

**Ontario Energy  
Board**  
P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'Énergie  
de l'Ontario**  
C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone; 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**BY E-MAIL**

April 23, 2018

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Alectra Utilities Corporation  
Application for Rates  
Board File Number EB-2017-0024**

Please find attached OEB staff's submission on the draft rate order filed by Alectra Utilities Corporation for this application.

*Original Signed By*

Martin Davies  
Project Advisor, Major Applications  
Applications Division

**2018 ELECTRICITY DISTRIBUTION RATES**

**Alectra Utilities Corporation**

**EB-2017-0024**

**ONTARIO ENERGY BOARD**

**STAFF SUBMISSION ON DRAFT RATE ORDER**

**April 23, 2018**

## **INTRODUCTION**

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.

On April 16, 2018, Alectra Utilities filed a draft Rate Order (DRO) pursuant to the OEB's EB-2017-0024 Decision and Order (Decision) dated April 5, 2018 (Revised April 6, 2018).

The Decision found that the effective date of Alectra Utilities' rate order would be January 1, 2018 for the Horizon Utilities' rate zone (RZ) related to its Custom IR update and for the Price Cap Incentive Regulation (IR) increases for the Brampton, Enersource and PowerStream RZs with a May 1, 2018 implementation date. The Decision further determined that with respect to the Incremental Capital Modules (ICMs) approved in the Decision, both the effective and implementation dates would be May 1, 2018.

OEB staff's comments on the DRO follow.

### **Incentive Rate-setting Mechanism (IRM) Model**

#### ***Background***

OEB staff notes that Alectra Utilities used a modified version of the OEB IRM model in making its DRO filing for the Brampton, PowerStream and Enersource RZs.

#### ***Discussion and Submission***

OEB staff submits that the modified version of the IRM Model used by Alectra Utilities produces correct results, subject to any concerns raised subsequently in this submission.

## **Foregone Revenue Calculations**

### ***Background***

Tables 16 to 19 of the DRO provide Alectra Utilities' foregone revenue calculations for the four rate zones. These include columns for January to April 2017 billing determinants.

### ***Discussion and Submission***

OEB staff is unclear how the numbers shown in Tables 16 to 19 relate to the numbers shown in Table 4 "Billing Determinants" of the IRM Model. For example, in the Brampton RZ, Table 17 for the Residential class, 151,346 customers are shown along with a volume of 383,535,722 kWh. Table 4 of the IRM Model shows 146,977 residential customers and annual kWh of 1,311,941,173, one-third of which would be 437,313,724 kWh, which is substantially higher than the number in Table 17. OEB staff submits that the numbers in Table 17 for residential customers in the Brampton RZ result in a significantly higher rate rider than would be the case if the numbers in Table 4 of the IRM Model were used.

OEB staff accordingly submits that for each of the four rate zones Alectra Utilities should reconcile the numbers used to calculate the foregone revenue with those of Table 4 of the IRM Model and provide justification as to why the numbers it is using are the correct ones to use.

## **Specific Charge for Access to the Power Poles per pole/year**

### ***Background***

Alectra Utilities incorporated into its draft tariffs a charge of \$22.35 for this service for each of the four rate zones.

### ***Discussion and Submission***

On March 22, 2018, the OEB issued its "Report on Wireline Pole Attachment Charges," updating the OEB's approach to wireline pole attachments which had been unchanged since 2005. The OEB determined that it would set a province-

wide wireline pole attachment charge of \$43.63 that would apply to all licensed distributors, such as Alectra Utilities, that had not received OEB approval for a distributor-specific pole attachment charge. The OEB further determined that as a transitional measure to mitigate the impact of the increase from the current \$22.35 to the new \$43.63, LDCs without an LDC-specific charge would charge the province-wide pole attachment charge of \$28.09 from September 1, 2018 to December 31, 2018, with the charge increasing to \$43.63 effective January 1, 2019.

The OEB further stated that because the increase in the pole attachment charge would result in distributors earning revenue above what is reflected in their current rates, the excess incremental revenue would need to be recorded in a new variance account related to pole attachment charges, with the closing balance ultimately refunded to ratepayers in the distributor's next cost-based rate application. The OEB stated that it would be issuing accounting directions later this spring to address the accounting details related to the establishment of the variance account.

OEB staff submits that Alectra Utilities should revise its DRO and tariff sheets to reflect the pole attachment charges outlined in the OEB's "Report on Wireline Pole Attachment Charges."

## **Horizon Utilities Rate Zone – Inflationary Adjustment to Cost of Power Calculations**

### ***Background***

The OEB, in its Decision, directed Alectra Utilities to update its cost of power calculation for an inflation increase of 1.6% to the commodity cost for Regulated Price Plan customers.<sup>1</sup>

### ***Discussion and Submission***

OEB staff submits that in undertaking this update, Alectra Utilities appears to have applied the rate of inflation to the two six month periods May to October and

---

<sup>1</sup> pp 8-9.

November to April,<sup>2</sup> whereas OEB staff interpreted the intent of the Decision as being that the inflation rate was to be applied as a yearly increase. OEB staff further submits that if Alectra Utilities is using six month periods rather than a full year, a semi-annual rate of inflation should also be used to avoid overstating the impact. OEB staff submits that Alectra Utilities should recalculate the cost of power on this basis and also make the necessary related adjustments to the revenue requirement and rates.

## **Incremental Capital Modules (ICM) and Requested Funding**

### ***Background***

The OEB, in the Decision, approved \$28.79 million of the \$56.18 million of ICM funding requested by Alectra Utilities.

### ***Discussion and Submission***

OEB staff has reviewed Alectra Utilities' revised ICM models contained in the DRO and is satisfied that the OEB's findings in the Decision have been correctly incorporated and the rate riders correctly calculated. OEB staff, however, notes that Tab 9 of the Enersource RZ's ICM filing uses a price cap index of 1.60%. OEB staff submits that the correct price cap index is 0.9% as per the Decision and that this number should be used in place of 1.6%. OEB staff does not believe that this discrepancy would impact the rate riders, but submits that Alectra Utilities should confirm this in its reply submission and file a corrected version of the ICM model.

## **Tariff of Rates and Charges**

### ***Background***

Alectra Utilities filed Tariffs of Rates and Charges as part of its DRO which in a number of instances did not conform to the OEB's current format for such tariffs.

---

<sup>2</sup> DRO, Attachment 2a –DRO- 2018 Cost of Power Calculation.

## ***Discussion and Submission***

OEB staff notes that in March 2017, the OEB issued a Decision and Order rescinding the Ontario Electricity Support Program (OESP) charge effective May 1, 2017<sup>3</sup> and this charge accordingly needs to be removed from Alectra Utilities' tariff.

OEB staff further notes that although the OESP credits must also be removed from the tariff, Alectra Utilities must continue to apply the OESP credits as set by the OEB's December 21, 2016 Order for OESP credits<sup>4</sup> on bills issued to eligible low-income customers until such time as that order is superseded.

OEB staff also believes that a number of formatting changes to the proposed tariff are necessary in order for it to conform with tariffs approved for other distributors. OEB staff will discuss these changes with Alectra Utilities, but will not list them here. In the event, Alectra Utilities has any concerns with these changes, it can state such concerns in its reply submission.

- All of which is respectfully submitted-

---

<sup>3</sup> EB-2017-0135.

<sup>4</sup> EB-2016-0376.