

ONTARIO ENERGY BOARD

**Generic Proceeding to Consider Cost of Capital Parameters and
Deemed Capital Structure**

POLLUTION PROBE INTERROGATORIES To Nexus/OEA (M3)

August 2, 2024

**Submitted by: Michael Brophy
Michael Brophy Consulting Inc.
Michael.brophy@rogers.com
Phone: 647-330-1217
28 Macnaughton Road
Toronto, Ontario M4G 3H4

Consultant for Pollution Probe**

M3-2-PP-1

Reference: While there are several risks facing Ontario utilities, there can be none more fundamental than the imminent energy transition, sometimes also referred to as “electrification.” [Page 8]

- a) Please provide a definition for the “Energy Transition” that the OEB should leverage for proceedings such as this. Please include sources and references.
- b) Please confirm that the Energy Transition is already underway and what changes are expected over the next 5, 10 and 15 year periods that are material to Cost of Capital.
- c) The Province of Ontario already dictated a ‘status quo’ approach in Bill 165 related to regulatory treatment (e.g. temporarily maintain revenue assumptions pertaining to Capital asset life despite the Energy Transition). Why should Energy Transition be treated differently for Cost of Capital assumptions?
- d) Electric utility risks will decrease as Ontario continues its pathway to electrification (vs. fossil fuel Capital which will likely be stranded assets before they are depreciated). What does Nexus believe the impacts of this lower risk to be and over what period does this need to be considered.

M3-17-PP-2

Reference: “Nexus Economics recommends that a litigated cost of capital proceeding occurs every 23 three years.” [Page 87]

- a) Please describe why every three years is appropriate compared to every 5 or 10 years.
- b) Please provide a list of generic proceedings related to broader utility (electric and/or gas) issues similar to Cost of Capital that occur on a schedule of every 3 years.
- c) Please indicate how a 3 year cycle for a generic proceeding related to utility Cost of Capital would align with regular 5 year Incentive Rate proceedings across (electric and gas) utilities.

M3-17-PP-3

Please describe the difference between Cost of Capital of electric utilities and gas utilities in Ontario. If a generic proceeding is held regularly, how would those differences in regulation and approach be dealt with to ensure an aligned and efficient approach?