

December 7, 2018

**VIA RESS AND COURIER**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
26th Floor, Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli;

**RE: ALECTRA UTILITIES – ANNUAL FILING UNDER BOARD-APPROVED CUSTOM INCENTIVE RATE SETTING (“CIR”) AND INCENTIVE REGULATION MECHANISM (“IRM”) EFFECTIVE JANUARY 1, 2019 (EB-2018-0016) – RESPONSES TO ORAL HEARING UNDERTAKINGS AND SETTLEMENT PROPOSAL**

Pursuant to the Ontario Energy Board’s (“OEB” or the “Board”) Procedural Order No. 3, an Oral Hearing was convened on December 5 and 6, 2018 to address the York Region Rapid Transit (“YRRT”) Incremental Capital Module (“ICM”) project and the Earnings Sharing Mechanism (“ESM”) for the Horizon Utilities Rate Zone (“RZ”).

Alectra Utilities is writing to inform the Board that a settlement was reached between Alectra Utilities and the parties on the ESM for the Horizon Utilities RZ. The Settlement Proposal that was filed as part of the Oral Hearing on December 6 as Exhibit K.2.1 is included herewith as Attachment 1.

In addition, Alectra Utilities is filing responses to undertakings J1.4 and J1.5 arising from the Oral Hearing as Attachment 2. Alectra Utilities expects to file the remaining undertakings early next week. The undertaking responses and Settlement Proposal are being filed electronically through the OEB’s RESS system. In addition, two hard copies are being provided via courier.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

***[Original Signed By]***

Indy J. Butany-DeSouza, MBA  
Vice President, Regulatory Affairs  
Alectra Utilities Corporation

cc: Crawford Smith, Torys  
Charles Keizer, Torys

# **ATTACHMENT 1 ALECTRA UTILITIES CORPORATION SETTLEMENT PROPOSAL**

**EB-2018-0016**

**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.

**ALECTRA UTILITIES CORPORATION**

**SETTLEMENT PROPOSAL**

**DECEMBER 6, 2018**

## **Alectra Utilities Corporation**

**EB-2018-0016**

### **Settlement Proposal**

**Filed with OEB:** December 6, 2018

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*, (the “Act”) seeking approval for changes to its electricity distribution rates (“EDR”) for each of its Horizon Utilities, Brampton, PowerStream and Enersource rate zones (“RZs”) to be effective January 1, 2019 (the “Application”).

In its Notice of Application and subsequent Procedural Order (“PO”) #2, the OEB identified that the following issues would be eligible for cost recovery:

- the balances and disposition of the deferral accounts related to the change in capitalization policy for each of the Brampton and Enersource rate zones;
- the earnings sharing mechanism for the Horizon rate zone, including the effect on it from the change in capitalization policy; and
- the increment capital modules for each of the Enersource and PowerStream rate zones.

Subsequently, in PO #3, the Board ordered that the first issue identified above would be addressed in Alectra Utilities’ 2020 EDR Application. Specifically, the Board stated:

*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<sup>1</sup>.*

Also in PO #3, in relation to the Horizon Rate Zone (“HRZ”) Earnings Sharing Mechanism (“ESM”), the Board concluded that it would hold an oral hearing on two items: i) the allocation of costs between Alectra Utilities and the Horizon rate zone; and ii) the interaction between the HRZ ESM calculation and the change in capitalization policy.

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<sup>1</sup> EB-2018-0016 – Decision on Confidentiality and Procedural Order No. 3, dated November 8, 2018, p.2

The Board commenced an oral hearing on December 5, 2018. All intervening parties approved by the OEB in the proceeding were in attendance. Specifically, the attendees were the: Association of Major Power Consumers of Ontario (“AMPCO”); Building Owners and Managers Association (“BOMA”); Consumers Council of Canada (CCC); Energy Probe; School Energy Coalition (“SEC”); and Vulnerable Energy Consumers Coalition (“VECC”). Board staff also attended the oral hearing.

Alectra Utilities and the Intervenors are collectively referred to below as the “Parties”.

Shortly after the start of the oral hearing, the Parties participated in a settlement conference for the purpose of resolving the most effective approach to addressing the issues related to the HRZ ESM, as set out above.

The Parties agree that the allocation of costs between Alectra Utilities rate zones to determine the HRZ ROE and thus the ESM for 2017; and the interaction between the calculation and the change in capitalization policy, should be deferred to the 2020 EDR Application proceeding. These items would be heard at the same time as the Board considers the balances and disposition of the deferral accounts related to the change in capitalization policy for each of the Brampton and Enersource rate zones. The Parties believe their suggested approach will promote regulatory efficiency. The issues should be discussed and debated once, at the same time, to the benefit of the Board and the Parties. In addition, while the 2017 and 2018 ESM would be dealt with in the same proceeding, they would be dealt with as separate calculations, but the process would still achieve some regulatory efficiency by allowing the Parties and the Board to deal with the cost allocation issues, many of which will be common from year to year, all at once.

This document is called a “Settlement Proposal” because it is a proposal by the Parties to the Board to settle the issue identified above. It is termed a proposal as between the Parties and the Board. However, as between the Parties, and subject only to the Board’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. This agreement is subject to a condition subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the Parties it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the Act, the Board has exclusive jurisdiction with respect to the interpretation and enforcement of the terms hereof.

The Parties acknowledge that the settlement conference is confidential in accordance with the Practice Direction on Settlement Conferences. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the Board’s Practice Direction on Confidential Filings, and the rules of that latter document do not apply. Instead, in this settlement conference, and in this Agreement, the Parties have interpreted “confidential” to mean that the information provided during the course of the settlement conference, are strictly privileged and without prejudice.

Based on the foregoing, the Parties agree that this Settlement Proposal is appropriate and recommend its acceptance by the Board.

# **ATTACHMENT 2**

# **ORAL HEARING UNDERTAKINGS**

#### J.1.4

Refile Table 2 of PRZ-AMPCO 1 to correct table headings.

#### Response:

The updated Table 2 included in Alectra Utilities' response to PRZ-AMPCO-1 with corrected table headings is provided, below.

**PRZ-AMPCO-1 – Table 2**

Circuit Length (km)	Previous Forecast		Current Forecast		Previous Forecast		Current Forecast	
	2018 Underground	2018 Overhead	2018 Underground	2018 Overhead	2019 Underground	2019 Overhead	2019 Underground	2019 Overhead
	km Relocation	km Relocation	km Relocation	km Relocation	km Relocation	km Relocation	km Relocation	km Relocation
Y2.1	1.54	2	4.59	0	0	0	7.77	6.42
Y2.2	0	0	6.29	1.05	0	0	0	0
H2-East	0	10.6	0.28	12.94	0.28	4.16	0	0
H2-West	2.9	7.13	0	6.18	1.36	2.7	3.29	1.98
Total	4.44	19.73	11.16	20.17	1.64	6.86	11.06	8.4



### J.1.5

#### **Provide reference to project specific true-up from pre-filed evidence.**

#### **Response:**

1 In response to Interrogatory BOMA-7 (e), Alectra Utilities identified that the Incremental Capital  
2 Module (“ICM”) true-up would be in accordance with the Ontario Energy Board’s (“OEB”) ICM  
3 policy. Section 7.4 of the *Report of the Board – New Policy Options for the Funding of Capital*  
4 *Investments: The Advanced Capital Module*, dated September 18, 2014, states that:

5  
6 *“At the time of the next cost of service or Custom IR application, a distributor will*  
7 *need to file calculations showing the actual ACM/ICM amounts to be incorporated*  
8 *into the test year rate base. At that time, the Board will make a determination on*  
9 *the treatment of any difference between forecasted and actual capital spending*  
10 *under the ACM/ICM, if applicable, and the amounts recovered through ACM/ICM*  
11 *rate riders and what should have been recovered in the historical period during*  
12 *the preceding Price Cap IR plan term. Where there is a material difference*  
13 *between what was collected based on the approved ACM/ICM rate riders and*  
14 *what should have been recovered as the revenue requirement for the approved*  
15 *ACM/ICM project(s), based on actual amounts, the Board may direct that over- or*  
16 *under-collection be refunded or recovered from the distributor’s ratepayers.”*  
17

18 This issues was explored in Alectra Utilities’ 2018 Electricity Distribution Rate (“EDR”) and ICM  
19 Application (EB-2017-0024) Technical Conference. At that time, Alectra Utilities identified that it  
20 expected that the ICM projects would be trued-up at a project level.<sup>1</sup>  
21

22 Finally, Alectra Utilities observes that in its Decision and Order in Alectra Utilities’ 2018 EDR  
23 and ICM Application, the OEB indicated its support for a true up at the time of Alectra Utilities’  
24 next rebasing.<sup>2</sup>

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<sup>1</sup> EB-2017-0024, Transcript Day 2, Technical Conference, p. 133

<sup>2</sup> EB-2017-0024, Decision and Order, p. 64