

**PALIARE
ROLAND**

B A R R I S T E R S

Chris G. Paliare
Ian J. Roland
Ken Rosenberg
Linda R. Rothstein
Richard P. Stephenson
Nick Coleman
Donald K. Eady
Gordon D. Capern
Lily I. Harmer
Andrew Lokan
John Monger
Odette Soriano
Andrew C. Lewis
Megan E. Shortreed
Massimo Stamino
Karen Jones
Robert A. Centa
Nini Jones
Jeffrey Larry
Kristian Borg-Olivier
Emily Lawrence
Tina H. Lie
Jean-Claude Killey
Jodi Martin
Michael Fenrick
Ren Bucholz
Jessica Latimer
Lindsay Scott
Alysha Shore
Denise Cooney
Paul J. Davis
Lauren Pearce
Elizabeth Rathbone
Daniel Rosenbluth
Glynnis Hawe
Emily Home

COUNSEL

Stephen Goudge, Q.C.

COUNSEL

Ian G. Scott, Q.C., O.C.
(1934 - 2006)

Richard P. Stephenson

T 416.646.4325 Asst 416.646.7419

F 416.646.4301

E richard.stephenson@paliareroland.com

www.paliareroland.com

January 16, 2018

File 94172

VIA RESS FILING and COURIER

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

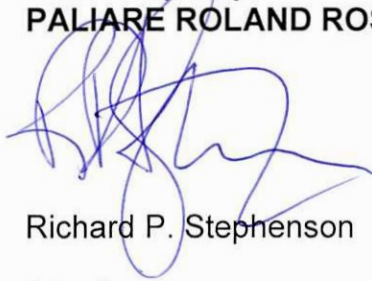
Dear Ms. Walli:

**Re: Alectra Utilities Corporation – Annual Filing Under Board-Approved
Custom Incentive Rate Setting Plan and Incentive Regulation
Mechanism (EB-2017-0024)**

Attached please find the Power Workers' Union's Submissions in connection with the above-noted proceedings. An electronic copy has been filed through the Board's RESS filing system, and two paper copies will follow by courier delivery.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP



Richard P. Stephenson

Attach.

c: Applicant (via email)
Intervenors (via email)

Doc 2389367 v1

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

155 WELLINGTON STREET WEST 35TH FLOOR TORONTO ONTARIO M5V 3H1 T 416.646.4300

IN THE MATTER OF the Ontario Energy Board Act, 1998;

AND IN THE MATTER OF an Application by Alectra Utilities Corporation to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2018.

Submissions of the Power Workers' Union

1. The following are the Power Workers' Union's ("PWU") comments on the issues reviewed in the matter of Alectra Utilities' ("Alectra") 2018 rates.
2. In this application, Alectra seeks approval of incremental capital funding for the Brampton, PowerStream, and Enersource rate zones; the Price Cap IR adjustment for the Brampton, PowerStream, and Enersource rate zones; an annual adjustment for the Horizon Utilities rate zone; disposal of its Group 1 Deferral and Variance Accounts by rate zone; disposition of the balance in its Lost Revenue Adjustment Mechanism Variance Account for the Horizon Utilities, PowerStream, and Enersource rate zones; and approval of proposed distribution rates on other charges, effective January 1, 2018.
3. These submissions do not specifically address all issues on the issues list. Where an issue has not specifically been addressed, the PWU supports the application as filed, and supports and adopts the submissions of Alectra in support of the application.

Issue 2.3 - Is the level of planned capital expenditures proposed in the ICMs appropriate and is the rationale for planning, prioritization and pacing choices appropriate and adequately explained and should the level of expenditures be approved by the OEB, giving due consideration to:

- ***customer feedback and preferences***
- ***productivity***
- ***compatibility with historical expenditures***

- ***compatibility with applicable benchmarks***
- ***reliability and service quality***
- ***impact on distribution rates***
- ***impact on OM&A spending***
- ***government-mandated obligations***
- ***the objectives of Alectra Utilities and its customers***
- ***the five-year Distribution System Plans***

4. With Innovative Research Group, Alectra undertook an extensive customer engagement process. Through this process, Alectra engaged with over 17,500 participants; likely the largest number of responses ever received by an OEB-regulated utility. The customer engagement identified that rates, followed by system reliability improvements, are Alectra's customers' top priority.

5. The engagement confirmed that the vast majority of customers are satisfied with the current level of reliability and expect Alectra to do what is necessary to maintain it. However, rates continue to be a concern for most customers as well. A common response throughout the customer engagement process to how they can improve service was to lower rates.

6. The total bill impact for a typical residential customer is a bill reduction for the Horizon Utilities and PowerStream rate zones. The evidence shows reduced bills for the GS>50 and streetlighting classes in the Horizon Utilities rate zone, and lower bills for all rate classes in the PowerStream rate zone. A summary of the bill impacts is detailed in the table below.

Total Bill Impacts by Rate Class (before HST)				
Rate Class	Horizon¹	Brampton²	PowerStream³	Enersource⁴
Residential	(0.25)%	2.18%	(2.14)%	1.15%
GS<50	0.40%	1.01%	(1.18)%	1.90%
GS>50 (HRZ & PRZ)	(1.36)%		0.30%	
GS 50-699 (BRZ)		(2.60)%		
GS 700-4,999 (BRZ)		(2.52)%		
GS 50-499 (ERZ)				0.29%
GS 500-4,999 (ERZ)				1.19%
Large User	1.87%	1.93%	(2.81)%	1.14%
Large User with Dedicated Assets (HRZ)	1.67%			
Street Lighting	(1.96)%	(1.48)%	1.43%	(39.23)%

7. Alectra's customer engagement process was extensive not only in the sheer volume of participation but also in the level of detail discussed with customers. For certain projects and project groups, the impact of a project on both reliability and bills was discussed. The level of engagement allowed Alectra to identify customer preferences between project categories. For example, the engagement revealed that system renewal investments were preferred over system service investments.⁵

8. In response to customer preferences, Alectra removed its Incremental Capital Module ("ICM") request for construction of the Webb municipal station ("Webb MS"). Webb MS was a system service project that would have required a \$4.4 million capital investment. Alectra also deferred other system service projects, including the Mini-Britannia MS and Duke MS.⁶ This demonstrates Alectra's recognition of customer preferences and the value of its extensive customer engagement process.

9. The customer engagement process took place in April and May of 2017, prior to implementation of the Fair Hydro Plan. As customers were responding to questions

¹ HRZ-Staff-7 – Revised Exhibit 2, Tab 1, Schedule 10, pp. 2 of 2

² Exhibit 2, Tab 2, Schedule 11, pp. 2 of 2

³ JTStaff-5 – Revised Exhibit 2, Tab 3, Schedule 11, pp. 2 of 2

⁴ JTStaff-2 – Revised Exhibit 2, Tab 4, Schedule 12, pp 2. of 2

⁵ ERZ-Staff-32, part b

⁶ Exhibit 2, Tab 4, Schedule 11, pp. 28

about the bill impacts of Alectra's ICM projects, and the Distribution System Plan ("DSP") in the case of Enersource, customers would have reasonably considered the impacts in the context of their current bills. By April, the 8% provincial portion of HST had been removed from bills but the commodity and other program cost reductions had not yet been realized. The following table summarizes the bills of typical residential customers in each rate zone before and after implementation of the full Fair Hydro Plan at current and proposed rates.

Rate Zone	Without Fair Hydro Plan		With Fair Hydro Plan		Change from approved during engagement to proposed after FHP
	Current Approved	Proposed	Current Approved	Proposed	
Brampton	134.08	136.15	104.38	106.45	-21.8%
Enersource	137.34	138.34	107.68	108.69	-21.4%
Horizon	139.73	139.46	109.92	109.65	-21.4%
PowerStream	141.20	138.81	111.42	109.03	-21.5%

Source: Undertaking JT2.30

Typical residential customer: Consumption = 750 kWh

8% HST removed from 'Without Fair Hydro Plan'; already removed from 'With Fair Hydro Plan'

10. As the above table demonstrates, a typical residential customer's bill will be at least 21% lower in each rate zone after the impacts of the incremental capital funding requested in this application and the Fair Hydro Plan are included. The Fair Hydro Plan has a significant impact on customers' bills, an impact that was not considered by customers during the customer engagement process.

11. Customer preferences are marginal, not absolute. In the PWU's view, there is a significant difference in asking whether a customer would accept a 1% bill increase, for example, to maintain reliability compared to asking whether they would accept a 21% decrease instead of a 22% decrease to maintain reliability. It is likely that customers would have accepted a marginally higher level of capital investment had their bills been at the level they are today, and not as they were in April and May of last year. The bill impacts resulting from the ICM proposals and Enersource's DSM proposal are more manageable for Alectra's customers and support for these necessary projects would be as strong, if not stronger, than it was during the engagement process.

12. Each of the projects proposed by Alectra for ICM funding meet the requirements set out in the *New Policy Options for the Funding of Capital Investments: The Advanced Capital Module Report* and *New Policy Options for the Funding of Capital Investments: Supplemental Report*. The project costs exceed the materiality thresholds established for each rate zone, they are each directly related to the claimed drivers and pass the means test, and each represents the most cost-effective option for Alectra's ratepayers.

13. During the technical conference, Mr. Matthews explained that the ICM funding sought in this application is necessary for Alectra to maintain reliability:⁷

Mr. Matthews: ... So Mr. Shepherd had asked if we looked at other options that could maintain reliability should we not receive the ICM funding.

So all our ICM -- all our reliability and system renewal projects look at quantifying what system reliability improvements or maintenance will be achieved on each project and investment. So if we do not get the ICM funding, there is no option available to us to maintain reliability. Reliability will decline should we not be given the ICM funding. I just wanted to make that clear.

MR. SHEPHERD: Sorry, let me understand. So you've done an analysis to determine that it is impossible to maintain reliability unless you get the extra funding?

MR. MATTHEWS: That's correct.

14. There are clear consequences to reliability should Alectra not receive funding for the ICM projects. In an interrogatory response Alectra details the impact on SAIDI if only 50% of the Enersource ICM funding is approved.⁸

Table 2 – Impact to Reliability in terms of SAIDI % (relative to 2016)

Year	Reliability Eventually Declines	Reliability Could Decline Significantly
2018	0.93% - 2.52%	2.52% - 2.88%
2019	2.52% - 4.84%	2.88% - 5.80%
2020	3.58% - 6.37%	4.48% - 7.73%
2021	5.10% - 9.29%	5.18% - 11.51%
2022	7.22% - 12.50%	8.51% - 15.57%

⁷ Technical Conference Tr. Vol. 1, pp. 47-48

⁸ ERZ-Staff-28, part b

15. Alectra's next rebasing is not expected until 2027. A disallowance of funding for the ICM projects can be expected to cause deferrals and for these and other necessary projects moving forward. As a result, Alectra may be forced to deal with significant backlogs in the future. Reliability metrics in the Enersource and PowerStream rate zones will in all likelihood continue to deteriorate if the proposed ICM projects are not funded. Restricting Alectra's ability to make prudent investments now would cause harm to ratepayers in the future by way of increased rates to address these issues,⁹ and short-term harm by deteriorating service reliability in the interim.

16. Customers have expressed their preference for maintaining reliability with the required small rate increases from ICM funding over allowing reliability to decline. The PWU submits that the Board should accept Alectra's customers' preferences and approve the ICM project funding in full.

Issue 2.5 - Does the Distribution System Plan (DSP) filed for the Enersource rate zone provide sufficient information to support the proposed ICM for this rate zone?

17. Enersource's DSP provides sufficient information to demonstrate an appropriate balance of risk, performance, and cost. The Enersource rate zone's reliability metrics have been worsening since it last rebased in 2013.¹⁰ The DSP filed as part of this application informs appropriate investments to improve reliability while keeping bills manageable for its customers.

Table 3 - Trends in Reliability Indices 2010-2016 (including MED and LOS)

KPI	2010	2011	2012	2013	2014	2015	2016
SAIDI	35.21	53.30	41.91	320.29	40.51	43.48	48.52
3-Yr Average SAIDI	30.54	41.74	43.47	138.50	134.24	134.76	44.17
SAIFI	1.32	1.97	1.72	2.72	1.14	1.64	1.13
3-Yr Average SAIFI	1.07	1.48	1.67	2.14	1.86	1.83	1.30
CAIDI	26.70	27.00	24.30	117.90	35.60	26.50	43.10
3-Yr Average CAIDI	28.44	28.45	26.00	56.40	59.27	60.00	35.07

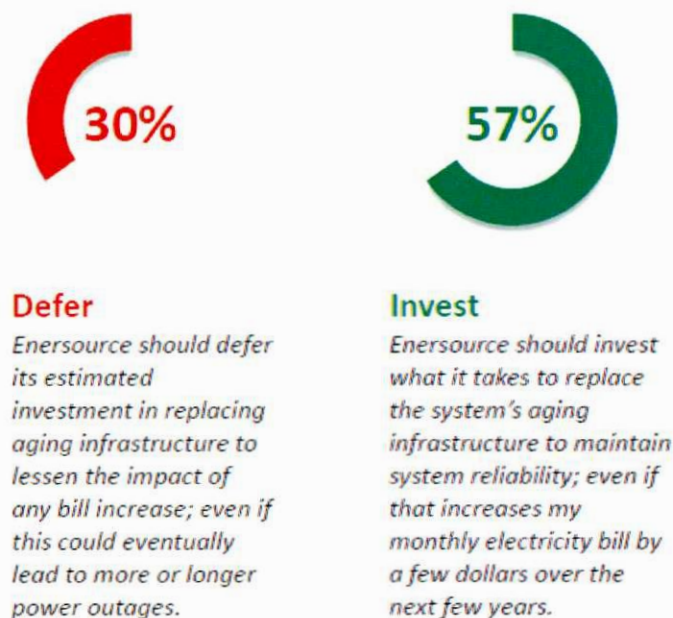
⁹ Since at most, these costs would be deferred to a later period. They cannot be avoided altogether.

¹⁰ Attachment 50, Enersource DSP, pp. 55 of 405

18. Mississauga experienced significant growth from the 1960s to 1990s. Much of Enersource's distribution system that was installed during this period is reaching its end of life and needs to be replaced.¹¹ The Enersource rate zone's current capital funding is insufficient to maintain reliability in addition to the level of mandatory projects Alectra must undertake in this rate zone.

19. The increasing reliability indicators, particularly SAIDI and CAIDI, reflect deteriorating condition of some of the Enersource rate zone's assets. The Glen Erin & Montevideo subdivision and Glen Erin & Battleford subdivision, in particular, have poor reliability metrics and require rebuilds to improve service to those customers.

20. As described earlier in this submission, customers in the Enersource rate zone expect Alectra to do what is necessary to maintain reliability. Through the customer engagement process, the majority of customers indicated they'd be willing to accept a small bill increase to maintain reliability.¹²



21. A large segment of Enersource customers are subject to the FHP. As a result, they have experienced material reductions in their bills since the time of the customer outreach. Moreover, whether the proposed expenditures flow through to customers'

¹¹ Exhibit 2, Tab 4, Schedule 11, pp. 9 of 49

¹² Attachment 51, Appendix 1.0, pp. 17

bills will depend upon the application of the mechanism prescribed by the FHP, and its regulations.

22. The DSP includes many projects that Alectra appropriately considers mandatory. The mandatory projects concern public transit and road works that they are legally obligated to undertake, system access projects to serve Mississauga's growing population, and projects to address environmental and safety concerns, such as the leaking transformer replacement project.

23. The ICM for the multi-year leaking transformer replacement project applies to a backlog of 2,244 transformers. The project deals with transformers that have already been identified to be leaking oil and does not encompass transformers that have not yet been identified to have this issue or transformers that need to be replaced for other reasons.¹³

24. Alectra has identified this as a mandatory project, as explained by Mr. Wasik During the technical conference:¹⁴

MR. WASIK: ...The one that we've put forward for the ICM is the replacement project for the leaking transformers. Now, in that particular project, we have identified that as a mandatory project because once oil has leaked out of a transformer, we're obligated to clean-up and remediate the particular site. So we identified that is as a project necessary in order for us to be compliant with environmental regulations.

25. From 2013 to 2016, transformer oil leaks at 103 sites caused the utility to incur \$5.6 million in environmental remediation costs, or approximately \$50,000 per transformer.¹⁵ The magnitude of underground and overhead transformers that will be replaced, or have already been replaced, as part of this project is best shown in the following chart.¹⁶

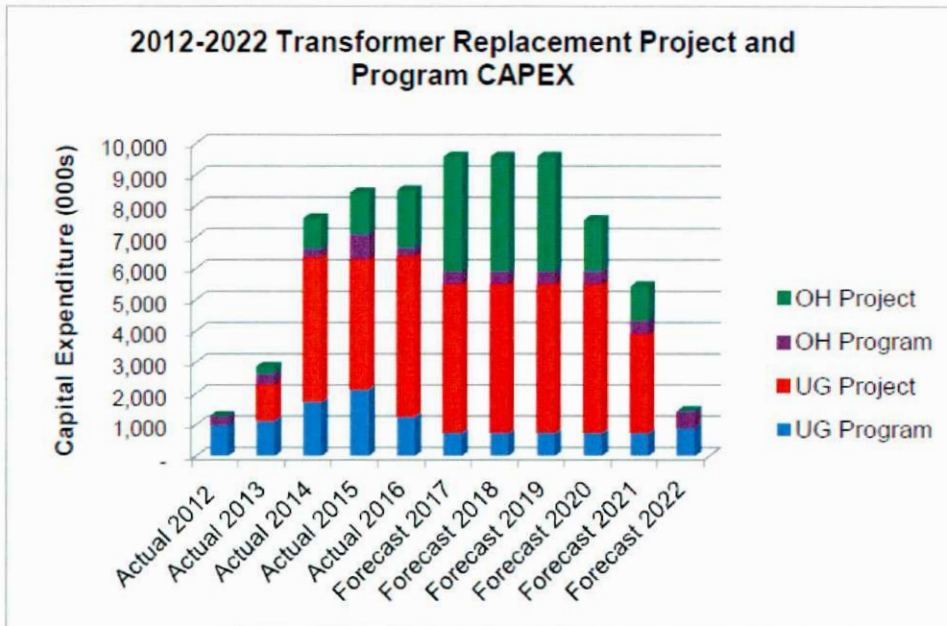
¹³ Technical Conference Tr. Vol. 1, pp. 15

¹⁴ Technical Conference Tr. Vol. 2, pp. 41

¹⁵ Exhibit 2, Tab 4, Schedule 11, pp. 15 of 19

¹⁶ Exhibit 2, Tab 4, Schedule 11, pp. 16 of 19

Figure 5 - 2012-2022 Transformer Replacement Project and Program CAPEX



26. It is clear that the number of transformers identified as part of the transformer replacement project cannot be dealt with through the existing transformer replacement program. At its current pacing, transformers that are known to be leaking and causing environmental damage to the areas below the transformers will not be replaced for many years. Ignoring this problem would expose Alectra to further risks and increased costs in the future. The PWU submits that addressing this issue now is the most economically prudent course of action.

27. This project is largely prompted by the utility's improved testing and assessment practices. In response to a question from Board Staff, Mr. Wasik¹⁷ described Alectra's refined asset management process:

MR. WASIK: ...What we've provided in our distribution system plan in our evidence was that since 2012 the former Enersource, now under Alectra Utilities, has implemented a formalized asset management practice. In that practice we have realized the need for additional inspection and data in order for us to complete our asset management studies and assessments. Since that time we have made significant inroads and improvements to all of our inspections, which include transformers.

So to answer your question, the inspections that we were completing up to that point provided us that information. But since we've now formalized asset management and are putting more analysis we require more data from our

¹⁷ Technical Conference Tr. Vol. 1, pp. 80-81

assets to better understand it.

So we've increased the granularity, we increased the frequency, and we've increased the scope of our inspections in order for us to make improvements into our asset management decisions.

28. This evidence demonstrates Alectra's efforts to continually improve. With enhanced asset testing that is more in-depth, frequent, and granular, it is able to identify issues earlier than it would have in the past. This effort ultimately is to the benefit of the ratepayer by reducing system interruptions and reducing future environmental remediation costs.

29. Alectra's application establishes both the need for this project and the fact that addressing this issue now is the most prudent course of action, as deferral will only exacerbate the risk of failure and increase the cost of environmental remediation. Furthermore, Alectra determined that the issue is significant enough to have incurred \$19.4 million in capital expenditures that were not included in rates to begin to deal with the leaking transformers.¹⁸

30. Alectra's stations face a similar issue in that certain stations do not have oil containment capabilities. Alectra does not propose to proactively retrofit these stations because Alectra has determined that it is not the most economically efficient action. Containment capabilities will instead be installed when a station is rebuilt, as is the case with the York MS.¹⁹ This is not an option for the proposed transformer replacements. In each case, whether Alectra is making investments now or in the future, they are proposing the most economically efficient option.

31. The Transformer Replacement Project meets the conditions to be qualified for incremental capital funding. The project will benefit the Enersource rate zone's ratepayers as it is the most economically prudent option and is necessary to maintain reliability. The PWU submits that the Board should approve the Transformer Replacement Project in full.

¹⁸ Technical Conference Tr. Vol. 1, pp. 62-63

¹⁹ Technical Conference Tr. Vol. 1, pp. 51-53

Issue 3.1 - Are Alectra Utilities' proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts and the continuation of existing accounts, appropriate?

32. Alectra is seeking approval to establish deferral accounts in the PowerStream and Enersource rate zones related to two Metrolinx projects. Though they are considered two ICM projects, each project comprises multiple projects with a common driver. Deferral accounts are appropriate as the timing and scope of these projects are not presently clear.

33. In an exchange with VECC,²⁰ Ms. Butany-DeSouza explained Alectra's consideration for cost recovery through deferral accounts for these projects:

MS. BUTANY-DeSOUZA: So in the case of the two GO electrification projects, one in the PowerStream rate zone and one in Enersource rate zone, the distinction is while we know we are going to have to move our assets out of the way, and that has been made clear to us by Metrolinx, we do not know by what time frame and the number of crossings that Metrolinx expects to do in those rate zones and by what time.

So the schedule is unknown. We have a sense of magnitude based on current design, frankly estimations, but we don't have final design specifications, so the myriad of risks or unknowns has driven us to parse those two projects into -- we know that this is quite big. We know it's coming. It could hit us in 2018.

We think the prudent thing to do in that case is to request the deferral account, recognizing amounts that get put into the deferral account ultimately get reviewed by this Board for prudence at time of disposition.

34. The Metrolinx Crossing Remediation Projects are mandatory as they are required by the *Public Service Works on Highways Act*. As Ms. Butany-DeSouza described, work may start in 2018 but it is possible the projects do not begin this year. Therefore, it is not appropriate to collect funding through rates at this time.

35. The projects have clear causes, the project costs are material, and Alectra is exhibiting prudence by preparing for work it is legally obligated to undertake. The projects therefore qualify for deferral account treatment. The PWU submits that the Board should approve the establishment of these two deferral accounts to record financial impacts of the Metrolinx Crossing Remediation Project.

All of which is respectfully submitted.

²⁰ Technical Conference Tr. Vol. 1, pp. 26