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BY E-MAIL

January 11, 2019

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 the Partial Decision and Order issued December 20, 2018, please find attached OEB staff's submission on the draft rate order for Alectra Utilities' 2019 rates application. This document is also being served on all parties in 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

January 11, 2019

INTRODUCTION

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 Application).

The OEB issued a Partial Decision and Order (Decision) on December 20, 2018.¹ The Decision found that the effective date of Alectra Utilities' rate order would be January 1, 2019 for the Custom IR update for Horizon rate zone (RZ) and the Price Cap Incentive Rate-setting (Price Cap IR) increases for the Brampton, Enersource, and PowerStream RZs with a February 1, 2019 implementation date. The OEB directed Alectra Utilities to revise the proposed rates to reflect the findings of the Decision and to file a draft rate order (DRO).

On January 7, 2019, Alectra Utilities filed a DRO.

OEB staff has reviewed the DRO and provides the following submissions:

Horizon Rate Zone - Cost of Capital

In the Decision, the OEB approved the update to the cost of capital for the Horizon RZ and directed Alectra Utilities to apply the OEB-approved 2019 cost of capital parameters in the DRO.

In the DRO, Alectra Utilities updated the cost of capital parameters to the OEB-approved 2019 cost of capital parameters and updated the Horizon RZ revenue requirement.

OEB staff submits that the update is in accordance with the Decision.

Price Cap Adjustment

In the Decision, the OEB directed Alectra Utilities to update the 2019 inflation factor in the DRO for the Brampton, Enersource, and PowerStream RZs.

¹ EB-2018-0016, Partial Decision and Order, December 20, 2018.

In the DRO, Alectra Utilities has updated the rate generator models for Brampton, Enersource, and PowerStream RZs with the 2019 inflation factor of 1.5% combined with a stretch factor of 0.3% in accordance with the most recent Pacific Economics Group Report.² This results in a Price Cap Index of 1.2%.

OEB staff submits that the update is in accordance with the OEB's direction.

Residential Rate Design

The OEB found that the approach to calculate the 2019 monthly fixed charges for the Brampton, Enersource, Horizon, and PowerStream RZs was in accordance with the OEB's residential rate design policy.³

Alectra Utilities confirmed that the residential rate design remains unchanged in the updated rate generator models filed with the DRO. Alectra Utilities further confirmed that the monthly service charges were not increasing by more than \$4, nor would the customers at the 10th consumption percentile of electricity consumption for each rate zone have a bill impact of 10% or more.

OEB staff has no issues with the residential rate design.

Deferral and Variance Accounts (DVAs)

In the Decision, the OEB approved the principal balances for the Brampton, Enersource, Horizon, and PowerStream RZs DVAs. The OEB also determined that the disposition of Group 1 DVAs will be over 11 months, from February 1, 2019 to December 31, 2019. Alectra Utilities was directed to recalculate the interest to January 31, 2019 and file revised rate riders as part of the DRO.

In the DRO, Alectra Utilities has included interest projected to January 31, 2019 and updated the Q4 2018 and Q1 2019 interest rates to the prescribed rates. Alectra Utilities recalculated all Group 1 rate riders to be disposed over 11 months with the exception of the Global Adjustment (GA) rate riders.

² The stretch factor groupings are based on the Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2017 Benchmarking Update”, prepared by Pacific Economics Group LLC., August 2018.

³ OEB Policy – “A New Distribution Rate Design for Residential Electricity Customers.” EB-2012-0410, April 2, 2015

OEB staff submits that the interest rates for the approved principal balances has been updated in accordance with the Decision.

Alectra Utilities requested that disposition of the 2019 GA rate riders for the GS 50-699 kW and GS 700-4999 kW rate classes in the Brampton RZ; the GS 50-4999 kW rate classes in the Horizon and PowerStream RZs; and the GS 500-4999 kW rate class in the Enersource RZ, be implemented May 1, and be disposed over 8 months to December 31, 2019. The reason for this request is that Alectra Utilities' Customer Information System (CIS) flags transition customers to either be "eligible" or "not eligible" and cannot handle the overlap of GA rate riders. While the 2018 GA rate riders are still active, Alectra Utilities' CIS does not have the capability to differentiate the 2018 and the 2019 GA rate riders for customers that transitioned. To resolve this issue, Alectra Utilities proposed to begin charging/crediting the 2019 GA rate riders and monthly charge/payment for affected rate classes after the expiry of the 2018 GA rate riders.

Alectra Utilities acknowledged that this is an issue with its CIS and will need to resolve this for the implementation of 2020 rates. Given the implementation date of February 1, 2019 and existing resources dedicated to the consolidation of one common CIS for Alectra Utilities, it is unable to configure and test a solution in time for February 1st.

OEB staff submits that given the particular circumstance of consolidating into one CIS system and the limited time frame to implement rates effective February 1, 2019, Alectra Utilities request to shorten the disposal period for the 2019 GA rate riders is reasonable.

OEB staff further notes that for the Brampton, Horizon, Enersource, and PowerStream RZs, the balance in Sub-account 1580 – CBR Class B were not material enough to result in a rate rider and therefore the balance was transferred to Account 1580 WMS control account to be disposed through the general purpose Group 1 DVA rate riders. However, the rate generator models are still reflecting monthly payments for the disposition of the Sub-account 1580 – CBR Class B to customers that transitioned. OEB staff submits that the monthly payments for transitioned customers should be set to zero since the

Sub-account 1580 – CBR Class B balance is to be disposed through Account 1580 WMS.

Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

In the Decision, the OEB approved the disposition of the LRAMVA accounts for the Brampton, Enersource, Horizon, and PowerStream RZs. The OEB also determined that the amounts are to be recovered over 11 months, from February 1, 2019 to December 31, 2019. Alectra Utilities was directed to file updated LRAMVA work forms for each rate zone to reflect the final approved balances showing the updated interest calculation to January 31, 2019 using the 2018 fourth quarter OEB prescribed interest rate, and the revised rate riders for the 11-month recovery period.

In the DRO, Alectra Utilities has included interest projected to January 31, 2019 and updated the Q4 2018 and Q1 2019 interest rates to the most current prescribed. Alectra Utilities recalculated all LRAMVA rate riders to be disposed over 11 months.

OEB staff submits that the projected interest rates for the approved principal balances and the rate riders have been calculated in accordance with the Decision.

Foregone Revenue

In the Decision, the OEB approved an effective date of January 1, 2019 with an implementation date of February 1, 2019. The OEB directed Alectra Utilities to file proposed rate riders for the foregone revenue in its DRO.

Alectra Utilities calculated the foregone revenue equal to the difference between distribution revenue for January using 2018 current approved distribution rates multiplied by January 2017 billing determinants and distribution revenue for January using 2019 distribution rates multiplied by January 2017 billing determinants. Alectra Utilities also provided monthly billing determinants for 2017, which reconcile with the 2017 Reporting and Record Keeping Requirements.

OEB staff notes that this methodology is consistent with the foregone revenue calculation approved in Alectra Utilities 2018 rate application.⁴ OEB staff submits that the calculations for the foregone revenue rate riders are appropriate.

All of which is respectfully submitted

⁴ EB-2017-0024