



# Settlement Proposal Presentation

EB-2024-0115

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# Parties to the Settlement Proposal

Hydro Ottawa and the following 10 intervenors<sup>1</sup> participated<sup>2</sup> 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)

<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 (represented by the case manager, legal counsel and subject matter experts) also participated but are not a party to the Settlement Proposal

# The Custom Incentive Rate Setting Framework supports needed investments, drives efficiencies, balanced with customer affordability

## 2027-2030 Rate Framework

4 Year Forecasted Capital Related Revenue Requirements subject to:  
Stretch Factor (0.45%) & Incremental Capital Stretch Factor (0.225%)

OM&A escalated annually by Custom Revenue OM&A Factor (CROF):  
Inflation (I) – Stretch Factor (0.45%) + Growth (0.95%)

Other Revenue escalated by:  
Inflation (I) – Stretch Factor (0.45%)

2026 Cost of Service Rebasing

The agreed changes to the rate plan reduce customer total bill impacts<sup>1</sup>

## Residential Total Bill Impacts<sup>1</sup> (based on 750 kwh/month)

<u>Year</u>	<u>As Proposed</u>	<u>As Settled</u>
2026	5.47%	4.01%
2027	2.35%	1.72%
2028	2.40%	1.75%
2029	1.83%	0.92%
2030	1.71%	0.83%

<sup>1</sup> Bill Impacts use 2026 Base Year OM&A and 2.1% as a placeholder for the Annual OEB Inflation parameter.

<sup>2</sup> Non-distribution bill elements are held flat for all five years.

# Capital Expenditures and Additions

- Forward Looking Capital Funding Plan
  - Supports a safe and reliable grid while enhancing customer programs
  - Enables energy transition and growth, including 5 stations
- Capital Expenditures forecasted for 5 years
  - Estimated inflation and efficiencies
  - Reduction to be managed through project prioritization, timing and tradeoffs, considering customer needs, priorities & preferences
- Capital Additions forecasted for 5 years
  - Capital related Scientific Research and Experimental Development (SR&ED) tax credits used as customer contributions

Capital Expenditure Plan by Investment Category	2026-2030 (\$000)		Change	
	As Proposed <sup>1</sup>	Settled	\$	%
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	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>

Capital Additions Plan by Investment Category	2026-2030 (\$000)		Change	
	As Proposed <sup>1</sup>	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	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>

# Rate Framework: Deferral and Variance Accounts

## (in comparison to the previous rate framework)

- **Discontinue** historical Capital Variance Accounts
  - Provides flexibility to manage capital within a transitional environment and customer expectations
- **New** Growth Related Capital Variance Account
  - Plant relocations and upgrades, residential subdivisions, new commercial developments that enable housing development and capacity upgrades
  - Includes a 15% symmetrical deadband
- **Maintain** Connection Cost Recovery Agreement (CCRA) Account & Gain/Loss on Fixed Asset Disposal Variance Accounts
- **New** Symmetrical Non-Wires Solutions (NWS) Variance Account
- **Adjusted** Cumulative Earnings Sharing Mechanism (ESM) with performance incentive

Earnings Results	Efficiency Test Met	ESM Treatment
Below approved ROE	N/A	Borne entirely by utility/shareholder
0-150 basis points above approved ROE	Yes - Retain	Retained by utility/shareholder if the PEG cohort (adjusted by secondary lines) is maintained below cohort 5
0-150 basis points above approved ROE	No - Share	50:50 sharing between ratepayers/shareholder
Above 150 basis points	N/A - Share	50:50 sharing between ratepayers/shareholder

# Rate Framework: Capital-Related Revenue Requirement

## Return on Rate Base (5 year forecast)

- Working Capital:
  - OEB Generic WCA<sup>1</sup> factor of 7.5%
  - Annual estimated Power Purchases (utilizing revenue load forecast inclusive of electrification)
  - 2026 OM&A<sup>2</sup> escalated by CROF
- Cost of Capital:
  - Parameters<sup>3</sup> fixed for all 5 years using OEB's 2026 Cost of Capital parameters

## Depreciation/amortization set for 5 years

## Payments in Lieu of Taxes (PILs):

- Set for 5 years with no adjustments
- Accelerated CCA applied in years 2026 and 2027

## Capital Stretch Factors:

- Drives additional efficiencies and cost savings for customers

	Capital Related Revenue Requirement (CRRR) and Capital Stretch Factor (CSF) (\$000)				
	2026	2027	2028	2029	2030
Capital Additions	183,770	266,241	248,726	185,360	178,440
Rate Base	1,515,295	1,671,667	1,854,529	1,991,889	2,089,507
Return on Rate Base	90,639	99,992	110,930	119,147	124,986
Depreciation, Amortization	65,488	72,828	78,485	83,372	88,378
Payments in Lieu of Taxes (PILS)	7,674	5,644	12,331	13,420	15,963
<b>CRRR prior to CSF</b>	<b>163,801</b>	<b>178,464</b>	<b>201,747</b>	<b>215,939</b>	<b>229,327</b>
CSF: 0.45% + 0.225% = 0.675%	0.000%	0.675%	0.675%	0.675%	0.675%
CSF Annual Reduction Calculation: CRRR x CSF		1,205	1,362	1,458	1,548
<b>Annual Cumulative Reduction: Current Year + Cumulative Prior Year</b>	0	1,205	2,566	4,024	5,572

<sup>1</sup>Working Capital Allowance

<sup>2</sup>2026 Base Year OM&A and 2.1% as a placeholder for the Annual OEB Inflation parameter.

<sup>3</sup>Published October 31, 2025.

# Rate Framework: 2026-2030 Revenue Requirement and Other Elements

	2026-2030 (\$000)		Change	
	As Proposed <sup>1</sup>	Settled	\$	%
Return on Rate Base	573,435	545,695	(27,740)	(4.84)%
Distribution Expenses (OM&A) <sup>2</sup>	776,432	737,413	(39,019)	(5.03)%
Amortization	409,755	388,552	(21,203)	(5.17)%
Payments in Lieu of Taxes (PILs)	50,627	55,032	4,405	8.70%
PILs Accelerated Contribution	10,554	-	(10,554)	(100.00)%
<b>Service Revenue Requirement</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)	
<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)%
<b>Revenue Requirement from Rates</b>	<b>1,765,646</b>	<b>1,682,867</b>	<b>(82,779)</b>	<b>(4.69)%</b>

<sup>1</sup> As updated per Exhibit 10.

<sup>2</sup> 2026 Base Year OM&A (including property Taxes) is not settled and numbers reflect as proposed; 2027-2030 are reflective of the settled CROF formula applied to the 2026 proposed amount and the use of 2.1% as a placeholder for the Annual OEB Inflation parameter.

- 5 Year Revenue Load forecast
  - Incorporates growth and electrification in line with capital spending
- 5 Year Cost Allocation and Rate Design methodology to:
  - Finalize Standby Rates to 2025
  - Establish new Standby rates starting 2026
- Other Revenue escalated annually by Inflation minus Stretch Factor
  - OEB Inflation to be updated annually
  - Stretch Factor set for 4 years
  - Specific Service Charges embedded in Other Revenue set for 5 years
- January 1, 2026 effective date

# Rate Framework: Annual Reporting

RRF Outcome	OEB Reporting Category	Hydro Ottawa Custom Measures	Target
Customer Focus	Customer Satisfaction	Contact Centre Satisfaction – Transactional Feedback	85%
		Percentage of Online Billing Accounts	80%
		Customer Participation in Non-Wires Solutions	Monitor <sup>1</sup>
Operational Effectiveness	Safety	All Injury Frequency Rate	Reduce
		Lost Workday Severity Rate	Reduce
	System Reliability & Resilience	Percentage of Distribution Assets in Poor/Very Poor Condition	Monitor
		Percentage of Distribution Assets Reaching End of Life	≤65%
		Feeders Experiencing Multiple Sustained Interruptions	≤10
		Worst Performing Feeders	≤6
		Station Load Index (4 or 5)	0
		Incremental System Capacity	577 MVA
	Cyber Security Readiness	Cyber Security Program Health	Green
		Cost Control	Productive Time
	Labour Allocation		Maintain
OM&A per Customer	Monitor		
Public Policy Responsiveness	Environment	Scope 1 Greenhouse Gas Emissions	Reduce
		Scope 2 Greenhouse Gas Emissions	Monitor
		Annual Oil Spills & Costs of Remediation	Reduce
		Non-Hazardous Waste Diversion Rate	Maintain
		Percentage of Green Suppliers	Maintain
Financial Performance	Financial Metrics	Bad Debt as a Percentage of Total Electricity Revenue	Monitor

## Capital Expenditure Annual Reporting Categories and Corresponding Budget Programs:

- **System Access** - Plant Relocation & Upgrade, Customer Connections, System Expansion, Generation Connections, Metering
- **System Renewal** - Stations and Buildings Infrastructure Renewal, OH and UG Distribution Asset Renewal, Metering Renewal, Corrective Renewal
- **System Service** - Capacity Upgrades, Distribution Enhancements, Station Enhancements, Grid Technologies, Field Area Network, Control and Optimization
- **General Plant** - Meter to Cash, Customer Engagement Platform, Enterprise Solutions, Infrastructure & Cyber Security, Tools, Facilities, Fleet Replacement



<sup>1</sup> Hydro Ottawa will develop and implement interim targets once program design is complete, and will include the interim targets and results in the next rebasing application for review

# Rate Framework: Studies, Reports and Other Commitments<sup>1</sup> <sup>9</sup>



## General<sup>2</sup>

Commitment to collaborate with the City of Ottawa, IESO and other stakeholders to support climate goals and eDSM programs, including solar/battery incentives



## Energy transition planning\*

Consider system demand and capacity to ensure ability to meet future customer and energy transition needs



## Meter replacements and DERs

Re-assess charges for meter replacements



## DER Connection Timing\*

Continue to track performance per Distribution System Code with clarification of what constitutes "on time"



## Scorecard

Develop and implement Customer Participation in NWS interim targets\* and set a Productive Time target of 72.5%



## Distribution losses guideline

Develop an internal losses guideline as agreed



## Cost-effective service upgrade alternatives\*

Consider feasibility to offer, incent, or facilitate alternatives to customer service upgrades through equipment such as load sharing devices



## DER connection timing/costs\*

Review practices and endeavour to reduce time/costs



## NWS/DER Stakeholder Engagement

Create an NWS stakeholder group



## DER connection capacity

Complete examination of fast-switching devices and take next steps for implementation as agreed



## Loss Study\*

Support next steps to study cost-effective means for reducing losses



## Reliability Reporting\*

Assess alignment of reliability<sup>4</sup> results with RRR reporting



## BESS<sup>3</sup> distribution infrastructure\*

Report on outcomes of BESS projects, including feasibility of using for price arbitrage



## ULOTOU\*

Pursue reasonable opportunities to increase customer knowledge of rates



## Work commitment

Alternative investments, Non-Wires Customer Solutions Programs & Ottawa DER accelerator (ODERA). BCA Projects per OEB requirements



## Standby Review\*

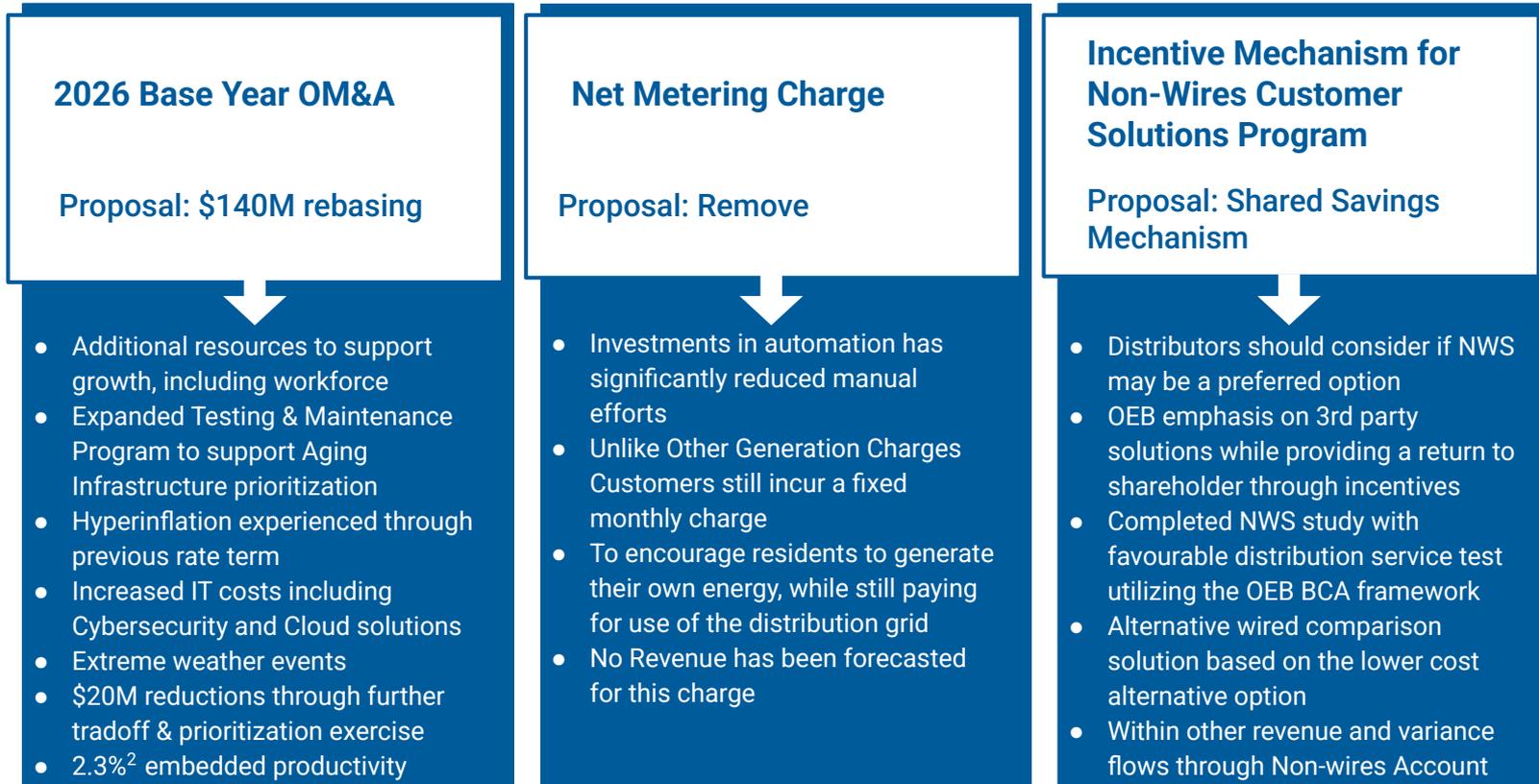
Commitment to review standby rate designs that differentiate by system peak and reward beneficial DER installations

<sup>1</sup> Visual design and layout assisted by AI Beautify' tool

<sup>2</sup> An asterisk indicates a reporting requirements in Hydro Ottawa's next Cost of Service Application

<sup>3</sup> Battery Energy Storage System (BESS)

<sup>4</sup> System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI)



<sup>1</sup>. The remaining fully or partially unsettled issues, are only unsettled insofar as they relate to the above matters.

<sup>2</sup>. As calculated in the Original Evidence.

# Annual Update Applications (Years 2 to 5)

- Hydro Ottawa intends to structure annual applications similar to previous CIR update applications
  - Outline follows rebasing structure for ease of review and understanding

	Set for 5 years with No Adjustments	Update 2027-2030 for OEB Inflation Parameter	Other Annual Updates
<b>Revenue Requirement Elements</b>	<ol style="list-style-type: none"> <li>1. Capital Inputs for Rate Base</li> <li>2. Depreciation &amp; PILs</li> <li>3. OM&amp;A Productivity &amp; Growth</li> <li>4. Capital Stretch Factor</li> <li>5. Cost of Capital Parameters</li> <li>6. 5 Year Load Forecast</li> <li>7. 5 Year Cost Allocation method</li> <li>8. Specific Service Charges</li> <li>9. Cost of Power Working Capital and 7.5% allowance</li> <li>10. Other Revenue Formula</li> </ol>	<ol style="list-style-type: none"> <li>1. OM&amp;A, impacts               <ol style="list-style-type: none"> <li>a. Working Capital OM&amp;A</li> <li>b. Rate Base</li> <li>c. Cost of Capital</li> </ol> </li> <li>2. Other Revenue</li> <li>3. Cost Allocation and Rate Design updated for OM&amp;A and Other Revenue Impacts</li> </ol>	<ol style="list-style-type: none"> <li>1. Retail Transmission Service Rates</li> <li>2. Low Voltage Rates</li> <li>3. Deferral and Variance Accounts (DVA), dispose per OEB guidelines</li> <li>4. OEB Generic Pole Attachment Rate</li> <li>5. Retailer Service Charges</li> <li>6. Standard Supply Service Charge</li> <li>7. Wholesale Market Service Rate</li> </ol>
<b>Supporting Evidence</b>	<ul style="list-style-type: none"> <li>● Settlement Proposal and Attachments, Final Decision and other application evidence</li> </ul>	<ul style="list-style-type: none"> <li>● Annual OEB Inflation Parameter</li> <li>● Revenue Requirement Workform</li> <li>● PILs Workforms (not adjusted)</li> <li>● Cost Allocation Model</li> <li>● Drycore Calculations</li> <li>● Bill Impacts Model &amp; Rate Orders</li> </ul>	<ul style="list-style-type: none"> <li>● RTSR Workform</li> <li>● DVA and Commodity Workforms</li> <li>● OEB Generic Decisions</li> <li>● Adjusted PEG Model</li> </ul>

**Thank you**

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