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August 16, 2019 **VIA E-MAIL**

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Toronto, ON

Dear Ms. Walli:

Re: EB-2019-0018 – Alectra Utilities Corporation (Alectra Utilities) 2020 Distribution Rates
M-Factor Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

M Garner

Mark Garner
Consultants for VECC/PIAC

Email copy:
Indy Butany-DeSouza, Vice President, Regulatory Affairs
indy.butany@alectrautilities.com

REQUESTOR NAME	**VECC**
TO:	**Alectra Utilities Corporation (Alectra)**
DATE:	**August 16, 2019**
CASE NO:	**EB-2019-0049**
APPLICATION NAME	**2020 COS Rate Application**

1.0 EXHIBIT 1

1.0-VECC-1

Reference: Exhibit 1, Tab 3, Schedule 1, pg. 3 / Exhibit 2, Tab 1, Schedule 3, pg.13

a) Please provide the calculation which demonstrates that Alectra's base rates support average annual capital expenditures of approximately $236 MM?

b) Please provide the same for the project $275MM in otherwise unfunded capital expenditures.

1.0-VECC-2

Reference: Exhibit 1, Tab 3, Schedule 1, pg. 4

a) Please provide a list of the specific "*critical investments*" which "*would be deferred beyond 2024*" if the M-Factor proposal were not approved by the OEB.

b) Please explain why Alectra believes the projects listed in a) would not be eligible for ICM or ACM form of regulatory (rate recovery) treatment.

2.0 EXHIBIT 2

2.0-VECC-3

Reference: Exhibit 2, Tab 1, page 5

Custom IR is not a rate setting option available to Alectra Utilities during the rebasing deferral period.

a) In the paragraphs above this quotation Alectra details how under the RRF the most appropriate rate methodology would be custom IR. Please explain why, rather than an M-Factor and other risk reducing variance accounts such as the EDCVA, Alectra is not seeking to rebase its costs and establish a custom IR plan? That is why does Alectra believe "*custom IR is not a rate setting option*"?

2.0-VECC-4

Reference EB-2018-0016 Decision and Order, pg. 8 &

In its Decision and Order EB-2018-0016 the Board made the following finding: "*The OEB has not found any of the planned capital spending imprudent. The question is whether each project is eligible for incremental funding while rates are being set through an IRM mechanism.*"

a) Please explain whether under an M-Factor mechanism the question as to whether capital projects are eligible for incremental funding while rates are set through an IR mechanism remains a relevant consideration of the Board. And if not, why not?

2.0-VECC-5

Reference: Exhibit 2, Tab 1, Schedule 3

Alectra proposes a means test of 300 basis points above the OEB approved equity return for which it would not be eligible for M-Factor funding.

a) Please clarify if the means test applies to potential M-Factor funding in a year subsequent to any overearnings or retroactively to projects funded by the M-factor in the year of earning.

b) Is the OEB ROE factor fixed at the start of the introduction of the M-Factor period or does it change each year in conjunction with the Board sanctioned ROE for each year?

c) Why is a 300 basis point means test reasonable? That is, given the Utility has chosen to defer rebasing with the associated positive and negative risks that implies, why would it not be just as reasonable to apply a means test at or even below the Board approved ROE factor?

2.0-VECC-6

Reference: Exhibit 2, Tab 1, Schedule 3

…. *The utility has proposed that a Capital Investment Variance Account ("CIVA") be established to track the difference between the capital funding provided through M-factor riders and the utility's actual capital investments during the term of the DSP. This account will operate symmetrically, such that customers will be refunded for overall under-investment and any prudent spending above the level funded through M-factor riders will be recovered by Alectra Utilities.*

a) Please explain the reasoning for the proposed CIVA account to be symmetrical. That is, why should the Utility not be at risk for overspending on any approved M-Factor related projects?

2.0-VECC-7

Reference: Exhibit 2, Tab 1, Schedule 4

….an Externally Driven Capital Variance Account (“EDCVA”), which would capture the difference between the revenue requirement in rates associated with externally-driven capital expenditures related to regional transit projects and capital works required by road authorities.

a) Please explain why, under the M-Factor plan, a separate account is desirable for externally driven projects and why other System Access projects, which are also externally driven are excluded from being captured in the proposed new variance account.

2.0-VECC-8

Reference: Exhibit 2, Tab 1, Schedule 3

a) In support of the M-Factor Alectra argues that is faces unique circumstances due to the deferred rebasing granted as part of its merger approval as well as the integration of a number of former utilities. However, these circumstances also provide Alectra the opportunity to create efficiencies through the synergies of amalgamation (as argued by the Applicant in the merger proceeding). Conversely the Board has established for utilities without such opportunities and for whom only ICM and ACM funding mechanisms are available a stretch factor of 0.30%. Given the greater capability of Alectra to find efficiencies why is the stretch factor of 0.30% appropriate?

2.0-VECC -9

Reference: Exhibit 2, Tab 1, Schedule 3, page 16-

a) Please articulate the methodological difference in the calculation of the M-Factor rate rider as compared to an ICM or ACM rate rider. Specifically if the Board were to approve an ICM of $265.0 million (i.e. equal to the M-Factor request) to be recovered over the same 2020-204 period would this result in a different rate rider in any of the rate years or in the total amount to be collected from ratepayers?

2.0-VECC-10

Reference: Exhibit 2, Tab 1, Schedule 4, pgs. 8-

a) Please explain what, if any, relationship exists as between the M-Factor and the proposed Customer Service Rules-related Lost Revenue Variance Account (CSELRVA).

b) Was this account or a similar type of account sought at the time of the merger (i.e. in EB-2016-0025) or in any prior application of Alectra?

c) If no prior application was made for such and account and since it is obvious that that during a prolonged period (like the 10 year deferral period chosen by Alectra) regulatory, rule and policies would evolve and change why did Alectra did not apply for a similar account as part of its merger proceeding? Why are the customer service rules changes more relevant than other changes which have occurred and will continue to occur during the deferred rebasing period.

d) For each amount in Table 18 (E2/T1/S4) please show how the detailed calculation of the estimated impact.

e) What are the off-ramp provisions of Alectra's current rate plan?

f) Under the Board's rate filing requirements what is Alectra's materiality threshold?

EXHIBIT 3

3.0-VECC-11

Reference: Exhibit 3, Tab 1, Schedule 2

a) Please provide the return on equity for Alectra for 2017 and 2018.

b) Please provide all 2018 and 2019 Alectra debt rating reports.

3.0-VECC-12

Reference:

a) Please provide the Alectra Inc. June 14, 2019 Annual General Meeting presentation (2018 Alectra Inc. Report to Shareholders - . https://alectrautilities.com/about-alectra/investor-relations/)

b) Please confirm (or correct) that in 2018 and projected for 2019 Alectra has increased its dividend payout by over 60%.

EXHIBIT 4

4.0-VECC-13

Reference: Exhibit 4, Tab 1, Schedule 1, pg. 104

a) Using Figure 5.2.3-1 Distribution Asset Health Index Summary, please show the project health index at the end of the 2024 DSP period.

b) For each of the asset categories shown in Figure 5.2.3-1 please show the number of assets projected to be in each of the 5 asset condition categories in each of the years 2019 through 2024.

4.0-VECC-14

Reference: Exhibit 4, Tab 1, Schedule 1, pg.1

a) At the above reference Alectra states that "[A]*t present, defective equipment accounts for 45% of controllable outages in Alectra Utilities' system*…" What accounts for the other 55% of <u>controllable</u> outages?

4.0-VECC-15

Reference: Exhibit 4, Tab 1, Schedule 1, pgs. 120-

a) For each of the defective equipment categories please show number of interruptions for each year 2014 through 2018

b) Please show the same for each year for the number of customer hours of interruptions for each year.

c) Please the projected number and hours (i.e. a) and b)) for the period 2019 through 2024.

4.0-VECC-16

Reference: Exhibit 4, Tab 1, Schedule 1, pgs. 48-

a) If the Board were to grant ICM funding for the Underground Asset Renewal program(s) would Alectra still require the M-Factor? If yes, please explain what specific programs would go unfunded (unbuilt) in that alternative.

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