



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

October 10, 2019

VIA E-MAIL

Board Secretary
Ontario Energy Board
Toronto, ON

Dear Ms. Walli:

**Re: Oakville Hydro Electricity Distribution Inc. 2020 Distribution Rate Adjustment
Application (EB-2019-0059)
Submissions on the question as to whether it is appropriate for Oakville Hydro to
apply for ICM funding as part of its 2020 application.**

Please find attached the Notice of Intervention of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

John Lawford

Counsel for VECC

Email copy:
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**Oakville Hydro Electricity Distribution Inc. 2020 Distribution Rate
Adjustment Application – ICM Request
EB-2019-0059**

Submission
of the
Vulnerable Energy Consumers Coalition
(VECC)

October 10, 2019

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Submissions on the question as to whether it is appropriate for Oakville Hydro to apply for ICM funding as part of its 2020 application.

1. These submissions are made on behalf of VECC in relation to the Board's Procedural Order No. 2 (27 Sept. 2019) in which the Board "*has 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*". This procedural step is in response to a Notice of Motion on this issue filed by the Association of Major Power Consumers in Ontario (AMPCO), Consumers Council of Canada (CCC), Energy Probe Research Foundation (Energy Probe), the School Energy Coalition (SEC) and the Vulnerable Energy Consumers Coalition (VECC) (collectively, the "Intervenors").
2. As outlined in the Notice of Motion, the substance of which VECC adopts in this submission in addition to the below, VECC opposes the consideration of the Applicant's ICM request as part of the above-noted Application.
3. On January 16, 2019 Oakville Hydro wrote the Board seeking a second deferral the normal period for which the Board has established electricity distribution utilities to have a full cost of service review of rates. In that letter no mention was made of extraordinary capital funding requirements or the expected need to file for ICM funding. We note that the Board's letter of May 13, 2019, granting the relief sought, makes no mention of the actual or even potential need for additional rate funding for capital projects.
4. We grant it is possible that between date of the request and the Board's response that discussion were had as between the Board (staff) and the Oakville. If so we are not aware of any record of those discussions. VECC relies on the public record which the Board should, we submit, also rely upon in considering the outcome of this procedural hearing.

The request is a normal capital expenditure of Oakville Hydro

5. The Application was filed on August 12, 2019 or 2 months after the Board's granting the request for rate rebasing deferral. That Application seeks ICM funding for \$7.1 million in capital expenditures as shown below.¹ The incremental revenue requirement sought is \$533,496,

¹ Oakville Hydro Electricity Distribution, EB-2019-0059, pages 11-12

Table 6 – Incremental Capital Projects

Category	Project		Initiated By	2019 Capital Investment (Net of Capital Contributions)	% Completion
System Access	A	Road Widening – Speers Rd	Town of Oakville	\$2,000,000	90%
System Access	B	Road Widening – Trafalgar Road	Halton Region	\$2,200,000	50%
System Access	C	Road Widening – William Halton Parkway	Halton Region	\$1,200,000	20%
System Access	D	Feeder Replacement and Relocation – Bronte Transformer Station	Hydro One	\$1,700,000	30%
Total				\$7,100,000	

6. To provide perspective, it is useful to consider the prior cost of service application, EB-2013-0159 which was filed on October 1, 2013. The Board issued its final order on May 1, 2014 and approved for the purpose of rates the 2014 capital expenditure cost consequences shown in the table below. The Utility also provided its forecast spending for the subsequent four years of the rate plan.²

Settlement Table 3 - 2014 to 2018 Capital Plan

Category	2014	2015	2016	2017	2018
System Access	\$ 3,016,075	\$ 2,550,699.84	\$ 2,448,453	\$ 2,497,003	\$ 2,639,480
System Renewal	6,126,878	5,626,846	5,505,100	5,598,755	5,599,472
System Service	5,588,899	558,769	581,284	604,630	628,840
General Plant	2,315,371	\$ 2,126,433	\$ 2,380,089	\$ 2,051,600	\$ 2,063,262
Total	\$ 17,047,224	\$ 10,862,748	\$ 10,914,926	\$ 10,751,987	\$ 10,931,054

7. The proposed ICM represents 60% of the normal capital expenditures of this Utility. As of August 12, 2019 we note that two of these projects (Speers and Trafalgar roads) are shown to be substantively completed. While no discovery has been made it would not be unreasonable to conclude that by the time any Board proceeding was to conclude all the projects listed would be completed. Indeed the evidence states: *“All projects are expected to be completed before December 31, 2019. Oakville Hydro has invested \$3,600,000 year-to-date, which has put significant pressure on its cash flow.”*³

² Oakville Hydro Electricity Distribution, EB-2013-0159 - Decision and Rate Order, May 1, 2014 Appendix Settlement Proposal, page 12 of 51

³ Oakville Hydro EB-2019-0059 page 12 of 17

8. From these facts one can draw two conclusions. The first is that the Applicant would have known by or before May 13, 2019 of the proposed ICM projects and their cost. The second issue is that the projects would now be considered for ICM treatment on an unusual (if not unprecedented) *ex post facto* basis.

The projects are substantively completed

9. The evidence is that the Applicant knowingly withheld material information from the Board prior to the granting of the cost of service deferral. The other issue is that the projects are substantively complete and this is demonstrative of the fact that the proposals are not eligible for ICM funding as per Board policy. The policies of the Board require both a current distribution plan and that the projects be reviewed prior to their being built. Post facto reviews are properly part of a rate base review in a rebasing cost of service application. We suggest that the option of seeking to adjust rates for changes to rate base remain available to the Applicant under a cost of service application.
10. We also note that Oakville is, or should be, familiar with the Board's rules and processes with respect to ICM funding since it had previously sought and received such funding for the Glenorchy Municipal Transformer station in 2011.

The Application is seriously deficient.

11. The 2020 IRM application EB-2019-0059 consists of 193 pages of evidence (accompanied by supporting spreadsheets) and actual evidence of 17 pages of which 5 are dedicated to the ICM proposal. Three of the projects are subject to the *Public Service Works on Highways Act (PSWHA)* at a 50% cost sharing arrangement. No supporting schedules are provided to support the cost proposals or the 50% cost arrangement⁴. In lieu of detailed support for the 4th project, a feeder replacement from Bronte station, Oakville Hydro provided an investment document from the Hydro One. That document includes the following table for Bronte related costs:

(\$ Millions)	2017	2018	Total
Capital* and Minor Fixed Assets	4.0	18.4	35.5
Operations, Maintenance & Administration and Removals	(0.3)	(1.3)	(2.4)
Gross Investment Cost	3.7	17.1	33.1
Capital Contribution	0.0	0.0	0.0
Net Investment Cost	3.7	17.1	33.1

*Includes Overhead at current rates. No Allowance for Funds Used During Construction is charged due to monthly capitalization.

12. How (or even if) the \$33 million identified in this document table is related to the \$1.7 million of capital costs sought for recovery, is unclear, as no explanation is provided. Given it is the Applicant's responsibility to make its case we do not believe, in the absence of detailed

⁴ Based on a number of prior utility applications VECC submits that the nature of the costs subject to sharing often can be subject to dispute.

discovery that the Board would have the necessary evidentiary record to approve the ICM proposal. The discovery process should not be used as a mechanism to make the Applicant's case on this issue. Rather, we submit that the Applicant should have been transparent about its requirements and put its best foot forward.

The Board should address the suggestion of under-investment by the Applicant

13. Oakville Hydro suggests that in the absence of Board approval it would be forced to reduce otherwise necessary capital investments, specifically:⁵

Each of the projects that have been included in Oakville Hydro's ICM application are system access projects over which Oakville Hydro has no control. In the event that the OEB does not approve its ICM application, Oakville Hydro would need to consider significant reductions in its planned and paced investments in system service and system renewal projects in its 2020 capital plan.

14. Again, we note that if this is the case, and given that the Applicant was (or ought to have been) aware of the pressing need prior to seeking to be relieved of filing a cost of service application, then it was incumbent upon them to make that case when seeking deferral.
15. In our submission the remedy to this situation is an order of the Board that Oakville Hydro's ICM request not be considered as part of the instant Application coupled with a suggestion to the Applicant that it file a cost of service application at the earliest possible time.

Costs incurred

16. Finally, VECC has incurred costs in preparing and filing its Motion and its submissions to the Board on this issue under this Application. We therefore ask that VECC be able to recover all of our reasonably incurred costs in relation to this ICM matter.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

⁵ Ibid, pg. 15