CCC-1

Reference(s): General

Please file all materials provided to Alectra's Board of Directors related to this Application.

Response:

Please find attached the August Regulatory Report to the Board of Directors, as provided in material to the Audit, Finance and Risk Management Committee, dated August 23, 2018. The report has been redacted to remove aspects that are not relevant to this Application.

The attachment is provided as CCC-1_Attach1_AFRM Report.

CONFIDENTIAL

REPORT TO THE
AUDIT, FINANCE AND RISK MANAGEMENT COMMITTEE

Submitted by	Indy Butany-DeSouza
Subject	Regulatory Affairs Update
Item #	3.3
Meeting Date	August 23, 2018

☒For Information ☐For Approval

SUMMARY

This Regulatory Report addresses the following:

- 2019 Electricity Distribution Rate ("EDR") Application and Incremental Capital Module Application

[redacted]

[redacted]

- **2019 Electricity Distribution Rate ("EDR") Application and Incremental Capital Module Application**

Alectra Utilities filed its application (the "Application") with the Ontario Energy Board ("OEB") for 2019 Electricity Distribution Rates ("EDR") for all four rate zones ("RZ") on June 7, 2018, for an update to EDR and other charges, effective January 1, 2019. Alectra Utilities filed the fourth and final annual update to the Custom Incentive rate plan for the Horizon Utilities RZ. Alectra Utilities filed Price Cap adjustments under the OEB's Incentive Regulation Mechanism ("IRM") for the Brampton, Enersource and PowerStream RZs.

Horizon Utilities Rate Zone ("HRZ")

Alectra Utilities filed an annual update that included mechanistic adjustments, as well as adjustments due to generic OEB policy changes that apply to all distributors, as agreed in the Settlement Agreement.

In the 2019 Annual Filing, Alectra Utilities will seek the following:

- An adjustment to base distribution rates as a result of changes to (i) cost of capital parameters and (ii) working capital due to Cost of Power flow-through costs;
- Approval for the calculation of its 2017 achieved ROE of 9.567% for the purposes of earnings sharing;
- Approval for the continuation of the implementation of the New Distribution Rate Design for residential customers – this will be the final year of a four year implementation to fully fixed rates for residential customers;
- Approval to reduce the 2017 Street Lighting Class revenue to cost ratio ("RCR") by 6.67% to 100.00% from the 2018 RCR of 106.67%;
- Disposition of Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") balances at December 31, 2016 related to Conservation and Demand Management ("CDM") activities; and
- Disposition of Deferral and Variance Accounts through rate riders.

The Settlement Agreement with respect to the 2015 CIR Application included three contingent revenue adjustment mechanisms: an Earnings Sharing Mechanism ("ESM"); a Capital Investment Variance Account ("CIVA"); and an Efficiency Adjustment. The adjustments under these mechanisms are as follows:

- ESM: The ESM requires that earnings in excess of the approved ROE be shared on an equal basis with customers. The 2017 ROE was 9.567% (inclusive of the capitalization policy impact, discussed below), which was 0.787% higher than the 2016 approved ROE of 8.78%. This translates to an earnings excess of $1.6MM, 50% or $0.8MM of which will be shared with customers;

- CIVA: If Alectra Utilities' actual capital additions in the Horizon Utilities RZ are less than forecast in its CIR Application, the revenue requirement related to the shortfall is returned to customers at the end of the rate plan term. In 2017, actual capital additions in the Horizon Utilities RZ were $6.8MM higher than forecast in the CIR Application. On this basis, Alectra Utilities does not have a CIVA liability;
- The Efficiency Adjustment applies in the event that the efficiency cohort for the Horizon Utilities RZ is less than Cohort III in any year during the CIR term, as identified in the OEB's annual Benchmarking Report. The OEB will release the Benchmarking Report in early Q3, 2018. Assuming there is no change in the efficiency ranking, no Efficiency Adjustment will be made to the revenue requirement for the 2019 Rate Year as provided for in the Settlement Agreement.

Brampton ("BRZ"), Enersource ("ERZ") and PowerStream ("PRZ") Rate Zones

Alectra Utilities filed Price Cap adjustments under the OEB's IRM for the BRZ, ERZ and PRZ, for the related EDR. Under the IRM methodology, rate escalation is based on a price cap index, which is equal to inflation less a productivity component and stretch factor determined by the OEB.

Alectra Utilities will seek the following for the BRZ, ERZ, and PRZ:

- Disposition of Deferral and Variance Accounts through rate riders;
- Disposition of LRAMVA balances at December 31, 2016 related to CDM activities for the BRZ, ERZ and PRZ; and
- Approval for the continuation of the implementation of the New Distribution Rate Design for residential customers.

Alectra Utilities will also seek the following for the ERZ and PRZ:

- Incremental capital funding through distribution rate riders, effective January 1, 2019 until the next rebasing application. The Incremental Capital Module ("ICM") addresses the treatment of capital investment needs that arise during the rate-setting plan which are incremental to a materiality threshold. The magnitude of the capital request for each of the rate zones is $10.7MM for the ERZ and $20.9MM for the PRZ. The magnitude of the ICM revenue request is $0.9MM for the ERZ and $1.5MM for the PRZ.

Capitalization Policy Change

Alectra Utilities implemented a new capitalization policy in 2017 (as a result of the consolidation, and as required under the International Financial Reporting Standards ("IFRS")) to align the capitalization policies for the Alectra Utilities rate zones.

The OEB established three new deferral accounts to track the change in capitalization policy for the HRZ, ERZ and BRZ, as part of Alectra Utilities' 2018 EDR Application proceeding. In the 2018 EDR Application Decision, the OEB has flowed through this impact for the HRZ through the HRZ ESM, such that at most, customers would get 50% of the reduced OM&A resulting from the capitalization policy change for 2017-2019.

Alectra Utilities will seek the following for the Brampton and Enersource rates zones:

- The revenue requirement impact of the capitalization policy change through rate riders effective January 1, 2019 over a 12 month period. The magnitude of the revenue requirement impact is a recovery of $1.2MM for the BRZ and a refund of $1.2MM for the ERZ.

Summary of Bill Impacts

A summary of bill impacts for each rate class is presented in the tables, below.

Table 1 – Bill Impacts – HRZ

Customer Class	Billing Units	Average Monthly Volume	Distribution Bill Impacts 2019 vs. 2018 $	Distribution Bill Impacts 2019 vs. 2018 %	Total Bill Impacts 2019 vs. 2018 $	Total Bill Impacts 2019 vs. 2018 %
Residential	kWh	750	$ (0.04)	(0.15)%	$ (2.04)	(1.85)%
GS<50	kWh	2,000	$ 2.39	3.81%	$ (17.43)	(5.90)%
GS>50	kW	250	$ 12.75	1.24%	$ (916.92)	(5.41)%
Large User	kW	5,000	$ 636.36	2.01%	$ (26,930.41)	(6.73)%
Large User with Dedicated Assets	kW	20,000	$ 330.83	2.70%	$(102,101.29)	(6.94)%
Street Lighting	kW	4,974	$ 3,240.86	3.18%	$ (12,142.91)	(3.28)%

For a typical residential customer using 750 kWh/month, the distribution bill impact is ($0.04) or (0.15%) for the HRZ, driven by the proposed ESM refund; the total bill impact is ($2.04) or (1.85%), driven by the proposed ESM refund, a refund for deferral and variance accounts and a decrease in cost of power flow-through costs due to the Fair Hydro Plan.

Table 2 – Bill Impacts – BRZ

Customer Class	Billing Units	Average Monthly Volume	Distribution Bill Impacts 2019 vs. 2018 $	Distribution Bill Impacts 2019 vs. 2018 %	Total Bill Impacts 2019 vs. 2018 $	Total Bill Impacts 2019 vs. 2018 %
Residential	kWh	750	$ 0.57	2.33%	$ (0.70)	(0.66)%
GS<50	kWh	2,000	$ 2.84	4.72%	$ (0.49)	(0.18)%
GS 50-699 kW	kW	500	$ 52.06	3.30%	$ (67.42)	(0.24)%
GS 700-4,999 kW	kW	1,432	$ 158.92	2.65%	$ (216.34)	(0.22)%
Large User	kW	20,000	$ 2,322.12	4.17%	$(15,239.33)	(1.00)%
Street Lighting	kW	4,000	$ 2,939.57	2.07%	$ 1,430.46	0.25%

For a typical residential customer using 750 kWh/month, the distribution bill impact is $0.57 or 2.33% for the BRZ, driven by the proposed recovery of the impact of the change in the capitalization policy and recovery of LRAMVA balances; the total bill impact is ($0.7) or (0.66%), driven by the refund for deferral and variance accounts.

Table 3 – Bill Impacts – PRZ

Customer Class	Billing Units	Average Monthly Volume	Distribution Bill Impacts 2019 vs. 2018 $	Distribution Bill Impacts 2019 vs. 2018 %	Total Bill Impacts 2019 vs. 2018 $	Total Bill Impacts 2019 vs. 2018 %
Residential	kWh	750	$ 0.18	0.65%	$ (0.95)	(0.87)%
GS<50	kWh	2,000	$ 1.87	2.73%	$ (15.70)	(5.37)%
GS>50	kW	250	$ 37.66	3.06%	$ (1,218.83)	(8.88)%
Large User	kW	7,350	$ (242.27)	(1.08)%	$(28,563.68)	(6.76)%
Street Lighting	kW	1	$ 1.38	16.78%	$ (3.10)	(5.79)%

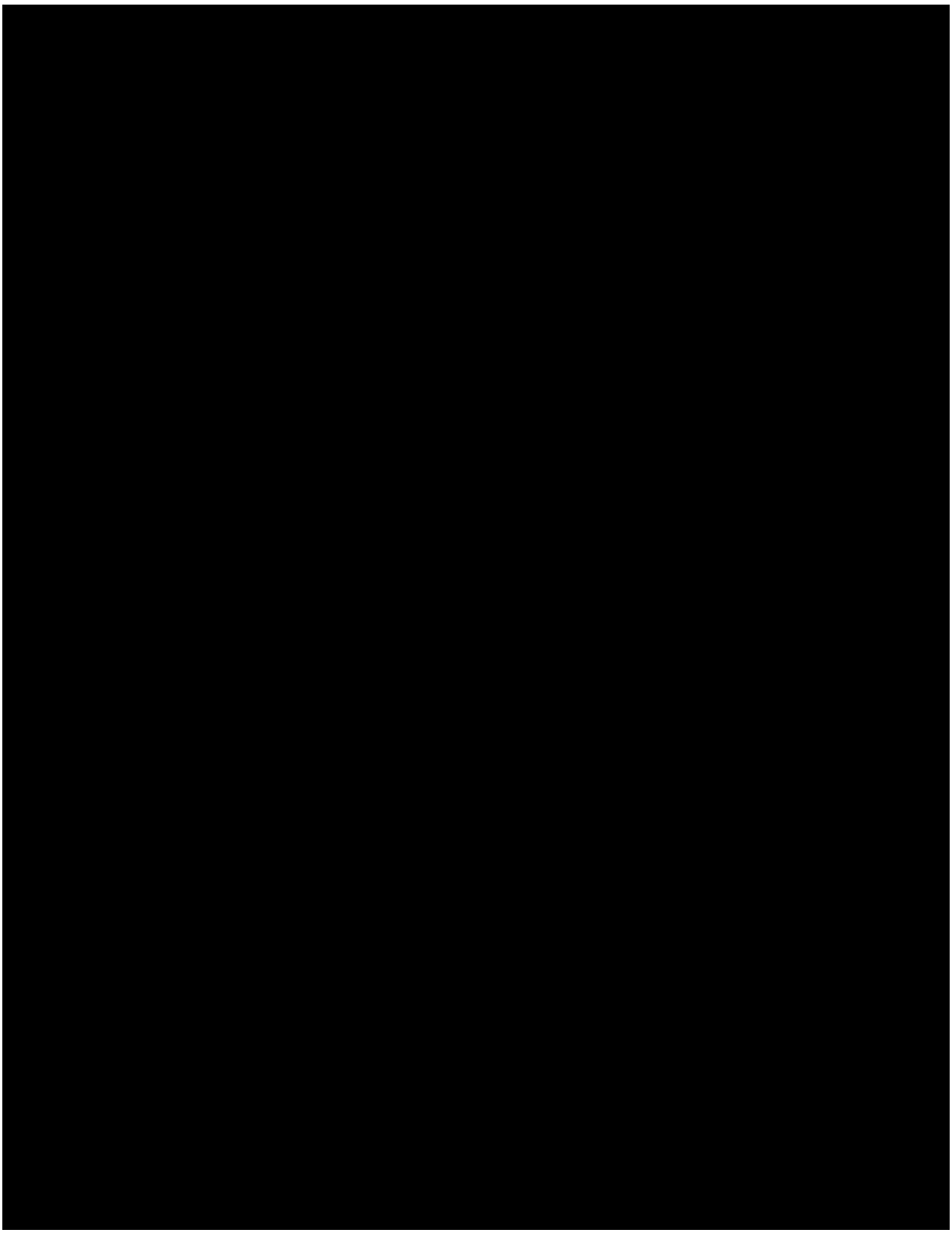
For a typical residential customer using 750 kWh/month, the distribution bill impact is $0.18 or 0.65% for the PRZ, driven by the proposed ICM and LRAM rate riders; the total bill impact is ($0.95) or (0.87%), driven by the refund for deferral and variance accounts.

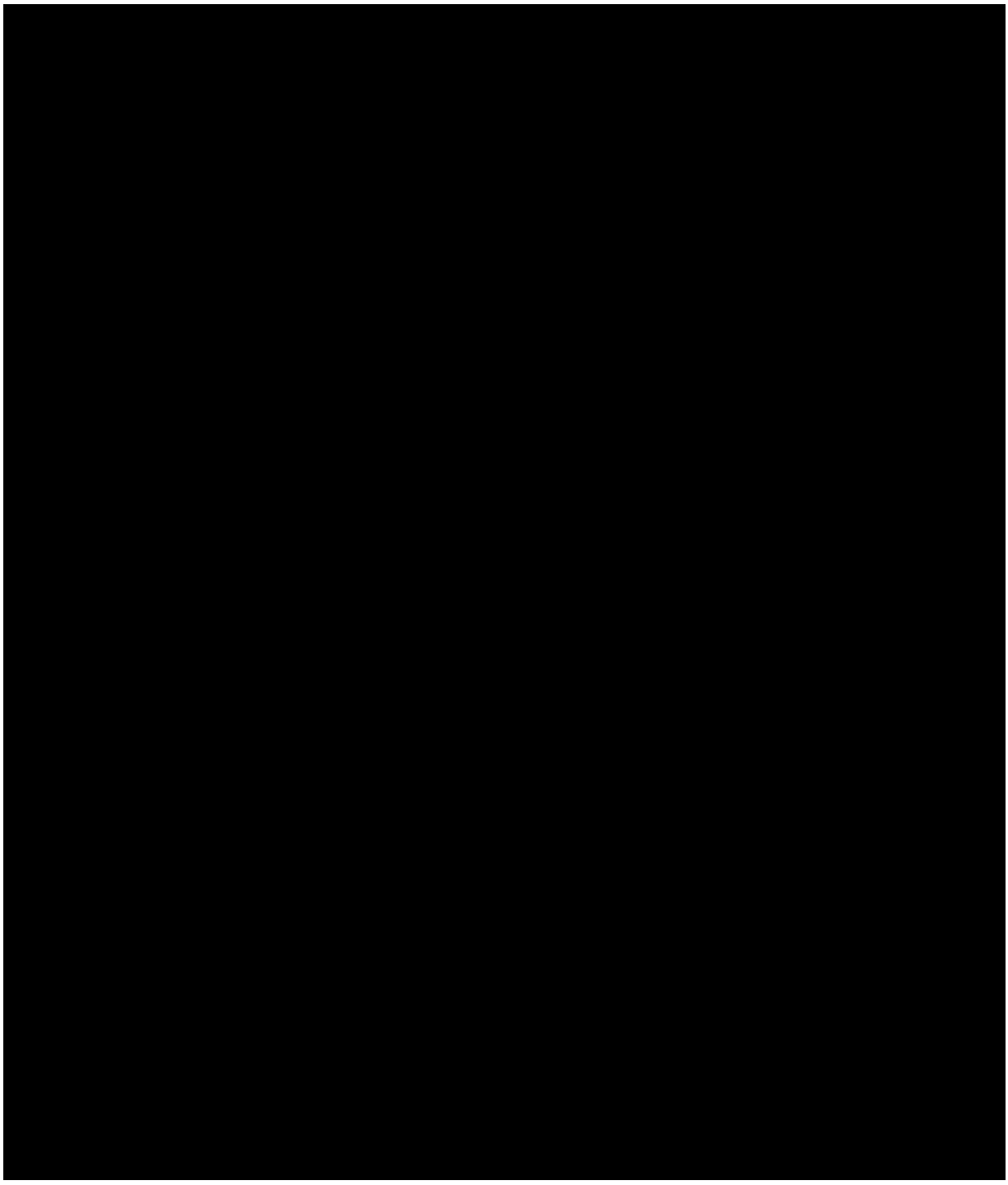
Table 4 – Bill Impacts – ERZ

Customer Class	Billing Units	Average Monthly Volume	Distribution Bill Impacts 2019 vs. 2018 $	Distribution Bill Impacts 2019 vs. 2018 %	Total Bill Impacts 2019 vs. 2018 $	Total Bill Impacts 2019 vs. 2018 %
Residential	kWh	750	$ (0.15)	(0.58)%	$ (0.38)	(0.35)%
GS<50	kWh	2,000	$ 0.53	0.72%	$ (14.75)	(4.81)%
GS 50-499 kW	kW	230	$ 49.19	3.80%	$ (562.03)	(3.49)%
GS 500-4,999 kW	kW	2,250	$ 197.51	2.56%	$ (2,442.22)	(3.28)%
Large User	kW	5,000	$ 234.64	0.77%	$ (24,326.48)	(5.32)%
Street Lighting	kW	-	$ (0.37)	67.17%	$ (0.63)	(15.06)%

For a typical residential customer using 750 kWh/month, the distribution bill impact is ($0.15) or (0.58%) for the ERZ, driven by the proposed refund of the impact of the change in the capitalization policy; the total bill impact is ($0.38) or (0.35%), driven by the proposed refund of the impact of the change in the capitalization policy and the refund for deferral and variance accounts.

The OEB issued the Letter of Direction and Notice of Application (the “Notice”) on July 18, 2018. Intervenors are required to file their intervention requests by August 2, 2018.





CCC-2

Reference(s): General

Please explain, in detail, how Alectra currently prioritizes its capital projects. Are projects prioritized within each rate zone or across the entire Company? Please describe, in detail the process used to determine the projects for which ICM relief is being sought. Please provide all instructions/budget manuals etc. provided to management regarding the development of the 2019 Capital Expenditure budgets for 2019.

Response:

For 2019, capital projects were prioritized based on the OEB-reviewed Distribution System Plans for each rate zone. Projects were prioritized within each rate zone. Capital investment prioritization for the Enersource RZ is provided in detail in section 3.2.3 of the 2018-2022 Distribution System Plan as filed in EB-2017-0024. Capital investment prioritization for the PowerStream RZ is provided in detail in section 5.3.3 of the 2016-2020 Distribution System Plan as filed in EB-2015-0003. Capital investment prioritization for the Brampton RZ is provided in detail in section 5.3.1 of the 2015-2019 Distribution System Plan as filed in EB-2014-0083. Capital investment prioritization for the Horizon Utilities RZ is provided in detail in section 2.1.2 (5.3.1.b) of the 2015-2019 Distribution System Plan as filed in EB-2014-0002. Alectra Utilities has included the above mentioned excerpts as an attachment to this response.

In light of the formation of Alectra Utilities in February 2017, certain general plant investments that were planned by each of the legacy distributors were evaluated, prioritized and executed by Alectra Utilities as a consolidated entity As a result, these investments are no longer specific to the legacy rate zones and therefore are excluded from the reference to established Distribution System Plans. As stated in Exhibit 2, Tab 3, Schedule 10, page 9, for the purpose of the ICM capital expenditure tables, General Plant investments have been allocated based on an allocation methodology using 2016 rate base by rate zone, filed as part of the 2016 ROE RRR filing for each of the predecessor utilities.

Alectra Utilities has capital investment needs for each rate zone that are not funded through existing distribution rates. Alectra Utilities reviewed projects that were driving significant investment needs which were different in kind from those projects that are carried out through

typical ongoing capital investments, and that were clearly outside of the base upon which the rates were derived. Such projects were then reviewed and determined eligible for ICM, based on the project being discrete, meeting or exceeding the materiality threshold and having a significant influence on the operation of the distributor. Each project has been evaluated in the asset management and capital planning process as required in 2019.

CCC-3

Reference(s): General

Please indicate when Alectra intends to file its consolidated Distribution System Plan.

Response:

Alectra Utilities intends to file a consolidated Distribution System Plan ("DSP") in April 2019.

CCC-4

Reference(s): General

Please provide a schedule setting out all merger costs incurred in the years 2017, 2018 (the most recent forecast) and those forecast for 2019. Please provide the merger cost forecasts as presented in the MADDs Application.

Response:

Total merger or transition costs incurred in 2017 and 2018 are provided in Table 1, below. The forecast for 2019 is still being developed.

Table 1 – 2017-2019 Transition Costs

($MMs)	Pre-Close Actual	2017 Actual	2018 Forecast	Total
Capital Transition Costs	2.3	22.8	47.4	72.5
Operating Transition Costs	3.7	18.2	12.5	34.4
Total Transition Costs	6.0	41.0	59.9	106.9

Table 2 provides the transition costs and synergy forecast presented in the Mergers, Acquisitions, Amalgamations and Divestitures ("MAADs") Application filed by Enersource Hydro, Horizon Utilities Corporation and PowerStream Inc. on April 15, 2016.

Table 2 – Total Net Synergies

($MMs)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Gross Synergies											
Operating	7.2	20.1	31.7	40.6	42.5	42.5	42.5	42.5	42.5	42.5	354.6
Capital	23.0	22.6	28.8	23.2	30.0	8.0	8.0	8.0	8.0	8.0	167.6
Total Synergies	30.2	42.7	60.5	63.8	72.5	50.5	50.5	50.5	50.5	50.5	522.2
Transition Costs											
Charged to Operating	20.9	11.1	8.2	2.3	0.5	-	-	-	-	-	43.0
Charged to Capital	33.7	15.2	4.4	-	-	-	-	-	-	-	53.3
Total Transition Costs	54.6	26.3	12.6	2.3	0.5	-	-	-	-	-	96.3
Net Synergies											
Operating	(13.7)	9.0	23.5	38.3	42.0	42.5	42.5	42.5	42.5	42.5	311.6
Capital	(10.7)	7.4	24.4	23.2	30.0	8.0	8.0	8.0	8.0	8.0	114.3
Total Net Synergies	(24.4)	16.4	47.9	61.5	72.0	50.5	50.5	50.5	50.5	50.5	425.9

CCC-5

Reference(s): General

What were the overall costs of the Customer Engagement process related to this Application? How are those costs being recovered?

Response:

The costs of the customer engagement process relating to this Application and the manner of their recovery are not relevant to the present application. Alectra Utilities has not sought additional funding in this Application for its customer engagement costs. Costs related to the customer engagement consultation are covered through existing rates.

CCC-6

Reference(s): Exhibit 2, Tab 1, Schedule 2, p. 11

In 2015 Horizon's actual capital additions were $8.3 million higher than forecast. In 2016 Horizon's actual capital additions were $3.1 million higher that forecast. In 2017, Horizon's capital additions were $6.8 million higher than forecast.

a) Please explain why Horizon continues to exceed its approved capital additions forecasts.
b) Please provide a detailed variance analysis for the $6.8 million variance in 2017.
c) The evidence states that Alectra is seeking approval of the of Horizon's 2017 capital additions of $52.4 million for the purpose of calculating the entry to the CIVA. Is Alectra seeking at this time a determination by the Board that those expenditures were prudent?
d) Please explain how Horizon can be overspending so significantly relative to the approved budgets, yet still overearning.

Response:

a) Alectra Utilities has exceeded the capital additions forecasts in the Horizon Utilities RZ largely due to the implementation of mandatory System Access work due to higher demands from customers for connections. New customer work that was not known or included in the forecasts relates to: (i) expansion development along the waterfront; (ii) increased residential development, increased condo development and subdivision growth; (iii) road authority work and (iv) other customer connection work to ensure customers are serviced with adequate and reliable supply.

b) A detailed variance analysis for the $6.8 million variance in 2017 is provided in Table 1.

Table 1 – Capital in-service additions comparison of 2017 Actual against 2017 Plan

Investment Category	2017 Actual In-service ($000)	2017 DSP Plan In-Service ($000)	2017 Variance In-service ($000)
System Access	13,607	7,464	6,142
System Renewal	32,058	31,800	258
System Service	1,005	535	470
General Plant	5,725	5,827	(102)
Total	**52,393**	**45,626**	**6,767**

System Access

System Access projects accounted for $6.1MM of the variance. Large condominiums, mixed-use projects in the downtown area and increased residential work are some of the main factors for the increase in spending in recent years, and contributed to $2.4MM of higher capital additions compared to plan in 2017. Growth in the Hamilton area for large new customer expansion development contributed $1.1MM of the variance. This work is related to customer expansion along the waterfront and for providing supply to subdivisions experiencing growth. Further, additional system access work related to Hydro One (voltage conversion and a TS bus relocation) contributed $2.6MM of the variance.

System Renewal

System Renewal projects were executed in line with the Horizon Utilities Distribution System Plan ("DSP").

System Service

System Service projects accounted for a variance of $0.47MM due to additional work deemed necessary on the #6 Wire Removal projects. The removal of aged #6 wire is performed due to the safety risk associated with maintaining this wire which was at end-of-life and does not conform to current standards.

General Plant

General Plant was executed in line with the Horizon Utilities DSP.

c) The Horizon Utilities Settlement Agreement provided for the introduction of a deferral account to refund ratepayers any difference in the revenue requirement should in-service capital additions be lower than forecast over the 2015-2019 period. As provided in Exhibit 2, Tab 1, Schedule 2, p. 13, 2017 capital additions were higher than the 2017 capital additions forecast in the Custom IR Application. Therefore, no Capital Investment Variance Account ("CIVA") entry is required.

d) The increased earnings is primarily driven by the impact of the capitalization policy change. In Alectra Utilities 2018 Electricity Distribution Rate ("EDR") Application Decision, the OEB stated: *"For the remainder of the Custom IR term, the effect on earnings resulting from the change in the capitalization policy will be dealt with through the ESM."*

CCC-7

Reference(s): Exhibit 2, Tab 1, Schedule 6, p. 2

Please provide the allowed and actual ROE for Alectra for 2017. Please provide the detailed calculations.

Response:

Alectra Utilities' 2017 deemed and actual ROE are 8.90% and 8.43%, respectively. The ROE calculation was filed as Attachment 30.

CCC-8

Reference(s): Exhibit 2, Tab 1, Schedule 6, p. 4

Alectra has Calculated Regulatory Net Income for the Horizon RZ. Please confirm that Alectra Utilities Corporation has one set of books for accounting purposes. Please calculate the Regulatory Net Income for each of the other rate zones PowerStream, Enersource and Brampton on the same basis that was used to calculate the Horizon RZ Regulatory Net Income. Please provide the Board approved and actual ROEs for each of the rate zones.

Response:

Alectra Utilities confirms that it has one set of books for accounting purposes. Alectra Utilities filed Reporting and Record Keeping Requirements ("RRR") financial data for Alectra Utilities, and not individually by rate zone. Further, on page 26 of the Decision and Order in Alectra Utilities' prior consolidation application (EB-2016-0025), the OEB indicated that: "*The Handbook, however, sets out that having consolidating entities operate as one entity as soon as possible after the transaction is in the best interest of consumers. The OEB is of the view that this principle continues to be applicable in this case. The OEB does not require, nor encourage reporting on a "separate" utility basis."*

CCC-9

Reference(s): Exhibit 2, Tab 1, Schedule 6, p. 4

In the Calculation of Regulatory Net Income in Table 20 Alectra has removed $2.032 million in merger costs for Alectra, of which $.483 million is allocated to Horizon. Please explain how these numbers were derived.

Response:

Merger OM&A costs of $2.032 MM represent the net merger transition costs less savings for Alectra Utilities for the 11 month period ending December 31, 2017. This amount was allocated to the Horizon Utilities Rate Zone ("HRZ") based on H RZ's share of 2011-2014 actual average OM&A. The $0.483 MM relates to January 2017 actual merger costs for Horizon.

CCC-10

Reference(s): Exhibit 2, Tab 2, Schedule 1

What is the current materiality threshold for the Brampton RZ?

Response:

There is no reference to a materiality threshold in Exhibit 2, Tab 2, Schedule 1. As provided in Exhibit 2, Tab 2, Schedule 9, p.3 Alectra Utilities provides a materiality threshold for the Brampton RZ of $340,090, defined as 0.5% of distribution revenue.

CCC-11

Reference(s): Exhibit 2, Tab 3, Schedule 1

What is the current materiality threshold for PowerStream?

Response:

As provided In Exhibit 2, Tab 3, Schedule 8, page 3 (LRAM Calculations), Alectra Utilities' materiality threshold for the PowerStream RZ, defined as 0.5% of distribution revenue, is $997,500.

As provided in Exhibit 2, Tab 3, Schedule 10, page 10, Table 105, Alectra Utilities' ICM materiality threshold for the PowerStream RZ is $76,564,006.

CCC-12

Reference(s): Exhibit 2, Tab 3, Schedule 10, p. 1

Please explain how Alectra identifies the spending considered part of the overall capital budget for PowerStream for 2019 and the projects where funding is being sought through the incremental capital module.

Response:

Please refer to response to CCC-2 for an explanation of the process Alectra Utilities used to identify investments sought through the incremental capital module.

CCC-13

Reference(s): Exhibit 2, Tab 3, Schedule 10, p. 1

In its Custom IR Application PowerStream proposed a 2017 Capital Budget of $131.6 million. The OEB approved a budget of $115.8 million. PowerStream actually spent $112.3 million. Please explain what changed in terms of priorities for the PowerStream RZ between the time the original 2017 budget of $131.6 million was established and what was actually spent in 2017.

Response:

The OEB issued its decision for the PowerStream Custom IR Application on August 4, 2016, within which it approved a capital budget of $115.8MM for 2017. This represented a 12% reduction to PowerStream's capital budget, as compared to the $131.6MM capital proposed in the PowerStream DSP. The former PowerStream assessed the OEB decision and responded by pacing specific storm hardening renewals over a longer duration and restructuring certain programs into portfolios of projects to improve management of scope, schedule and costs. The actual expenditure in 2017 of $112.3MM relative to the approved capital budget of $115.8MM is primarily driven by a variance of $4.5MM in general plant. In light of the formation of Alectra Utilities in February 2017, certain general plant investments that were planned by the former PowerStream as a stand-alone utility were instead evaluated and prioritized and executed by Alectra Utilities as a consolidated entity to maximize efficiency gains and value creation.

CCC-14

Reference(s): Exhibit 2, Tab 3, Schedule 10, p. 1

Please provide the original ICM amounts for 2018 approved by the OEB and the most recent forecast taking into account actual spending to date.

Response:

Please see Alectra Utilities' response 4.0-VECC-5 for the updated 2018 capital in-service additions for the YRRT project.

CCC-15

Reference(s): Exhibit 2, Tab 3, Schedule 10, p. 2

The evidence states, "Alectra has a robust capital planning process in the PowerStream RZ that utilizes sophisticated software and a multi-disciplinary review to determine the relative value and risks associated with a portfolio of projects. Business cases are prepared for all capital investments in advance of the optimization process to ensure consideration for capital requests."

a) Is this done in isolation of the other Rate Zones? If not, please explain how the optimization process works across the overall company.
b) Please provide a copy of the PowerStream capital planning process.

Response:

a) Please refer to Alectra Utilities' response to interrogatory CCC-2 for an explanation of the capital investment prioritization, pacing and optimization process.

b) Alectra Utilities predecessor, PowerStream, asset management and capital planning process is described in Sections 5.3.1 – Asset Management Process Overview and 5.4.2 – Capital Expenditure Planning Process Overview in PowerStream's Distribution System Plan ("DSP") (EB-2015-0003, Exhibit G, Tab 2, Schedule 2).

CCC-16

Reference(s): Exhibit 2, Tab 3, Schedule 10, p. 6

For the YRRT projects please provide one schedule setting out of the annual budget amounts (Y2 and H2) for each year 2016-2019. Please include all forecast and actual amounts. What are the current in-service dates for these projects. If the H2 phase is to be in-service in 2018, why is incremental capital required for 2019 for this project?

Response:

Please see Alectra Utilities' response to AMPCO-2 a) for the annual CAPEX budgets for the Y2 and H2 portions of the YRRT projects. The current in service dates for these projects are in 2018 and 2019. Please refer to PRZ-Staff-60 for the forecasted in-service amounts for H2 and Y2 for 2019. The in-service amount for H2 is $3.6MM for 2019.

CCC-17

Reference(s): Exhibit 2, Tab 3, Schedule 10, p. 19-20

What is the most current forecast of the in-service date for the Barrie TS Upgrade Feeder and Wholesale Metering Relocation Project? Please provide all correspondence between Alectra and Hydro One regarding the in-service date for this project.

Response:

The most current forecast of the in-service date for the Barrie TS Upgrade Feeder and Wholesale Metering Relocation Project for Alectra work is December 2019. Alectra Utilities provides CCC-17_Attachment 1_HONICorrespondence regarding the construction and in-service dates for the feeder reconfiguration and wholesale metering installation at Barrie TS.

[redacted]

From: [redacted]
Sent: February-23-18 9:59 AM
To: [redacted]
Cc: [redacted]
Subject: RE: Barrie TS Upgrade Discussion

[redacted]

Our design tech has requested an AutoCAD version of the station layout drawing provided at the start of February. Could you please send an AutoCAD file for the station layout?

Regards,

[redacted]

[redacted]

From: [redacted]
Sent: February-01-18 2:30 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Barrie TS Upgrade Discussion

[redacted]

Those dates are still applicable. I will need to work with you and your team to further define durations and exact start dates later on.

Thanks,

[redacted]

[redacted]

From: [redacted]
Sent: Thursday, February 01, 2018 2:26 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Barrie TS Upgrade Discussion

[redacted]

Thank you for the drawing. Our Capital Design Group will proceed with design work based on the provided layout.

During discussions with HONI last year it was indicated that station construction is anticipated to start April 2019 with Alectra feeder work tentative for May 2019. Are these timelines still valid?

Regards,

[redacted]

[redacted]

From: [redacted]
Sent: February-01-18 1:41 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Barrie TS Upgrade Discussion

[redacted]

Please find attached the draft station layout drawing for Barrie TS.

Although it is identified as draft presently, there are no major changes anticipated that would affect Alectra feeders egressing from the new DESN. The drawing is expected to be finalized by end of the 3rd quarter.

Let me know if any further questions.

Cheers

[redacted]

CCC-18

Reference(s): Exhibit 2, Tab 4, Schedule 1

What is the current materiality threshold for Enersource?

Response:

As provided In Exhibit 2, Tab 4, Schedule 9, page 3 (LRAM Calculations), Alectra Utilities' materiality threshold for the Enersource RZ, defined as 0.5% of distribution revenue, is $589,950.

As provided in Exhibit 2, Tab 4, Schedule 11, page 7, Table 148, Alectra Utilities' ICM materiality threshold for the Enersource RZ is $35,531,495.

CCC-20

Reference(s): Exhibit 2, Tab 4, Schedule 11, p.1

Please explain how Alectra identifies the spending considered part of the overall capital budget for Enersource for 2019 and the projects where funding is being sought through the incremental capital module.

Response:

Please see Alectra Utilities' response to CCC-2.

CCC-21

Reference(s): Exhibit 2, Tab 4, Schedule 11, p.2

The evidence states, "Once Alectra selects the projects needed to address the relevant business risk, it prioritizes and paces all investments to ensure that the overall portfolio is reasonable with respect to the anticipated resource requirements and rate changes."

a) Is this done in isolation of the other Rate Zones?
b) The evidence sets out the asset management objectives for the Enersource RZ. Do these differ from the asset management objectives for the other RZs? If so, why do they differ?

Response:

a) Please refer to Alectra Utilities' response to CCC-2 for an explanation regarding project prioritization and selection.

b) Please refer to response to G-SEC-2 from EB-2017-0024 for a comparison of the Asset Management and Distribution System Management objectives relative to the other legacy distributors of Alectra Utilities.

CCC-22

Reference(s): Exhibit 2, Tab 4, Schedule 11, p.6

The evidence sets out General Plant Expenditures by Category. Are these items specific to the Enersource RZ or do these represent an allocation of the overall corporate General Plant?

Response:

The General Plant Expenditures by Category represent an allocation of the overall corporate General Plant Budget. As provided in Exhibit 2, Tab 3, Schedule 10, page 9, general plant investment needs are being optimized for the entire organization and are not budgeted by rate zone. For the purpose of the ICM capital expenditure tables, General Plant investments have been allocated to the Enersource and PowerStream rate zones based on an allocation methodology using 2016 rate base by rate zone, filed as part of the 2016 ROE RRR filing.

CCC-23

Reference(s): Exhibit 2, Tab 4, Schedule 11, p.14

What factors could impact the in-service date for the Rometown Area Rebuild Project?

Response:

Alectra Utilities considers the following as general risks to project schedule:

- Customer delays or restricted access to work sites
- Inclement weather, either in the form of extreme temperatures or due to restoration activities following major storms
- Delays to material shipment from vendors

Alectra Utilities has coordinated with third parties, including local and regional municipalities, suppliers and customers, in an effort to mitigate delay risks. Alectra Utilities has implemented a Planning and Scheduling solution to track projects and resources. The Program Delivery department enables Alectra Utilities to manage schedule and cost risks and improve the overall efficiency of implementation. Through ongoing project management, Alectra Utilities is able to minimize impacts on the project schedule and quickly implement risk mitigation strategies.

CCC-24

Reference(s): Exhibit 2, Tab 4, Schedule 11, p.16

What factors could impact the completion of the Replacement of Leaking Transformers in 2019?

Response:

Alectra Utilities considers the following as general risks to project implementation:

- customer delays or restricted access to work sites
- inclement weather, either in the form of extreme temperatures or due to restoration activities following major storms
- delays to material shipment from vendors
- general unforeseen delays such as striking rock when digging, tree conservation, municipal/regional consent forms

Alectra Utilities utilizes Planning and Scheduling solutions to minimize such risks by tracking, monitoring and adjusting project and resource plans to ensure completion. The Program Delivery department enables Alectra Utilities to manage schedule and cost risks and improve the overall efficiency of implementation.

CCC-25

Reference(s): Exhibit 2, Tab 4, Schedule 11, p.16

With respect to the Table on p. 16 setting out the transformers to be replaced, please indicate how many are expect to be replaced in 2018 and 2019.

Response:

Alectra Utilities plans to replace 650 transformers in 2018 and 571 transformers in 2019.

CCC-26

Reference(s): Exhibit 2, Tab 4, Schedule 11, p.17

Please indicate how much of the $8.4 million related to 2018 Replacement of Leaking Transformers has been spent to date.

Response:

Of the $8.4MM budgeted in 2018, a total of $4.2MM has been spent on the Replacement of Leaking Transformers in the period, year-to-date July 2018.