

August 16, 2019

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2019-0018 –Alectra Utilities Corporation – 2020 Rates – Interrogatories from the Consumers Council of Canada**

We are representing the Consumers Council of Canada in the above-referenced proceeding. Please find, attached, interrogatories for Alectra Utilities Corporation.

Yours truly,

*Julie E. Girvan*

Julie E. Girvan

CC: Alectra, Regulatory Affairs  
All Parties

## **INTERROGATORIES FOR ALECTRA UTILITIES CORPORATION**

**RE: EB-2019-0018**

### **FROM THE CONSUMERS COUNCIL OF CANADA**

#### **CCC-1**

Please provide all materials provided to Alectra's Board of Directors and Executive Leadership Team related to this Application. Please provide any memos issued to staff with respect to preparation of this Application.

#### **CCC-2**

##### **Tr. p. 6**

At the Presentation Day Mr. Bentz stated that during the rebasing period savings allow Alectra to offset the transaction and integration costs associated with the merger and thereafter those savings will be for the benefit of our customers in perpetuity. For each year since the merger has taken place please provide actual and forecast transaction costs, integration costs and savings. Please confirm that Alectra's customers will not benefit from any savings until rebasing unless the ROE exceeds 300 basis points.

#### **CCC-3**

##### **Tr. p. 8 and 30-31**

Mr. Bentz and Mr. Cananzi referred to significant growth in a number of the communities that Alectra serves. Please provide a schedule setting out Alectra's load forecast for the next 5 years. Please provide forecast and actual load for the years 2017-2019.

#### **CCC-4**

##### **Tr. p. 9**

Please explain how the \$50.5 estimated annual reductions in costs amount was derived. Does Alectra still expect to achieve a \$69 million reduction in its revenue requirement relative to the status quo of not merging upon rebasing? If not, please explain why not? Please explain if the reductions in the revenue requirement expected upon rebasing take into account the proposed capital spending during the deferred rebasing period. Have these projections changed in light of the M-factor proposal? If so, how? If not why not?

#### **CCC-5**

##### **Tr. p. 10**

Does Alectra still expect to achieve \$400 million in "customer revenue savings"? How has the M-factor proposal impacted this projection?

**CCC-6****Tr. pp. 19-22**

Mr. Cananzi discussed the extensive customer engagement Alectra undertook with respect to its DSP. At any point in time were the customers made aware of the fact that embedded in rates is a return on equity of approximately 9%? If not, why not? At any point in time were the customers made aware of the fact that the majority of the savings associated with the merger would not flow to ratepayers until the end of the rebasing period? If not, why not?

**CCC-7****Tr. p. 25**

Mr. Cananzi stated that Alectra Utilities is entering a critical juncture as it plans to deal with a period of heightened capital asset renewal as a large population of deteriorating assets are reaching their end of life. When did Alectra become aware of the need to replace a “large population” of deteriorating assets? At what point did Alectra determine that the ICM mechanism would not be sufficient to provide the resources necessary to replace these assets?

**CCC-8**

Has Alectra considered applying to the OEB to rebase its rates using a cost of service approach? If not why not? With the acquisition of Guelph Hydro Electric Systems Inc. when does Alectra now plan to rebase?

**CCC-9****Tr. p. 37**

Ms. Butany-DeSouza stated that “In identifying the M factor investments, the capital investments were identified based on the priority needs of Alectra Utilities’ distribution system”. Please provide, by year, 2020-2015, a list of the M-Factor investments. What projects is Alectra approval for? What are the priority needs of Alectra’s distribution system? How were those priority needs determined?

**CCC-10****Tr. p. 38**

For each year 2020-2025 please provide the level of funding available under the ICM approach and the M-factor approach.

**CCC-11****Tr. p. 41**

Please provide examples of any OEB approved CIVA’s that are symmetrical.

**CCC-12****Ex. 2/T1/S1**

The evidence states that, “Both the MADDs Application and the Alectra/Guelph MADDs Application were based on the OEB’s policy that merging the utilities would have both a reasonable opportunity to use savings to at least offset the costs of a

MADDs transaction and a mechanism to fund normal and expected capital investments. Once the transition and transaction costs have been offset by savings, why should the savings not be used to fund capital?

**CCC-13**

**Ex. 2/T1/S2/p. 3**

Please identify which service areas are subject to failures of underground direct-buried cable and cable accessories. When did the need to replace these assets first arise?

**CCC-14**

**Ex 2/T1/S2/pp. 3-4**

Alectra has indicated that its plans focus on five priority areas during the 2020-2024 period. Please set out the entire M-factor funding for this period and provide a breakdown of that amount by each of the five categories.

**CCC-15**

**Ex. 2/T1/S2/pp. 9-11**

Did Innovative Research ever inform customers that Alectra's rates are based on earning a return on equity for its shareholders of approximately 9%. Were Alectra's customers ever asked whether merger savings should be used to fund additional capital investments?

**CCC-16**

**Ex. 2/T1/S2/p. 10**

The evidence states that Alectra incorporated customer preferences into the DSP by adjusting the pace of investments and deferring certain projects. The overall impact was a net reduction of \$17.5 million. How did Alectra determine that the \$17.5 million was the appropriate level of reduction?

**CCC-17**

**Ex. 2/T1/S3**

If the OEB rejects Alectra's M-factor proposal will Alectra continue to apply for annual ICM relief?

**CCC-18**

**Ex. 2/T1/S3**

Please explain how the funding related to the M-factor investments would ultimately be trued up.

**CCC-19**

**Ex. 2/T1/S3**

Why is the M-factor approach better than a multi-year ICM application?

**CCC-20**

**Ex. 2/T1/S3**

The evidence refers to regulatory efficiency and the new *Fixing the Hydro Mess Act*, 2019. Has Alectra had any discussions with the Ministry of Energy, Northern Development and Mines regarding its M-factor proposal? If so, please describe the nature of those discussions.

**CCC-21**

**Ex. 2/T1/S3**

Prior to filing its current Application has Alectra had any discussions with OEB Staff regarding its M-factor proposals? If so, please describe the nature of those discussions.

**CCC-22**

**Ex. 2/T1/S3/p. 13**

Please explain the statement that “While the M-factor riders are calculated based on the specific investments contemplated by the DSP, they are not tied to those specific investments.”

**CCC-23**

**Ex. 2/T1/S3/p. 16**

The total cumulative 5-year capital revenue requirement associated with the M-factor funding request of \$286 million is \$27.9 million. Please specify the funding request and the revenue requirement by rate zone.

**CCC-24**

**Ex. 2/T1/S5/p. 5**

If the OEB accepts Alectra’s position with respect to the capitalization policy how would this impact the request for M-factor funding?

**CCC-25**

**Ex. 2/T1/S5**

If the OEB reversed its requirement for Alectra to provide monthly billing how would this impact the request for funds to support additional capital projects?

**CCC-26**

Please explain how the acquisition of Guelph Hydro Electric Systems Inc. has impacted the ability of Alectra to fund capital.

**CCC-27**

**Ex. 4/T1/S1**

Please explain, in detail, how Alectra took the results of its DSP and translated that into its request for M-factor funding.