

Staff Question-1

Reference: Rate Generator Models, Tab 1 Information Sheet

For the Retail Transmission Service Rate (RTSR) scenario, Alectra Utilities Corporation (Alectra Utilities) selected "Transmission Connected" for all five rate zones (RZs) in Tab 1 of the Rate Generator Models (cell F53). Based on the information Alectra Utilities provided in the calculation of the RTSRs, OEB staff notes that for all five RZs, Alectra Utilities is charged both Uniform Transmission Rates (UTRs) and Hydro One Networks Inc.'s (Hydro One) host-RTSRs. Therefore, all five of Alectra Utilities' RZs are partially embedded within Hydro One's distribution system. OEB staff has updated the content in cell F53 to "Partially Embedded" in Tab 1 of the Rate Generator Models. Please review and confirm this change. (Please note this input is only for information purposes and has no impact to the RTSR calculations.)

Response:

- 1 Alectra Utilities has reviewed OEB staff's change for all five Rate Zones ("RZ"), and confirms that
- 2 it is correct. Alectra Utilities' five RZs are partially embedded within Hydro One's distribution
- 3 system.
- 4
- 5 The Rate Generator Models ("RGM") for the Horizon Utilities, PowerStream, Enersource, and
- 6 Guelph Hydro RZs were also updated in response to Staff Questions 2, 3, 4, 5, and 9.
- 7
- 8 Alectra Utilities has filed updated RGMs as Staff Question-1 Attach 1_RGM HRZ, Staff Question-
- 9 1 Attach 2_RGM BRZ, Staff Question-1 Attach 3_RGM PRZ, Staff Question-1 Attach 4_RGM
- 10 ERZ, and Staff Question-1 Attach 5_RGM GRZ.

Staff Question-2

Reference: Horizon RZ, Rate Generator Model, Tab 6.2a CBR B_Allocation

For the Horizon RZ, as indicated in the model, the year that Account 1580 Sub-account CBR Class was last disposed is 2019. Therefore, only 2020 consumption data should be populated and applied in the first table in Tab 6.2a for the consumption portion calculation.

In the Horizon RZ's Rate Generator Model filed in the application, OEB staff notes that in Tab 6.2a, the model populated both 2019 and 2020 consumption data in the first table where the consumption portion for transition customers is calculated. OEB staff has corrected the Rate Generator Model to only populate 2020 consumption data in Tab 6.2a, and notes there is no impact to the CBR Class B rate rider calculation. Please review the updated Horizon RZ's model and confirm the change.

Response:

- 1 Alectra Utilities has reviewed the updated Rate Generator Model ("RGM") for the Horizon Utilities
- 2 RZ and confirms that the change is correct. Alectra Utilities also confirms that there is no impact
- 3 to the CBR Class B rate rider calculation.
- 4
- 5 Further, in reviewing the RGM, Alectra Utilities has identified that the microFIT Service
- 6 Classification Service Charge had no value in Tab "19 Final Tariff Schedule". Alectra Utilities has
- 7 updated the RGM to include the microFIT Service Classification Service Charge. Alectra Utilities
- 8 has filed the updated RGM as attachment Staff Question-1 Attach 1_RGM HRZ.

Staff Question-3

Reference: PowerStream RZ, Rate Generator Model, Tab 3 Continuity Schedule, Account 1595 (2016)

In the Rate Generator Model filed for the PowerStream RZ, the 2020 opening principal balance in Account 1595 (2016) is a credit of \$17,476, and the 2020 closing interest balance in this account is a credit of \$5,544.

- a) Has the residual balance in Account 1595 (2016) been disposed of in any previous rate proceeding after the associated DVA rate rider expired? (If so, please provide the residual balances approved for disposition and the related OEB-approved document for reference.) If the residual balance has been disposed of in previous proceeding, please explain why there were non-zero opening balances in this account in 2020.**
- b) OEB staff notes that Alectra Utilities reported principal and interest transactions (a debit of \$17,476 and a debit of \$5,544) in Account 1595 (2016) under year 2020. Please provide an explanation for these transactions. Please confirm whether or not these transactions in 2020 were recorded in order to write off the residual balances in Account 1595 (2016). If so, please provide the rationale for this treatment. If the residual balance in Account 1595 (2016) has never been disposed of, please explain why Alectra Utilities is not asking for disposition of this account in the current application.**

Response:

- 1 a) The residual balance in Account 1595 (2016) for the PowerStream RZ has not been disposed
2 of in any previous rate proceeding after the associated DVA rate rider expired on September
3 30, 2018.
4
- 5 b) Alectra Utilities reported principal and interest transactions (a debit of \$17,476 and a debit of
6 \$5,544) in Account 1595 (2016) under year 2020. The principal transactions included back
7 billings of \$2,182 in 2020 and a principal write-off of \$15,294; the interest transactions included
8 interest recorded of (\$238) in 2020 and an interest write-off of \$5,782. The transactions in
9 2020 were recorded in error to write-off the residual balance in Account 1595 (2016). As the
10 residual balance has not been disposed in a previous proceeding, Alectra Utilities will request
11 disposition of the balance in this proceeding. The residual balance for disposition has also
12 been updated to reflect the difference between the OEB approved principal and interest

amounts in 2016 of \$12,770,071 and \$440,057, and the principal and interest balances recorded in the general ledger in 2016 of \$12,710,011 and \$423,733, respectively. These adjustments have been reflected as principal adjustments in Tab “3. Continuity Schedule” in the updated Rate Generator Model (“RGM”) filed as attachment Staff Question-1 Attach 3_RGM PRZ. The 1595 Analysis Work Form for the PowerStream RZ is filed as Staff Question-2 Attach 1_1595 Analysis WF PRZ. Table 1 below, provides a breakdown of the principal adjustment.

Table 1 – Breakdown of the 2020 Principal Adjustments for 1595 (2016)

Items	Principal Adjustments during 2020	Interest Adjustments during 2020	Projected Interest from Jan 1, 2021 to Dec 31, 2021	Total Claim
Reversal of the write-off	(\$15,294)	(\$5,782)	\$53	(\$21,023)
Difference between OEB approved disposition amounts and the amount booked in 2016	\$60,063	\$16,324	\$203	\$76,590
Total	\$44,769	\$10,542	\$256	\$55,567

Staff Question-4

Reference: Enersource RZ, Rate Generator Model, Tab 3 Continuity Schedule, Account 1595 (2016)

In the Rate Generator Model filed for the Enersource RZ, the 2020 closing principal balance in Account 1595 (2016) is a debit amount of \$49,497, and the 2020 closing interest balance in this account is a credit amount of \$49,497. OEB staff notes that the DVA (2016) rate rider (approved in EB-2015-0065) was effective from May 1 to December 31, 2016.

- a) Has the residual balance in Account 1595 (2016) been disposed of in any previous rate proceeding after the associated DVA rate rider expired? (If so, please provide the residual balances approved for disposition and the related OEB-approved document for reference.) If the residual balance has been disposed of in previous proceeding, please explain why there were non-zero opening balances in this account in 2020.**
- b) OEB staff notes that Alectra Utilities reported principal and interest transactions (a debit amount of \$63,268 and a credit amount of \$49,330) in Account 1595 (2016) under year 2020. Please provide an explanation for these transactions. Please confirm whether or not these transactions in 2020 were recorded in order to write off the residual balances in Account 1595 (2016). If so, please provide the rationale for this treatment. If the residual balance in Account 1595 (2016) has never been disposed of, please explain why Alectra Utilities is not asking for disposition of this account in the current application.**

Response:

- 1 a) The residual balance in Account 1595 (2016) for the Enersource RZ was disposed in Alectra
2 Utilities' 2018 EDR application (EB-2017-0024). In the 2018 EDR Decision and Order, the
3 OEB approved a principal balance as of December 31, 2016 (a credit amount of \$58,585) and
4 interest projected to April 30, 2018 (a debit amount of \$52,288) for Account 1595 (2016).
5 These amounts are referenced on page 26 of Alectra Utilities' Draft Rate Order, filed April 16,
6 2017. In the Decision and Rate Generator Model ("RGM) filed for the Enersource RZ, the
7 residual balance for Account 1595 (2016) was incorrectly identified as 1595 (2014). In Alectra
8 Utilities' 2019 EDR Application, OEB staff identified that for disposition of balances as of
9 December 31, 2014 approved by the OEB, Alectra Utilities moved the balance into sub-
10 account 1595 (2014) and not sub-account of 1595 (2016) for the Enersource RZ (EB-2018-
11 0016; ERZ-Staff-72). The presentation of these balances was subsequently corrected in the
12 RGM filed in the 2019 application for the Enersource RZ.

1 The opening balance in 2020 was a non-zero balance as Alectra Utilities recorded
2 transactions (i.e., rate rider amounts) in Account 1595 (2016) in early 2017, for consumption
3 relating to 2016. These amounts were written off in 2020, leaving a zero balance at year end.
4

- 5 b) In 2020, Alectra Utilities recorded a principal debit amount of \$63,268 and interest transactions
6 credit amount of \$49,330 in Account 1595 (2016) in order to write-off the residual balances in
7 Account 1595 (2016) as of December 31, 2019. Alectra Utilities has further reviewed Account
8 1595 (2016) sub-account balances, and identified that it inadvertently recorded the interest
9 amount of \$49,497 to the principal sub-account. Alectra Utilities has updated Tab "3.
10 Continuity Schedule" in the Rate Generator Model ("RGM") for the Enersource RZ to reflect
11 the correct principal and interest balances (cell BF32 and cell BK32) in Account 1595 (2016).
12 Alectra Utilities submits that the total balance for Account 1595 (2016) is still zero and has not
13 been impacted by this change. Alectra Utilities has filed the updated RGM as Staff Question-
14 1 Attach 4_RGM ERZ.

Staff Question-5

**References: Guelph RZ, Rate Generator Model, Tab 3 Continuity Schedule, Account 1595 (2018)
Exhibit 2, Tab 1, Schedule 5, page 54**

Alectra Utilities states that it is not requesting disposition of 1595 sub-account balances for the Guelph RZ as it does not meet the requirements for disposition of residual balances. OEB staff notes that Guelph Hydro Electric Systems Inc.'s (Guelph Hydro) 2018 rate riders expired as of December 31, 2018.¹ According to the Chapter 3 Filing Requirements, the Guelph RZ's Account 1595 (2018) balance may be disposed of once the December 31, 2020 account balance has been audited. Therefore, it is eligible for disposition in the 2022 rate year.

Please explain Alectra Utilities' position with respect to its request not to dispose of the residual balance in Account 1595 (2018) for the Guelph RZ in this application, with due consideration to the Chapter 3 Filing Requirements. If Alectra Utilities revises its position, and elects to dispose of this residual balance, please update the Rate Generator Model and file the 1595 Analysis Workform for Guelph RZ.

Response:

- 1 Alectra Utilities elects to dispose of the residual balance in Account 1595 (2018) for the Guelph
- 2 Hydro RZ in this application. Alectra Utilities has filed an updated Rate Generator Model ("RGM")
- 3 as Staff Question-1 Attach 5_RGM GRZ. Alectra Utilities has also filed the 1595 Analysis
- 4 Workform for the Guelph Hydro RZ as Staff Question-5 Attach 1_1595 Analysis WF GRZ.

¹ Decision and Rate Order, issued December 14, 2017, EB-2017-0044

Staff Question-6

Reference: Brampton RZ's GA Analysis Workform, Principal Adjustments Tab

Under Note 9 of the GA Analysis Workform, Alectra Utilities included a current year principal adjustment related to CT-148 true-up of GA charges for Account 1589 in 2020:

Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual Non-RPP volumes	306,008	2021

OEB staff believes that there should be a corresponding offsetting adjustment in Account 1588 for the same amount. However, Alectra Utilities included the following principal adjustment for Account 1588:

Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes	(1,945,016)	2021
	2 CT 1142/142 true-up based on actuals		

- a) Please confirm whether the “CT-148 true-up of GA charges based on actual RPP volumes” of (\$1,945,016) for Account 1588 has included the adjustment for “CT-1142 true-up based on actuals”.
- b) If a) is confirmed, please provide a breakdown of the adjustments in 2020 between:
 - i. CT-148 true-up of GA charges based on actual RPP volumes
 - ii. CT-1142 true-up based on actuals

Please also submit an updated GA Analysis Workform with the appropriate amounts in the principal adjustments for Account 1588.

- c) If a) is not confirmed, please explain why the “CT-148 true-up of GA charges based on actual RPP volumes” of (\$1,945,016) in Account 1588 is not equal and offsetting from the “CT 148 true-up of GA charges based on actual non-RPP volumes” of \$306,008 in Account 1589.

Response:

- 1 a) Alectra Utilities confirms that the “CT-148 true-up of GA charges based on actual RPP
- 2 volumes” of (\$1,945,016) for Account 1588 included the adjustment for “CT-1142 true-up
- 3 based on actuals” in 2020.
- 4

b) A breakdown of adjustment is provided below:

- i. CT-148 true-up of GA charges based on actual RPP volumes is (\$306,008); and
- ii. CT-1142 true-up based on actuals is (\$1,639,008).

Alectra Utilities has filed an updated GA Analysis Workform with the appropriate amounts in the principal adjustments for Account 1588 as Staff Question-6 Attach 1_GA Analysis WF BRZ.

c) Please see Alectra Utilities' response to part b).

Staff Question-7

Reference: Enersource RZ's GA Analysis Workform, Principal Adjustments Tab

Under Note 9 of the GA Analysis Workform, Alectra Utilities included a current year principal adjustment related to CT-148 true-up of GA charges for Account 1589:

Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual Non-RPP volumes	-\$ 1,372,851	2021

However, there was no corresponding principal adjustment for Account 1588, with an adjustment only for CT-1142 true-up:

Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes		
	2 CT 1142/142 true-up based on actuals	(757,666)	2,021

- a) Please confirm whether the “CT-148 true-up of GA charges based on actual RPP volumes” for Account 1588 has been included with the (\$757,666) adjustment for “CT-1142 true-up based on actuals”.
- b) If a) is confirmed, please provide a breakdown of the adjustment between:
- i. CT-148 true-up of GA charges based on actual RPP volumes
 - ii. CT-1142 true-up based on actuals

Please also submit an updated GA Analysis Workform with the appropriate amounts in the principal adjustments for Account 1588.

- c) If a) is not confirmed, please explain why there is no corresponding principal adjustment for CT-148 true-up of GA charges for Account 1588.

Response:

- 1 a) Alectra Utilities confirms that the “CT-148 true-up of GA charges based on actual RPP
- 2 volumes” for Account 1588 has been included with the (\$757,666) adjustment for “CT-1142
- 3 true-up based on actuals”.
- 4
- 5 b) A breakdown of the adjustment is provided, below:
- 6 i. CT-148 true-up of GA charges based on actual RPP volumes is \$1,372,851; and
- 7 ii. CT-1142 true-up based on actuals is (\$2,130,517).

- 1 Alectra Utilities has filed an updated GA Analysis Workform with the appropriate amounts in
- 2 the principal adjustments for Account 1588 as Staff Question-7 Attach 1_GA Analysis WF
- 3 ERZ.
- 4
- 5 c) Please see Alectra Utilities' response to part b).

Staff Question-8

Reference: Enersource RZ's GA Analysis Workform, Principal Adjustments Tab

Under Note 9 of the GA Analysis Workform, Alectra Utilities included a current year principal adjustment of \$11,023,822 for Account 1588, related to Unbilled to actual revenue differences:

Year	Adjustment Description	Amount	Year Recorded in GL
2020	Current year principal adjustments		
	1 CT 148 true-up of GA Charges based on actual RPP volumes		
	2 CT 1142/142 true-up based on actuals	(757,666)	2,021
	3 Unbilled to actual revenue differences	11,023,822	2,021

The difference between unbilled to actual revenues of \$11,023,822 appears unusually large. Please explain and provide supporting calculation of this amount.

Response:

- 1 The current year principal adjustment of \$11,023,822 for Account 1588 relates to the unbilled to
- 2 actual revenue true-up. This true-up represents the difference between the estimated unbilled
- 3 revenue for power and the actual revenue billed for the 2020 fiscal year, for all customer classes.
- 4 The unbilled to actual revenue true-up is completed two months after year-end based on actual
- 5 customer billing data reports.
- 6
- 7 The unusually large difference in the unbilled to actual revenue true-up for 2020 was the result of
- 8 an incorrect data input when completing the unbilled revenue calculation. Alectra Utilities' process
- 9 relies on an unbilled revenue excel model ("Unbilled Model") to calculate unbilled usage and
- 10 unbilled revenue. In the model, the unbilled usage is calculated as the difference between year-
- 11 to-date energy purchased from the IESO grid supply point including embedded generation
- 12 volumes, and year-to-date electricity sales plus the unbilled revenue reversal from the prior year.
- 13 The year-to-date electricity sales are based on a Billing Statistic Report containing metered
- 14 consumption billed to customers. When entering the year-to-date metered consumption billed to
- 15 the Unbilled Model, line loss factors must be applied to the metered consumption to calculate the
- 16 uplifted consumption, to compare to system load. As part of the 2020 unbilled revenue true-up
- 17 review, Alectra Utilities identified that loss factors were not consistently applied to all rate classes.
- 18 This omission resulted in understated year to date billed consumption, and consequently
- 19 overstated unbilled usage and revenue.

Table 1 below, provides the supporting calculation for the differences in unbilled and true-up kWh.
Table 2 below, presents the supporting calculation for the unbilled to actual revenue true-up adjustment for Account 1588.

Table 1 – The Difference between Unbilled to Actual Billed kWh

Rate Class	Estimated Unbilled kWh as of Dec 31, 2020	True-up kWh	Difference in kWh
Residential	155,680,355	90,577,895	65,102,460
GS<50	55,017,650	43,389,640	11,628,010
USL	2,760,556	2,668,736	91,821
GS>50 to 499	163,258,287	154,520,857	8,737,430
GS>500 to 4999	173,067,560	168,686,421	4,381,139
Large Use	85,540,405	85,482,191	58,214
Total	635,324,814	545,325,739	89,999,074

Table 2 – The Difference between Unbilled to Actual Billed Revenue (\$000s)

Rate Class	Estimated Unbilled Revenue as of Dec 31, 2020	True-up Revenue	Difference in \$
Residential	\$20,426	11,407	\$9,019
GS<50	\$6,412	\$4,875	\$1,537
USL	\$172	\$160	\$12
GS>50 to 499	\$4,603	\$4,539	\$64
GS>500 to 4999	\$3,830	\$3,640	\$190
Large Use	\$1,357	\$1,156	\$202
Total	\$36,800	\$25,777	\$11,024

Staff Question-9

**References: Guelph RZ's Rate Generator Model, Tab 3 Continuity Schedule
Guelph RZ's GA Analysis Workform, Principal Adjustments Tab**

In the Rate Generator Model Continuity Schedule, Alectra Utilities noted the following Variance to the RRR balance for Account 1588:

Variance RRR vs. 2020 Balance (Principal + Interest)
1,374,316

The variance to the RRR balance is expected to be equal to the principal adjustments made in the current disposition period.

In the GA Analysis Workform, Principal Adjustments tab for Account 1588, Alectra Utilities noted the following current year principal adjustments for 2020:

Year	Account 1588 - RSVA Power		
	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes		
	2 CT 1142/142 true-up based on actuals	23,159	2,021
	3 Unbilled to actual revenue differences	(1,593,991)	2,021
	4		
	5		
	6		
	7		
	8		
	Total Current Year Principal Adjustments	(1,570,832)	

Please explain the difference of \$196,516 between the variance to the RRR balance (\$1,374,316) and the principal adjustments in 2020 (\$1,570,832) for Account 1588.

Response:

- 1 The difference of \$196,516, between the RRR balance and the principal adjustments in 2020 for
- 2 Account 1588, is the result of a prior period adjustment that was incorrectly identified as a
- 3 reversing item in the Principal Adjustments tab for Account 1588. In Alectra Utilities' 2021 IRM
- 4 proceeding (EB-2020-0002), Alectra Utilities reviewed the 2019 transactions in Account 1588 for
- 5 the Guelph Hydro RZ and identified that the balance in Account 1588 was over-stated and
- 6 required a \$2.9MM non-reversing adjustment for the following items:
- 7 1. RPP unbilled revenue adjustment (\$2,713,101); and

2. Current year end unbilled to actual revenue differences (\$177,614).

A reconciliation of the \$196,516 difference is presented in Table 1, below:

Table 1 – GRZ Account 1588 Variance Reconciliation

Reconciling Item	Description	Total
	Difference	\$196,516
1	Current year end unbilled to actual revenue differences	(\$177,614)
2	Interest adjustment for \$2.9MM non-reversing adjustment	(\$18,902)
	Unreconciled difference	\$0

The principal adjustment of (\$177,614) identified in Note 8 of the Principal Adjustments Tab for Account 1588, should not have been reversed in 2020 as it relates to the \$2.9MM non-reversing adjustment in 2019. The (\$18,902) is a correction to interest charges related to the \$2.9MM non-reversing adjustment in 2019 that was recorded in the general ledger in 2020 .

Alectra Utilities has filed an updated GA Analysis Workform as Staff Question-9 Attach 1_GA Analysis WF GRZ with the following revisions to the Principal Adjustments tab for Account 1588:

- i. Note 8 (Account 1588) approved principal adjustment (\$177,614) has been updated to “No” (cell W22);
- ii. Note 9 (Account 1588 table) Year 2019 reversal of prior approved principal adjustments \$177,614 has been excluded (cell V47); and
- iii. Account 1588 Total Principal Adjustments has been revised to (\$3,362,270) (cell V63).

Alectra Utilities has filed an updated Rate Generator Model as Staff Question-1 Attach 5_RGM GRZ, with the revised principal adjustment of (\$3,362,270) (cell BF28) and interest adjustment recorded in 2020 of (\$18,902) (cell BK28) in Tab “3. Continuity Schedule”. The variance to the RRR balance for Account 1588 (cell BW28) is now equal to the principal adjustments made in the current disposition period of \$1,570,832.

Staff Question-10

Reference: Guelph RZ's GA Analysis Workform, Principal Adjustments Tab

Under Note 9 of the GA Analysis Workform, Alectra Utilities included a current year principal adjustment related to CT-148 true-up of GA charges for Account 1589:

Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual Non-RPP volumes	(268,663)	2021

However, there was no corresponding principal adjustment for Account 1588, with an adjustment only for CT-1142 true-up:

Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes		
	2 CT 1142/142 true-up based on actuals	23,159	2,021

- a) Please confirm whether the “CT-148 true-up of GA charges based on actual RPP volumes” for Account 1588 has been included with the \$23,159 adjustment for “CT-1142 true-up based on actuals”.
- b) If a) is confirmed, please provide a breakdown of the adjustment between:
- i. CT-148 true-up of GA charges based on actual RPP volumes
 - ii. CT-1142 true-up based on actuals

Please also submit an updated GA Analysis Workform with the appropriate amounts in the principal adjustments for Account 1588.

- c) If a) is not confirmed, please explain why there is no corresponding principal adjustment for CT-148 true-up of GA charges for Account 1588.

Response:

- 1 a) Alectra Utilities confirms that the “CT-148 true-up of GA charges based on actual RPP
- 2 volumes” for Account 1588 has been included with the \$23,159 adjustment for “CT-1142 true-
- 3 up based on actuals”.
- 4
- 5 b) A breakdown of the adjustment is provided, below:
- 6 i. CT-148 true-up of GA charges based on actual RPP volumes is \$268,663; and
- 7 ii. CT-1142 true-up based on actuals is (\$245,504).

- 1 Alectra Utilities has filed an updated GA Analysis Workform with the appropriate amounts in
- 2 the principal adjustments for Account 1588 as Staff Question-9 Attach 1_GA Analysis
- 3 Workform GRZ.
- 4
- 5 c) Please see Alectra Utilities' response to part b).

Staff Question-11

References: EB-2019-0018, Partial Decision and Order, January 30, 2020, Pages 38-39
EB-2020-0002, Decision and Order, December 17, 2020, Page 51
Exhibit 2, Tab 1, Schedule 2

In the OEB's Partial Decision and Order in Alectra Utilities' 2020 IRM application, the OEB accepted Alectra Utilities' approach to allocating capitalization policy impacts across its rate zones. However, the OEB also concluded that it would be appropriate to continue monitor the results of the allocation methodology.

In the OEB's Decision and Order on Alectra Utilities' 2021 IRM application, the OEB directed Alectra Utilities to "file evidence applying the accepted methodology, quantifying the differences between actual to forecast allocations and explaining the key drivers, particularly if the differences are material."

In the current application, Alectra Utilities noted that the forecast allocations were underpinned by the capital included in Alectra Utilities' Distribution System Plan in its 2020 EDR proceeding. Alectra Utilities also noted that any changes relative to the capitalization policy impacts included in the 2020 EDR proceeding (i.e., the forecast allocations) are driven by the actual distribution plant capital expenditures in any given year.

OEB staff quantified the differences between actual to forecast allocations for 2020, which were driven by the differences between actual to forecast distribution plant capital expenditures as follows:

	2020	ERZ	BRZ	HRZ
A	Forecasted Distribution Plant Capital as per 2020 IRM (EB-2019-0018)	51,568,514	31,906,799	52,938,214
B	Actual Distribution Plant Capital	44,060,116	28,483,507	56,322,751
C	Actual to Forecast Difference in Distribution Plant Capital	(7,508,398)	(3,423,292)	3,384,537
D	Allocation % as per 2020 IRM (EB-2019-0018)	3.38%	-8.01%	11.56%
E	Actual to Forecast Difference in Capitalization Policy Impact	(254,076)	274,375	391,322

Alectra Utilities also noted that in order to assess the reasonability of the allocation methodology, it compared the change in distribution plant capital in the Enersource RZ and Brampton RZ from 2019 to 2020. However, OEB staff notes that Alectra Utilities' chosen allocation methodology will necessarily result in the capitalization policy impact changing in accordance with the year-over-year change in distribution plant capital.

- a) Please explain the key drivers for the actual to forecast differences in 2020 distribution plant capital for Enersource RZ, Brampton RZ, and Horizon RZ (row C above).**
- b) Given that Alectra Utilities' chosen allocation methodology will necessarily result in the capitalization policy impacts changing in accordance with the year-over-year change in distribution plant capital, please explain how year-over-year changes to distribution plant capital expenditures demonstrate reasonability of the allocation methodology.**
- c) Has Alectra Utilities considered other means to assess reasonability of the annual capitalization policy impacts recorded in the deferral accounts (for example, analyzing year-over-year changes to other variables that are not used to calculate the allocations)?**

Response:

a) The decrease in the Enersource Rate Zone ("RZ") of \$7.5MM is due to the deferral of a Road Authority project, and a decrease in the volume of customer connections (new and/or upgraded services) to Industrial, Commercial and Institutional ("ICI") customers.

The decrease in the Brampton RZ of \$3.4MM is due to the deferral of Road Authority projects driven by the municipality.

The increase in the Horizon Utilities RZ of \$3.4MM is due to an increase in the volume of ICI projects.

b) and c)

The capitalization policy change impacted the following burden pool categories: direct labour, benefit costs, material handling costs and fleet costs. The net result of the change was that more costs were allocated to capital. Estimated impacts by rate zone were identified in Alectra Utilities' Capitalization Policy Memo, filed in response to undertaking JT.2.32 in the 2018 EDR Application (EB-2017-0024). In 2017 and 2018, the capitalization policy change was tracked

1 by each legacy utility and relied on legacy Enterprise Resource Planning (“ERP”) systems to
2 identify the difference capitalized between the predecessor capitalization policies and
3 Alectra’s capitalization policy. After the ERP convergence project in 2019 was completed,
4 these legacy systems and processes were no longer in place.

5
6 Alectra Utilities is able to track distribution revenue, other revenues and certain costs by rate
7 zone, however operating costs, general plant, taxes and other costs cannot be attributed to a
8 specific rate zone. Alectra Utilities moved quickly to operate and report as one company in
9 2017, consistent with the OEB’s direction in the MAADs decision.

10
11 As the impacts differ across the rate zones, it was important that the proposed approach to
12 calculating capitalization policy impact leveraged readily available rate zone specific data. As
13 a large portion of financial data is not rate zone specific, the use of other variables will
14 necessarily result in the development of additional allocation approaches that the current
15 approach avoids.

16
17 In the OEB’s Partial Decision and Order in Alectra Utilities’ 2020 EDR Application, the OEB
18 accepted Alectra Utilities’ proposed approach. The advantages of the current approved
19 approach are:

- 20 • Relies on the actual impacts calculated by rate zone for 2017 and 2018 when legacy ERP
21 systems were available, which are the best available proxies for future impacts (i.e., prior
22 to the ERP convergence);
- 23 • The allocation percentages used to calculate the impacts post-ERP convergence were
24 based on a ratio of the actual impact of the change in 2017 and 2018 by RZ, to actual RZ
25 specific distribution plant capital for the corresponding period. As the magnitude of the
26 impacts differ across the rate zones, reliance on RZ specific data would be more
27 representative of the expected impacts compared to an approach that relies on Alectra
28 level data;
- 29 • Relies on the relationship between the impacts and capital expenditures. The net impact
30 of the capitalization policy change was that more costs were allocated to capital projects.
31 As burdens are applied at the time the capital transaction is entered in the general ledger,
32 Alectra determined that the use of distribution plant capital was the most appropriate

1 variable to use in the calculation. An additional benefit is that distribution plant capital is
2 tracked by rate zone;

- 3 • The methodology does not introduce unnecessary and additional complexity associated
4 with the maintenance of legacy systems that would be costly; and
- 5 • The methodology is easy to understand, validate, and uses readily available rate zone
6 specific data (i.e., distribution plant capital by rate zone).

7
8 Alectra submits that, based on these factors, the current approach does not warrant deviation
9 from the methodology as approved by the OEB.