

Understanding Hydro Ottawa's 2021-2025 Rate Application



ABOUT HYDRO OTTAWA

Hydro Ottawa is the third largest municipally-owned electricity distributor in Ontario. We distribute electricity to approximately 340,000 customers, serving a population of more than one million people in the City of Ottawa and the Village of Casselman. We are a private business corporation that is 100% owned by our shareholder, the City of Ottawa.

It's our responsibility to transport power from the provincial transmission grid and deliver it safely and reliably to homes and businesses across our service territory. We own and operate a large, complex distribution network consisting of 50,000 poles, 2,700 km of overhead lines, 3,000 km of underground cable, and 45,000 transformers.

OUR FIVE-YEAR BUSINESS PLAN

Hydro Ottawa is seeking approval from the Ontario Energy Board (OEB) for the distribution rates that will be charged to customers for the 2021-2025 period.

The electricity industry in Ontario is regulated by the OEB. One of the OEB's roles is to review the business and distribution plans of all electricity distributors and approve the rates that they charge customers.

Between 2016 and 2020, Hydro Ottawa invested in distribution system capacity as well as the replacement of aging infrastructure to maintain operational effectiveness and efficiency. Upgrades to our fibre optic network and Customer Care and Billing System were also a focus, in addition to consolidating employees in two new buildings from end-of-life facilities.

HOW DOES HYDRO OTTAWA PLAN?

Hydro Ottawa is proposing a plan that is responsive to:



Legal and regulatory requirements by continuing to meet our obligations.



Internal business planning based on expert analysis and professional judgment to develop construction and operations programs that address safety, business, technical, and operational needs.



Customer feedback collected throughout our consultation on the application and ongoing customer engagements.

Over the course of 2021 to 2025, Hydro Ottawa will need to continue to invest in our infrastructure, equipment, and workforce.

These needs are being driven by a diverse set of factors, such as aging infrastructure, sustained population and economic growth in the Ottawa area, an increasing number of severe weather events, technological evolution, cyber security threats, and workforce retirements. The plan forward includes major asset replacement and upgrades, vehicle replacements, systems and software for resource planning programs, data analytics, and productivity improvements.



To learn more about Hydro Ottawa's plan, please see Exhibit 1-1-9 Business Plan in the application.

As a result, key initiatives that we have planned include:

- Building new distribution stations in growing areas of the city
- Connecting thousands of new customers every year
- Supporting local infrastructure projects like Light Rail Transit
- Upgrading and modifying infrastructure to enhance reliability and capacity on the grid
- Replacing equipment that has reached end-of-life
- Strengthening the grid's ability to withstand the effects of severe weather
- Investing in digital solutions to enhance customer service
- Renewing our vehicle fleet
- Recruiting and retaining a new generation of highly-skilled employees



HOW CUSTOMERS HELPED INFORM OUR PLAN

Our goal is to put the customer at the centre of everything we do. Hydro Ottawa is committed to engaging with our customers, understanding their needs and preferences, and operating in an efficient and cost effective manner. In preparing our business plan, we reached out directly to customers, to better understand their priorities and expectations for the electricity services they receive. Price, reliability, and investing in new technology ranked as the top three priorities.

Together with the customer feedback that we receive on an ongoing basis, we took this input and developed a plan emphasizing four principles:

- 01** Minimize rate increases
- 02** Maintain reliability and service quality
- 03** Address key pressures to the distribution system
- 04** Make prudent investments in emerging technologies to enhance service offerings and/or reduce operating costs

Nearly 21,000 customers shared their thoughts on our preliminary plan through the completion of an online survey. The majority of residential customers (83%), small business customers (76%), and mid-market and key account customers (69%) shared that they supported Hydro Ottawa's planned increase or even spending a bit more to improve service based on the priorities above.

To learn more on how Hydro Ottawa engages customers and responds to their needs, please see Exhibit 1-2-1 Customer Engagement in the application.

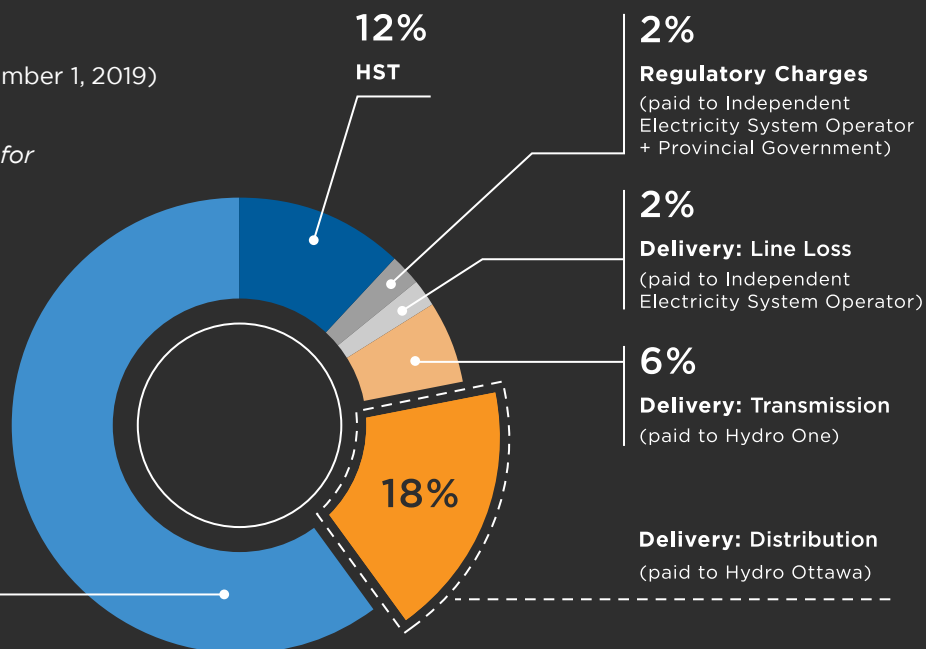
Electricity distributors like Hydro Ottawa are funded through the distribution rates paid by customers. We do not receive taxpayer money to fund our operations or investments in the distribution system. While Hydro Ottawa is responsible for collecting payment for the entire electricity bill, we retain only a portion of the delivery charge representing less than 20% of the bill.

Figure 1

Hydro Ottawa Bill Breakdown (November 1, 2019)

These are the electricity charges for the average residential customer using 700 kWh per month. These percentages do not include the Ontario Electricity Rebate.

60%
Electricity Generation Charges
(paid to generation companies)



DOLLARS AND CENTS – EXPECTED COSTS OF THE PLAN

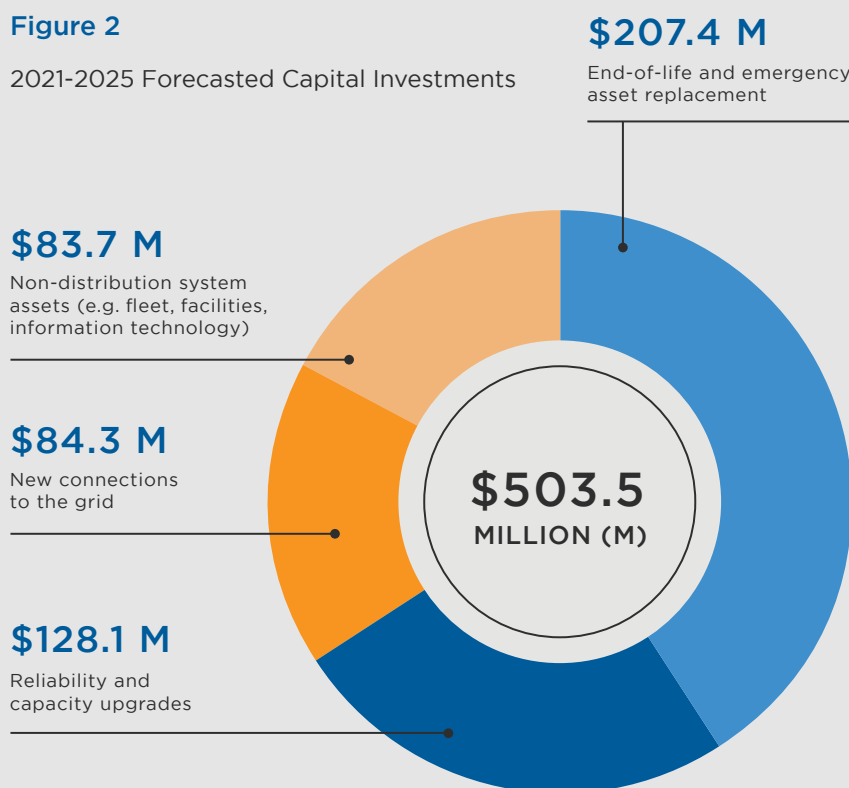
Like most businesses, Hydro Ottawa manages both a capital and an operating budget.

Capital expenditures are assets that have lasting benefits over many years (e.g. poles and wires), while operating expenditures are recurring expenses in day-to-day management of the company (e.g. tree trimming and billing).

For the 2021-2025 period, the capital required to maintain system reliability and safety, and invest in infrastructure and equipment priorities is \$503.5 million. For operations, a budget of \$493.8 million is needed.

Figure 2

2021-2025 Forecasted Capital Investments



In order to move forward with our proposals, we're seeking approval from the OEB to change our rates.

The expected impacts on the distribution portion of customer bills over the five-year rate period are shown in the table below.

Impacts on Customers' Distribution Rates

| | Change in Distribution Charge | 2021 Proposed | 2022 Proposed | 2023 Proposed | 2024 Proposed | 2025 Proposed | Average |
|------------------------------------|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------|
| Residential | \$/month | \$1.31 | \$2.18 | \$1.84 | \$0.98 | \$0.61 | \$1.38 |
| | % | 4.57% | 7.28% | 5.73% | 2.88% | 1.75% | 4.44% |
| General Service (<50 kW) | \$/month | \$1.74 | \$5.07 | \$5.15 | \$3.05 | \$2.25 | \$3.45 |
| | % | 2.44% | 6.94% | 6.59% | 3.66% | 2.61% | 4.45% |

DELIVERING VALUE FOR MONEY – EXPECTED BENEFITS FOR CUSTOMERS

Moving forward on our five-year plan will enable us to maintain a high level of reliability for customers, while ensuring that we keep costs low and continuously improve the way we do business.

Some of the ways in which customers and communities are expected to benefit from the proposals in our plan include the following:

- Improved system reliability (fewer and shorter outages, quicker restoration times, enhanced resilience to severe weather)
- Greater electricity supply capacity for growing areas of the city
- Greater personalization, choice, convenience, and self-serve capability in the services provided to customers
- More options and solutions to help customers manage and monitor energy use with ongoing development of the Hydro Ottawa app and MyAccount
- Stronger protections for grid assets and customer data against cyber threats
- Increased ability to connect more renewable energy resources to the grid
- Lower costs, relative to alternative investment scenarios



HAVE YOUR SAY

The OEB will review Hydro Ottawa's plan and proposed rates in an open and transparent public process.

For more information on how you can participate in that process, please visit hydroottawa.com/active-applications.

