

Alectra Utilities Corporation

**Application for electricity distribution rates beginning
January 1, 2019**

**DECISION ON CONFIDENTIALITY AND
PROCEDURAL ORDER NO. 3
November 8, 2018**

Alectra Utilities Corporation (Alectra Utilities) filed an application with the Ontario Energy Board (OEB) on June 7, 2018 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B, seeking approval for changes to the rates that Alectra Utilities charges for electricity distribution, to be effective January 1, 2019.

The OEB issued Procedural Order No. 2 (PO2) which scheduled a settlement conference and ordered Alectra Utilities to file a statement if no settlement proposal arose from the settlement conference. The OEB also made provision for parties to file any submissions on which issues shall be heard in writing and which issues the OEB should hold an oral hearing.

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

Between October 30 and November 2, 2018, Alectra Utilities, the Association of Major Power Consumers Ontario (AMPCO), Building Owners and Managers Association (BOMA), Consumers Council of Canada (CCC), Energy Probe Research Foundation (EP), School Energy Coalition (SEC), Vulnerable Energy Consumers Coalition (VECC), and OEB staff filed submissions on which issues should be heard orally and in writing.

Having reviewed the submissions of the parties, the OEB has determined that it will hold an oral hearing for (i) the York Region Rapid Transit (YRRT) Incremental Capital Module (ICM) project and (ii) the Earnings Sharing Mechanism (ESM) for the Horizon rate zone. The OEB has also determined that it will not clear the balances in the capitalization deferral accounts for the Enersource and Brampton rate zones in this 2019 rate proceeding so that additional options can be considered in the 2020 rate proceeding. All other matters will be addressed through written submissions.

Capitalization Policy Change

With respect to the capitalization policy issue, SEC and BOMA submitted that the evidence needs to show the different approaches in calculating the capitalization impact. CCC, EP, and VECC submitted that the evidence, as it stands now, is incomplete. AMPCO, CCC, EP, OEB staff, SEC, and VECC generally agreed that the OEB would benefit from an oral hearing on this issue. Alectra Utilities also supported an oral hearing for the capitalization policy issue.

For the change in capitalization policy affecting the Enersource and Brampton rate zones, the OEB has determined that it is appropriate to assess different options for addressing this issue. Alectra Utilities filed one proposal for this issue in this proceeding, which appears to be clearing the deferral account balances on an annual basis. SEC discussed a couple of different proposals for disposition in its submission, as well as a different approach to calculating balances.

Given that the OEB wants to assess different options, there were two approaches it considered. The first was to direct Alectra Utilities to complete the information requested by SEC to file in this 2019 rate proceeding. The second was to defer consideration of this issue and direct Alectra Utilities to file a comparison of different options and its preferred option in its 2020 rate application. The OEB is adopting the latter approach as it will allow Alectra Utilities sufficient time to consider different options and provide supporting evidence. In developing options, Alectra Utilities is expected to take into consideration options proposed in this proceeding, including options involving adjustments to rate base.

The combined balance from the capitalization deferral accounts for the Enersource and Brampton rate zones is immaterial for 2017, and recording for the Horizon rate zone deferral account does not commence until January 1, 2020¹. The OEB concludes that it is reasonable to defer this issue until the 2020 rate application to facilitate consideration of a range of options. The OEB expects that the 2020 rate application

¹ EB-2017-0025 Decision and Order, April 6, 2018 p.81

will be filed in the spring of 2019 for rates effective January 1, 2020. Alectra Utilities is expected to file a forecast to the end of the deferred rebasing period for all options provided in the 2020 rate application for the Enersource, Brampton and Horizon rate zones.

Earnings Sharing Mechanism

AMPCO, BOMA, CCC, EP, OEB staff, SEC and VECC recommended an oral hearing on the ESM issue. SEC submitted that there is insufficient evidence on the record with respect to the calculation for Horizon's ESM based on the allocation of costs between the Alectra Utilities' rate zones. SEC also identified the interaction between the ESM calculation and the change in capitalization policy as a second issue.

Alectra Utilities submitted that the issue of ESM should be heard through written hearing since this is the third time Alectra Utilities has reported on the ESM since its 2016 annual update to its Custom IR application.

The OEB acknowledges Alectra Utilities' submission that this is the third year of a five-year term in which the ESM is being assessed. This is, however, the first year in which the OEB is examining the allocation of costs from Alectra Utilities to the Horizon rate zone for the purpose of the earnings sharing mechanism, and the first year following the change in capitalization policy. The OEB has therefore concluded that an oral hearing is appropriate for:

- the allocation of costs between Alectra Utilities and the Horizon rate zone
- the interaction between the ESM calculation and the change in capitalization policy

The OEB agrees that it would be helpful to have SEC's Table of Allocation for Calculation of HRZ Earnings Sharing² completed and filed by Alectra Utilities prior to the oral hearing. Written submissions can be made on any other aspects of the ESM.

ICMs for Enersource and PowerStream

A number of parties submitted that the YRRT ICM project would benefit from further exploration at an oral hearing. Issues raised included forecast cost uncertainty and cost sharing. For the other ICM projects, most parties submitted that there was sufficient information on the record to file written submissions. Alectra Utilities disagreed that an oral hearing was required for any of the ICM projects because the request in the current

² Attached to SEC submission, Oct 31, 2018.

proceeding was tailored to respond to the OEB's findings from the 2018 rate proceeding³, and only involves five ICM projects. Alectra Utilities also noted the extent to which it has already provided additional information on the record for these five projects through interrogatories.

The OEB has determined that there will be an oral hearing for the YRRT ICM Project to ensure the record is complete. The OEB agrees with Alectra Utilities that there is significant information on the record already, and expects parties will be focused in their cross-examination. All other ICMs will be addressed through written submissions.

Remaining issues for IRM applications and Custom IR update

OEB staff submitted that the Incentive Rate-Setting Mechanism (IRM) applications for the PowerStream, Enersource, and Brampton rate zones are mechanistic in nature and should be heard by way of written hearing. OEB staff also submitted that the updates for the Horizon rate zone's Custom IR are limited and result from the OEB's decision for the Custom IR application and should be heard by way of written hearing. No other parties submitted on these issues.

The remaining issues for the IRM applications and the Custom IR update are generally mechanistic in nature and are not eligible for cost awards. The OEB will hear these issues in writing. The OEB has scheduled dates for written submissions.

Decision on Confidentiality Request

As part of its interrogatory responses, filed September 17, 2018, Alectra Utilities submitted a Confidentiality Request pursuant to Rule 10 of the OEB's *Rules of Practice and Procedure* and the OEB's *Practice Direction on Confidential Filings*. Alectra Utilities is seeking confidential treatment for information included in the following interrogatory responses:

- Portions of Attachments 1 to 4 of the response to G-Staff-2
- Portions of Attachments 1 to 5 of the response to G-Staff-3
- Portions of Attachment 1 of the response to CCC-1
- Portions of Attachment 1 of the response to CCC-17

Redacted versions of the above documents have been filed and are on the public record.

³ EB-2017-0024

For interrogatories G-Staff-3 and CCC-17, Alectra Utilities has filed un-redacted versions of the documents. Alectra Utilities has stated that the redacted information contains personal information.

With respect to the interrogatory responses to G-Staff-2 and CCC-1, full un-redacted versions of these documents have not been filed with the OEB. Alectra Utilities has stated that for interrogatory G-Staff-2 the redacted information consists of financial information that is not related to the regulated utility business, and therefore is beyond the scope of this application. For interrogatory CCC-1, the attachment is an internal report to Alectra Utilities' Board of Directors. Alectra Utilities has stated that the redacted information relates to regulatory matters that are not relevant to the present application.

Findings

The OEB has determined that the information redacted in the interrogatory responses G-Staff-3 and CCC-17 is personal information. As such, in accordance with OEB Rule 9A.02, neither the un-redacted version of the documents nor the personal information contained in them will be provided to any other party, including a person who has provided a Declaration and Undertaking under the *Practice Direction on Confidential Filings*.

The OEB cannot make a determination on whether the information redacted from the responses to interrogatories G-Staff-2 and CCC-1 is relevant to the current application without first reviewing what has been redacted. Alectra Utilities is therefore ordered to file un-redacted versions of Attachments 1 to 4 of G-Staff-2 and Attachment 1 of CCC-1 with the OEB. The OEB will review the un-redacted information for relevance before determining whether it will accept Declaration and Undertakings from other parties to review the un-redacted documents. If the OEB determines that the un-redacted information is not relevant to this proceeding, the OEB will destroy the un-redacted versions.

It is necessary to make provision for the following matters related to this proceeding.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Alectra Utilities shall complete the Table of Allocation for Calculation of HRZ Earnings Sharing. The completed table is to be filed with the OEB and forwarded to all parties on or before **November 30, 2018**.
2. An oral hearing will be held on **December 5, 2018** starting at 9:30 A.M. at 2300 Yonge Street, 25th floor, Toronto and may continue on **December 6** if necessary. The oral hearing will be limited to YRRT ICM project and the ESM for the Horizon rate zone.
3. OEB staff and intervenors may file written submissions with the OEB on all issues that are not eligible for cost awards, as identified in Procedural Order No. 2, and forward it to all parties on or before **November 23, 2018**.
4. Alectra Utilities shall file its reply submission with the OEB on all issues that are not eligible for cost awards, and forward it to all parties on or before **November 30, 2018**.
5. OEB staff and intervenors may file written submissions with the OEB on all remaining issues (both those from the oral hearing and written issues eligible for cost awards), and forward it to all parties on or before **December 17, 2018**.
6. Alectra Utilities shall file its reply submission with the OEB on all remaining issues, and forward it to all parties on or before **January 9, 2019**.

DATED at Toronto, November 8, 2018

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary