



Fogler, Rubinoff LLP
Lawyers

77 King Street West
Suite 3000, PO Box 95
TD Centre North Tower
Toronto, ON M5K 1G8
t: 416.864.9700 | f: 416.941.8852
foglers.com

August 23, 2018

Reply To: Thomas Brett
Direct Dial: 416.941.8861
E-mail: tbrett@foglers.com
Our File No. 183736

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attention: Kirsten Walli,
Board Secretary

Dear Ms. Walli:

Re: EB-2018-0016: Alectra Utilities, 2019 EDR Application

Please find enclosed herewith BOMA's Interrogatories.

Yours truly,

FOGLER, RUBINOFF LLP

Thomas Brett

TB/dd

Encls.

cc: All Parties (*via email*)

ONTARIO ENERGY BOARD

Alectra Utilities Corporation

Application for electricity distribution rates beginning January 1, 2019

**INTERROGATORIES OF
BUILDING OWNERS AND MANAGERS ASSOCIATION, GREATER TORONTO
("BOMA")**

August 23, 2018

Tom Brett
Fogler, Rubinoff LLP
77 King Street West, Suite 3000
P.O. Box 95, TD Centre North Tower
Toronto, ON M5K 1G8

Counsel for BOMA

Interrogatories of BOMA

Ref: Exhibit 1, Tab 1, Schedule 1, p 3 – Capitalization Policy

1. Please provide copies of IFRS 10, Consolidated Financial Statements and IFRS 3, Business Combinations.
2. Please indicate the amount of foregone revenues for each of Horizon, Enersource, Brampton, and PowerStream in the event the 2019 rates were made effective March 1, 2019.

Ref: Exhibit 2, Tab 1, Schedule 2, p 1 of 17 – Capitalization Questions - Horizon

3. Please provide:
 - (a) initial assessment of the ratepayer share of 2017 net excess earnings of \$985,377.
 - (b) Does that amount include the impact of the change in capitalization policy?
Please discuss.
 - (c) At p 11, the evidence states:

"an update to the calculation [of \$985,377] based on a further assessment and review of the impact of capitalization policy change on earnings resulted in a reduction of \$170,557.00 in the amount of earnings sharing".

Please provide a copy of the calculation.
 - (d) When did the change in capitalization policy first apply (on what date)?
 - (e) Please indicate the exact nature of the change(s) in capitalization policy that were required by IFRS 3 and 10, and the PowerStream capitalization policy, and show

how each change affected OM&A and capital expenditures in 2017 and 2018, and the proposed revenue requirement for 2018 and 2019.

- (f) How do those two earnings sharing numbers, i.e. \$985,377 and \$814,820, relate to the \$1,526,863 on Table 2 on p 12 of 17? Please reconcile these three numbers.

Ref: General

4. Please provide a copy of Alectra's 2017 Annual Report and its 2018 Q1 and Q2 Reports. Please provide copies of Horizon's and Alectra's 2017 RRR Reports.

PowerStream

ICM Questions

Ref: Attachment 33

5. Please provide:
- (a) an overall prioritized list of the capital projects provided in the attachment.
 - (b) a prioritized list for the projects included in each of the four categories: System Access, System Renewal, System Service, and General Plant, provided in the attachment.

Ref: Attachment 31

6. Table 3 on p 8 shows the contributed capital at 50% of the Gross Capital for the Y2 section of the project, but a higher percentage, more than 60%, for the H2 section. What

accounts for the different percentage capital contributions for the Y2 and H2 work?

Please explain fully.

Ref: Table 3

7. Table 3 shows 2018/2019 forecast In-service Capital Additions for the YRRT Project Y2 and H2 Sections. For each of Y2.1, Y2.2, H2 West and H2 East, please show:
 - (a) The total in-service additions for 2018 and 2019 that are from capital expenditures in 2018, or earlier years (for 2019) and 2017, or earlier years for 2018.
 - (b) Please provide the capital expenditures forecast for sections Y2.1, Y2.2, H2 East and H2 West for 2018 in EB-2017-0024, and the actual capital expenditure completed in 2018 to date. Please provide the forecast capital expenditure budgets for each of the four project sections noted above for 2019. Reconcile total with 2019 capital budget of \$13,272,246 (Table 106, in Exhibit 2, Tab 3, Schedule 10, p 11).
 - (c) Please provide which of its relocation construction projects must begin in 2018 and 2019. When did Alectra learn what the requirements for 2018 and 2019 would be for each of Y2.1, Y2.2, H2 West, and H2 East?
 - (d) When did Alectra become aware of the size of the proposed 2018 relocation project budget? Please provide a copy of Alectra's presentation of the YRRT project in EB-2017-0024.

- (e) Does Alectra intend to true up any underspends in 2018 or 2019 in the event that YRRT expenditures are less than forecast? If not, why not?
- (f) Given that YRRT is clearly a mandatory project, which must be completed in 2018 and 2019, and that PowerStream has known about the need to implement the project for some years, why has PowerStream not included the project in its base budget? Please explain fully.

Ref: Figure 1, p 3 – Status Report

- 8. Please provide copies of the Project Implementation Plans for each of Yonge Street (Y2.1, Y2.2, Y3.2 2014-18) and Highway 7 West – Vaughan (see p 3 of 8).
- 9. Figure 1 – Project Summary for Funded YRRT Projects 2010-2020 shows in row 5 (Project Completion) column 2 (Yonge Street), that the Y2.1 and Y2.2 were completed and closed out in 2018. However, Table 1, p 6 shows that Y2.1 and Y2.2 work will need to be completed in 2019. Please reconcile these two statements.
- 10. Under Table 1, there is the statement:

"The Y2.1 and Y2.2 project is being constructed under a Design – Build project structure. There are uncertainties in regards to the timelines, final road alignment, resource allocation as well as the technical challenges as the majority of work is underground. The Y2.1 and Y2.2 began in 2018 and will continue in 2019."

Please indicate amounts of the expenditures that were approved by the Board for YRRT projects for 2018, which have been spent to date, forecast to be spent by year end 2018, and forecast for 2019. Please provide a current schedule for the completion of projects Y2.1, Y2.2, H2 West and H2 East.

11. Figure 1 – 2010-2020 shows in row 5 (Project Completion) and column 3 that H2 West and H2 East will be completed and closed out by the end of 2019. However, Table 2, Detailed Work for H2 East does not. Please comment on the omission.
12. Please break down the proposed YRRT capital expenditures for 2019 (and 2018) for each component of the YRRT project Y2.1, Y2.2, H2 West, H2 East, and confirm which of the capital expenditures for H2 components approved by Alectra in this case will be placed in-service in 2018, 2019, or 2020.

Ref: *Attachment 32*

13. Please provide the calculations underpinning the 2019 ICM Revenue Requirement by Project for each of the three projects.

Ref: *Barrie TS, p 1 of 6*

14. When is HONI proposing to commence construction of the Barrie TS Station? What is the status of project design work, tendering?
15. Please provide a copy of HONI's implementation plan for the project.
16. Who is the other distribution company served by the Station with whom PowerStream's work must be coordinated? Have the two utilities reached agreement on the required collaboration? Please provide copy of an executed agreement.
17. Has HONI ordered the power transformer for the station? If so, please provide a copy of the procurement letter.

18. Did the regional planning group consider any non-wires alternatives to the rebuild project? What were they, and why were they rejected?
19. Please provide a blown-up (larger print) version of the map on p 5 of 8 in Attachment 31. The present version is unreadable.

Ref: Attachment 31 – Bathurst Street Road Widening from Highway 7 to Teston Road

20. When did Alectra first become aware that the Bathurst Street widening would be required north of Highway 7 to Teston Road? Please provide an excerpt from the document that informed them of such need.
21. Please confirm that the Bathurst Street widening is not part of the YRRT project.
22. When were the most recent Bathurst Street widenings south of Highway 7?
23. When will the road widening work on Bathurst begin, relative to municipal/transit authority's implementation plan for the road widening?

Enersource

Ref: Exhibit 2, Tab 4, Schedule 11, p 5, Table 145

24. Please provide the year to date capex on the transformer replacement "project", and latest 2018 year end forecast.
25. Please provide forecast versus actual capex for years 2014 through 2017, inclusive, for the project.
26. How many transformers currently:

- (a) Are there in total (poles top, pad mounted, etc.)?
- (b) Are leaking oil?
- (c) Of these, how many contain PCB infused oil?
- (d) Have PCB infused oil but are not leaking?

Ref: *Ibid, p 6*

"The [customer] engagement shows that almost all customer groups supported the ICM projects reflected in the application at the investment levels proposed and even higher".

27. Please provide detailed data on those customer groups that did not support the proposed investments, and the reasons for their refusal to support them.

Ref: *Ibid, p 9*

"Alectra Utilities initially contemplated that it would undertake only a partial replacement of the Rometown overhead system. However, based on feedback from customers above, and as provided in the Innovative Report, Alectra Utilities has determined that it will proceed with the full replacement of poles in the Rometown project at a cost of \$3.2MM."

28. What was it, specifically, about the customer feedback that led to change a partial replacement of poles to a full replacement?

Ref: *Ibid, p 14 and Attachment 46 – Rometown Area Overhead System Rebuild \$3.2 Million*

According to the Innovative study:

- only 3 of 9 large users voted for full replacement
- 49% of mid-market customers preferred to run-to-failure or partial replacement

- 48% of small businesses preferred run-to-failure or partial replacement
- 36% of residential preferred run-to-failure or partial replacement

- (a) Please confirm the above numbers.
- (b) Please confirm that Alectra's decision to expand its Rometown project to full replacement increases the estimated cost from \$1.85 million to \$3.2 million, an increase of approximately 70%.

Ref: Attachment 46

29. How many poles in the proposed Rometown project area are in poor or very poor condition?
30. How many poles in Enersource are in poor or very poor condition?
31. How many poles are there in total in the Rometown project area?
32. How many transformers are leaking oil, or contain PCBs, but not leaking oil?
33. What is the area in square kilometres of the Rometown project? Where are its dimensions?
34. How long are each of the boundaries of the area as shown on the graph on p 5? Assuming the blue dots (poles) outline streets, what is the average length of a street in the area?

Ref: Attachment 46 – Replacement of Leaking Transformers

35. How many retail transformers contain oil? How many were leaking oil, including those that contained PCBs? In other words, what is the breakdown of the 1,221 (as at January 1, 2018)?
36. Please provide the details of the work which will cost \$4.5050 million, and the \$2.950 million (together \$7.5 million) to replace the 1,221 damaged transformers, shown on p 4 of 6.
37. Please describe the different components of the project in more detail.

Ref: Attachment 48

38. Please provide a prioritized list of all the projects on pp 1 and 2 and, separately, a prioritized list of projects within each of the four categories of project.

Ref: Exhibit 2, Tab 4, Schedule 7 – Capitalization Policy – Deferral Account Disposition – Table 132 - Enersource

39. BOMA finds the Alectra terminology, especially the word "refund" confusing. Please confirm whether \$1,247,499 in Table 132 is proposed to be collected from customers, or paid to customers (our emphasis).
40. In EB-2017-0024 (p 80), the Board stated:

"It [the change in capitalization policy in 2007] simply moves some costs from OM&A to capital for Enersource RZ and Horizon RZ; and vice versa for Brampton RZ" (our emphasis).

However, Table 132 shows an increase of \$1,866,041 in OM&A impact for Enersource.

- (a) Please reconcile the two presentations, and the increase in OM&A with the increase in capital in rate base (Table 135).
- (b) Please explain how the change in capitalization policy can lead to both an increase in OM&A and an increase in rate base.
- (c) Please provide the detailed justification for the change in OM&A, shown in Table 133, with reference to the clauses of the IFRS 3 and 10, that support those specific changes in direct labour, benefits or material handling costs, and fleet costs. Please also show each element (in detail) of the PowerStream capitalization policy that justifies each of those changes in OM&A.

Ref: Exhibit 2, Tab 2, Schedule 7, pp 2-5 – Brampton RZ Capitalization Deferral Account

41. In EB-2017-0024 (p 80), the Board stated:

"It [the change in capitalization policy in 2007] simply moves some costs from OM&A to capital for Enersource RZ and Horizon RZ; and vice versa for Brampton RZ" (our emphasis).

However Table 67 shows a decrease in OM&A, and (in Table 70) a decrease in capital in rate base.

- (a) Please reconcile the statement in EB-2017-0024 with the numbers in Tables 67 and 70.
- (b) Please reconcile the \$1,211,711 in Table 67 and the \$1,830,532.

- (c) Please provide a detailed explanation of how the OM&A reductions, shown in Table 68, were arrived at. Please show how they are linked to the PowerStream capitalization policy for the same OM&A categories.