



July 11, 2022

Nancy Marconi
Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto ON
M4P 1E4

Dear Ms. Marconi,

**RE: EB-2022-0013 Alectra Utilities Corporation Incremental Capital Module Application
for 2023 Distribution Rates and Charges - CCMBC Interrogatories**

Attached are the interrogatories of the Coalition of Concerned Manufacturers and Business of Canada (CCMBC) to Alectra Utilities.

Respectfully submitted on behalf of CCMBC,

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Tyler Davids (OEB Staff)
Lawren Murray (OEB Staff)
Catherine Swift (CCMBC)
Natalie Yeates (Alectra Utilities)

EB-2022-0013

Alectra Utilities Corporation
Application for Incremental Capital Module funding effective January 1, 2023

Coalition of Concerned Manufacturers and Businesses of Canada

Interrogatories

July 11, 2022

CCMBC-1

Reference: Exhibit 1, Tab 1, Schedule 4, Page 7

Preamble: *“Alectra Utilities is requesting approval of ICM funding of \$25.4MM in 2023 and \$26.9MM in 2024, respectively, for the PowerStream and Enersource RZs, for a total investment of \$52.3MM., Alectra Utilities is experiencing an increase in localized cable failures and plans to address these cables through a combination of two cable renewal strategies: cable injection and cable replacement. Based on the analysis of recent underground cable failures and asset condition assessment analysis, Alectra Utilities has identified the volume of localized hotspots with the highest probability of imminent failure. These are the neighbourhoods included for ICM funding.”*

- a) Why is Alectra seeking OEB approval for ICM funding for two years, 2023 and 2024, instead of for one year?
- b) For how many years have Alectra and its predecessors, PowerStream and Enersource, been renewing their underground cables using cable injection and cable replacement?
- c) Is Alectra requesting ICM funding for all of its 2023 and 2024 cable renewal PRZ and ERZ projects. If the answer is yes, please explain why. If the answer is no, please list the cable renewal PRZ and ERZ projects for which Alectra is not seeking ICM funding approval.
- d) Are there underground cable renewal projects in Alectra's other rate zones? If the answer is no, please explain why not. If the answer is yes, please file a list of cable renewal projects in other Alectra rate zones.

CCMBC-2

Reference: Exhibit 2, Tab 1, Schedule 1, Page 1

Preamble: *“On February 10, 2022, the OEB issued a Letter re: Incremental Capital Modules During Extended Deferred Rebasing Periods (the “ICM Policy Update Letter”). The letter provides an update to the OEB’s ICM policy for electricity distributors during extended rebasing deferral periods arising from utility consolidations.”*

- a) In Alectra’s opinion, what is it able to do now that it was not able to do before the OEB issued its February 10, 2022, letter?
- b) Does the OEB in its February 10, 2022, letter specifically allow multi-year ICM funding applications or is Alectra basing its decision to file a multi-year ICM funding application on the EB-2019-0018, Partial Decision and Order?
- c) Did Alectra make any submissions or any requests or proposals to the OEB and/or to the Ministry of Energy in 2020, 2021 or 2022, asking that the OEB change its ICM policy? If the answer is yes, please file copies of all communications between Alectra and the OEB and/or the Ministry of Energy regarding ICM policy. If the requests were made verbally, please file a list of dates of the meetings, including virtual meetings, and names of the persons who were present at the meetings.

CCMBC-3

Reference: Exhibit 2, Tab 1, Schedule 1, Page 5

Preamble: *“The PCI of 3.0% is a placeholder to be updated with the OEB’s approved PCI for 2023 and 2024 when it is available.”*

What would Alectra do if the Threshold CAPX Price Cap IR totals for 2023 and 2024 for PRZ and ERZ increase or decrease due to the change in PCI from the placeholder amount of 3.0%?

CCMBC-4

Reference: Exhibit 2, Tab 1, Schedule 1, Page 6, Table 4, and page 14, Table 11.

- a) Please confirm that Alectra plans to complete and place in service all PRZ projects that make up the \$97.8 million Threshold CAPX Price Cap IR total for 2023 and the \$98.1 million Threshold CAPX Price Cap IR total for 2024.

- b) Please confirm that Alectra plans to complete and place in service all ERZ projects that make up the \$52.2 million Threshold total for 2023 and the \$52.7 million Threshold CAPEX Price Cap IR total for 2024.
- c) What would be the earnings impact if Alectra did not complete and place in service all of the PRZ and ERZ project that are within the Threshold CAPEX Price Cap IR totals referenced in (a) and (b) above while still collecting the requested ICM riders? Specifically, would Alectra over-earn and how would the over-earnings be treated?

CCMBC-5

Reference: Exhibit 2, Tab 1, Schedule 1, page 9

Preamble: *“This assessment identified 78 projects that will address hotspots for cable failures in need of renewal over the 2023 to 2024 time period. Based on the engineering assessment, Alectra Utilities identified 20 high priority projects in the Enersource RZ and 32 high priority projects in the PowerStream RZ on the verge of cascading failures with an urgent need for renewal. Of these 52 projects, base funding was sufficient to address 24 cable renewal projects. Alectra Utilities is requesting ICM funding for the next 28 high priority cable renewal projects in need of urgent cable renewal in these two RZs (17 projects in the PowerStream RZ and 11 projects in the Enersource RZ).”*

- a) Are the 24 cable renewal projects that were selected for base funding of higher or lower priority than the 28 projects that were selected for the ICM funding request?
- b) Will all 24 projects that will be funded through base funding be completed and placed in service in 2023 and 2024?
- c) Please file a list of the 24 cable renewal projects that includes project name, length of cable renewed, injection or replacement, and cost estimate.

CCMBC-6

Reference: Exhibit 2, Tab 1, Schedule 1, pages 7 and 8; Exhibit 3, Tab 1, Schedule 4, page 8, Table 28

Preamble: *“Alectra Utilities’ overall capital budget for all rate zones is \$287.8MM in 2023 and \$293.5MM in 2024. The proposed 2023 and 2024 ICM cable renewal investment in the PowerStream RZ of \$16.6MM and \$18.2MM, respectively, is significant relative to the overall capital budget. Alectra Utilities has assessed project-specific materiality in the context of the OEB’s ICM Policy Update Letter. Alectra Utilities is eligible to request ICM funding for an annual capital program, subject to the*

requirements identified in the Letter. The proposed investments will allow Alectra Utilities to renew cables in 17 neighbourhoods over the 2023 to 2024 period.”

- a) Please add two columns to Table 28. In the first column show the percentage of that each of the 2023 project cost estimate of the \$287.8 million 2023 Alectra capital budget. In the second column show the percentage that each 2024 project cost estimate forms of the 2024 Alectra capital budget of \$293.5 million.
- b) Is Alectra applying for ICM funding for a capital program or a capital project?
- c) Please explain the difference between a capital project and a capital program.

CCMBC-7

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

Preamble: *“The first generation of underground cable technology was installed in the early 1960s, coincident with the start of large scale municipal growth and expansion. These assets are first generation cable technology, also known as Cross Linked Polyethylene Cable (“XLPE”), most of which are beyond their useful life and in very poor condition. This first generation cable was buried directly in the ground which has led to early degradation.”*

- a) What is the useful life of XLPE cable and how was it determined?
- b) Are there industry standards for cable condition? If there are please file the standard(s) or provide a reference and explain how Alectra is adhering to those standards. If there are no standards, please explain how Alectra classifies that a cable is in “very poor condition” as different from poor condition.

CCMBC-8

Reference: Exhibit 3, Tab 1, Schedule 1, pages 12 and 13

Preamble: *“Since 2018, Alectra Utilities has invested \$ 236.1MM in cable renewal, including addressing an increasing volume of emerging hotspots of cable failures through investments in Emerging Underground Projects.”*

- a) For accounting purposes was the entire \$236.1 million cost of cable renewal treated as Capital or was some treated as OM&A?
- b) Please list all cable related activities and indicate which activities are treated as Capital and which are treated as OM&A.
- c) Please confirm that during the 10-year rebasing deferral period, Alectra is not able to recover from ratepayers incremental OM&A costs that were not included in base rates but can recover incremental Capital costs through an OEB approved ICM rider.

- d) Did any of the \$236.1 million invested in cable renewal since 2018 generate incremental revenues? If the answer is no, please explain why not. If the answer is yes, what was the amount of incremental revenue generated.

CCMBC-9

Reference: Exhibit 3, Tab 1, Schedule 1, Page 9

Preamble: *“The global supply chain challenges stemming from the ongoing global COVID-19 pandemic and most recent conflict in Ukraine are driving upward pressure on availability and cost of materials, services and labour.”*

- a) Please describe the materials, services, and labour that Alectra normally buys from Ukraine together with the typical annual quantities purchased and the cost.
- b) Where is Alectra buying these materials, services, and labour now that they are no longer available from Ukraine?

CCMBC-10

Reference: Exhibit 4, Tab 1, Schedule 1, Attachments 5 and 6, 2023 and 2024 Project Listings PRZ

- a) Please refile the 2023 and 2024 PRZ project list tables separating the PRZ projects for which Alectra is seeking ICM funding for other PRZ projects and show sub-totals for ICM and for non-ICM PRZ projects.
- b) Please identify PRZ projects that are generating incremental revenue.

CCMBC-11

Reference: Exhibit 4, Tab 1, Schedule 1, Attachment 7 and 8, 2023 and 2024 Project Listings ERZ

- a) Please refile the 2023 and 2024 ERZ project list tables separating the ERZ projects for which Alectra is seeking ICM funding for other ERZ projects and show sub-totals for ICM and for non-ICM ERZ projects.
- b) Please identify ERZ projects that are generating incremental revenue.

CCMBC-12

Reference: Exhibit 4, Tab 1, Schedule 1, Attachment 11, Innovative Customer Engagement Report, pages 11 and 12, *About this Consultation*

- a) Please file copies of the exact Workbooks were offered to survey participants in PRZ and ERZ.
- b) Please indicate what information presented in the Workbook was provided by Alectra.
- c) Please indicate which questions in the Workbook were authored or drafted by Alectra.
- d) Did Alectra select the options that were offered to survey participants in the Workbooks?

CCMBC-13

Reference: Exhibit 4, Tab 1, Schedule 1, Attachment 12, Guidehouse Assurance Review, pages 2 and 3, *Summary Assessment*

- a) Please file a list of all documents that Alectra provided to Guidehouse.
- b) Guidehouse concluded that “reduced investments for renewal replacements will accelerate and increase the volume of deteriorated underground assets, resulting in degraded reliability and unacceptable levels of service to customers located in areas most susceptible to prolonged and repeat interruptions.”
 - i. By how much would the volume of deteriorated underground assets increase?
 - ii. What is the measure of reliability that Guidehouse is referring to and by how much would reliability degrade?