January 27, 2020

Christine Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Long:

Re: EB-2019-0059 – Oakville Hydro Distribution Inc. – 2020 Rates – Incremental Capital Module

We are representing the Consumers Council of Canada in the above-referenced proceedings. Please find, attached, our Final Argument.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All Parties

FINAL SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA

RE: EB-2019-0059

OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

2020 RATES – INCREMENTAL CAPITAL MODULE

INTRODUCTION:

On August 12, 2019, Oakville Hydro Electric Distribution Inc. ("Oakville Hydro") applied to the Ontario Energy Board ("OEB") for approval of its distribution rates effective January 1, 2020 under the OEB's Price Cap Incentive Rate-Setting option ("Price Cap IR"). The Application included a request for Incremental Capital Module ("ICM") funding for four projects.

On September 23, 2019, the School Energy Coalition ("SEC"), the Vulnerable Energy Consumers Coalition ("VECC"), the Consumers Council of Canada ("Council"), the Association of major Power Consumers in Ontario ("AMPCO"), and Energy Probe ("EP") collectively referred to as the intervenors filed a Notice of Motion with the OEB seeking the following:

1. To bifurcate the proceeding between a consideration of the ICM funding request and all other aspects of the Application; and

2. Seeking submissions from the intervenors on whether it is appropriate for Oakville Hydro to seek ICM funding in this Application.

On September 27, 2019 the OEB issued Procedural Order No. 2 indicating it would like to receive submissions on the preliminary issue – whether it was appropriate for Oakville Hydro to seek ICM funding.[1] The intervenors and OEB Staff filed submissions on October 10, 2019 and Oakville Hydro replied on October 24, 2019. On November 14, 2019, the OEB determined that it was appropriate to hear Oakville Hydro's request for ICM funding.[2]

These are the submissions of Council with respect to Oakville Hydro's ICM request. As set out below, the Council maintains the position that it put forward in its

[1] Procedural Order No. 2, dated September 27, 2019
[2] Decision and Order on Preliminary Question in ICM Funding, dated November 14, 2019

submission regarding the preliminary issue. Oakville Hydro should not be granted ICM relief for 2020.

SUBMISSIONS:

The Evidence:

Ottawa Hydro is seeking recovery in its rates for four system access projects, three of which are road widening projects, totaling $5.4 million. The fourth project is related to the relocation of Oakville Hydro's assets at Hydro One Networks Inc.'s Bronte Transformer Station ("TS") projected to cost $1.7 million[3]. It is unclear what specific revenue requirement increase for 2020 Oakville Hydro is seeking approval of as it was not set out in it Argument-in-Chief.

Oakville Hydro last rebased in 2014. In January 16, 2019, Oakville Hydro filed a letter with the OEB seeking to defer rebasing its rates beyond 2020. This was the second request on the part of Oakville Hydro to defer rebasing. On May 13, 2019 the OEB granted Oakville Hydro's request. There was no mention at that time that Oakville Hydro would be filing for 2020 rates, and included in that Application would be a request for significant ICM relief, although it is clear that Oakville Hydro was well aware of the upcoming project requirements[4]. The OEB granted the request for the deferral. Had the OEB known that there would be a significant ICM request as part of the 2020 Application the OEB may not have granted the cost of service deferral. On August 12, 2019 Oakville Hydro filed its Application for 2020 rates and the ICM request.

The ICM request was for projects that were expected to be completed before the end of 2019. Although the projects were not entirely completed by the end of 2019, it is Oakville Hydro's position that the assets be deemed to be in-service in 2019.[5] The ICM request was also filed in the absence of a current Distribution System Plan ("DSP"). The OEB, as a matter of practice, reviews ICM requests in the context of a current DSP. Although Oakville Hydro filed a DSP as a result of the interrogatory process, that DSP is dated September 13, 2013. Clearly, in this case the OEB cannot assess the reasonableness of the ICM request in the context of that DSP.

It is important to point out that Oakville Hydro made it 2020 rebasing deferral request based on its financial and non-financial performance[6]. In fact, in each year,

---

[3] Argument in Chief, p. 5

[4] See the Submissions of SEC on the preliminary issue dated October 10, 2019 which pointed out that the 2019 Region of Halton's Capital Budget included two of the projects and the Town of Oakville's 2019 Capital Budget included the Speers Road Project. The Bronte TS feeder replacement was included in HON's Transmission Plan dated May 31, 2016. Also, see EP-2

[5] OEB Staff - 4

[6] Oakville Hydro Letter dated January 16, 2019

2014, 2016, 2017 and 2018 Oakville Hydro exceeded its allowed ROE. In fact, in 2018 it did so by 129 basis points.[7]

Submissions on the ICM Request:

The Council submits that Oakville Hydro has not provided sufficient evidence to support its request for ICM finding. Nor does the Council believe that this request is consistent with the OEB's ICM/ACM policies. The Council's position is informed by the following:

- The Application was not supported by a current DSP. In the absence of a current DSP the OEB cannot assess whether or not, if it determines these projects are required or mandatory, other projects might be deferred or cancelled eliminating the need for incremental funding;

- In the absence of a cost of service review it is not clear as to whether or not Oakville Hydro's rates could support these projects without incremental funding. A full cost of service review would allow for an assessment of revenues, OM&A costs and the overall capital plan;

- Oakville Hydro has consistently overearned relative to the OEB approved ROE levels, questioning the need for additional funding to support incremental capital;

- The ICM relief is for 2020, but related to projects that were substantially completed in 2019. In fact Oakville Hydro is seeking approval of amounts assuming the projects went into service into 2019[8]. This is not consistent with OEB policy that considers ICM projects for a future period, not projects that have been substantially completed. Oakville Hydro had every opportunity to bring these project forward on a prospective basis as they have known about them prior to 2019;

- Oakville Hydro has stated that in the event the OEB does not approve its ICM Application, Oakville Hydro would need to consider significant reductions in its planned and pace investments in system service and system renewal projects in its 2020 capital plan. The Applicant has provided no evidence to support this assertion. Only in the context of a full cost of service review, coupled with the filing of a DSP, could the OEB assess this claim.

The Council urges to the OEB to reject Oakville Hydro's request for ICM funding. The Council is not taking issue with Oakville Hydro's assertion that these are mandatory projects. The Council is submitting that Oakville Hydro has not demonstrated the

[7] Reply Submission on the preliminary issue, dated October 24, 2019, p. 8
[8] OEB Staff- 4

need for incremental funding. If Oakville Hydro requires incremental funding for these projects it can apply for a full cost of service review for 2021. At that time the OEB will be able assess the funding needs in the appropriate context – not by looking at only one component of the revenue requirement.

The Council notes that Oakville Hydro's last cost of service review was in 2013 for 2014 rates. Accordingly, a full review should be required before any incremental funding is approved by the OEB. From the Council's perspective that would be the most prudent rate-setting approach going forward, and an approach in the best interests of its customers.

All of which is respectfully submitted.

January 27, 2020