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BY E-MAIL

October 31, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Alectra Utilities Corporation (Alectra Utilities)
Application for 2019 Electricity Distribution Rates
Ontario Energy Board (OEB) Staff Submission
OEB File No. EB-2018-0016**

In accordance with Procedural Order No. 2, please find attached OEB staff's submission on whether issues should be heard in writing or through an oral hearing for Alectra Utilities' 2019 distribution rate application. This document is also being forwarded to Alectra Utilities and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Donald Lau
Project Advisor – Rates, Major Applications

Encl.

2019 ELECTRICITY DISTRIBUTION RATES

Alectra Utilities Corporation

EB-2018-0016

OEB STAFF SUBMISSION

October 31, 2018

INTRODUCTION

Alectra Utilities Corporation (Alectra Utilities) filed an application with the Ontario Energy Board (OEB) on June 7, 2018 seeking approval for changes to the rates that Alectra Utilities charges for electricity distribution, to be effective January 1, 2019. On September 24, 2018, the OEB issued Procedural Order No. 2 (PO2) which scheduled a settlement conference on October 16 and 17, 2018.

PO2 also established that if there was no settlement proposal arising from the settlement conference, Alectra Utilities shall file a statement to that effect with the OEB and parties shall file submissions on which issues shall be heard in writing, and for which issues the OEB should hold an oral hearing. Currently, there is no issues list but the Notice of Application established that cost awards would be available for issues related to a number of components of the application.

On October 24, 2018, Alectra Utilities filed a letter with the OEB stating that a settlement had not been reached.

As ordered in PO2, OEB staff is submitting on which components of the application should be heard in writing and for which components of the application the OEB should hold an oral hearing.

Proposed Issues

In the absence of an issues list, OEB staff proposes that the issues that need to be decided upon in this application are the following:

- Are the balances and disposition of the deferral accounts related to the change in capitalization policy for each of the Brampton and Enersource rate zones appropriate?
- Is the calculation for the earnings sharing mechanism (ESM) for the Horizon rate zone, including the effect on it from the change in capitalization policy appropriate?
- Are the incremental capital modules (ICM) for each of the Enersource and PowerStream rate zones adequately justified and in accordance with the OEB policies, and if not, are any proposed departures adequately justified?

- Are the Incentive Rate-Setting Mechanism (IRM) application filings for the Brampton, Enersource and PowerStream rate zones in accordance with OEB policies, practices and requirements, and if not, are any proposed departures adequately justified?
- Is the Year 5 Custom IR Update proposed for the Horizon Utilities rate zone complete and in accordance with the framework accepted by the OEB from the settlement proposal¹ and any applicable OEB policies, practices and requirements and, if not, are any proposed departures adequately justified?

OEB staff proposes that the issue related to the change in capitalization for the Brampton and Enersource rate zones be heard by way of oral hearing. In the decision for 2018 rates, the OEB ordered Alectra Utilities to file a proposal in its 2019 rates application for the disposition of the deferral and variance accounts related to the capitalization policy changes for the Brampton and Enersource rate zone.² OEB staff submits that the intricacies of the proposed calculations and the positions of all parties would be made clearer through an oral hearing.

With respect to the ESM for the Horizon rate zone, OEB staff proposes to separate the ESM into two issues:

- The effect on earnings as a result of the change in capitalization policy
- The remaining calculations for the purpose of ESM, as stipulated in the Custom IR approved settlement proposal.

OEB staff submits that the effect on earnings as a result of the change in capitalization policy should be heard by way of oral hearing as there are similar issues with the Brampton and Enersource rate zones. For the remaining calculations for ESM, OEB staff submits this issue should also be heard by way of oral hearing. Although the calculation of ESM, as stipulated in the Custom IR approved settlement proposal, has been dealt with in the past through written hearing³, the circumstances in this particular case are not comparable. Firstly, the methodology and calculations regarding cost allocations from the consolidated entity to the Horizon rate zone were not applicable in prior

¹ EB-2014-0002

² EB-2017-0024 Decision and Order, April 6, 2018, page 82

³ EB-2015-0075 and EB-2016-0077

applications. Secondly, the two components identified above that constitute ESM are too intricately linked to one another to analyze them separately.

With respect to the ICMs for the Enersource and PowerStream rate zones, OEB staff submits that there is adequate evidence on the record for OEB staff to file a written submission but does not object to an oral hearing if other parties wish to ask further questions. OEB staff reserves the right to conduct cross examination after considering new information that may be forthcoming from other parties' cross examination should an oral hearing be convened.

With respect to the IRM applications for the PowerStream, Enersource, and Brampton rate zones, OEB staff notes that these applications are mechanistic in nature. OEB staff submits that these issues require no further discovery and should be heard by way of a written hearing.

Finally, OEB staff submits that the remaining components of the Custom IR update for the Horizon rate zone requires no further discovery and should be heard by way of a written hearing as the updates to the Horizon rate zone are limited and outlined by the Custom IR application, which in the past have been dealt with through a written hearing.⁴

All of which is respectfully submitted

⁴ EB-2015-0075 and EB-2016-0077