

November 14, 2024

**VIA RESS**

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street  
27th Floor, Box 2319  
Toronto, ON M4P 1E4  
Email: registrar@oeb.ca

Dear Ms. Marconi;

**Re: EB-2024-0006 – Alectra Utilities Corporation (“Alectra Utilities”) 2025 Electricity Distribution (“EDR”) Rate Application – Alectra Utilities’ Reply Submission**

Alectra Utilities Corporation (“Alectra”) is the Applicant in the above-referenced proceeding. In accordance with Procedural Order No. 1 issued by the Ontario Energy Board on September 24, 2024, please find enclosed Alectra’s Reply Submission.

The Reply Submission has been filed on RESS, a copy has also been served on all parties via email.

Yours truly,

***Original signed by***



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Natalie Yeates  
Director, Regulatory Affairs and Reporting  
natalie.yeates@alectrautilities.com

cc: Charles Keizer, Torys LLP  
All parties in EB-2024-0006

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

**AND IN THE MATTER OF** an Application by Alectra Utilities Corporation to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2025.

## **REPLY SUBMISSION**

### **ALECTRA UTILITIES CORPORATION**

**November 14, 2024**

1    **A.     INTRODUCTION**

2    Alectra Utilities Corporation (“Alectra Utilities” or the “Applicant”) filed an application with the  
3    Ontario Energy Board (“OEB” or the “Board”) on August 15, 2024, under section 78 of the *Ontario*  
4    *Energy Board Act*, 1998, seeking approval for changes to its electricity distribution rates for each  
5    of its Horizon Utilities, Brampton, PowerStream, Enersource and Guelph Hydro rate zones (“RZs”)  
6    to be effective January 1, 2025 (the “Application”). The Application was prepared in accordance  
7    with the OEB’s *Filing Requirements for Electricity Distribution Rate Applications* (the “Filing  
8    Requirements”), and other relevant OEB guidance. The OEB accepted School Energy Coalition  
9    (“SEC”), and Vulnerable Energy Consumers Coalition (“VECC”) as Intervenor (collectively, the  
10   “Parties”).

11   Alectra Utilities received written submissions from OEB staff and SEC on November 1, 2024 and  
12   from VECC on November 2, 2024.

13   This is Alectra Utilities’ reply submission. For the reasons that follow, it is Alectra Utilities’  
14   submission that the Application should be approved as filed, and as updated by the Applicant  
15   during the proceeding.

16   **B.     OVERVIEW**

17   All of Alectra Utilities’ RZs are on Price Cap IR for the purpose of setting 2025 rates. In this  
18   Application, Alectra Utilities has applied for:

- a. Electricity distribution rates and charges in the Horizon Utilities, Brampton, PowerStream, Enersource and Guelph Hydro RZs effective January 1, 2025, based on 2024 rates adjusted by the OEB's Price Cap Index Adjustment Mechanism formula;
- b. An adjustment to the retail transmission service rates effective January 1, 2025;
- c. Clearance of the balances recorded in Alectra Utilities' Group 1 deferral and variance accounts, by means of class-specific rate riders effective January 1, 2025 to December 31, 2025;
- d. Recovery of Renewable Generation Connection Rate Protection ("RGCRP") funding; and
- e. Recovery of the previously approved LRAM-eligible amounts for 2025 adjusted by the OEB's Price Cap Index Adjustment Mechanism formula.

In this Application, Alectra Utilities also reports on the balance in the capitalization policy deferral accounts as of December 31, 2023 for the Enersource, Brampton, Horizon Utilities and Guelph Hydro RZs and the calculation of Alectra Utilities' 2023 Return on Equity ("ROE") for the purposes of earnings sharing.

## **C. INCENTIVE REGULATION MECHANISM**

### **1. Capitalization Policy**

Alectra Utilities reports on the actual balance in the capitalization deferral accounts as of December 31, 2023 for the Brampton, Enersource, Horizon Utilities, and Guelph Hydro RZs, as provided in Exhibit 2, Tab 1, Schedule 2, pp.4-5. Alectra Utilities applied the allocation methodology accepted by the OEB<sup>1</sup> to determine the balances in the deferral accounts. No approvals are being sought in this Application for the capitalization policy balances.

#### *Submissions of the Parties*

No party made submissions on this matter.

#### *Alectra Utilities' Submission*

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<sup>1</sup> Partial Decision and Order, EB-2019-0018, January 30, 2020, pp. 35-39

1 In this Application, Alectra Utilities reports on the balances in the capitalization policy deferral  
2 accounts for the Brampton, Enersource, Horizon Utilities, and Guelph Hydro RZs, using the  
3 allocation methodology accepted by the OEB in its 2020 Decision.

4 Alectra Utilities submits that it will continue to report on the actual balance in the capitalization  
5 deferral accounts in its annual rate applications and will continue to use the allocation  
6 methodology accepted by the OEB in its 2020 Decision.

## 7 **2. Annual Price Cap Adjustment Mechanism**

8 Alectra Utilities has completed the OEB's Rate Generator Model ("RGM") and GA Analysis  
9 Workforms, where applicable. This aspect of the Application has been prepared in accordance  
10 with the Filing Requirements, including the key OEB reference documents listed therein. The  
11 specific relief sought for the Horizon Utilities, Brampton, PowerStream, Enersource, and Guelph  
12 Hydro RZs is set out in Exhibit 2, Tab 1, Schedule 1.

### 13 *Stretch Factor*

14 The Stretch Factor assignment for Alectra Utilities for the 2025 IRM rate-setting is 0.3%, in  
15 accordance with the most recent PEG report, issued on August 6, 2024. The July 2024 Report  
16 placed Alectra Utilities in Group III for the purpose of calculating stretch factors for 2025.

### 17 *Inflation Factor*

18 On June 20, 2024, the OEB issued a Letter re: *2025 Inflation Parameters*, that establishes the  
19 process for the implementation of the inflation factor for use in 2025 rate adjustment applications.  
20 The OEB has calculated the 2025 inflation factor for electricity distributors to be 3.6%.

### 21 *Submissions of the Parties*

22 OEB staff submits it has no concerns with Alectra Utilities' proposed price cap adjustment. No  
23 other party made submissions on this matter.

### 24 *Alectra Utilities' Submission*

25 Alectra Utilities submits that the RGMs for all RZs include an inflation factor of 3.6%, offset by  
26 Alectra Utilities' assigned stretch factor of 0.3%, for a Price Cap Index adjustment of 3.3% for  
27 2025 rates.

1     **3.     *Electricity Distribution Retail Transmission Service Rates***

2     On November 1, 2024, the OEB issued a letter regarding *2025 Preliminary Uniform Transmission*  
3     *Rates and Hydro One Sub-Transmission Rates* (EB-2024-0244). The Letter provides the  
4     calculation for 2025 preliminary Uniform Transmission Rates (“UTRs”) to facilitate implementation  
5     of the UTRs in applicable 2025 electricity distributor rate applications. In the Letter, the OEB  
6     directs distributors to update their 2025 rate application to reflect the preliminary UTRs.

7     Alectra Utilities has updated the Rate Generator Models for all RZs with the preliminary UTRs  
8     and proposed Hydro One Sub-Transmission rates. The RGMs are filed as Attachments 1 to 5 to  
9     this Reply Submission.

10    *Submissions of the Parties*

11    OEB staff submits that it has no concerns with Alectra Utilities’ proposed changes to its RTSRs.  
12    No other party made submissions on this matter.

13    *Alectra Utilities’ Submission*

14    Alectra Utilities submits that the RTSRs should be approved as updated in this Reply Submission,  
15    provided there are no changes in the final rate order.

16    **4.     *Disposition of Group 1 Deferral and Variance Accounts***

17    In this Annual Filing, Alectra Utilities requests disposition of Group 1 account balances for all rate  
18    zones as of December 31, 2023, including interest projected to December 31, 2024 on a final  
19    basis. Alectra Utilities updated the RGM models during the interrogatory process to reflect the Q4  
20    2024 prescribed interest rate of 4.40%.

21    *Submissions of the Parties*

22    No party made submissions on this matter.

23    *Alectra Utilities’ Submission*

24    Alectra Utilities submits that its 2023 Group 1 account balances for the Horizon Utilities,  
25    Brampton, PowerStream, Enersource, and Guelph Hydro RZs should be disposed of on a final  
26    basis.

Table 1 below provides a summary of the Group 1 account balances requested for disposition.

**Table 1 - Group 1 Balances by RZ as Filed vs. Reply Submission**

Rate Zone	As Filed	Reply Submission
Horizon Utilities	\$1,296,181	\$1,294,211
Brampton	\$4,769,920	\$4,761,388
PowerStream	\$5,176,425	\$5,168,590
Enersource	\$15,025,215	\$14,999,118
Guelph Hydro	\$1,341,232	\$1,339,953

**5. Renewable Generation Connection Rate Protection**

Alectra Utilities provides a summary of its Renewable Generation Connection Rate Protection (“RGCRP”) amounts by rate zone in Table 2 below. In response to OEB staff interrogatories in Alectra Utilities 2021 EDR Application (EB-2020-0002), OEB staff and Alectra Utilities updated the RGCRP models to extend the calculations for the RGCRP payment amounts for each year between 2022 to 2026.<sup>2</sup> Alectra Utilities is not requesting renewable generation funding for the Horizon Utilities and Guelph Hydro RZs.<sup>3</sup>

**Table 2 - 2025 RGCRP Amounts by RZ**

Rate Zone	Annual \$	Monthly \$
Brampton	\$125,149	\$10,429
Enersource	\$234,307	\$19,526
PowerStream	\$130,810	\$10,901

**Submissions of the Parties**

OEB staff submits that the 2025 RGCRP payment amounts of \$125,149 for the Brampton RZ, \$234,307 for the PowerStream RZ and \$130,810 for the Enersource RZ, are appropriate. No other party made submissions on this matter.

<sup>2</sup> EB-2020-0002, IRR BRZ-Staff-16, PRZ-Staff-42, ERZ-Staff-30

<sup>3</sup> EB-2019-0018, Partial Decision and Interim Rate Order, dated December 12, 2019, pp.37-40

1 *Alectra Utilities' Submission*

2 Alectra Utilities submits that the 2025 RGCRP funding amounts for the Brampton, PowerStream  
3 and Enersource RZs should be approved as filed.

4 **6. *Disposition of LRAM Variance Account***

5 The OEB approved LRAM-eligible amounts for the years 2024 to 2026 for all rate zones in Alectra  
6 Utilities 2024 EDR Application (EB-2023-2041), arising from persisting savings from completed  
7 CDM programs. These amounts are adjusted mechanistically by the OEB-approved inflation  
8 minus X factor applicable to IRM applications in effect for a given year and recovered through a  
9 rate rider in the corresponding rate year.

10 Alectra Utilities requests disposition of its LRAMVA balances, as summarized in Table 3 below:

11 **Table 3 - 2025 LRAMVA Balance by RZ**  
12

<b>Rate Zone</b>	<b>2025 LRAMVA Balance</b>
Brampton	\$1,561,638
Enersource	\$1,994,828
Guelph Hydro	\$1,008,553
Horizon Utilities	\$612,358
PowerStream	\$3,406,012
<b>Total</b>	<b>\$8,583,389</b>

13 *Submissions of the Parties*

14 No party made submissions on this matter.

15 *Alectra Utilities' Submission*

16 Alectra Utilities submits that the LRAMVA balances for all five RZs should be approved as filed.

**D. EARNINGS SHARING MECHANISM**

The ESM considers the earnings of Alectra Utilities in years six to ten of the deferred rebasing period as a consolidated entity. As the ESM is only effective beyond the initial five-year deferral period, 2017 to 2021 RRR ROE included merger-related costs/savings adjustments in the ROE calculation filed as part of Alectra Utilities' annual RRR 2.1.5.6 submission. Starting in year 6 (2022) and continuing through to year 10 (2026), the ROE calculation excludes these adjustments. This approach ensures that the ROE calculation in years 6 to 10 (2022-2026) **includes the savings** Alectra Utilities achieved as a result of the consolidation, which is the basis for the ESM calculation. In year 7 (2023), Alectra Utilities' ROE was calculated to be 7.55%, 140 basis points below the approved ROE of 8.95%.

*Submissions of the Parties*

OEB staff submits that the methodology used by Alectra is consistent with the OEB approved Alectra Utilities' ESM proposal filed in the 2020 IRM application. OEB staff agrees that it is appropriate to exclude the merger-related costs/savings adjustments for the purposes of the ESM. OEB staff submits that Alectra Utilities' proposed disposition of nil is reasonable and should be accepted for the purpose of calculating all RZ's 2023 achieved ROE.

SEC suggests the ESM calculation should include merger-related savings for each relevant year. SEC states that it is not clear from both evidence and the response to VECC-1, that the cost of capital calculation was prepared with the merger-related savings included in income and resulting ROE. SEC requests that Alectra Utilities either confirms that the final ROE calculations include merger-related savings or that Alectra Utilities provides a recalculation of ROE to include merger-related savings in the Reply Submission.

In VECC's view, the ESM calculation must include the merger-related costs/savings for each year. In VECC-1, VECC sought the ROE calculation in years 1 to 5 excluding the adjustments. It's unclear from VECC-1 if the historical reporting includes or excludes merger-related costs/savings. As a result, VECC requests that in reply submissions, Alectra Utilities clarifies if the final ROE calculations include merger-related costs/savings.

*Alectra Utilities' Submission*

Alectra Utilities confirms that the final ROE calculations include merger-related costs/savings, consistent with the positions of OEB staff, SEC, and VECC. These savings are embedded within



the underlying costs in the ROE calculation. The merger-related costs/savings adjustments that were incorporated into the ROE calculation in years 1 to 5 are not applied to the ROE calculation in years 6 to 10. As stated previously, this ensures that the **ROE reflects the savings achieved from consolidation**. This approach aligns with the ESM requirements outlined in the MAADs Policy for years 6 to 10.

The comparison of 2017 to 2023 ROE with and without the adjustment is summarized in Table 4. As an example, 2023 achieved ROE of 7.55% was calculated without any adjustment for merger-related costs/savings; this means that the merger-related costs/savings are included in the ROE calculation and ROE is higher than it otherwise would be if the adjustment was incorporated into the calculation (i.e., 5.63%). The higher ROE for 2023 of 7.55% is the appropriate value to assess whether the ESM is triggered.

**Table 4 - ROE 2017-2023 Alectra 5 RZs**

ROE	2017	2018	2019	2020	2021	2022	2023
Adjustment for Savings	8.49% <sup>1</sup>	7.69% <sup>1</sup>	7.21% <sup>1</sup>	4.80% <sup>1</sup>	6.18% <sup>1</sup>	4.76%	5.63%
No Adjustment for Savings	8.36%	9.16%	8.67%	6.55%	7.96%	6.70% <sup>1</sup>	7.55% <sup>1</sup>
Difference	0.13%	-1.47%	-1.46%	-1.75%	-1.78%	-1.94%	-1.92%

1. Reconciles to the ROE filed in RRR 2.1.5.6 for 2017 to 2023 and the ROE included in Alectra Utilities' OEB Scorecard

Alectra Utilities submits that its calculation of 2023 ROE is accurate for the purpose of assessing earnings sharing and that the ESM is not triggered.

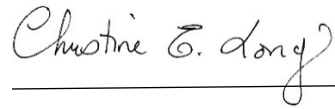
## **E. CONCLUSION**

For the reasons identified above, Alectra Utilities submits that its electricity distribution rates should be approved as filed, or as revised.

All of which is respectfully submitted this 14<sup>th</sup> day of November 2024.

**ALECTRA UTILITIES CORPORATION**

***Original signed by***

A handwritten signature in cursive script, reading "Christine E. Long". The signature is written in black ink and is positioned above a horizontal line.

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Christine E. Long, LL.B  
Vice President, Regulatory Affairs and Privacy Officer