

November 20, 2020

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

Dear Ms. Long:

**EB-2020-0002 – Alectra Utilities Corporation – 2021 Rates**

Please find, attached, the Final Argument of the Consumers Council of Canada in the above-reference proceeding. We apologize for the late filing of our argument.

Yours truly,

*Julie E. Girvan*

Julie E. Girvan

CC: All Parties  
Alectra, Regulatory Affairs

## **FINAL SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA**

### **RE: ALECTRA UTILITIES CORPORATION - 2021 ELECTRICITY DISTRIBUTION RATES**

**EB-2020-0002**

#### **Introduction:**

On August 17, 2020, Alectra Utilities Corporation (“Alectra”) filed an Application with the Ontario Energy Board (“OEB”) for approval of its electricity distribution rates and other charges effective January 1, 2021. These are the submissions of the Consumers Council of Canada (“Council”) regarding Alectra’s Application. The Council has focussed its intervention on Alectra’s request for Incremental Capital Module (“ICM”) funding.

#### **Background:**

Alectra is a consolidated entity that is comprised of the previous PowerStream Inc., Enersource Hydro Mississauga Inc., Horizon Utilities Inc., Hydro One Brampton Inc. and Guelph Hydro Electric Systems Inc. In the last Alectra rate adjustment proceeding Alectra filed a company-wide Distribution System Plan. Alectra also requested approval of an M-Factor which, would allow for the funding of 203 projects costing approximately \$265 million over the period 2020-2024<sup>1</sup>. In that Decision the OEB rejected the M-factor proposal noting, “The OEB finds that it would be both unjust and unreasonable to expect ratepayers to fund virtually all of the unfunded capital costs in the DSP, while permitting Alectra Utilities’ shareholders to receive all of the merger savings until its next rebasing.”<sup>2</sup>

In addition, the OEB stated that, “Given the length of the deferral period chosen by the utility. Alectra Utilities should consider the option of placing a stronger focus on executing planned capital work in a more efficient way in order to complete its DSP with less capital funding.”<sup>3</sup>

In that Decision the OEB highlighted the fact that merger savings, which go to the account of the shareholder for the duration of the deferred rebasing period, should be a consideration when assessing the need for incremental capital funding. The Council agrees.

In addition, when assessing the need for additional capital funding the Council submits that the OEB should consider the fact that Alectra is now operating as a consolidated entity and has produced a DSP on that basis. The RZs are not silos. If capital needs arise in one RZ, it may be appropriate to defer or eliminate projects in another RZ. As noted by the OEB in its previous Decision Alectra should be expected to execute its planned capital work more efficiently.

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<sup>1</sup> EB-2019-0018 - Partial Decision and Order dated January 30, 2020, p. 8

<sup>2</sup> Ibid, p. 24

<sup>3</sup> Ibid

### **Incremental Capital Module:**

The ICM is permitted by the OEB and assessed on the basis of materiality, need and prudence. Materiality is defined as a capital budget that exceeds the OEB-defined materiality threshold and has a significant influence on the operation of the utility. In addition, minor expenditures in comparison to the overall capital budget should be considered ineligible for ICM treatment. OEB filing requirements stipulate that a certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.<sup>4</sup>

### **Brampton Rate Zone:**

Alectra is seeking approval of incremental capital funding for the Brampton rate zone ("RZs"). For two projects:

- Goreway TS Expansion CCRA – True Up Payment - \$5.682 million
- Goreway Road Widening – \$2,090.197<sup>5</sup>

The Connection and Cost Recovery Agreement ("CCRA") payment to Hydro One Networks Inc. ("HON") relates to work requested by the former Hydro One Brampton to build the Goreway Transformer Station. The CCRA utilizes project costs and projected incremental revenue over a 25-year horizon as inputs to determine the capital contribution payment at the in-service date. At pre-set true-up points the economic evaluation is updated to actual loading, and the updated forecast to settle for demand forecast excesses or shortfalls<sup>6</sup>.

HON Brampton (prior to its acquisition by Alectra) made a true-up payment to HON in 2015 (year 5) of \$.68 million due to lower than forecast energy demand due to a downturn in the economy in 2008, government driven conservation initiatives as well as natural conservation. The 10-year true-up payment is due in 2021 and Alectra estimates a revenue shortfall of \$5.682 million.<sup>7</sup> The final amount and payment terms have yet to be negotiated between HON and Alectra.<sup>8</sup> Alectra included this payment and the business case for it in the DSP for the period 2020-2024 which was filed in the last proceeding (EB-2019-0016).

The Council submits that the CCRA payment should not be approved by the OEB for ICM funding. First, Alectra has been aware of this obligation for years. In its planning processes this obligation to pay HON should be considered a high priority project. Accordingly, it is unclear why this is not part of Alectra's core budget funded through rates. Even if the OEB determines that

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<sup>4</sup> Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition, Chapter 3, pp. 26-27, May 14, 2020

<sup>5</sup> Ex. 2/T1/S1/p. 5

<sup>6</sup> Ex. 2/T1/S1/p. 7

<sup>7</sup> Ex. 2/T1/S.1/p. 6

<sup>8</sup> BRZ-Staff-1

the HON payment qualifies for ICM treatment, approval now would be premature. The final amount and payment terms are not yet known.

The Goreway Road widening project relates to the relocation of electrical distribution assets on Goreway Road as requested by the road authority under the *Public Service Work on Highway Act* (“PSWHA”). The project cost is \$2.09 million and the impact on the revenue requirement is relatively small. The Council does not take issue with the need and the prudence. The work is clearly required. Alectra’s overall capital budget for 2021 is \$250.3 million<sup>9</sup>. Simply put the project is not material. A utility as sophisticated as Alectra should be able to prioritize its capital spending and absorb a minor project such as this one through existing rates. The OEB, in the last case, clearly indicated its expectation for Alectra to execute its planned capital in a more efficient way. The ICM request should be denied.

#### **PowerStream Rate Zone:**

Alectra is seeking ICM funding for the PowerStream RZ for one project. The project relates to the mandatory relocation of electrical distribution assets on Rutherford as requested by the road authority under the PSWHA. The project cost is \$2.9 million. As with the Goreway Road widening project, the Council does not take issue with the need and prudence of this project. The work is clearly required. Again, when one considers that the overall capital budget for Alectra is \$250.3 million, this project is not material. It is not at all clear why this cannot be funded through existing rates.

#### **Conclusion:**

The Council does not support the ICM requests sought by Alectra through this Application. Alectra has not justified its requests. The Council submits that Alectra is a large, sophisticated utility that should be able to manage its capital planning processes efficiently and effectively and fund its capital plan through its existing rates. It is simply not fair to its customers to apply year after year for ICM funding during a period when those customers are not sharing in the savings that have been generated through the merger.

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<sup>9</sup> AMPCO-1 – Attachment 1