

EP-6

Reference: Exhibit 2, Tab 1, Schedule 6, Page 1

Preamble: "...for the purposes of the ESM calculation, the representative approved OEB ROE for Alectra Utilities would be calculated using the weighted average, weighted by the OEB-approved rate base amounts for each RZ (from the most recent OEB-approved rebasing application for each predecessor company) as at the time of Alectra Utilities' formation in 2017."

Question:

- a) Since the ESM proposal is based on a weighted average, what happens if one RZ exceeds 300 BP ROE and the others do not? Does Alectra agree, or not, that sharing among Rate Zones would result in cross subsidies. Please discuss from a fairness/ratemaking perspective.**
- b) Confirm that 300 BP is the normal off-ramp trigger under IRM. How does this work with the ESM?**

Response:

1 a) Alectra Utilities' considers its earnings on a single entity basis, which is consistent with the
2 expectations of the OEB. As stated in the Alectra MAADs Decision, dated December 8,
3 2016, the OEB's expectation is that Alectra Utilities moves as quickly as possible to operate
4 as one company. Moreover, in the Report of the Board: Rate Making Associated with
5 Distributor Consolidation (EB-2014-0138), the OEB states that "[it] believes that it is in the
6 best interest of consumers to have consolidating entities operate as one entity as soon as
7 possible after the MAADs transaction."¹ (emphasis added)

8
9 Consequently, since its consolidation and formation in February 2017, Alectra Utilities has
10 moved quickly to operate and report as one company. Alectra Utilities earnings are on a
11 single entity basis such that there is only one achieved ROE, that of Alectra Utilities.
12 Therefore, the consolidated achieved ROE will be compared to a deemed ROE against
13 which the earnings sharing may be determined. The deemed ROE is calculated based on

¹ (EB-2014-0138), March 26, 2015, page 6

1 the weighted average of the approved ROEs for the individual RZs, weighted on the basis of
2 the approved rate base amounts for each RZ at the time of the consolidation.

3
4 Alectra Utilities does not agree that sharing among the rate zones is unfair or that it results
5 in cross-subsidies. It is prudent and fair, and required based on OEB policy, to evaluate the
6 merger based on the economics of the new combined entity.

7
8 b) Alectra Utilities confirms that the normal off ramp trigger during the IRM period is 300 basis
9 points above the regulated ROE. The OEB requires consolidating entities that propose to
10 defer rebasing beyond five years to implement an Earnings Sharing Mechanism for the
11 period beyond five years. During that period, earnings that are in greater than 300 basis
12 points above the consolidated entity's regulatory ROE will be shared with consumers on a
13 50:50 basis. This is consistent with the OEB's March 26, 2015 *Report of the Board: Rate-*
14 *Making Associated with Distributor Consolidation*², as well as the Alectra MAADs Decision³,
15 in which the OEB accepted LDC Co's proposal for an ESM for years 6-10 of the rebasing
16 deferral period for earnings that were greater than 300 basis points above the regulated
17 ROE.

² EB-2014-0138, page 7

³ EB-2016-0025/0360, Decision and Order, p.p. 16-19

EP-10

Reference: Exhibit 2, Tab 1, Schedule 4, Page 12

Question:

- a) Please file the CDM Wind Down Resource Plan.**
- b) Please provide a table of total CDM FTEs and total CDM headcount, listing permanent, part time and contract employees, and average compensation per employee, and severance per employee.**

Response:

- 1 a) Please see Alectra Utilities' response to G-Staff-5.
- 2
- 3 b) Please see Alectra Utilities' response to G-Staff-5.

EP-15

Reference: Exhibit 3, Tab 1, Schedule 2, Page 2, Table 24

Preamble: “Alectra Utilities and the Parties reached a Settlement Agreement on the ESM for the Horizon Utilities RZ. The Parties agreed that the allocation of costs between Alectra Utilities’ rate zones to determine the Horizon Utilities RZ ESM for 2017; and the interaction between the calculation and the change in capitalization policy, should be deferred to the 2020 EDR Application proceeding.”

Question:

Alectra’s ESM proposal assumes the proposed change in capitalization policy is approved by the Board. Please show the earnings sharing if the change in capitalization policy is not approved

Response:

- 1 In the OEB’s Decision in Alectra Utilities’ 2018 EDR Application (EB-2017-0024), issued on
- 2 April 5, 2018 (revised April 6, 2018), the OEB stated that: *“For the remainder of the Custom*
- 3 *IR term, the effect on earnings resulting from the change in the capitalization policy will be*
- 4 *dealt with through the ESM.”* As provided at Exhibit 3, Tab 1, Schedule 2, Alectra Utilities
- 5 has addressed the impact of the capitalization policy change through the ESM. Alectra
- 6 Utilities has not adjusted earnings based on Horizon Utilities’ capitalization policy in place
- 7 prior to the merger.
- 8
- 9 The earnings sharing for 2017 would be \$0 if the change in capitalization policy is not
- 10 approved. Please refer to Alectra Utilities’ response to Board Staff Interrogatory HRZ-Staff-
- 11 22 (d in EB-2018-0016.

EP-16

Reference: Exhibit 3, Tab 1, Schedule 4, Page 1

Preamble: “The Stretch Factor assignments for 2020 IRM filers have not yet been updated by the Board. Alectra Utilities has used a Stretch Factor of 0.3% in this Application, in accordance with the most recent PEG Report, issued on August 23, 2018. The August 2018 Report placed Alectra Utilities in Group III for the purpose of calculating stretch factors for 2019.”

Question:

- a) Please provide a highlighted extract from the 2018 PEG report that provides the rankings for the former utilities/RZs, including Guelph Hydro and for Alectra plus the cohorts for each.**
- b) Please provide a Table that shows the Total Cost Benchmark as determined by PEG for each Utility/RZ and for Alectra.**

Response:

- 1 a) The August 2018 PEG Report placed Alectra Utilities and Guelph Hydro in Group III (Stretch
2 factor = 0.3%) for the purpose of calculating stretch factors for 2019. Please refer to page 22
3 of the PEG, dated August 23, 2018 ([https://www.oeb.ca/industry/rules-codes-and-](https://www.oeb.ca/industry/rules-codes-and-requirements/audit-and-performance-assessment)
4 [requirements/audit-and-performance-assessment](https://www.oeb.ca/industry/rules-codes-and-requirements/audit-and-performance-assessment)). The August 2018 PEG Report does not
5 include separate cohort rankings or reporting for the Enersource, PowerStream, Horizon
6 Utilities and Brampton rate zones or utilities, as the predecessor utilities no longer exist.
7
- 8 b) Please see the response to part a). Details of the cost performance results and stretch
9 factor assignments are provided in the PEG Report posted on the Ontario Energy Board's
10 website.

EP-17

Reference: Exhibit 3, Tab 1, Schedule 10, Page 3

Preamble: Alectra Utilities has relied on the most recent and appropriate final CDM evaluation report from the IESO in support of the lost revenue calculation. The IESO's Final Annual Verified Results for 2017 is filed as Attachment 34.

Question:

- a) With regard to the RZ Load Forecasts, please discuss how Alectra addresses 2020 with no further reporting by the IESO and CDM Programs being eliminated or uploaded 2018/2019.**
- b) Please file the current approved Rate Zone and class Load forecasts underlying 2020 rates, including the CDM forecast for 2020.**
- c) Discuss the basis of the 2020 CDM forecasts including Persistence from prior years.**

Response:

1 a) As provided at Exhibit 3, Tab 1, Schedule 10, Alectra Utilities is applying for disposition of
2 the balance in its the LRAM variance account ("LRAMVA") resulting from its Conservation
3 and Demand Management ("CDM") activities in 2017 in the Horizon Utilities, Brampton,
4 PowerStream and Enersource RZs. Alectra Utilities' predecessor, Guelph Hydro, requested
5 disposition of its 2017 LRAMVA balance in its 2019 EDR Application (EB-2018-0036).
6 Alectra Utilities' 2017 claim is supported by the Independent Electricity System Operator
7 ("IESO") 2017 Final Results Report for Alectra Utilities, filed as Attachment 34. Alectra
8 Utilities is not requesting disposition of 2020 LRAMVA balances.

9
10 On July 15, 2019, the OEB released an *Addendum to Filing Requirements for Electricity*
11 *Distribution Rate Applications* (the "Addendum"). The Addendum includes updated filing
12 requirements to be followed in support of claims for lost revenues. As provided at page 22 of
13 the Addendum, *"The OEB will rely on the Participation and Cost Reports and detailed*
14 *project level savings files as supporting documentation when assessing applications for lost*
15 *revenues in relation to energy and demand savings from programs delivered under the*
16 *CFF."*

- 1 b) The load forecasts underlying 2020 rates were approved in each predecessor's last
2 rebasing applications (Enersource 2013 Cost of Service; Horizon Utilities 2015-2019
3 Custom Incentive Regulation; Brampton 2015 Cost of Service; Guelph Hydro 2016 Cost of
4 Service; PowerStream 2017 Cost of Service). Please refer to Exhibit 3, Tab 1, Schedule 10,
5 for the LRAMVA thresholds used in the calculation of Alectra Utilities' 2017 LRAMVA claims
6 for the Horizon Utilities (Table 90), Brampton (Table 95), PowerStream (Table 100) and
7 Enersource (Table 105) RZs.
8
- 9 c) Please see the response to part a). Alectra Utilities' lost revenue claim is for the 2017
10 reporting period.

EP-18

Reference: Exhibit 3, Tab 1, Schedule 12, Page 1

Question:

- a) Please provide for 2020 a table and/or spreadsheet showing the costs allocated to each rate class in each RZ, the forecast revenue and a calculation of the class revenue to cost ratios.**
- b) Please confirm that Street Lighting lies outside the Board's R/C ratio guidelines in the Horizon RZ. How is Alectra proposing to remedy this?**
- c) Who are the street lighting service providers in each Rate Zone? Please provide a list and indicate if they are an affiliate or not.**

Response:

- 1 a) All of Alectra Utilities' RZs are under the Price Cap Incentive Rate-setting option for 2020
2 electricity distribution rates. Therefore, the Price Cap Index (currently included in the
3 application as 1.2% until the inflation factor is updated by the Board) is applied to 2019
4 service charges and distribution volumetric rates by class to determine the 2020 service
5 charges and distribution volumetric rates. Please see Tab '17. Rev2Cost-GDPIPI' in the IRM
6 models filed as Attachments 12 to 16 for the calculation of 2020 service charges and
7 distribution volumetric rates.
8
- 9 b) There are no adjustments to the Street Lighting revenue-to-cost ratio for the Horizon Utilities
10 RZ in Alectra Utilities' 2020 Application. As directed by the OEB in its decision in Horizon
11 Utilities' 2016 Custom IR Update (EB-2015-0075, Decision and Order, December 10, 2015),
12 Horizon Utilities phased in revenue-to-cost ratio changes over its Custom IR term (2015-
13 2019). In its 2019 Application, Alectra Utilities requested approval to reduce the 2019 street
14 lighting class' revenue-to-cost ratio by 6.6% to 100%. This was the final adjustment required
15 to the street lighting class. At page 9 of the decision the OEB approved the change stating:
16 *"The OEB approves the proposed change to the revenue-to-cost ratio for the street lighting*
17 *rate class in 2019, as the change is consistent with the OEB's 2016 Custom IR Update*
18 *decision."*

- 1 c) Alectra Power Services Inc. ("APSI") provides street lighting services to the City of
- 2 Mississauga, City of Guelph and City of Vaughan. APSI is an affiliate of Alectra.