February 17, 2022

Nancy Marconi
Acting Registrar
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON
M4P 1E4

Dear Ms. Marconi,

RE: EB-2021-0280 Brantford Power Inc. and Energy+ Inc. MAADs Application
Energy Probe Argument

Attached is the argument of Energy Probe Research Foundation (Energy Probe) in the EB-2021-0280 proceeding, the MAADs Application and related Relief under Section 86 of the Ontario Energy Board Act by Brantford Power Inc, and Energy+ Inc.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi Digitally signed by Tom Ladanyi
Date: 2022.02.17 11:50:59 -05'00'

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe Research Foundation)
Ljuba Djurjevic (OEB Staff)
Roger Higgin (Sustainable Planning Associates Inc.)
Sarah Hughes (LDC Amalco)
Paul Kwasnik (Brantford Power Inc.)
Donald Lau (OEB Staff)
Ian Miles (Energy+ Inc.)
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Intervenors of Record

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EB-2021-0280

IN THE MATTER OF an application by Brantford Power Inc. and Energy+ Inc. for leave for Amalco/Holdco to acquire control of Brantford Energy Corporation and Cambridge Energy Plus Inc. pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application by Brantford Power Inc. and Energy+ Inc. and North Dumfries for leave to amalgamate to form LDC Amalco made pursuant to section 86(1)(c) of the *Ontario Energy Board Act,1998* as of January 1, 2022.

Brantford Power Inc. and Energy + Inc. Amalgamation

Energy Probe Research Foundation Argument

February 17, 2022

EB-2021-0280

Brantford Power Inc. and Energy + Inc. Amalgamation

Energy Probe Argument

Executive Summary

Energy Probe is generally supportive of the proposed amalgamation but submits that a 5-year rebasing deferral period would be appropriate and prudent. Energy Probe also submits that the Applicants should confirm in their reply argument that they have appropriately considered the issues raised in this submission:

- Impact of material changes in input costs
- Reductions in forecast load
- Synergies related to General Plant capital
- Improvements in SAIDI from 24/7 control centre operations.

The Application

The application (the "Application") to the Ontario Energy Board ("OEB") is for the approvals and relief necessary for the amalgamation of Brantford Power Inc. ("BPI") and Energy+ Inc. ("Energy+") (that includes North Dumfries) into a single local distribution company ("LDC") (referred to as "LDC Amalco") that will serve over 107,000 customers. The LDC amalgamation is referred to in the Application as the "Proposed Transaction" or "merger" (each as further described in Section 5.1).

The Applicants state the Application is the culmination of many months of negotiations and agreement among the Applicants and their shareholders and is reflective of the terms of the merger approved by the three municipalities:

(i) the Corporation of the City of Brantford,
(ii) the Corporation of the City of Cambridge, and
(iii) the Corporation of the Township of North Dumfries.

The Applicants state the application adheres to the principles of the OEB's March 26, 2015, *Report on Rate Making Associated with Distributor Consolidation* (the "Consolidation Policy") and follows the *Filing Requirements for Consolidation Applications* (the "Filing Requirements") contained in the January 19, 2016, *Handbook to Electricity Distributor and Transmitter Consolidations* (the "Handbook")

Expected Results of the Amalgamation

Upon completion of the Proposed Transaction, the share percentage ownership of the holding company of LDC Amalco will be as follows: the City of Brantford 41.000%, the City of Cambridge 54.339%, and Township of North Dumfries 4.661%.

The licensed service area of LDC Amalco will be comprised of the current service areas of BPI and Energy+ (including North Dumfries) and will result in a substantially contiguous service area, within the County of Brant and the City of Brantford. BPI's existing service territory is surrounded by Energy+ at all service area boundary lines, and the Applicants expect that the merger will eliminate customer confusion regarding the utility servicing the County of Brant and City of Brantford.

No Harm Test

The Applicants state that the Proposed Transaction achieves the OEB's 'No Harm Test' objectives, which among others, protects the interests of consumers with respect to prices and the adequacy, reliability, and quality of electricity service; and promotes economic efficiency and cost effectiveness.

A key objective for the Proposed Transaction is ensuring levels of customer service, safety and Reliability that either meet or exceed existing levels for each of BPI and Energy+, while maintaining stable, competitive distribution rates. The Applicants state the Proposed Transaction will positively impact existing and new customers and provide the following customer benefits:

- Stable distribution rates over the course of the ten-year period, as provided under the OEB Price Cap Incentive Regulation ("PCIR") methodology, that are projected to increase at less than the rate of inflation over the 10 years following merger, and are lower than what they would have been on a stand-alone basis in the absence of the Proposed Transaction,

- Real cost synergies and operational efficiencies, as well as economies of scale over a larger customer base, will result in a lower future cost structure after the ten-year deferred rebasing period. The sustained synergies from the merger will lower distribution rates at the next rebasing application in comparison to the stand-alone basis, and

- A larger, local and publicly owned utility that will have the capacity to modernize and adapt to future changes in Ontario's electricity sector and will have more resources to invest in innovation and new technologies that address the needs of customers[1].

Energy Probe Submission

The Applicants' plan, if successful, will streamline the operations of the legacy utilities and do so without an increase in rates. However, there are material risks related to key assumptions in the Plan. These include:

- Increase in input costs both for OM&A and Capital
- Increase in interest rates for the proposed Term Debt issues.
- Reduction in load due to CDM and lower customer additions than forecast.

[1] Application Page x

- Synergy cost reductions less than forecast.

Energy Probe is concerned that the Applicants have not adequately addressed these risks, for example by providing one or more forecasts with higher input costs and lower growth in demand.

Baseline Cost Outlook

OM&A

The baseline scenario is presented in Table 6 and results in $3.9 Million in OM&A savings of 3.5 million by year 5 increasing to $3.9 million by year 11[2].

Capital

The Applicants have not provided potential capital cost changes resulting from the merger. The Applicants state that the proposed transaction will achieve operational efficiencies as well as economies of scale over a larger customer base which will result in a lower cost structure for LDC Amalco.[3] However they also state that in regard to the Distribution System Plans of the amalgamating distributors LDC Amalco will *maintain the levels of distribution system capital* indicated in the Plans.[4]

Energy Probe Submission.

The amalgamation plan reasonably considers OM&A costs but not capital costs. If there are, as would be expected, reductions in capital relative to the respective Distribution System Plans, these have not been identified. In their reply argument, the Applicants should address this and provide an estimate of capital cost synergies, particularly as related to General Plant, such as Fleet, IT and Real Estate.

Control Centre Operations

At the technical conference BPI confirmed that 24/7 staffing of the Energy Plus Control Centre would allow Amalco to potentially improve outage response in the event of a large-scale outage.

[2] Application Table 6
[3] AIC Paragraph 24
[4] AIC paragraph 22

Energy Probe Submission

The impact of 24/7 staffing of the Control Centre has not been identified. For example, the benefit/cost of this should result in reductions in SAIDI for the Brantford area, but this has not been clearly stated as an objective.

The Deferred Rebasing Period and Earnings Sharing

The application assumes a 10-year deferred rebasing period. Periods of less than 10 years were not considered by the Applicants.[5] Consistent with the assumption of a 10-year deferred rebasing period, the application also assumes that there would be no earnings sharing in the first 5 years of a 10-year deferred rebasing period.

Energy Probe Submission

In its EB-2014-0138 Report of the Board, *Rate Making Associated with Distributor Consolidations* the OEB explained the option of a 10-year rebasing deferral period.

"*Consolidating entities that elect a re-basing period of up to five years after the closing of the transaction may do so as set out under the current policy. Consolidating entities may also apply for an extended rate rebasing deferral period of up to 10 years.*"[6]

The statement clearly states that consolidating entities may apply for an extended rate rebasing period. The Applicants assumed that they are entitled to a 10-year deferred rebasing period because they are merging and do not need to apply for it. Energy Probe submits that Applicants should explain why LDC Amalco needs such a long period and why a normal 5-year period would not be sufficient. Surely synergies and savings from the amalgamation can be found within 5 years. It is likely that most will be found within the first year. It is also likely that fewer savings from the amalgamation will be found in years 6 to 10.

As there will be no earnings sharing in the first 5 years, all of the savings realized will accrue to the shareholder municipalities to be spent on municipal projects that would otherwise be paid for by municipal taxes. Electricity rates will be subsidizing non-electricity municipal services. This will allow municipal politicians to claim that they are keeping municipal taxes low through their efforts when in fact the taxes will kept low by subsidies from excess electricity rates. It is bad enough that this should go on for 5 years, but it is far worse to have it go on for 10 years. Energy Probe submits that municipal politicians will be adequately rewarded for the amalgamation by a 5-year deferred rebasing period and do not need the reward of an additional 5 years. It is an accepted principle that electricity distribution rates should not be used to pay for services that are not related to electricity distribution, and certainly not for a prolonged period. Energy Probe submits that a 5-year deferred rebasing period would be appropriate.

[5] TC Transcript, page 44
[6] EB-2014-0138 Report of the Board, March 26, 2015, page 4

The Applicants expect that LDC Amalco will not rebase until 2032. However, it is likely that there will be large changes in electricity distribution in Ontario in the 10-year period between 2022 and 2032. Government initiatives promoting the adoption of electric vehicles are going necessitate the rebuilding of the electricity distribution system to allow home charging of electric vehicles without overloading the system. There is also likely to be greater adoption of home batteries. There may also be conversions from gas heating to electric heating. LDC Amalco is located within the GTA commuting area and will likely experience a large population growth by 2032. These are just some of the changes that will probably happen over the next 10 years. The 10-year deferred rebasing plan assumes that the next 10 years will be a simple projection of the last 10 years[7]. Energy Probe submits that is not a realistic assumption. A 10-year period would result in greater risks to ratepayers because the rates would not reflect the changes that are likely to take place over that period. Energy Probe submits that it would be prudent in these changing times to limit the deferred rebasing period to no more than 5 years.

Energy Probe supports the amalgamation of Brantford Power Inc. and Energy + but believes that 5 year deferred rebasing period would be appropriate and prudent. However, should the OEB decide to allow a 10-year rebasing deferral period, it should protect the interests of ratepayers by starting earnings sharing in Year 1 instead of Year 6.

Submitted on behalf of Energy Probe by its consultants,

Roger Higgin	Tom Ladanyi
SPA Inc.	TL Energy Regulatory Consultants Inc.

[7] JT1.4 and JT1.8