

CCC-1

Reference

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

Response:

- 1 a) Please find attached the following items that were provided to Alectra's Board of Directors
2 and Executive Committee related to this Application:
- 3 • CCC-1_Attach 1_AFRM Report 3.3, dated February 27, 2019
4 • CCC-1_Attach 2_AFRM Report 3.4 dated May 17, 2019
5 • CCC-1 Attach 3_AFRM Report 3.2, dated August 22, 2019
6 • CCC-1_Attach 4_2020 EDR Application_presentation to EC_(2019_01_22)
7 • CCC-1_Attach 5_ DSP and Application Update (2019_02_06)
8 • CCC-1_Attach 6_EC Presentation (2019_04_23)
- 9 b) There are no memos issued to staff regarding the preparation of this Application.

CCC-1

**ATTACH 1 – AFRM Report 3.3
Dated February 27, 2019**



CONFIDENTIAL

**REPORT TO THE
AUDIT, FINANCE AND RISK MANAGEMENT COMMITTEE**

Submitted by	Indy Butany-DeSouza
Subject	Regulatory Affairs Update
Item #	3.3
Meeting Date	February 27, 2019

☒ For Information

☐ For Approval

Recommendation

No recommendations are being made in this report.

Summary

This Regulatory Report addresses the following:

- Applications
 - 2019 Electricity Distribution Rate (“EDR”) Application and Incremental Capital Module (“ICM”) Application
 - 2020 EDR Application
- Ontario Energy Board (“OEB”) Policy Initiatives and Consultations
 - Report of the Advisory Committee on Innovation to the OEB
 - Review of Customer Service Rules for Utilities

Applications

• 2019 EDR and ICM Application

Alectra Utilities filed its application (the “Application”) with the OEB for 2019 EDR for all four rate zones (“RZ”) on June 7, 2018 for changes to regulated rates and other charges, effective January 1, 2019. The Application included:

- the fourth and final annual update to the Custom Incentive rate plan for the Horizon Utilities RZ;
- Price Cap adjustments under the OEB’s Incentive Regulation Mechanism (“IRM”) for the Brampton, Enersource and PowerStream RZs; and
- requests for ICM rate adjustments for the Enersource and PowerStream RZs.

The OEB bifurcated the application and issued a decision on the Price Cap adjustments to EDR on December 20, 2018 for rates effective January 1, 2019. Alectra Utilities implemented these adjustments as of February 1, 2019, which allow recovery of the adjustments as if they were effective January 1, 2019.

On January 31, 2019, the OEB issued a decision on the regarding the ICM projects. The OEB approved ICM funding for three of the five projects representing a total recovery of 83% of the capital requested for approval. Table 1 below identifies: the projects by rate zone; capital expenditure; and revenue requirement outcomes.



Table 1 – ICM Outcomes by Project

Enersource Rate Zone	As-Filed		Decision_Approved	
	Capital Expenditures	Total Revenue Requirement	Capital Expenditures	Total Revenue Requirement
Leaking Transformer Replacement Project	\$7,500,000	\$622,822	\$7,500,000	\$622,822
Rometown	\$3,200,000	\$262,524	\$0	\$0
Total ICM_ERZ	\$10,700,000	\$885,346	\$7,500,000	\$622,822

PowerStream Rate Zone	As-Filed		Decision_Approved	
	Capital Expenditures	Total Revenue Requirement	Capital Expenditures	Total Revenue Requirement
Road Authority YRRT Yonge St	\$13,272,246	\$947,659	\$13,272,246	\$947,659
Bathurst Ave from Hwy 7 to Teston Road	\$5,500,000	\$392,709	\$5,500,000	\$392,709
Barrie TS Upgrade- Metering and Feeder Relocation	\$2,100,000	\$168,198		
Total ICM_PRZ	\$20,872,246	\$1,508,566	\$18,772,246	\$1,340,368

Total Incremental Revenue Requirement_Alectra	\$31,572,246	\$2,393,912	\$26,272,246	\$1,963,190
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% Approved	83%	82%
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The ICM riders are effective March 1, 2019 and are in place until Alectra Utilities' rebasing application.

Table 2 provides the impact of the ICM Decision relative to the Financial Plan. The 2019 Financial Plan assumed an OEB approval of recovery of only 50% of the projects, as-filed. As a result of the 2019 ICM Decision, the cumulative net impact over the five year Financial Plan term is \$0.57MM.



Table 2 – 2019 ICM Decision Financial Plan Impact (\$000s)

	2019	2020	2021	2022	2023	5 Yr Impact
ICM Revenue per Decision (82% recovery) ¹	\$1,636	\$1,963	\$1,963	\$1,963	\$1,963	\$9,489
Total ICM Revenue per FP (50% recovery) ²	\$1,197	\$1,197	\$1,197	\$1,197	\$1,197	\$5,985
Increase in ICM Revenue	\$439	\$766	\$766	\$766	\$766	\$3,504
Offset by: Depreciation (\$10MM increase in capex)	(\$159)	(\$318)	(\$318)	(\$318)	(\$318)	(\$1,430)
Offset by: Interest cost	(\$141)	(\$294)	(\$291)	(\$287)	(\$284)	(\$1,297)
Net ICM Financial Plan Impact, pre tax	\$139	\$154	\$158	\$161	\$165	\$777
Income Tax @ 26.5%	(\$37)	(\$41)	(\$42)	(\$43)	(\$44)	(\$206)
Net Financial Plan ICM Impact	\$102	\$113	\$116	\$119	\$121	\$571

Note 1, 2: ICM revenue excludes previously approved ICMs for Enersource of \$3.3MM and \$2.4MM for Alectra Utilities, in order to isolate the impact of the 2019 ICM Decision

• 2020 EDR Application

Alectra Utilities plans to file an application for 2020 EDR for all five RZ in the second quarter of 2019 for adjustment to its regulated rates and other charges effective January 1, 2020. Alectra Utilities will file Price Cap adjustments under IRM for all rate zones and will seek the following relief:

- Disposition of Deferral and Variance Accounts through rate riders;
- Disposition of LRAMVA balances at December 31, 2017 related to CDM activities for the Horizon Utilities, Brampton, Enersource and PowerStream RZs; and
- Approval for the continuation of the implementation of the New Distribution Rate Design for residential customers for the PowerStream RZ.

In the 2020 Application, Alectra Utilities will also seek approval for its calculation of its 2017 and 2018 Earning Sharing Mechanism (“ESM”) and Capital Investment Variance Account (“CIVA”) balances for the Horizon Utilities RZ. Alectra Utilities will present various approaches for the treatment of the capitalization policy change as a result of the original Alectra Utilities consolidation, as directed by the OEB in the 2019 EDR Application proceeding. Ultimately Alectra Utilities will be seeking a reversal of the prior OEB decision on this matter on the basis that it is inconsistent with its policies and has no economic basis otherwise in the context of a re-basing deferral period.

Alectra Utilities will file its first consolidated Distribution System Plan (“DSP”) for the 2020 to 2024 period with the 2020 EDR Application.

Finally, as directed by the OEB in the Mergers, Acquisitions, Amalgamations and Divestitures (“MAADs”) decision, the Application will include an ESM proposal for Years 6-10 (2022-2026) post-merger.

Capital Funding in the 2020 Application

Alectra proceeded with consolidation within the context of stated government and OEB policies that established a framework that created reasonable expectations including:

- Advisory Council on Government Assets, Nov 13, 2014
- OEB Report on *Rate-Making Associated with Distributor Consolidation* (March 2015) (the “OEB Report”), which addressed two specific policy matters:
 - The duration of the deferral period for rebasing following the closing of a MAADs transaction; and
 - A mechanism for adjusting rates to reflect incremental capital investments during the deferred rebasing period.

The OEB Report addressed concerns that parties had raised that were viewed as impediments to consolidation. The policies set out in the OEB Report removed uneconomic barriers to consolidation and provided further incentives. Specifically, it gave consolidating utilities a system to finance necessary capital investments, while maintaining a rebasing deferral period that would be long enough to allow utilities to recover transaction costs and a reasonable return considering merger risks.

The OEB’s implementation of those policies in Alectra’s 2018 and 2019 EDR and ICM applications (the “ICM Decisions”) has, in the view of Alectra, been inconsistent with its policies and the MAADs decision. Rather, these OEB’s decisions have created new barriers to effective consolidation.

Management is developing proposals to advance in the upcoming rate application that will address the challenges of the OEB’s approach in the ICM Decisions.

Pre-Approval of Multi-year Capital

Specifically, Alectra plans to advance a more efficient approach to the ICM applications. Current policy limits the scope of ICM to the prospective year despite the requirement that Alectra is required to file a 5-year Distribution System Plan (“DSP”) including detailed capital requirements for those years. DSPs are normally filed with a Cost of Service (“COS”) application. Alectra is proposing to address this limitation through effectively seeking advanced approval of additional capital funding in each year over the 5-year DSP period.

Alectra recognizes that success of this approach is not certain. In the event that the OEB does not accept this efficient approach, Alectra will have to rely on the existing ICM mechanism.

Alectra’s multi-year ICM request would satisfy the objectives of: rate certainty for customers; investment certainty for the organization; red tape reduction and regulatory efficiency of funding requests included in one application; and cost reduction as a result of fewer future ICM rate applications and corresponding OEB adjudication processes.

OEB Policy Initiatives and Consultations

• Report of the Advisory Committee on Innovation to the OEB

In January 2018, the OEB convened the Advisory Committee on Innovation (“ACI” or, the “Committee”) to assist the OEB in sharpening its focus on: enhancing efficiency; cost effectiveness; innovation; and value for electricity customers. The Committee provided four principal recommendations:

1. Provide a transparent and level playing field;
2. Remove disincentives to innovating solutions by changing how utilities are remunerated;
3. Make more detailed and timely information available to sector participants; and
4. Embrace simplified regulation.

Alectra Utilities provided a submission to the ACI with the following key messages:

- Guiding principles must maintain a focus on certain key attributes, including: safe and reliable distribution; minimization of cross subsidies; broad benefits socialization; enhanced customer choice and engagement; and an understanding of and due consideration for distribution system operation impacts;
- True market transformation will take place when utilities can offer services and products downstream of the current meter demarcation point; and
- Centralized distribution and grid level planning is required for rapid advancement and deployment of Distributed Energy Resource (“DER”) assets and to avoid the economic inefficiency from stranding assets.

Alectra Utilities also identified that future consultations should include a generic process that is open and transparent, allowing for direct interaction among stakeholders and with Board members. The Board is expected to issue further guidance on this policy area in the spring.

• Review of Customer Service Rules for Utilities

On December 18, 2018, the OEB proposed amendments to the Distribution System Code (“DSC”) affecting service charges:

- Elimination of the Collection of Account charge – estimated revenue impact of (\$0.85MM) per year;
- Elimination of the Install/Remove Load Control Device charge – no impact; and
- Elimination of Reconnection Charge for eligible low-income customers – estimated revenue impact of (\$0.175MM) per year.

The Board is also proposing other customer service rule amendments related to disconnections and minimum payment periods. These proposed changes may have a total financial impact of approximately (\$1.3MM) per year.

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**ATTACH 2 – AFRM Report 3.4
Dated May 2, 2019**

2020 EDR Application Update

Indy J. Butany-DeSouza



Overview

A New Approach to Post-Merger Rate-setting

In the 2020 Electricity Distribution Rates (“EDR”) application, Alectra Utilities will attempt to address a critical issue resulting from its first two years of post-merger rate setting: the lack of sufficient, stable funding for critical capital investments.

The outcome of the past two decisions has been to restrict Alectra Utilities’ capital funding, resulting in deteriorating customer reliability and increasing constraints on our ability to connect customers.

Without a new approach to capital funding, Alectra Utilities will not be able to meet customer needs and priorities (as assessed through extensive customer engagement).



Outcomes of Recent EDR Applications

The Alectra merger transaction and related business case were based on Ontario Energy Board (“OEB”) policies and guidelines. Shareholders relied on two elements of OEB policy in particular:

- The availability of a rebasing deferral period of ten years; and
- Availability of incremental capital funding during the deferral period.

Together, these policies were critical to the utility’s financial viability and its ability to serve its customers in the years following the merger.

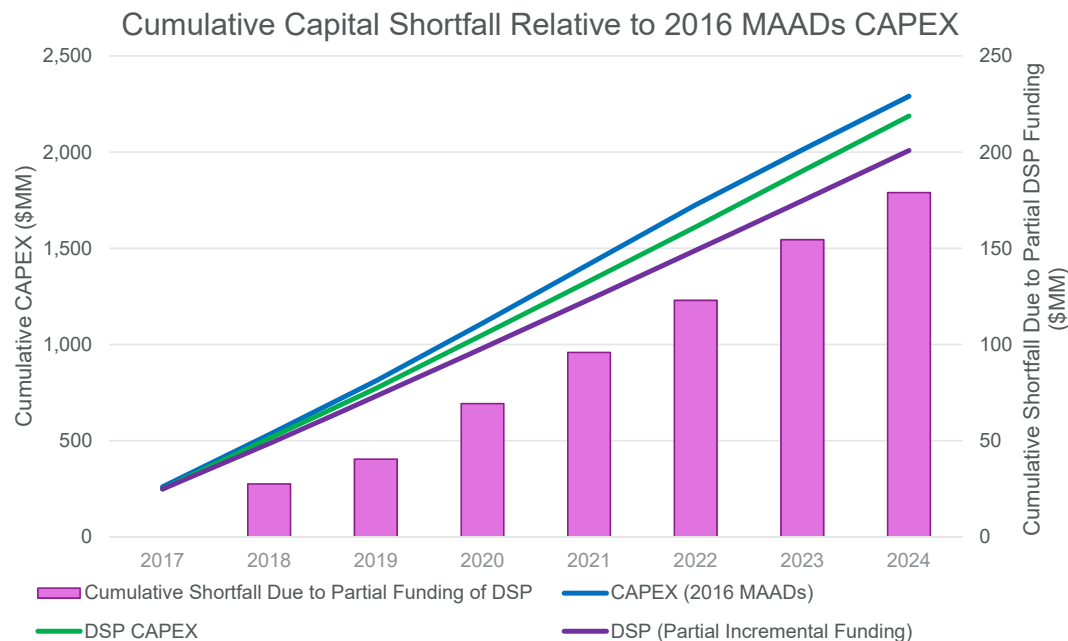
In 2017, Alectra Utilities filed its first EDR application, which included incremental capital funding for the Brampton, Enersource and PowerStream rate zones. In its decision, the OEB imposed greater restrictions on capital funding and effectively changed the way that post-merger accounting policy changes would be treated. Outside the decision, the OEB also imposed new requirements that imposed costs on the utility. The collective impact of these factors is significant:

Impact of Decisions & Policy Changes	2018	2019	2020	2021	2022	Total	2023
Total ICM Impact	\$ (2.1)	\$ (3.4)	\$ (7.3)	\$ (9.8)	\$ (11.3)	\$ (33.9)	N/A
Customer Service Rules Impact	\$ (3.2)	\$ (3.2)	\$ (3.2)	\$ (3.2)	\$ (3.2)	\$ (16.0)	\$ (3.2)
Accounting Policy Conformance Impact	\$ (0.8)	\$ (2.3)	\$ (4.5)	\$ (4.2)	\$ (3.8)	\$ (15.6)	N/A
Total Impact	\$ (6.1)	\$ (8.9)	\$ (15.0)	\$ (17.2)	\$ (18.3)	\$ (65.5)	N/A

Outcomes of Recent EDR Applications

Impacts of Recent EDR Decisions

Beyond the financial impact, the denial of capital funding for critical categories of work is increasingly affecting Alectra Utilities' ability to serve its customers. Due in part to insufficient funding, the utility has been required to defer prudent capital renewal investments to meet basic customer connection requirements. The result has been **declining reliability** and **an increasing backlog** of critical asset renewal expenditures. Continued deferral of essential system renewal investments due to partial incremental funding is projected to cumulate into large rate impacts upon rebasing in 2027.





Overview of 2020-2024 Distribution System Plan

2020 to 2024 Distribution System Plan (“DSP”)

As required by the OEB, the 2020 EDR application will include a consolidated DSP for the 2020 to 2024 period with the EDR Application. The DSP focuses on customers’ expectation that Alectra Utilities prioritize prudent investments to maintain overall reliability; and to address the adverse reliability impacts associated with extreme weather events.

Alectra Utilities plans to focus investments on five priority areas during the 2020-2024 period:

1. Preventing further decline in reliability due to deteriorating underground assets
2. Enhancing the resilience of its overhead system to adverse weather events
3. Responding to anticipated needs in areas of new greenfield development and urban redevelopment and intensification
4. Establishing additional linkages between legacy systems and balance loads across its entire service area so as to mitigate the need for system expansions; and
5. Mitigating the need to rebuild or construct new stations by enhancing the use of monitoring technologies, investing in oil containment measures and strategically managing inventory on a consolidated basis



Major Elements of 2020 EDR Application

M-Factor Capital Funding

The application includes a new approach to capital funding during the rebasing deferral period: the “M-Factor.” This new funding proposal recognizes that the OEB has decided to limit the application of the default funding mechanism (the Incremental Capital Module or “ICM”), but also reinforces the need for capital funding over the 2020-2024 period.

There is no explicit precedent for the M-Factor in OEB policy, but Alectra Utilities will demonstrate that it is critical to meeting customers’ needs and expectations over the next five years. The M-Factor is not intended to give Alectra Utilities a financial advantage relative to the ICM, but rather to ensure that capital funding is available to fund all of the work planned for the 2020-2024 period (minus a 10% dead-band, pursuant to OEB policy).

Key features of the M-Factor include:

Consistency with Harmonized Capital Planning: Alectra Utilities is now a single utility with a capital plan that is harmonized across its territory. The DSP is not a continuation of five separate capital plans – it is one, unified plan for Alectra Utilities’ system. The M-Factor reflects that approach.

Flexibility: Funding is provided on an “envelope basis” rather than tied to particular projects.

Efficiency: If approved, the M-Factor would provide capital funding based on the 5-year DSP filed in the 2020 EDR application, avoiding the significant cost of five annual OEB applications for ICM funding over the same period.



Major Elements of 2020 EDR Application

Other Major Elements of 2020 EDR Application

The Application also includes:

- 1. 2020 price cap adjustments to base rates and other standard IRM approvals**
- 2. A proposal to revisit the capitalization policy issue from the OEB's 2018 EDR Decision**
- 3. A new proposed variance accounts:**
 - a) Capital Investment Variance Account ("CIVA") to address differences between the capital funding through M-factor riders on a five year envelope basis;
 - b) Externally-driven" capital expenditures; and
 - c) Customer service rules and disconnections/ reconnections fees related loss of revenue
- 4. Adjustments based on the Horizon Rate Zone ("HRZ") settlement agreement**
- 5. Proposal for Alectra Utilities' Earnings Sharing Mechanism ("ESM")**

Potential Adjudication Timeline

Due to the DSP and the associated funding requests, this timeline is longer than a mechanistic IRM application. However, a decision that facilitates January 1, 2020 rates should still be possible.

Step in Proceeding	Date	Elapsed Time
Application Filed	24-May-19	
Issuance of Completeness Letter	7-Jun-19	0
Notice of Application	17-Jun-19	10
Affidavits filed	22-Jun-19	15
Interventions received	2-Jul-19	25
Procedural Order #1	12-Jul-19	35
Presentation Day*	22-Jul-19	45
Interrogatories to Applicant	27-Jul-19	50
Applicant's responses to interrogatories received	16-Aug-19	70
Issues List	26-Aug-19	80
Settlement Conference	5-Sep-19	90
Settlement Proposal Filed	30-Sep-19	115
OEB Staff submission on Settlement Proposal	7-Oct-19	122
Oral Hearing or Presentation of the Settlement	15-Oct-19	130
Applicant's Argument in Chief	25-Oct-19	140
OEB Staff submission	4-Nov-19	150
Intervenor Submissions	9-Nov-19	155
Applicant Final Reply	24-Nov-19	170
Decision	23-Jan-20	230
NOTE: Alectra Utilities will file an Issues List with the Application which may save some time in that step.		
*Will be requested in letter accompanying the Application		



Appendix: Supporting Materials



Appendix Contents

Contents of Appendix

This Appendix provides supporting materials on the following aspects of the 2020 EDR Application:

- 1. M-Factor Bill Impacts**
- 2. The 2020-2024 DSP**
 - Drivers
 - Priority areas
 - Asset Management Framework
 - Customer engagement
 - Planned capital expenditures



M-Factor Total Bill Impacts

M-Factor Bill Impacts

The following slides identify the bill impacts by rate class as a result of the addition of the 2020 to 2024 M-Factor rate riders. The calculation is based on the average annual rider over the five-year period.

For residential and small business customers (<50kW), the average annual impact of the M-Factor rate riders on monthly bills ranges from 0.09% to 0.36%.



M-Factor Total Bill Impacts

ERZ

ERZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.23	0.21%
General Service < 50 kW	kWh	2,000		\$ 0.68	0.23%
General Service 50 to 499 kW	kW	100,000	230	\$ 12.00	0.07%
General Service 500 to 4999 kW	kW	400,000	2,250	\$ 74.75	0.10%
Large Use	kW	3,000,000	5,000	\$ 300.57	0.07%
Unmetered	kWh	300		\$ 0.15	0.28%
Street Lighting	kW	33	0	\$ 0.03	0.69%

M-Factor Total Bill Impacts

BRZ

BRZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.23	0.21%
General Service < 50 kW	kWh	2,000		\$ 0.56	0.20%
General Service 50 to 699 kW	kW	182,500	500	\$ 15.79	0.06%
General Service 700 to 4999 kW	kW	627,216	1,432	\$ 59.80	0.06%
Large Use	kW	10,220,000	20,000	\$ 558.23	0.04%
Unmetered	kWh	21,296		\$ 4.32	0.11%
Street Lighting	kW	2,787,508	7,922	\$ 934.53	0.17%
Embedded Distributor	kWh	1,417,701	4,000	\$ 42.53	0.02%
Distributed Generation	kWh	156		\$ 1.06	0.74%



M-Factor Total Bill Impacts

HRZ

HRZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.25	0.23%
General Service Less Than 50 Kw	kWh	2,000		\$ 0.61	0.22%
General Service 50 To 4,999 Kw	kW	110,000	250	\$ 10.70	0.06%
Large Use	kW	2,555,000	5,000	\$ 322.47	0.08%
Large Use With Dedicated Assets	kW	10,220,000	20,000	\$ 128.69	0.01%
Unmetered Scattered Load	kWh	250		\$ 0.12	0.32%
Sentinel Lighting	kW	97,008	216	\$ 34.27	0.16%
Street Lighting	kW	1,782,038	4,974	\$ 264.03	0.07%



M-Factor Total Bill Impacts

PRZ

PRZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.39	0.36%
General Service Less Than 50 Kw	kWh	2,000		\$ 0.83	0.30%
General Service 50 To 4,999 Kw	kW	80,000	250	\$ 16.23	0.13%
Large Use	kW	2,800,000	7,350	\$ 307.05	0.07%
Unmetered Scattered Load	kWh	150	0	\$ 0.16	0.53%
Sentinel Lighting	kW	180	1	\$ 0.19	0.54%
Street Lighting	kW	280	1	\$ 0.10	0.20%



M-Factor Total Bill Impacts

GRZ

GRZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.14	0.13%
General Service Less Than 50 Kw	kWh	2,000		\$ 0.22	0.09%
General Service 50 To 999 Kw	kW	189,800	500	\$ 8.38	0.03%
General Service 1,000 To 4,999 Kw	kW	489,100	1,000	\$ 19.52	0.02%
Large Use	kW	4,215,750	7,500	\$ 116.72	0.02%
Unmetered Scattered Load	kWh	750		\$ 0.12	0.06%
Sentinel Lighting	kW	140	2	\$ 0.13	0.19%
Street Lighting	kW	800,000	2,200	\$ 121.22	0.08%



Overview of 2020-2024 Distribution System Plan

Distribution System Plan Overview

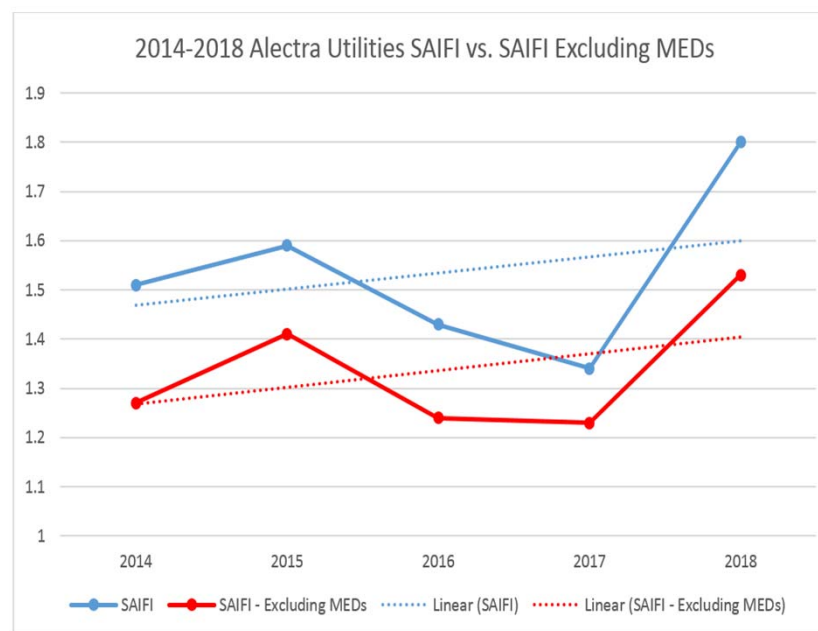
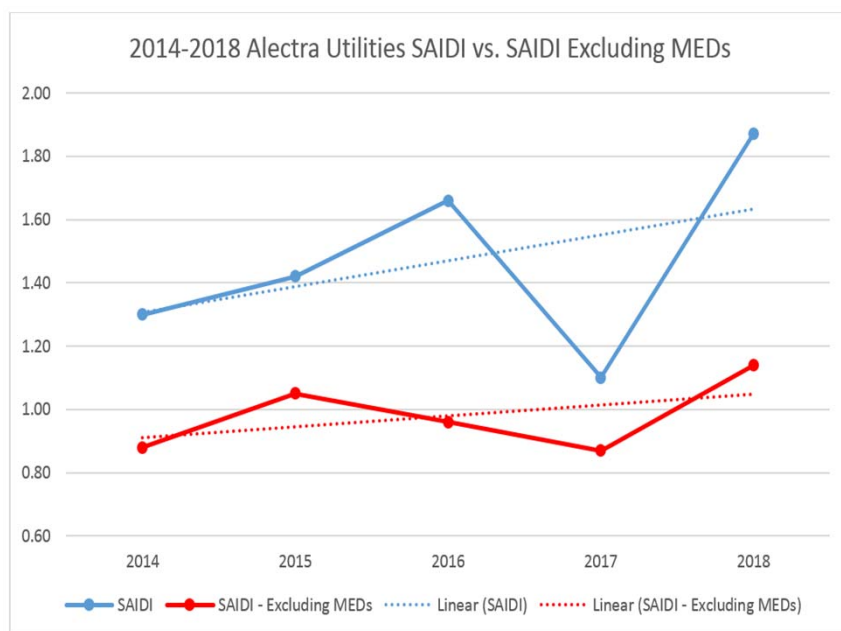
The following slides summarize:

- the declining reliability that is a main driver of capital investment in the 2020 to 2024 period, especially as related to deteriorated equipment;
- priority investment areas set out in the DSP;
- the harmonized Asset Management Framework Alectra Utilities used to develop the DSP;
- the extensive customer engagement process and the customer needs, priorities, and preferences that the DSP was developed to address; and
- Planned capital expenditures over the 2020-2024 period.

Overview of 2020-2024 Distribution System Plan

DSP Key Driver: Deteriorating Reliability

Alectra Utilities has experienced an increasing trend of system outages since 2014.

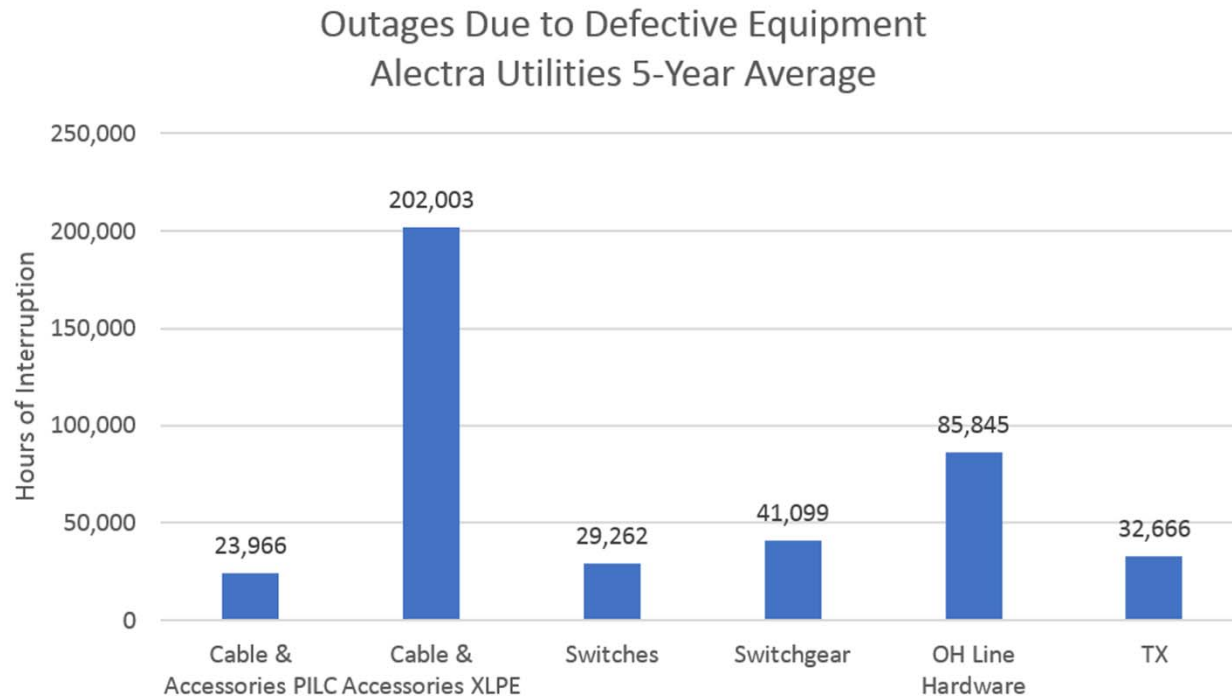


- The five year SAIDI measure indicates a 16% increase on annual average.
- When MEDs are excluded, the SAIDI measure indicate a 8% annual increase.
- The five year SAIFI measure indicates a 6% increase on annual average.
- When MEDs are excluded, the SAIFI measure indicate a 6% annual increase.

Overview of 2020-2024 Distribution System Plan

Priority 1: Deteriorated Underground Assets

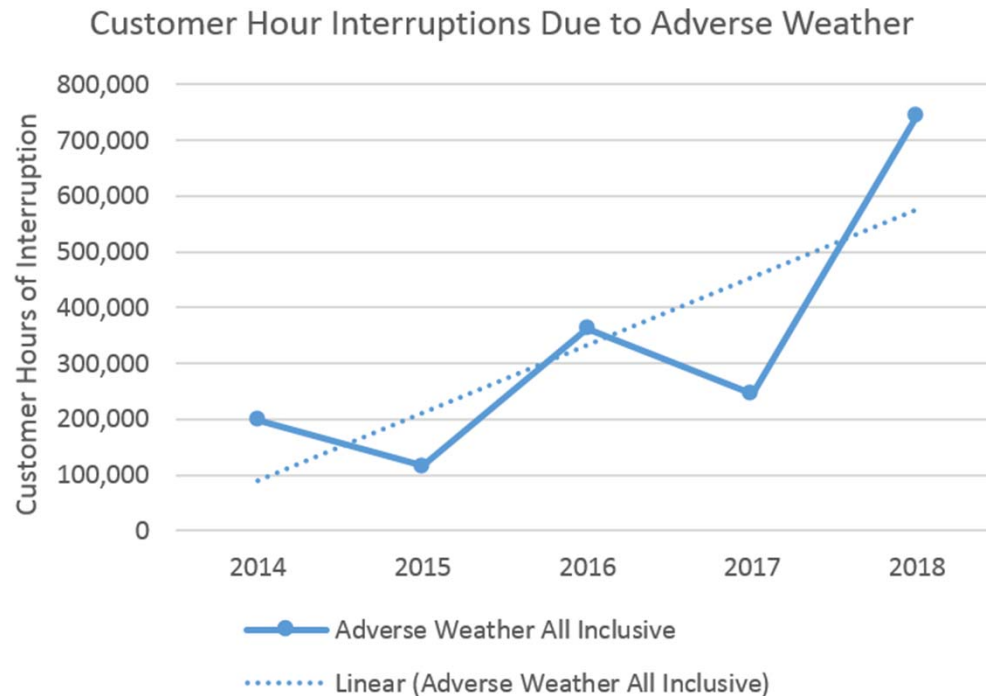
Deteriorated underground assets are a leading cause of decreasing reliability. Accordingly, Alectra Utilities plans to invest significantly in renewing these assets over the DSP term.



Overview of 2020-2024 Distribution System Plan

Priority 2: Resilience to Adverse Weather

Adverse weather is increasingly leading to declining reliability of overhead assets. Alectra Utilities plans to enhance the resilience of its overhead system to adverse weather events over the DSP term.

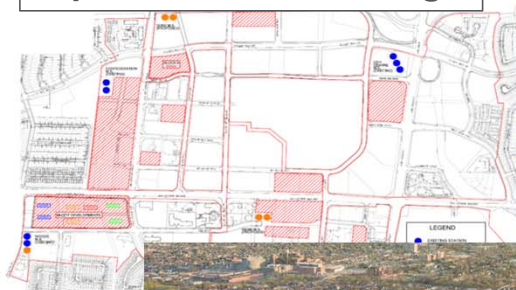


Overview of 2020-2024 Distribution System Plan

Priority 3: Respond to Greenfield Development and Urban Intensification

Significant development and intensification is occurring in Alectra Utilities' service area. The company must invest in assets necessary to connect new customers while maintaining reliability.

Square One, Mississauga



Lakeview, Mississauga



Vaughan Metropolitan Centre



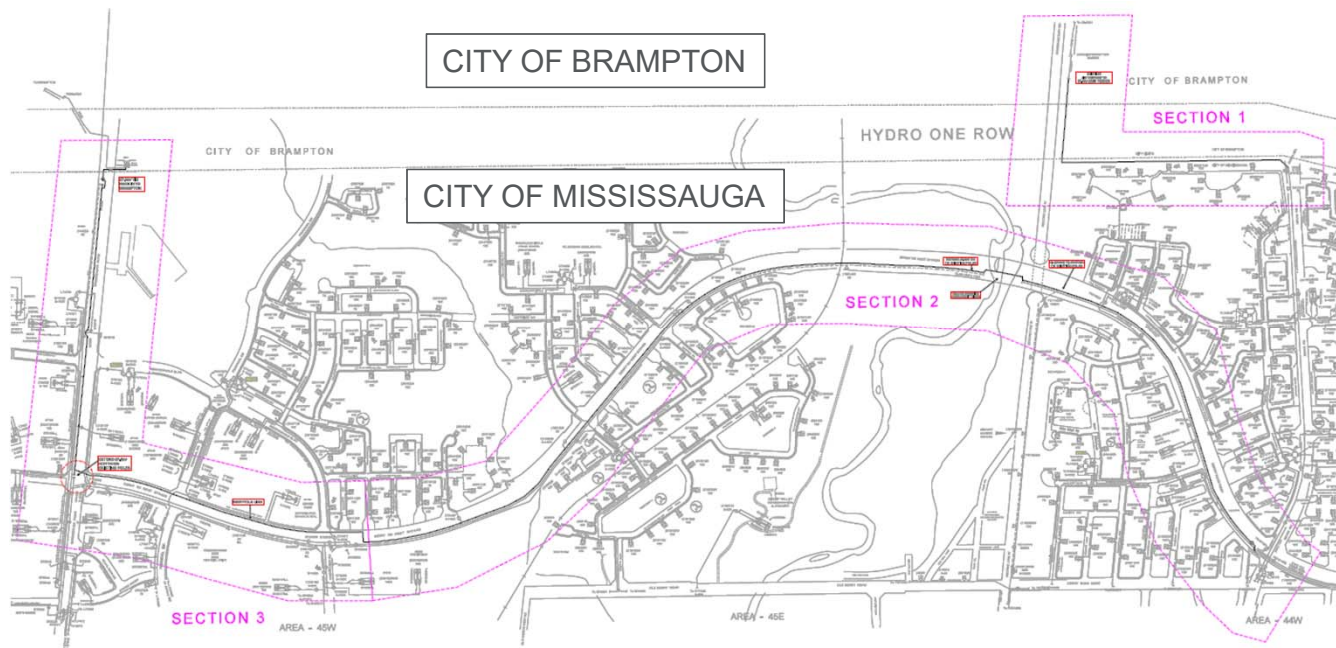
Pier 8, Hamilton



Overview of 2020-2024 Distribution System Plan

Priority 4: Establish Linkages to Mitigate the Need for Expansion Investment

Alectra Utilities can defer or avoid the need for costly capital expansions by taking advantage of opportunities to link the distribution systems of the legacy utilities. This can also help balance the load between neighbouring areas.



Overview of 2020-2024 Distribution System Plan

Priority 5: Mitigate the Need for New Stations

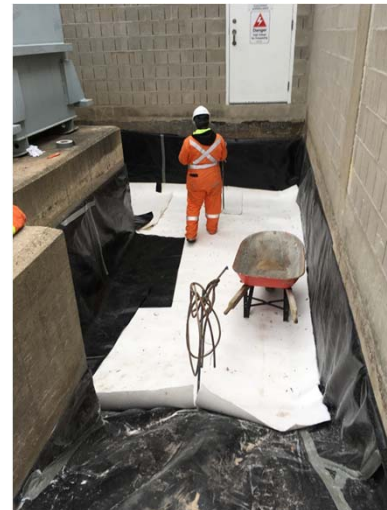
Alectra Utilities can defer or avoid the need to build new stations by investing in a combination of systems at existing facilities, including:

1. Monitoring technology,
2. oil containment, and
3. strategic inventory management.

Monitoring & Protection



Oil Containment





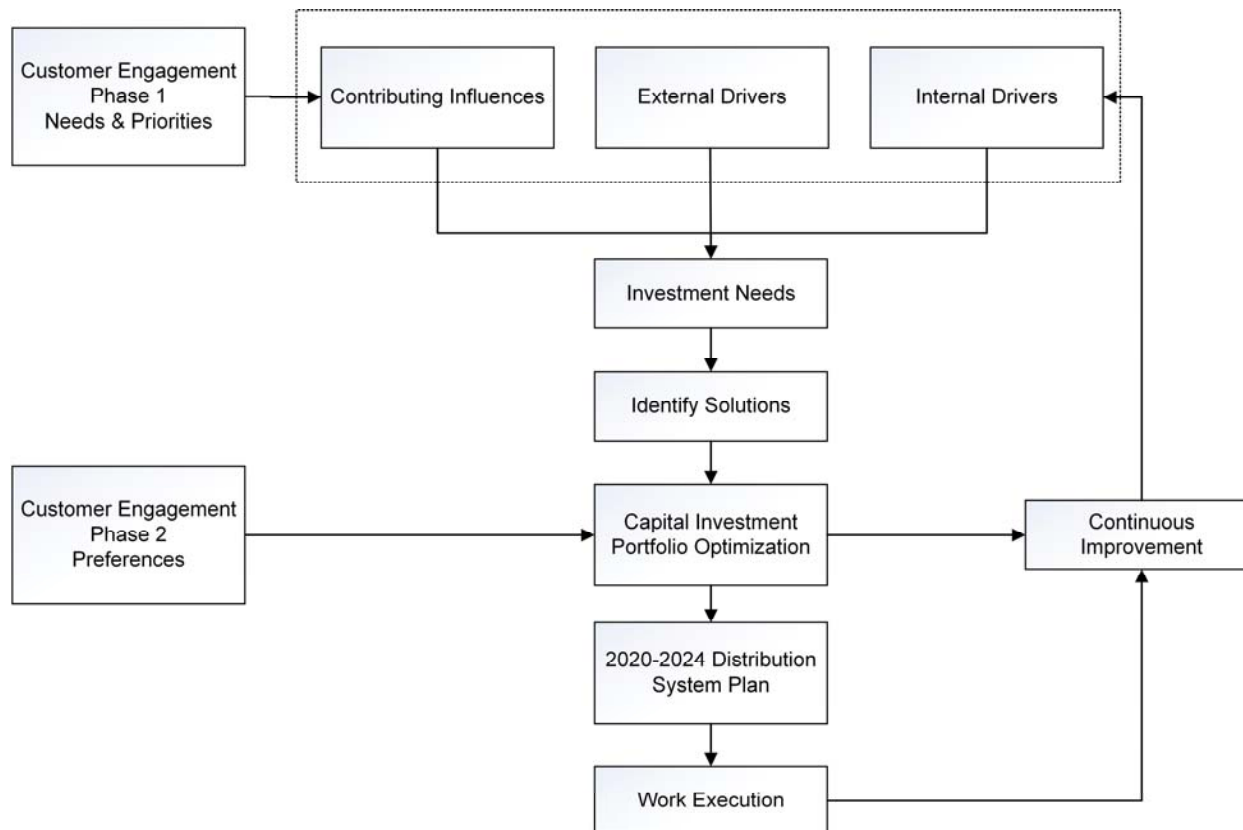
Asset Management Framework

- The 2020-2024 DSP is Alectra Utilities first DSP that was prepared on an integrated basis for the entire distribution system.
- AM Framework ensures alignment of Corporate Objectives and Goals to AM Strategy and Process for consistency and uniform approach for all investments.



Asset Management Framework

Asset Management Process





Asset Management Framework

Value Based Optimization of Investments

Optimization determines the best set of investments, alternatives, and their timing, that deliver the greatest value while respecting multiple constraints.

Value Measure Category	Value Measure
Finance	Capital Financial Benefit
	OM&A Financial Benefit
	OM&A Costs
	Financial Risk
	IT Capacity Risk
	Project Cost
Reliability	Distribution System Capacity Risk
	Reliability Benefit
	Reliability for Spares Benefit
Safety	Safety Risk
Compliance	Compliance Risk
Customer Service	Customer Satisfaction Benefit
	Customer Service Benefit
Environment	Environmental Improvements Benefit
	Environmental Risk
Regulatory	Application Ready Benefit
Public & Employee Perception	Reputational Risk
	Employee Wellness Benefit
Innovation	Technological Innovation Benefit



Customer Engagement: Phase One

At the start of planning, Alectra Utilities assessed customer needs and priorities among outcomes through a comprehensive telephone survey. The survey assessed customers needs and identified priorities among customer outcomes and then probed on their priorities among five distinct reliability outcomes.

Customer needs and priorities were a foundation of the DSP. They informed the identification of potential investments and system needs, as well as the optimization process that ultimately led to the proposed investments in the DSP.

The findings of the first phase of customer engagement were:

1. For customers receiving typical service from Alectra, there are no major outstanding needs.
2. The top two priorities among all types of customers in all rates zones are reasonable rates and reliability. Other important outcomes include reducing/managing consumption, environmental impacts and safety.
3. In rate zones where Alectra was filing ICM applications, the majority of customers are generally willing to consider paying more to maintain a reliable system despite their concerns about price
4. In rate zones where Alectra was filing ICM applications for modernizing, customers' willingness to support these projects depended on the specifics of the proposal.



Customer Engagement: Phase Two

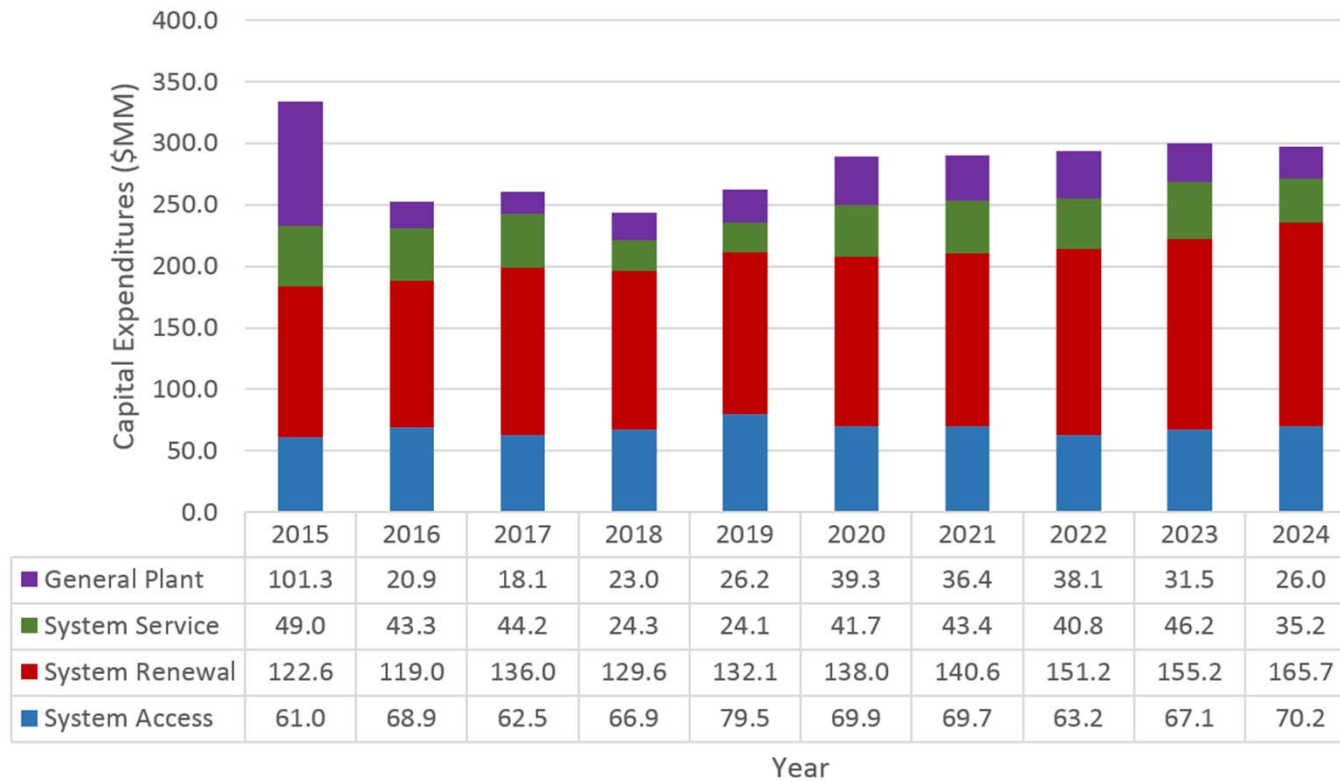
The second phase was conducted this April after the bulk of the planning work and options were developed. This phase allowed customers to express their preferences between specific investment options. The findings from this phase will be used to assist in finalizing the DSP.

Given the key challenge of identifying more needs than existing rates allow, a Workbook approach was used to allow customers to choose between viable options in all major spending areas and to reassess their choices after seeing the total bill impact.

Customers were asked to react to an overall rate rider that would close the gap between existing rates and the options recommended by planners.

All customers were given an opportunity to participate in a voluntary workbook process. Customers with emails were recruited to a representative survey which will be weighted by a telephone survey to represent the views of all Alectra Utilities customers.

2015-2024 Capital Expenditures





2020-2024 Capital Investment Plan

	Planned Expenditures (\$MM)				
	2020	2021	2022	2023	2024
System Access	\$69.9	\$69.7	\$63.2	\$67.1	\$70.2
System Renewal	\$138.0	\$140.6	\$151.2	\$155.2	\$165.7
System Service	\$41.7	\$43.4	\$40.8	\$46.2	\$35.2
General Plant	\$39.3	\$36.4	\$38.1	\$31.5	\$26.0
Total	\$288.9	\$290.1	\$293.3	\$300.0	\$297.1

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**ATTACH 3 – AFRM Report 3.2
Dated August 22, 2019**



CONFIDENTIAL

**REPORT TO THE
AUDIT, FINANCE AND RISK MANAGEMENT COMMITTEE**

Submitted by	Indy J. Butany-DeSouza
Subject	2020 Rate Application Update
Item #	3.2
Meeting Date	August 22, 2019

☒ For Information

☐ For Approval

Recommendation

No recommendations are being made in this report.

Report

Alectra Utilities filed an application with the Ontario Energy Board ("OEB") for 2020 Electricity Distribution Rates ("EDR") for all five rate zones ("RZ") on May 28, 2019, for an update to EDR and other charges, effective January 1, 2020.

The Ontario Energy Board ("OEB") issued its Letter of Direction ("LOD") and Notice of Application ("the Notice") on June 18, 2019. The intervention period closed on July 2, 2019. The OEB issued Procedural Order ("PO") No. 1 on July 9, 2019, and approved intervenor status and cost awards for the following parties:

- Association of Major Power Consumers of Ontario ("AMPCO")
- Building Owners and Managers Association ("BOMA");
- Consumers Council of Canada ("CCC");
- Energy Probe Research Foundation ("Energy Probe");
- School Energy Coalition ("SEC");
- Vulnerable Energy Consumers Coalition ("VECC"); and
- Max Aicher Ltd. & Max Aicher Bloom Mill ("MANA").

Intervenors are only eligible for cost awards in relation to Alectra Utilities' M-factor and capitalization policy proposals. Alectra Utilities received late intervention status requests from Distributed Resource Coalition ("DRC"), filed July 3, 2019, and Power Workers Union ("PWU"), filed July 10, 2019.

Alectra Utilities objected to DRC's intervention request noting that DRC had not demonstrated that it has a substantial interest in the application. The OEB will determine DRC's intervention and cost eligibility request. On July 23, 2019, the OEB approved PWU's late intervention request, indicating that PWU has a "substantial interest" in Alectra Utilities' proceeding. PWU is not seeking an award of costs in this proceeding.

In PO No. 1, the OEB also provided for written submissions on Alectra Utilities' request for confidentiality treatment of materials, and in relation to certain preliminary questions regarding its capitalization policy.

In its 2020 EDR Application, Alectra Utilities included requests for confidential treatment of selected portions of evidence pursuant to the OEB's *Practice Direction on Confidential Filings*. The Application contains information regarding the estimated values of certain properties for which Alectra Utilities is currently under negotiations for purchase, and third party information of a proprietary nature that comprise trade secrets of Copperleaf Technologies. OEB staff filed its submission on July 10, 2019, supporting the confidential treatment of all requested items. No other parties made submissions on Alectra Utilities' requests for confidential treatment. On July 24, 2019, the OEB issued its Decision on Confidentiality, accepting Alectra Utilities' request for confidential treatment of the selected materials.

In its 2020 EDR Application, Alectra Utilities requested that the OEB reconsider its capitalization policy decision in Alectra Utilities' 2018 EDR Application (EB-2017-0024), and no longer require the use of deferral accounts or the future disposition of recorded balances. In PO No. 1, the OEB expressed its preliminary view that this request constitutes a motion to vary, and provided for submissions from Alectra Utilities, OEB Staff and intervenors on this matter.

On July 19, 2019, Alectra Utilities filed its submission with the OEB, indicating that its requests do not seek to vary a final decision or order within the meaning of Rule 40.02 of the OEB's *Rules of Practice and Procedure*, and therefore cannot constitute a motion to vary. The deferral accounts were established pursuant to a Partial Accounting Order in Alectra Utilities' 2018 EDR Application. The Accounting Order was considered by the OEB to be "partial" because it did not include any details on how the accounts would ultimately be disposed; therefore it is not "final", but interim in nature. As a result, any request relating to the subject matter of the Order—namely, whether the accounts should remain open, for how long, or how the account balances should be disposed—does not relate to a "final" order or decision, and therefore does not constitute a motion to vary.

Alectra received written submissions from OEB staff and intervenors on July 29. All parties characterized this issue as a request for a motion to review and vary a past OEB decision. Alectra has specifically not done this, given the time limit to apply for such. Alectra Utilities will file its reply submission on August 9, 2019.

The OEB will process the three elements of the application: Incentive Rate Mechanism (“IRM”); M-factor and Distribution System Plan (“DSP”); and capitalization policy, in different stages. The IRM elements of the application will be adjudicated by way of written hearing. The OEB will convene an oral hearing in relation to the M-factor proposal and the DSP. Lastly, the OEB will determine further procedural steps regarding the capitalization policy elements, including the impact of the capitalization policy change on the Earnings Sharing Mechanism (“ESM”) and Capital Investment Variance Account (“CIVA”) for the Horizon Utilities Rate Zone, pending the outcome of the submissions on this item.

Alectra has received its first round of IRM-related IRs. It has almost 200 IRs to which to respond by August 16, 2019.

Dates, for the next procedural steps in the adjudication of the Application, are provided in Table 2, below:

Table 2 – Alectra Utilities’ 2020 EDR Application Case Schedule

	Procedural Steps	Dates
Confidentiality	OEB Staff and Intervenor Submissions on confidentiality	12-Jul-19
	Alectra Utilities' reply submission on confidentiality	17-Jul-19
Preliminary Question	Alectra Utilities' written Submission	19-Jul-19
	OEB Staff & Intervenor Submission	29-Jul-19
	Alectra Utilities' Reply Submission	9-Aug-19
IRM Elements	Intervenor and Staff IRs on IRM Filed	29-Jul-19
	Alectra Utilities' Responses to IRM Interrogatories	16-Aug-19
	Alectra Utilities' argument-in-chief	26-Aug-19
	OEB Staff and Intervenor Submissions Filed	13-Sep-19
	Alectra Utilities' Reply Submission Filed	23-Sep-19
M-Factor	Presentation Day	7-Aug-19
	Intervenor and OEB Staff Interrogatories on M-Factor	16-Aug-19
	Alectra Utilities' Responses to M-Factor Interrogatories	13-Sep-19
	Technical Conference	7-Oct-19
	Oral Hearing (Oct 15, 17 & 18)	18-Oct-19
	Argument-in-Chief	1-Nov-19
	OEB Staff and Intervenor Submissions Filed	15-Nov-19
	Alectra Utilities' Reply Submission Filed	25-Nov-19

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**ATTACH 4 – EDR Application to EC
Dated January 22, 2019**

Alectra Utilities Corporation

2020 Electricity Distribution Rate Application

January 22, 2019



Elements of the 2020 Electricity Distribution Rate (“EDR”) Application

- IRM by Rate Zone
 - BRZ
 - ERZ
 - HRZ
 - PRZ
 - GRZ
- Earnings Sharing Mechanism (“ESM”) proposal for Year 6 (2022) results for Alectra
- Accounting treatment for Capitalization Policy change
- Evaluation of the 2017 HRZ ESM
- Evaluation of the 2018 HRZ ESM
- Alectra consolidated Distribution System Plan (“DSP”), including customer engagement
- Capital funding for Alectra
 - One capital rider for each of the 5 years vs. Incremental Capital Module (“ICM”)



Central Issue for this Application – Need for Capital Funding

- In 2015, the OEB issued a change to its MAADs policy to address distributor concerns regarding barriers to consolidation:
 - Length of Rebasing Deferral Period: Distributors were concerned regarding the length of time over which rebasing of a consolidated entity's rates could be deferred. The OEB recognized that providing a reasonable opportunity to use savings to at least offset the costs of a MAADs transaction is an important factor in a utility's consideration of the merits of a given consolidation initiative
 - Distributors also expressed concern that they will be forced to choose between early rate-rebasing to address capital spending, or deferred rebasing in order to enhance the viability of a MAADs transaction
- The OEB also set out clarification in its September 18, 2014 *Report of the Board - New Policy Options for Funding of Capital Investments: The Advanced Capital Module* establishing that ICM is not limited to extraordinary or unanticipated capital investments
- Alectra Utilities relied on these OEB policies in building its MAADs transaction and identified the same in written and oral evidence
- Despite this, the OEB's ICM Decision was punitive and inconsistent with OEB policies



Central Issue for this Application – Need for Capital Funding

- Alectra is currently in a worse position regarding based rates than it was prior to the amalgamations
- In its decision on Alectra's 2018 rate application:
 - The OEB made an inconsistent application of the OEB's ICM Policy and MAADs Policy and MAADs Handbook by applying a new funding threshold
 - Only 50% eligible projects were approved, creating a significant capital funding deficit for Alectra
 - The result of potentially disallowing each non-road allowance project in the 2019 Application is a total disallowance of \$12.8MM
 - This is in addition to an amount of \$27.4MM that was disallowed in the 2018 ICM Application, for a cumulative impact of \$40.2MM (thus far)
 - Decision on consolidation of the Capitalization Policy that was a function of the merger



New Approach to Capital Funding – the “MAADs-factor” or “M-factor”

APPROACH:

- Alectra will be submitting a new multi-year capital funding application for 2020-2024 that would meet the following objectives: reducing costs in the near term related to application filings; regulatory efficiency; rate certainty; and investment certainty
- The focus of the application will have to be based on the “need” for the capital expenditure and the impact on the Alectra’s distribution system without rate funding for that capital expenditure
- Within the 10-year rebasing deferral period, many of the predecessor utilities, now rate zones, are several years from the last rebasing, causing Alectra to need to fund cumulative capital expenditures that are not currently funded in revenue requirement
- The focus will also need to be that without funding the necessary level of investment will not be undertaken thereby affecting the reliability of the system



New Approach to Capital Funding – the “MAADs-factor” or “M-factor”

RATIONALE:

- The OEB released the Renewed Regulatory Framework for Electricity (“RRF”) in 2012
- Distributors are required to file Distribution System Plans every five years
- Consolidating distributors are not exempt from this requirement
- This is emphasized in the MAADs Policy and in Alectra’s MAADs and rate application decisions
- The DSP is not a theoretical exercise; it is supposed to inform required capital expenditure



Capital Funded in Rates – the MAADs Factor or “M-Factor”

Alectra has relied on the OEB’s ICM Model to calculate its 2020 materiality threshold. The threshold serves to demonstrate the level of capital expenditures that a distributor should be able to manage within its current rates. The product of the Materiality Threshold Formula and the depreciation expense approved in the distributor’s last cost of service application establishes the dollar value of capital that is reflected in base rates.

The table below presents the level of capital funded in rates, and compares this amount to Alectra’s 2020-2024 capital expenditure requirements in the DSP. Alectra requires an additional \$332MM to fund the level of capital included in the DSP.

CAPITAL FUNDED IN RATES (\$000s)	Alectra's 2020-2024 Capital Plan	OEB's Materiality Threshold Calculation ^{1,2}	Funding Shortfall
2020	288,961	222,587	(66,374)
2021	290,273	225,354	(64,919)
2022	294,165	228,220	(65,945)
2023	301,104	231,188	(69,916)
2024	299,482	234,261	(65,220)
2020-2024	1,473,986	1,141,611	(332,375)

1. Calculation based on preliminary 2018 billing determinants for Alectra RZs and 2017 billing determinants for Guelph

1. Final materiality threshold value is subject to change based on final 2018 RRR billing determinants



DSP Capital Investment Drivers

Alectra's capital funding request is centered around four key themes or drivers. In the Application, Alectra will identify the need for funding within the M-factor envelope for the following:

1. System Renewal Investments
 - Increased spending in renewal, with a focus on UG systems, to address the increase in the duration of outages in the system
2. Storm hardening
 - DSP to include investments required to harden or strengthen the OH distribution system to withstand the frequency and severity of storms
3. Intensification growth (particular in the core) and transportation projects
4. Infrastructure upgrades (e.g., IT investments)
 - Increase in remote monitoring, environmental containment and communication systems



Elements of the Application

Advancing a capital funding approach based on one capital rider for each of the 5 years

- Establishing that the capital projects that comprise a portion of the funding shortfall have to be done and cannot be deferred, and that these projects result in positive customer outcomes
- Responding to intervenor arguments challenging the capital funding requests
- Should the OEB accept the M-Factor, Alectra may have to accept a project-by project true up where available

Filing Customer Engagement in support of the Distribution System Plan

Providing evidence on the reversal of the OEB's capitalization policy decision and treatment of the Horizon ESM



Timeline for 2020 EDR Application

Milestone	Estimated Date	Day
Application Submission Date	April 26, 2019	1
Letter of Direction	May 24, 2019	28
Notice of Application	May 31, 2019	33
PO#1	June 27, 2019	62
Interrogatories Received	July 8, 2019	73
Response to Interrogatories	August 2, 2019	98
Technical Conference	August 26, 2019	121
Oral Hearing	September 30, 2019	157
Decision and Order	December 6, 2019	224



Timeline for 2020 DSP & Customer Engagement

Milestone	Estimated Date
Draft Workbook Questionnaire completed	January 23
Workbook Testing (Focus Groups)	January 29
Full First Draft DSP Completed (before Customer Engagement)	January 31
Regulatory Review of Draft DSP Completed	February 8
Launch Online Workbook and Discussion Groups	February 18 – March 15
Launch Telephone Survey	February 25 – March 15
Customer Engagement Report Completed	March 29
Second Draft of DSP with Customer Preferences	April 12
Final DSP	April 24



Appendices

Appendix 1 – OEB's Materiality Threshold Calculation

Description	ERZ	PRZ	BRZ	HRZ	GRZ	ALECTRA
Inflation	1.50%	1.50%	1.50%	1.50%	1.50%	
Less: Productivity Factor	0.00%	0.00%	0.00%	0.00%	0.00%	
Less: Stretch Factor	0.30%	0.30%	0.30%	0.30%	0.30%	
Price Cap Index	1.20%	1.20%	1.20%	1.20%	1.20%	
Growth Factor	-0.08%	2.11%	1.68%	3.04%	-0.65%	
Year	2020	2020	2020	2020	2020	
# Years since rebasing	7	3	5	1	4	
Price Cap Index	1.20%	1.20%	1.20%	1.20%	1.20%	
Growth Factor	-0.08%	2.11%	1.68%	3.04%	-0.65%	
Dead Band	10%	10%	10%	10%	10%	
Rate Base	\$610,456,833	\$1,082,805,165	\$404,618,521	\$555,697,950	\$151,391,730	
Depreciation	\$28,721,695	\$52,272,173	\$15,227,319	\$23,877,061	\$6,295,624	
Threshold Value % - 2020	135%	184%	196%	210%	123%	
Threshold Capital Expenditure \$ - 2020	\$38,863,709	\$96,016,421	\$29,891,138	\$50,049,666	\$7,765,937	\$222,586,872
Threshold Capital Expenditure \$ - 2021	\$38,944,716	\$97,299,608	\$30,271,856	\$51,067,703	\$7,770,531	\$225,354,415
Threshold Capital Expenditure \$ - 2022	\$39,026,625	\$98,625,545	\$30,663,604	\$52,129,315	\$7,775,149	\$228,220,238
Threshold Capital Expenditure \$ - 2023	\$39,109,447	\$99,995,654	\$31,066,702	\$53,236,365	\$7,779,793	\$231,187,961
Threshold Capital Expenditure \$ - 2024	\$39,193,192	\$101,411,409	\$31,481,478	\$54,390,799	\$7,784,462	\$234,261,339
2020-2024 Threshold	\$195,137,690	\$493,348,637	\$153,374,779	\$260,873,847	\$38,875,872	\$1,141,610,825



Appendix 7 – Glossary of Terms

Revenue Requirement - The revenue requirement is the total cost for a utility to provide energy service. It includes the cost of salaries, equipment, capital projects, depreciation, taxes, interest and a return on the equity invested by shareholders. The revenue requirement is used to set rates for customers.

Depreciation - Depreciation is the return of invested capital over the useful lives of these assets. Depreciation is a significant component of a utility's revenue requirement

Capital Expenditures - Capital expenditures are amounts spent by a utility to acquire or enhance fixed assets, such as land, buildings, and major equipment. When the asset is ready to be used, the expenditure is added to rate base as a capital addition. The expenditure is then recovered through rates over the life of the asset.

MARE - The electricity distribution rates and other regulated charges of the Corporation are determined in a manner that provides shareholders with opportunity to earn a regulated Maximum Allowable Return on Equity ("MARE") on the amount of shareholders' equity supporting the business of electricity distribution, which is also determined by regulation.

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**ATTACH 5 – DSP and Application Update
Dated February 6, 2019**

DSP and Application Update

February 6, 2019



Customer Engagement and 3rd Party Review

- Launch Online Workbook & Discussion Groups (Feb 20 – March 15)
- Launch Telephone Survey (Feb 25 – March 15)
- Customer Engagement Report Completed (March 29)
- Vanry and 3rd Party Review (April 17 – May 9)
- Second draft of DSP with Customer Preferences (April 12, 2019)
- Regulatory Final Review and Packaging (May 22, 2019)
- File DSP and Application (May 24, 2019)



MAADs Capital Module (“MCM”) & MAADs Factor (“M-Factor”)

- Consistent with the basic logic of the OEB’s EB-2017-0024 Decision (“Decision”) that materiality should be determined on an integrated (or total) Alectra basis and not on a Zone-specific basis, the M-Factor would focus on an integrated capital budget (consistent with the integrated Alectra DSP) for purposes of the first materiality test, as identified as page 21 of the Decision.
- The first test is the ICM materiality threshold formula, which serves to demonstrate the level of capital expenditures that a distributor should be able to manage within current rates. The test states that: *“Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount” and “must clearly have a significant influence on the operation of the distributor”.*



M-Factor (cont'd)

For further consistency with the integrated Alectra approach, M-Factor costs would be recovered by means of a single Alectra rate rider.

This approach would reflect the principle that using postage stamp rates to ensure intra-class equity

Rates that are differentiate geographically, for similar customers served in essentially the same way are not equitable when the difference are caused by temporal difference in location relative to existing assets or in the timing of major capital investments



Issues Related to M-Factor Determination

- Determination of the First Threshold
 - Since the MCM is essentially a variant of the existing ICM that is intended to address the goals of the ICM in a manner that is more closely aligned with the circumstances of a recently amalgamated distributor such as Alectra, it follows that it would have a materiality threshold similar to the ICM threshold.
- At page 24 of the 2018 EDR/ ICM Decision:
 - The OEB notes that the MAADs policy states that: *“the materiality thresholds for purposes of the ICM policy shall be calculated based on the individual distributor’s accounts, i.e. depreciation expense, and not the consolidated entity’s”*.
 - May be appropriate for ICM applications, for the M-Factor which is designed to take a more comprehensive integrated Alectra view, greater internal consistency would be achieved if the first materiality threshold is determined on the basis of the consolidated entity.



Issues Related to M-Factor Determination

- Determination of Qualifying Capital Investments
 - At page 25 of the 2018 Decision, the OEB stated that: “[t]he OEB will consider whether each capital project proposed for an ICM is significant with respect to Alectra Utilities’ total capital budget, not with respect to the capital budget by rate zone”
 - A single second materiality test must be used for all capital projects that includes both multi-Zone projects and single Zone projects.
 - All projects that are above the second threshold and meet the other ICM criteria would be considered to qualify for the M-Factor.
- The Cost Recovery Mechanism (Rate Rider)
 - The most consistent approach would be to take a consolidated approach to identifying qualifying capital and establish a rate rider specific to each rate class on a consolidated basis.



Issues Related to M-Factor Determination

- The Cost Recovery Mechanism (Rate Rider)
 - The rate rider that recovers the amount of capital that would be recoverable under an ICM would be calculated and recovered from all customers. It would not be implemented on a Zone-specific basis
 - This approach would avoid intra-class inequities that would otherwise arise.
 - Very similar projects may be undertaken in more than one zone requiring different levels of investment
 - If qualifying capital is determined on a zone-specific basis and recovered through a correspondingly zone-specific rate rider, an intra-class inequity would result since some customers would be required to pay the rate rider simply because the project in their zone happened to cost more
 - A project in a particular zone may be necessary to maintain service that is consistent with overall service standard because of the age of local infrastructure
 - Hence, customers in a zone served using older infrastructure would be required to pay the rider simply because the assets serving them required renewal at a different time than identical infrastructure in other zones



M-Factor Rate Riders – For Illustration ONLY

Conventional vs Standardized Approach

M-Factor - Rate Rider Calculation	Conventional	Standardized
-----------------------------------	--------------	--------------

Enersource Rate Zone	Unit	% Increase vs. Total Bill	% Increase vs. Total Bill
Residential	kWh	0.14%	0.23%
General Service < 50 kW	kWh	0.15%	0.21%
General Service 50 to 499 kW	kW	0.05%	0.07%
General Service 500 to 4999 kW	kW	0.07%	0.11%
Large Use	kW	0.04%	0.04%
Unmetered	kWh	0.19%	0.26%
Street Lighting	kW	0.45%	0.59%

Conventional	Standardized
--------------	--------------

ICM Rate Rider Incl HST	ICM Rate Rider Incl HST
\$ 0.15	\$ 0.25
\$ 0.44	\$ 0.63
\$ 7.88	\$ 10.98
\$ 49.06	\$ 86.44
\$ 197.28	\$ 201.26
\$ 0.10	\$ 0.13
\$ 0.02	\$ 0.02

M-Factor Rate Riders – For Illustration ONLY

Conventional vs Standardized Approach

M-Factor - Rate Rider Calculation	Conventional	Standardized
-----------------------------------	--------------	--------------

Brampton Rate Zone	Unit	% Increase vs. Total Bill	% Increase vs. Total Bill
Residential	kWh	0.29%	0.24%
General Service < 50 kW	kWh	0.28%	0.23%
General Service 50 to 699 kW	kW	0.08%	0.07%
General Service 700 to 4999 kW	kW	0.08%	0.06%
Large Use	kW	0.05%	0.03%
Unmetered	kWh	0.16%	0.10%
Street Lighting	kW	0.23%	0.12%
Embedded Distributor	kWh	0.03%	0.02%
Distributed Generation	kWh	1.02%	0.76%

Conventional	Standardized
--------------	--------------

ICM Rate Rider Incl HST	ICM Rate Rider Incl HST
\$ 0.31	\$ 0.25
\$ 0.77	\$ 0.63
\$ 21.75	\$ 21.07
\$ 82.35	\$ 55.88
\$ 768.72	\$ 474.28
\$ 5.95	\$ 3.97
\$ 1,286.90	\$ 671.58
\$ 58.56	\$ 43.95
\$ 1.46	\$ 1.10

M-Factor Rate Riders – For Illustration ONLY

Conventional vs Standardized Approach

M-Factor - Rate Rider Calculation	Conventional	Standardized
-----------------------------------	--------------	--------------

Horizon Rate Zone	Unit	% Increase vs. Total Bill	% Increase vs. Total Bill
Residential	kWh	0.24%	0.23%
General Service Less Than 50 Kw	kWh	0.23%	0.22%
General Service 50 To 4,999 Kw	kW	0.07%	0.07%
Large Use	kW	0.09%	0.05%
Large Use With Dedicated Assets	kW	0.01%	0.03%
Unmetered Scattered Load	kWh	0.33%	0.32%
Sentinel Lighting	kW	0.16%	0.13%
Street Lighting	kW	0.07%	0.11%

Conventional	Standardized
--------------	--------------

ICM Rate Rider Incl HST	ICM Rate Rider Incl HST
\$ 0.26	\$ 0.25
\$ 0.64	\$ 0.63
\$ 11.14	\$ 11.73
\$ 335.68	\$ 201.26
\$ 133.96	\$ 474.28
\$ 0.13	\$ 0.12
\$ 35.67	\$ 29.06
\$ 274.84	\$ 421.67

M-Factor Rate Riders – FOR ILLUSTRATION ONLY

Conventional vs Standardized Approach

M-Factor - Rate Rider Calculation	Conventional	Standardized
-----------------------------------	--------------	--------------

PowerStream Rate Zone	Unit	% Increase vs. Total Bill	% Increase vs. Total Bill
Residential	kWh	0.33%	0.24%
General Service Less Than 50 Kw	kWh	0.27%	0.23%
General Service 50 To 4,999 Kw	kW	0.12%	0.09%
Large Use	kW	0.07%	0.06%
Unmetered Scattered Load	kWh	0.48%	0.36%
Sentinel Lighting	kW	0.49%	0.53%
Street Lighting	kW	0.18%	0.19%

Conventional	Standardized
--------------	--------------

ICM Rate Rider Incl HST	ICM Rate Rider Incl HST
\$ 0.35	\$ 0.25
\$ 0.75	\$ 0.63
\$ 14.67	\$ 11.73
\$ 277.63	\$ 244.03
\$ 0.14	\$ 0.11
\$ 0.17	\$ 0.19
\$ 0.09	\$ 0.10

M-Factor Rate Riders – For Illustration ONLY

Conventional vs Standardized Approach

M-Factor - Rate Rider Calculation				Conventional	Standardized
Guelph Rate Zone				Conventional	Standardized
	Unit	% Increase vs. Total Bill	% Increase vs. Total Bill	ICM Rate Rider Incl HST	ICM Rate Rider Incl HST
Residential	kWh	0.06%	0.23%	\$ 0.07	\$ 0.25
General Service Less Than 50 Kw	kWh	0.04%	0.24%	\$ 0.11	\$ 0.63
General Service 50 To 999 Kw	kW	0.01%	0.07%	\$ 4.10	\$ 21.07
General Service 1,000 To 4,999 Kw	kW	0.01%	0.05%	\$ 9.54	\$ 39.75
Large Use	kW	0.01%	0.04%	\$ 57.07	\$ 246.76
Unmetered Scattered Load	kWh	0.03%	0.11%	\$ 0.06	\$ 0.22
Sentinel Lighting	kW	0.09%	0.47%	\$ 0.06	\$ 0.32
Street Lighting	kW	0.04%	0.12%	\$ 59.27	\$ 186.51

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**ATTACH 6 – EC Presentation
Dated April 23, 2019**

2020 EDR Application



Overview

A New Approach to Post-Merger Rate-setting

In the 2020 Electricity Distribution Rates (“EDR”) application, Alectra Utilities will attempt to address a critical issue resulting from its first two years of post-merger rate setting: the lack of sufficient, stable funding for critical capital investments.

The outcome of the past two decisions has been to restrict Alectra Utilities’ capital funding, resulting in deteriorating customer reliability and increasing constraints on our ability to connect customers.

Without a new approach to capital funding, Alectra Utilities may not be able to meet customer needs and priorities (as assessed through extensive customer engagement).

This presentation covers:

- 1. Outcomes of Recent EDR Applications**
- 2. Major Elements of the 2020 EDR Application**
- 3. Overview of the 2020-2024 Distribution System Plan**



1. Outcomes of 2018 & 2019 EDR Applications



Outcomes of Recent EDR Applications

The Alectra merger transaction and related business case were based on Ontario Energy Board (“OEB”) policies and guidelines. Shareholders relied on two elements of OEB policy in particular:

- The availability of a rebasing deferral period of ten years; and
- Availability of incremental capital funding during the deferral period.

Together, these policies were critical to the utility’s financial viability and its ability to serve its customers in the years following the merger.

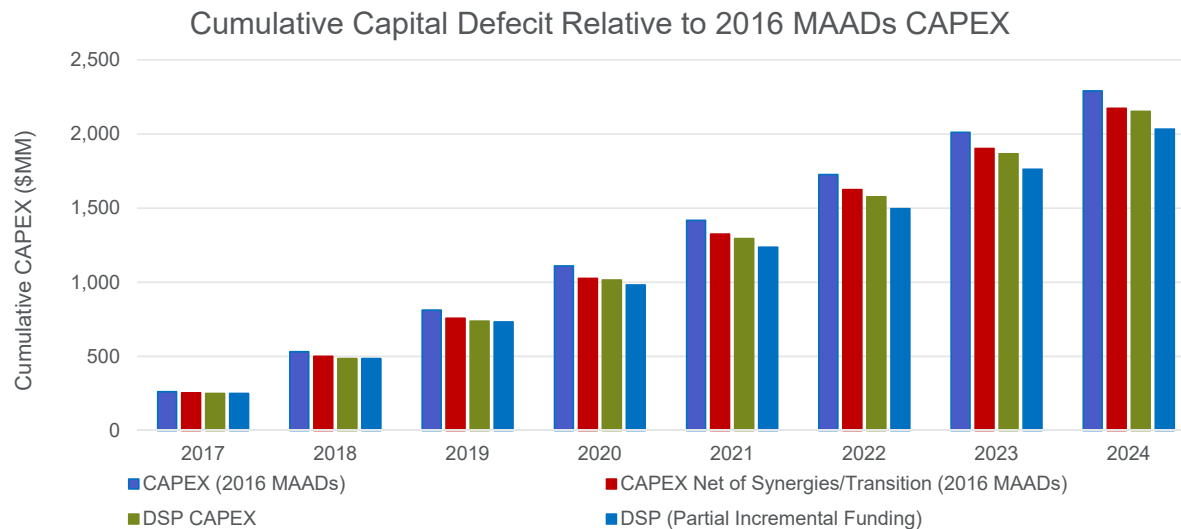
In 2017, Alectra Utilities filed its first EDR application, which included incremental capital funding for the Brampton, Enersource and PowerStream rate zones. In its decision, the OEB imposed greater restrictions on capital funding and effectively changed the way that post-merger accounting policy changes would be treated. Outside the decision, the OEB also imposed new requirements that imposed costs on the utility. The collective impact of these factors is significant:

Impact of Decisions & Policy Changes	2018	2019	2020	2021	2022	Total	2023
Total ICM Impact	\$ (2.1)	\$ (3.4)	\$ (7.3)	\$ (9.8)	\$ (11.3)	\$ (33.9)	N/A
Customer Service Rules Impact	\$ (3.2)	\$ (3.2)	\$ (3.2)	\$ (3.2)	\$ (3.2)	\$ (16.0)	\$ (3.2)
Accounting Policy Conformance Impact	\$ (0.8)	\$ (2.3)	\$ (4.5)	\$ (4.2)	\$ (3.8)	\$ (15.6)	N/A
Total Impact	\$ (6.1)	\$ (8.9)	\$ (15.0)	\$ (17.2)	\$ (18.3)	\$ (65.5)	N/A

Outcomes of Recent EDR Applications

Impacts of Recent EDR Decisions

Beyond the financial impact, the denial of capital funding for critical categories of work is increasingly affecting Alectra Utilities' ability to serve its customers. Due in part to insufficient funding, the utility has been required to defer prudent capital renewal investments to meet basic customer connection requirements. The result has been **declining reliability** and **an increasing backlog** of critical asset renewal expenditures.





Outcomes of Recent EDR Applications

Existing capital funding is insufficient to meet the system's needs. Base rates will support an average annual capital expenditure of approximately \$230MM during the 2020-2024 period, but planned expenditures average \$290MM per year in that period.

A New Approach in 2020 EDR Application

Unless these trends are reversed and adequate funding is approved through distribution rates, Alectra Utilities expects:

- Customer reliability will continue to decline;
- Capital investment “snow-plow effect” will continue.

Ultimately, this may also lead to a sharp increase in rates in the future, to pay for an increasing volume of deferred investment.

These outcomes are harmful to both the Alectra Utilities and its customers.

Alectra Utilities will take a new approach to demonstrating the needs of its customers and distribution system in the 2020 EDR Application.



2. Major Elements of 2020 EDR Application



Major Elements of 2020 EDR Application

M-Factor Capital Funding

Alectra Utilities will file an application with the OEB for 2020 EDR for all five rate zones (“RZ”) in the second quarter of 2019, for an update to EDR and other charges, effective January 1, 2020.

The application includes a new approach to capital funding during the rebasing deferral period - the “M-Factor.”

This new funding proposal recognizes that the OEB has decided to limit the application of the default funding mechanism (the Incremental Capital Module or “ICM”), but also reinforces the need for capital funding over the 2020-2024 period.

Other Major Elements

The Application also includes:

- 1. 2020 price cap adjustments to base rates and other standard IRM approvals**
- 2. A proposal to revisit the capitalization policy issue from the OEB’s 2018 EDR Decision**
- 3. A new proposed variance account for “externally-driven” capital expenditures**
- 4. Adjustments based on the Horizon Rate Zone (“HRZ”) settlement agreement**
- 5. Proposal for Alectra Utilities ESM**



Major Elements of 2020 EDR Application

M-Factor

The M-Factor is a new mechanism proposed by Alectra Utilities to bridge the gap between the needs of the system as demonstrated through its detailed Distribution System Plan (“DSP”) evidence and the funding that the OEB has been able to provide through the ICM.

There is no precedent for the M-Factor in OEB policy, but Alectra Utilities plans to demonstrate that it is critical to meeting customers’ needs and expectations over the next five years. The evidence demonstrates that the M-Factor is not intended to give Alectra Utilities a financial advantage relative to the ICM, but rather to ensure that capital funding is available to fund all of the work planned for the 2020-2024 period (minus a 10% dead-band, pursuant to OEB policy).

Intended for utilities within their post-MAADs rebasing deferral period along with a DSP filing



Major Elements of 2020 EDR Application

M-Factor

Key features of the M-Factor include:

1. **Consistency with Harmonized Capital Planning:** Alectra Utilities is now a single utility with a capital plan that it harmonized across its territory. The DSP is not a continuation of five separate capital plans – it is one, unified plan for Alectra Utilities' system. The M-Factor reflects that approach.
2. **Flexibility:** Funding is provided on an “envelope basis” rather than tied to particular projects.
3. **Efficiency:** If approved, the M-Factor would provide capital funding based on the 5-year DSP filed in the 2020 EDR application, avoiding the significant cost of five annual OEB applications for ICM funding over the same period.



Major Elements of 2020 EDR Application

M-Factor (cont'd)

To provide the OEB with comfort that Alectra Utilities will spend the funding provided through the M-Factor, Alectra Utilities will propose a **Capital Investment Variance Account**:

- To track capital expenditures;
- To ensure that any under-investment relative to the level of capital funded through the M-factor is refunded to customers. The account will be asymmetrical (i.e., over-spending will not be recoverable by the utility).

The following slides present M-Factor bill impacts for each RZ resulting from the proposed capital riders.



M-Factor Total Bill Impacts

ERZ

ERZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.23	0.21%
General Service < 50 kW	kWh	2,000		\$ 0.68	0.23%
General Service 50 to 499 kW	kW	100,000	230	\$ 12.00	0.07%
General Service 500 to 4999 kW	kW	400,000	2,250	\$ 74.75	0.10%
Large Use	kW	3,000,000	5,000	\$ 300.57	0.07%
Unmetered	kWh	300		\$ 0.15	0.28%
Street Lighting	kW	33	0	\$ 0.03	0.69%



M-Factor Total Bill Impacts

BRZ

BRZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.23	0.21%
General Service < 50 kW	kWh	2,000		\$ 0.56	0.20%
General Service 50 to 699 kW	kW	182,500	500	\$ 15.79	0.06%
General Service 700 to 4999 kW	kW	627,216	1,432	\$ 59.80	0.06%
Large Use	kW	10,220,000	20,000	\$ 558.23	0.04%
Unmetered	kWh	21,296		\$ 4.32	0.11%
Street Lighting	kW	2,787,508	7,922	\$ 934.53	0.17%
Embedded Distributor	kWh	1,417,701	4,000	\$ 42.53	0.02%
Distributed Generation	kWh	156		\$ 1.06	0.74%



M-Factor Total Bill Impacts

HRZ

HRZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.25	0.23%
General Service Less Than 50 Kw	kWh	2,000		\$ 0.61	0.22%
General Service 50 To 4,999 Kw	kW	110,000	250	\$ 10.70	0.06%
Large Use	kW	2,555,000	5,000	\$ 322.47	0.08%
Large Use With Dedicated Assets	kW	10,220,000	20,000	\$ 128.69	0.01%
Unmetered Scattered Load	kWh	250		\$ 0.12	0.32%
Sentinel Lighting	kW	97,008	216	\$ 34.27	0.16%
Street Lighting	kW	1,782,038	4,974	\$ 264.03	0.07%



M-Factor Total Bill Impacts

PRZ

PRZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.39	0.36%
General Service Less Than 50 Kw	kWh	2,000		\$ 0.83	0.30%
General Service 50 To 4,999 Kw	kW	80,000	250	\$ 16.23	0.13%
Large Use	kW	2,800,000	7,350	\$ 307.05	0.07%
Unmetered Scattered Load	kWh	150	0	\$ 0.16	0.53%
Sentinel Lighting	kW	180	1	\$ 0.19	0.54%
Street Lighting	kW	280	1	\$ 0.10	0.20%



M-Factor Total Bill Impacts

GRZ

GRZ - M-factor bill impact	Unit	kWh	kW	Avg. Annual Rider	Avg. Annual % Increase vs. Total Bill
Residential	kWh	750		\$ 0.14	0.13%
General Service Less Than 50 Kw	kWh	2,000		\$ 0.22	0.09%
General Service 50 To 999 Kw	kW	189,800	500	\$ 8.38	0.03%
General Service 1,000 To 4,999 Kw	kW	489,100	1,000	\$ 19.52	0.02%
Large Use	kW	4,215,750	7,500	\$ 116.72	0.02%
Unmetered Scattered Load	kWh	750		\$ 0.12	0.06%
Sentinel Lighting	kW	140	2	\$ 0.13	0.19%
Street Lighting	kW	800,000	2,200	\$ 121.22	0.08%



Major Elements of 2020 EDR Application

Price-Cap Rate Adjustments

Under the OEB's Incentive Regulation Methodology ("IRM") applicable to Alectra Utilities' base rates, annual rate escalation is based on a price cap index, which is equal to inflation less a productivity component and stretch factor determined by the OEB. The 2020 EDR application includes a request for 2020 adjustments to base rates for each RZ – this request will be updated once the 2020 rate-setting indices are published by the OEB in the fall of 2019.

Other IRM Approvals

The application will also include a request for approval of other standard annual amounts during an IRM term. Specifically:

- Disposition of Group 1 deferral and variance accounts;
- Disposition of LRAMVA balances at December 31, 2017; and
- Approval for the continuation of the implementation of the New Distribution Rate Design for residential customers in the PRZ.



Major Elements of 2020 EDR Application

Capitalization Policy Change

Alectra Utilities will request that the OEB revisit and adjust its prior decision that the impact of accounting policy changes be credited to customers during the deferred rebasing period. Alectra will show that the decision was not based on a complete set of facts and that, as a non-cash event, accounting policy changes do not result in actual earnings that can be “refunded” to customers.

The OEB’s past rulings have both created this issue and suggested that it may need to be revisited. In the 2018 EDR Application, the OEB ruled that the impact of accounting policy changes (specifically the impact of the newly formed utility’s capitalization policy) should be recorded in deferral accounts and potentially refunded to customers. In the 2019 EDR Application, the OEB deferred further consideration of the issue to the 2020 EDR application, allowing Alectra Utilities to consider the options and provide supporting evidence.

Alectra Utilities’ evidence is intended to demonstrate that the decision on this issue in the 2018 EDR application was based on an incomplete set of facts provided late in that proceeding and that the accounting policy change has no impact on customers. The evidence will also show the accounting impact of the new capitalization policy, as required by the OEB’s decision in the 2019 EDR application.



Major Elements of 2020 EDR Application

HRZ Settlement Agreement Adjustments:

Earnings Sharing Mechanism (“ESM”):

The 2017 ROE was 8.27% (inclusive of the capitalization policy impact), which was 0.73% lower than the 2017 approved ROE of 9.00%. On this basis, Alectra Utilities does not have an ESM for 2018;

CIVA

In 2018, cumulative 2015-2018 actual capital additions (inclusive of the capitalization policy impact) were \$15.7MM higher than forecast in the CIR Application. On this basis, Alectra Utilities does not have a CIVA liability;

Efficiency Adjustment

The OEB will release the Benchmarking Report in early Q3, 2019. Assuming there is no change in the efficiency ranking, no Efficiency Adjustment will be made to the revenue requirement for the 2020 Rate Year



Major Elements of 2020 EDR Application

Alectra Utilities' ESM

Alectra Utilities will also file an ESM proposal for years 6 to 10, consistent with MAADs policy. The OEB requires consolidating entities that propose to defer rebasing beyond five years to implement an ESM for the period beyond five years.

Excess earnings are shared with consumers on a 50:50 basis for all earnings that are more than 300 basis points above the consolidated entity's annual ROE.

It is important to identify that there is no OEB-approved Alectra Utilities ROE; the baseline being advanced in this application will be a weighted average ROE (excluding GRZ).



3. Overview of 2020-2024 Distribution System Plan



Overview of 2020-2024 Distribution System Plan

2020 to 2024 Distribution System Plan

As required by the OEB, the 2020 EDR application will include a consolidated DSP for the 2020 to 2024 period with the EDR Application. The DSP focuses on customers' expectation that Alectra Utilities prioritize prudent investments to maintain overall reliability; and to address the adverse reliability impacts associated with extreme weather events.

Alectra Utilities plans to focus investments on five priority areas during the 2020-2024 period:

1. Preventing further decline in reliability due to deteriorating underground assets
2. Enhancing the resilience of its overhead system to adverse weather events
3. Responding to anticipated needs in areas of new greenfield development and urban redevelopment and intensification
4. Taking advantage of opportunities to establish additional linkages between legacy systems and balance loads across its entire service area so as to mitigate the need for system expansions; and
5. Mitigating the need to rebuild or construct new stations by enhancing the use of monitoring technologies, investing in oil containment measures and strategically managing inventory on a consolidated basis



Overview of 2020-2024 Distribution System Plan

2020 to 2024 Distribution System Plan (cont'd)

The following slides summarize the following elements of the DSP:

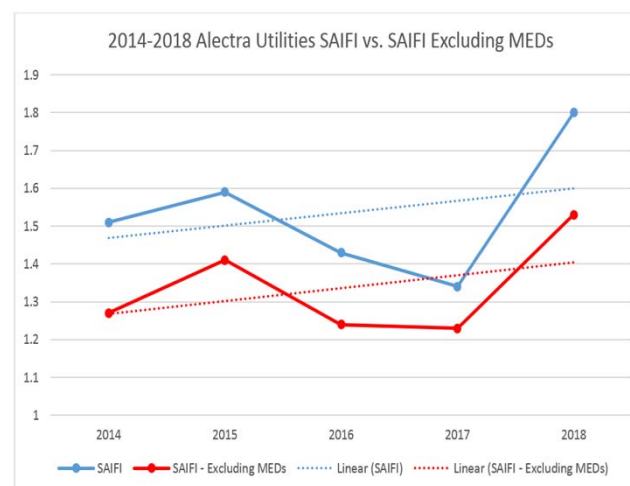
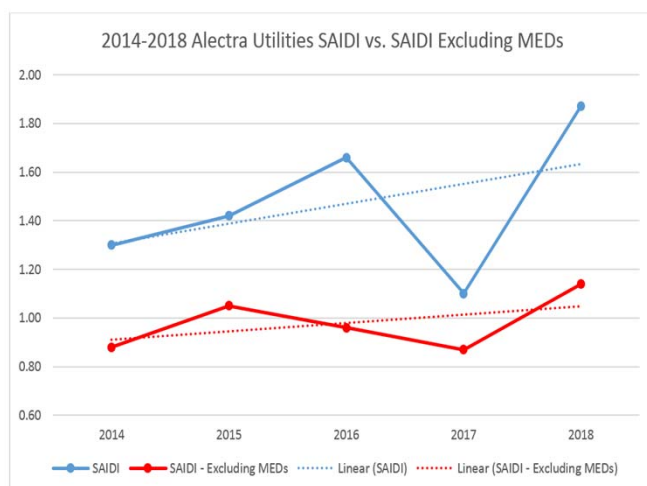
1. Key Focus Areas and Drivers of Planned Investments
2. The Asset Management Framework
3. Overview of Planned Expenditures
4. The Central Role of Customer Engagement



DSP: Key Driver & Focus Areas

Key DSP Driver: Reliability

Alectra Utilities has experienced an increasing trend of system outages since 2014.

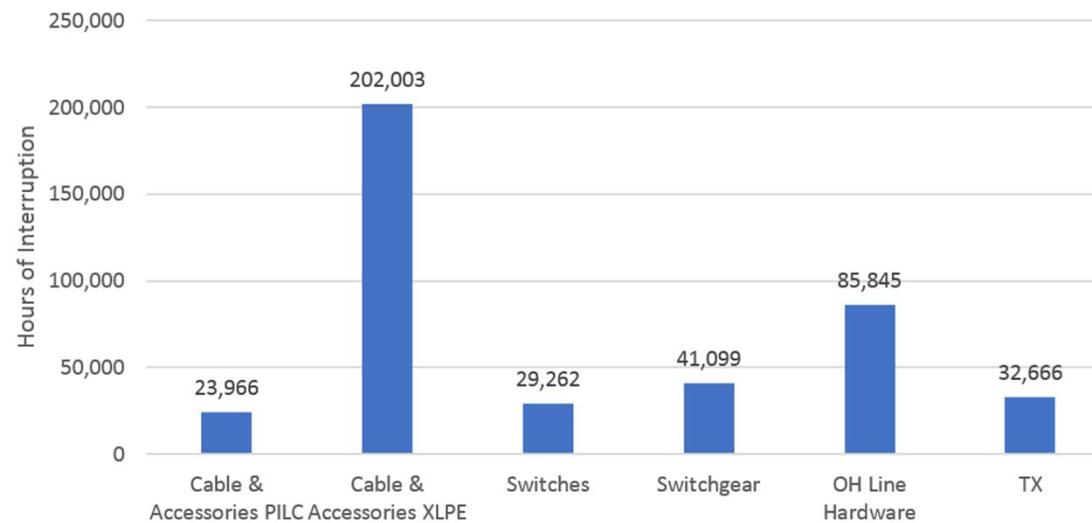


- The five year SAIDI measure indicates a 16% increase on annual average.
- When MEDs are excluded, the SAIDI measure indicate a 8% annual increase.
- The five year SAIFI measure indicates a 6% increase on annual average.
- When MEDs are excluded, the SAIFI measure indicate a 6% annual increase.

Key DSP Focus Areas

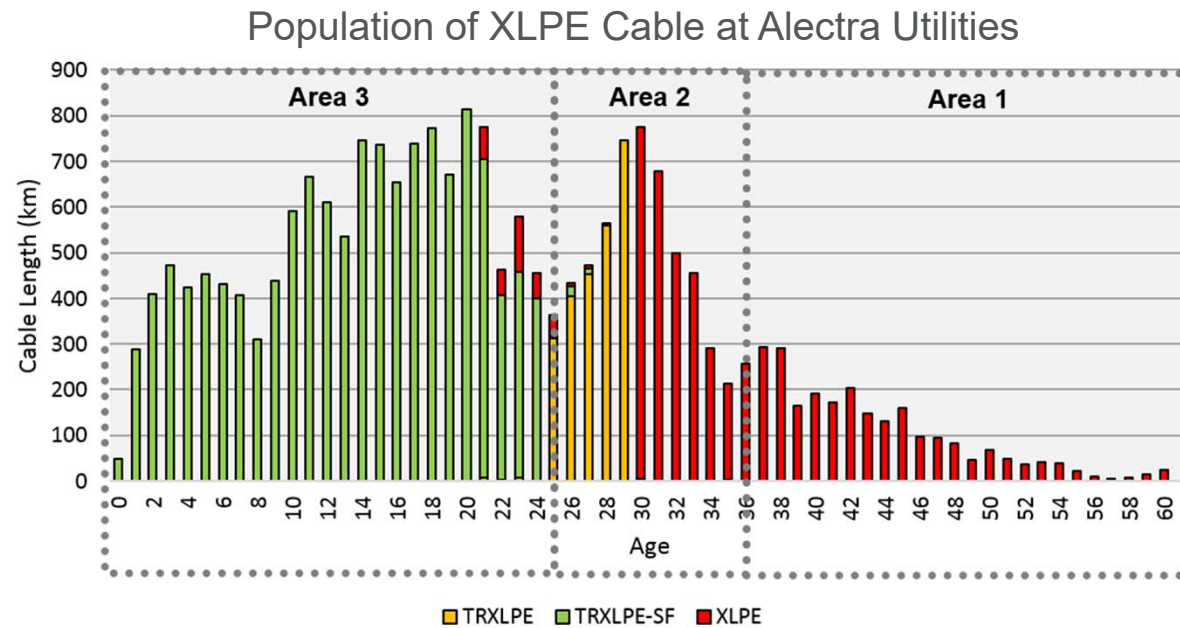
Increase level of investment in deteriorating underground systems.

Outages Due to Defective Equipment
Alectra Utilities 5-Year Average



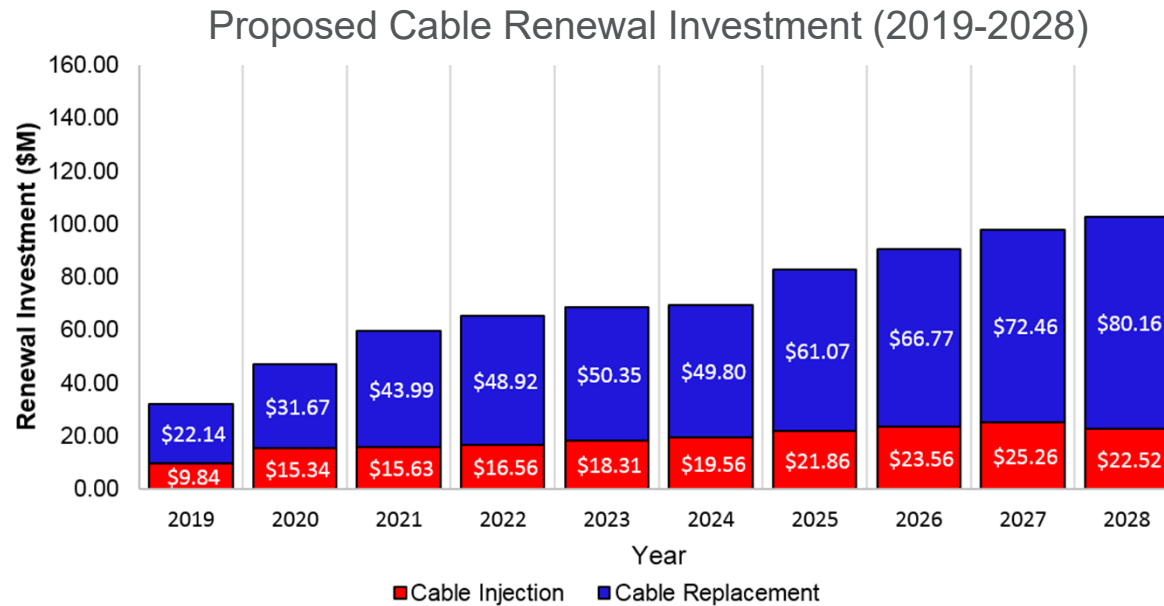
Key DSP Focus Area

Increase level of investment in deteriorating underground systems.



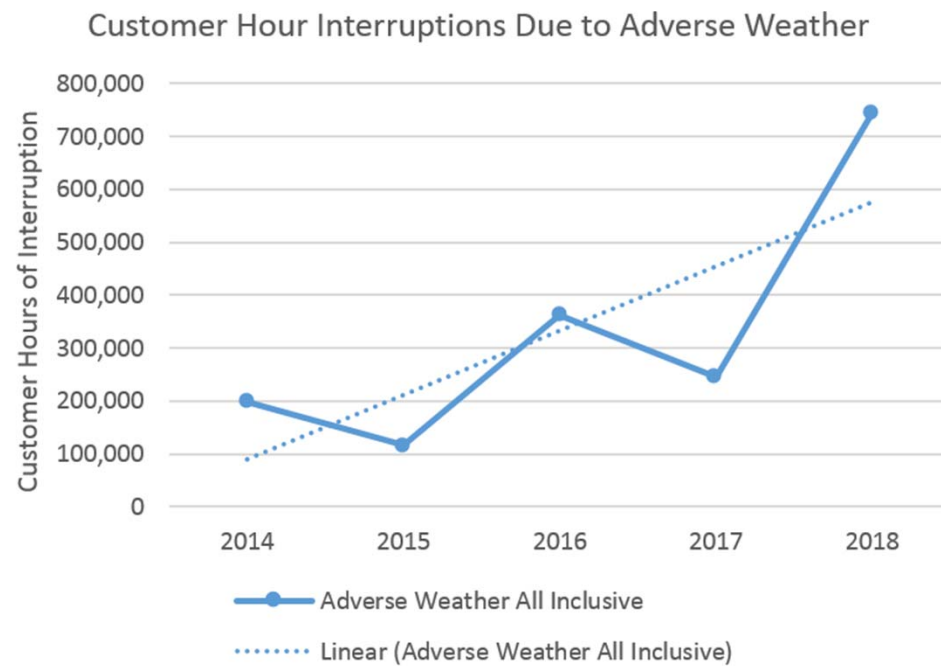
Key DSP Focus Areas

1. Increase level of investment in deteriorating underground systems.



Key DSP Focus Area

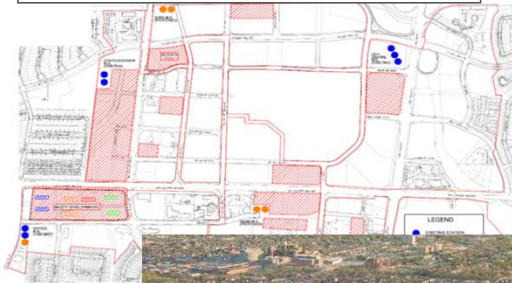
Enhance the resilience of its overhead system to adverse weather events



Key DSP Focus Areas

3. Be responsive to anticipated needs in areas of new greenfield development and urban redevelopment & intensification

Square One, Mississauga



Lakeview, Mississauga



Vaughan Metropolitan Centre

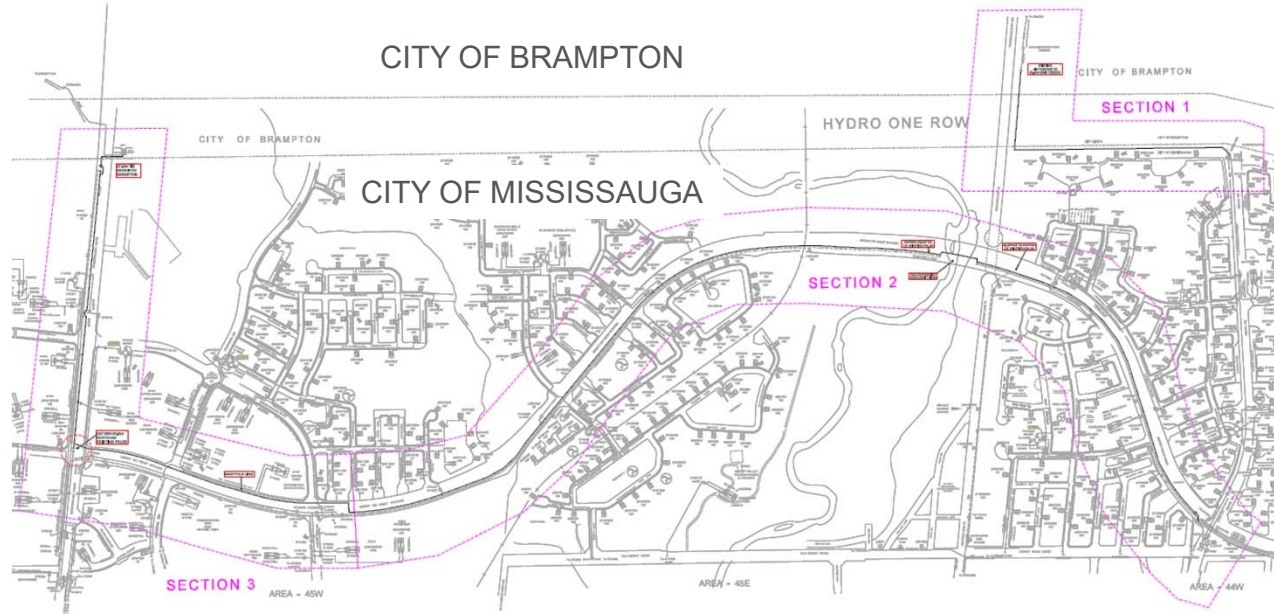


Pier 8, Hamilton



Key DSP Focus Areas

4. Take advantage of opportunities to establish additional linkages between legacy systems



Key DSP Focus Areas

5. Use of monitoring technologies, investing in oil containment measures and strategically managing inventory on a consolidated basis to pace station investment.

Monitoring & Protection Equipment at York MS



Installation of Oil Containment Solution





DSP: Asset Management

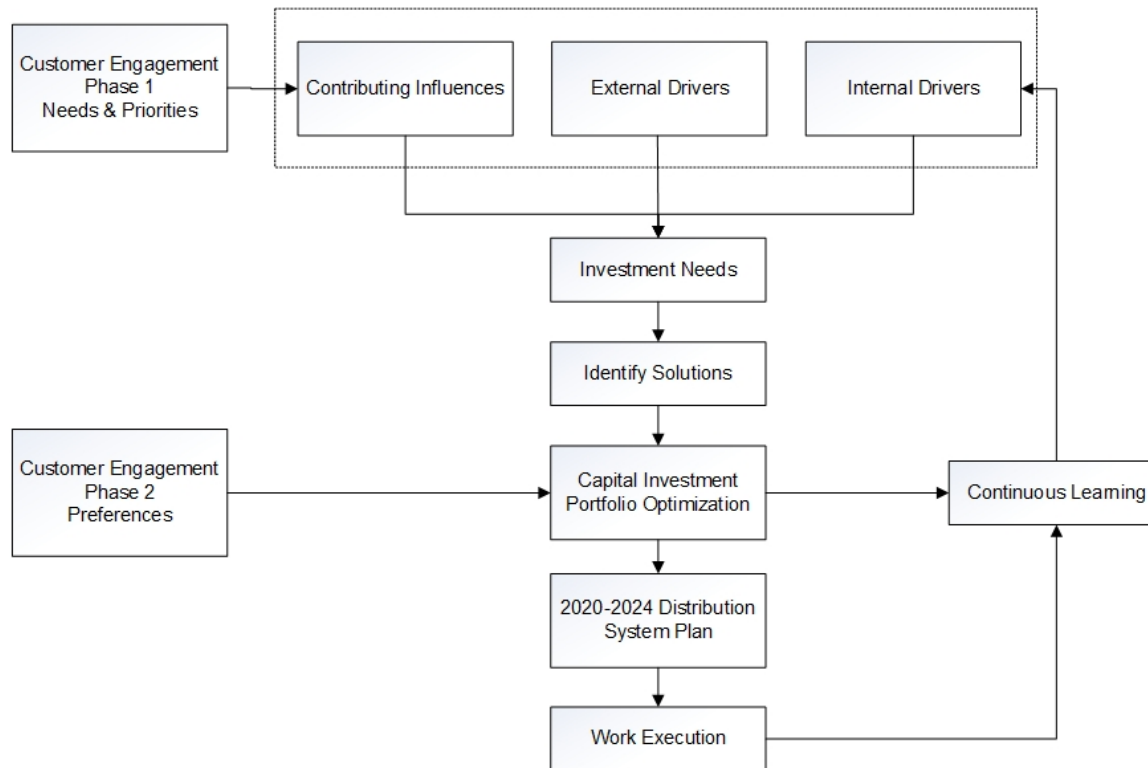


Asset Management Framework

- The 2020-2024 DSP is Alectra Utilities first DSP that was prepared on an integrated basis for the entire distribution system.
- AM Framework ensures alignment of Corporate Objectives and Goals to AM Strategy and Process for consistency and uniform approach for all investments.



Asset Management Process





Customer Engagement (Phase 1)

Before planning began, Alectra Utilities assessed customer needs and priorities through extensive customer engagement. This initial engagement guided the identification of investments in the Asset Management Process.

The findings of the first phase of customer engagement were:

1. The majority of Alectra Utilities' customer are satisfied with the current service they receive.
2. The top priorities of customers include reasonable rates, reliability, reducing/managing consumption, environmental impacts and safety.
3. Despite price concerns, the majority of customer are generally willing to consider paying more to maintain a reliable system.
4. A clear majority of customers support investments in System Service.
5. Customers generally agree that grid modernization can wait for the normal renewal process. There is no immediate pressure to proactively invest in modernization, however, support for specific projects could exceed general support.



Value Based Optimization of Investments

Optimization determines the best set of investments, alternatives, and their timing, that deliver the greatest value while respecting multiple constraints.

Value Measure Category	Value Measure
Finance	Capital Financial Benefit
	OM&A Financial Benefit
	OM&A Costs
	Financial Risk
	IT Capacity Risk
	Project Cost
Reliability	Distribution System Capacity Risk
	Reliability Benefit
	Reliability for Spares Benefit
Safety	Safety Risk
Compliance	Compliance Risk
Customer Service	Customer Satisfaction Benefit
	Customer Service Benefit
Environment	Environmental Improvements Benefit
	Environmental Risk
Regulatory	Application Ready Benefit
Public & Employee Perception	Reputational Risk
	Employee Wellness Benefit
Innovation	Technological Innovation Benefit



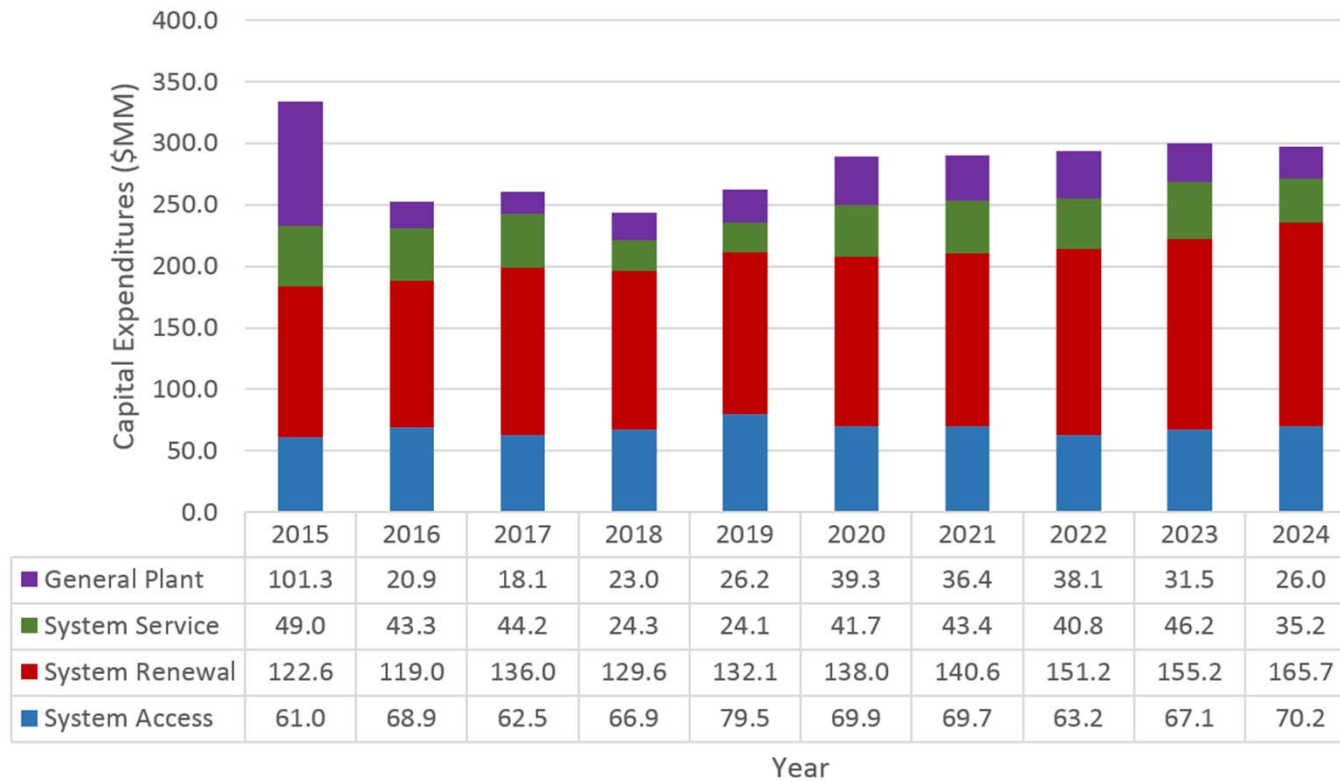
Customer Engagement (Phase 2)

- After investment needs and potential investment solutions were identified, Alectra Utilities returned to customers to attain their preferences between specific investment options (e.g., trade-offs between price and performance outcomes).
- The findings of the customer engagement for Phase 2 will be incorporated into the DSP.
- Customer needs and priorities were incorporated into the optimization process that ultimately led to the proposed investments in the DSP.



DSP: Overview of Planned Expenditures

2020-2024 Capital Investment Plan





2020-2024 Capital Investment Plan

	Planned Expenditures (\$MM)				
	2020	2021	2022	2023	2024
System Access	\$69.9	\$69.7	\$63.2	\$67.1	\$70.2
System Renewal	\$138.0	\$140.6	\$151.2	\$155.2	\$165.7
System Service	\$41.7	\$43.4	\$40.8	\$46.2	\$35.2
General Plant	\$39.3	\$36.4	\$38.1	\$31.5	\$26.0
Total	\$288.9	\$290.1	\$293.3	\$300.0	\$297.1



2020-2024 – System Access

System Access	Planned Expenditures (\$MM)				
	2020	2021	2022	2023	2024
Network Metering	\$16.3	\$19.3	\$10.2	\$11.6	\$12.2
Customer Connections	\$31.4	\$33.1	\$34.8	\$36.3	\$37.7
Road Authority & Transit Projects	\$20.3	\$17.3	\$18.2	\$19.2	\$20.3
Transmitter Related Upgrades	\$1.9	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$69.9	\$69.7	\$63.2	\$67.1	\$70.2



2020-2024 – System Renewal

System Renewal	Planned Expenditures (\$MM)				
	2020	2021	2022	2023	2024
Overhead Asset Renewal	\$34.3	\$34.7	\$39.4	\$35.4	\$37.6
Reactive Capital	\$18.8	\$19.2	\$19.6	\$20.0	\$20.4
Rear Lot Conversion	\$4.8	\$1.2	\$1.2	\$4.2	\$8.5
Substation Renewal	\$12.8	\$4.4	\$2.8	\$3.2	\$5.5
Transformer Renewal	\$5.5	\$6.3	\$7.0	\$7.4	\$7.8
Underground Asset Renewal	\$60.1	\$73.1	\$79.4	\$83.1	\$84.0
Other System Renewal	\$1.7	\$1.7	\$1.8	\$1.9	\$1.9
Total	\$138.0	\$140.6	\$151.2	\$155.2	\$165.7



2020-2024 – System Service

System Service	Planned Expenditures (\$MM)				
	2020	2021	2022	2023	2024
SCADA & Automation	\$3.4	\$3.6	\$3.7	\$3.8	\$4.7
Capacity (Lines)	\$22.9	\$26.4	\$24.4	\$26.9	\$15.4
Capacity (Stations)	\$0.0	\$0.8	\$1.1	\$8.2	\$9.1
System Control, Communications & Performance	\$6.6	\$5.8	\$4.7	\$4.1	\$2.8
Safety & Security	\$5.4	\$2.0	\$2.0	\$2.0	\$2.0
DER Integration	\$3.4	\$4.8	\$4.9	\$1.2	\$1.2
Total	\$41.7	\$43.4	\$40.8	\$46.2	\$35.2

2020-2024 – General Plant

General Plant	Planned Expenditures (\$MM)				
	2020	2021	2022	2023	2024
Facilities Management	\$4.2	\$4.6	\$4.6	\$4.6	\$4.8
Information Technology	\$15.1	\$18.2	\$21.1	\$13.6	\$8.4
Tools, Shop and Garage Equipment	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
Fleet Renewal	\$8.9	\$9.5	\$9.9	\$10.3	\$10.2
Connection and Cost Recovery Agreements	\$8.7	\$1.6	\$0.0	\$0.5	\$0.0
Other General Plant	\$1.1	\$1.2	\$1.2	\$1.2	\$1.3
Total	\$39.3	\$36.4	\$38.1	\$31.5	\$26.0

CCC-2

Reference

Presentation Day Transcript 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.

- a) For each year since the merger has taken place please provide actual and forecast transaction costs, integration costs and savings.**
- b) Please confirm that Alectra's customers will not benefit from any savings until rebasing unless the ROE exceeds 300 basis points.**

Response:

- 1 a) Please see Alectra Utilities' response to G-Staff-15.
- 2
- 3 b) Alectra Utilities confirms that, if its earnings exceed 300 basis points above the regulated
- 4 ROE in year six post consolidation, earnings in excess of 300 basis points above the OEB's
- 5 established ROE for the consolidated entity would be divided on a 50/50 basis between
- 6 Alectra Utilities and its ratepayers. However, those are not the only savings that customers
- 7 would have the opportunity to benefit from during the rebasing deferral period. In particular,
- 8 as identified by Alectra Utilities in the MAADs Proceeding (EB-2015-0025), consistent with
- 9 the MAADs policy, *"While customers do not share directly in the benefits of synergy/savings*
- 10 *during the rebasing deferral period, they do benefit from them indirectly, as the ability to*
- 11 *retain those synergies/savings permits LDC Co to continue on lower Price-Cap IR/ICM rates*
- 12 *for this period."* As such, during the rebasing deferral period, Alectra Utilities' customers are
- 13 benefitting from the revenue requirement impact of there being two avoided rebasings. In
- 14 the the MAADs proceeding, Alectra Utilities estimated these savings to be \$195M, with a net
- 15 present value of \$98M.¹

¹ MAADs Decision, EB-2016-0025, December 8, 2016, p. 9.

CCC-3

Reference

Presentation Day Transcript p. 8 and 30-31

Mr. Bentz and Mr. Cananzi referred to significant growth in a number of the communities that Alectra serves.

- a) Please provide a schedule setting out Alectra's load forecast for the next 5 years.**
- b) Please provide forecast and actual load for the years 2017-2019.**

Response:

- 1 a) and b) Please see Alectra Utilities' response to G-Staff-94 and MANA-39.

CCC-4

Reference

Presentation Day Transcript p. 9

- a) Please explain how the \$50.5 estimated annual reductions in costs amount was derived.**
- b) 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?**
- c) Please explain if the reductions in the revenue requirement expected upon rebasing take into account the proposed capital spending during the deferred rebasing period.**
- d) Have these projections changed in light of the M-factor proposal? If so, how? If not why not?**

Response:

- 1 a) Please refer to EB-2016-0025 Exhibit B, Tab 6, Schedule 1, page 2 of 4, Figure 25.
- 2 b) Please see Alectra Utilities' response to G-Staff-15 and DRC-3.
- 3 c) Please see Alectra Utilities' response to SEC-3.
- 4 d) Please see Alectra Utilities' response to SEC-3.

CCC-5

Reference

Presentation Day Transcript p. 10

- a) Does Alectra still expect to achieve \$400 million in “customer revenue savings”?**
- b) How has the M-factor proposal impacted this projection?**

Response:

- 1 a) and b) Please see Alectra Utilities' response to G-Staff-15.

CCC-6

Reference

Presentation Day Transcript 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?

Response:

- 1 No, customers were not informed of the embedded rate of return, nor the level of savings
- 2 associated with the merger.
- 3 All customer engagement must balance the limited time available from customers with the key
- 4 issues that must be addressed for the topics at hand.
- 5 Given the generally low levels of familiarity with electricity distribution rates, as well as an
- 6 overarching need to limit the time demands placed on participants, a decision was made in
- 7 Phase 2 of the engagement to focus on three key topics need to inform the Distribution System
- 8 Plan and the current Application:
 - 9 1. customer views on the relative priority of various spending priorities within existing
 - 10 rates;
 - 11 2. customer views on individual projects, and
 - 12 3. customer views on an overall capital rate rider which would be sufficient to fund a
 - 13 final version of the DSP that reflects customer priorities across the range of spending
 - 14 areas.
- 15 By focusing on these three district areas, this customer engagement elicits information relevant
- 16 to the current Application.

CCC-7

Reference

Presentation Day Transcript 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.

- a) When did Alectra become aware of the need to replace a “large population” of deteriorating assets?**
- b) At what point did Alectra determine that the ICM mechanism would not be sufficient to provide the resources necessary to replace these assets?**

Response:

- 1 a) As explained in Alectra Utilities’ response to G-Staff-11 b) and c), during the Alectra Utilities
- 2 MAADs proceeding (EB-2015-0025), the consolidating entities identified that their systems
- 3 had ongoing capital investment needs that would be addressed through ICM funding
- 4 applications. It was projected at that time that total ICM funding requirements over the 10-
- 5 year deferred rebasing period would be \$587.7MM, which is consistent with the total capital
- 6 investment to be supported over the 2020-2024 period by the proposed M-factor.
- 7
- 8 b) Please see Alectra Utilities’ responses to SEC-23 and G-Staff-11 d).

CCC-8

Reference

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

Response:

- 1 a) Please see Alectra Utilities' response to G-Staff-16 b).
- 2
- 3 b) Alectra Utilities will apply to rebase and establish distribution rates for the four existing rate
- 4 zones (i.e. Horizon, Enersource, PowerStream and Brampton) effective from January 1,
- 5 2027. For the Guelph Hydro rate zone, there will be a ten-year rate rebasing deferral period,
- 6 ending at the end of 2028. Alectra Utilities will apply to rebase and establish distribution
- 7 rates for the Guelph Hydro rate zone effective from January 1, 2029, with distribution rates
- 8 to be established through the Price Cap IR methodology thereafter. This is consistent with
- 9 Alectra Utilities' proposal in the Alectra/Guelph MAADs proceeding (EB-2018-0014). In the
- 10 OEB's Decision in the Alectra/Guelph MAADs Application, at p. 14 of the Decision, the OEB
- 11 approved the deferred rebasing proposal as filed.

CCC-9

Reference

Presentation Day Transcript 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”.

- a) Please provide, by year, 2020-2015, a list of the M-Factor investments.**
- b) What projects is Alectra approval for?**
- c) What are the priority needs of Alectra’s distribution system?**
- d) How were those priority needs determined?**

Response:

- 1 a) Please refer to Attachment 1, M-factor projects by rate zone.
- 2
- 3 b) Alectra Utilities is requesting approval for the projects identified in response to part a) above.
- 4
- 5
- 6 c) The priority needs of Alectra Utilities’ distribution system are fully described in Section 5.0 of
- 7 the DSP (Exhibit 4 Tab1 Schedule 1, Page 2 to Page 9)
- 8
- 9 d) The process to determine the priority investments needs is fully described in Section 5.3.1 of
- 10 the DSP (Exhibit 4 Tab 1 Schedule 1, Pages 140 to Page 160).

CCC-9

ATTACHMENT 1 – M-factor Projects by Rate Zone

Table CCC-9(a) - M-Factor Investments by Year

Project Code	Project Name	2020	2021	2022	2023	2024
150605	Residential Meter "ICON F" Meter Replacement Initiative- East	3.0	4.2	-	-	-
150317	Deerhurst MS Voltage Conversion	3.0	2.6	2.2	-	-
151139	MS-12 Hansen Rd 4.16kV Voltage Conversion	-	-	3.1	2.4	-
151138	MS-2 Church St 4.16kV Voltage Conversion	3.0	1.4	-	-	-
150320	Dewitt MS Voltage Conversion	2.6	1.0	0.5	-	-
150047	Rear Lot Supply Remediation - Royal Orchard - North	1.8	1.0	1.1	-	-
150354	Eastmount MS Voltage Conversion	-	-	-	-	3.8
150351	Aberdeen MS Voltage Conversion_2020 to 2022	-	2.1	1.3	-	-
150321	Galbraith MS Voltage Conversion	-	1.0	2.3	-	-
150330	Rear Lot Conversion - Marsdale	-	-	-	1.1	2.0
150355	Elmwood MS Voltage Conversion	-	-	-	-	2.8
150356	Clarkson Voltage Conversion 4.16-27.6kV (4 Sections)	-	-	-	-	2.7
150043	Rear Lot Supply Remediation - East of Queen St. to Eastern Ave./North of Greenway St.	2.6	-	-	-	-
150329	Rear Lot Supply Remediation - Main Street / Unionville / Carlton	-	-	-	-	2.5
150399	Rear Lot Conversion - Richlieu Dr and Trelawne Dr	-	-	-	1.3	1.2
150377	Montgomery Dr Voltage Conversion and Rear Lot Relocate_ANC	-	-	1.8	-	-
150380	Rear Lot - Gunn/Oakley Park/St.Vincent	-	-	-	-	1.8
150378	Rear Lot - East of Queen Street/North of Mill Street	-	-	-	1.8	-
100319	Radial Supply Remediation/Conversion - 13.8 kV to 27.6 kV on Miller Ave	-	-	-	1.5	-
150398	Rear Lot Conversion - Strathcona Dr	-	-	-	-	0.9
151085	GUELPH - Rear Lot Conversions	0.1	0.1	0.1	0.1	0.1
150421	2D7X Pimlico Dr - Voltage Conversion and Rear Lot	-	-	-	-	0.6
150362	Dufferin St S, between MS431 and Albert St S, Alliston	0.4	-	-	-	-
150394	King St. Voltage Conversion & Loop (LRT Betterment)	-	-	-	-	0.3
150044	Rear Lot Supply Remediation - Blake/Kempfenfelt	0.3	-	-	-	-
150467	CC&B upgrade 2021 - 2022	-	6.5	6.8	-	-
102263	Alectra Workforce Management Software	-	-	2.4	2.4	-
150978	Fleet East 2024 Vehicle replacement - Cube Vans	-	-	-	-	0.7
151168	Fleet_2024_Central South Vehicle Replacement-Step Vans	-	-	-	-	0.7
150975	Fleet East Unit # 75 83' Double Bucket	-	-	-	-	0.7
150945	Fleet_2024_Central North Vehicle Replacement_Reel Carriers	-	-	-	-	0.7
150967	Fleet East Unit # 125, 83' Double Bucket	-	-	-	0.7	-
150758	Facilities_2022_Reno_Sandalwood - CDM Relocation from Jane	-	-	0.6	-	-
150803	Fleet_2024_Central South Vehicle Replacement- Material Handler	-	-	-	-	0.6
150942	Fleet_2024_Central North Vehicle Replacement_S/Bucket	-	-	-	-	0.5
150896	Fleet_2023_Central North Vehicle Replacement_S/Bucket 8910	-	-	-	-	0.5
150807	Fleet_2024_Central South Vehicle Replacement-209-09 S/bucket	-	-	-	-	0.5
150818	Fleet_2023_Central South Vehicle Replacement-236-10 S/bucket	-	-	-	-	0.5
150793	Fleet_2021_Central South Vehicle Replacement-210-09 S/bucket	-	0.5	-	-	-
150962	Fleet East Unit # 61 Digger truck replacement	-	-	-	-	0.4
150666	Facilities_2019_Reno_John St Roof Deck – Employee Breakout Area Rooftop Green Space	0.4	-	-	-	-
151013	Fleet_2023_West_Vehicle_Replacement_Bucket Truck_1-354	-	-	-	0.4	-
150846	Fleet_2020_West_Vehicle Replacement_Step Vans	0.4	-	-	-	-
151200	Alectra Single Platform Website ongoing	0.1	0.1	0.1	-	-
150464	Fieldworker Upgrade 2020	0.3	-	-	-	-
150868	Fleet_2020_Central North Vehicle Replacement-180 Loader	0.3	-	-	-	-
150938	Fleet_2023_Central North Vehicle Replacement_Stake Trucks	-	-	-	0.3	-
150876	Fleet_2021_Central North Vehicle Replacement_Step Vans 6310	-	0.3	-	-	-
150979	Fleet East 2024 Vehicle replacement - Extended Vans	-	-	-	-	0.2
150810	Fleet_2022_Central South Vehicle Replacement-Step Vans	-	-	-	0.2	-
150853	Fleet_2024_Central South Vehicle Replacement-Vans	-	-	-	-	0.2
150582	Back-end Automation (Orchestration Tool\Setup)	-	-	-	-	0.2
150871	Fleet_2020_Central North Vehicle Replacement-Step Van 8108	0.2	-	-	-	-
150782	Fleet_2020_Central South Vehicle Replacement-Step Van	0.2	-	-	-	-
150796	Fleet_2022_Central South Vehicle Replacement- Vans	-	-	0.2	-	-
150547	IT Innovation (ITx, 2024)	-	-	-	-	0.2
150854	Fleet_2024_Central South Vehicle Replacement-Trailers	-	-	-	-	0.2
151029	Fleet_2024_West_Vehicle_Replacement_Pickups	-	-	-	-	0.2
151167	Fleet_2024_Central South Vehicle Replacement-Pick ups	-	-	-	-	0.2
150811	Fleet_2022_Central South Vehicle Replacement-Pick ups	-	-	0.2	-	-
150944	Fleet_2023_Central North Vehicle Replacement_Trailer	-	-	-	0.1	-
150831	Fleet_2020_West_Vehicle Replacement_SUVs_1-268,1-226,1-227	0.1	-	-	-	-
150812	Fleet_2024_Central South Vehicle Replacement-Vans	-	-	-	-	0.1
151018	Fleet_2023_West_Vehicle_Replacement_Trailer	-	-	-	0.1	-
151016	Fleet_2023_West_Vehicle_Replacement_Pickups	-	-	0.1	-	-
150873	Fleet_2021_Central North Vehicle Replacement_Vans	-	0.1	-	-	-
150813	Fleet_2024_Central South Vehicle Replacement-SUV	-	-	-	-	0.1
150797	Fleet_2022_Central South Vehicle Replacement- SUV	-	-	0.1	-	-
150958	Fleet_2024_West_Vehicle Replacement_Forklift	-	-	-	-	0.1
151158	Fleet_2020_Central South_Vehicle Replacement-Vans	0.1	-	-	-	-
151160	Fleet_2023_West_Vehicle Replacement_Pole Trailer_1-405	-	-	-	0.1	-
150980	Fleet East 2024 Vehicle replacement - Work Van	-	-	-	-	0.1

Project Code	Project Name	2020	2021	2022	2023	2024
151155	Fleet_2020_Central South Vehicle Replacement-Pick ups	0.1	-	-	-	-
151007	Fleet_2022_West_Vehicle_Replacement_Trailers	-	-	-	-	0.1
150968	Fleet East 2024 Vehicle replacement Pickup truck 2500	-	-	-	-	0.1
150821	Fleet_2024_Central South Vehicle Replacement-Van	-	-	-	-	0.1
151166	Fleet_2023_Central North Vehicle Replacement pick ups	-	-	-	0.1	-
150897	Fleet_2022_Central North Vehicle Replacement pick ups	-	-	0.1	-	-
150884	Fleet_2021_Central North Vehicle Replacement Pick up 9514	-	0.1	-	-	-
150870	Fleet_2020_Central North Vehicle Replacement-Van 5910	0.1	-	-	-	-
150787	Fleet_2021_Central South Vehicle Replacement- Van	-	0.1	-	-	-
150951	Fleet East 2021 Vehicle addition - Van pool van	-	0.0	-	-	-
150920	Fleet East 2020 Vehicle addition - Van pool van	0.0	-	-	-	-
151150	Fleet East 2024 Vehicle replacement - SUV	-	-	-	-	0.0
150953	Fleet_2024_Central North Vehicle Replacement_Trailer 11510	-	-	-	-	0.0
150800	Fleet_2021_Central South Vehicle Replacement- trailer	-	0.0	-	-	-
150891	Fleet_2022_Central North Vehicle Replacement Car	-	-	0.0	-	-
150888	Fleet_2022_Central North Vehicle Replacement SUVs	-	-	0.0	-	-
150786	Fleet_2020_Central South Vehicle Replacement-SUV	0.0	-	-	-	-
150843	Fleet_2023_Central South Vehicle Replacement-Bocat	-	-	-	0.0	-
150798	Fleet_2023_Central South Vehicle Replacement- Arrowboard	-	-	-	0.0	-
151132	MS Transformer & HV Switchgear Replacement (ACA)Munden MS35 T1 & HV1	-	-	-	0.2	0.7
151128	MS Transformer & HV Switchgear Replacement (ACA) Western MS36 T1 & HV1	-	-	-	0.2	0.6
150323	Station Switchgear Replacement (ACA) Bloor MS38 LV1	-	-	-	-	0.7
150097	Markham TS#2 Line Protections and HMI Upgrade - KDU-10 Replacement	0.5	-	-	-	-
150607	SS-2019-Station LED Lighting Upgrades -CENTRAL	0.0	0.0	0.0	0.0	0.0
150606	SS-2019-Station LED Lighting Upgrades -EAST	0.0	0.0	0.0	0.0	0.0
150519	SS-2019-Upgrade to Station Facilities (Building / Civil work) MultiYear-EAST	-	-	-	-	0.1
151072	Vaughan TS3 - Station Service Transfer Upgrade	0.1	-	-	-	-
150878	JY TS1 Bus & Main Breaker Protections Replacement	-	-	-	-	0.1
150612	SS-2019-Driveway Paving- Various Stations-Intiative-WEST	0.0	0.0	0.0	0.0	0.0
150610	SS-2019-Driveway Paving- Various Stations-Intiative-CENTRAL	0.0	0.0	0.0	0.0	0.0
150609	SS-2019-Driveway Paving- Various Stations-Intiative-EAST	0.0	0.0	0.0	0.0	0.0
150608	SS-2019-Station LED Lighting Upgrades -WEST	-	-	-	0.0	0.0
151212	GUELPH - SS - Driveway Paving Intiative	-	-	-	-	0.0
151209	GUELPH - SS - Station LED Lighting Upgrades	-	-	-	-	0.0
150332	Residential solar-storage	0.8	0.8	0.8	0.8	0.8
150747	Net Zero Energy Emissions	0.3	0.3	0.3	0.3	0.3
101393	Redundant Fibre Path to Aurora MS#4 Sub-Station	-	-	-	0.5	-
150785	New WiMAX Communications System - West	0.5	-	-	-	-
150073	Vaughan TS#1 Bus Differential & Overcurrent Protections Upgrades	-	-	0.3	0.2	-
150749	New WiMAX Communication Network - Central South	0.4	-	-	-	-
150070	Markham TS#1 Bus Differential & Overcurrent Protections Upgrades	-	0.2	0.1	-	-
150072	Markham TS#3 Bus Differential & Overcurrent Protections Upgrades	0.2	0.1	-	-	-
150071	Markham TS#2 Bus Differential & Overcurrent Protections Upgrades	-	-	-	0.3	0.1
150079	Markham TS#1 T1/T2 "B" Overcurrent Protections and HMI Upgrade	-	0.2	0.2	-	-
150074	Vaughan TS#2 Bus Differential and Overcurrent Protections Upgrade	-	-	-	-	0.3
150773	New WiMAX Communications System - Central North	0.3	-	-	-	-
150084	Markham TS#2 T1/T2 "B" Differential Protections Upgrade	-	-	-	0.1	0.1
150095	Vaughan TS#1 T1/T2 "B" Differential Protections Upgrade	-	-	0.1	0.1	-
150089	Markham TS#3 T1/T2 "B" Differential Protections Upgrade	0.1	0.1	-	-	-
150512	SS-2019-Installation of SWI Video security system Initiative at 4 MS stations per year - -CENTRAL	-	-	-	-	0.2
150511	SS-2019-Installation of SWI Video security system Initiative- 4 MS stations per year - WEST	-	-	-	-	0.2
101003	Richmond Hill TS#2 Upgrade Bus, Line & Transformer Protections	0.1	-	-	-	-
151245	GUELPH - Capacitor Bank Installations	0.0	0.0	0.0	0.0	0.0
150125	Aurora MS6 (AMS6) Transformer and Bus Protection Upgrade	0.1	-	-	-	-
151022	New Three Sector WiMAX Node - MS305	0.1	-	-	-	-
150096	Vaughan TS#2 T1/T2 "B" Differential Protections Upgrade	-	-	-	-	0.1
150235	Greenwood Expansion Station Service Supply Backup	-	-	-	-	0.0
150257	Cable Replacement - (V15) - Jardin Dr	2.9	-	-	-	-
150254	Cable Replacement - (A02) - Steeplechase Ave	2.9	-	-	-	-
151141	Windjammer	2.7	-	-	-	-
150262	Cable Replacement - (M33) - 16th Avenue and Village Parkway	-	-	2.1	-	-
150138	Cable Replacement – (Barrie) - Cook St and Steel St	-	-	-	1.7	-
151143	Shelter Bay Rd.	1.1	-	-	-	-
150255	Cable Replacement - (Barrie) - Cundles Rd and Janine St	-	-	-	1.1	-
151178	Mason Heights	0.7	-	-	-	-
151145	Bough Beeches Blvd.	0.7	-	-	-	-
151179	Distribution Cable Replacement - Area of Erin Mills pkway. and South Millway	0.5	-	-	-	-
151466	Cable Replacement Project - (V24) - Langstaff - Jane - Rutherford - Keele, Vaughan	-	-	-	-	1.0
151467	Cable Replacement Project - (V17) - Langstaff - Keele - Rutherford - Dufferin, Vaughan	-	-	-	-	2.4
151468	Cable Replacement Project - (V51) - Langstaff - Kipling - Hwy 7 - Hwy 27, Vaughan	-	-	-	-	1.0
151469	Cable Replacement Project - (F4-G4) - Main - Steeles - Chinguacousy - Queen, Brampton	-	-	-	-	1.0
151465	Left behind - ERZ	-	0.4	-	0.6	1.8
151456	Cable Injection Project - (V50) - Hwy 7 - Kipling - Steeles - Hwy 27, Vaughan	-	0.9	0.4	0.2	-

Project Code	Project Name	2020	2021	2022	2023	2024
151457	Cable Injection Project - (V25) - Major Mackenzie - Keele - Rutherford - Jane, Vaughan	-	-	0.9	0.4	-
151458	Cable Injection Project - (V31) - Langstaff - Weston - Rutherford - Jane, Vaughan	-	-	-	0.6	-
151459	Cable Injection Project - (V24) - Langstaff - Jane - Rutherford - Keele, Vaughan	-	-	-	0.5	0.7
151460	Cable Injection Project - (V17) - Langstaff - Keele - Rutherford - Dufferin, Vaughan	-	-	0.6	0.6	1.7
151461	Cable Injection Project - (V51) - Langstaff - Kipling - Hwy 7 - Hwy 27, Vaughan	-	-	-	-	0.7
151462	Cable Injection Project - (G1) - Hwy 410 - Kennedy - Wanless - Main, Brampton	-	0.3	0.2	-	-
151463	Cable Injection Project - (F4-G4) - Main - Steeles - Chinguacousy - Queen, Brampton	-	-	-	0.3	0.7
151464	Cable Injection Project - (F3-G3-H3) - Phase 2, Brampton	-	-	0.4	0.5	-
100340	Vaughan TS#4 Feeder Integration - Part 3	-	-	-	5.2	3.6
150360	44kV New Feeder Extension Centre View Dr	-	-	-	0.9	5.6
150319	Duke MS New 20 MVA Substation	-	-	-	2.0	4.2
101569	New Alliston 10MVA Substation - Industrial Parkway	-	-	-	0.8	1.1
151124	Goreway TS Expansion (CCRA) - 10 Yr True-Up Payment	5.6	-	-	-	-
150371	27.6kV Feeder Extension Traders	-	2.8	2.8	-	-
103633	Install Two 27.6kV Ccts on 16th Ave from Hwy 404 to Woodbine Ave	-	5.5	-	-	-
100337	Markham TS #4 Feeder Egress Part 3	-	-	-	4.9	-
150342	HaLRT New Stirton Feeder for TPSS#4 and 8852X load shedding	4.8	-	-	-	-
150364	Port Credit Village East New Feeders (Marina)	-	-	4.4	-	-
100904	Install Double Cct Pole Line on Major Mackenzie - Hwy 27 to Huntington Rd	-	-	-	3.7	-
150343	Bathurst Street Widening	3.4	-	-	-	-
151125	Connection Cost Recovery Agreement (CCRA) – Midhurst TS – 15th Anniversary True-up	3.2	-	-	-	-
150680	Alectra Drive at Home	0.5	0.5	0.6	0.6	0.6
100924	Install two additional 27.6 kV ccts on Hwy 7 from Jane St to Weston Rd	-	-	-	2.6	-
150693	Blockchain	0.3	0.4	0.6	0.6	0.6
101542	New Barrie 20MVA Substation - Harvie	-	-	-	0.8	1.4
100909	Rebuild 27.6 kV pole line for 4 Ccts on Warden Ave from Major Mack to Elgin Mills	-	-	2.2	-	-
150367	Mini-Orlando MS 27.6kV Land Purchase	-	-	-	-	2.2
100632	27.6 kV Pole Line on 14th Ave from Hwy 48 to 9th Line	-	-	-	2.0	-
150368	North Central feeders capacity (Carlton TS to Lakeshore/Lake) relief	-	1.0	1.0	-	-
102128	Aurora MS6 Expansion - (Year 1 of 2) - Design & Order Equipment	-	0.8	1.1	-	-
150370	27.6kV New Feeders Lakeview Development	-	-	-	1.9	-
150369	44kV Feeder Extension York/Meadowpine	-	1.8	-	-	-
150390	Waterdown 3rd Feeder	-	1.7	-	-	-
151117	Vansickle TS True-up Payment	-	1.6	-	-	-
102547	Two Ccts on Birchmount Rd from ROW to 14th Ave	-	-	1.6	-	-
100913	Pole Line Installation Double Cct on Major Mack - Huntington Rd to Hwy 50	-	-	-	-	1.4
101036	Install a new 4 ccts CNR yard overhead crossing on the south side of Hwy 7	-	-	1.4	-	-
101487	Add one Additional 27.6 kV Cct on Major Mack Dr and 9th Line	-	-	-	1.3	-
101480	Build double ccts 27.6kV pole line on 19th Ave between Leslie St and Bayview Ave	-	-	1.3	-	-
150374	13.8kV Feeder Extension 9th Line, Derry to Argentia	-	-	-	1.2	-
151233	GUELPH - Campbell TS 36M63 Feeder PHASE 1	-	1.2	1.2	-	-
151234	GUELPH - Campbell TS 36M63 Feeder PHASE 2	-	-	-	-	-
150716	42M69 Feeder Extension Williams Pkwy - Main St to Kennedy Rd	-	-	1.1	-	-
150358	QEW Expansion Dixie West OH Betterment	-	-	1.1	-	-
102387	Install 44kV & 13.8kV Bryne Drive	-	1.1	-	-	-
150353	Truscott Plaza Voltage Conversion 4.16 - 27.6kV (3 Sections)	-	-	-	-	1.0
150401	136M6 Goreway TS Extensions	-	-	1.0	-	-
150679	Alectra Drive for the Workplace	0.2	0.2	0.2	0.2	0.2
100919	Install 2nd 27.6 kV Cct on Woodbine Ave from Elgin Mills Rd to 19th Ave	-	0.6	-	-	-
151240	GUELPH - Southgate Dr to Maltby Rd O/H Extension	-	-	-	-	0.6
151118	Nebo TS 27.6kV True-up Payment	-	-	-	0.5	-
150361	Airport 88M5 & 88M7 HONI Purchase	-	-	-	0.5	-
100159	Hydro One Asset Purchase - Alliston	-	-	0.5	-	-
150576	Split the 1/0 loop on Cityview Blvd into two loops	-	-	0.5	-	-
151241	GUELPH - Arlen MTS - New Feeder	-	-	-	0.5	-
150422	136M9 Feeder Extension Castlemore Rd, Goreway Dr to McVean Dr	-	-	0.1	-	-
150410	42M66 OH Feeder Egress Mississauga Rd, Bovaird to CNR	0.1	-	-	-	-
150411	42M64 Feeder Extension Mississauga Rd, Williams Pkwy to Queen / Embleton	0.1	-	-	-	-
150694	Cityview microgrid enhancements	0.0	0.0	0.0	0.0	0.0
		52.7	43.7	52.0	52.1	64.5

CCC-10

Reference

Presentation Day Transcript p. 38

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

Response:

1 The level of funding available under both approaches is the same as the calculation of the
2 materiality threshold is the same under the ICM and M-factor. The materiality threshold
3 establishes the level of capital funding that a utility should be expected to absorb within its
4 funding from base rates outside of a rebasing. The threshold is compared to the total capital
5 expenditures to determine the maximum eligible incremental capital as provided in Table 4 of
6 Exhibit 2, Tab 1, Schedule 3. The level of funding available by year is provided in Table 1 below.

7

8 **Table 1 - M-factor Maximum Eligible Incremental Capital (\$MM)**

Eligible Incremental Capital	2020	2021	2022	2023	2024	2020-2024
2020 - 2024 DSP Capital Forecast	282.7	280.2	288.3	295.8	309.4	1,456.5
Less: Materiality Threshold	230.0	233.1	236.3	239.7	243.1	1,182.2
9 Maximum M-factor Eligible Capital	52.7	47.1	52.0	56.1	66.3	274.3

CCC-11

Reference

Presentation Day Transcript p. 41

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

Response:

1 Alectra Utilities is not aware of any OEB approved Capital Investment Variance Accounts
2 ("CIVA") that are symmetrical.
3 However, as Alectra Utilities has identified in the Application, it is applying for a symmetrical
4 CIVA to capture variances between the actual and forecast capital related revenue requirement
5 for the Distribution System Plan ("DSP") term, to be credited to or debited from customers at the
6 end of the five-year DSP plan term (Exhibit 1, Tab 2, Schedule 1, p.2).
7 Alectra Utilities undertook extensive customer engagement¹ in order to develop and finalize its
8 DSP. Customers will benefit from any prudent investment made in Alectra Utilities' distribution
9 system. Accordingly, Alectra Utilities has proposed that the funding provided through M-factor
10 riders be subject to reconciliation with actual capital investments during the DSP period. At
11 Exhibit 2, Tab 1, Schedule 4, Alectra Utilities has proposed that a CIVA be established to track
12 the difference between the capital funding provided through M-factor riders and the utility's
13 actual capital investments during the term of the DSP. This account will operate symmetrically,
14 such that customers will be refunded for overall under-investment and any prudent spending
15 above the level funded through M-factor riders will be recovered by Alectra Utilities.

¹ Exhibit 1, Tab 3, Schedule 1, p. 3

CCC-12

Reference

Exhibit 2, Tab 1, Schedule 1

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?”

Response:

- 1 Please see Alectra Utilities’ response to G-Staff-15 b).

CCC-13

Reference

Exhibit 2, Tab 1, Schedule 2, p. 3

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

Response:

- 1 a) All of Alectra Utilities' service area is subject to failures of underground direct-buried cable
- 2 and cable accessories.
- 3 b) Please see Alectra Utilities' response to CCC-7 a).

CCC-14

Reference

Exhibit 2, Tab 1, Schedule 2, 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.

Response:

- 1 Please see Alectra Utilities' response to G-Staff-2.

CCC-15

Reference

Exhibit 2, Tab 1, Schedule 2, pp. 9-11

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

Response:

- 1 a) Alectra Utilities first clarifies that it does not have an OEB-approved ROE because it has not
2 rebased as a consolidated utility. Rather, as explained in Exhibit 2, Tab 1, Schedule 3 at p.
3 15, Alectra Utilities has calculated a consolidated deemed ROE of 8.94%, which is based on
4 the weighted average of the OEB-approved rate base amounts for each rate zone from the
5 most recent OEB-approved rebasing application for each of the predecessor companies.
6 However, Alectra Utilities' actual 2018 ROE was calculated to be 7.66%. This is 128 basis
7 points below the calculated consolidated deemed ROE. Innovative Research Group did not
8 inform customers about Alectra Utilities' rate of return on equity during the DSP-specific
9 customer engagement process, as this was not necessary or relevant to the purpose of that
10 process, which was to identify and assess customer needs, priorities and preferences in
11 terms of electricity distribution service so as to be able to consider those aspects in planning
12 investments in the DSP.
- 13 b) No, Innovative Research Group did not ask customers during the DSP-specific customer
14 engagement process whether merger savings should be used to fund additional capital
15 investments. This was not necessary or relevant to the purpose of that process, which was
16 to identify and assess customer needs, priorities and preferences in terms of electricity
17 distribution service so as to be able to consider those aspects in planning investments in the
18 DSP. Moreover, the premise of such a question would have been contrary to the OEB's
19 Report of the Board – Rate Making Associated with Distributor Consolidations (EB-2014-
20 0138) (the "MAADs Policy"), which is to allow the net savings and efficiency gains from a
21 consolidation to accrue to a distributor's shareholder(s) for the duration of the deferred
22 rebasing period so as to provide a reasonable opportunity to use the savings to at least

- 1 offset transaction and integration costs, as well as to provide an incentive encourage
- 2 consolidation in the electricity distribution sector generally¹.

¹ See Report of the Board: Rate-Making Associated with Distributor Consolidation, March 26, 2015 (EB-2014-0138), pp. 4-7.

CCC-16

Reference

Exhibit 2, Tab 1, Schedule 2, 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?

Response:

1 Alectra Utilities' Distribution System Plan was developed based on customer needs, priorities
2 and preferences. The company completed multiple rounds of customer engagement. Before
3 the utilities began assessing specific investment options for this DSP, it considered customer
4 needs and priorities as drivers of the investment planning process. Once Alectra Utilities
5 identified specific potential investments to satisfy those needs and priorities, it consulted with
6 customers again to seek their preferences on specific investment options. Alectra Utilities
7 reflected customer input from this phase in the capital investment optimization process that
8 ultimately produced the investments in the DSP. Throughout the development of the DSP,
9 customer input was assessed by Innovative Research Group Inc., an independent third party
10 consultant. Please see Section 5.2.1.5 of the DSP (Exhibit 4, Tab 1, Schedule 1, Page 31 to
11 Page 39) for a detailed explanation of the customer engagement work completed in developing
12 the DSP.

13 In the final phase of customer engagement, Alectra Utilities' customers indicated that they are
14 prepared to fund the level of investment recommended by the utility. When respondents were
15 shown the rate impact of their initial choices and given the opportunity to change their
16 responses until they were satisfied, there was minimal net impact of the final customer choices
17 relative to the initial choices. The majority of customers in all rate classes either supported the
18 level of increase in rates or identified that, although they didn't like the rate increase, they feel it
19 is necessary.

20 The outcomes of these customer engagement efforts identified that customers across all rate
21 classes strongly support investments in the infrastructure that directly provides service to
22 customers. A majority of customers also support investments in other infrastructure such as

1 system expansion, intensification and back-up and voltage conversion, as well as distribution
2 station capacity and additional station investments. Customers were divided in their support for
3 investments in general plant, innovation projects and the replacement of smart meters to reduce
4 data security risks.

5 Upon completion of the final phase of customer engagement, Alectra Utilities incorporated
6 customer preferences into the DSP by adjusting the pace of investments and deferring certain
7 projects. Please refer to 5.2.1.5 of the DSP (Exhibit 4, Tab 1, Schedule 1, Page 40 and Page
8 41) for a detailed analysis of all adjustments made in the DSP as a result of the final phase of
9 customer engagement. The overall impact of the adjustments based on customer preferences
10 from the final phase of customer engagement and other adjustments was a net reduction of
11 \$17.5MM.

12 Alectra Utilities retained Vanry & Associates ("Vanry") to undertake an independent, third party
13 review of the process and methodology used to develop the DSP, including adjustments made
14 to the plan based on customer engagement. In Vanry's report, included as Appendix G of the
15 DSP, Vanry provided the opinion that:

16 *"We applaud Alectra for the time and effort that it has invested in the Customer*
17 *Engagement activities over the last two years. It is clear that Alectra has spent*
18 *significant time in listening and understanding customer' needs, desires and concerns,*
19 *and it has reflected the customer input in the development of the DSP and the*
20 *underlying investment plans. It is clear that Alectra has worked hard to find and strike*
21 *the balance between reliability, risk and cost."*

22 Based on Alectra Utilities' work with Innovative Research, incorporation of customer priorities,
23 needs and preferences together with the investment needs of the system as well as an
24 independent review of the DSP conducted by Vanry, the capital investment plan as proposed in
25 the DSP has appropriately adjusted and reflected customer preferences.

CCC-17

Reference

Exhibit 2, Tab 1, Schedule 3

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

Response:

- 1 Alectra Utilities has capital funding needs over the period 2020-2024, as identified in Alectra
- 2 Utilities' MAADs Application (EB-2016-0025) and as provided in the Distribution System Plan,
- 3 accompanying this application.
- 4 In the event that the OEB rejects the M-factor proposal, Alectra Utilities expects to file for annual
- 5 Incremental Capital Module ("ICM") relief.
- 6 Please see Alectra Utilities' response G-Staff-16 d).

CCC-18

Reference

Exhibit 2, Tab 1, Schedule 3

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

Response:

- 1 Please see Alectra Utilities' response to G-Staff-9.

CCC-19

Reference

Exhibit 2, Tab 1, Schedule 3

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

Response:

- 1 Please see Alectra Utilities' response to SEC-24.

CCC-20

Reference

Exhibit 2, Tab 1, Schedule 3

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.

Response:

- 1 a) Yes, Alectra Utilities has had discussions with the Ministry of Energy, Northern Development
2 and Mines regarding its electricity distribution rate application. The discussions related to the
3 following:
- 4 • Background on the OEB's Report of the Board – Rate Making Associated with
5 Distributor Consolidations (the "MAADs Policy") (EB-2014-0138) and the related
6 Handbook to Electricity Distributor and Transmitter Consolidations;
 - 7 • Impact of recent OEB decisions on Alectra Utilities;
 - 8 • Rationale for proposing M-factor and potential cost savings from multi-year capital
9 funding;
 - 10 • M-factor impact on customer bills; and
 - 11 • Potential implications to Alectra Utilities and the LDC sector of continued regulatory
12 uncertainty.

CCC-21

Reference

Exhibit 2, Tab 1, Schedule 3

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.

Response:

- 1 Alectra Utilities met with OEB Staff to advise them of the timing of the filing of its Application, as
- 2 well as the nature of the Application.

CCC-22

Reference

Exhibit 2, Tab 1, Schedule 3, 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.”

Response:

- 1 Please see Alectra Utilities’ response to G-Staff-9.

CCC-23

Reference

Exhibit 2, Tab 1, Schedule 3, 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.

Response:

- 1 Alectra Utilities clarifies that the cumulative 5-year capital revenue requirement and M-factor
- 2 funding request is \$21,845,661 and \$264,962,171, respectively, as provided in Tables 5 and 6
- 3 of Exhibit 2, Tab 1, Schedule 3, and in Attachment 3 of the pre-filed evidence. The amounts
- 4 referenced on Line 18 of Exhibit 2, tab 1, Schedule 3, p. 16 was incorrect.
- 5
- 6 The funding request and revenue requirement by rate zone is provided in Tab 'Summary by RZ'
- 7 in the M-factor Revenue Requirement Model filed in response to G-Staff-8.

CCC-24

Reference

Exhibit 2, Tab 1, Schedule 5, 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?

Response:

- 1 On September 6, 2019, the OEB issued its decision on the preliminary issue in this Application
- 2 proceeding related to the capitalization policy. In that decision, the OEB did not accept Alectra
- 3 Utilities' capitalization position. Consequently, the question is not relevant.

CCC-25

Reference

Exhibit 2, Tab 1, Schedule 5

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?

Response:

- 1 There would be no impact to the request.

CCC-26

Reference

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

Response:

- 1 As provided in Exhibit 2, Tab 1, Schedule 3, the materiality threshold calculation establishes the
- 2 level of capital funding that a utility should be expected to absorb within its funding from base
- 3 rates outside of a rebasing application. Alectra Utilities has capital investment needs, as
- 4 identified in its Distribution System Plan ("DSP") that exceeds the level of funding supported
- 5 through base rates. The DSP includes capital investments in each of Alectra Utilities' five rate
- 6 zones. Alectra Utilities has identified its need to fund incremental capital in its MAADs
- 7 Application (EB-2016-0025) and each of its 2018 (EB-2017-0024) and 2019 (EB-2018-0016)
- 8 EDR Applications.

CCC-27

Reference

Exhibit 4, Tab 1, Schedule 1

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

Response:

- 1 Please see Alectra Utilities' response to G-Staff-4.