



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

November 28, 2019

VIA E-MAIL

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
Toronto, ON

Dear Ms. Long:

Re: Oakville Hydro Electricity Distribution Inc. 2020 Distribution Rate Adjustment Application (EB-2019-0059) ICM
ICM Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

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

Yours truly,

Mark Garner
Consultants for VECC/PIAC

Email copy:
Maryanne Wilson, Director, Regulatory and Compliance
mwilson@oakvillehydro.com

REQUESTOR NAME
TO:
DATE:
CASE NO:
APPLICATION NAME

VECC
Oakville Hydro Electric Distribution
November 28, 2019
EB-2018-0059
ICM Application

VECC-1

Reference: Exhibit Section 15.3

- a) Please provide the details of the total capital budget shown in Table 7 of \$21.174 million. Please show the amounts by the filing requirement categories: System Access, Renewal and Service and General Plant.

VECC-2

Reference: Exhibit Section 15.1

In the Report of the Board EB-2014-0219 New Policy Options for Funding of Capital Investments: The Advanced Capital Module, the following statements are made:

No ICM applications were filed for the 2010 rate year. For the 2011 rate year, two distributors filed requests for ICM funding in relation to new municipal transformer stations. In its decisions for Oakville Hydro Electricity Distribution Inc. and Guelph Hydro Electric Systems Inc.,² the Board approved ICM funding for both applications noting that the projects were non-discretionary expenditures that were clearly outside of the base upon which rates were derived.

These two decisions clarified two significant principles. First, they clarified that ICM requests must first establish the amount of eligible capital available to distributors by subtracting the materiality threshold result from the total non-discretionary capital budget for the subject year. This clarification was consistent with the Board's decision on Hydro One's 2009 application which noted that the mere existence of a gap between the threshold and the capital budget is not determinative for ICM funding.

- a) Please provide the non-discretionary capital budget for the 2019 and 2020 year.

VECC -3

Reference: Exhibit Section 15.1

- a) Please provide a reference to the Board ICM policy which allows for projects already completed to be eligible for ICM rate recovery.

VECC-4

Reference: Exhibit Section 15.1

- a) Please provide a table showing Oakville Hydro's reported return on equity (ROE) for each year 2014 through 2018 and the Board's annual (November) posted ROE for each of those years.

VECC-5

Reference: Exhibit Section 15.1

- a) Please provide Oakville Hydro's audited financial statements for each year 2014 through 2018.
- b) Please provide Oakville Hydro's annual reports for the years 2014 through 2018.
- c) Please provide Oakville Hydro's 2019 pro-forma Consolidated Statement of Operations

VECC-6

Reference: Exhibit Section 15.3

- a) For each of the projects listed in Table 6 please provide:
 - i) The expected completion and in-service (if different) date.
 - ii) The dollar amount of capital contributions agreed to and the amount paid to date.
 - iii) The actual or current estimate of the gross capital cost for each project.

VECC-7

Reference: Exhibit Section 15.1

- a) Please file the actual in-service capital expenditures for each of the years 2014 through 2019 (end of year forecast) in the format of Board filing requirement Appendix 2-AA.

VECC-8

Reference: Exhibit Section 15.1

The July 12, 2018 Filing Guidelines state (pg. 23):

Minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.

- a) Please demonstrate how the projects listed in Table 6 and specifically the least costly of these projects (William Halton Parkway), are not comparable in scope and cost to prior year projects.

VECC-9

Reference: Exhibit Section 15.1

- a) Please explain how Oakville Hydro is financing the incremental projects listed in Table 6.

VECC -10

Reference: Exhibit Section 15.1

- a) For the three projects subject to the Public Service Works on Highways Act ("PSWHA") please provide the agreement with the municipal authority(ies).
- b) If separate from the agreements please provide the agreed to schedule for the projects and the scope and amount of the cost sharing arrangement.

VECC-11

Reference: Exhibit Section 15.1

- a) Please provide the agreement for any cost sharing between Hydro One and Oakville Hydro with respect to the Bronte TS.
- b) Please clarify whether this project is one or two projects, i.e.: (1) cost sharing for the Hydro One Bronte TS and (2) Oakville Hydro investments to replace feeders to this TS.
- c) If confirmed as two projects please provide the capital contributions to be paid to Hydro One separate from the costs for the Oakville feeder replacement.
- d) Please provide the business case for any Oakville Hydro portion of the project to replace feeders or other investments made to Oakville Hydro's distribution system as part of the Bronte TS rebuild.

VECC-12

Reference: Exhibit Section 15.6

“Oakville Hydro is currently scheduled to file a cost of service application for rates effective January 1, 2021. However, based on its 2018 actual and 2019 forecasted financial and non-financial performance, Oakville Hydro does not anticipate filing a cost of service application for rates effective January 1, 2021. Therefore, Oakville Hydro submits that it is not appropriate to apply the half-year rule.”

- a) Has the OEB granted Oakville Hydro a further deferment of a rebasing application?
- b) If Oakville were to continue to defer its rebasing what is its proposal for the true-up of any ICM program approved by the Board?
- c) If Oakville Hydro is claiming the half-year rule should not apply than what is the basis for using the half-year amount of amortization when calculating the incremental revenue requirement in Table 9?

VECC-13

Reference: Exhibit Section 15.6

In their letter of May 13, 2019 granting deferment the OEB states in part:

This is the second year that Oakville Hydro has sought a deferral to filing a cost of service rate application. 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.

- a) Has Oakville Hydro begun a distribution system plan in anticipation of the Board requirement to file a plan for 2021? If not please provide the current estimate for when this plan will be completed.

VECC-14

Reference: Exhibit Section 15.7

- a) Please recalculate the Revenue Requirement Table 7 using the current Board approved cost of capital variables:
 - Return on Equity 8.52%
 - Deemed LT Debt 3.21%
 - Deemed ST Debt 2.75%

VECC-15

Reference: Exhibit Section 15.9

Oakville Hydro explains that it proposes to exclude the embedded distributor class from the allocation of any incremental revenue requirement associated with the ICM proposal on the basis that this class does not benefit from the proposed projects.

- a) Please explain the benefit to the other classes of the mandated plant relocations under the PSWHA.
- b) Please demonstrate that the Bronte TS project does not benefit the embedded rate class.

VECC-16

Reference: Exhibit Section 15

- a) Please provide the 2019 and 2020 Board approved business plans of Oakville Hydro.

END OF DOCUMENT