EB-2019-0018

Energy Probe Compendium No.1

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:

a) Please find attached the following items that were provided to Alectra's Board of Directors and Executive Committee related to this Application:

- CCC-1_Attach 1_AFRM Report 3.3, dated February 27, 2019
- CCC-1_Attach 2_AFRM Report 3.4 dated May 17, 2019
- CCC-1 Attach 3_AFRM Report 3.2, dated August 22, 2019
- CCC-1_Attach 4_2020 EDR Application_presentation to EC_(2019_01_22)
- CCC-1_Attach 5_ DSP and Application Update (2019_02_06)
- CCC-1_Attach 6_EC Presentation (2019_04_23)

b) There are no memos issued to staff regarding the preparation of this Application.

CCC-1

ATTACH 3 – AFRM Report 3.2
Dated August 22, 2019

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

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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**

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CCC-1

ATTACH 6 – EC Presentation Dated April 23, 2019

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.

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:

a) Please refer to Attachment 1, M-factor projects by rate zone.

b) Alectra Utilities is requesting approval for the projects identified in response to part a) above.

c) The priority needs of Alectra Utilities' distribution system are fully described in Section 5.0 of the DSP (Exhibit 4 Tab1 Schedule 1, Page 2 to Page 9)

d) The process to determine the priority investments needs is fully described in Section 5.3.1 of 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/Kempenfelt	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 - Extened 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-Intitiative-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 Intiaitive	-	-	-	-	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 Intiative at 4 MS stations per year - -CENTRAL	-	-	-	-	0.2
150511	SS-2019-Installation of SWI Video security system Intiative- 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:

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

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
Maximum M-factor Eligible Capital	52.7	47.1	52.0	56.1	66.3	274.3

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References: Exhibit 2, Tab 1, Schedule 1, Page 4; Exhibit 2, Tab 1, Schedule 3, Page 5

Preamble: (1) "The OEB determined that the ICM is unable to accommodate many of the investments needed to maintain Alectra Utilities' distribution system. *In particular, ICM funding is not available for "typical annual capital programs" or smaller projects that do not on their own meet an undefined, secondary materiality threshold. The cumulative cost for these types of necessary investments is significant*, and the lack of funding for such work through rates. is having a material impact on Alectra Utilities' distribution system." (EB-2017-0024, Decision and Order, April 6, 2018, p. 30.)

(2) "Custom IR is not a rate setting option available to Alectra Utilities during the rebasing deferral period. Further, the RRF framework was set several years prior to the update to the MAADs framework and related rate making in that context. However, the company's evolving capital needs are analogous to those distributors whose capital programs have been funded through Custom IR frameworks, accepted by the OEB."

Question:

a) Does Alectra agree, or not, that the current application seeks approval of a Custom IRM Plan? Please Discuss.

b) Please explain why Alectra is filing a CIR Plan without rebasing, include the precedential aspects of this request.

c) In support of Alectra's position set out at Exhibit 2 Tab 1 Schedule 3 Page 6, please provide the relevant extracts of the Board's guidelines and filing requirements and precedent decisions.

d) Did Alectra petition the Board following the MAADs decisions to request that it be allowed to file a CIR Plan without rebasing? Please provide copies of the relevant documents, including the Board response/direction.

Response:

a) Please see Alectra Utilities' response to SEC-22.

b) Please see part a), above.

c) Please see:

- EP-3-Attach 1 - OEB's Filing Requirements for Electricity Distribution Rate Applications – Chapter 3 - Incentive Rate-Setting Applications issued July 12, 2018;

- EP-3-Attach 2 - The MAADs Handbook, otherwise known as the Handbook to Electricity Distributor and Transmitter Consolidations, issued January 19, 2016;
- EP-3-Attach 3 - The OEB's Handbook for Utility Rate Applications, dated October 13, 2016;
- EP-3-Attach 4 - The Decision and Partial Accounting Order of the OEB in Alectra Utilities' 2018 EDR Application (EB-2017-0024), issued December 20, 2017;
- EP-3-Attach 5 - The Decision and Order of the OEB in Alectra Utilities' 2018 EDR Application (EB-2017-0024), issued April 6, 2018;
- EP-3-Attach 6 - The Decision and Rate Order of the OEB in Alectra Utilities' 2018 EDR Application (EB-2017-0024), issued May 3, 2018;
- EP-3-Attach 7 - The Partial Decision and Order of the OEB in Alectra Utilities' 2019 EDR Application (EB-2018-0016), issued December 20, 2018;
- EP-3-Attach 8 - The Decision and Interim Rate Order of the OEB in Alectra Utilities' 2019 EDR Application (EB-2018-0016), issued January 24, 2019;
- EP-3-Attach 9 - The Decision and Order of the OEB in Alectra Utilities' 2019 EDR Application (EB-2018-0016), issued January 31, 2019; and
- EP-3-Attach 10 - The Final Rate Order of the OEB in Alectra Utilities' 2019 EDR Application (EB-2018-0016), issued February 21, 2019.

d) Not applicable.

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ATTACH 1

OEB's Filing Requirements for Electricity Distribution Rate Applications-Chapter 3-Incentive Rate-Setting Applications

Issued July 12, 2018

Ontario Energy Board *Commission de l'énergie de l'Ontario*

Ontario

Ontario Energy Board

Filing Requirements For

Electricity Distribution Rate Applications

- 2018 Edition for 2019 Rate Applications -

Chapter 3

Incentive Rate-Setting Applications

July 12, 2018

Table 1: Rate-setting Overview – Elements of the Three Methods

		Price Cap IR	Custom IR	Annual IR Index
Setting of Rates				
"Going in" Rates		Determined in single forward test-year cost of service review	Determined in multi-year application review	No cost of service review, existing rates adjusted by the Annual Adjustment Mechanism
Form		Price Cap Index	Custom Index	Price Cap Index
Coverage		Comprehensive (i.e., Capital and OM&A)		
Annual Adjustment Mechanism	**Inflation**	Composite Index	Distributor-specific rate trend for the plan term to be determined by the Board, informed by: (1) the distributor's forecasts (revenue and costs, inflation, productivity); (2) the Board's inflation and productivity analyses; and (3) benchmarking to assess the reasonableness of the distributor's forecasts	Composite Index
	Productivity	Peer Group X-factors comprised of: (1) Industry TFP growth potential; and (2) a stretch factor		Based on 4th Generation IR X-factors
Role of Benchmarking		To assess reasonableness of distributor cost forecasts and to assign stretch factor		n/a
Sharing of Benefits		Stretch factor	Productivity factor Case-by-case	Highest 4th Generation IR stretch factor
Term		5 years (rebasing plus 4 years).	Minimum term of 5 years.	No fixed term.
Incremental Capital Module		On application	N/A	N/A
Treatment of Unforeseen Events		The Board's policies in relation to the treatment of unforeseen events, as set out in its July 14, 2008 EB-2007-0673 Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, will continue under all three menu options.		
Deferral and Variance		Status quo	Status quo, plus as needed to track capital spending against plan	Disposition limited to Group 1 Separate application for Group 2
Performance Reporting and Monitoring		A regulatory review may be initiated if a distributor's annual reports show performance outside of the ±300 basis points earnings dead band or if performance erodes to unacceptable levels.		

3.3 Elements Specific only to the Price Cap IR Plan

3.3.1 Advanced Capital Module

On September 18, 2014, the OEB issued the *Report of the Board - New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*[17] (ACM Report). The Advanced Capital Module (ACM) reflects an evolution of the Incremental Capital Module (ICM) adopted by the OEB in 2008. The ACM approach seeks to increase regulatory efficiency during the Price Cap IR term and provides a distributor with the opportunity to smooth out its capital program over the five year period between CoS applications.

A distributor must make any ACM requests as part of a CoS application. At that time, the need for and prudence of any such requests will be determined. Cost recovery (i.e. rate riders) for qualifying ACM projects will be determined in the subsequent Price Cap IR application for the year in which the capital investment will come into service.

While an ACM request must be made in a CoS application, a Price Cap IR application is the vehicle in which an applicant may calculate the rate rider to recover the amounts approved in a CoS application. A distributor seeking cost recovery through a Price Cap IR application should carefully review the ACM Report before making such a request.

A distributor approved for an ACM in its most recent CoS application must file its most recent calculation of its regulated return[18] at the time of the applicable Price Cap IR application in which funding for the project, and recovery through rate riders, would commence. If the regulated return exceeds 300 basis points above the deemed return on equity embedded in the distributor's rates, the funding for any incremental capital project will not be allowed. Therefore, any approvals provided for an ACM in a CoS application will be subject to the distributor passing the means test in order to receive its funding during the IR term. The same means test shall also apply going forward for new projects proposed as ICMs during the Price Cap IR term.

A distributor meeting this requirement must provide for the relevant project or projects updated cost projections, confirmation that the project or projects are on schedule to be completed as planned and an updated ACM/ICM module in Excel format. If the proposed cost recovery differs significantly from the pre-approved amount, the

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[17] EB-2014-0219

[18] RRR 2.1.5.6

The ICM is not available for incremental funding if a distributor's regulated return exceeds 300 basis points above the deemed return on equity embedded in the distributor's rates.

The requested amount for an ICM claim must be incremental to a distributor's capital requirements within the context of its financial capacities underpinned by existing rates and satisfy the eligibility criteria of materiality, need and prudence set out in section 4.1.5 of the ACM Report.

Criteria	Description
Materiality	A capital budget will be deemed to be material, and as such reflect eligible projects, if it exceeds the OEB-defined materiality threshold. Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount (as defined in this ACM Report) and must clearly have a significant influence on the operation of the distributor; otherwise they should be dealt with at rebasing. Minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.
Need	The distributor must pass the Means Test (as defined in the ACM Report). Amounts must be based on discrete projects, and should be directly related to the claimed driver. The amounts must be clearly outside of the base upon which the rates were derived.
Prudence	The amounts to be incurred must be prudent. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

3.3.2.1 ICM Filing Requirements

The OEB requires that a distributor requesting relief for incremental capital during the IRM plan term include comprehensive evidence to support the need, which should include the following:

- An analysis demonstrating that the materiality threshold test has been met and that the amounts will have a significant influence on the operation of the distributor.
- Justification that the amounts to be incurred will be prudent. This means that the distributor's decision to incur the amounts represents the most cost-effective option (but not necessarily the least initial cost) for ratepayers.
- Justification that amounts being sought are directly related to the cause, which must be clearly outside of the base upon which current rates were derived.
- Evidence that the incremental revenue requested will not be recovered through other means (e.g., it is not, in full or in part, included in base rates or being funded by the expansion of service to include new customers and other load growth).
- Details by project for the proposed capital spending plan for the expected in-service year.
- A description of the proposed capital projects and expected in-service dates.
- Calculation of the revenue requirement (i.e. the cost of capital, depreciation, and PILs) associated with each proposed incremental capital project.
- Calculation of each incremental project's revenue requirements that will be offset by revenue generated through other means (e.g. customer contributions in aid of construction).
- A description of the actions the distributor would take in the event that the OEB does not approve the application.
- Calculation of a rate rider to recover the incremental revenue from each applicable customer class. The distributor must identify and provide a rationale for its proposed rider design, whether variable, fixed or a combination of fixed and variable riders. As discussed at section 3.2.3, any new rate rider for the residential class must be applied on a fixed basis.

3.3.2.2 ACM/ICM Materiality Threshold

The ACM/ICM materiality threshold is discussed in section 4.5 of the supplemental report.

The OEB determined that the following formula is to be used by a distributor to calculate the materiality threshold:

$$Threshold\ Value\ (\%) = \left(1 + \left[\left(\frac{RB}{d}\right) \times \left(g + PCI \times (1+g)\right)\right]\right) \times \left((1+g) \times (1+PCI)\right)^{n-1} + X\%$$

where n is the number of years since the CoS rebasing. Many of the parameters remain unchanged from the original formula except for the following:

- the growth factor g is annualized
- the dead band X has been reduced to 10%
- the stretch factor used in the PCI will be the factor assigned to the middle cohort (currently 0.3%) for all distributors

3.3.2.3 Assessment of Materiality

In the ACM report, the OEB mentioned that the eligible incremental capital amount sought for recovery should be capital in excess of the ACM/ICM materiality threshold defined in section 3.3.2.2. This threshold level of capital expenditures is the amount that a distributor should be able to manage with its current rates, growth in demand and normal volatility in business conditions. Accordingly, the materiality threshold value, as calculated using the formula discussed in section 4 of the ACM report, marks the base from which to calculate the maximum amount eligible for recovery. A distributor applying for recovery of incremental capital should calculate the maximum allowable capital amount by taking the difference between the forecasted 2019 total capital expenditures and the ACM/ICM materiality threshold.

For individual projects included within an ACM/ICM request, it is not appropriate to apply the materiality thresholds established in the Chapter 2 Filing Requirements[19] for the purpose of evaluating the materiality of an individual project. These materiality thresholds are for the purpose of variance explanations for annual changes to rate

[19] Section 2.0.8

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base, capital expenditures and operations, maintenance and administration costs as part of a CoS rate application.

In the Funding of Capital Report[20], the OEB adopted an approach establishing the following three principles with respect to the eligibility of a capital project for ACM/ICM treatment:

(1) minor expenditures in comparison to the overall capital budget should not be considered eligible for ICM treatment;

(2) a certain degree of project expenditure over and above the threshold calculation is expected to be absorbed within the total capital budget; and

(3) the project amount being proposed for recovery should be significant within the context of the distributor's overall capital budget.

For merged utilities, the above principles are applicable to the merged distributor, not the individual rate zones.

3.3.2.4 Application of the Half-Year Rule

The OEB's general guidance on the application of the half-year rule was originally provided in the supplemental report. In that report the OEB determined that the half-year rule should not apply so as not to build a deficiency for the subsequent years of the IRM plan term. This approach is unchanged in the new ACM/ICM policy. However, the OEB's approach in decisions has been to apply the half-year rule in cases in which the ICM request coincides with the final year of a distributor's IRM plan term.[21]

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[20] EB-2014-0219 Report of the Board New Policy Options for the Funding of Capital Investments: The Advanced Capital Module September 18, 2014 p.17.

[21] EB-2010-0130, Guelph Hydro Electric Systems Inc., Decision and Order, p. 15.

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ATTACH 2

The MAADs Handbook, otherwise known as the Handbook to Electricity Distributor and Transmitter Consolidations

Issued January 19, 2016

Ontario Energy Board
Commission de l'énergie de l'Ontario

Handbook to Electricity Distributor and Transmitter Consolidations

January 19, 2016

deferred rebasing period. For example, a large distributor that acquires a small distributor may demonstrate the objective of consumer protection by proposing an ESM where excess earnings will accrue only to the benefit of the customers of the acquired distributor.

Incremental Capital Investments during Deferred Rebasing Period

The Incremental Capital Module (ICM) is an additional rate-setting mechanism under the Price Cap IR option to allow adjustment to rates for discrete capital projects. The details of the mechanism are described in the *Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, issued on September 18, 2014 and a supplemental report with further enhancements will be issued in January 2016.

The ICM is now available for any prudent discrete capital project that fits within an incremental capital budget envelope, not just expenditures that were unanticipated or unplanned. To encourage consolidation, the 2015 Report extended the availability of the ICM for consolidating distributors that are on Annual IR Index, thereby providing consolidating distributors with the ability to finance capital investments during the deferral period without being required to rebase earlier than planned.

The 2015 Report sets out that a distributor who is in the midst of the Custom IR plan at the time of the transaction and who consolidates with an entity operating under a Price Cap IR or an Annual IR Index may only apply for an ICM for investments incremental to its Custom IR plan. The rules that apply to a specific rate-setting method continue to apply even following a consolidation of distributors. To be specific, an ICM would not be available for the rates in the service area for which the Custom IR plan term applies until the term of the Custom IR ends and Price Cap IR applies. Materiality thresholds for the ICM will be calculated based on the individual distributors' accounts and not that of the consolidated entity.

Future Rate Structures

A consolidated entity is expected to propose rate structures and rate harmonization plans following consolidation at the time it files its rebasing application. Distributors are not required to file details of their rate-setting plans, including any proposals for rate harmonization, as part of the application for consolidation. These issues will be addressed at the time of rate rebasing of the consolidated entity.

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ATTACH 3

THE OEB's Handbook for Utility Rate Applications Dated October 13, 2016

Ontario Energy Board
Commission de l'énergie de l'Ontario

Handbook
for
Utility Rate Applications

October 13, 2016

Natural Gas Utilities

Natural gas utilities may choose either Custom IR or Price Cap IR. Under either approach, the term must be a minimum of 5 years. For Price Cap IR it would include a cost of service year and at least four years using an incentive adjustment mechanism.

Ontario Power Generation

The OEB established expectations that payments for OPG will be based on Price Cap IR for the hydroelectric business and Custom IR, based on the RRFE principles, for the nuclear business. The OEB may set out its expectations for future applications in its next decision and order for OPG.

Specific Considerations for Custom Incentive Rate setting

The OEB has now received and decided a number of Custom IR applications and is in a position to provide further guidance on the minimum standards for Custom IR applications to ensure that the performance-focused and outcomes-based approach is achieved as intended. A Custom IR application is by its very nature custom, and therefore no specific filing requirements have been established. However, any utility filing a Custom IR application should be informed by the cost of service filing requirements and this Handbook. The sections that follow set out the OEB's minimum standards for certain key elements of Custom IR applications.

There is no threshold test or eligibility requirement for a Custom IR application. The test for the adequacy of the application is the extent to which its features contribute to the achievement of the OEB's RRF goals and whether it meets the following standards:

- Term: A Custom IR must have a minimum term of five years. The OEB has determined that this term supports a longer term approach to planning to smooth expenditures and pace rate increases, strengthens efficiency incentives and supports innovation. Longer terms can be proposed with appropriate mechanisms for consumer protection as discussed below.

- Index for the Annual Rate Adjustment: The annual rate adjustment must be based on a custom index supported by empirical evidence (using third party and/or internal resources) that can be tested. Custom IR is not a multi-year cost of service; explicit financial incentives for continuous improvement and cost control targets must be included in the application. These incentive elements, including a productivity factor, must be incorporated through a custom index or an explicit revenue reduction over the term of the plan (not built into the cost forecast).

The index must be informed by an analysis of the trade-offs between capital and operating costs, which may be presented through a five-year forecast of operating and capital costs and volumes. If a five-year forecast is provided, it is to be used to inform the derivation of the custom index, not solely to set rates on the basis of multi-year cost of service. An application containing a proposed custom index which lacks the required supporting empirical information may be considered to be incomplete and not processed until that information is provided.

It is insufficient to simply adopt the stretch factor that the OEB has established for electricity distribution IRM applications. Given a utility's ability to customize the approach to rate-setting to meet its specific circumstances, the OEB would generally expect the custom index to be higher, and certainly no lower, than the OEB-approved X factor for Price Cap IR (productivity and stretch factors) that is used for electricity distributors.

- Benchmarking: Benchmarking is a fundamental requirement of a Custom IR application, both internal benchmarking to demonstrate continuous improvement and external benchmarking as identified in Section 5. A Custom IR application without benchmarking will be considered incomplete.

- Performance Metrics: The OEB has established a scorecard for electricity distributors, however, additional performance metrics should also be proposed so that expected outcomes can be monitored. All other utilities must propose a comprehensive scorecard that is informed by the scorecard for electricity distributors, but specifically includes other performance metrics aligned to the outcomes identified in the application. This is required for both Custom IR and cost of service rate applications.

- Updates: After the rates are set as part of the Custom IR application, the OEB expects there to be no further rate applications for annual updates within the five-year term, unless there are exceptional circumstances, with the exception of the clearance of established deferral and variance accounts. For example, the OEB does not expect to address annual rate applications for updates for cost of capital, working capital allowance or sales volumes. In addition, the establishment of new deferral or variance accounts should be minimized as part of the Custom IR application.

  The adjudication of an application under the Custom IR method requires the expenditure of significant resources by both the OEB and the utility. The OEB therefore expects that a utility that applies under Custom IR will be committed to

that method for the duration of the approved term and will not seek early termination or in-term updates except under exceptional circumstances and with compelling rationale.

A Custom IR application can include a five year forecast of all costs with proposed rates for each year that consider both these costs and the proposed productivity improvements reflected in the custom index. A utility that cannot forecast its needs within the five year term, or does not believe it can operate with this level of uncertainty, should consider whether the Custom IR option is appropriate for its circumstances.

The ICM and ACM mechanisms for funding capital for electricity distributors, or any similar mechanism approved for transmitters, natural gas distributors or OPG, are not available for utilities setting rates under Custom IR.

An acceptable adjustment during a Custom IR term is a Z factor mechanism for cost recovery of unforeseen events. The OEB has a policy for Z factors for electricity distributors and transmitters that applies for any rate-setting option chosen by a utility. The OEB has established a materiality threshold for electricity distributors for eligibility to claim for a Z factor event. Electricity transmitters are expected to propose a materiality threshold in their applications. The OEB has approved Z factor mechanisms for natural gas distributors in previous proceedings, and they may propose mechanisms in their future rate applications.

Given the custom nature of a Custom IR application, utilities may propose alternative mechanisms for unforeseen events to coordinate better with other aspects of their custom proposals. In doing so they should consider the OEB's expectations for protecting customers from excess earnings, as discussed in the next section.

- Protecting Customers: A key objective of incentive regulation is to drive productivity improvements within the utilities. The OEB has determined that with the Custom IR rate setting option, customers will benefit from the expected productivity improvements during the term through the custom index.

  Utilities that achieve productivity improvements above what is expected are allowed to keep certain earnings above the approved ROE. However, the OEB expects utilities filing a Custom IR application to propose one or more mechanisms to protect customers from utility earnings that become excessive. Proposals would typically include mechanisms such as off ramps (discussed

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ATTACH 5

The Decision and Order of the OEB in Alectra Utilities' 2018 EDR Application (EB-2017-0024) Issued April 6, 2018

Ontario

Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2017-0024

ALECTRA UTILITIES CORPORATION

Application for electricity distribution rates and other charges beginning January 1, 2018

BEFORE: Lynne Anderson
Presiding Member

Allison Duff
Member

Revised: April 6, 2018

Findings

The OEB finds that the DSP filed by Alectra Utilities is sufficient for the OEB to make its decision on the 2018 ICM for the Enersource RZ. Options considered by Alectra Utilities were helpful in assessing the ICM projects. The OEB notes that Alectra Utilities plans to file a consolidated DSP by April 2019, and this would effectively update and replace the Enersource DSP.[21] This consolidated DSP is discussed further in a subsequent section of the Decision.

The OEB disagrees with Alectra Utilities' claim that it is not necessary to have an adequate explanation of why some capital is regarded as "base" and other as "incremental". Given the distinction between base and incremental capital amounts necessary in an ICM application, including an explanation and rationale for allocating projects to each category is a logical addition. Filing requirements cannot anticipate all needs and circumstances, including an ICM application with 22 projects .While the OEB has accepted the DSP for the purposes of setting 2018 rates, this distinction between base and incremental will become more critical should Alectra Utilities file any further applications for incremental funding of capital and particularly as it optimizes its capital plans under a consolidated DSP.

Alectra Utilities stated that Vanry's feedback informed Alectra Utilities in developing its DSP. This type of external feedback can be helpful to a utility in forming its plans. There is no requirement to have a third party review of a DSP, unless specifically ordered by the OEB.

4.4 Customer Engagement

The OEB's Handbook for Utility Rate Applications (Rate Handbook) advises that "customer engagement is expected to inform the development of utility plans, and utilities are expected to demonstrate in their proposals how customer expectations have been integrated into their plans, including the trade-offs between outcomes and costs".[22]

Alectra Utilities stated that it undertook customer engagement related to the DSP for the Enersource RZ and the ICMs for the Brampton RZ, Enersource RZ and PowerStream

[21] Application Exhibit 1, Tab 1, Schedule 1 page 4, footnote 2. The filing of the DSP was a commitment made at the oral hearing for the EB-2016-0025 proceeding.
[22] "Handbook for Utility Rate Applications", October 1, 2016, p.11.

means, but that Alectra Utilities had made no attempt to do so, and therefore should be expected to live within the IRM envelope.

Alectra Utilities submitted that the project-specific materiality threshold is defined by the OEB as 0.5% of distribution revenue requirement, in accordance with the Chapter 2 Filing Requirements.[30] Alectra Utilities calculated the threshold amount for each rate zone on this basis and included projects that exceeded the identified thresholds.

Findings

The OEB accepts Alectra Utilities' calculations for the ICM materiality threshold based on the OEB's ICM formula in the Funding of Capital Report. This includes:

- Brampton RZ - maximum eligible incremental capital amount of $7,113,613
- PowerStream RZ - maximum eligible incremental capital amount of $25,891,795
- Enersource RZ - maximum eligible incremental capital amount of $39,624,419

This does not mean that all capital spending up to the maximum eligible incremental capital amount will be granted incremental funding. The OEB has established its other criteria and tests so that the ICM does not become just a top-up to the ICM materiality threshold.

The OEB does not agree with SEC that a distributor must have done everything it can to live within its means. The ICM is not a mechanism to ensure the financial viability of a distributor. The ICM is a mechanism that removes a barrier to effective planning by providing rate relief to reduce the incentive to cluster capital investments at sub-optimal times around the rebasing year. A distributor is expected to have good distribution system planning, including optimizing, prioritizing and pacing capital expenditures to control costs and promote rate predictability, irrespective of its rebasing schedule.

The OEB disagrees with Alectra Utilities' interpretation of the second materiality test. The distributor in this ICM application is Alectra Utilities. This second test is whether a specific project is significant in comparison to the overall capital budget for Alectra Utilities, not individual rate zones. With Alectra Utilities' interpretation, a large distributor with a capital budget of hundreds of millions of dollars could acquire a small distributor

[30] Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service.

injection is not always feasible. In the cable replacement project at Steeles Avenue and Fairway Heights, the existing cables are 8.32 kV and, as a result, injection would not align with plans to convert the area to 27.6 kV. If injected, the cables would soon need replacement and the costs of injection would become stranded. Alectra Utilities added that conversion to 27.6 kV brings numerous benefits, such as lower maintenance costs and reduced losses.

Alectra Utilities further noted that it had only provided costing for alternative feasible options that would meet the identified project needs.

Findings

ICM funding is not available for typical annual capital programs. The OEB finds that this project is part of a typical annual capital program and therefore is not approved for ICM funding.

In its decision on the PowerStream Custom IR application[48] the OEB approved funding for a cable replacement program. This work replacing cables in the Steeles Ave and Fairway Heights Drive area is reasonably be part of such a program.

Alectra Utilities has stated that following the OEB's decision for its Custom IR application it determined that each cable replacement would be treated as a distinct project. The OEB finds that simply developing more details on the specific work planned within a typical annual capital program does not create multiple discrete projects eligible for ICM funding.

6. *PowerStream RZ Cable Replacement –(V08) – Steeles Ave and New Westminster $2.64 million*

The Cable Replacement – (V08) - Steeles Ave and New Westminster project involves replacing approximately 16.2 km of substandard underground primary cables from 2018 to 2020. Alectra Utilities stated that:

- Cable and splice failures are the leading cause of outage minutes, accounting for 19% of SAIDI in 2016.

[48] EB-2015-0003, op.cit. p. 17.

- In this project area, the underground primary cable supplies 1,090 customers, is approximately 40 years old, has been assessed as being in very poor condition and is at the end of its useful life. It has failed nine times in the last four years, resulting in over 350,000 customer outage minutes.
- This project is expected to improve system reliability in the area, minimize the need for emergency reactive repairs and result in 109,998 outage minutes avoided per year.

The intervenors and OEB staff made the same submissions for this project as they did for the cable replacement project for Steeles and Fairview. Alectra Utilities responded accordingly. In addition, Alectra Utilities noted that cable testing results indicated that remediation by cable injection would not be feasible.

Findings

ICM funding is not available for typical annual capital programs. The OEB finds that this project is part of a typical annual capital program and therefore is not approved for ICM funding.

In its decision on the PowerStream Custom IR application[49] the OEB approved funding for a cable replacement program. This work replacing cables in the Steeles Ave and New Westminster area is reasonably part of such a program.

Alectra Utilities has stated that following the OEB's decision on the PowerStream Custom IR application it determined that each cable replacement would be treated as a distinct project. The OEB finds that simply developing more details on the specific work planned within a typical annual capital program does not create multiple discrete projects eligible for ICM funding.

7. *PowerStream RZ Circuit Breaker Replacement – Richmond Hill TS#1 $1.19 million*

The Circuit Breaker Replacement – Richmond Hill TS#1 project involves replacing the six existing circuit breakers at Richmond Hill TS#1 due to technological incompatibility, a history of failures and the fact that manufacturer support is no longer being provided for this equipment. The project also includes procurement of one spare circuit breaker.

[49] Ibid.

Findings

The OEB finds that this project is not a significant capital cost in comparison to the overall capital budget of Alectra Utilities for 2018. Alectra Utilities should be able to fund this project through its normal capital budget during the IRM term. No additional funding is therefore approved.

The OEB also notes that a driver for this work is load growth in the area that will bring in additional revenue to Alectra Utilities. This additional revenue from growth will reduce the financial impact on the operations of the utility.

9. *PowerStream RZ Mill St. MS835 Transformer Upgrade – Tottenham $1.3 million*

The Mill St. MS835 Transformer Upgrade – Tottenham project involves an upgrade of the Mill MS835 6 MVA transformer in order to provide the necessary backup capacity to meet load growth anticipated by 2019. Alectra Utilities stated that:

- Three major residential developments, scheduled to be completed over the next four years in this area, are expected to add 1,300 new customers.
- This growth will result in an additional 2.7 MVA of peak load supplied by two stations by 2019, bringing the total loading of the two stations to 9.6 MVA.
- This will exceed the emergency capacity of Mill MS835 (9.1 MVA) to provide backup in the event of failure at the Nolan MS834 station.
- Load is expected to continue to rise beyond 2019, reaching 12 MVA by 2025/26.
- This project is the most effective way to address the increased capacity requirements, as well as reliability, under single contingency scenarios.

PWU supported the project. BOMA also expressed its support for this project as it is: (1) distinct, (2) not part of pre-existing programs, and (3) alternatives were thoroughly canvassed.

SEC, VECC, CCC and AMPCO, as well as OEB staff, did not support ICM treatment.

Findings

The OEB finds that this project is not a significant capital cost in comparison to the overall capital budget of Alectra Utilities for 2018. Alectra Utilities should be able to fund this project through its normal capital budget during the IRM term. No additional funding is therefore approved.

The OEB also notes that a driver for this work is load growth in the area that will bring in additional revenue to Alectra Utilities. This additional revenue from growth will reduce the financial impact on the operations of the utility.

10. PowerStream RZ Double Circuit 27.6 kV Pole Line on 19th Ave between Leslie and Bayview $1.2 million

The Double Circuit 27.6kV Pole Line on 19th Ave between Leslie and Bayview project involves construction of a double circuit pole line and extension of two 27.6kV circuits onto 19th Ave from Leslie St. to Bayview Ave. to meet significant growth in this area. Alectra Utilities anticipates that approximately 500 new homes will require connection to the distribution system in the area. Alectra Utilities stated that there are no feeders on 19th Ave between Leslie and Bayview to support residential or commercial developments, therefore, new load in the development area cannot be serviced unless feeders are installed to connect the new customers.

Alectra Utilities further stated that a secondary driver stems from the radial configuration of the existing feeder on Leslie St, which means power is supplied from one end of the feeder only. There is no alternate supply from any other source in the event of an outage, thus giving rise to risks of prolonged outages. Alectra Utilities argued that this issue will become more significant as the customer density in the area continues to increase.

PWU supported approval for recovery of the full amount proposed for this project. SEC, VECC, CCC, AMPCO and BOMA, as well as OEB staff, did not support ICM treatment.

Findings

The OEB finds that this project is not a significant capital cost in comparison to the overall capital budget of Alectra Utilities for 2018. Alectra Utilities should be able to fund this project through its normal capital budget during the IRM term. No additional funding is therefore approved.

there is evidence that one of the important historical causes for underground cable failures has now been effectively mitigated.

Alectra Utilities submitted that the cable replacement projects are targeted to areas with high levels of cable failures, well above what could be considered acceptable. Moreover, the Applicant took issue with OEB staff's suggestion that the issue of heat shrink splices has been mitigated, and in the worst performing areas of the Enersource RZ the issues are unrelated to heat shrink splices.

AMPCO submitted that these projects should not be approved because, in the Enersource RZ, the health index for underground cable is improving over time and the long-term rate of underground cable failures is stable. Alectra Utilities argued that the perceived trend that AMPCO highlighted was not indicative of improved health of this asset class but rather of a change in the health index methodology by Kinectrics.

Findings

ICM funding is not available for typical annual capital programs. The OEB finds that this project is part of a typical annual capital program and therefore is not approved for ICM funding. In the last rebasing application for Enersource for 2013 rates,[50] the OEB approved a Subdivision Rebuild Program, and this project is reasonably part of that program.

14. Enersource RZ Glen Erin & Battleford Subdivision Rebuild $2.06 million

The Glen Erin & Battleford Subdivision Rebuild project involves renewing and replacing early generation underground distribution cables and five padmount transformers in the project area to bring them in line with present day standards. Alectra Utilities stated that:

- Increasing failures on early generation underground cables (which are mostly unjacketed and/or direct buried) are leading to increasing outages and adversely impacting reliability.
- Since 2005, 17 underground cable failures have occurred in this area, affecting 32,572 customers for a total of 191,139 outage minutes.

[50] Enersource Hydro Mississauga Inc. "Decision and Order Rates," EB-2012-0033, December 13, 2012.

- The cables and transformers in the area are approximately 40 years old and are beyond the end of their useful life.
- The 2016 asset condition assessment flagged these cables as being in very poor condition and in need of immediate replacement.
- This project is the preferred solution as it provides an opportunity to remove redundant cables that were originally installed to accommodate the build phases of the subdivision.

PWU supported approval for recovery of the full amount proposed for this project. SEC, VECC, CCC, AMPCO and BOMA, as well as OEB staff, did not support ICM treatment. General submissions by the intervenors, OEB staff and Alectra Utilities on the six cable replacement projects are included with the Glen Erin & Montevideo Subdivision Rebuild project and not repeated here.

Findings

ICM funding is not available for typical annual capital programs. The OEB finds that this project is part of a typical annual capital program and therefore is not approved for ICM funding. In the last rebasing application for Enersource for 2013 rates,[51] the OEB approved a Subdivision Rebuild Program, and this project is reasonably part of that program.

15. *Enersource RZ Credit Woodlands & Wiltshire Subdivision Rebuild $1.55 million*

The Credit Woodlands & Wiltshire Subdivision Rebuild project involves replacing cables that are beyond the end of their useful life and transformers (11 in total) showing signs of leaks or containing PCBs. Alectra Utilities stated that:

- The replacement of transformers is needed to address safety, environmental, reliability, financial and regulatory risks and the replacement of cables is needed to address reliability issues.
- The cables and transformers in the area are approximately 37 years old.

[51] Ibid.

- The 2016 asset condition assessment flagged these assets as being in very poor condition and requiring immediate replacement.
- This project provides an opportunity to remove redundant cables that were originally installed to accommodate the build phases of the subdivision.
- The new cables will be installed in PVC ducts, making future replacements easier and less costly.

PWU supported approval for recovery of the full amount proposed for this project. SEC, VECC, CCC, AMPCO and BOMA, as well as OEB staff, did not support ICM treatment. General submissions by the intervenors, OEB staff and Alectra Utilities on the six cable replacement projects are included with the Glen Erin & Montevideo Subdivision Rebuild project and not repeated here.

Findings

ICM funding is not available for typical annual capital programs. The OEB finds that this project is part of a typical annual capital program and therefore is not approved for ICM funding. In the last rebasing application for Enersource for 2013 rates,[52] the OEB approved a Subdivision Rebuild Program, and this project is reasonably part of that program.

16. Enersource RZ Tenth Line Main Feeder Subdivision Renewal $1.14 million

The Tenth Line Main Feeder Subdivision Renewal project involves renewing and replacing the early generation underground feeder cables in the Tenth Line area. Alectra Utilities stated that:

- The 2016 asset condition assessment (ACA) found the main feeder cables in this area to be in very poor condition and in need of immediate replacement.
- Two particular sections of direct buried cables have each failed four times, impacting a total of 7,074 customers and 3,684 customers, respectively.
- Portions of this cable are located in rear lots, making repairs particularly difficult and resulting in significant disruptions to residents.

[52] Ibid.

EP-3

ATTACH 7

The Partial Decision and Order of the OEB in Alectra Utilities' 2019 EDR Application (EB-2018-0016) Issued December 20, 2018

EP-3

ATTACH 8

The Decision and Interim Rate Order of the OEB in Alectra Utilities' 2019 EDR Application (EB-2018-0016) Issued January 24, 2019

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Ontario

Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND INTERIM RATE ORDER

EB-2018-0016

ALECTRA UTILITIES CORPORATION

Application for electricity distribution rates beginning January 1, 2019

BEFORE: Lynne Anderson
Presiding Member

Allison Duff
Member

Michael Janigan
Member

January 24, 2019

Alectra Utilities Corporation
Enersource Rate Zone
TARIFF OF RATES AND CHARGES
Effective Date January 1, 2019
Implementation Date February 1, 2019
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-0016

RESIDENTIAL SERVICE CLASSIFICATION

This classification refers to all residential services including, without limitation, single family or single unit dwellings, multifamily dwellings, row-type dwellings and subdivision developments. Energy is supplied in single phase, 3-wire, or three phase, 4 wire, having a nominal voltage of 120/240 volts. There shall be only one delivery point to a dwelling. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	24.25
Rate Rider for Recovery of 2019 Foregone Revenue - effective until December 31, 2019	$	0.03
Rate Rider for Recovery of Incremental Capital (2018) - in effect until the effective date of the next cost of service based rate order	$	0.16
Rate Rider for Recovery of Incremental Capital (2017) - in effect until the effective date of the next cost of service based rate order	$	0.60
Smart Metering Entity Charge - effective until December 31, 2022	$	0.57
Low Voltage Service Rate	$/kWh	0.0002
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 Applicable only for Non-RPP Customers - Approved on an Interim Basis	$/kWh	0.0019
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 - Applicable only for Non-RPP Customers	$/kWh	(0.0005)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 - Approved on an Interim Basis	$/kWh	(0.0004)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	$/kWh	(0.0007)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 -Applicable Only for Class B Customers	$/kWh	(0.00005)
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until December 31, 2019	$/kWh	0.0002
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2018) - effective until April 30, 2019	$/kWh	(0.0002)
Retail Transmission Rate - Network Service Rate	$/kWh	0.0076
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0073

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

EP-3

ATTACH 9

The Decision and Order of the OEB in Alectra Utilities' 2019 EDR Application (EB-2018-0016) Issued January 31, 2019

Ontario

Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2018-0016

ALECTRA UTILITIES CORPORATION

Application for electricity distribution rates beginning January 1, 2019

BEFORE: Lynne Anderson
Presiding Member

Allison Duff
Member

Michael Janigan
Member

January 31, 2019

project was not discrete and the reliability data did not justify the urgency of this project. OEB staff suggested the project could be deferred or paced over an extended timeline.

In addition, AMPCO indicated that a partial rebuild of Rometown with a project cost of $1.85 million was included in the Enersource RZ Distribution Supply Plan. The project was subsequently updated to include a full replacement for a cost of $3.2 million as a result of customer consultation. AMPCO submitted that the information provided to customers for the Rometown Overhead Rebuild project was limited, and insufficient for customers to make an informed determination. For example, customers were not informed of the original plan, the $1.85 million cost, the remaining life of the poles, or reliability of the area. AMPCO was not opposed to the spending of $1.85 million and submitted that it should be funded through Alectra Utilities' normal capital budget.

BOMA, CCC, EP and VECC took issue with the extent of customer engagement and submitted it was insufficient to justify the project for ICM funding. VECC also analyzed the outage data provided for the Rometown area and found that the reliability in the Rometown area was better than the surrounding area.

In its reply submission, Alectra Utilities reiterated that the project was needed given the condition of the assets. The Rometown area had experienced several outages because of the deterioration of the overhead system assets. Alectra Utilities also indicated that the Rometown project was not included in an ongoing capital program such as the pole replacement program. Alectra Utilities also disagreed that the customer consultation was not sufficient to justify the project. Alectra Utilities modified the survey design to incorporate the issues raised from the 2017 customer engagement and gave customers the information required and bill impacts to obtain sufficient feedback.

Findings

ICM funding is not available for typical annual capital programs. The OEB finds that the Rometown Area Overhead Rebuild project should be part of a typical annual capital program and therefore is not approved for ICM funding.

The OEB also notes that in the last rebasing application for Enersource for 2013 rates,[20] the OEB approved both a Subdivision Rebuilds and Overhead Distribution Sustainment program, and this project should reasonably be part of that typical work.

The OEB notes that a partial rebuild at a cost of $1.85 million was included in the Enersource Distribution Supply Plan filed in Alectra Utilities' 2018 rates proceeding. Alectra Utilities indicated that it increased the project from a partial rebuild of 78 poles to

[20] EB-2012-0003

Findings

The OEB approves ICM funding of $7.5 million to complete the replacement of 571 transformers in 2019.

The OEB finds that approving ICM funding in 2019 is consistent with its decision for 2018 rates,[21] which approved $8.45 million, on the basis that the program is neither "typical" nor "ongoing" from the program approved by the OEB for Enersource's 2013 rates.

The OEB finds it prudent for Alectra Utilities to complete its program to replace the backlog of leaking transformers identified in the last asset condition assessment. The OEB remains concerned about potential environmental impacts of leaking transformers and finds that ICM funding is warranted to complete the work in 2019. The OEB finds that Alectra Utilities appropriately prioritized its schedule for the program during the 2017-2019 period based on asset condition and potential environmental impacts.

Many intervenors referenced the decision for 2018 rates in which the OEB indicated that it expected this project to evolve into a typical ongoing capital program in subsequent years. The OEB finds that Alectra Utilities addressed this expectation by advancing the completion of this program to 2019 such that the ongoing capital program will commence in 2020.

PowerStream RZ – York Region Rapid Transit Project (YRRT): $13.27 million

Alectra Utilities proposed ICM funding of $13.27 million to relocate its distribution plant to facilitate transportation infrastructure developments as part of a multi-year project to accommodate the YRRT. Alectra Utilities stated that it is obliged to relocate plant in accordance with the *Public Service Works on Highways Act* (PSWH Act) and that the OEB approved similar ICM funding in 2018.

AMPCO, CCC, SEC and OEB staff submitted that ICM funding for 2019 should be approved.

Further, OEB staff noted that Alectra Utilities' five-year road authority budget was approximately $38.7 million and compared to the latest actual and forecasted projects has a remaining budget of $6.4 million.

[21] EB-2017-0024, Decision and Order, April 5, 2018

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In reply submission, Alectra Utilities agreed that it may be appropriate to consider alternatives to annual ICM funding for transit projects. Alectra Utilities submitted that as permitted under the PSWH Act, it was able to persuade the YRRTC to agree to a different apportionment of the cost responsibility, where YRRTC bore a greater portion of the incremental relocation costs. Alectra Utilities disagreed with EP that Alectra Utilities and YRRTC are behaving like affiliates. Alectra Utilities noted that by EP's own submission it has acknowledged that the YRRTC and Alectra Utilities are not affiliates.

Findings

The OEB approves the YRRT project for ICM funding of $13.27 million in 2019.

The OEB finds that approving ICM funding in 2019 is consistent with its decision for 2018 rates in which it approved $11.24 million, on the basis that the program is mandatory, material to the operations of Alectra Utilities and outside of the base upon which rates were derived.

Parties questioned whether the YRRTC is the road authority as referenced in the PSWH Act, and therefore whether the PSWH Act is applicable. The OEB finds that the cost sharing arrangement between Alectra Utilities and the YRRTC is reasonable for this project based on the evidence, but makes no specific finding with respect to the applicability of the PSWH Act.

As determined in the decision for 2018 rates, the OEB will not approve a deferral account for this project, as suggested by some intervenors. Any capital forecast is subject to uncertainty given the risks of project delays and scope changes. In any given year, an ICM rate rider may provide revenue that is over or under what the revenue would have been from the actual capital cost. This risk is mitigated as the in-service assets will be reviewed at the time of rebasing to determine if a true-up is warranted between the revenue at the forecast cost and the revenue at the actual cost.

The OEB notes that Alectra Utilities is requesting an ICM of $13.27 million in 2019 based on its initial forecast. Alectra Utilities confirmed during the oral hearing that it provided an updated forecast of $22.7 million for 2019, but did not amend its ICM request.[22] The OEB is specifically not making a finding on the appropriateness of any true-up between the forecast and the actual. However, the OEB notes that the maximum eligible incremental capital amount for the PowerStream RZ is $22.1 million,

[22] EB-2018-0016, Oral Hearing Transcript, December 5, 2018, pp. 66-67

and the OEB is approving ICMs of $18.77 million for this rate zone in 2019[23]. This may be a consideration when the OEB assesses whether a true-up is warranted.

PowerStream RZ – Bathurst Street Road Widening Project: $5.5 million

Alectra Utilities proposed ICM funding of $5.5 million to relocate overhead and underground distribution assets to accommodate the road widening on Bathurst Street, given growth in Richmond Hill and Vaughan. Alectra Utilities indicated that it is obligated to relocate its distribution plant to facilitate transportation infrastructure developments by applicable road authorities in accordance with the PSWH Act.

AMPCO, BOMA, CCC, SEC, VECC and OEB staff supported the approval of ICM funding for the project. Most parties submitted that this project is a discrete, mandatory project, unrelated to a recurring annual capital project. AMPCO, CCC, and VECC submitted that the use of a deferral account may be more appropriate given the inherent uncertainties related to timelines and costs for road widening projects.

Findings

The OEB approves the Bathurst Road Widening project for ICM funding of $5.5 million in 2019. The OEB finds that the project is mandatory, has a significant influence on the operations of the distributor and is outside of the base on which rates were set.

PowerStream RZ – Barrie Transmission Station Feeder Relocation Project: $2.1 million

Alectra Utilities proposed ICM funding of $2.1 million to relocate feeders to the Barrie Transmission Station (TS). The Barrie TS is owned by Hydro One and the TS rebuild was identified as part of the South Georgian Bay/Muskoka regional planning led by the Independent Electricity System Operator. Alectra Utilities noted that the need for the Barrie TS rebuild and feeder relocation was not known and not included in PowerStream's last Distribution Supply Plan.

VECC submitted that the project should be approved for ICM funding because it meets the OEB's criteria.

AMPCO, BOMA and OEB staff did not support ICM funding for this project.

[23] $18.77 million = $13.27 million + $5.5 million

AMPCO noted that Alectra Utilities did not provide the cost of other options for comparison and there is uncertainty that the 2019 in-service date will be met. There is a risk that the in-service date could be pushed to 2020 based on the most current forecast, and customers should not bear the risk if the project does not go in-service on time. AMPCO submitted that this project should be funded through Alectra Utilities normal capital budget.

BOMA submitted that it was not clear from the evidence that Alectra Utilities should be paying the entire cost of the feeder relocations. It was also unclear why the existing meters cannot be moved from the transformer station to Alectra Utilities' own enclosures to reduce cost.

OEB staff submitted the project represented 0.8% of Alectra Utilities' total capital budget and was not a significant capital cost. OEB staff referred to the OEB's 2018 decision in which the OEB did not approve funding for similar projects based on materiality. For example, the Lake/John Area Overhead Rebuild project at a cost of $0.93 million and the Station Switchgear Replacement – 8th line MS323 project at a cost of $1.39 million were both not considered a significant capital cost in comparison to the overall capital budget.

In reply submission, Alectra Utilities clarified that it was responsible for the cost of the project, the suggestion of relocating existing meters to reduce cost was not technically feasible, and the project would be completed in 2019.

Findings

The OEB finds that this project is not a significant capital cost in comparison to the overall capital budget of Alectra Utilities for 2019. The 2019 capital budget is forecast to be $257.3 million[24], and this project is 0.8% of that total. Alectra Utilities should be able to fund this project through its normal capital budget during the IRM term. No additional funding is approved.

This project does not meet the OEB's requirement that it have a significant influence on the operations of Alectra Utilities. The OEB notes that the revenue requirement related to this project is only $168,198.

[24] EB-2018-0016, Exhibit 2, Tab 4, Schedule 11, Page 13

G-Staff-9

Reference: Exhibit 2, Tab 1, Schedule 4, Page 2 of 18

Alectra Utilities describes the true-up of the Capital Investment Variance Account (CIVA) as follows:

Subject to the OEB's approval of the M-factor, Alectra Utilities proposes a symmetrical CIVA for the 2020-2024 term of the DSP. Alectra Utilities proposes to track variances between the actual and forecast capital related revenue requirement for the DSP term. The capital related revenue requirement is used to calculate the M-factor for riders applicable in each rate zone.

Consistent with the determination of the maximum M-factor eligible capital at the time of this filing, the CIVA true-up amount must fall within Alectra Utilities' maximum M-factor eligible capital at the time of the true-up based on Alectra Utilities' actual five-year in-service additions. By way of example, Alectra Utilities' total capital envelope, as provided in Table 4, is $0.3B. This is based on total forecasted capital expenditures of $1.5B less the materiality threshold of $1.2B. If actual capital expenditures are $1.3B, then Alectra Utilities' capital envelope is $0.1B (Total capital costs of $1.3B, less the materiality threshold of $1.2B). Therefore, CIVA true-up cannot exceed the capital envelope of $0.1B, determined at the time of the true-up.

a) Is OEB staff's understanding correct that the CIVA true-up will be calculated as the difference between the actual five-year in-service additions related to M-factor and the forecast M-factor capital related revenue requirement?

b) Based on Alectra Utilities' description in the reference above, OEB staff understands that Alectra Utilities proposes that the CIVA true-up amount cannot exceed the difference between the actual capital expenditures at the time of the true-up and the materiality threshold (calculated in Exhibit 2, Tab 1, Schedule 3 for the M-factor) of $1.2 billion. Please confirm if OEB staff's understanding is correct. If yes, please explain the rationale for the proposed calculation for the maximum eligible CIVA true-up amount.

c) Please confirm that Alectra Utilities does not intend to track M-factor variances on a project level.

d) Based on Alectra Utilities' example above, is OEB staff's understanding correct that the CIVA true-up will be based on actual five-year in-service additions, regardless of whether Alectra Utilities' spending has exceeded the $265 million it has requested through the M-factor?

i. **Please confirm if OEB staff's example is correct: if Alectra Utilities' actual capital expenditure is $1.8 billion, then $1.8 billion less the materiality threshold of $1.2 billion gives Alectra Utilities a maximum capital envelope of $0.6 billion that would be eligible for a true-up.**

ii. **If the example in i) is correct, please explain why it is appropriate for Alectra Utilities to collect any true-up when the actual M-factor capital spending is in excess of the amount being requested in this application ($265 million).**

iii. **If Alectra Utilities spends in excess of the amount being requested in this application ($265 million) and requests a subsequent true-up for the excess spending, please explain what evidence Alectra Utilities will provide to the OEB to assess the prudence of the excess spending. Specifically, please explain on what basis the OEB could assess the prudence of Alectra Utilities' excess spending given that there are no set M-factor projects given the proposed "flexible" nature of the M-factor.**

Alectra Utilities proposes calculating the annual CIVA amount on a company-wide basis and proposes disposing of the CIVA balance using class specific rate riders that are applied to all rate zones.

e) **Please confirm Alectra Utilities is intending to have one set of class specific rate riders applied equally across all rate zones.**

   i. **If yes to e), please explain how this is equitable to all customers given that the original M-factor rate riders are rate zone specific. Furthermore, please explain how Alectra Utilities will prevent subsidization across rate zones if Alectra Utilities does not track variances within rate zones and proposes calculating the CIVA amounts on a company-wide basis.**

f) **Please explain the apparent disconnect between Alectra Utilities' proposal to dispose of the variance account at the end of the five year term, and Alectra Utilities' proposal to calculate the CIVA amount and dispose of positive and negative balances annually.**

Response:

In addition to the specific responses below, Alectra Utilities wishes to provide clarification and responses to a number of related interrogatories regarding the M-factor and the CIVA in a

unified manner. The following responds to questions set out in this G-Staff-9, as well as to questions set out in G-Staff-4, G-Staff-5, G-Staff-6 and CCC-22.

M-factor Funding is Limited in Scope

As explained in Exhibit 2, Tab 1, Schedule 3 at p. 3, the purpose of the M-factor is to bridge the gap during Alectra Utilities' rebasing deferral period, between the level of investment funded through base rates and the level of investment that needs to be funded to fully execute its DSP. The utility's base rates will support an average annual capital expenditure of approximately $236MM during the DSP period. However, the DSP contemplates annual capital expenditures of approximately $291MM. Without the M-factor, Alectra Utilities would have $55MM of capital expenditures in each year that are unfunded and which it would not be able to execute. This results in a total of approximately $275MM of unfunded capital expenditures over the five-year DSP period (Exhibit 2, Tab 1, Schedule 3, p. 3). Alectra Utilities would not be able to achieve the outcomes that its customers expect if it does not have the capital funding to fully execute the DSP.

As explained in Exhibit 2, Tab 1, Schedule 3 at pp. 11-13, Alectra Utilities considers the ICM materiality threshold to be an appropriate method for calculating the level of capital funding that it should be expected to absorb within its funding from base rates. Alectra Utilities clarifies that consistent with its request for flexibility to execute the M-factor projects, these projects must fit within the total eligible capital envelope derived from the materiality threshold over the 5 year DSP period. On this basis, the threshold capital expenditure value over the 2020 to 2024 DSP period is $1.182B. Given that the DSP contemplates a total capital investment need of $1.457B over this period, Alectra Utilities' maximum M-factor eligible capital is $274.3MM. Alectra Utilities is proposing to establish riders that reflect total M-factor capital expenditures of $265MM over the five-year period, which is less than the maximum eligible amount. As explained in greater detail below, the $9.3MM difference between this and the $274.3MM maximum M-factor eligible capital amount represents the maximum amount that Alectra Utilities would be able to recover from customers through the Capital Investment Variance Account ("CIVA") true-up at the end of the five-year period, in the event there is a credit balance in the account at that time.

The revenue requirement impact associated with the M-factor capital expenditures of $265MM over five years is proposed to be recovered through M-factor Capital Funding Rate Riders. These riders will be calculated for each rate class within each rate zone, for each of the DSP years, to reflect the particular M-factor Projects that go into service in the corresponding rate zone in the relevant year. These rate riders will remain in place until rebasing and will thereby be cumulative in that, by 2024, customers would be charged the M-factor riders applicable to their rate class/rate zone for each of the five preceding years. In 2024, when all of the M-factor riders would be in effect, Alectra Utilities' total capital revenue requirement associated with the M-factor funding request, reflective of all DSP years, would be $21.8MM. This is shown in Exhibit 2, Tab 1, Schedule 3 at p. 16, with detailed calculations in Exhibit 5, Attachment 3, and as revised for a 'typo' noted in Alectra Utilities' response to G-Staff-1. The resulting M-factor Capital Funding Rate Riders are presented, for each year by rate zone, and for each customer class, on pages 18-19 of Exhibit 2, Tab 1, Schedule 3.

M-factor Funding Amounts Relate to Specific and Identifiable Capital Investments

The proposed M-factor will provide funding for a specific and identifiable set of planned capital investments that are contemplated in the DSP ("M-factor Projects"). M-factor Projects relate to specific rate zones, or in some cases to multiple rate zones. A breakdown of the total planned capital expenditures for M-factor Projects by rate zone and by year is provided in Exhibit 5, Attachment 3, p. 1. A breakdown by rate zone of the individual M-factor Projects is provided in Alectra Utilities' responses to G-Staff-4-1 through G-Staff-4-6. In total, there are 194 individual M-factor Projects that the company proposes for funding through the M-factor.

As is the case for all of its capital investment needs, including those to be funded through base rates and those that are proposed to be funded through the M-factor, Alectra Utilities identified its capital investment requirements through the DSP investment planning process. This process included: multiple rounds of customer engagement; asset condition and needs assessment; identification of options; business case development; risk/value assessment and investment prioritization and optimization using the CopperLeaf C55 software system.

Through this process, Alectra Utilities prioritized all of its identified investment needs so as to develop a portfolio of investments that provides maximum value, while meeting various needs.

This was done by considering factors such as: compliance requirements; safety risks; environmental risks; regulatory risks; reliability impacts; and customer service benefits and costs. Higher value investments are funded through base rates to the extent that such funding is available. Where funding through base rates is not available, investments would be funded through the proposed M-factor. While the investments to be funded through the M-factor would therefore be those considered to be of lower value relative to those that would be funded by base rates, they are of a higher value relative to the numerous other potential investment needs that Alectra Utilities identified but did not ultimately include in its capital investment plan. The M-factor Projects are considered to be important investments that need to be executed during the DSP planning period.

M-factor Riders are Calculated with Reference to Specific and Identifiable Investments

As specified in Exhibit 2, Tab 1, Schedule 3 at p. 16, the proposed M-factor Capital Funding Rate Riders have been calculated based on specific M-factor Projects that are contemplated in the DSP for the corresponding rate zones during particular years. At p. 15 of that Schedule, Alectra Utilities states that, while the M-factor riders are calculated based on specific investments, they "are not tied to those specific investments". This means that the M-factor riders would provide Alectra Utilities with an envelope of capital funding. While the company plans to execute all of the individual M-factor Projects as planned within the DSP period, to effectively implement the DSP, Alectra Utilities requires the ability to accommodate changing circumstances that may require some work to be accelerated and other work to be deferred. For instance, this may result in a particular M-factor Project in one rate zone being deferred to accommodate the acceleration of a different M-factor Project in the same or a different rate zone. As discussed below, such deviations from plan will be tracked in the CIVA over the five-year DSP period to enable any necessary true-ups at the end of this period as between Alectra Utilities and its customers, and as between rate zones.

Amounts will be Recorded in CIVA Annually

As described in Exhibit 2, Tab 1, Schedule 4, Alectra Utilities is proposing to establish a CIVA for the 2020-2024 period to track the difference between capital funding provided through the M-factor and the actual revenue requirement for M-factor Projects placed into service during this period. The CIVA is proposed as a symmetrical account and would include rate zone-specific

sub-accounts to enable tracking of investments for each rate zone. While Alectra Utilities would record amounts in the CIVA (including the relevant sub-accounts) on an annual basis, it would not seek to dispose of any amounts recorded in the account until the conclusion of the DSP planning period. As identified above, tracking amounts in the CIVA during the 2020-2024 period will enable any necessary true-ups at the end of this period to ensure fairness as between the company and its customers, and as between rate zones.

Each year during the 2020-2024 period, Alectra Utilities would track the revenue requirement impacts of the individual M-factor Projects that it puts into service in each rate zone and compare these to the revenue requirement impacts that were expected for that rate zone in that year in calculating the M-Factor Capital Funding Rate Riders. Any variances, including those attributable to differences in depreciation expense and return on capital due to the timing of M-factor Projects, would be recorded in the relevant sub-account for that year. Alectra Utilities would also document the reasons for any such variances, which might include that the actual costs of execution are higher or lower than planned, that the scope of an M-factor Project needed to be changed, that a particular M-factor Project is deferred or that a particular M-factor Project is accelerated.

CIVA Will be Trued-Up and Cleared at the End of the 5-Year DSP Planning Period

Through the CIVA true-up process, Alectra Utilities will be able to ensure fairness as between its shareholders and its customers, as well as among customers in its various rate zones. At the end of the five-year DSP period, Alectra Utilities will assess the impacts of the variances that have been recorded in the CIVA in each of the prior five years. The company will identify any revenue requirement impacts resulting from differences between proposed and actual levels of M-factor investments, by rate zone. In doing so, the company will be able to determine whether it may have over-collected or under-recovered, as well as whether customers in any particular rate zone may have overpaid or underpaid, relative to the specific M-factor Projects that were actually put into service and when they were put into service in their rate zone.

If on an overall basis Alectra Utilities has over-collected relative to the M-factor Projects that it has actually put into service, then it would propose to return the difference to customers by calculating negative rate riders for each rate zone that are reflective of the differences between

planned and actual investments in each rate zone. For example, if instead of investing $265MM the company only puts $215MM into service and the difference is attributed to $40MM of planned M-factor Projects not being completed in one rate zone and $10MM of planned M-factor Projects not being completed in another rate zone, then the revenue requirement impact of the $40MM would be returned to customers in the first rate zone, the revenue requirement impact of the $10MM would be returned to customers in the second rate zone, and there would be no adjustments for the remaining rate zones.

If on an overall basis Alectra Utilities has under-recovered relative to the M-factor Projects that it has actually put into service, then it would propose to recover the difference from customers by calculating rate riders for each rate zone, similar to the example above, that are reflective of the differences between planned and actual investments in each rate zone. While this aspect is a key element of what makes the proposed CIVA "symmetrical", it is important to note that the CIVA would, in this respect, not be entirely symmetrical. This is because the company's ability to recover additional amounts from customers through the CIVA true-up would be limited to the revenue requirement associated with incremental capital in-service of $9.3MM. This amount represents the difference between the $265MM of proposed M-factor funding and the $274.3MM maximum M-factor eligible capital amount that, as described above, has been calculated based on the ICM materiality threshold. It is important to recognize that an additional $9.3MM of capital in service would have a revenue requirement impact of approximately $0.8MM. As such, the CIVA would be symmetrical for purposes of recording amounts in the account on an annual basis but, overall, it is only symmetrical to the extent of the maximum M-factor eligible capital amount.

It is also important to recognize that, in circumstances where Alectra Utilities has under-recovered relative to the level of investment it actually puts into service and it seeks additional recovery from customers for the revenue requirement impact of up to $9.3MM of additional capital in service by means of the CIVA true-up, the company's ability to recover such additional amounts would be subject to a prudence review by the OEB. Alectra Utilities expects that the evidence it would provide to the OEB to enable such prudence review would include details of the specific drivers of the variances that have contributed to the incremental amount not funded by the M-factor riders. For example, this might include explanations as to why the costs of

certain M-factor Projects were higher than forecasted, why the scope of certain M-factor Projects needed to be expanded or why the timing of certain M-factor Projects changed relative to plan and how those timing changes had the effect of increasing the revenue requirement (i.e., by incurring additional depreciation expense or return on capital).

On an overall basis, whether or not Alectra Utilities over- or under-recovers M-factor amounts, the CIVA true-up process will enable the company to ensure fairness as between customers in different rate zones. Specifically, through the tracking of variances in the account, Alectra Utilities will be able to identify any revenue requirement impacts particular to each rate zone. If customers in a particular rate zone have overpaid or underpaid relative to the M-factor related capital actually put into service in their rate zone during the DSP period (which could occur as a result of shifting the timing of specific M-factor Projects, due to the need to expand or reduce the scope of an M-factor Projects, or in the event a planned M-factor Projects is not put into service during the DSP period), then those differences would be addressed through riders that would effectively redistribute amounts as between rate zones to ensure the costs of M-factor Projects are appropriately borne by customers in the rate zones that are benefiting from those investments.

No Approval or Partial Approval of M-factor Funding Will Adversely Impact Reliability

In the event that the OEB does not approve the proposed incremental capital funding through the M-factor, or the OEB only provides approval for a portion of the proposed incremental capital funding through the M-factor, it is generally expected that this would result in a growing population of deteriorated assets, declining reliability and a "snowplow" of capital costs that will need to be borne by future generations of Alectra Utilities' customers (KP1.1, Slide 24; Exhibit 4, Tab 1, Schedule 1, Section 5.0.1, p. 12). As a further consequence, the company would be expected to incur a greater volume of more expensive reactive capital investment needs due to the need to respond to more frequent asset failures. This more costly approach to system investment would further erode the capital available for planned investments, thereby exacerbating the snowplow effect. The company would need to consider any such decision of the OEB in its full context before it determines which investments, if any, would be able to proceed on a planned basis and which would not.

In response to the specific questions in this G-Staff-9:

a) Confirmed. Please see Alectra Utilities' response, above.

b) Please see Alectra Utilities' response, above.

c) Not confirmed. Alectra Utilities will use all reasonable efforts to track approved M-factor Projects at a project level and by rate zone. Please see Alectra Utilities' response above.

d) Please see Alectra Utilities' response, above.

e) Alectra Utilities' proposed M-factor rate riders included in this Application are based on a proposed list of M-factor Projects that have been identified by rate zone. The rate riders are based on the proposed level of M-factor capital for the respective rate zone. Therefore, Alectra Utilities proposes to true-up the CIVA by rate zone at the end of the DSP term. Please see Alectra Utilities' response, above.

f) Alectra Utilities is not proposing to dispose of the CIVA annually. Please see Alectra Utilities' response, above.