

**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 of fixing just and reasonable rates and  
other service charges for the distribution of Electricity as of  
January 1, 2019.

**ALECTRA UTILITIES CORPORATION (“ALECTRA UTILITIES”)**  
**DRAFT RATE ORDER**  
**DELIVERED: February 7, 2019**

**INTRODUCTION**

1 Alectra Utilities Corporation (“Alectra Utilities”) is a licensed electricity distribution company  
2 operating within the cities of Mississauga, Hamilton, St. Catharines, Brampton, Alliston, Aurora,  
3 Barrie, Beeton, Bradford, Markham, Penetanguishene, Richmond Hill, Thornton, Tottenham,  
4 Vaughan, in addition to Collingwood, Stayner, Creemore, Thornbury, Guelph and Rockwood<sup>1</sup>  
5 under Ontario Energy Board (“OEB” or the “Board”) Electricity Distributor Licence No. ED-2016-  
6 0360.

7 On June 7, 2018, Alectra Utilities filed an application with the OEB under Section 78 of the  
8 *Ontario Energy Board Act, 1998* as amended and pursuant to the OEB’s *Filing Requirements*  
9 *for Incentive Rate-setting Applications* seeking approval for electricity distribution rates, and  
10 other charges, effective January 1, 2019. The Board assigned File Number EB-2018-0016 to  
11 this Filing.

12 The following six parties requested and were granted intervenor status:

- 13
- Association of Major Power Consumers in Ontario (“AMPCO”);

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<sup>1</sup> Guelph and Rockwood became part of Alectra Utilities’ service area as of January 1, 2019 after the merger of Alectra Utilities and Guelph Hydro per the OEB decision in EB-2018-0014.

- Building Owners and Managers Association of Greater Toronto (“BOMA”);
- Consumers Council of Canada (“CCC”);
- Energy Probe Research Foundation (“Energy Probe”);
- School Energy Coalition (“SEC”); and
- Vulnerable Energy Consumers Coalition (“VECC”).

On December 20, 2018, the OEB issued its Partial Decision and Order on all matters that were not eligible for cost awards. The OEB issued its final rate order on January 24, 2019, with an effective date of January 1, 2019, and implementation date of February 1, 2019.

On January 31, 2019, the OEB issued its Decision and Order on Alectra Utilities’ request for Incremental Capital Module (“ICM”) funding. In the Decision, the OEB directed Alectra Utilities to file: a draft rate order with a proposed Tariff of Rates and Charges that reflects the OEB’s findings in the Decision; customer bill impacts; and detailed information in support of the calculation of the ICM rate riders.

Alectra Utilities submits this Draft Rate Order that incorporates the Orders of the Board in its Decision. The issues presented in this Draft Rate Order are organized in the manner that these issues are set out in the Board’s Decision.

Included in this Draft Rate Order are the following Appendices for each rate zone:

**PowerStream RZ**

- Attachment 1: 2019 ICM Model
- Attachment 2: Rate Generator Model (“RGM”)
- Attachment 3: 2019 Proposed Tariff of Rates and Charges
- Attachment 4: Bill Impacts

The following “live” Excel models also accompany the Draft Rate Order:

- 2019 ICM Model
- RGM
- 2019 Proposed Tariff of Rates and Charges
- Bill Impacts

1     **Enersource RZ**

- 2             • Attachment 5: 2019 ICM Model
- 3             • Attachment 6: RGM
- 4             • Attachment 7: 2019 Proposed Tariff of Rates and Charges
- 5             • Attachment 8: Bill Impacts

6     The following “live” Excel models also accompany the Draft Rate Order:

- 7             • 2019 ICM Model
- 8             • RGM
- 9             • 2019 Proposed Tariff of Rates and Charges
- 10            • Bill Impacts

11    **Horizon Utilities RZ**

- 12            • Attachment 9: 2019 Proposed Tariff of Rates and Charges

13    The following “live” Excel model also accompanies the Draft Rate Order:

- 14            • 2019 Proposed Tariff of Rates and Charges

15    **Brampton RZ**

- 16            • Attachment 10: 2019 Proposed Tariff of Rates and Charges

17    The following “live” Excel model also accompanies the Draft Rate Order:

- 18            • 2019 Proposed Tariff of Rates and Charges

## DECISION SUMMARIZED BY ISSUE

As identified above, the issues presented in this Draft Rate Order are organized in the manner that they were set out in the Board's Decision. The OEB's Decision is presented first, with Alectra Utilities' action taken as per the Decision immediately thereafter.

### 1. Overall Eligibility for ICM Funding

The ICM is a mechanism available to electricity distributors whose rates are established under the Price Cap IR regime. The ICM, as expressed in the March 26, 2015 *Report of the Board on Rate Making Associated with Distributor Consolidation* and in the MAADs Handbook, is also available to consolidating distributors, such as Alectra Utilities. The ICM is intended to address the treatment of a distributor's capital investment needs that arise during the rate-setting plan which are incremental to a materiality threshold.

In order to be eligible for incremental capital, an ICM claim must be incremental to a distributor's capital requirements within the context of its financial capacities underpinned by existing rates; and satisfy the eligibility criteria of materiality, need and prudence.

#### Materiality

Alectra Utilities calculated the materiality thresholds, and the corresponding eligible incremental capital amounts (i.e. maximum amounts eligible for recovery through ICM), in accordance with the ACM Report, Supplemental Report, Filing Requirements and the *Report of the Board: Rate Making Associated with Distributor Consolidation* for each of the Brampton, PowerStream and Enersource RZs.

#### Need

Under the Means Test, if a distributor's regulated return (as most recently calculated in accordance with RRR 2.1.5.6) exceeds 300 basis points above the deemed return on equity ("ROE") embedded in the distributor's rates, then the funding for any incremental capital project will not be allowed. Alectra Utilities has demonstrated that, based on its 2017 RRR filing, it has satisfied the Means Test.

Prudence

To demonstrate the prudence of each eligible capital project, Alectra Utilities provided a business case summary that identified the name, driver, cost and expected in-service date for the project, described the project and its drivers, and sets out the various options considered for the project. Alectra Utilities also provided detailed business cases for each eligible capital project. The detailed business cases include relevant background information, including with respect to the location and history of the project, detailed description of the scope of the project, as well as explanation as to the options considered and the budget and in-service dates for the work.

**Board Findings – as per pages 7-8 of the Decision**

Materiality

*“The OEB accepts Alectra Utilities’ calculations for the ICM materiality threshold based on the OEB’s ICM formula in the ACM Report.”*

Need

*“The OEB finds that Alectra Utilities has passed the Means Test.”*

Prudence

*“The OEB has not found any of the planned capital spending imprudent. The question is whether each project is eligible for incremental funding while rates are being set through an IRM mechanism.”*

There is no further action required by Alectra Utilities, as a result of these Board findings.

**2. Eligibility of Individual Projects for ICM Funding**

Alectra Utilities applied to the Board for incremental capital funding for five ICM projects in the PowerStream and Enersource RZs. Alectra Utilities proposed three ICM projects in the PowerStream RZ, including two system access projects of approximately \$18.8MM, and one system service project totaling approximately \$2.1MM, for an overall total of approximately

\$20.9MM. Alectra Utilities proposed two system access ICM projects in the Enersource RZ of approximately \$10.7MM.

**Board Findings – as per pages 8-15 of the Decision**

**Enersource RZ**

*“The OEB approves ICM funding of \$7.5 million to complete the replacement of 571 transformers in 2019.*

*The OEB finds that approving ICM funding in 2019 is consistent with its decision for 2018 rates, which approved \$8.45 million, on the basis that the program is neither “typical” nor “ongoing” from the program approved by the OEB for Enersource’s 2013 rates.*

*The OEB finds that Alectra Utilities appropriately prioritized its schedule for the program during the 2017-2019 period based on asset condition and potential environmental impacts.”*

**PowerStream RZ**

*“The OEB approves the YRRT project for ICM funding of \$13.27 million in 2019.*

*The OEB finds that approving ICM funding in 2019 is consistent with its decision for 2018 rates in which it approved \$11.24 million, on the basis that the program is mandatory, material to the operations of Alectra Utilities and outside of the base upon which rates were derived.”*

*“The OEB approves the Bathurst Road Widening project for ICM funding of \$5.5 million in 2019. 2019.*

*The OEB finds that the project is mandatory, has a significant influence on the operations of the distributor and is outside of the base on which rates were set.”*

Alectra Utilities has relied on the OEB’s 2019 ICM Model, posted October 3, 2018, to update the ICM calculations in the PowerStream and Enersource RZs, based on the ICM projects approved for recovery by the Board in its Decision. Alectra Utilities used the OEB’s 2018 ICM Model at the time of filing, as the 2019 model was not yet available. The most notable updates to the 2019 ICM model include: the use of ‘Current Approved Distribution Rates’ to calculate the Growth Factor in Tab 4; and an update to the Incremental Revenue Requirement calculation in Tab 11,

1 which calculates an average net book value for the incremental capital to be included in rates.  
2 The Growth Factor calculation in the 2018 ICM model relied on 2017 Board-Approved  
3 Distribution Rates, whereas, the 2019 ICM model relies on the Current Approved Distribution  
4 Rates (for a 2019 filer, this would be 2018 Board-Approved Rates).

5 The use of 2018 Board-approved rates results in a material change to the Growth Factor for the  
6 PowerStream RZ and to a lesser extent the Enersource RZ. The Growth Factor for the  
7 PowerStream RZ increases to 1.11% from 0.82%, when comparing the 2019 ICM Model to the  
8 2018 ICM Model, and the use of 2018 rates compared to 2017 rates. This results in a \$3.3MM  
9 reduction to maximum eligible incremental capital amount (\$22.1MM using 2017 rates and  
10 \$18.8MM using 2018 rates). Alectra Utilities submits that this material change is driven by the  
11 impact of Residential Rate Design, and that there is no change to the growth rates for the other  
12 classes based on the use of 2018 rates versus 2017 rates. Alectra Utilities further submits that  
13 the approved ICM projects for the PowerStream RZ are still within the maximum eligible  
14 incremental capital range under both scenarios. The Growth Factor for the Enersource RZ  
15 increases to (0.25%) from (0.27%), when using 2018 rates compared to 2017 rates. This results  
16 in a \$0.1MM reduction to the maximum eligible incremental capital amount (\$36.8MM using  
17 2017 rates and \$36.7MM using 2018 rates). Alectra Utilities submits that the approved ICM  
18 projects for the Enersource RZ are still within the maximum eligible incremental capital range  
19 under both scenarios. The impact of the change in the Growth Factor calculation as a result of  
20 Residential Rate Design will be largely driven by the magnitude of volumetric (kWh) changes  
21 relative to changes in customer growth.

22 A summary of the approved ICM capital projects and revenue requirement is provided in Table  
23 1. The ICM models for the PowerStream and Enersource RZs are filed as Attachments 1 and 5.  
24 Alectra Utilities has also updated the ICM rate riders for each RZ and has included these  
25 updated riders in the RGMs for the PowerStream and Enersource RZs. However, Alectra Utilities  
26 has filed separate bill impact models and tariff sheets outside of the RGM to address the impact  
27 of the previously approved GA riders over an eight-month period. Although this Decision has no  
28 impact on the Horizon Utilities and Brampton RZs, Alectra Utilities has filed the previously  
29 approved tariff sheets for these rates zones, so that all tariff sheets are included in the final rate  
30 order. The RGM and Bill Impacts for the PowerStream and Enersource RZs are filed as  
31 Attachments 2 and 6, and 4 and 8, respectively.

1 **Table 1 – Approved ICM Capital Projects and Revenue Requirement**

<b>Enersource Rate Zone</b>	<b>Capital Expenditures</b>	<b>Total Revenue Requirement</b>
Leaking Transformer Replacement Project	\$7,500,000	\$630,556
<b>Approved ICM Projects and Revenue Requirement</b>	<b>\$7,500,000</b>	<b>\$630,556</b>

<b>PowerStream Rate Zone</b>	<b>Capital Expenditures</b>	<b>Total Revenue Requirement</b>
Road Authority YRRT Yonge St	\$13,272,246	\$958,501
Bathurst Ave from Hwy 7 to Teston Road	\$5,500,000	\$397,202
<b>Approved ICM Projects and Revenue Requirement</b>	<b>\$18,772,246</b>	<b>\$1,355,703</b>

<b>Alectra Utilities Consolidated</b>	<b>\$26,272,246</b>	<b>\$1,986,259</b>
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3 Tables 2 to 3 below, identify the changes to the ICM rate riders, as a result of the OEB's

4 Decision.

5 **Table 2 – ICM Rate Riders PowerStream RZ**

<b>PowerStream RZ</b>		<b>2019 Annual Filing</b>		<b>2019 Draft Rate Order</b>	
<b>Rate Class</b>	<b>Per</b>	<b>Service Charge Rate Rider</b>	<b>Volumetric Rate Rider</b>	<b>Service Charge Rate Rider</b>	<b>Volumetric Rate Rider</b>
Residential	kWh	\$0.20	\$0.0000	\$0.18	\$0.0000
General Service under 50 kW	kWh	\$0.21	\$0.0001	\$0.19	\$0.0001
General Service 50 to 4999 kW	kW	\$1.05	\$0.0314	\$0.95	\$0.0282
Large Use	kW	\$45.37	\$0.0167	\$40.77	\$0.0151
Unmetered	kWh	\$0.06	\$0.0001	\$0.06	\$0.0001
Sentinel Lights	kW	\$0.03	\$0.0737	\$0.03	\$0.0663
Street Lighting	kW	\$0.01	\$0.0472	\$0.01	\$0.0424

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**Table 3 – ICM Rate Riders Enersource RZ**

Enersource RZ		2019 Annual Filing		2019 Draft Rate Order	
Rate Class	Per	Service Charge Rate Rider	Volumetric Rate Rider	Service Charge Rate Rider	Volumetric Rate Rider
Residential	kWh	\$0.16	\$0.0000	\$0.12	\$0.0000
General Service under 50 kW	kWh	\$0.30	\$0.0001	\$0.21	\$0.0001
General Service 50 to 499 kW	kW	\$0.53	\$0.0317	\$0.38	\$0.0226
General Service 500 to 4999 kW	kW	\$11.99	\$0.0163	\$8.54	\$0.0116
Large Use	kW	\$94.56	\$0.0202	\$67.35	\$0.0144
Unmetered	kWh	\$0.06	\$0.0001	\$0.04	\$0.0001
Street Lighting	kW	\$0.01	\$0.0792	\$0.01	\$0.0564

### 3. Effective Date

Alectra Utilities requested that final rates be made effective January 1, 2019.

#### Board Findings – as per page 16 of the Decision

*“The OEB approves an effective date of March 1, 2019 for the new ICM rate riders.*

*The OEB does not approve a January 1, 2019 effective date and foregone revenue rate riders for the ICM based aspects of the application. An effective date of January 1, 2019 would be appropriate if all proposed capital spending was completed on January 1, 2019. That is not the case for the ICM projects approved, as capital costs will be expended throughout the year.”*

### IMPLEMENTATION

#### Board Findings – as per page 18 of the Decision

*“The OEB directs Alectra Utilities to revise the proposed ICM rate riders to reflect the findings in this Decision and Order and to file a draft rate order for rates to be implemented March 1, 2019 based on the effective dates determined in this Decision and Order. In the draft rate order, Alectra Utilities is to include detailed supporting material showing the impact of this Decision and Order on the rates and ICM rate riders, including bill impacts.”*

Alectra Utilities updated its proposed rates and charges to reflect the findings in the Board’s Decision and Order. Alectra Utilities has filed live excel models for the ICM rate rider calculations, in addition to live excel schedules for the bill impacts. A Tariff of Rates and

Charges for the PowerStream, Enersource, Horizon Utilities and Brampton RZs are filed as Attachments 3, 7, 9 and 10, respectively. These tariffs include updates to the ICM rates for the PowerStream and Enersource RZs.

## BILL IMPACTS

A summary of the total bill impacts before taxes, for the typical customer by rate class is presented in Tables 4 and 5, below, for the PowerStream and Enersource RZs. These bill impacts are inclusive of the updated ICM rate riders from this Decision, and the previously approved base rates, Group 1 rate riders, LRAMVA rate riders, and the foregone revenue rate riders.

**Table 4 – Total Bill Impact – PowerStream RZ**

Total Bill Impacts						
Customer Class	Billing Units	Average Monthly Volume	Before ICM 2019 vs. 2018		With ICM 2019 vs. 2018	
			\$	%	\$	%
Residential	kWh	750	\$ (1.50)	(1.4)%	\$ (1.32)	(1.3)%
GS<50	kWh	2,000	\$ (2.58)	(1.0)%	\$ (2.19)	(0.8)%
GS>50 (May 1 GA)	kW	250	\$ 176.62	1.6%	\$ 184.62	1.7%
Large User	kW	7,350	\$ (10,420.80)	(2.8)%	\$ (10,269.04)	(2.7)%
Street Lighting	kW	1	\$ 0.65	1.4%	\$ 0.70	1.6%

**Table 5 – Total Bill Impact – Enersource RZ**

Total Bill Impacts						
Customer Class	Billing Units	Average Monthly Volume	Before ICM 2019 vs. 2018		With ICM 2019 vs. 2018	
			\$	%	\$	%
Residential	kWh	750	\$ (0.16)	(0.15)%	\$ (0.04)	(0.04)%
GS<50	kWh	2,000	\$ 0.59	0.21%	\$ 1.00	0.36%
GS 50-499 kW	kW	230	\$ 234.85	1.65%	\$ 240.43	1.69%
GS 500-4,999 kW (May 1 GA)	kW	2,250	\$ 1,064.72	1.62%	\$ 1,099.36	1.67%
Large User	kW	5,000	\$ (248.11)	(0.06)%	\$ (108.76)	(0.03)%
Street Lighting	kW		\$ (0.35)	(8.79)%	\$ (0.33)	(8.39)%

## **CONCLUSION**

- 1 Alectra Utilities has fully complied with the Decision and has implemented all of the changes
- 2 directed by the Board in its Decision. Details of the changes are discussed above and are
- 3 further supported by the Attachments and live Excel workbooks accompanying this Draft Rate
- 4 Order.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 7<sup>th</sup> DAY OF February, 2019.**

*Original Signed by Indy J. Butany-DeSouza*

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