

February 24, 2020

VIA RESS AND COURIER

Ms. Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long;

**RE: APPLICATION BY ALECTRA UTILITIES CORPORATION FOR DISTRIBUTION RATES
EFFECTIVE JANUARY 1, 2020 (EB-2019-0018) – DRAFT RATE ORDER REPLY**

On May 28, 2019, Alectra Utilities filed an application with the Ontario Energy Board (“OEB” or the “Board”) under Section 78 of the *Ontario Energy Board Act, 1998* as amended and pursuant to the OEB’s *Filing Requirements for Incentive Rate-setting Applications* seeking approval for electricity distribution rates, and other charges, effective January 1, 2020. The Board assigned File Number EB-2019-0018 to the Application.

The Board issued a Partial Decision and Order (the “Partial Decision”) in this matter on January 30, 2020. On February 10, 2020, Alectra Utilities filed a Draft Rate Order (“DRO”) that incorporated the OEB’s determinations in the Partial Decision. On February 18, 2020, OEB staff filed its submission on the DRO. No other parties submitted comments on the DRO.

Alectra Utilities has reviewed OEB staff’s submission. OEB staff submitted that that Alectra Utilities’ DRO is consistent with the OEB’s findings in the Partial Decision, with the exception of the calculations for depreciation in the capitalization policy deferral accounts for the Horizon Utilities Rate Zone (“RZ”) and Guelph RZ. Alectra Utilities sets out its reply submission below.

1. Capitalization Policy: Calculation of Balances

In the DRO, Alectra Utilities updated its calculation of the impact of the capitalization policy change based on the Account 1576 approach. The updated calculation excluded any impact for the Horizon Utilities RZ during the Custom IR term (2015-2019), the PowerStream RZ over the rebasing deferral period and the Guelph RZ for the 2019 rate year.

OEB staff submits that Alectra Utilities has appropriately excluded the impacts on payments in lieu of taxes (PILs) and return on capital, consistent with the OEB’s finding that the Account 1576 approach shall be used to calculate the balances in the capitalization deferral accounts. However, OEB staff has identified an issue relating to the recording of depreciation in the Horizon Utilities and Guelph RZs that warrants further consideration.

Alectra Utilities agrees with OEB staff that, consistent with the exclusion of the 2017 to 2019 gross Property, Plant and Equipment (“PP&E”) change for the Horizon Utilities RZ and the 2019 gross PP&E change for the Guelph RZ, the associated depreciation impacts should also be excluded.

At page 39 of the OEB’s Partial Decision, the OEB found that the capitalization policy deferral account for the Guelph RZ will be effective January 1, 2020. Further, at page 41 of the Partial Decision, the OEB reiterated that the method for addressing the capitalization policy change for the Horizon Utilities RZ would be through the ESM until the end of the Custom IR term. As a result, the first entry to the account for the Horizon Utilities RZ will be January 1, 2020.

Consistent with the OEB’s findings, all impacts for the Horizon Utilities and Guelph rate zones should be effective January 1, 2020.

Table 1 below provides an updated forecast of the impact of the change over the rebasing deferral period. This is consistent with Table 2 provided by OEB staff in its DRO reply submission.

Table 1 – Net Impact of Capitalization Policy Change (Account 1576 Approach)

Capitalization Policy Impact (\$000s)	2017 Act	2018 Act	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2017-2028
Enersource RZ	1,866	1,712	1,805	1,745	2,029	2,204	2,236	2,718	2,718	2,718			21,751
Horizon Utilities RZ				6,121	5,863	5,788	4,709	5,965	5,965	5,965			40,376
Brampton RZ	(1,831)	(1,610)	(2,330)	(2,557)	(2,281)	(2,635)	(2,591)	(2,635)	(2,635)	(2,635)			(23,739)
PowerStream RZ													0
Guelph RZ				638	670	670	609	695	695	695	695	695	6,062
Net PP&E Change	36	102	(525)	5,947	6,281	6,027	4,964	6,743	6,743	6,743	695	695	44,450
Enersource RZ	(47)	(89)	(135)	(178)	(229)	(284)	(340)	(408)	(476)	(510)			(2,695)
Horizon Utilities RZ				(153)	(300)	(444)	(562)	(711)	(860)	(935)			(3,965)
Brampton RZ	46	86	144	208	265	331	396	462	528	561			3,026
PowerStream RZ													\$0
Guelph RZ				(16)	(33)	(49)	(65)	(82)	(99)	(117)	(134)	(143)	(738)
Depreciation Impact	(1)	(3)	10	(139)	(296)	(447)	(571)	(739)	(908)	(1,001)	(134)	(143)	(4,372)
Enersource RZ	1,819	1,622	1,670	1,567	1,800	1,920	1,896	2,310	2,242	2,208			19,055
Horizon Utilities RZ				5,968	5,564	5,343	4,147	5,254	5,105	5,030			36,411
Brampton RZ	(1,785)	(1,524)	(2,186)	(2,349)	(2,016)	(2,304)	(2,195)	(2,173)	(2,107)	(2,074)			(20,713)
PowerStream RZ													0
Guelph RZ				622	638	620	545	613	596	578	561	552	5,324
Alectra Utilities Net Impact	35	98	(515)	5,808	5,985	5,580	4,393	6,004	5,835	5,742	561	552	40,078

Conclusion

Two hard copies of this submission will be delivered to the OEB via courier. An electronic copy of this submission is being filed using the Board's RESS filing system.

Should you have any questions or require additional information, please do not hesitate to contact me.

Yours truly,

[Original Signed By]

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