



October 10, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Re: Oakville Hydro Electricity Distribution Inc. 2020 ICM Request
AMPCO's Submission on the Preliminary Question
Board File No. EB-2019-0059

Dear Ms. Walli:

Attached please find AMPCO's submission in the above proceeding.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

(Original Signed By)

Colin Anderson
President
Association of Major Power Consumers in Ontario

Copy to: Oakville Hydro Electricity Distribution Inc.

EB-2019-0059

Oakville Hydro Electricity Distribution Inc.

Application for electricity distribution rates Effective January 1, 2020

AMPCO Submissions

October 10, 2019

Oakville Hydro Electricity Distribution Inc. (Oakville Hydro) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on August 12, 2019 under section 78 of the Ontario Energy Board Act, 1998) seeking approval for changes to its electricity distribution rates to be effective January 1, 2020.

On September 22, 2019, the intervenors filed a Notice of Motion seeking an order:

- i. Bifurcating this proceeding between consideration of the incremental capital module (ICM) funding request, and consideration of all other aspects of the application
- ii. Seeking submissions from all parties on whether it is appropriate for Oakville Hydro, in its second rebasing deferral year, and without prior disclosure to the OEB of its intention to seek ICM funding, to apply for ICM funding in this IRM application

In Procedural Order No. 2 dated September 27, 2019, the OEB determined that it wants to receive submissions from parties and OEB staff on the preliminary question of whether it is appropriate for Oakville Hydro to apply for ICM funding in this circumstance.

Below are AMPCO's submissions on the preliminary question.

Preliminary Question:

Is it appropriate for Oakville Hydro to apply for ICM funding in this circumstance?

As part of its 2020 electricity rate application, Oakville Hydro is seeking a rate ride to recover revenue requirement amounts related to \$7.1 million in incremental capital investments through the OEB's Incremental Capital Module (ICM) for four System Access projects.

Oakville Hydro last rebased for the 2014 Test Year (EB-2013-0159). On January 16, 2019, Oakville Hydro filed a letter with the OEB seeking approval to defer its rebasing year for the second time, beyond 2020. Oakville filed a similar letter on January 8, 2018 to defer rebasing for the 2019 Test Year.

In its 2020 rebasing deferral letter, Oakville Hydro did not advise the OEB of its intent to seek ICM funding as part of its 2020 rate application. AMPCO submits Oakville Hydro should have alerted the OEB in advance of its ICM plans as it did in 2015 in relation to its intent to file a Z-factor application. More than five months in advance of its 2015 electricity rate application

dated August 13, 2014, Oakville Hydro filed a letter to advise the Board of its intention to file a Z-Factor application as part of its 2015 application in relation to the December 31, 2013 Ice Storm Event.¹

Oakville Hydro would have known about the timing of the four ICM projects at the time of its rebasing deferral letter. All four projects are forecast to be completed before December 31, 2019.²

Three of the four projects are related to requests by road authorities for the relocation of overhead distribution assets and are planned to be completed in 2019.³ The fourth project relates to a reconfiguration of Oakville Hydro's overhead circuits and installation of new feeder meters related to Hydro One Network Inc.'s plan to replace assets at Bronte TS. Oakville Hydro indicates this project will be in service in 2019.⁴ The Town of Oakville's 2019 capital budget and Halton Region's 2019 capital budget includes funding for the three road authority projects. Each of these capital budgets were identified months in advance of this application.⁵ The plan to replace the assets at Bronte TS was addressed in the joint Burlington to Nanticoke Regional Infrastructure Plan dated February 7, 2017, 2.5 years prior to the filing of this application. Further, Oakville Hydro indicates that the four projects are 90%, 50%, 20%, and 30% complete respectively, as of August 2019.⁶

The consequence of not alerting the Board to its ICM plans is that the OEB approved the deferral without the full capital spending picture and concluded that it will not require Oakville Hydro's 2020 rates to be set on a cost of service basis. Instead, the OEB expects Oakville Hydro to adhere to the process for Price Cap Incentive Rate-setting applications for the 2020 rate year. Further, the OEB indicated it will place Oakville Hydro on the list of distributors whose rates will be scheduled for rebasing for the 2021 rate year. The OEB also stated "If Oakville Hydro subsequently seeks a further deferral the OEB will consider whether the Annual Incentive Rate-setting Index method that was developed for distributors intending longer periods without rebasing should be applied. The OEB will also consider whether the filing of a distribution system plan would be required at that time."⁷ Had the Board known of Oakville Hydro's ICM plans it may not have approved the deferral or requested that a current DSP be provided to provide further context with which to consider Oakville Hydro's 2019 incremental capital funding request.

In its 2020 application, Oakville Hydro indicates that based on its 2018 actual and 2019 forecasted financial and non-financial performance, Oakville Hydro does not anticipate filing a

¹ EB-2014-0102 Letter re: Intent to File Z-factor Application dated March 31, 2014

² EB-2019-0059 P12

³ EB-2019-0059 P13

⁴ EB-2019-0059 P15

⁵ SEC Submission P3

⁶ EB-2019-0059 P11

⁷ EB-2019-0059 OEB Response COS Deferral dated May 13, 2019

2021 cost of service application.⁸ As a result, Oakville Hydro makes the case that it is not appropriate to apply the half year rule as part of its ICM application, and thus seeks to collect the full value of the proposed projects.

In the event the ICM is not approved, Oakville Hydro indicates it would need to consider significant reductions in its planned and paced investments in system service and system renewal projects in its 2020 capital plan.⁹ AMPCO submits this information should have been considered by the OEB as part of the rebasing deferral request, noting the full impact of these actions should be assessed in the context of a current DSP.

Conclusion

AMPCO's position is that the Board should reject Oakville Hydro's request for ICM funding. Oakville Hydro did not appropriately advise the OEB at the time of its 2020 rebasing deferral request that it would be filing an ICM request and the potential consequences if not approved, and therefore denied the Board the opportunity to consider this relevant information in its consideration of the request and whether or not a current DSP is needed.

⁸EB-2019-0059 P15

⁹ EB-2019-0059 P16