



**EB-2017-0024**

**Alectra Utilities Corporation**

**Application for electricity distribution rates and other  
charges beginning January 1, 2018**

**PROCEDURAL ORDER NO. 2  
October 24, 2017**

Alectra Utilities Corporation (Alectra Utilities) filed an application with the Ontario Energy Board (OEB) on July 7, 2017 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), and under the OEB's Filing Requirements for Incentive Rate-setting Applications seeking approval for changes to its electricity distribution rates to be effective January 1, 2018.

The OEB issued Procedural Order No. 1 which among other matters established that OEB staff was to file a proposed issues list, or alternatively advise the OEB in writing that parties and OEB staff had been unable to reach an agreement on a draft issues list by October 18, 2017.

On October 18, 2017, OEB staff advised the OEB that parties had been unable to reach an agreement on a draft issues list. OEB staff filed a draft issues list that included proposed changes and comments from some intervenors and Alectra Utilities. No agreement was reached among parties for the inclusion of any of the issues on the draft issues list. Alectra Utilities, supported by OEB staff, suggested that the matter be further discussed during the settlement conference, which is scheduled to take place October 25-27, 2017. None of the intervenors except the Building Owners and Managers Association of Greater Toronto (BOMA) opposed this approach. BOMA expressed concern that parties need to know the issues prior to the settlement conference in order to prepare their negotiating positions on each issue.

The OEB has reviewed the draft issues list, the parties' comments and proposed changes. The OEB has decided to provide guidance on the draft issues list filed on October 18, 2017 to assist parties during the settlement conference. The OEB is issuing a revised draft issues list for the purposes of the settlement conference, set out in Schedule A to this Order. Parties may choose to discuss the revised draft issues list at the settlement conference and propose further changes for the OEB's consideration following the settlement conference. In the absence of further comments, the OEB expects the revised draft issues list to be made final in a Decision on the issues list.

### **Revised Draft Issues**

The following are the revised draft issues and the OEB's view on the expected scope of this proceeding.

#### **1.0 CUSTOM INCENTIVE RATE-SETTING (IR) APPLICATION UPDATE (Applicable to the Horizon rate zone)**

- 1.1** Is the Year 4 Custom IR Update proposed for the Horizon Utilities rate zone (RZ) complete and in accordance with the framework accepted by the OEB from the EB-2014-0002 settlement agreement and any applicable OEB policies, practices and requirements and, if not, are any proposed departures adequately justified?
- 1.2** Have the revenue-to-cost ratios for the Horizon RZ been appropriately adjusted to reflect the OEB's decision in the EB-2015-0075 proceeding?

In the Custom IR proceeding for Horizon Utilities (EB-2014-0002), rates were approved for a 5-year period from January 1, 2015 to December 31, 2019, subject to certain prescribed adjustments and requirements set out in an approved framework. The framework, based on a partial settlement with parties, prescribed specific off-ramps, reopeners, annual adjustments and annual adjustments outside the normal course of business. In that proceeding, the OEB concluded that the framework adequately reflects the public interest and will result in just and reasonable rates for customers. Issue 1.1 includes the earnings sharing calculation for the Horizon RZ as it was part of the approved framework. Issue 1.2 does not include the updating of load profiles as this was not part of the approved framework.

Further, the purpose of this proceeding is to set the rates for the Horizon RZ for 2018. Issues relating to the period after 2018 are not within the scope of this proceeding.

The OEB is including Issue 1.2 on the revenue-to-cost ratios for streetlighting, as this was part of the OEB's previous decision for Horizon Utilities' 2016 rates (EB-2015-0075), and appropriately implementing previous decisions is in scope.

Another proposal was to replace the words 'policies and practices' with 'requirements'. The OEB agrees with the inclusion of the word 'requirements' in Issues 1.1 and 2.1, but regards it as an addition to policies and practices to ensure all relevant OEB documentation is considered.

## **2.0 INCENTIVE RATE-SETTING MECHANISM (IRM) SCHEDULES AND MODELS (Applicable to the Brampton, Enersource and PowerStream rate zones)**

- 2.1** Are the IRM model filings for the Brampton, Enersource and PowerStream rate zones in accordance with OEB policies, practices and requirements, and if not, are any proposed departures adequately justified?
- 2.2** Is Alectra Utilities' application of the Incremental Capital Module (ICM) criteria in accordance with OEB policies and if not, are any proposed departures adequately justified?
- 2.3** Is the level of planned capital expenditures proposed in the ICMs appropriate and is the rationale for planning, prioritization and pacing choices appropriate and adequately explained and should the level of expenditures be approved by the OEB, giving due consideration to:
- customer feedback and preferences
  - productivity
  - compatibility with historical expenditures
  - compatibility with applicable benchmarks
  - reliability and service quality
  - impact on distribution rates
  - impact on OM&A spending
  - government-mandated obligations
  - the objectives of Alectra Utilities and its customers
  - the five-year Distribution System Plans
- 2.4** Are Alectra Utilities' proposals regarding the ICM true-ups appropriate?
- 2.5** Does the Distribution System Plan (DSP) filed for the Enersource rate zone provide sufficient information to support the proposed ICM for this rate zone?

For Issue 2.3, the OEB notes that this list of considerations for capital expenditures has routinely been included on issues lists for cost of service rate applications. These considerations are equally applicable to an ICM application in which funding for capital expenditures may be approved. While OM&A expenses are not funded through an ICM, the impact of the proposed capital project on OM&A is relevant to the consideration of that project.

Issue 2.4 has been added because it is appropriate for tracking and potential true-up mechanisms to be reviewed and approved in an ICM proceeding.

The OEB revised the wording for issue 2.5. The OEB does not approve a DSP filed in a cost of service or ICM proceeding. Issue 2.5 clarifies that the DSP filed in this proceeding should inform the OEB and support the ICM proposal.

### **3.0 ACCOUNTING**

**3.1** Are Alectra Utilities' proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts and the continuation of existing accounts, appropriate?

The OEB notes that an LRAMVA is a variance account and would be captured by Issue 3.1. Furthermore, any proposed new capital deferral accounts are within the scope of this issue.

#### **THE ONTARIO ENERGY BOARD ORDERS THAT:**

1. OEB staff shall file a draft issues list agreed to by OEB staff, intervenors and Alectra Utilities by November 3, 2017. In the absence of an agreement on a draft issues list, OEB staff, intervenors and Alectra Utilities may file further comments with the OEB on the revised draft issues list in Schedule A by November 3, 2017.

**DATED** at Toronto, October 24, 2017

#### **ONTARIO ENERGY BOARD**

*Original signed by*

Kirstin Walli  
Board Secretary

**Schedule A**

**Alectra Utilities Corporation  
2018 Electricity Distribution Rates Application  
OEB File Number EB-2017-0024**

**REVISED DRAFT ISSUES LIST**

**October 24, 2017**

**Alectra Utilities Corporation  
2018 Distribution Rates Application  
Ontario Energy Board File Number EB-2017-0024  
Revised Draft Issues List**

**1.0 CUSTOM INCENTIVE RATE-SETTING (IR) APPLICATION UPDATE**

- 1.1 Is the Year 4 Custom IR Update proposed for the Horizon Utilities rate zone (RZ) complete and in accordance with the framework accepted by the OEB from the EB-2014-0002 settlement agreement and any applicable OEB policies, practices and requirements and, if not, are any proposed departures adequately justified?
- 1.2 Have the revenue to cost ratios for the Horizon RZ been appropriately adjusted to reflect the OEB's decision in the EB-2015-0075 proceeding?

**2.0 INCENTIVE RATE-SETTING MECHANISM (IRM) SCHEDULES AND MODELS**

- 2.1 Are the IRM Model filings for the Brampton, Enersource and PowerStream rate zones in accordance with OEB policies, practices and requirements, and if not, are any proposed departures adequately justified?
- 2.2 Is Alectra Utilities' application of the Incremental Capital Module (ICM) criteria in accordance with OEB policies and if not, are any proposed departures adequately justified?
- 2.3 Is the level of planned capital expenditures proposed in the ICMs appropriate and is the rationale for planning, prioritization and pacing choices appropriate and adequately explained and should the level of expenditures be approved by the OEB, giving due consideration to:
- customer feedback and preferences
  - productivity
  - compatibility with historical expenditures
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  - reliability and service quality
  - impact on distribution rates
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  - government-mandated obligations
  - the objectives of Alectra Utilities and its customers
  - the five-year Distribution System Plans
- 2.4 Are Alectra Utilities' proposals regarding the ICM true-ups appropriate?

- 2.5 Does the Distribution System Plan (DSP) filed for the Enersource rate zone provide sufficient information to support the proposed ICM for this rate zone?

### **3.0 ACCOUNTING**

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