



November 3, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Re: Alectra Utilities Inc. 2018 Electricity Distribution Rate Application
AMPCO Comments on Draft Issues List
Board File No. EB-2017-0024

Dear Ms. Walli:

In accordance with Procedural Order No. 2 dated October 24, 2017, AMPCO provides the following comments on the Revised Draft Issues List in Schedule A.

AMPCO is in agreement with the Revised Draft Issues list contained in Schedule A of Procedural Order No.2, and requests the addition of one issue.

Alectra Utilities' implemented a new capitalization policy in 2017 (following consolidation) to align the capitalization policies for the Alectra Utilities rate zones. In accordance with IFRS 3 and IFRS 10, of the predecessor companies that formed Alectra Utilities, PowerStream is the acquirer and Alectra Utilities adopted the PowerStream capitalization policy.¹

In response to HRZ-SEC-6, Alectra indicates it has adopted PowerStream's capitalization policy for the Horizon Utilities and Enersource Rate Zones.

With respect to Horizon Utilities Rate Zone, each year more costs will be capitalized as compared to the capitalization policy before the merger. Alectra calculates the impact of the capitalization change as \$6.28 million in 2017 and \$6.33 million in 2018, with similar impacts in subsequent years.² AMPCO submits the impact in the Horizon Rate Zone reflects a significant decrease in OM&A that should be considered in this application. The impact on the Enersource Rate Zone should also be considered.

With respect to Horizon, The Settlement Agreement in EB-2014-0002 states³ "The Parties have agreed upon a limited number of adjustments and reopeners throughout the rate plan in a manner designed to ensure that costs, value and risk can continue to be apportioned fairly among the Applicant and its customers, while providing the flexibility to adjust for changing conditions."

¹ 2-1-2 Page 3

² HRZ-SEC-6

³ Horizon Utilities Corporation EB-2014-0002 Settlement Proposal Filed: September 22, 2014 Page 22

In this application, Alectra listed each reopener agreed to in Horizon's Custom IR application and the relief sought. The list includes "Accounting framework changes that have a significant impact on the reporting of expenses and revenues" and "Items that would meet the OEB's Z-Factor criteria as defined in Chapter 3 of the Board's Filing Requirements for Transmission and Distribution Applications, that have a significant influence on the operation of the distributor."⁴

In AMPCO's view the above capitalization change qualifies as a reopener under the above. The capitalization change reflects an unforeseen event with unexpected material costs outside of management control.

AMPCO believes consideration of the impact of the change in capitalization should be added as a new issue on the issues list as it may have implications beyond Horizon. Accordingly, AMPCO asks that the following issue be added to the issues list:

What is the appropriate way to account for the change in Alectra's capitalization policy?

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

(ORIGINAL SIGNED BY)

Colin Anderson
President
Association of Major Power Consumers in Ontario

Copy to: Alectra Utilities Inc.

⁴ 2-1-2 Pages 2-3