January 16, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

RE: EB-2017-0024 – Final Argument of the Consumers Council of Canada – Alectra Utilities Corporation - 2018 Rates

Please find, attached, the Final Argument of the Consumers Council of Canada in the above-referenced proceeding.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC:
All Parties

FINAL ARGUMENT OF THE CONSUMERS COUNCIL OF CANADA

RE: ALECTRA UTILITIES CORPORATION - 2018 RATES

EB-2017-0024

I. INTRODUCTION:

By Application dated July 7, 2017, Alectra Utilities Corporation (Alectra) applied to the Ontario Energy Board (OEB or Board) under section 78 of the *Ontario Energy Board Act, 1998*, for approval of changes to it electricity distribution rates for each of its four rate zones.

In April 2016, Enersource Hydro Mississauga Inc. (Enersource), Horizon Utilities Corporation (Horizon) and PowerStream Inc. (PowerStream) filed an application seeking approval to amalgamate, form Alectra Inc. and for Alectra Inc. to purchase and amalgamate with Hydro One Brampton Inc. (Brampton). The amalgamation was approved by the OEB. The OEB also approved a rebasing deferral period of 10 years. In its Decision the Board did not make a determination regarding future rate issues.[1]

This is the first application that Alectra has filed since the amalgamation of Enersource, Horizon and PowerStream and the acquisition of Brampton. The proceeding involved an interrogatory process, a Settlement Conference and a transcribed Technical Conference. None of the issues were settled. The OEB determined that an oral hearing process was not required. This is the Final Argument of the Consumers Council of Canada (Council) regarding Alectra's Application.

The Council has worked collaboratively with other intervenors in this case at each stage in the proceeding. We were able to review draft submissions of the School Energy Coalition (SEC), the Association of Major Power Consumers in Ontario (AMPCO) and the Vulnerable Energy Consumers Coalition(VECC) We are, in large measure, in agreement with those submissions.

The Council will provide a summary of our positions and an overview of Alectra's Application and the relief sought. We will then set out the context in which we believe the OEB should assess this Application. Finally, the Council will address each of the major issues relevant to the Application.

II. OVERVIEW OF THE COUNCIL'S SUBMISSIONS:

[1] EB-2016-0025 – MADDs Decision

The following is a brief summary of the Council's positions set out in this Argument:

- The Council submits that the forecast net savings from the merger should provide context for the Board's consideration of the issues encompassed in this Application.
- The Council support the adjustments related to Horizon's rates that are consistent with the approved Settlement Agreement. This includes the calculation of the ESM. The three accounts approved by the Board related to the changes to the capitalization policies should be maintained and the impacts related to the change refunded to or recovered from customers each year;
- The Council does not support the request for a Brampton RZ ICM;
- The Council does not support the request for an Enersource RZ ICM;
- The Council does not support the request for a PowerStream RZ
- Any future requests for ICM funding should be based on a consolidated Distribution System Plan for Alectra;
- If ICM relief is granted Aectra should be required to report on at a project level with respect to the ICM true-up process; and
- The impacts of monthly billing should flow through to customers throughout the deferred rebasing period.

III. ALECTRA's APPLICATION:

In its Application Alectra is seeking approval for distribution rates for each of its four rate zones. Alectra has relied on the OEB Report entitled, "Rate-making Associated with Distributor Consolidation" issued on July 23, 2007, as well as the subsequent report issued on March 26, 2015 setting out amendments to the original policies (the March Report). In addition, Alectra has relied on the other OEB reports that deal specifically with issues regarding funding for incremental capital[2].

In the March Report the Board permitted distributors to elect a deferred rebasing period for up to 10 years after the closing of the transaction. Those distributors that choose an extended rate deferral period are required to implement an earnings sharing mechanism (ESM) with 50:50 sharing with ratepayers in year 6, only if earnings exceed the allowed return on equity by 300 basis points. A 10-year

[2] Argument in Chief (AIC), p. 3

rebasing deferral period was elected by Alectra and approved by the Board in the MADDs proceeding.

The Board, through its various reports determined that a distributor may apply for the funding of incremental discrete capital projects through the Incremental Capital Module (ICM) mechanism when adequately supported by a Distribution System Plan (DSP)[3].

Alectra's Application is seeking approval of the following:

1. Price Cap IRM adjustments for the Brampton Rate Zone (RZ), Enersource RZ and PowerStream RZ;

2. The annual adjustment for the Horizon RZ pursuant to its Custom Incentive Rate (IR) plan approved by the OEB in EB-2014-0002, including the determination of amounts for the purposes of earnings sharing;

3. An ICM amount for the Brampton RZ of $6.8 m;

4. An ICM amount for the PowerStream RZ of $25.1 m;

5. An ICM amount for the Enersource RZ of $24.3 m[4];

6. $4.5 million in incremental 2018 revenue requirement based on the three ICM requests totaling $56.18 million;

7. The disposition of its Group 1 Deferral and Variance Accounts by rate zone accumulated prior to the consolidation.

Alectra is not seeking any relief with respect to the change in its capitalization for the Horizon RZ. In addition, Alectra is not seeking any relief regarding its transition to monthly billing. Alectra is seeking approval of an effective date of January 1, 2018.

IV CONTEXT:

This is the first major application before the Board to consider the rate-making proposals arising from a multi-faceted utility merger and acquisition. The MADDs Decision approved the transaction, and the rebasing deferral period, but did not address rate-setting for the consolidated entity. The outcome of this proceeding may well set a precedent regarding the rate-making treatment for Alectra for many years to come. It may impact other applications as well. The Board has, through a

[3] Report of the Board, New Policy Options for the Funding of Capital Investments; the Advanced Capital Module, September 18, 2014, p. 15
[4]AIC, p. 14

series of reports established policies regarding mergers and acquisitions, but at the end of the day the Board is required to set just and reasonable rates. It is the Council's position that strict adherence to those policies may well conflict with the obligation of the OEB to set just and reasonable rates.

Merger Savings:

The Council, along with other parties, made submissions in the MADDs proceeding regarding the Board's policies and how there was a resulting imbalance between the interests of the shareholders and the ratepayers. Those circumstances are even more apparent now, as we consider Alectra's current rate application. It is likely that Alectra's customers will not share in any merger savings until year 11 (and even longer if Alectra merges with other entities – which it is in the process of doing[5]). At the same time, Alectra plans to seek to recover incremental revenue from its customers in each year of the rate plan to in large measure fund ongoing capital programs. Despite the fact that in 2018 the total net annual capital and operating and maintenance (O&M) synergies are forecast to be $47.9 million[6] Alectra is seeking an additional $4.5 million in incremental revenue from its customers related to its request for $56.2 million in incremental capital spending.

The following table sets out the savings expected throughout the term plan as filed in the MADDs proceeding:

Table 1- Total Net Synergies

($MMs)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Gross Synergies											
Operating	7.2	20.1	31.7	40.6	42.5	42.5	42.5	42.5	42.5	42.5	354.6
Capital	23.0	22.6	28.8	23.2	30.0	8.0	8.0	8.0	8.0	8.0	167.6
Total Synergies	30.2	42.7	60.5	63.8	72.5	50.5	50.5	50.5	50.5	50.5	522.2
Transition Costs											
Charged to Operating	20.9	11.1	8.2	2.3	0.5	-	-	-	-	-	43.0
Charged to Capital	33.7	15.2	4.4	-	-	-	-	-	-	-	53.3
Total Transition Costs	54.6	26.3	12.6	2.3	0.5	-	-	-	-	-	96.3
Net Synergies											
Operating	(13.7)	9.0	23.5	38.3	42.0	42.5	42.5	42.5	42.5	42.5	311.6
Capital	(10.7)	7.4	24.4	23.2	30.0	8.0	8.0	8.0	8.0	8.0	114.3
Total Net Synergies	(24.4)	16.4	47.9	61.5	72.0	50.5	50.5	50.5	50.5	50.5	425.9

Alectra has confirmed that the current forecast of savings is consistent with that filed in the MADDs Application. [7] From the Council's perspective the fact that almost

[5] On December 13, 2017, the City of Guelph Council voted in favour of a proposed merger between Guelph Hydro Electric Systems Inc.
[6] Ex. CCC-9
[7] Ex. CCC-9

$50 million in savings are flowing to Alectra in 2018 (net of transition costs) should be relevant to the request for additional ratepayer funds. As the Board noted in its MADDs Decision:

> As with any articulated OEB policy, the OEB examines the facts of a specific application. [8]

It is now known that Alectra is in the process of merging with Guelph Hydro Electric Systems Inc. If that transaction is approved will Alectra elect a further rebasing deferral? If that is the case the savings that were promised in the MADDs Application for Enersource, PowerStream, Horizon and Brampton customers upon rebasing ($69 million[9]) will not flow through to customers in 2027. The Council submits that this too should be a relevant consideration for the Board in assessing the ICM requests.

The Council will go even go further. This case should cause the Board to rethink its policies and whether they are appropriately "customer-focused" - one of the foundations of the Renewed Regulatory Framework for Electricity Distributors (RRFE)[10]. This is the first large application that has been filed pursuant to the March Report, impacting nearly 1 million Ontario electricity customers. That Report specified that utilities could elect a 10-year rebasing deferral period, and did not require shared savings other than through an ESM in year six (that is only triggered if the utility's ROE exceeds the allowed ROE by 300 basis points - which will likely never be triggered).

To allow Alectra's shareholders to keep all of the savings arising from the merger until 2027 or beyond, and to permit them to recover further funding in each year going forward is not consistent with a customer-focused regulatory framework. This very case demonstrates that when the OEB policies regarding consolidation are strictly applied, the interests of electricity consumer are undermined. The primary objective of mergers and acquisitions in Ontario should be to benefit customers. It should not be about extracting funds from electricity customers to fund municipalities. The Council urges the Board to undertake a wholesale review of these policies in order to better align the interests of utility ratepayers and shareholders.

The Council recognizes that the Board may choose not to take into account the level of merger savings in its consideration of the ICM request. As set out below, the Council believes there are other reasons for the ICM requests to be rejected. With very few exceptions (transit projects), the proposed expenditures are essentially a continuation of normal annual capital programs, not discrete incremental capital

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[8] EB-2016-0025/0360 MADDs Decision, p. 12
[9] EB-2016-0025/0360 MADDs Decision, p. 9
[10] Renewed Regulatory Framework for Electricity Distributors, October 18, 2012, p. 2

projects. Through its price cap adjustments Alectra should have sufficient funds to undertake all of its required capital investments.

Consolidation Has Occurred:

Although Alectra has indicated in its evidence that it "will operate individual rate zones (based on the predecessor utilities) during the deferral period"[11] this is somewhat misleading. As the Alectra witnesses indicated at the Technical Conference they have consolidated:

> "We are – from a management standpoint, we have consolidated. We are beginning to revise our practices as one utility. [12]

Rather than operating as individual rate zones, Alectra is now one utility. They have maintained individual rate zones for the purposes of charging rates, but are no longer four utilities operating in isolation. This makes it difficult for the Board to assess capital needs and the applicability of an ICM on a rate zone basis. The Board cannot simply put blinders on and pretend that we are still dealing with four distinct utilities.

Alectra plans to file a consolidated DSP in 2019 for 2020 and beyond[13]. Alectra is clearly merging its capital planning processes. For example, they are considering applying the Copperleaf system currently used in the PowerStream RZ to optimize projects across all four rate zones.[14] The eventual outcome of that process is that the needs, priorities and plans for pacing will be different than what is being presented today. Planning on a utility-wide basis will have to be undertaken. That is expected. Establishing spending priorities across the utility overall will be a requirement. The Council submits that given they are now a consolidated entity – one utility – it is the consolidated DSP that will be relevant to determining ICM relief. From the Council's perspective it is premature to approve any ICM amounts prior to a consideration of the consolidated DSP for the consolidated utility. The lines are now blurred. There may be projects in one rate zone that are more pressing than those in another rate zone. Projects cannot now be evaluated and prioritized within a rate zone. This has to be done on a company wide basis.

Customer Engagement:

Alectra undertook customer engagement through Innovative Research Group Inc. (Innovative). Alectra has claimed that the vast majority of customers are satisfied with the current level of reliability they experience, but that they expect Alectra to do what is necessary to maintain that level of reliability. They conclude that most

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[11] Ex. 1/T1/S1/p. 1 and AIC, p. 2
[12] Technical Conference Transcript Vol. 2, p. 127
[13] Technical Conference Transcript Vol. 2, p. 97
[14] Technical Conference Transcript Vol. 2, p. 99

customers support some form of investment program that ensures that a consistently reliable and modern distribution system that addresses growth and system demand, while also being sensitive to the frustration customers have with their electricity bills[15].

The overriding concern of customers that was gleaned from the customer engagement process is that customers want lower rates. The Council cautions the Board about taking the results of this engagement process as a means to justify the request for incremental revenue to support "incremental" capital. There is no evidence that customers asked Alectra to spend more. There is no evidence that customers understood what "incremental" capital spending involved.

Neither Alectra nor its consultant Innovative ever informed the customers that although during the course of the rate plan, they were generating substantial savings that none of those savings would flow to customers. They did not consider this relevant when they were asking the customers if they supported rate increases to maintain reliability[16]. The Council believes this an important oversight. We believe the outcome of that consultation process would be very different if customers were aware of the magnitude of savings expected from the merger.

Fair Hydro Plan:

The Fair Hydro Plan has been put in place in 2017, limiting the level of bill increases allowed by Ontario utilities. The fact that customer bills will be reduced through this plan should not, from the Council's perspective change the lens through which the OEB views rate applications.

V. RATE ADJUSTMENTS:

HORIZON:

In this Application Alectra is seeking approval for rates determined on the basis of the Settlement Agreement arising from Horizon's Custom IR application for the period 2015-2019 (EB-2014-0002). Horizon has developed its rate proposals in line with the approved Settlement Agreement and subsequent Decision approving that Agreement. The Council, in large measure accepts the proposals as filed including the calculation of earnings for the purposes of determining the amounts to be shared with customers.

With respect to Horizon the Council will address two issues. The first is the change to Horizon's capitalization policy. The second is the move to monthly billing which Alectra considers to be a benefit arising out of the merged transaction[17]. This issue

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[15] AIC, p. 5
[16] Technical Conference Transcript Vol. 2, p. 133
[17] AIC, p. 45

will be dealt with a separate section as it pertains to more than one of the rate zones.

Alectra was required under the International Financial Reporting Standards (IFRS) to implement a new capitalization policy following consolidation. The requirement was to conform the capitalization policies of the predecessor utilities to the one adopted by PowerStream Inc.[18] The change effectively shifts OM&A costs to capital over the deferred rebasing period. Under Alectra's proposal those OM&A costs will still be included in base rates, but also collected through a higher rate base upon rebasing.

In its Procedural Order No. 3 the OEB determined that it would add the change in capitalization as an issue in the proceeding. The Board also established three new accounts to track the change in the capitalization for the Horizon, Enersource and Brampton Rate Zones. The Board indicated its desire to deal with the disposition of the accounts in final argument.

Alectra has chosen to characterize any arguments that adjustments related to the change in capitalization policy should be reflected in rates as a "backdoor attack on the MADDs decision and the MADDs policy itself". Furthermore, from Alecrtra's perspective those arguments should be rejected[19]. The Council completely disagrees with this approach. The Board must consider this issue on the basis of fairness. An accounting change was required and the Board must ensure that no double counting will occur.

In the Horizon Custom IR Settlement Proposal there is an explicit reference to accounting changes:

> Horizon Utilities also agrees that it will not make any material accounting practices that have the effect of either reducing, or increasing utility earnings unless otherwise directed to do so, by the OEB, or by an accounting standards body and/or provincial or federal government and approved by the OEB. Where such changes are required, Horizon will note these at the time of the annual filings.[20]

In addition the Settlement Agreement states:

> 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

[18] AIC, p. 40
[19] AIC, p. 45
[20] EB-2014-0002 Settlement Agreement, p. 30

Applicant and its customers, while providing the flexibility to adjust for changing conditions[21].

As set out in the evidence in this case accounting changes and items that would meet the OEB's Z-factor criteria as defined in the Chapter 3 of the Board's Filing Requirements for Transmission and Distribution Applications are included on the list of "reopeners"[22].

The Council believes that the change in capitalization policy should be considered as a Z-factor. It meets the criteria established by the Board. The impact of this change for Horizon alone exceeds $6 million/year. From the Council's perspective Alectra's argument that the required change reflects a benefit to the account of the shareholders should not be accepted. This is not the result of "synergies". It is a required change that impacts OM&A in each year of the deferred rebasing period.

The very fact that Alectra can now recover the amounts in rates over the rebasing term and collect some of that again upon rebasing through rate base is simply not fair. This is something that needs to be corrected, not only for Horizon, but for the other three rate zones.

The Council supports the continuation of the accounts established by the Board in Procedural Order No. 3. In addition, the Council supports a process that allows for an annual clearance of the amounts.

INCREMENTAL CAPITAL MODULE:

The original Incremental Capital Module (ICM) was developed as a funding mechanism for significant capital projects for which a rate regulated utility required rate recovery in advance of its next regularly scheduled cost of service application.[23] The Board, through its various reports determined that a distributor may apply for the funding of incremental discrete capital projects through the ICM mechanism when adequately supported by a Distribution System Plan (DSP)[24]. In setting out the requirement that ICM funding is for discrete projects the Board specified that ICM relief is not for typical annual capital programs:

> The Board is of the view that projects proposed for incremental capital funding during the IR term must be discrete projects, and not part of typical annual capital programs. This would apply to both ACMs and ICMs going forward. (emphasis added)[25]

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[21] EB-2014-0002 Settlement Agreement, p. 12
[22] Ex. 2/T1/S2
[23] Report of the Board, New Policy Options for the Funding of Capital Investments; the Advanced Capital Module September 18, 2014 (ACM Report), p. 5
[24] ACM Report, p. 15
[25] ACM Report, p. 13

An ICM is available under the OEB's policies for discrete projects, but it is important to note that does not mean the Board is required to grant ICM relief for all capital spending above the materiality threshold. The Board considers each application on its own merits and on the basis of the factual evidence before it.

Alectra has applied for ICM relief for the Brampton RZ, the Enersource RZ and the PowerStream RZ. It is Alectra's position that it has capital needs for the Brampton, PowerStream and Enersource RZs for 2018 that are not "funded through existing distribution rates to meet these capital investment needs."[26]

As noted above, the Council is of the view that given the amount of merger savings, Alectra does not require incremental funding for its capital programs. Having said that, if the Board is inclined to consider the ICM proposals the Council does not believe that the ICMs have been justified or are consistent with the established OEB policies for the following reasons:

- Alectra has to a large extent characterized spending that would traditionally form part of ongoing capital programs as "projects";

- In the PowerStream RZ, Alectra is essentially reapplying for the capital spending that was rejected in the EB-2015-0003 Decision, and spending in areas that are consistent with ongoing capital programs;

- The Brampton request is for a payment that should have been resolved before consolidation. In addition, Alectra ratepayers should not be required to pay for an asset that is not prudent;

- Alectra has not established that the requested spending levels are incremental or that Alectra cannot live with the revenue requirement generated through its various IR plans; and

- When a utility calculates "available" ICM spending over and above the materiality threshold, that does not mean that they necessarily have access to those funds for additional projects or programs.

The Council has reviewed the submissions of SEC regarding incremental capital. On the basis of SEC's analysis Alectra is proposing to spend less than it spent for the last five years on average, but insists that it needs additional funding to do so. SEC has concluded that where capital spending is similar to historical capital spending, that does not justify the extraordinary remedy of incremental capital recovery

Brampton ICM:

[26] AIC, p. 4

The Brampton RZ has a maximum eligible incremental capital amount of $7.1 million as calculated using the OEB guidelines[27]. Alectra is seeking approval to recover $6.8 million through the ICM in 2018.

The request for the Brampton RZ relates to a connection and cost recovery agreement (CCRA) payment due to Hydro One Networks Inc. (HON) related to the Pleasant Transformer Station 10-year true-up.[28] In 2005 the need for a new transformer was identified to meet existing and future demand growth in the North-West area of Brampton. The TS was completed in 2008. The CCRA requires true-up payments every five years to settle for demand forecast excesses or shortfalls.

In 2015, the 5-year true-up CCRA shortfall payment of $7.086 million was completed.[29] Lower than forecast energy demand is the reason for the shortfall and the required payments in 2015 and 2018. The original contribution made was $4.6 million.

The Council does not support Alectra's ICM relief for its Brampton RZ for the following reasons:

- The variance is related to poor forecasting on the part of Brampton – which was done years ago. The difference between the actual demand on the Pleasant TS and what was forecast is so far off we question the prudence of that investment. HON has overbuilt the TS, based on poor forecasting on the part of Brampton, which at the time was an affiliate. Alectra's customers are now being asked to compensate HON. This is not appropriate.

- This was a liability that was never disclosed in the merger proceeding and should have been resolved prior to the merger. The TS was completed in 2008.

- Although Alectra has calculated for the Brampton RZ a maximum eligible incremental capital amount of 7.1 million Brampton's overall capital spending for 2018 is less than the average over the last several years[30]. Brampton is essentially maintaining the same spending levels, but because of the ICM formula they are claiming they are eligible for additional funds.

- In the EB-2014-0083 Brampton filed a comprehensive cost of service application. Included in that Application was a Distribution System Plan

[27] Ex. 2/T2/S10/Table 66/p. 8
[28] Ex. 2/T2/S10/p. 4
[29] Ex. 2/T2
[30] SEC has provided a table in its argument setting out historical capital spending for PowerStream, Enersource and Brampton.

(DSP). The current forecasts for 2018 and 2019 are now 38% higher than the forecasts set out in the DSP. If the Board requires DSPs to support capital plans, is the utility obligated to follow those plans? In this case it appears not to be the case. If they had maintained the level of spending set out in its DSP, Brampton would not be eligible for an ICM (assuming all of the other criteria could be met).

Enersource ICM:

Alectra is seeking approval in this Application for ICM relief of $24.2 million for the Enersource RZ. Enersource's overall capital budget for 2018 is $72.68 million.

The following Table sets out the proposed ICM projects by category.

Project Description Capital	
Road Widening Project - QEW (Evans to Cawthra)	$1,294,220
System Access	**$1,294,220**
Overhead Rebuild - Lake/John	$927,370
Overhead Rebuild - Church	$1,020,107
Leaking Transformer Replacement Project	$8,447,243
Subdivision Rebuild - Credit Woodlands Crt/Wiltshire	$1,548,270
Subdivision Rebuild - Glen Erin & Montevideo (Section	$1,961,142
Subdivision Rebuild - Tenth Line Main Feeder	$1,135,398
Subdivision Rebuild - Folkway & Erin Mills Main Feeder	$1,032,180
Subdivision Rebuild - Glen Erin & Battleford	$2,064,360
Subdivision Rebuild - Walmart Cables	$1,548,270
System Renewal	**$19,684,339**
Substation Upgrade - York MS	$3,268,463
System Service	**$3,268,463**
Total Distribution Capital	**$24,247,022**

As noted earlier, the Council is of the view that it would be premature to consider approval of any ICM amounts in this proceeding, in the absence of the consolidated DSP, which is expected to be filed in 2019. If the OEB determines that the Enersource RZ qualifies for ICM treatment, the Council submits the request should be rejected on the basis that the projects that Alectra has identified as ICM eligible, are part of routine ongoing programs. In the ACM Report the OEB specifically refers to the fact that projects must be discrete and not part of ongoing capital programs.[31]

Specifically, Enersource regularly undertakes work related to road widening, overhead rebuilds, subdivision rebuilds and transformer replacement. There is nothing in the 2018 proposed ICM Projects that represents something discrete, and not part of the normal course of capital work. The Council submits that Alectra has effectively reclassified initiatives that would normally be part of ongoing "programs" as "projects" in order to qualify for an ICM.

The best example of this is regarding leaking transformers. Transformer replacement is an ongoing program. Replacing leaking transformers has been something that Enersource has typically done. Enersource has characterized the initiative to replace a backlog of leaking transformer requiring as a "project" distinct from its ongoing replacement project. The intent is to replace 2244 transformers over a number of years. To the extent other leaking transformers are identified – they become part of the "program". [32]

The Council submits that Alectra has failed to meet the OEB's ICM criteria for the Enersource RZ.

PowerStream ICM:

PowerStream filed a DSP in the context of its Custom IR proceeding for the years 2016-2020. Alectra is seeking approval in this Application for ICM relief of $25.1 million. PowerStream's overall capital budget for 2018 is $125.5 million[33].

The following Table sets out the proposed ICM projects by category:

[31] ACM Report, p. 15
[32] Technical Conference Transcript, Vol. 1, p. 24
[33] Ex. 2/T3/S10/p. 4

Table 103– 2018 Eligible Capital Projects by Category – PowerStream RZ

Project Description	Capital Expenditures $
Road Authority YRRT Yonge St	$11,243,530
System Access	**$11,243,530**
Station Switchgear Replacement (ACA) 8th Line MS323	$1,394,991
Rear Lot Supply Remediation - Royal Orchard - North	$1,681,034
Cable Replacement – (M49) - Steeles and Fairway Heights	$1,842,953
Cable Replacement – (V08) - Steeles Ave and New Westminster	$2,637,046
Planned Circuit Breaker Replacement - Richmond Hill TS#1	$1,186,729
System Renewal	**$8,742,753**
Rebuild 27.6 kV pole line on Warden Ave into 4 ccts from 16th Ave to Major Mack	$1,372,976
Mill Street MS835 TX Upgrade - Tottenham	$1,298,572
Build double ccts 27.6kV pole line on 19th Ave between Leslie St and Bayview Ave	$1,202,306
Double Circuit existing 23M21 Circuit from Bayfield & Livingstone to Little Lake MS.	$1,276,180
System Service	**$5,150,033**
Total PowerStream Rate Zone Incremental Capital Funding	**$25,136,316**

[34]

As noted earlier in this submission, the Council is of the view that it would be premature to consider approval of any ICM amounts in this proceeding, in the absence of the consolidated DSP, which is expected to be filed in 2019. Consolidation has taken place and Alectra is rationalizing its capital planning processes. Having said that, if the OEB is inclined to consider Alectra's request for PowerStream we have the following concerns:

- In the last proceeding the OEB raised concerns with PowerStream's capital plans and made a reduction to the budget to reflect those concerns. The Board expressed concerns about several of the proposed capital programs. What we are seeing now is that approximately 1/3 of the proposed ICM forecast includes areas where the Board mandated reductions, and expressed concerns about the nature of the work proposed.

- In addition, Alectra has taken what were previously considered to be ongoing programs like the Underground Cable Replacement program and now refers to them as "projects". The Council would argue that the following programs are not discrete projects and are part of PowerStream's ongoing capital programs, included in the base budget. This would include road-widening, station gear replacement, rear lot remediation, cable replacement, circuit breaker replacement, pole rebuilds and transformer upgrades. The projects in these categories should not be eligible for ICM relief.

[34] Ex. 2/T3/S10, p. 19

- As set out by AMPCO in its submissions, many of the business cases for these projects fail to provide cost estimates for alternatives. This makes it difficult for the Board to assess whether the overall proposed programs represent the most cost-effective approach to deal with the issues identified in those business cases.

Alectra is seeking approval for costs related to the York Region Rapid Transit (YRRT) VIVA Bus Rapid Transit Y2 and H2 projects. In the Business Plan the proposed budget includes the following:

- $12.71 m for 2017
- $11.24 m for 2018 (the request for ICM treatment in this Application)
- $4.49 m for 2019[35]

Alectra is obligated to relocate its distribution plant to facilitate transportation infrastructure developments by applicable road authorities in accordance with the *Public Service Works on Highways Act.* Therefore, this project is considered mandatory.[36] There is uncertainty regarding the cost, timelines and scope of this project. As noted earlier the Council does not support any of the ICM relief requested through this application. The Council notes that included in the PowerStream DSP filed in the last case was $39 million for the period 2016-2020[37] for Road Authority Projects. The Board made adjustment to the capital plan, but it is not clear as to whether there are amounts related specifically to this project in base rates. If there are, this is a further reason to reject any ICM treatment for this project.

If the Board is inclined to approve the project for 2018, it would have the option to approve it as a Z-factor based on the non-discretionary nature of the project that is mandated by legislation and the uncertainty regarding scope, cost and timing.

The Council notes that Alectra has requested approval for an accounting order to establish a new deferral account for the PowerStream RZ related to the MetroLinx Crossing Remediation Project. Alectra is obligated to remove or relocate certain parts of its distribution system that are in the vicinity of the MetroLinx rail lines. Alectra anticipates that 10 to 15 distribution crossings will have to be remediated in 2018. The final design and identification of the specific number of crossings to be remediated and project costs have not been developed. The Council is concerned that this is a program with a great deal of uncertainty around timing and cost. Going forward if this project materializes Alectra has the opportunity to apply for ICM relief in the future.

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[35] Ex. 2/T3/S10, p. 21
[36] Ex. 2/T3/S10, p. 21
[37] EB-2015-0003, Ex. G/T2/p. 3

ICM True-ups:

All ICM amounts are subject to a true-up process. This ensures that the actual ICM amounts are the amounts that are recovered from customers. If the Board is inclined to grant any of the ICM relief as requested by Alectra it is important for the Board to indicate that a true-up process will be undertaken. In the ACM Report the Board stated:

> At the next time of the next cost of service or Custom IR application, a distributor will need to file calculations showing the actual ACM/ICM amounts to be incorporated into the test year rate base. At that time, the Board will make a determination on the treatment of any difference between forecasted and actual capital spending under the ACM/ICM, if applicable, and the amounts recovered through ACM/ICM rate riders and what should have been recovered in the historical period during the Price Cap IR plan[38].

Alectra has confirmed that it intends to follow OEB policy and is prepared to file its ICM submissions on a project level basis. If the Board accepts that ICM relief is justified the Council supports reporting on a project level basis.

VII. MONTHLY BILLING:

The Council doubts it was the Board's intent when it mandated monthly billing that the net savings associated with changes to the working capital requirement would not be to the benefit the customers. Effective January 1, 2017, PowerStream transitioned to monthly billing. For Horizon it was in June 2017. Enersource will move to monthly billing in August 2018. The move to monthly billing and savings that result is not a synergy associated with the merger. The move to monthly billing is an OEB requirement and the resulting net savings should flow to the customers, not the shareholders. The Council supports the submissions of SEC, that recommend the tracking and disposal of net monthly billing benefits to customers through a deferral account.

VIII. EFFECTIVE DATE:

The Council submits that the effective date for 2018 rates should be on the first day of the month following the Board's rate order.

IX. COSTS:

The Council requests that it be awarded 100% of its reasonably incurred cost in relation to this proceeding. The Council has worked collaboratively throughout this proceeding with other intervenors and managed its intervention responsibly.

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[38] CCC-7

All of which is respectfully submitted.