EB-2018-0016

Alectra Utilities
2019 EDR Application

VECC

COMPENDIUM

PANEL 1

December 5, 2018

TAB 1

ONTARIO ENERGY BOARD

FILE NO.: **EB-2017-0024** **Alectra Utilities**

VOLUME: **Technical Conference**

DATE: **December 1, 2017**

actually describe your description of when to use a deferral account, as opposed to an ICM. Can you help me with that?

--- Panel confers.

MR. MATTHEWS: So the business case for the YRRT was filed in July, but the business case itself was developed early in 2017. Since then we have more specific information. We have actually -- with respect to the schedule we've actually -- we've signed several purchase orders for work to start in early 2018. So there's more certainty around the project. We do know it is going to proceed.

MR. GARNER: Can you tell us the size of the purchase orders you've signed for the work? The quantum?

MR. MATTHEWS: In the order of $10 million.

MR. GARNER: And what does it mean when you sign a purchase order with -- who is it with, by the way?

MR. MATTHEWS: So the purchase orders are through York Region Rapid Transit, but they are with various contractors who are going to complete various stages of the work.

MR. GARNER: Okay. Did those purchase orders commit you with those contracts to do work at certain times? Is that what they are? So --

MR. MATTHEWS: They're contracts with time periods for the work, primarily driven, actually, by the York Region Rapid Transit schedule.

MR. GARNER: What I'm trying to understand clearly in my own mind is the difference between what I would imagine

you would be doing in recognition of the project, which is lining up contractors to do work and actually contractual and/or commitments by YRRT that the work needs to be done in a certain time frame.

MR. MATTHEWS: Yeah, the contracts specifically outline a completion period.

MR. GARNER: I see. Okay. Thank you.

And Mr. Smith will be happy to know I've crossed off my questions during the last two days, and that's it for me, thank you.

MR. SMITH: Thank you, Mr. Garner.

MS. DJURDJEVIC: Thank you, Mr. Garner. So who is next?

Okay. Ms. Girvan, go ahead.

QUESTIONS BY MS. GIRVAN:

MS. GIRVAN: Okay. Thank you. Just one follow-up question that I had. I think it was -- I'm not sure if it was Mr. Brett or Mr. Shepherd. I just wanted to be clear that in terms of prioritizing the projects in this particular application, you've done it within rate zones, but not amongst the various rate zones; is that correct?

MR. WASIK: Yes, that is correct.

MS. GIRVAN: Sort of like a silo kind of thing.

MR. WASIK: We're working them independently, yes.

MS. GIRVAN: Okay. Thanks.

So yesterday -- I think I'm going to change microphones. Okay. Yesterday I was asking a question about the presentation that's found at CCC number 1, and in

TAB 2

Français

Public Service Works on Highways Act

R.S.O. 1990, CHAPTER P.49

Consolidation Period: From June 22, 2006 to the e-Laws currency date.

Last amendment: 2006, c. 19, Sched. C, s. 1 (1).

Legislative History: 1998, c. 15, Sched. E, s. 30; 2006, c. 19, Sched. C, s. 1 (1).

Definitions

1 In this Act,

"appliances or works" means poles, wires, conduits, transformers, pipes, pipe lines or any other works, structures or appliances placed on or under a highway by an operating corporation; ("appareils ou ouvrages")

"cost of labour" means,

(a) the actual wages paid to all workers up to and including the foremen for their time actually spent on the work and in travelling to and from the work, and the cost of food, lodging and transportation for such workers where necessary for the proper carrying out of the work,

(b) the cost to the operating corporation of contributions related to such wages in respect of workers' compensation, vacation pay, unemployment insurance, pension or insurance benefits and other similar benefits,

(c) the cost of using mechanical labour-saving equipment in the work,

(d) necessary transportation charges for equipment used in the work, and

(e) the cost of explosives; ("coût de la main-d'oeuvre")

"operating corporation" means a municipal corporation or commission or a company or individual operating or using a telephone or telegraph service, or transmitting, distributing or supplying electricity or artificial or natural gas for light, heat or power; ("exploitant")

"road authority" means the Ministry of Transportation, a municipal corporation, board, commission, or other body having control of the construction, improvement, alteration, maintenance and repair of a highway and responsible therefor. ("office de la voirie") R.S.O. 1990, c. P.49, s. 1; 1998, c. 15, Sched. E, s. 30.

Section Amendments with date in force (d/m/y)

1998, c. 15, Sched. E, s. 30 - 01/04/1999

Notice to operating corporation to take up works

2 (1) Where in the course of constructing, reconstructing, changing, altering or improving a highway it becomes necessary to take up, remove or change the location of appliances or works placed on or under the highway by the operating corporation, the road authority may by notice in writing served personally or by registered mail require the operating corporation, without prejudice to their respective rights under section 3, so to do on or before the date specified in the notice. R.S.O. 1990, c. P.49, s. 2 (1).

Apportionment of costs of taking up

(2) The road authority and the operating corporation may agree upon the apportionment of the cost of labour employed in such taking up, removal or change, but, subject to section 3, in default of agreement such cost shall be apportioned equally between the road authority and the operating corporation, and all other costs of the work shall be borne by the operating corporation. R.S.O. 1990, c. P.49, s. 2 (2).

Minimum time interval

(3) The date specified in a notice under subsection (1) shall be as agreed upon by the road authority and the operating corporation, but in default of agreement shall be not less than sixty days after the date of the personal service or mailing of the notice. R.S.O. 1990, c. P.49, s. 2 (3).

Additional time

(4) An operating corporation may, upon such notice as a judge of the Superior Court of Justice directs, apply to the judge for an order altering to a later date the date specified in the notice given under subsection (1), and, if the judge finds that the physical or technical difficulties in complying with the notice require additional time, the judge may make such order as he or she considers appropriate. R.S.O. 1990, c. P.49, s. 2 (4); 2006, c. 19, Sched. C, s. 1 (1).

Compensation

(5) Where a road authority incurs a loss or expense by reason of an operating corporation neglecting to take up, remove or change the location of appliances or works by the date specified in a notice given under subsection (1) or such date as altered by a judge under subsection (4), the operating corporation shall make due compensation to the road authority for such loss or expense, and a claim for compensation, if not agreed upon by the operating corporation and the road authority, shall be determined by the Ontario Municipal Board. R.S.O. 1990, c. P.49, s. 2 (5).

Section Amendments with date in force (d/m/y)

2006, c. 19, Sched. C, s. 1 (1) - 22/06/2006

Apportionment of cost by Ontario Municipal Board

3 Where it is made to appear to the Ontario Municipal Board, upon application made to it, that the circumstances and conditions under which any of the appliances or works mentioned in section 2 have been placed on or under a highway, or that other special conditions render it unfair or unjust that the cost of taking up, removing or changing the location of the appliances or works should be apportioned and paid as provided in section 2, the Board, upon the application of the road authority or operating corporation, may apportion the cost of the taking up, removing or changing the works in such manner as appears to it to be equitable, and the decision of the Board is final and is not subject to appeal. R.S.O. 1990, c. P.49, s. 3.

Français

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TAB 3

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:

a) The YRRT Y2 and H2 business cases, as submitted in Attachment 33 of Alectra Utilities' 2018 Electricity Distribution Rate ("EDR") Application (EB-2017-0024), as well as in Attachment 31 of this Application, present a forecast of capital in-service additions.

The YRRT project in-service capital addition schedules were updated as of August 31, 2018. The YRRT Y2 and H2 in-service schedule, as submitted in the 2018 EDR Application, is reproduced in Table 1, below. Table 2 provides the most recent forecast of capital in-service additions for this project.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Approximately 3.4 km of the existing 16.4 km of Alectra Utilities' distribution system on the Y2 section of the YRRT project is required to be relocated underground. Table 3 below provides the breakdown of the sections that are required to be placed underground. Please refer to Alectra Utilities' response to part c) below for an explanation of the reasons why 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 16th Ave
	7	0.600	16th Ave to Weldrick
	8	1.050	Weldrick to Elmwood
Y2.2	6	0.615	Elgin Mills to Canyon Hill
	Total	**3.390**	

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

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

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

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

TAB 4

Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2017-0024

ALECTRA UTILITIES CORPORATION

Application for electricity distribution rates and other charges beginning January 1, 2018

BEFORE: Lynne Anderson
Presiding Member

Allison Duff
Member

Revised: April 6, 2018

corridors for the Enersource RZ and (ii) all of the overhead crossings along the Barrie and Stouffville GO rail corridors for the PowerStream RZ are in conflict with the planned overhead catenary system for the GO electrification. For the Enersource RZ, a total of 28 crossings and seven parallel lines along the Lakeshore and Kitchener corridors have been identified as being in conflict. For the PowerStream RZ, a total of 69 distribution system assets along the Barrie and Stouffville corridors have been identified as being in conflict.

Alectra Utilities further stated that the best option is to convert the crossings from overhead to underground. Alectra Utilities noted that the timeline for the Metrolinx tender is scheduled for 2019 for each of the rate zones and actual construction of the overhead catenary system is expected to start in 2020. Metrolinx has informed Alectra Utilities that several crossings will need to be remediated between 2017-2020 in the Enersource RZ and between 2017-2019 in the PowerStream RZ. Based on the proposed schedule, Alectra Utilities anticipates 10 crossings for the Enersource RZ and 10 to 15 crossings for the PowerStream RZ may need to be remediated in 2018 in order to align with Metrolinx's schedule for construction.

Alectra Utilities stated that as Metrolinx has not finalized the final design and identification of the specific number crossings to be remediated, it has not been possible to develop project costs. Alectra Utilities added that it continues to monitor the progress and timelines of the project schedule, as they are dependent on Metrolinx.

OEB staff opposed the request for two new deferral accounts relating to the Metrolinx Projects stating that the request was not consistent with the OEB's ICM policy. CCC similarly argued that Alectra Utilities could apply for ICM treatment for these projects at a future date. BOMA stated that it opposed the deferral accounts request but indicated that once costs were incurred, Alectra Utilities could apply for a deferral account at that time.

VECC submitted that all of the transit related projects included in the ICM applications should be subject to deferral account treatment. In VECC's view, this included both Metrolinx projects in the PowerStream RZ and Enersource RZ, the YRRT in the PowerStream RZ and the QEW widening in the Enersource RZ.

Alectra Utilities submitted that the Metrolinx projects are appropriate for deferral account treatment as they meet all of the OEB's criteria and were unanticipated. Alectra Utilities submitted that the expenditures will be significantly in excess of the OEB-approved threshold and will be subject to a prudence review at the time of the clearance of the accounts.

Alectra Utilities referred to the OEB's approval of a variance account for Toronto Hydro[67] to track the difference between the amounts included in base distribution rates for third party initiated relocation and expansion capital spending and the amounts actually spent on such work as it occurs over Toronto Hydro's Custom IR term. Alectra Utilities noted that this Toronto Hydro account relates to non-discretionary requests from third parties to relocate parts of its distribution system and the cost and timing are outside of Toronto Hydro's control. Alectra Utilities stated that a draft accounting order is included in the application.[68]

Alectra Utilities further requested that the OEB consider addressing the GO Transit electrification project on a generic basis as it is an issue that will affect approximately one dozen OEB-regulated utilities across four regional municipalities, one county, five cities and five towns.

SEC and CCC suggested that the Metrolinx projects may be more appropriately dealt with through an ICM when details are more clearly defined. BOMA raised concerns that the deferral account approach would circumvent the ICM policy and that costs are not being appropriately shared. Alectra Utilities replied that if the only potential for relief for a distributor is to fund such work through base rates or through an ICM, then the revitalization/electrification of transportation systems will crowd out virtually all other necessary capital work due to the timing and sheer magnitude of the transportation work to be completed.

Findings

The OEB does not approve the new deferral accounts. The OEB has adopted the ICM for incremental funding for capital projects. When more details of these projects are available, including budgets and in-service date, Alectra Utilities can apply for an ICM if it meets the OEB's criteria. To adopt deferral accounts to address the funding of capital would make the ICM materiality threshold calculation meaningless because there would be two different funding mechanisms for incremental capital.

The OEB disagrees with Alectra Utilities that this is an analogous situation to the variance account approved for Toronto Hydro. Toronto Hydro's application was part of a Custom IR application in which cost forecasts are reviewed, not part of an IRM

[67] Decision and Order "Toronto Hydro-Electric System Limited Application for electricity distribution rates effective from May 1, 2015 and for each following year effective January 1 through to December 31, 2019," EB-2014-0116, December 29, 2015.
[68] Application, Attachment 40. Attachment 27 contains the draft PowerStream accounting order.

application. As stated in the Chapter 3 Filing Requirements: “the IRM process is not the appropriate way for a distributor to seek relief on issues which are specific to only one or a few distributors, more complicated relative to issues typical of an IRM application, or potentially contentious.”

The OEB is also concerned about the cost sharing arrangements. Having the electricity distributor pay the majority of costs is not fair to electricity customers and is inconsistent with how cost sharing has been legislated for works on highways.[69] Alectra Utilities should continue its negotiations on cost sharing arrangements.

As to Alectra Utilities’ submission that the OEB open a generic deferral account for Metrolinx projects, and that these projects would crowd out other necessary capital work, there is no evidence on the magnitude of this work for other distributors and whether this will dominate other capital work. Even for Alectra Utilities there is only an approximate estimate at this point because Metrolinx has not defined the final project design and number of crossings yet.

e) Lost Revenue Adjustment Mechanism (LRAMVA)

As part of the Ministry of Energy’s conservation-first policy, distributors have an OEB licence requirement to ensure CDM programs are available to their customers. These programs result in reduced total energy consumption. To address the impact of the reduced consumption, the OEB established a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) to capture a distributor's revenue implications resulting from differences between actual load and the last OEB-approved load forecast. These differences are recorded by distributors at the rate class level.

A distributor may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of its IRM application, if the balance is deemed significant by the distributor. A request for the inclusion of lost revenues from demand response programs as part of the LRAMVA, must be addressed through a rebasing application.

Alectra Utilities has requested disposition of the balances in its LRAMVAs resulting from its CDM activities as of December 31, 2015 for each of the Horizon Utilities, PowerStream and Enersource RZs. The former Hydro One Brampton disposed of the

[69] *Public Service Works on Highways Act.*