

BY EMAIL

November 18, 2020

Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Long:

**Re: Alectra Utilities Corporation (Alectra Utilities)
Application for 2021 Electricity Distribution Rates
OEB Staff Submission
Ontario Energy Board File Number: EB-2020-0002**

In accordance with Procedural Order No. 2, please find attached OEB staff's submission in the above proceeding.

Yours truly,

Jerry Wang
Advisor
Electricity Distribution: Major Rate Applications & Consolidations

Encl.



ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION

Alectra Utilities Corporation 2021 Rates Application

EB-2020-0002

November 18, 2020

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1. Introduction

Alectra Utilities Corporation (Alectra Utilities) filed its Price Cap Incentive Rate-setting (IRM) application with the Ontario Energy Board (OEB) on August 17, 2020 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that Alectra Utilities charges for electricity distribution, to be effective January 1, 2021.

In Procedural Order (PO) No. 2, dated November 6, 2020, the OEB set dates for submissions on Alectra Utilities' application. This submission sets out OEB staff's review of this proceeding's record and is intended to assist the OEB in evaluating the application and setting just and reasonable rates.

OEB staff makes detailed submissions on the following:

- Review and Disposition of Group 1 Deferral and Variance Accounts
- Inflation Factor for 2021
- Retail Transmission Service Rates
- Lost Revenue Adjustment Mechanism Variance Accounts Disposition
- Renewable Generation Connection Rate Protection
- Horizon Rate Zone – Earnings Sharing Mechanism
- Horizon Rate Zone – Capital Investment Variance Account
- Capitalization Deferral Accounts
- Incremental Capital Modules
- Bill Impacts

2. Review and Disposition of Group 1 Deferral and Variance Accounts (DVAs)

OEB staff supports the disposition of the Group 1 DVA balances in the Brampton Rate Zone (RZ), Enersource RZ and Powerstream RZ. OEB staff submits that, subject to OEB staff's suggested corrections below, the Group 1 DVA balances in the Horizon RZ and Guelph RZ should also be disposed of by Alectra Utilities. OEB staff's detailed submissions on the Group 1 DVA balances in each of Alectra Utilities' individual RZ follows:

Horizon Rate Zone:

Alectra Utilities completed the DVA continuity schedule on Tab 3 of the 2021 IRM Rate Generator Model for the Horizon RZ. The Rate Generator Model calculated a total Group 1 DVA debit balance of \$6,428,669 that is eligible for disposition in this proceeding. This amount contains two years of account balances (2018 and 2019) as Alectra Utilities did not dispose of the Group 1 DVA balances for the Horizon RZ in the previous year's IRM proceeding.¹ These balances also include interest calculated to December 31, 2020.

Also included in the Group 1 DVA balances are Account 1589 – GA with a debit balance of \$4,518,144 and Account 1588 – Power with a credit balance of \$493,033. OEB staff has reviewed the GA Analysis Workform filed by Alectra Utilities for the Horizon RZ and submits that further adjustments need to be made to the Accounts 1589 and 1588 balances requested for disposition.

On the GA Analysis Workform, Alectra Utilities included a reconciling item of \$7,988,841 to Account 1589 "relating to 2010 to 2018 Microfit GA adjustment paid to IESO in 2019." In its interrogatory response, Alectra Utilities noted that this amount was related to IESO charge type 2148, or prior period corrections to Class B global adjustment charges.² Alectra Utilities had omitted FIT and MicroFIT generation load information from 2011 to 2018, resulting in understated Class B load and correspondingly, understated Class B global adjustment charges. Alectra Utilities further stated in its interrogatory response that no adjustments were made to Account 1588 as a result of the omission, and the \$7,988,841 adjustment was accurately recorded in Account 1589.

¹ Alectra Utilities opted not to clear the account balances in the Horizon RZ in its 2020 IRM proceeding because it had not met the OEB's disposition threshold for Group 1 DVAs.

² IRR HRZ-Staff-35.

In a May 15, 2019 letter to electricity distributors regarding accounting guidance for IESO charge type 2148, the OEB stated the following:³

The settlement amount for Class B global adjustment is captured under charge type 148. Charge type 2148 is to be treated in the same manner as charge type 148 for accounting and RPP settlement purposes as charge type 2148 is an adjustment to charge type 148. The sum of charge types 148 and 2148 on the IESO invoice would represent the total global adjustment cost. Accounting guidance previously provided for charge type 148 will also apply to charge type 2148. This includes the methodology to apportion RPP and non-RPP total global adjustment costs as per the Accounting Procedures Handbook Update – Accounting Guidance Related to Pass-Through Accounts 1588 & 1589, issued on February 21, 2019.

Distributors are expected to incorporate the portion of RPP global adjustment from charge type 2148 in their RPP settlement claims. Therefore, the total global adjustment cost is to be used in calculating RPP settlements claims and subsequent true ups with the IESO. The portion of charge type 2148 relating to RPP customers would need to be settled with the IESO as a part of the current month RPP settlement using current month Class B RPP load quantities. Distributors are not expected to revise prior period RPP settlement claims for prior period corrections stemming from charge type 2148.

As a result, in the month when the IESO charge type 2148 amount of \$7,988,841 was included on the IESO invoice, Alectra Utilities was expected to:

- 1) allocate the charge type 2148 amount of \$7,988,841 between RPP (Account 1588) and non-RPP (Account 1589) customers; and
- 2) include the RPP portion of the charge type 2148 amount of \$7,988,841 in the RPP settlement claim and subsequent true-ups with the IESO.

Given that Alectra Utilities recorded the entire \$7,988,841 in Account 1589, OEB staff submits that Alectra Utilities must revise the December 31, 2019 balances being requested for disposition in the Horizon RZ to reflect the appropriate allocation of the \$7,988,841 between Accounts 1588 and 1589. Specifically, OEB staff notes that the Account 1589 balance should be revised, with no impact to Account 1588, as the allocated amount to Account 1588 would be claimed from the IESO in a subsequent true-up of RPP settlement. In the absence of information to determine the appropriate allocations between RPP and non-RPP customers, OEB staff estimates that the

³ OEB Letter Re: Accounting Guidance for IESO Charge Type 2148, May 15, 2019

December 31, 2019 balance in Account 1589 would be adjusted by a credit of about \$5,100,000, resulting in a revised credit balance of about \$550,000. Alectra Utilities may wish to confirm this in its reply submission.

OEB staff has no other concerns with the balances recorded in Account 1589 – GA and Account 1588 – Power.

For Account 1589 – GA and Account 1580 – Sub-Account Capacity-Based Recovery (CBR) Class B, Alectra Utilities has established separate rate riders for the Horizon RZ to dispose of these account balances. The GA rate riders are only applicable to non-RPP Class B customers and the CBR rate riders are only applicable to Class B customers. Alectra Utilities' Class A customers in the Horizon RZ are invoiced the actual GA and CBR costs and, as such, none of the GA or CBR account balances are attributable to these customers.

During the January 1, 2018 to December 31, 2019 period that the Horizon RZ's GA and CBR account balances accrued, Alectra Utilities noted there were 35 Horizon RZ customers that had transitioned from Class B to Class A, or vice versa. These customers paid GA and CBR costs as Class B and Class A customers in the months when they were classified as Class B and Class A customers, respectively. As such, these customers should be allocated only the portion of the GA and CBR account balances that accrued prior to their classification as Class A customers (i.e. as Class B customers), or which accrued after their classification as Class B customers (i.e. after transitioning from Class A).

Alectra Utilities notes that it will settle the GA and CBR amounts attributable to Class A/B transition customers in the Horizon RZ through twelve equal customer-specific adjustments to bills. OEB staff agrees with Alectra Utilities' approach to allocate the recovery of the GA and CBR balances for the Horizon RZ to the appropriate customers. OEB staff supports this treatment since it ensures that, under the general principle of cost causality, customer groups that cause variances are responsible for paying (or receiving credits) for their disposal. The movement from one class to another should not prevent identifiable customers from paying down/receiving a debit/credit balance.

In an interrogatory, OEB staff noted that Alectra Utilities' original application had not included consumption data in both 2018 and 2019 for Class A/B transition customers (i.e. either 2018 or 2019 data was missing for most customers). In response, Alectra Utilities provided a revised Horizon RZ Rate Generator model with the missing information added.⁴ However, OEB staff notes that Tab 6 of the revised model, which is used to detail the billing determinants of Class A/B transition customers, indicates only

⁴ IRR G-Staff-2

34 transition customers, as opposed to the 35 mentioned in the Manager's Summary.⁵ OEB staff notes that the Rate Generator Model from the initial filing indicated 35 customers.⁶ OEB staff submits that Alectra Utilities should clarify in its reply submission whether the Horizon RZ had 34 or 35 transition customers; if there were 35 transition customers, Alectra Utilities should revise the Horizon RZ Rate Generator Model to include the missing customer.

Based on the threshold test calculation, the total Horizon RZ Group 1 DVA balances submitted with the initial filing equate to a debit of \$0.0012 per kWh, which exceeds the OEB's pre-set disposition threshold of \$0.001 per kWh. However, based on OEB staff's estimated credit adjustment of \$5,100,000 to Account 1589 described above, the Group 1 DVA balances equate to a debit of \$0.0003 per kWh, which is below the threshold. Nonetheless, if OEB staff's suggested revisions are accepted, OEB staff still supports the disposition of the Horizon RZ's Group 1 DVA balances.

OEB staff has reviewed Alectra Utilities' Group 1 DVA balances for the Horizon RZ and the variances between the balances being requested for disposition and the balances reported as part of the *Reporting and Record-keeping Requirements* (RRR) and is satisfied with the evidence provided to substantiate those variances.

Brampton RZ:

Alectra Utilities completed the DVA continuity schedule on Tab 3 of the 2021 IRM Rate Generator Model for the Brampton RZ. The Rate Generator Model calculated a total Group 1 DVA credit balance of \$99,243 that is eligible for disposition in this proceeding. This amount contains two years of account balances (2018 and 2019) as Alectra Utilities did not dispose of its Group 1 DVA balances for the Brampton RZ in the previous year's IRM proceeding.⁷ These balances also include interest calculated to December 31, 2020.

Also included in the Group 1 DVA balances are Account 1589 – GA with a debit balance of \$4,538,628 and Account 1588 – Power with a credit balance of \$5,690,144. OEB staff has reviewed the GA Analysis Workform filed by Alectra Utilities for the Brampton RZ and has no concerns with the balances recorded in Account 1589 – GA. Other than the quantum of the balance in Account 1588 – Power, nothing came to OEB staff's attention that would raise concerns with the balance proposed. That said, based on the

⁵ Exhibit 3, Tab 1, Schedule 7, page 8

⁶ The original Rate Generator Model from the initial filing was filed on August 17, 2020: Alectra_APPL_Attach 14 RGM Model HRZ_20200817.xlsm. The missing customer appears to be customer 24 on tab 6 of the original model.

⁷ Alectra Utilities opted not to clear the account balances in the Brampton RZ in its 2020 IRM proceeding because it had not met the OEB's disposition threshold for Group 1 DVAs.

previous disposition history of Account 1588 for Brampton RZ, OEB staff notes that the credit balance of \$5,690,144 is relatively large. The balance in Account 1588 should ideally represent the difference between approved and actual line losses. In the absence of further explanation to support the relatively large balance, OEB staff submits that the 2019 balance in Account 1588 should be disposed of on an interim basis. Because of the relationship between Account 1588 and 1589, if the OEB approves the interim disposition of Account 1588, it should also approve the disposition of Account 1589 on an interim basis. Alectra Utilities should review the amounts recorded in Account 1588 to ensure that there are no errors before final disposition. OEB staff notes that where an accounting or other error is discovered after the balance has been cleared by a final OEB order, the OEB will determine on a case-by-case whether to make a retroactive adjustment.⁸

For Account 1589 – GA and Account 1580 – Sub-Account CBR Class B, Alectra Utilities has established separate rate riders for the Brampton RZ to dispose of these account balances. The GA rate riders are only applicable to non-RPP Class B customers and the CBR rate riders are only applicable to Class B customers. Alectra Utilities' Class A customers in the Brampton RZ are invoiced the actual GA and CBR costs and, as such, none of the GA or CBR account balances are attributable to these customers.

During the January 1, 2018 to December 31, 2019 period that the Brampton RZ's GA and CBR account balances accrued, Alectra Utilities noted there were 38 Brampton RZ customers that had transitioned from Class B to Class A, or vice versa. These customers paid GA and CBR costs as Class B and Class A customers in the months when they were classified as Class B and Class A customers, respectively. As such, these customers should be allocated only the portion of the GA and CBR account balances that accrued prior to their classification as Class A customers (i.e. as Class B customers), or which accrued after their classification as Class B customers (i.e. after transitioning from Class A).

Alectra Utilities notes that it will settle the GA and CBR amounts attributable to Class A/B transition customers in the Brampton RZ through twelve equal customer-specific adjustments to bills. Similar to the Horizon RZ, OEB staff noted in an interrogatory that consumption data was missing for some Class A/B transition customers. In response, Alectra Utilities provided a revised Brampton RZ Rate Generator Model updated with the missing information.⁹ OEB staff notes that Tab 6 of the revised model indicates 38 transition customers as opposed to the Manager's Summary and the initially filed model which indicated 41 transition customers. Despite the reduction of three transition

⁸ OEB letter re: Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition, October 31, 2019.

⁹ IRR G-Staff-2

customers, OEB staff notes that the total Class A consumption for the partial year Class A customers remains the same. It appears to OEB staff that the reduction in customers is the result of Alectra Utilities having three customers in the Brampton RZ that transitioned twice during the January 1, 2018 to December 31, 2019 period (i.e. transitioned from Class B to A in 2018 and then from Class A back to B in 2019, or vice versa). It appears that Alectra Utilities filled out two separate entries for each of the three customers (one entry for 2018 and one for 2019) in the initially filed model, however combined the entries in the revised model from interrogatories. OEB staff submits that Alectra Utilities should confirm in its reply submission whether OEB staff's understanding is correct; if this is the case, OEB staff submits that the revised model is correct and that Alectra Utilities has properly allocated recovery of the GA and CBR balances for the Brampton RZ to the appropriate customers.

Based on the threshold test calculation, the total Brampton RZ Group 1 DVA balances equate to a credit of \$0.00002 per kWh, which does not meet the OEB's pre-set disposition threshold of \$0.001 per kWh. Alectra Utilities is nonetheless requesting disposition of its Group 1 DVAs in the Brampton RZ. OEB staff has reviewed Alectra Utilities' Group 1 DVA balances for the Brampton RZ and the variances between the balances being requested for disposition and the balances reported as part of the RRR. OEB staff is satisfied with the evidence provided to substantiate those variances and supports the disposition of the Brampton RZ's Group 1 DVA balances.

PowerStream RZ:

Alectra Utilities completed the DVA continuity schedule on Tab 3 of the 2021 IRM Rate Generator Model for the PowerStream RZ. The Rate Generator Model calculated a total Group 1 DVA debit balance of \$11,709,056 that is eligible for disposition in this proceeding. These balances also include interest calculated to December 31, 2020.

Included in the Group 1 DVA balances are Account 1589 – GA with a debit balance of \$8,545,305 and Account 1588 – Power with a debit balance of \$4,699,876. OEB staff has reviewed the GA Analysis Workform filed by Alectra Utilities for the PowerStream RZ and has no concerns with the balances recorded in Account 1589 – GA and Account 1588 – Power.

For Account 1589 – GA and Account 1580 – Sub-Account CBR Class B, Alectra Utilities has established separate rate riders for the PowerStream RZ to dispose of these account balances. The GA rate riders are only applicable to non-RPP Class B customers and the CBR rate riders are only applicable to Class B customers. Alectra Utilities' Class A customers in the PowerStream RZ are invoiced the actual GA and

CBR costs and, as such, none of the GA or CBR account balances are attributable to these customers.

During the January 1, 2019 to December 31, 2019 period that PowerStream RZ's GA and CBR account balances accrued, Alectra Utilities noted there were 28 PowerStream RZ customers that had transitioned from Class B to Class A, or vice versa. These customers paid GA and CBR costs as Class B and Class A customers in the months when they were classified as Class B and Class A customers, respectively. As such, these customers should be allocated only the portion of the GA and CBR account balances that accrued prior to their classification as Class A customers (i.e. as Class B customers), or which accrued after their classification as Class B customers (i.e. after transitioning from Class A).

Alectra Utilities notes that it will settle the GA and CBR amounts attributable to Class A/B transition customers in the PowerStream RZ through twelve equal customer-specific adjustments to bills. For the same reasons as laid out for the Horizon RZ above, OEB staff agrees with Alectra Utilities' approach and submits that Alectra Utilities has properly allocated recovery of the GA and CBR balances for the PowerStream RZ to the appropriate customers.

Based on the threshold test calculation, the total PowerStream RZ Group 1 DVA balances equate to a credit of \$0.0014 per kWh, which exceeds the OEB's pre-set disposition threshold of \$0.001 per kWh. OEB staff has reviewed Alectra Utilities' Group 1 DVA balances for the PowerStream RZ and the variances between the balances being requested for disposition and the balances reported as part of the RRR. OEB staff is satisfied with the evidence provided to substantiate those variances and supports the disposition of the PowerStream RZ's Group 1 DVA balances.

Enersource RZ:

Alectra Utilities completed the DVA continuity schedule on Tab 3 of the 2021 IRM Rate Generator Model for the Enersource RZ. The Rate Generator Model calculated a total Group 1 DVA debit balance of \$13,347,158 that is eligible for disposition in this proceeding. These balances also include interest calculated to December 31, 2020.

Included in the Group 1 DVA balances are Account 1589 – GA with a debit balance of \$7,571,152 and Account 1588 – Power with a debit balance of \$4,490,683. OEB staff has reviewed the GA Analysis Workform filed by Alectra Utilities for the Enersource RZ and has no concerns with the balances recorded in Account 1589 – GA and Account 1588 – Power.

For Account 1589 – GA and Account 1580 – Sub-Account CBR Class B, Alectra Utilities has established separate rate riders for the Enersource RZ to dispose of these account balances. The GA rate riders are only applicable to non-RPP Class B customers and the CBR rate riders are only applicable to Class B customers. Alectra Utilities' Class A customers in the Enersource RZ are invoiced the actual GA and CBR costs and, as such, none of the GA or CBR account balances are attributable to these customers.

During the January 1, 2019 to December 31, 2019 period that Enersource RZ's GA and CBR account balances accrued, Alectra Utilities noted there were 22 Enersource RZ customers that had transitioned from Class B to Class A, or vice versa. These customers paid GA and CBR costs as Class B and Class A customers in the months when they were classified as Class B and Class A customers, respectively. As such, these customers should be allocated only the portion of the GA and CBR account balances that accrued prior to their classification as Class A customers (i.e. as Class B customers), or which accrued after their classification as Class B customers (i.e. after transitioning from Class A).

Alectra Utilities notes that it will settle the GA and CBR amounts attributable to Class A/B transition customers in the Enersource RZ through twelve equal customer-specific adjustments to bills. For the same reasons as laid out for the Horizon RZ above, OEB staff agrees with Alectra Utilities' approach and submits that Alectra Utilities has properly allocated recovery of the GA and CBR balances for the Enersource RZ to the appropriate customers.

Based on the threshold test calculation, the total Enersource RZ Group 1 DVA balances equate to a credit of \$0.0019 per kWh, which exceeds the OEB's pre-set disposition threshold of \$0.001 per kWh. OEB staff has reviewed Alectra Utilities' Group 1 DVA balances for the Enersource RZ and the variances between the balances being requested for disposition and the balances reported as part of the RRR. OEB staff is satisfied with the evidence provided to substantiate those variances and supports the disposition of the Enersource RZ's Group 1 DVA balances.

Guelph RZ:

Alectra Utilities completed the DVA continuity schedule on Tab 3 of the 2021 IRM Rate Generator Model for the Guelph RZ. The Rate Generator Model calculated a total Group 1 DVA debit balance of \$4,037,282 that is eligible for disposition in this proceeding. This amount contains two years of account balances (2018 and 2019) as Alectra Utilities did not dispose of the Group 1 DVA balances for the Guelph RZ in the

previous year's IRM proceeding.¹⁰ These balances also include interest calculated to December 31, 2020.

Also included in the Group 1 DVA balances are Account 1589 – GA with a credit balance of \$1,465,086 and Account 1588 – Power with a debit balance of \$5,700,573. OEB staff has reviewed the GA Analysis Workform filed by Alectra Utilities for the Guelph RZ and identified a credit adjustment of \$113,562 that OEB staff submits should be excluded from the balance in Account 1589. In its interrogatory response, Alectra Utilities noted that this “adjustment pertains to 2017 and was recorded [as a debit adjustment] in the GL in 2018”, and has therefore “removed the adjustment from the 2018 balance by way of a principal [credit] adjustment of \$113,562.”¹¹ Given that the original debit adjustment of \$113,562 was a necessary correcting adjustment to the 2017 balance and has been included in the 2018 GL net credit transactions of \$2,229,900 for Account 1589, OEB staff is unclear why this amount would need to be subsequently removed from the 2018 balance. In the absence of a further explanation, OEB staff submits that Alectra Utilities should exclude the credit adjustment of \$113,562 from the 2018 principal adjustments for Account 1589.

Other than the quantum of the balance in Account 1588 – Power, nothing came to OEB staff's attention that would raise concerns with the balance proposed. That said, based on the previous disposition history of Account 1588 for Guelph RZ, OEB staff notes that the debit balance of \$5,700,573 is relatively large. The balance in Account 1588 should ideally represent the difference between approved and actual line losses. In the absence of further explanation to support the relatively large balance, OEB staff submits that the 2019 balance in Account 1588 should be disposed of on an interim basis. Because of the relationship between Account 1588 and 1589, if the OEB approves the interim disposition of Account 1588, it should also approve the disposition of Account 1589 on an interim basis. Alectra Utilities should maintain an ongoing review of the amounts recorded in Account 1588 to ensure that there are no errors. OEB staff notes that where an accounting or other error is discovered after the balance has been cleared by a final OEB order, the OEB will determine on a case-by-case whether to make a retroactive adjustment.¹²

For Account 1589 – GA and Account 1580 – Sub-Account CBR Class B, Alectra Utilities has established separate rate riders for the Guelph RZ to dispose of these account balances. The GA rate riders are only applicable to non-RPP Class B customers and

¹⁰ Alectra Utilities opted not to clear the account balances in the Guelph RZ in its 2020 IRM proceeding because it had not met the OEB's disposition threshold for Group 1 DVAs.

¹¹ IRR GRZ-Staff-49

¹² OEB letter re: Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition, October 31, 2019.

the CBR rate riders are only applicable to Class B customers. Alectra Utilities' Class A customers in the Guelph RZ are invoiced the actual GA and CBR costs and, as such, none of the GA or CBR account balances are attributable to these customers.

During the January 1, 2018 to December 31, 2019 period that Guelph RZ's GA and CBR account balances accrued, Alectra Utilities noted there were 15 Guelph RZ customers that had transitioned from Class B to Class A, or vice versa. These customers paid GA and CBR costs as Class B and Class A customers in the months when they were classified as Class B and Class A customers, respectively. As such, these customers should be allocated only the portion of the GA and CBR account balances that accrued prior to their classification as Class A customers (i.e. as Class B customers), or which accrued after their classification as Class B customers (i.e. after transitioning from Class A).

Alectra Utilities notes that it will settle the GA and CBR amounts attributable to Class A/B transition customers in the Guelph RZ through twelve equal customer-specific adjustments to bills. Similar to the Horizon RZ, OEB staff noted in interrogatories that billing determinants were missing for some transition customers. In response, Alectra Utilities provided a revised Guelph RZ Rate Generator Model updated with the missing information.¹³ For the same reasons as laid out for the Horizon RZ above, OEB staff agrees with Alectra Utilities' approach and submits that Alectra Utilities has properly allocated recovery of the GA and CBR balances for the Guelph RZ to the appropriate customers.

Based on the threshold test calculation, the total Guelph RZ Group 1 DVA balances equate to a credit of \$0.0025 per kWh, which exceeds the OEB's pre-set disposition threshold of \$0.001 per kWh. OEB staff has reviewed Alectra Utilities' Group 1 DVA balances for the Guelph RZ and the variances between the balances being requested for disposition and the balances reported as part of the RRR of the OEB. OEB staff is satisfied with the evidence provided to substantiate those variances and supports the disposition of the Guelph RZ's Group 1 DVA balances.

Final Disposition of Group 1 DVAs from Prior Periods

On July 20, 2018, the OEB issued a letter to all rate-regulated licensed electricity distributors, advising them that the OEB is undertaking an initiative to standardize the accounting processes used by distributors relating to RPP wholesale settlements. This letter also stated that, effective immediately, the OEB will not be approving Group 1 rate riders on a final basis pending the development of this further guidance.

¹³ IRR G-Staff-2

On February 21, 2019, the OEB issued its Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, outlining its standardized requirements for regulatory accounting and RPP settlements that all distributors are expected to follow (Accounting Guidance).¹⁴ The Accounting Guidance is effective January 1, 2019, and was to be implemented by August 31, 2019.

Section 3.2.5.3 of Chapter 3 of the OEB's Filing Requirements for Electricity Distribution Rate Applications – 2021 Rates states that distributors are to confirm that it has fully implemented the new Accounting Guidance effective from January 1, 2019, including a discussion of the results of its review of historical balances, any systemic issues noted, and any material adjustments made to account balances. Section 3.2.5.3 also states the following expectations for final disposition requests of commodity pass-through account balances:

- Any historical balances that were previously approved on an interim basis, or not approved at all, have been reviewed in the context of the Accounting Guidance and are confident that there are no systemic issues with their RPP settlement and related accounting processes affecting those balances.
- Any historical balances that were previously not approved by the OEB due to concerns noted have been assessed in the context of the updated Accounting Guidance. Any necessary revisions or adjustments made are documented, discussed in detail, quantified, and provided to the OEB for review prior to request for final disposition.

As part of its 2020 IRM proceeding¹⁵, Alectra Utilities explained that it incorporated the OEB's Accounting Guidance into its settlement processes and retroactively adjusted its accounts from January 1, 2019. Alectra Utilities also provided a detailed explanation of the process changes that were required to conform to the new Accounting Guidance, and a quantification of the adjustments that were made in 2019. Alectra Utilities also explained the results of its review of historical balances of commodity pass-through accounts that were disposed of on an interim basis (2017) or have yet to be disposed of (2018).¹⁶ Alectra Utilities assessed whether any retrospective adjustments from 2017 to 2018 constituted a material impact to any of its RZs and determined that only the Guelph RZ required its prior years' balances to be adjusted.

In the 2020 IRM proceeding, only the Powerstream and Enersource RZs Group 1 DVAs were disposed on a final basis. Alectra Utilities did not request disposition of the Group

¹⁴ OEB Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019.

¹⁵ EB-2019-0018, Interrogatory Response to G-Staff-3, August 16, 2019

¹⁶ EB-2019-0018, Addendum to Argument-in-Chief, September 5, 2019

1 DVAs for the Horizon, Brampton, and Guelph RZs, as the 2018 balances did not meet the pre-set disposition threshold.¹⁷ Furthermore, for these three RZs, Alectra Utilities did not request final disposition of the 2017 balances which had previously been approved for interim disposition.¹⁸

In the current application, Alectra Utilities is requesting final disposition of the Group 1 DVAs for the 2017-2019 period for the Horizon, Brampton, and Guelph RZ. Given the evidence provided by Alectra Utilities in the 2020 IRM proceeding on the review of its historical balances and the continuity of those balances in this proceeding, OEB staff submits that the Group 1 DVA balances for the Horizon RZ should be disposed on a final basis, subject to OEB staff's suggested corrections noted above. OEB staff also submits that the Group 1 DVA balances for the Brampton and Guelph RZs should be disposed on a final basis, except for the 2019 Account 1588 – Power and Account 1589 – GA balances, which should be disposed on an interim basis.

¹⁷ EB-2019-0018, Partial Decision and Interim Rate Order, December 12, 2019

¹⁸ EB-2018-0016

3. Inflation Factor for 2021

On November 9, 2020, the OEB issued a letter¹⁹ establishing the process for the implementation of the inflation factor for use in 2021 rate adjustment applications and setting the OEB-approved inflation factor for 2021 at 2.2%. In the same letter, the OEB explained that, in light of the ongoing pandemic, utilities have the discretion of selecting the inflation factor of 2.2% or a lower value. The OEB also instructed utilities that have filed applications for January 1, 2021 rates to make their election by November 19, 2020 by filing a letter on the record of their 2021 rates proceeding. At the time of writing of OEB staff's submission, Alectra Utilities had not filed a letter indicating the 2021 inflation factor. Once Alectra Utilities files its election with the OEB, OEB staff submits that the rate generator models in each of Alectra Utilities' RZs and applicable ICM models will be updated to reflect the 2021 inflation factor chosen by Alectra Utilities.

4. Retail Transmission Service Rates (RTSRs)

Alectra Utilities requested approval to update the RTSRs it charges its customers in each RZ as calculated by each respective RZ's Rate Generator Models. OEB staff notes that for the Brampton RZ, the RTSR charges for its embedded distributor service classification have been set equal to the RTSR charges for its general service 700 to 4,999 kW service classification. OEB staff notes that this is consistent with the approach taken in past IRM applications, and which was first proposed and accepted by the OEB in the former Hydro One Brampton Networks Inc.'s 2015 Cost of Service application.²⁰ OEB staff takes no issue with Alectra Utilities' proposed changes to its RTSRs.

¹⁹ OEB Letter RE: 2021 Inflation Parameters, November 9, 2020

²⁰ EB-2014-0083; Hydro One Brampton Networks Inc. proposed charging its embedded distributor service classification the same RTSRs as its general service 700 to 4,999 kW service classification and this was approved by the OEB.

5. Lost Revenue Adjustment Mechanism Variance Accounts (LRAMVA) Disposition

Background

Alectra Utilities applied to dispose of a total LRAMVA debit balance of \$10.4 million from Conservation and Demand Management (CDM) activity in 2018 for its five RZ, inclusive of projected interest to December 31, 2020. In support of its request, Alectra Utilities filed Participation & Cost (P&C) Reports²¹, prior year persistence reports, and program level savings from the P&C Reports and a Post P&C Report.²² The LRAMVA balance also includes lost revenues from street lighting upgrades that are supported by the utility's billed demand data. Alectra Utilities retained a third-party consultant to review and verify the process and related calculations.

Alectra Utilities' total LRAMVA debit balance of \$10.4 million in 2018 is shown by RZ in the table below. The total balance is more than 25% higher than Alectra Utilities' approved 2017 LRAMVA balance. The increase from 2017 is due to the inclusion of new savings from the 2018 program year and the inclusion of the Guelph RZ.

Table 1 – Alectra Utilities' LRAMVA Balance

Rate Zone LRAMVA	2017 LRAMVA Balance (Approved in 2020 IRM Decision)	2018 LRAMVA Balance (Proposed in 2021 IRM Application)
Brampton RZ	\$ 1,216,190	\$ 1,478,992
Enersource RZ	\$ 2,724,213	\$ 3,122,478
Horizon RZ	\$ 1,319,691	\$ 1,020,520
Guelph RZ	n/a	\$ 652,035
PowerStream RZ	\$ 2,989,719	\$4,120,870
Total	\$ 8,249,813	\$ 10,394,895

The details of the LRAMVA balances for 2018 are as follows:

- **Brampton RZ** – The LRAMVA balance of \$1.5 million includes lost revenue from incremental CDM activity in 2018 and persisting savings from programs delivered between 2013 and 2017 in 2018. Actual savings were compared to a LRAMVA threshold established in Hydro One Brampton Networks Inc.'s 2015 cost of service proceeding.²³

²¹ A utility level P&C Report was filed in aggregated format for four of its rate zones: Brampton, Enersource, Horizon and Powerstream. A separate P&C Report for Alectra's predecessor Guelph Hydro was filed, as Guelph Hydro was a separate legal entity in 2018.

²² Attachment 42

²³ EB-2014-0083, Decision and Order, Settlement Proposal, Settlement Table 12

- **Enersource RZ** – The LRAMVA balance of \$3.1 million includes lost revenue from incremental CDM activity in 2018 and persisting savings from programs delivered between 2011 and 2017 in 2018. Actual savings were compared to a LRAMVA threshold established in Enersource Hydro Mississauga Inc.'s (Enersource Hydro) 2013 cost of service proceeding.²⁴
- **Horizon RZ** – The LRAMVA balance of \$1.0 million includes lost revenue from incremental CDM activity in 2018 and persisting savings from programs delivered between 2014 and 2017 in 2018. Actual savings were compared to a LRAMVA threshold established in Horizon Utilities Corporation's (Horizon Utilities) 2015 Custom Incentive Rate-Setting (Custom IR) proceeding.²⁵
- **Guelph RZ** – The LRAMVA balance of \$0.7 million includes lost revenue from incremental CDM activity in 2018 and persisting savings from programs delivered between 2014 and 2017 in 2018. Actual savings were compared to a LRAMVA threshold established in Guelph Hydro's 2016 cost of service proceeding.²⁶
- **PowerStream RZ** – The LRAMVA balance of \$4.1 million includes lost revenue from incremental CDM activity in 2018 and persisting savings from programs delivered between 2015 and 2017 in 2018. Actual savings were compared to a LRAMVA threshold established in PowerStream's 2017 Custom IR proceeding.²⁷

Alectra Utilities proposes to dispose of the LRAMVA balances for each RZ over a 12-month period.

During the course of the proceeding, OEB staff requested clarification on the derivation of RZ allocations as savings in the P&C Report were reported at the utility-level. As part of the interrogatory process, OEB staff requested that Alectra Utilities file calculations to demonstrate that all prior and current year retrofit program savings excluded energy savings from street lighting projects, as demand savings from street lighting projects were claimed separately. As part of its interrogatory responses, Alectra Utilities provided the requested clarification and reconciliations showing that energy savings from street lighting projects were deducted from the associated retrofit programs.²⁸

²⁴ EB-2012-0033, Decision and Order, December 13, 2012, page 28

²⁵ EB-2014-0002, Decision and Order, December 11, 2014

²⁶ EB-2015-0073, Decision and Rate Order, November 26, 2015

²⁷ EB-2015-0003, Decision and Rate Order, September 27, 2016

²⁸ IRR G-Staff-9 and 10; BRZ-Staff-19, ERZ-Staff-32, HRZ-Staff-39, PRZ-Staff-44

As part of the interrogatory process, OEB staff requested a copy of the Post P&C Reports, as a material amount of additional savings were claimed in four RZ²⁹ which were not originally identified in the IESO's P&C Report. As part of its interrogatory responses, Alectra Utilities filed various supplemental reports to show the derivation of Post P&C savings at the project level.³⁰ This included a CDM-IS project level report from the utility's tracking system, and extracts of Small Business Lighting and OPower report from vendor portals.

Alectra Utilities clarified that savings outlined in the P&C Report had captured CDM projects completed in 2018, with customer incentives paid to April 2019. The additional savings set out in the Post P&C Report captured the remainder of CDM projects completed in 2018, with customer incentives paid after April 2019. Alectra Utilities confirmed that savings outlined in the Post P&C Report were related to the IESO's Conservation First Framework (CFF) and include CDM projects that were completed in 2018 but had customer incentives paid after the IESO's reporting cut-off date in April 2019.

Submission

OEB staff submits that the LRAMVA balances for Alectra Utilities' RZs are calculated in accordance with the OEB's CDM policy³¹ and LRAMVA guidelines.³²

Actual conservation savings claimed in 2018 for each zone reconciled with the P&C Report. The persistence of prior year program savings from IESO programs and persisting savings from street lighting upgrades were consistent with the previous year's application. In addition, OEB staff found the reconciliation of street lighting savings from their associated retrofit programs to be helpful and allowed OEB staff to confirm the accuracy of the retrofit program savings claimed. Forecast conservation savings from the LRAMVA thresholds approved in the previous cost-based applications were correctly applied for all RZs.

Alectra Utilities clarified that savings from the Post P&C Report were related to 2018 projects, but could not be included in the IESO P&C Report due to timing issues that only affected the reporting of the results.³³ As a result, OEB staff does not believe it affects the eligibility of the savings. The program savings included in the Post P&C

²⁹ Guelph RZ did not claim savings from Post P&C Reports

³⁰ PRZ-Staff-43

³¹ *Chapter 2 Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications*, May 14, 2020, section 2.4.6.1

³² *Guidelines for Electricity Distributor Conservation and Demand Management*, EB-2012-0003, April 26, 2012

³³ IRR PRZ-Staff-43

Reports are all eligible as they directly relate to CFF programs, were completed in the 2018 program year and were calculated in the same manner as all other 2018 CDM savings.

For the purposes of validating the Post P&C Report savings, OEB staff was able to reconcile the total savings³⁴ for 2018 CDM programs in the LRAMVA workforms with the savings from all projects included in the CDM-IS report. The CDM-IS Report provided a list of all projects completed in 2018 that were funded through the former-CFF and would therefore be eligible for lost revenue recovery. As a result, OEB staff is of the view that the additional savings claimed from the Post P&C Report are reasonable.

There were two supplemental reports extracted from vendor portals showing project level savings from the Small Business Lighting and OPower programs, which were not included in the IESO's P&C Report. OEB staff notes that these programs were both approved for delivery under the former CFF. Similar to the above, the total program level savings for Small Business Lighting in the LRAMVA workform were consistent with the project savings aggregated throughout the year in the vendor report. Additionally, the program year savings from OPower, unique to the PowerStream RZ, were consistent with the savings provided in the monthly OPower reports.

OEB staff supports disposition of the LRAMVA balance as filed. The total balance requested for disposition is noted by RZ in Table 2 below:

³⁴ Total savings refer to the sum of savings from the P&C Report and Post P&C Report by program.

Table 2 LRAMVA Balances for Disposition

Account Name	Account Number	Actual CDM Savings (\$) A	Forecasted CDM Savings (\$) B	Carrying Charges (\$) C	Total Claim (\$) D=(A-B)+C
Brampton RZ LRAMVA	1568	\$1,806,388	\$391,612	\$64,216	\$1,478,992
Enersource RZ LRAMVA	1568	\$4,540,232	\$1,553,329	\$135,574	\$3,122,478
Horizon RZ LRAMVA	1568	\$1,597,225	\$621,015	\$44,310	\$1,020,520
Guelph RZ LRAMVA	1568	\$825,866	\$202,141	\$28,311	\$652,035
PowerStream RZ LRAMVA	1568	\$6,134,189	\$2,192,243	\$178,923	\$4,120,870
Total LRAMVA Balance	1568	\$14,903,900	\$4,960,339	\$451,334	\$10,394,895

6. Renewable Generation Connection Rate Protection (RGCRP)

Alectra Utilities has requested RGCRP funding for its Brampton RZ, PowerStream RZ, and Enersource RZ, respectively. OEB staff's detailed submissions on these requests are set out below:

Brampton RZ

In the application, Alectra Utilities noted that the OEB approved the RGCRP amounts related to the renewable enabling improvement investment and renewable expansion investments from 2015 to 2019 for the former Hydro One Brampton Networks Inc. in its 2015 cost of service application.³⁵ The OEB approved the 2020 RGCRP amounts for the Brampton RZ in Alectra Utilities' 2020 IRM application. Alectra Utilities has requested to collect renewable generation funding of \$139,883 in 2021 or \$11,657 per month from all provincial ratepayers for the Brampton RZ.

OEB staff has reviewed the Brampton RZ RGCRP model filed by Alectra Utilities and submits that the 2021 RGCRP payment amount of \$139,883 is appropriate. OEB staff has further revised the Brampton RZ RGCRP model to extend the calculations for the RGCRP payment amounts in 2022-2026. In response to an interrogatory, Alectra Utilities agreed with OEB staff's calculated RGCRP payment amounts.³⁶ OEB staff submits that the RGCRP payment amounts for 2021-2026 as detailed in the revised RGCRP model for the Brampton RZ are correct and should be approved.

PowerStream RZ

In the application, Alectra Utilities noted that the OEB approved the RGCRP amounts related to the renewable enabling improvement investment and renewable expansion investments from 2016 to 2020 for the former PowerStream Inc. in its 2016 Custom IR application.³⁷ The OEB approved the 2020 RGCRP amounts for the PowerStream RZ in Alectra Utilities' 2020 IRM application. Alectra Utilities has requested to collect renewable generation funding of \$252,940 in 2021 or \$21,078 per month from all provincial ratepayers for the PowerStream RZ.

OEB staff has reviewed the PowerStream RZ RGCRP model filed by Alectra Utilities and submits that the 2021 RGCRP payment amount of \$252,940 is appropriate. OEB staff has further revised the PowerStream RZ RGCRP model to extend the calculations for the RGCRP payment amounts in 2022-2026. In response to an interrogatory, Alectra

³⁵ EB-2014-0083

³⁶ IRR BRZ-Staff-16; Alectra Utilities also provided some additional updates to the model, but these updates did not affect the payment amounts calculated by OEB staff.

³⁷ EB-2015-0003

Utilities agreed with OEB staff's calculated RGCRP payment amounts.³⁸ OEB staff submits that the RGCRP payment amounts for 2021-2026 as detailed in the revised RGCRP model for the PowerStream RZ are correct and should be approved.

Enersource RZ

In the 2016 cost of service rate application,³⁹ the OEB approved the former Enersource Hydro Mississauga Inc.'s basic Green Energy Plan (GEA Plan). In this application, Alectra Utilities notes that the GEA Plan identified the projects and expenditures associated with the connection of renewable generation to its system and discussed constraints on the ability to connect renewable generation. Alectra Utilities has requested to collect renewable generation funding of \$149,672 in 2021 or \$12,473 per month from all provincial ratepayers for the Enersource RZ.

OEB staff reviewed the Enersource RZ RGCRP model as filed by Alectra Utilities. OEB staff noted that 2019 and 2020 values differed from the values provided by Alectra Utilities in the previous year's IRM application. In interrogatories, OEB staff asked Alectra Utilities to confirm: 1) if 2019 values had been updated from 2019 forecast to 2019 actuals; 2) if the forecast for 2020 had been updated to a more recent forecast; and 3) whether the 2021 RGCRP payment amount as calculated by Alectra Utilities includes a true-up for the variance between the payment amounts (for 2019 and 2020) calculated in last year's IRM application and the payment amounts calculated in the current application.⁴⁰

In response, Alectra Utilities confirmed that OEB staff's understanding is correct and that 2019 and 2020 values had been updated as described by OEB staff in points 1 and 2. With respect to point 3, Alectra Utilities explained that the requested 2021 payment amount does not include a true-up for the variances in the 2019 and 2020 amounts. Instead, Alectra Utilities indicated that it would track any variances in Account 1533, Sub-account Provincial Rate Protection Payment Variances in accordance with the OEB's Accounting Procedures Handbook Guidance, issued in March 2015.⁴¹ As part of the interrogatory response, Alectra Utilities also revised the RGCRP model to include calculations for 2022-2026 for the Enersource RZ.

OEB staff has reviewed the revised RGCRP model for the Enersource RZ. OEB staff submits that the RGCRP payment amounts for 2021-2026 as detailed in the revised

³⁸ IRR PRZ-Staff-42; Alectra Utilities also provided some additional updates to the model, but these updates did not affect the payment amounts calculated by OEB staff.

³⁹ EB-2012-0033

⁴⁰ IRR ERZ-Staff-30

⁴¹ OEB Accounting Procedures Handbook Guidance, March 2015.

https://www.oeb.ca/oeb/_Documents/Regulatory/APH_Guidance_March2015.pdf

RGCRP model for the Enersource RZ are correct. OEB staff also agrees that the Account 1533, Sub-account Provincial Rate Protection Payment Variances is available for Alectra Utilities to record the variance between its revenue requirement associated with actual eligible RGCRP costs and the payments from the IESO. However, OEB staff suggests that the variances for 2019 and 2020 amounts be trued-up anyways in the 2021 payment to avoid unnecessarily carrying a balance in Account 1533, Sub-account Provincial Rate Protection Payment Variances until Alectra Utilities' next rebasing application. OEB staff notes that Alectra Utilities has performed a true-up for the Enersource RZ balances in its prior two IRM applications⁴² and does not see a compelling reason to deviate from that approach in this proceeding.

In its Partial Decision in Alectra Utilities' 2020 IRM application (2020 Partial Decision), the OEB accepted an updated 2019 forecast RGCRP payment amount of \$159,690 and 2020 forecast of \$131,769.⁴³ In this application, Alectra Utilities provided an updated RGCRP payment amount for 2019 of \$160,077 based on 2019 actuals and an updated RGCRP payment amount for 2020 of \$154,713.⁴⁴ OEB staff therefore calculates the true-up amount to be \$23,331.⁴⁵ OEB staff submits that the 2021 RGCRP payment amount for the Enersource RZ inclusive of the true-up should be \$173,003 and asks Alectra Utilities to confirm whether it agrees with OEB staff's calculations in its reply submission.⁴⁶

⁴² EB-2018-0016; EB-2019-0018

⁴³ EB-2019-0018, Partial Decision and Interim Rate Order, December 12, 2019, pages 38-39

⁴⁴ See Alectra_IRR_ERZ-Staff-30_Attach 1_RGCRP_20201027.xlsx

⁴⁵ This is calculated by taking the difference between last year's calculated amounts for 2019 and 2020 and this year's updated calculations: $(\$160,077 - \$159,690) + (\$154,713 - \$131,769) = \$23,331$

⁴⁶ This is the 2021 payment amount of \$149,672 plus the true-up of \$23,331.

7. Horizon RZ – Earnings Sharing Mechanism (ESM)

Background

The Custom IR framework approved as part of Horizon Utilities' previous Custom IR application included an ESM that would return to ratepayers, on an annual basis, fifty percent of any earnings that exceeded the approved rate of return for what is now the Horizon RZ in any given fiscal year during the Custom IR term (2015-2019).⁴⁷

In Alectra Utilities' 2020 IRM application, Alectra Utilities requested to return \$1.302 million to Horizon RZ ratepayers for 2017 and \$0 for 2018 through the ESM. As part of its calculations, Alectra Utilities made adjustments to exclude merger-related costs/savings. As well, because Alectra Utilities had transitioned to a consolidated reporting structure, it used formulaic allocation methodologies for certain costs that could no longer be directly attributed and allocated to each RZ, including: OM&A, general plant and Payments in Lieu of Taxes (PILs). For OM&A, Alectra Utilities allocated amounts based on each RZ's proportion of average OM&A in the three most recently available years pre-merger (i.e. 2014-2016). For general plant, Alectra Utilities allocated amounts based on each RZ's proportion of general plant in the most recent available year pre-merger (i.e. 2016). For PILs, Alectra Utilities adjusted Horizon RZ's regulatory net income before taxes by Horizon RZ's share of Alectra Utilities' adjustments for taxes to calculate the PILs. In its decision, the OEB determined that any impact arising from capitalization policy changes in the Horizon RZ should be addressed through the ESM and accepted Alectra Utilities' allocation methodologies.⁴⁸ In accepting Alectra Utilities' proposed allocation methodologies, the OEB noted that Alectra Utilities on whole did not over-earn in 2017 or 2018.⁴⁹

In the current application, Alectra Utilities is requesting the OEB approve its calculations of the Horizon RZ's 2019 achieved Return on Equity (ROE) of 8.255%, which is below its approved ROE of 8.98% and therefore not subject to a refund to ratepayers through the ESM. In doing so, Alectra Utilities has adopted the same methodologies accepted in its 2020 IRM application⁵⁰ as described above while also introducing a new allocation methodology in this application for distribution plant assets. Alectra Utilities migrated to a new Enterprise Resource Planning (ERP) system in July 2019 which replaced the legacy ERP systems and processes of its predecessor utilities. Due to the migration, Alectra Utilities explained that it no longer tracked distribution plant assets separately by RZ. Therefore, for the July-December 2019 period, Alectra Utilities allocated distribution

⁴⁷ EB-2014-0002

⁴⁸ EB-2019-0018, Partial Decision and Order, January 30, 2020, page 46

⁴⁹ Ibid

⁵⁰ Ibid

plant amounts to the Horizon RZ using the proportion of capital expenditures in each RZ during the July-December 2019 period.

Submission

OEB staff has reviewed Alectra Utilities' calculations of the Horizon RZ's 2019 ROE and notes that the calculations are consistent with the methodologies used in the previous year's calculations. OEB staff submits that there are two issues that warrant further consideration:

1. Have the capital and operating costs and savings attributable to the Alectra Utilities merger been appropriately factored into the ESM calculation?
2. What is the appropriate methodology to include the Guelph RZ into the ROE calculations?

OEB staff addresses these issues below:

Merger-Related Costs and Savings

Consistent with its 2020 IRM application,⁵¹ Alectra Utilities has adjusted its OM&A and capital expenditures for the purposes of earnings sharing to adjust for what it has calculated as net merger savings. OEB staff agrees that it is appropriate to exclude merger related costs/savings for the purposes of the ESM.

For capital expenditures, Alectra Utilities has estimated \$2,904,986 in total net merger capital savings in 2019. OEB staff has reviewed the change in Alectra Utilities' rate base from 2018 to 2019 for Alectra Utilities and submits that Alectra Utilities' estimate is reasonable.

For OM&A, Alectra Utilities has estimated \$25,355,700 in total net OM&A merger-related savings in 2019. The Horizon RZ's 2019 allocated OM&A, inclusive of its portion of the net OM&A savings, is \$63,597,821. For comparison purposes, the Horizon RZ's 2018 OM&A that was accepted by the OEB in the 2020 IRM application for the purpose of calculating the Horizon RZ's ESM, inclusive of net OM&A savings, was \$61,849,089.⁵² As a result, OEB staff submits that the allocated OM&A amounts to the Horizon RZ do not appear to be overstated.

Inclusion of Guelph RZ

The Guelph RZ was not included in the Horizon RZ's 2018 ESM calculations, nor any prior year's ESM calculations, because Alectra Utilities only acquired the Guelph RZ in

⁵¹ EB-2019-0018

⁵² EB-2019-0018, Capitalization IRRs, November 10, 2019, HRZ-Staff-2

2019. In this application, Alectra Utilities has included the Guelph RZ as part of its allocation exercises to calculate the Horizon RZ's ROE.

To allocate OM&A, Alectra Utilities used 2016-2018 pre-merger OM&A to determine the 3-year average for the Guelph RZ. By comparison, Alectra Utilities used 2014-2016 pre-merger OM&A amounts for every other RZ. To allocate depreciation expenses, Alectra Utilities used 2018 pre-merger depreciation expenses for the Guelph RZ. By comparison, Alectra Utilities used 2016 pre-merger depreciation expenses for every other RZ.

In an interrogatory response, Alectra Utilities explained that the approach it has taken is appropriate as it is consistent with taking the most recent 3-year actual OM&A average for each RZ pre-merger and the most recent year actual depreciation expense for each RZ pre-merger.⁵³ For the Guelph RZ, which amalgamated with Alectra Utilities in 2019, this would be 2016-2018 for OM&A and 2018 for depreciation expenses. Further, in response to OEB staff's interrogatory, Alectra Utilities provided revised ROEs for the Horizon RZ if it had used a 2014-2016 average for the Guelph RZ OM&A average and 2016 for the Guelph RZ depreciation expense.⁵⁴ In both cases, the revision caused the respective allocation of OM&A and depreciation to Guelph RZ to decrease, and allocation to every other RZ to increase, which reduces the Horizon RZ's calculated ROE.

OEB staff submits that, given that the Horizon RZ is already under earning, the proposed approach to the Guelph RZ's allocation, as described above, has no impact on the ESM results (i.e. the amount to be returned to ratepayers is nil under either approach). OEB staff therefore takes no issue with Alectra Utilities' allocation methodology for the Guelph RZ as filed.

Lastly, OEB staff notes that, similar to the previous year, Alectra Utilities as a whole for 2019 did not over-earn based on its reported ROE. Based on Alectra Utilities' 2019 scorecard, Alectra Utilities had a deemed ROE of 8.95%, however, per Alectra Utilities' filed evidence, only achieved a ROE of 7.53%. OEB staff submits that Alectra Utilities' calculations for the Horizon RZ's 2019 ROE for the purposes of the ESM are consistent with the approach approved by the OEB in Alectra Utilities' 2020 application and should be allowed.⁵⁵ For the reasons above, OEB staff submits that Alectra Utilities' proposed disposition of nil is reasonable and should be accepted for the purpose of calculating the Horizon RZ's 2019 achieved ROE.

⁵³ IRR G-Staff-4

⁵⁴ Ibid

⁵⁵ EB-2019-0018, Partial Decision and Order, January 30, 2020, page 46

8. Horizon RZ – Capital Investment Variance Account (CIVA)

Background

In addition to the Horizon RZ ESM, the Horizon RZ's previous Custom IR framework also provided for a variance account (CIVA) to refund ratepayers, at the end of the five-year Custom IR term, any difference in the revenue requirement should in-service capital additions be lower than the approved forecast. The OEB approved Alectra Utilities' 2015 and 2016 capital additions for the purpose of the CIVA in the former Horizon Utilities Corporation's 2017 rate application⁵⁶ and Alectra Utilities' 2018 rate application,⁵⁷ respectively. The OEB approved both the 2017 and 2018 capital additions for the purpose of the CIVA in Alectra Utilities' 2020 rate application.⁵⁸

In this application, Alectra Utilities is requesting approval for its 2019 capital additions for the purpose of the CIVA. Alectra Utilities provided the following table detailing its capital additions for 2015-2019:⁵⁹

Year	Capital Additions under Pre-merger Capitalization Policy	Capital Additions under Post-merger Capitalization Policy	Custom IR Application (EB-2014-002)	CIVA under Pre-merger Capitalization Policy	CIVA under Post-merger Capitalization Policy
2015	\$ 46,643,216	\$ 46,643,216	\$ 38,314,524	\$ 8,328,692	\$ 8,328,692
2016	\$ 44,295,265	\$ 44,295,265	\$ 41,147,533	\$ 3,147,732	\$ 3,147,732
2017	\$ 46,995,010	\$ 52,393,539	\$ 45,626,114	\$ 1,368,896	\$ 6,767,425
2018	\$ 44,131,111	\$ 49,373,848	\$ 47,142,504	(\$ 3,011,393)	\$ 2,231,344
2019	\$ 61,444,517	\$ 69,187,183	\$ 49,472,477	\$ 11,972,040	\$ 19,714,706
Total	\$ 243,509,119	\$ 261,893,051	\$ 221,703,152	\$ 21,805,967	\$ 40,189,899

Alectra Utilities noted that the capitalization policy of the Horizon RZ changed to match that of the PowerStream RZ in 2017 when the predecessor utilities merged to form Alectra Utilities. Based on the table above, Alectra Utilities noted that its cumulative total capital additions exceed that of its cumulative forecast and that this is true regardless of if the pre-merger capitalization policy is applied or if the post-merger capitalization policy is applied.

In the application, Alectra Utilities also noted that due to its migration to the new ERP system, it no longer tracked capital additions by individual RZ after July 2019, and capital additions for the July to December 2019 period for the Horizon RZ would need to be determined using an allocation methodology.⁶⁰ For distribution plant capital additions, Alectra Utilities allocated amounts to the Horizon RZ based on its proportion

⁵⁶ EB-2016-0077

⁵⁷ EB-2017-0024

⁵⁸ EB-2019-0018

⁵⁹ Exhibit 3, Tab 1, Schedule 3, page 2

⁶⁰ Exhibit 3, Tab 1, Schedule 3, page 4

of capital expenditures relative to Alectra Utilities as a whole. For general plant capital additions, Alectra Utilities noted that “[t]he purpose of general plant is to support the overall business, thus general plant should be allocated to rate zones based on the proportion each represents of the overall distribution system.”⁶¹ In this case, Alectra Utilities used the proportion of each RZ’s most recent pre-merger rate base amounts to allocate general plant capital additions to the Horizon RZ. As well, Alectra Utilities adjusted the general plant capital additions for what it has calculated as net merger capital savings. The amount of net merger capital savings allocated to the Horizon RZ is \$502,864.

Submission

Having reviewed the evidence, OEB staff agrees with Alectra Utilities that no amounts should be recorded in the CIVA. Regardless of whether pre-merger or post-merger capitalization policies are used, OEB staff notes that cumulative capital additions exceed the cumulative forecasted amounts for the 2015 to 2019 period. Further, OEB staff submits that using the proportion of distribution plant capital expenditures to allocate distribution plant capital additions and using the proportion of pre-merger rate bases to allocate general plant capital additions are reasonable methodologies to allocate capital additions to the Horizon RZ.

OEB staff also agrees with Alectra Utilities’ approach to adjust the Horizon RZ’s capital additions to exclude merger-related capital savings. In doing so, OEB staff submits that this restores the Horizon RZ’s capital additions to a comparable basis as the forecast plan that was included in the OEB-approved settlement agreement for the Horizon RZ’s previous Custom IR application; this is also consistent with the approach that was accepted by the OEB in the previous year’s IRM application.⁶² Consistent with its review of the merger-related capital savings for the Horizon RZ ESM, OEB staff takes no issue with the net merger capital savings amount allocated to the Horizon RZ. OEB staff submits that, as the Horizon RZ has exceeded the capital additions underpinning its rates from 2015 to 2019 on a cumulative basis, there is no amount to be recorded in the CIVA and this account should be closed. While Alectra Utilities has not explicitly proposed closure of the account, OEB staff notes that it has no relevance beyond this proceeding, and as such is recommending that this account be closed. Alectra Utilities may confirm its agreement with the proposed closure, or provide rationale for it to remain open, as part of its reply submission.

⁶¹ Ibid

⁶² EB-2019-0018, Partial Decision and Order, January 30, 2020, page 49

9. Capitalization Deferral Accounts

Background

In the OEB's Partial Decision and Order for Alectra Utilities' 2020 IRM application, the OEB adopted the Account 1576 approach to the deferral accounts for the change in capitalization policy for Alectra Utilities.⁶³ The OEB also determined that disposition of the accounts would take place when Alectra Utilities next rebases.

In the same application, Alectra Utilities had noted that it had migrated to a new ERP system and therefore could no longer track the actual impacts of the change in accounting policy for each RZ starting in 2019. To record amounts going forward, Alectra Utilities proposed an allocation methodology to determine the capitalization policy impacts for each RZ starting with the 2019 fiscal year. The OEB, in the 2020 Partial Decision, accepted Alectra Utilities' approach, but also concluded "... that it is appropriate to continue to monitor the results of the allocation methodology for unexpected results that might lead to the conclusion that an amendment is required to the allocation approach on a prospective basis."⁶⁴

In this application, for the OEB's review, Alectra Utilities has provided the balances as at December 31, 2019 in the capitalization deferral accounts for the Enersource RZ and Brampton RZ. There were no amounts recorded in the account for the Guelph RZ as at December 31, 2019 because the effective date of the Account was established as January 1, 2020. There were also no amounts recorded as at December 31, 2019 for the Horizon RZ because any capitalization policy impacts in the Horizon RZ during its Custom IR term, which ended on December 31, 2019, flowed through the Horizon RZ ESM, in accordance with the 2020 Partial Decision.⁶⁵

In response to an interrogatory, Alectra Utilities stated that it continues to use the same allocation methodology as had been accepted by the OEB in the 2020 Partial Decision.⁶⁶ For 2019 balances, Alectra Utilities applied a set of calculated allocation percentages to the 2019 actual distribution plant capital to determine the impacts to the Enersource RZ and Brampton RZ.

⁶³ Ibid, page 35

⁶⁴ Ibid, page 38

⁶⁵ Ibid, page 46

⁶⁶ IRR G-Staff-7

Submission

OEB staff has reviewed Alectra Utilities' capitalization deferral account balances for the Enersource RZ and Brampton RZ and agrees that they reflect the allocation methodology accepted by the OEB in the 2020 Decision.

In interrogatories, OEB staff asked Alectra Utilities what allocation methodology it applied to these balances and whether differences between the originally forecast impacts per RZ and the impacts reported in this proceeding warranted an amendment to allocation methodology.⁶⁷ In response, Alectra Utilities explained that it determined the allocation percentages by RZ based on a ratio of the actual impact of the capitalization policy change, prior to the ERP convergence, to actual distribution plant capital for the corresponding period.⁶⁸ Alectra Utilities further explained that differences between the originally forecasted impacts and those reported in this proceeding are the result of lower than forecasted distribution plant expenditures, and that an amendment to the allocation methodology is not required.⁶⁹

OEB staff agrees that explaining differences between forecasted and actual distribution plant expenditures is helpful in substantiating whether the outcomes of the methodology are reasonable. However, OEB staff submits that, going forward, it is still necessary to monitor the outcome of Alectra Utilities' allocation methodology for unexpected results. OEB staff notes that Alectra Utilities has indicated that it intends to maintain the approach of providing the balances its future rate proceedings as a means to substantiate its approach.⁷⁰

In the future, OEB staff suggests that Alectra Utilities provide, as part of its pre-filed evidence, a detailed explanation of what reasonability assessments were undertaken. While Alectra Utilities explained the differences between forecast and actual balances in response to an interrogatory, this type of analysis (at minimum), including why Alectra Utilities believes the allocation methodology results remain appropriate, should be included as part of the application evidence accompanying the reported balances.

⁶⁷ Ibid

⁶⁸ Ibid

⁶⁹ Ibid

⁷⁰ IRR G-Staff-8

10. Incremental Capital Module (ICM)

Introduction

Alectra Utilities requested ICM funding for three projects:

- \$5,682,220 – Brampton RZ – Connection and Cost Recovery Agreement (CCRA) 10-year True-up Payment to Hydro One Networks Inc. (HONI) for Goreway TS
- \$2,090,197 – Brampton RZ – Goreway Road Widening Project
- \$2,885,574 – PowerStream RZ – Rutherford Road Widening Project

For the two road widening projects, Alectra Utilities noted that both projects were initiated by road authorities (the City of Brampton and the Regional Municipality of York) and that it is required to complete the projects under the *Public Service Works on Highways Act* (PSWHA). Alectra Utilities explained that it must relocate its overhead and underground assets to accommodate the road authorities' road widening work.

For the CCRA payment to HONI for Goreway TS, Alectra Utilities noted that the payment is dictated by the terms within the CCRA between itself and HONI. Goreway TS is a HONI-owned transformer station in the City of Brampton. The former Hydro One Brampton Networks Inc. (Hydro One Brampton) entered the CCRA with HONI in 2008 for the construction of Goreway TS to increase transformation capacity for anticipated load growth within Brampton. The CCRA included a projection of incremental load (revenue) over a 25-year horizon at Goreway TS. The cost for the construction of Goreway TS less the net present value of the projected incremental load was paid by Hydro One Brampton to HONI as an initial capital contribution. At pre-set periods of time, Hydro One Brampton (and now Alectra Utilities) is required to update the incremental load projections for the actual load demand and to update the projection of incremental load for the future years remaining in the 25-year timeline. If there is any excess or shortfall of load (i.e. revenue), Alectra Utilities and HONI are required to settle the difference through a true-up. Hydro One Brampton made a 5-year true-up payment to HONI for the Goreway TS CCRA in 2015; Alectra Utilities expects to make another payment to HONI for the 10-year true-up in 2021.⁷¹ Alectra Utilities noted that a shortfall in load compared to the forecast is expected due to the 2008 economic downturn and also due to the impact of natural conservation (e.g. energy efficiency in homes).

Based on OEB staff's analysis in the sections below, OEB staff submits that the Goreway TS CCRA true-up payment and Rutherford Road Widening project meet the ICM criteria of materiality, need and prudence and should be approved. OEB staff submits that the Goreway Road Widening project does not satisfy the project-specific materiality threshold and should be denied.

⁷¹ Alectra Utilities explained in IRR BRZ-Staff-21 that there is insufficient time to finalize the true-up payment in 2020 and the payment will therefore be in 2021.

Alectra Utilities is not scheduled to rebase in the following rate year. Therefore, OEB staff submits that the half-year rule does not apply. OEB staff has also reviewed Alectra Utilities' ICM models and submits that the models and the calculated ICM rate riders are accurate.

Materiality

The *Report of the OEB: New Policy Options for Funding of Capital Investments: The Advanced Capital Module* (ACM Report) states that distributors must meet an OEB-defined materiality threshold and a project-specific materiality threshold.⁷²

The ACM Report explains materiality as follows:

A capital budget will be deemed to be material, and as such reflect eligible projects, if it exceeds the OEB-defined materiality threshold. Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount (as defined in this ACM Report) and must clearly have a significant influence on the operation of the distributor; otherwise they should be dealt with at rebasing.

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.⁷³

In the application as originally filed, Alectra Utilities used a price cap index of 1.7% as a placeholder since the inflation factor for 2021 was not yet available. This was based on an inflation factor of 2.0% less a productivity factor of 0% and a stretch factor of 0.3%. Alectra Utilities calculated the materiality threshold for the PowerStream RZ to be \$79,319,412 and for the Brampton RZ to be \$31,499,198. As discussed in the earlier section of this submission titled "Inflation Factor for 2021", Alectra Utilities is expected to provide its election for the 2021 inflation factor that it seeks to apply to its 2021 rate adjustments. OEB staff submits that, once Alectra Utilities files this letter with the OEB, Alectra Utilities should update its ICM models and materiality thresholds to reflect the new 2021 inflation factor.

Alectra Utilities stated that its 2021 capital forecast is \$101,754,413 for the PowerStream RZ and \$42,160,901 for the Brampton RZ. Through interrogatories, OEB staff questioned why Alectra Utilities had not included the cost of the CCRA True-up Payment in the capital forecast for Brampton RZ, but instead had included it as part of general plant expenditures within the utility as a whole.⁷⁴ In response, Alectra Utilities

⁷² EB-2014-0219, Report of the OEB: New Policy Options for Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, Pages 16-17

⁷³ ACM Report, Page 17

⁷⁴ IRR BRZ-Staff-22

explained that this was because general plant assets typically are applicable to the utility as a whole and therefore not identifiable by RZ; however, in this case, Alectra Utilities agreed that the CCRA True-up payment is only applicable to the Brampton RZ and provided a revised capital forecast of \$47.0 million.

Based on the evidence filed by Alectra Utilities and revised through interrogatory responses, Alectra Utilities calculated a maximum eligible incremental capital amount of \$15.5 million for the Brampton RZ and \$22.4 million for the PowerStream RZ.⁷⁵ OEB staff has no issue with Alectra Utilities' calculations of its maximum eligible incremental capital amounts. However, since Alectra Utilities has yet to update its ICM models for its 2021 inflation factor, OEB staff submits that Alectra Utilities should provide in its reply submission the updated maximum eligible incremental capital amounts in the PowerStream RZ and Brampton RZ based on its revised materiality thresholds. OEB staff does not expect the update to the inflation factor to have a significant impact on Alectra Utilities' ICM materiality thresholds.

With regard to the project-specific materiality threshold, projects that are minor expenditures in comparison to the overall budget of the distributor are not eligible for ICM treatment.⁷⁶ Alectra Utilities submitted that all three of its projects meet or exceed its materiality levels.

For the Goreway TS CCRA true-up payment and the Rutherford Road Widening project, OEB staff agrees that these projects exceed the project-specific materiality threshold as the projects are not minor expenditures in comparison to the overall budget of the Alectra Utilities. In Alectra Utilities 2018 IRM application, the OEB had acknowledged a combined capital budget of \$267.7 million for Alectra Utilities.⁷⁷ On that basis, the OEB had approved \$2.3 million for the Enersource RZ York MS ICM project.⁷⁸ In the current application, Alectra Utilities has forecasted a 2021 combined capital budget of \$250.3 million.⁷⁹ In relative terms, OEB staff notes that the Goreway TS CCRA true-up payment and the Rutherford Road Widening projects both exceed the amount the OEB had previously approved for the Enersource RZ York MS ICM project, while at the same time, Alectra Utilities' total 2021 capital budget is lower than its capital budget in 2018. In other words, OEB staff submits that these two projects are more significant to Alectra Utilities' overall capital budget than that of an ICM project the OEB approved in the past. Therefore, OEB staff submits that the Goreway TS CCRA true-up payment and Rutherford Road Widening project meet the project-specific materiality threshold.

For the Goreway Road Widening project, OEB staff does not believe this project is significant relative to Alectra Utilities' overall capital budget. OEB staff submits that it

⁷⁵ Exhibit 2, Tab 1, Schedule 1, page 13; IRR BRZ-Staff-22

⁷⁶ ACM Report, page 17

⁷⁷ EB-2017-0024, Decision and Order, April 6, 2018, page 25

⁷⁸ Ibid, page 60; The OEB had approved \$2.3 million for the Enersource RZ York MS ICM project.

⁷⁹ Exhibit 2, Tab 1, Schedule 1, page 14

should be within the means of a utility the size of Alectra Utilities to accommodate a project of this size within its existing budget. In OEB staff's view, Alectra Utilities should be able to defer other discretionary projects as necessary to accommodate this project. In response to an interrogatory, Alectra Utilities indicated that for 2020, it had been able to redirect system access funding to system renewal due to deferrals in system access projects caused by the COVID-19 pandemic. OEB staff submits that, given additional capital was reallocated to system renewal in 2020, Alectra Utilities should be able to defer some of its system renewal spending in 2021 (which was accelerated using the additional capital in 2020) to fund this project. OEB staff notes that the cost of this project at \$2.1 million is the same as the cost of a feeder relocation ICM project the OEB had previously denied in 2019.⁸⁰ For that project, the OEB found that the project was not a significant capital cost in comparison to Alectra Utilities' overall 2019 capital budget of \$257.3 million.⁸¹ For these reasons, OEB staff submits that the Goreway Road Widening project does not meet the project-specific materiality threshold.

Need

The ACM Report describes the "need" criterion as follows:

The distributor must pass the Means Test (as defined in the ACM Report).

Amounts must be based on discrete projects, and should be directly related to the claimed driver. The amounts must be clearly outside of the base upon which the rates were derived.⁸²

Under the Means Test, if a distributor's regulated ROE exceeds 300 basis points above the deemed ROE embedded in the distributor's rates, then the funding for any incremental capital project will not be allowed. Alectra Utilities stated that its most recently available ROE (for 2019) is 7.21%, and that this is 1.74% lower than its consolidated deemed ROE percentage of 8.95%. Alectra Utilities explained that, because it has yet to rebase as a consolidated entity, it needed to determine a consolidated ROE percentage. To do so, Alectra Utilities used the weighted average of the OEB-approved deemed equity portion rate base amounts for each RZ from the most recent OEB-approved rebasing applications of each predecessor company. OEB staff takes no issue with Alectra Utilities' ROE and submits that Alectra Utilities has passed the Means test.

For each of the three requested ICM projects, Alectra Utilities has submitted that the projects are discrete and directly related to the claimed driver. With respect to the CCRA true-up payment, OEB staff agrees with Alectra Utilities that the project is discrete. The CCRA true-up payment pertains specifically to a payment Alectra Utilities

⁸⁰ EB-2018-0016, Decision and Order, January 31, 2019, pages 14-15

⁸¹ Ibid

⁸² ACM Report, Page 17

is due to make to HONI in 2021 for the true-up of a shortfall in load revenue in accordance with the terms of the CCRA.

With respect to the two road widening projects, OEB staff notes that both projects have clearly defined scopes: the Rutherford project involves approximately 2.8 km of road and the Goreway project involves approximately 3.5 km of road. However, OEB staff also notes that both projects appear to be part of multi-year road widening projects as dictated by the Road Authorities. For example, Alectra Utilities indicated that the proposed Goreway Road Widening project is only one part of three projects to expand Goreway Drive. That being said, OEB staff notes that the OEB has not previously viewed multi-year road widening projects as a disqualifying factor for ICM funding as the OEB had previously approved ICM funding for parts one and two of Alectra Utilities' YRRT Road Authority project.⁸³ OEB staff submits that the proposed ICM projects are discrete and takes no issue with Alectra Utilities' ICM requests with respect to the "need" criterion.

Prudence

The ACM Report describes the "prudence" criterion as follows:

The amounts to be incurred must be prudent. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.⁸⁴

CCRA 10-year True-up Payment to HONI for Goreway TS:

Alectra Utilities noted that the CCRA represents a financial obligation and that the CCRA is itself in accordance with the OEB's Transmission System Code.⁸⁵ The payment is therefore non-discretionary, and Alectra Utilities has no option except to pay the true-up amount to HONI.

OEB staff agrees that Alectra Utilities must make a true-up payment to HONI if there is a calculated shortfall of load at Goreway TS. OEB staff submits that Alectra Utilities' evidence is reasonable that there was an economic downturn in 2008 followed by continued shortfalls in load caused by natural conservation. OEB staff notes that this is consistent with Alectra Utilities' previous CCRA true-up payment to HONI for the Pleasant TS, which was based on the same reasons for shortfalls in load and for which the OEB had approved ICM funding.⁸⁶

OEB staff submits that the CCRA true-up payment for Goreway TS is prudent. However, OEB staff notes that the true-up payment amounts are still subject to change because Alectra Utilities has yet to finalize the payment amounts with HONI. OEB staff

⁸³ EB-2017-0024; EB-2018-0016

⁸⁴ ACM Report, Page 17

⁸⁵ OEB Transmission System Code, Revised December 18, 2018

⁸⁶ EB-2017-0024, Decision and Order, April 6, 2018, Pages 32-33

has reviewed Alectra Utilities' calculations for the CCRA and has no particular concerns, but notes that these calculations must ultimately be compared to and reconciled with HONI's calculations. In response to an interrogatory, Alectra Utilities indicated that, if there is a difference, and if ICM funding is approved, it would true-up any difference at its next rebasing application in accordance with the OEB's ICM policy.⁸⁷ OEB staff agrees with Alectra Utilities that the OEB's ICM policy allows for a true-up at the time of its next rebasing application. However, OEB staff notes that approval of an ICM project does not guarantee a true-up of variances at the next rebasing application. Per the ACM Report, it is up to the determination of a future OEB panel presiding over Alectra Utilities' next rebasing application whether any differences warrant a true-up.⁸⁸

Goreway Road Widening Project:

Alectra Utilities noted that this project is non-discretionary and must be completed to fulfill its obligations under the PSHWA. To relocate its assets, Alectra Utilities stated that it considered two options: 1) relocate overhead and underground assets based on the current configuration (i.e. a like-for-like relocation); or 2) replace and rebuild the system to be completely underground. Alectra Utilities explained that an underground system has the benefits of being better protected against weather, animal contacts and vehicle collisions, but would be significantly more expensive.

In an interrogatory response, Alectra Utilities estimated that the cost of an underground rebuild would be over \$20 million more expensive than the other option (\$3.2 million versus \$23.5 million).⁸⁹ Furthermore, Alectra Utilities explained that, due to insufficient trench/duct space, it would need to obtain easements from the municipality to underground its system, and it could not guarantee that it could obtain the relevant easements. Therefore, Alectra Utilities selected the first option of like-for-like replacement as the recommended solution. OEB staff agrees that the additional \$20 million in costs and the uncertainty of obtaining the necessary easements outweighs the potential benefits of undergrounding the system.

In an interrogatory response, Alectra Utilities also provided the scope of the project, which involves 80 poles and associated assets, and 0.3km of underground structure.⁹⁰ In a separate interrogatory response, Alectra Utilities provided details of the budget for this project, including the labour and material costs, as well as an explanation of how it calculated these components.⁹¹ Based on the evidence provided, OEB staff submits the cost of the Goreway Road Widening Project is reasonable and prudent.

⁸⁷ IRR BRZ-Staff-27

⁸⁸ ACM Report page 13; "If there are significant variances between the revenue requirement based on actuals and the revenues collected through the ACM rate riders, the Board may decide to true up any variances."

⁸⁹ IRR SEC-9

⁹⁰ IRR AMPCO-5

⁹¹ IRR 4-EP-5

Rutherford Road Widening Project:

Similar to the Goreway Road Widening Project, Alectra Utilities noted that this project is also non-discretionary and mandatory under the PSHWA. Likewise, Alectra Utilities also considered the same two options for this project: 1) relocate overhead and underground assets based on the current configuration (i.e. a like-for-like relocation); or 2) replace and rebuild the system to be completely underground.

In an interrogatory response, Alectra Utilities estimated that the cost of an underground rebuild would be over \$10 million more expensive than the other option (\$4.4 million versus \$15.7 million).⁹² Furthermore, Alectra Utilities noted that it reviewed the current performance of overhead assets in the project area and deemed any potential reliability benefit of undergrounding the system to be negligible.⁹³ Alectra Utilities noted that the two circuits in that area have not had any issues related to overhead equipment since 2015.⁹⁴ Given that the potential reliability benefits are negligible, OEB staff agrees with Alectra Utilities that it is unnecessary to spend incrementally to underground the system.

In an interrogatory response, Alectra Utilities also provided the scope of the project, which involves 64 poles, 2.8km of overhead work and 0.38km of underground work.⁹⁵ In a separate interrogatory response, Alectra Utilities provided details of the budget for this project, including labour and material costs, as well as an explanation of how it calculated these components.⁹⁶ Based on the evidence provided, OEB staff submits the cost of the Rutherford Road Widening project is reasonable and prudent.

⁹² IRR PRZ-Staff-46

⁹³ IRR PRZ-Staff-46

⁹⁴ Ibid

⁹⁵ IRR AMPCO-7

⁹⁶ IRR 4-EP-8

11. Bill Impacts

OEB staff has reviewed the bill impacts for each of Alectra Utilities' RZ as updated in interrogatories and submits that the bill impacts are properly calculated. No RZ appears to require a mitigation plan as all impacts for all classes are below the 10% threshold. However, as discussed in a previous section, at the time of writing of this OEB staff submission, Alectra Utilities has not provided the OEB with its election for its 2021 inflation factor and the calculations that OEB staff has reviewed do not reflect the 2021 inflation factor. That being said, OEB staff submits that all of Alectra Utilities' bill impacts are sufficiently below the 10% threshold that,⁹⁷ in OEB staff's opinion, the revision to a 2021 inflation factor will not cause any bill impact to increase above the 10% threshold.

- All of which is respectfully submitted -

⁹⁷ Most bill impacts are below 5%. The highest bill impact out of all RZ currently is 5.3% for the streetlighting class in the Brampton RZ.