



By EMAIL and RESS

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Our File: EB-2024-0006

Ontario Energy Board  
2300 Yonge Street  
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Toronto, Ontario  
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**Attn: Nancy Marconi, Registrar**

Dear Ms. Marconi:

**Re: EB-2024-0006 – Alectra 2025 Rates – SEC Final Argument**

We are counsel for the School Energy Coalition (SEC). Pursuant to Procedural Order #1 in this matter, this letter constitutes SEC's Final Argument.

SEC's submissions are limited to the calculation of the ESM. There are, in our view, two possible and related issues with respect to that calculation.

First, SEC disagrees with the Applicant (and with OEB Staff) that it is appropriate to exclude the net merger savings (merger benefits less costs) from the calculation of earnings subject to the sharing mechanism. In fact, the net merger savings are the primary reason why there is an ESM at all.

The easiest way to see that is to look at the Handbook, which, at p. 23, clearly states

*"The ESM is designed to protect customers and ensure that they share in any increased benefits from consolidation during the deferred rebasing period."*

That follows from the history of the ESM in the MAADs context. The OEB will recall that the deferred rebasing period was originally five years, but at the request of many utilities the proposal was made to increase it to a maximum of ten years. Many ratepayer groups objected, mostly on the basis that the result could be windfall profits to the merging utilities in excess of a reasonable amount.



In the result, the OEB determined that, for utilities that seek a deferred rebasing period of more than five years, they must include an earnings sharing mechanism, so that the sharing of the merger benefits, if sufficiently large, can start in year six and beyond.

Therefore, SEC believes that the ESM must be recalculated to include the net merger savings for each relevant year.

That leads to the second related issue. It is not clear to us from the evidence, and from the response to VECC-1, that the cost of capital calculation was done with the net merger savings included in the income line and in the resulting ROE. We would request that the Applicant, in Reply, either confirm that the final ROE calculations include net merger savings, or provide a recalculation, at the same level of detail as VECC-1, that includes those net savings.

All of which is respectfully submitted.

Yours very truly,  
**Shepherd Rubenstein Professional Corporation**

A handwritten signature in black ink, appearing to read "Jay Shepherd", written over a light gray horizontal line.

Jay Shepherd

cc: Brian McKay, SEC (by email)  
Interested Parties (by email)