

November 2, 2018

EMAIL

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: Application by Alectra Utilities for 2019 Rates and Incremental Capital Funding (EB-2018-0016)

We are counsel to Alectra Utilities in the above noted matter. We are writing in response to the submission by the School Energy Coalition as to the form of hearing in this matter, received yesterday evening after Alectra Utilities had filed its own submission.

ICM. Alectra Utilities' position is that its ICM requests should proceed by way of written hearing. With a few exceptions, SEC accepts that a written hearing is appropriate. It suggests that the YRRT project should proceed to oral hearing and offers its belief that the question of the in-service date for the Barrie TS project and the pacing of the leaking transformers project would "benefit" from oral examination. Yet, aside from one question relating to the Barrie TS, SEC asked no interrogatories regarding any of these projects either pursuant to the Board's schedule or as part of its own "follow-up" package. Where, as here, the Board has afforded parties broad discovery rights, they should not be permitted to rely on their own failure to exercise those rights to justify an oral hearing.

Horizon ESM. Again, it is Alectra Utilities' submission that this matter should proceed by written hearing. SEC disagrees. In support of its submission SEC makes two claims which require response. First, it asserts that Alectra Utilities' has refused to answer interrogatories in relation to its calculation of the ESM. Tellingly, SEC fails to identify which IRs it is referring to. In fact, until receipt of SEC's submission last night Alectra had never seen, been asked to prepare or complete the spreadsheet SEC attached. The fact is that Alectra received a total of 37 questions in relation to this issue and answered those questions, including as to the allocation methodology used to arrive at Horizon's utility earnings. Alectra also explained in answer to a request to provide the full allocation of 2017 rate base between the four rate zones and to reconcile those figures to its audited statements, that its financial data is reported on a consolidated basis and not by rate zone. In Alectra's submission SEC's focus on the ROE of Alectra's other rate zones is fundamentally inconsistent with the MAADs decision in which the

Board held that it, “does not require, nor encourage reporting on a ‘separate’ utility basis.”¹ It is also inconsistent with the Board’s ICM decision in EB-2017-0024 which imposed a company-wide, not rate zone specific materiality threshold.

Second, SEC claims that the Board was “not aware” of the interaction between the ESM and Alectra’s capitalization policy change. Beyond the presumptuousness of the claim, it is demonstrably wrong. This issue was squarely before the Board in EB-2017-0024, as was SEC’s request that the financial impact of the change be excluded from the Horizon ESM. The Board disagreed with SEC. As the Board held, “The approved settlement proposal did not include mandated accounting changes as a reopener, and therefore the OEB will not approve one now. For the remainder of the Custom IR term, the effect on earnings resulting from the change in capitalization policy will be dealt with through the ESM.”[Emphasis added.]²

The OEB should reject SEC’s claims and proceed by way of written hearing with respect to the Horizon ESM.

Finally, SEC submits that the Board should address the capitalization policy change orally. Alectra Utilities agrees. However, Alectra Utilities strongly disagrees with SEC that the Board should revisit its decision in EB-2017-0024 to reject the approach of using Account 1576 to adjust rate base. SEC made this request last year and the Board disagreed with it. The Board created new deferral accounts to capture the difference in revenue requirement (as a result of the capitalization policy change) based on actual costs for OM&A, depreciation, income tax or PILs and return on capital (debt and equity).³ There is nothing “new” to consider as the Board had the impact of the capitalization impact in evidence.⁴

Yours truly,

A handwritten signature in blue ink, appearing to read 'C/S' followed by a stylized flourish.

Crawford Smith

CS/tm

cc: Indy Butany-DeSouza, VP Regulatory Affairs

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¹ Decision and Order, EB-2016-0025, p. 26

² Decision, EB-2017-0024, p. 81

³ Decision and Partial Accounting Order, EB-2017-0024, p. 1; Decision, EB-2017-0024, p

⁴ JT. Staff-7, EB-2017-0024