



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2017-0373 AND EB-2017-0374

THE CORPORATION OF THE TOWN OF COLLINGWOOD AND EPCOR COLLINGWOOD DISTRIBUTION CORP.

Applications for approval of share acquisition transactions and
related matters

BEFORE: Ken Quesnelle
Presiding Member and Vice-Chair

Christine Long
Member and Vice-Chair

Cathy Spoel
Member

August 30, 2018

TABLE OF CONTENTS

1	INTRODUCTION AND SUMMARY	1
2	THE PROCESS.....	2
3	REGULATORY PRINCIPLES.....	5
	3.1 THE “NO HARM” TEST.....	5
	3.2 OEB POLICY ON RATE-MAKING ASSOCIATED WITH CONSOLIDATIONS	6
4	DECISION ON THE ISSUES.....	7
	4.1 APPLICATION OF THE “NO HARM” TEST.....	7
5	CONCLUSION	15
6	ORDER	16

1 INTRODUCTION AND SUMMARY

This is the Decision of the Ontario Energy Board (OEB) regarding an application filed by the Corporation of the Town of Collingwood (the Town) and EPCOR Collingwood Distribution Corporation¹ (EPCOR) (collectively, the Applicants). The Applicants' application requested that the OEB approve two share purchase transactions that would result in EPCOR becoming the new owner of Collus PowerStream Corporation (CollusLDC), the local electricity distribution company serving Collingwood, Stayner, Creemore and Thornbury. If approved, this transaction would provide EPCOR with ownership of its first electricity distributor in Ontario.

The two sequential share purchase transactions proposed by the Applicants that require OEB approval are as follows. First, the Town proposes to purchase the shares of Collingwood PowerStream Utility Service Corporation (CollusHoldco), the holding company of CollusLDC, that are currently owned by Alectra Utilities Corporation (Alectra Utilities). Second, the Applicants propose that EPCOR will then purchase all of the shares of CollusHoldco from the Town. These transaction approval requests were made pursuant to Section 86 of the *Ontario Energy Act, 1998*² (the Act) which requires a transmitter or distributor to obtain leave of the OEB before disposing of its distribution or transmission system or amalgamating with another corporation.

Additionally, the Applicants seek OEB approval for a one percent reduction in CollusLDC's current electricity distribution rates for residential customers and that this reduction be in effect for the first five years following the transaction.

The application proposes to defer rate rebasing for five years following completion of the transaction. Lastly, the application requests approval to continue to track costs to the regulatory asset accounts currently approved by the OEB for CollusLDC and to seek disposition of their balances at a future date.

The OEB has applied the "no harm" test in assessing this application and has concluded that the proposed transactions meet that test. The OEB therefore approves the application as filed. The OEB also approves the additional requests made by the Applicants as further described in this Decision.

¹ EPCOR Utilities Inc. (EUI) is a corporation incorporated under the laws of the Province of Alberta and is the parent company to EPCOR. EPCOR is a corporation incorporated under the laws of the Province of Ontario.

² S.O. 1998, c. 15 Schedule B

2 THE PROCESS

CollusLDC, a wholly-owned subsidiary of CollusHoldco, has a distribution system that serves 16,864³ residential and general service customers in Collingwood, Stayner, Creemore and Thornbury. Currently, CollusHoldco is owned jointly on a 50:50 basis by the Town and Alectra Utilities.

To facilitate the proposed transaction, the Town intends to purchase Alectra Utilities' 50% interest in CollusHoldco for the purchase price of \$13 million and other terms.⁴ Following that transaction, the Town proposes to sell all of the issued and outstanding shares of CollusHoldco to EPCOR for the purchase price of \$36.8 million. The \$36.8 million purchase price includes a cash payment of \$25 million plus the assumption of debt and working capital. The premium proposed to be paid by EPCOR for CollusHoldco is approximately \$17.1 million. For each of these transactions, the Applicants' seek OEB approval under Section 86 of the Act.

Additionally, the Applicants also seek OEB approval of the following:

- A 1% reduction to the current base residential distribution rate (exclusive of rate riders) to be in effect for the first five years following the transactions.
- To defer the rate rebasing period of CollusLDC for five years from the date of closing of the proposed transactions.
- To continue to track costs to the regulatory asset accounts currently approved for CollusLDC and to seek disposition of their balances at a future date.
- Such further and other relief as the OEB may consider appropriate.

The Applicants have selected a five year deferred rebasing period. During this period, the Applicants state that the rates of customers of CollusLDC will be adjusted using the Price Cap Incentive Rate Mechanism.

Process

The OEB determined that the application would be subject to a combined public hearing and issued a Notice of Application and Hearing on February 13, 2018 inviting interested parties to register as intervenors or file a letter of comment with the OEB. School Energy Coalition (SEC) applied for intervenor status and eligibility for cost awards. The OEB approved SEC and confirmed its eligibility to apply for an award of costs.

³ 2016 OEB Yearbook

⁴ The purchase price is subject to adjustments after closing for working capital, net fixed assets, regulatory accounts and long-term debt.

In Procedural Order No. 1, issued on April 4, 2018, the OEB provided for interrogatories on the application to be filed by April 19, 2018 and responses to be filed by May 3, 2018.

During the interrogatory process, three letters of comment related to the application were received by the OEB.

Letter of Comment #1

Mr. Ian Chadwick submitted a letter of comment on May 2, 2018 citing concerns regarding the level of public engagement in the proposed sale of CollusLDC to EPCOR. On May 11, 2018, Mr. Chadwick submitted an addendum to his May 2, 2018 letter of comment where he highlighted his concerns regarding responses from the Applicants to interrogatories and further expressed his concerns regarding the lack of public involvement in the decision-making process to sell CollusLDC.

Letter of Comment #2

On May 7, 2018, Mr. Kevin Lloyd filed a letter of comment with the OEB citing the lack of business rationale to support or oppose the sale of CollusLDC to EPCOR and conveyed his concerns regarding the transparency of the decision-making process to sell CollusLDC.

Letter of Comment #3

On May 10, 2018, the OEB received a letter of comment from Mr. Rick Lloyd. Similar to the other letters of comment received, Mr. R. Lloyd cited that many of the discussions and decision-making processes to sell CollusLDC were not transparent and did not duly engage the public. As a result, Mr. R. Lloyd expressed his concern regarding the sale of CollusLDC to EPCOR.

Both Mr. Chadwick and Mr. R. Lloyd also requested that the application be put on hold or have the decision delayed until the Town's council judicial inquiry into the 2012 sale of CollusHoldco shares⁵ is completed.

⁵ In OEB Decision and Order EB-2012-0056, dated July 12, 2012, the OEB approved the sale by the Town of 50% of its shares in CollusHoldco to Powerstream Utility Services Corporation (now Alectra Utilities).

The OEB issued responses on May 25, 2018 to the letters of comment received from Mr. Chadwick, Mr. K. Lloyd and Mr. R. Lloyd. In the response letters, the OEB highlighted the scope of review with respect to applications relating to mergers, acquisitions, amalgamations and divestitures (MAADs). Further, the OEB clarified that issues relating to the overall merits or rationale for the Applicants' consolidation plans and the negotiating strategies or positions of the parties to the transaction are not considered in a MAADs application. The transparency of the hearing process for a MAADs application was also highlighted by the OEB in the response letters. Specifically, these letters affirmed that any CollusLDC ratepayer with concerns related to the Applicants meeting of the "no harm" test is free to participate and make related submissions to the OEB.

Procedural Order No. 2 was issued by the OEB on June 1, 2018. In this procedural order, a schedule was set for the filing of submissions and reply submissions. In accordance with Procedural Order No. 2, submissions were filed by OEB staff and SEC on June 18, 2018 while the Applicants provided reply submissions on June 29, 2018.

3 REGULATORY PRINCIPLES

3.1 The “No Harm” Test

The OEB applies the “no harm” test in its assessment of MAADs applications.⁶ The OEB considers whether the “no harm” test is satisfied based on an assessment of the cumulative effect of the transaction on the attainment of its statutory objectives. If the proposed transaction has a positive or neutral effect on the attainment of these objectives, the OEB will approve the application.

The statutory objectives to be considered are those set out in Section 1 of the Act.

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
 - 1.1. To promote the education of consumers.
2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario.
4. To facilitate the implementation of a smart grid in Ontario.
5. To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

While the OEB has broad statutory objectives, in applying the “no harm” test the OEB has focused on the objectives that are most directly relevant to the impact of the proposed transaction, namely, price, reliability and quality of electricity service to customers, as well as the cost-effectiveness, economic efficiency and financial viability of the consolidating utilities.

⁶ The OEB adopted the “no harm” test in a combined proceeding (RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005-0257) as the relevant test for determining applications for leave to acquire shares or amalgamate under section 86 of the Act and it has been subsequently applied in applications for consolidation.

The OEB considers this an appropriate approach, given the performance-based regulatory framework under which regulated entities are required to operate and the OEB's existing performance monitoring framework.

3.2 OEB Policy on Rate-Making Associated with Consolidations

To encourage consolidations, the OEB has put in place policies on rate-making that provide consolidating distributors with an opportunity to offset transaction costs with savings achieved as a result of the consolidation. The OEB's 2015 Report⁷ permits consolidating distributors to defer rebasing for up to ten years from the closing of the transaction. Although the transaction proposed by the Applicants is not a true consolidation, as is further described in latter sections of this Decision, the principle of a deferred rebasing period is none-the-less relevant to this Decision.

The OEB's Handbook⁸ sets out that the extent of the deferred rebasing period is at the option of the distributor and no supporting evidence is required to justify the selection of the deferred rebasing period. Consolidating entities must, however, select a definitive timeframe for the deferred rebasing period. This is to allow the OEB to assess any proposed departure from this stated plan. The Handbook states that when a consolidated entity has opted for a deferred rebasing period, it has committed to a plan based on the circumstances of the consolidation and that if it seeks to amend the deferred rebasing period, the OEB will need to understand whether any change to the proposed rebasing timeframe is in the best interest of customers.

The 2015 Report requires consolidating entities that propose to defer rebasing beyond five years to implement an earnings sharing mechanism for the period beyond five years to protect customers and ensure that they share in increased benefits from consolidation.

⁷ EB-2014-0138 Report of the Board on Rate-making Associated with Distributor Consolidation, March 26, 2015.

⁸ Handbook to Electricity Distributor and Transmitter Consolidation, January 19, 2016, pp. 12-13.

4 DECISION ON THE ISSUES

4.1 Application of the “No Harm” Test

Price and Rate Order

In its review of a consolidation proposal, the OEB reviews the underlying cost structures of the consolidating utilities. The proposed transactions in this application are not a distributor consolidation, per se, but the impact on the customers being acquired by EPCOR must meet the same “no harm” test as would apply for a distributor consolidation transaction. As distribution rates are based on a distributor’s current and projected costs, the OEB has stated that it is important for the OEB to consider the impact of a transaction on the cost structure of the applicants both now and in the future.⁹

The Handbook sets out that if a premium has been paid above the historic value, this premium is not recoverable through distribution rates and no return can be earned on the premium. Shareholders are permitted to recover the premium over time through savings generated from efficiencies of the consolidated entity. The OEB has stated that in considering the appropriateness of the purchase price or the quantum of the premium that has been offered, only the effect of the purchase price on the underlying cost structures and financial viability of the regulated utilities will be reviewed.¹⁰

The Applicants have agreed on two separate, but related, share acquisitions involving the sale of CollusHoldco. In the initial transaction, the Town intends to purchase the respective 50% of the issued and outstanding shares in CollusHoldco owned by Alectra Utilities for the purchase price of \$13 million. In the second transaction, the Applicants propose that the Town will sell all of the issued and outstanding shares of CollusHoldco to EPCOR for \$36.8 million. This includes a cash payment of \$25 million plus the assumption of debt and working capital. The premium to be paid by EPCOR is approximately \$17.1 million.

The Applicants have selected a five-year deferred rebasing period from the closing of the proposed transactions, and have stated that rates for CollusLDC’s customers will be adjusted based on the Price Cap Incentive Rate Mechanism during this period.

EPCOR has proposed a negative rate rider for CollusLDC’s residential customers, the effect of which would be a 1% reduction in residential customers’ base distribution

⁹ Handbook, p. 6

¹⁰ Handbook, p. 8

delivery rates. This negative rate rider would be effective for the first five years following the transaction, although rates would continue to be adjusted by the price cap incentive rate mechanism. The cost of the rate rider, as proposed by EPCOR, is expected to be approximately \$50,000 per year (\$250,000 over the five year period).¹¹ The Applicants have confirmed that they will not seek to recover this in rates and have shown, in response to interrogatories, that this cost is to be recovered from anticipated productivity gains during the deferred rebasing period.¹²

In SEC's submission, it is proposed that the OEB approve the application subject to the condition that the 1% negative rate rider for residential customers be expanded to include all classes of CollusLDC customers.¹³ Further, SEC submitted that it is not the responsibility of the Town to set just and reasonable rates, and it is not their prerogative to allocate the benefits of the transaction between classes of CollusLDC customers.¹⁴ In its reply submission, EPCOR highlighted that the 1% negative rate rider for residential customers was a result of negotiations in the commercial transaction between the Town and EPCOR. EPCOR also submitted that while OEB approval is required for the 1% negative rate rider, the condition of expanding the rider to all classes of CollusLDC customers, as put forth by SEC, should not occur. EPCOR states that the OEB's mandate allows it to examine the transaction before it and that the OEB does not have the authority to affect the terms of a previously negotiated commercial transaction.

In OEB staff submissions, concerns were raised regarding the applicability of the OEB's rate-making policies in the circumstances of the proposed share acquisitions. OEB staff submitted that in the event that rate-making policies in the Handbook should not apply to the subject scenario (since there is no consolidation in the electricity distribution sector arising from this application) an alternative approach needs to be taken. As an alternative, CollusLDC could avail itself to the OEB's Annual Incentive Rate Index (Annual IR) option, where it would file for an annual rate application but not seek the rate increase to base distribution rates that is established by the OEB's formula. In its reply submission, EPCOR stated its view that if the OEB were to develop rate-making policies for new entrants in Ontario's electricity distribution sector, such an undertaking is more appropriately developed through an OEB-initiated process. In the absence of a clear indication that the Handbook and associated rate-making policies should not apply

¹¹ OEB Staff IR 13

¹² OEB Staff IR 1(a)

¹³ SEC Submission at 'Conclusion', p. 5

¹⁴ SEC Submission at 'Price and Rate Order', p. 4

to new entrants, EPCOR further submitted that the Handbook rate-making policies associated with consolidations should apply to the share acquisition by EPCOR.¹⁵

OEB Findings

The OEB has determined that the “no harm” test is the appropriate means to evaluate the transactions proposed in the application. The OEB is satisfied that the proposed transactions meet the “no harm” test and therefore approves both share purchase transactions put forth by the Applicants. Specifically, and pursuant to Section 86 of the Act, the OEB grants approval for the Town to purchase Alectra Utilities’ 50% interest in CollusHoldco. The OEB also grants approval of the Town’s subsequent selling of all issued and outstanding shares of CollusHoldco to EPCOR.

The OEB’s decision regarding the transactions is premised on the evidence submitted by the Applicants.

The OEB does not consider temporary rate decreases proposed by applicants, and other such temporary provisions, to be demonstrative of “no harm” as they are not supported by, or reflective of the underlying cost structures of the entities involved and may not be sustainable or beneficial in the long term.

Specifically, the OEB places importance on understanding how, post rebasing deferral period, the applicants forecast the current costs or rates of the utility will be impacted by the proposed transaction. The purpose of which is to consider the long-term effect of the consolidation and the implications on customers and the financial sustainability of the sector.

In the evidence the Applicants state:

“...EPCOR expects to generate targeted economies and efficiencies as a result of this acquisition. The cumulative impact of these economies and efficiencies are expected to result in a reduced cost structure for CollusLDC over the long term. ***It is expected that this will be reflected in a revenue requirement that is lower than it would have been in the absence of this acquisition when EPCOR files its Rate Application for the period after the five year deferred rebasing period*** [emphasis added].¹⁶”

When applying the “no harm” test to an application, the OEB does not consider if another proposal would provide greater benefit to customers. SEC’s proposal to expand

¹⁵ EPCOR Collingwood Distribution Corp. Reply Submission, p. 4

¹⁶ Application, p. 30

the negative rate rider goes beyond applying the “no harm” test as it goes beyond the proposal put forth by the Applicants. As a result, the OEB will not consider the expansion of the 1% negative rate rider beyond the residential customer class as put forth by SEC.

The OEB accepts EPCOR’s argument on its interpretation of the rate treatment outlined in the Handbook being applicable to this transaction.

Economic Efficiency and Cost Effectiveness

In the review of a MAADs application, the OEB examines the impact that the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity).¹⁷ This review is based on an applicant’s identification of the various aspects of utility operations where it expects sustained operational efficiencies, both quantitative and qualitative. According to the evidence, EPCOR expects to generate targeted economies and efficiencies as a result of the proposed acquisition. OM&A cost savings arising from the proposed transaction of approximately \$185,000 are forecast for 2020, with cost savings expected to rise to \$464,000 by 2024 – relative to the forecasted OM&A costs under the status quo (i.e. in the absence of the transaction).¹⁸ EPCOR submitted that operational efficiencies are expected from a reorganization of CollusLDC leadership and administrative functions. As the transaction proposed in the application is not a physical consolidation, EPCOR notes that no anticipated capital savings are expected.

OEB staff submitted that the proposed transaction can reasonably be expected to result in cost structures that are lower than under the status quo in the long-term. Both EPCOR and the Town are in agreement with OEB staff’s submission and maintain that the effect of the proposed transactions on underlying cost structures will be positive. Specifically, the Applicants contend that customer costs will not increase as a result of the proposed transactions, and that the proposed transactions will have a positive effect on the economic efficiency and cost effectiveness of the utility.¹⁹ OEB staff also submitted that EPCOR should be required to demonstrate, at the time it files a Cost of Service application, how the efficiencies expected from the proposed transaction have resulted in lower costs to serve CollusLDC customers relative to the status quo.

¹⁷ Handbook, p. 8

¹⁸ OEB Staff IR 1(b)

¹⁹ The Corporation of the Town of Collingwood Reply Submission, p. 4

OEB Findings

Based on the Applicants' statement that the economies and efficiencies introduced by the consolidation are expected to result in lower revenue requirements in the future, the Applicants have demonstrated reasonable consideration for the long-term impacts of the transaction on customers.

The OEB has examined the impact that the proposed transaction will have on the economic efficiency and cost effectiveness of CollusLDC, and has determined that the "no harm" test has been met.

The OEB will not require EPCOR to file evidence to demonstrate how the efficiencies expected from the transaction have produced savings in its first Cost of Service Application. The evidence of projected savings in this application support a finding that there is a reasonable expectation that customers will not be harmed in the immediate and long term. The evidence filed in this application will be available to interested parties in a future cost of service application if it is relevant to the rates proposed at that time.

Service Quality and Reliability

In considering the impact of a proposed transaction on the quality and reliability of electricity service, and whether the "no harm" test has been met, the OEB is informed by the metrics provided by the distributor in its annual reporting to the OEB and published in its annual scorecard.²⁰ The Applicants provided SAIFI and SAIDI statistics for CollusLDC²¹ demonstrating acceptable levels of reliability, and also showed that both CollusLDC's and EUI's customer service levels exceed the targets established by their respective regulators. EPCOR stated that it is committed to meet or exceed current CollusLDC reliability standards.²²

When asked through interrogatories by SEC whether the commitment to reliability standards should be a condition of application approval, the Applicants stated that it would be "a more onerous condition than that which any other LDC within Ontario operates".²³ Despite the Applicants' contention, SEC submitted that, with regards to both service quality and reliability measures, CollusLDC should maintain or improve upon its current performance and that these performance objectives should be included

²⁰ Handbook, p. 7

²¹ Application, Figure 8/p. 33 and Figure 9/p. 34

²² Application, p. 13

²³ SEC Submission, p. 3

as a condition of application approval.²⁴ As EPCOR, and its parent EUI are new entrants into the Ontario electricity distribution sector, SEC believes that by making this a condition of approval the OEB would signal the level of commitment and performance that is expected of EPCOR in Ontario.

Through their submission, EPCOR confirmed a commitment to retaining all current CollusLDC staff for two years and EPCOR stated that it has no plans to modify the roles, functions or immediate reporting structure of front-line staff directly responsible for system maintenance, service, and reliability.²⁵ It was also stated that as EPCOR does not currently own an electrical distribution company in Ontario, it expects to retain current employees for a period exceeding the two-year contractual commitment.²⁶ Based on the evidence and interrogatory responses provided, specifically EPCOR's commitment to retaining internal capability and institutional knowledge, OEB staff submitted that EPCOR can reasonably be expected to maintain current service quality and reliability standards.

OEB Findings

The OEB finds that it is reasonable to expect the service levels of CollusLDC to be maintained. To ensure that service levels are maintained following the transaction, the OEB will rely on ongoing monitoring to detect and respond if there is an unacceptable decline in service levels. The condition of approval put forth by SEC that would require EPCOR to meet or exceed both reliability and service quality metrics goes beyond the "no harm" test by compelling an improvement, and is therefore not appropriate.

Financial Viability

During a MAADs proceeding, the impact of a proposed transaction on an acquiring utility's financial viability, or on the financial viability of a consolidated entity in the case of a merger, is assessed by the OEB. The OEB's primary considerations in this regard are the effects of the purchase price, including any premium paid above the historic (book) value of the assets involved and the financing of incremental costs (transaction and integration costs) to implement the consolidation transaction.²⁷

The purchase price agreed upon by the Applicants is \$36.8 million, which includes a premium of \$17.1 million. EPCOR has indicated that incremental transaction and

²⁴ Ibid.

²⁵ This includes field crews, customer service, billing and other customer facing functions.

²⁶ Application, p. 35

²⁷ Handbook, p. 8

transition costs amount to \$760,000, which includes \$300,000 for EPCOR's integration costs and \$360,000 being paid by EPCOR for the Town's transaction costs, redevelopment of the public waterfront lands, and expenses incurred by the Town in connection with the Town's assignment and assumption of financing agreements.

EPCOR stated that EUI will provide funding to complete the share purchase and confirmed that EUI has the financial capacity as the consideration paid will not have a material impact on EUI's financial position. The amount being paid for CollusLDC (\$36.8 million) represents less than 0.4% of EUI's total assets.²⁸

OEB staff noted that the 2019 pro-forma financial statement for CollusLDC filed with the application included one-time transaction costs and reflected a marked increase in interest expense from \$570,000 in the 2016 Financial Statement to \$1.1 million in the pro-forma statement. This observation was questioned by OEB staff through interrogatories. In response, EPCOR restated the 2019 pro-forma financial statement, confirming that it would not include the incremental inter-company debt sourced to fund the premium on CollusLDC's balance sheet. Further, EPCOR confirmed that the restated financial statement did not include any of the transaction costs highlighted earlier.

SEC raised concerns regarding the premium of \$17.1 million that is to be paid in the transaction. SEC submitted that the premium appears to be too large to be recoverable in any way, without resorting to including it in rates, given the current CollusLDC annual income level of \$601,000.²⁹ Also in its submission, SEC noted that it was unable to reconcile the stated premium with the CollusLDC Financial Statements filed with the application. According to SEC, the premium – i.e., the amount paid above the book equity – is in the order of \$2.3 million. SEC submitted that a premium of \$2.3 million would be manageable within the future income statements of CollusLDC, without any impact on rates. The Applicants did not provide a reply argument pertaining to SEC's submission on the premium.

OEB Findings

Given the financial position of EUI, and the Applicants' confirmation that EUI will provide funding to complete the share purchase, the OEB does not consider there to be any inherent risk to the financial viability of CollusLDC post-transaction. As a result, from the perspective of financial viability, the OEB confirms that the "no harm" test has been met.

²⁸ Application, pp. 39-40

²⁹ SEC Submission, p. 2

Assurance that there are no costs related to the premium paid for the acquisition in future rates can be achieved through examination when new rates are proposed.

Other Matters

Distribution System Plan (DSP) and Potential Incremental Capital Module (ICM)

The last Cost of Service review of CollusLDC was for 2013 rates. In 2017, CollusLDC was due to rebase its rates but requested a deferral of rebasing in 2017 due to a need for additional time to prepare its DSP. In 2018, CollusLDC also requested a deferral, owing to the proposed acquisition by EPCOR.³⁰ The application referenced a DSP for 2018-2022 for CollusLDC, which EPCOR has reviewed and finds reasonable.

EPCOR has stated that it may apply for an ICM during the deferred rebasing period, if required. OEB staff submitted that it does not oppose this proposal, however, OEB staff stated that there may be some uncertainty on the availability of the ICM given that the OEB's consolidation policies may not apply for the transactions outlined in this application.

OEB Findings

The OEB has found that its policies outlined in the Handbook³¹ apply to this acquisition transaction. EPCOR may apply for an ICM during the deferral period, however, the filing of its DSP for CollusLDC is a prerequisite to any ICM application.

³⁰ Letters from CollusLDC dated February 22, 2016 and March 1, 2017.

³¹ Handbook, p. 17

5 CONCLUSION

The OEB has determined that the proposed transactions meet the “no harm” test and therefore the OEB approves these transactions.

The OEB also approves the Applicants’ related requests for:

- A 1% rate reduction to base residential distribution rates (exclusive of rate riders) relative to those established through CollusLDC’s 2018 rate setting process (EB-2017-0034).
- A deferral of the rate rebasing period of CollusLDC for five years from the date of closing of the proposed transactions.
- Approval to continue to track costs in the deferral and variance accounts currently approved for CollusLDC and to seek disposition of their balances at a future date.

6 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Town of Collingwood is granted leave to acquire 50% of the issued and outstanding shares of Collingwood PowerStream Utility Service Corporation from Alectra Utilities Corporation.
2. EPCOR Collingwood Distribution Corporation is granted leave to purchase all of the issued and outstanding shares of Collingwood PowerStream Utility Service Corporation from the Town of Collingwood.
3. EPCOR Collingwood Distribution Corporation is granted approval to include a negative rate rider for residential distribution rates on the 2018 OEB approved rate schedules of Collus PowerStream Corporation to give effect to a 1% reduction relative to 2018 base residential distribution rate.
4. EPCOR Collingwood Distribution Corporation is granted approval to defer the rate rebasing of Collus PowerStream Corporation for a five year period following the date of closing of the share acquisition transactions listed as 1 and 2 above.
5. EPCOR Collingwood Distribution Corporation is granted approval to continue to track costs in the deferral and variance accounts currently approved by the OEB for Collus PowerStream Corporation and to seek disposition of their balances at a future date.
6. EPCOR shall file its Distribution System Plan for Collus PowerStream Corporation as a prerequisite to any Incremental Capital Module application.
7. The School Energy Coalition shall file with the OEB and forward to the Applicants its respective cost claim no later than 7 days from the date of issuance of this Decision and Order.
8. The Applicants shall file with the OEB and forward to the School Energy Coalition any objections to the claimed costs of the School Energy Coalition within 17 days from the date of issuance of this Decision and Order.

9. The School Energy Coalition shall file with the OEB and forward to the Applicants any responses to any objections for its cost claim within 24 days from the issuance of this Decision and Order.

10. The Applicants shall pay the OEB's costs of and incidental to, this proceeding immediately upon receipt of the OEB's invoice.

DATED at Toronto August 30, 2018

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary