

April 16, 2018

VIA RESS AND COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli;

RE: APPLICATION BY ALECTRA UTILITIES CORPORATION FOR DISTRIBUTION RATES EFFECTIVE JANUARY 1, 2018 (EB-2017-0024) – DRAFT RATE ORDER

On July 7, 2017, Alectra Utilities Corporation (“Alectra Utilities”) filed an application with the OEB under Section 78 of the Ontario Energy Board Act, 1998 as amended and pursuant to the OEB’s *Filing Requirements for Incentive Rate-setting Applications* seeking approval for electricity distribution rates, and other charges, effective January 1, 2018. The Board assigned File Number EB-2017-0024 to this Filing.

The Board issued its Decision and Order (the “Decision”) in this matter on April 5, 2018. The Board directed Alectra Utilities to file a Draft Rate Order by April 16, 2018, that incorporates the OEB’s determinations in the Decision; and to file detailed supporting material, including all relevant calculations showing the impact of the implementation of the Decision on rates and rate riders, including bill impacts.

In accordance with the Decision, Alectra Utilities provides its Draft Rate Order which incorporates the information directed by the Board from the Decision. The Draft Rate Order includes customer bill impacts and detailed information in support of the calculation of final rates and rate riders. Alectra Utilities has calculated foregone revenue rate riders from May 1, 2018 to December 31, 2018. Rate riders for all deferral and variance accounts approved for disposition will be in effect from May 1, 2018 to April 30, 2019. The effective date of the ICM rate riders will be May 1, 2018.

Included in this Draft Rate Order are the following Attachments for each rate zone:

Horizon Utilities RZ

- Attachment 1: 2018 Proposed Tariff of Rates and Charges
- Attachment 2: Revenue Requirement Work Form
- Attachment 2a: 2018 Cost of Power Calculation
- Attachment 3: Income Tax/PILS Work Form

Alectra Utilities.

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alectrautilities.com

- Attachment 4: IRM Model
- Attachment 5: Bill Impacts/Tariff Sheets
- Attachment 6: Cost Allocation Model
- Attachment 7: Summary of Fixed/Variable Splits
- Attachment 8: RTSR Work Form
- Attachment 9: LRAMVA Work Form

The following “live” Excel models also accompany the Draft Rate Order:

- Revenue Requirement Work Form
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- IRM Model
- Bill Impacts/Tariff Sheets
- Cost Allocation Model
- RTSR Work Form
- LRAMVA Work Form

Brampton RZ

- Attachment 10: 2018 Proposed Tariff of Rates and Charges
- Attachment 11: IRM Model
- Attachment 11a: RGM Model
- Attachment 12: ICM Model

The following “live” Excel models also accompany the Draft Rate Order:

- IRM Model
- RGM Model
- ICM Model

PowerStream RZ

- Attachment 13: 2018 Proposed Tariff of Rates and Charges
- Attachment 14: IRM Model
- Attachment 15: LRAMVA Work Form
- Attachment 16: ICM Model

The following “live” Excel models also accompany the Draft Rate Order:

- IRM Model
- LRAMVA Model
- ICM Model

Enersource RZ

- Attachment 17: 2018 Proposed Tariff of Rates and Charges
- Attachment 18: IRM Model
- Attachment 18a: RGM Model
- Attachment 19: LRAMVA Work Form
- Attachment 20: ICM Model

The following “live” Excel models also accompany the Draft Rate Order:

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All Alectra Utilities RZs

- Attachment 21: Foregone Revenue Calculation
- Attachment 22: Renewable Generation Rate Protection Reconciliation

Two hard copies of the Draft Rate Order will be delivered to the OEB via courier. An electronic copy of the Draft Rate Order and a live Excel version of the Excel Models are being filed using the Board’s RESS filing system.

Should you have any questions or require additional information, please do not hesitate to contact me.

Yours truly,

[Original Signed By]

Indy J. Butany-DeSouza, MBA
Vice President, Regulatory Affairs
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indy.butany@alectrautilities.com

cc: Crawford Smith, Torys
Charles Keizer, Torys

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, being Schedule B to the *Energy Competition Act, 1998 S.O. 1998, c. 15*;

AND IN THE MATTER OF an Application by Alectra Utilities Corporation to the Ontario Energy Board for an Order or Orders approving of fixing just and reasonable rates and other service charges for the distribution of Electricity as of January 1, 2018.

**ALECTRA UTILITIES CORPORATION (“ALECTRA UTILITIES”)
DRAFT RATE ORDER
DELIVERED: April 16, 2018**

INTRODUCTION

1 Alectra Utilities Corporation (“Alectra Utilities”) is a licensed electricity distribution company
2 operating within the cities of Mississauga, Hamilton, St. Catharines, Brampton, Alliston, Aurora,
3 Barrie, Beeton, Bradford, Markham, Penetanguishene, Richmond Hill, Thornton, Tottenham,
4 Vaughan, in addition to Collingwood, Stayner, Creemore and Thornbury under Ontario Energy
5 Board (“OEB” or the “Board”) Electricity Distributor Licence No. ED-2016-0360.

6 In April 2016, Enersource Hydro Mississauga Inc. (“Enersource”), Horizon Utilities Corporation
7 (“Horizon Utilities”), and PowerStream Inc. (“PowerStream”) filed an application (the “MAADs
8 Application”; EB-2016-0025) pursuant to the *Handbook to Electricity Distributor and Transmitter
9 Consolidation* (the “MAADs Handbook”) asking for approval to amalgamate to form Alectra
10 Inc. (“Alectra”) (previously identified as “LDC Co” in the MAADs Application), and for Alectra to
11 purchase and amalgamate with Hydro One Brampton Networks Inc. (“Hydro One Brampton”)
12 under section 86 of the *Ontario Energy Board Act 1998* (the “Act”). Alectra Inc. is the parent of
13 Alectra Utilities.

14 On December 8, 2016, the OEB issued its Decision and Order in respect of the MAADs
15 Application. In the MAADs Decision, the OEB granted the requested approvals. It also approved
16 a rebasing deferral period of 10 years.

1 During the rebasing deferral period, Alectra Utilities will operate individual rate zones (based on
2 the predecessor utilities). As indicated in the MAADs Handbook and in the report entitled *Rate-*
3 *making Associated with Distributors Consolidation*, issued July 23, 2007 (the “2007 Report”) as
4 well as the subsequent report issued on March 26, 2015 (the “2015 Report”), the Alectra Utilities
5 rate zones will continue on their current rate plan terms until such terms expire. Once expired,
6 all rate zones will migrate to the Price Cap Incentive Rate-setting option. At its option, Alectra
7 Utilities is permitted to apply for (a) inflationary increases to rates, adjusted for an efficiency
8 factor; and (b) funding of incremental discrete capital projects through the Incremental Capital
9 Module (“ICM”) mechanism. At present, the Brampton, Enersource and PowerStream RZs are
10 on Price Cap IR, for the purpose of setting 2018 electricity distribution rates; the ICM is
11 available to these rate zones.

12 On July 7, 2017, Alectra Utilities filed an application with the OEB under Section 78 of the
13 *Ontario Energy Board Act, 1998* as amended and pursuant to the OEB’s *Filing Requirements*
14 *for Incentive Rate-setting Applications* seeking approval for electricity distribution rates, and
15 other charges, effective January 1, 2018. The Board assigned File Number EB-2017-0024 to
16 this Filing.

17 The following seven parties requested and were granted intervenor status:

- 18 • Association of Major Power Consumers in Ontario (“AMPCO”);
- 19 • Building Owners and Managers Association of Greater Toronto (“BOMA”);
- 20 • The City of Hamilton;
- 21 • Consumers Council of Canada (“CCC”);
- 22 • Power Workers’ Union (“PWU”);
- 23 • School Energy Coalition (“SEC”); and
- 24 • Vulnerable Energy Consumers Coalition (“VECC”).

25 Alectra Utilities received interrogatories from OEB staff and intervenors on September 18, 2017
26 and September 20, 2017, respectively. Alectra Utilities provided responses to the
27 interrogatories on October 11, 2017. On October 25 and 26, 2017, a settlement conference was
28 held, however no settlement was reached. On November 17, 2017, the OEB issued Procedural
29 Order (“PO”) No. 3 which declared Alectra Utilities’ current Tariff of Rates and Charges interim
30 as of January 1, 2018 until the final rate order is issued by the OEB.

1 Pursuant to PO No. 3, a Technical Conference was held on November 30 and December 1,
2 2017. Final Written submissions were filed on the issues on January 30, 2018.

3 On April 6, 2018, the OEB issued its Decision on all matters in this Application. In the Decision,
4 the OEB directed Alectra Utilities to: file a Draft Rate Order that incorporates the OEB's
5 determinations in the Decision; and to file detailed supporting material, including all relevant
6 calculations showing the impact of the implementation of the Decision on the rates and rate
7 riders, including bill impacts.

8 Alectra Utilities submits this Draft Rate Order which incorporates the Orders of the Board in its
9 Decision. The issues presented in this Draft Rate Order are organized in the manner that these
10 issues are set out in the Board's Decision.

11 Included in this Draft Rate Order are the following Appendices for each rate zone:

12 **Horizon Utilities RZ**

- 13 • Attachment 1: 2018 Proposed Tariff of Rates and Charges
- 14 • Attachment 2: Revenue Requirement Work Form
- 15 • Attachment 2a: 2018 Cost of Power Calculation
- 16 • Attachment 3: Income Tax/PILS Work Form
- 17 • Attachment 4: IRM Model
- 18 • Attachment 5: Bill Impacts/Tariff Sheets
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24 The following "live" Excel models also accompany the Draft Rate Order:

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- 27 • Income Tax/PILS Work Form
- 28 • IRM Model
- 29 • Bill Impacts/Tariff Sheets
- 30 • Cost Allocation Model
- 31 • RTSR Work Form

- 1 • LRAMVA Work Form

2

3 **Brampton RZ**

- 4 • Attachment 10: 2018 Proposed Tariff of Rates and Charges

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14 **PowerStream RZ**

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24

25 **Enersource RZ**

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- 29 • Attachment 19: LRAMVA Work Form

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2 The following “live” Excel models also accompany the Draft Rate Order:

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- 4 • RGM Model
- 5 • LRAMVA Work Form
- 6 • ICM Model

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8 **All Alectra Utilities RZs**

- 9 • Attachment 21: Foregone Revenue Calculation
- 10 • Attachment 22: Renewable Generation Rate Protection Reconciliation

1 **DECISION SUMMARIZED BY ISSUE**

2 As identified above, the issues presented in this Draft Rate Order are organized in the manner
3 that they were set out in the Board's Decision. The Board's Decision is presented first, with
4 Alectra Utilities' action taken as per the Decision immediately thereafter.

5 **1. Horizon Utilities Rate Zone – Year 4 Custom IR Update**

6 Horizon Utilities' Settlement Agreement from its Custom Incentive Rate-Setting ("IR")
7 Application (EB-2014-0002), approved by the OEB on December 11, 2014 (the "Horizon
8 Settlement Agreement") provides for annual adjustments during the term of the Custom IR rate
9 plan. Alectra Utilities applied for annual adjustments for the Horizon Utilities RZ related to the
10 third adjustment in its 2015-2019 Custom IR rate plan term. The following adjustments to the
11 rates for the Horizon Utilities RZ are addressed in subsequent sections of this Draft Rate Order
12 as they are also relevant to other rate zones: deferral and variance accounts, including the Lost
13 Revenue Adjustment Mechanism ("LRAMVA"); residential rate design; capitalization policy; and
14 monthly billing.

15 **a) Changes in the Cost of Capital**

16 Alectra Utilities identified in its Reply Submission that it would update the Cost of Capital
17 Parameters. On November 23, 2017, the OEB released updated cost of capital parameters.¹

18 **Board Findings – as per page 6 of the Decision**

19 *"As per the approved settlement proposal, the OEB approves an update to the cost of capital for*
20 *the Horizon Utilities RZ."*

21 Alectra Utilities has updated the revenue requirement for the change in the cost of capital
22 parameters issued by the OEB on November 23, 2017, in its Draft Rate Order. The changes in
23 the cost of capital parameters have been incorporated into the derivation of the HRZ revenue
24 requirement and Proposed Tariff of Rates and Charges and is identified in Table 2 on page 9.

25 **b) Changes in the Working Capital Allowance**

¹ Letter from OEB to All Licensed Electricity Distributors and Transmitters et al re Cost of Capital Parameter Updates for 2018 Cost of Service and Custom Incentive Rate-setting Applications, November 23, 2017.

1 Alectra Utilities has updated the working capital allowance in its Annual Filing and Draft Rate
2 Order, as a result of changes to the Cost of Power flow-through costs as follows:

- 3 i) The Cost of Power and Global Adjustment were updated based on the OEB's
4 Regulated Price Plan ("RPP") Report, issued April 20, 2017, for the period May 1,
5 2017 to April 30, 2018 (the "April Report"), and the RPP Prices and the Global
6 Adjustment Modifier Report, issued June 22, 2017, for the period July 1, 2017 to
7 April 30, 2018 (the "June Report"). Alectra Utilities has updated the inflationary
8 adjustment to determine the rates for the May 1, 2018 to December 31, 2018
9 period as directed by the Board and applied an inflation increase of 1.6%;
- 10 ii) Retail Transmission Service Rates ("RTSRs") have been updated to incorporate
11 2016 demand, 2017 Hydro One Sub-Transmission Rates and 2018 Hydro One
12 Uniform Transmission Rates ("UTRs") approved by the OEB February 1, 2018²;
- 13 iii) The Smart Metering Entity Charge ("SMEC") has been updated to incorporate
14 2016 Residential and GS < 50 kW customer counts, and the updated SMEC of
15 \$0.57 approved by the OEB on March 1, 2018³;
- 16 iv) The ratio of RPP vs. non-RPP volumes has been updated for 2016 actuals;
- 17 v) The Rural or Remote Electricity Rate Protection ("RRRP") Charge has been
18 updated to \$0.0003/kWh as directed by the OEB⁴; and
- 19 vi) The Ontario Electricity Support Program charge of \$0.0011/kWh has been
20 removed from the Wholesale Market Service Charge in the Cost of Power

21 **Board Findings – as per page 7 of the Decision**

22 *"The OEB approves an inflationary adjustment to the 2017 RPP prices for calculating the 2018*
23 *cost of power from May 1, 2018 to December 31, 2018 in the working capital allowance*
24 *calculation.*

² EB-2017-0359, Decision and Order, February 1, 2018.

³ EB-2017-0290, Decision and Order, March 1, 2018.

⁴ EB-2017-0033, Decision and Order, December 20, 2017.

1 *Alectra Utilities is directed to update its cost of power calculation for an inflation increase of*
2 *1.6% to the commodity cost for RPP customers.*

3 *Since the time of Alectra Utilities' reply submission, the OEB has approved 2018 UTRs. The*
4 *OEB approves the use of these OEB-approved 2018 UTRs in the calculation of the 2018 cost of*
5 *power.*

6 *The OEB accepts Alectra Utilities' approach with respect to the GA modifier.*

7 *The OEB directs Alectra Utilities to update the 2018 working capital allowance in the draft rate*
8 *order reflecting this Decision."*

9 Alectra Utilities has incorporated the respective elements of the Board's Decision in its Draft
10 Rate Order.

11 Alectra Utilities has adjusted the revenue requirement in the HRZ to incorporate the above
12 mentioned changes to: (i) the Working Capital Allowance portion of rate base as a result of
13 changes to Cost of Power flow-through costs; and (ii) the Cost of Capital parameters as revised
14 by the OEB on November 23, 2017. A summary of the changes to the Cost of Power is provided
15 in Table 1. The Cost of Power has decreased by \$22,258,465, as compared to Horizon Utilities'
16 Custom IR Application, with a corresponding decrease of \$1,028,389 to revenue requirement,
17 which includes the impact of the change to Cost of Power (\$191,675) and the Cost of Capital
18 Parameters (\$836,713), as identified in Table 2, below.

19 **Table 1 - Cost of Power 2018 Annual Filing Decision versus Custom IR Application**
20 **Decision**

Category	2018 Draft Rate Order	2018 Annual Filing (July 7/2017)	2018 Custom IR (EB-2014-0002)	Variance Draft Rate Order vs. Custom IR	% Variance
Power	\$248,356,618	\$278,185,599	\$295,596,548	(\$47,239,930)	(15.98%)
Global Adjustment	\$222,871,782	\$173,755,686	\$190,626,639	\$32,245,144	16.92%
Wholesale Market Services	\$19,230,919	\$19,230,919	\$28,106,728	(\$8,875,809)	(31.58%)
Network	\$37,946,549	\$38,452,453	\$40,891,141	(\$2,944,592)	(7.20%)
Connection	\$35,620,266	\$31,503,553	\$30,814,906	\$4,805,360	15.59%
Low Voltage	\$313,362	\$313,362	\$313,362	\$0	0.00%
Smart Meter Entity	\$1,655,861	\$1,907,630	\$1,904,499	(\$248,638)	(13.06%)
TOTAL	\$565,995,358	\$543,349,203	\$588,253,823	(\$22,258,465)	(3.78%)

21

1 **Table 2 - Impact to Revenue Requirement due to Cost of Power and Associated Cost of**
2 **Capital Parameter Changes**

Description	%	2018 Custom IR Application EB-2014-0002	%	2018 Annual Filing After COP Update	%	2018 Annual Filing After COP and COC Parameter Update	Increase/ (Decrease) in Revenue Requirement due to Cost of Power Update	Increase/ (Decrease) in Revenue Requirement due to Cost of Capital Parameters
Rate Base		\$532,017,706		\$529,346,690		\$529,346,690	(\$2,671,016)	\$0
Rate Base Breakdown								
Short Term Debt	4.00%	\$21,280,708	4.00%	\$21,173,868	4.00%	\$21,173,868	(\$106,841)	\$0
Long Term Debt	56.00%	\$297,929,915	56.00%	\$296,434,147	56.00%	\$296,434,147	(\$1,495,769)	\$0
Deemed Equity	40.00%	\$212,807,082	40.00%	\$211,738,676	40.00%	\$211,738,676	(\$1,068,406)	\$0
Revenue Requirement Components								
Deemed Interest - Short Term Debt	2.16%	\$459,663	2.16%	\$457,356	2.29%	\$484,882	(\$2,308)	\$27,526
Deemed Interest - Long Term Debt	3.62%	\$10,791,992	3.62%	\$10,737,810	3.62%	\$10,737,810	(\$54,182)	\$0
Return on Equity	9.30%	\$19,791,059	9.30%	\$19,691,697	9.00%	\$19,056,481	(\$99,362)	(\$635,216)
PLIs Gross-Up	26.50%	\$7,135,552	26.50%	\$7,099,727	26.50%	\$6,870,704	(\$35,824)	(\$229,023)
Total Revenue Requirement Impact	7.18%	\$38,178,265	7.18%	\$37,986,590	7.02%	\$37,149,876	(\$191,675)	(\$836,713)

3
4 Table 3 below identifies the significant changes in the revenue requirement for 2018 as a result
5 of the OEB's decision as compared to: (i) that which was provided in the Annual Filing; and (ii)
6 that which was approved in Horizon Utilities' Custom IR Application.

1 **Table 3 – 2018 Summary of Significant Changes**

2018 Summary of Significant Changes					
Note	Description	Custom IR EB-2014-0002	Changes	2018 Draft Rate Order	2018 Annual Filing (July 7/2017)
Rate Base:					
	Average Net Fixed Assets	\$ 453,910,872	\$ -	\$ 453,910,872	\$ 453,910,872
1	Working Capital Base	\$ 650,890,280	\$ (22,258,465)	\$ 628,631,815	\$ 605,985,660
	Working Capital Factor	12.00%	0.00%	12.00%	12.00%
2	Working Capital Allowance	\$ 78,106,834	\$ (2,671,016)	\$ 75,435,818	\$ 72,718,279
	Total Rate Base	\$ 532,017,706	\$ (2,671,016)	\$ 529,346,690	\$ 526,629,152
Revenue Requirement:					
3	Deemed Interest on Debt	\$ 11,251,655	\$ (28,963)	\$ 11,222,691	\$ 11,053,432
4	Return on Equity (ROE)	\$ 19,791,059	\$ (734,578)	\$ 19,056,481	\$ 18,495,216
	Total Return on Rate Base	\$ 31,042,714	\$ (763,541)	\$ 30,279,172	\$ 29,548,647
	Depreciation	\$ 24,667,457	\$ -	\$ 24,667,457	\$ 24,667,457
	OM&A	\$ 62,322,555	\$ -	\$ 62,322,555	\$ 62,322,555
	Property Tax	\$ 313,902	\$ -	\$ 313,902	\$ 313,902
5	PILs	\$ 3,432,893	\$ (264,848)	\$ 3,168,045	\$ 2,965,684
	Service Revenue Requirement	\$ 121,779,520	\$ (1,028,389)	\$ 120,751,131	\$ 119,818,245
	Revenue Offsets	\$ 5,866,199	\$ -	\$ 5,866,199	\$ 5,866,199
	Base Revenue Requirement	\$ 115,913,322	\$ (1,028,389)	\$ 114,884,932	\$ 113,952,047

Notes	
1	The change in working capital base is the result of updates to the Cost of Power flow-through costs: (i) the RPP price reductions based on the OEB's Regulated Price Plan Report, issued April 20, 2017 and June 22, 2017; (ii) Hydro One 2018 UTRs approved by the OEB February 1, 2018; (iii) an update to Horizon Utilities RZ demand from 2015 to 2016 actuals in the RTSR model; (iv) an update to the SME Charge to \$0.57 effective January 1, 2018 approved by the OEB March 1, 2018 and an update to the number of customers; (v) a change in the ratio of RPP to non-RPP volumes; (vi) a decrease in the Wholesale Market Service Rate of \$0.0008/kWh from \$0.0044/kWh to \$0.0036/kWh as approved by the OEB on November 2015; and (vii) a decrease in the RRRP rate from \$0.0021/kWh to \$0.0003/kWh as approved by the OEB on June 22, 2017
2	The change in working capital allowance is due to the change in working capital base as a result of changes to Cost of Power flow-through costs.
3	The change in deemed interest on debt is due to the change in working capital base as a result of changes to Cost of Power flow-through costs; and an increase in the deemed short term debt rate from 1.76% to 2.29%.
4	The change in return on equity is due to the change in the return on equity from 8.78% to 9.00% and a change in working capital base as a result of changes to Cost of Power flow-through costs.
5	The change in PILs is due to the change in the Cost of Capital Parameters and a change in working capital base as a result of changes to Cost of Power flow-through costs.

2

3 **c) Earnings Sharing Mechanism (“ESM”)**

4 The Horizon Utilities Settlement Agreement provides for a deferral account for earnings in
5 excess of the OEB’s annual approved regulatory return on equity (“ROE”).⁵ Earnings in excess
6 of the approved ROE are divided on a 50/50 basis with Horizon Utilities RZ ratepayers.⁶ Alectra

⁵ Settlement Proposal, pp. 11 and 12.

⁶ Ibid.

1 Utilities has calculated an ROE of 9.877% for the purpose of the Earnings Sharing Mechanism
2 (“ESM”). Earnings sharing in the amount of \$695,975 is required for 2016, given that the
3 calculated ROE is greater than the approved ROE of 9.19%.⁷ Alectra Utilities had reported
4 \$662,467 in deferral account 1508 Sub-account Earnings Sharing Variance Account in the 2016
5 Reporting and Record Keeping Requirements (“RRRs”) for Horizon Utilities. This amount was
6 based on the best estimate at the time of the calculation. An update to the earnings for actuals
7 resulted in a difference of \$33,508 in the amount of earnings sharing, to the account of the
8 ratepayer. In the Application, Alectra Utilities proposed that this difference be reported in the
9 2017 deferral account balances and that the full amount be disposed of in 2018.⁸

10 **Board Findings – as per page 9 of the Decision**

11 *“The OEB accepts the 2016 ROE calculation of 9.87% for the purpose of the earning sharing*
12 *mechanism, which is greater than the OEB-approved ROE of 9.19%. The OEB approves*
13 *earnings sharing in the amount of \$695,975. The OEB approves Alectra Utilities’ proposal to*
14 *record \$33,508 in the 2017 deferral account balance.”*

15 There is no further action required by Alectra Utilities, as a result of this Board finding.

16 **d) Capital Investment Variance Account (“CIVA”)**

17 The Horizon Utilities’ Settlement Agreement provided for the introduction of a deferral account
18 to refund ratepayers the impact to revenue requirement of the variance in its cumulative capital
19 additions for the period from January 1, 2015 to the end of the relative year, in the event that in-
20 service capital additions be lower than the capital approved in its Settlement Agreement.

21 Alectra Utilities reported 2016 capital additions of \$44.2MM, which is \$3.1MM higher than the
22 forecasted capital additions of \$41.1MM.⁹ Since the capital additions are above the forecast
23 amount, no entry was made to the Capital Investment Variance Account (“CIVA”). OEB staff

⁷ Exhibit 2, Tab 1, Schedule 6, p. 4.

⁸ Ibid., p. 6.

⁹ Exhibit 2, Tab 1, Schedule 6, p. 11.

1 agreed that the calculations for the purpose of the entry to the CIVA are consistent with the
2 Settlement Agreement.¹⁰

3 **Board Findings – as per page 10 of the Decision**

4 *“The OEB approves the proposed calculation for the CIVA as it is consistent with the approved*
5 *settlement proposal. The OEB accepts that no CIVA entry should be made for 2016 as actual*
6 *capital additions were higher than forecast.”*

7 There is no further action required by Alectra Utilities as a result of this Board finding.

8 **e) Efficiency Adjustment**

9 The Horizon Utilities Settlement Agreement includes an Efficiency Adjustment to incent Horizon
10 Utilities, and now Alectra Utilities in respect of the Horizon Utilities RZ, to maintain or improve its
11 cohort position based on the OEB’s Stretch Factor Assignment.¹¹ The Efficiency Adjustment
12 operates as a proxy stretch factor, in the event that Horizon Utilities is placed in a less efficient
13 cohort than the starting point in any year during the Custom IR term.¹² Horizon Utilities’ starting
14 point was Cohort III. Alectra Utilities identified that the latest version of the *OEB’s Empirical*
15 *Research in Support of incentive Rate-Setting: 2016 Benchmarking Update for Determination of*
16 *Stretch Factor Assignments for 2017* (the “Benchmarking Update”), issued on August 17, 2017,
17 placed the Horizon Utilities RZ in Cohort III for the purposes of calculating stretch factors for
18 2018.¹³ In the Application, Alectra Utilities indicated that no Efficiency Adjustment was
19 appropriate for 2018.¹⁴

20 **Board Findings as per page 10 of the Decision**

21 *“The OEB finds that no Efficiency Adjustment is required in 2018 as Horizon Utilities remains in*
22 *the Group III cohort.”*

23 There is no further action required by Alectra Utilities, as a result of this Board finding.

¹⁰ OEB Staff Submission, p. 9.

¹¹ Settlement Proposal, p. 14.

¹² Ibid.

¹³ OEB’s Empirical Research in Support of incentive Rate-Setting: 2016 Benchmarking Update for Determination of Stretch Factor Assignments for 2017, August 17, 2017.

¹⁴ Exhibit 2, Tab 1, Schedule 2, p. 13.

1 **f) Special Studies Deferral Account**

2 The Horizon Utilities Settlement Agreement included a deferral account to record costs related
3 to the development of a Specific Service Charge study to determine the appropriateness of
4 Horizon Utilities' Specific Service Charges.¹⁵ Alectra Utilities confirmed that no studies have
5 commenced and no costs have been recorded in this deferral account.¹⁶ In response to
6 interrogatory 1.0-VECC-2, Alectra Utilities stated that it is evaluating whether the second phase
7 of the OEB's review in EB-2015-0304 will include a Specific Service Charges review and
8 whether it would be in line with the intent of the approved settlement proposal.¹⁷

9 **Board Findings – as per page 10 of the Decision**

10 *“The OEB accepts that no study costs have been incurred related to specific service charges*
11 *and no entry in the deferral account is required in 2018.”*

12 There is no further action required by Alectra Utilities as a result of this Board finding.

13 **g) Revenue-to-Cost Ratio (“RCR”) Adjustments**

14 Alectra Utilities has appropriately adjusted the revenue to cost ratios for the Horizon Utilities RZ
15 to reflect the OEB's Decision and Order in Horizon Utilities' 2016 Annual Filing proceeding (EB-
16 2015-0075). Pursuant to the OEB's direction to reduce the RCR for the Street Lighting Class
17 from 120% in 2016 by 6.67% per year in each of 2017 to 2019, Alectra Utilities has updated its
18 rate design model for 2018 to include a RCR 106.66% for the Street Lighting Class for the
19 Horizon Utilities RZ.

20 **Board Findings – as per page 11 of the Decision**

21 *“The OEB approves the proposed change to the revenue-to-cost-ratio for the street lighting rate*
22 *class in 2018, as the change is consistent with the OEB's decision.”*

23 There is no further action required by Alectra Utilities as a result of this Board finding.

24

¹⁵ Settlement Proposal, p. 56.

¹⁶ Exhibit 2, Tab 1, Schedule 2, p. 13.

¹⁷ Response to Interrogatory 1.0-VECC-2, p.1.

1 **2. IRM Model Filings for the Brampton, Enersource and PowerStream Rate Zones**

2 Alectra Utilities' Incentive Rate-Setting Mechanism ("IRM") Model filings for the Brampton,
3 PowerStream and Enersource RZs have been completed in accordance with applicable OEB
4 policies, practices and requirements. In connection with Alectra Utilities' request for approval of
5 distribution rates and other charges for the Brampton, PowerStream and Enersource RZs
6 pursuant to the Price Cap IR regime, effective January 1, 2018, Alectra Utilities has completed
7 and updated its IRM Models for each of these rate zones in accordance with the OEB's
8 Decision. Alectra Utilities has attached the IRM Models for the Brampton, PowerStream and
9 Enersource RZs, as Attachments 11, 14 and 18, respectively. Alectra Utilities has also updated
10 the Board's Rate Generator Models for the Brampton and Enersource RZs, included as
11 Attachments 11a, and 18a.

12 **a) Price Cap Adjustment**

13 Alectra Utilities applied a stretch factor of 0.3% for the Brampton and PowerStream RZs, and
14 0.15% for the Enersource RZ, each in accordance with the August 4, 2016 PEG report.¹⁸ The
15 OEB issued the updated Stretch Factor Assignments for 2018 IRM filers on August 17, 2017 in
16 the Benchmarking Report. The Benchmarking Report placed Brampton and PowerStream in
17 Cohort III and has moved Enersource to Cohort III for 2018.¹⁹ In its Reply Submission, Alectra
18 Utilities identified that it will update the stretch factors in the IRM Models.

19 **Board Findings – as per page 13 of the Decision**

20 *"The OEB approves the proposed 0.90% Price Cap IR adjustment for the Brampton,*
21 *Enersource and PowerStream RZs."*

22 Alectra Utilities has updated the IRM Models to reflect an inflation factor of 1.2% and a stretch
23 factor of 0.3% for the Brampton, Enersource and PowerStream RZs.

¹⁸ Report to the OEB - *Empirical Research in Support of Incentive Rate-Setting: 2015 Benchmarking Update*, July 2016, pp. 23 and 24.

¹⁹ *Ibid.*, p.22.

1 **b) Eligible Investments for Connection of Qualifying Generation Facilities**

2 In Hydro One Brampton's 2015 Cost of Service Rate Application, the OEB approved the request
3 for funding of Renewable Generation Connection Provincial amounts included in its detailed
4 Distribution System Plan ("DSP").²⁰ Alectra Utilities requested funding for investments for
5 connecting renewable generation for the Brampton RZ of \$117,963 in 2018 or \$9,830 per month
6 from all provincial ratepayers.

7 In the 2016 Custom IR Rate Application, the OEB approved PowerStream's request for the
8 funding of Renewable Generation Connection Provincial amounts included in its detailed DSP.²¹
9 Alectra Utilities requested funding for investments for connecting renewable generation for the
10 PowerStream RZ of \$266,079 in 2018 or \$22,173 per month from all provincial ratepayers.

11 Enersource filed a basic Green Energy Plan (the "GEA Plan"), which was approved by the OEB
12 in Enersource's 2013 Cost of Service Application proceeding.²² Alectra Utilities requested
13 funding for investments for connecting renewable generation for the Enersource RZ of \$133,384
14 in 2018, or \$11,115 per month from all provincial ratepayers.

15 **Board Findings – as per page 15 of the Decision**

16 *"The OEB approves the proposed funding of investments for connecting renewables which were*
17 *previously approved by the OEB. The approved amounts are \$117,963 for the Brampton RZ,*
18 *\$133,384 for the Enersource RZ and \$266,079 for the PowerStream RZ."*

19 The OEB issued its Decision and Order on 2018 Renewable Generation Connection Rate
20 Protection Amounts, on February 1, 2018.²³ The Board approved monthly compensation
21 amounts of \$9,830 for the Brampton RZ, \$22,588 for the PowerStream RZ and \$10,193 for the
22 Enersource RZ, effective January 1, 2018. This Decision was issued prior to the Decision on
23 Alectra Utilities' 2018 Application.

²⁰ EB-2014-0083, Final Rate Order, January 15, 2015, p.2.

²¹ EB-2015-0003, Decision and Rate Order, September 27, 2016, p. 2.

²² EB-2012-0033, Decision and Order, December 13, 2012, p.24.

²³ EB-2017-0370, Decision and Order, February 1 2018.

1 Based on an implementation date of May 1, 2018, Alectra Utilities has reconciled the amounts
2 received from the IESO from January to April 2018, based on the February 1, 2018 OEB
3 Decision, and the residual balance to be collected from the IESO based on the Board’s Decision
4 in this Application. The balance to be collected from all provincial ratepayers from May to
5 December 2018, is provided in Table 4 below. Alectra Utilities requests that the Board direct the
6 IESO to update the monthly amounts payable to Alectra Utilities for the Brampton, PowerStream
7 and Enersource RZs, from May to December 2018.

8 **Table 4 - Renewable Generation Connection Provincial amount payable from May to**
9 **December 2018**

Renewable Generation Connection Rate Protection	Brampton RZ	PowerStream RZ	Enersource RZ
2018 OEB-approved funding amounts (EB-2017-0024)	\$ 117,963	\$ 266,079	\$ 133,384
January - April funding received from the IESO (EB-2017-0370)	\$ (39,320)	\$ (90,352)	\$ (40,772)
Total funding to be collected from May - December 2018	\$ 78,643	\$ 175,727	\$ 92,612
Monthly 2018 amount (May-December)	\$ 9,830	\$ 21,966	\$ 11,577

10

11 **3. Enersource Rate Zone Distribution System Plan**

12 As part of this Application, consistent with the *Filing Requirements*, and to support the request
13 for incremental capital for the Enersource RZ, Alectra Utilities filed a DSP for the Enersource RZ
14 for a five-year term from 2018 to 2022. The Enersource RZ DSP outlines Alectra Utilities’
15 strategy of taking a complete lifecycle approach to the management of its Enersource RZ
16 assets. The DSP includes sufficient information to support the proposed ICM for the Enersource
17 RZ. Further, it provided justification for the proposed expenditures in the Enersource RZ
18 relating to the distribution system and general plant for the 2017 bridge year and the 2018 to
19 2022 period, including investment and asset-related maintenance expenditures.

20 **Board Findings – as per page 17 of the Decision**

21 *“The OEB finds that the DSP filed by Alectra Utilities is sufficient for the OEB to make its*
22 *decision on the 2018 ICM for the Enersource RZ.”*

23 There is no further action required by Alectra Utilities as a result of this Board finding.

24 **4. Customer Engagement**

25 The *Handbook for Utility Rate Applications*, dated October 13, 2016 (the “Rate Handbook”)
26 advises that “customer engagement is expected to inform the development of utility plans, and

1 utilities are expected to demonstrate in their proposals how customer expectations have been
2 integrated into their plans, including the trade-offs between outcomes and costs”.²⁴ To assist it
3 in meeting this expectation, Alectra Utilities engaged Innovative Research Group (“IRG”) to
4 undertake customer engagement for the Enersource RZ DSP, as well as for the Applicant’s
5 other rate zones.

6 The engagement process was designed to ensure three things: 1. Alectra Utilities received the
7 input needed to make key decisions regarding the issues addressed by this Application; 2.
8 Customers had the information they needed to provide meaningful responses to Alectra Utilities’
9 questions; and 3. Customers grounded their responses on their personal assessments of their
10 needs and their preferences regarding a broad range of potential outcomes.

11 **Board Findings – as per page 19 of the Decision**

12 *“The OEB finds Alectra Utilities’ DSP-related customer engagement to be adequate. The OEB*
13 *relied on the Enersource RZ DSP-related customer engagement to inform its ICM decisions.*

14 *While the ICM-related customer engagement was extensive, the OEB found the evidence did*
15 *not provide clarity on fundamental questions pertinent to the ICM requests.*

16 *In addition, the OEB encourages Alectra Utilities to consider the submissions of intervenors and*
17 *OEB staff in order to revise and refine any future ICM-related customer engagement.”*

18 Alectra Utilities will consider the feedback of the OEB, OEB Staff and intervenors in its future
19 customer engagement activities. There is no further action required by Alectra Utilities in this
20 Draft Rate Order.

21 **5. ICMs for the Brampton, Enersource and PowerStream Rate Zones**

22 **a) Overall Eligibility for ICM Recovery**

23 The ICM is a mechanism available to electricity distributors whose rates are established under
24 the Price Cap IR regime. The ICM, as expressed in the March 26, 2015 *Report of the Board on*
25 *Rate Making Associated with Distributor Consolidation* and in the MAADs Handbook, is also
26 available to consolidating distributors, such as Alectra Utilities. The ICM is intended to address

²⁴ Rate Handbook, p.11.

1 the treatment of a distributor's capital investment needs that arise during the rate-setting plan
2 which are incremental to a materiality threshold.

3

4 In order to be eligible for incremental capital, an ICM claim must be incremental to a distributor's
5 capital requirements within the context of its financial capacities underpinned by existing rates;
6 and satisfy the eligibility criteria of materiality, need and prudence.

7 Materiality

8 Alectra Utilities calculated the materiality thresholds, and the corresponding eligible incremental
9 capital amounts (i.e. maximum amounts eligible for recovery through ICM), in accordance with
10 the ACM Report, Supplemental Report, Filing Requirements and the Report of the Board: Rate
11 Making Associated with Distributor Consolidation for each of the Brampton, PowerStream and
12 Enersource RZs.

13

14 Need

15 Under the Means Test, if a distributor's regulated return (as most recently calculated in
16 accordance with RRR 2.1.5.6) exceeds 300 basis points above the deemed return on equity
17 ("ROE") embedded in the distributor's rates, then the funding for any incremental capital project
18 will not be allowed. Alectra Utilities has demonstrated that, based on the accounts of the
19 predecessor utilities, it has satisfied the Means Test in respect of each rate zone.

20

21 Prudence

22 To demonstrate the prudence of each eligible capital project, Alectra Utilities provided a
23 business case summary that identified the name, driver, cost and expected in-service date for
24 the project, described the project and its drivers, and sets out the various options considered for
25 the project. Alectra Utilities also provided detailed business cases for each eligible capital
26 project. The detailed business cases include relevant background information, including with
27 respect to the location and history of the project, detailed description of the scope of the project,
28 as well as explanation as to the options considered and the budget and in-service dates for the
29 work.

30

31 **Board Findings – as per pages 23-29 of the Decision**

32 Materiality

1 *“The OEB accepts Alectra Utilities’ calculations for the ICM materiality threshold based on the*
2 *OEB’s ICM formula in the Funding of Capital Report.*

3 *The OEB disagrees with Alectra Utilities’ interpretation of the second materiality test.*

4 *The OEB finds that the basis for a project-specific materiality threshold should be the*
5 *proposed capital budget of Alectra Utilities, the distributor in this ICM application.”*

6 *Need*

7 *“The OEB finds that Alectra Utilities has passed the Means Test. Alectra Utilities provided*
8 *evidence with respect to the earnings by rate zone. The OEB finds this is acceptable for*
9 *assessing the earnings the year prior to merger, i.e. 2016. This test is, however, established*
10 *to determine if a distributor requires funding in advance of the next rebasing. Earnings are*
11 *therefore more appropriately assessed for the distributor, not the rate zone.”*

12 *Prudence*

13 *“The OEB finds that the prior DSPs are sufficient for the OEB to review and decide on*
14 *capital projects for this proceeding.*

15 *The OEB requires Alectra Utilities to file a consolidated DSP as a filing requirement with any*
16 *ICM application requesting rate changes for 2020 rates and beyond.”*

17 There is no further action required by Alectra Utilities as a result of these Board findings.

18 **b) Eligibility of Individual Projects for ICM Recovery**

19 Alectra Utilities applied to the Board for incremental capital funding for 22 ICM projects in the
20 Brampton, PowerStream and Enersource RZs. Alectra Utilities proposed 1 ICM project in the
21 Brampton RZ related to a Connection and Cost Recovery Agreement (“CCRA”) between Alectra
22 Utilities and HONI for the construction of the Pleasant TS expansion in the Brampton RZ.
23 Alectra Utilities proposed 10 ICM projects in the PowerStream RZ, including 1 system access
24 project of approximately \$11.2MM, 5 system renewal projects totaling approximately \$8.7MM
25 and 4 system service projects totaling approximately \$5.2MM, for an overall total of
26 approximately \$25.1MM. Alectra Utilities proposed 11 ICM projects in the Enersource RZ.

1 These included 1 system access project of approximately \$1.3MM, 9 system renewal projects
2 totaling approximately \$19.7MM and 1 system service projects totaling approximately \$3.2MM,
3 for an overall total of approximately \$24.2MM.

4

5 **Board Findings – as per pages 32-60 of the Decision**

6 Brampton RZ

7 *“The OEB approves the project for \$6.8 million of ICM funding, effective May 1, 2018, related to*
8 *the Pleasant TS true-up payment to Hydro One.”*

9 PowerStream RZ

10 *“The OEB approves the YRRT project for ICM funding of \$11.24 million effective May 1, 2018.*
11 *The work is mandatory under the Public Service Works on Highways Act.”*

12 Enersource RZ

13 *“The OEB approves ICM funding of \$8.45 million, effective May 1, 2018. The OEB finds that it*
14 *was prudent for Enersource to materially increase its spending on transformer replacements as*
15 *a result of the new assessment of asset condition.*

16 *The OEB approves ICM funding of \$2.3 million, effective May 1, 2018. The OEB has reviewed*
17 *the options provided by Alectra Utilities in its DSP. Funding was requested for option 1 of \$3.27*
18 *million to install a new 20 MVA transformer, an electrical house with low voltage switchgear,*
19 *high voltage switchgear and civils works. The DSP also provided details of option 2 for \$2.3*
20 *million.*

21 *The OEB finds however that it is appropriate to see a consolidated plan for Alectra Utilities*
22 *before any funding for increased in capacity at York MS is re-considered.”*

23 Alectra Utilities has updated the ICM Models in each of the Brampton, PowerStream and
24 Enersource RZs based on the ICM projects approved for recovery by the Board in its Decision.
25 A summary of the approved ICM capital projects and revenue requirement is provided in Table
26 5. Alectra Utilities has also updated the ICM rate riders for each RZ and has included these
27 updated riders in the IRM Models for the Brampton, PowerStream and Enersource RZs. The

1 ICM models for the Brampton, PowerStream and Enersource RZs are filed as Attachments 12,
2 16 and 20, respectively.

3 **Table 5 – Approved ICM Capital Projects and Revenue Requirement**

Enersource Rate Zone		Capital Expenditures	Total Revenue Requirement
Leaking Transformer Replacement Project		\$8,447,243	\$701,483
Substation Upgrade - York MS		\$2,205,988	\$171,359
Approved ICM projects and revenue requirement		\$10,653,231	\$872,842
PowerStream Rate Zone		Capital Expenditures	Total Revenue Requirement
York Region Rapid Transit, VIVA Bus Rapid Transit		\$11,243,530	\$808,885
Approved ICM project and revenue requirement		\$11,243,530	\$808,885
Brampton Rate Zone		Capital Expenditures	Total Revenue Requirement
Pleasant TS True-Up		\$6,800,377	\$706,794
Approved ICM project and revenue requirement		\$6,800,377	\$706,794

4
5 Tables 6 to 8 below identifies the changes to the ICM rate riders as a result of the OEB's
6 Decision.

7 **Table 6 – ICM Rate Riders Brampton RZ**

Brampton RZ		2018 Annual Filing		2018 Draft Rate Order	
Rate Class	Per	Service Charge Rate Rider	Volumetric Rate Rider	Service Charge Rate Rider	Volumetric Rate Rider
Residential	kWh	\$0.23	\$0.0000	\$0.23	\$0.0000
General Service under 50 kW	kWh	\$0.24	\$0.0002	\$0.24	\$0.0002
General Service 50 to 699 kW	kW	\$1.21	\$0.0273	\$1.21	\$0.0273
General Service 700 to 4,999 kW	kW	\$10.89	\$0.0317	\$10.89	\$0.0317
Large Use	kW	\$45.33	\$0.0240	\$45.33	\$0.0240
Unmetered	kWh	\$0.01	\$0.0002	\$0.01	\$0.0002
Street Lighting	kW	\$0.02	\$0.1112	\$0.02	\$0.1112
Embedded Distributor	kWh	\$40.07	\$0.0000	\$40.07	\$0.0000
Distributed Generation	kWh	\$1.00	\$0.0000	\$1.00	\$0.0000

8

1 **Table 7 – ICM Rate Riders PowerStream RZ**

PowerStream RZ		2018 Annual Filing		2018 Draft Rate Order	
Rate Class	Per	Service Charge Rate Rider	Volumetric Rate Rider	Service Charge Rate Rider	Volumetric Rate Rider
Residential	kWh	\$0.25	\$0.0000	\$0.11	\$0.0000
General Service under 50 kW	kWh	\$0.26	\$0.0002	\$0.12	\$0.0001
General Service 50 to 4999 kW	kW	\$1.28	\$0.0382	\$0.57	\$0.0168
Large Use	kW	\$55.22	\$0.0204	\$24.34	\$0.0090
Unmetered	kWh	\$0.08	\$0.0002	\$0.03	\$0.0001
Sentinel Lights	kW	\$0.04	\$0.0897	\$0.02	\$0.0396
Street Lighting	kW	\$0.01	\$0.0575	\$0.00	\$0.0253

2
3 **Table 8 – ICM Rate Riders Enersource RZ**

Enersource RZ		2018 Annual Filing		2018 Draft Rate Order	
Rate Class	Per	Service Charge Rate Rider	Volumetric Rate Rider	Service Charge Rate Rider	Volumetric Rate Rider
Residential	kWh	\$0.36	\$0.0000	\$0.16	\$0.0000
General Service under 50 kW	kWh	\$0.65	\$0.0002	\$0.29	\$0.0001
General Service 50 to 499 kW	kW	\$1.15	\$0.0692	\$0.51	\$0.0308
General Service 500 to 4999 kW	kW	\$26.20	\$0.0356	\$11.65	\$0.0158
Large Use	kW	\$206.57	\$0.0442	\$91.89	\$0.0197
Unmetered	kWh	\$0.13	\$0.0002	\$0.06	\$0.0001
Street Lighting	kW	\$0.02	\$0.1730	\$0.01	\$0.0770

4
5 **6. ICM True-up**

6 Alectra Utilities will undertake the ICM true-ups at its next rebasing, consistent with OEB policy
7 and the Decision of the Board in this application.

8 **Board Findings – as per page 61 of the Decision**

9 *“The OEB accepts Alectra Utilities’ commitment to include a project-level report in its next*
10 *rebasings application. At that time, the OEB will determine if a true-up is warranted between the*
11 *revenues collected from the ICM rate riders and the revenue requirement calculated for the*
12 *actual capital spending for the ICM projects.”*

13 Alectra Utilities confirms that the ICM true-up will be reported at a project level, at the time of its
14 next rebasing.

1 **7. Retail Transmission Service Rates**

2 Alectra Utilities used the most recent Uniform Transmission Rates (“UTRs”) available at the time
3 of filing the Application in the IRM Models for all RZs. Alectra Utilities identified that the RTSRs
4 will be updated in the Draft Rate Order.

5 **Board Findings – as per page 62 of the Decision**

6 *“The OEB finds that the proposed RTSRs for each rate zone are to be updated and filed as part*
7 *of the draft rate order to reflect the new 2018 UTRs that have been approved.”*

8 Alectra Utilities has updated the RTSRs for each rate zone with the 2018 Hydro One UTRs
9 approved by the OEB on February 1, 2018. The updated UTRs are incorporated into Tab 12 of
10 the IRM Models for the Brampton, Enersource and PowerStream RZs and Tab 11 of the RTSR
11 Workform for the Horizon Utilities RZ. The most recent UTRs and STRs used to update the
12 RTSRs for all rate zones are provided in Table 9.

13 **Table 9 – Current Board-Approved UTRs and STRs**

UTRs	\$
Network Service Rate	\$3.61
Line Connection Service Rate	\$0.95
Transformation Connection Service Rate	\$2.34

STRs	\$
Network Service Rate	\$3.1942
Line Connection Service Rate	\$0.7710
Transformation Connection Service Rate	\$1.7493

14

15 **8. Deferral and Variance Accounts**

16 **a) Disposition of Group 1 Deferral and Variance Accounts (“DVA”)**

17 In its Application, Alectra Utilities included a request for the disposition of Group 1 accounts over
18 a one-year period including carrying charges projected to December 31, 2017, for the Horizon
19 Utilities, Brampton, PowerStream and Enersource RZs. Alectra Utilities identified that the Group
20 1 balances, by RZ, exceed the disposition threshold of \$0.001/kWh.

1 **Board Findings – as per page 65 of the Decision**

2 *“The OEB approves the disposition of the credit balances as of December 31, 2016 with interest*
3 *project to April 30, 2018, for Group 1 Accounts.”*

4 *As part of the rate order process, Alectra Utilities is directed to update the balances to include*
5 *interest projected to April 30, 2018 at the OEB’s current prescribed rate, subject to any*
6 *adjustment to the Brampton RZ discussed in section 4.8 c).”*

7 Alectra Utilities has updated its Group 1 balances approved for disposition to include interest
8 projected to April 30, 2018 at the OEB’s current prescribed rate. The following Tables 10 to 13
9 identify the principal amounts, with interest projected to April 30, 2018, as directed in the
10 Board's Decision.

11 **Table 10 – Group 1 Accounts Horizon Utilities RZ**

Group 1 Accounts		Principal as at December 31, 2016	Interest Projected to April 30, 2018	Total
LV Variance Account	1550	\$552,752	\$12,548	\$565,300
Smart Metering Entity Charge Variance Account	1551	(\$23,673)	(\$527)	(\$24,200)
RSVA - Wholesale Market Service Charge	1580	(\$4,482,609)	(\$103,234)	(\$4,585,842)
Variance WMS – Sub-account CBR Class A	1580	(\$0)	(\$0)	(\$0)
Variance WMS – Sub-account CBR Class B	1580	(\$185,940)	(\$4,079)	(\$190,019)
RSVA - Retail Transmission Network Charge	1584	(\$532,829)	(\$8,135)	(\$540,965)
RSVA - Retail Transmission Connection Charge	1586	\$941,983	\$23,764	\$965,748
RSVA - Power	1588	\$671,361	\$26,769	\$698,131
RSVA - Global Adjustment	1589	(\$4,813,354)	(\$83,437)	(\$4,896,791)
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	\$194,908	\$395,000	\$589,908
Total Group 1 Balance excluding LRAMVA		(\$7,677,400)	\$258,669	(\$7,418,731)

12

1 **Table 11 – Group 1 Accounts Brampton RZ**

Group 1 Accounts		Principal as at December 31, 2016	Interest Projected to April 30, 2018	Total
LV Variance Account	1550	\$247,217	\$5,527	\$252,744
Smart Metering Entity Charge Variance Account	1551	(\$59,949)	(\$1,277)	(\$61,226)
RSVA - Wholesale Market Service Charge	1580	(\$3,726,242)	(\$81,704)	(\$3,807,946)
Variance WMS – Sub-account CBR Class A	1580	(\$0)	(\$0)	(\$0)
RSVA - Retail Transmission Network Charge	1584	(\$479,528)	(\$11,826)	(\$491,354)
RSVA - Retail Transmission Connection Charge	1586	\$555,267	\$11,840	\$567,107
RSVA - Power	1588	(\$217,342)	(\$14,511)	(\$231,853)
RSVA - Global Adjustment	1589	(\$1,611,142)	(\$17,112)	(\$1,628,254)
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	(\$924)	(\$21)	(\$944)
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	\$263,919	(\$101,951)	\$161,968
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	(\$424,904)	(\$1,421)	(\$426,324)
Total Group 1 Balance excluding LRAMVA		(\$5,453,628)	(\$212,455)	(\$5,666,083)

3 **Table 12 – Group 1 Accounts PowerStream RZ**

Group 1 Accounts		Principal as at December 31, 2016	Interest Projected to April 30, 2018	Total
LV Variance Account	1550	\$4,477,534	\$117,006	\$4,594,540
Smart Metering Entity Charge Variance Account	1551	(\$252,810)	(\$6,561)	(\$259,372)
RSVA - Wholesale Market Service Charge	1580	(\$25,885,605)	(\$754,948)	(\$26,640,553)
Variance WMS – Sub-account CBR Class A	1580	\$0	\$0	\$0
Variance WMS – Sub-account CBR Class B	1580	\$1,947,271	\$63,569	\$2,010,841
RSVA - Retail Transmission Network Charge	1584	(\$6,495,670)	(\$166,419)	(\$6,662,089)
RSVA - Retail Transmission Connection Charge	1586	\$2,623,509	\$72,272	\$2,695,781
RSVA - Power	1588	\$1,047,973	\$38,944	\$1,086,917
RSVA - Global Adjustment	1589	\$890,272	\$116,647	\$1,006,918
Disposition and Recovery/Refund of Regulatory Balances (2009)	1595	\$2	(\$21,764)	(\$21,762)
Disposition and Recovery/Refund of Regulatory Balances (2010)	1595	\$7,318	\$280	\$7,598
Disposition and Recovery/Refund of Regulatory Balances (2011)	1595	\$336	\$49	\$384
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	\$12,466	\$153,489	\$165,955
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	(\$0)	(\$290,474)	(\$290,474)
Total Group 1 Balance excluding LRAMVA		(\$21,627,405)	(\$677,911)	(\$22,305,316)

1 **Table 13 – Group 1 Accounts Enersource RZ**

Group 1 Accounts		Principal as at December 31, 2016	Interest Projected to April 30, 2018	Total
LV Variance Account	1550	\$2,290,282	\$55,806	\$2,346,088
Smart Metering Entity Charge Variance Account	1551	(\$33,444)	(\$904)	(\$34,348)
RSVA - Wholesale Market Service Charge	1580	(\$6,868,015)	(\$175,054)	(\$7,043,070)
Variance WMS – Sub-account CBR Class A	1580	\$0	\$0	\$0
Variance WMS – Sub-account CBR Class B	1580	(\$275,214)	(\$7,212)	(\$282,427)
RSVA - Retail Transmission Network Charge	1584	(\$568,201)	\$126	(\$568,075)
RSVA - Retail Transmission Connection Charge	1586	\$333,842	\$14,778	\$348,620
RSVA - Power	1588	(\$350,628)	(\$27,687)	(\$378,315)
RSVA - Global Adjustment	1589	(\$1,860,431)	\$10,117	(\$1,850,314)
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	(\$58,585)	\$52,288	(\$6,297)
Total Group 1 Balance excluding LRAMVA		(\$7,390,396)	(\$77,743)	(\$7,468,138)

2
3 **b) Proposal to Change Previously Approved Rate Riders**

4 Alectra Utilities proposed to update the 2016 GA rate riders with new 2016 GA rate riders for the
5 period January 1, 2018 to September 30, 2018 in the PowerStream RZ. As part of its approved
6 2016 rates, Alectra Utilities has GA rate riders for the PowerStream RZ, that expire on
7 September 30, 2018, that apply to all Class B non-RPP customers (“2016 GA rate riders”). The
8 new 2016 GA rate riders are designed to recover the projected balance remaining at December
9 31, 2017 of \$3,906,837, plus the over recovery from the Class B interval customers from the
10 2016 GA rate riders of \$3,134,585, for a total of \$7,041,422 to be recovered from the Class B
11 non-RPP non-interval customers. Alectra Utilities proposed a rate rider to refund the amount
12 over recovered of \$3,134,585 to the Class B interval customers. The Class B interval customers
13 were billed actual GA and should not be allocated any of the GA variance. Alectra Utilities
14 proposed to update the calculation of the adjusted balances based on the implementation date
15 in the OEB’s Decision.

16
17 **Board Findings – as per page 69 of the Decision**

18 *“The OEB approves Alectra Utilities’ proposal to correct the 2016 GA rate riders to apply to only*
19 *Class B non-RPP non-interval customers on a prospective basis.*

20 *Alectra Utilities is directed to update the rate riders for the implementation date of May 1, 2018.”*

1 Alectra Utilities has updated the calculation of the 2016 GA rate riders for the implementation
2 date of May 1, 2018. The calculation is identified in Tab 6C 2016 GA Rider Update of the IRM
3 Model for the PowerStream RZ, filed as Attachment 14. The change to the rate riders for a May
4 1, 2018 implementation date is summarized in Table 14.

6 **Table 14 – Updated 2016 GA Rate Riders – PowerStream RZ**

Rate Class	Units	Approved Rate Rider Oct 1/16 to Sep 30/18	As Filed Proposed Rate Rider Jan 1/18 to Sept 30/18	Draft Rate Order Proposed Rate Rider May 1/18 to Sept 30/18
Residential	kWh	\$0.0012	\$0.0040	\$0.0062
General Service under 50 kW	kWh	\$0.0012	\$0.0040	\$0.0062
General Service 50 to 4999 kW - Interval	kW	\$0.4319	(\$0.7198)	(\$1.6412)
General Service 50 to 4999 kW - Non Interval	kW	\$0.4319	\$1.4878	\$2.3303
Unmetered	kWh	\$0.0012	\$0.0040	\$0.0062
Sentinel Lights	kW	\$0.4458	\$1.5308	\$2.3977
Street Lighting	kW	\$0.4124	\$1.4128	\$2.2128

7
8
9 **c) Disposition of Capacity Based Response (“CBR”) Rate Rider for Class B Customers**
10 **to Five Decimal Places**

11 Alectra Utilities proposed that the CBR B balance be cleared with a volumetric rate rider to five
12 decimal places in 2018 for the Horizon Utilities, Brampton, and Enersource RZs. This treatment
13 aligns disposition of the CBR balances with the CBR bill adjustments for new Class A and new
14 Class B customers and prevents intergenerational inequity. In response to Interrogatory G-Staff-
15 4, Alectra Utilities confirmed that the billing systems in the Horizon Utilities and Enersource RZs
16 have the ability to bill to five decimal places. However, Brampton’s billing system is limited to
17 four decimal places.

18
19 **Board Findings – as per page 70 of the Decision**

20 *“The OEB approves the disposition of the CBR Class B balances for Horizon Utilities and*
21 *Enersource RZs using rate riders to five decimal places. It is not clear from Alectra Utilities’*
22 *statement in the reply submission whether it was withdrawing its request for disposition of the*
23 *CBR Class B balance for the Brampton RZ. This account was included in the \$5,732,154 of*
24 *Group 1 balances for which Alectra Utilities is seeking disposition. If Alectra Utilities is*

1 *withdrawing its request, Alectra Utilities may remove the CBR Class B credit balance from Table*
2 *7 as part of the draft rate order, for future disposition.”*

3 Alectra Utilities has reflected the CBR Class B rate riders to five decimal places in the Tariff of
4 Rates and Charges for the PowerStream and Enersource rate zones. Alectra Utilities confirms
5 that it is withdrawing its request to dispose of the CBR Class B credit balance for the Brampton
6 RZ in this Application, and has removed the balance from the total list of Group 1 balances for
7 disposition, as identified previously in Table 11.

8

9 **d) Request for New Accounts**

10 Alectra Utilities requested approval for an accounting order to establish two new deferral
11 accounts for each of the PowerStream RZ and Enersource RZ, to record the financial impacts
12 resulting from the Metrolinx Crossing Remediation Project.

13 **Board Findings – as per page 72 of the Decision**

14 *“The OEB does not approve the new deferral accounts. The OEB has adopted the ICM for*
15 *incremental funding for capital projects. When more details of these projects are available,*
16 *including budgets and in-service date, Alectra Utilities can apply for an ICM if it meets the OEB’s*
17 *criteria. To adopt deferral accounts to address the funding of capital would make the ICM*
18 *materiality threshold calculation meaningless because there would be two different funding*
19 *mechanisms for incremental capital.”*

20 There is no further action required by Alectra Utilities as a result of these Board findings.

21 **e) Lost Revenue Adjustment Mechanism (“LRAMVA”)**

22 In its Application, Alectra Utilities requested the disposition of LRAMVA balances in the Horizon,
23 Enersource and PowerStream RZs resulting from CDM activities as of December 31, 2015.
24 The Brampton RZ disposed of its LRAMVA balances as of December 31, 2015 in its 2017 IRM
25 Application (EB-2016-0080). LRAMVA balances were calculated in accordance with OEB
26 guidelines and an LRAMVA work form was completed for each rate zone.

27 **Board Findings – as per page 75 of the Decision**

28 *“The OEB finds that Alectra Utilities’ LRAMVA balances for the Horizon Utilities, PowerStream*
29 *and Enersource RZs have been calculated in accordance with CDM-related guidelines and*

1 *updated LRAMVA policy. The OEB approves the disposition of Alectra Utilities’ LRAMVA debit*
2 *balances, with interest projected to April 30, 2018. Alectra is directed to update the interest*
3 *calculation up to April 30, 2018, and file revised rate riders for recovery of LRAMVA balances as*
4 *part of the rate order process.”*

5 Alectra Utilities has updated its LRAMVA balances approved for disposition to include interest
6 projected to April 30, 2018 at the OEB’s current prescribed rate. Table 15 identifies the principal
7 amounts, with interest projected to April 30, 2018, as directed in the Board’s Decision.

8 **Table 15 – LRAMVA Balance for Disposition by RZ**

Rate Zone	Account Number	Principal Balance	Interest to April 30, 2018	Total Claim
Horizon Utilities RZ	1568	\$1,288,711	\$59,371	\$1,348,082
PowerStream RZ	1568	\$1,915,298	\$72,305	\$1,987,603
Enersource RZ	1568	\$1,974,985	\$114,641	\$2,089,626

9
10 **9. Residential Rate Design**

11 Alectra Utilities has incorporated the third year transition adjustment to fully fixed distribution
12 rates for residential customers in its proposed rates for 2018 for the Horizon Utilities, Brampton
13 and Enersource RZs. Alectra Utilities has incorporated the second year transition adjustment to
14 fully fixed distribution rates for residential customers in its proposed rates for 2018 for the
15 PowerStream RZ. Alectra Utilities conducted analysis on the 10th consumption percentile of
16 energy consuming customers and followed the OEB’s instructions to consider whether rate
17 mitigation was required if there was greater than a 10% cost of distribution service, for all rate
18 zones. Alectra Utilities confirmed that the monthly service charge was not increasing by more
19 than \$4, nor would the customer at the 10th consumption percentile of electricity consumption
20 have a bill impact of 10% or more for the Brampton, Enersource and PowerStream RZs.

21 **Board Findings – as per page 76 of the Decision**

22 *“The OEB finds that the proposed 2018 increases to the monthly fixed charges for the*
23 *Brampton, Enersource and PowerStream RZs were calculated in accordance with the OEB’s*
24 *residential rate design policy. The OEB approves the proposed increases in the fixed*
25 *distribution rate and corresponding decreases in the variable distribution rate for the residential*
26 *rate class in each rate zone.”*

1 There is no further action required by Alectra Utilities as a result of these Board findings.

2 **10. Capitalization Policy**

3 Alectra Utilities implemented a new capitalization policy in 2017 (following the consolidation) to
4 align the capitalization policies for the Alectra Utilities rate zones. IFRS 10 Consolidated
5 Financial Statements, states that uniform accounting policies must be adopted for like
6 transactions in a group of companies. Further, IFRS 3 Business Combinations prescribes that
7 the accounting policies of the parties to the merger should align to the acquirer's policy. IFRS 3
8 provides guidance on identifying the acquirer by assessing the relative voting rights in the
9 combined entity after the merger; the acquirer being the combining entity whose owners, as a
10 group, receive the largest portion of voting rights in the combined entity.

11 For the predecessor companies that formed Alectra Utilities, PowerStream is the acquirer in
12 accordance with IFRS 3 and IFRS 10. Consequently, Alectra Utilities adopted the PowerStream
13 capitalization policy across all of its rate zones.

14 In Procedural Order No. 3 the Board determined that it would add a new issue relating to the
15 change in capitalization policy. Given the timing of the remaining steps in the proceeding, the
16 Board also made provision for the establishment of three new deferral accounts "to track the
17 change in capitalization for the" Horizon, Enersource and Brampton rate zones. By letter dated
18 December 7, 2017, Alectra confirmed that the change in capitalization policy had no impact on
19 Horizon Utilities' 2016 earnings and no impact on the proper calculation of the Horizon Utilities
20 RZ ESM.

21 **Board Findings – as per pages 79-81 of the Decision**

22 *"The OEB finds that the change in capitalization policy is not a "benefit" accruing to*
23 *shareholders as claimed by Alectra Utilities.*

24 *For the remainder of the Custom IR term, the effect on earnings resulting from the change in the*
25 *capitalization policy will be dealt with through the ESM. Once the Custom IR term ends, the*
26 *Horizon Utilities RZ will move to Price Cap IR per the MAADs policy, and it will be treated*
27 *consistently with the Brampton and Enersource RZs. Alectra Utilities shall retain the deferral*
28 *account opened for Horizon Utilities RZ, however, the first entries to the account shall begin*
29 *January 1, 2020.*

1 *The Brampton and Enersource RZs are on Price Cap IR. For these rates zones, the OEB finds*
2 *it appropriate to retain the balances recorded in the deferral accounts approved in the Decision*
3 *and Partial Accounting Order effective February 1, 2017.*

4 *Given the complexities of determining amounts that should be credited to customers, such as*
5 *tax treatment, the OEB finds that Alectra Utilities shall file a proposal for disposition of the*
6 *deferral accounts in its application for 2019 rates for the Brampton and Enersource RZs.”*

7 Alectra Utilities will file a proposal for disposition of the deferral accounts in its application for
8 2019 rates for the Brampton and Enersource RZs.

9 **11. Monthly Billing**

10 On April 15, 2015, the OEB amended the Distribution System Code (“DSC”) and announced
11 that all LDCs must migrate their residential and GS<50kW customers to monthly billing no later
12 than January 1, 2016. Alectra Utilities identified in the Oral Hearing of its MAADs Application
13 that it was seeking an exemption for the migration of the Horizon Utilities RZ customers and the
14 Enersource RZ customers until the completion of its CIS implementation. Subsequently, in its
15 final submission, Alectra Utilities submitted that it could migrate its Horizon Utilities RZ
16 customers to monthly billing by June 30, 2017. It also identified the risks of implementing
17 monthly billing for the Enersource RZ, while undertaking the CIS implementation. In its decision,
18 the OEB granted Alectra Utilities the extension for the migration to monthly billing for the
19 Horizon Utilities RZ to June 30, 2017 and the implementation for the Enersource RZ to 2019.

20 Alectra Utilities did not seek any relief related to monthly billing in the current application.

21 SEC requested that the OEB consider the creation of deferral accounts in order to track the net
22 impact of monthly billing for each rate zone.

23 **Board Findings – as per page 83 of the Decision**

24 *“The OEB will not establish new deferral accounts to track the impact of monthly billing for each*
25 *rate zones as proposed by SEC. The OEB required all distributors to bill customers on a*
26 *monthly basis. This may have included costs to alter billing systems, additional billing and*
27 *payment processing costs, and for some, reduced costs for working capital by collecting from*
28 *customers earlier. The extent to which additional costs were offset by improvement in working*
29 *capital is unknown, and is not in evidence in this proceeding. The OEB acknowledges that all*

1 *rate zones implemented monthly billing prior to 2018. It would be inappropriate to establish*
2 *deferral accounts effective January 1, 2018, after the implementation dates, to track only*
3 *prospective impacts of monthly billing. In addition, there was no evidence in this proceeding that*
4 *the impacts could be material for any rate zone, and materiality is a requirement for establishing*
5 *a new deferral account.”*

6 There is no further action required by Alectra Utilities as a result of these Board findings.

7 **12. Effective Date**

8 Alectra Utilities requested that final rates be made effective January 1, 2018. In its application,
9 Alectra Utilities also asked that rates for each of its rate zones be made interim effective
10 January 1, 2018 if a Decision and Order in this matter could not be issued by January 1. In
11 Procedural Order No. 3 dated November 17, 2017, the OEB granted Alectra Utilities’ request for
12 interim rates.

13 **Board Findings – as per page 84 of the Decision**

14 *“The OEB approves an effective date to base rates of January 1, 2018 for the Horizon Utilities’*
15 *RZ related to its Custom IR update. The OEB also approves an effective date of January 1,*
16 *2018 for the Brampton, Enersource and PowerStream RZs with respect to the Price Cap IR*
17 *increases. The OEB will approve the recovery of the foregone revenue from the approved*
18 *effective date to the implementation date for these rates. Rate riders for all deferral and variance*
19 *accounts approved for disposition will be in effect for 12 months, effective May 1, 2018. The*
20 *OEB directs Alectra Utilities to file the rate riders for the foregone revenue and deferral and*
21 *variance account dispositions, and provide the calculations, in the draft rate order. The OEB*
22 *finds that a January 1, 2018 effective date is appropriate for the Custom IR and Price Cap IR*
23 *base rate changes as Alectra Utilities filed its application in advance of the OEB’s associated*
24 *recommended filing deadlines. Regarding the ICMs approved in this Decision, the effective date*
25 *will be May 1, 2018.”*

26 The Draft Rate Order has been prepared on the basis that Alectra Utilities’ 2018 base rates will
27 be effective January 1, 2018 with an implementation date of May 1, 2018. Alectra Utilities has
28 calculated fixed foregone revenue riders for all RZs to recover the difference in distribution
29 revenue between the effective date of January 1, 2018 and the implementation date of May 1,
30 2018, over an eight-month period ending December 31, 2018.

1 Alectra Utilities calculates the foregone revenue equal to the difference between (i) distribution
2 revenue for January to April using 2017 current approved distribution rates multiplied by
3 January to April 2017 billing determinants and (ii) distribution revenue for January to April using
4 proposed 2018 distribution rates multiplied by January to April 2017 billing determinants. The
5 difference is a revenue shortfall for each rate zone as identified in Tables 16 to 19. The detailed
6 foregone revenue calculation is filed as Attachment 21.

7

8 **Table 16 – Foregone Revenue Calculation – Horizon Utilities RZ**

Rate Class	2017 Board-Approved Base Rates		2018 Board-Approved Base Rates		Jan-Apr 2017 Billing Determinants		2017 Rates @ Jan-Apr 2017 Load	2018 Rates @ Jan-Apr 2017 Load	Foregone Revenue	Fixed Rate Rider
	Monthly	Volumetric	Monthly	Volumetric	Monthly	Volumetric	Total Revenue	Total Revenue		
Residential	\$ 21.34	\$ 0.0081	\$ 23.67	\$ 0.0040	225,004	470,660,496	\$ 23,018,691	\$ 23,186,021	\$ 167,329	\$ 0.09
General Service < 50 kW	\$ 41.42	\$ 0.0107	\$ 41.23	\$ 0.0107	18,847	186,681,985	\$ 5,120,068	\$ 5,105,744	\$ (14,324)	\$ (0.10)
Unmetered Scattered Load	\$ 8.47	\$ 0.0132	\$ 8.43	\$ 0.0131	2,958	3,677,156	\$ 148,756	\$ 147,915	\$ (841)	\$ (0.04)
General Service 500 kW - 499 kW	\$ 378.88	\$ 2.5526	\$ 379.58	\$ 2.5568	2,031	1,515,901	\$ 6,947,511	\$ 6,959,564	\$ 12,054	\$ 0.74
Large Use (1)	\$23,798.52	\$ 1.4041	\$23,722.43	\$ 1.3996	5	154,620	\$ 693,072	\$ 690,854	\$ (2,218)	\$ (55.44)
Large Use (2) with Dedicated Assets	\$ 5,600.32	\$ 0.3304	\$ 5,610.66	\$ 0.3310	7	645,991	\$ 370,244	\$ 370,922	\$ 677	\$ 12.09
Street Lighting	\$ 2.15	\$ 5.7204	\$ 2.00	\$ 5.3158	53,035	29,536	\$ 625,059	\$ 581,288	\$ (43,771)	\$ (0.10)
Sentinel	\$ 5.48	\$ 15.0244	\$ 5.49	\$ 15.0521	342	368	\$ 13,024	\$ 13,048	\$ 24	\$ 0.01
TOTAL						663,366,053	36,936,425	37,055,355	\$ 118,930	

9

10

11 **Table 17 – Foregone Revenue Calculation – Brampton RZ**

Rate Class	2017 Board-Approved Base Rates		2018 Board-Approved Base Rates		Jan-Apr 2017 Billing Determinants		2017 Rates @ Jan-Apr 2017 Load	2018 Rates @ Jan-Apr 2017 Load	Foregone Revenue	Fixed Rate Rider
	Monthly	Volumetric	Monthly	Volumetric	Monthly	Volumetric	Total Revenue	Total Revenue		
Residential	\$ 17.64	\$ 0.0080	\$ 20.92	\$ 0.0040	151,346	383,535,722	\$ 13,747,260	\$ 14,198,776	\$451,517	\$ 0.37
General Service < 50 kW	\$ 25.12	\$ 0.0167	\$ 25.35	\$ 0.0169	9,359	112,364,442	\$ 2,816,878	\$ 2,847,962	\$ 31,083	\$ 0.42
Unmetered Scattered Load	\$ 1.09	\$ 0.0198	\$ 1.10	\$ 0.0200	1,533	2,051,632	\$ 47,306	\$ 47,778	\$ 472	\$ 0.04
General Service 50 kW - 699 kW	\$ 125.33	\$ 2.8387	\$ 126.46	\$ 2.8642	1,579	1,016,685	\$ 3,677,647	\$ 3,710,709	\$ 33,063	\$ 2.62
General Service 700 kW - 4999 kW	\$1,130.84	\$ 3.2953	\$1,141.02	\$ 3.3250	106	640,463	\$ 2,589,994	\$ 2,613,332	\$ 23,338	\$ 27.52
Large Use (> 5000 kW)	\$4,705.66	\$ 2.4949	\$4,748.01	\$ 2.5174	6	211,133	\$ 639,692	\$ 645,458	\$ 5,767	\$ 120.14
Embedded Distributor	\$4,159.82	\$ -	\$4,197.26	\$ -	1	55,974	\$ 16,639	\$ 16,789	\$ 150	\$ 18.72
Distributed Generation	\$ 103.97	\$ -	\$ 104.91	\$ -	105	148	\$ 43,667	\$ 44,062	\$ 395	\$ 0.47
Street Lighting	\$ 2.30	\$ 11.5388	\$ 2.32	\$ 11.6426	19,690	34,634	\$ 580,783	\$ 585,953	\$ 5,170	\$ 0.03
TOTAL					183,725	499,910,832			\$550,954	

12

13

14 **Table 18 – Foregone Revenue Calculation – PowerStream RZ**

Rate Class	2017 Board-Approved Base Rates		2018 Board-Approved Base Rates		Jan-Apr 2017 Billing Determinants		2017 Rates @ Jan-Apr 2017 Load	2018 Rates @ Jan-Apr 2017 Load	Foregone Revenue	Fixed Rate Rider
	Monthly	Volumetric	Monthly	Volumetric	Monthly	Volumetric	Total Revenue	Total Revenue		
Residential	\$ 18.51	\$ 0.0130	\$ 21.63	\$ 0.0088	330,347	822,073,879	\$ 35,145,852	\$ 35,815,873	\$ 670,020	\$ 0.25
General Service < 50 kW	\$ 28.74	\$ 0.0183	\$ 29.00	\$ 0.0185	32,549	341,668,276	\$ 9,994,362	\$ 10,096,547	\$ 102,185	\$ 0.39
Unmetered Scattered Load	\$ 8.60	\$ 0.0195	\$ 8.68	\$ 0.0197	3,002	4,359,611	\$ 188,281	\$ 190,114	\$ 1,833	\$ 0.08
General Service > 50 kW	\$ 140.97	\$ 4.2037	\$ 142.24	\$ 4.2415	5,104	3,689,859	\$ 18,389,105	\$ 18,554,510	\$ 165,405	\$ 4.05
Large User	\$ 6,073.68	\$ 2.2421	\$ 6,128.34	\$ 2.2623	2	28,455	\$ 112,388	\$ 113,400	\$ 1,012	\$ 63.25
Sentinel	\$ 4.19	\$ 9.8694	\$ 4.23	\$ 9.9582	175	262	\$ 5,514	\$ 5,565	\$ 51	\$ 0.04
Street Lighting	\$ 1.19	\$ 6.3222	\$ 1.20	\$ 6.3791	90,185	45,235	\$ 715,268	\$ 721,449	\$ 6,181	\$ 0.01
TOTAL					461,364	1,171,865,576			\$ 946,687	

15

16

1 **Table 19 – Foregone Revenue Calculation – Enersource RZ**

Rate Class	2017 Board-Approved Base Rates		2018 Board-Approved Base Rates		Jan-Apr 2017 Billing Determinants		2017 Rates @ Jan-Apr 2017 Load	2018 Rates @ Jan-Apr 2017 Load	Foregone Revenue	Fixed Rate Rider
	Monthly	Volumetric	Monthly	Volumetric	Monthly	Volumetric	Total Revenue	Total Revenue		
	Residential	\$ 19.11	\$ 0.0069	\$ 21.61	\$ 0.0035	183,145	447,212,719	\$ 17,085,372		
General Service < 50 kW	\$ 43.60	\$ 0.0127	\$ 43.99	\$ 0.0128	18,413	209,670,249	\$ 5,874,039	\$ 5,923,731	\$ 49,691	\$ 0.34
Unmetered Scattered Load	\$ 9.00	\$ 0.0164	\$ 9.08	\$ 0.0165	3,106	3,793,389	\$ 174,028	\$ 175,401	\$ 1,373	\$ 0.06
General Service 50 kW - 499 kW	\$ 76.79	\$ 4.6213	\$ 77.48	\$ 4.6629	3,692	1,907,534	\$ 9,949,320	\$ 10,038,864	\$ 89,543	\$ 3.03
General Service 500 kW - 4999 kW	\$ 1,748.68	\$ 2.3780	\$ 1,764.42	\$ 2.3994	471	1,449,619	\$ 6,741,707	\$ 6,802,383	\$ 60,676	\$ 16.10
Large Use (> 5000 kW)	\$13,787.64	\$ 2.9516	\$13,911.73	\$ 2.9782	9	544,569	\$ 2,103,704	\$ 2,122,657	\$ 18,953	\$ 263.23
Street Lighting	\$ 1.51	\$ 11.5465	\$ 1.52	\$ 11.6504	50,724	13,605	\$ 463,461	\$ 466,904	\$ 3,443	\$ 0.01
TOTAL					259,560	664,591,683			\$534,606	

2
3
4 Alectra confirms that rate riders for deferral and variance accounts will be in effect for 12 months
5 from May 1, 2018 to April 30, 2019. Alectra Utilities also confirms that in the Board’s Decision on
6 Alectra Utilities’ proposal to change previously approved rate riders in the PowerStream RZ, that
7 the updated riders will be in effect from May 1, 2018 to September 30, 2018. The 2016 GA rate
8 riders in the PowerStream rate zone were originally in effect from October 1, 2016 to September
9 30, 2018. The expiry date for this legacy rate rider has not changed as part of this proceeding.
10 All deferral and variance account riders approved for disposition, and based on December 31,
11 2016 Group 1 balances, will be in effect from May 1, 2018 to April 30, 2019. The calculation of
12 all rate riders are included in the IRM Models filed as Attachments 4, 11, 14 and 18.

13
14 Alectra confirms that the ICM rate riders are effective May 1, 2018. The calculation of the ICM
15 rate riders are included in the ICM Models, filed as Attachments 12, 16 and 20.

16
17 **IMPLEMENTATION**

18 **Board Findings – as per page 85 of the Decision**

19 *“The OEB directs Alectra Utilities to revise the proposed rates to reflect the findings in this*
20 *Decision and to file a draft rate order for rates to be implemented May 1, 2018 based on the*
21 *effective dates determined in this Decision.*

22 *The OEB expects Alectra Utilities to file detailed supporting material showing the impact of this*
23 *Decision on the rates and rate riders, including bill impacts.*

24 *Alectra Utilities’ draft rate order should include a revised Tariff of Rates and Charges reflecting*
25 *this Decision, and including updates to the RRRP charge, DVA rate riders for interest projected*
26 *to April 30, 2018, ICM rate riders, etc.). In addition, the Smart Metering Entity Charge was set at*

1 *\$0.57 by the OEB, effective January 1, 2018 to December 31, 2022. The Tariff of Rates and*
2 *Charges should be adjusted to incorporate this rate.”*

3 Alectra Utilities updated its proposed rates and charges to reflect the findings in the Board’s
4 Decision. The issues presented in this Draft Rate Order are organized in the manner that these
5 issues are set out in the Board’s Decision, and each update to rates are identified in each
6 section of this Draft Rate Order. Alectra Utilities has filed live excel models for the ICM, IRM and
7 LRAMVA calculations, in addition to live excel schedules for the foregone revenue and
8 renewable generation rate protection calculations. A Tariff of Rates and Charges for each RZ is
9 filed as Attachments 1, 10, 13 and 17. These tariffs include updates to the Remote and Rural
10 Rate Protection (“RRRP”) charge and the updated Smart Metering Entity (“SME”) Charge.

11 **BILL IMPACTS**

12 A summary of the total bill impacts for the typical customer by rate class is presented in Tables
13 20 to 23 below for each rate zone. These bill impacts are inclusive of the ICM and LRAMVA rate
14 riders, the disposition of Group 1 account balances, the foregone revenue rate riders and
15 increases as a result of the implementation of the Price Cap IR mechanism in 2018. The IRM
16 Models provide detailed bill impacts for each customer class for 2018.

17

18 **Table 20 – Total Bill Impact – Horizon Utilities RZ**

Total Bill Impacts				
Customer Class	Billing Units	Average Monthly Volume	2018 vs. 2017	
			\$	%
Residential	kWh	750	\$ 0.90	0.86%
GS<50	kWh	2,000	\$ 3.47	1.25%
GS>50	kW	250	\$ (223.70)	(1.45)%
Large User	kW	5,000	\$ 8,991.86	2.56%
Large User with Dedicated Assets	kW	20,000	\$ 30,929.89	2.39%
Street Lighting	kW	4,974	\$ (7,029.16)	(2.08)%

19

20

1 **Table 21 – Total Bill Impact – Brampton RZ**

Total Bill Impacts				
Customer Class	Billing Units	Average Monthly Volume	2018 vs. 2017	
			\$	%
Residential	kWh	750	\$ 2.93	2.95%
GS<50	kWh	2,000	\$ 4.34	1.60%
GS 50-699 kW	kW	500	\$ (571.79)	(2.12)%
GS 700-4,999 kW	kW	1,432	\$ (1,922.84)	(2.08)%
Large User	kW	20,000	\$ 31,203.82	2.25%
Street Lighting	kW	4,000	\$ (6,335.17)	(1.21)%

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4 **Table 22 – Total Bill Impact – PowerStream RZ**

Total Bill Impacts				
Customer Class	Billing Units	Average Monthly Volume	2018 vs. 2017	
			\$	%
Residential	kWh	750	\$ (2.16)	(2.0)%
GS<50	kWh	2,000	\$ (3.26)	(1.2)%
GS>50	kW	250	\$ 245.91	2.0%
Large User	kW	7,350	\$ (11,532.49)	(2.9)%
Street Lighting	kW	1	\$ 1.47	3.1%

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7 **Table 23 – Total Bill Impact – Enersource RZ**

Total Bill Impacts				
Customer Class	Billing Units	Average Monthly Volume	2018 vs. 2017	
			\$	%
Residential	kWh	750	\$ 1.50	1.47%
GS<50	kWh	2,000	\$ 5.97	2.08%
GS 50-499 kW	kW	230	\$ 83.10	0.56%
GS 500-4,999 kW	kW	2,250	\$ 1,228.59	1.83%
Large User	kW	5,000	\$ 5,842.71	1.40%
Street Lighting	kW	0.1	\$ (3.30)	(45.75)%

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1 **CONCLUSION**

2 Alectra Utilities has fully complied with the Decision and has implemented all of the changes
3 directed by the Board in its Decision. Details of the changes are discussed above and further
4 supported by the Appendices and live Excel workbooks accompanying this Draft Rate Order.

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8 **ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 16th DAY OF April, 2018.**

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12 *Original Signed by Indy J. Butany-DeSouza*

13 Indy J. Butany-DeSouza, MBA

14 Vice-President, Regulatory Affairs

15 Alectra Utilities Corporation