

**IN THE MATTER OF** the *Ontario Energy Board Act*, 1998, being  
Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

**AND IN THE MATTER OF** an Application by Alectra Utilities  
Corporation to the Ontario Energy Board for an Order or Orders  
approving or fixing just and reasonable rates and other service  
charges for the distribution of electricity as of January 1, 2019.

## **REPLY SUBMISSION**

**November 30, 2018**

### **1.0 INTRODUCTION**

Alectra Utilities Corporation (“Alectra Utilities” or the “Applicant”) filed an application with the Ontario Energy Board (“OEB” or the “Board”) on June 7, 2018, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to its electricity distribution rates for each of its Horizon Utilities, Brampton, PowerStream and Enersource rate zones (“RZs”) to be effective January 1, 2019 (the “Application”). The Application was prepared in accordance with the OEB’s *Filing Requirements for Incentive Regulation Rate Applications* (the “Filing Requirements”) and other relevant OEB guidance. In Procedural Order (“PO”) #3, the OEB bifurcated the application such that items that were not eligible for cost awards would proceed by way of written hearing. Alectra Utilities received submissions from OEB Staff and School Energy Coalition (“SEC”) on November 23, 2018. Alectra Utilities observes that the submission by SEC was limited to the commentary from OEB Staff on the interaction between the capitalization policy change and the Capital Investment Variance Account (“CIVA”).

This is Alectra Utilities’ reply submission on the items that were not eligible for cost awards. Alectra Utilities provides its position as it has set out in the evidence, followed by the submission of OEB staff and the parties, as applicable, and followed by Alectra Utilities’ reply submission.

For the reasons that follow, it is Alectra Utilities’ submission that the Application should be approved as filed, and as updated during the proceeding.

## 2.0 OVERVIEW

In April 2016, Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, and PowerStream Inc. filed an application (the “MAADs Application”; EB-2016-0025), pursuant to the OEB’s *Handbook to Electricity Distributor and Transmitter Consolidations*, dated January 19, 2016 (the “MAADs Handbook”), asking for approval to amalgamate to form Alectra Inc. and for Alectra Inc. to purchase and amalgamate with Hydro One Brampton Networks Inc. under section 86 of the *Ontario Energy Board Act 1998*. Alectra Inc. is the parent company of Alectra Utilities.

As indicated in the MAADs Handbook as well as the previously issued *Report of the Board: Rate Making Associated with Distributor and Transmitter Consolidations* dated March 26, 2015, the Alectra Utilities rate zones will continue on their current rate plan terms until such terms expire. Once expired, all rate zones will migrate to the Price Cap Incentive Rate-setting (“Price Cap IR”) option. At its option, Alectra Utilities is permitted to apply for (a) inflationary increases to rates, adjusted for an efficiency factor; and (b) funding of incremental discrete capital projects through the Incremental Capital Module (“ICM”) mechanism.

At present, the Brampton, Enersource and PowerStream RZs are on Price Cap IR for the purpose of setting 2019 electricity distribution rates. The ICM is available to these rate zones.

In this Application, Alectra Utilities has applied for:

1. the Price Cap IR adjustment for the Brampton, Enersource and PowerStream RZs;
2. an annual adjustment for the Horizon Utilities RZ, related to the fourth adjustment in its 2015-2019 Custom IR rate plan term;
3. incremental capital funding for the PowerStream and Enersource RZs; and
4. disposition of its Group 1 Deferral and Variance Accounts by rate zone, relating to variances accumulated in 2017.

With respect to the Price Cap IR adjustments for the Brampton, PowerStream and Enersource RZs, Alectra Utilities completed the IRM Model for each of these rate zones, and updated the Application to include the 2019 IRM Rate Generator Model (“2019 IRM Model”) once it was published by the OEB, and updated in response to interrogatories.<sup>1</sup> The IRM rate adjustments

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<sup>1</sup> Supplementary Interrogatories Q5, October 24, 2018

1 have been prepared in accordance with the updated *Chapter 3 of the Board's Filing Requirements*  
2 *for Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications* (the  
3 “Chapter 3 Filing Requirements”), dated July 12, 2018, including the key OEB reference  
4 documents listed therein, and the *Letter from the Board to Licensed Electricity Distributors re: I.*  
5 *Updated Filing Requirements; and, II. Process for 2019 Incentive Regulation Mechanism (“IRM”)*  
6 *Distribution Rate Applications*, dated July 12, 2018.

7 For the Horizon Utilities RZ, the Settlement Agreement that was approved by the Board in the  
8 Custom IR proceeding (EB-2014-0002) includes agreement that the revenue requirement for each  
9 of the years 2015-2019 would be subject to annual adjustments, effective January 1 of each year.  
10 This is the fourth such annual filing for the Horizon Utilities RZ, made pursuant to and in  
11 accordance with the Decision of the Board in the Custom IR Application and the 2016, 2017 and  
12 2018 annual filings. Alectra Utilities has calculated adjustments to its 2019 revenue requirement  
13 for the Horizon Utilities RZ using the Cost of Service Models and directions provided by the Board  
14 in July 2018 for 2019 filers. Alectra Utilities has used the IRM Model to determine disposition of the  
15 deferral and variance accounts for the Horizon Utilities RZ as of December 31, 2017, and the  
16 LRAMVA workform to determine the disposition of the LRAMVA balance resulting from CDM  
17 activities as of December 31, 2016.

### 18 **3.0 CUSTOM INCENTIVE RATE-SETTING (IR) APPLICATION UPDATE**

19 The Year 5 Custom IR Update for the Horizon Utilities RZ is complete and has been filed in  
20 accordance with the framework accepted by the OEB in the approved Settlement Agreement from  
21 Horizon Utilities' Custom IR Application (EB-2014-0002), and as further articulated in the Board's  
22 Decisions and Orders in Horizon Utilities' 2016 and 2017 Annual Filings, Alectra Utilities' 2018  
23 Annual Filing, as well as applicable OEB policies, practices and requirements. No departures are  
24 proposed.

#### 25 **Background**

26 Horizon Utilities filed a Custom Incentive Rate-setting Application with the OEB on April 16, 2014  
27 (EB-2014-0002) (the “Custom IR Application”), in which it sought approval for five years of  
28 distribution rates effective January 1 of each year from 2015 to 2019. A Settlement Proposal  
29 representing a partial settlement of the issues was filed with the Board on September 22, 2014.  
30 The Settlement Proposal was accepted by the Board on October 10, 2014 and the Decision and

Order on the remaining matters was issued December 11, 2014, for rates effective January 1, 2015.

The approved Settlement Agreement contemplates the filing of annual updates for rates to take effect on January 1 of each year during the Custom IR period. Horizon Utilities filed its second Annual Filing on August 11, 2016, for rates effective January 1, 2017, and the OEB issued its corresponding decision on January 12, 2017. Alectra Utilities filed the third Annual Filing for the Horizon Utilities RZ on July 7, 2017, for rates effective January 1, 2018, and the OEB issued its corresponding decision on April 5, 2018. The present Application includes the fourth Annual Filing for the Horizon Utilities RZ, for distribution rates and other charges to be effective January 1, 2019. This Annual Filing impacts the Applicant's customers in the Cities of Hamilton and St. Catharines. The specific relief sought through this Annual Filing for the Horizon Utilities RZ is set out at p. 3 of Exhibit 2, Tab 1, Schedule 1.

### **Annual Adjustments and Generic Policy Changes**

As discussed in Exhibit 2, Tab 1, Schedule 2, the parties to the Settlement Agreement agreed to certain reopeners that had been proposed in the Custom IR Application. While some of the reopeners have not been triggered for this Annual Filing, the Applicant observes the following.

#### *Generic Policy Changes*

- *Changes to OEB policies on distributor rate design.* Alectra Utilities has incorporated the fourth year transition adjustment in its proposed rates for 2019 for the Horizon Utilities RZ and conducted the analysis on the 10th consumption percentile of energy consuming customers. This adjustment is discussed in further detail Exhibit 2, Tab 1, Schedule 4. OEB staff submits that the method used to calculate the fixed rate is in accordance with the OEB policy and no mitigation is required. Alectra Utilities submits that the final year of fixed rate design transition should be approved for the Horizon Utilities RZ.
- *Accounting framework changes that have a significant impact on the recording of expenses and revenues.* As discussed at p. 2 of Exhibit 2, Tab 1, Schedule 2, Alectra Utilities implemented a new capitalization policy in 2017 (following the consolidation) to align the capitalization policies for the Alectra Utilities rate zones. The OEB established three new deferral accounts to track the change in capitalization policy for the Horizon Utilities, Enersource and Brampton RZs, in Procedural Order No. 3, as part of Alectra Utilities' 2018

EDR Application proceeding. In the EDR Application Decision, the OEB stated that: “*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. Once the Custom IR term ends, the Horizon Utilities RZ will move to Price Cap IR per the MAADs policy, and it will be treated consistently with the Brampton and Enersource RZs. Alectra Utilities shall retain the deferral account opened for Horizon Utilities RZ, however, the first entries to the account shall begin in January 1, 2020*”<sup>2</sup>. The impact of the capitalization policy change on the ESM for the Horizon Utilities RZ is provided in Exhibit 2, Tab 1, Schedule 6. The OEB identified in PO #3 that this item will be disposed of by way of oral hearing on December 5 and 6, 2018.

- *Changes to the revenue allocated to unmetered load customers resulting from changes to the Board’s policies on cost allocation for unmetered loads.* As discussed in Exhibit 2, Tab 1, Schedule 3, on June 12, 2015, the OEB revised its cost allocation policy for street lighting rate class so as to incorporate a “street lighting adjustment factor” (“SLAF”) for allocating costs to street lighting class. The OEB also narrowed the revenue-to-cost ratio (“RCR”) for the street lighting class to 80%-120%.

In its 2016 Annual Filing (EB-2015-0075), Horizon Utilities updated its 2016 cost allocation model with the SLAF. The impact of this update, together with certain other changes, was an increase in the RCR for the street lighting class from 81.35% to 160.09%. In its Decision and Order, the OEB directed that “the implementation of a RCR of 100% for street light class should be phased in, as has been the past practice, starting with a move to 120% for 2016. Moving the RCR to 100% should be done over subsequent years at a reduction of 6.6% per year for three years. This progression will assist in gradually phasing in the change”.<sup>3</sup>

Pursuant to the OEB’s direction to reduce the RCR for the Street Lighting Class from 120% in 2016 by 6.67% per year in each of 2017 to 2019, Alectra Utilities has derived its 2019 rates for the Horizon Utilities RZ using Version 3.4 of the Cost Allocation Model inclusive of the SLAF and the reduction to the RCR from 106.66% in 2018 to 100.00% in 2019. This corresponds to an increase in the RCR of 17.56% as compared to the RCR of 82.44% used in the 2015-2019 Custom IR Decision and prior to the revised Cost Allocation

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<sup>2</sup> EB-2017-0024 p. 81

<sup>3</sup> OEB, Decision and Order re Horizon Utilities Corp. (EB-2015-0075), December 10, 2015, p. 6.

methodology.<sup>4</sup> OEB staff submits that the proposed rate design is consistent with the OEB's decision on the 2016 Custom IR update and the OEB's Policies. Alectra Utilities submits that the RCRs should be approved.

#### *Annual Adjustments*

- *Changes in the Cost of Capital.* This Annual Filing was updated for the 2018 Cost of Capital parameters issued by the OEB on November 23, 2017. On November 22, 2018, the OEB issued the cost of capital parameters for 2019. Alectra Utilities identified in its Application that it would update the parameters once they were available. OEB staff submits that the use of any approved 2019 cost of capital parameters is consistent with the approved settlement proposal. Alectra Utilities submits that it will update these parameters, as applicable, for the Horizon Utilities RZ, when it prepares the Draft Rate Order.
- *Changes to working capital.* Alectra Utilities made changes to the working capital included in rate base for the Horizon Utilities RZ as a result of the changes to the Cost of Power. Changes to the Cost of Power are discussed in Exhibit 2, Tab 1, Schedule 2 and are consistent with OEB policies and directions. The cost of power calculation was provided in response to Interrogatory HRZ-Staff-13. OEB staff submits that the update to the cost of power for working capital is consistent with the approved settlement proposal and the OEB's decision in Alectra Utilities' last application that approved an inflationary adjustment to RPP prices for calculating the cost of power based on the Ontario Consumer Price Index. Alectra Utilities submits that these should be approved.
- *CDM results that vary from plan.* As discussed in more detail under Section 5.0 below, Alectra Utilities has proposed to dispose of the Account 1568 balance in this Annual Filing for the Horizon Utilities RZ. The balance in Account 1568 as at the end of December 31, 2016, as revised in Interrogatory HRZ-Staff-36, filed on September 17, 2018 was \$764,014.
- *Disposition of deferral and variance accounts.* As discussed in more detail under Section 5.0 below, the balance in the Group 1 Deferral and Variance accounts for the Horizon Utilities RZ, as at December 31, 2017, exceeds the threshold test of \$0.0016/kWh. As such, Alectra Utilities requests disposition of the balances as presented in Table 36 of Exhibit 2, Tab 1, Schedule 7, and as revised in the IRM Model filed in response to Supplementary

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<sup>4</sup> Exhibit 2, Tab 1, Schedule 3, p. 6.

Interrogatory Q5. OEB staff submits that the Group 1 DVA balances for the Horizon RZ should be disposed of on an interim basis, in accordance with the OEB letter to the sector dated July 20, 2018<sup>5</sup>. Alectra Utilities disagrees. In its submission, to provide rate certainty to ratepayers and Alectra, it would be preferable to dispose of the Group 1 DVA balances on a final basis now.

- *Any additional annual adjustments as identified by the Board in developing the Custom IR Application process.* The Settlement Agreement included three additional annual adjustments for: an Earnings Sharing Mechanism (“ESM”); a Capital Investment Variance Account (“CIVA”); and an Efficiency Adjustment.
  - *Earnings Sharing Mechanism.* For the purposes of earnings sharing, Alectra Utilities seeks approval for the calculation of its 2017 achieved ROE of 9.714% for the Horizon Utilities RZ. Detailed discussion and calculations are provided in Exhibit 2, Tab 1, Schedule 6, and as revised in response to Interrogatory HRZ-Staff-17. As identified above, this item will be heard by way of oral hearing.
  - *Capital Investment Variance Account.* Alectra Utilities seeks approval of Horizon Utilities’ 2017 capital additions of \$52,393,539 as provided in Table 3 in Exhibit 2, Tab 1, Schedule 2, for the purpose of calculating the 2017 entry to the Capital Investment Variance Account (“CIVA”). This compares to the forecasted capital additions for 2017 of \$45,626,114, which were approved by the Board in Horizon Utilities’ Settlement Agreement for its Custom IR Application (see Settlement Agreement, Table 9, page 33). As actual capital additions were higher than the capital additions forecast in the Custom IR Application, Alectra Utilities has not established or made an entry to the 1508 Sub-account CIVA for the Horizon Utilities RZ.

The 2017 capital additions presented by Alectra Utilities of \$52,393,539, are inclusive of the capitalization policy change that was a result of the consolidation that formed Alectra Utilities. Consistent with the Alectra Utilities capitalization policy, the capital additions are as stated above. OEB Staff submitted that:

*“the premise that any determination made by the OEB in prior rate applications with respect to the calculation of earnings sharing should*

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<sup>5</sup> OEB letter to all rate-regulated licensed electricity distributors – “Re: OEB’s Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts.” July 20, 2018

1           *have any bearing on determining the appropriate calculation of capital*  
2           *additions for the purposes of the CIVA. The circumstances before the*  
3           *OEB that it considered in determining the effect of accounting policy*  
4           *changes in an ESM calculation are not equivalent to those affecting the*  
5           *CIVA calculation. Leveraging an accounting policy change to overstate*  
6           *capital additions in 2017 and beyond has the potential effect to leave*  
7           *ratepayers with less than, or none of, their entitled amounts to be*  
8           *returned had the Alectra Utilities amalgamation not taken place and the*  
9           *former Horizon Utilities remained as a standalone entity.”*

10          This argument by OEB Staff is based on a false premise. Alectra Utilities is neither using  
11          the decision for ESM purposes, nor is it leveraging the accounting policy change to  
12          overstate capital additions. Alectra Utilities is applying the capitalization policy change  
13          consistently, both in its computation of ESM per the OEB’s Decision in the Alectra Utilities  
14          2018 EDR Application (EB-2017-0024) and in its statement of actual capital additions in  
15          2017. The implication OEB Staff’s submission is that the OEB should selectively choose  
16          when it will consider and apply the change in capitalization policy, i.e., it should be  
17          considered for the purposes of calculating earnings and by extension ESM in order to  
18          refund earnings to customers, however not considered in the evaluation of contributions to  
19          rate base. Not only is this selective but it is an asymmetrical and inconsistent application of  
20          the capitalization policy.

21          Finally, if the Board chooses to properly treat the Horizon Utilities RZ as if it remained a  
22          standalone entity, then the OEB should disregard the change in capitalization policy  
23          altogether; reverse the inclusion of that impact in the computation of the HRZ ESM and  
24          close the variance accounts that it has established for the Brampton and Enersource RZs.

25          In any event, the application of the accounting policy change has no impact on the issue  
26          actually before the OEB: whether there is a balance that should be entered into the account  
27          for disposition to ratepayers. Under either accounting policy, there is no balance to be  
28          entered – all parties agree on this fact. Put differently, as actual capital additions were  
29          higher than the capital additions forecast in the Custom IR Application (under either  
30          capitalization policy), contrary to SEC’s submission, there is no reason to defer  
31          consideration of this account.

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- 33          ○ *Efficiency Adjustment.* Based on the Board’s Empirical Research in Support of  
34          Incentive Rate-Setting: 2013 Benchmarking Update for determination of Stretch Factor



Assignments for 2015 dated August 14, 2014, no Efficiency Adjustment should be made to the revenue requirement for the 2019 Rate Year as per the Settlement Agreement. OEB staff agrees with Alectra Utilities that since there is no change to Alectra Utilities' cohort, no Efficiency Adjustment is required. Alectra Utilities has no further submission.

#### *Models*

Alectra Utilities completed and provided a number of live models as part of its Annual Filing for the Horizon Utilities RZ, as detailed in Exhibit 2, Tab 1, Schedule 2 at pp. 16-17. Alectra Utilities has not made any material changes to the approved Work Forms and Models based on the Board's Decision on the Custom IR Application, with the exception of (i) updates to model versions released by the Board; (ii) updates as the result of changes to the Cost of Power flow-through costs and Cost of Capital parameters and (iii) the implementation of the new Cost Allocation Policy. Further, Alectra Utilities used the modified version of the IRM model for the disposition of the DVAs for the Horizon Utilities RZ.

#### **4.0 INCENTIVE RATE-SETTING MECHANISM (IRM) SCHEDULES AND MODELS**

The IRM Model filings for the Brampton, Enersource and PowerStream RZs are in accordance with applicable OEB policies, practices and requirements.

In connection with Alectra Utilities' request for approval of distribution rates and other charges for the Brampton, PowerStream and Enersource RZs pursuant to the Price Cap IR regime, effective January 1, 2019, Alectra Utilities has completed the IRM Model for each of these rate zones, and updated the Application to include the 2019 IRM Model once it was published by the OEB, and updated in response to interrogatories.<sup>6</sup>

This aspect of the Application has been prepared in accordance with the Filing Requirements, including the key OEB reference documents listed therein, and the July 12, 2018 Letter from the Board to Licensed Electricity Distributors re: *I. Updated Filing Requirements; and, II. Process for 2019 Incentive Regulation Mechanism ("IRM") Distribution Rate Applications*. The specific relief sought for the three rate zones is set out in Exhibit 2, Tab 2, Schedule 1 (Brampton RZ), Exhibit 2, Tab 3, Schedule 1 (PowerStream RZ) and Exhibit 2, Tab 4, Schedule 1 (Enersource RZ).

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<sup>6</sup> Supplementary Interrogatories Q5

In EB-2010-0379, the Board contracted Pacific Economics Group Research, LLC (“PEG”) to prepare a report to the Board, entitled *Empirical Research in Support of Incentive Rate Setting in Ontario: Report to the Ontario Energy Board* (the “PEG Report”). The PEG Report established the parameters for use in determining the Price Cap Index for the 4th Generation IRM (now Price Cap IR), including a productivity factor of 0.00%, the approach to determine the Industry Specific Inflation Factor, and the initial stretch factor assignments.

#### *Stretch Factor*

The OEB issued the updated Stretch Factor assignments for 2019 IRM filers on August 23, 2018. In this Application, Alectra Utilities used a Stretch Factor of 0.3% for the Brampton, PowerStream and Enersource RZs, each in accordance with the most recent PEG Report available at the time of filing the Application, which was issued on August 17, 2017. The Stretch Factor assignments for all rate zones remained unchanged in the August 2018 report.

#### *Inflation Factor*

For each of the Brampton, PowerStream and Enersource RZs, the Price Cap Index (determined using the IRM Model for each specific RZ), based on the Board published inflation factor of 1.2%, issued on November 23, 2017, is 0.9%. OEB Staff have identified that the IRM adjustment for 2019 is 1.2% in its November 23 submission. Alectra Utilities submits that it will update the Application to include the 2019 inflation factor in the Draft Rate Order.

#### *Changes to OEB policies on distributor rate design*

Alectra Utilities has incorporated the fourth year transition adjustment in its proposed rates for 2019 for the Enersource and Brampton RZs and the third year transition adjustment in its proposed rates for the PowerStream RZ for fixed rate design. It has also conducted the analysis on the 10<sup>th</sup> consumption percentile of energy consuming customers. This adjustment is discussed in further detail in Exhibit 2, Tab 2, Schedule 3 (Brampton RZ), Exhibit 2, Tab 3, Schedule 3 (PowerStream RZ) and Exhibit 2, Tab 4, Schedule 3 (Enersource RZ). OEB staff submits that the method used to calculate the fixed rate is in accordance with the OEB policy and no mitigation is required. Alectra Utilities submits that the rate design should be approved.

#### **Eligible Investments for Connection of Qualifying Generation Facilities**

In Hydro One Brampton's 2015 Cost of Service Rate Application, the OEB approved Hydro One Brampton's request for funding of Renewable Generation Connection Provincial amounts included in its detailed Distribution System Plan ("DSP"), to be recovered through the IESO in relation to Renewable Enabling Improvement Investments and Renewable Expansion Investments from 2015 to 2019.<sup>7</sup> Alectra Utilities is requesting that it be permitted to collect renewable generation connection funding for the Brampton RZ of \$145,922 in 2019 or \$12,160 per month from all provincial ratepayers.<sup>8</sup>

In the 2016 Custom IR Rate Application, the OEB approved PowerStream's request for the funding of Renewable Generation Connection Provincial amounts included in its detailed DSP, to be recovered through the IESO in relation to Renewable Enabling Improvement Investments and Renewable Expansion Investments from 2016 to 2020.<sup>9</sup> Alectra Utilities is requesting that it be permitted to collect renewable generation connection funding for the PowerStream RZ of \$260,517 in 2019 or \$21,710 per month from all provincial ratepayers.<sup>10</sup>

Enersource filed a basic Green Energy Plan (the "GEA Plan") which was approved by the OEB in Enersource's 2013 Cost of Service Application proceeding.<sup>11</sup> Alectra Utilities is requesting that it be permitted to collect renewable generation connection funding for the Enersource RZ of \$153,726 in 2019, or \$12,810 per month from all provincial ratepayers.<sup>12</sup>

OEB staff submits that Alectra Utilities' renewable generation connection funding requests for the three rate zones have been correctly calculated. Alectra Utilities asks that the 2019 funding amounts be approved.

## **5.0 ACCOUNTING**

Alectra Utilities' proposals for deferral and variance accounts, including the balances in its existing accounts and their disposition are appropriate for the reasons that follow.

### **Disposition of Group 1 Deferral and Variance Account Balances**

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<sup>7</sup> EB-2014-0083, Final Rate Order, January 15, 2015, p.2.

<sup>8</sup> Exhibit 2, Tab 2, Schedule 8.

<sup>9</sup> EB-2015-0003, Decision and Rate Order, September 27, 2016, p. 2.

<sup>10</sup> Exhibit 2, Tab 3, Schedule 7.

<sup>11</sup> EB-2012-0033, Decision and Order, December 13, 2012, p.24.

<sup>12</sup> Exhibit 2, Tab 4, Schedule 8.

Alectra Utilities has requested disposition of its Group 1 Deferral and Variance Accounts by rate zone. The proposed balances relate to variances accumulated in 2017. More particularly, for each of the four rate zones, Alectra Utilities requests disposition of its adjusted Group 1 balances, which have been updated during the proceeding in response to interrogatories and supplementary responses, as follows:

- For Horizon Utilities RZ, Group 1 balances of (\$8,401,287), identified in the updated IRM Model provided in response to Supplementary Response Q5;
- For Brampton RZ, Group 1 balances of (\$2,875,293), identified in the updated IRM Model provided in response to Supplementary Response Q5;
- For PowerStream RZ Group 1 balances of (\$10,435,500), identified in the updated IRM Model provided in response to Supplementary Response Q5; and
- For Enersource RZ Group 1 balances of \$2,918,724, identified in the updated IRM Model provided in response to Supplementary Response Q5.

As discussed in the pre-filed evidence, in order to determine the amount for disposition, Alectra Utilities made the following adjustments to the Group 1 balances for each of the rate zones:<sup>13</sup>

- RPP settlement true-up claims for a given fiscal year that have not been included in the audited financial statements must be identified separately as an adjustment to the balance requested for disposition as directed in the OEB's letter dated May 23, 2017 on the *Guidance on the Disposition of Accounts 1588 and 1589*. As described in the pre-filed evidence, Alectra Utilities followed the OEB direction and made the necessary adjustments<sup>14</sup>;
- Only Class B Capacity Based Recovery ("CBR") amounts are to be disposed of through this rate proceeding as directed by the OEB in its *Accounting Guidance on Capacity Based Recovery* issued July 25, 2016, and Chapter 3 Filing Requirements; and

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<sup>13</sup> Refer Exhibit 2, Tab 1, Schedule 7, for Horizon Utilities RZ ; Exhibit 2, Tab 2, Schedule 5, for Brampton RZ; Exhibit 2, Tab 3, Schedule 5, for PowerStream RZ; Exhibit 2, Tab 4, Schedule 5, for Enersource RZ.

<sup>14</sup> Refer Exhibit 2, Tab 1, Schedule 7, for Horizon Utilities RZ ;Exhibit 2, Tab 2, Schedule 5, for Brampton RZ; Exhibit 2, Tab 3, Schedule 5, for PowerStream RZ; Exhibit 2, Tab 4, Schedule 5, for Enersource RZ.

- Projected carrying charges for each Group 1 Account balance to the proposed rate rider implementation date are included (i.e. the amount for disposition includes 2018 projected carrying charges).

Alectra Utilities has applied the appropriate calculations in determining the disposition threshold for each rate zone:

- For the Horizon Utilities RZ, based on the updated adjusted Group 1 balances, to be (\$0.0016)/kWh, which meets the pre-set disposition threshold of \$0.001/kWh, as identified in the IRM Model provided in response to Supplementary Response Q5;
- For the Brampton RZ, based on the updated adjusted Group 1 balances, to be (\$0.0007)/kWh, as identified in the IRM Model provided in response to Supplementary Response Q5. Although the pre-set disposition threshold of \$0.001/kwh is not met in the Brampton RZ, distributors may elect to dispose of Group 1 balances below the threshold in accordance with Section 3.2.5 of the Chapter 3 Filing Requirements;
- For the PowerStream RZ, based on the updated adjusted Group 1 balances to be (\$0.0013)/kWh, which meets the pre-set disposition threshold of \$0.001/kWh, as identified in the IRM Model provided in response to Supplementary Response Q5; and
- For the Enersource RZ, based on the updated adjusted Group 1 balances to be \$0.0004/kWh, as identified in the IRM Model provided in response to Supplementary Response Q5. Although the pre-set disposition threshold of \$0.001/kwh is not met in the Brampton RZ, distributors may elect to dispose of Group 1 balances below the threshold in accordance with Section 3.2.5 of the Chapter 3 Filing Requirements.

Alectra Utilities has completed Tab 3 - Continuity Schedule of the IRM Model for each of the Alectra Utilities' rate zones.<sup>15</sup> Alectra Utilities has reconciled the Group 1 balances for the Horizon Utilities, Brampton, PowerStream and Enersource RZs filed in the 2017 RRR, section 2.1.7.

Alectra Utilities' April 30, 2018 Reporting and Record Keeping Requirements ("RRR") data for RRR 2.1.5.4, Demand and Revenue, included billing determinant data for the 10 and 11 month post-consolidation period. Alectra Utilities updated the RRR 2.1.5.4 filing on July 24, 2018 to include 12 month billing determinant data by rate zone. The IRM Models filed as part of this Application

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<sup>15</sup> Supplementary Interrogatories Q5.

1 include 12 month billing determinant data for the Horizon Utilities, Brampton, PowerStream and  
2 Enersource RZs.

3 Alectra Utilities relied upon the Board's prescribed interest rates to calculate carrying charges on  
4 the deferral and variance account balances. The prescribed interest rate of 1.5% for Q1 2018 and  
5 1.89% for Q2-Q4 2018 were relied upon to calculate forecasted interest for 2018. On September  
6 14, 2018, the OEB issued the Q4 2018 prescribed interest rate of 2.17%. Alectra Utilities submits  
7 that it will update the carrying charges calculation when it prepares the Draft Rate Order.

8 Alectra Utilities is seeking a one-year disposition period for the Group 1 balances for each of the  
9 Alectra Utilities' rate zones. This approach is consistent with the EDDVAR Report which states that  
10 "the default disposition period used to clear the account balances through a rate rider should be  
11 one year".<sup>16</sup> OEB staff submits that the Group 1 DVA balances should be disposed of on an interim  
12 basis, in accordance with the OEB letter to the sector dated July 20, 2018. Alectra Utilities submits  
13 that the Group 1 DVA balances should be disposed of on a final basis.

#### 14 *Wholesale Market Participants ("WMPs")*

15 WMPs participate directly in the IESO-administered market and settle commodity and market-  
16 related charges directly with the IESO. Alectra Utilities has established separate rate riders to  
17 dispose of the balances in the RSVAs for WMPs for each of the four rate zones. The balances in  
18 Account 1588 RSVA – Power, Account 1580 RSVA – Wholesale Market Service Charge (including  
19 CBR) and Account 1589 RSVA – Global Adjustment have not been allocated to WMPs.

#### 20 *Global Adjustment and Capacity Based Response Disposition*

21 Alectra Utilities has established separate rate riders for each of the four rate zones to dispose of  
22 the global adjustment ("GA") and Capacity Based Response ("CBR") account balances. The GA  
23 rate riders are applicable to non-RPP Class B customers only and the CBR rate riders are  
24 applicable to Class B customers only. Alectra Utilities' Class A customers are invoiced the actual  
25 GA and, as such, none of the variance in the GA account balance should be attributed to these  
26 customers. In the PowerStream RZ, non-RPP Class B interval metered customers are billed based  
27 on the actual GA rate per kWh and, as such, none of the variance in the GA account balance  
28 should be attributed to these customers.

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<sup>16</sup> EDDVAR, p. 6.

As discussed in Exhibit 2, Tab 1, Schedule 7, and updated in the latest IRM model that was filed in response to Supplementary Interrogatory Q5, Alectra Utilities requests disposition of its GA balance of (\$27,392) and its CBR balance of (\$1,986) related to its 36 customers that transitioned from Class B to Class A (effective July 1, 2017), through the bill adjustments identified in the IRM Model for the Horizon Utilities RZ. Alectra Utilities requests disposition of its GA balance of (\$1,207) and its CBR balance of (\$88) related to its one customer that transitioned from Class A to Class B (effective July 1, 2017), through the bill adjustments identified in the IRM Model for the Horizon Utilities RZ. OEB staff submits that Alectra Utilities has properly allocated recovery of the GA and CBR amounts for the Horizon Utilities RZ to the appropriate customers. Alectra Utilities requests that these GA and CBR amounts be approved.

As discussed in Exhibit 2, Tab 2, Schedule 5, and updated in the latest IRM model that was filed in response to Supplementary Interrogatory Q5, Alectra Utilities requests disposition of its GA balance of \$301,700 and its CBR balance of (\$9,930) related to its 72 customers that transitioned from Class B to Class A (effective July 1, 2017), through the bill adjustments identified in the IRM Model for the Brampton RZ. OEB staff submits that Alectra Utilities has properly allocated recovery and refund of the GA and CBR amounts, respectively, for the Brampton RZ to the appropriate customers. Alectra Utilities requests that these GA and CBR amounts be approved.

As discussed in Exhibit 2, Tab 3, Schedule 5, and as updated in the latest IRM model that was filed in response to Supplementary Interrogatory Q5, Alectra Utilities requests disposition of its CBR balance of (\$5,609) related to its 101 customers that transitioned from Class B to Class A (effective July 1, 2017) through the bill adjustments identified in the IRM Model for the PowerStream RZ. OEB staff submits that Alectra Utilities has properly allocated recovery of the CBR amount for the PowerStream RZ to the appropriate customers. Alectra Utilities requests that this CBR amount be approved.

As discussed in Exhibit 2, Tab 4, Schedule 5, and as updated in the latest IRM model that was filed in response to Supplementary Interrogatory Q5, Alectra Utilities requests disposition of its GA balance of \$543,715 and its CBR balance of \$3,766 related to its 74 customers that transitioned from Class B to Class A (effective July 1, 2017) through the bill adjustments identified in the IRM Model for the Enersource RZ. Alectra Utilities requests disposition of its GA balance of \$101,541 and its CBR balance of \$703 related to its two customers that transitioned from Class A to Class B (effective July 1, 2017) through the bill adjustments identified in the IRM Model for the Enersource RZ. OEB staff notes that Alectra Utilities' initial application and Rate Generator Model filed

indicated that it had 74 Enersource RZ customers who qualified as Class A customers effective July 1, 2017. Further, OEB staff notes, that the revised Rate Generator Model provided on October 25, 2018 shows 76 Enersource RZ transition customers. This is incorrect; Alectra Utilities did not make any revisions to the initial filing with respect to transition customers in the Enersource RZ. In the initial filing, Alectra Utilities identified 74 customers that transitioned from Class B to Class A in Tab '6. GA Allocation\_Class A', and two customers that transitioned from Class B to Class A in Tab '6B. GA Allocation\_new Class B', for a total of 76 transition customers. This is consistent with the 76 transition customers identified in Tab '6. Class A Consumption Data' of the Rate Generator Model filed on October 25, 2018. Alectra Utilities identified 74 customers that transitioned from Class B to Class A and 2 customers that transitioned from Class A to Class B. Alectra Utilities requests that these GA and CBR amounts be approved.

For a typical RPP Residential customer consuming 750 kWh per month, the total monthly bill impact of the proposed Group 1 rate riders is as follows:

- For the Horizon Utilities RZ, a decrease of (\$1.88)/month or (1.7%) on the total bill;<sup>17</sup>
- For the Brampton RZ, a decrease of (\$1.65)/month or (1.6%) on the total bill;<sup>18</sup>
- For the PowerStream RZ, a decrease of (\$3.68) /month or (3.4%) on the total bill;<sup>19</sup> and
- For the Enersource RZ, an increase of (\$0.83)/month or (0.8%) on the total bill.<sup>20</sup>

#### **Disposition of LRAM Variance Account**

Alectra Utilities has requested disposition of the balances in its Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") resulting from its Conservation and Demand Management ("CDM") activities as of December 31, 2016 for each of the Horizon Utilities, Brampton, PowerStream and Enersource RZs.

Alectra Utilities' most recent application for the recovery of lost revenues due to CDM activities in the Horizon Utilities RZ was filed in its 2018 EDR Application (EB-2017-0024). In that proceeding, the Board approved Alectra Utilities' request to recover lost revenues from CDM activities in 2013 through 2015. Alectra Utilities' actual savings from CDM activities in the Horizon Utilities RZ for 2016 were above the estimated projections used in the load forecast resulting in an under-

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<sup>17</sup> See updated IRM model filed in response to Supplementary Interrogatory Q5.

<sup>18</sup> See updated IRM model filed in response to Supplementary Interrogatory Q5.

<sup>19</sup> See updated IRM model filed in response to Supplementary Interrogatory Q5.

<sup>20</sup> See updated IRM model filed in response to Supplementary Interrogatory Q5.



1 collection from customers during this period. The total amount requested for disposition in this  
2 Application is a debit of \$764,014 including forecasted carrying charges of \$25,812 through to  
3 December 31, 2018.<sup>21</sup> The total amount in LRAMVA for the Horizon Utilities RZ is above the  
4 materiality threshold, as discussed in Exhibit 2, Tab 1, Schedule 9. OEB staff submits that the  
5 CDM threshold applied by Alectra Utilities is inconsistent with the CDM Guidelines, and that a  
6 threshold of 19.5 million kWh embedded in the load forecast in 2015 should be applied in the  
7 LRAMVA calculation.

8 Alectra Utilities incorrectly applied a threshold of 38.7 million kWh for 2016. However, Alectra  
9 Utilities submits that the 2015 threshold of 19.5 million kWh should not be used for 2016. Horizon  
10 Utilities' Settlement Agreement included load, customer, connection and device forecasts for 2015  
11 through 2019, as provided in the Settlement Agreement, Tables 28 to 32. The load forecast  
12 included a CDM adjustment for each year of the Custom IR plan term as identified in Table 3-6 of  
13 the 2015 CIR Application (EB-2014-0002). The CDM thresholds for 2015 to 2019, as identified in  
14 Table 3-6 are as follows:

- 15 • 19,534,205 kWh for 2015;
- 16 • 19,205,046 kWh for 2016; and
- 17 • 19,129,390 kWh for each of 2017, 2018 and 2019.

18 Alectra Utilities submits that a CDM threshold of 19,205,046 kWh should be used in the LRAMVA  
19 calculation. Alectra Utilities will update the LRAMVA workform for the Horizon Utilities RZ as part of  
20 its Draft Rate Order, to include the 2016 CDM threshold, and an update to the carrying charges  
21 calculation to include the Q4 2018 prescribed interest rate. This results in a revised LRAMVA  
22 amount of \$908,115. Alectra Utilities submits that the revised LRAMVA amount should be  
23 approved.

24 The former Hydro One Brampton's most recent application for the recovery of lost revenues due to  
25 CDM activities was filed in its 2017 IRM Application (EB-2016-0080). In that proceeding, the Board  
26 approved Hydro One Brampton's request to recover lost revenues from CDM activities in 2013  
27 through 2015. Alectra Utilities' actual savings from CDM activities in the Brampton RZ for 2016  
28 were above the estimated projections used in the load forecast resulting in an under-collection  
29 from customers during this period. The total amount requested for disposition in this Application is

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<sup>21</sup> HRZ-Staff-36, Attachment 1.

1 a debit of \$761,731 including forecasted carrying charges of \$25,735 through to December 31,  
2 2018.<sup>22</sup> The total amount in LRAMVA for the Brampton RZ is above the materiality threshold, as  
3 discussed in Exhibit 2, Tab 2, Schedule 9. OEB staff supports the Brampton RZ LRAMVA amount  
4 of \$761,361. Alectra Utilities submits that the LRAMVA amount should be approved, and updated  
5 to include the Q4 2018 prescribed interest rate. This results in an update to the LRAMVA amount  
6 to \$762,247.

7 Alectra Utilities' most recent application for the recovery of lost revenues due to CDM activities in  
8 the PowerStream RZ was filed in its 2018 EDR Application (EB-2017-0024). In that proceeding, the  
9 Board approved Alectra Utilities' request to recover lost revenues from CDM activities in 2014 and  
10 2015. Alectra Utilities' actual savings from CDM activities in the PowerStream RZ for 2016 were  
11 above the estimated projections used in the load forecast resulting in an under-collection from  
12 customers during this period. The total amount requested for disposition in this Application is a  
13 debit of \$2,889,807 including forecasted carrying charges of \$97,905 through to December 31,  
14 2018.<sup>23</sup> The total amount in LRAMVA for the PowerStream RZ is above the materiality threshold,  
15 as discussed in Exhibit 2, Tab 3, Schedule 8. OEB staff supports the PowerStream RZ LRAMVA  
16 amount of \$2,889,807. Alectra Utilities submits that the LRAMVA amount should be approved, and  
17 updated to include the Q4 2018 prescribed interest rate. This results in an update to the LRAMVA  
18 amount to \$2,891,761.

19 Alectra Utilities' most recent application for the recovery of lost revenues due to CDM activities in  
20 the Enersource RZ was filed in its 2018 EDR Application (EB-2017-0024). In that proceeding, the  
21 Board approved Alectra Utilities' request to recover lost revenues from CDM activities for 2011  
22 through 2015. Alectra Utilities' actual savings from CDM activities in the Enersource RZ for 2016  
23 were above the estimated projections used in the load forecast resulting in an under-collection  
24 from customers during this period. The total amount requested for disposition in this Application is  
25 a debit of \$2,008,343 including forecasted carrying charges of \$67,852 through to December 31,  
26 2018.<sup>24</sup> The total amount in LRAMVA for the Enersource RZ is above the materiality threshold, as  
27 discussed in Exhibit 2, Tab 4, Schedule 9. OEB Staff notes a very minor inconsistency in the billed  
28 demand data for streetlights. Alectra Utilities will update the LRAMVA workform for the Enersource  
29 RZ as part of its Draft Rate Order, to include 2016 billed streetlight demand of 45,735 kW, instead  
30 of 45,481 kW, and an update to the carrying charges calculation to include the Q4 2018 prescribed

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<sup>22</sup> BRZ-Staff-46, Attachment 1.

<sup>23</sup> PRZ-Staff-69, Attachment 1.

<sup>24</sup> ERZ-Staff-97, Attachment 1.

1 interest rate. This results in a revised LRAMVA amount of \$2,007,600. Alectra Utilities submits that  
2 the LRAMVA amount should be approved.

3 For each of the rate zones, Alectra Utilities has determined the LRAM amount in accordance with  
4 the Board's *Guidelines for Electricity Distributor Conservation and Demand Management* ("2012  
5 CDM Guidelines"), *Conservation and Demand Management Requirement Guidelines for Electricity*  
6 *Distributors* ("2015 CDM Guidelines") and its *Updated Policy for the Lost Revenue Adjustment*  
7 *Mechanism Calculation: Lost Revenues and Peak Demand Savings from Conservation and*  
8 *Demand Management Programs* ("2016 Updated Policy") for the calculation of LRAMVA in respect  
9 of peak demand savings. Alectra Utilities has completed the 2019 LRAMVA work form provided by  
10 the OEB to calculate the variance between actual CDM savings and forecast CDM savings. In  
11 accordance with the OEB's 2016 Updated Policy on the calculation of peak demand savings,  
12 Alectra Utilities has not included peak demand (kW) savings from Demand Response programs for  
13 the Horizon Utilities, Brampton, PowerStream and Enersource RZs in its lost revenue calculation.

14 In accordance with the Chapter 3 Filing Requirements, Alectra Utilities has provided the following  
15 information as part of its pre-filed evidence:

16 (i) Alectra Utilities has used the most recent input assumptions available at the time of the  
17 program evaluation when calculating its lost revenue amount for each of the four rate  
18 zones;

19 (ii) Alectra Utilities has relied on the most recent and appropriate final CDM evaluation report  
20 from the IESO in support of its lost revenue calculation for each of the four rate zones;<sup>25</sup>

21 (iii) The IESO reports results by program. These only partially map onto rate classes. For  
22 initiatives that apply to more than one rate class, Alectra Utilities estimated the split by rate  
23 class, drawing on participant-specific information where available; and

24 (iv) Alectra Utilities has provided additional data in Tab 8. Street Lighting of the LRAMVA  
25 Model in support of the Street Lighting project savings for the Horizon Utilities,  
26 PowerStream and Enersource RZs. Demand savings for the retrofit streetlight project do  
27 not appear on the IESO's Final Verified Result Report, as the reduction to peak demand  
28 occurs outside the IESO's peak hours.

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<sup>25</sup> The IESO's Final Annual Verified Results for 2016 are filed as Attachment 13 for Horizon Utilities RZ; Attachment 21 for Brampton RZ; Attachment 28 for PowerStream; and Attachment 43 for Enersource RZ.

1 Detailed calculations of the LRAMVA threshold, carrying charges, lost revenue calculations by year  
2 for each rate class are presented in Exhibit 2, Tab 1, Schedule 9, of the pre-filed evidence for the  
3 Horizon Utilities RZ; at Exhibit 2, Tab 2, Schedule 9, of the pre-filed evidence for the Brampton RZ;  
4 at Exhibit 2, Tab 3, Schedule 8, of the pre-filed evidence for the PowerStream RZ; and at Exhibit 2,  
5 Tab 4, Schedule 9, of the pre-filed evidence for the Enersource RZ. The detailed calculations have  
6 been updated based on Alectra Utilities' response to interrogatories HRZ-Staff-36, BRZ-Staff-46,  
7 PRZ-Staff-69 and ERZ-Staff-97.

## 8 **6.0 OTHER MATTERS**

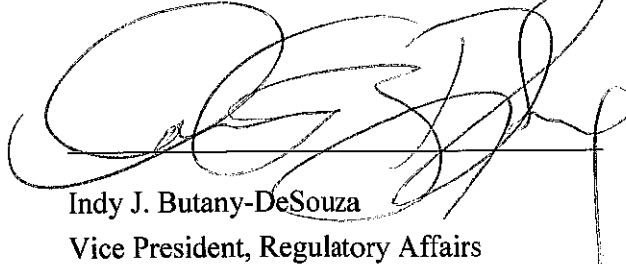
9 In PO #3, the OEB directed Alectra Utilities to complete the Table of Allocation for Calculation of  
10 HRZ Earnings Sharing. The completed table was to be filed with the OEB and forwarded to all  
11 parties on or before November 30, 2018. Alectra Utilities has included the Table of Allocation for  
12 Calculation of HRZ Earnings Sharing as Attachment 1 to this reply submission.

## 13 **7.0 CONCLUSION**

14 For the reasons identified above, Alectra Utilities submits that its electricity distribution rates should  
15 be approved as filed, or as revised.

All of which is respectfully submitted this 30<sup>th</sup> day of November, 2018.

**ALECTRA UTILITIES CORPORATION**



Indy J. Butany-DeSouza  
Vice President, Regulatory Affairs

**Attachment 1 - Table of Allocation for Calculation of HRZ  
Earnings Sharing**

Table 1: Allocations for Calculation of HRZ Earnings Sharing

	Rate Zone	Revised ESM		Rate Zones				
Category	Actual/Allocation	HRZ- Staff #17	Total Alectra	HRZ	BRZ	ERZ	PRZ	Explanation / Reference
Alectra Direct Allocations								
Cost of Power	Actual	\$ 510,177,988	\$ 2,776,778,326	\$510,177,988	\$468,678,841	\$791,265,940	\$1,006,655,557	
Distribution Revenues	Actual	\$ 113,495,042	\$ 521,314,962	\$113,495,042	\$ 74,436,566	\$ 131,932,386	\$ 201,450,968	
Other Revenue	Actual	\$ 5,300,163	\$ 32,013,512	\$5,300,163	\$ 4,450,643	\$ 6,318,438	\$ 15,944,267	
Alectra OM&A - Direct Allocations:								
OM&A	Actual	\$ 5,266,751	\$ 29,971,130	\$ 5,266,751	\$ 6,398,891	\$ 6,321,238	\$ 11,984,250	
Alectra OM&A - Formula Allocations:								
Distribution - Operations	Allocation	\$ 13,707,080	\$ 55,776,105	\$ 13,631,915	\$ 7,035,318	\$ 13,604,287	\$ 21,504,585	Alectra (11/10 months) allocation for OM&A based on historical 3 year average based of legacy utilities (2014-2016), excluding merger related costs.
Distribution - Maintenance	Allocation	\$ 6,800,274	\$ 27,671,305	\$ 6,762,983	\$ 3,490,320	\$ 6,749,277	\$ 10,668,725	
Billing & Collecting	Allocation	\$ 10,828,049	\$ 44,060,911	\$ 10,768,672	\$ 5,557,622	\$ 10,746,847	\$ 16,987,770	
Community Relations	Allocation	\$ 750,496	\$ 3,053,879	\$ 746,381	\$ 385,201	\$ 744,868	\$ 1,177,429	
Administrative & General Expenses	Allocation	\$ 23,670,282	\$ 96,317,830	\$ 23,540,483	\$ 12,149,048	\$ 23,492,774	\$ 37,135,526	
Property Taxes & Donations	Allocation	\$ 754,782	\$ 3,071,318	\$ 750,643	\$ 387,401	\$ 749,122	\$ 1,184,153	
Net Merger Costs	Allocation	\$ (495,777)	\$ (2,032,671)	\$ (495,777)	\$ (256,391)	\$ (496,802)	\$ (783,701)	
Total OM&A Formula Allocations		\$ 56,015,186	\$ 227,918,678	\$ 55,705,300	\$ 28,748,518	\$ 55,590,373	\$ 87,874,487	Ref. Exhibit 2, Tab 1, Schedule 6, Table 28
Total Alectra OM&A		\$ 61,281,937	\$ 257,889,808	\$ 60,972,051	\$ 35,147,409	\$ 61,911,611	\$ 99,858,737	
Rate Base								
Opening Net Fixed Assets - Direct Allocations	Actual	\$ 436,391,621	\$ 2,376,442,007	\$ 436,391,621	\$ 350,797,724	\$ 664,020,095	\$ 925,232,567	
Capital Additions - Direct Allocations								
Distribution Plant	Actual	\$ 51,430,152	\$ 300,110,508	\$ 51,430,152	\$ 35,770,525	\$ 56,468,245	\$ 156,441,586	
Capital Additions - Formula Allocations								
General Plant	Allocation	\$ 2,833,456	\$ 14,313,050	\$ 2,833,456	\$ 714,171	\$ 7,426,596	\$ 3,338,827	Ref. Exhibit 2, Tab 1, Schedule 6, Table 33
Merger Capital Net Savings	Allocation	\$ 2,891,170	\$ 17,174,112	\$ 2,891,170	\$ 3,941,707	\$ 1,199,302	\$ 9,141,933	Ref. Exhibit 2, Tab 1, Schedule 6, Table 33
Depreciation - Direct Allocations								
Distribution Plant	Actual	\$ 15,231,321	\$ 89,752,970	\$ 15,231,321	\$ 12,422,030	\$ 23,222,853	\$ 38,876,766	
Depreciation - Formula Allocations								
General Plant	Allocation	\$ 7,020,923	\$ 31,244,277	\$ 7,020,923	\$ 4,749,606	\$ 10,005,323	\$ 9,468,425	Ref. Exhibit 2, Tab 1, Schedule 6, Table 29
	Actual	\$ 1,629,843	\$ 7,807,008	\$ 1,629,843	\$ 843,961	\$ 1,563,803	\$ 3,769,401	
Work in Progress		\$ 3,158,696	\$ 21,287,460	\$ 3,158,696	\$ 460,295	\$ 1,468,007	\$ 16,200,462	
Capital Contributions	Actual	\$ 4,761,239	\$ 61,155,634	\$ 4,761,239	\$ 11,891,967	\$ 3,733,074	\$ 40,769,354	
Closing Net Fixed Assets		\$ 461,744,377	\$ 2,496,792,328	\$ 461,744,377	\$ 360,856,268	\$ 689,121,178	\$ 985,070,505	
Average NFA for Rev. Req. Purposes		\$ 449,067,999	\$ 2,436,617,168	\$ 449,067,999	\$ 355,826,996	\$ 676,570,637	\$ 955,151,536	
Working Capital Allowance Rate		12.00%		12.00%	13.00%	13.50%	7.50%	
Working Capital Allowance		\$ 68,575,191	\$ 332,202,959	\$ 68,538,005	\$ 65,497,412	\$ 115,178,969	\$ 82,988,572	
Total Rate Base		\$ 517,643,190	\$ 2,768,820,126	\$ 517,606,004	\$ 421,324,408	\$ 791,749,606	\$ 1,038,140,108	
Regulatory Net Income before interest & tax		\$ 33,631,181	\$ 166,634,411	\$ 33,941,067	\$ 25,724,203	\$ 41,547,234	\$ 65,421,906	
Regulatory Deemed Debt		\$ 10,427,077	\$ 71,653,874	\$ 10,426,328	\$ 14,692,458	\$ 23,232,974	\$ 23,302,114	Cost of Capital Calculation - See Table 2
Regulatory Net Income before tax		\$ 23,204,103	\$ 94,980,536	\$ 23,514,739	\$ 11,031,746	\$ 18,314,261	\$ 42,119,792	
ESM Adjustments per Settlement Agreement		\$ 487,232	\$ 487,232	\$ 487,232	\$ -	\$ -	\$ -	Reference Table 20 ESM Adjustments
PILs		\$ 3,578,190	\$ 13,482,778	\$ 4,194,008	\$ 1,593,953	\$ 728,387	\$ 6,966,430	Categories set out in HRZ-Staff-21 - See Table 3
Regulatory Net Income		\$ 20,113,145	\$ 81,984,990	\$ 19,807,963	\$ 9,437,793	\$ 17,585,874	\$ 35,153,362	
Regulatory Deemed Equity		\$ 207,057,276	\$ 1,107,528,050	\$ 207,042,401	\$ 168,529,763	\$ 316,699,842	\$ 415,256,043	
Regulatory ROE		9.714%	7.40%	9.567%				
Per Annual Filing EB-2016-0077		8.780%		8.780%				
Return in Excess		\$ 1,933,516		\$ 1,629,640				
Amount Payable to Ratepayers		\$ 966,758		\$ 814,820				

Table 2: Capitalization / Cost of Capital 2017 Actual (12 Months)

Horizon							
	Actual Rate Base			\$ 517,606,004			
		(%)		(\$)	(%)		(\$)
	Debt						
8	Long-term Debt	56.00%		\$289,859,362	3.47%		\$10,061,934
9	Short-term Debt	4.00%		\$20,704,240	1.76%		\$364,395
10	Total Debt	60.00%		\$310,563,602	3.36%		\$10,426,328
	Equity						
11	Common Equity	40.00%		\$207,042,401	8.78%		\$18,178,323
12	Preferred Shares	0.00%		\$ -	0.00%		\$ -
13	Total Equity	40.00%		\$207,042,401	8.78%		\$18,178,323
14	Total	100.00%		\$517,606,004	5.53%		\$28,604,651

PowerStream							
	Actual Rate Base			\$ 1,038,140,108			
		(%)		(\$)	(%)		(\$)
	Debt						
8	Long-term Debt	56.00%		\$581,358,461	3.88%		\$22,571,264
9	Short-term Debt	4.00%		\$41,525,604	1.76%		\$730,851
10	Total Debt	60.00%		\$622,884,065	3.74%		\$23,302,114
	Equity						
11	Common Equity	40.00%		\$415,256,043	8.78%		\$36,459,481
12	Preferred Shares	0.00%		\$ -	0.00%		\$ -
13	Total Equity	40.00%		\$415,256,043	8.78%		\$36,459,481
14	Total	100.00%		\$1,038,140,108	5.76%		\$59,761,595

Enersource							
	Actual Rate Base			\$ 791,749,606			
		(%)		(\$)	(%)		(\$)
	Debt						
8	Long-term Debt	56.00%		\$443,379,779	5.09%		\$22,574,238
9	Short-term Debt	4.00%		\$31,669,984	2.08%		\$658,736
10	Total Debt	60.00%		\$475,049,764	4.89%		\$23,232,974
	Equity						
11	Common Equity	40.00%		\$316,699,842	8.93%		\$28,281,296
12	Preferred Shares	0.00%		\$ -	0.00%		\$ -
13	Total Equity	40.00%		\$316,699,842	8.93%		\$28,281,296
14	Total	100.00%		\$791,749,606	6.51%		\$51,514,270

Brampton							
	Actual Rate Base			\$ 421,324,408			
		(%)		(\$)	(%)		(\$)
	Debt						
8	Long-term Debt	56.00%		\$235,941,669	6.07%		\$14,328,433
9	Short-term Debt	4.00%		\$16,852,976	2.16%		\$364,024
10	Total Debt	60.00%		\$252,794,645	5.81%		\$14,692,458
	Equity						
11	Common Equity	40.00%		\$168,529,763	9.30%		\$15,673,268
12	Preferred Shares	0.00%		\$ -	0.00%		\$ -
13	Total Equity	40.00%		\$168,529,763	9.30%		\$15,673,268
14	Total	100.00%		\$421,324,408	7.21%		\$30,365,726

ALECTRA							
	Actual Rate Base			\$ 2,768,820,126			
		(%)		(\$)	(%)		(\$)
	Debt						
8	Long-term Debt	56.00%		\$1,550,539,271	4.48%		\$69,535,869
9	Short-term Debt	4.00%		\$110,752,805	1.91%		\$2,118,005
10	Total Debt	60.00%		\$1,661,292,076	4.31%		\$71,653,874
	Equity						
11	Common Equity	40.00%		\$1,107,528,050	8.90%		\$98,592,367
12	Preferred Shares	0.00%		\$ -	0.00%		\$ -
13	Total Equity	40.00%		\$1,107,528,050	8.90%		\$98,592,367
14	Total	100.00%		\$2,768,820,126	6.15%		\$170,246,242

Table 3: Reconciliation of additions / (deductions) for tax

		11 months: (February 1 - December 31, 2017)						
	AUC - LDC Provision IFRS	Per Original Filing HRZ Portion	HRZ - Staff #21 Revised HRZ Portion	ERZ	BRZ	PRZ	Non-Regulated, MIFRS & Merger	Allocation Basis
Net Income before tax	99,454,037							
<b>Additions:</b>								
Interest and penalties on taxes	75,819					75,819		
Amortization of tangible assets	116,773,494	21,953,638	20,355,959	30,375,678	14,386,972	48,344,970	3,309,915	From ESM depreciation calculation
Derecognition expense	5,635,328	1,564,672	1,564,672	1,737,468	678,504	1,654,684		HRZ specific
Non-deductible club dues and fees	140,792	34,410	34,410	34,339	17,754	54,290		OM&A %
Non-deductible meals	235,230	57,490	57,490	57,373	29,663	90,705		OM&A %
Non-deductible automobile expenses	15,452	3,776	3,776	3,769	1,948	5,958		OM&A %
Amortization	265,786	-	-				265,786	Not Attributable to HRZ
Non-deductible reserves - closing	80,364,899	30,754,715	30,754,715	7,831,661	5,514,859	26,276,409	9,987,254	HRZ specific
Capital Items Expensed	140,000	140,000	140,000					HRZ specific
Debt issuance cost	102,227	-	-	102,227				Not Attributable to HRZ
Interest on capital lease - building	957,924	234,117	-			957,924		Not Attributable to HRZ
12(1)(x) income on capital contributions	61,886,099	4,687,789	4,687,789	4,590,989	11,891,968	40,715,354		HRZ specific
Total Additions	266,593,050	59,430,607	57,598,811	44,733,504	32,521,668	118,176,112	13,562,955	
<b>Deductions:</b>								
Accounting loss (gain) on sale of assets	(518,417)	(368,527)	(368,526)	(47,115)	(9,042)	(93,733)		HRZ specific
Reverse book income on joint venture	(121,856)	-	-			(121,856)		Not Attributable to HRZ
Removal Costs (Included in deprecation above; deductible for tax)	(94,469)	-	-		(94,469)			Not Attributable to HRZ
SR&ED and Apprenticeship ITCs	(460,402)	6,285	6,285	(466,687)				HRZ specific
CCA	(165,769,927)	(29,755,422)	(29,755,422)	(42,446,887)	(18,731,641)	(62,239,337)	(12,596,640)	HRZ specific
Capitalized Interest (AFUDC) (income recorded in P&L)	(2,668,430)	-	(306,323)	(480,683)	(342,153)	(1,539,272)		HRZ specific
Deductible OMERS contributions 20.1(q); capitalized for accounting	(223,631)	-	-		(223,631)			Not Attributable to HRZ
Less: Amortization of deferred revenue (IFRS)	(6,510,214)	-	-				(6,510,214)	Not Applicable
Stranded Meter Rate Rider applied against UCC	(2,438,301)	-	-				(2,438,301)	Not Attributable to HRZ
13(7.4) election	(61,886,099)	(4,687,789)	(4,687,789)	(4,590,989)	(11,891,968)	(40,715,354)		HRZ specific
Non-deductible - opening	(76,554,199)	(34,443,812)	(34,443,812)	(7,145,433)	(5,223,726)	(23,963,454)	(5,777,774)	HRZ specific
Cash payment on capital leases	(1,310,752)	(320,348)	-			(1,310,752)		Not Attributable to HRZ
20(1)( e)	(233,437)	-	-	(44,128)	(8,583)	(180,726)		Not Attributable to HRZ
Regulatory Balance Movement - Energy Accounts	(9,693,160)	-	-				(9,693,160)	Not Applicable
Accounting accrual for ITCs	(800,000)	-	(195,520)	(195,120)	(100,880)	(308,480)		OM&A %
Total Deductions	(329,283,295)	(69,569,612)	(69,751,106)	(55,417,042)	(36,626,092)	(130,472,964)	(37,016,090)	
Total	36,763,792	(10,139,005)	(12,152,295)	(10,743,500)	(4,104,424)	(12,296,852)	(23,393,172)	
Donation carryforward utilization	(1,185,131)							
Loss utilization	35,578,661							
	(35,578,661)							
	-							
	26.50%							
Current Tax Expense	-							
One-time adjustments to current tax for prior years	(28,065)	[A]						
Deferred Tax Expense	28,506,495	[A]						
Total IFRS Tax Expense	28,478,430	SUM OF [A]						