



Reply to the Attention of: Mike Richmond
Direct Line: 416.865.7832
Email Address: mike.richmond@mcmillan.ca
Our File No.: 267730
Date: August 16, 2019

BY RESS AND COURIER

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Mrs. Walli,

**Re: EB-2019-0018
MANA M-Factor Interrogatories**

Please find attached the further M-Factor Interrogatories submitted on behalf of intervenors Max Aicher (North America) Ltd. and Max Aicher (North America) Bloom Mill, which have also been submitted via RESS.

Yours truly,

A handwritten signature in black ink that reads "Mike Richmond". The signature is cursive and fluid.

Mike Richmond

ONTARIO ENERGY BOARD
IN THE MATTER OF the *Ontario Energy Board Act, 1998*, being
Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Alectra Utilities
Corporation to the Ontario Energy Board for an Order or Orders
approving or fixing just and reasonable rates and other service
charges for the distribution of electricity as of January 1, 2020

INTERROGATORIES
on behalf of
MAX AICHER (NORTH AMERICA) LTD.
and MAX AICHER (NORTH AMERICA) BLOOM MILL

Max Aicher (North America) Ltd. and Max Aicher (North America) Bloom Mill incorporate by reference interrogatories 1-MANA through 36-MANA made prior to the IRM Interrogatory deadline as M-Factor interrogatories.

Interrogatory 37

Reference

Section 5.2.2.2 of the DSP states that Alectra Utilities has no historical surveys because it is new.

Questions

Did Horizon have any historical survey information with respect to customer preferences? If so:

[37-MANA-1]

Please provide it.

[37-MANA-2]

Did Alectra Utilities consider how Horizon's historical survey information aligned with its new survey information? How did it perform this consideration? What were the results of this consideration?

Interrogatory 38

Reference

Page 4 of Exhibit 1, Tab 3, Schedule 1 states that without M-Factor funding, critical investments would need to be deferred beyond 2024, resulting in: an increasingly deteriorated distribution system; decreasing reliability; increasing reactive expenditures; and greater renewal costs in the long term.

Questions

[38-MANA-1]

How were these impacts determined to exist?

[38-MANA-2]

To what extent and by what measure will reliability be decreased if the M-factor funding is not granted? Please respond with precise metrics.

[38-MANA-3]

To what extent and by what measure will reactive expenditures be increased if the M-factor funding is not granted? Please respond with precise metrics.

[38-MANA-4]

To what extent and by what measure will renewal costs be increased if the M-Factor is not granted? Please respond with precise metrics.

[38-MANA-5]

What studies, reports or other information support the aforementioned impacts and metrics?

Interrogatory 39

Reference

During the M-Factor Presentation, Mr. Bentz asserted at Page 4, Line 6 of the Presentation Day Transcript that M-Factor funds are necessary “to facilitate load growth”. He repeated that “load growth” was a target for spending at Page 8, Line 7 of the Presentation Day Transcript. He stated for a third time that M-Factor funding would allow Alectra “to accommodate load growth”, at Page 8, Line 21 of the Presentation Day Transcript. But when Board Member Anderson asked about load growth, Ms. Butany-DeSouza stated first, at Page 51, Line 8, that “load continues to decline”; and later claimed, at Page 51, Line 21, that “Load is pretty stable”.

Questions

[39-MANA-1]

Is Alectra’s load growing, as Mr. Bentz claimed three times? Or is it declining, as Ms. Butany-DeSouza claimed? Or is it pretty stable, as Ms. Butany-DeSouza also claimed?

[39-MANA-2]

Please provide total load volumes in each of the Alectra (and legacy utility) territories for the last 5 years.

Interrogatory 40

Reference

Slide 28 of the Alectra M-Factor Presentation filed on August 7, 2019 states that there will be no project-specific materiality threshold.

Questions

[40-MANA-1]

What ability will the OEB have to limit expenditures on specific projects, if any?

Interrogatory 41

Page 6 of Exhibit 1, Tab 3, Schedule 1 refers to the M-factor as “an enhancement to the OEB’s current rate making methodology, which is specific to the circumstances of a consolidated utility preparing and filing a consolidated utility preparing and filing a consolidated DSP”.

Questions

[41-MANA-1]

Does this mean that the rate increase related to the M-Factor would not have occurred but for the Alectra Utilities amalgamation?

[41-MANA-2]

Which other utility consolidations have necessitated an M-Factor “enhancement”?

[41-MANA-3]

Have any other consolidated utilities been able to satisfy their post-consolidation capital requirements without an M-Factor “enhancement”? Please list them.

Interrogatory 42

Page 3 of Exhibit 2, Tab 1, Schedule 1 acknowledges the OEB’s view that Alectra Utilities would benefit from cost savings from the amalgamation.

Questions

[42-MANA-1]

Has amalgamation resulted in additional cost rather than savings?

[42-MANA-2]

What quantum of savings or loss did Alectra Utilities believe would be saved or lost by amalgamation prior to the occurrence of the amalgamation?

[42-MANA-3]

What quantum of savings or loss does Alectra Utilities now believe is being saved or lost by amalgamation?

Interrogatory 43

Reference

During the M-Factor presentation, at Page 23, Line 11 of the Presentation Day Transcript, Mr. Cananzi stated that DSP funds must be spent on development and intensification in Alectra territory, which he later clarified at Page 51, Line 27 refers to growth.

Questions

[43-MANA-1]

Regardless of the impact of such development and intensification on load volumes, does connecting new customers have any impact on Alectra's revenues, for example in the form of customer charges or other non-volumetric charges?

[43-MANA-2]

Please describe the impact of new customers on revenues in detail, with specific figures to the number of expected new customers and the amount of expected new revenues from non-volumetric charges from such new customers.

[3MANA-3]

Where is the addition of customers and impact on total load usage reflected in Alectra's application?

[43-MANA-4]

Why is this spending necessary from existing customers when it will result in Alectra obtaining new customers and therefore new sources of revenue?

Interrogatory 44

Reference

During the M-Factor presentation, at Page 4, Line 9 of the Presentation Day Transcript Ms. Butany-DeSouza stated that the 5-year M-Factor provides 5-year rate certainty for customers.

Questions

[44-MANA-1]

On what basis should customers believe that the M-Factor will provide them with rate certainty when the ICM and rate rebasing deferral were supposed to perform that function?

Interrogatory 45

Reference

During the M-Factor presentation, Mr. Cananzi advised, at Page 55, Line 1 of the Presentation Day Transcript, that Alectra had found “accelerating degradation”.

Questions

[45-MANA-1]

Why was this accelerating degradation not identified in legacy DSPs?

[45-MANA-2]

Where was this identified in the MAAD application?

Interrogatory 46

Reference

Exhibit 5, Attachment 1, indicates an actual Return on Equity for Alectra of 7.66% in 2018, and a deemed Return on Equity of 8.94%.

During the M-Factor Presentation, Mr. Bentz asserted, at Page 5, Line 19 of the Presentation Day Transcript, that the requested M-Factor funding was to support investment in “certain capital expenditure needs”.

He also asserted an interest in “being sensitive to the impact that these investments have on customer bills” (Page 6, Line 11) and in keeping rates “as low as possible” (Page 7, Line 3).

Questions

[46-MANA-1]

If the M-Factor is approved and the DSP is subsequently implemented using, in part, funds collected as M-Factor charges, will Alectra and its shareholders earn (or is the goal for Alectra and its shareholders to earn) a Return on Equity on the additional capital spending which is outlined in the proposed DSP and funded by M-Factor? For the purposes of this question, Alectra can assume that its total ROE does not exceed the 8.94% deemed ROE by more than 300 bps (ie does not exceed 11.94%).

[46-MANA-2]

What is the rate of ROE that Alectra expects to earn on DSP capital spending funded by M-Factor? Is it between 7.66% and 8.94%? Is it between 7.66% and 11.94%?

[46-MANA-3]

Using the ROE rate or range given in response to 47-MANA-2, what is the expected return, in dollars, that Alectra or its shareholders can expect to earn on DSP capital spending funded by M-Factor, over the 5 year term of the DSP?

[46-MANA-4]

In its customer engagement process, did Alectra ask whether, and did customers respond that, Alectra's Return on Equity was one of their preferences or priorities? Please advise where on in the materials such customer preferences or priorities appear.

[46-MANA-5]

Would Alectra classify its Return on Equity as a "capital expenditure need"?

[46-MANA-6]

Is the sole impetus for Alectra's M-Factor proposal just the factors discussed in the M-Factor Presentation (e.g. improve reliability by renewing aging assets and preparing for severe weather, and reacting to community development and growth), or is the M-Factor proposal in any way – even in part – driven by an interest in increasing profits, returns or dividends for Alectra and its shareholders?

[46-MANA-5]

If increasing their profits, returns or dividends is not in any way a factor in or reason behind Alectra's M-Factor proposal, in the interest of keeping rates "as low as possible", will Alectra consider voluntarily reducing the ROE on the M-Factor funded items to 0% (for example, by reducing the M-Factor amount collected by 7.66%, but without reducing the amount of spending under the DSP), so that an additional 7.66% can be spent to improve reliability for customers rather than for shareholder dividends, executive compensation or other non-capital spending?