

EB-2024-0006

Alectra Utilities Corporation

**Application for changes to electricity distribution rates and other charges
effective January 1, 2025**

Final Submissions of VECC November 1, 2024

Alectra Utilities Corporation (Alectra Utilities) filed an application with the Ontario Energy Board (OEB) on August 15, 2024, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to its electricity distribution rates to be effective January 1, 2025. Alectra Utilities also applied for approval of Renewable Generation Connection Rate Protection funding, review of the Deemed Return on Equity to determine if the Earning Sharing Mechanism is triggered, and an assessment of the allocation methodology applied to the capitalized deferral accounts.

VECC's submissions relate to the review of the Earnings Sharing Mechanism.

Earnings Sharing Mechanism

Alectra Utilities is a wholly-owned subsidiary of Alectra Inc., which is indirectly owned by the cities of Vaughan, Hamilton, Markham, Barrie and St. Catharines, and Enersource Corporation, which is owned by the City of Mississauga (90%) and BPC Energy Corporation (10%). Alectra Utilities was formed on January 1, 2017 through the consolidation of Enersource Hydro Mississauga Inc. (Enersource), Horizon Utilities Corporation (Horizon), PowerStream Inc. (PowerStream), and Hydro One Brampton Networks Inc. (Brampton).¹

Guelph Hydro is a wholly-owned subsidiary of Guelph Municipal Holdings Inc. (GMHI), which itself is wholly-owned by the City of Guelph and serves the City of Guelph and the Village of Rockwood. The OEB approved the amalgamation of Alectra Utilities and Guelph Hydro to continue as Alectra Utilities on October 18, 2018,² effective January 1, 2019.

The OEB's 2015 Distributor Consolidation Report requires consolidating entities requesting a deferred re-basing period of greater than five years to implement an earning sharing mechanism (ESM) for the period beyond five years, whereby excess earnings are shared with consumers on a 50:50 basis for all earnings that are more than 300 basis points above the consolidated entity's annual return on equity (ROE).³

¹ EB-2016-0025

² EB-2018-0014

³ EB-2014-0138 Report of the Board Rate-Making Associated with Distributor Consolidation March 26, 2015 p.12

In the OEB's 2015 Report, the OEB states, "The OEB believes that the requirement for the MAAD's application to include an earnings sharing mechanism (ESM) will address ratepayer concerns that the accumulated savings could amount to a windfall for shareholders.⁴ Further, the 2015 Report states, "This sharing provides for the shareholders to continue to recover transaction costs while ensuring customers of the consolidated entity will benefit from the efficiencies and savings the new distributor has achieved."⁵

The OEB's 2024 Handbook to Electricity Distributor and Transmitter Consolidations echoes this belief stating, "The ESM is designed to protect customers and ensure that they share in any increased benefits from consolidation during the deferred rebasing period."⁶ The ESM shall be calculated annually on a calendar-year basis. The ESM calculation should include all transaction and transition costs, as well as savings.⁷

In the current application, Alectra Utilities provides its 2023 ROE calculation. To determine the 2023 ROE for the Horizon, Brampton, PowerStream and Enersource RZs only, Alectra Utilities derived weighting factors to be applied to Alectra Consolidated (all five RZs) ROE data. The weighting factors were derived using 2017 and 2018 ROE data from the respective annual RRR filings for Alectra Utilities and Guelph Hydro.⁸

Alectra Utilities indicates the 2023 achieved ROE excludes the net OM&A merger savings adjustments that were included in the calculation of ROE in years 1 to 5 of the rebasing deferral period.⁹

In VECC's view, the ESM calculation must include the net merger savings for each year.

In VECC-1, VECC sought the ROE calculation in years 1 to 5 excluding the adjustment. It's unclear from VECC-1 if the historical reporting includes or excludes net merger savings. As a result, VECC requests that in reply submissions, Alectra Utilities clarifies if the final ROE calculations include net merger savings. Regardless of how you calculate it per VECC-1 it doesn't trigger sharing so the issue is an important point of clarification.

⁴ Ibid p. 6

⁵ Ibid p.7

⁶ Handbook to Electricity Distributor and Transmitter Consolidations
July 11, 2024 p. 23

⁷ Ibid. p. 24

⁸ Ex 2 T1 S9 p. 2

⁹ Ibid p. 2

