EB-2019-0018

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, *1998*, S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF an Application by Alectra Utilities Corporation for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2020.

INTERROGATORIES FROM THE

SCHOOL ENERGY COALITION

SEC-1
[Ex. 1, Tab 2, Schedule 1, p. 1] Please provide a detailed breakdown of the OM&A savings for each of the years from 2020 until rebasing for each of the projects listed in the DSP. Please provide details of the assumptions relied on in forecasting the relevant OM&A savings.

SEC-2
[Ex. 1/2/1, p. 1] Please provide a detailed breakdown of the reliability improvements arising in each of the years from 2020 until rebasing for each of the projects listed in the DSP. Please provide details of the assumptions relied on in forecasting the relevant reliability improvements.

SEC-3
[Ex. 1/2/1, p. 1 and 1/3/1, p. 1] Please explain why, if a new capital plan demonstrates that more capital spending is needed than was expected at the time of the merger, the Applicant does not apply for rebasing of all of its revenue requirement to include increased capital spending.

SEC-4
[Ex. 1/3/1, p. 1; Tr.1:54] Please provide a detailed concordance showing the planned capital spending in the DSP relative to the planned capital spending of each of the Alectra predecessors (either DSP, or capital plan if the DSP was incomplete or out of date), with a detailed explanation as to the reasons for the changes in capital spending plans from predecessors to merged entity.

SEC-5
[Ex. 1/3/1, p. 2] Please provide a detailed forecast of billing determinants, by rate class, for the period 2020-2024. Please also provide a detailed breakdown of the new loads and revenues arising in each of the years from 2020 until rebasing dependent upon the

capital spending listed in the DSP. Please provide details of the assumptions relied on in forecasting the new loads and revenues.

SEC-6
[Ex. 1/3/1, p. 3 and 2/1/2, p. 9] Please confirm that cost/price remains the top priority of the Applicant's customers.

SEC-7
[Ex. 1/3/1, p. 3] Please confirm that the Applicant considers that the "capital funding available in Alectra Utilities' base rates" excludes any merger savings. Please confirm that the Applicant considers that any merger savings are not available during the deferred rebasing period to fund capital spending.

SEC-8
[Ex. 1/3/1, p. 3 and Appendix 3] Please confirm that the Applicant is asking the Board to approve recovery from customers in rates of an additional $265 million of capital expenditures, plus related interest, ROE, and PILs. Please estimate the total amount of incremental rate recovery that will be paid by customers, over the entire life of the incremental capital assets, if the Application is approved as filed.

SEC-9
[Ex. 1/3/1, p. 3] Please provide details of the "unfunded capital from prior periods", and quantify the amounts of that unfunded capital.

SEC-10
[Ex. 1/3/1, p. 3] Please provide details of the "other incremental costs…not funded", and quantify the amounts of those unfunded costs for each of the years from 2020 until rebasing.

SEC-11
[Ex. 1/3/1, p. 4] Please explain why, if the Application for M-factor "adheres as closely as possible to the OEB's ICM policy", the Applicant is not willing to rely on the ICM policy for incremental capital funding. Please provide a detailed quantitative comparison, by year, of the funding (total rate riders, and total incremental capital spend) requested under the M-factor compared to the funding available using the ICM.

SEC-12
[Ex. 1/3/1, p. 5] The Applicant has proposed a Capital Investment Variance Account in tandem with the M-factor. In this context:

a) Please confirm that, if the Applicant spends more than the capital expenditures included in the M-factor forecasts, the Applicant is at risk for whether those capital expenditures were prudent, and there is no presumption in favour of prudence.
b) Please confirm that, if the Applicant spends more than the M-factor forecasts, the onus will be on the Applicant to demonstrate that they had no reasonable alternative but to overspend.

c) Please describe how the Applicant's capital planning decision-making will differ between spending within the M-factor envelope, and spending above it, in light of the increased risk of non-recovery.

SEC-13
[Ex. 1/3/1, p. 6] Please explain in detail how the Applicant is different from other Ontario LDCs that can spend within IRM levels without being "overwhelmed by a growing backlog of deteriorated, unreliable, and, in some cases, potentially unsafe equipment". If the Applicant cannot explain and quantify such differences, please explain why, and please explain what capital spending benchmarking to other Ontario LDCs the Applicant has done to understand why it, unlike some of its peers, needs more money.

SEC-14
[Ex. 1/3/1, p. 6 and 2/1/2, p. 2] With respect to these references:

a) Please explain why the Applicant has allowed a situation to arise in which "the utility is increasingly required to conduct work on an emergency basis because of the quality of service has deteriorated far below acceptable levels".
b) Please provide details of the work the Applicant has failed to do prior to this Application that has caused "the reliability of Alectra Utilities' distribution system" to decline, and explain why that work was not done either properly, or in a timely manner.
c) Please explain in detail any management failures that have contributed to the "declining reliability".
d) Please provide any internal or external reports, memoranda, presentations, or other documentation dealing with the causes of that declining reliability, and/or the Applicant's plans to address it.

SEC-15
[Ex. 1/3/1, p. 7] Please confirm that, for this additional capital funding using the M-factor, the Applicant is not proposing any improved outcomes for customers, only reduced declines in those outcomes.

SEC-16
[Ex. 2/1/1, p. 3] Please provide a detailed list of the capital projects that the Applicant has not implemented as a result of the last two EDR decisions by the Board that have "frustrated [Alectra's] expectations", and provide details of the actual past and forecast future impacts on customers and other outcomes arising out of failure to complete those projects.

SEC-17
[Ex. 2/1/2, p. 3] Please provide data supporting the assertions that past capital spending bulges are now causing extra current capital spending requirements. With respect to underground cables in particular, please provide a table showing all underground cable spending by the Applicant and its predecessors for each of the years in the period 1950 to date.

SEC-18
[Ex. 2/1/2, p. 4] Please provide detailed tables showing past and future growth in the Alectra service territory relative to growth in other Ontario LDCs, and through that data demonstrate that the Applicant has unique “needs in the areas of new greenfield development and urban development and intensification” that are not being experienced by other Ontario LDCs.

SEC-19
[Ex. 2/1/2, p. 9; Tr.1:20] Please provide whatever evidence the Applicant may have that customers told them or their advisors that they were willing to accept sustained rate increases well above inflation for many years with no improvement in their outcomes.

SEC-20
[Ex. 2/1/2, p. 10] Please confirm that, after its full slate of customer engagement activities, the Applicant reduced its five year capital plan by less than 1.3%.

SEC-21
[Ex. 2/1/3, p. 1] Please confirm the Applicant’s position that, because it is filing a DSP without rebasing, it should be entitled to a cost of service adjustment to rates for capital only, without consideration of the full revenue requirement of the Applicant.

SEC-22
[Ex. 2/1/3, p. 5] Please explain in detail how the proposed M-factor, coupled with PCI increases, is different from Custom IR.

SEC-23
[Ex. 2/1/3, p. 8] Please explain in detail how the Board’s decisions in EB-2017-0024 and EB-2018-0016 changed the Board’s ICM policy in ways not known to the Applicant and its predecessors at the time it decided to a) proceed with the merger and b) select a ten year deferred rebasing period.

SEC-24
[Ex. 2/1/3, p. 9] Please confirm that the same regulatory efficiency could be achieved by applying for five years of ICM in a single application.

SEC-25
[Ex. 2/1/3, p. 9] Please provide a detailed list of the projects in the DSP that could be funded as ICM projects in each of the years 2020 to 2024. For each such project, please provide details to demonstrate that it qualifies for ICM treatment, and provide a full business case (or, if one is already in the evidence, the evidence reference for the business case for that project).

SEC-26
[Ex. 2/1/3, p. 13, 15] Please confirm that the Applicant is seeking the Board’s approval to spend $1.4565 billion on capital in the period 2020-2024, and approval for management to use its judgment in what projects to pursue, as long as they are prudent. Please advise the amount of merger savings that has been deducted, each year, in arriving at that figure. If merger savings have not been deducted from the

$1.4565 billion figure, please advise the actual capital spending forecast in each year, after merger savings are taken into account.

SEC-27
[Ex. 2/1/4, p. 1] Please confirm that the CIVA is not required if the Board does not approve the M-factor.

SEC-28
[Ex. 2/1/5, p. 3; Tr.1:36] Please explain why, if it is "inappropriate for the Board to choose isolated issues for rebasing", it is nevertheless appropriate to provide additional capital funding on a cost of service basis, without rebasing the other parts of revenue requirement.

SEC-29
[Presentation Day Tr.1:4] Please identify and quantify each of the "financial pressures" that were "unforeseen" at the time of the merger.

SEC-30
[Tr.1:7] Please provide a table showing, by asset category, the percentage of assets in that category that are past their useful life expectancy. Please calculate the percentages both on the basis of units (e.g. # of assets) and dollars (gross book value)

SEC-31
[Tr.1:8, 44] Please provide details of the merger savings "promised in the MAADs application", and compare them (disaggregated between capital and operating costs) year by year to the actual merger savings to date and the currently forecast merger savings for the remaining years of the deferred rebasing period.

SEC-32
[Tr.1:8] Please provide a detailed explanation of the reasons why the Applicant has "aging grid assets that are failing at an unacceptable rate and causing frequent and unnecessary power outages on our system". Please include in the explanation details of why management has failed to take steps to solve these problems before now. Please also include in the explanation details of the extent, if any, to which those problems were forecast in past years, including when they were forecast and what steps were taken to change those outcomes.

SEC-32
[Tr.1:9-10, 12] Please provide a specific evidence reference in past proceedings for each of:

a) $50.5 million annual reduction in costs;
b) 14 percent of the consolidated OM&A base;
c) $69 million of revenue requirement reduction;
d) $400 million in customer revenue savings;
e) An outcome that favoured customers 2 to 1;
f) $100 million…realized within the deferred rebasing period;
g) Forecast ICM revenue…of $168.4 million;

h) Aggregate capital investment of approximately $588 million, or $60 million a year.

SEC-33
[Tr.1:12, 56] Please confirm that the Board has not, at any time, approved the capital spending underlying the forecasts in EB-2016-0025. If the Applicant believes that capital spending has been approved by the Board, please provide the evidentiary reference supporting that claim.

SEC-34
[Tr,1:13] Please confirm that management of the Applicant has made deliberate decisions not to invest in "projects needed to maintain its distribution system", despite knowing that the result of those decisions would be "declining reliability". Please provide all reports, memoranda, presentations and other documents supporting those decisions. Without limiting the generality of the foregoing, please provide details of all instances in which such decisions to choose declining reliability have been approved by the Board of Directors of the Applicant, and all supporting documentation relating to those approvals.

SEC-35
[Tr.1:13] Please provide the forecast capital spending (by category), regulatory ROE, capital and operating merger savings, and shareholder dividends, for each of the years 2020 through 2024, in each of the following scenarios:

a) The M-factor proposal is approved by the Board as filed;
b) The Board does not approve the M-factor proposal, but allows the Applicant to apply for ICM treatment of projects that qualify consistent with the 2018 and 2019 cases; and
c) The Board does not approve the M-factor proposal, and the Applicant has no incremental capital funding for 2020 to 2024.

SEC-36
[Tr.1:14-16; KP1.1, p.8] Please explain how the discussion of capitalization policy relates to the M-factor proposal.

SEC-37
[Tr.1:24, 25] Please explain why management of the Applicant and its predecessors allowed customer interruption hours to increase by 44%. What steps did the respective Boards of Directors take to improve the quality of management decisions as this situation was developing?

SEC-38
[Tr.1:28, 34] Please confirm that, as a result of the "successive applications over a decade or more", resulting in reaching a sustainable level of investment by 2030", this protracted period of rate increases will result in customers getting no reduction in rates when the deferred rebasing period is over. If that is not the case, please reconcile many years of high rate increases with an eventual ratepayer benefit from the merger.

SEC-39
[Tr.1:31] Please provide an explanation as to how the Applicant determines whether to treat costs as merger-related costs (for example, connecting the systems of two rate zones) and whether to treat benefits as merger-related savings (for example, "mitigating the need to build a new municipal station"). Please provide sufficient examples of both merger-related and non-merger-related so that the Board and parties can understand how the Applicant is drawing this line with respect to both operating and capital assets.

SEC-40
[Tr.1:31] With respect to "equipment that is associated with controlling, monitoring, and protecting core system assets", please explain why management of the Applicant and its predecessors has allowed "much of this equipment" to become "deteriorated and obsolete". What steps did the respective Boards of Directors take to improve the quality of management decisions as this situation was developing?

SEC-41
[Tr.1:32] Please explain the terms "passive secondary containment" and "geo-synthetics materials".

SEC-42
[Tr.1:33] Please provide a detailed explanation of the factors and reasoning that the Applicant will use during the remainder of the deferred rebasing period to decide each year between:

a) "deferral of essential renewal investments", and
b) reduction of dividends paid to shareholders.

SEC-43
[Tr.1:35] Please confirm that the Applicant still wishes to retain the benefits of the MAADs Policy (such as ten year deferred rebasing), without the conditions the Board placed on that Policy (e.g. additional capital funding by ICM only).

SEC-44
[Tr.1:42] Please explain how customers benefit from "cost savings" if utilities are allowed to have many years of large rate increases during the deferred rebasing period.

SEC-45
[Tr.1:43] The Board's ICM Policy, adopted in the MAADs Policy, says *"The Board is of the view that projects proposed for incremental capital funding during the IR term must be discrete projects, and not part of typical annual capital programs."* Please confirm that the Applicant is asking the Board to determine expressly that this policy should not apply to the Applicant. Please provide a detailed explanation as to why this policy should apply to other LDCs, but not to the Applicant, including specifics as to how the Applicant is materially different from other LDCs in a manner relevant to the applicability of this Board policy.

SEC-46
[Tr.1:44] Please confirm that the HOBNI distribution system has not declined in value since the Applicant acquired it. If not confirmed, please provide evidence of that decline

in value. If confirmed, please explain why the Applicant needs merger savings to cover the cost of an asset that continues to be worth as much as or more than its purchase price, and is still owned by, and producing revenue for, the Applicant.

SEC-47
[Tr.1:46] Please confirm that the Applicant has not, either in the Application or in the DSP, identified specific projects each year that are incremental to the projects funded by base rates. If the Applicant believes it has identified specific projects, please provide the evidence reference.

SEC-48
[Tr.1:46] Please identify where in the Application the "bill impact ceiling test" is described.

SEC-49
[Tr.1:49] Please reconcile the statement "*I think our view is if those capital needs are prudent, you know, shouldn't customers pay for them? That's the nature of cost-of-service regulation*." with the principle that, in IRM (including IRM during a deferred rebasing period), costs are decoupled from rates.

SEC-50
[Tr.1:53] On the Presentation Day, the Applicant said "*I'd also offer that, you know, as we look at the MAADs policy back in 2015 that I referenced -- I think it's, you know it's a 15-page document, something like that -- I don't expect that when Alectra came forward with a transaction to consolidate four entities that was necessarily what was contemplated in the policy, and as well, I don't necessarily expect that, you know, collectively through the stakeholdering and otherwise we would have necessarily had it all figured out*." Please advise whether the Applicant is proposing that the MAADs Policy be changed to add the M-factor proposed in this Application. If so, what notice should be provided to other stakeholders, including other utilities, of a proposed change in that Board policy.

SEC-51
[Tr.1:55] Please provide evidence that reactive replacements on average cost three or four times more than planned replacements.

SEC-52
[Tr.1:55] Please provide a complete list of all past Board decisions related to the Applicant and its predecessors that provided "inadequate funding" for the capital spending.

SEC-53
[KP1.1, p. 17] Please provide the numerical data behind the graph, in Excel format.

SEC-54
[KP1.1, p. 23] Please provide the numerical data behind the graph, in Excel format.

SEC-55
[KP1.1, p. 24] Please provide the numerical data behind the graph, in Excel format.

SEC-56
[KP1.1, p. 26] Please confirm that the direct causes of "*Alectra customers suffering from the lack of secure, sufficient funding*" is a) the merger, and b) the decision of the Applicant to defer rebasing for ten years in order to maximize the excess profits available for shareholders.

SEC-57
[KP1.1, p. 27] Please confirm that the following are the forecast annual impacts on a GS>50 customer with 100 kW of monthly demand arising out of the M-factor proposal, over and above any PCI or other increases:

GS>50; 100 kW demand	2020	2021	2022	2023	2024	Total
Enersource	$32.76	$47.88	$92.28	$144.96	$247.32	$565.20
Brampton	$63.48	$72.00	$116.64	$156.48	$180.36	$588.96
Horizon	$64.68	$110.40	$164.40	$206.52	$271.68	$817.68
Powerstream	$67.92	$105.12	$150.48	$252.84	$313.92	$890.28
Guelph	$5.76	$18.24	$44.88	$72.48	$88.32	$229.68

Please confirm that the Applicant is asking for Board approval to bill the approximately 1,000 schools Alectra serves an incremental amount for M-factor riders of more than $750,000.

SEC-58
[KP1.1] Please confirm that Mr. Bentz, Mr. Cananzi, Mr. Basilio, and Ms. Butany-Desouza will provide their presentation day oral statements (including answers to questions) and their Powerpoint presentation, to the Board as witnesses, under oath, and subject to cross-examination. If any of the four will not make the same statements under oath, and subject to cross-examination, please explain why they are not willing to do so.

Respectfully submitted on behalf of the School Energy Coalition this August 13th , 2019.

Jay Shepherd
Counsel for the School Energy Coalition