



December 17, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Re: Alectra Utilities Corporation (Alectra) - 2019 Electricity Distribution Rate Application
AMPCO's Final Submission
Board File No. EB-2018-0016

Dear Ms. Walli:

Attached please find AMPCO's final submission in the above proceeding.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

(ORIGINAL SIGNED BY)

Colin Anderson
President
Association of Major Power Consumers in Ontario

Copy to: Alectra Utilities Corporation

EB-2018-0016
Alectra Utilities Corporation
Application for electricity distribution rates beginning January 1, 2019
AMPCO Submissions

Alectra Utilities Corporation (Alectra) filed a cost of service application with the Ontario Energy Board (OEB) on June 7, 2018 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Alectra Utilities charges for electricity distribution, to be effective January 1, 2019.

AMPCO's submissions are focussed on the incremental capital funding proposals for each of the Enersource and PowerStream rate zones totalling \$31.572 million. This amount is in addition to the \$58.16 million of ICM funding Alectra requested in 2018 for 22 projects, where \$28.79 million was approved by the OEB. Alectra has appropriately responded to the Board's 2018 Decision and has put forward five projects for ICM consideration in 2019.

The Enersource Rate Zone (RZ) seeks \$10.7 million in incremental capital funding for two projects: Leaking Transformer Replacement Project and Rometown Area Overhead Rebuild. The PowerStream Rate Zone (RZ) seeks \$20.872 in incremental capital funding for two road authority projects and one transformer station.

For the reasons discussed below, AMPCO submits the OEB should approve \$18.772 million in ICM funding for the two mandatory road authority projects. AMPCO is not opposed to the other three projects but submits they should not be funded through ICM.

Enersource Rate Zone

Alectra seeks OEB approval for incremental capital funding through the incremental capital module (ICM) for the Enersource Rate Zone (Enersource RZ), for the following two projects:

- Leaking Transformer Replacement Project; and
- Rometown Area Overhead Rebuild.

Table 155 – 2019 Eligible Capital Projects by Category – Enersource RZ

Project Description	Capital Expenditures
Leaking Transformer Replacement Project	\$7,500,000
Rometown	\$3,200,000
System Renewal	\$10,700,000
Total Enersource RZ Incremental Capital Funding	\$10,700,000

The ICM is intended to address the treatment of capital investment needs that arise during the rate setting plan which are incremental to the materiality threshold.¹ The ICM is a funding mechanism for significant, incremental and discrete capital projects for which a utility is granted rate recovery in advance of its next rebasing application. The OEB's ICM policy established three criteria for ICM eligibility: Materiality, Need and Prudence.

Alectra calculated the materiality threshold for the Enersource RZ resulting in a maximum eligible incremental capital amount of \$38,783,623. Enersource's proposed ICM of \$10.7 million is below this amount. For the reasons discussed below, AMPCO submits the OEB should deny Alectra's request for ICM funding for these two projects.

Enersource RZ Leaking Transformer Replacement Project

In EB-2017-0024, the OEB approved ICM funding of \$8.45 million for the 2018 scope of the Leaking Transformer Project. The Leaking Transformer Replacement Project is in addition to the ongoing annual transformer replacement program which replaces rusting or damaged transformers on a reactive basis, with an annual budget of approximately \$1.1 million from 2017 to 2019, increasing to \$1.4 million in 2022.²

Alectra has 25,329 transformers. From 2013 to 2016, Enersource RZ replaced 2,052 transformers³ identified as showing signs of oil leaks and/or containing PCB. As of January 1, 2017, 2,244 transformers have been identified as showing signs of oil leaks and or containing PCBs. At the end of 2016, Alectra developed a multi-year Leaking Transformer Replacement project to address the remaining 2,244 transformers by 2021.⁴

The OEB noted in its Decision that as part of Enersource's last rebasing application for 2013 rates the OEB approved a capital expenditure of \$1.004 million for a transformer replacement program. The OEB found that it was prudent for Enersource to materially increase its spending on transformer replacements as a result of the new assessment of asset condition. The OEB expects that this project will evolve to be a typical ongoing capital program and may not be eligible for any additional incremental funding in subsequent years.⁵

In this application, Alectra seeks ICM funding of \$7.5 million for the Leaking Transformer Replacement project. Alectra indicates it considered the OEB's findings in the EB-2017-0024 decision and reconfigured the implementation of the project so as to accelerate the evolution of the project into the ongoing capital program. Alectra Utilities determined that 395 of the transformers could be removed from the backlog of transformers being addressed by the project. Alectra will monitor those 395 transformers under its inspection program and will replace them at a slower pace under its ongoing transformer replacement program, starting in 2020. The 2018 scope will address 650 transformers, leaving a backlog of 571 as at the end of 2018. Alectra Utilities plans to complete the 2019 scope of the project, which will address all remaining transformers in the backlog, in order to meet the OEB's

¹ Funding of Capital Report, September 18, 2014 P4

² EB-2017-0024 Attachment #47 P65

³ Types – Kiosk, padmount, padmount 3ph, polemount, vault

⁴ EB-2017-0024 Attachment #47 P59-65

⁵ EB-2017-0024 OEB Decision P58

expectation that the leaking transformer replacement project is evolved into a typical ongoing capital program from 2020 onward.⁶

The tables below show the scope of the Leaking Transformer Replacement Project in EB-2017-0024 compared to EB-2018-0016. The number of transformers to be replaced has decreased by 395 transformers and the schedule has been shortened by 2 years from 2021 to 2019.

Enersource RZ Leaking Transformer Project

	2013	2014	2015	2016	Total	2017	2018	2019	2020	2021	Total Backlog 2017 to 2021
EB-2017-0024	Actual	Actual	Actual	Actual	Actual	Planned	Planned	Planned	Planned	Planned	
# transformers replaced & planned	157	385	735	775	2,052	543	543	543	411	204	2,244
Budget \$M	\$1.395	\$5.624	\$5.472	\$6.973	\$19.464	\$8.45	\$8.45	\$8.45	\$6.40	\$4.27	\$36.02
Unit Cost \$M	\$0.009	\$0.015	\$0.007	\$0.009	\$0.009	\$0.016	\$0.016	\$0.016	\$0.016	\$0.021	\$0.016

	2017	2018	2019	2020	2021	Total Backlog 2017 to 2021*
EB-2018-0016	Actual	Planned	Planned	Planned	Planned	
# transformers replaced & planned	628	650	571	0	0	1,849
Budget \$M	\$7.82	\$8.45	\$7.50			\$23.77
Unit Cost \$M	\$0.012	\$0.013	\$0.013			\$0.013

*395 to be replaced at slower pace as part of Annual Transformer Replacement Program starting in 2020

The Leaking Transformer project began in 2017 and 628 transformers were replaced. As discussed above, at the end of 2017 the backlog was reduced to 1,221 with the removal of the 395 transformers from the scope of the backlog.⁷ It's possible that by the end of 2018, additional transformers will be removed from backlog to be monitored and replaced at a slower pace. If the same amount as 2017 were removed, the 2019 backlog would be reduced from 571 to 176. Any newly identified leaking transformers as of January 1, 2017 have not been added to the backlog and are being addressed as part of the ongoing transformer replacement program.⁸ Alectra considers the leaking Transformer Replacement project to be the same priority as the ongoing Transformer Replacement Program.⁹

It is AMPCO's understanding that Alectra focused first on leaking transformers with PCB oil, as well as transformers with more severe leaking and is now mostly addressing non-leaking transformers with PCB oil and non-PCB transformers with minor leaking. Alectra has determined that over time and without remediation, transformers with minor leaks will continue to deteriorate, causing transformers classified as having minor leaks to become assets classified as having moderate or major leaks.

AMPCO submits it is important for leaking transformers and environmental risks to be addressed by Alectra. However, AMPCO submits the OEB should not approve the Leaking Transformer Replacement project as an ICM. Rather AMPCO submits the remaining backlog of 571 transformers should be

⁶ ERZ-AMPCO-21

⁷ 5-VECC-10

⁸ ERZ-Staff-90 c)

⁹ ERZ-Staff-87 c) ii

monitored and rolled into the ongoing capital Transformer Replacement Program beginning in 2019, one year ahead of Alectra's proposal.

Should the OEB decide to approve ICM funding for the Leaking Transformer Project, AMPCO submits the funding level should be based on the 5-year average historical unit costs for the years 2013 to 2017 of \$10,180 per transformer. This adjustment results in a budget reduction from \$7.5 million to \$5.8 million to replace 571 transformers.

Rometown Area Overhead System Rebuild

Alectra seeks \$3.2 million in ICM funding in 2019 for the Rometown Area Overhead System Rebuild with a forecast in-service date of Q4 2019.¹⁰

On an annual basis, Alectra undertakes overhead rebuild projects in the Enersource RZ. Alectra indicates the Enersource RZ is currently the only rate zone which undertakes overhead rebuilds of this nature. For other rate zones, Alectra addresses overhead rebuild areas as part of Voltage Conversion projects.¹¹

In EB-2017-0024, Alectra sought \$1.95 million in ICM funding in 2018 for two Overhead System Rebuild projects similar to Rometown as follows:

- Lake/John Area Overhead Rebuild - \$0.93 million
- Church Street Area Overhead Rebuild - \$1.02 million

Both of these Overhead Rebuild projects were identified as 2018 Overhead Rebuild projects in the Enersource RZ DSP dated June 30, 2017 that was filed in the EB-2017-0024 application. AMPCO has included the Proposed Overhead Rebuild projects for the years 2015 to 2019 from the DSP as Appendix A.

In its Decision the OEB found that the Lake/John and Church Street Overhead Rebuild projects are not a significant capital cost in comparison to the overall capital budget of Alectra Utilities for 2018 and Alectra Utilities should be able to fund each of these projects through its normal capital budget during the IRM term. No additional funding was approved.¹²

The proposed Rometown Area Overhead System Rebuild project was previously included in the last filed DSP for the Enersource RZ with proposed spending of \$1.85 million in 2019 (See Appendix A).¹³

With respect to the scope of the Rometown Overhead Rebuild project, Alectra originally sought to replace only the problematic conditions in the overhead system in 2019 at a cost of \$1.85 million which included the replacement of 78 poor condition poles out of 198 poles.¹⁴

¹⁰ Ex 2 T4 S11 P14

¹¹ ERZ-AMPCO-15

¹² EB-2017-0024 Decision P55-56

¹³ EB-2017-0024 Attachment #50 P

¹⁴ ERZ-AMPCO-12

Following consultation with its customers Alectra revised the recommended solution and budget to include full replacement of the overhead system in the Rometown area including the replacement of all 198 poles¹⁵ at a cost of \$3.2 million.

As part of the Customer Engagement, customers were provided with the following information and asked to select their closest point of view on the project:

“There are 198 poles in this particular system. 68 out of 198 have been flagged as poor while another 56 are seen to be in fair condition. A total of 78 have been flagged for urgent replacement. This network of poles uses older technologies that will be replaced when the system is eventually rebuilt, but any repairs done today will have to use the older technology. It is more efficient to replace all the poles at once than to replace them one at a time but it costs less in the short run only to replace the poles most in need of repair.”¹⁶

The Final Customer Engagement Report prepared by innovative Research Group provides the following results:

All Enersource customer groups prefer to at least replace the 78 most pressing poles now and large proportions would like to replace all the poles now or replace the existing above ground system with an underground one, even though the cost of these options is much higher.

Enersource RZ	Residential n=501	Small Business n=202	Mid-Market n=200	Large Use n=9
Rometown Overhead				
Replace Reactively <i>Enersource should continue to operate the Rometown overhead system, and replace equipment reactively as it fails</i>	19%	29%	23%	2 of 9
Partial Replacement <i>Enersource should proceed now to replace 78 of the 198 poles in the most pressing need resulting in a monthly increase of (Res: \$0.03 ; SB: \$0.09 ; MM: \$1.51) for the average customer</i>	17%	19%	26%	2 of 9
Full Replacement <i>Enersource should proceed now to replace all 198 poles at a cost of 3.2 million dollars, resulting in a monthly increase of (Res: \$0.05 ; SB: \$0.16 ; MM: \$2.62) for the average customer</i>	28%	18%	28%	3 of 9
Replace with Underground System <i>Enersource should proceed now to replace the Rometown overhead system with an underground system at a cost of between \$12 and 18 million dollars, resulting in a monthly increase of between (Res: \$0.19-\$0.28 ; SB: \$0.61-\$0.92 ; MM: \$9.81-\$14.72) for the average customer</i>	38%	26%	20%	1 of 9
Don't know	8%	8%	4%	1 of 9

AMPCO submits the information provided to customers on the Rometown Overhead Rebuild project is extremely limited and insufficient for customers to make an informed determination on the best way to proceed with a capital rebuild project of this nature. Customers were not told that Alectra intended to only replace the problematic 78 poles now and why. Customers were not told of the life remaining in the rest of the poles and that 64 poles are still in good or very good condition. Customers were not provided with the cost of the partial rebuild. Customers were not provided with the failure data for the

¹⁵ ERZ-AMPCO-14

¹⁶ Attachment #49 P25

area which shows that the last interruption was in 2015 impacting 37 customers.¹⁷ Nor were customers told of the relative impact the partial rebuild and full rebuild on future reliability.

The Final Customer Engagement Report from Innovative Research Group is dated May 29 and Alectra filed its application on June 7, 2019. AMPCO submits the customer preference data Alectra is relying on to change its original plan from a partial rebuild to a full rebuild is weak. AMPCO notes that for the Residential customers surveyed, the responses add up to 110% reflecting an error in the distribution of responses which could impact the outcome. The survey responses from customers is inadequate for Alectra to rely on to revise its recommended solution from a partial rebuild to a full rebuild with a cost increase of \$1.35 million. AMPCO submits a partial rebuild of Rometown better aligns with price as the top priority for the three smaller customer classes and Alectra's objective to deliver reasonable distribution rates.¹⁸

AMPCO is not opposed to a partial overhead rebuild of the Rometown area, but for the reasons discussed below, AMPCO submits the project should be found to be not eligible for ICM funding.

The OEB adopted a second, project-specific materiality test in the Funding of Capital Report, as identified in a decision for Toronto Hydro Electric System Limited (Toronto Hydro)¹⁹. "The project-specific materiality test is as follows: Minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the Board-defined threshold calculation is expected to be absorbed within the total capital budget."²⁰

In its EB-2017-0024 Decision, the OEB found that the basis for a project-specific materiality threshold should be the proposed total capital budget of Alectra, not the capital budget by rate zone. Alectra's overall 2019 capital budget for all rate zones is \$257.3 million.²¹

AMPCO submits the Rometown Area Overhead Rebuild project is recurring capital work and a minor expenditure in comparison to the overall capital budget and Alectra should be able to fund this project through its normal capital budget during the IRM term.

With respect to prudence, the amounts to be incurred must represent the most cost-effective option (but not necessarily least initial cost) for ratepayers. Alectra's original recommended solution was a partial rebuild replacing 78 poles. Alectra was influenced by its customer engagement and changed its plan to a full rebuild replacing all 198 poles. As discussed above, AMPCO's position is that the customer engagement was insufficient for Alectra to make this determination. AMPCO submits Alectra's request for \$3.2 million in incremental capital funding for the Rometown Area Overhead Rebuild should not be approved.

¹⁷ ERZ-Staff-89

¹⁸ Attachment #49 P2

¹⁹ Toronto Hydro-Electric System Limited, "Partial Decision and Order," EB-2012-0064, April 2, 2013

²⁰ Funding of Capital Report, p.17

²¹ Ex 2-3-10 P16

PowerStream Rate Zone

Alectra seeks OEB approval for ICM funding for the PowerStream Rate Zone (PowerStream RZ), for the following three projects: York Region Rapid Transit; Bathurst Ave; and Barrie TS.

Table 112 – 2019 Eligible Capital Projects by Category – PowerStream RZ

Project Description	Capital Expenditures
Road Authority YRRT Yonge St	\$13,272,246
Bathurst Ave from Hwy 7 to Teston Road	\$5,500,000
System Access	\$18,772,246
Barrie TS Upgrade- Metering and Feeder Relocation	\$2,100,000
System Service	\$2,100,000
Total PowerStream Rate Zone Incremental Capital Funding	\$20,872,246

Alectra calculated the materiality threshold for the PowerStream RZ resulting in a maximum eligible incremental capital amount of \$25,510,168. Enersource's proposed ICM of \$20.872 million is below this amount.

For the reasons discussed below, AMPCO submits the OEB should approve two of the three ICM requests in the PowerStream RZ related to the two Road Authority projects. ICM funding for the Barrie TS Upgrade should be denied given its materiality.

Alectra indicates in EB-2015-0003 the OEB approved a net amount of \$7.17 million in 2017 rates for the Road Authority South projects and \$1.49 million in 2017 rates for the Road Authority North project for a total of \$8.66 million for the PowerStream RZ. In 2017, Alectra spent \$4.609 on road authority work excluding YRRT.²² In 2018, Alectra forecasts to spend \$5.44 million excluding YRRT.²³ For 2019, Alectra indicates it requires a net capital amount of \$9.94 million to complete road authority projects that do not include the YRRT and the Bathurst Street project.²⁴ AMPCO accepts Alectra's explanation that its base rates do not include amounts for YRRT, even though YRRT was included in the scope of work in the Road Authority South project summary report in 2015.²⁵

York Region Rapid Transit (YRRT) VIVA Bus Rapid Transit Y2 and H2 Projects

The YRRT project involves the relocation of overhead and underground distribution assets as required to accommodate York Region Rapid Transit Corporation's (YRRTC) Bus Rapid Transit ("BRT") developments", as requested by the YRRT Road Authority, under the Public Service Work on Highway Act (PSWHA).

²² PRZ-SEC-12

²³ Transcript Volume 1 P82

²⁴ PRZ-Staff-62

²⁵ K1.6 P7-8

Since 2010, PowerStream RZ has been relocating plant to support YRRT construction. The current phases under construction are Y2 and H2. Y2 includes two sections along Yonge Street totaling 6.5 km and H2 includes two sections along Highway 7 and adjacent roadways totaling 8.5 km. The Y2 and H2 projects began in 2016 and are forecast to conclude in 2019.

As part of its 2018 IRM application EB-2017-0024, Alectra applied for \$11.24 million in ICM funding for the YRRT project. The OEB approved the ICM funding²⁶ with no deferral account as any uncertainty risk of the project is mitigated because the magnitude of in-service assets for 2018 will be reviewed at the time of rebasing to determine if a true-up is warranted. The forecast in-service date for the 2018 Phase is Q4 2018.

In this application, Alectra seeks \$13.27 million in ICM funding for 2019, an increase of \$8.78 million relative to the 2019 forecast in-service addition budget of \$4.48 million from EB-2017-0024. Although the most recent forecast for 2019 has increased to \$22.7 million, Alectra has not revised its ICM request. Alectra plans to true-up its ICM projects at the time of Alectra's next rebasing, at the project level.²⁷

Alectra Utilities initially forecast to put \$15.1 million in service between 2016 and 2017. During this period, \$2.3 million was put in-service, a difference of \$12.8 million. The delay in placing assets in-service in 2016 and 2017 caused an increase in the forecast of in-service additions of \$1.5 million for 2018 and \$18.2 million for 2019. Alectra indicates the project will be completed in 2019.

The latest forecast for the YRRT project is \$80.747 million, an increase of \$11.745 million from the original estimate of \$69 million. The changes in the in-service budget forecast for the project is provided in AMPCO's Table at Appendix A.

The YRRTC is the road authority overseeing the construction and day-to-day operation of the YRRT project. The scope of the relocation work is determined from designs and construction timelines received from YRRT, RapidLink and EllisDon Capital Inc. and Coco Paving Inc. ("EDCO").²⁸ The project is structured as a Design-Build initiative.

Alectra indicates that due to YRRTC's revisions in the project schedule and sequence of work over time Alectra has been required to modify the project scope and these project scope changes resulted in the \$11.745 million increase to the total project budget. Specifically, Alectra Utilities has been required to modify the project scope to accommodate 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 construction standards.²⁹

Alectra indicates 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

²⁶ EB-2017-0024 Decision P34

²⁷ J1.5

²⁸ Ex 1 T1 S1 P8

²⁹ PRZ-Staff-60

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.³⁰

Alectra further explains that taking proper steps to survey, to measure, to do the designs is more valuable than actually beginning construction early and the most significant lesson is to try to extract as much information before the construction starts, so forecasts are supported by additional information.³¹ From this it appears that the nature of the contract and the changes imposed by YRRTC are difficult to predict and respond to, however, they led to inefficient execution practices that would have contributed to the cost overrun.

At the oral hearing, the issue of capital contributions was discussed as the overall percentage of capital contributions has decreased from 55.4% to 53.2% with the new estimate, and the percentage of capital contributions relative to the increase in in-service additions is significantly less at 40.8%. The concern was whether Alectra negotiated the best outcome to protect customers with respect to capital contributions and lower net costs for the project to be recovered from customers.

In response to J1.1, Alectra provides an explanation for the \$11.745 million increase in in-service additions and the difference in capital contributions. The main driver of the decreased capital contributions relates to the H2-W section. Alectra determined that the most prudent and effective approach on Highway 7 to cross Highway 400 was to underground the crossing. Alectra sought additional funding from the YRRTC, however, the YRRTC was not willing to contribute further. Thus, the incremental costs of placing the crossing underground will be borne by Alectra. The response does not indicate why the YRRTC was not willing to contribute.

AMPCO notes that although the overall capital cost has increased by \$11.745 million (17%), the circuit length in km for the project has decreased by 4.63 km (5.5%); 2.83 km related to underground work and 1.8 km related to overhead work (See Appendix B). AMPCO submits the reasons for the decrease in circuit km relative to the increase in in-service additions should be further reviewed at the true-up of the project.

Given the YRRT work is mandatory under the PSWHA and the project is material to Alectra's operations, and similar funding was approved in 2018, AMPCO submits the OEB should approve the \$13.27 million ICM for 2019.

Alectra intends to prepare a consolidated Distribution System Plan in 2019. AMPCO submits the YRRT project should be reviewed by the OEB in its review of the consolidated DSP.

Bathurst Road Widening from Highway 7 to Teston Road

³⁰ PRZ-Staff-60

³¹ Transcript Volume 1 P72-73

The Regional Municipality of York is widening Bathurst Street from Highway 7 to Teston Road from four to six lanes. The length of the road widening is approximately 6km in the City of Vaughan and Town of Richmond Hill. The PowerStream RZ is required to relocate the overhead distribution system including approximately 121 poles, and underground assets. Utilities are routinely required to relocate electrical infrastructure to accommodate roadwork by the MTO, a municipality or other road authority.

The Bathurst Road widening projects is a multiyear project with a total estimated cost of \$12.5 million with capital contributions of \$4.2 million resulting in a net expenditure of \$8.3 million.³²

Bathurst Street Road Widening	2019 (\$ M)	2020 (\$ M)	Total
Capital Expenditures	7.5	5.0	12.5
Capital Contributions	2.0	2.2	4.2
Net Capital	5.5	2.8	8.3

For 2019, Alectra seeks \$5.5 million in ICM funding to relocate overhead and underground assets based on the current configuration with a forecast in-service date of Q4 2019.³³

Alectra looked at an alternative option of replacing the overhead system with underground feeders which was estimated to cost between \$25 million and \$35 million and was determined to be uneconomical, relative to relocating the overhead system. The Do Nothing alternative and not proceeding with the project would be in direct violation of the Public Service Work on Highway Act ("PSWHA") PSWHA and Section 3.4 of the Distribution System Code.³⁴

AMPCO submits the Bathurst Street Road Widening project is a discrete, mandatory project, unrelated to a recurring annual capital project, and significant to the operations of the utility. On this basis, AMPCO submits this project qualifies for ICM.

However, there is inherent uncertainty related to road widening projects. Timelines for the execution of the road works at Bathurst Street from Highway 7 to Teston Road are determined by Regional Municipality of York. The Region establishes a road work program for each year, but frequent and sudden changes can occur which adds uncertainty to the forecast of spending for these types of projects.

The former PowerStream, first became aware that York Region was interested in road widening Bathurst Street in 2011. In 2015, York Region advised PowerStream that the Bathurst Street project was to increase in scope to end at Teston Road. Further, PowerStream was advised that it would proceed in coordination with the YRRT project, in order to minimize disturbance to commuters. Alectra was initially informed by York Region that the Bathurst Street road construction was to occur in 2020/2021. The posted timeline on the York Region website presently states that construction will begin in 2023. However, Alectra Utilities has been informed by York Region that the Bathurst Street project may be rescheduled back to original timeline of 2020/2021. Further, Alectra Utilities received correspondence from York Region that funds for the utility relocation on Bathurst Street have been budgeted for 2019

³² Attachment #31

³³ Ex 2 T3 S10 P20

³⁴ Attachment #31

and 2020. Alectra Utilities has since been requested to relocate assets that are in conflict in 2019 and 2020.³⁵

Given the uncertainty regarding this project, AMPCO submits a deferral account may be appropriate.

Barrie TS Upgrade

Alectra seeks \$2.09 million in ICM funding in 2019 for the Barrie TS Upgrade with a forecast in-service date of Q4 2019.³⁶

Barrie TS is owned and operated by Hydro One. Hydro One has scheduled a rebuild of the station in 2019, as the station's equipment (i.e., power transformers, switchgear, circuit breakers, switches and ancillary station equipment) have reached end-of-life. Alectra is required to relocate six feeders (13M3-13M8) that service customers in the City of Barrie; reconfigure the Midhurst feeder 23M24; and install new wholesale revenue metering equipment in compliance with Measurement Canada regulations and IESO market rules.

Other options considered included: (i) relocating existing feeder 23M24 from Midhurst and the six feeders (13M3-13M8) to match the breaker line up for the upgraded Barrie TS and utilizing Bus Metering. Alectra Utilities has identified accessibility issues with the existing station bus metering at Barrie TS and determined that bus metering is more expensive solution than feeder metering; and (ii) maintaining the status quo. However, existing feeder integration at Barrie TS cannot be accommodated with the upgraded station because Hydro One will be moving the station egress westward which will pose a conflict with the existing circuit 23M24 circuit and will need to be relocated.

Alectra indicates the recommended option solves the access issues associated with the bus metering and is a more cost-effective option.³⁷ However, Alectra did not provide the costs of other options in order to provide a comparison.

The Barrie TS is a discrete project and is not part of recurring capital programs. AMPCO is not opposed to Alectra's work related to the Barrie TS Upgrade as it is mandatory and needs to be completed to be compliant with Measurement Canada and the IESO Market Rules. However, AMPCO submits the the OEB should not approve incremental funding in 2019 for the Barrie TS Upgrade for two reasons: the project does not pass the project-specific materiality test; and there is uncertainty that the 2019 in-service date will be met.

The Barrie TS Upgrade cost of \$2.09 million is not a significant capital cost in comparison to the \$257.3 million overall capital budget of Alectra for 2019 of and Alectra Utilities should be able to fund this project through its normal capital budget during the IRM term.

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 2019³⁸ as of September 17, 2018. Hydro One is still finalizing its Leave to Construct Application, for filing with the OEB.³⁹ Hydro One is proposing to

³⁵ BOMA-20

³⁶ Ex 2 T3 S10 P19

³⁷ Ex 2 T3 S10 P20

³⁸ CCC-17

³⁹ PRZ-Staff-63

commence construction at the Barrie TS in April 2019. Hydro One has provided a draft layout for the proposed upgraded Barrie TS. Alectra Utilities is currently finalizing the detailed designs of the egress feeder relocations.⁴⁰ Hydro One has not provided Alectra Utilities with an implementation plan for the project.⁴¹ There is a risk that the in-service date could be pushed into 2020. AMPCO submits customers should not bear the risk that the project does not go in-service on time.

Other Considerations

In the event that the OEB does not approve the PowerStream RZ ICM projects, Alectra indicates it would need to reassess other planned projects, and whether, and to what extent, these projects would have to be deferred and the resulting impact on customers.⁴²

As shown in the Table below⁴³, AMPCO notes that the percentage of capital budget allocated to Miscellaneous Projects (under the materiality threshold) has increased from \$27.9 million (26%) in 2018 to \$31.4 million in 2019 (31%).⁴⁴ Details on the nature of this spending has not been provided in this application, however, AMPCO submits there may be an opportunity to redirect discretionary miscellaneous project funds to the Barrie TS project.

Table: Miscellaneous Project Budget for PowerStream RZ

⁴⁰ BOMA-14

⁴¹ BOMA-15

⁴² PRZ-Staff-56

⁴³ EB-2017-0024 Attachment #35; EB-2018-0016 Attachment #33

⁴⁴ AMPCO calculated the % of Miscellaneous projects under General Plant based on the allocation of General Plant Alectra to the PRZ (Attachment #33)

PowerStream RZ Capital		
	2018	2019
Sub Total Material Projects	24,238	32,165
Miscellaneous Projects (under materiality threshold)	7,975	6,364
Total System Access	32,213	38,529
Sub-Total Material Projects	30,887	29,292
Miscellaneous Projects (under materiality threshold)	12,947	8,711
Total System Renewal	43,834	38,003
Sub-Total Material Projects	16,552	7,067
Miscellaneous Projects (under materiality threshold)	3,970	9,978
Total System Service	20,522	17,045
Sub-Total Material Projects	8,657	2,145
Miscellaneous Projects (under materiality threshold)	3,090	6,353
Total General Plant	11,747	8,498
Sub-Total Material Projects	80,333	70,669
Miscellaneous Projects (under materiality threshold)	27,982	31,406
Total 2018 Capital Projects	108,316	102,075
% Miscellaneous Projects	26%	31%

In addition to the above, AMPCO notes that the PowerStream RZ's 2019 proposed capital budget of \$102.1 million is below the 2017 OEB approved budget, meaning that it should be able to accommodate the 2019 capital spend within the 2019 Price Cap IR adjustment. The 2019 capital expenditure as provided in PowerStream's DSP for 2019 was \$125.5 million.

In the EB-2017-0024 Decision, the OEB stated "The OEB recognizes that because the ICM materiality threshold formula is based on the ratio between a utility's approved rate base and depreciation, it can lead to circumstances in which there is eligible ICM capital even though the capital spending in the year of the ICM is lower than the last OEB-approved capital spending. While this does not disallow an ICM outright, this is a consideration when determining whether a project is significant to operations, and outside of the base upon which the rates were derived."

AMPCO submits these points further support AMPCO's position that no ICM funding should be approved for Barrie TS.

Appendix A

YRRT Y2/H2 In-Service Budget Forecast as of August 31, 2018 compared to Original Forecast

*EB-2017-0024 Attachment #33 Table 3 P10

** EB-2018-0016 PRZ-Staff-60 P2 Table 2

Y2	2016		2017		2018		2019		Total		Variance
	Forecast*	Actual**	Forecast*	Actual**	Forecast*	Revised Aug 31**	Forecast*	Revised Aug 31**	Forecast Total*	Revised Aug 31**	
Gross Capital	4,893.0	0.0	16,000.0	100.0	12,700.0	12,698.0	7,300.0	38,572.0	40,893.0	51,370.0	
Contributed Capital	2,574.5	0.0	8,000.0	50.0	6,350.0	7,057.0	3,650.0	19,478.0	20,574.5	26,585.0	
Net Capital	2,318.5	0.0	8,000.0	50.0	6,350.0	5,641.0	3,650.0	19,094.0	20,318.5	24,785.0	
H2											
Gross Capital	516.9	0.0	11,713.6	5,284.0	12,713.7	15,463.0	3,165.0	8,630.0	28,109.2	29,377.0	
Contributed Capital	466.7	0.0	7,007.7	3,036.0	7,820.5	8,359.0	2,326.9	5,012.0	17,621.8	16,407.0	
Net Capital	50.3	0.0	4,705.9	2,248.0	4,893.2	7,104.0	838.1	3,618.0	10,487.5	12,970.0	
Total YRRT											
Gross Capital	5,409.9	0.0	27,713.6	5,384.0	25,413.7	28,161.0	10,465.0	47,202.0	69,002.2	80,747.0	11,744.8
Contributed Capital	3,041.2	0.0	15,007.7	3,086.0	14,170.5	15,416.0	5,976.9	24,490.0	38,196.3	42,992.0	4,795.7
Net Capital	2,368.7	0.0	12,705.9	2,298.0	11,243.2	12,745.0	4,488.1	22,712.0	30,805.9	37,755.0	6,949.1
Variance		-2,368.7		-10,407.9		1,501.8		18,223.9		6,949.1	

Appendix B

										2016 to 2017 Actual & 2018 to 2019	
YRRT Project	2016		2017	2017	2018	2018		2019		2016 to	
Circuit Length	Forecast	2016 Actua	Forecast	Actual	Forecast	Revised Aug 31	2019 Forecast	Revised Aug 31	Forecast	Forecast	Variance
U/G km	4.74	0.24	16.51	2.00	4.40	11.16	1.64	11.06	27.29	24.46	2.83
O/H km	4.50	4.24	25.25	21.73	19.73	20.17	6.86	8.40	56.34	54.54	1.80
	9.24	4.48	41.76	23.73	24.13	31.33	8.50	19.46	83.63	79.00	4.63

Ref: PRZ-AMPCO-1; PRZ-AMPCO-2; J1.3; J1.4