests and established procedural steps for finalizing the issues list, considering Hydro Ottawa’s request for confidential filings, interrogatories, and the format of the hearing.

On June 4, 2025, Hydro Ottawa filed updates to the Application in response to clarifying questions received from OEB staff.

On June 24, 2025, the OEB issued its Decision and Order on Confidentiality and the Issues List, with the final Issues List set out at Schedule A thereof (the “Approved Issues List”).

On July 22-23, 2025, Hydro Ottawa received interrogatories from OEB staff and intervenors, which it responded to August 12-14 and 18, 2025, in accordance with an extension granted by the OEB.

On August 7, 2025, the OEB issued Procedural Order No. 2, which established the dates for the Technical Conference. The Technical Conference was held from September 22-25, 2025. Hydro Ottawa filed the majority of its undertaking responses on October 6, 2025, with the remaining responses filed on October 8, 2025.

Procedural Order No. 3, issued by the OEB on October 7, 2025, established a process for parties to address any outstanding disputes related to interrogatories or undertakings. In the same Procedural Order, the OEB granted OEB staff permission to file expert evidence, which resulted in the filing of the Christensen Associates report on October 14, 2025, and set timelines for interrogatories and responses on that evidence. Procedural Order No. 3 also permitted Hydro Ottawa to file reply evidence in response to the Christensen Associates report, with Procedural Order No. 4 subsequently confirming the filing deadline of November 3, 2025, and adjusting the start of the Settlement Conference to November 4, 2025, to allow parties time to review Hydro Ottawa's reply evidence. Hydro Ottawa filed its reply evidence, inclusive of a report from Clearspring Energy Advisors, on November 3, 2025.

In Procedural Order No. 5, issued December 3, 2025, the OEB declared Hydro Ottawa's rates to be interim as of January 1, 2026, and granted an extension, from December 2, 2025 to December 17, 2025, to file this Settlement Proposal.

### **C. THE SETTLEMENT PROCESS**

Pursuant to Procedural Order No. 4, a virtual Settlement Conference was carried out on November 4-7 and 10-12, 2025, lasting a total of 7 days. The Settlement Conference was conducted in accordance with the OEB's *Rules of Practice and Procedure* (the "Rules") and the *Practice Direction on Settlement Conferences* (the "Practice Direction"). Mr. Andrew Pride acted as facilitator.

Hydro Ottawa and the following 10<sup>1</sup> intervenors (the “Intervenors”) participated in the Settlement Conference:

- Building Owners and Managers Association, Ottawa (BOMA);
- Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC);
- Community Action for Environmental Sustainability (CAFES);
- Consumers Council of Canada (CCC);
- Distributed Resource Coalition (DRC);
- Energy Probe Research Foundation (EP);
- Environmental Defence (ED);
- Pollution Probe (PP);
- School Energy Coalition (SEC); and
- Vulnerable Energy Consumers Coalition (VECC).

Hydro Ottawa and the Intervenors are collectively referred to below as the “Parties”. OEB staff also participated in the Settlement Conference, but they are not a party to this Settlement Proposal.<sup>2</sup> The Parties and OEB staff that participated in the Settlement Conference are bound by the obligations with respect to settlement privilege and confidentiality as set out in the Practice Direction.

Hydro Ottawa advised the OEB by letter on November 13, 2025 that a tentative substantial partial settlement was reached. More particularly, the Parties reached a substantial settlement on all of the issues in the Approved Issues List, with the exception of the two issues related to Hydro Ottawa’s proposed OM&A (which are fully unsettled), the issue related to Hydro Ottawa’s proposed Other Revenue forecast (which is settled except in relation to the impact of the Net Metering Charge and whether a proposed Shared Saving Mechanism incentive should be included), and the issue of rate design (which is settled except in relation to the Net Metering Charge). The Parties agree that the unsettled OM&A issues and Net Metering Charge issue are best addressed by an oral hearing, and the unsettled Shared Savings Mechanism may be addressed by a written hearing, before the OEB.

---

<sup>1</sup> Enbridge Gas Inc. was an approved intervenor in the proceeding but did not participate in the Settlement Conference.

<sup>2</sup> OEB staff was represented by a team that included the case manager, legal counsel and additional staff subject matter experts.

#### **D. PREAMBLE TO THE TERMS OF THE SETTLEMENT PROPOSAL**

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 counteroffers, 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, except as expressly agreed to by the Parties as a term of this Settlement Proposal. 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.

In accordance with Section 11 of the Practice Direction, it is the expectation of the Parties that OEB staff will file a submission with the OEB commenting on two aspects of the Settlement Proposal: whether the Settlement Proposal represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the Settlement Proposal.

This Settlement Proposal provides a Settlement Proposal Overview (Part E), followed by a description of the Key Components of Settlement (Part F), and a detailed description of the terms of settlement organized in accordance with the Approved Issues List (Part G). Part G includes a brief description of each of the settled issues, together with references to the evidence submitted for the record in this proceeding. 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 written responses to interrogatories and technical conference undertakings, and other components of the record up to and including the date hereof, including the additional information provided by the Parties in this Settlement Proposal and the attachments to this document (the “Attachments”).

The Parties agree that for each settled issue (or partially settled issue) the evidence in this proceeding in respect of that settled (or partially settled) issue is sufficient in the context of the overall settlement to support the proposed settlement, and the sum of the evidence in this proceeding provides an appropriate and robust evidentiary record to support acceptance by the OEB of this Settlement Proposal.

The final agreements of the Parties following the Settlement Conference are set out below. The Parties explicitly request that the OEB consider and accept this Settlement Proposal as a package. None of the matters in respect of which a settlement has been reached is severable. The distinct issues addressed in this Settlement Proposal are intricately interrelated. Numerous compromises were made by the Parties with respect to various matters to arrive at this comprehensive Settlement Proposal. If the OEB does not accept the Settlement Proposal in its entirety, then there is no agreement, unless the Parties agree, in writing, that the balance of this Settlement Proposal may continue as valid settlement subject to any revisions that may be agreed upon by the Parties.

It is further acknowledged and agreed that none of the Parties will withdraw from this agreement under any circumstances, except as provided under Rule 30.05 of the Rules.

In the event that 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 Parties who took a position on a particular issue must agree with any revised Settlement Proposal as it relates to that issue, or decide to take no position on the issue, prior to its resubmission to the OEB for its review and consideration as a basis for making a decision.

Unless otherwise expressly stated in this Settlement Proposal, 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 issues and/or to take any position in any other proceeding, whether or not Hydro Ottawa 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.

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

There are Appendices to this Settlement Proposal which provide further support for the proposed settlement. The Parties acknowledge that the Appendices were prepared by Hydro Ottawa. While the intervenors who participated in the Settlement Conference have reviewed the Appendices, they are relying on the accuracy of those Appendices and the underlying evidence in entering into this Settlement Proposal.

## **E. SETTLEMENT PROPOSAL OVERVIEW**

The Parties have reached a complete settlement, partial settlement, or no settlement on the aspects of the Approved Issues List as summarized in the following Table:

<p><b>“Complete Settlement”</b> 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><b>Issues 1.1, 1.3, 2.1, 2.2, 3.1, 5.1, 5.4, 6.1, 7.3, 7.4, 7.5, 7.6, 8.1</b></p>
<p><b>“Partial Settlement”</b> means an issue for which there is partial settlement, as Hydro Ottawa and the Intervenors who take any position on the issue 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><b>Issues 1.2, 1.4, 3.2, 5.2, 5.3, 5.5, 7.1, 7.2</b></p>
<p><b>“No Settlement”</b> means an issue for which no settlement was reached. Hydro Ottawa and the Intervenors who take a position on the issue will adduce evidence and/or argument at the hearing on the issue (if any).</p>	<p><b>Issues 4.1, 4.2</b></p>

The Parties did not settle Issue 4.1, with respect to whether the proposed 2026 OM&A expenditures are appropriate, or Issue 4.2, with respect to whether the proposed shared services cost allocation methodology and the quantum is appropriate. With respect to Issue 5.3, which is whether the proposed Other Revenue forecast is appropriate, the Parties have settled the issue except insofar as it relates to the Shared Savings Mechanism incentive for the Non-Wires Customer Solutions Program that is included in Other Revenue and insofar as it relates to the Net Metering Charge under Issue 7.2, which may impact the Other Revenue amount. With respect to Issue 7.2, which is whether the proposed rate design, including fixed/variable splits, is appropriate, the Parties have settled the issue except insofar as it relates to the Net Metering Charge. For greater certainty, the only matters to be determined through a hearing are: (i) 2026 OM&A, (ii) the Net Metering Charge, and (iii) the proposed Shared Savings Mechanism incentive for the Non-Wires Customer Solutions Program. The remaining fully or partially unsettled issues, are only unsettled insofar as they relate to these matters.

The following summarizes, at a high level, the most significant elements of the Settlement Proposal, including with respect to the Custom IR Framework, rate base, capital expenditures, load forecast, deferral and variance account disposition, revenue requirement, and bill impacts for Hydro Ottawa's distribution business. More detailed descriptions of the key components of settlement are set out in Part F, and descriptions of each of the settled issues, together with references to the evidence submitted on the record in this proceeding, based on the Approved Issues List, are set out in Part G. The overall revenue requirement and impact of Hydro Ottawa's 2026-2030 Custom IR plan, as updated with the amendments agreed upon in this Settlement Proposal and assuming the proposed amounts in respect of the unsettled issues are set out in Tables 1 - 3, below.

The Application and the supporting evidence provide extensive detail on Hydro Ottawa's 2026-2030 Custom IR plan. The Parties, through negotiations, have agreed to modifications to the Custom IR plan. In particular, these include reductions in capital spending, changes to the parameters of the rate framework, and increased protections for ratepayers. The Parties agree that the Utility's Custom IR plan, as modified through the settlement process and subject to determination of the unsettled issues, is appropriate as the basis for setting rates for the 2026-2030 period.

The Parties have agreed that Hydro Ottawa's rate-setting methodology will use a revenue cap structure consisting of the following elements. For 2026, a cost of service ("CoS") rebasing with the Capital forecast and the (unsettled) OM&A (subject to the OEB's determination). For 2027-2030, Capital will be adjusted annually by a stretch factor and an incremental capital stretch factor; and OM&A will be adjusted annually by a Custom Revenue OM&A Factor ("CROF") composed of inflation, less a stretch factor, plus a growth factor to reflect expected growth in Hydro Ottawa's service area over the term. Hydro Ottawa will update the inflation factor annually by applying the OEB's annual published inflation adjustor, which is used in the calculation of the CROF and for Other Revenue, as well as for the calculation of Working Capital as it relates to OM&A.

The Parties have agreed on Hydro Ottawa having access to the OEB's Z-factor mechanism, the non-wires application (as described in Schedule 1-3-1), and the use of an asymmetrical Earnings Sharing Mechanism ("ESM"). The ESM provides for sharing on a 50/50 basis above a dead band of 150 basis points, assuming the Utility's efficiency cohort remains constant at cohort 4, or reduces over the rate period; should Hydro Ottawa move to cohort 5, no dead band will be used. The Parties have also agreed that Hydro Ottawa should (i) maintain its existing Connection Cost Recovery

Agreement (“CCRA”) Variance Account, (ii) establish its proposed new symmetrical Non-Wires Solutions (“NWS”) Variance Account, (iii) discontinue several capital related variance accounts, and (iv) establish a new Growth-Related Capital Variance Account (“GRCVA”) for plant relocations and upgrades, residential subdivisions, new commercial developments that enable housing development and capacity upgrades. The GRCVA account is subject to a 15% dead band. The Parties also agree that Hydro Ottawa will dispose of its Group 1 account balances and its Group 2 account balances as modified<sup>3</sup>.

Other key elements of the proposed settlement include acceptance of Hydro Ottawa’s opening rate base and its pre-2026 capital expenditure amounts going into service during the upcoming rate term and a reduction in Hydro Ottawa’s proposed capital expenditures of approximately \$214M over the 2026-2030 rate term, from approximately \$1.233B to \$1.019B. With respect to the load forecast, the Parties have agreed on the methodology as proposed by Hydro Ottawa, subject to modifications regarding customer counts and the volume forecast. Furthermore, the Parties agree with Hydro Ottawa’s proposed cost of capital, including its proposed capital structure, cost of short-term and long-term debt and return on equity (ROE), with the cost of short-term debt and ROE adjusted to reflect the 2026 OEB Cost of Capital Parameters published on October 31, 2025. The cost of long-term debt reflects Hydro Ottawa’s weighted average rate of existing embedded debt and forecasted debt.

Also notable is that the Parties have agreed on a number of studies, reports and other commitments, including in relation to performance measurement and reporting, as set out in Part H.

The Parties agree that Hydro Ottawa’s 2026-2030 Custom IR plan, as updated with the amendments agreed upon in this Settlement Proposal, and subject to determination of the unsettled issues, provides adequate resources to allow the Utility to manage its assets while satisfying customer preferences and expectations, and to operate a safe and reliable electricity distribution system. The overall impact of Hydro Ottawa’s 2026-2030 Custom IR plan, as updated with the amendments agreed upon in this Settlement Proposal, is set out in the following tables.

---

<sup>3</sup> As described in Part F, Section 12.

**Table 1 - Settled 2026-2030 Revenue Requirement (\$'000s)**

	As Proposed <sup>4</sup>	Settled	Change		Drivers
	2026-2030	2026-2030	\$	%	
Return on Rate Base	\$ 573,435	\$ 545,695	\$ (27,740)	(4.84)%	Refer to section 4 and 7
Distribution Expenses (not including amortization)	\$ 776,432	\$ 737,413	\$ (39,019)	(5.03)%	Refer to section 2.1 and 6
Amortization	\$ 409,755	\$ 388,552	\$ (21,203)	(5.17)%	Refer to section 4.2.3
Payment in Lieu of Taxes	\$ 50,627	\$ 55,032	\$ 4,405	8.70%	Refer to section 9
Other Expenses - PILS	\$ 10,554	-	\$ (10,554)	(100.00)%	Refer to section 4
<b>Service Revenue Requirement ("SSR")</b>	<b>\$ 1,820,803</b>	<b>\$ 1,726,691</b>	<b>\$ (94,112)</b>	<b>(5.17)%</b>	
Less Capital Stretch Factor ("CSF")		\$ (13,367)	\$ (13,367)		Refer to section 2.2
<b>Service Revenue Requirement</b>	<b>\$ 1,820,803</b>	<b>\$ 1,713,324</b>	<b>\$ (107,479)</b>	<b>(5.90)%</b>	
Less Revenue Offsets	\$ 55,157	\$ 30,458	\$ (24,700)	(44.78)%	Refer to section 8
<b>Revenue Requirement from Rates ("RRFR")</b>	<b>\$ 1,765,646</b>	<b>\$ 1,682,867</b>	<b>\$ (82,779)</b>	<b>(4.69)%</b>	

<sup>4</sup> As updated per Exhibit 10.

**Table 2 – Summary of 2026-2030 Revenue Requirement (\$'000s)**

	As Proposed					Settled					Change				
	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
Return on Rate Base	91,362	102,661	116,642	127,615	135,155	90,639	99,992	110,930	119,147	124,986	(723)	(2,669)	(5,712)	(8,468)	(10,169)
Distribution Expenses (not including amortization)	140,010	147,263	154,891	162,914	171,353	140,010	143,651	147,386	151,218	155,149	0	(3,612)	(7,505)	(11,696)	(16,204)
Depreciation, amortization	66,117	74,998	82,894	89,658	96,089	65,488	72,828	78,485	83,372	88,378	(629)	(2,170)	(4,409)	(6,286)	(7,711)
Payment in Lieu of Taxes (PILS)	6,407	3,842	11,813	12,775	15,790	7,674	5,644	12,331	13,420	15,963	1,267	1,802	518	645	173
Other Expenses - PILS Contribution	5,524	5,030	0	0	0	0	0	0	0	0	(5,524)	(5,030)	0	0	0
<b>SSR</b>	<b>309,420</b>	<b>333,794</b>	<b>366,240</b>	<b>392,962</b>	<b>418,387</b>	<b>303,812</b>	<b>322,114</b>	<b>349,133</b>	<b>367,156</b>	<b>384,476</b>	<b>(5,608)</b>	<b>(11,680)</b>	<b>(17,107)</b>	<b>(25,806)</b>	<b>(33,911)</b>
Less CSF	0	0	0	0	0	0	1,205	2,566	4,024	5,572	0	1,205	2,566	4,024	5,572
<b>SSR Net of CSF</b>	<b>309,420</b>	<b>333,794</b>	<b>366,240</b>	<b>392,962</b>	<b>418,387</b>	<b>303,812</b>	<b>320,910</b>	<b>346,566</b>	<b>363,132</b>	<b>378,904</b>	<b>(5,608)</b>	<b>(12,884)</b>	<b>(19,674)</b>	<b>(29,830)</b>	<b>(39,483)</b>
Less Revenue Offsets	11,018	10,697	10,859	11,123	11,460	5,894	5,991	6,090	6,190	6,293	(5,124)	(4,706)	(4,769)	(4,933)	(5,167)
<b>Revenue Requirement from Rates</b>	<b>298,402</b>	<b>323,096</b>	<b>355,381</b>	<b>381,839</b>	<b>406,927</b>	<b>297,918</b>	<b>314,919</b>	<b>340,476</b>	<b>356,942</b>	<b>372,612</b>	<b>(484)</b>	<b>(8,177)</b>	<b>(14,905)</b>	<b>(24,897)</b>	<b>(34,315)</b>
Forecasted Load at Prior Year Rates	249,186	300,395	326,231	358,872	384,945	251,041	300,768	319,290	345,493	361,962	1,855	373	(6,941)	(13,379)	(22,983)
<b>Yearly Revenue Deficiency</b>	<b>(49,217)</b>	<b>(22,701)</b>	<b>(29,151)</b>	<b>(22,967)</b>	<b>(21,983)</b>	<b>(46,877)</b>	<b>(14,150)</b>	<b>(21,186)</b>	<b>(11,449)</b>	<b>(10,650)</b>	<b>2,340</b>	<b>8,551</b>	<b>7,965</b>	<b>11,518</b>	<b>11,333</b>
<b>Cumulative Revenue Deficiency</b>	<b>(49,217)</b>	<b>(71,918)</b>	<b>(101,068)</b>	<b>(124,035)</b>	<b>(146,018)</b>	<b>(46,877)</b>	<b>(61,028)</b>	<b>(82,214)</b>	<b>(93,663)</b>	<b>(104,313)</b>	<b>2,340</b>	<b>10,890</b>	<b>18,854</b>	<b>30,372</b>	<b>41,705</b>

**Table 3 – Summary of Total Bill Impacts**

Rate Class		As Proposed						Settled					
		2025	2026	2027	2028	2029	2030	2025	2026	2027	2028	2029	2030
Residential (750 kWh)	Distribution Charge (\$)	34.51	40.49	44.13	48.07	51.15	54.07	34.51	40.04	42.64	45.47	46.98	48.36
	Change in Distribution Charge (\$)		5.98	3.64	3.94	3.08	2.92		5.53	2.60	2.83	1.51	1.38
	% Change in Distribution		17.33%	8.99%	8.93%	6.41%	5.71%		16.02%	6.49%	6.64%	3.32%	2.94%
	% Total Bill Change		5.47%	2.35%	2.40%	1.83%	1.71%		4.01%	1.72%	1.75%	0.92%	0.83%
General Service <50 kW (2000 kWh)	Distribution Charge (\$)	85.93	100.48	108.40	118.10	125.60	132.80	85.93	96.74	102.21	108.89	110.86	112.50
	Change in Distribution Charge (\$)		14.55	7.92	9.70	7.50	7.20		10.81	5.47	6.68	1.97	1.64
	% Change in Distribution		16.93%	7.88%	8.95%	6.35%	5.73%		12.58%	5.65%	6.54%	1.81%	1.48%
	% Total Bill Change		2.71%	1.97%	2.31%	1.75%	1.65%		1.11%	1.39%	1.62%	0.47%	0.39%
General Service 50 kW - 1,499 kW (185 kW)	Distribution Charge (\$)	1,366.91	1,669.53	1,825.17	1,982.48	2,109.51	2,230.17	1,366.91	1,650.64	1,762.92	1,874.23	1,936.21	1,992.98
	Change in Distribution Charge (\$)		302.62	155.64	157.31	127.04	120.66		283.73	112.28	111.31	61.98	56.78
	% Change in Distribution		22.14%	9.32%	8.62%	6.41%	5.72%		20.76%	6.80%	6.31%	3.31%	2.93%
	% Total Bill Change		1.86%	(1.49)%	1.32%	1.06%	0.99%		1.16%	-1.80%	0.95%	0.52%	0.48%
General Service 1,500 kW - 4,999 kW (1,925 kW)	Distribution Charge (\$)	16,219.02	17,979.63	20,391.27	22,215.78	23,642.40	24,999.53	16,219.02	17,848.54	19,797.60	21,144.33	21,861.20	22,518.01
	Change in Distribution Charge (\$)		1,760.61	2,411.64	1,824.52	1,426.62	1,357.13		1,629.51	1,949.06	1,346.73	716.87	656.81
	% Change in Distribution		10.86%	13.41%	8.95%	6.42%	5.74%		10.05%	10.92%	6.80%	3.39%	3.00%
	% Total Bill Change		0.06%	(1.11)%	1.34%	1.04%	0.98%		-0.56%	-1.39%	1.00%	0.53%	0.48%

Rate Class		As Proposed						Settled					
		2025	2026	2027	2028	2029	2030	2025	2026	2027	2028	2029	2030
Large Use (7,500 kW)	Distribution Charge (\$)	61,692.18	69,189.93	81,120.93	88,842.93	94,961.43	100,372.68	61,692.18	71,820.18	81,726.18	87,224.43	93,425.43	99,415.68
	Change in Distribution Charge (\$)		7,497.75	11,931.00	7,722.00	6,118.50	5,411.25		10,128.00	9,906.00	5,498.25	6,201.00	5,990.25
	% Change in Distribution		12.15%	17.24%	9.52%	6.89%	5.70%		16.42%	13.79%	6.73%	7.11%	6.41%
	% Total Bill Change		0.57%	(0.94)%	1.31%	1.03%	0.90%		0.48%	-1.22%	0.94%	1.05%	1.00%
Sentinel Lighting (0.4 kW)	Distribution Charge (\$)	20.19	23.79	26.00	28.32	30.14	31.86	20.19	23.44	25.09	26.76	27.64	28.46
	Change in Distribution Charge (\$)		3.60	2.21	2.32	1.81	1.72		3.25	1.65	1.66	0.88	0.82
	% Change in Distribution		17.84%	9.27%	8.93%	6.40%	5.71%		16.07%	7.06%	6.63%	3.31%	2.95%
	% Total Bill Change		8.56%	5.83%	5.73%	4.25%	3.87%		3.84%	4.52%	4.29%	2.19%	1.97%
Street Lighting (50kW)	Distribution Charge (\$)	928.89	957.02	739.31	779.22	789.73	828.08	928.89	947.05	710.91	751.52	756.11	762.34
	Change in Distribution Charge (\$)		28.14	\$ (217.71)	39.91	10.51	38.35		18.16	(236.14)	40.62	4.59	6.23
	% Change in Distribution		3.03%	(22.75)%	5.40%	1.35%	4.86%		1.96%	-24.93%	5.71%	0.61%	0.82%
	% Total Bill Change		(2.66)%	(9.07)%	1.35%	0.35%	1.28%		-3.44%	-9.66%	1.40%	0.16%	0.21%
Unmetered Scattered Load (470 kWh)	Distribution Charge (\$)	22.98	25.71	28.20	30.49	32.40	34.29	22.98	26.25	28.20	30.04	30.94	31.39
	Change in Distribution Charge (\$)		2.73	2.49	2.30	1.91	1.89		3.27	1.95	1.85	0.89	0.46
	% Change in Distribution		11.89%	9.67%	8.15%	6.25%	5.82%		14.24%	7.42%	6.56%	2.97%	1.48%
	% Total Bill Change		0.37%	2.62%	2.32%	1.89%	1.83%		-0.72%	2.06%	1.87%	0.89%	0.45%

Further information about the revenue requirement and bill impacts resulting from the amendments to Hydro Ottawa's Custom IR plan that are set out in this Settlement Proposal is available in the revised Revenue Requirement Workforms and the revised Bill Impacts Model, which are appended to this Settlement Proposal as Excel Attachments 7 through 12.

Finally, it should be noted that since the OEB has already published its 2026 Cost of Capital and inflation parameters, the figures presented in this Settlement Proposal, including with respect to revenue requirement and bill impacts, already reflect those updates, which were contemplated and agreed upon by the Parties to this Settlement Proposal.

## **F. KEY COMPONENTS OF THE SETTLEMENT**

This section summarizes the key components of the substantial settlement reached by the Parties. The evidentiary basis upon which each specific issue was settled is explained in Part G.

### **1. EFFECTIVE DATE**

The Parties agree that the effective date for the rates and charges arising from this Settlement Proposal, inclusive of the outcome on the unsettled issues, will be January 1, 2026. The Parties acknowledge that the OEB, in Procedural Order No. 5 issued December 3, 2025, declared Hydro Ottawa's rates and charges interim as of January 1, 2026.

The Parties agree that at the time of the Draft Rate Order, Hydro Ottawa will calculate, using its forecast load, the amount of its foregone revenues based on the revenue differences between the interim rates and the final rates effective from January 1, 2026 until the implementation date of the final rates. Hydro Ottawa will also propose, as part of the draft rate order, the time period over which the forgone revenue amount will be recovered, which will be subject to the OEB's determination.

### **2. CUSTOM INCENTIVE RATE-SETTING PLAN**

The Parties agree that Hydro Ottawa's 2026-2030 rate plan, as modified by this Settlement Proposal and subject to determination of the unsettled issues, fulfills the OEB's expectations and requirements for a Custom IR application and is fully responsive to the directive arising from the 2021-2025 rate application (EB-2019-0261) for any future Hydro Ottawa Custom IR application to

justify the use of the Custom IR methodology and to include evidence that Hydro Ottawa considered other rate-setting options.

With respect to the rate-setting methodology underpinning Hydro Ottawa’s 2026-2030 Custom IR plan, the Parties have reached agreement on the use of a revenue cap structure based on the parameters set out in the “As Settled” column of Table 4, below.

**Table 4 - 2026-2030 Custom IR Rate Framework**

	<b>Custom IR Rate Framework As Proposed</b>	<b>Custom IR Rate Framework As Settled</b>
<b>Year 1 Capital Related Funding</b>	Capital Forecast with inflation, stretch (\$6.9M) embedded through identified efficiencies, SR&ED tax credits and accelerated Capital Cost Allowance (CCA) contribution. Standard Rebasing for WCA, Cost of Capital and PILs. Recovery of accelerated CCA for 2026.	Capital Forecast with inflation, stretch (\$6.9M) embedded through identified efficiencies, and SR&ED tax credits. Standard Rebasing for WCA, Cost of Capital and PILs (including accelerated CCA for test year 2026).
<b>Years 2-5: Capital Related Funding</b>	Capital Forecast with inflation and stretch embedded through identified efficiencies and SR&ED tax credits and 2027 accelerated Capital Cost Allowance (CCA) contribution.	Capital Forecast with inflation and stretch embedded through identified efficiencies and SR&ED tax credits, and a stretch factor of 0.45% and an incremental capital stretch factor of 0.225% to be applied to the annual capital related revenue requirement which will be added to the previously calculated stretch value.
	<b>Working Capital:</b> OEB Generic WCA factor of 7.5% applied to annual estimated Power Purchases (utilizing revenue load forecast inclusive of electrification) and test year OM&A escalated by inflation and growth (I + G).	<b>Working Capital:</b> OEB Generic WCA factor of 7.5% applied to annual estimated Power Purchases (utilizing revenue load forecast inclusive of electrification) and test year OM&A escalated by inflation and growth (I - X + G).
	<b>Cost of Capital:</b> Fixed for all 5 years based on OEB’s 2026 Cost of Capital parameters which will be issued in the fall of 2025.	<b>Cost of Capital:</b> Fixed for all 5 years based on OEB’s 2026 Cost of Capital parameters which were published October 31, 2025 and reflected in the figures presented in this Settlement Proposal.

	<b>Custom IR Rate Framework As Proposed</b>	<b>Custom IR Rate Framework As Settled</b>
	<b>Payments in Lieu of Taxes:</b> Fixed for all 5 years with no adjustments. Recovery of accelerated CCA for 2026 and 2027.	<b>Payments in Lieu of Taxes:</b> Fixed for all 5 years with no adjustments. Recovery of accelerated CCA for 2026 and 2027.
<b>Year 1 OM&amp;A Funding</b>	Standard Cost of Service rebasing with embedded stretch (includes OM&A SR&ED as a reduction to OM&A in base year)	<b>Unsettled Issue</b>
<b>Years 2-5 OM&amp;A Funding</b>	Year 1 escalated by annual <b>Custom Revenue OM&amp;A Factor (CROF)</b> composed of <b>I – X + G</b> where:	Year 1 escalated by annual <b>Custom Revenue OM&amp;A Factor (CROF)</b> composed of <b>I – X + G</b> where:
	I = OEB Inflation Factor	I = OEB Inflation Factor
	X = 0.15%, based on the outputs of the adjusted PEG’s Model (Attachment 1-3-3 (A) - PEG Benchmarking Analysis) with an adjustment to recognize the embedded stretch productivity in base OM&A capped at maintaining a 0.15% stretch factor.	X = 0.45%, based on the outputs of the adjusted PEG Model which is estimated to be cohort 4 over the majority of the period (reflecting adjustment for under-reporting of secondary lines).
	G = 3.23% calculated using forecasted customer and system capacity growth, weighted using the assumptions in the OEB’s cost allocation model for OM&A.	G = 0.95%, which is in consideration of settlement and intended to acknowledge the growth in the Hydro Ottawa service territory, including both customer and demand related elements.
<b>Other Revenue</b>	Set both rates and revenue for 5 years. Where rates are proposed to be adjusted in years 2 to 5 based on inflation, set rate of 2.1% for all four years (no adjustment based on the OEB approved inflation factor)	<b>Partially Unsettled</b> – impacts of the Net Metering Charge and the SSM are the only unsettled aspects of the issue.

	<b>Custom IR Rate Framework As Proposed</b>	<b>Custom IR Rate Framework As Settled</b>
		Set rates for 5 years subject to the OEB's determination on the monthly net metering charge and using the OEB SSS generic rate. Where rates are adjusted in years 2 to 5 it will be based on inflation set at 2.1% for all four years (no adjustment based on the OEB approved inflation factor). The Other Revenue amount is rebased in 2026 and incorporates the above adjustments in addition to a forecasted amount of \$100K related to interest income and \$200k related to revenues from merchandising, thereafter adjusted by I - X for the 2027-2030 test period. <sup>5</sup>
<b>Earnings Sharing Mechanism</b>	Asymmetrical ESM account on a 50/50 basis above a dead band of 150 basis points if the utility's efficiency cohort determined by the adjusted PEG (as described in Attachment 1-3-3 (A) - PEG Benchmarking Analysis) remains constant or reduces over the rate period.	Asymmetrical ESM account on a 50/50 basis above a dead band of 150 basis points if the utility's efficiency cohort determined by the adjusted PEG model (to reflect unreported secondary lines) remains constant (cohort 4) or reduces over the rate period. Should Hydro Ottawa move into cohort 5, no dead band will be used. Please see Attachment 15 for an updated adjustment PEG model.
<b>Performance Incentives</b>	A Performance Outcomes Accountability Mechanism deferral account to link the execution of certain aspects of Hydro Ottawa's DSP to the recovery of amounts included in the agreed-upon revenue requirement	
<b>Off-Ramp and Z-Factor</b>	In accordance with standard OEB policy	In accordance with standard OEB policy

<sup>5</sup> Please see details of these modifications in the Other Revenue section of Part G (Issue 5.3).

	<b>Custom IR Rate Framework As Proposed</b>	<b>Custom IR Rate Framework As Settled</b>
<b>Capital Variance Accounts</b>	<b>Asymmetrical</b> sub-account to track underspending in System Access (except investments related to third-party plant relocations, and commercial and residential expansions (Growth Capital Development Additions which are tracked in another sub-account as detailed below)	Removed.
	<b>Asymmetrical</b> sub-account to track underspending in System Renewal and System Service (except capacity upgrades to enable housing developments which are tracked in another sub-account as detailed below)	Removed.
	<b>Asymmetrical</b> sub-account to track underspending in General Plant	Removed.
	<b>Symmetrical</b> sub-account to record over/underspending in System Access investments related by third-party plant relocations, commercial and residential expansion, and in System Service investments related to capacity upgrades to enable housing developments (together as Growth Capital Development Additions).	<b>Symmetrical</b> sub-account to record over/underspending in System Access investments related to Plant Relocation and Upgrade, Residential Subdivision and New Commercial Development that enables housing developments and in System Service investments related to Capacity Upgrades, subject to a 15% dead band, and to be referred to as the Growth-Related Capital Variance Account.
<b>CCRA Variance Account</b>	<b>Symmetrical</b> account for CCRA payments to HONI including both new contributions and true-ups	<b>Symmetrical</b> account for CCRA payments to HONI including both new contributions and true-ups
<b>NWS Variance Account</b>	<b>Symmetrical</b> account to capture NWS costs in other revenue and OM&A, net of any external funding related to NWS	<b>Symmetrical</b> account to capture NWS costs in other revenue and OM&A, net of any external funding related to NWS

	Custom IR Rate Framework As Proposed	Custom IR Rate Framework As Settled
<b>Large Load Revenue Variance Account</b>	<b>Symmetrical</b> account to capture revenue variances associated with differences in volume and timing of large loads adjusted into the load forecast (as presented in Table 8 of Schedule 3-1-1) to actual billing load, net of contribution adjustments, No LRAMVA requested	Removed.
<b>Tariff Impact Deferral Account</b>	<b>Asymmetrical</b> account to track global tariff related costs	Removed.

## 2.1. OM&A Custom Price Escalation Factor

**Table 5 - Custom Revenue OM&A Factor (CROF) Components**

Component	As per Original Application	As per Settlement Proposal
Inflation factor ("I")	<ul style="list-style-type: none"> <li>2.10% (placeholder)</li> <li>Standard OEB inflation factor methodology; to be updated annually based on OEB parameters.</li> <li>Updated Annually</li> </ul>	<ul style="list-style-type: none"> <li>2.10% (placeholder)</li> <li>Standard OEB inflation factor methodology; to be updated annually based on OEB parameters.</li> <li>Updated Annually</li> </ul>
Productivity factor ("X")	<ul style="list-style-type: none"> <li>0.15%</li> <li>Two components: Productivity factor of 0%; Stretch Factor as per PEG Model of 0.30% reduced by embedded productivity in test year (capped at 0.15%); fixed throughout the term.</li> <li>Fixed for duration of Custom IR term</li> </ul>	<ul style="list-style-type: none"> <li>0.45%</li> <li>Two components: Productivity factor of 0%; Stretch Factor of 0.45%</li> <li>Fixed for duration of Custom IR term</li> </ul>
Growth factor ("G")	<ul style="list-style-type: none"> <li>3.23%</li> <li>Weighted growth factor composed of customer count and system capacity Compound Annual Growth Rates (CAGR) weighted in accordance with the assumptions in the OEB cost allocation model</li> <li>Fixed for duration of Custom IR term</li> </ul>	<ul style="list-style-type: none"> <li>0.95%</li> <li>Fixed for duration of Custom IR term</li> </ul>
Total CROF Value (I - X + G)	<ul style="list-style-type: none"> <li><math>2.10 - 0.15 + 3.23 = 5.18\%</math></li> </ul>	<ul style="list-style-type: none"> <li><math>2.10 - 0.45 + 0.95 = 2.6\%</math> (subject to annual update of inflation parameter)</li> </ul>

## 2.2. Capital Stretch Factor

The Application proposed a capital related revenue requirement based on a forecast of annual capital related revenue requirements, without escalation by an annual index.

The Parties have agreed that for Years 2-5 of the 2026-2030 rate term, capital related funding will be subject to a 0.45% Stretch Factor and an Incremental Capital Stretch Factor of 0.225%, for a total stretch of 0.675%. The 0.675% is applied to the annual capital related revenue requirement<sup>6</sup> each year and added to the cumulative previously calculated stretch amount. By way of example, in 2029 the 0.675% would be applied against the 2029 capital related revenue requirement and this value would be additive to the 2028 cumulative value which would compromise both the 2027 value and the 2028 value. The total stretch amount would be subtracted from the revenue requirement prior to the calculation of rates.

This approach provides ratepayers with the benefit of an annual total stretch of 0.675% on the capital-related revenue requirement. The application of this total stretch on capital will result in a reduction of \$13.4M to Hydro Ottawa’s total revenue requirement over the 2026-2030 rate term, as summarized in Table 6, below.

**Table 6 – Application of Capital Stretch Factor to Capital-Related Revenue Requirement**  
(\$'000s)

	2026	2027	2028	2029	2030	Total
Total Capital-Related Revenue Requirement	\$ 163,787	\$ 178,445	\$ 201,722	\$ 215,905	\$ 229,279	\$ 989,137
Adjusted Capital Stretch Factor (0.45% + 0.225% = 0.675%)	0.00%	0.675%	0.675%	0.675%	0.675%	
Annual Reduction Calculation	-	\$ 1,205	\$ 1,362	\$ 1,457	\$ 1,548	\$ 5,571
Annual Cumulative Reduction	-	\$ 1,205	\$ 2,566	\$ 4,023	\$ 5,571	\$ 13,365

## 3. PERFORMANCE MONITORING AND REPORTING

Subject to the performance monitoring and reporting related commitments described in Part H (Studies, Reports and Other Commitments), below, the Parties agree with Hydro Ottawa’s proposals in respect of performance monitoring and reporting as set out in the Application. In Part H, the following commitments relate to performance monitoring and reporting: 1, 2, 3, 5, 8, 9, 14

<sup>6</sup> For clarity this does not include property taxes.

and 16. Of particular note, pursuant to item 14 of Part H, Hydro Ottawa agrees to modify the targets in its Scorecard from “Monitor” to numerical targets in relation to (i) Customer Participation in NWS, and (ii) Productive Time, each as further described in Part H.

#### **4. RATE BASE**

##### **4.1. 2026 Opening Rate Base**

The Parties accept Hydro Ottawa’s opening rate base as proposed.

##### **4.2. 2026-2030 Capital**

Regarding Hydro Ottawa’s capital expenditure plan for the 2026-2030 rate term, the Parties agree to reduce Hydro Ottawa’s capital expenditures by approximately \$214M over the 2026-2030 rate term, from approximately \$1.233B as proposed by Hydro Ottawa to \$1.019B. Hydro Ottawa’s application of the agreed-upon reductions to the capital plan are set out in section 4.2.1 below.

Lastly the parties agree to remove the proposed PILs contribution amount from the rate base calculation (including capital expenditures and additions in General Plant).

##### **4.2.1. Capital Expenditure Plan**

**Table 7 - Five Year Net Capital Expenditures by Investment Category (\$'000s)**

<b>Investment Category</b>	<b>2026-2030 Test Years</b>		<b>Change (\$)</b>	<b>Change (%)</b>
	<b>Proposed</b>	<b>Settled</b>		
System Access	\$ 179,845	\$ 148,133	\$ (31,712)	(18)%
System Renewal	\$ 431,704	\$ 355,582	\$ (76,122)	(18)%
System Service	\$ 462,981	\$ 381,344	\$ (81,637)	(18)%
General Plant <sup>7</sup>	\$ 158,900	\$ 133,942	\$ (24,958)	(16)%
<b>Net Capital Expenditures</b>	<b>\$ 1,233,429</b>	<b>\$ 1,019,000</b>	<b>\$ (214,429)</b>	<b>(17)%</b>

<sup>7</sup> The General Plant settled amount includes the removal of the PILs capital contribution in 2026 and 2027

**Table 8 – Net Capital Expenditures by Investment Category (\$'000s)**

	2026	2027	2028	2029	2030
<b>Proposed</b>					
System Access	\$ 44,614	\$ 39,224	\$ 29,614	\$ 35,476	\$ 30,917
System Renewal	\$ 85,348	\$ 83,396	\$ 80,714	\$ 86,903	\$ 95,343
System Service	\$ 102,637	\$ 128,446	\$ 83,300	\$ 81,976	\$ 66,622
General Plant	\$ 26,540	\$ 31,139	\$ 54,840	\$ 35,852	\$ 10,529
<b>Total Proposed</b>	<b>\$ 259,139</b>	<b>\$ 282,206</b>	<b>\$ 248,467</b>	<b>\$ 240,207</b>	<b>\$ 203,411</b>
<b>Settled</b>					
System Access	\$ 38,170	\$ 34,083	\$ 21,193	\$ 29,220	\$ 25,466
System Renewal	\$ 70,299	\$ 68,691	\$ 66,481	\$ 71,580	\$ 78,531
System Service	\$ 84,539	\$ 105,797	\$ 68,612	\$ 67,521	\$ 54,875
General Plant <sup>8</sup>	\$ 25,582	\$ 28,772	\$ 43,174	\$ 27,882	\$ 8,531
<b>Total Settled</b>	<b>\$ 218,590</b>	<b>\$ 237,344</b>	<b>\$ 199,460</b>	<b>\$ 196,203</b>	<b>\$ 167,402</b>
<b>Change</b>					
System Access	\$ (6,443)	\$ (5,141)	\$ (8,421)	\$ (6,255)	\$ (5,452)
System Renewal	\$ (15,049)	\$ (14,705)	\$ (14,232)	\$ (15,324)	\$ (16,812)
System Service	\$ (18,098)	\$ (22,649)	\$ (14,688)	\$ (14,455)	\$ (11,748)
General Plant <sup>9</sup>	\$ (958)	\$ (2,367)	\$ (11,666)	\$ (7,970)	\$ (1,998)
<b>Total Change</b>	<b>\$ (40,549)</b>	<b>\$ (44,862)</b>	<b>\$ (49,007)</b>	<b>\$ (44,003)</b>	<b>\$ (36,009)</b>

#### 4.2.2. Capital Additions Plan

**Table 9 - Test Years Net Capital Additions by Investment Category (\$'000s)**

Investment Category	2026-2030 Test Years		Change (\$)	Change (%)
	Proposed	Settled		
System Access	\$ 196,147	\$ 164,435	\$ (31,712)	(16)%
System Renewal	\$ 432,341	\$ 356,219	\$ (76,122)	(18)%
System Service	\$ 483,256	\$ 407,813	\$ (75,443)	(16)%
General Plant <sup>10</sup>	\$ 157,154	\$ 134,070	\$ (23,084)	(15)%
<b>Net Capital Additions</b>	<b>\$ 1,268,898</b>	<b>\$ 1,062,537</b>	<b>\$ (206,361)</b>	<b>(16)%</b>

<sup>8</sup> The General Plant settled amount includes the removal of the PILs capital contribution in 2026 and 2027

<sup>9</sup> Ibid

<sup>10</sup> Ibid

**Table 10 - Test Years Net Capital Additions by Investment Category (\$'000s)**

	2026	2027	2028	2029	2030
<b>Proposed</b>					
System Access	\$ 21,565	\$ 72,850	\$ 35,335	\$ 24,027	\$ 42,371
System Renewal	\$ 80,902	\$ 83,182	\$ 86,011	\$ 86,328	\$ 95,918
System Service	\$ 84,240	\$ 128,973	\$ 128,763	\$ 77,093	\$ 64,187
General Plant	\$ 22,192	\$ 24,027	\$ 64,658	\$ 35,734	\$ 10,543
<b>Total Proposed</b>	<b>\$ 208,899</b>	<b>\$ 309,032</b>	<b>\$ 314,766</b>	<b>\$ 223,183</b>	<b>\$ 213,018</b>
<b>Settled</b>					
System Access	\$ 17,762	\$ 62,924	\$ 29,059	\$ 19,790	\$ 34,900
System Renewal	\$ 66,637	\$ 68,627	\$ 70,845	\$ 71,106	\$ 79,004
System Service	\$ 75,857	\$ 111,124	\$ 98,143	\$ 66,671	\$ 56,018
General Plant <sup>11</sup>	\$ 23,514	\$ 23,566	\$ 50,679	\$ 27,792	\$ 8,518
<b>Total Settled</b>	<b>\$ 183,770</b>	<b>\$ 266,241</b>	<b>\$ 248,726</b>	<b>\$ 185,360</b>	<b>\$ 178,440</b>
<b>Change</b>					
System Access	\$ (3,802)	\$ (9,926)	\$ (6,276)	\$ (4,237)	\$ (7,470)
System Renewal	\$ (14,265)	\$ (14,555)	\$ (15,166)	\$ (15,222)	\$ (16,913)
System Service	\$ (8,383)	\$ (17,849)	\$ (30,620)	\$ (10,422)	\$ (8,169)
General Plant <sup>12</sup>	\$ 1,322	\$ (461)	\$ (13,978)	\$ (7,942)	\$ (2,025)
<b>Total Change</b>	<b>\$ (25,129)</b>	<b>\$ (42,791)</b>	<b>\$ (66,040)</b>	<b>\$ (37,823)</b>	<b>\$ (34,578)</b>

#### **4.2.3. Depreciation, Amortization Disposal**

Hydro Ottawa's depreciation methodology and disposals were agreed to as proposed. Adjustments related to the reduction of in-service assets are outlined in Appendix 2-C appended to this Settlement Proposal.

#### **4.3. Working Capital Allowance**

Hydro Ottawa's working capital allowance was agreed to as proposed, has been updated with agreed changes to the Load Forecast, and will be further adjusted based on the OEB's decision on the unsettled issues related to OM&A.

<sup>11</sup> Ibid

<sup>12</sup> Ibid

Please see Table 11 for a summary of the changes. Appendices 2-ZA and 2-ZB for the years 2026-2030 have been appended to this Settlement Proposal within Attachment 6 - Chapter 2 Appendices, which reflect changes to the Load forecast.

**Table 11 - Settled Working Capital Allowance 2026-2030 (\$'000s)<sup>13</sup>**

	Test Years				
	2026	2027	2028	2029	2030
Power Supply Expenses	\$ 993,762	\$ 1,021,282	\$ 1,058,378	\$ 1,098,018	\$ 1,142,050
OM&A Expenses	\$ 140,010	\$ 143,651	\$ 147,386	\$ 151,218	\$ 155,149
Total Expenses for Working Capital	\$ 1,133,773	\$ 1,164,933	\$ 1,205,764	\$ 1,249,235	\$ 1,297,199
Working Capital %	7.50%	7.50%	7.50%	7.50%	7.50%
<b>Total WCA - Settled</b>	<b>\$ 85,033</b>	<b>\$ 87,370</b>	<b>\$ 90,432</b>	<b>\$ 93,693</b>	<b>\$ 97,290</b>
<b>Total WCA - Proposed</b>	<b>\$ 84,867</b>	<b>\$ 87,170</b>	<b>\$ 89,988</b>	<b>\$ 92,742</b>	<b>\$ 95,566</b>
<b>Change</b>	<b>\$ 166</b>	<b>\$ 200</b>	<b>\$ 444</b>	<b>\$ 951</b>	<b>\$ 1,724</b>

#### 4.4. 2026-2030 Rate Base

Hydro Ottawa's rate base has been updated based on agreed modifications in other areas of the Settlement Proposal and is subject to adjustments based on the OEB's decision on the unsettled issues related to OM&A. Please see Table 12 for the updated rate base.

<sup>13</sup> OM&A to be updated based on outcome of the this unsettled

**Table 12 – 2026-2030 Settled Rate Base (\$'000s)<sup>14</sup>**

	2026	2027	2028	2029	2030
<b>Proposed</b>					
<b>Average Net Fixed Assets</b>	\$ 1,442,513	\$ 1,629,108	\$ 1,860,034	\$ 2,040,718	\$ 2,163,941
Working Capital Allowance	\$ 84,867	\$ 87,170	\$ 89,988	\$ 92,742	\$ 95,566
<b>Proposed Rate Base</b>	<b>\$ 1,515,130</b>	<b>\$ 1,671,467</b>	<b>\$ 1,854,084</b>	<b>\$ 1,990,938</b>	<b>\$ 2,087,783</b>
<b>Settled</b>					
<b>Average Net Fixed Assets</b>	\$ 1,430,263	\$ 1,584,297	\$ 1,764,096	\$ 1,898,196	\$ 1,992,217
Working Capital Allowance	\$ 85,033	\$ 87,370	\$ 90,432	\$ 93,693	\$ 97,290
<b>Settled Rate Base</b>	<b>\$ 1,515,295</b>	<b>\$ 1,671,667</b>	<b>\$ 1,854,529</b>	<b>\$ 1,991,889</b>	<b>\$ 2,089,507</b>
<b>Change</b>					
<b>Average Net Fixed Assets</b>	\$ (12,250)	\$ (44,811)	\$ (95,937)	\$ (142,522)	\$ (171,724)
Working Capital Allowance	\$ 166	\$ 200	\$ 444	\$ 951	\$ 1,724
<b>Change in Rate Base</b>	<b>\$ (12,084)</b>	<b>\$ (44,611)</b>	<b>\$ (95,493)</b>	<b>\$ (141,571)</b>	<b>\$ (170,000)</b>

## 5. LOAD FORECAST

The Parties agree with Hydro Ottawa's load forecast proposals, subject to the following modifications.

First, with respect to the customer counts used in the load forecast, Hydro Ottawa will (i) use a population growth rate of 1.2% starting in 2026, and (ii) update all rate class counts to June 2025.

Second, with respect to the volume forecast used in the load forecast, Hydro Ottawa will (i) use the population growth rate of 1.2%, (ii) use 50% of the proposed COVID variable value starting in 2026, and (iii) for the incorporation of increased electrification, after making the customer count and other volume adjustments and prior to making the original proposed electrification and Large Load adjustments, the kWh<sup>15</sup> for the General Service > 50kW and Large Use customer classes will increase incrementally based on monthly profiles by December 31 of each year based on the following: 0.25% in 2026, 0.50% in 2027, 1.25% in 2028, 1.75% in 2029 and 2.25% in 2030, for a cumulative increase of 6.0%. By way of example, in 2027 the January kWh (prior to the original proposed electrification and Large Load impacts) will be increased by the previous year increase of 0.25% plus an additional 0.0416% (0.50% divided by 12). February 2027 will be adjusted by an incremental 0.0416%.

<sup>14</sup> OM&A to be updated based on outcome of the this unsettled

<sup>15</sup> These kWh adjustments are to be converted to kW adjustments based on the electrification class profiles.

## 6. OM&A

As noted, the Parties have not reached agreement on Issues 4.1 and 4.2 of the Approved Issues List, both of which relate to 2026 OM&A.

## 7. COST OF CAPITAL

The Parties accept the proposed Cost of Capital, including the proposed capital structure and cost of capital parameters. Specifically, the Parties agree on Hydro Ottawa’s use of the OEB’s deemed capital structure, and that Hydro Ottawa’s cost of capital will be based on the OEB’s 2026 Cost of Capital Parameters for ROE and short-term debt rate, as published October 31, 2025, and its cost of long-term debt will reflect Hydro Ottawa’s weighted average rate of existing embedded debt and forecasted debt.<sup>16</sup> The figures set out in this Settlement Proposal reflect the OEB’s 2026 Cost of Capital Parameters, which are summarized below in Table 13:

**Table 13 – Hydro Ottawa 2026-2030 Cost of Capital Parameters**

	Rate (%)
Return on Equity	9.11
Long-Term Debt Rate	3.98
Short-Term Debt Rate	2.72

Updated Appendix 2-OA - Capital Structure and Appendix 2-OB - Debt Instruments are appended to this Settlement Proposal within Attachment 6 - Chapter 2 Appendices.

## 8. OTHER REVENUE

Subject to unsettled aspects in relation to the Shared Savings Mechanism for the Kanata North project (which will not affect the forecast) and the Net Meter Charge (which could change the forecast), the Parties have agreed to the 2026 Test Year Other Revenue with the following four adjustments:

- Hydro Ottawa will maintain the Standard Supply Service (“SSS”) Administration Charge at the generic amount of \$0.25 per customer per month. Notwithstanding the agreement to maintain the generic SSS Administration Charge, the Parties note that it would be helpful for the OEB to

<sup>16</sup> As presented in Updated Appendix 2-OA and 2-OB, and for clarity the OEB’s deemed long term debt rate of 4.73% will be used for the 2026 promissory note for the purpose of setting rates.

provide generic guidance through an open and transparent process regarding the ability for distributors to update this charge. Hydro Ottawa believes, as proposed in its application, that the charge should be updated as contemplated in the OEB filing requirements, to better reflect actual costs. On the other hand, some intervenors take a different view, including, among other issues, that the basis of the charge should be revisited considering the actual mix of the customers receiving SSS versus retail service as compared to what was contemplated in 2002, as well as a lack of clarity regarding the specific costs that are to be included in and recovered through the SSS Administration Charge. Additionally, there is uncertainty regarding the method of changing the SSS Administration Charge when considering relevant provisions in the SSS Code. Section 3.1.1 of the SSS Code prescribe adherence to the Electricity Distribution Rate Handbook for the methodology for setting the SSS Administration Charge. Section 12.1 of the 2006 Electricity Distribution Rate Handbook currently sets a charge of \$0.25 per month<sup>17</sup>. Chapter 10 dated July 16, 2000 indicated “Until detailed cost of service/cost allocation studies are completed, it is difficult to set the appropriate level of this charge. Therefore, for an interim period, a standard charge will be set by the Board. The Board expects that each distributor will, in accordance with section 1.4 of the Rate Handbook, establish a specific utility charge for recovery of SSS administrative costs. This leaves a question as to whether the OEB intends the charge to be uniform across the sector or be set on a utility specific cost basis, as well the appropriate mechanism for any changes;

- Hydro Ottawa will update its 2026 forecast of Other Revenue to reflect the OEB-approved 2026 pole attachment rate;
- Hydro Ottawa will update its 2026 forecast of Other Revenue to reflect an increase of \$100,000 related to interest recorded within Account 4405; and
- Hydro Ottawa will update its 2026 forecast of Other Revenue to reflect an increase of \$200,000 related to revenues from merchandising.

---

<sup>17</sup> In the Report of the Board dated May 11, 2005 (RP-2004-0188) it was indicated “On Issues Day the Board concluded that the SSS Administration charge or retailer service charges should not be reviewed in the 2006 EDR process. As a result, the Draft Handbook basically maintains a status quo approach for 2006 for the Other Regulated Charges identified in this Chapter.”

The Parties agree that Hydro Ottawa’s 2027 to 2030 Other Revenue amounts will adjust from the prior year Other Revenue values using an I - X formula, where I is the OEB generic inflation rate (to be updated annually) and X is 0.45% as set out in the CROF formula as agreed to by the Parties.

Please see the impact of these adjustments within Table 14.

**Table 14 – Changes in Other Revenue (\$’000s)**

	<b>2026</b>
Proposed	\$ 11,018
SSS Charge	\$ (5,570)
Wireline Pole Attachment	\$ 146
Interest Income	\$ 100
Revenue from Merchandise	\$ 200
<b>Settled</b>	<b>\$5,894</b>

Please see Table 15 for the updated Other Revenue by Other Revenue Category in 2026 and total values inflated by the I - X formula using a placeholder inflation rate of 2.1%.

**Table 15 – Updated Summary of Other Revenue (\$’000s)**

<b>Other Revenue</b>	<b>Test Years</b>				
	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Specific Service Charges (4235)	\$ 1,008				
Late Payment Charges (4225)	\$ 1,751				
Other Operating Revenue (4082, 4084, 4086, 4090)	\$ 6,658				
Other Income & Deductions (4315, 4325, 4330, 4362, 4375, 4405)	\$ (3,524)				
<b>TOTAL OTHER REVENUE</b>	<b>\$ 5,894</b>	<b>\$ 5,991</b>	<b>\$ 6,090</b>	<b>\$ 6,190</b>	<b>\$ 6,293</b>

An updated OEB Appendix 2-H - Other Operating Revenue is included in the Chapter 2 Appendices Excel Workbook, appended as Attachment 6.

## **9. PILs**

The Parties accept the PILs as calculated by Hydro Ottawa, which includes the recovery of accelerated CCA for 2026 and 2027. The Accelerated CCA rules are not available for assets acquired after 2027.<sup>18</sup> For clarity, no smoothing mechanism has been included.

For the PILs contribution proposal please see part 4 of Part F (Rate Base) above.

## **10. COST ALLOCATION**

The Parties agree with the cost allocation and revenue to cost ratios as proposed by Hydro Ottawa, subject to two modifications and one confirmation of approach. Hydro Ottawa's proposal will be modified by (i) basing the meter reading weighting factors on the number of meters in each class rather than on the number of customers, and (ii) using a 3-year average for class load profiles rather than a trend methodology. For confirmation, the billing and collecting weighting factors should align with JT1.14-VECC-17.0, as incorporated into the 1-Staff-1 update.

The Parties have accepted Hydro Ottawa's proposal to approve finalization of the existing interim standby rates, as detailed in Schedule 7-1-3 - Standby Service Charge. In addition, the Parties have agreed to the proposed changes to the Standby rates effective January 1, 2026, which was described in the same Schedule and through the remaining discovery process<sup>19</sup>.

Lastly, Hydro Ottawa has committed to consider rate design alternatives to standby rates, including those that differentiate between standby service being used within and outside the times of distribution system peaks and report back at its next CoS application. Please see Part H (Studies, Reports and Other Commitments), below, for further details.

## **11. RATE DESIGN**

The Parties agree with Hydro Ottawa's rate design as proposed, subject to the following exceptions.

No settlement was reached regarding the Net Metering Charge.

Whereas Hydro Ottawa proposed a utility-specific, cost-based SSS Administration Charge, the Parties agree that Hydro Ottawa will use the OEB's generic SSS Administration Charge amount,

---

<sup>18</sup> The Settlement Proposal does not take into account the proposed reinstatement of the accelerated CCA rules proposed in Bill C-15, introduced on November 18, 2025. Any impacts of the legislation, if passed, would be recorded in Account 1592-CCA Sub-Account or in any other deferral or variance account/sub-account or given alternative treatment as may be established or ordered by the OEB on a generic basis, without prejudice to any positions parties make take in a future proceeding or policy consultation related to the impact of the new legislation and the associate balance.

<sup>19</sup> Please see Section H Settlement Proposal by issues 7.0

which has not been adjusted since 2002 to reflect actual costs or inflation and for which Hydro Ottawa disagrees with the rationale. Please also see section 8 above.

While the Parties agree on Hydro Ottawa's proposed fixed rate for the GS<50 rate class, the Intervenor's disagree with Hydro Ottawa on the rationale for that rate.

## 12. DEFERRAL AND VARIANCE ACCOUNTS

The Parties agree with Hydro Ottawa's proposal to dispose of its Group 1 deferral and variance account balances.

**Table 16 - Proposed<sup>20</sup> Group 1 DVA Dispositions<sup>21</sup>**

Group	USofA Number	Group 1 Deferral/Variance Account Description	Amount (\$)	Principal (\$)	Interest <sup>22</sup> (\$)
1	1550	LV Variance Account	\$45,605	\$43,508	\$2,096
1	1551	Smart Metering Entity Charge Variance Account	\$(348,243)	\$(330,304)	\$(17,939)
1	1580	RSVA - Wholesale Market Service Charge	\$(4,276,759)	\$(4,081,815)	\$(194,943)
1	1580	Variance WMS - Sub-account CBR Class A	-	-	-
1	1580	Variance WMS - Sub-account CBR Class B	\$2,623,768	\$2,523,372	\$100,396
1	1584	RSVA - Retail Transmission Network Charge	\$4,977,775	\$4,781,796	\$195,979
1	1586	RSVA - Retail Transmission Connection Charge	\$(4,383,898)	\$(4,164,624)	\$(219,275)
1	1588	RSVA - Power (excluding Global Adjustment)	\$254,991	\$(7,688)	\$262,678
1	1589	RSVA - Global Adjustment	\$10,824,544	\$10,226,306	\$598,238
1	1595	Disposition and Recovery/Refund of Regulatory Balances (2021)	\$(492,336)	\$(236,907)	\$(255,428)
1	1595	Disposition and Recovery/Refund of Regulatory Balances (2022)	\$141,532	\$190,630	\$(49,098)
		Group 1 Subtotal (Excluding Global Adjustment)	\$(1,457,565)	\$(1,282,032)	\$(175,533)
		Global Adjustment	\$10,824,544	\$10,226,306	\$598,238
		<b>TOTAL DVA BALANCE (Group 1) TO BE MOVED TO 1595 (2026)</b>	<b>\$9,366,979</b>	<b>\$8,944,274</b>	<b>\$422,705</b>

<sup>20</sup> No changes have occurred to the Group 1 proposed disposition as a result of the Settlement Proposal.

<sup>21</sup> Totals may not sum due to rounding.

<sup>22</sup> Forecasted to December 31, 2025

The Parties agree with Hydro Ottawa's proposals for disposition of its Group 2 deferral and variance accounts, subject to the following two changes: (i) the Getting Ontario Connected Account will not be recovered by Hydro Ottawa, and (ii) for the LRAM Variance Account, Hydro Ottawa will dispose of the 2021-2023 balances, but the balances for 2024 or 2025 will not be recoverable as the Parties agreed to discontinue the use of the LRAM Account for 2024 and 2025.

**Table 17 - Settled Group 2 DVA Dispositions<sup>23</sup>**

Group	USofA Number	Group 2 Deferral/Variance Account Description	Amount	Principal	Interest <sup>24</sup>
2	1508	Pole Attachment Revenue Variance	\$ 798,947	\$ 697,316	\$ 101,631
2	1508	Gains and Loss on disposal of Fixed Assets Variance Account	\$ (1,419,661)	\$ (1,245,849)	\$ (173,813)
2	1508	Earnings Sharing Mechanism (ESM) Variance Account	\$ (1,349,874)	\$ (1,151,693)	\$ (198,181)
2	1508	Connection Cost Recovery Agreement (CCRA) Payments Differential Variance Account	\$ (1,168,794)	\$ (1,109,625)	\$ (59,169)
2	1508	Efficiency Adjustment Mechanism (EAM) Deferral Account	\$ (341,829)	\$ (300,816)	\$ (41,013)
2	1508	OEB Cost Assessment Variance	\$ 550,744	\$ 486,987	\$ 63,757
2	1508	Performance Outcomes Account Mechanism (POAM) Deferral Account	\$ (1,092,856)	\$ (1,000,000)	\$ (92,856)
2	1508	RCVA Retail Incremental Revenue	\$ 53,813	\$ 46,028	\$ 7,785
2	1508	STR Incremental Revenue	\$ 1,714	\$ 1,467	\$ 247
2	1508	Capital Variance Account	\$ (81,982)	\$ (33,313)	\$ (48,669)
		<b>Sub-Total of 1508 Sub-Accounts</b>	<b>\$ (4,049,778)</b>	<b>\$ (3,609,498)</b>	<b>\$ (440,280)</b>
2	1522	Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	\$ (229,512)	-	\$ (229,512)
2	1592	PIIs and Tax Variance - Sub-Account Capital Cost Allowance (CCA) Changes	\$ (721,224)	\$ (620,386)	\$ (100,837)
		<b>Group 2 Sub-total (Prior to Lost Revenue Adjustment Mechanism (LRAM))</b>	<b>\$ (5,000,514)</b>	<b>\$ (4,229,884)</b>	<b>\$ (770,630)</b>
2	1568	LRAM Variance Account (LRAMVA)	\$ (682,163)	\$ (584,266)	\$ (97,896)
		<b>TOTAL DVA BALANCE (Group 2) TO BE MOVED TO 1595 (2026)</b>	<b>\$ (5,682,677)</b>	<b>\$ (4,814,151)</b>	<b>\$ (868,526)</b>

<sup>23</sup> Totals may not sum due to rounding.

<sup>24</sup> Forecasted to December 31, 2025.

**Table 18 – Settled Action on Group 2 Accounts for 2026**

<b>Group 2 Account - Description</b>	<b>Account</b>	<b>Type</b>	<b>Continue/Discontinue/New</b>
Other Regulatory Assets - Sub-Accounts			
Pole Attachment Revenue Variance	1508	Utility Specific	Discontinue
Green Button Initiative Costs	1508	Generic	Discontinue
Designated Broadband Project Impacts	1508	Generic	Continue
Ultra-Low Overnight (ULO) Implementation Costs	1508	Generic	Discontinue
Getting Ontario Connected Act (GOCA)	1508	Generic	Discontinue
Low-Income Energy Assistance Program Emergency Financial Assistance (LEAP EFA) Funding Deferral	1508	Generic	Continue
Pension & OPEB	1508	Generic	Continue
Gains and Loss on Disposal of Fixed Assets Variance Account	1508	Utility Specific	Continue
Earnings Sharing Mechanism (ESM) Variance Account	1508	Utility Specific	Continue - With modifications
Connection Cost Recovery Agreement (CCRA) Payments Differential Variance Account	1508	Utility Specific	Continue
Efficiency Adjustment Mechanism (EAM) Deferral Account	1508	Utility Specific	Discontinue
OEB Cost Assessment Variance	1508	Generic	Continue
RCVA Retail Incremental Revenue	1508	Generic	Discontinue
STR Incremental Revenue	1508	Generic	Discontinue
OEB Rate Application Deferral Account	1508	Utility Specific	Continue
Performance Outcomes Account Mechanism Deferral Account	1508	Utility Specific	Discontinue <sup>25</sup>
Capital Variance Account - Existing	1508	Utility Specific	Discontinue <sup>26</sup>
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522	Generic	Continue
PILS and Tax Variances	1592	Generic	Continue
LRAM Variance Account	1568	Utility Specific	Discontinue
Impacts Arising from COVID-19 Emergency	1509	Generic	Discontinue
Incremental Cloud Computing Implementation Costs	1511	Generic	Discontinue

<sup>25</sup> After December 31, 2025 (except for interest), and will be disposed of in accordance with the OEB's direction regarding the disposition of Group 2 accounts.

<sup>26</sup> Ibid.

Group 2 Account - Description	Account	Type	Continue/Discontinue/New
Extended Horizons Variance Account	1508	Generic	Discontinue <sup>27</sup>
Growth-Related Capital Variance Account	1508	Utility Specific	New
Non-Wires Solutions Variance Account	1508	Utility Specific	New

## G. SETTLEMENT PROPOSAL BY ISSUE

Whereas the preceding Parts summarize the key components of the settlement reached by the Parties, this section provides detail on how each of the issues in the OEB's Approved Issues List (other than the unsettled issues) has been addressed through either Hydro Ottawa's 2026-2030 Custom IR application or the modifications to the Utility's rate plan which have been agreed upon in this Settlement Proposal.

### 1. GENERAL

#### 1.1. Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?

##### Complete Settlement

The Parties accept the evidence of Hydro Ottawa that it has responded appropriately to all relevant OEB directives from previous proceedings, including commitments from prior approved settlement proposals.

##### Evidence

The evidence in relation to this issue includes the following:

Schedules	1-1-4 - Administration 1-3-1 - Rate Setting Framework 1-3-4 - Facilitating Innovation and Continuous Improvement 2-5-4 - Asset Management Process 6-3-4 - Other Operating Revenue 7-1-1 - Cost Allocation (and associated Attachments 7-1-1(A)-(G)) 8-2-3 - Loss Adjustment Factors 8-2-3(B) - Hydro Ottawa System Losses Plan
-----------	---

<sup>27</sup> This account will remain open to record eligible variances up to December 31, 2025 and resulting interest. For the 2026-2030 rate period, variances related to the existing scope of the Extended Horizon Variance Account will be recorded within the newly established GRCVA. However, should the OEB generically expand the scope of the Extended Horizons Variance Account, nothing in this Settlement Proposal will preclude Hydro Ottawa from being eligible to use the Extended Horizons Variance Account for the expanded scope only. This Account will be disposed of in accordance with the OEB's direction regarding the disposition of Group 2 accounts.

	8-4-3 - Retail Service Charges 9-1-3 - Group 2 Accounts
Interrogatories	1-Staff-4
Undertakings	JT2.6-ED-9, JT3.27
Pre-Settlement	N/A
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

### 1.2. Are the rates and bill impacts resulting from Hydro Ottawa’s application appropriate?

#### Partial Settlement

The Parties agree that Hydro Ottawa has appropriately calculated the bill impacts arising from the settled amounts. The final bill impacts are subject to the OEB’s determination on the unsettled issues.

#### Evidence

The evidence in relation to this issue includes the following:

Schedules	1-1-4 - Administration 7-1-1 - Cost Allocation 8-5-1 - Bill Impacts and Tariff of Rates and Charges 8-5-2 - Rate Mitigation Exhibit 10 - November Application Update
Interrogatories	1-Staff-1, 1-Staff-2, 5-CCC-63, 7-Staff-129
Undertakings	JT1.14-VECC-1.0, JT1.14-VECC-2.0, JT1.14-VECC-3.0, JT1.14-VECC-1.0, JT1.14-VECC-4.0, JT1.14-VECC-19.0, JT1.14-VECC-20.0, JT1.14-VECC-21.0, JT2.6-ED-9, JT2.6-ED-17, JT3.8, JT3.14, JT3.22.
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

### 1.3. Is the proposed effective date appropriate?

#### Complete Settlement

The Parties agree that the effective date for the rates and charges arising from this Settlement Proposal, inclusive of the outcome on the unsettled issues, will be January 1, 2026. The Parties

acknowledge that in Procedural Order No. 5, issued December 3, 2025, the OEB declared Hydro Ottawa's rates interim as of January 1, 2026.

The Parties agree that at the time of the Draft Rate Order, Hydro Ottawa will calculate, using its forecast load, the amount of its foregone revenues based on the revenue differences between the interim rates and the final rates effective from January 1, 2026 until the implementation date of the final rates. Hydro Ottawa will also propose, as part of the draft rate order, the time period over which the forgone revenue amount will be recovered, which will be subject to the OEB's determination.

### Evidence

The evidence in relation to this issue includes the following:

Schedules	1-1-4 - Administration 8-5-1 - Bill Impacts and Tariff of Rates and Charges
Interrogatories	1-Staff-1
Undertakings	N/A
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

### 1.4. Did Hydro Ottawa appropriately consider customer needs and preferences in the formulation of its proposed plan and spending?

#### Partial Settlement

The Parties agree that as it relates to the areas where a full settlement has been reached, and subject to the modifications outlined in this Settlement Proposal, customer needs and preferences were appropriately considered in the formulation of Hydro Ottawa's application.

### Evidence

The evidence in relation to this issue includes the following:

Schedules	1-4-1 - Customer Engagement Ongoing (and associated Attachments 1-4-1(A)-(F)) 1-4-2 - Customer Engagement on the 2026-2030 Application Attachment 1-4-2(A) - Customer Engagement Report on Hydro Ottawa's 2026-2030 Rate Application
-----------	--

	2-5-1 - Distribution System Plan Overview
Interrogatories	1-Staff-2, 1-CCC-10
Undertakings	JT3.15, Attachment JT3.15(A) - Customer Capability Assessment, JT3.2, JT3.2(A)
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

## 2. CUSTOM INCENTIVE RATE SETTING

### 2.1. Are all elements of Hydro Ottawa’s Custom Incentive Rate Setting proposal for the determination of rates appropriate?

#### Complete Settlement

The Parties agree to a Custom IR Framework that is based on a revenue cap approach with a five-year test period commencing January 1, 2026, and ending December 31, 2030. The settled Custom IR Framework modifies the parameters of Hydro Ottawa’s proposed Custom IR Framework, but maintains the overall structure. The settled Custom IR Framework, including a comparison to the proposed Custom IR Framework, is set out in Table 4 of Part F above. The modifications include agreement on the use of a 0.45% stretch factor plus 0.225% incremental stretch factor on capital for total stretch on capital of 0.675%, and for OM&A a stretch factor of 0.45% and growth factor of 0.95%. In addition, the Parties agreed on the use of an asymmetrical ESM with 50/50 sharing above a 150 basis point dead band if the Utility’s efficiency cohort determined by the adjusted PEG (to reflect unreported secondary lines) remains at or below cohort 4 over the rate period. Should Hydro Ottawa move into cohort 5, no dead band will be used.

#### Evidence

The evidence in relation to this issue includes the following:

Schedules	1-1-4 - Administration 1-2-1 - Application Summary 1-3-1 - Rate Setting Framework 1-3-2 - Proposed Annual Reporting - 2026-2030
Interrogatories	1-Staff-6, 1-Staff-12, 1-Staff-13, 1-Staff-15, 1-Staff-16, 1.0-VECC-4, 1-Staff-17

Undertakings	JT3.13, JT3.19,
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

## 2.2. Is the proposed 2026-2030 Custom Performance Scorecard Appropriate?

### Complete Settlement

The Parties accept that Hydro Ottawa’s proposed custom performance scorecard is appropriate, subject to the modifications set out in item #14 of Part H (Studies, Reports and Other Commitments), below. Those modifications consist of the replacement of “monitoring” targets with numerical targets for two Scorecard metrics - Customer Participation in NWS and Productive Time. For Productive Time, a target of 72.5% for 2026-2030 has been agreed to. With these changes, the Parties agree that Hydro Ottawa’s custom performance scorecard satisfies the requirements of the OEB Rates Handbook.

A copy of the 2026-2030 custom performance scorecard is appended to this Settlement Proposal as Attachment 2.

### Evidence

The evidence in relation to this issue includes the following:

Schedules	1-2-3 - Business Plan 1-3-1 - Rate Setting Framework 1-3-2 - Proposed Annual Reporting - 2026-2030 1-3-3 - Benchmarking 1-3-4 - Facilitating Innovation and Continuous Improvement
Interrogatories	1-SEC-18, 4-CCC-51, 1-PP-9, 1.0-VECC-1, 1-ED-4, 1-PP-9,
Undertakings	JT 2.21 (and associated Attachments (A)-(E))
Pre-Settlement	SC-CO/PP-1
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

### 3. CAPITAL SPENDING AND RATE BASE

#### 3.1. Are the proposed capital expenditures and in-service additions appropriate?

##### Complete Settlement

The Parties agree that Hydro Ottawa’s proposed 2026-2030 capital expenditures, in-service additions and depreciation amounts, as modified through this Settlement Proposal, are appropriate in the context of overall Settlement Proposal, to enable a safe and reliable grid and address customer requirements. Specifically, the Parties agree to reduce Hydro Ottawa’s capital expenditures by approximately \$214M over the 2026-2030 rate term, from approximately \$1.233B as proposed by Hydro Ottawa to \$1.019B.

In the context of a settlement related to a number of items as set out herein, the Parties agree that the settlement of this issue enables the utility to address customer requirements and manage the grid in a safe and reliable manner in accordance with good utility practice.

The following OEB Appendices have been updated and appended to the Settlement Proposal within Attachment 6 - Chapter 2 Appendices:

- Appendix 2-AA - Capital Programs Table
- Appendix 2-BA - 2026-2030 Fixed Asset Continuity Schedule
- Appendix 2-C - 2026-2030 Depreciation and Amortization Expense

##### Evidence

The evidence in relation to this issue includes the following:

Schedules	2-1-1 - Rate Base Overview 2-2-1 - Assets - Property Plant and Equipment 2-4-1 - Capital Expenditure Summary 2-5-1 - Distribution System Overview 2-5-2 - Asset Management Process 2-5-5 - Capital Expenditure Plan 2-5-6 - System Access Investments 2-5-7 - System Renewal Investments 2-5-8 - System Access investments 2-5-9 - General Plant Investments 2-6-1 - Capitalization Policy
Interrogatories	2-CO-18, 1-CO-7, 2-Staff-108, 2-Staff-114, 2-ED-14, 2-Staff-46, 1-Staff-8, 1-SEC-10, 2-SEC-41, 2-CCC-14, 2-Staff-38, 1-CCC-1, 2-CCC-25,

Undertakings	JT1.1, JT1.2, JT1.3, JT1.5, JT1.9, JT1.10, JT1.22, JT1.23, JT1.24, JT1.26, JT1.30, JT1.31,
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

### 3.2. Are the proposed rate base and depreciation amounts appropriate?

#### Partial Settlement

The Parties agree that the proposed 2026-2030 rate base amounts and methodology (including opening rate base for 2026) are appropriate, subject to changes in the calculations to reflect the impacts of other aspects of this Settlement Proposal. The Parties also acknowledge that while the proposed working capital allowance methodology, capital additions, depreciation, cost of capital parameters and capital structure have been agreed to, rate base will be updated once a decision is rendered by the OEB on the 2026 test year OM&A.

OEB Appendix 2-ZA and 2Z - 2021 Commodity Expense is appended within Attachment 6 - Chapter 2 Appendices.

#### Evidence

The evidence in relation to this issue includes the following:

Schedules	1-1-4 - Administration 2-1-1 - Rate Base Overview 2-2-1 - Assets 2-3-1 - Working Capital Requirement 2-5-5 - Capital Expenditure Plan 2-7-1 - Depreciation 6-1-1 - Revenue Requirement
Interrogatories	1-Staff-1, 1-Staff-8, 1-CCC-8, 2-CCC-14, 2-Staff-27, 2-SEC-60, 2-SEC-61, 4-CCC-52, 6-Staff-183, 9-SEC-87, 1.0-VECC-4
Undertakings	JT3.16
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

#### **4. OM&A**

##### **4.1. Are the proposed OM&A expenditures appropriate?**

###### **No Settlement**

The Parties have not reached agreement on this issue, but instead will be determined by the OEB through a hearing process.

###### **Evidence**

N/A

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

###### **No Settlement**

The Parties have not reached agreement on this issue, but instead will be determined by the OEB through a hearing process.

###### **Evidence**

N/A

#### **5. COST OF CAPITAL, PILs, AND REVENUE REQUIREMENT**

##### **5.1. Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?**

###### **Complete Settlement**

The Parties accept that the proposed cost of capital structure and cost of capital parameters are appropriate subject to any adjustments arising from the OEB's decision on the unsettled issues. Specifically, the Parties agree on Hydro Ottawa's use of the OEB's deemed capital structure, and that Hydro Ottawa's cost of capital will be based on the OEB's 2026 Cost of Capital Parameters for ROE and short-term debt rate, as published October 31, 2025, and its cost of long-term debt will reflect Hydro Ottawa's weighted average rate of existing embedded debt and forecasted debt.<sup>28</sup> The figures set out in this Settlement Proposal reflect the OEB's 2026 Cost of Capital Parameters.

---

<sup>28</sup> As presented in Updated Appendix 2-OA and 2-OB, and for clarity the OEB's deemed long term debt rate of 4.73% will be used for the 2026 promissory note.

OM&A (Issue 4.1), which is not settled, is an input into the working capital component of rate base to which the cost-of-capital parameters are applied.

The Parties acknowledge that, in accordance with Issue 3.2, the working capital component of the rate base will be updated at the time of the Draft Rate Order based on the OEB's approved amount for the 2026 OM&A. This update to rate base will also impact the output figures of the settled cost-of-capital parameters.

Updated Appendix 2-OA - Capital Structure and Appendix 2-OB - Debt Instruments are appended to this Settlement Proposal within Attachment 6 - Chapter 2 Appendices.

**Evidence**

Schedules	5-1-1 - Cost of Capital and Capital Structure
Interrogatories	1-Staff-1, 1-CCC-2, 5-Staff-176,
Undertakings	
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

**5.2. Is the proposed PILs (or Tax) amount appropriate?**

**Partial Settlement**

The Parties agree that the PILs and other tax-related components as proposed, with exception of the PILS contribution (please also see issue 5.5), are appropriate and align with OEB requirements. The PILs amounts will be adjusted as a result of other items agreed to and will further require an adjustment at the time of the Draft Rate Order based on the resolution of 2026 OM&A (issue 4.1 and 4.2) and its impact on Issue 3.2 working capital that is incorporated into rate base.

For clarity, no smoothing mechanisms in relation to the phase out of Accelerated CCA as of 2028 are part of this agreement. The Settlement Proposal does not take into account the proposed reinstatement of the accelerated CCA rules set proposed in Bill C-15, introduced on November 18, 2025. Any impacts of this legislation, if passed, would be recorded in the existing Account 1592 – CCA Sub-account or in any other deferral or variance account/sub-account or alternative treatment

as may be established or ordered by the OEB on a generic basis and, without prejudice to any positions the Parties may take in a future proceeding or policy consultation related to the impact of the new legislation and the associate balance.

The Parties agree that Hydro Ottawa will remove the PILs contribution from the revenue requirement and inclusion in rate base.

A 2026-2030 Income Tax PILS Workform is provided as Attachment 16 to this Settlement Proposal.

### Evidence

The evidence in relation to this issue includes the following:

Schedules	6-2-1 - Payments in Lieu of Taxes 9-1-4 - Account 1592 PILS and Tax Variance
Interrogatories	1-Staff-1, 2-Staff-28, 6-Staff-1, 6-Staff-183, 6-Staff-184, 9-Staff-212 9-Staff-213, 9-Staff-214, 1-CCC-2, 9-CCC-73, 1-SEC-12
Undertakings	JT3.3, JT3.27, JT4.5, JT4.6, JT4.7, JT4.12
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

### 5.3. Is the proposed Other Revenue forecast appropriate?

#### Partial Settlement

Subject to the unsettled aspects in relation to the Shared Savings Mechanism for the Kanata North project (which will not affect the forecast) and the Net Metering Charge (which may impact the forecast), the Parties agree that Hydro Ottawa's proposed Other Revenue forecast is appropriate for the purpose of rebasing the Other Revenue, subject to the, based on the following three changes and updates to Other Revenue for the 2026 test year:

- to maintain the current SSS generic service charge,
- to update Other Revenue for the approved 2026 pole attachment revenue,
- to increase Other Revenue by \$100,000 related to interest recorded within Account 4405, and

- to increase Other Revenues by \$200,000 related to Miscellaneous Revenue recorded within Account 4325.

With regards to the SSS charge, as stated above in section 8, notwithstanding the agreement amongst the Parties on the use of the OEB's SSS Charge, the Parties acknowledge that the charge has not been adjusted to reflect actual costs or inflation since it was first introduced in 2002, (please see Section 8 within Part F).

Lastly, the Parties have agreed that the 2027 to 2030 test year period Other Revenue should be set using an I - X formula, where the I is the OEB annual inflation and the X is 0.45% as agreed in the CROF formula. For clarity, no G (growth) will be used in setting the annual amount.

An updated Appendix 2-H is provided as part of the Settlement Proposal within Attachment 6 - Chapter 2 Appendices.

## Evidence

Schedules	4-2-1 - Shared Services and Corporate Cost Allocation 6-3-1 Other Revenue Summary 6-3-2 Specific Service Charge Revenue 6-3-3 Late Payment Charge Revenue 6-3-4 Other Operating Revenue 6-3-5 Other Income & Deductions 8-3-2 Standard Supply Service Charge 8-4-1 Specific Service Charges 8-4-2 Generation Charges 8-4-3 Retail Service Charges
Interrogatories	1-Staff-1, 1-Staff-9, 1-Staff-22, 6-Staff-186, 6-Staff-187, 6-Staff-188, 6-Staff-189, 6-Staff-190, 8-CCC-66, 2-SEC-53, 6-SEC-81, 8-SEC-83, 8-SEC-85, 6.0-VECC-45, 6.0-VECC-46, 6.0-VECC-47, 6.0-VECC-48, 8.0-VECC-66, 8.0-VECC-67, 9.0-VECC-71
Undertakings	JT1.14-VECC-1.0, JT1.14-VECC-2.0, JT1.14-VECC-3.0, JT1.14-VECC-4.0, JT3.8, JT3.22, JT4.13
Pre-Settlement	SC-SEC-5, SC-VECC-11
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

**5.4. 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?**

**Complete Settlement**

Subject to any changes required in consideration of Issues 4.1, 4.2, and the unsettled aspects of Issue 5.3, the Parties agree that the impacts of any proposed changes in accounting standards, policies, estimates, and adjustments have been properly identified and recorded, and that the rate-making treatment of these impacts is appropriate.

**Evidence**

Schedules	1-5-1 - Audited Financial Statements and Reconciliation 1-5-5 - Accounting Orders 1-5-6 - Accounting Standards Used 1-5-8 - Accounting Treatment of Non-Utility Business 1-5-9 - Changes to Accounting Policies Used in Previous Applications 2-6-1 - Capitalization Policy 2-6-2 - Capitalization of Overhead 2-7-1 - Depreciation, Amortization Disposal 6-2-1 - Payments in Lieu of Taxes (Updated June 4, 2025) 9-1-4 - Account 1592 PILS and Tax Variance
Interrogatories	1-Staff-1, 2-Staff-27, 9-Staff-213, 9-Staff-214, 1-CCC-2, 1-SEC-12, 2-SEC-59
Undertakings	JT4.5, JT4.6
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

**5.5. Is the proposed calculation of the Revenue Requirement appropriate?**

**Partial Settlement**

With the agreed adjustments, and subject to any adjustments arising from the OEB's decision on the unsettled issues, the Parties accept that the proposed calculation of the revenue requirement is appropriate and agree with the calculated amounts with respect to the settled issues. The Parties acknowledge that the calculation of the revenue requirement will be updated in the Draft Rate Order

to reflect the OEB approved amounts with respect to the unsettled issues, and that this update will be based on the revenue requirement calculation methodology set out in the Settlement Proposal, which the Parties agree is appropriate. For greater clarity, the resolution of this issue is subject only to the OEB’s determination of the unsettled issues, and any necessary recalculations resulting from the mathematical consequences of the OEB’s decision on those issues. Recalculations resulting from the OEB’s decision on the unsettled issues shall only be addressed as part of the Draft Rate Order process. No party intends to adduce any evidence or argument at hearing related to this issue except to the extent necessary to understand the mathematical consequences of the OEB’s decision on the unsettled issues.

**Evidence**

The evidence in relation to this issue includes the following:

Schedules	1-3-1 - Rate Setting Framework 6-1-1 - Revenue Requirement and Revenue Deficiency or Sufficiency
Interrogatories	1-Staff-1, 1-Staff-8, 1-Staff-10, 1-Staff-14, 9-Staff-214, 1-CCC-2, 2-CCC-14, 1-DRC-3, 1-SEC-12, 1-SEC-20, 4-SEC-67, 1.0-VECC-5, 7.0-VECC-59
Undertakings	JT3.3, JT3.9, JT3.10, JT3.16, JT3.17, JT3.18, JT3.27, JT4.5, JT4.6
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

**6. LOAD FORECAST**

**6.1. Is the proposed load forecast methodologies and the resulting load forecasts appropriate?**

**Complete Settlement**

The Parties accept the proposed load forecast methodologies and the resulting load forecasts after inclusion of the following adjustments as being reasonable and inclusive of policy impacts related to eDSM, growth and electrification:

- the use of 1.2% population growth in the customer count and energy use statistical models starting in 2026;
- reduction of the COVID Variable value by 50% as of 2026; and

- a gradual increase in electrification intensification starting in 2026 for all GS rates classes > 50 based on the baseline load forecast. Please see Section F, part 5 above for more details. Specifically:
  - For the incorporation of increased electrification, after making the customer count and other volume adjustments and prior to making the original proposed electrification and Large Load adjustments, the kWhs<sup>29</sup> for the General Service > 50kW and Large Use customer classes will increase incrementally based on monthly profiles by December 31 of each year based on the following: 0.25% in 2026, 0.50% in 2027, 1.25% in 2028, 1.75% in 2029 and 2.25% in 2030, for a cumulative increase of 6.0%.
  - By way of example, in 2027 the January kWhs (prior to the original proposed electrification and Large Load impacts) will be increased by the previous year increase of 0.25% plus an additional 0.0416% (0.50% divided by 12). February 2027 will be adjusted by an incremental 0.0416%.

## Evidence

The evidence in relation to this issue includes the following:

Schedules	2-5-4 - Asset Management Process 3-1-1 - Revenue Load and Customer Forecast 3-1-2 - Accuracy of Load Forecast and Variance Analyses
Interrogatories	3-Staff-125, 3-SEC-64, 3.0-VECC-13, 3.0-VECC-17, 3.0-VECC-21, 3.0-VECC-29, 7.0-VECC-56, 9.0-VECC-72, 3.1-BOMA-3, 3-DRC-10
Undertakings	JT1.14-VECC-5.0, JT1.14-VECC-6.0, JT1.14-VECC-10.0, JT3.28, JT4.14
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

<sup>29</sup> These kWh adjustments are to be converted to kW adjustments based on the electrification load profiles.

## **7. COST ALLOCATION, RATE DESIGN, AND OTHER CHARGES**

**7.1. Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios, appropriate?**

### **Partial Settlement**

The Parties agree that Hydro Ottawa’s proposed cost allocation methodology, allocations and revenue-to-cost ratios are appropriate and are aligned with OEB policy, subject to the following clarification and two adjustments:

- Billing and collecting weighting factors should align with JT1.14-VECC-17.0, as incorporated into the 1-Staff-1 update;
- Meter reading costs will be based on the number of meters in each class rather than on the number of customers; and
- Class load profiles will use an average of the last 3 years rather than a trend methodology.

Subject to OEB guidance, the Parties acknowledge that in the Draft Rate Order process they will have the opportunity to make submissions on whether the financial inputs to the final Cost Allocation Model which are related to the unsettled issues have been appropriately incorporated.

### **Evidence**

The evidence in relation to this issue includes the following:

Schedules	7-1-1 - Cost Allocation (and associated Attachments (A)-(G))
Interrogatories	1-Staff-1, 7-Staff-195, 7.0-VECC-52, 7.0-VECC-57, 7.0-VECC-58
Undertakings	JT1.14-VECC 17, JT3.6, JT3.7, JT3.14, JT3.28
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

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

### Partial Settlement

The Parties agree that Hydro Ottawa’s proposed rate design, including fixed/variable splits, are appropriate, align with OEB policy and are consistent with Hydro Ottawa’s previous board decisions.<sup>30</sup>

While the Parties agree on Hydro Ottawa’s proposed fixed rate for the GS<50 rate class, there is no agreement on the rationale for determining the rate.

The Parties also agree that Hydro Ottawa shall consider an alternative rate design to standby rates and report back on the outcomes of its review in its next CoS application, as further described in Part H (Studies, Reports, and Other Commitments).

Subject to OEB guidance, the Parties acknowledge that in the Draft Rate Order process they will have the opportunity to make submissions on whether the financial inputs to the final rate design which are related to the unsettled issues have been appropriately incorporated.

### Evidence

The evidence in relation to this issue includes the following:

Schedules	1-2-1 - Application Summary 1-3-1 - Rate Setting Framework 7-1-1 - Cost Allocation 7-1-2 - Unmetered Loads 7-1-3 - Standby Service Charge 8-1-1 - Rate Design Summary 8-1-2 - Fixed/Variable Proportion 8-1-3 - Revenue Reconciliation 8-2-1 - Retail Transmission and Low Voltage Service Rates 8-2-2 - Smart Metering Charge 8-2-3 - Loss Adjustment Factors 8-3-1 - Wholesale Market Service Rate 8-3-2 - Standard Supply Service Charge 8-4-1 - Specific Service Charges 8-4-2 - Generation Charges 8-4-3 - Retail Service Charges 8-5-1 - Bill Impacts and Tariff of Rates and Charges 8-5-2 - Rate Mitigation
-----------	--

<sup>30</sup> Ontario Energy Board, *Decision and Order*, EB-2019-0261, November 19, 2020; Ontario Energy Board, *Decision and Order*, EB-2015-0004, December 22, 2015.

Interrogatories	1-Staff-1, 7-Staff-196, 7-ED-30, 7-ED-31, 8-ED-33, 7.0-VECC-61, 7.0-VECC-62, 8.0-VECC-63
Undertakings	JT1.14-VECC-19.0, JT1.14-VECC-20.0, JT1.14-VECC-21.0, JT2.6-ED-9, JT3.14
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

**7.3. Are the proposed Retail Transmission Service Rates and Low Voltage rates appropriate?**

**Complete Settlement**

The Parties agree that Hydro Ottawa’s proposed Retail Transmission Service Rates and Low Voltage rates are appropriate and use the OEB prescribed model and required inputs.

**Evidence**

The evidence in relation to this issue includes the following:

Schedules	2-3-1 - Working Capital Requirement 3-1-1 - Revenue Load and Customer Forecast 8-2-1 - Retail Transmission and Low Voltage Service Rates 8-5-1 - Bill Impacts and Tariff of Rates and Charges
Interrogatories	1-Staff-1, 8-Staff-198, 8-ED-35, 8-ED-36, 8.0-VECC-64, 8.0-VECC-65
Undertakings	JT1.14-VECC-18.0, JT3.27, JT4.5
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

**7.4. Are the proposed loss factors appropriate, considering OEB requirements and utility measures to cost-effectively reduce distribution losses?**

**Complete Settlement**

The Parties agree that Hydro Ottawa’s proposed loss factors are appropriate, taking into consideration OEB requirements and utility measures to cost-effectively reduce distribution system losses.

The Parties also agree that Hydro Ottawa will undertake two commitments related to losses, as further described in Part H (Studies, Reports, and Other Commitments).

**Evidence**

The evidence in relation to this issue includes the following:

Schedules	2-5-3 - Performance Measurement for Continuous Improvement 8-2-3 - Loss Adjustment Factors
Interrogatories	1-Staff-1, 8-ED-39, 8-ED-41, 8-ED-42, 8-SEC-83
Undertakings	JT2.6-ED-14, JT2.6-ED-15, JT2.6-ED-16
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

**7.5. Are the Specific Service Charges and Retail Service Charges appropriate?**

**Complete Settlement**

The Parties agree that Hydro Ottawa’s Specific Service Charges and Retail Service Charges are appropriate, as modified by this Settlement Proposal. Utility specific rates are justified by cost related evidence, otherwise approved OEB generic rates are used. As described above in relation to Issue 5.3 (Other Revenue), the SSS Administration Charge will be set based on the OEB’s generic rate (Please see Section 8 within Part F).

**Evidence**

The evidence in relation to this issue includes the following:

Schedules	1-3-1 - Rate Setting Framework 6-3-1 - Other Revenue Summary 6-3-2 - Specific Service Charge Revenue 6-3-4 - Other Operating Revenue 8-3-2 - Standard Supply Service Charge 8-4-1 - Specific Service Charges 8-4-3 - Retail Service Charges 8-5-1 - Bill Impacts and Tariff of Rates and Charges
Interrogatories	8-Staff-199, 8-Staff-200, 8-CCC-66, 1-CO-5, 8-ED-37, 6-EP-8, 1-PP-1, 8-SEC-84, 8-SEC-85, 6.0-VECC-46, 8.0-VECC-66, 8.0-VECC-68,

	8.0-VECC-69
Undertakings	JT1.14-VECC-1.0, JT1.14-VECC-2.0, JT1.14-VECC-3.0, JT2.6-ED-11, JT2.6-ED-17, JT2.15, JT3.6, JT3.8, JT3.22
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

## 7.6. Are rate mitigation proposals required and appropriate?

### Complete Settlement

No rate mitigation is required as bill impacts based on this settlement are below the OEB's threshold of a 10% increase on a total bill basis. The Parties therefore agree that no rate smoothing or other mitigation is required. Attachment 12 to this Settlement Proposal outlines estimated bill impacts for typical customers in each rate class.

The Parties acknowledge that these bill impacts have been calculated using Hydro Ottawa's proposed OM&A which is an unsettled issue.

### Evidence

The evidence in relation to this issue includes the following:

Exhibits	1-2-3 - Business Plan 1-2-1 - Application Summary 1-3-1 - Rate Setting Framework 7-1-1 - Cost Allocation 8-5-1 - Bill Impacts and Tariff of Rates and Charges 8-5-2 - Rate Mitigation
Interrogatories	1-Staff-1, 1-CCC-13, 7-CCC-65, 7-Staff-193
Undertakings	JT3.13, JT3.14, JT1.14-VECC-17.0, JT2.6-ED-9
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

## **8. DEFERRAL AND VARIANCE ACCOUNTS**

**8.1. 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?**

### **Complete Settlement**

The Parties agree that Hydro Ottawa's proposals for deferral and variance accounts are appropriate, including the balances in the existing accounts and their disposition (which are calculated accurately, and follow related OEB guidance and/or accounting orders), requests for new accounts, requests for discontinuation of accounts and the continuation of existing accounts appropriately balance customer and utility risk in the context of a multi-year plan, subject to the provisions of this Settlement Proposal set out above in Table 4 of section 2, Part F and as follows:

- Hydro Ottawa's ESM proposal, including the associated variance account, is modified by excluding changes related to Other Revenue and CDM/eDSM from the modified PEG model. For clarity, only the secondary line adjustments will be included.
- The LRAM Variance Account will be discontinued effective January 1, 2024. For clarity, Hydro Ottawa will not record any LRAM variance or claim any amount for disposition related to the 2024 and 2025 calendar years, including persistence, in any future rate application.
- Hydro Ottawa will not dispose of the GOCA Account and will write-off the balance.
- The discontinuance of existing CVA Accounts as of January 1, 2026.
- Establishment of symmetrical Growth-Related Capital Variance Account, please see Table 4 in Part F, section 2 above.
- Hydro Ottawa will not establish the Large Load Variance Account, as was originally proposed.
- Hydro Ottawa will not establish the Tariff Related Deferral Account, as was originally proposed. However, the Parties agree that this does not prejudice Hydro Ottawa from seeking (or the Intervenor from opposing) recovery of tariff-related amounts through any generic account that may be established by the OEB or through any Z-factor claim in the future. For greater certainty, nothing in this settlement shall preclude intervenors (or any non-parties) from being able to argue that a tariff-related Z-Factor claim is inappropriate basis for Z-factor relief.

Please see Attachment 5 for updated Accounting Orders.

## Evidence

The evidence in relation to this issue includes the following:

Exhibits	1-2-1 – Application Summary 1-3-1 – Rate Setting Framework 9-1-1 – Summary of Current Deferral and Variance Accounts 9-1-2 – Group 1 Accounts 9-1-3 – Group 2 Accounts 9-1-4 – Account 1592 PILS and Tax Variance 9-1-5 – LRAM Variance Account 9-2-1 – New Deferral and Variance Accounts 9-3-1 – Disposition of Deferral and Variance Accounts
Interrogatories	1-Staff-1, 1-Staff-7, 1-Staff-18, 1-Staff-19, 1-Staff-20, 2-Staff-26, 9-Staff-202, 9-Staff-203, 9-Staff-205, 9-Staff-206, 9-Staff-208, 9-Staff-209, 9-Staff-210, 9-Staff-211, 9-Staff-213, 9-Staff-217, 9-Staff-218, 9-Staff-220, 9-Staff-221, 1-CCC-2, 9-CCC-68, 9-CCC-69, 9-CCC-70, 9-CCC-71, 9-CCC-72, 1-ED-2, 1-SEC-15, 1-SEC-16, 1-SEC-17, 9-SEC-87, 9-SEC-88, 9-SEC-92, 1.0-VECC-4, 9.0-VECC-72
Undertakings	JT1.31, JT3.10, JT3.11, JT3.12, JT3.14, JT3.19, JT3.27, JT4.4, JT4.7, JT4.11, JT4.12
Pre-Settlement	
Supporting Parties	BOMA, CAFES, CCC, CCMBC, DRC, ED, EP, PP, SEC, VECC

## H. STUDIES, REPORTS AND OTHER COMMITMENTS

For the purposes of settlement, and further to the terms of settlement described in Parts E, F and G above, the Parties agree to the following:

- General commitments:** Hydro Ottawa confirms that its DSP and its proposed execution is in alignment with the City of Ottawa’s (i) Climate Change Master Plan, (ii) Energy Evolution: Ottawa’s Community Energy Transition Strategy, and (iii) related climate emergency declarations. Hydro Ottawa will continue to report on ongoing areas of realized cost efficiencies and distribution system planning improvements associated with its coordination with the City of Ottawa in its next CoS application. The efficiency improvements may be qualitative or quantitative. Hydro Ottawa will undertake all reasonable efforts to collaborate with IESO, the City of Ottawa, and other relevant stakeholders to support eDSM program delivery within its service territory. Hydro Ottawa will take all reasonable efforts to maximize participation in eDSM programs, including providing customers support in accessing available programs, such as

solar/battery combination incentives. Hydro Ottawa will report on its efforts and results at the next CoS application.

2. **DER Connection Timing** (issues: customer incentive rate setting): Hydro Ottawa shall track its performance in meeting the timeframes prescribed in the OEB's Distribution System Code ("DSC") and Distributed Energy Resources Connection Procedures ("DERCP") for connecting DERs and report on this in its next CoS application. In tracking its performance, a connection shall only be considered to be "on time" if Hydro Ottawa offered the customer a connection date within the prescribed timeframe or if the customer specifically requests an appointment outside of the prescribed timeframe.
3. **Cost-effective service upgrade alternatives** (issue: capital): Hydro Ottawa shall consider the feasibility of offering, incenting, or facilitating alternatives to customer service upgrades through equipment such as load sharing devices (e.g. a circuit pauser or smart panel) as a means to cost-effectively lower system service costs and/or customer connection costs. Hydro Ottawa will evaluate this solution against criteria for cost-effectiveness and OEB policy alignment for rate-payer funded NWS. If the solution is selected during Hydro Ottawa 's annual planning process, it will be implemented during the rate term, pending any requisite OEB approval. Hydro Ottawa shall report on its assessment of this option and associated actions in its next CoS application.
4. **DER connection capacity** (issue: capital): Hydro Ottawa shall complete its examination of the feasibility of using fast-switching protective devices to reduce or eliminate existing short-circuit constraints. If Hydro Ottawa determines the use of fast-switching devices to be feasible, and if Hydro Ottawa believes the project to be consistent with the Ministry of Energy and Mines' Integrated Energy Plan,<sup>31</sup> it will implement the solution by completing the project level investment planning in 2027; based on the project value, considering the project for inclusion through Hydro Ottawa's annual project optimization process starting in 2028; and evaluating the project through that optimization process against competing projects on an annual basis thereafter. Once initiated, it is expected to take 2-3 years to go from preliminary design to in-service.

---

<sup>31</sup> Ministry of Energy and Mines, [Energy for Generations](#), (published June 12, 2025; updated October 10, 2025).

5. **BESS distribution infrastructure** (issue: capital): Hydro Ottawa shall report on the outcomes of its BESS projects in its next CoS application, including its assessment of the feasibility of using BESS for price arbitrage as contemplated in 1-ED-6, and the outcomes thereof, if applicable.
6. **Work commitment (issue: capital)**: Hydro Ottawa shall carry out the work and activities as described in (a) Exhibit 1, Tab 3, Schedule 4, p. 8, specifically, the Non-Wires Customer Solutions Programs and Ottawa DER accelerator (ODERA) Project. Any works and activities carried out under the OEB's *Benefit-Cost Analysis Framework for Addressing Electricity System Needs* (the "BCA Framework") must be in accordance with OEB requirements. Any NWS works and activities carried out by Hydro Ottawa must abide by OEB's requirements under the BCA Framework and the OEB's *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives*.
7. **Meter replacements and DERs** (issue: capital and service charges): Hydro Ottawa shall reassess charges for meter replacements needed, including for net metering, to ensure they only include the remaining net book value of the meter being replaced and any incremental costs attributable to advancing the meter replacement date earlier than the planned replacement date.
8. **DER connection timing and costs** (issue: service charges): Hydro Ottawa shall review its DER connections practices and endeavour to reduce DER connection costs and time, while ensuring compliance with the DSC and DERCP. Hydro Ottawa shall report on the outcome of its review in its next CoS application, including a list and description of improvements it implements (if any) and a list of process changes that it considered but did not adopt, and why. All implemented improvements must comply with the DSC and DERCP.
9. **Standby rates** (issue: rate design and service charges): Hydro Ottawa shall consider rate design alternatives to standby rates, including those that differentiate between standby service being used within and outside the times of distribution system peaks. This review shall consider the goals of encouraging customers to avoid using the backup service at the time of feeder co-incident peak demand and eliminating and/or adjusting standby charges for customers who install DERs that provide net benefits to the distribution system. Hydro Ottawa shall report on the outcomes of its review in its next CoS application, including any potential alternatives.

10. **Distribution losses guideline** (issues: loss factors, operating costs, capital costs): Hydro Ottawa shall develop an internal losses guideline, which shall set out the steps to be taken to consider losses in applicable asset management and planning processes, including a methodology to calculate and account for the monetary value of distribution loss reductions. The guideline shall mandate calculating the lifetime all-in cost of conductors and transformers when considering alternative options to accurately account for trade-offs between the upfront capital costs and the savings from more efficient equipment that results in fewer losses.
11. **Distribution losses study continuation** (issues: loss factors, operating costs, capital costs): Hydro Ottawa shall undertake the next steps to study means to cost-effectively reduce losses recommended by CIMA+ in JT2.6-ED-15 and provide the outcome of that work in its next CoS application.
12. **Energy transition planning** (issue: capital): Hydro Ottawa will consider system demand and capacity to ensure its system can meet future customer and energy transition needs, including DERs. This work will be considered in the development of Hydro Ottawa's next DSP and Hydro Ottawa will provide details on the analysis and specific adjustments made in its next CoS application. This does not restrict implementing the adjustments required over this rate term.
13. **NWS/DER Stakeholder Engagement**: Hydro Ottawa will create an NWS stakeholder group, open to customers and non-customer stakeholders, including but not limited to all parties to this Settlement Proposal, to stay informed and engaged in Hydro Ottawa's NWS programs and DER-related activities. This group will engage interested stakeholders at least annually to showcase Hydro Ottawa's non-wires customer solutions (including customer programs and DERs) and to solicit feedback and input. This engagement may be in the form of customer events, focus groups, forums, or open houses, and may be in-person or virtual. NWS stakeholder group engagement activities will be advertised to customers and community groups in eligible areas, as well as through public channels where applicable.
14. **Scorecard**: Hydro Ottawa agrees to make a change to numerical targets (instead of only monitoring) for the following Scorecard metrics:
  - Customer Participation in NWS: Hydro Ottawa will develop and implement interim targets during the rate term as the NWS programs are launched and will include the interim targets

and results in the next CoS application for review. The targets are anticipated to be in place once program design is complete in 2026/2027.

- Productive Time: The target for 2026-2030 will be set at 72.5%.

15. **ULOTOU:** Hydro Ottawa will pursue reasonable opportunities to increase customer knowledge and understanding of Ultra Low Overnight Time-of-Use (“ULOTOU”) rates and Hydro Ottawa will provide an update on the number of customers changing to ULOTOU in its next CoS application.

16. **Reliability Reporting:** Hydro Ottawa will undertake a review to assess alignment of its reliability (SAIFI/SAIDI) results for the most recent five years (with and without “Loss of Supply” and “Major Events” adjustments) in accordance with RRR reporting requirements. Hydro Ottawa will file the results of the review in its next rebasing application.

## I. ATTACHMENTS

Please see the following Attachments:

- Attachment 1 - Capital Expenditures Annual Reporting Categories
- Attachment 2 - 2026-2030 Custom Performance Scorecard
- Attachment 3 - Load Forecast
- Attachment 4 - Going In, Mid-Term and Annual Rate Adjustments
- Attachment 5 - Accounting Orders

In addition, please see the following Excel Attachments:

- Attachment 6 - Chapter 2 Appendices
- Attachment 7 - 2026 Revenue Requirement Workform - Settlement Proposal
- Attachment 8 - 2027 Revenue Requirement Workform - Settlement Proposal
- Attachment 9 - 2028 Revenue Requirement Workform - Settlement Proposal
- Attachment 10 - 2029 Revenue Requirement Workform - Settlement Proposal
- Attachment 11 - 2030 Revenue Requirement Workform - Settlement Proposal
- Attachment 12 - 2026-2030 Bill Impacts Model - Settlement Proposal

- Attachment 13 - OEB Workform - 2025 Current and 2026 Proposed Tariff of Rates and Charges - Settlement Proposal
- Attachment 14 - Dry Core Calculations - Settlement Proposal
- Attachment 15 - OEB Benchmarking Forecast Model - Settlement Proposal
- Attachment 16- 2026-2030 Income Tax PILS Workform - Settlement Proposal
- Attachment 17 - 2026 Cost Allocation - Settlement Proposal
- Attachment 18 - 2027 Cost Allocation - Settlement Proposal
- Attachment 19 - 2028 Cost Allocation - Settlement Proposal
- Attachment 20 - 2029 Cost Allocation - Settlement Proposal
- Attachment 21 - 2030 Cost Allocation - Settlement Proposal
- Attachment 22 - 2026 RTSR Workform - Settlement Proposal
- Attachment 23 - Commodity Account Analysis Workform - Settlement Proposal
- Attachment 24 - DVA Workform - Settlement Proposal
- Attachment 25 - Appendix 2-AA - In Service Additions (Updated JT2.18(A))