SEC-13

Reference(s): G-Staff-5

Please explain how, if non-cash changes have "no economic value", the Applicant's financial and regulatory statements include many expenditures, such as taxes, that are non-cash expenditures but are still recovered from customers.

Response:

The issue raised by the Board's decision in relation to the change in Alectra's capitalization policy is not whether non-cash items are included in rates. Rather, the matter at hand is whether a change to rates, through a notional rebasing associated with an isolated issue,
an accounting policy change, should be made during a rebasing deferral period. In Alectra's view, such a change should not be made.

With respect to taxes, PILs are recovered on a cash basis, not on a deferred tax basis. The tax amount included in rates includes a proxy for current taxes payable on regulated pre-tax income, rather than taxes calculated for accounting purposes, which generally include future/deferred tax components. The methodology is such that regulatory pre-tax accounting income is adjusted for items deductible or non-deductible for tax purposes (e.g., depreciation/ capital cost allowance) to arrive at a proxy for cash taxes payable, which is then grossed up by the tax rate to determine the amount of revenue requirement appropriate to recover tax expense. During a rebasing deferral period, amounts recovered in rates are not adjusted.

Ultimately, in Alectra's respectful submission, the OEB should reconsider its decision regarding capitalization policy and the use of deferral accounts in EB-2017-0024, and defer such consideration as part of an update to its MAADs policy.

Alectra submitted its 2018 EDR application (EB-2017-0024), on the basis that it would not change its capitalization policy for MIFRS purposes**.** The accounting policy change was required under IFRS solely for associated reporting purposes (e.g. external). The OEB decision in EB-2017-0024 implies that such policy change should be adopted for MIFRS purposes as well. The reality, in the context of a rebasing deferral period and change in capitalization policy, is that the existing rate revenue basis is required to fund the distribution activities, irrespective of the accounting change in the nature of such expenditures as operating or capital; the cash flow requirements do not change. The reallocation between operating expense and capital is "non-cash". The OEB decision to effectively reduce revenue through the use of deferral accounts as a result of this change immediately reduces the supportive funding for these activities – annually over a 10 year period – and thus creates a cash impairment for Alectra from a non-cash issue.

The mechanics of the deferral mechanism resolved by the OEB in EB-2017-0024 is tantamount to the rebasing of an isolated issue. Alectra submits that this is inappropriate and inconsistent with the OEB's MAADs policy (which, in part, seeks to "*reduce the risk of a MAADs transaction*[1]") and the Decision of the Board in Alectra's MAADs Application (EB-2016-0025), which granted a 10-year rebasing deferral period. Furthermore, the MAADs policy includes an earnings sharing mechanism to address intervenors concerns regarding shareholder windfalls.

Consider that Alectra is unable to re-base/re-balance its revenue for other isolated ensuing changes in the rebasing deferral period, such as: loss of revenue from changes and pending changes to customer service rules; differences in customer connections growth as compared to those reflected in rates underlying prior re-basing applications; etc. Isolating any single issue for rebasing, without considering the overall impact on distribution revenue from other externalities and OEB policy changes during the rebasing deferral period is, in Alectra's view, imbalanced.

Accounting policy conformance is a foreseeable necessity resulting from a merger and was foreseen in the Alectra MAADs application, although the full scope of such is impractical to analyze until parties to a merger actually merge. Accounting policies for MIFRS purposes are generally reviewed by the OEB at the time of a rebasing. Alectra submits that such accounting policy changes within a rebasing deferral period should not affect rates as these are ultimately non-cash. Additionally, and importantly, customers are unaffected during such period since rate expectations remain consistent with the approved rate basis existing just prior to the merger.
Lastly, rate-making impacts from accounting policy changes are best considered in the broadest context of rate-making policy at the time of a full rebasing with appropriate re-balancing of revenue with consideration of all components of rate-base and the impacts of prior externalities

[1] EB-2014-0138 – Report of the Board: Rate-Making Associated with Distributor Consolidation, p.6

and OEB policy changes. Alectra submits that such an approach will ensure a full and complete re-balancing of rates relative to rate-base and operating costs at that time with the result that customers and shareholders remain indifferent to such considerations within the rebasing deferral period.

SEC-14

Reference(s): HRZ-Staff-18

Please advise the grossed-up PILs that were included in rates for Horizon for 2017.

Response:

As provided in Exhibit 2, Tab 1, Schedule 6 Table 31, the grossed-up PILs that were included in rates for Horizon Utilities was $4,693,111.

SEC-15

Reference(s): HRZ-Staff-22

Please confirm that, as a result of the change in capitalization policy, rate base will increase by $5,331,048, which will be recovered from customers by way of depreciation and return on capital. Please confirm that the benefit the customers get from that is $814,320 in earnings sharing. Please explain why it isn't more appropriate to include this rate base increase from an accounting change in account 1576, for disposition on rebasing.

Response:

The OEB decided in Alectra Utilities' 2018 Electricity Distribution Rate Application (EB-2017-0024) how the impact of the change in Alectra Utilities' capitalization policy would be dealt with from a regulatory perspective. Alectra Utilities has followed that Decision, as confirmed in Alectra Utilities' response to Interrogatory HRZ-Staff-22.

SEC-16

Reference(s): HRZ-Staff-30 (b)

Please provide the details of the derecognition expense, as requested in the question.

Response:

Please note that the reference should be HRZ-Staff-20 (b)

As provided in the response to Interrogatory HRZ-Staff-20 (b), these are actual derecognition expenses for the HRZ. Derecognition expenses relate to adjustments made to remove distribution plant with existing book value. Derecognition expenses for 2017 in the HRZ included the following asset categories:

- Poles, Towers and Fixtures
- Overhead Conductors and Devices
- Underground Conduit Chambers and other elements
- Line Transformers
- Meters

SEC-17

Reference(s): PRZ-Staff-59

Please confirm that the Applicant reduced its 2019 DSP capital plan by 12% because the Board reduced its 2017 allowed capital budget by 12%. Please confirm that the DSP capital spending for all future years should also be reduced by 12%.

Response:

Alectra Utilities confirms that PowerStream reduced the 2017 capital budget from the proposed $131.6MM to $115.8MM, in accordance with the OEB's decision regarding the PowerStream Custom IR Application (EB-2015-0003). This reduction represents a capital reduction of $15.8MM in 2017. PowerStream also reduced the 2018, 2019 and 2020 capital budgets each year by $15.8MM consistent with the OEB's decision in EB-2015-0003.

SEC-18

Reference(s): PRZ-Staff-60

Please confirm that the Applicant underspent on capital by $12.8 Million in 2016/7. If that is not the case, please explain how the capital budget was redeployed to spend the allocated money.

Response:

The response to Interrogatory PRZ-Staff-60 relates to In-Service Additions and not Capital Expenditures.

As provided in the response to Interrogatory PRZ-Staff-60, Alectra Utilities was delayed in placing the assets of the YRRT Y2 and H2 project into service. Consequently, there were lower than planned In-Service Additions for 2016 and 2017. The total YRRT Y2 and H2 actual In-Service Additions for both 2016 and 2017 years was $2.298MM which is $12.777MM lower than the planned 2016 and 2017 In-Service Additions of $15.075MM provided in EB-2017-0024.

Although Alectra Utilities experienced delays in placing assets of the YRRT Y2 and H2 project in-service, the actual Capital Expenditures in both 2016 and 2017 were higher than plan by $1.997MM. For a detailed explanation for the delays and project scope changes that impacted both the in-service schedule as well as the project cost, please see Alectra Utilities' response to PRZ-Staff-60. Table 1 below provides the comparison of the YRRT Y2 and H2 project planned and actual Capital Expenditures in 2016 and 2017.

Table 1 – YRRT Y2 and H2 Actual and Planned Project Capital Expenditures for 2016 and 2017

Capital Expenditure ($000)	2016	2017	Total
Plan (EB-2017-0024)	2,369	12,706	15,075
Actual (EB-2018-0016)	778	16,294	17,072
Difference	**(1,591)**	**3,588**	**1,997**

SEC-19

Reference(s): PRZ-Staff-63

Please advise the latest date Hydro One can get approval of its project for the Applicant to complete this project and bring it into service in 2019.

Response:

The latest date that Hydro One requires to set approvals for the Barrie TS renewal project so that Alectra Utilities can complete the project and bring it into service in 2019 is March 31, 2019.

SEC-20

Reference(s): ERZ-Staff-70 (a)

Please confirm that Alectra is tracking RRR data individually for each rate zone.

Response:

Alectra Utilities only tracks RRR consumption and Deferral and Variance Account ("DVA") balances by rate zone to facilitate the disposition of balances by rate zone per the four tariff sheets. All other RRR measures are reported on an Alectra basis, consistent with the decision of the OEB in the MAADs proceeding prior to the formation of Alectra (EB 2016-0025).

SEC-21

Reference(s): ERZ-Staff-80

Please update the 2018 forecast of capital in-service additions for ERZ.

Response:

The 2018 forecast of capital in-service additions for ERZ is $49.39MM.

SEC-22

Reference(s): ERZ-Staff-88

Please explain how the Rometown project differs from other subdivision rebuild projects.

Response:

The subdivision rebuild projects listed in response to Interrogatory SEC-11 are Underground System Rebuilds. The Rometown project is an Overhead System Rebuild. The primary differences between the Rometown project and underground subdivision rebuild projects are the type of work, as well as the scope of the projects (i.e., type of assets replaced, proposed design, type of resources utilized). Based on more frequent and detailed inspection work, Alectra Utilities identified a pressing system renewal need to replace the deteriorated and substandard overhead assets in the Rometown area. Deteriorated assets in need of replacement include: rotting poles, evidence of insect infestation and pole cracking.

Further, the overhead system in the area includes porcelain pin-top insulators that are known to cause pole fires upon failure. The area also includes pole mounted transformers previously inspected that are leaking oil and in need of replacement. The 2016 Asset Condition Assessment identified that 34% (68 of 198) of poles in the area are classified as poor condition and targeted for replacement.

To supplement visual inspections of the overhead system, Enersource began testing wood poles using resistorgraph technology, and this specific area was tested in 2016. Pole testing identified an additional ten poles which failed the pole testing criteria and require urgent replacement. This provided internal pole condition information such as the degree of rotting and deteriorated fibres, which reduce the pole strength and ability to withstand high winds and loading from ice accumulation.

Overall, the criticality of overhead system renewal in the Rometown area is driven by the poor condition of the overhead system. This introduces an unacceptable risk to safety related to: poles falling over; energized overhead conductors falling to the ground; as well as pole fires due to failed porcelain conductors. Alectra Utilities has recently experienced such failure events on poor condition overhead systems in its service area.

Initially, Alectra Utilities considered a partial rebuild of only the most problematic overhead system assets. However, based on customer preferences for a full rebuild now, the renewal plans for the Rometown area were revised to incorporate customer input and that which could be reasonably completed in 2019.

SEC-23

Reference(s): ERZ-Staff-89

Please confirm that Rometown has only had reliability events in three of the last eight years.

Response:

No, Alectra Utilities does not confirm that the Rometown area has only had three reliability events in the last eight years. Tables 1 and 2 provided on Page 4 of the Business Case Summary of Attachment 46 in EB-2018-0016 include Outage history due to Equipment Failures and Outage History due to Tree Contact in the Rometown area, respectively. The tables do not include all the outages sustained and experienced in the area over the last eight years. Please refer to Table 2 in response to Interrogatory 5.0-VECC-9 for a listing of all outage events that occurred from 2012-2017 in the Rometown area.

SEC-24

Reference(s): Energy Probe - 3

Please describe and quantify the impact on the Applicant, if any, of the sale of its 50% interest in Collus.

Response:

The sale by Alectra Utilities of its interests in Collus Holdco is not relevant to any of the issues raised in this application including the request for electricity distribution rates for 2019 and the incremental capital funding sought.

SEC-25

Reference(s): SEC-1

Please calculate, by rate class, the rate rider that would be required to return the increased pole attachment revenues to customers contemporaneously with their collection.

Response:

In response to Interrogatory SEC-1, Alectra Utilities provided an estimate of the credit that will accrue to customers in the new pole attachment revenue variance account effective September 1, 2018. As provided in the *Accounting Guidance on Wireline Pole Attachment Charges* ("Accounting Guidance"), issued by the Ontario Energy Board ("OEB") on July 20, 2018, the OEB will consider requests for disposition in an incentive-rate setting application for distributors in the midst of an extended deferral period or if amounts to be accumulated in this account are assessed to be significant by the distributor. Alectra Utilities may request disposition of the 2018 balance (September – December 2018) in its 2020 Rate Application. The rate riders that would be required, based on the estimated credit of $0.228MM are provided in Tables 1 to 4, below.

Table 1 – Pole Attachment Rate Riders (2018 balance) BRZ

Rate Class	Service Charge Rate Rider	Volumetric Rate Rider	Per
Residential	-$0.01	$0.0000	kWh
General Service Less Than 50 kW	-$0.01	-$0.0000	kWh
General Service 50 To 699 kW	-$0.05	-$0.0010	kW
General Service 700 To 4,999 kW	-$0.42	-$0.0012	kW
Large Use	-$1.74	-$0.0009	kW
Unmetered Scattered Load	-$0.00	-$0.0000	kWh
Street Lighting	-$0.00	-$0.0043	kW
Embedded Distributor	-$1.53	$0.0000	kWh
Distributed Generation	-$0.04	$0.0000	kWh

Table 2 – Pole Attachment Rate Riders (2018 balance) ERZ

Rate Class	Service Charge Rate Rider	Volumetric Rate Rider	Per
Residential	-$0.01	$0.0000	kWh
General Service under 50 kW	-$0.01	-$0.0000	kWh
General Service 50 to 499 kW	-$0.02	-$0.0014	kW
General Service 500 to 4999 kW	-$0.54	-$0.0007	kW
Large Use	-$4.27	-$0.0009	kW
Unmetered	-$0.00	-$0.0000	kWh
Street Lighting	-$0.00	-$0.0036	kW

Table 3 – Pole Attachment Rate Riders (2018 balance) HRZ

Rate Class	Service Charge Rate Rider	Volumetric Rate Rider	Per
Residential	$0.00	-$0.0000	kWh
General Service under 50 kW	-$0.04	-$0.0000	kWh
General Service 50 to 4999 kW	-$0.33	-$0.0022	kW
Large Use (1)	-$20.58	-$0.0012	kW
Large Use (2)	-$4.87	-$0.0003	kW
Unmetered	-$0.01	-$0.0000	kWh
Sentinel Lighting	-$0.00	-$0.0131	kW
Street Lighting	-$0.00	-$0.0046	kW

Table 4 – Pole Attachment Rate Riders (2018 balance) PRZ

Rate Class	Service Charge Rate Rider	Volumetric Rate Rider	Per
Residential	-$0.01	-$0.0000	kWh
General Service under 50 kW	-$0.01	-$0.0000	kWh
General Service 50 to 4999 kW	-$0.05	-$0.0014	kW
Large Use	-$1.97	-$0.0007	kW
Unmetered	-$0.00	-$0.0000	kWh
Sentinel Lighting	-$0.00	-$0.0032	kW
Street Lighting	-$0.00	-$0.0020	kW

SEC-26

Reference(s): SEC-7

Please provide details of relevant customer engagement, as requested.

Response:

Alectra Utilities has not undertaken customer engagement of the type contemplated by the question. The engagement undertaken by Alectra Utilities is provided in detail in and attached to the application and in EB-2017-0024. Please also see Alectra Utilities' responses to Interrogatories SEC-7 and CCC-6 (a).