



NOTL Hydro 2019 Rate Application

Customer Summary

Executive Summary

NOTL Hydro is applying for a 0.97% increase in the electricity bill for our average residential customer and a 1.10% increase for our average small business customer. Even with this increase our residential rates are still the lowest in the Niagara Region.

Background

Every year, Niagara-on-the-Lake Hydro (NOTL Hydro) makes an application to its regulator, the Ontario Energy Board (OEB) for its rates for the upcoming year. This includes distribution rates, transmission rates, rate riders (explained below) and all other charges. This does not include the actual electricity prices as NOTL Hydro has no control over those.

Most years the setting of the rates is fairly simple and based on formulas. However, every five years or so NOTL Hydro must start at square one and build up a detailed rate case based on our costs, capital plans and customer needs. This includes a full examination of all aspects of our performance. A hard copy of this can be seen at our office or it can be viewed online on our website www.notlhydro.com.

The rates that provide NOTL Hydro with revenue are the fixed monthly service charge, charged each month no matter how much electricity you use, and the distribution volumetric rate, which is based on how much electricity you use. In addition there are rate riders. We buy electricity from the Provincial system operator, transmission services from Hydro One and pay for other Provincial services. We charge our customers for all of these based on set rates (time of use electricity rates, transmission rates, global adjustment, etc.). We are not allowed to make a profit (or loss) on these sales but our costs and revenues for these never perfectly match. We track these variances and every year have rate riders that clear the balances. We try to make these rate riders as low as possible but do not always succeed.

We have one other rate rider that is specific to NOTL Hydro. In 2015, in a \$2.6 million project, we installed a new 50 MW transformer, enough to serve the whole Town, at one of our transmission stations. The OEB granted us a rate rider to help pay for this. With this application the OEB can



review our management of that project, incorporate these costs into our regular rates, and that rate rider will disappear.

2019 Revenue Requirement

Our analysis shows us that the revenue we will need to earn in 2019 to cover our operating costs, pay for our capital work and install another new transformer in 2019 (described below), pay for annual costs of the 2015 transformer, pay down our debt and pay a dividend to the Town is \$5.544 million. If we kept our rates the same as they are now, other than merging the 2015 transformer rate rider, we would earn \$5.494 million. We are therefore looking for a \$50,000 or 0.91% increase in our revenue.

Table 1 is a summary of the \$50 thousand increase in revenue we are seeking allocated by rate class. The reduction in revenue from streetlights is a requirement by the OEB and the offset has been an increase in revenue required from the other classes.

Customer Class	Change in Revenue
Residential	\$ 34,748
GS<50	\$ 10,776
GS>50	\$ 9,009
Unmetered	\$ 77
Streetlights	\$ (57,832)
Large User	\$ 53,622
	\$ 50,399

Bill Impact

Bill Impact	Residential 750 kWh	Small Business 2,000 kWh
Distribution Rates	\$ 0.38	\$ 0.60
Rate Riders	\$ 1.00	\$ 3.20
Line losses	\$ (0.04)	\$ (0.10)
Transmission	\$ (0.32)	\$ (0.84)
	\$ 1.01	\$ 2.86
	0.97%	1.10%

Table 2 is a summary of the bill impact of our rate application on residential and small business (GS < 50 kW) customers. In line with our revenue requirements, distribution rates are going up slightly for residential customers and small business customers.

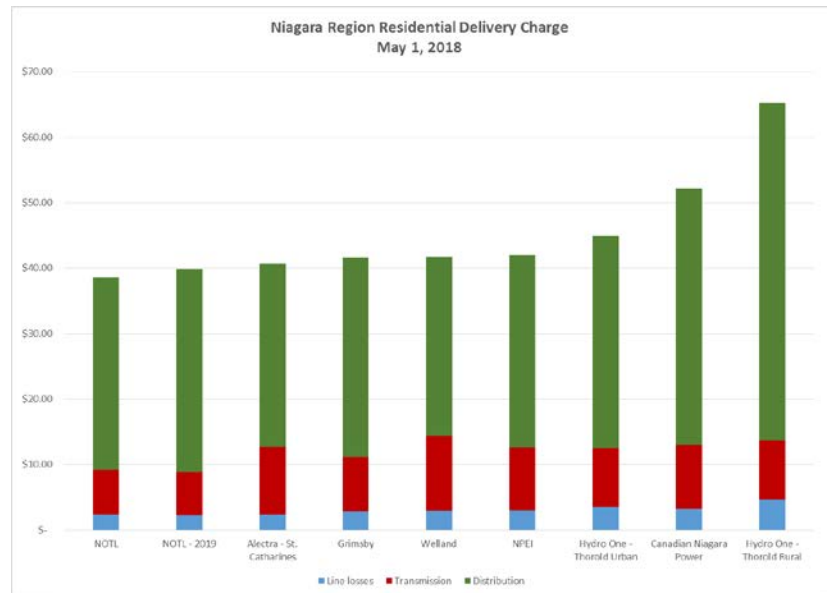
Our rate riders were largely credits in 2018 so were reducing rates. For 2019, our rate riders are very small but are small increases in rates. The net effect in 2019 is an increase in rates for the rate riders. As explained above, rate riders are not revenue for NOTL Hydro.

Electricity is always lost when it travels along the distribution lines. We pay for this lost electricity through a line loss charge. We are proposing to reduce our line loss rate from 3.79% (one of the lowest in the Province) to 3.73%. This will provide savings for every customer.



Our transmission charges are going down as 2017 was a cool summer so we paid less for this service than expected. Because NOTL Hydro owns its transmission stations, our transmission charges are one of the lowest in the Province.

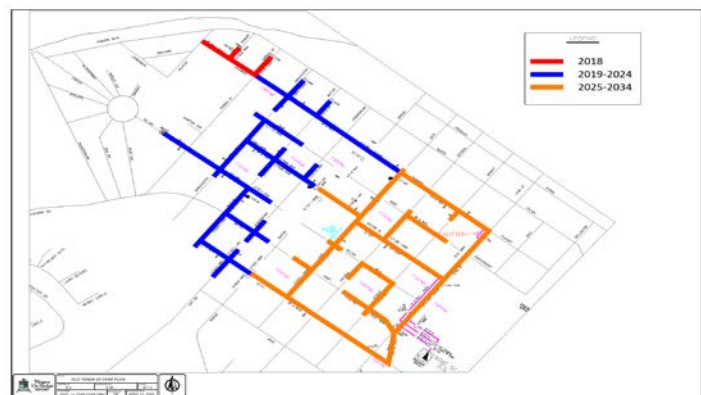
The net impact is a 0.97% increase in the electricity bill for our average residential customer and a 1.10% increase for our average small business customer. Even with this increase our residential rates are still the lowest in the Niagara Region as per the chart.



Capital Projects

Our rates will continue to pay for our annual capital work to keep our system in good shape. This includes pole and line replacements in the rural areas and our program to gradually convert the Olde Town to underground services (see map). In 2020, instead of the Olde Town, we will be converting Niagara Stone Road through Virgil to underground at the same time as the Niagara Region is widening the road.

One of the key risks NOTL Hydro must address is making sure there is sufficient transformation capacity at our transmission stations to supply the full Town. Our 2015 transformer project increased our NOTL station capacity from 50 MVA to 75 MVA and replaced an old and failing transformer.



However, our York station has only 41.7 MVA. We had to rely on it to serve the full Town in March and April this year when the Hydro One line went down. If that had happened on a hot summer day when demand exceeds 50 MVA we would not have had enough power.



In 2019, NOTL Hydro will be purchasing a new 83 MVA transformer at a total cost of \$3.3 million. Once we have it installed later that year our York station will have 83 MVA of transformation and our NOTL station will have 91.7 MVA of transformation. This will be enough to supply the Town for many years even with our growing greenhouse demand. The cost of this is included in our 2019 rate proposal so will not create an additional rate increase.

Other Application Proposals

We have a customer who is expanding very quickly and who forecasts a very high demand for electricity in the future. This application contains three specific proposals related to this customer:

1. A proposal for a new Large Use customer class for when this customer exceeds 5,000 kW in demand;
2. A proposal for a stand-by charge as this customer is planning on installing generation. A stand-by charge means this customer will still pay distribution and transmission charges when they generate.
3. A variance account. We do not know how much electricity this customer will need from month to month. We have assumed 5,000 kW in our application. The revenue difference from any variation from the 5,000 kW will be tracked and will become a future rate rider. If their average demand exceeds 5,000 kW in a year then this will result in a future credit for all our customers.

Other minor proposals include:

- An increase in our monthly charge for MicroFITs from \$5.00 to \$10.00 as our average monthly out-of-pocket costs are over \$8.00.
- Increases in charges related to being disconnected, to meter disputes and to after-hours service calls as current rates were not covering our costs. These services are rarely required.