



Ontario
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BY EMAIL

October 2, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ritchie Murray:

**Re: Alectra Utilities Corporation
Application for 2026 Electricity Distribution Rates
Ontario Energy Board (OEB) File Number: EB-2025-0055**

In accordance with Procedural Order No. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenor have been copied on this filing.

Alectra Utilities Corporation's responses to interrogatories are due by October 16, 2025.

Any questions relating to this letter should be directed to Urooj Iqbal at urooj.iqbal@oeb.ca or at 416-544-5190. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Urooj Iqbal
Advisor, Incentive Rate-setting

Encl.

**OEB Staff Interrogatories
Alectra Utilities Corporation
EB-2025-0055**

Please note, Alectra Utilities Corporation (Alectra Utilities) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Ref 1: Rate Generator Model, Tab 3, Continuity Schedule

Preamble:

On September 11, 2025, the OEB published the 2025 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

- a) Please confirm that Tab 3 (Continuity Schedule), for each of Alectra Utilities' rate zones, reflects the Q4 2025 OEB-prescribed interest rate of 2.91%. If not, please update Tab 3, as necessary.

Staff-2

Ref 1: 2026 Rate Generator Model, Tab 4, Cell 33

Preamble:

Alectra Utilities has requested the disposition of its Group 1 account balances across all rate zones. OEB staff notes that the Threshold Test calculated for the Brampton Rate Zone (BRZ) falls below the threshold required for disposition.

Question(s):

- a) Please explain the rationale for requesting the disposition of Group 1 balances in the BRZ, given that the Threshold Test result does not meet the minimum requirement for disposition.

Staff-3

Ref 1: 2026 Rate Generator Model – Brampton Rate Zone, Tab 20: Final Tariff Schedule, Rows 256 and 259

Ref 2: 2026 Rate Generator Model – Guelph Rate Zone, Tab 20: Final Tariff Schedule, Rows 279 and 280

Ref 3: EB-2022-0185 – Alectra Utilities Corporation, *Decision and Rate Order*, issued December 8, 2022, p.19

Preamble:

In Reference 3, Alectra Utilities was approved to dispose of its Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) debit balance of approximately \$19.3 million across five rate zones. This balance included lost revenues from CDM programs delivered in 2020 and 2021, persisting savings from programs delivered in prior years, and associated carrying charges. As outlined in the OEB's Decision referenced above, Alectra Utilities' proposal to recover the LRAMVA balances was approved for the Brampton Rate Zone Street Lighting rate class over a 24-month period, and for the Guelph Rate Zone Street Lighting rate class over a 36-month period to minimize the bill impact.

Question(s):

- a) Please confirm whether the rate riders in References 1 and 2 are associated with the disposition approved in Reference 3.
- b) Please confirm the expiration dates of the rate riders referenced in References 1 and 2 and clarify whether these dates are consistent with the recovery periods approved in Reference 3.
- c) Please confirm that the LRAMVA disposition amounts approved in Reference 3 will be fully disposed of by December 31, 2026.

Staff-4

Ref 1: Exhibit 2 / Tab 1 / Schedule 12 / Pages 1-2

Ref 2: Exhibit 2 / Tab 1 / Schedule 12 / Appendix 'A'

Ref 3: EB-2022-0065, [Decision and Order](#), Schedule B

Preamble:

In Reference 1, Alectra Utilities states that in preparation for the filing of its 2027 rebasing application, the company is undertaking a third-party depreciation study that will be filed as part of the rebasing application. Preliminary results indicate that changes in financial useful lives of assets are expected to result in a net decrease in depreciation expense for 2025 of \$17 million and 2026 of \$21 million, the final two years of Alectra

Utilities' rebasing deferral period. Alectra Utilities intends to implement the changes in depreciation for financial reporting purposes, effective January 1, 2025.

Alectra Utilities requests approval for an accounting order to establish a new deferral and variance account effective January 1, 2025 and to record the impact of implementing the new depreciation study using the Account 1576 approach.

In Reference 2, the draft accounting order states that the Account 1576 approach requires a rate of return component to be applied to the balance in the account before disposition which will be determined at rebasing. Interest carrying charges will not be applied to the account balances.

Page 35 of Alectra Utilities' 2020 Partial Decision and Order ([EB-2019-0018](#)) states that: "The OEB adopts the Account 1576 approach to the deferral accounts for the change in capitalization policy."

In Reference 3, OEB staff notes that a similar deferral and variance account (DVA) was established to track the impact of updated useful lives, where carrying charges were applied at the OEB-approved rate for DVAs.

Question(s):

- a) Please provide the estimated balance in the account that is to be disposed of in the next rebasing application, showing the principal amount and the return component with calculation separately.
- b) Please explain why Alectra Utilities considers it appropriate to apply the rate of return approach used for Account 1576 to this new account as compared to applying the prescribed interest rates on the DVA, given that the 2020 Partial Decision and Order states that the Account 1576 approach is for the DVA for the changes of capitalization policy.
- c) Please compare the return on the account to the carrying charges on the account if the account were to apply OEB prescribed interest for 2025 and 2026 amounts. Please use the 2025 Q4 prescribed interest rate of 2.91% to calculate the forecasted carrying charges.
- d) Please provide any precedent applications that Alectra Utilities is aware of where the OEB approved similar variance accounts during the rate term for the change of the useful lives of assets.
- e) Please explain Alectra Utilities' view on establishing this account and whether it does or does not constitute retroactive ratemaking.

Staff-5

Ref 1: Exhibit 2 / Tab 1 / Schedule 12 / Pages 3-4

Ref 2: Exhibit 2 / Tab 1 / Schedule 12 / Appendix 'B'

Ref 3: Exhibit 2 / Tab 1 / Schedule 2 / Pages 1-7

Preamble:

Alectra Utilities undertook a third-party study to evaluate and update Alectra Utilities' Direct Labour Capitalization (DLC) rate methodology used to allocate directly attributable capital costs to capital projects, for those individuals that do not utilize timesheets. The results of the study indicate an increase in labour capitalization (i.e., higher capital costs) and a corresponding decrease to OM&A costs in 2025 and 2026, the final two years of Alectra Utilities' rebasing deferral period. Alectra Utilities intends to implement the DLC change for financial reporting purposes, effective January 1, 2025.

The results of the study indicate that impact of the DLC change will result in a credit balance recorded in the deferral and variance account of approximately \$6 million in 2025 and \$5 million in 2026.

Alectra Utilities requests approval for an accounting order to establish a new deferral and variance account effective January 1, 2025 to record the impact using the Account 1576 approach.

In Reference 2, the account description states that interest carrying charges will not be applied to the account balances.

In Reference 3, Alectra Utilities states that it currently has a DVA to capture the impact of harmonizing the capitalization policies of Enersource Rate Zone, BRZ, Guelph Rate Zone and Horizon Rate Zone to the capitalization policy of the Powerstream Rate Zone. Alectra Utilities uses the Account 1576 approach and a pre-ERP allocation method to translate those policy impacts to each rate zone, which were both accepted by the OEB in its 2020 IRM (EB-2019-0018). Alectra Utilities is proposing to track a new change in estimate from its DLC study using a 1576 approach, which impacts its capitalization ratios.

Question(s):

- a) Please provide the estimated balance in the account that is to be disposed of in the next rebasing application, showing the principal amount and the return component with calculation separately.
- b) Please confirm whether Alectra Utilities is proposing to use a rate of return approach for the DLC DVA.

- i. If confirmed, please update the draft accounting order.
- ii. If not confirmed, please explain if another mechanism is proposed to capture interest.
- c) Please explain in detail how Alectra Utilities proposes to exclude the DLC-related impacts for 2025-2026 from its existing capitalization policy impact models to ensure there is no double counting.
- d) Please explain Alectra Utilities' view on establishing this account and whether it does or does not constitute retroactive ratemaking.

Staff-6

Question(s):

- a. In the instance the OEB releases any updated rates / charges (e.g., 2026 Uniform Transmission Rates) before Alectra Utilities provides its responses to OEB staff's interrogatories, please update the Rate Generator Model for each rate zone, as applicable, and identify the rates / charge that were updated.