Ontario Energy Board | Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2019-0261

HYDRO OTTAWA LIMITED

Application for electricity distribution rates and other charges for the period from January 1, 2021 to December 31, 2025

BEFORE: Michael Janigan
Presiding Commissioner

Emad Elsayed
Commissioner

Robert Dodds
Commissioner

November 19, 2020

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1 INTRODUCTION AND SUMMARY

This Decision and Order responds to the application by Hydro Ottawa Limited (Hydro Ottawa) for Ontario Energy Board (OEB) approval of its electricity distribution rates to be effective January 1, 2021 to December 31, 2025.

Hydro Ottawa serves approximately 340,000 customers in the City of Ottawa and the Village of Casselman. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of licensed and rate-regulated distributors in Ontario.

The OEB's *Renewed Regulatory Framework for Electricity* (RRF)[1] and *Handbook for Utility Rate Applications* (Rate Handbook)[2] provide distributors with performance-based rate application options that support the cost-effective planning and efficient operation of a distribution network. This framework provides an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

Hydro Ottawa selected the custom incentive rate-setting (Custom IR) option that has a five-year term.

The key components of the approved Custom IR framework are listed below:

- Capital spending and operating expenses have been set for a five-year period (2021 to 2025), pursuant to specific adjustments as described below
- A Custom Price Escalation Factor (CPEF) applies to operations, maintenance and administration (OM&A) costs for the 2022-2025 period
- A Capital Stretch Factor applies to the capital-related revenue requirement for the 2022-2025 period
- An asymmetrical earnings sharing mechanism (ESM) account on a 50/50 basis with no dead band
- A Performance Outcomes Accountability Mechanism (POAM) deferral account to link the execution of certain aspects of Hydro Ottawa's distribution system plan

[1] Report of the Board – Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, October 18, 2012
[2] Handbook for Utility Rate Applications, October 13, 2016

(DSP) to the recovery of amounts included in the agreed-upon revenue requirement

- Three asymmetrical sub-accounts to record the revenue requirement impact of underspending in the System Access (excluding plant relocation and residential expansion), System Renewal/System Service, and General Plant categories. A separate symmetrical System Access sub-account to track the revenue requirement associated with either plant relocation requested by third parties or residential expansion
- Adjusting working capital allowance by the OEB's inflation factor for the 2022-2025 period
- Fixed short-term debt and long-term debt rates over the 2021-2025 period. Adopting the OEB's 2021 return on equity (ROE) for the 2021-2023 period, and updating it using the OEB's 2024 ROE for the 2024-2025 period

As part of its approved Custom IR framework, Hydro Ottawa is required to file applications annually to implement the OEB's approval of that framework for the years following this initial decision. Hydro Ottawa is also required to file certain adjustments that include pass-through costs (i.e., costs for which Hydro Ottawa does not charge a mark-up) such as those that are incurred by Hydro Ottawa for settling with the Independent Electricity System Operator on behalf of its customers.

In its Decision on Settlement Proposal and Procedural Order No.8 (PO No.8),[3] the OEB accepted the settlement proposal as filed, and advised that further written reasons for accepting the settlement proposal would be provided at a later date. Those further reasons are set out in this Decision and Order.

With respect to the one unsettled rate design issue for the General Service (GS) > 50 to 1,499 kW, GS 1,500 to 4,999 kW, and Large Use classes, the OEB finds that in years where maintaining the current fixed/variable revenue split results in a higher fixed charge than the previous year, Hydro Ottawa shall maintain the fixed charge at the previous year's level. In years where maintaining the current fixed/variable revenue split results in a lower fixed charge than the previous year, Hydro Ottawa shall maintain the fixed charge at that lower value.

[3] Decision on Settlement Proposal and Procedural Order No.8, October 2, 2020.

Hydro Ottawa shall provide bill impacts for all customer classes reflecting the OEB's findings in this Decision and Order, as part of the Draft Rate Order.

2 THE PROCESS

Hydro Ottawa filed a five-year Custom IR application (the Application) with the OEB on February 11, 2020 under section 78 of the *Ontario Energy Board Act*, *1998* (OEB Act), S.O. 1998, c. 15, seeking approval for changes to the rates that Hydro Ottawa charges for electricity distribution, beginning January 1, 2021, and for each following year through to December 31, 2025.

The OEB has received 15 letters of comment from individuals. The OEB took these letters into consideration during the evaluation of the Application and placed them on the public record for this proceeding.

The OEB issued a Notice of Hearing on March 4, 2020 inviting parties to apply for intervenor status.

The OEB granted intervenor status and cost award eligibility to the following parties:

- Building Owners and Managers Association (BOMA)
- Consumers Council of Canada (CCC)
- Distributed Resource Coalition (DRC)
- Environmental Defence (ED)
- Energy Probe Research Foundation (EPRF)
- Pollution Probe (PP)
- School Energy Coalition (SEC)
- Vulnerable Energy Consumers Coalition (VECC)

Procedural Order No. 1 was issued on March 31, 2020, setting out the interrogatory process and providing for the filing of expert evidence.

Hydro Ottawa filed an updated Application accounting for 2019 actual financial information on May 5, 2020.

OEB staff retained Pacific Economics Group Research LLC (PEG) and filed expert evidence on total cost benchmarking and Hydro Ottawa's proposed Custom IR plan on June 19, 2020.

The OEB issued its Decision on the Issues List and Procedural Order No. 3 on June 22, 2020,[4] and made provision for a technical conference and a settlement conference.

Parties engaged in a discovery process with respect to both the Application and PEG's evidence through written interrogatories and responses, followed by a technical conference. The technical conference was held from July 15, 2020 to July 17, 2020, and on July 21, 2020.

A settlement conference was held from August 10, 2020 to August 14, 2020, and on August 17, 2020. Hydro Ottawa filed a settlement proposal setting out an agreement among all the parties to the proceeding on September 18, 2020. The parties to the settlement proposal are Hydro Ottawa and the approved intervenors[5] in the proceeding (the Parties).

In PO No.8 the OEB accepted the settlement proposal as filed and advised that further written reasons for accepting the settlement proposal would be provided at a later date. PO No.8 also set out deadlines for parties to file submissions and reply arguments on the unsettled issue.

In accordance with PO No.8, Hydro Ottawa filed its Argument-in-Chief on October 13, 2020. One intervenor, ED, filed submissions on October 16, 2020. OEB staff and other intervenors (BOMA, DRC, EPRF, PP, SEC and VECC) filed submissions on October 20, 2020. Hydro Ottawa filed its reply submission on October 27, 2020. PO No.8 provided for "reply submissions on any new items raised in Hydro Ottawa's reply argument". PP filed its reply submission on October 30, 2020. ED filed its reply submission on November 3, 2020.

[4] Decision on Issues List and Procedural Order No. 3, June 22, 2020.
[5] Richard Parry and Nash Smith are also approved as intervenors in the proceeding. They did not participate in the settlement conference.

3 DECISION

3.1 The Settlement Proposal

The settlement proposal addressed all issues of the OEB's approved Issues List for this proceeding and represented a comprehensive settlement with one unsettled issue. The settlement proposal contained further explanation and rationale on the specific issues for the OEB to consider.

The Parties reached a complete settlement on issues related to the Custom IR framework, revenue requirement, load forecast, cost allocation, accounting and effective date. No settlement was reached on an issue related to rate design (Issue 7.3).

Key features of the settlement proposal include:

- Effective date of the rates arising from the settlement proposal to be January 1, 2021
- A CPEF applies to OM&A costs for the 2022-2025 period. The CPEF is derived as "I minus X plus G", where I (inflation factor) is the OEB's standard Input Price Index, X (productivity factor) is the sum of the OEB's current base productivity factor of 0% and an agreed-upon stretch factor of 0.45%, and G (growth factor) is calculated as Hydro Ottawa's proposed "economies of scale" factor of 0.35 and an agreed-upon estimated average annual growth in customers of 0.97% from 2021 to 2025
- A Capital Stretch Factor applies to the capital-related revenue requirement for the 2022-2025 period. The Capital Stretch Factor is the sum of an additional stretch factor of 0.15% and the stretch factor determined in the CPEF (0.45%), for a total value of 0.6% for 2022. The Capital Stretch Factor will increase by a value of 0.6% on an annual basis for the 2023-2025 period
- An annual performance monitoring and reporting that consists of two primary elements: a Custom Performance Scorecard and updates on the progress of capital spending in key categories
- A disallowance of $12.4 million from the actual capital in-service additions over the 2016-2020 period, which results in $472.2 million in-service additions going into the 2021 opening rate base. In addition, a disallowance of $2.9 million associated with the land from the actual cost of the New Administration and

Operations Facilities, which results in $96.6 million for the New Administration and Operations Facilities going into the 2021 opening rate base

- Adjusting working capital allowance by the OEB's inflation factor for the 2022-2025 period
- A reduction of $10 million in capital additions over the term of the 2021-2025 rate plan, which results in capital additions of $555.1 million over the term
- Reporting on realized areas of cost-efficiency and coordination related to the City of Ottawa's Energy & Emission Plan (currently called "Energy Evolution") in Hydro Ottawa's next rebasing application
- Maintaining Hydro Ottawa's five-year average total distribution system line losses below the target of 3.02% between 2021 and 2025. Preparing a plan to reduce distribution losses through cost-effective measures and filing the plan with the OEB over the course of 2020-2021 and implementing as many of the cost-effective measures set out in the plan as possible in 2022-2025. With an estimated investment of up to $1.0 million, increasing the deployment of Grid Edge Volt/Var Control solution to suitable and cost-effective locations over the 2021-2025 period
- A reduction of $3.3 million in 2021 OM&A, which results in a 2021 base year amount of $90.6 million
- A revised average residential customer growth rate of 1.0% for the 2022-2025 period. No adjustments related to conservation and demand management (CDM) in the load forecast other than those related to the wind-down of the Conservation First Framework
- A new cost allocation study to be filed with Hydro Ottawa's next rebasing application on the following: a) the appropriate split between primary, secondary and services assets for cost allocation purposes; and b) the appropriate customer count and non-coincident peak split between primary and secondary for the Residential and GS < 50 kW classes
- Updating specific service charges using the "I minus X" component of the CPEF formula. Updating Retail Service Charges and the Access Power Poles – Wireline charge per OEB's decisions

- Updating short-term debt and long-term debt rates using the OEB's 2021 Cost of Capital parameters for 2021. Fixing the short-term debt and long-term debt rates at the 2021 values over the 2022-2025 period. Adopting the OEB's 2021 return on equity (ROE) for the 2021-2023 period, and updating it using the OEB's issued 2024 ROE for the 2024-2025 period

- An asymmetrical ESM account for the purpose of sharing with ratepayers any earnings exceeding Hydro Ottawa's approved regulatory ROE, on a 50/50 basis with no dead band

- A POAM deferral account to link the execution of certain aspects of Hydro Ottawa's distribution system plan to the recovery of amounts included in the agreed-upon revenue requirement

- Three asymmetrical sub-accounts to record the revenue requirement impact of underspending in the System Access (excluding plant relocation and residential expansion), System Renewal/System Service, and General Plant categories. A separate symmetrical System Access sub-account to track the revenue requirement associated with either plant relocation requested by third parties or residential expansion

- Using the Bad Debt sub-account only as of January 1, 2021 among the five sub-accounts established by the OEB on a generic basis to record impacts arising from the COVID-19 emergency

OEB staff filed submissions supporting the Parties' agreement on the settled issues as documented in the settlement proposal.

OEB staff made submissions on key features of the settlement proposal, including the Custom IR framework, the 2021-2025 capital expenditures, and the OM&A costs.

Custom IR Framework

Custom IR Plan

With respect to the Custom IR framework, OEB staff noted that this is Hydro Ottawa's second consecutive Custom IR plan. In its decision and order with respect to Toronto Hydro-Electric System Limited's second Custom IR plan, the OEB cautioned the utility

that the need for a subsequent Custom IR plan would be carefully scrutinized and that other rate-setting options should be considered.[6]

OEB staff submitted that the same caution and guidance should also be applicable to Hydro Ottawa. Hydro Ottawa should be expected to fully consider all rate-setting options and to support any significant capital expenditures by its DSP proposal in its next rebasing application.

Capital Stretch Factor

Regarding the Capital Stretch Factor, OEB staff noted that the factor was designed to incentivize productivity savings and continuous improvement in Hydro Ottawa's 2021-2025 capital programs. However, OEB staff noted that the factor applies to the capital-related revenue requirement and not directly to capital expenditures or capital additions. Therefore, achievements of capital-related productivity gains are not guaranteed.

In the absence of realized productivity savings, the Capital Stretch Factor would act as a temporary reduction to the revenue requirement and associated rates. OEB staff submitted that Hydro Ottawa should be required to file evidence at its next rebasing application (expected for 2026 rates) documenting its efforts and achievements with respect to productivity improvements on its capital programs and projects undertaken during the 2021-2025 term.

ESM Account

OEB staff noted that the agreed-upon ESM would operate in a way that under-earnings would offset, in whole or in part, over-earnings. It is only net over-earnings at the end of the plan term which would be distributed 50:50 between shareholders and ratepayers, and this would occur after the end of the 2021-2025 plan term.

In addition, having no deadband provides less incentive to the utility to pursue significant productivity improvements that could result in over-earnings. In OEB staff's view, there are preferable ESM designs that would incentivize improved productivity performance and equitably share realized benefits between shareholders and ratepayers. However, OEB staff supported the agreed-upon ESM and submitted that the proposal does act like an ESM in the context of established OEB policy.

[6] EB-2018-0165, Decision and Order, December 19, 2019, page 24.

POAM Proposal

The POAM proposal is new and unique. OEB staff submitted that the POAM proposal is consistent with the spirit of the OEB's RRF policy. In OEB staff's view, certain performance metrics in the agreed-upon POAM proposal are generally consistent with the OEB's current initiative for Activity and Program-Based Benchmarking with respect to unit cost,[7] and that the POAM results may be informative for that consultative initiative.

2021-2025 Capital Expenditures

OEB staff supported the agreed-upon $10 million reduction to 2021-2025 capital expenditures on an envelope basis. OEB staff made submissions on two specific capital programs, the Enterprise Resource Planning (ERP) system and the MiGen program.

ERP System (Capitalization of Cloud Computing Costs)

Hydro Ottawa launched a human resource software module on a cloud-based platform (called Workday) in 2018 and integrated Workday with its existing ERP system. Implementation costs related to the cloud-based Workday are reflected in Hydro Ottawa's 2021 opening rate base.

For the 2021-2025 rate term, Hydro Ottawa proposed to capitalize some integration-related, non-recurring cloud computing costs associated with its ERP system.

OEB staff submitted that, in the absence of regulatory accounting policy specific to the treatment of the cloud-based costs, OEB staff supported regulatory accounting treatment that aligns with Hydro Ottawa's financial reporting standards under International Financial Reporting Standards. OEB staff submitted that such treatment does not represent an explicitly stated view of the OEB and should not be interpreted as OEB policy on this matter.

MiGen Program

Regarding the MiGen program, OEB staff recognized merits in the project and noted that it only accounts for about 0.4% of the proposed capital expenditures over 2021-2025. However, OEB staff submitted that it is unable to determine whether, or the extent

[7] EB-2018-0278

to which, these activities in MiGen program constitute distribution activities under s. 71 of the OEB Act.

OEB staff supported the agreed-upon MiGen project with a limited budget of $2.2 million over the 2021-2025 period.

OEB staff also supported the Parties' proposal that Hydro Ottawa report all parameters and metrics (including the project's impact on reliability, customer costs/savings, generation, electric vehicle penetration, line losses, and potential costs and savings from any proposed future expansion of the pilot after 2025) in its next rebasing application.

OEB staff noted that the role of distributors with respect to distributed energy resources (DER) integration is one of the issues being explored in the OEB's Utility Remuneration and Responding to DERs consultations.[8] OEB staff noted that there may be additional value in Hydro Ottawa, which has participated in the consultations to date, sharing information gleaned from its MiGen initiative in these consultations, as appropriate, at an earlier date than its next rebasing, as part of future steps on these policy development initiatives.

2021 OM&A

OEB staff supported the revised 2021 OM&A budget of $90.6 million. The Parties reached an agreement on the OM&A budget using an envelope approach without specific approval of the $0.2 million for CDM positions included in the budget.

OEB staff noted that the OEB's current policy is that costs attributable to the delivery of CDM programs (i.e., staff labour dedicated to such programs) must not be included in the revenue requirement to be recovered through distribution rates.[9]

Although OEB staff has concerns with the inclusion of CDM staffing costs in the OM&A budget, OEB staff did not oppose the agreed-to OM&A budget in light of the OM&A envelope reduction that was agreed to by the Parties and the immateriality of CDM staffing costs as part of the OM&A budget.

[8] EB-2018-0287 & EB-2018-0288
[9] *Chapter 2 Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications*, May 14, 2020, section 2.4.6.

Findings

As stated in PO No.8, the OEB accepts the settlement proposal as filed. The OEB concludes that implementation of the settlement proposal should result in reasonable outcomes for both Hydro Ottawa and its customers. The OEB has the following specific comments on certain aspects of the settlement proposal.

- The OEB finds that the estimated rate and bill impacts in each rate class, resulting from the settlement proposal, would be reasonable.
- The effective date of the rates arising from the settlement proposal of January 1, 2021, is appropriate.
- Reductions in Hydro Ottawa's proposed capital additions and OM&A spending, combined with increased ratepayer protection features in the settlement proposal, are reasonable.
- The OEB is encouraged by Hydro Ottawa's commitment to complete upgrades to its asset condition and prioritization processes as well as to pursue further actions to reduce distribution line losses through cost effective measures over the 2021-2025 plan term.

The OEB agrees with OEB staff about requiring Hydro Ottawa to do the following in future applications.

- Any future Custom IR application needs to be justified and the OEB needs to be satisfied that other rate-setting options have been considered.
- Hydro Ottawa's efforts and achievements with respect to productivity improvements in its capital programs and projects, undertaken during the 2021-2025 term, should be reported as part of Hydro Ottawa's next rebasing application.

3.2 The Unsettled Issue (Issue 7.3)

In its Decision on Issues List and Procedural Order No. 3,[10] the OEB defined Issue 7.3 as follows:

[10] Decision on Issues List and Procedural Order No. 3, June 22, 2020.

Issue 7.3 Are Hydro Ottawa's proposals for rate design (including, but not limited to, fixed /variable split, loss factors, retail transmission service rates, low voltage charges, generator charges including MicroFIT, retail service charges, specific and other service charges) appropriate?

3.2.1 Background

The Parties agreed that Hydro Ottawa's proposals under Issue 7.3, as modified in the settlement proposal, are appropriate, except for one unsettled element. The unsettled element relates to the proposed fixed/variable rate design for three commercial customer classes: GS > 50 to 1,499 kW, GS 1,500 to 4,999 kW, and Large Use.

The OEB's cost allocation model produces the lower and upper bounds of fixed charges to target for each customer class. The avoided cost is defined as the minimum fixed charge supported by the cost allocation model, which is commonly referred to as the floor. The minimum system with peak load carrying capability adjustment is defined as the maximum fixed charge supported by the cost allocation model, which is commonly referred to as the ceiling.

The current (2020) fixed charges for all three rate classes are above the ceiling as calculated by the OEB's cost allocation model.

For the 2021 test year, Hydro Ottawa used the OEB's cost allocation model to allocate revenue requirement to customer classes. Fixed charges for these three commercial classes resulting from the cost allocation model would further exceed the ceiling. For the purpose of rate design, Hydro Ottawa proposed to maintain the current fixed charges and adjust the variable charges accordingly for these three commercial classes.

Hydro Ottawa did not prepare a cost allocation model for the 2022-2025 rate years. For the purpose of rate design, Hydro Ottawa proposed to increase the fixed charges by inflation and maintain the fixed/variable split as close as possible in recovering revenue requirement. However, if the following year's percentage of revenue requirement from the fixed charge being maintained would result in a lower fixed charge, Hydro Ottawa proposed to maintain the previous year's fixed charge for that class. As such, the proposed fixed charge for the GS 1,500 to 4,999 kW class has been held constant for

2024-2025 and the fixed charge for the Large Use class has been held constant for 2023-2025.[11]

As a result, the proposed fixed charges for all three rate classes remain above the ceiling as calculated by the OEB's cost allocation model in each of the test years.

3.2.2 Submissions by Hydro Ottawa, OEB Staff, and Interested Parties

In its Argument-in-Chief (AiC) and reply argument, Hydro Ottawa asserted that its proposal for 2021 fixed and variable charges and of holding the fixed and variable splits over 2022-2025 generally at the 2021 levels for the three commercial classes is appropriate. In its reply argument, however, Hydro Ottawa stated that it is not averse to holding fixed charge for these three commercial classes constant for the rate term.

OEB staff and intervenors had various positions on the unsettled issue.

OEB staff submitted that the fixed charges should remain at their present, 2020 levels for the 2021-2025 Custom IR term in the GS > 50 to 1,499 kW, GS 1,500 to 4,999 kW, and Large Use rate classes.

VECC submitted that fixed charges should be maintained at the previous year's level unless the application of Hydro Ottawa's standard approach to rate design (i.e., maintaining the current fixed/variable revenue splits) results in a lower fixed charge. In such circumstances, the fixed charge should be lowered accordingly.

SEC made similar submissions to those of VECC on the fixed charges for these three commercial classes.

SEC identified two concerns with Hydro Ottawa's proposal. First, the OEB policy of not increasing the fixed charge further above the ceiling should be applied to the entire Custom IR term, and not just the initial year of the term (i.e., 2021). Second, regarding the proposal of maintaining the fixed charge in years that would otherwise result in a reduction, SEC submitted that the proposal should be rejected because it is unfair to those customers who should get the benefit of natural reduction of fixed charge, derived

[11] Hydro Ottawa clarified in its reply argument that an oversight occurred as a result of changes to the cost structure at the settlement proposal stage of the proceeding, as such, the illustrative fixed charges for the GS 1,500 to 4,999 kW ($4,239.79), and Large Use ($15,287.33) rate classes should have been held at the higher value for one more year of the rate term.

from Hydro Ottawa's approach of rate adjustments caused by increases in customer count and demand.

ED, BOMA, DRC and PP argued that Hydro Ottawa should begin lowering its fixed charges. ED submitted that lowering fixed charges would result in positive benefits: increased fairness, lower energy bills, lower carbon emissions, and increased consistency with OEB directions and cost causality principles.

EPRF stated that its supporters are not in commercial classes and accordingly it takes no position regarding the unsettled rate design issue.

Summary of considerations in support of the submissions

In general, the parties' various arguments derive from one or more of the following four main considerations:

- OEB Policy
- Cost Causality and Just and Reasonable Rates
- Economic Efficiency and Lower Carbon Emissions
- Bill Impact and Rate Stability

OEB Policy

The Current OEB Policy on Fixed Charge Rate Design

OEB staff and intervenors identified the current OEB policy on fixed charge rate design. The OEB *Report of the Board - Application of Cost Allocation For Electricity Distributors* (2007 Cost Allocation Report) states:

> The Board does not expect distributors to make changes to the MSC[12] that result in a charge that is greater than the ceiling as defined in the Methodology for the MSC. Distributors that are currently above this value are not required to make changes to their current MSC to bring it to or below this level at this time.[13]

[12] Monthly Service Charge
[13] EB-2007-0667, Report of the Board – Application of Cost Allocation For Electricity Distributors, November 28, 2007, pp. 12-13.

This has also been addressed in the OEB's *Filing Requirements for Electricity Distribution Rate Applications* (Filing Requirements) which state:

> If a distributor's current fixed charge for any non-residential class is higher than the calculated ceiling, there is no requirement to lower the fixed charge to the ceiling, nor are distributors expected to raise the fixed charge further above the ceiling for any non-residential class.[14]

VECC submitted that there are two parts to the direction as set out in the 2007 Cost Allocation Report and the OEB's Filing Requirements. First, there is no requirement to lower the fixed charge to the ceiling in circumstances that a non-residential class' fixed charge is higher than the ceiling. Second, the OEB does not expect distributors to raise the fixed charge further above the ceiling for any non-residential class.

ED stated that Hydro Ottawa has misinterpreted the OEB's policy as being an approval of fixed charges, regardless of how high they are, for an indefinite period.

OEB staff noted that Hydro Ottawa has proposed to increase its fixed charges in some of the years over the five-year term, and that this is contrary to the guideline to not raise the fixed charge further above the ceiling.

OEB's Policy on Residential Rate Design

In 2015, the OEB issued a policy to transition residential rates to a fully fixed structure beginning in 2016.[15] Hydro Ottawa noted that the OEB has agreed that the delivery system operated by distributors is essentially fixed in nature for residential customers. Hydro Ottawa's residential distribution charge became fully fixed as of January 1, 2020. Hydro Ottawa pointed out that the fixed charge for its residential customers is above the ceiling as calculated by the OEB's cost allocation model.

ED and VECC argued that the OEB's approach to residential rate design does not provide any precedent or direction with respect to the rate design for larger industrial and commercial customers.

[14] Ontario Energy Board Filing Requirements For Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications- Chapter 2, section 2.8.1.
[15] OEB Policy – "A New Distribution Rate Design for Residential Electricity Customers." EB-2012-0410, April 2, 2015.

ED also stated that compared to residential customers, distribution rates act as a clearer price signal for commercial and industrial customers since they are charged based on demand and many of them actively manage their demand to reduce electricity costs.

Hydro Ottawa clarified in its reply argument that in referring to the residential rate design policy, it intended to point out that the calculated ceiling for the residential class has not been adjusted in the cost allocation model to reflect the new policy. Hydro Ottawa stated that it does not believe that the fully fixed residential rate design implies approval of higher or fully fixed charges for commercial and industrial rate classes. Hydro Ottawa asserted that the ceiling rate calculations in the cost allocation model should be adjusted to better reflect the customers' use of the grid prior to requiring it to reduce fixed charges.

The OEB's Ongoing Consultation on Commercial and Industrial Rate Design

Hydro Ottawa noted that the issue of fixed/variable charge rate design is being considered as part of a broader OEB consultation.[16] Hydro Ottawa suggested that this policy issue be dealt with in a generic manner and not as part of Hydro Ottawa's application.

ED submitted that there is no need to wait for results from the generic consultation on commercial and industrial rate design. ED stated that Hydro Ottawa's customers should not be locked into another five years of excessive fixed rates.

In response to ED's comment that the consultation has taken too long and that Hydro Ottawa should move toward the ceiling now, Hydro Ottawa stated that the suggestion presupposes the outcomes of the consultations and relies on a cost allocation methodology that has not been adjusted for significant industry changes.

Hydro Ottawa also stated that the OEB's ongoing consultation reflects a potential change in rate design philosophy for commercial and industrial customers.

[16] EB-2015-0043, Rate Design for Electricity Commercial and Industrial Customers.

SEC noted that the OEB staff report filed as part of the consultation appears to indicate that there should be no changes to the basis for fixed charge, rate design, and allocations for commercial and industrial customers.[17]

VECC cautioned that the consultation is still ongoing and the outcome is unknown. As such, prejudgment of the outcome, particularly when it changes current policy, should not be used as a basis for justifying Hydro Ottawa's proposal of further increasing fixed charges above the ceiling.

Cost Causality and Just and Reasonable Rates

Cost Causality

Hydro Ottawa noted that the basis for its development of monthly fixed charges predates the inception of the OEB's cost allocation model. Hydro Ottawa stated that the OEB's cost allocation model represents an approach to defining customer-driven costs, but does not adequately account for all customer-related costs. In Hydro Ottawa's view, the monthly service charge represents the cost of maintaining the customer's use of the distribution system and goes beyond the cost of billing and collecting. For example, Hydro Ottawa estimated that the monthly fixed charge would increase by approximately $4,700 for the Large Use class if additional customer-driven costs were included.

ED and VECC argued that Hydro Ottawa's criticism about the OEB's cost allocation model were raised in its AiC and have not been probed by intervenors.

In its reply argument, Hydro Ottawa clarified that by pointing out that additional customer-driven costs should be considered in the cost allocation model, it intends to advocate that additional analysis should be considered if the OEB were to deviate from its current policy. Hydro Ottawa further reiterated that such discussions should take place in the context of a broader generic consultation.

In its submission, ED asserted that it is not fair for customers who have lower electricity demand to pay high monthly fixed charges above the ceiling, especially those who made efforts to reduce demand through energy efficiency or load shifting because they are paying more than their fair share and are not adequately compensated for the benefits they provide to the distribution system.

[17] Staff Report to the Board: *Rate Design for Commercial and Industrial Electricity Customers, Rates to Support an Evolving Energy Sector.* EB-2015-0043, February 21, 2019.

In its reply submission, ED reiterated that Hydro Ottawa's proposal is unfair to customers with demand in the lower range of each class. ED estimated that a typical Large Use customer with demand in the lower range would pay $900,000 in what ED considered to be excess charges over five years.

Just and Reasonable Rates

Hydro Ottawa explained that its historical fixed charges were designed to value the connection to the grid and to acknowledge assets that are held for customers regardless of their use.

Hydro Ottawa submitted that the distribution system is dependent on long lived assets that do not rapidly change over time and it is therefore unnecessary to engage in justifying the rate structure at every application. Once distribution assets are in place, in most cases they will remain as part of the grid regardless of customers' decreased load.

To support its proposed rate design for the 2022-2025 rate years, Hydro Ottawa referred to the OEB's Chapter 3 Filing Requirements, where the OEB states that the annual inflation adjustment to rates should be applied uniformly to fixed and variable distribution rates across all customer rate classes. Hydro Ottawa stated that its proposed rate design for 2022-2025 was intended to follow rate design of a typical incentive rate-setting mechanistic term.

Hydro Ottawa identified other distributors that have maintained fixed charges above the ceiling for some or all of their commercial customer classes above 50 kW. The comparators include Toronto Hydro-Electric System Limited and Alectra Utilities Corporation. Hydro Ottawa noted that its fixed/variable splits are not out of line compared to other distributors. Hydro Ottawa stated that its proposed rates are closer to the ceiling than many other distributors in the cohort presented in the AiC and it is currently collecting a smaller proportion of revenues through the monthly fixed charge than many of its peers.

VECC stated that the overall rate levels for customers in similar rate classes vary from utility to utility, and differences in the actual distribution systems will give rise to differences in cost structure. Therefore, VECC submitted that the comparison with other distributors' fixed/variable charges is not particularly useful in determining or justifying Hydro Ottawa's proposed fixed charges.

Economic Efficiency and Lower Carbon Emissions

ED submitted that lowering fixed charges would incentivize positive customer behavior, such as increasing energy efficiency, shifting load off the peak, and pursuing DERs. ED stated that although distribution rates are only a portion of overall energy costs to customers, price signals could have an impact on customer behavior at the margin.

ED submitted that these actions would help to reduce carbon emissions. ED stated that rate design is a relatively cheap form of CDM approach to incentivize conservation behavior.

DRC concurred with ED's submission and supported rate design measures that enhance efficiency and provide accurate price signals for DERs.

In response to ED's comment that lowering fixed charges would bring benefits of lower carbon emissions, Hydro Ottawa stated that load shifting and load shaving impact the distribution grid differently than the provincial grid. Load shifting without peak shaving would not reduce the distribution portion of a customer's bill. Hydro Ottawa explained that distribution rates are charged on the basis of the monthly peak. Regardless of the time of day, the distribution charge is not a consideration when assessing the value of shifting load off the peak unless the peak is also curtailed.

In response to intervenors' arguments that appropriate rate design is a cheap form of CDM, Hydro Ottawa stated that compared to the distribution portion of the bills, the supply charge for electricity provides the greatest opportunity for customers to realize savings through conservation initiatives. Hydro Ottawa further noted that CDM impacts are also being considered by the OEB as part of the Commercial and Industrial Rate Design consultation.

Bill Impact and Rate Stability

Hydro Ottawa noted that should a rate structure be ordered as part of this proceeding that is different from Hydro Ottawa's historical rate design structure, Hydro Ottawa's commercial customers could be subject to multiple distribution rate designs in a relatively short period of time. This could result in customers experiencing fluctuations in their bills and potential temporary increases and decreases related to different rate design, which could lead to customer confusion and dissatisfaction.

OEB staff referred to the principle of rate stability as one of the attributes of a sound rate structure as advocated by James C. Bonbright. Specifically, Dr. Bonbright explained

that “Stability and predictability of the rates themselves, with a minimum of unexpected changes seriously adverse to rate-payers and with a sense of historical continuity.”[18]

In its reply argument, Hydro Ottawa provided bill impact analysis for the scenario that fixed charge for commercial classes is reset to the ceiling. Hydro Ottawa explained that customers with higher demand within the class would see increases to their bills while customers with lower demand could see decreases. Although the results show that no one customer class’s bill impact would exceed the 10% threshold, Hydro Ottawa stated that it would still be prudent to consider a mitigation plan that phases in the change over a number of years should Hydro Ottawa be directed to proceed with the move to the ceiling. Hydro Ottawa noted that a similar approach was applied when the residential rate design policy was implemented, where both a percentage of total bill and a dollar threshold was established.

In its reply argument, Hydro Ottawa stated that it has focused on maintaining continuity in its rate design approach for fixed and variable charges to maintain rate stability.

Hydro Ottawa reiterated in its reply argument that should a different rate structure be ordered in this proceeding, its commercial customers could be subject to multiple rate designs in a relatively short period of time. Hydro Ottawa also noted that no consultation or communication on a proposed change in rate design has been provided to customers as part of this proceeding. Hydro Ottawa suggested that no adjustment should be made effective January 1, 2021.

Hydro Ottawa also submitted that it is not an appropriate time to introduce a new rate design policy to commercial customers given the ongoing impacts of COVID-19. Moving away from the existing rate design could have significantly negative impacts on some customers.

3.2.3 Findings

The OEB’s findings are set out concerning the determination of the results of each of the policy considerations cited in the submissions of Hydro Ottawa, OEB Staff and the interested parties.

[18] Bonbright, James C., Principles of Public Utility Rates, 1988, page 383.

OEB Policy

The OEB Policy states that "The Board does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined in the methodology for the MSC. Distributers that are currently above this value are not required to make changes to their current MSC to bring it to or below this level at this time."

The OEB Filing Requirements state "If a distributor's current fixed charge for any non-residential class is higher than the calculated ceiling, there is no requirement to lower the fixed charge to the ceiling, nor are distributors expected to raise the fixed charge further above the ceiling for any non-residential class."

The OEB does not interpret either of these statements to mean that a fixed charge which is currently above the ceiling cannot be reduced. These statements simply state that, in such a scenario, there is no requirement to bring the fixed charge to or below the ceiling.

Hydro Ottawa's current fixed charges for 2020 are already significantly above the calculated ceiling. In Hydro Ottawa's application, its standard approach to rate design of maintaining the current fixed/variable split for each customer class resulted in some fixed charges going further above the ceiling for all three customer classes in some years which is contrary to OEB's Policy and Filing Requirements. In Hydro Ottawa's reply argument, it stated that it would not be averse to holding the monthly fixed service charge constant in those cases for the rate term.

Also, Hydro Ottawa's approach was that, for 2021, if the calculated fixed charge based on its standard approach is above the ceiling, it would maintain it at the 2020 level. The OEB agrees with that approach. However, if the same approach for 2022-2025 resulted in a year-over-year decrease in the fixed service charge, Hydro Ottawa proposed that the charge would be maintained at the previous year's level. The OEB does not agree with that given that the OEB Policy, Filing Requirements and Hydro Ottawa's own standard approach do not support such a position.

Cost Causality and Just and Reasonable Rates

The OEB finds that this decision is consistent with the cost causality principle which provides a balance between those customers with higher demand who may be currently undercharged and those customers with lower demand who may be currently overcharged.

The OEB agrees that comparison to fixed/variable charges of other distributors may not be particularly useful given the unique circumstances of each distributor.

Economic Efficiency and Lower Carbon Emissions

The OEB finds that maintaining or lowering fixed charges by the application of Hydro Ottawa standard approach would encourage customers to manage variable costs and incentivize positive customer behavior, which could help reduce carbon emissions.

Bill Impacts and Rate Stability

Given that the OEB is not requiring Hydro Ottawa to reset the fixed charges down to the ceiling within the plan term, the OEB finds that any bill impact (as Hydro Ottawa indicated in its reply argument, no one customer class' bill impact is likely to exceed the 10% threshold) resulting from this decision should be manageable. Based on the estimated fixed charges shown in Table 1, below, fixed charges are not expected to be set below the current level until late in the plan term. This timeframe provides ample opportunity for Hydro Ottawa to communicate the impact of those future adjustments to its customers.

Generic OEB Consultation

The OEB finds that consideration of changes to rate design for the affected rate classes based on assumptions associated with the current consultative process is not appropriate given the ongoing nature of the consultation process and the uncertainty regarding its outcome.

Summary of Findings

For the GS > 50 to 1,499 kW, GS 1,500 to 4,999 kW, and Large Use classes, the OEB finds that fixed charges should be set by comparing the fixed charge resulting from Hydro Ottawa's standard rate design approach with the previous year's level for the five year rate term. In years where maintaining the current fixed/variable revenue split results in a higher fixed charge than the previous year, Hydro Ottawa shall maintain the fixed charge at the previous year's level. In years where maintaining the current fixed/variable revenue split results in a lower fixed charge than the previous year, Hydro Ottawa shall maintain the fixed charge at the lower value.

Hydro Ottawa shall provide an updated version of Table 1 (below) with the 2021 inflation and cost of capital parameters[19] incorporated as part of the Draft Rate Order.

The OEB allows distributors the discretion of electing the calculated 2021 inflation factor of 2.2% or a lower value.[20] Hydro Ottawa specified its election of the inflation factor of 2.2% by a letter dated November 18, 2020.[21]

[19] The OEB issued 2021 inflation and cost of capital parameters on November 9, 2020.
[20] OEB Letter Re: 2021 Inflation Parameters, dated November 9, 2020.
[21] Hydro Ottawa Limited Letter Re: 2021 Inflation Parameters, dated November 18, 2020.

Table 1: Illustration of the OEB-approved Fixed Charges

Customer Class	Cost Allocation Results		2020 Current Rate	2021	2022	2023	2024	2025
	Floor	Ceiling						
GS > 50 to 1,499 kW	$25.60	$76.46	$200.00	$200.00	$200.00	$200.00	$200.00	$200.00
GS > 1,500 to 4,999 kW	$65.18	$370.17	$4,193.93	$4,193.93	$4,193.93	$4,193.93	$4,176.14	To be provided
Large Use	$16.43	$455.91	$15,231.32	$15,231.32	$15,231.32	$15,231.32	To be provided	To be provided

4 IMPLEMENTATION

The approved effective date for new rates is January 1, 2021. In the event that the OEB's rate order is not issued in time for Hydro Ottawa to implement rates for January 1, 2021, the OEB declares Hydro Ottawa's current (2020) distribution rates and charges interim as of January 1, 2021 until such time as 2021 rates and charges are approved by the OEB.

In accordance with the settlement proposal, Hydro Ottawa shall update the inflation and the cost of capital parameters with 2021 values and file a Draft Rate Order with supporting material.

BOMA, CCC, DRC, ED, EPRF, PP, SEC and VECC are eligible to apply for cost awards in this proceeding. The OEB has made provision in this Decision and Order for intervenors to file its cost claim. The OEB will issue its cost awards decision after the steps outlined in the following Order section are completed.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Hydro Ottawa shall file with the OEB and forward to intervenors a Draft Rate Order with a proposed Tariff of Rates and Charges by **December 3, 2020**.

2. Intervenors and OEB staff shall file any comments on the Draft Rate Order with the OEB, and forward them to Hydro Ottawa by **December 14, 2020**.

3. Hydro Ottawa shall file with the OEB and forward to intervenors, responses to any comments on its Draft Rate Order by **December 21, 2020**.

4. Intervenors shall submit its cost claim to the OEB and forward it to Hydro Ottawa by **January 8, 2021**.

5. Hydro Ottawa shall file with the OEB and forward to intervenors any objections to the claimed costs by **January 15, 2021**.

6. Intervenors shall file with the OEB and forward to Hydro Ottawa any responses to any objections for cost claims by **January 22, 2021**.

7. Hydro Ottawa shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All materials filed with the OEB must quote the file number, **EB-2019-0261**, and be submitted in a searchable/unrestricted PDF format with a digital signature through the OEB's web portal at https://pes.ontarioenergyboard.ca/eservice. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the Regulatory Electronic Submission System (RESS) Document Guidelines found at www.oeb.ca/industry. We encourage the use of RESS; however, parties who have not yet set up an account, may email their documents to registrar@oeb.ca.

All communications should be directed to the attention of the Registrar and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Shuo Zhang at Shuo.Zhang@oeb.ca and OEB Counsel, James Sidlofsky at James.Sidlofsky@oeb.ca.

Email: registrar@oeb.ca

Tel: 1-888-632-6273 (Toll free)

Fax: 416-440-7656

DATED at Toronto November 19, 2020

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar

SCHEDULE A

SETTLEMENT PROPOSAL

DECISION AND ORDER

HYDRO OTTAWA LIMITED

EB-2019-0261

NOVEMBER 19, 2020

HydroOttawa

By RESS and Email

September 18, 2020

Ms. Christine E. Long
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON, M4P 1E4

Dear Ms. Long:

Subject: **Hydro Ottawa Limited ("Hydro Ottawa")**
Custom Incentive Rate-Setting ("Custom IR") Application for 2021-2025 Electricity Distribution Rates and Charges – Settlement Proposal

Pursuant to Procedural Order No. 3 issued by the Board on June 22, 2020, a settlement conference regarding Hydro Ottawa's Custom IR distribution rate application ("Application") was convened on August 10-12 between Hydro Ottawa and intervenors. The settlement conference continued through August 13, 14 and 17. The following eight intervenor groups participated in the settlement conference:

- Building Owners and Managers Association;
- Consumers Council of Canada;
- Distributed Resource Coalition;
- Energy Probe Research Foundation;
- Environmental Defence;
- Pollution Probe;
- School Energy Coalition; and
- Vulnerable Energy Consumers Coalition.

Pursuant to Procedural Order No. 6, Hydro Ottawa and intervenors (hereinafter referred to as the "Parties") are pleased to submit the attached consolidated Settlement Proposal for the Board's review. As detailed in the Settlement Proposal, the Parties came to agreement on all matters, with the exception of one issue related to rate design. The Parties are in agreement that this one outstanding issue should proceed to a written hearing with the proviso that intervenors should have an opportunity to provide a response to any new points raised in Hydro Ottawa's reply submissions.

In addition to the consolidated Settlement Proposal, the following are attached in PDF format:

- Attachment 1 – Capital Expenditures Annual Reporting Categories
- Attachment 2 – 2021-2025 Custom Performance Scorecard
- Attachment 3 – Load Forecast
- Attachment 4 – Going in, Annual and Mid-Term Rate Adjustments

- Attachment 5 – Performance Outcomes Accountability Mechanism Deferral Account - Metrics and Targets
- Attachment 6 – Accounting Orders

Furthermore, the following updated OEB Workforms, Appendices, and models are attached in excel format:

- Attachment 7 – Appendix 2-BA - 2021-2025 Fixed Asset Continuity Schedules
- Attachment 8 – Appendix 2-Z - 2021 Commodity Expense
- Attachment 9 – Appendix 2-AB - Capital Expenditure Summary
- Attachment 10 – Appendix 2-IB - Load Forecast Analysis
- Attachment 11 – Appendix 2-H - Other Operating Revenue
- Attachment 12 – Appendix 2-JA - Summary of Recoverable OM&A Expenses
- Attachments 13A through 13E – Appendix 2-C - 2021-2025 Depreciation and Amortization Expense
- Attachments 14A through 14E – 2021-2025 PILs Workforms
- Attachments 14F and 14G – 2024 and 2025 Schedule 8
- Attachment 15 – Appendix 2-OA - Capital Structure and Cost of Capital
- Attachment 16 – Appendix 2-OB - Debt Instruments
- Attachments 17A through 17E – 2021-2025 Revenue Requirement Workforms
- Attachment 18 – 2021 Cost Allocation Model
- Attachment 19 – Dry Core Calculations
- Attachment 20 – Tariff Schedule and Bill Impacts Model
- Attachment 21 – 2021-2025 Bill Impacts
- Attachment 22 – 2021 RTSR Workform
- Attachment 23 – 2021-2025 LV Rate Design
- Attachment 24 – Deferral and Variance Account Workform (Continuity Schedule)

Submitted on behalf of all Parties.

Yours truly,

DocuSigned by:
Greg Van Dusen
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Gregory Van Dusen
Director, Regulatory Affairs
Directeur, Affaires réglementaires
GregoryVanDusen@hydroottawa.com
Tel./tél.: 613 738-5499 | ext./poste 7472
Cell.: 613 806-1001

cc: All registered parties to EB-2019-0261

EB-2019-0261

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, 2021 and for each following year through December 31, 2025.

SETTLEMENT PROPOSAL

FILED SEPTEMBER 18, 2020

TABLE OF CONTENTS

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 (the "Application") submitted under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B). On February 10, 2020, Hydro Ottawa submitted the Application seeking approval for changes to the rates that it charges for electricity distribution for a period of five years, to be effective January 1, 2021 through December 31, 2025. The OEB assigned File Number EB-2019-0261 to the Application.

As set forth herein, the Settlement Proposal contains a comprehensive settlement of all issues within the Application, with the exception of one outstanding item related to rate design, as noted in Section C below.

B. BACKGROUND

Subsequent to the filing of the Application, the OEB issued a Letter of Completeness on February 24, 2020. Thereafter, the OEB issued a Notice of Hearing and Letter of Direction on March 4, 2020. On March 31, 2020, the OEB issued Procedural Order No. 1, which made provision for several matters related to the proceeding, including the filing of written interrogatories requesting additional information and documentation from Hydro Ottawa, the establishment of an Issues List, the submission of expert evidence by OEB staff and intervenors, and the filing of written interrogatories in relation to such expert evidence.

As set out in Procedural Order No. 1, the following nine parties requested and were granted intervenor status:

- Building Owners and Managers Association ("BOMA");
- Richard Parry;
- Consumers Council of Canada ("CCC");
- Distributed Resource Coalition ("DRC");
- Environmental Defence ("ED");
- Nash Smith;

- Pollution Probe (“PP”);
- School Energy Coalition (“SEC”); and
- Vulnerable Energy Consumers Coalition (“VECC”).

Ultimately, neither Mr. Parry nor Mr. Smith participated in the proceeding.

On April 21, 2020, subsequent to the closing of the intervention period, Energy Probe Research Foundation (“EPRF”) requested intervenor status. Hydro Ottawa did not object to EPRF’s request. The OEB approved and granted EPRF’s intervenor status on April 23, 2020.

On May 5, 2020, Hydro Ottawa submitted updates to its Application to account for 2019 actuals. On May 8 and 11, 2020, Hydro Ottawa received a total of 609 interrogatories. The utility submitted all but 12 written interrogatory responses on June 5, 2020, in accordance with the extension granted by the OEB in Procedural Order No. 2. Hydro Ottawa submitted the remaining 12 written interrogatory responses on June 12, 2020. In several of these interrogatory responses, Hydro Ottawa provided further updates to the evidence in its Application.

On June 22, 2020, the OEB issued Procedural Order No. 3, which included the Approved Issues List. Procedural Order No. 3 further established the process to address the Application, up to and including a settlement conference.

A transcribed Technical Conference was held on July 15, 16, 17, and continued on July 21, 2020. OEB staff and eight intervenors (BOMA, CCC, DRC, ED, EPRF, PP, SEC, and VECC) participated in the Technical Conference. Following the Technical Conference, Hydro Ottawa submitted written responses to a total of 95 undertakings by way of an initial filing on July 29, 2020, and subsequent filings on August 5, 6, and 7, 2020. Included within the utility’s undertaking responses was updated Q2 2020 forecast information, accompanied by updated forecasted capital expenditures for the 2021-2025 period.

C. THE SETTLEMENT PROCESS

Pursuant to Procedural Order No. 3, a settlement conference was convened on August 10-12, 2020 (the “Settlement Conference”). The Settlement Conference continued through August 13,

14, and 17. Mr. Chris Haussmann of Haussmann Consulting Inc. acted as facilitator. The following eight intervenors participated in the Settlement Conference: BOMA, CCC, DRC, ED, EPRF, PP, SEC, and VECC. These eight intervenors and Hydro Ottawa are hereinafter collectively referred to as the "Parties". OEB staff also participated in the Settlement Conference, but are not a party to this Settlement Proposal. Notwithstanding any other clause of this Settlement Proposal, ED only takes a position on Issues 3.4 and 7.3, and takes no position with respect to, and does not oppose, any of the remaining issues.

The Parties have reached a comprehensive settlement in relation to the terms of Hydro Ottawa's Custom IR plan for 2021-2025 on all issues on the Approved Issues List, with the exception of one aspect of Issue 7.3, which relates to the utility's proposals for rate design – specifically, its proposed fixed distribution charges for certain classes of customers. While all other aspects of Issue 7.3 were agreed upon, this one aspect remains an unsettled issue. The Parties agree that this item will proceed to a hearing before the OEB and recommend the form of a written hearing.

The Parties wish to acknowledge that the Settlement Conference was constructive and collaborative, and culminated in the set of agreements and outcomes which comprise this Settlement Proposal.

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 (other than one aspect of Issue 7.3, as set out below). 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 is binding and enforceable in accordance with its terms.

As set forth 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 agreement, the Parties understand and agree

that, pursuant to the *Ontario Energy Board Act, 1998*, the OEB has exclusive jurisdiction with respect to the interpretation and enforcement of the terms of this agreement.

The Parties acknowledge that the Settlement Conference is confidential and undertaken under settlement privilege in accordance with the OEB's *Practice Direction on Settlement Conferences* (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 the rules of this latter document do not apply. Instead, in both this settlement process and this agreement, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the settlement proceeding, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement (or non-settlement) of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception – the need to resolve a subsequent dispute over the interpretation of any provision in this Settlement Proposal. Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. However, the Parties agree that "attendees" is deemed to include, in this context, persons who were not in attendance at the Settlement Conference but were (i) any persons or entities that the Parties engage to assist them with the Settlement Conference, and (ii) any persons or entities from whom they seek instructions with respect to the negotiations (with, in each case, any such persons or entities having agreed to be bound by the same confidentiality provisions as the Parties themselves).

The role of OEB staff in a settlement conference is set out on pages 6-7 of the Practice Direction. Although OEB staff is not a party to this Settlement Proposal, the OEB staff who participated in the Settlement Conference are bound by the same confidentiality and privilege standards and obligations that apply to the Parties.

As per pages 6-7 of the Practice Direction, OEB staff will file a submission with the OEB commenting on two aspects of the Settlement Proposal: (i) whether the Settlement Proposal represents an acceptable outcome from a public interest perspective, and (ii) whether the accompanying explanation and rationale is adequate to support the Settlement Proposal.

This Settlement Proposal provides a description of each of the key components of the settlement and of the settled issues from the Issues List, 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 include, unless the context otherwise requires, in addition to the Application, the written responses to interrogatories and technical conference undertakings, and all other components of the record up to and including the date hereof, including additional information included by the Parties in this Settlement Proposal and the attachments to this document (the "Attachments").

The Parties have reviewed the evidence in respect of each component of the Settlement Proposal and have jointly concluded that (i) it is sufficient in the context of the overall settlement to support the proposed settlement, and (ii) 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. Numerous compromises were made by the Parties with respect to various matters to arrive at this comprehensive Settlement Proposal. These compromises are intended to support and not detract from the objectives set out in the Renewed Regulatory Framework ("RRF") and the *Ontario Energy Board Act, 1998*. The distinct issues addressed in this Settlement Proposal are intricately interrelated. Reductions or increases to the agreed-upon amounts may have financial consequences in other areas of this Settlement Proposal, which may be unacceptable to one or more of the Parties. 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 OEB's *Rules of Practice and Procedure.*

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 of the Parties must concur with any revised settlement proposal 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 agreement by the Parties to the settlement of any item shall be interpreted as being for the purpose of settlement of this case only and not a statement or acknowledgement of principle applicable in any other situation. Where, if at all, the Parties have agreed that a particular principle should be applicable generally, this Settlement Proposal states so expressly. The Parties understand this to be consistent with OEB policy, under which settlements and their approval by the OEB are considered to be specific to the facts of the particular case, and not precedents or statements of principle unless clearly so stated.

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.

It is also acknowledged and agreed that this Settlement Proposal is without prejudice to any of the Parties or the OEB re-examining the items settled herein in any subsequent proceeding and taking positions or rendering decisions inconsistent with the resolution of these items in this Settlement Proposal. However, none of the Parties will, in any subsequent proceeding, take the position that the resolution therein of any issue settled in this Settlement Proposal, if contrary to the terms of this Settlement Proposal, should be applicable to Hydro Ottawa for any part of the 2021-2025 period, unless otherwise required by the OEB and/or applicable laws.

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 Application and the supporting evidence provide extensive detail on Hydro Ottawa's 2021-2025 Custom IR plan. The Parties, through negotiations, have agreed to modifications to the Custom IR plan. In particular, these include reductions in capital additions and operations, maintenance and administration ("OM&A") spending, and increased protections for ratepayers. The Parties agree that the utility's Custom IR plan, as modified through the settlement process, is appropriate as the basis for setting rates for the 2021-2025 period.

The Parties have agreed that the customized index underpinning Hydro Ottawa's rate-setting methodology will consist of two elements. The first is a Custom Price Escalation Factor ("CPEF"), which will apply to OM&A expenditures. The second is a capital stretch factor which will apply to the capital-related revenue requirement ("Capital Stretch Factor"). This Capital Stretch Factor is informed by, but will function separately from, the stretch factor determined for use in the CPEF. The Capital Stretch Factor will be increased annually, to further incent capital productivity savings.

Parties have agreed to a limited number of revenue requirement updates during the Custom IR term. Hydro Ottawa will update the inflation factor annually by applying the OEB's annual published inflation adjustor. The updated factor will be used in the calculation of both the CPEF and the working capital amount. During the term of the plan, Hydro Ottawa will also make a one-time update to its approved Return on Equity ("ROE") included in rates. This change will be made as part of the 2024 annual rate adjustment and applied to the 2024 and 2025 rate years.

With the aim of enhancing incentives for both productivity and customer focus, the Parties have agreed to the inclusion of three important ratepayer protection and accountability mechanisms in Hydro Ottawa's Custom IR plan: (1) an asymmetrical Earnings Sharing Mechanism ("ESM") with no dead band; (2) a set of asymmetrical and symmetrical Capital Variance Accounts for certain capital investments; and (3) a Performance Outcomes Accountability Mechanism that supports the objectives of the RRF by establishing outcomes-based measures and targets related to achievement of the objectives in Hydro Ottawa's 2021-2025 Distribution System Plan ("DSP"). Under the latter mechanism, a target missed in any given year of the Custom IR term would result in Hydro Ottawa returning a prescribed amount back to ratepayers through a credit

to a deferral account. The intention of these mechanisms is to maintain the alignment between the interests of the utility and those of its customers, while supporting the ongoing evolution of the RRF.

The Parties agree that Hydro Ottawa's 2021-2025 Custom IR plan, as updated with the amendments agreed upon in this Settlement Proposal, 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 2021-2025 Custom IR plan, as updated with the amendments agreed upon in this Settlement Proposal, is set out in the following tables:

Table 1 – Summary of 2021-2025 Revenue Requirement ($'000s)

	2021	2022	2023	2024	2025
Return on Rate Base	$65,736	$70,269	$72,633	$73,839	$76,047
Distribution Expenses (not including depreciation, amortization)	$90,600	$92,312	$94,057	$95,835	$97,646
Depreciation, amortization	$51,956	$55,472	$57,686	$59,039	$62,125
Payment in Lieu of Taxes	$1,208	$2,455	$6,649	$9,107	$5,788
Service Revenue Requirement	**$209,499**	**$220,509**	**$231,025**	**$237,819**	**$241,606**
Less Capital Stretch Factor	$0	$788	$1,683	$2,615	$3,536
Service Revenue Requirement Net of Capital Stretch Factor	**$209,499**	**$219,721**	**$229,342**	**$235,204**	**$238,070**
Less Revenue Offsets	$9,674	$9,539	$10,085	$10,537	$10,689
Base Revenue Requirement	**$199,825**	**$210,181**	**$219,257**	**$224,667**	**$227,381**
Transformer Ownership Credit	$1,065	$1,069	$1,073	$1,079	$906
Revenue Requirement from Rates	**$200,890**	**$211,250**	**$220,330**	**$225,746**	**$228,287**
Forecasted Load at 2020 Rates	$188,518	$189,731	$191,002	$192,415	$193,588
Cumulative Revenue Deficiency (over 2020)	**$(12,373)**	**$(21,519)**	**$(29,328)**	**$(33,331)**	**$(34,699)**
Yearly Revenue Deficiency over 2020[1]	**$(12,373)**	**$(9,147)**	**$(7,809)**	**$(4,003)**	**$(1,369)**
Yearly Revenue Deficiency With Forecast Load at Prior Year Rates	**$(12,373)**	**$(9,065)**	**$(7,688)**	**$(3,823)**	**$(1,193)**

[1] Totals may not sum due to rounding.

Table 2 – Summary of Bill Impacts

Rate Class		Approved	Proposed				
		2020	2021	2022	2023	2024	2025
Residential (750 kWh)	Distribution Charge	$28.64	$29.36	$30.62	$31.88	$32.34	$32.41
	Change in Distribution Charge		$0.72	$1.26	$1.26	$0.46	$0.07
	% Distribution Increase		2.51%	4.29%	4.11%	1.44%	0.22%
	% Increase of Total Bill		0.53%	0.89%	1.19%	0.32%	0.05%
General Service <50 kW (2,000 kWh)	Distribution Charge	$71.32	$71.56	$74.92	$77.94	$79.35	$80.16
	Change in Distribution Charge		$0.24	$3.36	$3.02	$1.41	$0.81
	% Distribution Increase		0.34%	4.70%	4.03%	1.81%	1.02%
	% Increase of Total Bill		0.03%	0.91%	1.13%	0.37%	0.21%
General Service 50 kW - 1,499 kW (250 kW)	Distribution Charge	$1,461.93	$1,484.73	$1,560.53	$1,680.91	$1,718.03	$1,737.17
	Change in Distribution Charge		$22.80	$75.80	$120.39	$37.12	$19.14
	% Distribution Increase		1.56%	5.11%	7.71%	2.21%	1.11%
	% Increase of Total Bill		2.99%	-1.27%	0.93%	0.21%	0.11%
General Service 1,500 kW - 4,999 kW (2,500 kW)	Distribution Charge	$15,941.18	$15,974.43	$16,761.10	$17,873.54	$18,252.14	$18,317.89
	Change in Distribution Charge		$33.25	$786.67	$1,112.44	$378.60	$65.75
	% Distribution Increase		0.21%	4.92%	6.64%	2.12%	0.36%
	% Increase of Total Bill		2.82%	-1.23%	0.89%	0.21%	0.04%
Large Use (7,500 kW)	Distribution Charge	$48,420.32	$49,619.57	$52,080.08	$55,783.28	$57,026.03	$57,418.28
	Change in Distribution Charge		$1,199.25	$2,460.51	$3,703.20	$1,242.75	$392.25
	% Distribution Increase		2.48%	4.96%	7.11%	2.23%	0.69%
	% Increase of Total Bill		3.01%	-1.42%	1.09%	0.22%	0.07%
Sentinel Lighting (0.4 kW)	Distribution Charge	$9.53	$11.06	$13.13	$15.38	$17.27	$19.01
	Change in Distribution Charge		$1.53	$2.07	$2.25	$1.89	$1.74
	% Distribution Increase		16.06%	18.69%	17.17%	12.27%	10.07%
	% Increase of Total Bill		6.29%	8.10%	8.47%	6.31%	5.47%
Street Lighting (1 kW)	Distribution Charge	$7.76	$7.08	$7.42	$8.08	$8.16	$8.21
	Change in Distribution Charge		-$0.68	$0.35	$0.65	$0.09	$0.05
	% Distribution Increase		-8.80%	4.88%	8.77%	1.06%	0.65%
	% Increase of Total Bill		-2.29%	1.10%	2.70%	0.26%	0.16%
Unmetered Scattered Load (470 kWh)	Distribution Charge	$17.08	$17.14	$18.39	$20.09	$21.03	$21.78
	Change in Distribution Charge		$0.07	$1.25	$1.70	$0.95	$0.75
	% Distribution Increase		0.40%	7.27%	9.22%	4.72%	3.55%
	% Increase of Total Bill		1.45%	0.03%	2.24%	1.05%	0.82%

Table 3 – Residential Bill Impact

Residential (750 kWh)	2021	2022	2023	2024	2025	Average
Change in Distribution Charge ($)	$0.72	$1.26	$1.26	$0.46	$0.07	$0.75
Change in Distribution Charge (%)	2.51%	4.29%	4.11%	1.44%	0.22%	2.51%
Total Bill % change	0.53%	0.89%	1.19%	0.32%	0.05%	0.60%

Table 4 – General Service < 50 kW Bill Impact

General Service < 50 kW (2000 kWh)	2021	2022	2023	2024	2025	Average
Change in Distribution Charge ($)	$0.24	$3.36	$3.02	$1.41	$0.81	$1.77
Change in Distribution Charge (%)	0.34%	4.70%	4.03%	1.81%	1.02%	2.38%
Total Bill % change	0.03%	0.91%	1.13%	0.37%	0.21%	0.53%

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 Attachments 17A through 17E and Attachment 20, respectively.

Finally, it should be noted that many of the figures presented in this Settlement Proposal use the 2020 Cost of Capital and inflation factor parameters established by the OEB (unless otherwise noted). As noted above, the Parties agree that Hydro Ottawa will update certain aspects of the Revenue Requirement, as detailed herein, based on the updated Cost of Capital and inflation information and parameters established by the OEB for 2021 when they are issued. Accordingly, certain figures set forth in this Settlement Proposal which rely on 2020 Cost of Capital and inflation factor parameters should be viewed as being for illustrative purposes only, with the understanding that they will be updated during the draft rate order stage and/or in conjunction with annual rate adjustments during the Custom IR term.

F. KEY COMPONENTS OF THE SETTLEMENT

The subsections below summarize the key components of the comprehensive settlement reached by the Parties. The evidentiary basis upon which each specific issue was settled is explained in Section G.

(a) Effective Date

The Parties agree that the effective date of the rates arising from this Settlement Proposal should be January 1, 2021. In the event that the OEB's rate order is not issued in time for Hydro Ottawa to implement rates for January 1, 2021, the Parties agree that Hydro Ottawa will implement a rate rider to recover from its customers foregone revenues that would otherwise have been collected if the utility's new rates were in effect as of January 1, 2021.

(b) Custom Incentive Rate-Setting Index

The Parties agree that Hydro Ottawa's 2021-2025 rate plan, as modified by this Settlement Proposal, fulfills the OEB's expectations and requirements for a Custom IR application.

With respect to the rate-setting methodology underpinning Hydro Ottawa's 2021-2025 Custom IR plan, the Parties have reached agreement on the establishment and use of two elements which, together, comprise the utility's customized index.

(i) OM&A Custom Price Escalation Factor

The Parties accept the utility's proposed "I minus X plus G" CPEF for OM&A rate-setting purposes, subject to the modifications outlined in Table 5 below.

Table 5 – Modifications to Components of OM&A Custom Price Escalation Factor

Component	As per Original Application	As per Settlement Proposal
Inflation factor ("I")	• 2.26% • Based upon utility-specific labour/non-labour weighting factors • Fixed for duration of Custom IR term	• Value will correspond to annual OEB inflation rate for incentive rate-setting under Price Cap IR and Annual Index plans • Based upon standard OEB labour/non-labour weighting factors • Updated annually (as per annual OEB updates)
Productivity factor ("X")	• 0.15% (0% Total Factor Productivity plus 0.15% stretch factor) • Fixed for duration of Custom IR term	• 0.45% (0% Total Productivity Factor plus 0.45% stretch factor) • Fixed for duration of Custom IR term
Growth factor ("G")	• 0.4% (calculated using historical customer growth rate multiplied by 0.35 scaling factor) • Fixed for duration of Custom IR term	• 0.34% (calculated using forward-looking customer growth rate based on utility's 2021-2025 load forecast multiplied by 0.35 scaling factor) • Fixed for duration of Custom IR term
Total CPEF Value (I - X + G)	• 2.26 - 0.15 + 0.4 = 2.51%	• 2.0 - 0.45 + 0.34 = 1.89%[2]

Hydro Ottawa's CPEF, as modified and described above, will apply to OM&A expenditures only. Further details are provided below in part (g) of this section.

(ii) Capital Stretch Factor

As originally submitted, the Application proposed a capital-related revenue requirement without the inclusion of an externally-driven custom index. With the aim of ensuring that Hydro Ottawa has appropriate incentives to achieve productivity savings and continuous improvement in its 2021-2025 capital programs, the Parties agree to the application of a stretch factor to the utility's capital-related revenue requirement.

For 2022, the value of this Capital Stretch Factor will be calculated by adding an additional stretch factor of 0.15% to the stretch factor determined for use in Hydro Ottawa's CPEF (0.45%), for a total value of 0.6%. Thereafter, for the remaining years of the Custom IR

[2] This equation utilizes the value of the OEB's inflation factor for incentive rate-setting under Price Cap IR and Annual Index plans for the year 2020, which is 2.0%. As noted in Table 5, above, the value of the inflation factor for purposes of Hydro Ottawa's CPEF will be updated annually over the Custom IR period, to reflect the updated value of the OEB's inflationary adjustment. (For the 2021 Test Year, Hydro Ottawa will apply the updated OEB inflation factor that is set to be released in Fall 2020). The value of the CPEF shown in Table 5 under the "As per Settlement Proposal" column is therefore for illustrative purposes only.

term, the Capital Stretch Factor will be adjusted such that it increases by a value of 0.6% on an annual basis, as outlined in Table 6.

Table 6 – 2021-2025 Capital Stretch Factor Values

Test Year	Capital Stretch Factor
2021	0%
2022	0.6%
2023	1.2%
2024	1.8%
2025	2.4%

This approach ensures that ratepayers receive the benefit of an annual incremental total stretch factor of 0.6% on the capital-related revenue requirement. The application of the Capital Stretch Factor will result in a reduction of $8.6M to Hydro Ottawa's total revenue requirement over the 2021-2025 rate term, as summarized in Table 7.

Table 7 – Application of Capital Stretch Factor to Capital-Related Revenue Requirement ($'000s)

	2021	2022	2023	2024	2025	Total
Total Capital-Related Revenue Requirement	$122,032	$131,388	$140,219	$145,298	$147,336	**$686,272**
Adjusted Capital Stretch Factor (0.45% + 0.15% = 0.6%)	0.0%	0.6%	1.2%	1.8%	2.4%	
Annual Reduction	$0	$788	$1,683	$2,615	$3,536	**$8,622**

(c) Performance Monitoring and Reporting

In addition to the establishment of the Performance Outcomes Accountability Mechanism Deferral Account, as described below in part (l) of this section, the Parties accept Hydro Ottawa's proposals for annual performance monitoring and reporting, consistent with the evidence filed in Exhibit 1-1-11: Proposed Annual Reporting - 2021-2025. This annual reporting

will consist of two primary elements: a Custom Performance Scorecard and updates on the progress of capital spending in key categories.

The form, timing, and recipients of this reporting will be consistent with the approaches utilized for purposes of the annual reports prepared by Hydro Ottawa during its 2016-2020 rate term, with additional information provided regarding the Performance Outcomes Accountability Mechanism Deferral Account.[3]

An outline of the annual reporting categories for capital expenditures is included in Attachment 1 of this Settlement Proposal. Attachment 2 provides a copy of the utility's 2021-2025 Custom Performance Scorecard.

(d) Rate Base

(i) 2016-2020 In-Service Additions & 2021 Opening Rate Base

With respect to 2016-2020 in-service additions, the Parties agree to the following treatment of the in-service additions that exceeded the OEB-approved levels during the 2016-2020 rate term:

- System Access – Parties accept the inclusion of $41.7M into Hydro Ottawa's 2021 opening rate base, in recognition of the fact that the drivers for System Access investments were largely outside of the utility's control;
- System Renewal and System Service – Parties agree to a disallowance of $4.9M of capital additions from the 2021 opening rate base and to the inclusion of $8.9M; and
- General Plant – Parties accept a disallowance of $7.5M from the 2021 opening rate base, which includes the $5.4M related to the renovation of Hydro Ottawa's retained Bank Street facility, and agree to the inclusion of $4.3M.

[3] Copies of past reports are available on the utility's website: https://hydroottawa.com/about-us/regulatory-affairs/custom-incentive-reports. With respect to expected timing, it has typically been Hydro Ottawa's practice to submit the report for a given year in Q4 of the subsequent year (i.e. the performance report for 2016 was filed in Q4 2017). Similarly, the utility has previously submitted its reports to both the OEB and the Parties to the settlement agreement, and will continue to do so in the context of its 2021-2025 rate plan.

Table 8 – Summary of 2016-2020 In-Service Additions Variance
(Updated with Disallowance of $12.4M) ($'000,000s)[4]

Investment Category	OEB-Approved	In-Service Additions as Updated in JT 3.1 Forecast	Variance[5]	Disallowance	Settled Variance	Updated Capital Additions
System Access (net of contribution)	$61.3	$103.0	$41.7	($0.0)	$41.7	$103.0
System Renewal and Service	$301.1	$315.0	$13.9	($4.9)	$8.9	$310.1
General Plant (including CCRAs)[6]	$54.8	$66.6[7]	$11.8	($7.5)	$4.3	$59.1
TOTAL	**$417.2**	**$484.5**	**$67.3**	**($12.4)**	**$54.9**	**$472.2**

(ii) Facilities Renewal Program In-Service Additions & 2021 Opening Rate Base

The Parties agree to a disallowance from the 2021 opening rate base of $2.9M associated with the land from the final costs of Hydro Ottawa's New Administration and Operations Facilities ($99.5M). A corresponding disallowance has been agreed to in relation to the balance of the New Facilities Deferral Account (see below in part (l) of this section).

(iii) Working Capital Allowance

The Parties agree that for 2022-2025, Hydro Ottawa's working capital allowance ("WCA") will be calculated by adjusting the 2021 amount by an annual inflationary increase. The OEB's annual published inflation factor will be used. These inflationary increases will apply to all components of the Working Capital Base.

The working capital for 2021 has been updated to reflect the agreed-upon changes to the Load Forecast, Low Voltage rates, and Retail Transmission Service Rates.

[4] These figures exclude the Facilities Renewal Program as well as new Connection Cost Recovery Agreement ("CCRA") payments, as per the terms of the Approved Settlement Agreement governing Hydro Ottawa's 2016-2020 Custom IR rate plan (EB-2015-0004).
[5] The variance for 2016-2020 in-service additions was updated in conjunction with the response to undertaking JT 3.1.
[6] Consistent with the description in footnote 4, "CCRA" in this context includes true-up CCRAs but excludes new CCRAs.
[7] The General Plant in-service additions, as updated in the response to undertaking JT 3.1 and as noted in Table B of that response, include the CCRA amount of $910,000, as this represents existing CCRA payments.

Table 9 – Working Capital Allowance 2021 ($'000s)[8]

	2021
Power Supply Expenses	$1,048,856
OM&A Expenses	$90,600
Total Expenses for Working Capital[9]	$1,139,456
Working Capital %	7.5%
Total WCA	**$85,459**

Table 10 – Working Capital Allowance 2022-2025 ($'000s)

	2022	2023	2024	2025
Prior Year Working Capital Allowance	$85,459	$87,168	$88,912	$90,690
Annual Increase	2.0%	2.0%	2.0%	2.0%
Current Year Total WCA	**$87,168**	**$88,912**	**$90,690**	**$92,504**
Total WCA - as updated for 2019 Actuals (May 5, 2020)	$90,411	$95,934	$103,375	$107,049
Total Reduction	**$(3,243)**	**$(7,022)**	**$(12,685)**	**$(14,545)**

(iv) 2021-2025 Rate Base

The Parties accept Hydro Ottawa's 2021-2025 rate base as set out in UPDATED Exhibit 2-1-1: Rate Base Overview, and as updated in the response to undertaking JT 3.1, subject to specific modifications. The Parties agree to a reduction in capital additions of $10.0M, as described below in part (e) of this section.

Table 11 below outlines Hydro Ottawa's revised 2021-2025 rate base. The capital additions are presented in an updated version of the fixed asset continuity schedules in OEB Appendix 2-BA, which are appended to this Settlement Proposal as Attachment 7.

[8] Amounts will be adjusted to reflect the updated inflation factor for rate changes effective in 2021, which is set to be released by the OEB in the Fall of 2020.
[9] Totals may not sum due to rounding.

Table 11 – 2021-2025 Settled Rate Base ($'000s)

	2021	2022	2023	2024	2025
Average Net Fixed Assets	$1,133,220	$1,215,555	$1,257,638	$1,278,214	$1,317,333
Working Capital Allowance	$85,459	$87,168	$88,912	$90,690	$92,504
Rate Base	**$1,218,679**	**$1,302,724**	**$1,346,549**	**$1,368,904**	**$1,409,837**

(e) Capital Plan

The Parties accept Hydro Ottawa's proposed capital investment plan as presented in UPDATED Exhibit 2-4-1: Capital Expenditures Summary and Exhibit 2-4-3: Distribution System Plan, and as adjusted in the response to undertaking JT 3.1. As noted above, Parties agree to a reduction of $10.0M in capital expenditures over the term of the 2021-2025 rate plan (or $2.0M per year). From a capital expenditure perspective, these reductions will be implemented on an envelope basis across the System Renewal, System Service, and General Plant investment categories.

In the tables below, Hydro Ottawa has summarized the adjustments made to planned capital expenditures and capital additions for the 2021-2025 period, in order to account for the $10.0M reduction. In preparing these figures, the utility made specific assumptions for the purposes of depreciation, cost allocation, and rate design. Hydro Ottawa will retain the flexibility within the agreed-upon envelope approach to make more informed decisions over the course of the five-year rate term regarding the implementation of these reductions.

In addition, Hydro Ottawa has prepared a revised OEB Appendix 2-AB - Capital Expenditure Summary, which is appended to this Settlement Proposal as Attachment 9.

Table 12 – Reductions in 2021-2025 Capital Additions

($'000,000s)

Category	2021	2022	2023	2024	2025	Total
System Renewal / System Service	$1.4	$1.7	$0.5	$0.5	$0.9	$5.0
General Plant	$1.6	$0.5	$0.4	$0.1	$2.4	$5.0
TOTAL	**$3.0**	**$2.2**	**$0.9**	**$0.6**	**$3.3**	**$10.0**

Table 13 – Summary of 2021-2025 Capital Expenditures (Updated with $10.0M Reduction)

($'000,000s)

Investment Category	2021	2022	2023	2024	2025
System Access (net of contribution)	$17.8	$17.9	$17.7	$15.6	$15.3
System Renewal and Service	$72.2	$72.3	$64.5	$64.6	$64.4
General Plant including CCRAs	$33.2	$11.3	$7.3	$17.0	$16.4
TOTAL	**$123.2**	**$101.5**	**$89.6**	**$97.2**	**$96.0**
$10.0M Reduction	**($3.0)**	**($2.2)**	**($1.6)**	**($2.1)**	**($1.0)**
FINAL	**$120.2**	**$99.3**	**$88.0**	**$95.1**	**$95.0**

Table 14 – Summary of 2021-2025 Capital Additions (Updated with $10.0M Reduction)

($'000,000s)

Investment Category	2021	2022	2023	2024	2025
System Access (net of contribution)	$19.5	$17.9	$17.6	$15.6	$15.3
System Renewal and Service	$67.5	$92.5	$53.9	$59.3	$81.0
General Plant including CCRAs	$65.8	$12.1	$6.2	$7.9	$22.9
TOTAL	**$152.8**	**$122.5**	**$77.8**	**$82.8**	**$119.2**

The Parties agree that the revised capital spending and additions arising from the utility's 2021-2025 DSP are reasonable. Parties accept that Hydro Ottawa's DSP and related attachments, as revised, appropriately represent asset and capital planning that will enable the utility to fulfil its responsibility of providing safe and reliable electricity distribution services to the City of Ottawa and Village of Casselman.

In addition to the foregoing, the Parties have reached agreement on various matters relating to particular aspects of Hydro Ottawa's capital plan, as described in the following subparts.

(i) City of Ottawa's Energy Evolution Initiative

As detailed in section 1.10.3 of Exhibit 2-4-3: Distribution System Plan, the City of Ottawa is developing its Energy & Emissions Plan (currently called "Energy Evolution"). As part of this settlement, Hydro Ottawa agrees to meaningfully consider the goals of the plan with a view to pursuing cost efficiencies, reduced emissions, and enhanced energy outcomes for consumers in the City of Ottawa. The utility will consider these elements in its next Distribution System Plan and Business Plan. Hydro Ottawa will report on realized areas of cost-efficiency and coordination related to Energy Evolution in its next rebasing application.

(ii) Capitalization of Cloud Computing Costs[10]

Hydro Ottawa proposes to capitalize some integration-related, non-recurring cloud computing costs associated with its Enterprise Resource Planning system of the type that have previously been accepted by the utility's auditors. For the purposes of this settlement, the Parties accept the revenue requirement impact of such treatment during the Custom IR term. However, such acceptance should not be construed as: (i) Parties accepting the appropriateness of such regulatory treatment generally, or in the future, with respect to these specific costs; (ii) approval from the OEB that such regulatory treatment is appropriate; or (iii) the provision of guidance to Hydro Ottawa's auditors, who shall make an independent judgement regarding this issue.

(iii) Distribution Losses

Between 2021 and 2025, Hydro Ottawa shall endeavour to maintain its five-year average total system losses[11] below the target of 3.02% set by the OEB in EB-2005-0381 through cost-effective measures.

[10] Further information on this item is available in the Application at Attachment 2-4-3(E): Material Investments, Section 3.2.2, ERP Program, and in the Technical Conference transcript dated July 16, 2020 on pages 67-68.
[11] "Total System Losses" refers to the losses as a percentage of purchases, as shown in Table 1 of UPDATED Exhibit 8-9-1: Loss Adjustment Factors. To provide additional clarity, the "Electricity Purchases" shown in Table 1 refer to the "Wholesale" kWh delivered to the distributor (higher value) as shown in UPDATED Attachment 8-9-1(A): OEB Appendix 2-R - Loss Factors, and therefore include supply losses. For further clarity, this includes losses in the distributor's system and transmission losses upstream of the distributor.

In addition, over the course of 2020-2021, Hydro Ottawa shall prepare a plan to reduce distribution losses as much as possible through cost-effective measures. The utility shall file the plan with the OEB when complete. In 2022-2025, Hydro Ottawa shall implement as many of the cost-effective measures set out in its plan as possible (e.g. any changes to planning and procurement processes to better mitigate losses, investments that can be made within current budgets, operational measures, etc.). All other cost-effective measures will be incorporated into the utility's next rebasing application and DSP.

Finally, as described in Hydro Ottawa's response to undertaking JT 3.10, a pilot of a Grid Edge Volt/VAr Control ("VVC") solution will be complete by the end of 2020. If this pilot is successful, Hydro Ottawa shall increase the deployment of these (or equivalent) units by conducting an analysis in 2021 to identify potential suitable locations and by deploying these units in a subset of locations which are deemed to be suitable and cost-effective, with an estimated investment of up to $1.0M over the five-year test period. The cost of these investments will be accommodated within the overall approved capital budget.

(iv) MiGen Program

The Parties are generally supportive of Phase 1 of the MiGen pilot project of non-wires alternatives to reliability and bi-directional customer efficiency measures that have been undertaken at no cost to the utility and its customers. The Parties support Phase 2 of the MiGen pilot project (as described in the updates to section 2.3.3 of Attachment 2-4-3(E): Material Investments filed on May 5, 2020 and in the response to interrogatory DRC-9) on the understanding that (i) all parameters and metrics (including the project's impact on reliability, customer costs/savings, generation, electric vehicle penetration, line losses, and potential costs and savings from any proposed future expansion of the pilot after 2025) be reported and included in Hydro Ottawa's next rebasing application, and (ii) the ratepayer costs of the project be limited to the budgeted $2.2M over the 2021-2025 period.

(f) Load Forecast

The Parties accept the Load Forecast, subject to the following adjustments, as reasonable:

- The residential customer growth rate for 2022-2025 is updated from an average of 0.9% to 1.0%.

- The Load Forecast will not include adjustments related to conservation and demand management ("CDM") other than those related to the wind-down of the Conservation First Framework ("CFF").
- The CDM adjustments related to the CFF wind-down will be incorporated in the Load Forecast using a half year approach while the CDM thresholds will be set on an annualized basis for the Lost Revenue Adjustment Mechanism ("LRAM") Variance Account ("LRAMVA") for the period 2021-2025. Attachment 3 provides information for CDM annual thresholds by year and by rate class.

In removing CDM adjustments unrelated to the CFF wind-down, the Parties acknowledge that Hydro Ottawa will include future CDM savings driven by the Independent Electricity System Operator ("IESO") or other provincial or federal initiatives in the LRAMVA. (With respect to potential provincial initiatives, it is acknowledged that the Government of Ontario posted a regulatory proposal on July 23, 2020 which contemplates the establishment of a new CDM framework for the 2021-2024 period). The Parties further acknowledge that the OEB may set generic guidelines to measure CDM savings outside the current CFF wind-down framework. However, any updated OEB guidelines will not preclude Hydro Ottawa from bringing forward an LRAM claim, given both known and unknown initiatives have been removed from the Load Forecast for which Hydro Ottawa would have otherwise included in the base Load Forecast.

The Parties agree that Hydro Ottawa has the ability to record and bring forward a request to dispose its LRAMVA for the impact of both known and unknown CDM initiatives. This agreement shall not be construed as agreement to the disposition of such account. Parties are free to take any position they deem appropriate at the time Hydro Ottawa seeks disposition of the LRAMVA.

An updated version of OEB Appendix 2-IB - Load Forecast Analysis is appended to this Settlement Proposal as Attachment 10. In addition, tables outlining updated Load Forecast information for the 2021-2025 period (i.e. energy and demand sales with and without CDM, and average number of customers and connections) as well as the thresholds to be used for the LRAMVA are provided in Attachment 3.

(g) OM&A

The Parties agree to a reduction of $3.3M in Hydro Ottawa's proposed 2021 Test Year OM&A, which results in a 2021 base year amount of $90.6M. For the years 2022-2025, OM&A will be escalated on an annual basis using the revised CPEF described above in part (b) of this section.

A high-level summary of the utility's revised OM&A is outlined in Table 15 below. The revised OM&A is also provided in an updated version of OEB Appendix 2-JA, which is appended to this Settlement Proposal as Attachment 12. As per the discussion above in Section E, for each year in the 2022-2025 period the CPEF and thus the OM&A amount (in dollars) will be updated as part of Hydro Ottawa's annual rate adjustment application to determine the approved rates and charges for that rate year.

The Parties accept that the revised OM&A provides sufficient resources for the utility to fulfill its mission of providing safe and reliable electricity distribution services in accordance with the utility's statutory requirements and the expectations of its customers.

Table 15 – Recoverable OM&A[12] ($'000,000s)

2021	2022	2023	2024	2025
$90.6	$92.3	$94.0	$95.8	$97.6

(h) Cost of Capital

- *Short-Term ("ST") debt rate.* The Parties agree that Hydro Ottawa will use the ST debt rate to be issued by the OEB in Fall 2020 as part of its 2021 Cost of Capital Parameters, and this ST debt rate will remain fixed for the duration of Hydro Ottawa's 2021-2025 Custom IR plan.

- *Long-Term ("LT") debt rate.* The Parties agree that Hydro Ottawa will use an updated forecast debt rate for its planned mid-year $80.0M debt issuance in 2021. It will be based on the methodology documented on pages 6-8 of UPDATED Exhibit 5-1-1: Cost

[12] As noted in the discussion above regarding the CPEF, these OM&A amounts utilize the OEB inflation factor that is in place as of the time of the filing of this Settlement Proposal. These amounts will be adjusted to reflect the updated inflation factor for rate changes effective in 2021, which is set to be released by the OEB in the Fall of 2020.

of Capital and Capital Structure, but will use the average of the 3-month ahead and 12-month ahead forecasts for the 10-Year Government of Canada bond yield from the September 2020 publication of the Consensus Forecasts used by the OEB in its Fall 2020 Cost of Capital Parameters update for rates that are effective in 2021. More specifically, and for greater certainty, Hydro Ottawa will add its historic 10-Year bond credit spreads to the aforementioned 10-Year Government of Canada bond yield forecast, to calculate the interest rate for its forecast 10-Year bond issuance. In addition, Hydro Ottawa will add its historic 30-Year bond credit spreads to the aforementioned 10-Year Government of Canada bond yield forecast, plus the average spread between 10-Year and 30-Year Government of Canada bond yields for the month of September 2020 to calculate the interest rate for its forecast 30-year bond issuance.

For Hydro Ottawa's existing debt, the actual rate for each debt instrument will be used.

The resulting weighted average LT debt rate, as calculated in OEB Appendix 2-OB for the year 2021 (see Attachment 16), will not change each year for the period 2022 through 2025.

- *ROE.* The Parties agree that Hydro Ottawa's approved ROE embedded in rates for the three years beginning in 2021 and ending in 2023 will be the ROE established by the OEB in the aforementioned 2021 Cost of Capital Parameters update expected in the Fall of 2020. For 2024 and 2025, Hydro Ottawa will update its ROE using the applicable ROE value established by the OEB in the Fall of 2023 for January 1, 2024 rates. Furthermore, the Parties agree that, if the OEB revises its underlying methodology for calculating ROE in advance of Hydro Ottawa's scheduled adjustment for 2024 and 2025, then the updated ROE for 2024 and 2025 will be the lower of the following: (i) the ROE rate established by the OEB for 2024, based upon the revised methodology; or (ii) the ROE rate calculated for 2024 in September 2023 using the OEB's current formulaic methodology for updating the deemed ROE, as determined in the *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009 (Appendix B).

The revisions to the utility's cost of capital that are based on these adjustments are outlined in updated versions of OEB Appendices 2-OA and 2-OB, which are appended to this Settlement Proposal as Attachment 15 and Attachment 16, respectively. For the purpose of this Settlement Proposal, Hydro Ottawa has used the relevant Cost of Capital Parameters published by the OEB for Custom IR applications with effective dates in 2020 as a placeholder, and will update OEB Appendices 2-OA and 2-OB for the 2021 Cost of Capital Parameters, as described above, in the Fall of 2020.

(i) Cost Allocation

The Parties agree to Hydro Ottawa's proposed cost allocation. An updated version of the Cost Allocation Model OEB Workform is appended to this Settlement Proposal as Attachment 18.

In addition, consistent with discussion that occurred during the Technical Conference (as referenced in the response to Question 5 in undertaking JT 3.22 and page 164 of the Technical Conference transcript dated July 17, 2020), Hydro Ottawa will complete, and file with its next rebasing application, a new study on the following: (i) the appropriate split between primary, secondary and services assets for cost allocation purposes; and (ii) the appropriate customer count and non-coincident peak ("NCP") split between primary and secondary for the Residential and GS < 50 kW customer classes.

(j) Rate Design

The Parties have agreed to two adjustments related to Hydro Ottawa's proposed rate design.

Hydro Ottawa will reduce the revenue associated with its Low Voltage ("LV") rate by approximately $80,000 per year, consistent with its response to interrogatory VECC-106 in which the utility acknowledged that it likely overestimated LV expenses for the 2021-2025 test period by that amount. Table 16 provides the updated revenue associated with Low Voltage as well as the delta from the original evidence. Updated LV rates are presented in Attachment 23.

Table 16 – 2021-2025 Low Voltage Rates

	2021	2022	2023	2024	2025
LV Revenue	$340,502	$346,939	$353,687	$360,497	$367,685
Change from Original Estimate[13]	$(78,582)	$(78,641)	$(78,490)	$(78,378)	$(77,992)

In addition, Hydro Ottawa will update its Retail Transmission Service Rates ("RTSRs") to reflect the OEB's Decision and Order in EB-2020-0180 on 2020 Uniform Transmission Rates dated July 31, 2020. Updated RTSRs are presented in Attachment 22.

Resolution was not reached amongst the Parties on the proposed fixed rates for customer classes GS 50 to 1,499 kW, GS 1,500 to 4,999 kW, and Large Use, which are above the OEB's established ceiling. The Parties agree that this matter should proceed to a written hearing and that intervenors should have an opportunity to provide a response to any new points raised in Hydro Ottawa's reply submissions.

Appended to this Settlement Proposal are updated versions of Hydro Ottawa's Dry Core Calculations, the utility's Proposed Tariff of Rates and Charges, and the OEB's Bill Impacts Model (as Attachments 19 and 20, respectively).

(k) Specific Service Charges

The Parties accept Hydro Ottawa's proposed Specific Service Charges, as set out in UPDATED Exhibit 8-7-1, subject to the following adjustments:

- Hydro Ottawa's Specific Service Charges will be escalated over the course of the five-year rate term using the "I minus X" components of the enhanced CPEF formula discussed above in part (b) of this section. This escalator will not include the "G" factor. (The exception to this approach will be the Access Power Poles - Wireline charge, for which Hydro Ottawa will continue to use the OEB generic charge).
- Hydro Ottawa agrees to remove its Reconnect at the Meter of New Account Holder charge under the Customer Administration service charge category and will update its Conditions of Service accordingly.

[13] Exhibit 8-8-1: Low Voltage Service Rates includes information on the original estimate.

- Hydro Ottawa will utilize the OEB's prescribed Standard Supply Service Administration Charge ("SSS Charge") of $0.25 per customer per month. Notwithstanding the agreement amongst the Parties on the use of the 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. The Parties believe that timely review of the rate design methodology associated with the SSS Charge is warranted as part of the OEB's ongoing review of miscellaneous rates and charges.

In recognition of the above, the Parties agree to adjust Hydro Ottawa's Other Revenue forecast to incorporate the revenue impact of the agreed upon modifications to the proposed Specific Service Charges.

Table 17 summarizes the revised Other Revenue that reflects the aforementioned modifications.

Table 17 – Changes in Other Revenue ($'000s)

	2021	2022	2023	2024	2025
Other Revenue - As Updated for 2019 Actuals (May 5, 2020)	$11,013	$10,970	$11,667	$12,151	$12,457
Use of Enhanced CPEF Escalator	$(1)	$(4)	$(66)	$(9)	$(71)
Reconnect at Meter (New Account)	$(4)	$(5)	$(5)	$(5)	$(5)
SSS Charge	$(1,334)	$(1,422)	$(1,511)	$(1,600)	$(1,691)
Other Revenue - As per Settlement Proposal[14]	**$9,674**	**$9,538**	**$10,085**	**$10,537**	**$10,690**

[14] Totals may not sum due to rounding.

Table 18 – Updated Summary of Other Revenue ($'000s)

Other Revenue	Test Years				
	2021	2022	2023	2024	2025
Specific Service Charges (4235)	$5,113	$5,385	$5,608	$5,896	$6,137
Late Payment Charges (4225)	$1,000	$1,000	$1,000	$1,000	$1,000
Other Operating Revenue (4082, 4084, 4086, 4090)	$1,456	$1,462	$1,460	$1,460	$1,472
Other Income & Deductions (4315, 4325, 4330, 4362, 4375, 4405)	$2,105	$1,691	$2,017	$2,181	$2,081
TOTAL OTHER REVENUE[15]	**$9,674**	**$9,538**	**$10,085**	**$10,537**	**$10,690**

An updated version of OEB Appendix 2-H - Other Operating Revenue is appended to this Settlement Proposal as Attachment 11.

(l) Deferral and Variance Accounts

With specific adjustments described below, the Parties accept Hydro Ottawa's proposals as described in the evidence (Exhibit 9) for the continuation of certain existing accounts, the discontinuance of certain existing accounts, the disposition of balances in certain existing accounts, and the establishment of new accounts (including the modification of the existing CCRA Payments deferral account to include both new and true-up payments, and to collect or refund the difference in revenue requirement for CCRA payments between what Hydro Ottawa has forecasted and what is actually paid for both new and true-up CCRA payments).

The first series of adjustments is with respect to the disposition of specific Group 2 Accounts in relation to the 2016-2020 rate term, as follows:

- New Facilities Deferral Account – disposition of the balance in this account will reflect the disallowance of $2.9M from rate base associated with the land costs of Hydro Ottawa's new Administration and Operations Facilities, as discussed above in part (d) of this section (the updated balance for the New Facilities Deferral Account is shown below in Table 19); and

[15] Totals may not sum due to rounding.

- LRAMVA – disposition of the balance in this account will exclude the 2013 LRAM adjustments, which are discussed in UPDATED Exhibit 4-5-2: LRAM Variance Account. The updated LRAM disposition amount is summarized in Table 20 below.

Table 19 – New Facilities Total Revenue Requirement

	2019	2020
Opening Gross Asset Balance	0	$96,617,287
Additions	$96,617,287	0
Closing Gross Asset Balance	**$96,617,287**	**$96,617,287**
Opening Accumulated Depreciation	$0	$1,777,629
Current Year Depreciation	$1,777,629	$2,660,636
Closing Accumulated Depreciation	**$1,777,629**	**$4,438,264**
Net Asset Balance	**$94,839,658**	**$92,179,022**
Rate Base (Average Net)	**$47,419,829**	**$93,509,340**
Financial Net Income	$1,703,320	$3,358,856
Add Depreciation	$1,777,629	$2,660,636
Deduct CCA	$(2,427,097)	$(4,654,309)
Net Income For Tax Purposes	$1,053,852	$1,365,182
Tax Rate	26.50%	26.50%
Payments in Lieu of Taxes (“PILS”)	$279,271	$361,773
PILS Grossed-up	**$379,960**	**$492,208**
Depreciation	$1,777,629	$2,660,636
Short-Term Interest[16]	$53,490	$105,479
Long-Term Interest[17]	$981,742	$1,933,324
ROE[18]	$1,703,320	$3,358,856
PILS Grossed-up	$379,960	$492,208
TOTAL REVENUE REQUIREMENT[19]	**$4,896,141**	**$8,550,502**
AMOUNT APPROVED THROUGH Y FACTOR[20]	**$3,307,447**	**$5,821,770**

[16] Hydro Ottawa has used approved yearly Cost of Capital parameters for this item. Additional details are available in UPDATED Exhibit 5-1-1: Cost of Capital and Capital Structure.
[17] *Ibid.*
[18] *Ibid.*
[19] Totals may not sum due to rounding.
[20] For clarity, the amount presented relates to the New Facilities portion of the Y Factor only. Additional details are available in UPDATED Exhibit 9-1-3: Group 2 Accounts.

Table 20 – Lost Revenue by Year by Rate Class 2014-2016

	2014	2015	2016	Total
Residential	$301,347	$757,287	$783,443	$1,842,078
GS< 50 kW	$248,301	$424,600	$186,317	$859,218
General Service 50 to 1,499 kW	$(55,987)	$143,676	$(286,182)	$(198,492)
General Service 1,500 to 4,999 kW	$(11,938)	$60,292	$99,246	$147,600
Large Use	$(8,414)	$20,538	$74,491	$86,615
Unmetered Scattered Load	$(4,051)	$0	$0	$(4,051)
Streetlighting	$(16,390)	$0	$11,319	$(5,071)
TOTAL[21]	**$452,868**	**$1,406,393**	**$868,635**	**$2,727,896**

Alongside this initial series of adjustments, it is confirmed that the disposition of the balance in the ESM account will be consistent with the corrections to the ESM calculation provided in the response to undertaking JT 3.9 in this proceeding.[22]

Table 21 below identifies all of the Group 1 and Group 2 deferral and variance accounts ("DVAs") which are proposed for disposition as part of this proceeding.

[21] Totals may not sum due to rounding.
[22] This undertaking had requested Hydro Ottawa to calculate whether there would have been earnings sharing if the dead band of 150 basis points had been in place during the utility's 2016-2020 Custom IR term. In preparing its response to the undertaking, Hydro Ottawa realized that the customer portion was not being added back to the Distribution Net Income submitted as part of the Reporting and Record Keeping Requirements ("RRRs") filings in the utility's calculation of the earnings sharing for the current year. Hydro Ottawa therefore corrected the ESM calculations accordingly, as part of its response to the undertaking.

Table 21 – Proposed DVA Dispositions

Group	USofA Number	Group 1 and 2 Deferral/Variance Account Description	Amount	Principal	Interest
1	1550	LV Variance Account	$(313,465)	$(304,865)	$(8,600)
1	1551	Smart Metering Entity Charge Variance Account	$(77,882)	$(75,564)	$(2,317)
1	1580	RSVA - Wholesale Market Service Charge	$(2,060,384)	$(2,022,576)	$(37,808)
1	1580	Variance WMS – Sub-account CBR Class A	$0	$0	$0
1	1580	Variance WMS – Sub-account CBR Class B	$(492,601)	$(477,649)	$(14,952)
1	1584	RSVA - Retail Transmission Network Charge	$(742,184)	$(714,195)	$(27,988)
1	1586	RSVA - Retail Transmission Connection Charge	$(4,728,044)	$(4,577,938)	$(150,106)
1	1588	RSVA - Power (excluding Global Adjustment)	$757,478	$743,192	$14,286
1	1589	RSVA - Global Adjustment	$6,051,424	$5,762,960	$288,464
1	1595	Disposition and Recovery/Refund of Regulatory Balances (2016)	$66,600	$91,297	$(24,697)
1	1595	Disposition and Recovery/Refund of Regulatory Balances (2017)	$(505,116)	$(188,154)	$(316,962)
		Group 1 Subtotal (Excluding Global Adjustment)	$(8,095,597)	$(7,526,452)	$(569,145)
		Global Adjustment	$6,051,424	$5,762,960	$288,464
		Group 1 TOTAL	$(2,044,173)	$(1,763,493)	$(280,681)
		1508 Other Regulatory Assets - Sub-Account			
2	1508	Pension & Other Post-Employment Benefits (“OPEB”)	$(4,431,595)	$(4,431,595)	$0
2	1508	Energy East Cost Defer Cost	$55,424	$50,731	$4,693
2	1508	Y-Factor Variance Account	$320,332	$320,332	$0
2	1508	Gains/Losses from Sale of Existing Facilities Deferral	$(2,151,861)	$(2,151,861)	$0
2	1508	New Facilities Deferral Account	$4,317,427	$4,317,427	$0
2	1508	Gains and Loss on Disposal of Fixed Assets Variance Account	$3,677,609	$3,543,600	$134,009
2	1508	ESM Variance Account	$(5,196,006)	$(4,985,981)	$(210,025)
2	1508	CCRA Payment Account	$836,084	$814,360	$21,724
2	1508	Efficiency Adjustment Mechanism Deferral Account	$(892,062)	$(854,169)	$(37,893)
2	1508	OEB Cost Assessment Variance	$1,989,596	$1,879,684	$109,912
2	1508	RCVA Retail Incremental Revenue	$(36,725)	$(35,714)	$(1,011)
2	1508	STR Incremental Revenue	$(1,005)	$(977)	$(28)
	1508	**Sub-Total of 1508 Sub-Accounts**	**$(1,512,782)**	**$(1,534,164)**	**$21,382**
2	1518	Retail Cost Variance - Retail	$(43,058)	$(39,487)	$(3,572)
2	1522	Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	$(6,403)	$0	$(6,403)
2	1548	Retail Cost Variance - Service Transaction Requests (“STRs”)	$342,868	$314,008	$28,860
2	1592	PILs and Tax Variances - Sub-Account: Capital Cost Allowance (“CCA”) Changes	$(7,477,887)	$(7,291,888)	$(185,999)
		Group 2 Sub-Total Prior to LRAM	**$(8,697,263)**	**$(8,551,530)**	**$(145,732)**
2	1568	LRAMVA	$2,727,896	$2,503,397	$224,499
		Group 2 Sub-Total	**$(5,969,367)**	**$(6,048,134)**	**$78,767**
TOTAL DVA BALANCE (Group 1 & Group 2) TO BE MOVED TO 1595 (2021)[23]			**$(8,013,540)**	**$(7,811,626)**	**$(201,914)**

[23] Totals may not sum due to rounding.

The second set of adjustments for which a settlement has been reached involves the following four new or updated Regulatory Accounts, which are addressed in more detail below:

- Hydro Ottawa's ESM for the 2021-2025 rate term;
- A Performance Outcomes Accountability Mechanism that is intended to incentivize Hydro Ottawa to achieve specific performance-based outcomes and targets over the five-year test period;
- The utility's proposed Capital Variance Account; and
- The deferral accounts established by the OEB to enable local distribution companies to record the impacts arising from the COVID-19 pandemic.

(i) 2021-2025 Earnings Sharing Mechanism

The Parties agree that Hydro Ottawa will utilize an asymmetrical ESM for purposes of sharing with ratepayers any earnings which exceed the utility's approved regulatory ROE. In this context, the ROE to be used is that which is described above in part (h) of this section. Earnings above Hydro Ottawa's approved ROE will be shared on a 50/50 basis between Hydro Ottawa and its ratepayers with no dead band. The ratepayer share of the earnings will be grossed up for any tax impacts and will be credited to a new deferral account for clearance. The ESM will function as a cumulative account, with the balance (if any) being cleared and credited on a final basis to customers at the end of the five-year rate term.

For purposes of the ESM, Hydro Ottawa's earnings (regulatory net income) will be calculated in the same manner as net income for regulatory purposes under the RRR filings. Hydro Ottawa will therefore exclude revenue and expenses that are not otherwise included for regulatory purposes, such as:

- Non-distribution activities, which are not part of revenue requirement;
- The amounts recorded into or disposed through regulatory assets/liabilities (specifically, Group 1 Accounts); and
- Changes in taxes/PILs to which Account 1592 applies, which will be shared through that account rather than through earnings sharing.

In addition, the LRAMVA will be applied in the year to which it relates. As a result, final disposition of the ESM Account would occur no earlier than the approval of when the final year of any LRAMVA related to the 2025 rate year is approved.

Furthermore, adjustments may need to be made to the ESM calculation to ensure there is an appropriate treatment from amounts recorded and/or recovered by way of DVAs. By way of example, if Hydro Ottawa recovers amounts recorded in Account 1509 - Impacts Arising from the COVID-19 Emergency Sub-Account Lost Revenue related to any year between 2021 and 2025, those amounts shall be included in Hydro Ottawa's earnings for the relevant year(s).

Hydro Ottawa will ensure that the nature and timing of revenues, expenses, and costs is consistent with the regulatory rules in existence as of the date of this Settlement Proposal for the calculation of revenue requirement on a cost of service basis.

Hydro Ottawa agrees that it will not make any material changes in accounting practices that have the effect of either reducing or increasing utility earnings, unless otherwise directed to do so by (i) the OEB of its own initiative, or (ii) an accounting standards body and/or the provincial or federal government, with the corresponding direction having been approved by the OEB. Any such changes shall be noted at the time of the proposed ESM disposition, and how they should be incorporated, if at all, will be determined at that time.

(ii) Performance Outcomes Accountability Mechanism

The Parties are cognizant that a foundational objective of the RRF is for utilities to cost-effectively achieve tangible outcomes that are valued by customers, and to plan and operate their systems on an efficient basis. The Parties likewise acknowledge that the OEB's adjudication of Custom IR applications submitted by various subsets of the utility sector (electricity distributors, electricity transmitters, natural gas distributors, and Ontario Power Generation) has served as a principal means through which the OEB has clarified its expectations of what constitutes efficiencies in system planning and operations, and cost-effectiveness in the delivery of customer outcomes.

The settlement agreement governing Hydro Ottawa's 2016-2020 rate plan included an Efficiency Adjustment Mechanism ("EAM"), which was intended to provide greater incentives for

productivity and which was structured around the efficiency cohorts in the OEB's benchmarking model for total cost performance. In this proceeding, the Parties agreed to continue to find ways to align the achievement of outcomes by the utility and the rates paid by customers. The result of this effort is that the Parties have agreed to the establishment of a Performance Outcomes Accountability Mechanism Deferral Account. The objective of the new mechanism is to link the execution of certain aspects of Hydro Ottawa's DSP to the recovery of amounts included in the agreed-upon revenue requirement.

Accordingly, in order to provide a measure of accountability that Hydro Ottawa's rate plan supports the achievement of its identified outcomes, to better align the utility's interests with those of its customers, and to support the ongoing evolution and maturation of the RRF, the Parties hereby agree to the establishment of a Performance Outcomes Accountability Mechanism Deferral Account for Hydro Ottawa for the 2021-2025 Custom IR term. The design of this adjustment mechanism is as follows:

- The mechanism is centered around five performance metrics which are linked to specific outcomes identified in Hydro Ottawa's 2021-2025 DSP.
- Each metric is weighted equally. Three are focused on system reliability outcomes and two are focused on cost-effectiveness outcomes.
- For each metric, annual targets have been established.
- In a given year of the Custom IR term, the failure of Hydro Ottawa to achieve the designated target for a specific performance metric will result in the utility being required to credit the deferral account in an amount up to $200,000.
- For certain metrics, the assessment of whether or not Hydro Ottawa has achieved its designated target will rely upon a "Green-Yellow-Red" indicator system, as follows:
    - "Green" denotes target has been met or exceeded, resulting in no obligation for the utility to credit the deferral account;
    - "Yellow" denotes target has been narrowly missed within a prescribed range, resulting in an obligation for the utility to issue a partial credit to the deferral account that is proportional to the utility's performance (further details are available in Attachment 5); and
    - "Red" denotes target has been missed, resulting in an obligation for the utility to deposit the maximum credit amount into the deferral account.

- The maximum amount which Hydro Ottawa would credit to the deferral account on an annual basis would be $1.0M (i.e. a maximum of $200,000 for each of the five performance targets missed).
- Hydro Ottawa will report on whether it achieved or failed to achieve the performance targets in conjunction with its annual reporting under the 2021-2025 rate plan (see part (c) of this section).
- The account will be cleared consistent with OEB policy for Group 2 accounts.

Attachment 5 outlines the specific details pertaining to the performance metrics and targets underpinning the Performance Outcomes Accountability Mechanism.

Recognizing that this is the first mechanism of its kind in Ontario's electricity distribution sector, the Parties have sought to select performance measures that (i) have a clear connection with the evidence set forth in Hydro Ottawa's application; (ii) are relevant to critical areas of Hydro Ottawa's plan and its cost effectiveness; (iii) help support the achievement of appropriate outcomes; and (iv) are generally familiar to the Parties, the OEB, and the larger stakeholder community within the sector. Similarly, the targets and maximum amounts that could be credited to ratepayers have been formulated in consideration of the purpose of the mechanism and the particular circumstances of Hydro Ottawa's Application, as well as in recognition of the uniqueness of this mechanism in an Ontario context.

(iii) Capital Variance Account

For purposes of its 2016-2020 rate plan, Hydro Ottawa secured approval for the establishment and use of an asymmetrical variance account to track, on an annual basis, the impacts on revenue requirement arising from variances between actual and forecasted cumulative capital additions in any given year. The Parties accept Hydro Ottawa's proposal to continue the use of this account during the 2021-2025 rate term under a slightly modified approach.

This approach will involve the use of three asymmetrical sub-accounts to record the revenue requirement impact of underspending in the System Access (excluding plant relocation and residential expansion), System Renewal/System Service, and General Plant categories. In addition, a separate symmetrical sub-account will be established for System Access capital

additions for which the drivers are either plant relocation requested by third parties or residential expansion.

The forecast additions for each of the categories in these accounts are set out in Table 22 and 23.

Table 22 – Summary of 2021-2025 Capital Additions (Asymmetrical Sub-Accounts)
($'000,000s)

Investment Category	2021	2022	2023	2024	2025
System Access excluding Plant Relocation and Residential Expansion (net of contribution)	$13.3	$10.8	$10.4	$10.4	$10.1
System Renewal and Service	$67.5	$92.5	$53.9	$59.3	$81.0
General Plant including CCRAs	$65.8	$12.1	$6.2	$7.9	$22.9
TOTAL	**$146.6**	**$115.3**	**$70.6**	**$77.6**	**$114.1**

Table 23 – Summary of 2021-2025 Capital Additions (Symmetrical Sub-Account)
($'000,000s)

Investment Category	2021	2022	2023	2024	2025
System Access subset - Plant Relocation and Residential Expansion (net of contribution)	$6.2	$7.2	$7.2	$5.2	$5.2

Variances and associated revenue requirement impacts will be computed and tracked on an annual basis. In each of the years of the Custom IR plan, if Hydro Ottawa adds to rate base less than its forecast cumulative amount in any of the categories, the corresponding reduction in revenue requirement will be credited to the variance account. Any cumulative reduction in revenue requirement in any of the categories for 2021-2024 will be disposed as set out in subpart (v) below ("Summary of Proposed DVA Dispositions for 2021-2025 Custom IR Plan").

It is the intention of the Parties, by proposing the calculation of the annual variance on a cumulative basis, to ensure that if projects are delayed, and are completed as planned but at a later time, the reduction to revenue requirement will only reflect the period of delay. The Parties agree that Hydro Ottawa will track and compute revenue requirement impacts and dispose of

any underspending from the three categories at the end of the five-year term. If at the end of five years there has been overspending in any category, there will be no charge to the customer in the Regulatory Sub-Accounts.

Each year, Hydro Ottawa will calculate the impact of the revenue requirement resulting from the variance in its cumulative capital additions for each of the capital additions budgets. The revenue requirement impacts include depreciation, interest, ROE, and PILS, and will use the applicable cost of capital rates and structure in effect for the 2021-2025 Custom IR plan (see part (h) in this section above) for the year for which the revenue requirement is being calculated.

(iv) Account 1509 - Impacts Arising from the COVID-19 Emergency

On March 25, 2020 and April 29, 2020, the OEB issued accounting orders for the establishment of deferral accounts to record impacts arising from the COVID-19 Emergency. The OEB established Account 1509 - Impacts Arising from the COVID-19 Emergency, which initially included three sub-accounts. These sub-accounts are for costs associated with billing and system changes related to the Government of Ontario's emergency order regarding time-of-use pricing, lost revenue, and other incremental costs. In the updates to its application filed on May 5, 2020 to account for 2019 actuals, Hydro Ottawa had signaled its intention to open these new 1509 sub-accounts, consistent with the OEB's accounting order.

During the month of August 2020, through the issuance of two separate accounting orders, the OEB confirmed the establishment of two additional sub-accounts under Account 1509. Their names and descriptions are as follows: Forgone Revenues from Postponing Rate Implementation Sub-Account, the purpose of which is to record forgone revenues due to the postponement of rate implementation as a result of the COVID-19 emergency; and Bad Debt Sub-Account, which is intended for recording amounts related to bad debt resulting from COVID-19.

During this proceeding, Hydro Ottawa had expressed an intention to utilize the first three of the aforementioned sub-accounts during the 2021-2025 period. Alongside this statement, the utility had also declared that it expected the impacts from the COVID-19 pandemic to be the most acute in relation to 2020 results, and that its forecasts for the 2021-2025 period need not be materially revised.

Through the settlement process, the Parties have agreed that, as of January 1, 2021, Hydro Ottawa will not record any amounts in the first three sub-accounts established under Account 1509 (Costs Associated with Billing and System Changes; Lost Revenues; and Other Incremental Costs), or any additional sub-accounts that may be created on a generic basis.[24] The only exception to this provision is if during the 2021-2025 Custom IR term there is a material change in Ontario's public health and economic circumstances, relative to those existing at the time of the filing of this Settlement Proposal, which is directly caused by the COVID-19 pandemic and which has significant negative impact on Hydro Ottawa's operations or financial circumstances. By way of an illustrative example, such a material change could consist of the City of Ottawa and/or the Province of Ontario reverting to economic restrictions that are materially more severe than those in place at the time of the filing of this Settlement Proposal.

Parties agree that Hydro Ottawa will, however, be permitted to continue recording amounts in the Bad Debt Sub-Account for as long as the OEB permits this sub-account to remain in place. For this purpose, the utility will follow whatever methodology and clearance guidelines ultimately emerge from the OEB consultation that is underway as of the filing of this Settlement Proposal (EB-2020-0133).[25]

With respect to the sub-account associated with Forgone Revenues from Postponing Rate Implementation, Hydro Ottawa confirms that it is not applicable, seeing as the utility's prior rate implementation was for January 1, 2020 in advance of the COVID-19 pandemic.

Nothing in the foregoing discussion should be construed as the Parties agreeing to the appropriateness of the calculation or disposition of any COVID-19-related accounts or sub-accounts in which Hydro Ottawa may be permitted to record amounts. Furthermore, nothing in this agreement shall prejudice any Party with respect to positions it may take as part of the OEB's EB-2020-0133 consultation. All that has been agreed to is the extent to which Hydro

[24] To confirm, this provision is intended to apply to costs incurred and/or lost revenue from the 2021-2025 period that would have otherwise been eligible for recording within the three sub-accounts. It does not apply to costs incurred in 2020 and/or lost revenue from 2020. It is acknowledged that journal entries for 2020 costs and losses may occur after December 31, 2020.
[25] For reference purposes, it is noted that Hydro Ottawa has budgeted $1.5M in bad debt for 2021, as presented in Table 7 of UPDATED Exhibit 4-1-4: Operations, Maintenance and Administration Cost Drivers and Program Variance Analysis.

Ottawa shall be permitted to access COVID-19-related accounts during its 2021-2025 rate period.

(v) Summary of Proposed DVA Dispositions for 2021-2025 Custom IR Plan

The Parties agree that Hydro Ottawa's DVAs will be cleared during the Custom IR term in accordance with OEB policies that are in effect during each year of the term. The Parties agree that, based on the OEB's current policies, and subject to any changes to those policies over the course of the 2021-2025 rate term, the timing for clearance of each of the utility's DVAs will comport with the provisions set forth in Table 24.

Table 24 – DVA Dispositions for 2021-2025 Custom IR Plan

Account	Treatment
Group 1 Accounts	Disposition is in accordance with EDDVAR[26]
Group 2 Accounts	Disposition is in accordance with EDDVAR
Lost Revenue Adjustment Mechanism	At a minimum at the next rebasing application

(vi) OEB DVA Workform

Appended to this Settlement Proposal as Attachment 24 is an updated version of the OEB Workform - Deferral and Variance Account (Continuity Schedule).

(vii) Accounting Orders

Appended to this Settlement Proposal as Attachment 6 is a consolidated set of Accounting Orders for the following DVAs: CCRA Payments Deferral Account; Performance Outcomes Accountability Mechanism Deferral Account; Capital Variance Account; Subset of System Access Capital Variance Account; and Earnings Sharing Mechanism Variance Account.

(m) Other Items

The Parties agree that Hydro Ottawa may apply for Z-factor relief in the event that the utility incurs costs arising from unforeseen events, decisions, or activities the results of which cannot be reasonably anticipated or qualified at this time and where the costs exceed the utility's $1.0M

[26] "EDDVAR" refers to the OEB's report on the Electricity Distributors' Deferral and Variance Account Review Initiative, EB-2008-0046 (July 31, 2009).

materiality threshold. The criteria for any Z-factor relief will be consistent with OEB-approved policies and decisions.[27]

In addition, the Parties accept Hydro Ottawa's proposal to apply the OEB's existing policy with respect to off-ramps, wherein a regulatory review may be initiated in the event that Hydro Ottawa performs outside of an annual ROE dead band of plus or minus 300 basis points.

(n) Going In, Annual, and Mid-Term Adjustments

The Parties acknowledge and accept that a limited number of annual rate adjustments will be required over the course of Hydro Ottawa's 2021-2025 rate term. A list of these adjustments can be found in Attachment 4 to this Settlement Proposal.

G. SETTLEMENT PROPOSAL BY ISSUE

Whereas the preceding section summarizes 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 has been addressed through either Hydro Ottawa's 2021-2025 Custom IR application or the modifications to the utility's rate plan which have been agreed upon in this Settlement Proposal.

1.0 General

1.1 Has Hydro Ottawa responded appropriately to all relevant OEB directions from previous proceedings, including commitments from prior settlement agreements?

[27] This includes the following finding made by the OEB on page 43 of its Decision and Order in EB-2017-0049 dated March 7, 2019: "The OEB disagrees that the OEB's policy on Z-factors precludes a symmetrical treatment. The policy is set out in the *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* and does not state that a Z-factor is asymmetrical. There is nothing to prevent the OEB from imposing Z-factor treatment for an unforeseen event that materially reduces costs and meets all of the Z-factor criteria, should one be identified."

1.1.1 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 settlement agreements.

1.1.2 Evidence

Exhibits	UPDATED Exhibit 1-1-4: Administration
Interrogatories	OEB-54
Undertakings	None
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

1.2 Is the proposed effective date of January 1, 2021 appropriate?

1.2.1 Complete Settlement

In step with the discussion above in part (a) of Section F, the Parties agree that the effective date of the rates arising from this Settlement Proposal should be January 1, 2021. In the event that the OEB's rate order is not issued in time for Hydro Ottawa to implement rates for January 1, 2021, the Parties agree that Hydro Ottawa will implement a rate rider to recover from its customers foregone revenues that would otherwise have been collected if the utility's new rates were in effect as of January 1, 2021.

1.2.2 Evidence

Exhibits	UPDATED Exhibit 1-1-4: Administration, UPDATED Exhibit 8-10-1: Current and Proposed Tariff of Rates and Charges
Interrogatories	OEB-1, SEC-1, CCC-1, VECC-93
Undertakings	JT 1.9, JT 1.13, JT 1.25
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

1.3 Are the rates and bill impacts resulting from Hydro Ottawa's application for 2021 appropriate? Are rate mitigation proposals required for any rate classes?

1.3.1 Complete Settlement

Attachment 21 to this Settlement Proposal outlines estimated rate and bill impacts for customers in each rate class. The Parties accept that the impacts arising from Hydro Ottawa's application are appropriate. In addition, these impacts all fall below the OEB's threshold of a 10% increase on a total bill basis. The Parties therefore agree that no rate smoothing or mitigation is required.

The Parties acknowledge that these bill impacts have been calculated using the OEB's current Cost of Capital parameters, as issued by the OEB on October 31, 2019 for 2020 rate applications. Updated parameters are expected to be issued by the OEB in the Fall of 2020 for 2021 rates; however, no material changes in the bill impacts are anticipated as a result of these Cost of Capital parameter updates.

1.3.2 Evidence

Exhibits	UPDATED Exhibit 1-1-4: Administration, UPDATED Exhibit 8-12-1: Bill Impact Information, UPDATED Attachment 8-12-1(A): 2021-2025 Bill Impacts Model
Interrogatories	OEB-38, OEB-53, PP-1, PP-5, SEC-2, CCC-22
Undertakings	JT 2.1, JT 3.1
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

1.4 Were Hydro Ottawa's stakeholder (including customer) engagement activities sufficient to enable customer needs and preferences to be adequately considered in the formulation of its application (including proposed spending, business plan and distribution system plan)?

1.4.1 Complete Settlement

The Parties agree that customer needs and preferences were considered in the formulation of Hydro Ottawa's application. This was achieved through the utility's stakeholder and customer engagement activities – both those that are part of the utility's efforts to interact with its customers on an ongoing basis and those that were specifically undertaken for purposes of consulting on its rate application proposals.

The Parties acknowledge that the process utilized by Hydro Ottawa to consult with customers on its proposed spending and business plans for the 2021-2025 rate term, as well as the insights gleaned from that process, present opportunities for continuous improvement in customer engagement. The Parties agree that the modifications to the utility's proposals, as set out in this Settlement Proposal, which include additional ratepayer protections, revised levels of spending, and adjustments that embed further productivity, have enhanced the reflection of customer needs and preferences within the rate plan.

1.4.2 Evidence

Exhibits	Exhibit 1-2-1: Customer Engagement Overview, Attachment 1-2-1(A): OEB Appendix 2-AC - Customer Engagement Activities Summary, Attachment 1-2-1(B): Customer Strategy, Exhibit 1-2-2: Customer Engagement on the 2021-2025 Application, Attachment 1-2-2(A): Innovative Research Group - Customer Engagement Report on Hydro Ottawa's 2021-2025 Rate Application
Interrogatories	OEB-53, OEB-64, DRC-7, SEC-27, SEC-33, CCC-22, EPRF-28, EPRF-33
Undertakings	None
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

2.0 Custom Incentive Rate-Setting

2.1 Is Hydro Ottawa's proposal for a five-year Custom Incentive Rate-setting (Custom IR) plan appropriate, in accordance with OEB policies in the Rate Handbook and related OEB documents, and supported by its capital and operating budget forecasts for 2021-2025?

2.1.1 Complete Settlement

The Parties agree that Hydro Ottawa's 2021-2025 rate plan, including its capital and OM&A budgets, as presented in the utility's proposals and modified by this Settlement Proposal, fulfills the OEB's expectations and requirements for a Custom IR application.

2.1.2 Evidence

Exhibits	UPDATED Exhibit 1-1-10: Alignment with Renewed Regulatory Framework, UPDATED Exhibit 2-4-1: Capital Expenditures Summary, UPDATED Attachment 2-4-3(A): OEB Appendix 2-AA - Capital Programs Table, UPDATED Attachment 2-4-3(B): OEB Appendix 2-AB - Capital Expenditure Summary, UPDATED Exhibit 4-1-1: Operations, Maintenance and Administration Summary, UPDATED Attachment 4-1-1(A): UPDATED OEB Appendix 2-JA - Summary of Recoverable OM&A Expenses, UPDATED Attachment 4-1-1(B): UPDATED OEB Appendix 2-JC - OM&A Programs Table
Interrogatories	OEB-1, OEB-2, OEB-3, OEB-37, CCC-24, EPRF-1, SEC-7
Undertakings	JT 4.11
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

2.2 Are all elements (e.g., inflation and productivity factors, earnings sharing mechanism, Z-factors, off-ramps) of Hydro Ottawa's Custom IR proposal for the determination of rates appropriate? Are they consistent with OEB policies such as the Rate Handbook, and are they adequately supported?

2.2.1 Complete Settlement

The Parties agree that the elements underpinning Hydro Ottawa's approach to rate-setting for the 2021-2025 term, as described in the Application and modified through this Settlement Proposal, are appropriate, adequately justified by the record formulated in this proceeding, and consistent with OEB policies.

In addition, as noted above in part (m) of Section F, the Parties agree that Hydro Ottawa may apply for Z-factor relief, in accordance with OEB policies. Hydro Ottawa will also abide by OEB policy as it relates to the potential utilization of an off-ramp.

2.2.2 Evidence

Exhibits	UPDATED Exhibit 1-1-10: Alignment with Renewed Regulatory Framework, Exhibit 1-1-12: Benchmarking, Attachment 1-1-12(A): Econometric Benchmarking Study of Hydro Ottawa's Total Cost and Reliability, UPDATED Exhibit 9-1-3: Group 2 Accounts, Exhibit 9-2-1: New Deferral and Variance Accounts
Interrogatories	OEB-4, OEB-5, OEB-6, OEB-7, OEB-10, OEB-13, OEB-36, CCC-23, CCC-27, EPRF-2, EPRF-3, EPRF-4, SEC-6, SEC-8, SEC-11, VECC-4, VECC-5, VECC-6, VECC-7, VECC-9, VECC-10, VECC-11, VECC-15, SEC-OEBStaff-3, SEC-OEBStaff-5, SEC-OEBStaff-6, SEC-OEBStaff-9, M-HOL-1, M-HOL-2, M-HOL-3, M-HOL-4, M-HOL-5, M-HOL-11, M-HOL-12, M-HOL-18, M-EP-1, M-EP-2, M-EP-6, M-EP-7, M-EP-8, M-EP-9, M-EP-10, M-EP-11, M-EP-12
Undertakings	JT 1.14, JT 3.9, JT 3.28, JT 4.15
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

2.3 Is Hydro Ottawa's proposed custom performance scorecard appropriate?

2.3.1 Complete Settlement

The Parties accept that Hydro Ottawa's proposed custom performance scorecard is appropriate and satisfies the requirement in the OEB Rates Handbook for the development of customized performance metrics aligned to the outcomes identified in a utility's application. A copy of the custom performance scorecard is appended to this Settlement Proposal as Attachment 2.

2.3.2 Evidence

Exhibits	Exhibit 1-1-11: Proposed Annual Reporting – 2021-2025
Interrogatories	OEB-51, OEB-52, PP-7, PP-9, VECC-21, VECC-22, VECC-23, VECC-24, VECC-25, VECC-26, VECC-27, VECC-83
Undertakings	None
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

2.4 Is the annual performance reporting proposed by Hydro Ottawa appropriate?

2.4.1 Complete Settlement

The Parties agree that the annual performance reporting proposed by Hydro Ottawa is appropriate. A copy of the annual reporting categories for capital expenditures is included in this Settlement Proposal as Attachment 1.

In addition, consistent with the discussion in part (I) of Section F above, Hydro Ottawa will report on whether it achieved or failed to achieve the performance targets established under the Performance Outcomes Accountability Mechanism Deferral Account in conjunction with its annual reporting under the 2021-2025 rate plan.

2.4.2 Evidence

Exhibits	Exhibit 1-1-11: Proposed Annual Reporting – 2021-2025
Interrogatories	OEB-51, OEB-52, PP-7, PP-9, VECC-21, VECC-22, VECC-23, VECC-24, VECC-25, VECC-26, VECC-27, VECC-83
Undertakings	None
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

2.5 Are the benchmarking studies and analyses provided responsive to the OEB's expectations in the Rate Handbook, and are the results supportive of Hydro Ottawa's Custom IR plan?

2.5.1 Complete Settlement

The Parties agree that Hydro Ottawa has satisfied the OEB's expectations and requirements for the provision of internal and external benchmarking to support its capital spending and business plans, as modified by this Settlement Proposal.

2.5.2 Evidence

Exhibits	Exhibit 1-1-12: Benchmarking, Attachment 1-1-12(A): Econometric Benchmarking Study of Hydro Ottawa's Total Cost and Reliability, Attachment 1-1-12(B): Hydro Ottawa Unit Costs Benchmarking Study, Attachment 1-1-12(C): Electricity Utility Scorecard, Attachment 1-1-12(D): Ontario Energy Board Electricity Distributor Yearbook and Performance Dashboard, Attachment 1-1-12(E): PEG Benchmarking Forecast, Attachment 1-1-12(F): Hydro Ottawa IT Budget Assessment Benchmark, Attachment 1-1-12(G): Compensation Benchmarking Study, Exhibit M: Custom Incentive Rate Mechanism Design for Hydro Ottawa
Interrogatories	OEB-39 to OEB-46, OEB-48, OEB-49, SEC-3, EPRF-15, EPRF-19, EPRF-21 to EPRF-23, SEC-19 to SEC-24, SEC-OEB Staff-2, M-HOL-9
Undertakings	JT 4.13, JT 4.14
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

2.6 Does the Custom IR plan adequately account for productivity and efficiency gains in its proposed OM&A and capital expenditures?

2.6.1 Complete Settlement

The Parties agree that Hydro Ottawa's 2021-2025 Custom IR plan, as modified through this Settlement Proposal, includes appropriate incentives and measures to ensure productivity and efficiency gains are embedded in the utility's proposed OM&A and capital expenditures. In this regard, the Parties make particular note of the enhanced CPEF factor, the Capital Stretch Factor for capital-related revenue requirement, and the Performance Outcomes Accountability Mechanism.

2.6.2 Evidence

Exhibits	UPDATED Exhibit 1-1-10: Alignment with Renewed Regulatory Framework, Attachment 1-1-12(A): Econometric Benchmarking Study of Hydro Ottawa's Total Cost and Reliability, Exhibit 1-1-13: Productivity and Continuous Improvement Initiatives, UPDATED Exhibit 2-4-1: Capital Expenditures Summary, Exhibit 2-4-3: Distribution System Plan, UPDATED Exhibit 4-1-1: Operations, Maintenance and Administration Summary, Exhibit M: Custom Incentive Rate Mechanism Design for Hydro Ottawa
Interrogatories	OEB-47, EPRF-24, CCC-4, CCC-5, CCC-6, CCC-20, CCC-21, CCC-29, DRC-1, DRC-3, SEC-29, VECC-74, SEC-OEBStaff-1, SEC-OEBStaff-7, M-HOL-7, M-HOL-15
Undertakings	JT 1.1, JT 1.10, JT 2.13
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

3.0 Rate Base and Capital Plan

3.1 Are the proposed 2021-2025 rate base amounts (including the working capital allowance amounts and the inclusion of New Facilities and Connection Cost Recovery Agreement Payments into the 2021 opening rate base) reasonable?

3.1.1 Complete Settlement

The Parties accept that the proposed 2021-2025 rate base amounts (including the working capital allowance amounts and the inclusion of New Facilities and Connection Cost Recovery Agreement Payments into the opening 2021 rate base), as modified through this Settlement Proposal, are reasonable.

An updated version of the fixed asset continuity schedules in OEB Appendix 2-BA have been appended to this Settlement Proposal as Attachment 7. In addition, an updated version of OEB Appendix 2-Z - 2021 Commodity Expense is appended as Attachment 8.

3.1.2 Evidence

Exhibits	UPDATED Exhibit 2-1-1: Rate Base Overview, UPDATED Attachment 2-1-1(A): New Administrative Office and Operations Facilities, UPDATED Exhibit 2-2-1: Assets - Property Plant & Equipment Continuity Schedule, UPDATED Exhibit 2-3-1: Working Capital Requirement
Interrogatories	OEB-115, OEB-116, OEB-117, OEB-152, BOMA-5, EPRF-112, VECC-35, VECC-36, VECC-37, VECC-39, VECC-40, VECC-109, SEC-30
Undertakings	JT 1.5, JT 1.17, JT 3.1, JT 4.8
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

3.2 Is the level of proposed 2021-2025 capital expenditures and capital in-service additions (including the Cambrian municipal transformer station) arising from the distribution system plan appropriate, and is the rationale for planning and pacing choices, including trade-offs between capital and operating costs, appropriate and adequately explained?

3.2.1 Complete Settlement

The Parties agree that the proposed 2021-2025 capital expenditures and in-service additions arising from the utility's Distribution System Plan (inclusive of Cambrian MTS), as modified through this Settlement Proposal, are appropriate and supported by the evidence. The Parties likewise accept that Hydro Ottawa has presented adequate rationale for its decisions related to the planning and pacing of capital investments, including with respect to trade-offs between capital and OM&A costs.

A revised version of OEB Appendix 2-AB - Capital Expenditure Summary is appended to this Settlement Proposal as Attachment 9.

3.2.2 Evidence

Exhibits	UPDATED Exhibit 2-4-1: Capital Expenditure Summary, Exhibit 2-4-3: Distribution System Plan, UPDATED Attachment 2-4-3(A): OEB Appendix 2-AA - Capital Programs Table, UPDATED Attachment 2-4-3(B): OEB Appendix 2-AB - Capital Expenditure Summary, Attachment 2-4-3(E): Material Investments, Attachment 2-4-3(F): Fleet Replacement Program
Interrogatories	OEB-33, OEB-43, OEB-56, OEB-63, OEB-113, OEB-114, OEB-119, OEB-187, CCC-19, CCC-36, DRC-4, DRC-8, DRC-10, PP-4, PP-10, SEC-36, SEC-40, SEC-41, SEC-43, SEC-53, VECC-41, EPRF-30, EPRF-33
Undertakings	JT 2.6, JT 2.8, JT 2.9, JT 2.16, JT 2.18, JT 3.1, JT 3.2, JT 3.3, JT 3.30
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

3.3 Does Hydro Ottawa's investment planning process consider appropriate planning criteria? Does it adequately address the condition of distribution assets, service quality, system reliability, and the availability of non-wires alternatives (NWAs), including distributed energy resources, in its planning processes and propose NWAs where appropriate?

3.3.1 Complete Settlement

The Parties accept the evidence provided by Hydro Ottawa that its investment planning and asset management processes fulfill the expectations of the OEB for a Custom IR applicant, and support the proposed level of capital spending, as modified through this Settlement Proposal. The Parties likewise accept the sufficiency of these processes in relation to the manner in which the health and conditions of distribution assets are assessed, and service quality and system reliability are safeguarded.

The Parties also acknowledge, as described in Exhibit 2-4-3: Distribution System Plan, that Hydro Ottawa is in the process of completing upgrades to its asset condition and prioritization processes. These include implementation of formalized asset management strategies that are aligned with the ISO 55000 Asset Management Standard, and enhancement of the utility's C55 asset management software, which will enable further improvements to the prioritization process and utilization of predictive analytics.

In addition, the Parties acknowledge that Hydro Ottawa's planning processes account for the option of non-wire alternatives ("NWAs"), as evidenced by such examples as (i) the deployment of NWAs in the Kanata North area of the utility's service territory, and (ii) the addendum study that is underway as part of the implementation of the IESO's 2020 Integrated Regional Resource Plan for the Ottawa Sub-Region, which is examining the potential for NWAs to manage demand growth on the 115 kV regional system.

3.3.2 Evidence

Exhibits	Exhibit 2-4-3: Distribution System Plan, Attachment 2-4-3(D): Independent Assessment of Hydro Ottawa's Distribution System Plan, Attachment 2-4-3(E): Material Investments, Attachment 2-4-3(G): Strategic Asset Management Plan, Attachment 2-4-3(J): ISO 55000 Gap Analysis, Attachment 2-4-3(K): Local Achievable Potential Study, Attachment 2-4-3(L): Metering Roadmap, Attachment 2-4-3(M): Asset Condition Assessment - Third Party Review
Interrogatories	OEB-58, OEB-59, OEB-135, CCC-2, CCC-48, CCC-50, CCC-56, CCC-61, DRC-2, DRC-5, DRC-6, DRC-9, ED-6, ED-7, ED-8, ED-9, PP-4, PP-11, PP-12, SEC-38, SEC-45, SEC-56, EPRF-16, EPRF-53
Undertakings	JT 2.2, JT 2.3, JT 2.4, JT 2.9, JT 2.11, JT 2.16
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

3.4 Has Hydro Ottawa appropriately considered measures to cost-effectively reduce distribution losses in its planning processes and included such measures where appropriate?

3.4.1 Complete Settlement

The Parties have agreed, as set out above in part (e) of Section F, that Hydro Ottawa will take action that is incremental to the plans articulated in its DSP to reduce distribution losses as much as possible through cost-effective measures over the course of its 2021-2025 rate term.

3.4.2 Evidence

Exhibits	Exhibit 2-4-3: Distribution System Plan, Attachment 2-4-3(E): Material Investments
Interrogatories	ED-1, ED-2, ED-3, ED-4
Undertakings	JT 3.10, JT 3.11, JT 3.12, JT 3.13, JT 3.14, JT 3.15, JT 3.16
Supporting Parties	BOMA, CCC, DRC, ED, EPRF, PP, SEC, VECC

4.0 Load and Other Revenue Forecast

4.1 Are Hydro Ottawa's 2021-2025 load and customer forecasts, including the application of Conservation and Demand Management savings and the setting of the savings references for Lost Revenue Adjustment Mechanism Variance Account threshold appropriate?

4.1.1 Complete Settlement

The Parties agree that the evidence provided by Hydro Ottawa with respect to 2021-2025 load and customer forecasts, including the application of CDM savings and the threshold for the LRAMVA, is reasonable and appropriate, subject to the applicable modifications set forth in part (f) of Section F of this Settlement Proposal (i.e. updating the residential customer growth rate and maintaining the CDM adjustments related to the CFF wind-down, with the expectation of further CDM activities settled through the LRAMVA).

The CDM adjustments related to the CFF wind-down will be incorporated in the Load Forecast using a half year approach, while the CDM thresholds will be set on an annualized basis for the LRAMVA for the period 2021-2025.

An updated version of OEB Appendix 2-IB - Load Forecast Analysis is appended to this Settlement Proposal as Attachment 10.

4.1.2 Evidence

Exhibits	UPDATED Exhibit 3-1-1: Load Forecast, UPDATED Attachment 3-1-1(A): OEB Appendix 2-IB - Load Forecast Analysis, Attachment 3-1-1(B): OEB Appendix 2-I - Load Forecast CDM Adjustment Workform, UPDATED Attachment 3-1-1(C): Hydro Ottawa Long-Term Electric Energy and Demand Forecast (produced by Itron), Attachment 3-1-1(D): Load Forecast Data, UPDATED Exhibit 3-1-2: Accuracy of Load Forecast and Variance Analysis, UPDATED Exhibit 4-5-1: Lost Revenue Adjustment Mechanism, Exhibit 4-5-2: LRAM Variance Account
Interrogatories	OEB-134, DRC-12, VECC-69, VECC-70, VECC-71
Undertakings	JT 3.8, JT 3.22, JT 3.24, JT 3.25, JT 4.4
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

4.2 Are Hydro Ottawa's 2021-2025 other revenue and shared services forecasts reasonable?

4.2.1 Complete Settlement

The Parties accept the reasonableness of Hydro Ottawa's 2021-2025 forecasts for other revenue and shared services, as modified by way of this Settlement Proposal, to reflect the revenue impact of the changes agreed to regarding the utility's Specific Service Charges discussed above in part (k) of Section F.

An updated version of OEB Appendix 2-H - Other Operating Revenue is appended to this Settlement Proposal as Attachment 11.

4.2.2 Evidence

Exhibits	UPDATED Exhibit 3-2-1: Other Revenue, UPDATED Attachment 3-2-1(A): OEB Appendix 2-H - Other Operating Revenue, UPDATED Attachment 3-2-1(B): OEB Appendix 2-N - 2016-2020 Shared Services and Corporate Cost Allocation, Exhibit 4-2-1: Shared Services and Corporate Cost Allocation, UPDATED Attachment 4-2-1(A): OEB Appendix 2-N - Shared Services and Corporate Cost Allocation
Interrogatories	OEB-126, OEB-139, CCC-69, CCC-70, CCC-71, EPRF-99, VECC-73, VECC-88, SEC-60, SEC-66
Undertakings	JT 1.11
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

5.0 Operations, Maintenance and Administration ("OM&A") Costs, Depreciation Expenses and Payments in Lieu of Taxes ("PILs") Amounts

5.1 Is the level of proposed 2021 OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained?

5.1.1 Complete Settlement

The Parties are of the view that the proposed OM&A expenditures for the 2021 Test Year of $90.6M, which is a $3.3M reduction from the requested amount, are appropriate and supported by adequate rationale contained in the evidence.

The Parties likewise acknowledge the reasonableness of applying the enhanced CPEF escalator to OM&A expenditures during the 2022-2025 period. The Parties agree that this funding envelope for OM&A will enable Hydro Ottawa to operate its distribution system in a manner consistent with the utility's core mandate and the needs and preferences of its customers.

An updated version of OEB Appendix 2-JA is appended to this Settlement Proposal as Attachment 12.

5.1.2 Evidence

Exhibits	UPDATED Exhibit 4-1-1: Operations, Maintenance and Administration Summary, UPDATED Attachment 4-1-1(A): OEB Appendix 2-JA - Summary of Recoverable OM&A Expenses, UPDATED Attachment 4-1-1(B): OEB Appendix 2-JC - OM&A Programs Table, UPDATED Exhibit 4-1-3: Operations, Maintenance and Administration Program Costs, UPDATED Attachment 4-1-3(D): OEB Appendix 2-D - Overhead Expenses, UPDATED Exhibit 4-1-4: Operations, Maintenance and Administration Cost Drivers and Program Variance Analysis, UPDATED Exhibit 4-1-5: Workforce Staffing and Compensation
Interrogatories	OEB-140, OEB-141, CCC-18, CCC-32, CCC-65, CCC-67, DRC-13, EPRF-100, PP-2, PP-7, SEC-61
Undertakings	JT 1.2, JT 1.24
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

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

5.2.1 Complete Settlement

The Parties accept the evidence provided by Hydro Ottawa with respect to its shared services cost allocation methodology, and the corresponding quantum, as reasonable and appropriate.

5.2.2 Evidence

Exhibits	Exhibit 4-2-1: Shared Services and Corporate Cost Allocation, UPDATED Attachment 4-2-1(A): OEB Appendix 2-N - Shared Services and Corporate Cost Allocation
Interrogatories	OEB-126, CCC-69, CCC-70, CCC-71, EPRF-99, VECC-88, SEC-66
Undertakings	JT 1.11
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

5.3 Are Hydro Ottawa's proposed depreciation expenses for 2021-2025 appropriate?

5.3.1 Complete Settlement

The Parties accept the appropriateness of the depreciation component of Hydro Ottawa's revenue requirement, as presented in the utility's Custom IR rate application and as adjusted to reflect the changes to its rate base and capital plan set forth in this Settlement Proposal.

An updated version of OEB Appendix 2-C - 2021-2025 Depreciation and Amortization Expense is appended to this Settlement Proposal as Attachments 13A through 13E.[28]

5.3.2 Evidence

Exhibits	UPDATED Exhibit 4-3-1: Depreciation, Amortization and Disposal, UPDATED Attachments 4-3-1(G) through (K) [OEB Appendix 2-C - 2021-2025 Depreciation and Amortization Expense]
Interrogatories	OEB-31, OEB-32, CCC-35
Undertakings	JT 4.7
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

[28] There are slight differences between the depreciation presented in Appendix 2-C - 2021-2025 Depreciation and Amortization Expense, and Appendix 2-BA - 2021-2025 Fixed Asset Continuity Schedules. Appendix 2-C is a reasonability test and uses the half-year rule to calculate all capital additions. Hydro Ottawa uses the half-year rule for capital additions for pooled assets, but uses in-service month for discrete material assets. In addition, the reasonability calculation in Appendix 2-C assumes all existing assets depreciate using a standard asset class rate and the calculation does not include the impact of asset disposal(s).

5.4 Are Hydro Ottawa's proposed PILs and other tax amounts for 2021-2025 appropriate?

5.4.1 Complete Settlement

The Parties accept the appropriateness of the PILs and other tax-related components of Hydro Ottawa's revenue requirement, as presented in the utility's Custom IR rate application and as adjusted to reflect the changes set forth in this Settlement Proposal.

Updated versions of the Income Tax/PILS Workforms are appended to this Settlement Proposal as Attachments 14A through 14E.

5.4.2 Evidence

Exhibits	UPDATED Exhibit 4-4-1: Payments in Lieu of Taxes, UPDATED Attachments 4-4-1(D) through H [OEB Workform - 2021-2025 Income Tax/PILS Workforms], UPDATED Attachments 4-4-1(I) through (J) [2024-2025 Schedule 8 Capital Cost Allowance]
Interrogatories	OEB-147
Undertakings	JT 4.8
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

6.0 Cost of Capital

6.1 Are Hydro Ottawa's proposed 2021-2025 cost of capital amounts (interest on debt and return on equity) appropriate and consistent with the OEB's policies on rate-setting and the cost of capital?

6.1.1 Complete Settlement

The Parties agree that the utility's proposed cost of capital amounts, as modified through the adjustments described above in part (h) of Section F, are appropriate and consistent with OEB policies.

Updated versions of OEB Appendix 2-OA - Capital Structure and Cost of Capital and OEB Appendix 2-OB - Debt Instruments are appended to this Settlement Proposal as Attachment 15 and Attachment 16, respectively.

6.1.2 Evidence

Exhibits	UPDATED Exhibit 5-1-1: Cost of Capital and Capital Structure, UPDATED Attachment 5-1-1(A): OEB Appendix 2-OA - Capital Structure and Cost of Capital, Attachment 5-1-1(B): OEB Appendix 2-OB - Debt Instruments, Exhibit KT1.3: Consensus Forecast Variance Analysis, Exhibit KT1.4: Long-Range Consensus Forecast
Interrogatories	OEB-150, CCC-75, VECC-91
Undertakings	JT 1.6, JT 4.9
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

7.0 Cost Allocation and Rate Design

7.1 Are Hydro Ottawa's cost allocation and revenue-to-cost ratio proposals appropriate?

7.1.1 Complete Settlement

The Parties accept Hydro Ottawa's proposals in relation to cost allocation and revenue-to-cost ratios as appropriate.

Table 25 – Revenue / Cost Ratio Progression 2021

Customer Class	Original Submission	2019 Actuals Update	Interrogatory OEB-38	Undertaking JT 3.1	Settlement Proposal
Residential	103.99%	103.95%	100.22%	101.61%	101.17%
GS < 50 kW	119.77%	119.93%	119.62%	120.01%	119.98%
GS > 50 to 1,499 kW	85.57%	85.57%	89.70%	89.33%	90.24%
GS > 1,500 to 4,999 kW	97.62%	97.77%	111.12%	101.84%	102.18%
Large Use	85.50%	85.45%	90.83%	85.85%	86.07%
Street Lighting	120.00%	119.96%	120.00%	120.00%	120.00%
Sentinel Lighting	59.75%	59.63%	57.01%	57.44%	56.25%
USL	113.25%	111.92%	105.95%	106.19%	104.62%
Standby Power	155.69%	156.34%	36.62%	32.92%	33.20%

Table 26 – Proposed Revenue / Cost Ratios 2022-2025

Customer Class	2022	2023	2024	2025
Residential	101.16%	101.17%	101.18%	101.19%
GS < 50 kW	119.88%	119.77%	119.71%	119.84%
GS > 50 to 1,499 kW	90.24%	90.26%	90.28%	90.29%
GS > 1,500 to 4,999 kW	102.18%	102.19%	102.21%	102.23%
Large Use	86.08%	86.09%	86.11%	86.11%
Street Lighting	119.94%	119.90%	119.86%	119.82%
Sentinel Lighting	62.19%	68.13%	74.07%	80.00%
USL	104.63%	104.58%	104.58%	104.66%
Standby Power	33.20%	33.20%	33.21%	33.21%

7.1.2 Evidence

Exhibits	UPDATED Exhibit 7-1-1: Cost Allocation, UPDATED Attachment 7-1-1(A): OEB Workform - 2021 Cost Allocation Model, Attachment 7-1-1(B): Hydro Ottawa Cost Allocation Report
Interrogatories	OEB-153, OEB-154, OEB-155, OEB-156, OEB-157, OEB-158, OEB-159, OEB-160, EPRF-107, ED-5, SEC-69
Undertakings	JT 2.1, JT 3.1, JT 3.18, JT 3.19, JT 3.20, JT 3.21, JT 3.22, JT 3.26, JT 4.5
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

7.2 Are Hydro Ottawa's inputs to the cost allocation model appropriate and are costs appropriately allocated?

7.2.1 Complete Settlement

The Parties accept Hydro Ottawa's inputs into the cost allocation model, as modified by this Settlement Proposal, and the resulting allocation of costs as appropriate

In addition, as noted above in part (i) of Section F, Hydro Ottawa has committed to completing, and filing with its next rebasing application, a new study on the appropriate split between primary, secondary and services assets for cost allocation purposes, as well as on the appropriate customer count and NCP split between primary and secondary for the Residential and GS < 50 kW customer classes.

An updated version of the Cost Allocation Model OEB Workform is appended to this Settlement Proposal as Attachment 18.

7.2.2 Evidence

Exhibits	UPDATED Exhibit 7-1-1: Cost Allocation, UPDATED Attachment 7-1-1(A): OEB Workform - 2021 Cost Allocation Model, Attachment 7-1-1(B): Hydro Ottawa Cost Allocation Report
Interrogatories	OEB-153, OEB-154, OEB-155, OEB-156, OEB-157, OEB-158, OEB-159, OEB-160, EPRF-107, ED-5, SEC-69
Undertakings	JT 2.1, JT 3.1, JT 3.18, JT 3.19, JT 3.20, JT 3.21, JT 3.22, JT 3.26, JT 4.5
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

7.3 Are Hydro Ottawa's proposals for rate design (including, but not limited to, fixed / variable split, loss factors, retail transmission service rates, low voltage charges, generator charges including MicroFIT, retail service charges, specific and other service charges) appropriate?

7.3.1 Partial Settlement

The Parties agree that Hydro Ottawa's rate design proposals, as modified by this Settlement Proposal, are appropriate, subject to one unsettled element.

The modifications are set out in parts (j) and (k) of Section F regarding Rate Design and Specific Service Charges, respectively. They consist of the following: (i) the escalation of Specific Service Charges using the "I minus X" components of the enhanced CPEF and the accompanying revenue offset; (ii) removal of the Reconnect at Meter after Regular Hours of new Account without account holder charge and the accompanying revenue offset; (iii) reduction of the revenue associated with LV charges in the amount of approximately $80,000; and (iii) updates to RTSRs, consistent with the OEB's recent decision in EB-2020-0180.

Updated RTSRs are appended to this Settlement Proposal as Attachment 22; updated LV rates, as Attachment 23.

The Parties have been unable to reach a settlement on one rate design-related matter. As noted above in part (j) of Section F, resolution was not reached on the proposed fixed/variable split for commercial customer classes GS 50 to GS 1,499 kW, GS 1,500 to 4,999 kW, and Large Use, which are above the OEB's established ceiling. The Parties agree that this matter should proceed to a written hearing, and that intervenors should have an opportunity to provide a response to any new points raised in Hydro Ottawa's reply submissions.

7.3.2 Evidence

Exhibits	UPDATED Exhibit 8-1-1: Fixed/Variable Proportion, Exhibit 8-3-1: Retail Transmission Service Rates, Exhibit 8-4-1: Retail Service Charges, Exhibit 8-5-1: Wholesale Market Service Rate, Exhibit 8-6-1: Smart Metering Charge, UPDATED Exhibit 8-7-1: Specific Service Charges, Attachment 8-7-1(A): Proposed and New Specific Service Charge Calculations, Exhibit 8-8-1: Low Voltage Service Rates, UPDATED Exhibit 8-9-1: Loss Adjustment Factors, UPDATED Attachment 8-9-1(A): OEB Appendix 2-R - Loss Factors
Interrogatories	OEB-161, OEB-164, OEB-165, OEB-166, CCC-72, CCC-73, EPRF-108, EPRF-109, VECC-104, VECC-106
Undertakings	JT 3.17, JT 3.18, JT 3.19, JT 3.20, JT 3.21
Supporting Parties	BOMA, CCC, DRC, ED, EPRF, PP, SEC, VECC

7.4 Is Hydro Ottawa's proposal to eliminate the transformer ownership credit effective November 1, 2025 appropriate?

7.4.1 Complete Settlement

The Parties accept that Hydro Ottawa's proposal to eliminate the transformer ownership credit effective November 1, 2025 is appropriate.

7.4.2 Evidence

Exhibits	UPDATED Exhibit 8-1-1: Fixed/Variable Proportion
Interrogatories	OEB-162, BOMA-3, VECC-52, VECC-102
Undertakings	None
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

7.5 Is the proposed Standard Supply Service (SSS) Administrative charge appropriate?

7.5.1 Complete Settlement

The Parties agree that Hydro Ottawa will apply the OEB's prescribed SSS Charge during its 2021-2025 rate term.

As stated above in part (k) of Section F, 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. The Parties believe that timely review of the rate design methodology associated with the SSS Charge is warranted as part of the OEB's ongoing review of miscellaneous rates and charges.

7.5.2 Evidence

Exhibits	UPDATED Exhibit 8-7-1: Specific Service Charges
Interrogatories	OEB-167, EPRF-110, VECC-105
Undertakings	None
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

7.6 Is the proposed application of Hydro Ottawa's Custom Price Escalation Factor to retail service charges, generator charges including MicroFIT, SSS Administrative charge, and specific service charges appropriate?

7.6.1 Complete Settlement

As noted above in the discussion of Issue 7.3, the Parties agree that Hydro Ottawa will escalate Specific Service Charges over the course of its five-year rate term using the "I minus X" components of the enhanced CPEF (which are described above in part (b) of Section F).

7.6.2 Evidence

Exhibits	UPDATED Exhibit 8-7-1: Specific Service Charges
Interrogatories	OEB-164
Undertakings	None
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

8.0 Accounting and Deferral and Variance Accounts

8.1 Have the impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate treatment of each of these impacts appropriate?

8.1.1 Complete Settlement

With one exception, the Parties accept that the impacts of any proposed changes in accounting standards, policies, estimates, and adjustments have been properly identified and recorded, and that the rate treatment of these impacts is appropriate.

The lone exception pertains to Hydro Ottawa's proposal to capitalize certain integration-related, non-recurring cloud computing costs associated with its Enterprise Resource Planning system upgrade. In part (e) of Section F above, the Parties state that they accept the revenue requirement impact of such treatment for the purposes of this settlement, but that such acceptance should not be construed as any or all of the following: (i) Parties accepting such regulatory treatment generally, or in the future, with respect to these specific costs; (ii) approval from the OEB that such regulatory treatment is appropriate; or (iii) the provision of guidance to Hydro Ottawa's auditors, who shall make an independent judgement regarding this issue.

8.1.2 Evidence

Exhibits	Exhibit 1-3-10: Changes to Accounting Policies Used in Previous Applications
Interrogatories	OEB-55
Undertakings	None
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

8.2 Are Hydro Ottawa's proposals for the disposition of balances in existing deferral and variance accounts (including the New Facilities deferral account) appropriate?

8.2.1 Complete Settlement

As set out in part (l) of Section F above, the Parties agree that Hydro Ottawa's proposals for the disposition of balances in existing DVAs are appropriate, subject to the qualifications noted in relation to the New Facilities Deferral Account, Earnings Sharing Mechanism Variance Account, and LRAMVA.

Appended to this Settlement Proposal as Attachment 24 is an updated version of the OEB Workform - Deferral and Variance Account (Continuity Schedule).

8.2.2 Evidence

Exhibits	UPDATED Exhibit 9-3-1: Disposition of Deferral and Variance Accounts, UPDATED Attachment 9-3-1(A): OEB Workform - Global Adjustment Analysis, UPDATED Attachment 9-3-1(B): OEB Workform Appendix - Global Adjustment Analysis, UPDATED Attachment 9-3-1(C): OEB Workform - Account 1595
Interrogatories	OEB-168, OEB-169, OEB-175, OEB-176, OEB-177, OEB-178, OEB-180, OEB-181, OEB-183, CCC-74, EPRF-111, EPRF-112
Undertakings	JT 1.5
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

8.3 Are Hydro Ottawa's proposals for the establishment of new accounts, closing of existing accounts, modifications of existing accounts or continuation of existing accounts appropriate?

8.3.1 Complete Settlement

The Parties accept Hydro Ottawa's proposals for the continuation of certain existing accounts, the discontinuance of certain existing accounts, and the establishment of new accounts, subject to the provisions of this Settlement Proposal set out above in part (l) of Section F and which pertain to the following matters: (i) Hydro Ottawa's ESM for the 2021-2025 rate term; (ii) the proposed Performance Outcomes Accountability Mechanism; and (iii) the utility's proposed Capital Variance Account.

In addition, as likewise described in part (l) of Section F, the Parties agree to the stipulations associated with Hydro Ottawa's use of the deferral accounts established by the OEB for purposes of recording impacts arising from the COVID-19 pandemic.

8.3.2 Evidence

Exhibits	UPDATED Exhibit 9-1-1: Summary of Current Deferral and Variance Accounts, UPDATED Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account (Continuity Schedule), UPDATED Exhibit 9-1-2: Group 1 Accounts, UPDATED Exhibit 9-1-3: Group 2 Accounts, Exhibit 9-1-4: Account 1592 PILS and Tax Variance, Exhibit 9-1-5: Retail Service Charges, Exhibit 9-2-1: New Deferral and Variance Accounts
Interrogatories	OEB-8, OEB-38, OEB-184, OEB-185, VECC-12, VECC-13, CCC-79, PP-14, M-HOL-6
Undertakings	JT 1.14, JT 3.1, JT 3.9
Supporting Parties	BOMA, CCC, DRC, EPRF, PP, SEC, VECC

H. ATTACHMENTS

Appended below to this Settlement Proposal are the following Attachments:

- Attachment 1 – Capital Expenditures Annual Reporting Categories
- Attachment 2 – 2021-2025 Custom Performance Scorecard
- Attachment 3 – Load Forecast
- Attachment 4 – Going In, Annual and Mid-Term Rate Adjustments
- Attachment 5 – Performance Outcomes Accountability Mechanism Deferral Account - Metrics and Targets

- Attachment 6 – Accounting Orders

The following updated OEB Workforms, Appendices, and models are attached in excel format:

- Attachment 7 – Appendix 2-BA - 2021-2025 Fixed Asset Continuity Schedules
- Attachment 8 – Appendix 2-Z - 2021 Commodity Expense
- Attachment 9 – Appendix 2-AB - Capital Expenditure Summary
- Attachment 10 – Appendix 2-IB - Load Forecast Analysis
- Attachment 11 – Appendix 2-H - Other Operating Revenue
- Attachment 12 – Appendix 2-JA - Summary of Recoverable OM&A Expenses
- Attachments 13A through 13E – Appendix 2-C - 2021-2025 Depreciation and Amortization Expense
- Attachments 14A through 14E – 2021-2025 PILs Workforms
- Attachments 14F and 14G – 2024 and 2025 Schedule 8
- Attachment 15 – Appendix 2-OA - Capital Structure and Cost of Capital
- Attachment 16 – Appendix 2-OB - Debt Instruments
- Attachments 17A through 17E – 2021-2025 Revenue Requirement Workforms
- Attachment 18 – 2021 Cost Allocation Model
- Attachment 19 – Dry Core Calculations
- Attachment 20 – Tariff Schedule and Bill Impacts Model
- Attachment 21 – 2021-2025 Bill Impacts
- Attachment 22 – 2021 RTSR Workform
- Attachment 23 – 2021-2025 LV Rate Design
- Attachment 24 – Deferral and Variance Account Workform (Continuity Schedule)

ATTACHMENT 1

CAPITAL EXPENDITURES ANNUAL REPORTING CATEGORIES

Table 1 – System Access Reporting

Capital Program	Budget Program
Plant Relocation & Upgrade	Plant Relocation & Upgrade
Residential Subdivision	Residential Subdivision
Commercial Development	New Commercial Development
System Expansion	System Expansion Demand
	Long Term Load Transfers
	PSPC - Asset Transfer
Embedded Generation	Embedded Generation
Infill Service	Infill Service (Res & Small Com)
	ESA Flash Notice
Damage to Plant	Damage to Plant
Metering	Suite Metering

Table 2 – System Renewal/System Service Reporting

System Renewal Capital Program	Budget Program
Station Assets Renewal	Station Transformer Renewal
	Station Switchgear Renewal
	Station Major Rebuild
	Station P&C Renewal
	Station Battery Renewal
	Station Minor Assets Renewal
	Station Decommission
OH Distribution Assets Renewal	Pole Renewal
	Insulator Replacement
	OH Transformer Renewal
	OH Switch/Recloser Renewal
UG Distribution Assets Renewal	Elbow & Insert Replacement
	Vault Renewal
	Civil Renewal
	Cable Renewal
	UG Switchgear Renewal
	Cable Rejuvenation
	UG Transformer Renewal
Corrective Renewal	Damage to Plant
	Emergency Renewal
	Critical Renewal
Metering Renewal	Metering Upgrades

System Service Capital Program	Budget Program
Capacity Upgrades	Stations Capacity Upgrades
	Distribution Capacity Upgrades
Distribution Enhancements	Distribution System Reliability
	System Voltage Conversion
	Distribution Enhancements
Grid Technologies	SCADA Upgrades
	RTU Upgrades
	Communication Infrastructure
Station Enhancements	Stations Enhancements
	Station Reliability
Metering	Remote Disconnected Smart Meter

Table 3 – General Plant Reporting

Capital Program	Budget Program
Hydro One Payments	Hydro One Payments
Facilities Management	Facilities Management
Fleet Replacement	Fleet Replacement
Tools Replacement	Tools Replacement
IT Life Cycle & Ongoing Enhancements	IT Life Cycle & Ongoing Enhancements
IT New Initiatives	IT New Initiatives
ERP System	ERP System
Customer Service	Customer Service
Operation Initiatives	Operation Initiatives

ATTACHMENT 2

2021-2025 CUSTOM PERFORMANCE SCORECARD

RRF Outcome	OEB Reporting Category	Hydro Ottawa Custom Measures	New/ Existing	Target
Customer Focus	Customer Satisfaction	Contact Centre Satisfaction – Transactional Feedback	New	Maintain
		Number of MyAccount Customers	New	Increase
		Number of Online Billing Accounts	New	Increase
Operational Effectiveness	Safety	All Injury/Illness Frequency Rate	New	Reduce
		Lost Workday Severity Rate	New	Reduce
	System Reliability	Customer Average Interruption Duration Index	Existing	Monitor
		Feeders Experiencing Multiple Sustained Interruptions	Existing	Maintain
		Worst Feeder Analysis – Number of Feeders with Very Poor Performance	Existing	Reduce
		Stations Exceeding Planning Capacity	Existing	≤5%
		Feeders Exceeding Planning Capacity	Existing	≤10%
		Stations Approaching Rated Capacity	Existing	0%
		Feeders Approaching Rated Capacity	Existing	0%
	Cost Control	Productive Time	Existing	Maintain
		Labour Allocation	Modified	Maintain
		3-Year Average Cost per Pole – Wood Pole Replacement	New	Monitor
		3-Year Average Cost per Meter – Underground Cable	New	Monitor
		Average Cost per Kilometer – Vegetation Management	New	Monitor
		Average Cost per Pole – Pole Test and Inspection	New	Monitor
	Asset Efficiency	Technology Infrastructure Cost per Employee	New	Monitor
Public Policy Responsiveness	Environment	Annual Oil Spills & Costs of Remediation	Existing	Reduce
		Non-Hazardous Waste Diversion Rate	New	Maintain
		Percentage of Green Suppliers	New	Maintain
Financial Performance	Financial Metrics	OM&A per Customer	New	Monitor
		Bad Debt as a Percentage of Total Electricity Revenue	New	Monitor
		Cumulative Capital Additions per Investment Category	New	Monitor
		Annual Capital Spending per Investment Category	New	Monitor

ATTACHMENT 3
LOAD FORECAST

1. LOAD FORECAST

Table 1 below provides Hydro Ottawa's sales forecast by MWh for 2021-2025.

The values for Residential, General Service < 50 kW, General Service 50 to 1,000 kW Non Interval, and General Service 50 to 1,000 kW Interval models have a conservation and demand management ("CDM") variable in the regression models. The resulting model output includes the impact of future CDM. As a result of the coefficient on the CDM variable, the CDM output from the model is not a one-to-one relationship to the proposed CDM savings.

Adjustments for CDM for the General Service 1,000 to 1,499 kW, General Service 1,500 to 4,999 kW, Large Use, Unmetered Scattered Load, and Street Lighting classes happen outside of the model specification.

In addition, the annualized savings are transformed into a monthly series, and in some cases a centered moving average is used to smooth the transition from year to year. This also results in the proposed CDM savings not having a one-to-one relationship with the output of CDM within the Load Forecast.

Table 1 – 2021-2025 Energy Sales Forecast by Customer Class (MWh)[1]

	2021	2022	2023	2024	2025
Residential	2,258,843	2,280,182	2,305,786	2,339,674	2,359,684
General Service < 50 kW	708,639	710,222	713,228	717,823	719,362
General Service 50 to 1,000 kW Non Interval	1,091,085	1,056,449	1,021,440	988,364	949,975
General Service 50 to 1,000 kW Interval	1,364,773	1,413,973	1,463,774	1,517,384	1,564,934
General Service 1,000 to 1,499 kW	389,402	392,217	394,994	398,727	401,058
General Service 1,500 to 4,999 kW	693,934	698,365	703,557	710,450	714,171
Large Use	575,952	575,413	575,413	577,069	575,413
Unmetered Scattered Load	13,641	13,188	12,737	12,285	11,834
Sentinel Lighting	47	47	47	47	47
Street Lighting	23,955	23,893	23,893	23,893	23,893
TOTAL MWh SALES	**7,120,269**	**7,163,948**	**7,214,868**	**7,285,717**	**7,320,370**

Table 2 provides Hydro Ottawa's sales forecast without CDM by MWh for 2021-2025. For clarity, Table 2 is the sum of Table 1 and Table 7.

Table 2 – 2021-2025 Energy Sales Forecast without CDM by Customer Class (MWh)[2]

	2021	2022	2023	2024	2025
Residential	2,258,843	2,280,182	2,305,786	2,339,674	2,359,684
General Service < 50 kW	720,115	722,974	725,981	730,576	732,114
General Service 50 to 1,000 kW Non Interval	1,102,247	1,067,368	1,032,028	998,682	960,071
General Service 50 to 1,000 kW Interval	1,378,809	1,428,642	1,479,005	1,533,289	1,581,629
General Service 1,000 to 1,499 kW	394,239	397,048	399,591	402,923	404,684
General Service 1,500 to 4,999 kW	730,959	736,095	741,287	748,180	751,902
Large Use	604,263	604,263	604,263	605,919	604,263
Unmetered Scattered Load	13,714	13,263	12,812	12,360	11,909
Sentinel Lighting	47	47	47	47	47
Street Lighting	27,415	27,419	27,419	27,419	27,419
TOTAL MWh SALES	**7,230,651**	**7,277,300**	**7,328,220**	**7,399,069**	**7,433,723**

Table 3 below provides Hydro Ottawa's demand forecast by kW for 2021-2025. CDM demand savings are modeled as a function of Sales.

[1] This forecast does not include the Dry Core Transformer Charge.
[2] *Ibid*.

Table 3 – 2021-2025 Demand Sales Forecast by Customer Class (kW)

	2021	2022	2023	2024	2025
General Service 50 to 1,000 kW Non Interval	2,810,072	2,734,277	2,657,662	2,585,280	2,501,269
General Service 50 to 1,000 kW Interval	3,201,012	3,297,917	3,396,004	3,501,595	3,595,248
General Service 1,000 to 1,499 kW	860,836	866,547	872,179	879,752	884,481
General Service 1,500 to 4,999 kW	1,537,380	1,545,513	1,555,042	1,567,693	1,574,524
Large Use	1,055,426	1,054,605	1,054,605	1,057,124	1,054,605
Standby Power	7,440	7,440	7,440	7,440	7,440
Sentinel Lighting	132	132	132	132	132
Street Lighting	66,556	66,152	66,152	66,152	66,152
TOTAL KW DEMAND SALES	**9,538,854**	**9,572,582**	**9,609,217**	**9,665,168**	**9,683,851**

Table 4 provides Hydro Ottawa's demand forecast without CDM by kW for 2021-2025.

Table 4 – 2021-2025 Demand Sales Forecast without CDM by Customer Class (kW)

	2021	2022	2023	2024	2025
General Service 50 to 1,000 kW Non Interval	2,834,500	2,758,170	2,680,834	2,607,858	2,523,364
General Service 50 to 1,000 kW Interval	3,228,658	3,326,809	3,426,004	3,532,920	3,628,131
General Service 1,000 to 1,499 kW	870,649	876,346	881,506	888,263	891,836
General Service 1,500 to 4,999 kW	1,605,335	1,614,763	1,624,293	1,636,944	1,643,774
Large Use	1,098,490	1,098,490	1,098,490	1,101,009	1,098,490
Standby Power	7,440	7,440	7,440	7,440	7,440
Sentinel Lighting	132	132	132	132	132
Street Lighting	75,860	75,890	75,891	75,891	75,891
TOTAL KW DEMAND SALES	**9,721,064**	**9,758,040**	**9,794,589**	**9,850,457**	**9,869,058**

2. CUSTOMER AND CONNECTION FORECAST

Tables 5 and 6 below provide Hydro Ottawa's average number of customers and connections that are forecasted for the 2021-2025 period.

Table 5 – 2021-2025 Average Number of Customers by Class

	2021	2022	2023	2024	2025
Residential	316,346	319,510	322,705	325,932	329,191
General Service < 50 kW	25,391	25,554	25,704	25,846	25,987
General Service 50 to 1,000 kW Non Interval	2,004	1,930	1,856	1,781	1,707
General Service 50 to 1,000 kW Interval	1,043	1,084	1,126	1,168	1,212
General Service 1,000 to 1,499 kW	73	73	73	73	73
General Service 1,500 to 4,999 kW	68	68	68	68	68
Large Use	11	11	11	11	11
Standby Power	3	3	3	3	3
TOTAL CUSTOMERS	**344,940**	**348,233**	**351,545**	**354,883**	**358,252**

Table 6 – 2021-2025 Average Number of Connections by Customer Class

	2021	2022	2023	2024	2025
Unmetered Scattered Load	3,321	3,321	3,321	3,321	3,321
Sentinel Lighting	55	55	55	55	55
Street Lighting	62,806	63,725	64,645	65,564	66,484
TOTAL CONNECTIONS	**66,182**	**67,101**	**68,021**	**68,940**	**69,860**

3. CDM ADJUSTMENTS IN LOAD FORECAST

Table 7 below provides Hydro Ottawa's Load Forecast CDM adjustments by MWh for savings achieved after 2019. The values for General Service < 50 kW, General Service 50 to 1,000 kW Non Interval, and General Service 50 to 1,000 kW Interval are a result of the CDM variable in the regression models after 2020 on a cumulative basis. Please refer to the explanation provided above with Table 1 for more detail.

Table 7 – 2021-2025 Energy Sales CDM Adjustments by Customer Class (MWh)

	2021	2022	2023	2024	2025
Residential	0	0	0	0	0
General Service < 50 kW	11,476	12,752	12,753	12,753	12,752
General Service 50 to 1,000 kW Non Interval	11,162	10,919	10,588	10,318	10,096
General Service 50 to 1,000 kW Interval	14,036	14,669	15,231	15,905	16,695
General Service 1,000 to 1,499 kW	4,837	4,831	4,597	4,196	3,626
General Service 1,500 to 4,999 kW	37,025	37,730	37,730	37,730	37,731
Large Use	28,311	28,850	28,850	28,850	28,850
Unmetered Scattered Load	73	75	75	75	75
Sentinel Lighting	0	0	0	0	0
Street Lighting	3,460	3,526	3,526	3,526	3,526
TOTAL MWh SALES	**110,382**	**113,352**	**113,352**	**113,352**	**113,353**

Table 8 provides Hydro Ottawa's load forecast CDM adjustments by kW for 2021-2025.

Table 8 – 2021-2025 Demand Sales CDM Adjustments by Customer Class (kW)

	2021	2022	2023	2024	2025
General Service 50 to 1,000 kW Non Interval	24,428	23,893	23,172	22,578	22,095
General Service 50 to 1,000 kW Interval	27,646	28,892	30,000	31,325	32,883
General Service 1,000 to 1,499 kW	9,813	9,799	9,327	8,511	7,355
General Service 1,500 to 4,999 kW	67,955	69,250	69,251	69,251	69,250
Large Use	43,064	43,885	43,885	43,885	43,885
Standby Power	0	0	0	0	0
Sentinel Lighting	0	0	0	0	0
Street Lighting	9,304	9,738	9,739	9,739	9,739
TOTAL KW DEMAND SALES	**182,210**	**185,458**	**185,372**	**185,289**	**185,207**

4. ANNUALIZED CDM THRESHOLD FOR LRAMVA

Table 9 provides Hydro Ottawa's Annualized CDM Thresholds for the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") by MWh for 2021-2025.

Table 9 – 2021-2025 Annualized CDM Threshold for LRAMVA (MWh)[3]

	2021	2022	2023	2024	2025
Residential	0	0	0	0	0
General Service < 50 kW	13,129	13,064	12,999	12,935	12,871
General Service 50 to 1,499 kW	35,710	35,533	35,358	35,183	35,008
General Service 1,500 to 4,999 kW	37,731	37,633	37,536	37,439	37,343
Large Use	28,851	28,837	28,823	28,809	28,795
Unmetered Scattered Load	75	75	74	74	74
Sentinel Lighting	0	0	0	0	0
Street Lighting	3,526	3,509	3,491	3,474	3,457
TOTAL MWh	**119,021**	**118,650**	**118,281**	**117,914**	**117,546**

Table 10 provides Hydro Ottawa's annualized CDM thresholds for the LRAMVA by kW for 2021-2025.

Table 10 – 2021-2025 Annualized CDM Threshold for LRAMVA (kW)

	2021	2022	2023	2024	2025
General Service 50 to 1,499 kW	63,939	63,623	63308	62,995	62,682
General Service 1,500 to 4,999 kW	67,557	67,382	67,208	67,035	66,862
Large Use	51,658	51,632	51,607	51,582	51,557
Standby Power	0	0	0	0	0
Sentinel Lighting	0	0	0	0	0
Street Lighting	6,313	6,282	6,251	6,220	6,189
TOTAL KW DEMAND SALES	**189,467**	**188,920**	**188,375**	**187,833**	**187,291**

[3] This forecast does not include the Dry Core Transformer Charge.

ATTACHMENT 4

GOING IN, ANNUAL AND MID-TERM RATE ADJUSTMENTS

#	Item	Timing	Adjustment Description
1	Working Capital Allowance	Going in	Use of OEB's Fall 2020 updates to inflation factor
		Annual	Use of OEB's annual inflation factor (with no productivity or growth factor)
2	ROE[1]	Going in	Use of OEB's Fall 2020 deemed ROE results
		Mid-term adjustment (for 2024 and 2025)	Use of OEB's Fall 2023 deemed ROE results for 2024 and 2025
3	Cost of Capital - Long-Term Debt Rate	Going in	Use of OEB's Fall 2020 updates to Cost of Capital Parameters
4	Cost of Capital - Short-Term Debt Rate	Going in	Use of OEB's Fall 2020 updates to Cost of Capital Parameters
		Mid-term adjustment (for 2024 and 2025)	Use of OEB's Fall 2023 updates to Cost of Capital Parameters for 2024 and 2025
5	Inflation Factor for OM&A	Annual	Use of OEB's annual inflation factor
6	Specific Service Charges[2]	Annual	"I minus X" component of modified Custom Price Escalation Factor (i.e. OEB inflation factor minus 0.45% stretch factor)
7	Low Voltage Charges	Annual	Based on updated Transmission Connection rates
8	Retail Transmission Service Rates	Annual	Based on OEB-approved adjustments to the Hydro One Networks' Uniform Transmission Rates ("UTRs") using the RTSR model
9	Deferral Accounts	In accordance with OEB policy	Disposition of Group 1 and Group 2 accounts will be in accordance with applicable OEB policy
10	Third Party Non-Distribution Charges	Ad hoc	Further to OEB direction

[1] As stated in the Settlement Proposal, if the OEB revises its underlying methodology for calculating ROE in advance of Hydro Ottawa's scheduled adjustment for 2024 and 2025, then the updated ROE for 2024 and 2025 will be the lower of the following: (i) the ROE rate established by the OEB for 2024, based upon the revised methodology, or (ii) the ROE rate calculated for 2024 in September 2023 using the OEB's current formulaic methodology for determining deemed ROE as documented in the *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009.

[2] This does not include the Access Power Poles - Wireline charge, for which Hydro Ottawa will continue to use the OEB's generic charge.

ATTACHMENT 5
PERFORMANCE OUTCOMES ACCOUNTABILITY MECHANISM DEFERRAL ACCOUNT - METRICS AND TARGETS

1. NUMBER OF INTERRUPTIONS CAUSED BY DEFECTIVE EQUIPMENT (OVERHEAD SYSTEM) - EXCLUDING MAJOR EVENT DAYS

For the 2021-2023 period, the target is for Hydro Ottawa to maintain the most recent three-year (2017-2019) actual average of 115 outages per year.[1] For 2024 and 2025, a reduction in the number of interruptions is targeted (i.e. 111 per year), based on the recognition that increased investment by the utility should support the achievement of an incremental level of improved performance.

Table 1 – Metric #1 Targets

2021	2022	2023	2024	2025
Maintain	Maintain	Maintain	Reduce	Reduce
115 Outages Per Year			111 Outages Per Year	

- **Green**[2] ≤Target
- **Yellow** >Target and <10% above target[3]
- **Red**[4] ≥10% above target

[1] This figure is sourced from the data provided in response to interrogatory CCC-40 (Attachment A: 2017-2019 Reliability Performance by Cause Code and Defective Equipment).

[2] As per the discussion in part (I)(ii) in Section F of the Settlement Proposal, "green" denotes that the target has either been met or exceeded, with the result being a $0 credit obligation for Hydro Ottawa. This applies to all of the metrics under the Performance Outcomes Accountability Mechanism.

[3] As per the Settlement Proposal, the scaling approach used within the "yellow" band for this metric will employ the following formula to calculate the credit obligation for Hydro Ottawa: $200,000*(1-((Target*(1+Threshold))-Actual)/(Target*Threshold))) where "Threshold" is defined as the threshold for the red band (i.e. 10%).

[4] As per the Settlement Proposal, "red" denotes that the target has been missed, with the result being an obligation for Hydro Ottawa to credit the maximum amount (i.e. $200,000) to the deferral account. This applies to all of the metrics under the Performance Outcomes Accountability Mechanism.

2. NUMBER OF INTERRUPTIONS CAUSED BY DEFECTIVE EQUIPMENT (UNDERGROUND SYSTEM) - EXCLUDING MAJOR EVENT DAYS AND LEAKING PADMOUNT TRANSFORMERS

For the 2021-2023 period, the target is for Hydro Ottawa to maintain the most recent three-year (2017-2019) actual average of 114 outages per year.[5] For 2024 and 2025, a reduction in the number of interruptions is targeted (i.e. 110 per year), based on the recognition that increased investment by the utility should support the achievement of an incremental level of improved reliability performance.

Leaking padmount transformers which are replaced in a planned manner are excluded from the calculation of this metric; padmount transformers which cause an unplanned outage are included.[6]

Table 2 – Metric #2 Targets

2021	2022	2023	2024	2025
Maintain	Maintain	Maintain	Reduce	Reduce
114 Outages Per Year			110 Outages Per Year	

- **Green** ≤Target
- **Yellow** >Target and <10% above target[7]
- **Red** ≥10% above target

[5] This figure is sourced from the data provided in response to interrogatory CCC-40 (Attachment A: 2017-2019 Reliability Performance by Cause Code and Defective Equipment).
[6] In their list of system reliability indicators, the OEB's *Reporting and Record Keeping Requirements* define the "defective equipment" cause of interruption as follows: "Customer interruptions resulting from distributor equipment failures due to deterioration from age, incorrect maintenance, or imminent failures detected by maintenance" (emphasis added). Hydro Ottawa interprets leaking padmount transformers as meeting the criterion of "imminent failures detected by maintenance." The utility therefore categorizes the outages associated with the replacement of these assets as defective equipment, despite the fact that the outage associated with the replacement is completed in a planned manner.
[7] The scaling approach used within the yellow band will be the same as Metric #1.

3. SYSTEM AVERAGE INTERRUPTION DURATION INDEX ("SAIDI")[8] - EXCLUDING MAJOR EVENT DAYS AND LOSS OF SUPPLY

For the 2021-2023 period, the target is for Hydro Ottawa to maintain the most recent three-year (2017-2019) average score of 0.91.[9] For 2024 and 2025, an improvement in the utility's score is targeted (i.e. 0.89), based on the recognition that increased investment by the utility should support the achievement of an incremental level of improved performance and that Hydro Ottawa's score has steadily improved in recent years.

Table 3 – Metric #3 Targets

2021	2022	2023	2024	2025
Maintain	Maintain	Maintain	Reduce	Reduce
0.91			0.89	

- **Green** ≤Target
- **Yellow** >Target and <5% above target[10]
- **Red** ≥5% above target

[8] For purposes of the annual performance scorecards issued for electricity distributors, the OEB employs "average number of hours that power to a customer is interrupted" as a plain language definition for SAIDI.
[9] This figure is sourced from Table B in the response to interrogatory CCC-38. In addition, it is acknowledged that this approach deviates from the OEB's use of five-year averages to calculate a distributor's SAIDI target. However, the Parties agree to the use of a three-year average so as to maintain consistency across the three reliability-related performance metrics that are utilized under this accountability mechanism.
[10] The scaling approach used within the yellow band for this metric will mirror the methodology utilized for Metric #1 (with the only exception being the "threshold" value, which in this instance is 5%).

4. WOOD POLE REPLACEMENT UNIT COST

For the full 2021-2025 period, the target is for Hydro Ottawa to maintain the most recent four-year (2016-2019) weighted average replacement cost per pole ($8,510).[11]

The inclusion of this metric is informed by the unit costing methodologies utilized for purposes of the UMS Group benchmarking study filed in this proceeding, as well as by the incorporation of this metric into Hydro Ottawa's 2021-2025 Custom Performance Scorecard.

Table 4 – Metric #4 Targets (Cost per Pole)

2021	2022	2023	2024	2025
$8,510	$8,510	$8,510	$8,510	$8,510

- **Green** ≤Target
- **Yellow** >Target and <5% above target[12]
- **Red** ≥5% above target

[11] This figure is sourced from the data provided in response to interrogatory OEB-44 (Attachment B: 2019 Unit Costs and 2020-2025 Forecast).
[12] The scaling approach used within the yellow band will be the same as Metric #3.

5. UNDERGROUND CABLE REPLACEMENT UNIT COST

For the full 2021-2025 period, the target is for Hydro Ottawa to maintain the most recent three-year (2017-2019) weighted average replacement cost per kilometer of cable ($89,610).[13] In addition, this average replacement cost has been adjusted to account for the increase in costs (approximately 15% - i.e. $89,610 x 1.15% = $103,051). This cost increase is associated with the update to Hydro Ottawa's Underground Residential Transformer and Service Wire Sizes Guideline (USK0171), which governs the installation and upgrading of underground residential infrastructure to accommodate anticipated future electric vehicle loads.

The inclusion of this metric is informed by the unit costing methodologies utilized for purposes of the UMS Group benchmarking study filed in this proceeding, as well as by the incorporation of this metric into Hydro Ottawa's 2021-2025 Custom Performance Scorecard.

Table 5 – Metric #5 Targets (Cost per Kilometer of Cable)

2021	2022	2023	2024	2025
$103,051	$103,051	$103,051	$103,051	$103,051

- **Green** ≤Target
- **Yellow** >Target and <5% above target[14]
- **Red** ≥5% above target

[13] This figure is sourced from the data provided in response to interrogatory OEB-44 (Attachment B: 2019 Unit Costs and 2020-2025 Forecast).
[14] The scaling approach used within the yellow band will be the same as Metric #3.

ATTACHMENT 6
ACCOUNTING ORDERS

Accounting Order
Hydro Ottawa Limited
EB-2019-0261

Account 1508 Sub-account Connection Cost Recovery Agreement ("CCRA") Payments Differential Variance Account

Hydro Ottawa shall maintain the use of a modified CCRA account. Effective January 1, 2021, Hydro Ottawa shall record the revenue requirement difference between what the utility has included in base rates and the revenue requirement of what is actually paid for in both new and true-up CCRA payments made to Hydro One Networks Inc. The forecast includes both new (known and unknown) and true-up payments. The Account is symmetrical and any difference will be collected from or refunded to customers.

With respect to new CCRA payments, Hydro Ottawa shall record the difference in depreciation, interest, return, and payment in lieu of taxes ("PILS") components of the revenue requirement impact of new CCRA payments once the assets (to which the CCRA payment relates) provide services to Hydro Ottawa customers and are capitalized. With respect to true-up CCRA payments, Hydro Ottawa shall record the difference in depreciation, interest, return, and PILS components of the revenue requirement impact of true-up CCRA payments once capitalized. The balance will be disposed as part of the Group 2 Accounts and in accordance with the OEB's direction regarding the disposition of Group 2 accounts.

This account shall accrue carrying charges at OEB-prescribed rates until final disposition.

The following are sample journal entries of the symmetrical account which reflect a balance to be collected.

A) Monthly journal entry to capture revenue requirement difference of additional CCRA payments (new and true-ups) as assets are capitalized. Should underspending occur, the entries would result in Account 4080 being debited and the other Accounts being credited.

	Debit	Credit
Dr. Account 1508 - SA CCRA – Depreciation	x,xxx.xx	
Dr. Account 1508 - SA CCRA – Interest	x,xxx.xx	
Dr. Account 1508 - SA CCRA – Return	x,xxx.xx	
Dr. Account 1508 - SA CCRA – PILS	x,xxx.xx	
Cr. Account 4080 – Distribution Services Revenue		x,xxx.xx

The journal entries would continue until Hydro Ottawa's next Custom IR application or rebasing, at which point the residual balances will be requested to be cleared, recovered from, or returned to customers, and the CCRA balance net of accumulated depreciation would be recovered through rate base.

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EB-2019-0261

Account 1508 Sub-account Performance Outcomes Accountability Mechanism Deferral Account

Effective January 1, 2021, Hydro Ottawa shall establish this deferral account to record entries related to the Performance Outcome Accountability Mechanism. The objective of the new mechanism is to link the execution of certain aspects of Hydro Ottawa's 2021-2025 Distribution System Plan ("DSP") to the recovery of amounts included in the agreed-upon revenue requirement.

There will be five performance metrics linked to specific outcomes identified in the DSP, each of which will have an annual target. Each metric is weighted equally. In a given year of the Custom IR term, the failure to achieve the designated target for a specific performance metric will result in the utility being required to credit the deferral account up to $200K. The maximum amount Hydro Ottawa would have to credit to the account on an annual basis would be $1.0M (i.e. a maximum of $200K for each of the five performance targets missed). If all targets are met in a given year, Hydro Ottawa would not credit any amount to the account.

Additional details regarding the design and mechanics of the account are set forth in Attachment 5 of the Settlement Proposal.

This account will accrue interest at OEB prescribed rates until final disposition. The balance, if any, will be disposed of as part of the Group 2 Accounts and in accordance with the OEB's direction regarding the disposition of Group 2 Accounts.

The following are sample journal entries.

A) To record the Performance Outcomes Accountability Mechanism into the deferral account in any year it is required.

	Debit	Credit
Dr. Account 4080 – Distribution Services Revenue	x,xxx.xx	
Cr. Account 1508 – SA Performance Outcomes Accountability Mechanism		x,xxx.xx

Accounting Order
Hydro Ottawa Limited
EB-2019-0261

Sub-account 1508 - Capital Additions Revenue Requirement (excluding sub-set of System Access) Differential Variance Account

Effective January 1, 2021, Hydro Ottawa shall maintain Sub-account 1508 - related to Capital Additions[1] with the modification to split a subset of System Access Capital Additions net of contributions into a separate sub-account. (Details on this latter sub-account are available in the Accounting Order for Subset of System Access Capital Variance Account). During the 2021-2025 period, Hydro Ottawa will record the revenue requirement impact of underspending in the utility's capital plan for the categories of (a) System Renewal/System Service, (b) System Access (excluding the subset of System Access related to plant relocation requested by third parties and residential expansion), and (c) General Plant into a further set of Sub-Accounts.

The purpose of this sub-account is to record the annual revenue requirement associated with the difference between actual and forecasted cumulative capital additions (net of capital contributions) for 2021-2025 should capital additions be lower than, or the pacing of capital additions be slower than, forecast over the 2021-2025 period. Hydro Ottawa shall continue to record into this account until the earlier of actual cumulative capital additions for 2021-2025 catching up to the forecasted cumulative capital additions or the filing of the utility's next rebasing application. The balance, if any, will be returned to customers as per OEB guidelines related to Group 2 Accounts.

This is an asymmetrical account, in that overspending or faster pace of spending will not result in recording debits in this account. Overspending or earlier spending will therefore not result in recording amounts to be recovered from customers during the 2021-2025 period.

This account would accrue carrying charges at OEB-prescribed rates until final disposition.

[1] At present, the account is named Sub-account 1508 - Revenue Requirement Differential Variance Account related to Capital Additions.

The following are sample journal entries for cumulative underspending for System Renewal/System Service, System Access (excluding the subset of System Access related to third party plant relocation requests and residential construction), and General Plant categories.

A) Yearly journal entry to capture revenue requirement of the difference between planned asset additions and actual asset additions, by category.[2]

	Debit	Credit
Dr. Account 4080 – Distribution Services Revenue	x,xxx.xx	
Cr. Account 1508 - SA SR/SS Capital Additions – Depreciation		x,xxx.xx
Cr. Account 1508 - SA SR/SS Capital Additions – Interest		x,xxx.xx
Cr. Account 1508 - SA SR/SS CVA – Return		x,xxx.xx
Cr. Account 1508 - SA SR/SS CVA – Payment in Lieu of Taxes (“PILS”)		x,xxx.xx

[2] The same entry will be performed for each of the asset categories (System Renewal/System Service, System Access [excluding the subset of System Access related to third party plant relocation requests and residential construction], and General Plant), as required.

Accounting Order
Hydro Ottawa Limited
EB-2019-0261

Sub-account 1508 - Subset of System Access Capital Additions (net of contributions) Revenue Requirement Differential Variance Account

Hydro Ottawa shall establish Sub-account 1508 - Subset of System Access Capital Additions. Effective January 1, 2021, Hydro Ottawa will record the revenue requirement impact of overspending or underspending in the utility's capital plan during 2021-2025 for a subset of the System Access category. This subset will consist of third party-driven plant relocation and residential expansion capital additions.

The purpose of this sub-account is to record the revenue requirement impact associated with the difference between actual and forecasted cumulative capital additions (net of capital contributions) for 2021-2025, should in-service additions be greater than or lower than, or the pacing of capital additions be faster than or slower than, forecast over the five-year period. Hydro Ottawa shall continue to record variances in this account until the utility’s next rebasing period. Any balance to be returned to or recovered from customers will be disposed in accordance with OEB guidelines related to Group 2 Accounts.

Hydro Ottawa shall use this symmetrical variance account to record the revenue requirement difference related to overspending or underspending in the utility’s capital plan in the subset of the System Access category.

This account would accrue carrying charges at OEB-prescribed rates until final disposition.

The following are sample journal entries for overspending in the subset of the System Access category.

A) Yearly journal entry to capture the revenue requirement difference between planned asset additions and actual asset additions, for the subset of the System Access category. The journal

entry provides an example resulting from overspending. Should underspending occur, the entries would result in Account 4080 being debited and the other Accounts being credited.

	Debit	Credit
Cr. Account 4080 – Distribution Services Revenue		x,xxx.xx
Dr. Account 1508 - SA Capital Additions – Depreciation	x,xxx.xx	
Dr. Account 1508 - SA Capital Additions – Interest	x,xxx.xx	
Dr. Account 1508 - SA CVA – Return	x,xxx.xx	
Dr. Account 1508 - SA CVA – Payment in Lieu of Taxes (“PILS”)	x,xxx.xx	

Accounting Order
Hydro Ottawa Limited
EB-2019-0261

Account 1508 Sub-account Earnings Sharing Mechanism ("ESM") Variance Account

Hydro Ottawa shall maintain this existing account, with modifications. Effective January 1, 2021, the ESM will be a five-year (2021-2025) cumulative asymmetrical account. The purpose of this account is to record amounts related to any cumulative earnings above Hydro Ottawa's approved Return on Equity ("ROE") to be shared on a 50/50 basis between the utility and its ratepayers with no deadband. The ratepayer share of the earnings shall be grossed-up for any tax impacts and credited to this account.

For the purpose of earnings sharing, the regulatory net income will be calculated in the same manner as the calculation of net income under the Reporting and Record Keeping Requirements ("RRR") filings. This will exclude revenue and expenses that are not otherwise included for regulatory purposes, such as the following:

- Non-distribution activities, which are not part of revenue requirement;
- The amounts recorded into or disposed through regulatory assets/liabilities (specifically, Group 1 Accounts); and
- Changes in taxes/payments in lieu of taxes ("PILS") to which Account 1592 applies, which will be shared through that account rather than through earnings sharing.

In addition, the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") will be applied in the year to which it relates. Adjustments may also be required to the ESM calculation to ensure there is an appropriate treatment from amounts recorded and/or recovered by way of deferral and variance accounts.

The balance will be disposed as part of the Group 2 Accounts and in accordance with the OEB's direction regarding the disposition of Group 2 Accounts.

This account will accrue interest based on OEB-prescribed interest rates.

The following are sample journal entries.

A) To record any ESM into the account in any year it is required on a cumulative balance. As a result, previous years' entries could be reversed.

	Debit	Credit
Dr. Account 4080 – Distribution Services Revenue	x,xxx.xx	
Cr. Account 1508 – SA ESM		x,xxx.xx