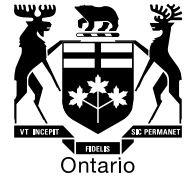


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BY EMAIL

February 19, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
BoardSec@oeb.ca

Dear Ms. Walli:

**Re: Halton Hills Hydro Inc. (Halton Hills Hydro)
Application for Rates
Staff Submission
OEB File Number EB-2018-0328**

In accordance with Procedural Order No.1, please find attached OEB staff's submission in the above proceeding. This document is being forwarded to Halton Hills Hydro.

Halton Hills Hydro is reminded that its Reply Submission is due on March 1, 2019.

Yours truly,

Original Signed By

Jerry Wang
Analyst, Incentive Rate Setting & Accounting

Encl.

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2019 ELECTRICITY DISTRIBUTION RATES

HALTON HILLS HYDRO INC.

EB-2018-0328

February 19, 2019

**OEB Staff Submission
Halton Hills Hydro Inc.
2019 ICM Rate Application
EB-2018-0328**

Introduction

Halton Hills Hydro Inc. (Halton Hills Hydro) was scheduled to file its Incentive Rate-setting Mechanism (IRM) application on October 15, 2018. In a letter sent to the OEB on October 5, 2018 Halton Hills Hydro requested a revised submission date for its 2019 application for rates. In its letter, Halton Hills Hydro informed the OEB that the Incremental Capital Module (ICM) portion of the application would not be ready by the October 15, 2018 filing deadline and requested an extension to December 3, 2018. Halton Hills Hydro indicated in a letter sent to the OEB on October 11, 2018 that it would file the ICM as a separate application.

Halton Hills Hydro filed its IRM application on October 15, 2018 and its ICM application on December 3, 2018. The IRM application is proceeding by way of delegated authority under a separate file number.¹ The purpose of this submission is to provide OEB staff's submissions on the ICM application submitted by Halton Hills Hydro.

OEB staff makes detailed submissions on the following:

- Incremental Capital Module
- New Deferral and Variance Accounts related to the ICM

Incremental Capital Module

Background

Halton Hills Hydro requests to recover, through an ICM, the incremental capital costs of \$23,476,441 associated with the construction of a new municipal transformer station (TS) in the town of Halton Hills. Additionally, Halton Hills Hydro requests to recover the incremental Operating, Maintenance and Administration (OM&A) costs associated with the new TS.

¹ EB-2018-0037

The incremental revenue requirement of Halton Hills Hydro's ICM request is \$1,829,600 which includes \$1,698,085 arising from the incremental capital and \$131,515 in incremental OM&A costs. In order to recover the revenue requirement from distribution rates, Halton Hills Hydro is requesting the OEB deem the new TS to be a distribution asset pursuant to section 84(a) of the *Ontario Energy Board Act, 1998* (OEB Act).

Halton Hills Hydro first identified the need for a new source of transmission supply in its service area in 2007. As a result of the economic recession in 2008, planning for the new TS was deferred and did not resume until 2011. When work resumed in 2011, Halton Hills Hydro identified that constructing a new TS on a site adjacent to the new TransCanada Energy Ltd. (TCE) Halton Hills Generating Station (HHGS) could result in potential cost savings. By constructing the new TS adjacent to the HHGS, the new TS would be able to use HHGS's 230 kV switchyard to connect to the transmission grid.

Halton Hills Hydro held meetings with the OEB and Ministry of Energy to discuss regulatory barriers related to the HHGS proposal. On July 17, 2013, Ontario Regulation 219/13 was made, which exempted the HHGS from requiring an Electricity Transmission License to connect the new TS to the transmission grid. Subsequently, Halton Hills Hydro and TCE entered into a Connection Agreement (as required by Ontario Regulation 219/13), and filed the Connection Agreement with the OEB. The OEB issued a letter on February 9, 2015 in which the OEB indicated that:

In accordance with subsection 4.0.2.1(2) of Ontario Regulation 161/99, the Board will not make an order rejecting the Connection Agreement as filed with the Board on November 11, 2013 provided that it is amended as agreed to by [Halton Hills Hydro] and TCE on April 30, 2014 and that the final executed version contains all schedules and appendices.

Halton Hills Hydro provided details about its plans to construct the new TS in its Distribution System Plan (DSP) filed in its 2016 cost of service application.² However, Halton Hills Hydro did not include a request for an Advanced Capital Module for the new TS because, as is stated in the current ICM application, "budgetary numbers were still very preliminary and not sufficiently robust for inclusion in the DSP at that time."³ Halton Hills Hydro states in section 1.1.6 of its DSP: "as the capital requirement for this project is significant, [Halton Hills Hydro] intends to file a separate Incremental Capital Module

² EB-2015-0074

³ EB-2018-0328, ICM Application, p. 6

(ICM) for associated expenditures rather than including in this Distribution System Plan.”⁴

Halton Hills Hydro updated its load forecast in June 2017 which verified a required in-service date of 2019 for the new TS. Halton Hills Hydro began constructing the new TS in the fall of 2017 and expects it to be in-service in the spring of 2019.

IRM Requirements

The ICM is a mechanism available to electricity distributors whose rates are established under the Price Cap IR regime as described in Section 3.3.2 of the Filing Requirements.⁵ The ICM is intended to address the treatment of a distributor’s capital investment needs that arise during the rate-setting plan which are incremental to a materiality threshold. The ICM is available for discretionary and non-discretionary projects, as well as for capital projects not included in the distributor’s previously filed DSP. It is not limited to extraordinary or unanticipated investments.

Halton Hills Hydro submits that its requested ICM claim satisfies the eligibility criteria of materiality, need and prudence set out in section 4.1.5 of the Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module (the ACM Report).⁶

Materiality

The ACM Report states that distributors must meet an OEB-defined materiality threshold and a project-specific materiality threshold.

The ACM Report explains materiality as follows:

A capital budget will be deemed to be material, and as such reflect eligible projects, if it exceeds the OEB-defined materiality threshold. Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount (as defined in this ACM Report) and must clearly have a significant influence on the operation of the distributor; otherwise they

⁴ EB-2015-0074, Halton Hills Hydro Distribution System Plan 2016-2020, p. 13

⁵ Ontario Energy Board Filing Requirements For Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications- Chapter 3 Incentive Rate-Setting Applications, July 12, 2018 (IRM Filing Requirements)

⁶ Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, (EB- 2014-0219), issued September 18, 2014

should be dealt with at rebasing.

Minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.⁷

The OEB-defined materiality threshold is defined in Chapter 3 of the Filing Requirements for Distribution Rate Applications. It represents a distributor's financial capacities underpinned by existing rates, including growth and a 10% dead band. The equation used to calculate the materiality threshold is as follows:

$$\text{Threshold Value (\%)} = \left(1 + \left[\left(\frac{RB}{d}\right) \times (g + PCI \times (1 + g))\right]\right) \times ((1 + g) \times (1 + PCI))^{n-1} + X\%$$

Where: RB = rate base included in base rates (\$)
d = depreciation expense included in base rates (\$)
g = distribution revenue change from load growth (%)
PCI = price cap index
n = number of years since the cost of service rebasing
X = dead band which is currently set at 10%

In the application as originally filed, Halton Hills Hydro used a price cap index of 0.9% as a placeholder, since the price cap index for 2019 was not yet available. This was based on an inflation factor of 1.20% less a productivity factor of 0.00% and a stretch factor of 0.30%. Using the formula above, Halton Hills Hydro stated it had calculated its materiality threshold to be \$1,859,883. OEB staff submits, however, that the inflation factor for 2019 has since been updated to be 1.5%⁸ with the stretch factor remaining at 0.30%. OEB staff calculates Halton Hills Hydro's price cap index to now be 1.20%. OEB staff has recalculated Halton Hills Hydro's materiality threshold and submits that it be revised to \$1,845,179. The OEB expects that Halton Hills Hydro would be able to finance capital expenditures of this amount through its existing rates.

Halton Hills Hydro states its forecasted total capital for 2019 is \$30,635,824. If the cost of the proposed project is removed, the remaining portion of the 2019 capital budget is \$7,159,383 which is consistent with the company's forecast set out in its 2016 Distribution System Plan supporting its 2016 cost of service application (\$7,893,817).

⁷ ACM Report, EB-2014-0219, p. 17

⁸ Updated November 23, 2018

OEB staff submits that based on the revised materiality threshold above, the maximum eligible incremental capital amount available to Halton Hills Hydro through this ICM is \$28,790,645. This is based on the total capital for 2019 of \$30,635,824 less the revised materiality threshold of \$1,845,179. OEB staff notes that 100% of the project capital amount of \$23,476,441 requested by Halton Hills Hydro falls within the maximum eligible incremental capital amount of \$28,790,645.

Regarding the project-specific materiality threshold, OEB staff notes that the ACM Report stated: “In addition, the Board has adopted a project-specific materiality threshold as identified in the Toronto Hydro decision.”⁹ A footnote then stated that this decision had determined that “Specific projects were not approved on the basis that they were minor expenditures in comparison to the overall capital budget.” OEB staff submits that the incremental capital Halton Hills Hydro has requested for the new TS makes up the bulk of its 2019 capital budget and therefore meets the project-specific materiality threshold. OEB staff also notes that the revenue requirement impact of this project (excluding the incremental OM&A costs) is approximately 16% of Halton Hills Hydro’s current revenue requirement.

Need

The OEB describes need in the ACM Report as follows:

The distributor must pass the Means Test (as defined in the ACM Report). Amounts must be based on discrete projects, and should be directly related to the claimed driver. The amounts must be clearly outside of the base upon which the rates were derived.¹⁰

Under the ICM Means Test, if a distributor’s regulated return on equity (ROE) exceeds 300 basis points above the deemed ROE embedded in the distributor’s rates, then the funding for any incremental capital project will not be allowed. Halton Hills Hydro provides the following table for its regulated ROE for the past three years:¹¹

⁹ ACM Report, EB-2014-0219, p. 17

¹⁰ Ibid

¹¹ EB-2018-0328, ICM Application, p. 11

Table 1 – Halton Hills Hydro Historical Rate of Return

Year	Deemed Rate of Return	Regulated Rate of Return	Variance
2015	8.82%	6.70%	-2.12%
2016	9.19%	6.76%	-2.43%
2017	9.19%	6.98%	-2.21%

Halton Hills Hydro has not exceeded its deemed rate of return by 300 basis points and has achieved in the past three years, on average, 225 basis points below its deemed rate of return. OEB staff submits that Halton Hills Hydro passes the Means Test.

The only expense related to the new TS that had been incurred prior to Halton Hills Hydro’s 2016 cost of service application was the purchase of land for the new TS. As part of an interrogatory response in the 2016 cost of service proceeding, Halton Hills Hydro removed the costs of the land purchase from the rate base and the costs were therefore not included in the rates approved in the proceeding.¹² Furthermore, OEB staff accepts that the ICM funding requested is for the discrete purpose of constructing a new municipal TS to be owned and operated by Halton Hills Hydro. OEB staff submits that the construction of the new TS is a discrete project and outside the base upon which rates were derived.

Prudence

The OEB describes the prudence threshold in the ACM Report as follows:

The amounts to be incurred must be prudent. This means that the distributor’s decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.¹³

The Independent Electricity System Operator’s (the IESO) Northwest Greater Toronto Area Integrated Regional Resource Plan (IRRP) published on April 28, 2015 echoes the need for a new TS to be constructed in order to serve future growth in Halton Hills Hydro’s service area.¹⁴ Halton Hills Hydro further retained Stantec Consulting Ltd. in

¹² EB-2015-0074, Interrogatory Responses, 2-Energy Probe-8

¹³ ACM Report, EB-2014-0219, p. 17

¹⁴ EB-2018-0328, ICM Application, Appendix C – Northwest Greater Toronto Area Integrated Regional Resource Plan

June 2017 to update load forecasts for Halton Hills Hydro's distribution system and verify the need for a new TS by 2019.¹⁵

Halton Hills Hydro explored three options to meet its supply needs:

1. Pay Hydro One to expand the Hydro One owned Halton TS
2. Build and operate a new TS
3. Do nothing

Halton Hills Hydro did not accept option one because, as the IRRP states, the expansion of Halton TS would meet short and medium term needs, but would fail to adequately provide long term supply.¹⁶ Furthermore, the IRRP notes that any new feeders into Halton Hills Hydro's service territory from Halton TS would need to cross Highway 401. Owing to the challenges of obtaining air rights over Highway 401, the IRRP estimated the feeders serving Halton Hills Hydro would have to be tunneled under the Highway for a price of \$2 million per feeder. The IRRP suggested that Halton Hills Hydro construct and operate a new TS to satisfy long term supply needs and avoid the costs of tunneling under Highway 401.

Halton Hills Hydro submits that option three is also unacceptable as current infrastructure is inadequate to serve anticipated growth in its service area. Particularly, Halton Hills Hydro notes the planned inclusion of the "Vision Georgetown" development which has been confirmed by the Town of Halton Hills.¹⁷

Halton Hills Hydro states that, as options one and three are both unacceptable, it chose option two as the most cost-effective option for ratepayers. OEB notes that the IRRP also identified a Halton Hills Hydro owned and operated TS (i.e. option two) as the recommended solution. Option two would serve short, medium and long-term supply needs in Halton Hills Hydro's service territory. Option two would construct the new TS on the previously mentioned site adjacent to the HHGS and north of Highway 401 which would allow it to avoid any costly expenditures required to tunnel feeders under Highway 401.

OEB staff submits that the ICM request for a new TS satisfies the ICM criteria and is in accordance with OEB policies. OEB staff notes that the OEB has in previous decisions

¹⁵ EB-2018-0328, ICM Application, Appendix D – Stantec Load Forecast Report for Halton Hills Hydro 27.6 kV Distribution System

¹⁶ IRRP, p. 54-55

¹⁷ EB-2018-0328, ICM Application, Appendix E – 2015 Town CAO Letter

deemed municipal transformer stations as distribution assets.¹⁸ OEB staff also notes that similar sized stations have required similar amounts of capital.¹⁹ OEB staff recommends that the OEB approve the incremental capital amount of \$23,476,441 and deem the new TS as a distribution asset pursuant to section 84(a) of the OEB Act.

OEB staff notes that Halton Hills Hydro has not applied the half-year rule. As this ICM application is in Halton Hills Hydro's third IRM year, OEB staff submits that Halton Hills Hydro has appropriately not applied the half-year rule.²⁰ OEB staff further submits that Halton Hills Hydro has correctly calculated the incremental revenue requirement for the incremental capital of the new TS to be \$1,698,085.

Halton Hills Hydro has not proposed any rate mitigation as total bill impacts of the ICM application are not greater than 10% for any customer class. OEB staff notes that, as previously mentioned, Halton Hills Hydro has a concurrent IRM application currently before the OEB. OEB staff submits that, because the ICM and IRM applications are both applying for changes to rates effective May 1, 2019, it is appropriate to consider the combined total bill impacts of both applications. OEB staff notes that the total bill impact of the ICM application for residential customers is 4.40%. OEB staff further notes that, as a result of various rate rider refunds, the combined total bill impact of the IRM and ICM applications for residential customers is lower at 1.90%. However, OEB staff notes that total bill impacts for the General Service 50 to 999 kW and General Service 1,000 to 4,999 kW service classes exceed 10%.²¹ Halton Hills Hydro submits that this is in large part due to Global Adjustment rate riders. OEB staff agrees that the bulk of the total bill impact to the two large service classes is due to the IRM application and therefore submits that any rate mitigation for the two large service classes to be addressed in the IRM application. OEB staff submits that no further rate mitigation is required.

Incremental OM&A

Halton Hills Hydro has requested \$131,515 per year in OM&A funding related to the ICM. OEB staff notes that incremental OM&A is not typically available as per ICM guidelines because the purpose of the ICM is for incremental capital, not OM&A.

¹⁸ Decision and Order, EB-2010-0104, March 14, 2011

¹⁹ Hydro Ottawa built and completed Terry Fox municipal TS in 2013 for a total of \$22 million. Terry Fox municipal TS is also a 230 kV to 27.6 kV station with 100 MVA of capacity.

²⁰ EB-2010-0130, Guelph Hydro Electric Systems Inc., *Decision and Order*, p. 15-16. The OEB has found previously that the half-year rule should only apply in the last year before rebasing. The half-year rule should not be applied to earlier years of the IR plan term so as to not build a deficiency for the subsequent years of the IR plan term.

²¹ Total bill impacts for General Service 50 to 999 kW is 10.41%, and 10.38% for General Service 1,000 to 4,999 kW.

However, OEB staff notes that in the OEB's Decision on 2015 rates for Festival Hydro Inc., the OEB identified the option for the distributor to seek exceptions to the general ICM policy for OEB consideration.²²

In a response to an interrogatory, Halton Hills Hydro provided the following table for its actual OM&A expenditures for the past two years:²³

Table 2 – Halton Hills Hydro OM&A Expenditures

OM&A Expense	Actual 2016	Actual 2017	Forecast 2018	Budget 2019
Distribution Expenses - Operation	\$ 1,460,237	\$ 1,422,770	\$ 1,726,686	\$ 1,685,407
Distribution Expenses - Maintenance	\$ 444,659	\$ 283,003	\$ 431,671	\$ 421,352
Billing and Collecting	\$ 1,097,634	\$ 1,130,882	\$ 1,232,265	\$ 1,254,723
Administrative and General Expenses + LEAP	\$ 3,122,905	\$ 3,257,415	\$ 2,685,142	\$ 2,877,459
Total Eligible Distribution Expenses	\$ 6,125,435	\$ 6,094,070	\$ 6,075,764	\$ 6,238,941
OM&A as per EB-2015-0074	\$ 6,007,592	\$ 6,007,592	\$ 6,007,592	\$ 6,007,592
Variance over (under) (\$)	\$ 117,843	\$ 86,478	\$ 68,172	\$ 231,349
Variance over (under) (%)	1.96%	1.44%	1.13%	3.85%

OEB staff notes that Halton Hills Hydro has exceeded or has forecasted to exceed the approved OM&A from its last cost of service proceeding in all years. Even in 2019, and without the incremental \$131,515 for the new TS, Halton Hills Hydro is still exceeding its approved OM&A by 1.66%. OEB staff provides the following table showing Halton Hills Hydro's cost of service approved OM&A adjusted using Halton Hill Hydro's price cap index for 2017 to 2019:

Table 3 – Halton Hills Hydro Price Cap Index Adjusted OM&A

	Actual 2016	Actual 2017	Forecast 2018	Budget 2019
Price Cap Index	Rebasing Year	1.90%	1.20%	1.50%
Price Cap Index Adjusted OM&A (\$)	6,007,592	6,121,736	6,195,197	6,288,125
Total Eligible Distribution Expenses (\$)	6,125,435	6,094,070	6,075,764	6,238,941
Variance over (under) (\$)	117,843	(27,666)	(119,433)	(49,184)
Variance	1.96%	-0.45%	-1.93%	-0.78%

²² Decision and Order, EB-2014-0073, April 30, 2015, p. 16. Festival Hydro applied for and was approved ICM funding for its new municipal TS in its 2013 IRM application. In its subsequent cost of service application, Festival Hydro requested to recover OM&A costs accumulated in previous two years associated with the new TS. In the EB-2014-0073 Decision, the OEB denied Festival Hydro's request for recovery of past OM&A expenses as it was out of period. The OEB however, noted in the same decision that Festival Hydro could have requested the OEB to consider granting an exception for the recovery of incremental OM&A in its original ICM application if Festival Hydro felt the need to recover the incremental OM&A expenses.

²³ Staff IR-1, part a

OEB staff notes that Halton Hills Hydro’s distribution rates have been increased in 2017 and 2018 using the price cap index and is further expected to be increased by 1.50% for 2019. OEB staff submits that, given the extra revenue generated by the increased rates, Halton Hills Hydro’s manageable OM&A budget should also be adjusted as shown by the Price Cap Index Adjusted OM&A row in Table 3. OEB staff submits that Halton Hills Hydro should be able to absorb increases in OM&A spending up to the amounts shown in Table 3 using the extra revenue generated by the increased distribution rates.

Halton Hills Hydro states in its ICM application that “while the operating costs relating to the TS are direct increases to OM&A spending, it should be noted that customers will realize savings in monthly transformation connection costs as [Halton Hills Hydro] will be able to transfer some of the existing load to the new TS.”²⁴ In a response to an interrogatory, Halton Hills Hydro provided the following table for the estimated cost savings in transformation costs:²⁵

Table 4 – Forecasted Avoided Transformation Charges

Table IRR - 3 - Forecasted Avoided Transformation Charges

Year	HHH MTS#1 Forecasted Load (MW)	Hydro One Transformation Rate (\$/kW) ¹	Forecasted Annual Avoided Transformation Connection Costs ³
	A	B	F=A*1000*B* months*E
2019	11	\$2.2500	\$ 139,536
2020	15	\$2.2725	\$ 280,008
2021	23	\$2.2952	\$ 423,276
2022	26	\$2.3182	\$ 488,041
2023	29	\$2.3414	\$ 552,149
2024	33	\$2.3648	\$ 629,067
2025	37	\$2.3884	\$ 711,367
2026	40	\$2.4123	\$ 795,250
2027	44	\$2.4364	\$ 880,739
2028	49	\$2.4608	\$ 977,899
2029	54	\$2.4854	\$ 1,091,110
2030	60	\$2.5103	\$ 1,226,972
2031	67	\$2.5354	\$ 1,388,199
			\$ 9,583,614 G

Assumptions:

Hydro One 2019 Transformation Rate per kW:	\$	2.25	B
¹ Escalation of Transformation Rate:		1%	C
² Discount Rate:		5%	D
³ Seasonal Diversity Factor (based on 2014-2018 data):		0.68	E
Present Value of Forecasted Avoided Costs (2019 value)	\$	6,325,319	H=NPV(D,G)

²⁴ EB-2018-0328, ICM Application, p. 18

²⁵ Staff IR-2, part b

OEB staff notes that, although the IRRP recommended a Halton Hills Hydro-owned and operated TS, the IRRP did not perform an assessment on potential cost savings in transformation connection costs. OEB staff further notes that any transfer of load off of the Hydro One TS may be subject to bypass costs unless the TS facility is overloaded. OEB staff submits that, in the absence of an assessment into potential bypass compensation to Hydro One, the forecasted transformation costs savings that Halton Hills Hydro has provided is not accurate and therefore not appropriate to be considered in this ICM application.

OEB staff submits that Halton Hills Hydro has used the price cap index to increase its distribution rates in its 2017 and 2018 IRM applications and further expects Halton Hills Hydro to increase its distribution rates in its 2019 IRM application. Using the revenue generated by the increased rates, OEB staff expects Halton Hills Hydro to be able to manage OM&A expenditures up to the amounts listed in Price Cap Index Adjusted OM&A row in Table 3. OEB staff recommends that the OEB not approve the annual recovery of \$131,515 in incremental OM&A expenses associated with the new TS.

New Deferral and Variance Accounts

Background

Halton Hills Hydro is seeking OEB approval for the creation of a deferral and variance account to track the costs and ICM revenues related to the TS, with the intention of truing up the balance at the time of Halton Hills Hydro's next rebasing. As indicated in an interrogatory response, Halton Hills Hydro requests Account 1508 – Other Regulatory Assets, Sub-account Incremental Capital Charges to track costs and revenues related to the TS.²⁶ As well, Halton Hills Hydro requests a further sub-account to Account 1508 – Other Regulatory Assets, Sub-Account Incremental Capital Charges to track costs and recovery costs related to the incremental OM&A associated with the new TS.

OEB staff submission

OEB staff notes that Halton Hills Hydro is requesting Account 1508 – Other Regulatory Assets, Sub-account Incremental Capital Charges. As stated in the *Accounting Procedures Handbook for Electricity Distributors* (the APH Handbook), this sub-account is used to record charges arising from the capital relief rate rider and “arises from an incremental capital module approved for Hydro One Networks Inc. (EB-2008-0187),

²⁶ Staff IR-11, part a

which was effective on May 1, 2009 but was implemented on June 1, 2009.”²⁷ OEB staff submits that this is not the appropriate sub-account to be used by Halton Hills Hydro. The OEB has already established generic 1508 sub-accounts for approved ICM/ACM related capital expenditures, depreciation expense, rate riders and carrying charges as listed in the ACM Report and the subsequent Filing Requirements. Distributors are required to use these accounts if they have approved ICM/ACM amounts.

OEB staff submits that, for the purpose of tracking incremental OM&A costs associated with the new TS, Halton Hills Hydro should have requested a new 1508 sub-account. In the event the OEB approves the recovery of incremental OM&A, the OEB could establish a new sub account for this purpose along the lines of the other ICM-related accounts.

All of which is respectfully submitted

²⁷ Account Procedures Handbook for Electricity Distributors, December 2011, p. 19