Application	***Initial Amount of ICM Funding Requested***	***ICM Funding Awarded by the OEB***	***Request***	***Materiality***	***Need & Prudence***	***Non-discretionary***
Hydro One Networks Inc. EB-2008-0187 *Decision Issued May 13th, 2009* <u>Key Points:</u> - First ICM application before the Board; - Board stated that it should not be used as a precedent; - Board provided some relief as a rate adjustment not as part of the ICM.	$173M	$99M	Hydro One's application is for a total capital expenditure in 2009 of $461 million. Subtracting the $288 million threshold amount from the $461 million total proposed capital expenditures in 2009, results in a requested ICM capital relief of $173 million. The associated revenue requirement relief was calculated at $21.3 million.	***In considering Hydro One's application in this case it is apparent that Hydro One has conflated the calculation of the threshold and the eligibility criteria.*** While the relationship between depreciation expense and capital spending establishes the base materiality threshold, the relationship itself is not the determinative factor in assessing the appropriateness of the use of the incremental capital module. Hydro One has substantially predicated its application on the gap between its depreciation expense and its capital spending plan. ***In fact what the Board requires in considering an application under the incremental capital module is a demonstration that the distributor is facing extraordinary and unanticipated capital spending requirements; i.e. something other than the normal course of business.*** ***The Board's September 2008 Supplementary Report specifically refers to unusual circumstances in giving rise to eligibility under the module.*** Hydro One's application points to the gap between its depreciation expense and its capital spending as its qualifying characteristic. In fact, as is clear from the evidence in this case, Hydro one has been operating since 2002 with a similar gap between its depreciation expense and its capital spending. The Board does not accept that the terminology "unusual circumstances" can reasonably be applied to this scenario. The Board notes Hydro One's use of the language "capital adjustment mechanism". This terminology, which was uniquely used by Hydro One and which does not appear in either of the Board's reports seems to be a good characterization of the manner in which the module was applied by Hydro One. But in the Board's view it is also indicative of the departure from the intended use of the module that is referred to by the Board as an incremental capital spending module. Accordingly, the Board cannot consider Hydro One's application under the Incremental Capital Module.		
Oshawa PUC Networks Inc. EB-2008-0205 *Decision Issued June 10th, 2009* <u>Key Points:</u> - Application applied 7 criteria outlined in pages VI and VII of Appendix B of the 3GIRM Supplementary Report; - Only one of four projects found to be non-discretionary and therefore eligible for ICM.	$3.5M	$210K (The Board deemed only one project, among four, to be eligible for the relief)	OPUCN requested that the Board provide rate relief for four projects: Concrete Pole Replacement; Long Term Load Transfer Elimination; Distribution Reliability Improvement; Mobile Work Force. The total capital cost of the four projects was initially estimated at $3.5 million. As described below, the total estimated capital cost was later revised to $2.2 million.	Based on the preliminary IRM parameters available in October 2008, OPUCN calculated the Incremental Capital Threshold at $6.6 million. OPUCN also provided calculations indicating a projected 2009 capital budget of $11.8 million submitting that there is $5.2 million of potentially eligible capital spending. OPUCN then reduced this amount to $3.5 million, primarily due to carry-overs from the Board-approved 2008 capital budget. During the course of the proceeding the Board-approved price escalator was updated and, as noted earlier, the capital spending requirement for the Concrete Pole Replacement project was reduced to $210,000 from the original $1.5 million.	***The Board does not accept the applicant's claim that all four projects contained in this application are non-discretionary. For reasons provided below the Board does not consider the LTLT, Feeder Replacement and the Mobile Workforce projects to be non-discretionary and therefore they are not eligible for relief. The Board only considers the concrete pole replacement to be both incremental and non-discretionary and therefore eligible for relief.*** *The Mobile Work Force project* The Board finds that while the Mobile Work Force project is incremental, it is not non-discretionary and therefore not eligible for funding under the incremental capital module. This is clearly an efficiency initiative, which will generate savings for the utility. Qualifying this efficiency type of expenditure under the ICM would undermine the very purpose of the incentive ratemaking regime. *Long Term Load Transfer (LTLT) Elimination* Accelerating the LTLT elimination project to 2009 when OPUCN has applied for and received the extension to December 31, 2011 on the basis of customer service reliability is a weak rationale for eligibility under the ICM. Clearly reliability considerations were not an issue as recently as at the time OPUCN asked for the extension.	

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
				OPUCN claimed that the result of those changes is that capital spending potentially eligible for relief is $2.3 million and that the four proposed projects at $2.2 million fall under that level. The Board is prepared to accept that the applicant's threshold level consists of non-discretionary spending.	*The Feeder Replacement Project* In proposing the distribution feeder project in its pre-filed evidence, OPUCN also relied on its interpretation of the Board's findings in the 2008 rebasing decision regarding reliability. The Board does not agree with OPUCN's interpretation of that decision. The Board did not say that OPUCN should increase capital spending in order to improve reliability. The "scoring matrix" of prioritizing needs was OPUCN's own (Reference to OPUCN's project priority scoring matrix). The proposed feeder was not part of that "scoring matrix". There is no fresh evidence that the feeder should jump on the priority list of the scoring matrix. While the project is incremental, it is not non-discretionary for 2009 and therefore not eligible for funding under the incremental capital module. *The Concrete Pole Replacement project* No party argued that this project was discretionary. Having deemed the applicant's threshold level to be composed of non-discretionary spending the Board finds that the project is incremental and due to the potential for serious negative consequences of not initiating the project the Board finds that the project is also non-discretionary. OPUCN is entitled to revenue requirement relief associated with the $210,000 planned expenditure.	
Oakville Hydro Electricity Distribution Inc. EB-2010-0104 *Decision Issued March 14th, 2011* Key Points: - ICM granted to meet load growth requirements; - Materiality, need, prudence and non-discretionary only criteria applied	$21.36M	$19.47M	Oakville Hydro proposed an incremental capital module to recover the incremental capital costs of $20,488,000 (updated to $21,360,2092) associated with the design and construction of a municipal transformer station in North Oakville ("MTS#1"). Oakville Hydro requested that these costs be recovered by means of a rate rider that would be in place until such time that Oakville Hydro files its next rebasing application.	Oakville Hydro completed the 2011 IRM3 Incremental Capital Work Form, and calculated that the costs of the MTS#1 exceed the materiality threshold of $13,633,026. Oakville Hydro's 2011 total forecasted capital expenditures are $32,228,000 (updated to $33,100,2093), which includes the forecasted cost of $20,488,000 (updated to $21,360,209) to design and construct the municipal transformer station that is the subject of this incremental capital claim. ***Oakville Hydro's non-discretionary 2011 capital expenditures meet the Board's materiality threshold.***	Oakville Hydro noted that it analyzed three potential options that would provide sufficient transformer station capacity for Oakville Hydro for the next 25 years, based on current load forecasts. Oakville Hydro proposed that the Oakville Hydro Self Build option (MTS#1) would be the most prudent expenditure. ***The capital costs to be incurred are prudent as Oakville Hydro has provided adequate evidence that potential alternatives were analyzed and that the MTS#1 option represents the most cost-effective option for ratepayers.***	Oakville Hydro provided evidence supporting project need in its application and interrogatory responses. Oakville Hydro indicated that the transformer station is non-discretionary, and that the asset must be in place in 2011 to properly serve its customers and continue to provide reliable electricity services. ***The MTS#1 project is a non-discretionary expenditure that is clearly outside of the base upon which rates were derived. The MTS#1 project is required to meet load growth requirements in Oakville Hydro's service area.***

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Guelph Hydro Electric Systems Inc EB-2010-0130 *Decision Issued March 14th, 2011* Key Points: - ICM granted to ensure continued reliability; - Materiality, need, prudence and non-discretionary only criteria applied	$10.90M	$10.90M	Guelph Hydro proposed an incremental capital module to recover the incremental capital costs of $10,900,000 associated with the design and construction of a municipal transformer station in South Guelph ("New MTS - Clair"). .	Guelph Hydro completed the 2011 IRM3 Incremental Capital Workform, and calculated that the costs of the New MTS - Clair exceed the materiality threshold of $7,000,000. Guelph Hydro's 2011 total forecasted capital expenditures are $20,400,000 (net of capital contributions), which includes the forecasted cost of $10,900,000 to design and construct the municipal transformer station that is the subject of this incremental capital claim. ***In addition, Guelph Hydro's non-discretionary 2011 capital expenditures meet the Board's materiality threshold.***	Guelph Hydro provided an in depth evaluation of project alternative. Guelph Hydro considered distances from load centers, load capacity, feeder number and length, and other monetary and timing constraints. Three main options were considered in the final analysis and Guelph Hydro concluded that the optimal project option was to construct the new MTS at the Clair location. Guelph Hydro also provided a list of advantages and disadvantages of a self-build versus a Hydro One build, and noted that the Hydro One Hanlon TS option would have an in-service date of late 2012, while the self-build option would be in-service in fall 2011. ***The capital costs are deemed to be prudent as Guelph Hydro has provided adequate evidence that potential alternatives were analyzed and that the New MTS – Clair option represents the most cost-effective option for ratepayers.***	Guelph Hydro indicated that if the approval is not granted it would have a significant impact on the operation of the utility. Guelph Hydro provided evidence supporting project need in its application and interrogatory responses. Guelph Hydro indicated that the transformer station is nondiscretionary, and that the asset must be in place in 2011 to properly serve its customers. Board staff submitted that Guelph Hydro has demonstrated immediate short term and long term capacity requirements as evidenced by Guelph Hydro's load forecast and customer requests for capacity. Board staff acknowledged that system reliability is maintained by adding new supply capacity in advance of the development of load. ***The New MTS – Clair project is a non-discretionary expenditure that is clearly outside of the base upon which rates were derived. The New MTS – Clair project is required to meet supply requirements in Guelph Hydro's service area.***
Kingston Hydro Corporation EB-2011-0178 *Decision Issued April 19th, 2012* Key Points: - ICM granted to ensure reliability and safety is maintained;	$3.5M	$3.17M	Kingston Hydro's application proposed the recovery of incremental capital expenditures of $3,500,000 associated with four projects: 44kV underground Cable Rebuild; Transformer Vault TV6 Rebuild; Substation #15 Circuit Breaker Retrofit; and Transformer Vault TV11 Rebuild	Kingston Hydro's total 2012 capital budget including the incremental projects was $6,025,000. In response to interrogatories, Kingston Hydro indicated that all of its 2012 capital projects were "of equal priority and significance to the operations of the utility". Kingston Hydro's 2011 approved capital budget was $5,433,500 and actual spending in 2011 was	Kingston Hydro provided a detailed description of the individual projects, outlining the impact of the deteriorated assets on public and ***employee safety, outage frequency and duration and system reliability and performance*** through its evidence and responses to interrogatories.	***The Board is of the view that Kingston Hydro has also adequately demonstrated that its 2012 capital budget of $6,025,000 is non-discretionary.***

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
- Materiality, need, prudence and non-discretionary only criteria applied				$6,023,337. Kingston Hydro calculated a materiality threshold in its application of $2,490,780. This was updated in response to interrogatories to correct the growth rate and include the GDP-IPI rate approved by the Board for January 1, 2012, resulting in a revised materiality threshold of $2,595,875. Kingston Hydro agreed that this threshold would be updated further to incorporate the GDP-IPI applicable for Ontario Energy Board implementation. ***In light of the evidence presented, the Board finds that the revised materiality threshold should be further adjusted to reflect the 2.0% price escalator announced by the Board on March 13, 2012. Using the 2.0% price escalator, the Board has calculated a materiality threshold of $2,851,159. The maximum amount eligible for recovery will be the difference between the total non-discretionary capital expenditures of $6,025,000 and the threshold value of $2,851,159 or $3,173,841. Kingston Hydro has applied for an ICM of $3.5 million, which is in excess of the maximum amount eligible for recovery. The Board therefore approves an incremental capital module of $3,173,841.***	Kingston Hydro's evidence regarding the transformer vault rebuilds was supported by a structural engineer's report recommending replacement of these assets due to their level of deterioration. Kingston Hydro stated that its transformer vault rebuilds were planned for 2011 to coordinate with other City of Kingston work in the area. The Substation 15 Circuit Breaker Retrofit project was proposed by Kingston Hydro to address the obsolescence of the breakers and the unreliability of the mechanical operating mechanism. Kingston Hydro stated that failure of this equipment could result in worker injury and significant utility and customer equipment damage. ***The Board finds that the need and prudence for each of the four applied-for projects, totalling $3.5 million, has been established. As briefly highlighted below for each project, Kingston Hydro has provided sufficient evidence documenting asset failure, condition deterioration, and safety issues to establish need and prudence in the context of this application.***	

Application	*Initial Amount of ICM Funding Requested*	*ICM Funding Awarded by the OEB*	*Request*	*Materiality*	*Need & Prudence*	*Non-discretionary*
Woodstock Hydro EB-2011-0207 *Decision issued Thursday, March 22, 2012* Key points: - ICM granted to cover a capital contribution; - Materiality, need, prudence and non-discretionary only criteria applied	$4.75M	$3.22M	Woodstock proposed to recover, through an ICM, the incremental capital costs of $4,427,330 associated with a $4.1 million capital contribution to Hydro One for the Commerce Way Transmission Station ("Commerce Way TS") and $327,330 to purchase and install Woodstock owned wholesale metering assets for the Commerce Way TS.	Woodstock confirmed that the materiality threshold amount should be $4,154,210. In response to Board staff interrogatory #3(a), Woodstock confirmed that the maximum amount eligible for recovery would be $3,223,786 which is the difference between the total non-discretionary capital expenditures of $7,377,996 and the threshold value of $4,154,210. In light of the evidence presented, the Board finds that the revised materiality threshold should be further adjusted to reflect the 2.0% price escalator announced by the Board on March 13, 2012. The maximum amount eligible for recovery will be the difference between the total non-discretionary capital expenditures of $7,377,996 and the updated threshold value for the price escalator.	Woodstock originally applied to recover the costs of the Commerce Way TS in its 2011 cost of service application (EB-2010-0145). As the in-service date for the project was delayed beyond the 2011 test year, Woodstock withdrew its proposal in its 2011 cost of service application. Woodstock indicated that the need for the Commerce Way TS was established by the Board in Hydro One's leave to construct EB-2009-0079 proceeding. Woodstock also referenced the EB-2010-0145 Decision and Order where the Board noted that the need and prudence of the Commerce Way TS was assessed in Hydro One's leave-to-construct proceeding (EB-2009-0079) and Hydro One's 2011-2012 rates proceeding (EB-2010-0002) respectively[1]. The Board agrees that the need and prudence of the Commerce Way TS and the wholesale metering assets for the Commerce Way TS were established in the above-noted proceedings. In those proceedings, the Board found that the load forecast was reasonable and supportive of the investment.	The Board also finds that the Commerce Way TS and the wholesale metering assets for the Commerce Way TS are non-discretionary and outside the base upon which rates were derived.

[1] The Board notes that both the need and prudence of the Commerce Way TS was assessed in Hydro One's leave-to-construct proceeding (EB-2009-0079) and Hydro One's 2011-2012 rates proceeding (EB-2010-0002) respectively. Furthermore, the Board notes that the amount of the required capital contribution would have exceeded the materiality threshold for Woodstock Hydro as set forth in the *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors*, July 14, 2008.
Based on the above, **the Board in this particular case does not see any impediment to treating the capital contribution made by Woodstock Hydro in the same manner as a capital expenditure in the event that Woodstock Hydro would submit an Incremental Capital Module ("ICM") in a future Incentive Regulation Mechanism rate application**.

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Centre Wellington EB-2011-0160 *Decision issued Thursday March 22, 2012* Key Points: - ICM granted for investment to minimize public safety and reliability risk; - Materiality, need, prudence and non-discretionary only criteria applied	$1.36M	$1.2M	Centre Wellington proposed to recover, through an ICM, the incremental capital costs associated with a $1.2 million capital contribution to rehabilitate its Fergus MS-2 municipal transformer station and $164,000 to install a fully functional SCADA system. In the application, Centre Wellington stated that its current non-discretionary capital budget for 2012 (excluding the proposed ICM projects) was $815,600.	Centre Wellington calculated a materiality threshold value of $851,349 and calculated the maximum eligible capital to be $1,326,951 ($2,178,300 in total non-discretionary capital budget, including the proposed ICM projects, minus the materiality threshold of $851,349). The Board agrees with both VECC and Board staff that Centre Wellington's proposed incremental capital projects meet the materiality threshold.	Centre Wellington retained a consultant to provide an asset condition assessment of six of its distribution stations. . . the consultant's report ***identified serious potential issues related to safety, reliability, environmental protection and age*** and recommended that Centre Wellington begin work immediately to address the major concerns. ***In order to begin work immediately, Centre Wellington proposed to recover the costs for two projects identified by the consultant, the rehabilitation of the Fergus MS-2 municipal substation and the installation of a new SCADA system, through the proposed ICM.*** Centre Wellington stated that it was seeking recovery for these capital projects immediately to ***minimize Centre Wellington's exposure to public safety and reliability risk.*** Additionally, Centre Wellington stated that it believed that the phasing in of the replacement and rehabilitation of the distribution station components during the IRM period would aid to smooth the rate shock for customers as opposed to waiting until its next cost of service application. ***Board staff and VECC submitted that the Fergus MS-2 sub-station rehabilitation has met the need and prudence criteria and should be eligible for recovery through the ICM.***	In response to interrogatories from Board staff, VECC and SEC as to ***why Centre Wellington believed that the proposed SCADA system met the eligibility criteria for an ICM***, it stated that completion of the SCADA project would allow for full SCADA integration as the planned station upgrades and rebuilds are completed over the next five years. Centre Wellington stated that the SCADA project would allow for additional monitoring and control of its electrical system while facilitating incorporation of future distributed generation projects. Centre Wellington also noted that its current remote metering system was experiencing hardware failures and that the installation of the SCADA system at this time would assist in avoiding unnecessary expenditures to keep the existing system operational. ***Board staff, SEC and VECC submitted that the proposed SCADA system was not a non-discretionary expense and should not be included for recovery through the ICM. Board staff noted that it believed the majority of the benefits of the proposed SCADA system would only be achieved once the rehabilitation of the remaining substations, identified in the consultant's report, is completed.*** SEC submitted that identifying expenditures as non-discretionary should not be enough for an applicant to request an ICM. SEC

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
						noted its belief that in the normal course a distributor should be monitoring and replacing or refurbishing its substations and that the requirement for the proposed Fergus MS-2 sub-station rehabilitation did not fall outside of the scope upon which rates were derived. ***With respect to the proposal for the Fergus MS-2 substation, the Board is of the view that the need and prudence for the rehabilitation of the substation has been demonstrated by the consultant's asset condition report. It is also clear that this work is not discretionary nor is it otherwise reflected in Centre Wellington's 2011 capital budget. The Board will not approve the SCADA project, as it is not clear that the project is non-discretionary. Moreover, the Board agrees with the submission of staff that the majority of the benefits of the proposed SCADA system will only be achieved once the remaining substations are rehabilitated***.
Hydro Hawkesbury EB-2011-0173 *Decision issued Thursday May 03, 2012* <u>Key Points:</u> - ICM granted for investment to minimize reliability risk;	$2.23M	$2.23M	HHI proposed to recover, through an ICM, the incremental capital costs of $1,517,813 associated with the replacement of existing transformers with a new 25MVA in addition to the incremental capital cost of $712,909 associated with the above mentioned 44kV substation.	The Board also highlights that each project individually exceeds the materiality threshold. The Board points out that the materiality threshold calculates the amount of ongoing capital expenditures that can be supported by rates during IRM. As such, there is no question that the costs of the applied-for projects are not presently reflected in current rates.	HHI currently receives electricity at a substation at 110kV with two distribution transformers in the West end and a 44kV station in the East end of Hawkesbury. HHI noted that the two transformers at the 110 KV station are approximately 45 years of age and have shown signs of deterioration. HHI indicated that if the approval is not granted, it has no other	The Board is of the view that Hydro Hawkesbury has also adequately demonstrated that its 2012 capital budget of $2,458,840 is non-discretionary.

Application	***Initial Amount of ICM Funding Requested***	***ICM Funding Awarded by the OEB***	***Request***	***Materiality***	***Need & Prudence***	***Non-discretionary***
- Materiality, need, prudence and non-discretionary only criteria applied				In light of the evidence presented, the Board finds that the revised materiality threshold should be further adjusted to reflect the 2.0% price escalator announced by the Board on March 13, 2012, a stretch factor of 0.2%, and growth using the 2010 Board-approved load forecast. Using these parameters, the Board has calculated a materiality threshold of $126,961. The maximum amount eligible for recovery will be the difference between the total non-discretionary capital expenditures of $2,458,840 and the materiality threshold value of $126,961 or $2,331,879. Hydro Hawkesbury has applied for an ICM of $2,230,722, which is less than the maximum amount eligible for recovery. The Board therefore approves an incremental capital module of $2,230,722.	alternative but to take a reactive stance and wait until the 110KV fails. HHI also noted that if one transformer fails, the other cannot support its load. ***The Board finds that the need, prudence and materiality for each for the two applied-for projects have been established. HHI has provided sufficient evidence documenting potential asset failure, the cost consequences of deferring action and risking asset failure, condition deterioration and safety issues to establish materiality, need and prudence of each project in the context of this application. In the case of the 110 KV project, a number of alternatives were also assessed.***	
Toronto Hydro [EB-2012-0064] *Decision issued April 2, 2013*[2] <u>Key Points:</u> - Very complex Application & Decision; - Materiality, need, prudence and non-discretionary only criteria applied; - THESL requested ICM for approximately 25 capital projects; each project is addressed separately in the Decision;	See Schedule A		THESL's initial application was for rates for 2012, 2013 and 2014. Subsequently THESL requested a bifurcation of the proceeding, allowing for 2014 rates to be dealt with in a separate phase (Phase 2), and that these would also be based on the IRM framework. Based on this understanding, Board staff made no submissions on this issue. However, Board staff submitted that on a going-forward basis, applicants requesting the type of multi-year ICM relief sought by THESL in this application should do so on the basis of the Custom IR approach, as outlined in the Report of the Board Renewed Regulatory Framework for Electricity Distributors:	The Board notes that most previous ICM applications approved by the Board have been for one or a few discrete large projects. ***While the Board will not adopt the suggestion of some parties that each project put forward by THESL should meet the overall materiality threshold, the Board does not expect that projects that are minor expenditures in comparison to the overall budget should be considered eligible for ICM treatment***. A certain degree of project expenditure over and above the threshold calculation is expected	THESL approached the "need" criterion for an ICM as a determination as to whether a project was non-discretionary in the IRM period, based on the following factors. THESL's criteria for making this determination is whether each project is required for one or more of the following reasons: (1) Statute, code, provincial policy, or equivalent external requirement; (2) Considerations of safety for the public and for workers operating in, on, or around equipment; (3) Existing or imminent reliability degradations; (4) Existing or imminent capacity shortages; (5) A material increase in cost (beyond the time value of money), if the project is necessary but undertaken at a later time. THESL used the following definition of prudence for each project:	

[2] RRFE Report, which clarified Board's ICM policy, was issued prior to this Decision.

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
- Most (around 19) were approved because THESL demonstrated each was material, needed, prudent and non-discretionary. - Often approved projects were needed to maintain safety and reliability. - About 6 were denied because they were not material or they were discretionary or both.			A Performance-Based Approach. (“RRFE framework”) issued on October 18, 2012, which has been specifically designed for the type of capital program requirements faced by THESL. THESL requested ICM for approximately 25 capital projects (e.g. underground cables and transformers, as well as overhead infrastructure including pole replacement), each project is addressed separately in the Decision.	to be absorbed within the total capital budget.	• the achievement of or approach to the lowest reasonable life cycle cost consistent with all other constraints, including, for example, safety of equipment, • compliance with standards including accepted standards of good utility practice, • public acceptability, and • the reliability and adequacy of the distribution system. ***The Board accepts THESL’s criteria for determining if a project is non-discretionary. The Board also accepts that as a practical matter cost-effectiveness means that the prudent and cost-effective solution for a distributor, when carrying out non-discretionary work, is to complete other important associated work. The Board therefore does not necessarily expect each job to be non-discretionary, if it is clearly associated with work that is non-discretionary.*** The Board agrees with THESL that doing only the bare minimum of work may be more expensive and counterproductive in the long run. The Board notes that the guidelines in the Reports contemplate the most cost effective solution, which may not be the least expensive in the short term. The Board also accepts THESL’s position that one segment of work may have more than one driver. So long as at least one driver is identified, the fact that there may be more than one does not detract from the non-discretionary nature of the work, and in fact may simply give further weight to it. Several intervenors raised an issue as to whether a capital project should be found to be ineligible for ICM if it is a “business-as-usual” project rather than a new, incremental, extraordinary and non-discretionary project. They argued that the Board was clear in its 3rd Generation IRM Supplemental Report, that “business as usual” spending is ineligible. SEC argued that for work being undertaken to address safety concerns, the safety concern must be material, the driver must be something the applicant would not have been aware of at the time of its last cost-of-service application, and the safety concern must need to be addressed within the IRM period. SEC argued that if these conditions are not met, then it is “business as usual” for an electricity distributor and should be included in the capital budget funded through the IRM framework. ***The Board finds that that on a case by case basis, some projects that might be characterized as “business as usual” may be eligible for ICM. The criteria in the Reports do not require that capital expenditures are on an “emergency or urgency basis” but rather,***	

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
					that the work must be undertaken and that the existing capital in the rebasing year is insufficient to do so. The Board rejects the notion that projects that might be "routine" or "business as usual," are ineligible categorically for an incremental capital module. SEC argued that a distributor should not be able to apply for funding for an ICM project that is ostensibly to deal with a safety issue if the risk is not new, and funding could have been requested at its last cost-of-service application. SEC argued that otherwise, utilities could game the system, holding back safety-related projects until an IRM year, when they could be repackaged as an incremental rate increase through the ICM. VECC argued that without the requirement that an ICM project be 'unusual and/or unanticipated' the integrity of the incentive regulation model could be compromised. ***The Board's Supplemental report (p. 31) does refer to unusual circumstances but does not refer to unanticipated circumstances. The Board finds that the aging infrastructure and the associated capital needs of the magnitude faced by THESL can be considered "unusual" in the broader context of Ontario utilities. The Board is not inclined to add additional criteria such as those suggested by SEC and VECC.***	
Festival [EB-2012-0124] *Decision issued Thursday April 04, 2013* <u>Key Points:</u> - ICM granted for investment to minimize reliability risk; - Materiality, need, prudence and non-discretionary only criteria applied	$15.86M	$7.85M	Festival Hydro proposed to recover, through an ICM, the revenue requirement impact of the incremental capital cost of $15,863,113 associated with the construction of a new municipal transformer ("TS") station in the city of Stratford.	Festival Hydro indicated that the incremental capital expenditures are related to the construction of the new TS scheduled to be in-service by April 30, 2013. The project is forecasted to be 65% complete by the end of 2012 and is on schedule to meet its in service date of April 30, 2013. The TS is being constructed to alleviate a potential overload condition at the existing Hydro One owned Stratford TS that provides the sole supply of electricity to the City of Stratford and the surrounding area. In its application, Festival Hydro stated that it will continue to exceed its assigned capacity on a regular basis until the new municipal TS is constructed. Festival Hydro stated that if load continues to increase as most recently forecasted, by 2014 a failure of a single major component at the existing Stratford TS during peak loads could result in rotating blackouts for the City of Stratford and surrounding area. As load in Stratford continues to grow, the likelihood of rotating blackouts will also increase. In addition to adding capacity, the new municipal transformer will eliminate low voltage issues at the end of the longest feeders and significantly improve reliability for all customers in Stratford. ***The Board accepts the evidence that a new transformer station is needed and is a nondiscretionary expense to come into service in 2013. The Board is further persuaded by the evidence that the project evaluation was done thoroughly and the resulting solution is prudent. The annual revenue requirement impact arising from the proposed cost of $7,854,730 is therefore approved for recovery through rate riders to be included on Festival Hydro's Tariff of Rates and Charges for 2013 rates and until the effective date of its next cost of service rate order.***		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
PowerStream Inc. EB-2013-0166 *Decision issued Thursday, February 20, 2014* Key Points: - Settlement approved and in the public interest - Settlement included an agreement that any future ICMs between now and PowerStream's next CoS or customer IR application would be subject to a higher threshold CAPEX - Settlement also included agreement to use a true-up mechanism similar to the process for smart meter cost recovery	$11.33M	$11.33M	PowerStream proposed to recover, through an ICM, the revenue requirement impact of various capital expenditures in the 2014 rate year. PowerStream's total non-discretionary capital budget for 2014 was $69,815,617. The eligible incremental capital amount for ICM recovery was $11,326,840.10. PowerStream applied the definition for non-discretionary expenditures used in THESL's ICM application.	In its review of the evidence in the application, as well as, the terms of the Settlement Agreement, the Board is satisfied that the parties have adhered to the Board's standard approach regarding the mechanistic adjustments under the IRM framework, for all other matters. … the Board accepts the Settlement Agreement as a whole as being in the public interest and has determined that PowerStream's new rates are to be effective January 1, 2014.		
Wellington North Power Inc. EB-2013-0178 Decision issued March 13, 2014 Key Points: - Board found that WNPs request met the eligibility criteria and approved the ICM request.	$1.60M	$1.35M	Wellington North applied for ICM funding to rebuild its MS-2 substation, expected to be in service by the end of 2014. Wellington North submitted a non-discretionary capital budget for 2014 of $1,996,000 which includes $1,596,000 in estimated costs for the MS-2 substation rebuild.	The Board finds that the need and prudence criteria have been met for Wellington North's proposed replacement of the MS-2 substation. Both VECC and Energy Probe submitted that, with the completion of the mitigation work highlighted in the Costello Report, Wellington North could extend the useful life of the MS-2 substation by approximately four years, but no evidence was supplied justifying why this solution would be more effective. The independent engineering assessment in the Costello Report, submitted by Wellington North, highlighted serious concerns and recommended the MS-2 as a candidate for major rehabilitation work. The Board agrees and has determined that the project is non-discretionary and eligible for ICM funding, due to the identified safety and reliability issues. The Board notes that the threshold CAPEX calculation of $645,976, provided by Wellington North, uses a growth variable of 1.44% instead of 1.15%. The Board requests that Wellington North update the calculation of the eligible incremental capital, the threshold CAPEX and resulting ICM rate riders in its draft rate order. The Board accepts Wellington North's proposal to recover the resulting ICM revenue requirement through fixed and variable rate riders to be in effect until the issuance of the rate order arising from its next cost of service application.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Espanola Regional Hydro Distribution Corporation EB-2013-0127 Decision issued March 13, 2014 Key Points: The Board found that Espanola fulfilled the eligibility criteria and approved the full ICM request. The Board approved recovery of the ICM cost recovery through a combined fixed and variable rate rider.	$2.06M	$2.06M	Espanola applied for cost recovery of $2,062,500 for the construction of a new municipal substation plus a required 44kV line. Espanola showed a non-discretionary capital budget of $2,415,863 including the ICM request. The total ICM amount is above the materiality threshold of $335,084 and below that eligible ICM amount of $2,122,307.	On the matters of materiality, need and prudence, the Board finds that Espanola has demonstrated the need for the proposed substation and associated line and has established that the cost is material. The Board finds that the total requested amount of $2,062,500 is eligible for ICM treatment as it is less than the maximum allowable capital under an ICM envelope for 2014 rates. The Board finds that of the alternative options considered, Espanola has proposed the most cost-effective solution in the long-term. The Board approves combined fixed and variable rate rider to recover a revenue requirement of $168,193 associated with the new municipal substation. For this case, the Board finds that recovery through combined rate riders is consistent with the treatment of the revenue requirement associated with Espanola's overall distribution system. These rate riders will be in effect until Espanola's next cost of service rate order. The approved ICM treatment of the new municipal substation is based on a 2014 in-service date.		
Innisfil Hydro Distribution Systems Limited EB-2014-0086 Decision issued December 4, 2014	$10.9M	$10.34M	Innisfil Hydro applied to recover the cost of building a new Administration and Operations Centre, with a capital amount of $10.9M. Which would result in a revenue requirement of $845,836 that would be collected through an ICM rate rider, in place until Innisfil Hydro's next cost of service application.	The Board approved this request. Innisfil further agreed to return 75% of the capital gain ($252,000) from the sale of its old facility to ratepayers through an additional rate rider. Decision does not contain a findings section with arguments about need, prudence and materiality and non-discretionary, only Innisfil's arguments on these matters.		
Niagara-on-the-Lake Hydro Inc. EB-2014-0097 Decision issued March 19, 2015	$1.95M	$1.95M	Requested incremental revenue requirement of $164,263 to be recovered from customers through an ICM rate rider. Niagara-on-the-Lake applied for cost recovery to upsize one of its transformers. NOTL Hydro proposed a total capital budget for 2015 of $3,877,000 for the transformer. NOTL Hydro's ICM materiality threshold is $1,876,146. NOTL Hydro indicated that $1,950,854 was above the ICM materiality threshold and eligible for ICM funding.	The Board found that the need, prudence and materiality criteria have been met for NOTL Hydro's proposed upsizing of a transformer. NOTL Hydro engaged Raven Engineering to conduct a long-term supply study of its load growth and transformer station capacity. The study recommended increasing capacity at each of the transformer stations to permit each station to individually supply peak utility load in order to avoid rotating blackouts in the event of a lengthy station loss during peak loads. Transformer testing showed the transformers were approaching end-of-life and replacement within 5 years was recommended. Board approved an Incremental Capital Module revenue requirement of $166,072, to be collected through rate riders.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Enersource Hydro Mississauga Inc. EB-2015-0065 Decision issued April 7, 2016	$68.3M	$40.5M	Enersource requested ICM funding for $68.3M, resulting in an additional 2016 revenue requirement of $5.3M to be recovered through rate riders effective January 1, 2016. The ICM request included a payment to Hydro One Networks Inc. (Hydro One) and forecast 2016 capital expenditures, building the Churchill Meadows TS.	The Board did not approve ICM funding for the 2016 forecast capital expenditures budget request. Enersource did not file a final Distribution System Plan, which made the Board unable to assess the need and prudence of the request. The Board approved the ICM request related to the $40.5M payment to Hydro One. The payment is distinct from the budgeted capital expenditures included in the ICM request. The payment exceeds the project materiality criteria of $590,000 and relates to a discrete project, outside the base upon which rates in 2013 were derived. The decision to build the Churchill Meadows TS resulted from a need identified in the regional planning study and the subsequent payment to Hydro One was contractually required. The amount was prudently incurred as the payment accorded to the methodology and inputs prescribed in the OEB's Transmission System Code. The $40.5M payment does not exceed the ICM materiality threshold of $47.2M. However, the Board found it reasonable to assume Enersource's 2016 capital expenditures will meet the ICM materiality threshold (if the Hydro One payment is included), given its historical annual capital spending. Consequently, the Board found $40.5M Hydro One payment meets all the OEB's ICM criteria. And directed Enersource to recover from Hydro One and return directly to the Enersource customers, any portion of the $40.5M payment associated with a materialization of the proposed 44kV load in the future.		
Alectra Utilities EB-2017-0024 Decision issued April 6, 2018	$42.24M	$28.79M	Requested ICM Funding for the following: • Brampton RZ – TS True-up ($6.8M) • Powerstream RZ - ten ICM projects including one system access project of approximately $11.2 million, five system renewal projects totaling approximately $8.7 million and four system service projects totaling approximately $5.2 million, for an overall total of approximately $25.1 million • Enersource RZ - eleven ICM projects. These include one system access project of approximately $1.3MM, nine system renewal projects totaling approximately $19.7MM and one system service project totaling approximately $3.2MM, for an overall total of approximately $24.2MM.	Brampton RZ: The OEB approved the project for $6.8 million of ICM funding related to the Pleasant TS true-up payment to Hydro One. The expenditures on this project are for a "true-up" contribution to cover the cost differential between the load forecast and actual load serviced from the new transformer station at Pleasant TS. The true-up payment is in accordance with the terms of a CCRA with Hydro One, and the CCRA must be in accordance with the OEB's Transmission System Code (TSC). Powerstream RZ: The OEB approved ICM funding of $11.24 million. See Decision for project-specific findings. Enersource RZ: The OEB approved ICM funding of $10.754 million. See Decision for project-specific findings. Key OEB findings: "the OEB finds that a discrete project is not simply one that is distinguishable or defined at a new location - or all capital would be eligible. ICM projects do need to be different in kind from those that are carried out through typical base capital programs. Otherwise, the OEB would need to scrutinize all capital projects for optimization, not just the ICM projects. Further, the criteria in the ICM policy is clear that capital projects do not need to be non-discretionary or unanticipated to be eligible for incremental funding. The OEB finds that it is not relevant whether the capital project proposed for ICM treatment was included in a previously filed DSP. Requiring a project to have been included in a previous DSP would be re-introducing the requirement for projects to be unanticipated, which the OEB previously eliminated. In addition, there is no criteria excluding capital projects that were denied funding in a previous cost of service or ICM application. Circumstances may change with respect to load, demand, cost estimates or consumer preferences that affect the business case and the needed timing of the project." A specific project must be significant in comparison to the overall capital budget for Alectra Utilities, not individual rate zones.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Rideau St. Lawrence EB-2017-0265 Decision issued March 22, 2018	$379,015	$379,015	Request for a capital funding rate rider for a digger truck that was put into service in April 2017. The cost of the digger truck is $379,015.	The OEB approved the ICM funding and the methodology adopted in the settlement proposal for determining the incremental capital. The OEB agreed that the typical approach for an ICM is to apply for funding in the year an asset is planned to go into service. However, Rideau had the unique situation of not having a rate application in 2017 (when the digger truck went in-service). The OEB cited the ICM policy which states that "Funding shall not commence for any projects that are not forecasted to be in service during the subject IR year." The OEB found that the digger truck is in service in 2018, and is therefore eligible for the ICM. The methodology adopted in the settlement proposal and approved by the OEB is to use the net book value of the truck as of January 1, 2018 as the amount to be included in revenue requirement calculations (i.e. gross book value less accumulated depreciation in 2017).		
London Hydro Inc. EB-2017-0059 Decision issued March 22, 2018 (ACM) COS Decision issued March 23, 2017	$2.0M	$2.0M	As part of its 2017 COS, London Hydro requested ACM rate riders to recover the 2018 capital contribution required to convert the Nelson Transformer Station (TS) from 13.8 kV to 27.6 kV, to replace a JD Edwards financial accounting system and to recover the cost of a true-up payment to Hydro One Networks Inc. based on a Connection and Cost Recovery Agreement (CCRA)	As part of the 2018 IRM decision, the OEB accepted the commencement of the rate riders		
Wellington North Power Inc. EB-2017-0082 Decision issued March 22, 2018 (ACM) COS Decision issued March 31, 2016	$1.67M	$1.67M	As part of its 2016 COS, Wellington North applied for approval to replace a municipal substation (MS) in 2018 in the amount of $1.67M. 2018 DSP Capex: $2,196,470 Materiality Threshold: $659,768	In the 2016 COS application (EB-2015-0110), the OEB approved the ACM and noted that the review and approval process of the costs and for the establishment of the rate riders intended to recover approved project costs will be part of the Price Cap IR application process. In addition, the OEB noted that as outlined in the OEB's Report, if the cost of the project is 30% or more above what was documented Wellington North's Distribution System Plan (DSP), i.e. $1.7M, the distributor should treat the project as a new Incremental Capital Module and re-file the business case in the applicable IR year. If costs exceed the amounts documented in Wellington North's DSP by less than 30%, Wellington North should provide evidence on the need for the increased costs. If the in-service date is delayed, Wellington North should inform the OEB in the earliest possible IR application and confirm which IR application it expects to seek to commence funding for the project. In the 2018 IRM decision, the OEB found that the proposed ACM amount to be disposed through rate riders is consistent with the settlement proposal in Wellington North Power's 2016 cost of service application, and with updated parameters and data on customers kWh and kW as provided in the application and in responses to Interrogatories.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Alectra Utilities EB-2018-0016 Decision on ICM portion issued January 31, 2019	$31.57M	$26.27M	Request for ICM funding for five capital projects: • Enersource RZ – Rometown Area Overhead Rebuild Project: $3.2 million • Enersource RZ – Leaking Transformer Project: $7.5 million • PowerStream RZ – York Region Rapid Transit Project (YRRT): $13.27 million • PowerStream RZ – Bathurst Street Road Widening Project: $5.5 million • PowerStream RZ – Barrie Transmission Station Feeder Relocation Project: $2.1 million	The OEB found that all the projects met the means test and that there was no imprudent spending. The OEB focused on the eligibility of incremental funding. The OEB denied funding for Rometown Area Overhead Rebuild project on the basis that ICM funding is not available for typical annual capital programs. The OEB denied funding for Barrie Transmission Station Feeder project on the basis that the capital cost is not significant in comparison to Alectra Utilities overall capital budget and should be able to be funded through its normal capital budget. The OEB approved the Leaking Transformer project on the basis that this investment is not typical, nor on-going, from the program approved in Enersource's 2013 rates. The OEB approved the YRRT project on the basis that it is mandatory, material to the operations of Alectra Utilities and outside of the base upon which rates were derived. The OEB approved the Bathurst Street Road Widening project on the basis that it is mandatory, has a significant influence on the operations of the distributor and is outside of the base on which rates were set		
Halton Hills Hydro Inc. EB-2018-0328 Decision issued April 4, 2019	$23.48M (ICM Funding) $131K (Incremental OM&A recovery)	ICM funding of $23.48M was approved $131K incremental OM&A recovery request was denied	Proposed ICM funding of $23,476,441 for the construction of a new municipal transformer station (TS) in the Town of Halton Hills. Halton Hills Hydro further requested the recovery of $131,515 per year for incremental Operating, Maintenance and Administration (OM&A) costs associated with the new TS. Halton Hills Hydro also requested the OEB deem the new TS as a distribution asset pursuant to section 84(a) of the Ontario Energy Board Act, 1998 (OEB Act).	The OEB approved ICM funding of $23.48 million related to the construction of a new municipal TS in the Town of Halton Hills. The OEB was satisfied that the evidence demonstrates the need and prudence of the new TS. The OEB found that this project also meets the project-specific materiality threshold and the ICM materiality threshold based on the OEB's ICM formula in the ACM Report. Regarding the cost of the new TS, the OEB found that Halton Hills Hydro has provided sufficient evidence of its due diligence and that the cost estimates provided are reasonable. Incremental OM&A Halton Hills Hydro requested to recover the amount of $131,515 per year for incremental OM&A costs incurred by owning and operating the new TS. In its application, Halton Hills Hydro indicated that the costs include 24/7 monitoring by a third party control room, weekly and monthly inspection and preventable maintenance, property taxes and increased insurance costs. The OEB denied Halton Hills Hydro's request for an exception to the ICM policy to recover incremental OM&A arising from the operation of the new TS. The OEB acknowledges that the new TS will cause an increase to Halton Hills Hydro's OM&A costs in the amount of $131,515. However, the OEB expects Halton Hills Hydro to be able to manage this incremental amount within its approved revenue requirement and the incremental revenue approved for collection through distribution rate riders for the construction of the new TS. Approval to Deem New TS as Distribution Asset The OEB deemed the new TS to be a distribution asset pursuant to section 84(a) of the OEB Act.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Ottawa River Power EB-2018-0063 Decision issued March 28, 2019	$1.70M	$1.60M	Ottawa River Power applied for incremental capital funding of $1,698,850 to build a new 5 MVA substation (MS-4) in the Almonte Ward in the Town of Mississippi Mills, which is expected to be in-service by June 2019. Ottawa River Power indicated that the MS-4 substation is a necessary and prudent expenditure to meet system and reliability needs. Approval of this project will increase Ottawa River Power's rate base by about 15% from $11.8 million to $13.5 million and revenue requirement by 3% from $4.4 million to $4.5 million.	The OEB approved the ICM request as Ottawa River Power has established the need, materiality and prudence of this capital expenditure. The OEB found that there is evidence of a capacity shortfall based on peak data and that the shortfall will be met by the proposed MS-4 substation. The OEB accepted the evidence that the construction of the Almonte substation will allay concerns relating to capacity and load growth that might not be accommodated in the event of a prolonged loss of one station. The OEB also found the proposed costs of the Almonte station to be reasonable and approves the ICM funding up to the allowable maximum of $1,603,409.		
Burlington Hydro EB-2018-0021 Decision issued March 28, 2019	$5.92M	$5.57M	Project 1 ($3.567 million) – Tremaine Transformer Station (TS) Connection Cost Recovery Agreement (CCRA) True-up Project 2 ($2.000 million) – Tremaine TS Additional Breakers CCRA Project 3 ($0.350 million) – Bronte TS Additional Breaker Positions CCRA True-up	The OEB approved both Projects 1 and 2 in full for a total of $5.567 million and denied project 3. For project 2, the OEB approved rate riders for Project 2 to be effective December 1, 2019 rather than May 1, 2019 as was requested (Burlington Hydro is a May 1 filer). The OEB considered the estimated Q4 2019 in-service date for Project 2 and found it appropriate to set the effective date of the rate riders on December 1, 2019. VECC took issue with the fact that Project 2 was made up of two CCRA payments made by Burlington Hydro to Hydro One, and that one of the payments took place in 2018 (i.e. preceding the 2019 rate year). The OEB found that both payments, including the one made in 2018, relate to the same project which ultimately goes in-service in the 2019 rate year and therefore found it acceptable for ICM treatment. The OEB denied funding for Project 3 because it found that the originally requested amount of $0.350 million did not meet the project-specific materiality threshold. During reply arguments, Burlington Hydro had updated the cost estimate of Project 3 to $0.981 million and further requested a variance account to record foregone revenue associated with this true-up payment if the OEB does not approve ICM funding. The OEB considered the updated estimate of $0.981 million to be uncertain, was not convinced that a true-up is required, and therefore rejected Burlington Hydro's request. The OEB also denied the request for a variance account.		
PUC Distribution Inc. EB-2018-0219 Combined with amended and restated application filed under EB-2020-0249 Note: filed in 2020 for rates effective May 1, 2022	$27.75M	$24.83M	Sault Smart Grid (SSG) Project – comprised of three components: Voltage/VAR Optimization, Distribution Automation and Advanced Metering Infrastructure. Black & Veatch was selected as the successful EPC proponent. The EPC contract is styled as a "maximum price limit" project to ensure cost certainty for this main element of the project costs. EPC pricing has been fixed as	The OEB approved the application. The OEB accepted the net capital forecast of $24,828,660 and the revenue requirement calculation of $875,610 for determining the ICM rate riders. The OEB found the SSG Project to be in the public interest, delivering direct benefits to customers through reduction in energy consumption, reliability improvements and improved planning and data reporting systems. The OEB noted the proposed execution of the project is innovative (i.e. implementing all three components in one single project through the PUC service area). The OEB found that the Materiality, Need and Prudence criteria were met. In terms of prudence, the OEB found that the SSG Project is a significant step towards PUC's grid modernization, which is the primary driver. This includes reducing energy/commodity costs for end-use consumers, improving reliability, and improving operational control and data availability. This prudence was demonstrated at various stages of the		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Decision issued April 29, 2021			firm at $5,086,378 for Step 1 - Upfront Engineering Fixed Price and Step 2 - Balance of Work Fixed Price set at $22,658,667 for a total EPC maximum price of $27,745,044. The total estimated project cost is $33,007,038 and is projected to achieve an annual net benefit to PUC Distribution Inc. customers of over $616,897, excluding forecasted reliability benefits. NRCan Smart Grid Program funding of approximately $8,126,759 to be provided. The funding is conditional pending approval of the smart grid project by the OEB. Requesting to recover through the ICM mechanism the net of the project cost and NRCan funding (i.e. $24,880,278). The corresponding increase in revenue requirement is $875,610 (half-year rule applied).	SSG Project. First, PUC conducted a detailed assessment of three alternatives and concluded that developing the project over two years following OEB approval and utilizing NRCan Contribution represented the preferred alternative. The NRCan Contribution makes it possible to implement the project with a "no net bill increase" to customers. Second, in order to secure a competitive price for the Project, PUC Distribution conducted a competitive, public tendering process to select a contractor for EPC services. Third, PUC Distribution completed a sensitivity analysis to show that some small variation in the projected energy savings would still result in benefits to PUC Distribution's customers arising from the SSG Project. The OEB outlined certain conditions of approval: 1. The next rebasing application for 2023 rates is to be filed no later than August 31, 2022. 2. PUC Distribution shall file an updated Distribution System Plan at the time of its next rebasing application which demonstrates how the SSG Project is being accommodated through the re-prioritization of other capital expenditures. 3. PUC Distribution shall provide a detailed report as part of its next rebasing application, which compares the SSG Project costs and benefits as implemented to what was forecast in this application. 4. PUC Distribution shall file all available information on the proposed Project performance metrics that it intends to track, along with proposed targets, in its next rebasing application. This shall include an appropriate metric and targets to symmetrically link the VVO performance of the Project to PUC's allowable ROE for this Project. 5. PUC Distribution shall post on its public website a report, within 18 months of Project completion, and with annual updates for 10 years thereafter which shows the actual benefits of the SSG Project, broken down by customer class. 6. Any EPC Contract liquidated damages resulting from "performance" or "delay" shall be used to reduce the Project capital cost and would be settled at the time of the next rebasing. 7. The OEB does not find it necessary for PUC Distribution to file an updated ICM model as part of its 2022 IRM application. As noted in the findings on Materiality, the rate riders to be utilized are those that were provided in the updated ICM Model filed by OEB staff in its interrogatories.87 PUC Distribution shall include the approved ICM rate riders on its proposed tariff for its 2022 rate application.		
Alectra Utilities EB-2019-0018 Decision Issued January 30, 2020	$265M (total incremental funding across 2020-2024)	$0	Alectra Utilities requested approval for a MAADs-factor (M-factor) mechanism, which they contend is a modified ICM. The M-factor is $265 million in incremental funding across five years (2020-2024). Alectra Utilities is requesting the OEB approve M-factor rate riders, per rate zone, per year, for the next five years.	The OEB denied Alectra Utilities' M-Factor proposal, including its proposed CIVA and EDCVA, for the following reasons: • The M-Factor proposal is inconsistent with the OEB's rate-setting policies and MAADs policy and the deviation from policies is not warranted • The M-Factor proposal does not produce just and reasonable rates • The methodology utilized to seek customer preferences does not fully support the M-Factor *Inconsistent with OEB's Policies (Rate-setting and MAADs)* Alectra Utilities' proposed M-Factor approach included about 200 different sized projects, many of which are multi-year projects with no project-level threshold applied. Alectra Utilities requested		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
			Alectra Utilities filed a consolidated five-year DSP with its application. Alectra Utilities identified a total capital need of $1,456.5 million over the five years of the DSP. Based on the OEB's ICM materiality threshold formula, Alectra Utilities calculated its capital available through base rates, on aggregate, to be $1,182.2 million. The difference between this, and the total capital need, is $274.3 million. The bulk of that, $265 million, is what Alectra Utilities intends to fund through the M-factor. As part of the M-factor, Alectra Utilities also requested a CIVA account to record revenues and in-service additions associated with the M-factor. Alectra Utilities provided a list of M-factor projects, and intends to true-up the revenue requirement of each project through the CIVA, and across its rate zones. The CIVA true-up would return to customers any amount of underspend by Alectra Utilities, but would cap the recovery of overspend at $9.3 million (the difference between $274.3 and $265). During the Oral Hearing, Alectra Utilities identified an error in its materiality threshold calculations and revised its available funding through base rates to be $1,086 million. This results in a "funding gap" of $370.4 million. Alectra Utilities made an additional request in its Argument-in-Chief to record the "unfunded" capital (i.e. $370.4 million less $265 million through the M-factor) in its CIVA for possible recovery at its next rebasing application.	approval of a capital envelope with complete flexibility in reallocating funds for the projects to be executed within that envelope, with no consideration as to which of these projects meet the threshold required in an ICM scenario. The OEB noted that the ICM framework does not contemplate flexibility in spending within an approved capital envelope on ICM projects. The M-Factor proposal rejects the idea that a utility has a responsibility to manage its costs within the envelope provided by the Price Cap formula. The OEB agreed with the various parties that Alectra Utilities is misguided in its interpretation of the existing OEB policy concerning the ICM funding criteria applicable to consolidated utilities. The OEB rejected Alectra Utilities' submission that these criteria are somehow different for consolidated utilities than for all others – a conclusion arising from the expectation of funding for all "normal and expected capital investments. The OEB acknowledged that it has discretion to deviate from the OEB's established policies in establishing rates. However, in this case, the OEB did not believe that it is warranted to do so. Alectra Utilities' M-Factor proposal does not reconcile with any of the three rate-setting options that apply to all Ontario distributors, and is inconsistent with the language and intent of the OEB's rate-setting policies and MAADs policy. *Does Not Produce Just and Reasonable Rates* The OEB found that it would be both unjust and unreasonable to expect ratepayers to fund virtually all of the "unfunded" capital costs in the DSP, while permitting Alectra Utilities' shareholders to receive all of the merger related savings until its next rebasing. It would not be just and reasonable that ratepayers pay for an accelerated capital program as proposed by Alectra Utilities in this case, particularly when rates have not been adjusted for cost savings related to the merger. Approving the M-Factor would also remove incentives for the utility to pursue capital efficiencies (e.g. completing more work with the same budget) during the deferred rebasing period. The OEB noted that Alectra Utilities basically presented two options for executing its DSP; either through the M-Factor proposal or by reducing its shareholders' rate of return. Given the length of the deferral period chosen by the utility, Alectra Utilities should consider the option of placing a stronger focus on executing planned capital work in a more efficient way in order to complete its DSP with less capital funding. *The Methodology Utilized to Seek Preference Does Not Fully Support the M-Factor* The OEB found that customer preferences expressed in the consultation process were not always reflected in the final investment plan. In addition, the OEB agreed with suggestions by some parties that some of the questions asked were worded in a suggestive or leading fashion. For example, using terms such as "recommended" may lead respondents to believe that this is a better option. In addition, the questions did not explicitly state the incremental impact of the M-Factor and the amount sought in additional capital. In the OEB's view, the results of the customer engagement suggest that most customers are satisfied with the status quo in terms of reliability and that their top concern is price.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
				Capital Investment Variance Account The purpose of the account is to capture any variance between the actual M-Factor investments in each rate year and each RZ, and the actual revenue requirement for its 203 M-Factor projects placed in service during the 2020-2024 period. The variances to be recorded in the CIVA would be variances attributable to work being accelerated, deferred or re-prioritized among RZs, variances in actual versus forecast costs of execution and variances in the scope of individual M-Factor projects that may be necessary. The OEB found that, given that the OEB is not approving the M-Factor proposal, the proposed CIVA is not required. *Externally Driven Capital Variance Account* The purpose of the account is to capture the difference between the revenue requirement associated with externally driven capital expenditures (related to regional transit projects and capital works required by road authorities) as forecasted in the DSP, and the actual revenue requirement for in-service additions associated with such projects in the same period. This includes changes in scope and timing of anticipated road authority and transit projects and for additional projects not currently contemplated. Alectra Utilities noted that, while it has included a forecast of capital costs for these types of projects based on historical actuals in its capital budget, these expenditures can be volatile and subject to change due to the third-party nature of such projects. Alectra Utilities decided in its reply submission that this account is no longer needed, and that it will manage the uncertainty associated with its externally driven capital expenditures. The OEB found that this position is acceptable. In the Decision, the OEB suggested three appropriate options for Alectra Utilities: 1. File a cost-based application for rates effective in 2021 proposing updated capital requirements (cost of service or Custom IR), in which case the rebasing deferral period would be terminated. 2. Amend the current application to request incremental capital funding in 2020 for projects that meet the ICM criteria. In doing do, Alectra Utilities must provide sufficient evidence to show how the projects meet the ICM criteria. This information cannot be discerned from the current application as Alectra Utilities has not identified projects that meet the established ICM criteria. Alectra Utilities has stated that ICMs are only available on an annual basis. The OEB has previously approved a multi-year ICM, and there is no explicit prohibition in the Funding of Capital policy. Alectra Utilities may wish to consider a multi-year ICM that meets the ICM criteria if it seeks further ICM funding. 3. Do not file an amendment to the application for 2020. The OEB previously approved rates for 2020 on an interim basis by applying the current Alectra Utilities' IRM escalator for each of its RZs. These rates can be made final upon request. The next application would then be for 2021 rates, in which Alectra Utilities would be eligible to request incremental capital funding through an ICM. The OEB determined that Alectra Utilities' rates will remain interim until it determines how it will proceed.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Brantford Power EB-2019-0022 Decision Issued January 23, 2020	$15.03M	$13.2M	Brantford Power requested $15,028,188 (as revised during the proceeding) in ICM funding for its relocation to a new facility. The new facility will serve as its administration and operations centre. The amount in Brantford Power's ICM request is a proportionally calculated cost to Brantford Power based on the square footage of space allocated to Brantford Power in the new facility. Although Brantford Power will own the new facility, it has not requested to recover through ICMs the costs allocated to other tenants. It has proposed to keep costs and revenues (from rent) of its tenants as part of the non-regulated portion of its business. Brantford Power's eligible incremental capital, per the materiality threshold calculations, is $13,205,717.	The OEB approved $13.2M in ICM funding. The OEB noted that it is satisfied that the evidence demonstrates the need and prudence of this project. The City of Brantford has notified Brantford Power that its leases will not be renewed. Furthermore, Brantford Power investigated a number of options. The OEB found that Brantford Power passed the means test, as its regulatory return on equity for 2018 was 7.9%. The OEB noted that it is not adjusting the ICM funding amount for OM&A costs included in Brantford Power's current revenue requirement. The ICM is a capital funding mechanism and Brantford Power has not sought funding for any incremental OM&A funding associated with the new facility, consistent with the OEB's Funding of Capital policy. Brantford Power's response to interrogatories provided forecasts of an expected net increase in OM&A for 2020 and 2021 related to facilities. The OEB therefore finds it reasonable not to adjust the previous OM&A approved as part of Brantford Power's base distribution rates (SEC submitted that Brantford Power's ICM revenues should be reduced by the amount of OM&A expenses associated with its current leases (with the City of Brantford). As Brantford Power terminates its existing leases, SEC submitted that Brantford Power would no longer incur these expenses, and it would be inappropriate to recover ICM revenue from customers in addition to these OM&A amounts. In SEC's view, customers would be overcompensating Brantford Power)		
Energy+ Inc. EB-2019-0031 Decision Issued January 23, 2020	$3.48M	$3.48M	Energy+ requested $3,482,492 (as revised during the proceeding) in ICM funding for its relocation to a new facility. Energy+ is leasing space from Brantford Power's new facility (Brantford Power is also making an ICM request). This will serve as Energy+'s new operations centre in its Brant County service territory. Energy+'s lease is a capital lease. The amount in Energy+'s ICM request is a proportionally calculated cost to Energy+ based on the square footage of exclusive space it will use in the new facility.	The OEB approved $3.48M in funding. The OEB noted that it is satisfied that the evidence demonstrates the need and prudence of this project. Energy+ worked closely with Brantford Power throughout the process. While Energy+ could have assessed further options, the OEB found that it was appropriate to pursue the unique opportunity to share facilities with Brantford Power. This arrangement should allow the two distributors to share costs and pursue additional operational efficiencies to the benefit of customers. Intervenors argued that Energy+ was not eligible for an ICM because it will be leasing the new facility from Brantford Power. Energy+ has only sought ICM funding for the portion of its lease that is classified as a finance lease under IFRS. While the OEB has not issued accounting guidance specifically about the new IFRS 16 standard, the OEB found that the new standard is sufficiently similar to the former IAS 17 standard with respect to finance leases that Article 425 in the APH is applicable. Consistent with Article 425, the OEB's practice has been to include finance leases in rate base when setting rates. While the incremental capital module was established to fund incremental capital investments, the OEB has previously approved ICM funding for investments that are not assets of a utility; for example capital contributions to another utility. The OEB finds it reasonable to provide ICM funding for a project that meets all of the ICM criteria and would be expected to be part of the future rate base for the utility.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Oakville Hydro EB-2019-0059 Decision Issued April 16, 2020	$7.1M	$0	Oakville Hydro requested a total of $7.1M made up of 4 projects. 3 projects related to Road Widening totaling $5.4M. 1 project related to feeder replacement and relocation (Bronte Transformer Station) for $1.7M.	Project 1: Town of Oakville Road Widening – Speers Road ($2.0 million); Project 2: Halton Region Road Widening – Trafalgar Road ($2.2 million); Project 3: Halton Region Road Widening – William Halton Parkway ($1.2 million); Project 4: Hydro One Bronte TS Feeder Replacement and Relocation ($1.7 million) Note: Although this was a 2020 rate application, three of the proposed ICM projects (Projects 1, 2 and 4) were put in-service in 2019. Oakville Hydro explained that it did not apply for ICM funding for these projects in its 2019 rate application due to uncertainty associated with the completion dates and materiality of the projects. The OEB denied the request for ICM funding based on the lack of a DSP for both 2019 and 2020, and Oakville Hydro's regulated ROE of 10.65% in 2018, and forecast regulated ROE of 9.3% for 2019. The OEB stated that when a deferral for a rebasing application is made, the OEB reviews the financial and non-financial performance of the distributor. Two such requests were considered and approved for Oakville Hydro (for 2019 and 2020 rates), and a third is under consideration (2021 rates). In neither of the requests to defer did Oakville Hydro indicate that it might need incremental funding beyond that provided by the mechanistic price cap adjustment. In Oakville Hydro's situation, the last OEB-approved capital expenditures were for 2014 and the last DSP was for 2014 to 2018, and was filed more than six years ago. There is insufficient information, such as could have been provided through a DSP, for the OEB to assess the extent to which Oakville Hydro could have readjusted plans to accommodate the projects without increasing capital expenditures in 2019 to $19,974,000 (which is $7.4 million higher than the average capital expenditures from 2014 to 2018). Oakville Hydro's regulated ROE was 10.65% in 2018. In 2019, even with the capital projects proposed for an ICM, Oakville Hydro is forecasting it will achieve an ROE of 9.3%, which is close to the OEB-approved level of 9.36%. The OEB noted that while this is within 300 basis points, it has determined that there are other considerations that militate against the use of the means test as a determining factor for whether ICM funding should be granted. In particular, there is an absence of updated information on planning such as would have been provided by a DSP. As the OEB indicated in its November 2019 decision in this proceeding, the OEB's Price Cap IR rate-setting method does not set out expectations when a cost of service application is deferred.		
Burlington Hydro EB-2019-0023 Decision Issued April 16, 2020	$1.95M	$0	Burlington Hydro requested a total of $1,945,000 made up of two projects. Project 1 - $1,445,000 for a Customer Information System replacement.	Note: Burlington Hydro provided an updated cost estimate for the ICM projects in response to an interrogatory, which increased the cost of the CIS from $1.445 million to $2.093 million. The OEB denied Burlington Hydro's request for ICM funding for both projects. The OEB noted there is insufficient information to assess the extent to which Burlington Hydro could have readjusted its plans to accommodate the projects. Furthermore, there are tax implications that reduce the need for incremental funding.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
			Project 2 - $500,000 for a Geographical Information System replacement. Also requested to terminate the ICM rate riders associated with the Tremaine TS CCRA (approved in its 2019 application). Based on revised true-up calculations, the actual payment amount has decreased significantly from its 2019 proceeding. Therefore, to avoid over collecting revenues from customers, Burlington Hydro requested to end the rate rider effective May 1, 2020.	When a deferral for a rebasing application is made, the OEB reviews the financial and non-financial performance of the distributor. Two such requests were considered and approved for Burlington Hydro (for 2019 and 2020 rates). In neither of the requests did Burlington Hydro indicate that it might need incremental. Given that, in the response to the first deferral request, the OEB stated it would consider whether a DSP would be required if a further deferral application was made, it should have been evident that a disclosure of potential incremental capital needs should have been made at the time of the second deferral request. The OEB noted that while a DSP may not always be required to support an ICM during an extended Price Cap IR term, in the absence of a DSP the OEB still needs sufficient information to assess the proposed projects in the context of Burlington Hydro's overall planning. The timing of general plant information systems, such as a new CIS and GIS in particular, is best considered in the context of a utility's overall investment plan because there is often discretion in the timing. Furthermore, it is not clear the incremental funding for 2020 is required. Burlington Hydro has stated that it intends to file a cost of service rate application for 2021 rates. The proposed ICM projects are both information systems that would typically have a CCA rate of 55%. Furthermore, under the Accelerated Investment Incentive program under federal Bill C-97, as Burlington Hydro plans to put its proposed ICM projects in service in 2020, the utility will be eligible to apply the prescribed CCA rate to up to one-and-a-half times the net addition for the year. While the OEB has provided general guidance to electricity distributors to record the effects from the AII program during an IRM term in Account 1592 for future consideration, this approach is for regulatory simplicity and efficiency. Burlington Hydro will actually be able to take this higher deduction in 2020 to reduce its taxes paid. This deduction is essentially an additional source of funding for Burlington Hydro. The OEB concludes that the need for additional funding for the CIS and GIS projects is not significant for 2020 when the AII is considered. With respect to the termination of the 2019 ICM rider, the OEB agreed it is appropriate to end the current ICM rate rider. Given that the actual payment to Hydro One was lower than expected, it is appropriate to minimize the difference between the revenue requirement based on the forecast and the one based on the actual amount.		
PUC Distribution EB-2019-0170 Decision Issued April 16, 2020	$3.44M	$2.6M	Requested incremental capital funding to support Substation 16 Renewal (Sub-16) project. The total capital cost of the project is $4.7M. The associated incremental revenue requirement is $258,056.	The OEB approved $2,602,851 in ICM funding for this project (maximum eligible incremental capital). The OEB found that the Sub-16 Renewal Project satisfies the OEB's requirements for approval of ICM funding. The OEB noted that the Sub-16 project is a needed and prudent capital expenditure. The OEB also found that the means test was passed. The OEB accepted that the project is both discrete and outside of the rate base on which rates were set. The OEB determined that changes to CCA as a result of Bill C-97 should be included in the Account 1592 sub-account for CCA changes. The OEB concluded that in this case all impacts of Bill C-97 should be considered at the same time when Account 1592 is disposed to minimize any complexities of having the CCA used to determine some rates based on different tax rules than other rates. The OEB therefore finds that the accelerated CCA associated with the capital investment for the Sub-16 project should not be reflected in the PILs component of PUC Distribution's ICM revenue requirement. The ICM revenue requirement is therefore $237,816.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Alectra Utilities EB-2020-0002 Decision Issued December 17, 2020	$10.66M	$10.66M	$5,682,220 – Brampton RZ – Connection and Cost Recovery Agreement (CCRA) 10-year True-up Payment to HONI for Goreway TS $2,090,197 – Brampton RZ – Goreway Road Widening Project $2,885,574 – PowerStream RZ – Rutherford Road Widening Project	The OEB found that all three ICM projects are below the maximum eligible incremental capital amount and eligible for incremental funding. The OEB found that it is still appropriate to consider the materiality threshold for each RZ, as rates are established on a RZ basis, not a consolidated basis. The OEB approved ICM funding for all three projects as proposed by Alectra. The OEB found that each project meets the materiality criteria for its RZ and is satisfied that the evidence demonstrates the need and prudence of these projects. The OEB found that Alectra Utilities has passed the means test and accepted that these projects are each discrete and outside the base upon which rates were set. The CCRA true-up payment to Hydro One is contractually required. The OEB has made similar findings concerning such obligations in previous ICM decisions (ex. Alectra Utilities (EB-2017-0024), Enersource Hydro Mississauga (EB-2015-0065), Burlington Hydro Inc. (EB-2018-0021)). The Goreway Road Widening Project and the Rutherford Road Widening Project are required to accommodate the relevant road authorities. The OEB found that these two road widening projects meet the project-specific materiality threshold. While Alectra has not applied for ICM funding for the previous two segments of the Rutherford Road Widening Project, that is not sufficient reason to deny the ICM request in 2021 when the project meets the requirements for ICM funding. Many parties submitted that the OEB should not approve one or more of these ICM funding requests with particular emphasis on project-specific materiality. The OEB applied its judgement in considering the projects for 2021 and agrees with Alectra Utilities' reply submission that there is no "bright line" in the OEB's project-specific materiality criterion. The OEB confirmed that project-specific funding amounts were considered relative to the Alectra Utilities' 2021 total capital budget of $250.3 million across all RZs. In addition to the size of the project funding requested, where the amount itself is not determinative in borderline cases, the nature and justification for the project may also be considered.		
Greater Sudbury Hydro Inc. EB-2020-0024 (ACM) COS Decision issued May 7, 2020	$4.66M	$4.47M	Cressey Station Rebuild Project, scheduled to be completed and in service by December 31, 2021	In the 2021 IRM Decision, the OEB found that the proposed ACM amount to be disposed through rate riders is consistent with the approved settlement proposal in Greater Sudbury Hydro's 2020 cost of service application (EB-2019-0037). The OEB notes that the updated variance of 4.35% remains within a reasonable degree of difference between the amounts previously approved by the OEB and Greater Sudbury Hydro's updated projections. The OEB approved disposition of the ACM balance and the rate riders will be effective from May 1, 2021 until the effective date of Greater Sudbury Hydro's next cost-based rate order		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
Newmarket-Tay Power Distribution Ltd. EB-2020-0041 Decision issued April 22, 2021	$12.98M	$6.072M	$6,396,855 – Connection and Cost Recovery Agreement (CCRA) 5-year true-up payment to Hydro One for the Holland Transformer Station that occurred in 2015, with recovery from customers starting in 2021. This amount represents the 2021 net book value remaining from the $8,180,100 payment made in 2015. $6,585,200 (maximum eligible capital for 2021 $6,072,956) - CCRA ten-year true-up payment to Hydro One for Holland TS in 2021 with recovery from customers starting in 2021.	The OEB denied ICM funding for the 5-year true-up payment. The OEB noted: “The Holland TS CCRA five-year payment was made when Newmarket-Tay Power was in an Annual IR Index rate-setting period and ICMs are not available to distributors operating under an Annual IR Index term. The OEB agrees with CCC that is important to note that Newmarket-Tay Power filed an Annual IR Index application on August 5, 2015 when it was aware of the five-year true up CCRA payment. Choosing to file an Annual IR Index application in 2015 and also electing not to file a cost of service application since 2011, prevents Newmarket-Tay Power from applying for ICM in 2021 for a payment made in 2015. The ICM is intended to address the treatment of capital investment needs that arise during the rate-setting plan.79 The OEB also agrees with SEC that Newmarket-Tay Power has not explained “extenuating circumstances to cause the [OEB] to make an exception in this case”. The OEB further clarified that, in this proceeding, the 2021 maximum eligible capital amount of $6,072,956 is the only relevant calculation for 2021 rate making purposes. There is no policy basis for considering a prior period “maximum eligible amount” less amortizations. The ICM was not available to Newmarket-Tay Power in 2015 and maximum eligible amounts are rate-year specific. The OEB approved $6,072,956 in ICM funding for the 10-year true-up payment. The OEB found that the ICM criteria of materiality, need and prudence have been met.		
Algoma Power Inc. EB-2021-0006 Decision issued December 9, 2021 (ACM) COS Decision issued October 17, 2019	$12.69M	$12.69M	- $12.69m for Sault Ste. Marie facility as per 2020 settlement proposal	In Algoma Power’s last cost of service proceeding (EB-2019-0019), two projects under the OEB’s ACM mechanism were approved through a settlement proposal: (i) the Echo River Transformer Station and (ii) the Sault Ste. Marie facility. In this application, Algoma Power updated the expected in-service date of the Echo River TS from 2021 to 2023 and deferred the ACM cost recovery associated with this project to its subsequent IRM application for 2023 rates. In the current application, Algoma Power updated the forecasted project cost to $14.12 million, but noted that the ACM cost recovery proposed for the 2022 rate year is still based on $12.69 million, as per the settlement proposal. The project is scheduled to go into service in Q3 2022. Algoma Power further confirmed that it intends to include the actual cost of the Sault Ste. Marie facility in rate base at its next rebasing application and that the prudence of the incremental project costs over $12.69 million would be assessed as part of that application. The OEB approved the proposed ACM funding effective January 1, 2022 based on the $12.69 million capital amount, and noted the approved ACM funding will provide incremental funds to Algoma Power commencing in 2022 when the Sault Ste. Marie facility is scheduled to go into service, until Algoma Power’s rates are rebased by the OEB.		
Elexicon Energy Inc. EB-2021-0015 Decision issued December 16, 2021	$44.14M	$44.14M	For Veridian RZ: Seaton Transformer Station (net capital expenditure of $40,762,000) Bus Rapid Transit – relocation of existing overhead and underground infrastructure (net capital expenditure of $3,379,000)	The OEB approved $40,762,000 for the Seaton TS. No party took issue with the ICM meeting the prudence, means, and materiality tests. The OEB finds that the asset would be used or useful in 2022 to enhance flexibility in service delivery as back-up to the Whitby TS in the short-term or redirect power in as needed within Elexicon Energy’s service area over the subsequent winter months. To initiate ICM funding in 2022 is appropriate. SEC raised the question of cost efficiency in allowing a distribution utility to construct and own a transmission station compared to a transmission utility, acknowledging the		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
				issue was beyond the scope of this proceeding. The OEB found that Elexicon considered the alternatives and is satisfied that Elexicon chose the lower cost option. The OEB approved $3,379,000 in ICM funding. No party took issue with the ICM request meeting the need and prudence tests, based on the requirements of the local transportation authorities and Elexicon Energy's statutory obligations under the Public Service Works on Highways Act. The OEB agreed with using net capital expenditures (as opposed to intervenors submissions that the project should be viewed in the context of net capital additions) to assess project-specific materiality, and found that the project is material in the context of Elexicon's combined 2022 capital expenditures budget (4%).		
Energy+ Inc. EB-2021-0018 Decision issued December 21, 2021 (ACM) COS Decision issued June 18, 2019	$8.15M	$7.8M	In Energy+'s 2019 cost of service proceeding (EB-2018-0028), Energy+ requested a $8.1 million ACM related to renovating and converting an existing heritage building (Southworks) into an administrative office building. In its Decision and Order, the OEB found that the ACM for the Southworks facility met the OEB's criteria of need and materiality. However, the OEB stated that Energy+ did not provide sufficient evidence in support of the reasonableness of the $8.1 million cost estimate and approved $6.5 million. The OEB also noted that Energy+ would have the opportunity to address any deviations from this amount in its subsequent Price Cap IR application for the year in which the project comes into service. In this 2022 application. Energy+ submitted that the final cost forecast for the Southworks facility is $8.15 million, which is $1.65 million or 25.4% higher than the $6.5 million approved by the OEB in the 2019 Decision. Energy+ submitted that the increase is comprised of the following: • $1.1 million due to inflationary impacts • $0.41 million due to COVID-19 impacts • $0.69 million in other unforeseen cost Energy+ also stated that there was	The OEB approved ACM funding of $7.8m. The OEB considered the $6.5m approved in the 2019 decision, and the evidence on construction inflation, COVID-19 costs and unforeseen factors. The OEB examined the forecast cost for funding of $8.15m and was not satisfied on the evidence that the additional $1.65m was prudently incurred. The OEB did not find the inflation analysis helpful in understanding the cost increase. The OEB noted that Energy+ is to some extent re-arguing the 2019 decision. The OEB noted similar concerns with the "unforeseen costs". The OEB did not understand how legal and real estate fees were unforeseen, but regarded the COVID-19 costs as unforeseen. The OEB was not convinced that there is value to customers with all the costs incurred to rebuild a 150-year-old heritage building, such as re-pointing existing masonry and consistent design features. In the face of an OEB decision approving a funding envelope of $6.5 million, Energy+ proceeded with the project and it has ended up costing $8.15 million. Based on the findings above, the OEB approved ACM funding for $7.8 million. As part of the $7.8 million, the OEB recognized that it is approving some incremental COVID-19 costs associated with health and safety measures at the job site. While it is true that COVID-19 related capital costs can be recorded in Account 1509 for disposition later, the ACM process also allows a utility to bring forward all qualifying capital costs for recovery if prudently incurred. Contrary to the submissions of SEC, VECC and OEB staff, the OEB found it appropriate to include COVID-19 costs in assessing the reasonableness and prudence of Energy+'s proposed $1.65 million cost increase for the Southworks facility.		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
			also an offsetting $0.57 million decrease in costs through value engineering.			
PUC Distribution EB-2021-0054 EB-2020-0249/EB-2018-0219 (Implementing ICM – SSG) Decision issued March 24, 2022	$24.83M	$24.83M	To implement ICM rate riders for SSG Project as approved in 2020 ICM Decision	The rates associated with the ICM are reflected in the Tariff of Rates and Charges to the Decision and Rate Order		
London Hydro EB-2021-0041 (ACM) Decision issued February 24, 2022	$18.5M	$18.5M	Approval of Customer Information System-related ACM with a revenue rate rider cap of $18.5 million	Settlement Proposal: The Parties agreed for the purposes of settlement that the proposed ACM for an upgraded customer information system is appropriate, subject to a cap on the total project costs of $18.5M (the current forecast total cost of the project) that are eligible for ACM related funding during the IRM period. To the extent that LH exceeds the approved $18.5M capital budget when completing the project, LH will be at liberty to explain and justify the prudence of the overspend if it seeks to include the full undepreciated capital costs in rate base upon rebasing for rate-setting on a going forward basis. In a future proceeding LH will populate the OEB's most current ACM/ICM model as required to determine the actual incremental revenue requirement associated with the project, subject to entering a maximum project cost of $18.5 million in that model. The Parties agreed that when completing that model, LH will set the Distribution System Plan CAPEX number at that year's net in-service addition forecast amount. An updated ACM Model reflecting the above changes, and the OEB's updated inflation factor for 2022 of 3.3% was provided.		
Rideau St. Lawrence EB-2021-0056 (ACM) Decision issued June 14, 2022	$775K	$572K	MS2 Project	As part of the settlement proposal, parties requested that the OEB add an ACM to issue 1.1 and consider new evidence. The ACM is in respect of Rideau St. Lawrence Distribution's Morrisburg Substation #2 (MS2) capital project. Rideau St. Lawrence had initially forecast the expenditure as a System Access expenditure in both 2022 ($500k) and 2023 ($500k). However, prior to the settlement conference, Rideau St. Lawrence Distribution advised that only a portion of the spending (i.e., $225k) would be used and useful in 2022. The remaining amount (i.e., $275k) is still forecast to be spent in 2022, but the renewed station assets would not be used and useful until 2023.5 To ensure recovery of these costs, Rideau St. Lawrence Distribution sought ACM approval for a total of $775k for the MS2 project. Per the settlement proposal, the maximum eligible incremental capital calculated amount for Rideau St. Lawrence Distribution is $571,857. Rideau St. Lawrence Distribution will apply for the ACM rate riders to start recovering the costs of the project in the year that the substation enters service, expected to be in 2023. Consistent with the policy in the ACM Report, the calculation of the ACM rate riders will use updated information on inflation and growth for		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
				calculating the eligible total incremental capital and the rate riders to collect the associated annual revenue requirement.		
Alectra Utilities EB-2022-0013 Decision issued November 17, 2022	$52.2M	$18.1M	Powerstream RZ: approval of $16.6M in 2023 and $18.2M in 2024 for cable injection and cable replacement Enersource RZ: approval of $8.7M in 2023 and $8.7M in 2024 for cable injection and cable replacement	The OEB approved ICM funding for the PowerStream RZ in 2023. The amount of that funding approved was $16.2 million, a reduction of $0.4 million from Alectra Utilities' request of $16.6 million (based on updated 2023 IPI). The OEB approved ICM funding for the Enersource RZ in 2023. The amount of funding approved was $1.9 million, a reduction of $6.8 million from the funding request of $8.7 million. The OEB found the 2023 cable programs in the PowerStream RZ and Enersource RZ to be prudent. The cable projects selected for remediation represent prudent investment in capital for cable injection and cable replacement based upon the current condition of the cable assets in both RZs. The cable programs should help to ensure the reliability and quality of service. The OEB found that the cable program is urgent based on new information that has arisen, specifically the asset condition report and preparation of the DSP after the RZs were last rebased. The OEB did not approve the ACM request for the 2024 cable program in the PowerStream RZ or the Enersource RZ noting that this is not a cost of service application when an ACM may be sought.		
Rideau St. Lawrence EB-2022-0061 (ACM implementation)	$771K	$771K	To implement riders from 2022 COS ACM for MS2	Updated MS2 capital project cost estimate of $771,070 is within the ACM funding amount of $775,000 approved in Rideau St. Lawrence Distribution's last cost of service application. Rideau St. Lawrence Distribution confirmed that the MS2 capital project schedule has not changed from what was approved in Rideau St. Lawrence Distribution's 2022 cost of service application. The OEB finds that the proposed ACM amount to be disposed through rate riders, as calculated in the ACM Model, is consistent with the approved settlement proposal in Rideau St. Lawrence Distribution's 2022 cost of service application. The OEB approves the disposition of the ACM balance through rate riders that will be effective from May 1, 2023 until April 30, 2024.		
Elexicon Energy Inc. EB-2022-0024 Decision issued July 6, 2023	$69.83M	$15.23M	ICM funding of $36,739,433 for the Whitby Smart Grid Project, including a proportionate share of Advanced Distribution Management System (ADMS) and SCADA costs, in the WRZ ICM funding of $6,431,567 for a proportionate share of the ADMS and SCADA costs of the WSG Project, in the Veridian Rate Zone	The OEB approved $8.8M in ICM funding in 2025 for the proposed smart grid project. The OEB regarded the project as one capital investment affecting both the Whitby and Veridian rate zones, not two mutually exclusive ICM requests. OEB approval is contingent on Natural Resources Canada funding of $4.04M which in turn requires project completion by March 31, 2025. The OEB did not approve the 22 requested exemptions to the Distribution System Code related to the Sustainable Brooklin ICM funding request. ICM funding of $26.7M denied. The arrangements do not provide sufficient protection for existing customers when		

<table>
<tr><th>Application</th><th>Initial Amount of ICM Funding Requested</th><th>ICM Funding Awarded by the OEB</th><th>Request</th><th>Materiality</th><th>Need & Prudence</th><th>Non-discretionary</th></tr>
<tr><td></td><td></td><td></td><td>ICM funding of $26,657,000 for the Sustainable Brooklin Project in the Whitby Rate Zone and an exemption for the Brooklin Line from Section 3.2 of the DSC</td><td colspan="3">weighing the cost and benefit risks. This decision is not strictly based on nonconformance with the Distribution System Code but also based on an assessment of the business case benefits identified by Elexicon Energy.

<u>Smart Grid</u>
The OEB found that Elexicon Energy meets the ICM criteria of materiality, need and prudence for the ADMS and SCADA aspects of the proposed project. The project is needed to modernize the merged distribution systems through further enablement of control systems, to help restore power after outages and prepare for DER penetration. The OEB denied the ICM funding request for the field hardware, such as wood poles, pole mount transformers, and overhead load switches of the proposed Whitby Smart Grid project in 2025. It is not prudent to approve the investment of this incremental field hardware at this time. Elexicon Energy may consider phasing-in these components after the ADMS is complete in 2025. Elexicon Energy should consider the timing of the hardware investment and prioritization in the context of its annual capital expenditure budgets once the ADMS and SCADA aspects are complete and in service. The OEB finds that the additional investment is out of proportion for a utility of this size. The $34.4M capital cost for field hardware exceeds the entire 2025 capital budget of $32.7M in the 2021 DSP, a budget that did not include this project. Further, this cost estimate of $34.4M raises concern of a significant financial burden for customers which is compounded by the risk of a further 50% cost increase that is comprehended by a Class 4 estimate.

The OEB approved the proposed cost allocation to both the Whitby and Veridian rate zones based on total customer numbers, given the community system-wide benefits of ADMS and SCADA to Elexicon Energy service area.

<u>Sustainable Brooklin</u>
The OEB found that the arrangements do not provide sufficient protections for existing customers when weighing the cost and benefit risks. The core issue is “who will pay” for connecting this planned sub-division, notwithstanding that existing customers who would pay for the costs are not the primary beneficiaries. The OEB must consider who will benefit and what will be the ultimate price tag. In particular, the OEB as an economic regulator must balance the rate impact with the benefits. Quid pro quo requires evidence of equivalence. It is imperative that the “quid” is the equivalent of the “quo”. The OEB found that it is not.</td></tr>
<tr><td>Alectra Utilities Corporation
EB-2023-0004</td><td>$25.1M</td><td>$17.3M</td><td>Alectra Utilities is requesting approval of ICM funding of $25.1MM in 2024, for the PowerStream and Enersource RZ for cable injection and cable replacement.
Breakdown is: $7.9M in the ERZ and $17.3M in the PowerStream RZ
A deviation from the ICM policy by making an alteration to the materiality threshold formula</td><td colspan="3">- The eleven proposed ICM projects in the PowerStream RZ are the same as the 2024 projects identified in the 2023 ICM application for the PowerStream RZ.
- The five proposed ICM projects in the Enersource RZ consist of four of the 2023 ICM projects and one 2024 ICM project from the 2023 ICM application.

The OEB denied the proposed deviation from the 2024 inflation factor input into the ICM formula used to calculate the Materiality Threshold. The OEB approved ICM funding of $17.3 million for the PowerStream RZ. The OEB did not approve funding for the Enersource RZ ICM request.

<u>Materiality Threshold</u>
- The OEB in the 2023 ICM decision stated that altering the inflation factor in the ICM formula could best be considered as part of a review of the OEB’s ICM policy. The 2024 decision stated that the</td></tr>
</table>

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
				OEB is still of that view. Further, the OEB stated that the inflation factor is one parameter in a complex formula. Any change to the formula would be best addressed as part of a review of the OEB's ICM policy. - However, the OEB recognized that the application of the current formula may be injurious to the interests of both Alectra Utilities and its customers as it will provide no ICM funding to undertake necessary and urgent proposed cable renewal projects. Accordingly, the OEB will provide an exceptional remedy in these specific circumstances. **Project Specific Materiality**: The February 2022 ICM Update expanded the circumstances when ICM funding can be available to include ongoing capital programs during an extended rebasing period where certain additional requirements are met. Consistent with the 2023 ICM decision, the OEB found that the "project-specific materiality" criterion is not applicable to the funding requests in this application. **Significant Influence on Operations**: OEB found that the 2024 ICM has a significant influence on the operations and reliability of dx services. <u>Need</u> - **Means Test**: passes. - **Discrete Project**: The OEB found that the discrete project criterion is not applicable to this request. The February 2022 ICM Update expanded the circumstances when ICM funding can be available to include ongoing capital programs during an extended rebasing period where certain additional requirements are met. Alectra Utilities' ICM funding application is based on an ongoing cable program, comprised of individual discrete projects. The application is not for ICM funding of discrete projects as anticipated when the ACM Report was issued in 2014. - **Outside of Base Rates**: In the 2023 ICM decision, the OEB established the normal level cable spending by reference to the pattern of annual expenditures in each of the PowerStream and Enersource RZs for cable replacement and cable injection work in a six-year period prior to the ICM request. The historical record of normal spending, particularly where it concerns assets that are integral and of immediate consequence to the operation of the utility, is pertinent to the OEB's assessment of the quantum of need. - 2024 planned PowerStream RZ funding relative to the forecast provided in the 2023 ICM proceeding and the increase relative to the DSP noted above, the OEB is reasonably satisfied that Alectra Utilities has initiated some improvement to address the OEB's concern noted in the 2023 ICM decision with respect to Alectra Utilities prioritizing cable refurbishment projects and capital amount to be recovered in base rates. With respect to Alectra Utilities' request for $17.3 million of ICM funding, the OEB approves $17.3 million of ICM funding. - Enersource RZ: proposed 2024 plan is to spend $19.3 million on cable refurbishment, comprised of $11.5 million to be recovered by existing base rates and $7.9 million through ICM funding. The OEB approves no ICM funding. he OEB finds that Alectra Utilities should be able to fund an average of $13.2 million per year in the Enersource RZ for cable refurbishment through existing base rates based on a 2019 to 2023 average. - Should Alectra Utilities apply for future ICM funding for cable refurbishment, the OEB directs that the application includes the information provided in response to 1-Staff-4 together with an explanation of the variances for capital recovered through base rates and ICM funding.		

Application	*Initial Amount of ICM Funding Requested*	*ICM Funding Awarded by the OEB*	*Request*	*Materiality*	*Need & Prudence*	*Non-discretionary*
				Prudence The cable projects approved represent prudent investment in capital for cable injection/replacement based upon the current condition of the cable assets in both RZs. The cable programs should help to improve the reliability and quality of service.		
E.L.K Energy Inc. EB-2023-0013	$1.37M	$1.37M	E.L.K. Energy is requesting ICM approval to fund: - the purchase of two single bucket trucks - six Reclosing Switches The total estimated capital expenditures for the Fleet Vehicles and Switches are $884,907 and $485,024, respectively	Materiality - The OEB found that the two projects that are subject of this ICM request, are material relative to E.L.K. Energy's 2024 budget. Need - The OEB is satisfied that the criterion for need has been met. Additionally, the means test has also been met. Further the ICM funding requested is outside the base upon which rates are derived. The OEB appreciates E.L.K. Energy's detailed explanation of its recent financial performance and management changes, and its plan to remedy its challenges. However, the OEB remains concerned about the potential for E.L.K. Energy's financial and operational challenges to persist despite management's best efforts to mitigate them. The OEB encourages E.L.K. Energy's management and Board of Directors to thoroughly examine all strategic options for the utility, including an early rebasing Prudence - OEB agreed that it is prudent to replace the end-of-life vehicles and that it is the best alternative relative to maintaining vehicles beyond their useful life. The OEB found that prioritizing the installation of the recloser switches in two of the communities served in order to modernize and improve the reliability of its distribution system is prudent.		
Newmarket-Tay Power Distribution Ltd. EB-2023-0039	$9.28M	$8.08M	$9.28M for the relocation of electricity distribution assets, required for a 2.1 km road widening project on Yonge Street	Newmarket-Tay Power submitted that the relocation project is a non-discretionary investment requested by the Regional Municipality of York as a Road Authority under the Public Service Works on Highways Act and that under the PSWHA, utilities must comply with the requirements of the Road Authority. Newmarket-Tay Power explained that the construction that triggered the asset relocation was necessitated by the need to accommodate growth and increased travel demands in the Town of Newmarket. - $6.41 capital contribution from York Region Newmarket-Tay deviated from the ICM policy by using a geometric mean of IPIs starting from the first IRM year for the Newmarket-Tay RZ (2011 to 2024) to calculate the maximum eligible incremental capital amount. Using the OEB-approved IPI for 2024 (i.e. as per ICM policy) resulted in a maximum incremental capital of $8.08 million. Using any of the other approaches – geometric mean, arithmetic mean or actual annual IPI – would result in maximum allowed incremental capital amounts greater than the $9.28 million requested by Newmarket-Tay Power in its ICM application. **The OEB denied Newmarket-Tay Power's proposed deviation from the 2024 IPI in calculating the Materiality Threshold noting this is not a situation in which the application of the formula results in no ICM funding** (like Alectra in 2023). **The OEB approves $8.08 million in ICM funding, which is within the maximum eligible incremental capital, resulting in an allowed Incremental Revenue requirement of $0.68 million, consistent with the OEB's ICM policy.**		

Application	*Initial Amount of ICM Funding Requested*	*ICM Funding Awarded by the OEB*	*Request*	*Materiality*	*Need & Prudence*	*Non-discretionary*
London Hydro Inc. EB-2023-0037 (ACM implementation)	$18.5M	$18.5M	From COS: $18.5 million budget cap (as agreed to in the EB-2021-0041 Settlement Agreement) for CIS project	- London Hydro made an ACM request for an upgrade to its CIS as part of its 2022 Cost of Service application (EB-2021-0041). In that application, materiality, the need for and prudence of the request was reviewed. Issue 5.3 of the Settlement Agreement identified that there was a full settlement of the issue. In its February 24, 2022 Decision and Rate Order the OEB explicitly endorsed the Customer Information System-related ACM with a revenue rate rider cap of $18.5 million provision of the Settlement Agreement. The OEB approved ACM funding effective May 1, 2024 based on the $18.5 million capital amount, consistent with the settlement proposal approved in the 2022 Application. The OEB noted it expects to review the final costs of the project at rebasing, including the provision of a new business case should the final costs exceed the OEB's 30% threshold. The OEB notes that costs to date and revenues collected will be tracked in the OEB established variance account.		
Centre Wellington Hydro EB-2024-0012 (ACM)	$3.36M	$3.36M	"Fergus MS-5" station to be constructed at an estimated budgeted cost of $3,355,200, with the station commissioned and in-service in 2026	As part of the settlement agreement, parties agreed that the proposed ACM is appropriate, subject to the following conditions: a) Upon seeking funding for the revenue requirement associated with the Fergus MS-5 Station through the ACM riders, the capital cost of the station for the purposes of determining the revenue to be collected by CWH will be capped at the current forecast cost of the project at $3.355M. This cap will also apply to any true-up of the revenue collected by CWH through the ACM riders; in other words, regardless of the actual cost of the Fergus MS-5 Station, the maximum amount of ACM related revenue requirement that CWH will be entitled to recover for the project will be based on the lesser of the actual cost of the project or $3.355M. b) The $3.355M cap does not apply when, in a future rebasing application, CWH seeks to add the full cost of the project to its rate base. In the event the cost of the project exceeds $3.355M and CWH seeks to add that incremental cost to rate base, CWH must demonstrate that the project, at the actual cost, has achieved the intended outcomes and continues to provide appropriate value to its customers, so that the actual cost is commensurate with the need and benefits. Evidence in support of the increased cost of the project (if the cost of project exceeds $3.355M) will include a comparison between the project and the alternatives that were considered and rejected in favour of the Fergus MS-5 Station project.		
Burlington Hydro Inc. EB-2024-0010	$5.12M	$4.76M	System Access project involving relocating BHI's dx assets on Dundas Street due to road widening work, as requested by Halton Region, the road authority under the Public Service Work on Highway Act Total estimated incremental capital expenditure of $5,357,809	Burlington Hydro requested $5,120,792 in ICM funding for the mandatory relocation of electrical distribution assets required for road widening work on Dundas Street (from Guelph Line to Kerns Road and from Northampton Boulevard to Guelph Line). The relocation work was requested by the Regional Municipality of Halton (Halton Region), the road authority under the Public Service Works on Highways Act (PSWHA). The project is non-discretionary due to Burlington Hydro's statutory obligations under the PSWHA. Materiality Burlington Hydro used the OEB-approved materiality threshold formula to arrive at a threshold capital expenditure value of $11,771,200 and requested the maximum eligible incremental capital amount of $5,120,792. The OEB found that the application meets the materiality threshold. Need The OEB found that Burlington Hydro passes the Means Test as the actual 2023 ROE of 8.11% is lower than the deemed ROE of 8.34%. The OEB finds that the relocation project is discrete, not part of a typical annual capital program, and it meets the discrete project criterion. The OEB also found that the relocation project is discrete, not part of a typical annual capital program, and it meets the discrete project criterion. Lastly the OEB found that the ICM amount requested by Burlington Hydro is not entirely outside of the base		

Application	Initial Amount of ICM Funding Requested	ICM Funding Awarded by the OEB	Request	Materiality	Need & Prudence	Non-discretionary
				upon which rates were derived. The OEB agreed with OEB staff and VECC that the four poles and one transformer identified as being in poor condition should be accounted for as part of base rates in Burlington Hydro's 2021 DSP. Additionally, the OEB acknowledged that Elexicon Energy's Z-factor application, where the cost claim for poles in Poor condition was reduced, sets a valid precedent in this case. Based on the evidence provided, the OEB finds that the ICM amount requested by Burlington Hydro should be reduced by $197,757 (approximately 4%). Prudence The OEB found that not all amounts to be incurred are prudent, the OEB agreed with OEB staff and VECC that there was a lack of prudence in the cost estimate process and the resulting requested costs. In light of the lack of prudence on the part of Burlington Hydro in this case, the OEB considers it appropriate to further reduce the ICM amount by $160,692 (approximately 3%).		
Lakefront Utilities Inc. EB-2024-0038	$2.54M	$1.06M	Lakefront Utilities requested $2,535,311 in ICM funding for a new 27.6 kV distribution station referred to as MS28-3. The distribution station was built over two years, 2022 and 2023, and placed in service in December 2023.	The OEB approved only 50% of the incremental capital funding requested. The OEB based its 50% approval on the revised maximum eligible incremental capital calculated by OEB staff of $2,117,497, with a resulting annual revenue requirement impact of $142,837. The remaining portion of the funding requested to be tracked in a deferral account, with recovery contingent upon the utility's satisfactory completion of specific undertakings that must be included in the utility's next rebasing application. Reasons for partial Approval: • The utility acted imprudently by not seeking prior approval or capital contributions from developers. • The project timing (post-construction application) conflicted with ICM policy expectations. • Lack of evaluation of identified alternatives made it unclear whether the chosen project was the most cost-effective. Materiality: • The project falls within the eligible capital range using the OEB-approved formula. Both Lakefront and OEB staff calculations supported this. • With a cost of $2.54M, the project exceeds historical annual capital budgets and is not considered a minor expenditure. • It significantly impacts Lakefront Utilities' operations due to its size and function. The materiality test was satisfied. Need: • **Means Test:** Passed, as the 2023 ROE was well below the deemed level. • **Discrete Project:** Recognized as a standalone, discrete capital project. • **Directly Related to Driver:** Project tied to growth, voltage conversion, and reliability needs. • **Outside Base Rates**: Not funded in previous rate base, qualifying it for incremental funding. The project passed the need requirement.		

<table>
<tr><th>Application</th><th>Initial Amount of ICM Funding Requested</th><th>ICM Funding Awarded by the OEB</th><th>Request</th><th>Materiality</th><th>Need & Prudence</th><th>Non-discretionary</th></tr>
<tr><td></td><td></td><td></td><td></td><td colspan="3">Prudence:
• Lack of Alternatives Assessment: Lakefront did not evaluate cost-effective alternatives (e.g., MS28-2 upgrade) from the Raven Report.
• Project Timing: Applied for ICM funding after the project was already completed, contrary to OEB expectations.
• No Developer Contributions: Failed to seek mandatory capital contributions under the Distribution System Code, burdening existing ratepayers.

The project’s timing and cost recovery choices were imprudent, warranting only partial approval. The remainder will be subject to further review during the next rate rebasing, contingent on submission of detailed alternative assessments.</td></tr>
</table>

Schedule A

EB-2012-0064: Toronto Hydro ICM Request

Project	2012 Capital Spending ($M)	2012 In-Service Additions ($M)	2013 Capital Spending ($M)
B3 Handwell RA30:A50eplacement	13.65	6.05	16.65
B2 Paper Insulated Lead Covered (“PILC”) Cable – Piece Outs and Leakers	0.08	0.04	5.42
Transformers (Estimated)	28.74	12.43	58.86
B4 Overhead Infrastructure	9.07	4.02	55.88
B5 Box Construction	0.58	0.26	23.04
B6 Rear Lot Construction	16.36	7.25	29.43
B7 Polymer SMD-20 Switches	-	-	1.53
B8 SCADA-Mate R1 Switches	-	-	1.43
B9 Network Vault & Roofs	2.84	1.26	18.76
B10 Fibertop Network Units	1.48	0.65	7.71
B11 Automatic Transfer Switches (ATS) & Reverse Power Breakers (RPB)	-	-	3.26
B12 Stations Power Transformers	0.38	0.17	3.48
B13.1 & 13.2 Stations Switchgear – Municipal and Transformer Stations	1.73	0.77	21.81
B14 Stations Circuit Breakers	0.76	0.34	0.55
B15 Stations Control & Communications Systems	0.14	0.06	1.00

B16 Downtown Station Load Transfers	0.68	0.30	2.14
B17 Bremner TS	8.50	-	81.00
B18 Hydro One Capital Contributions	22.98	3.69	48.12
B19 Feeder Automation ("FA")	2.30	1.02	20.66
B20 Metering	4.74	2.10	8.40
B21 Plant relocations	10.16	4.50	24.84
BXX Engineering Capita	8.32	3.69	-
C1 Operations Portfolio Capital	120.51	53.95	121.63
C2 Information Technology Capital	22.00	9.25	15.00
C3 Fleet Capital	0.80	0.29	2.00
C4 Buildings and Facilities Capital	5.00	3.76	5.00
Allowance for Funds Used During Construction	1.20	0.15	1.40
Total	**283.00**	**116.00**	**579.00**

Note: The OEB approved funding for the projects, subject to Issue 2.1 findings.

2013 In-Service Additions ($M)	2014 Capital Spending ($M)	2014 In-Service Additions ($M)	OEB's Decision on ICM Request
17.73	-	-	Approved
3.35	-	-	Approved
51.52	-	-	Approved
39.06	-	-	Approved
14.34	-	-	Approved
27.02	-	-	Approved
0.93	-	-	Denied
0.87	-	-	Denied
13.00	-	-	Approved
5.51	-	-	Approved
1.99	-	-	Approved
2.33	-	-	Approved
14.24	-	-	The Board approved ICM funding of $0.77 in 2012 and $11.24M in ICM funding in 2013.
0.76	-	-	Denied
0.69	-	-	Denied

1.68	-	-	Denied
-	34.60	124.10	The Board approved a total recovery of $184.1 million for this project, consisting of $124.1 million of 2014 in-service assets and $60 million of 2014 in-service capital contributions to Hydro One.
10.70	37.00	60.00	Denied
13.86	-	-	Denied
7.75	-	-	Approved
20.78	-	-	The Board approved the amount of funding requested for 2013.
4.63	-	-	Approved
144.00	-	-	Partially Approved
21.47	-	-	Approved
0.76	-	-	Denied
2.89	-	-	Approved
2.14	-	-	Approved
424.00	**71.60**	**184.10**	