



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

BY EMAIL

February 7, 2022

Nancy Marconi
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission
London Hydro Inc.
Cost of Service
OEB File Number: EB-2021-0041**

Please find attached OEB staff's submission in the above-referenced proceeding pursuant to Procedural Order No. 1 and the OEB's letter dated January 25, 2022.

Yours truly,

Original Signed By

Donald Lau

Donald Lau
Senior Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Encl.

cc: All parties in EB-2021-0041



ONTARIO ENERGY BOARD

OEB Staff Submission

London Hydro Inc.

Cost of Service Application

EB-2021-0041

February 7, 2022

Introduction

London Hydro Inc. (London Hydro) filed a Cost of Service application with the Ontario Energy Board (OEB) on August 30, 2021, under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) seeking approval for the rates that London Hydro charges for electricity distribution, effective May 1, 2022.

The OEB issued an approved issues list for this proceeding on October 29, 2021. A settlement conference took place from November 29 to December 2, 2021. London Hydro filed a settlement proposal representing a complete settlement of all issues on January 31, 2022. The parties to the settlement proposal are London Hydro and the approved intervenors in the proceeding: Chippewas of Kettle and Stony Point First Nation with Southwind Development Corporation (CKSPF/Southwind), Consumers Council of Canada, Environmental Defence, London Property Management Association, School Energy Coalition, and Vulnerable Energy Consumers Coalition (the Parties).

For a typical residential customer with monthly consumption of 750 kWh, the total bill impact, if the settlement proposal is approved, would be an increase of \$1.41 per month before taxes, or 1.17%.

This submission is based on the status of the record at the time of the filing of the settlement proposal and reflects observations that arise from OEB staff's review of the evidence and the settlement proposal. It is intended to assist the OEB in deciding upon the settlement proposal.

Settlement Proposal

OEB staff has reviewed the settlement proposal in the context of the objectives of the *Renewed Regulatory Framework*¹ (RRF), the *Handbook for Utility Rate Applications*², applicable OEB policies, relevant OEB decisions, and the OEB's statutory obligations. OEB staff submits that the settlement proposal reflects a reasonable evaluation of London Hydro's planned outcomes in this proceeding, appropriate consideration of the relevant issues, and ensures that there are sufficient resources to allow London Hydro to achieve its identified outcomes in the five years of the plan from 2022 to 2026.

OEB staff further submits that the explanations and rationale provided by the Parties support the settlement proposal and that the outcomes arising from the OEB's approval of the settlement proposal would reflect the public interest and would result in just and reasonable rates for customers.

Below, OEB staff provides specific submissions on certain issues established by the OEB:

- Issue 1.1 – Capital
- Issue 1.2 – Operating, Maintenance, and Administration
- Issue 1.3 – Measures to reduce distribution losses
- Issue 2.0 – Revenue Requirement
- Issue 3.0 – Load Forecast, Cost Allocation, and Rate Design
- Issue 4.0 – Accounting
- Issue 5.1 – Effective Date
- Issue 5.2 – Amounts proposed for inclusion in rate base for past Advanced Capital Modules
- Issue 5.3 – Proposal for new Advanced Capital Module
- Issue 5.4 – Extension to exception granted under section 71(4) of the OEB Act

Issue 1.1 – Capital

London Hydro proposed total net capital expenditures of \$47.49 million for the 2022 test year. Most of the spending is divided roughly equally between System Access, System Renewal, and General Plant. The major projects that make up most of the spending in the test year are driven by third-party system access projects, overhead and underground renewal projects, and computer software/hardware-related spending.

For the settlement of all issues in this proceeding, the Parties agreed to a reduction of \$4.0 million (approximately 10%) to the 2022 net in-service additions to set rates. This

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

reduction is intended to reflect more levelized spending over the 2022-2026 term.

Furthermore, as part of the settlement, London Hydro has agreed to document and bring forward for review the steps it takes to estimate the amount of customer-driven work within its next distribution system plan (DSP). This is intended to mitigate any disparity between planned and actual spending in London Hydro's next filed DSP.

OEB staff submits that the agreement reached by the Parties is reasonable. For rate-setting purposes, a reduction in the test year net in-service additions will reduce the bill increase to customers. The new net in-service amount of \$37.74 million is more comparable to London Hydro's historical level of capital spending (average of \$36.29 million over the past five years) than to London Hydro's forecasted level of capital spending over the 2022-2026 period (average of \$39.13 million). OEB staff also supports London Hydro's work to mitigate the disparity between planned and actual spending, which would help provide more robust forecasts of London Hydro's future capital spending. OEB staff also supports a greater focus on actual asset condition as opposed to age for London Hydro's Asset Condition Assessment.

Issue 1.2 – Operation, Maintenance, and Administration (OM&A)

London Hydro proposed total OM&A spending of \$44.17 million for the 2022 test year in its original application. This represented an increase of 15.9% from the 2017 OEB-approved OM&A spending or a compound annual growth rate of 3.0%. The OM&A increase is mainly driven by increases due to inflation, wage escalations, customer growth, and a shift to cloud computing from existing on-premise solutions.

For the purposes of settlement, the Parties agreed to an OM&A envelope reduction of \$1.38 million to London Hydro's proposed OM&A for a revised budget of \$42.79 million.

In recognition of concerns brought forward by some parties and as part of its Diversity, Equity & Inclusion (DEI) initiatives, London Hydro has agreed to the following two items with respect to its Indigenous customers and potential Indigenous suppliers:

1. Make reasonable efforts to build relationships with CKSPFN/Southwind and other First Nations within London Hydro's distribution service territory, with the goal of gaining a deeper understanding of the identified needs of Indigenous people, customers, and communities in relation to London Hydro's business and services. London Hydro will also report on its efforts in its next cost of service application.
2. Develop and implement a Procurement & Supply-Chain Guide for Indigenous Suppliers within the next twenty-four (24) months and file this document with the parties to this Settlement Proposal and post it publicly on its website.

OEB staff supports the OM&A envelope reduction of \$1.38 million. In OEB staff's view, the settled OM&A envelope represents a reasonable increase above London Hydro's historical OM&A budgets and will allow London Hydro to continue to adequately serve its customers. OEB staff also supports London Hydro's DEI efforts.

Issue 1.3 – Measures to reduce distribution loss

The Parties noted the improvement in London Hydro's actual line losses in recent years. London Hydro agreed as part of the settlement to use best efforts to maintain its five-year average total system losses at or below a target loss factor of 1.0288. To this end, the Parties recognized that there are factors beyond the control of London Hydro that may contribute to increases in line losses.

OEB staff supports London Hydro's efforts to maintain or further reduce its system losses.

Issue 2.0 – Revenue Requirement

The Parties agreed that the elements of the revenue requirement are reasonable and have been correctly determined in accordance with OEB policies and practices subject to the adjustments identified in the settlement proposal, specifically:

1. Use actual/forecast in-service dates instead of the half-year rule to calculate the depreciation expense for 2021 and 2022.
2. Increase London Hydro's other revenue forecast by \$650k.
3. Include an incremental increase of \$89,960 in other revenues in connection with forecast profits from Green Button services over the 2022-2026 period (see issue 5.4 below).
4. Include an incremental decrease in pole attachment revenues of \$84,000, reflecting the new wireline pole attachment rate³ and a full year of pole attachment revenue in the test year as opposed to 8 months of revenue.
5. Decrease other revenue by \$6,000 in connection with the amortization of contributed capital to consider updated projected amounts for the 2021 fiscal year.

The changes are detailed in the settlement proposal. The impact of the changes above on the base revenue requirement is a reduction of \$2.44 million, from \$79.33 million to \$76.89 million.

³ EB-2021-0302, Decision and Order, December 16, 2021.

OEB staff takes no issues with the revenue requirement as presented in the settlement proposal.

Tax/Payment in Lieu of Taxes (PILs) Expenses

London Hydro proposed the forecast PILs expense in the test year of \$403,436 in the application.

The Parties agreed that the revised PILs expense of \$395,260 has been accurately calculated, including the recognition of accelerated Capital Cost Allowance in the Test Year:

OEB staff does not have any concerns with the forecast PILs expense of \$395,260 as agreed by the Parties in the settlement proposal. This reflects a decrease of \$8,176 over the original application. OEB staff submits that the agreed-upon PILs expense in the test year is appropriate.

Issue 3.0 Load Forecast, Cost Allocation, and Rate Design

Load Forecast

The Parties agreed to the proposed load forecast subject to two changes:

1. The variables in the linear regression be modified to:
 - a. Remove the variable for London's population, which had a negative coefficient.
 - b. Add a binary variable for the impact of the COVID-19 pandemic, which has a value of 0 for March 2020 to May 2020, and 1 in all other months.
2. Adjust the customer connection forecast to use the geometric mean growth rate from 2017 to 2019 (excluding the growth from in 2020), and then apply that growth rate to the 2020 actual connection count as the base.

The COVID-19 variable has a coefficient of 23,533,785, indicating that the monthly wholesale load was 23,533,785 kWh higher in the months not impacted by the shutdown from March to May 2020.

OEB staff does not have any concerns with the proposed load forecast of 3,161 GWh, 4,079 MW, and 205,720 customers and connections as shown in Tables 11 and 12 of the settlement proposal. This reflects an increase of 98 GWh, 254 MW, and 28 customers over the original application. OEB staff submits that the agreed-upon load and customer connection forecasts are appropriate.

Loss Factor

The Parties agreed that London Hydro would calculate its loss factor using the three-year period from 2018 to 2020 to reflect the reduction in losses experienced as a result of London Hydro's capital spending.

In interrogatories,⁴ London Hydro indicated that it changed its process for RPP settlement in 2017, impacting the calculated losses in 2016 and 2017, and improving accuracy going forward. It indicated that 2018 to 2020 would be more representative of losses going forward.

OEB staff has no concern with the proposed total loss factor of 1.0288 or the methodology to calculate it.

Cost Allocation

The Parties agreed to three changes in London Hydro's cost allocation:

1. The load profiles were derived using an average of 2019 and 2020 load profiles.
2. The number of meters used by the Co-Gen rate class was updated to also reflect the generation meters.
3. The revenue to cost ratios were adjusted to reduce the Co-Gen rate class to 120%, the upper boundary of the range, and to increase the GS < 50 kW, Standby, Sentinel Lights, and Unmetered Scattered Load rate classes to 80%, the lower boundary of their ranges. An offsetting adjustment was made to reduce the GS < 50 kW rate class, from 119% to 118%, the rate class with the highest revenue-to-cost ratio aside from Co-Gen.

OEB staff notes that the filing requirements are not prescriptive of the methodology used to produce updated load profiles. Other distributors have proposed methodologies using multiple regression to perform weather normalization on updated load profiles. In this instance, two historic years are averaged which has an effect of normalization. In the case of load forecasts, the filing requirements⁵ provide options to either use multiple regression or normalized average use per customer (a historic averaging methodology). While more than two years would be preferable, OEB staff notes that London Hydro's metering has been improving, and each additional historic year comes with less reliable measurement. In this instance, OEB staff submits that the use of two years is a reasonable compromise and that the results are appropriate.

OEB staff has no concern with the cost allocation agreed to by the Parties.

⁴ 8-Staff-81.

⁵ Filing Requirements for Electricity Distribution Rate Applications, June 24, 2021, pages 24-25.

Rate Design

The current fixed charges for GS < 50 kW, GS 50 to 4,999 kW, and Large Use rate classes are above the ceiling.⁶ In interrogatories,⁷ Environmental Defence sought to understand the impact of maintaining the fixed charges at their current levels in the test year and through the IRM period using the same methodology Hydro Ottawa had been ordered use in its 2022 Custom IR⁸ proceeding.

The Parties agreed that the fixed charges for the rate classes above the ceiling would be reduced to 8% below the current charges in 2022, a level which is still above the ceiling. The proposed agreement does not include any requirement to maintain fixed charges into the IRM period. OEB staff therefore expects that the standard IRM adjustments will apply.

OEB staff has no concern with the proposed rate design.

Retail Transmission Service Rates (RTSRs)

London Hydro initially proposed charging RTSRs based on kWh usage for the GS > 50 kW, Co-Generation, and Large User customers participating in net metering and/or community net metering. This was to enable customers in these rate classes to apply generation credits to RTSRs, consistent with the way credits can be applied to other rate classes, notably residential, which are billed for RTSRs on a per kWh basis.

The parties agreed that London Hydro would remove this proposal, and continue to charge RTSRs based on the existing billing determinants of kW for these rate classes.

OEB staff agrees that it is appropriate to continue to use the existing billing determinants of kW for these rate classes.

Issue 4.0 – Accounting

Issue 4.1 - Have all impacts of any changes in accounting standards, policies, estimates, and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?

The Parties agreed that all impacts of any changes to accounting standards, policies, estimates, and any adjustments have been identified and treated appropriately in the

⁶ The minimum system with peak load carrying capability from the cost allocation model, which is commonly referred to as the ceiling for fixed charges.

⁷ 7-ED-8.

⁸ EB-2019-0261.

proceeding.

OEB staff has no concerns regarding the settlement for this issue.

Issue 4.2 - Are London Hydro's proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?

In the settlement proposal, the Parties agreed to dispose of London Hydro's Group 1 Deferral and Variance Account (DVA) balances (a debit amount of \$1.95M) as at December 31, 2020, and Group 2 and Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) balances (a credit amount of \$1.47M) as at December 31, 2020⁹, including forecasted interest to April 30, 2022. All DVA balances are to be disposed over a one-year period.

OEB staff supports the settlement proposal reached by parties and makes the following submission on certain aspects of the DVAs.

Forecasting Certain Group 2 Balances

Parties have agreed to disposition of forecasted 2021 balances for the below accounts and have agreed to the subsequent closure of those accounts:

- Account 1518 - Retail Cost Variance Account – Retail
- Account 1548 - Retail Cost Variance Account – STR
- Account 1508 – Pole Attachment Revenue Variance
- Account 1508 - Other Regulatory Assets, Sub-account OPEB Forecast Cash vs Forecast Accrual Differential

OEB staff notes that, typically, audited balances are disposed, but there are exceptions to this requirement. For example, in the disposition of Retail Service Charges related variance accounts (1518 and 1548), as well as the sub-account for the Pole Attachment Revenue Variance, the OEB may consider disposing forecasted amounts up to the effective date of rebased rates.¹⁰ Regarding Retail service Charges related variance accounts, OEB staff notes that the forecasted 2021 variances in Accounts 1518 and 1548 of \$35k and \$2.5k, respectively, appear to be reasonable, as the magnitude of the variances is consistent with the historical variances for London Hydro. Therefore, OEB staff supports the settlement reached by the Parties for these two accounts.

Regarding the Pole Attachment Revenue Variance sub-account, London Hydro

⁹ Certain Group 2 accounts include forecasted 2021 balances

¹⁰ Pages 58 and 71 of the Chapter 2 Filing Requirements for Electricity Distribution Rate Applications – 2021 Edition for 2022 Rate Applications, June 24, 2021

proposed including the forecasted variances for the period of January 1, 2021 to April 30, 2022. As part of the amount of pole attachment revenue included in the Other Revenues component of London Hydro's test year revenue requirement, the parties agreed to an increase of \$148k, reflecting a full projected year of pole attachment revenue in 2022, as opposed to the eight months originally proposed by London Hydro. Accordingly, the Pole Attachment Revenue Variance sub-account under Account 1508 has also been adjusted to remove the variances pertaining to the first four months in 2022. OEB staff takes no issue with this approach.

Account 1508 - Other Regulatory Assets, Sub-account OPEB Forecast Cash vs Forecast Accrual Differential

Regarding Account 1508 sub-account for OPEB Forecast Cash vs Accrual, OEB staff notes that due to the nature of the account, the 2021 balance is already known at this time. Therefore, OEB staff supports the inclusion of the 2022 variance as part of the disposition of this account. The parties have agreed to a revised calculation for the amounts to be recovered by London Hydro from ratepayers in Account 1508 Other Regulatory Assets, Sub-account – OPEB Forecast Cash versus Forecast Accrual Differential Deferral Account, reflecting the differences between the forecast cash amount embedded in London Hydro's cost of service application for 2017 rates and the forecasted accrual amount for 2017, as set out in London Hydro's 2017 cost of service settlement agreement. The parties note that the original calculation resulted in a recovery of \$891k, whereas the revised calculation (which includes the variance for 2022) results in a recovery of \$1.27M. OEB staff does not take issue with the updated balance in the account, as the calculation reflects the methodology agreed to by the parties to the 2017 cost of service settlement agreement, and approved by the OEB.

Account 1592 – PILS and Tax Variance, Sub-account CCA Changes Variance

Regarding the Account 1592 sub-account for CCA changes, London Hydro proposed disposition of the Account's principal balance as at December 31, 2020, which has been audited. London Hydro stated that the change in the 1592 account balance in connection with the 2021 Bridge Year will be updated once financial results for that fiscal year become available. The parties agreed on the proposed balance of (\$3.02M).

Although there would be regulatory efficiencies to be gained and less intergenerational inequity by disposing the 2021 balances in Account 1592 sub-account CCA Changes in the current application, OEB staff does not oppose the settled approach of deferring disposition of the 2021 balance in the account to London Hydro's next rebasing application. The balance is expected to be offset by debit balances that will be

accumulated effective January 1, 2024, when the Accelerated Incentive Investment Program begins to phase out (and London Hydro's taxes payable increases).

Account 1509 – Impacts Arising from the COVID-19 Emergency

The OEB issued its *Report on the Regulatory Treatment of Impacts Arising from the COVID-19 Emergency* (COVID-19 Report) on June 17, 2021¹¹ (i.e., after London Hydro filed its 2022 rebasing application). London Hydro's claim for recovery in this account, after making the adjustments in accordance with the COVID-19 Report, is as follows:

Sub-Account	Balance (\$)
Sub-account Impacts from Complying with Government/OEB-initiated Customer Relief Programs	690,814
Sub-account Bad Debts	427,459
Sub-account Other Costs	201,929
Claim Total	1,320,202

The Parties agreed that London Hydro will defer disposition of the 2020 amounts recorded in Account 1509 -COVID-19 Impacts, until London Hydro's next rebasing application, after it is apparent there are no further impacts related to COVID-19 to be tracked in the account, so that all impacts in all years will be cleared at the same time.

OEB staff notes that the COVID-19 Report indicated that ideally, disposition of Account 1509 would be in conjunction with a utility's first cost-based rates proceeding following issuance of the report and that Account 1509 would remain in effect until that rebasing application, when it is reasonable to presume that rates may be reset reflecting the revised operating conditions facing the utility.¹² However, OEB staff does not take issue with the agreed-upon approach, given the timing of the COVID-19 Report issuance.

Issue 5.1 – Effective Date

The Parties agreed that London Hydro's new rates should be effective on May 1, 2022. London Hydro has indicated that it can implement new rates effective May 1, 2022, if it receives an approved Rate Order on or before April 21, 2022. If the settlement proposal is approved but the Rate Order is not issued in time for a May 1, 2022, implementation, the Parties agreed that rates should be made interim as of May 1, 2022, and London Hydro be allowed to collect foregone revenue.

OEB staff agrees that an effective date of May 1, 2022, is appropriate. OEB staff notes

¹¹ EB-2020-0133, June 17, 2021

¹² Pages 38 and 46

that London Hydro filed its application on August 30, 2021, which met the OEB's deadline of August 31, 2021, for the filing of 2022 cost of service applications for rates effective May 1. Furthermore, in OEB staff's view, London Hydro complied with the procedural deadlines set in this proceeding. For these reasons, OEB staff is not opposed to allowing London Hydro to collect forgone revenue if a Rate Order is not issued in time for May 1 implementation.

Issue 5.2 – Amounts proposed for inclusion in rate base for past Advanced Capital Modules (ACM)

London Hydro received approval for three ACM projects in its last cost of service application: Nelson TS capital contribution, JD Edwards project, and Hydro One CCRA true-ups for Talbot and Buchanan. London Hydro began collecting revenue through ACM rate riders for these projects starting in 2018.

In the original as filed application, London Hydro calculated a variance of \$113k debit to be collected from customers as the difference between ACM rate rider revenues and the actual revenue requirement of the three projects.

For the purpose of settlement, the Parties agreed that the incremental spending of \$590k on the JD Edwards project is not eligible for recovery through the ACM. This additional spending was for new functionality relative to the scope of the project when the ACM was approved. As a result, the total true-up of the three ACM projects is now a net credit to customers of \$343k.

OEB staff takes no issue with the calculation of the ACM true-up as proposed by the Parties. OEB staff agrees that this is a reasonable and fair approach. The removal of the \$590k incremental spending in the calculation of the true-up will help offset the bill increase to customers.

Issue 5.3 – Proposal for new Advanced Capital Module

London Hydro requested new ACM funding to upgrade its customer information system (CIS). London Hydro noted that SAP, the vendor of its current CIS platform, is ending support for its current CIS by the end of 2027. Therefore, London Hydro engaged a consulting partner, Ernst & Young, to explore options to address its CIS needs. London Hydro has opted to upgrade its CIS to the SAP S/4 HANA system at a one-time cost of \$18.5 million.

The Parties agreed that London Hydro's proposed ACM should be approved. However, for the purpose of settlement, the Parties also agreed that any ACM funding for this project be capped at \$18.5 million (the current forecast total cost of the project). This cap pertains only to the ACM-related rate rider revenue; it does not limit London Hydro

from bringing any additional amounts for inclusion in rate base at its next rebasing. However, to the extent that London Hydro exceeds the \$18.5 million budget for this project, it will need to explain and justify the prudence of the overspending if it seeks to include any additional amounts in rate base when it next rebases.

For the purpose of calculating the ACM rate riders, the Parties agreed that London Hydro will use the net in-service addition forecast amount when completing the ACM model to set the “Distribution System Plan CAPEX” number.

OEB staff agrees that London Hydro’s ACM request is reasonable. OEB staff submits that this is a discrete, non-recurring project that is not included in rate base, which therefore satisfies the need criterion. Furthermore, OEB staff submits that London Hydro has appropriately engaged a consulting partner to evaluate its possible options to deal with the end of life of its current CIS platform and selected an option that is cost-effective and would satisfy its needs. On this basis, OEB staff submits that this project meets the prudence criterion.

With respect to capping the project costs at \$18.5 million for the purpose of calculating rate rider revenues, OEB staff supports this approach. This project is a work in progress and there is a reasonable expectation for variances to the project costs. By capping the ACM rate rider revenues, customers are protected from cost overruns throughout the IRM period 2022-2026, and any cost overages would be subject to another prudence review at the time of London Hydro’s next rebasing application.

The Parties agreed that “when completing [the ACM] model, LH will set the Distribution System Plan CAPEX number at that year’s net in-service addition forecast amount.” This is not consistent with OEB policy:

*the Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*¹³ (ACM Report) is clear that CAPEX amounts should be used, not in-service additions. In particular, on calculating the maximum incremental capital amount, the ACM Report notes that “...the total incremental capital amount can then be calculated for each IR year by subtracting the threshold result from the **proposed capital budget identified in a distributor’s DSP** for each of the four years.”¹⁴ [Emphasis Added] Moreover, the model itself specifically instructs the user to use the CAPEX.¹⁵

However, in the context of a complete settlement, OEB staff does not oppose how the Parties have settled this issue. This should in no way be construed as OEB staff support for the use of net in-service additions instead of CAPEX when completing the ACM

¹³ *Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, EB-2014-0219, September 18, 2014

¹⁴ *Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, EB-2014-0219, September 18, 2014, p. 22

¹⁵ Tab 9(b): Proposed ACM ICM Projects.

Model generally.

Issue 5.4 – Extension to exception granted under section 71(4) of the OEB Act

The OEB previously granted an exception to London Hydro under section 71(4)¹⁶ of the OEB Act for London Hydro to provide Green Button related services that are non-distribution-related activities. The exception is set to expire on the effective date of London Hydro's approved 2022 rate order.

When London Hydro first requested the exemption in 2018, it proposed to reevaluate its Green Button services, including the possibility of creating an affiliate, and to present its findings to the OEB at its next rebasing application (i.e., this application). In this application, London Hydro noted that it had not yet completed this analysis due to delays in provincial legislation regarding the adoption of Green Button in Ontario and was therefore requesting that the exception be extended to May 1, 2027, the expected effective date of its next rebasing application.

The Parties agreed as part of the settlement to provide London Hydro with a three-year extension from May 1, 2022, to April 30, 2025, on similar terms as set out in the OEB's Decision and Order in EB-2018-0118, when the original exception was granted.¹⁷ As a condition of the extension, the Parties agreed that:

1. London Hydro shall not seek a further exemption beyond April 30, 2025.
2. London Hydro will track all direct and indirect costs of its Green Button program.
3. London Hydro will undertake a cost allocation study of the appropriate allocation of costs to London Hydro's provision of Green Button service and file it in its next cost of service application.
4. London Hydro will provide a credit up-front to its customers through the form of \$89,960 added to 2022 other revenues in recognition of the development of Green Button services paid for by its distribution customers. This amount represents 50% of the amortized forecast Green Button services profits over 2022-2026.

The Parties agreed to the extension in recognition of London Hydro's active role in Green Button related development in Ontario, London Hydro's desire to continue to directly assist in that development, and the delay in the Provincial Government's Green Button related mandate to 2023.

OEB staff takes no issue with the extension and conditions thereof as agreed to by the

¹⁶ The Board may, if in its opinion special circumstances of a particular case so require, authorize a transmitter or distributor to carry on a business activity other than transmitting or distributing electricity other than through one or more affiliates, in accordance with an order of the Board.

¹⁷ EB-2018-0118, Decision and Order, September 6, 2018

Parties. OEB staff concurs with the Parties that London Hydro has an active role in Green Button related development in Ontario, which contributes to the province-wide adoption of Green Button technologies in Ontario. Furthermore, OEB staff notes that the conditions of the extension require London Hydro to track all costs and undertake a cost allocation study, which will help ensure that London Hydro's customers, who have helped fund the development of Green Button technologies, receive a fair share of any Green Button related profits. For the next five years, London Hydro is providing 50% of its forecasted profits from its external Green Button services to its customers in the form of a revenue offset in other revenues. OEB staff submits that this is reasonable.

~All of which is respectfully submitted~