

**SCHOOL ENERGY COALITION**

**CROSS-EXAMINATION  
MATERIALS**

**EB-2018-0016**

**ALECTRA 2019 RATES**

**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:**

1 The issue raised by the Board’s decision in relation to the change in Alectra’s capitalization  
2 policy is not whether non-cash items are included in rates. Rather, the issue is whether change  
3 to rates should be made during a rebasing deferral period. In Alectra’s view, changes should not  
4 be made.

5

6 With respect to taxes, PILs are recovered on a cash basis, not on a deferred basis. The tax  
7 amount included in rates includes current taxes payable, rather than taxes calculated for  
8 accounting purposes, and hence future/deferred taxes. The methodology is such that  
9 accounting income is evaluated to take a proxy for tax income and a recovery is based on a  
10 methodology that computes current taxes payable on regulatory pre-tax income. During a  
11 deferred rebasing period amounts recovered in rates are not adjusted.

12

13 Ultimately, in Alectra’s respectful submission, the OEB should reconsider its decision in EB-  
14 2017-0024, as part of an update to its MAADs policy.

**SEC-14**

**Reference(s): HRZ-Staff-18**

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

**Response:**

- 1 As provided in Exhibit 2, Tab 1, Schedule 6 Table 31, the grossed-up PILs that were included in
- 2 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:**

- 1 The OEB decided in Alectra Utilities' 2018 Electricity Distribution Rate Application (EB-2017-
- 2 0024) how the impact of the change in Alectra Utilities' capitalization policy would be dealt with
- 3 from a regulatory perspective. Alectra Utilities has followed that Decision, as confirmed in
- 4 Alectra Utilities' response to Interrogatory HRZ-Staff-22.

**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:**

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

3

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

9

10 Although Alectra Utilities experienced delays in placing assets of the YRRT Y2 and H2 project  
11 in-service, the actual Capital Expenditures in both 2016 and 2017 were higher than plan by  
12 \$1.997MM. For a detailed explanation for the delays and project scope changes that impacted  
13 both the in-service schedule as well as the project cost, please see Alectra Utilities' response to  
14 PRZ-Staff-60. Table 1 below provides the comparison of the YRRT Y2 and H2 project planned  
15 and actual Capital Expenditures in 2016 and 2017.

16

17 **Table 1 – YRRT Y2 and H2 Actual and Planned Project Capital Expenditures for 2016 and**  
18 **2017**

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

19

**HRZ-Staff-17**

**Net Impact of Capitalization Policy and Earnings Sharing Mechanism (ESM)**

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

**On page 11 of 17 in Exhibit 2, Tab 1, Schedule 2, Alectra states:**

***“Alectra Utilities reported \$985,377 in deferral account 1508 Sub-account Earnings Sharing Variance Account in its 2017 Reporting and Record Keeping Requirements (“RRRs”) for 2017 for the Horizon Utilities RZ; which was based on an initial assessment of the calculation...An update to the calculation based on a further assessment and review of the impact of the capitalization policy change on earnings resulted in a reduction of \$170,557 in the amount of earnings sharing.”***

**Please provide a detailed calculation and explain how the \$170,557 adjustment was derived.**

**Response:**

- 1 The adjustment of \$170,557 is related to the use financial statement data to determine the initial
- 2 estimate of the ESM impact. The ESM amount presented in the 2019 Rate Application was
- 3 based on the RRR filing which included a detailed review and mapping of accounts to ensure
- 4 amounts were in accordance with the RRR filing guidelines.
- 5
- 6 The ESM calculation provided in the 2019 Application includes an estimate for the impact of the
- 7 capitalization policy change in 2017, based on Alectra Utilities’ response to Undertaking
- 8 JT.Staff-7 in the 2018 Rate Application (EB-2017-0024). In the Ontario Energy Board’s (“OEB”)
- 9 Decision and Partial Accounting Order, issued December 20, 2017, the OEB stated: *“The*
- 10 *revenue requirement will be calculated each year based on actual costs for OM&A, depreciation*
- 11 *expense, income tax or PILs, and return on capital (debt and equity).”* As a result, Alectra
- 12 Utilities has updated the ESM calculation to reflect the actual 2017 impact of the capitalization
- 13 policy change. Table 1 below provides a comparison of the impact based on estimated and
- 14 actual amounts.

1 **Table 1 – Capitalization Policy Impact**

Capitalization Policy Impact (\$000s)	2017 Actual	2017 Estimate	Change
Enersource RZ	1,866	1,792	74
Horizon Utilities RZ	5,399	6,280	(882)
Brampton RZ	(1,831)	(2,350)	519
PowerStream	194	557	(363)
<b>Total OM&amp;A Impact</b>	<b>5,628</b>	<b>6,279</b>	<b>(651)</b>

2  
3  
4 This ESM update results in an achieved ROE of 9.456% and a resulting decrease to the ESM  
5 amount to be refunded to rate payers of \$114,812 as shown in Table 2 below.

6  
7 **Table 2 – ESM Update - Capitalization Policy**

2017 Regulatory ROE for ESM	2017 Actuals ESM - Proposed	Annual Filing EB- 2016-0077	2017 Actuals ESM Updated	Annual Filing EB-2016-0077	Variance
Adjusted Regulatory net income	\$ 19,807,963	\$ 18,281,100	\$ 19,579,645	\$ 18,281,100	
Deemed equity	\$ 207,042,402	\$ 208,212,985	\$ 207,077,086	\$ 208,212,985	
ROE	9.567%	8.780%	9.456%	8.780%	
% Return in excess of approved in rates		0.787%		0.676%	-0.111%
\$ Return in excess of approved in rates		\$1,629,640		\$1,400,016	(\$229,624)
Amount payable to rate payers		\$814,820		\$700,008	(\$114,812)

8  
9  
10 In addition, as identified in Alectra Utilities' response to HRZ-Staff-21, in completing the  
11 reconciliation of the components of adjustments to tax, Alectra Utilities determined that  
12 adjustments were required which results in a change to the net tax deductions of (\$2,013,290)  
13 bringing the total net deductions to (\$12,152,295). The result of this change in isolation of the  
14 change in actual capitalization amounts results in an achieved ROE of 9.825% and a resulting  
15 increase to the ESM amount to be refunded to rate payers of \$266,761 as shown in Table 3  
16 below.

17  
18 **Table 3 – ESM Update – Tax Deductions**

2017 Regulatory ROE for ESM	2017 Actuals ESM - Proposed	Annual Filing EB- 2016-0077	2017 Actuals ESM Updated	Annual Filing EB-2016-0077	Variance
Adjusted Regulatory net income	\$ 19,807,963	\$ 18,281,100	\$ 20,341,485	\$ 18,281,100	
Deemed equity	\$ 207,042,402	\$ 208,212,985	\$ 207,042,402	\$ 208,212,985	
ROE	9.567%	8.780%	9.825%	8.780%	
% Return in excess of approved in rates		0.787%		1.045%	0.258%
\$ Return in excess of approved in rates		\$1,629,640		\$2,163,162	\$533,522
Amount payable to rate payers		\$814,820		\$1,081,581	\$266,761

1 The combined impact of including the two required changes, which were identified above as: i)  
2 update for 2017 actual capitalization amounts; and ii) revision to the net tax deductions, results  
3 in an achieved ROE of 9.714% and a resulting increase of \$151,949 to the ESM amount to be  
4 refunded to rate payers, as presented in Table 3 below.

5

6 **Table 4 – ESM Update – Capitalization Policy and Tax Deductions**

2017 Regulatory ROE for ESM	2017 Actuals ESM - Proposed	Annual Filing EB- 2016-0077	2017 Actuals ESM Updated	Annual Filing EB-2016-0077	Variance
Adjusted Regulatory net income	\$ 19,807,963	\$ 18,281,100	\$ 20,113,167	\$ 18,281,100	
Deemed equity	\$ 207,042,402	\$ 208,212,985	\$ 207,057,276	\$ 208,212,985	
ROE	9.567%	8.780%	9.714%	8.780%	
% Return in excess of approved in rates		0.787%		0.934%	0.147%
\$ Return in excess of approved in rates		\$1,629,640		\$1,933,538	\$303,898
Amount payable to rate payers		\$814,820		\$966,769	\$151,949

7

8

9 A revised ESM Rate Rider Model has been provided as HRZ-Staff-17\_Attach 1\_ESM Rate  
10 Rider Model.



**HRZ-Staff-21**

**ESM**

**Reference(s): Exhibit 2, Tab 1, Schedule 6, Table 31**

**Please explain on what basis the Horizon Utilities RZ share of Alectra Utilities adjustments for tax of (\$10,139,005) was determined. More specifically, please provide a table breaking out the components of the net additions/(deductions) for tax, identifying which portions were directly attributable and those that were not directly attributable to the HRZ, indicating what allocators were assigned to each. Please provide explanations regarding the choice of allocator and why Alectra considers it to be appropriate.**

**Response:**

- 1 Table 1 below details the calculation of the taxable income for Alectra's 2017 financial statement  
2 tax provision, where the income tax expense reconciles to the 2.1.13 RRR filing. In addition, the  
3 components of net additions/(deductions) for tax of (\$10,139,005) and the allocation basis for  
4 each item to Horizon Rate Zone are provided in Table 1 below. The net adjustments to tax were  
5 determined based on rate zone specific data where possible. In cases where the adjustments  
6 for tax were not identifiable to a specific rate zone, the allocation relied on was consistent with  
7 the OM&A allocation.
- 8
- 9 In completing the reconciliation of the components of adjustments to tax, Alectra Utilities  
10 determined that some adjustments to the original data presented were required. The revised  
11 components of net additions/(deductions) for tax results in a net deduction of (\$12,152,295),  
12 compared to \$(10,139,005) as originally filed. The details for the change are also shown in  
13 Table 1 below.

**Table 1 – Reconciliation of additions/ (deductions) for tax**

	AUC - LDC Provision IFRS	Per Filing HRZ Portion	Revised HRZ Portion	Allocation Basis	Adjustments
Net income before tax	99,454,037				
<b>Additions:</b>					
Interest and penalties on taxes	75,819				
Amortization of tangible assets	116,773,494				
Derecognition expense	5,635,328	21,953,638	20,355,959	From ESM depreciation calculation	Depreciation included derecognition
Non-deductible club dues and fees	140,792	34,410	34,410	HRZ specific	
Non-deductible meals	235,230	57,490	57,490	OM&A %	
Non-deductible automobile expenses	15,452	3,776	3,776	OM&A %	
Amortization	265,786			Not Attributable to HRZ	
Non-deductible reserves - closing	80,364,899	30,754,715	30,754,715	HRZ specific	
Capital Items Expensed	140,000	140,000	140,000	HRZ specific	
Debt issuance cost	102,227			Not Attributable to HRZ	
Interest on capital lease - building	957,924	234,117		Not Attributable to HRZ	
12(1)(x) income on capital contributions	61,886,099	4,687,789	4,687,789	Rate zone specific correction	
<b>Total Additions</b>	<b>266,593,050</b>	<b>59,430,607</b>	<b>57,598,811</b>		
<b>Deductions:</b>					
Accounting loss (gain) on sale of assets	(518,417)	(368,527)	(368,526)	HRZ specific	
Reverse book income on joint venture	(121,856)			Not Attributable to HRZ	
Removal Costs (Included in depreciation above, deductible for tax)	(94,469)			Not Attributable to HRZ	
SR&E and Apprenticeship ITCs	(460,402)	6,285	6,285	HRZ specific	
CCA	(165,769,927)	(29,755,422)	(29,755,422)	HRZ specific	
Capitalized Interest (AFUDC) (income recorded in P&L)	(2,868,430)			HRZ specific	Originally identified as not attributable to HRZ
Deductible OMERS contributions 20.1(q); capitalized for accounting	(223,631)			Not Attributable to HRZ	
Less: Amortization of deferred revenue (IFRS)	(6,510,214)			Not Applicable	
Stranded Meter Rate Rider applied against UCC	(2,438,301)			Not Attributable to HRZ	
13(7.4) election	(61,886,099)	(4,687,789)	(4,687,789)	HRZ specific	
Non-deductible - opening	(76,554,199)	(34,443,812)	(34,443,812)	HRZ specific	
Cash payment on capital leases	(1,310,752)	(320,346)		Not Attributable to HRZ	Rate zone specific correction
20(1)(e)	(233,437)			Not Attributable to HRZ	
Regulatory Balance Movement - Energy Accounts	(9,693,160)			Not Applicable	
Accounting accrual for ITCs	(800,000)		(195,520)	OM&A %	Originally identified as not attributable to HRZ
<b>Total Deductions</b>	<b>(329,283,295)</b>	<b>(69,569,612)</b>	<b>(69,751,106)</b>		
<b>Total</b>	<b>36,763,792</b>	<b>(10,139,005)</b>	<b>(12,152,295)</b>		
Donation carryforward utilization	(1,185,131)				
Loss utilization	35,578,661				
	(35,578,661)				
<b>Current Tax Expense</b>	<b>26.50%</b>				
	-				
	[A]				
One-time adjustments to current tax for prior years	(28,065)				
Deferred Tax Expense	28,506,495				
<b>Total IFRS Tax Expense</b>	<b>28,478,430</b>				
<b>SUM OF [A]</b>					

**HRZ-Staff-22**

**ESM**

**Reference(s): Exhibit 2, Tab 4, Schedule 7  
Exhibit 2, Tab 2, Schedule 7  
Exhibit 2, Tab 1, Schedule 6**

- a) Please confirm that Alectra has prepared the HRZ ESM calculation on the basis of Alectra's post-amalgamation capitalization policy.**
- b) Please provide details for the financial impact of the change in capitalization policy for Horizon Utilities RZ for 2017, in the same manner as provided in Exhibit 2, Tab 4, Schedule 7 and Exhibit 2, Tab 2, Schedule 7 for the Brampton and Enersource RZs, respectively.**
- c) Please confirm that the full revenue requirement impact for 2017 relating to the change in capitalization policy for the BRZ and the ERZ has been recorded in the associated deferral accounts.**
- d) Please confirm the dollar amount and % of revenue requirement impact relating to the change in capitalization policy that Alectra is returning to HRZ customers through its ESM.**
- e) If Alectra is returning the full revenue requirement impact associated with the change in capitalization policy to its BRZ and ERZ but is returning less than the full amount to the HRZ customers, please explain why it is appropriate to treat the HRZ customers differently from the customers of the other two Alectra rate zones.**
- f) Please recalculate the ESM, and the bill impact to a Residential Class customer consuming 750 kWh per month, for the Alectra HRZ whereby the full revenue requirement impact associated with the change in capitalization policy has been returned to Alectra HRZ's customers.**

**Response:**

- 1 a) Alectra Utilities confirms that the Horizon Utilities Rate Zone's ESM calculation was
- 2 prepared on the basis of Alectra Utilities' post-amalgamation capitalization policy.
- 3
- 4 b) Tables 1 to 4 below provide the total 2017 impact of the change in capitalization policy for
- 5 the Horizon Utilities Rate Zone.

1 **Table 1 – Capitalization Policy Total Net Financial Impact HRZ**

<b>Capitalization Policy Impact</b>	<b>2017 Actual</b>
Total OM&A Impact	\$5,398,529
Total Depreciation Impact	(\$67,482)
Total PILs Impact	(\$1,373,386)
Total Return on Capital Impact	(\$294,572)
<b>Total Net Impact</b>	<b>\$3,663,090</b>

2  
3 **Table 2 - Capitalization Policy Total OM&A and Depreciation Impact HRZ**

<b>OM&amp;A Impact</b>	<b>2017 Actual</b>
Direct Labour Costs	\$2,098,365
Benefit Costs	\$0
Material Handling Costs	\$1,810,241
Fleet Costs	\$1,489,924
<b>Total Impact</b>	<b>\$5,398,529</b>

4  
5 **Table 3 - Capitalization Policy Total PILs Impact HRZ**

<b>OM&amp;A Impact</b>	<b>2017 Actual</b>
Direct Labour Costs	\$2,098,365
Benefit Costs	\$0
Material Handling Costs	\$1,810,241
Fleet Costs	\$1,489,924
<b>Total Impact</b>	<b>\$5,398,529</b>

<b>Depreciation Impact</b>	<b>2017 Actual</b>
Depreciation Expense	(\$67,482)
<b>Total Depreciation Impact</b>	<b>(67,482)</b>

6

1 **Table 4 - Capitalization Policy Total Return on Capital Impact HRZ**

Return on Capital	2017 Actual
Increased capitalization	\$5,398,529
Depreciation Expense	(\$67,482)
Increased Capital in Rate Base	\$5,331,048
Deemed ShortTerm Debt %	4.00%
Deemed LongTerm Debt %	56.00%
Short Term Interest	1.76%
Long Term Interest	3.47%
Deemed ShortTerm Debt %	\$213,242
Deemed Long Term Debt %	\$2,985,387
Short Term Interest	\$3,753
Long Term Interest	\$103,593
Return on Rate Base - Interest	\$107,346
Deemed Equity	\$2,132,419
	8.78%
Return on Capital - Equity	\$187,226
<b>Return on Capital</b>	<b>(\$294,572)</b>

2  
3 c) Alectra Utilities confirms that the full revenue requirement impact for 2017 relating to the  
4 change in capitalization policy for the BRZ and the ERZ has been recorded in the associated  
5 deferral accounts.

6  
7 d) Alectra Utilities confirms that the entire result of the calculated ESM of \$1,629,640 of which  
8 50% or \$814,320 is to be refunded to rate payers (revised in response to HRZ-Staff 17 to an  
9 ESM of \$1,933,538 of which 50% or \$966,769 is to be refunded to rate payers) is a result of  
10 the change in capitalization policy. The % of revenue requirement of the refunded amount  
11 \$814,320 is 0.71% (\$966,769 is 0.84%).

12  
13 e) In Alectra Utilities 2018 Electricity Distribution Rate (“EDR”) Application Decision, the OEB  
14 stated: *“For the remainder of the Custom IR term, the effect on earnings resulting from the  
15 change in the capitalization policy will be dealt with through the ESM.”*

- 1 f) Please see response to part e). The impact of the change in capitalization policy has been
- 2 addressed through the ESM in accordance with the OEB's Decision in Alectra Utilities' 2018
- 3 EDR Application.

**PRZ-Staff-60**

**Incremental Capital Module**

**Reference(s): Attachment 31 ICM business cases PowerStream RZ  
EB-2017-0024 Attachment 33 ICM business cases PowerStream RZ, Page  
10**

**Alectra Utilities is requesting \$13.27M to relocate distribution assets resulting from the construction of the York Region Rapid Transit (YRRT) VIVA Bus Rapid Transit (BRT) Y2 and H2 project. This project includes relocating approximately 6.5 km for the Y2 project and 8.5 km for the H2 project.**

- a) In EB-2017-0024 the referenced ICM business cases show that the forecasted gross capital expenditure for the Y2 project in 2019 is \$7.3M. In the current ICM business case the forecasted gross capital expenditure in 2019 is \$24.17M. Please provide a detailed explanation to the change in gross capital expenditure.**
- b) For the Y2 project, are the existing distribution assets that are being relocated all underground? If not, what is the number of kilometer of distribution assets that are now underground compared to the existing design?**
- c) Has Alectra Utilities considered an overhead distribution system compared to the underground design for the Y2 project? If not, why not?**
- d) How many feeders are in being relocated in both the Y2 and H2 project?**

**Response:**

- 1 a) The YRRT Y2 and H2 business cases, as submitted in Attachment 33 of Alectra Utilities'  
2 2018 Electricity Distribution Rate ("EDR") Application (EB-2017-0024), as well as in  
3 Attachment 31 of this Application, present a forecast of capital in-service additions.  
4  
5 The YRRT project in-service capital addition schedules were updated as of August 31,  
6 2018. The YRRT Y2 and H2 in-service schedule, as submitted in the 2018 EDR Application,  
7 is reproduced in Table 1, below. Table 2 provides the most recent forecast of capital in-  
8 service additions for this project.

1 **Table 1 - YRRT Y2 H2 In-Service Forecast 2016-2019 (as submitted in EB-2017-0024)**

<b>Y2</b>					
<b>\$000s</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total Y2 Budget</b>
Gross	4,893	16,000	12,700	7,300	40,893
Contributed	2,574	8,000	6,350	3,650	20,574
<b>Net</b>	<b>2,319</b>	<b>8,000</b>	<b>6,350</b>	<b>3,650</b>	<b>20,319</b>
<b>H2</b>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total H2 Budget</b>
Gross	517	11,714	12,714	3,165	28,110
Contributed	467	7,008	7,821	2,327	17,623
<b>Net</b>	<b>50</b>	<b>4,706</b>	<b>4,893</b>	<b>838</b>	<b>10,487</b>
<b>Total YRRT</b>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total YRRT Budget</b>
Gross	5,410	27,714	25,414	10,465	69,003
Contributed	3,041	15,008	14,171	5,977	38,197
<b>Net</b>	<b>2,369</b>	<b>12,706</b>	<b>11,243</b>	<b>4,488</b>	<b>30,806</b>

2  
3 **Table 2 – Revised YRRT Y2 H2 In-Service Budget Forecast 2016-2019 as of August 31, 2018**

<b>Y2</b>					
	<b>2016 Actual (\$000)</b>	<b>2017 Actual (\$000)</b>	<b>2018 Forecast (\$000)</b>	<b>2019 Forecast (\$000)</b>	<b>Total Y2 Budget</b>
Gross	0	100	12,698	38,572	51,370
Contributed	0	50	7,057	19,478	26,585
<b>Net</b>	<b>0</b>	<b>50</b>	<b>5,641</b>	<b>19,094</b>	<b>24,785</b>
<b>H2</b>					
	<b>2016 Actual (\$000)</b>	<b>2017 Actual (\$000)</b>	<b>2018 Forecast (\$000)</b>	<b>2019 Forecast (\$000)</b>	<b>Total H2 Budget</b>
Gross	0	5,284	15,463	8,630	29,377
Contributed	0	3,036	8,359	5,012	16,407
<b>Net</b>	<b>0</b>	<b>2,248</b>	<b>7,104</b>	<b>3,618</b>	<b>12,970</b>
<b>Total</b>					
	<b>2016 Actual (\$000)</b>	<b>2017 Actual (\$000)</b>	<b>2018 Forecast (\$000)</b>	<b>2019 Forecast (\$000)</b>	<b>Total YRRT Budget</b>
Gross	0	5,384	28,161	47,202	80,747
Contributed	0	3,086	15,416	24,490	42,992
<b>Net</b>	<b>0</b>	<b>2,298</b>	<b>12,745</b>	<b>22,712</b>	<b>37,755</b>



1 As of August 31, 2018, the forecasted 2019 in-service addition for the YRRT project is  
2 \$22.7MM. This is an increase of \$18.2MM, relative to the 2019 in-service addition budget of  
3 \$4.5MM, from the YRRT business case, as submitted in Attachment 33 of EB-2017-0024.

4  
5 As provided in Tables 1 and 2 above, Alectra Utilities initially forecast to put \$15.1MM in service  
6 between 2016 and 2017. During this period, \$2.3MM was put in-service, a difference of  
7 \$12.8MM. The delay in placing assets in-service in 2016 and 2017 caused an increase in the  
8 forecast of in-service additions of \$1.5MM for 2018 and \$18.2MM for 2019. Details related to  
9 the delay are provided below.

10  
11 York Region Rapid Transit Corporation (“YRRTC”), the road authority overseeing the YRRT  
12 project, is responsible for the project schedule and sequence of work. It has continued to revise  
13 both over time. In response, Alectra Utilities has been required to modify the project scope to  
14 accommodate the changes in: project stage sequencing; requests to utilize joint use trench  
15 implementation; and the installation of underground assets at a deeper depth relative to Alectra  
16 Utilities’ construction standards. These project scope changes resulted in an increase of  
17 \$6.9MM in the total project budget.

18  
19 The project construction delays and subsequent delays in placing assets in-service are the  
20 result of YRRTC changes to the order of construction; modifications of the implementation  
21 sequencing in order to accommodate transportation infrastructure construction as well as joint  
22 use utilities such as telecommunications companies. Alectra Utilities’ initial construction  
23 schedule was developed to accommodate YRRTC timelines before detailed designs were  
24 developed. Although this design-build approach provides flexibility in construction for the  
25 YRRTC, this is not a typical practice for Alectra Utilities in completing road widening projects.  
26 Further, the number of utilities and contractors involved in the overall project contributed to  
27 scheduling complications. As a result of co-dependencies between utilities and contractors, at  
28 the request of the YRRTC, Alectra Utilities was required by the YRRTC to mobilize crews in  
29 different sequences and order to permit work to continue, albeit it in less sequential and less  
30 efficient manner. Alectra Utilities was limited in its ability to complete phases and to place  
31 assets into-service, as a result of having to mobilize crews to stages that were different than  
32 those that were planned.

1 Changes in project scope as a result of unanticipated underground congestion and requirement  
2 to implement joint trench installation required that Alectra Utilities had to relocate and install  
3 underground assets at deeper depths as well under roadways. Alectra Utilities needed to  
4 revise project designs and incur increased costs of construction to relocate assets along the Y2  
5 and H2 sections of the project to facilitate the changes in the scope. The change of project  
6 scope and sequencing of construction to match YRRTC contractors have resulted in an  
7 increase in overall project costs of \$6.9 MM.

8  
9 The scheduling of the H2 portion of the project started in August 2016. Preliminary schedules  
10 were prepared prior to drawings being started to meet the YRRTC project timeline requirement.  
11 As described above, the original schedule phase sequencing and scope changed to better  
12 facilitate the transit contractors and joint use utilities construction. The H2 project was also  
13 further complicated due to YRRTC requirements to install specific concrete poles that required  
14 additional burial depth. Implementation of non-standard equipment contributed to redesigns.  
15 Alectra Utilities addressed the YRRTC requirements by resourcing construction contractors  
16 familiar with the installation of such concrete poles as this was not a standard practice within  
17 Alectra Utilities' PowerStream Rate Zone.

18  
19 The scheduling of the Y2 portion of the project started in April 2016. Preliminary schedules were  
20 prepared prior to drawings being started to meet the YRRTC project timeline requirement. As  
21 described above, the original schedule phase sequencing and scope changed to better facilitate  
22 the transit contractors and joint use utilities construction. The construction dates were delayed  
23 due to design changes driven by YRRTC requirements. These were beyond Alectra Utilities'  
24 control. Due to congestion and limited space in the boulevard, Alectra Utilities was required to  
25 install ducts at 5 meter depths as opposed to 1 meter depth, as is the standard at Alectra  
26 Utilities. In some situations on the project where no space on the boulevard was available for  
27 electrical infrastructure, Alectra Utilities was required to install electrical underground system  
28 infrastructure below the roadways. This also contributed to the increase in the project cost and  
29 introduced further delays due to designs changes.

30  
31 The \$31.2MM increase to the 2019 in-service gross capital additions for the Y2 project section  
32 relative to the previous 2019 in-service gross capital additions forecast of \$7.30MM was largely  
33 due to the project delays and changes to project scope driven by YRRTC requirements. For the

1 Y2 portion of the YRRT, the increase in 2019 in-service gross capital contributions due to  
2 changes driven by YRRTC, account for a \$20.8MM increase in gross in-service additions. For  
3 the Y2 portion of the YRRT, the increase in 2019 in-service gross capital contributions due to  
4 change in scope driven by YRRTC and construction challenges, account for a \$10.4MM  
5 increase in gross in-service additions.

6  
7 Once adjusted for capital contributions, the increase to the 2019 in-service net capital additions  
8 for the Y2 project section relative to the previous 2019 in-service net capital additions forecast of  
9 \$3.7MM is \$15.4MM and is largely due to the project delays and changes to project scope  
10 driven by YRRTC requirements.

11  
12 b) Approximately 3.4 km of the existing 16.4 km of Alectra Utilities' distribution system on the  
13 Y2 section of the YRRT project is required to be relocated underground. Table 3 below  
14 provides the breakdown of the sections that are required to be placed underground. Please  
15 refer to Alectra Utilities' response to part c) below for an explanation of the reasons why  
16 sections of the distribution system are required to be relocated underground.

**Table 3 – Segments of Alectra Utilities Distribution System to be Relocated  
Underground – Y2 Portion of the Project**

Section	Stage	Length of System (km)	Location
Y2.1	4	0.750	Weldrick to Harding
	5/6	0.375	Northern Height to 16 <sup>th</sup> Ave
	7	0.600	16 <sup>th</sup> Ave to Weldrick
	8	1.050	Weldrick to Elmwood
Y2.2	6	0.615	Elgin Mills to Canyon Hill
	<b>Total</b>	<b>3.390</b>	

20  
21 c) Alectra Utilities considered an overhead distribution system compared to an underground  
22 one for the Y2 project. However, due to the limited boulevard space and the YRRTC  
23 streetscape design, an overhead system was not a feasible option. Constructing a  
24 distribution system with intermittent short (50 to 150 meters) segments of underground  
25 systems followed by short segments overhead would have increased project costs and  
26 reduced the reliability of the system. Further, in some sections of the project, the boulevard  
27 space was so limited that portions of the underground infrastructure needed to be installed  
28 under the roadway which is not a typical Alectra Utilities standard practice. The installation

1 of underground infrastructure under roadways is not preferable as this may lead to higher  
2 future costs should Alectra Utilities require access to the infrastructure for repair or  
3 replacement.

4

5 d) In the Y2 project, a total of 11 different feeders are being relocated. There are 10 feeders in  
6 Y2.1 (27M1, 27M23, 27M6, 27M7, 27M10, 27M12, 36M1, 36M2, 36M5, 36M6) and 4  
7 feeders in Y2.2 (27M1, 27M4, 36M1, 36M6). There are 3 feeders that overlap between Y2.1  
8 and Y2.2 sections.

9

10 In H2 project a total of 23 different feeders are being relocated. There are 11 feeders in  
11 H2W (21M3, 21M4, 21M5, 21M6, 21M8, 21M9, 21M11, D6M2, D6M3, 5122M7, 5122M10)  
12 and 12 feeders in H2E (20M5, 20M9, 20M10, 20M11, 20M12, 20M23, 27M7, 27M12, 36M3,  
13 36M4, 80M7, 80M25). There is one feeder that overlaps between the H2 and Y2 sections.