Shepherd Rubenstein

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**BY EMAIL and RESS**

August 2, 2024
Our File: EB20240063

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

**Attn: Nancy Marconi, Registrar**

Dear Ms. Marconi:

**Re: EB-2024-0063 – Generic Proceeding on Cost of Capital – SEC Interrogatories**

We are counsel to the School Energy Coalition ("SEC"). Attached, please find SEC's interrogatories for, i) OEB Staff (LEI), ii) the Ontario Energy Association (Concentric), iii) the Electricity Distributors Association (Nexus Economics), and iv) the Association of Major Power Consumers in Ontario/Industrial Gas Users Association (Dr. Cleary).

Yours very truly,
**Shepherd Rubenstein P.C.**

Mark Rubenstein

cc: Brian McKay, SEC (by email)
Intervenors email)

**EB-2024-0063**

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act,1998,* S.O. 1998, c.15, Schedule B, as amended;

**AND IN THE MATTER OF** a generic proceeding commenced by the Ontario Energy Board on its own motion to consider the cost of capital parameters and deemed capital structure to be used to set rates.

# INTERROGATORIES
# ON BEHALF OF THE
# SCHOOL ENERGY COALITION

**<u>Interrogatories to OEB Staff (M1 - London Economics International ("LEI"))</u>**

**M1-0-SEC-1**
Please provide LEI's views on the recommendations and analysis contained in the expert report from Concentric on behalf of the OEA.

**M1-0-SEC-2**
Please provide LEI's views on the recommendations and analysis contained in the expert report from Dr. Clearly on behalf of AMPCO/IGUA.

**M1-0-SEC-3**
Please provide LEI's views on the recommendations and analysis contained in the expert report from Nexus on behalf of the EDA.

**M1-0-SEC-4**
Please provide a copy of the retainer agreement and all instructions provided to LEI.

**M1-0-SEC-5**
For each proceeding where the authors of the LEI report have provided expert evidence on utility cost of capital, please provide the following information regarding those proceedings, as applicable:

i. Jurisdiction
ii. Date
iii. Docket Number
iv. Applicant
v. Client
vi. Existing equity ratio
vii. Author's recommended equity ratio
viii. Approved equity ratio
ix. Existing ROE
x. Author's recommended ROE
xi. Approved ROE
xii. A copy or web link to the authors written report/testimony
xiii. A copy or web link to the commission/regulatory decision

**M1-0-SEC-6**
[M1] Please provide copies of the documents contained in the LEI report for the following footnotes: 176, 177, 179, 324, and 325.

**M1-2-SEC-7**
[M1, p.28] Is it LEI's view that the OEB should assess changes in utility business and financial risk as compared to the risks in 2006 or 2009?

**M1-2-SEC-8**
[M1, p.44] LEI states that it "does not believe energy transition issues are a large driver in reviewing the process of setting the cost of capital". Please explain what LEI means by this, and is there a distinction between the *process* in setting the cost of capital and the *result* in setting the cost of capital (i.e. determining ROE, capital structure, etc.).

**M1-3-SEC-9**
[M1, p.54-55] Does regulatory lag impact business risk, financial risk, or both?

**M1-3-SEC-10**
[M1, p.59] In discussing the BCUC's recent FEI decision, LEI notes that the BCUC commented that declining demand, resulting in "declining market share, would be perceived negatively by investors thereby affecting the shareholders' expected returns." Does LEI agree with the BCUC, and if so, would the inverse also be true that if a utility is increasing demand for an energy source, this would be perceived negatively by investors thereby affecting the shareholders' expected returns?

**M1-3-SEC-11**
[M1, p.63] LEI has outlined a number of OEB regulatory/policy changes since 2006. Appendix A to these interrogatories outlines a number of additional OEB regulatory/policy changes since 2014. For each, please provide LEI's view on how each would impact utility business and financial risk.

**M1-3-SEC-12**
[M1, p.66] For electricity distributors, please provide LEI's view on the relative business and financial risk between Custom IR and IRM rate frameworks.

**M1-6-SEC-13**
[M1, p.26, p.90] Please provide the Bloomberg utility series (C29530Y) and the BVLI (BVCAUA30) Index for each day since 2009. Please provide the data in Excel format.

**M1-6-SEC-14**
[M1, p.26] Please provide a copy of the Government of Canada 30-year bond yield for each day since 2009. Please provide the data in Excel format.

**M1-6-SEC-15**
[M1, p.34] Has LEI done any analysis to determine if the DLTDR reflects the actual utility debt rates? If so, please provide details.

**M1-6-SEC-16**
[M1, p.89] The OEB's DLTDR is a forecast based on information regarding 30-year bond rates. Ontario utilities often issue debt (either by way of bond or other debt instruments) with different terms (e.g. 5, 10, 15, or 20 years).

a. Does LEI believe that the current and its proposed revision to the methodology in setting the DLTDR reflects a proxy for interest rate for terms less than 30 years? If so, please explain.
b. Does LEI believe there is merit in determining multiple DLTDRs reflecting different terms of debt?

c. Regardless of the answer to part (b), if the OEB were to determine multiple DLTDRs based on the term of the debt, please provide recommendations regarding the methodology.

**M1-10-SEC-17**
[M1, p.115, p.118, 119] Please provide all the underlying data and calculations used for Figures 37, 39, and 40.

**M1-10-SEC-18**
[M1, p.120] LEI notes, that it does not believe a CAPM ROE based on Canada market data is appropriate as compared to US MRP. Please provide a CAPM ROE calculation weighted 72/25 (Canada and US), 50/50 (Canada/USA), 25/75 (Canada/US).

**M1-10-SEC-19**
[M1, p.123] Using March 2024 data, what would the ROE be based on the existing ROE formula?

**M1-10-SEC-20**
Are any changes in the OEB's ROE formula also picked up as part of the OEB's annual inflation factor?

**M1-10-SEC-21**
Please provide LEI's views on the impact to business and financial risk, ROE methodology peer groups, capital structure, and any other aspect of cost of capital, of electricity distributors, electricity transmitters, and OPG's regulated business, of:

a. Utilities being eligible for various green and sustainable bond frameworks.
b. Utilities being considered attractive investments to meet various ESG, and/or sustainable investing goals.

**M1-12-SEC-22**
[M1, p.74, 143] LEI states: i) "With respect to the major OEB regulatory mechanisms introduced since 2006, LEI believes that they have generally reduced the risks for electricity distributors" (p.74), and ii) "The risk profile of electricity transmitters is similar to, if not lower than, that of electricity distributors." (p.143). Based on those conclusions, please provide LEI's specific recommendation for equity thickness for each of the electricity distributors and electricity transmitters.

**M1-12-SEC-23**
[M1, p.179] Please revise Figure 59, 60, 64 and 65 to show information back to 2014.

**M1-19-SEC-24**
[M1, p.163] Please explain, using an illustrative example, how LEI proposes that a utility on IRM would implement a change in the cost of capital parameters and capital structure in advance of rebasing.

**M1-22-SEC-25**
[M1, p.173-174] LEI recommends that unamortized portions of cloud-based contracts be deemed a capital addition at rebasing and attract WACC. Please explain how this recommendation addresses the matter at issue in Issue 22, "[s]hould carrying charges and/or another type of rate apply to the Cloud Computing deferral account? If so, what rate should be applied?"

**M1-22-SEC-26**
[M1, p.174] Please provide an illustrative example of LEI's recommended approach, including all calculations.

**M1-22-SEC-27**
[M1, p.174] Please confirm that LEI's approach to cloud computing may result in an over-compensation to a utility as compared to a traditional capital expenditure, since if the full amount of a cloud-based

contract expense was not paid up-front, then it does not actually borrow any funds which the WACC is meant to compensate the utility for.

**<u>Interrogatories to the Ontario Energy Association ("OEA") (M2 – Concentric Energy Advisors ("Concentric"))</u>**

**M2-0-SEC-28**
Please provide Concentric's views on the recommendations and analysis contained in the expert report from Dr. Clearly on behalf of AMPCO/IGUA.

**M2-0-SEC-29**
Please provide Concentric's views on the recommendations and analysis contained in the expert report from Nexus on behalf the EDA.

**M2-0-SEC-30**
Please provide a copy of the retainer agreement and all the instructions provided to Concentric.

**M2-0-SEC-31**
For each proceeding where the authors of the Concentric report have provided expert evidence on utility cost of capital, please provide the following information regarding those proceedings, as applicable:

i. Jurisdiction
ii. Date
iii. Docket Number
iv. Applicant
v. Client
vi. Existing equity ratio
vii. Author's recommended equity ratio
viii. Approved equity ratio
ix. Existing ROE
x. Author's recommended ROE
xi. Approved ROE
xii. A copy or web link to the authors written report/testimony
xiii. A copy or web link to the commission/regulatory decision

**M2-0-SEC-32**
Please provide copies of the documents contained in the Concentric report for the following footnotes: 3, 4, 28, 31, 129, 132, 138, 139, 146, 147, 150, 151, 152 and 162.

**M2-2-SEC-33**
[M2, p.23] Concentric states: "Consequently, the Energy Transition has already increased both business and policy-related risks for all Ontario utilities and is inevitably going to continue to do so." For each of the following types of Ontario utilities, please separately explain, in detail, the impacts of the energy transition on both business and financial risk: i) electricity distribution, ii) electricity transmission, iii) regulated OPG, and iv) natural gas distribution, transmission, and storage.

**M2-3-SEC-34**
[M1, p.63] LEI has outlined a number of OEB regulatory/policy changes since 2006. Appendix A to these interrogatories outlines a number of additional OEB regulatory/policy changes since 2011. For each, please provide Concentric's view on how each would impact utility business and financial risk.

**M2-3-SEC-35**
[M2] For electricity distributors, please provide Concentric's view on the relative business and financial risk between Custom IR and IRM rate frameworks.

**M2-3-SEC-36**
Please provide Concentric's view on the change in Ontario electricity distributor and electricity transmitter business and financial risk for LDCs since 2009.

**M2-4-SEC-37**
[M2, p.33] With respect to short-term debt:

a. For each of the CLD+ utilities[1], please provide its actual sources of short-term debt, the current interest rate, and how the interest rate is calculated.
b. In Concentric's experience, how does the sources of actual short-term debt for CLD+ utilities compare to utilities outside of Ontario.

**M2-6-SEC-38**
[M2, p.36] With respect to Figure 2:

a. What is the source for 'Actual CAN A-Rate Utility Long-Term Debt Rate'?
b. Is the Actual CAN A-Rate Utility Long-Term Debt Rate representing embedded cost of debt or new issuances only?

**M2-8-SEC-39**
[M2, p.39] Concentric references Hydro One's January 2023 sustainable bond issuance transaction fees. Please provide a breakdown of those costs and provide details regarding which categories and amounts are as a result of it being the first sustainable bond issuance.

**M2-8-SEC-40**
[M2, p.39] In SEC's experience, debt issuance/transaction costs on debt may or may not be material cost (e.g. bond issuance for large utility vs. bank loan for a small distributor, even proportionately can have very different costs). Furthermore, utilities who include a transaction cost as part of the interest rate often apply a 5-basis point adder regardless of the actual costs.

a. Please provide Concentric's views on when it is and is not appropriate to include transaction cost as part of the long-term debt rate.
b. For each CLD+ utility, please confirm that it recovers its debt issuance/transaction costs entirely through the amortizing costs over the life of a debt instrument. If not confirmed, how are those costs recovered.
c. For each CLD+ utility, for each of its last 5 debt issuances, please provide the, i) actual transaction issuance/costs (that would otherwise not be funded out of base rates), ii) based on the debt amount and term, the effective interest rate of the actual transaction costs when amortized over the life of the debt instrument, the iii) actual incremental amount that was added to the issuance debt rate for transaction/issuance.

**M2-10-SEC-41**
For each of CLD+ utilities, please provide:

a. Copies of all credit rating agency reports since 2009
b. Each year between 2009 and 2023, a table that shows approved (i.e. ROE include in base rates) vs actual regulated ROE. As part of that response, for i) Hydro One, please provide a further breakdown by regulated business (transmission and distribution), ii) OPG, please provide a breakdown by generating segment (nuclear and hydroelectric), iii) for Alectra, Elexicon, and

[1] For the purpose of these interrogatories, reference to CLD+ utilities include: Alectra Utilities Corporation (Alectra), Elexicon Energy Inc. (Elexicon), Enbridge Gas Inc. (Enbridge), Hydro One Networks Inc. (Hydro One); Hydro Ottawa Limited Ontario Power Generation Inc, (OPG), Toronto Hydro-Electric System Limited; and Upper Canada Transmission 2, Inc (UCT 2)

Enbridge, who have been subject to major MAAD transactions since 2009, please provide information for predecessor utilities for the applicable years.

c. Details of all equity investments received since 2009, including the date, amount, and source (direct shareholder investment, indirect shareholder investment through holding company, and share sale).
d. A table that shows for all outstanding long-term debt, i) date of issuance, ii) term, iii) maturity date, iv) principal, v) interest rate, vi) type of debt instrument (e.g. public bond, private placement, loan, promissory note, swap, etc.) vii) source of debt (e.g. TD Bank, infrastructure Ontario, shareholder, etc.) and viii) indicate if the debt issued is at the LDC or holding company level.
e. For each year between 2009 and 2024, actual capital structure.

**M2-10-SEC-42**
[M2, p.39, 114] Please provide Concentric's views on the impact to business and financial risk, ROE methodology peer groups, capital structure, and any other aspect of cost of capital, of electricity distributors, electricity transmitters, and OPG's regulated business, of:

a. Utilities being eligible for various green and sustainable bond frameworks.
b. Utilities being considered attractive investments to meet various ESG, and/or sustainable investing goals.

**M2-10-SEC-43**
[M2, p.30] Concentric states: "A demonstration that the regulated utility has actually earned its allowed return is a retrospective view of a constructive regulatory environment and a well-functioning utility, but not a measure of the business risk and financing requirements companies face in the future and not the basis on which prospective investors make investment decisions." Does Concentric believe the inverse is also correct, that a demonstration that a regulatory utility has not earned its allowed return is not a measure of the business and business risk, and financing requirements companies face in the future and not the basis on which prospective investors make investment decisions?

**M2-10-SEC-44**
[M2, p.44] With respect to Figure 3, please provide the revised 5-year Bloomberg Beta (raw and adjusted) that separates Canadian and US utilities.

**M2-10-SEC-45**
[M2, p.49] For each utility in the North American Electric Proxy Group, please provide: a) its credit ratings, b) its most recent credit rating report from each of S&P, DBRS, and Moody's, and c) a breakdown of annual revenue by business type (electricity distribution, electricity transmission, electricity generation, regulated natural gas, and other).

**M2-10-SEC-46**
[M2, p.50] For each utility in the North American Gas Proxy Group, please provide: a) its credit ratings, b) its most recent credit rating report from each of S&P, DBRS, and Moody's, and c) a breakdown of annual revenue by business type (electricity distribution, electricity transmission, electricity generation, regulated natural gas, and other).

**M2-10-SEC-47**
[M2, p.80] With respect to Figure 27: Comparison of North American Authorized Equity Returns:

a. For each of the Canadian 'Operating Utility', please provide a copy of the regulatory decision(s) that last affirmed the existing ROE and/or equity thickness and last adjusted the ROE and equity thickness.
b. For the 'U.S. Electric Mean' and 'U.S. Gas Mean', please provide the underlying data and calculations used to determine the mean ROE and equity thickness. For each utility part of the

calculation, please provide a copy of the regulatory decision(s) that last affirmed the existing ROE and/or equity thickness and last adjusted the ROE and equity thickness.

**M2-10-SEC-48**

[M2, p.81] Concentric states: "As discussed earlier, Ontario utilities are competing for capital with other North American utilities, and this competition will become even more accentuated in the Energy Transition, as utilities vie for limited investor capital." Please provide specific examples of CLD+ utilities that have had trouble attracting capital as a result of the OEB's approved capital structure and ROE.

**M2-10-SEC-49**

[M2, p.84] Concentric states: "Concentric has included an adjustment of 50 basis points to the results of our DCF and CAPM results for flotation costs and financial flexibility, consistent with prior precedent in Ontario as well as most other Canadian jurisdictions":

a. What exactly is included in flotation costs?
b. What is meant by financial flexibility?
c. With respect to flotation costs, please provide evidence from CLD+ utilities' actual costs to demonstrate that 50 basis points is a reasonable amount.
d. Please confirm that at least some CLD+ utilities (e.g. Hydro One, Toronto Hydro) add 5 basis points to individual debt instruments to reflect administration costs. If confirmed, please explain why 50 basis points is appropriate for similar category of costs for the purposes of the ROE.

**M2-10-SEC-50**

[M2, p.126] With respect to Fuel Price Risk, Concentric states: "Like the Ontario utilities, the North American proxy group companies have little to no exposure to commodity price risk or supply risk due either to the elimination of the utility supply function in competitive electric and gas markets or through the prevalence of fuel pass-through mechanisms – 100 percent of the proxy companies are protected from normal commodity price risk." Please identify which non-Ontario electric utilities included in the North American proxy group as Load Serving Entities (or similar role) in which they procure electricity supply on behalf of at least some of its customers. For those utilities, please explain if those documents are subject to any form of prudence review, even if the amounts are treated as pass-through costs.

**M2-10-SEC-51**

[M2, p.126] With respect to Volume Risk:

a. Concentric states that: "Approximately 62 percent of the operating utilities held by the North American proxy groups are protected from market (or demand) risk by full or partial revenue decoupling mechanisms." For each North American proxy group companies, please specify which utility is protected from "market (or demand) risk by full or partial revenue decoupling mechanisms" and the details of the specific mechanism.
b. Concentric states: "The majority of Ontario's electric distribution utilities also have a regulatory mechanism to mitigate volumetric risk." Which Ontario electricity distribution utilities do not have a regulatory mechanism to mitigate volumetric risk?
c. Please confirm that all Ontario electricity distributors are protected against residential customer volumetric risk as a result of full fixed residential distribution rates.
d. Do any non-Ontario electric utilities in the North American proxy group companies have full fixed distribution rates for residential or any other rate class? If so, please provide details.

**M2-12-SEC-52**

[M2, p.130] Please confirm the significant use by the Government of Ontario of its authority under section 96.1 of the *Ontario Energy Board Act,* which designates transmission projects as priority projects and requires the OEB to accept the need for the project, reduces risk for transmitters.

**M2-12-SEC-53**
[M2, p.133] Please reconcile Concentric's recommendation for an equity thickness of 42% for Enbridge Gas in EB-2022-0200, with its recommendation for an equity thickness of 45% for all utilities (which include Enbridge Gas).

**M2-12-SEC-54**
[M2, p.135] Please provide a revised version of Figure 35 that shows Alberta deemed equity ratio.

**M2-13-SEC-55**
[M2, p.140] Concentric states: "As a practical matter, independently developed transmission projects require 100 percent equity during the early stages of development and shift to a mix of equity and debt financing as the project matures into construction through commercial operation." Please confirm that the underlying equity funding is almost always provided by an affiliate company, often funded by debt financing.

**M2-19-SEC-56**
[M2, p.13] Concentric states: "Concentric believes it would be appropriate for changes in the cost of capital parameters and/or capital structure arising from this proceeding to be implemented in the next rate year, including for utilities in an approved rate term, subject to any settlement agreements and each utility submitting a compliance filing demonstrating how the change will be implemented within the context of its specific IR plan (e.g., Custom IR or I-X plan).":

a. Please explain, using an illustrative example, how Concentric proposes that a utility on IRM would implement a change in the cost of capital parameters and capital structure in advance of rebasing.
b. For each of the CLD+ members currently under a Custom IR plan, please provide its position on the ability under its approved framework to have its cost of capital parameters adjusted before rebasing.

**M2-19-SEC-57**
If Concentric's recommendations for capital structure and ROE were implemented for the 2025 rate year, for each of the CLD+ utilities, please provide an estimate in the increase of costs that would be recovered from customers.

**M2-19-SEC-58**
[EB-2022-0200, Exhibit 2, Tab 4, Schedule 1, p.7] Please confirm that in EB-2022-0200, the OEB approved Enbridge's harmonized accounting policy in which the company proposed Interest During Construction at the OEB's prescribed interest rate for CWIP, as opposed to any other method include the historic Enbridge Gas Distribution approach of using the weighted average cost of debt (WACD

**M2-20-SEC-59**
[M2, p.153] Concentric recommends that "the Board apply the WACC to DVA balances that are to remain on utilities' balance sheets for more than one year and retain a short-term rate for DVAs that are cleared within one year." SEC seeks to understand how the one-year threshold would be measured.

a. As an illustrative example, if an amount is recorded in a DVA on September 1, 2024, when would the OEB need to clear the balance for the amount to attract the short-term debt rate?
b. How does Concentric's approach work, considering the OEB's policy for DVA accounts are generally not disposed of until after amounts are audited which results in a lag of at least one year (i.e. normally would not be recovered until January 1, 2027?
c. Does Concentric mean that the shorter-term rate is applied for DVAs cleared within one year or cleared <u>and</u> recovered within one year?
d. Does Concentric propose that this approach be applied to both Group 1 and Group 2 DVAs.

**M2-20-SEC-60**

Concentric proposes that DVA balances (on a utility's balance sheet for more than one year) and CWIP attract WACC. Is the WACC the utility specific WACC included in base rates, or the WACC in a given year based on the OEB's annual cost of capital parameters.

**<u>Interrogatories to the Electricity Distributors Association ("EDA") (M3 – Nexus Economics LLC ("Nexus"))</u>**

**M3-0-SEC-61**
Please provide Nexus' views on the recommendations and analysis contained in the expert report from Dr. Clearly on behalf of AMPCO/IGUA.

**M3-0-SEC-62**
Please provide Nexus' views on the recommendations and analysis contained in the expert report from Concentric on behalf of the OEA.

**M3-0-SEC-63**
Please provide a copy of the retainer agreement and any all instructions provided to Nexus.

**M3-0-SEC-64**
For each proceeding where the authors of the Nexus report have provided expert evidence on utility cost of capital, please provide the following information regarding those proceedings, as applicable:

i. Jurisdiction
ii. Date
iii. Docket Number
iv. Applicant
v. Client
vi. Existing equity ratio
vii. Author's recommended equity ratio
viii. Approved equity ratio
ix. Existing ROE
x. Author's recommended ROE
xi. Approved ROE
xii. A copy or web link to the authors written report/testimony
xiii. A copy or web link to the commission/regulatory decision

**M3-2-SEC-65**
[M3, p.8] Please explain why increased capital spending, triggered by significant load growth, which reflects increased billing determinants, would increase risk.

**M3-2-SEC-66**
[M3, p.9-10] With respect to the Reference and Net Zero Scenario:

a. Footnote 7 says that "[t]he Reference and Net-Zero Scenarios were developed by the EDA based upon load forecasts developed by the IESO." Please provide a copy of the EDA scenarios, including all calculations, assumptions, and sources of data.
b. Figure 4 shows 'Projected Annual Infrastructure Investment by Ontario Distributors' for each scenario. Please provide all calculations, assumptions, and sources of data of the annual infrastructure investments.

**M3-3-SEC-67**
[M3, p.19] Nexus states that: "Ontario is a retail open-access jurisdiction. All comparable jurisdictions listed above, except for California and British Columbia, are also retail open access jurisdictions." What does Nexus specifically consider as "retail open-access"?

**M3-3-SEC-68**
[M3, p.28] Nexus states: "Other jurisdictions embracing carbon reduction and electrification policies have amended their regulatory mechanisms recognizing that the trajectory of capital spending may be

uncertain". As it relates to electricity distribution, please provide, i) details of specific jurisdictions that have amended their regulatory mechanism as a result of carbon reduction and electrification policies, and ii) the specific regulatory mechanism that was amended and how.

**M3-3-SEC-69**
[M1, p.63] LEI has outlined a number of OEB regulatory/policy changes since 2006. Appendix A to these interrogatories outlines a number of additional OEB regulatory/policy changes since 2014. For each, please provide LEI's view on how each would impact utility business and financial risk.

**M3-3-SEC-70**
[M3, p.29] Please provide Nexus' view on the change in Ontario electricity distributor business and financial risk for LDC since 2009.

**M3-6-SEC-71**
Nexus states: "Transaction costs should be recovered over the life of the instruments, as they have been, and for equity should be reflected as a continued 50 basis points addition to the base authorized ROE".

a. For the purpose of the transactions costs on debt instruments, is not clear what Nexus intended by reference to 50 basis points addition to the base ROE. Please explain.
b. Does Nexus believe that a standard amount should be added to debt instruments to reflect transaction/issuance costs, or it should be utility's specific?
c. For the deemed long-term debt rate, what should the amount added for transaction/issuance costs be and what is the basis for those costs? Please provide support for the proposed amount based on EDA member transaction/issuance costs.
d. How many EDA member utilities recover debt transaction/issuance costs through the debt rate as opposed to OM&A?

**M3-10-SEC-72**
For each EDA member utility that has or has been subject to reporting by a credit rating agency, please provide a copy of all credit rating agency reports since 2009.

**M3-10-SEC-73**
[M3, p.4] Please provide all the underlying data and calculations for Figure 1. Pease provide the information in Excel format.

**M3-10-SEC-74**
[Exhibit M3, p.5, 40] Nexus recommended that the ROE formula include 50 basis points for transaction costs. For EDA member utilities owned by municipalities (directly or indirectly), what type of equity transaction costs do they incur? Please provide cost data to assess the reasonableness of 50 basis points added to reflect transaction costs.

**M3-10-SEC-75**
[M3, p.61] For each utility included in the Nexus ROE analysis, please provide: a) its credit ratings, b) its most recent credit rating report from each of S&P, DBRS, and Moody's, and c) a breakdown of annual revenue by business type (electricity distribution, electricity transmission, electricity generation, regulated natural gas, and other).

**M3-10-SEC-76**
[M3, p.81] Nexus states: "Ontario distributors have not earned their cost of equity in any year between 2015 and 2022. Even assuming that the authorized ROE itself met the Fair Return Standard, this reality provides clear evidence that the current Board cost of capital parameters as a whole are inconsistent with the FRS." Has Nexus done any analysis regarding the reasons for why Ontario distributors have not earned their authorized ROE? If so, please provide a copy of the analysis.

**10-SEC-EDA-77**
[M3, p.81] Nexus states that "LEI presents information that focuses primarily on the perspective of debt holders. LEI says that it is "not aware" of OEB-regulated entities facing notable issues in attracting equity and debt capital since 2009". Have any of the EDA member utilities had notable issues attracting equity and debt capital? If so, please discuss.

**M3-12-SEC-78**
Please provide Nexus' views on the relative business and financial risk between electricity distributors, electricity transmitters, and natural gas utilities.

**M3-12-SEC-79**
[M3, p.39, 84] Please reconcile Nexus' statement that a "50:50 Debt-to-Equity ratio for regulated electric utilities is common in the US" (p.84) with its comment that "IOUs generally have Debt ratios of 60%" (p.39, Table 4).

**M3-12-SEC-80**
[M3, p.84] Nexus says that "British Columbia and Alberta have Deemed Debt Ratios of 55 percent." Please provide the source of this information.

**M3-19-SEC-81**
If Nexus' ROE recommendations were implemented were implemented for the 2025 rate year, for all electricity distributors, please provide an estimate in the increase of costs that would be recovered from customers. Please provide all assumptions and underlying calculations.

**Interrogatories to AMPCO/IGUA (M4 – Dr. Clearly)**

**M4-0-SEC-82**
Please provide Dr. Cleary's views on the recommendations and analysis contained in the expert report from Concentric on behalf of the OEA.

**M4-0-SEC-83**
Please provide Dr. Cleary's views on the recommendations and analysis contained in the expert report from Nexus on behalf the EDA.

**M4-0-SEC-84**
Please provide a copy of the retainer agreement and any all the instructions provided to Dr. Cleary.

**M4-3-SEC-85**
[M4, p.117] Does Dr. Clearly believe that utilities that are expected to have increased rate base growth and billing determinates growth are of lower risks then utilities with stagnant or declining rate base growth, and stagnant or even declining billing determinant growth, will have relatively lower business and financial risk.

**M4-10-SEC-86**
[M4, p.39,114] Please provide Dr. Clearly's views on the impact to business and financial risk, ROE methodology peer groups, capital structure, and any other aspect of cost of capital, of electricity distribution, electricity transmitters, and OPG's regulated assets, of the following:

a. Utilities being eligible for various green and sustainable bond frameworks.
b. Utilities being considered attractive investments to meet various ESG, and/or sustainable investing goals.

**M4-12-SEC-87**
[EB-2022-0200, Settlement Proposal] Dr. Clearly has reviewed Hydro One's proposed equity thickness. Please review Hydro One's most recent approved Custom IR settlement for its current 2023-2027 rate framework and provide its views on the impact to Hydro One's business and financial risk of the various utility specific Group 2 DVA accounts.

**M4-12-SEC-88**
[M4, p.128] Dr. Clearly recommends Hydro One's equity ratio be reduced to 38% and further reduced to 36% over the following 2 years. Please provide Dr. Clearly's view on the relative risk of Hydro One's transmission vs. distribution business. Please quantify the relative risks into specific equity ratios.

Respectfully, submitted on behalf of the School Energy Coalition this August 2nd, 2024.

Mark Rubenstein
Counsel for the School Energy Coalition

**Appendix A**

**Additional OEB Regulatory Policy Changes (Over the Last 10 Years)**

i. Introduction of Advanced Capital Module (ACM).See Report of the Board - New Policy Options for the Funding of Capital Investments: The Advanced Capital Module (September 18, 2014)

ii. MAAD transaction deferred rebasing lengthened from 5 to up to 10 years, at discretion of utility. See Report of the Board Rate-Making Associated with Distributor Consolidation (March 26, 2015)

iii. OEB requiring residential customers to be billed on a monthly basis (previously many were bi-monthly). See Distribution System Code (DSC) Amendments (April 15, 2015). Related, reduced billing lag as demonstrated by OEB's reduction in default working capital from 13% to 7.5%. See OEB Letter, Allowance for Working Capital for Electricity Distribution Rate Applications, June 3, 2015)

iv. Reduction of ACM/ICM deadband from 20% to 10%. See Supplemental Report: New Policy Options for the Funding of Capital Investments (Jan 22, 2016)

v. Expansion of eligibility for ICM for utilities on deferred rebasing period. See OEB Letter Re: Incremental Capital Modules During Extended Deferred Rebasing Periods (Feb 10, 2022)

vi. Annual update to LV Rates through IRM/rate adjustment process, whereas previously only updated at rebasing. See Updated Filing Requirements for Electricity Distribution Rate Applications, Chapter 3 (June 15, 2023)

vii. UTRs issued earlier in year allowing for more up to date RTSRs included in annual rate adjustments applications. See OEB Letter, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub Transmission Rates (September 28, 2023)

viii. Introduction of OEB NWS Guidelines which provides opportunities for utilities during IRM (or even in circumstances existing Custom IR plan) to seek additional funding opportunities for non-wires solutions. See Non-Wires Solutions Guidelines for Electricity Distributors (March 28, 2025)