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

Ontario

BY E-MAIL

July 11, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: Alectra Utilities Corporation (Alectra Utilities)
Application for Incremental Capital Funding
Ontario Energy Board (OEB) File Number: EB-2022-0013

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Alectra Utilities and all intervenors have been copied on this filing.

Alectra Utilities' responses to interrogatories are due by August 2, 2022. Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Tyler Davids Digitally signed by Tyler Davids
Date: 2022.07.12 11:54:25 -04'00'

Tyler Davids
Analyst – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

OEB Staff Interrogatories
Application for Incremental Capital Funding
Alectra Utilities Corporation (Alectra Utilities)
EB-2022-0013
July 11, 2022

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

1-Staff-1
Asset Analytics Platform
Ref 1: Exhibit 1- Tab 1- Schedule 4- Page 4
Ref 2: Exhibit 3- Tab 1- Schedule 2- Page 18
Ref 3: Exhibit 3- Tab 1- Schedule 2- Page 14
Since the last DSP in 2020, Alectra Utilities has implemented an Asset Analytics Platform. The Asset Analytics Platform moves towards predictive analysis, reliability-driven maintenance, and machine learning. The Asset Analytics Platform also combines large data sets to establish a cross-sectional relationship to identify localized issues. The Asset Analytics Platform was used to help Alectra Utilities focus on the underground cable renewal investments that yield the greatest value.

a) Please explain in detail how the Asset Analytics Platform uses predictive analysis and machine learning to identify localized issues.
b) Please provide the data points used as inputs and the resultant outputs for the Asset Analytics Platform.
c) Did the Asset Analytics Platform compare all of Alectra Utilities' assets and maintenance programs?
d) How is "greatest value" defined by the Asset Analytics Platform?
e) Please confirm if the Asset Analytics Platform only helps prioritize investments based on the greatest value but does not analyze whether a project is required to be completed from an engineering standpoint.
f) Please confirm the need for the project is still based on an engineering assessment as described in reference 2.
g) How has the new Analytics program improved the accuracy of predicting asset health?

Alectra Utilities has established "an asset condition metric" to ensure that the population of cables that are in 'poor' and 'very poor' condition is limited to 14%. This metric represents the health of the cable population at the start of the DSP period.

h) Why was the start of the DSP period, where 14% of the cable population was assessed as in poor or very poor condition, chosen as a suitable asset condition metric limitation?

1-Staff-2
Reliability Performance
Ref 1: Exhibit 1- Tab 1- Schedule 4- Page 6&7 (Figure 1 & Figure 2)
Ref 2: Exhibit 2- Tab 1- Schedule 1- Page 8
Ref 3: Exhibit 2- Tab 1- Schedule 1- Page 16
Alectra Utilities has provided customer-hours of interruptions by cause code from 2019 to 2021. Defective equipment makes up the majority of customer hours of interruption from 2019 to 2021. There was a 10% increase in defective equipment customer-hours of interruption over the 2019 to 2021 period. In addition, Alectra Utilities has provided customer-hours of interruption per asset type from 2017 to 2021. XLPE Cables and accessories make up the majority of defective equipment customer-hours of interruption. Alectra Utilities states that "[s]ince 2017, the highest number of interruptions (66%) occurred in the PowerStream and Enersource RZs."

a) Please provide similar figures to reference 1 for each rate zone. Please also provide the SAIDI related to defective equipment and cables by rate zone for 2017 to 2021.
b) Please provide the same information provided in part 'a' but for the number of customer interruptions and SAIFI.
c) Please provide the investments in underground cables (cable injection and cable replacement) for the PowerStream and Enersource rate zones from 2017 to 2021.
d) Please clarify whether the "66% of interruptions" that occurred in the PowerStream and Enersource RZs refers to the number of interruptions, the customers interrupted or customer-hours of interruptions.

In references 2 and 3, Alectra Utilities stated that the ICM investment within the PowerStream rate zone would avoid approximately 300 cable-related outages over two years, each of which would cause an outage to an average of 330 customers for two hours. The ICM investment within the Enersource rate zone would avoid 150 outages over two years, each of which would cause an outage to an average of 530 customers for one hour.

e) Please provide the total forecasted customer-hours of interruption and number of customer interruptions for 2022, 2023, and 2024 and add them to Figures 1 and 2 of reference 1.
f) Please provide the assumptions used in forecasting the outages that would be avoided.

1-Staff-3
Cable Engineering
Ref 1: Exhibit 1- Tab 1- Schedule 4- Page 8
Alectra Utilities will implement silicon cable injection to renew cables where feasible. Cables that are deemed to be in very poor condition and too far deteriorated are not considered for injection and would therefore be replaced instead. Alectra Utilities has stated that there is a limited period in which cable injection is an option before cable replacement becomes the only viable option. Cable injection is approximately six times less expensive than cable replacement and can extend the useful life of the cable up to 20 years.

a) What is the timeline for which cables can be injected before cable replacement is the only viable option?
b) Please provide the percentage of faulted cables over 2017 to 2022 that were direct buried and in-duct.

1-Staff-4
Reactive Replacements
Ref 1: Exhibit 1- Tab 1- Schedule 4- Page 9
The proposed ICM over the two years from 2023 to 2024 is expected to avoid $180 million in future cable renewal expenditures within the PowerStream and Enersource rate zones. The projects will avoid situations in which Alectra Utilities is forced to respond reactively to a growing number of deteriorated cables.

a) Please provide the amount of reactive cable renewal spending that was required from 2017-2021 within the PowerStream and Enersource rate zones.
b) How was it determined that there would be $180 million in avoided future expenditures as a result of completing the projects proposed in the ICM?
c) Please explain the difference in process, time, and cost of reactive and proactive cable replacement. Also, please comment if there is a difference whether the cable has a loop feed that can back feed impacted customers.
d) Has there been an increase in OM&A cost because of reactive cable replacements?

e) Does Alectra expect the project will decrease OM&A costs in the subsequent years, and if so, how?

1-Staff-5
Capital Expenditures
Ref 1: Exhibit 2- Tab 1- Schedule 1- Page 7&14
As part of determining the capital eligible amount, Alectra Utilities has provided System Access, System Service, System Renewal, and General Plant actual and budgeted costs from 2017 to 2024 for the PowerStream and Enersource rate zones.

a) Please provide a list of projects that make up the four cost categories from 2017 to 2022 for the two rate zones.

1-Staff-6
Guidehouse
Ref 1: Exhibit 3- Tab 1- Schedule 1- Page 11
Alectra Utilities engaged Guidehouse, a third-party expert, to review numerous aspects including the utility's process and analytical methods used to develop the Adjusted Capital Plan.

a) How did Guidehouse evaluate the validity of the risk avoidance assessment performed by Alectra Utilities?
b) How did Guidehouse evaluate the accuracy of the ACA?
c) What steps did Guidehouse take in reviewing the Five-Year Investment Plan to ensure effective prioritization of projects?

1-Staff-7
Feeder Configuration
Ref 1: Exhibit 3- Tab 1- Schedule 4- Page 4&5
Alectra Utilities has described the impact and response to underground cable failure:

> Alectra Utilities' distribution system includes protection and control schemes which utilize fuses to mitigate the scale of the damage of the fault. Fuse operation is designed to operate by breaking the circuit from the supply to minimize the amount of current that flows into the fault. High fault currents stresses all the distribution equipment on the system which further deteriorates and damages the performance levels of the system. Once the protection scheme breaks the circuit in the vicinity of the fault, all the customers connected downstream of the fuse experience a sustained outage which continues until the crews and control room can establish an alternative supply path. A typical cable failure sustained outage impacts 300 to

500 customers, depending on the density and layout of the distribution system in the area.

a) Please identify the projects proposed in this ICM with and without primary loop feeds.

1-Staff-8
Customer Engagement
Ref 1: Attachment 11 - Customer Engagement Report Page 2
As part of customer engagement, an online workbook survey was sent out to customers within the Alectra Utilities rate zones. The results of the workbook were reported to Alectra Utilities in two stages. The first report (ICM Report) outlined the results of questions asked to PowerStream and Enersource customers about the ICM. A preliminary version of the results was provided to Alectra Utilities on March 31st, 2022, while the final version was delivered on April 6th, 2022. The second report ("Needs and Outcomes Report") focused on customer needs and outcome priorities across all five rate zones. The preliminary version of the second report was delivered to Alectra Utilities on April 8th, 2022, while the final version was delivered on April 25th, 2022.

a) Given that the ICM application was filed on May 16th, 2022, what methodology was used to implement the results of the surveys in such a short period?
b) Were low-priority projects removed based on customer feedback? If so, how were projects prioritized using customer engagement?
c) Did Alectra Utilities make it clear in the engagement surveys that another rate increase may occur as part of 2023 rates due to the separately filed IRM?

1-Staff-9
Pace of Cable Deterioration
Ref 1: Exhibit 2- Tab 1- Schedule 1- Page 9
Alectra Utilities stated that "the pace at which cable failures have intensified in existing or new emerging neighbourhoods is greater than what was contemplated in the DSP" filed as part of their 2020 IRM application. Alectra Utilities filed for an 'M-factor' funding program that was denied by the OEB. As such, Alectra Utilities also stated that many projects including cable renewable projects were deferred.

a) Why have cables deteriorated faster than expected?
b) Please explain what is meant by "new emerging neighbourhoods" that are experiencing increased rates of cable failures. Are these "new" (recently built) neighbourhoods, or are they existing neighbourhoods where cable failures have started occurring only in recent years?

1-Staff-10
Asset Condition Assessment
Ref 1: EB-2019-0018 Exhibit 4- Tab 1- Schedule 1- Page 272 (Figure 5.3.3)
As per the cable renewal strategy set out at the time of the DSP, cables were to be renewed only if the cables were categorized with a health index of 'poor' or 'very poor'. Cables over the age of 34 years would be replaced, while cables less than 34 years old would be injected.

As part of the ICM, cables are being injected even if in 'fair' condition. As such, the prioritization of cable renewal has changed since the DSP was developed. Since the DSP, Alectra Utilities has implemented a new Asset Analytics platform.

a) Why are cables in 'fair' condition now being assessed for renewal compared to when the DSP was developed?

1-Staff-11
System Renewal
Ref 1: Exhibit 3- Tab 1- Schedule 1- Page 6
Alectra Utilities has stated that "if the company does not increase the pace of planned renewal, it forecasts that one out of every four neighbourhoods in its service territory will be served by deteriorated and unreliable cables by 2025."

a) How was the deterioration of cables to 2025 determined?

1-Staff-12
Cables in Other Rate Zones
Ref 1: Exhibit 3- Tab 1- Schedule 2- Page 5 (Figure 4)
Alectra Utilities has deemed that 21% of XLPE cable and accessory failures also come from the Horizon RZ. In comparison, 35% of failures come from the PowerStream rate zone and 31% come from the Enersource rate zone.

a) Has Alectra Utilities considered the cable replacement needs in all other rate zones? If not, why does Alectra Utilities not have a holistic cable investment plan?

1-Staff-13
Individual Projects
Ref 1: Exhibit 3- Tab 1- Schedule 4

Risk avoidance was provided for each individual neighbourhood project but not consistently. In addition, the cable type used for replacement was provided for some of the individual neighbourhood projects.

a) Please provide the cable type being replaced or injected and the cable type being used for replacement.
b) Please provide whether each individual neighbourhood project currently has loop feed capability and whether the cables are direct buried or in-duct.
c) Please prioritize the list of individual cable renewal projects for each year.

1-Staff-14
Individual Projects: Heat Maps
Ref 1: Exhibit 3- Tab 1- Schedule 4
Alectra Utilities has provided heat maps outlining cable conditions and areas of renewal. From the heat maps, it appears cable segments are being replaced in fair or good condition that are near or connected to cable segments that are in poor or very poor condition. Cables are also being injected that are in good condition that are near or connected to cables that are in fair or poor condition.

a) What methodology did Alectra Utilities use to determine the length of cable to be injected or replaced in each individual project?

1-Staff-15
Project 151361: Cable Injection – Cairns Drive of Markham (M21)
Ref 1: Exhibit 3- Tab 1- Schedule 4- Page 34
Project description: "This investment will inject 37.7km of direct-buried XLPE cables; 18.3km in 2023 and 19.4km in 2024, in the Cairns Drive area of Markham (Grid M21). The investment in 2023 is $1.7 million and in 2024 is $1.9 million.

Customers in the project scope area experienced 2 outages between 2016 and 2018 and 3 outages between 2019 and 2021. There continues to be an increasing number of cable faults, causing clustering of failures in this area. Due to the age of the cable, Alectra Utilities predicts that customers in this area will experience more frequent outages in the future, starting with 2 outages per year in 2024. Five outages per year are predicted, commencing in 2027 with a possible yearly 1,717 hours of customer interruption. During the 2020 ACA process, these cables were determined to be beyond the typical useful life of 30 years and in poor or very poor condition."

a) How can these cables be injected given that they are passed their typical life of 30 years and being that they have been assessed as 'poor' or 'very poor' condition? Please provide reasoning as to why these cables can be injected versus other projects where cable injection is not a viable option.

1-Staff-16
ACM/ICM Models
OEB staff has prepared a table in Microsoft Excel documenting the ICM and ACM applications that Alectra Utilities and its predecessor utilities applied for and were approved funding for, included as "1-Staff-16_Attachment 1.xlsx". Applications for incremental capital funding applied for under the ICM and ACM options, and the M-factor proposal in EB-2019-0018, which were not approved, are not shown.

a) The data is taken from the ACM/ICM models filed and used for the draft rate order and reflect the OEB's decision in each application. Please confirm or correct/update the Excel spreadsheet and file any corrected version in Microsoft Excel format.

1-Staff-17
Adjusted Capital Plan
Ref 1: Exhibit 1- Tab 1- Schedule 4- Page 2-3
Ref 2: EB-2019-0018, Partial Decision and Order, January 30, 2020, Page 28
Ref 3: EB-2019-0018, Alectra Utilities, Letter filed April 14, 2020, regarding ICM requests per EB-2019-0018 Partial Decision and Order
Ref 4: Exhibit 3- Tab 1- Schedule 1- Page 3- Table 18
Ref 5: Exhibit 3- Tab 1- Schedule 1- Page 4- Table 20
On page 2 of Exhibit 1- Tab 1- Schedule 4, Alectra Utilities documented its reasons for filing the requests for ICM/ACM treatment for Underground Asset Renewal due to worsening reliability due to deterioration of underground direct-buried cable and related equipment.

On page 3 of Exhibit 1- Tab 1- Schedule 4, Alectra Utilities noted that:[1]

> [a]s the OEB did not ultimately approve incremental capital funding in the 2020 rate application[2], Alectra Utilities reduced its planned capital expenditures over the 2020-2024 period following the OEB's decision [and following] a comprehensive review of its capital investment plan to identify reductions and deferrals to align the level of investment [including for Underground Asset Renewal] with the funding available in rates.

In its EB-2019-0018 Partial Decision and Rate Order, regarding the OEB's decision to deny the M-Factor proposal, the OEB offered three options for Alectra to consider:[2]

[1] Exhibit 3- Tab 1- Schedule 1- Page 4
[2] EB-2019-0018, Partial Decision and Order, January 30, 2020, Page 28

1. File a cost-based application for rates effective in 2021 proposing updated capital requirements (cost of service or Custom IR), in which case the rebasing deferral period would be terminated.
2. Amend the current application to request incremental capital funding in 2020 for projects that meet the ICM criteria. In doing so, Alectra Utilities must provide sufficient evidence to show how the projects meet the ICM criteria [as t]his information cannot be discerned from the current application as Alectra Utilities has not identified projects that meet the established ICM criteria. … there is no explicit prohibition in the Funding of Capital policy.[35] Alectra Utilities may wish to consider a multi-year ICM that meets the ICM criteria if it seeks further ICM funding.
3. Do not file an amendment to the application for 2020 [and request the OEB approve the] previously approved rates for 2020 on an interim basis … The next application would then be for 2021 rates, in which Alectra Utilities would be eligible to request incremental capital funding through an ICM.

About one-and-a-half months after the decision was issued, a state of emergency due to COVID-19 was declared. Alectra Utilities did not re-apply for ICMs in 2020.[3]

Alectra Utilities applied for and was approved ICM projects in the PowerStream and Brampton RZs in its 2021 Price Cap IR application.[4]

Alectra Utilities did not apply for any ICMs as part of its 2022 Price Cap IR application.[5]

a) Table 18 on page 3 of Exhibit 3- Tab 1- Schedule 1 documents that Alectra Utilities reduced the capital budget from what was documented in the 2020-2024 DSP by $150.2 million, before any ICM requests. Table 20 on page 4 of that exhibit documents that the Underground Asset Renewals program had its budget reduced by $125.2 million, before ICM requests. Please provide the percentage reduction of the Underground Asset Renewal program as documented in the 2020-2024 DSP filed in EB-2019-0018 the $125.2 million reduction represents.
b) There was a reduction of $125.2 million to the Underground Asset Renewal program from what was forecasted in the 2020-2024 DSP. With the resulting reduced capital budget for this category and Alectra Utilities' knowledge of the condition of underground cable and equipment, was Alectra Utilities' executed capital expenditures for Underground Asset Renewal in 2020-2021 at the level of expenditures pre-2020, or was the executed Underground Asset Renewal budget below pre-2020 levels and trends?

[3] EB-2019-0018, Alectra Utilities, Letter filed April 14, 2020 re: ICM requests per EB-2019-0018 Partial Decision and Order
[4] EB-2020-0002
[5] EB-2021-0005

c) It appears that the majority of the capital budget reductions of $150.2 million from the capital budget forecasted in the 2020-2024 DSP (per Table 18) would be accounted for by the $125.2 million reduction in the Underground Asset Renewal program (per Table 20).
    i. Please explain why Alectra Utilities decided on such a level of reduction to the Underground Asset Renewal program considering what it knew about the level and increasing pace of underground cable failures.
    ii. Please provide Alectra Utilities' reasons on why its decision to reduce the capital budget for the Underground Capital Renewal program is not a driver for the increasing pace of underground cable failures.

1-Staff-18
2021 ICM Funding
Ref 1: Exhibit 3 - Tab 1- Schedule 1- Page 2&3
On page 2 of this schedule, Alectra Utilities notes that it was approved for $10.7 million of ICM funding for several projects as part of its 2021 Price Cap IR application.[6]

Alectra Utilities also states that it revamped its capital plan in March and April 2022 for the remainder of the DSP plan period (2022-2024). Table 18 on page 3 of this exhibit is replicated below.

Table 18 – Comparison of DSP to Actuals/Adjusted Capital Plan ($MM)

Capital Expenditures	Actual 2020	Actual 2021	Forecast 2022	Budget 2023	Budget 2024	Total
DSP	$282.9	$280.2	$288.3	$295.8	$309.3	$1,456.5
Actual/Forecast, before ICM	$256.1	$261.9	$259.3	$262.4	$266.6	$1,306.3
Total Reduction, before ICM	**($26.8)**	**($18.3)**	**($29.0)**	**($33.4)**	**($42.7)**	**($150.2)**
Proposed ICM Investment	$0.0	$0.0	$0.0	$25.4	$26.9	$52.3
Total Net Reduction	**($26.8)**	**($18.3)**	**($29.0)**	**($8.0)**	**($15.8)**	**($97.9)**

a) Please identify where the $10.7 million of 2021 ICM funding approved in EB-2020-0002 is included in Table 18.

1-Staff-19
Variance of DSP Budget and Adjusted Capital Budget
Ref 1: Exhibit 3- Tab 1- Schedule 1- Page 4- Table 20
Ref 2: Exhibit 3- Tab 1- Schedule 2- Page 13- Table 21

[6] EB-2020-0002

Table 20, shown on page 4 of this exhibit, is replicated below.

Table 20 – Adjusted Capital Plan 1 – Material Changes ($MM) **Summary of Material Changes**	**2020-2024 Variance**
Underground Asset Renewal	($125.2)
Lines Capacity	($56.9)
Information Technology	$34.3
Other	($2.4)
Total Reduction, before Proposed ICM	**($150.2)**
Proposed ICM Investments	$52.3
Total Net Reduction	**($97.9)**

Following this table, on pages 4-9 of this exhibit, Alectra Utilities provides some discussion of the reductions or increases to the capital budget by the Chapter 5 capital categories (e.g., System Access, System Service, System Renewal, General Plant).

a) Please provide a version of Table 20 broken out by the years of the DSP (2020-2024).
b) Table 20 shows that Alectra Utilities has reduced its Underground Asset Renewal by $125.2 million (before the ICMs being proposed in the current application) from the 2020-2024 DSP as filed in EB-2019-0018, while the Information Technology (IT) budget has increased by $34.3 million. Please explain the basis for Alectra Utilities prioritizing IT investments relative to Underground Asset Renewal.
    i. What are the expected cost savings from implementing the proposed IT projects?
    ii. How have the customer engagement surveys been utilized in the prioritization of these IT projects?
    iii. Were the IT investments considered in the Asset Analytics Platform? If not, why not? How would these investments be compared to the cable investments if it was completed in hindsight?
c) Table 21 on page 13 of Exhibit 3- Tab 1- Schedule 2 shows that Alectra Utilities has actual and forecasted Underground Asset Renewal capital spending of $236.1 million from 2018 to 2022. The $125.2 million reduction in the capital budget for that category shown in Table 20 is over 50% of what was spent. Considering Alectra Utilities' evidence of an accelerating pace of buried cable and equipment failure, please provide Alectra Utilities' view, with support where possible, that Alectra Utilities' reductions in the Underground Asset Renewal

category is not a factor in the increasing incidence and pace of underground cable and equipment failures.

1-Staff-20

Cable Projects Funded Through Base Rates

Ref 1: Exhibit 3- Tab 1- Schedule 4- Page 7-8

Alectra Utilities documents that it has identified 78 total underground cable injection and replacement projects in the PowerStream and Enersource RZs, of which 52 it identifies as "high priority". It also documents that 24 of these high-priority projects are funded through the base distribution rates. Hence the ICM funding is being requested for the other 28 high-priority projects in the Enersource and PowerStream RZs.

a) Please provide a table in the same format as Table 28, shown on page 8 of Exhibit 3- Tab 1- Schedule 4, for the 24 high-priority projects in the Enersource and PowerStream rate zones that Alectra Utilities considers as being funded through existing distribution rates.
b) Please provide a table showing the underground cable injection replacement actual and forecasted capital budgets, in total for Alectra Utilities and each rate zone, for the period 2020-2024. The table should divide the budget by funds allocated through distribution rates and that for which ICM funding is being sought. The following table format can be used and is attached as a separate Excel file, "1_Staff_20_Attachment_1.xlsx". Please provide the table in Microsoft Excel format.

Underground Cable Injection and Replacement Capital Budgets

Alectra - 2020-2024

Rate Zone	Number of Metered Customers (Residential, GS,		Year					
			2020	2021	2022	2023	2024	2020-2024
			Actual	Actual	Forecast	Forecast	Forecast	
Brampton		Funded through distribution rates						$ -
		Funded through ICM rate riders						$ -
		Total	$ -	$ -	$ -	$ -	$ -	$ -
Enersource		Funded through distribution rates						$ -
		Funded through ICM rate riders						$ -
		Total	$ -	$ -	$ -	$ -	$ -	$ -
Guelph		Funded through distribution rates						$ -
		Funded through ICM rate riders						$ -
		Total	$ -	$ -	$ -	$ -	$ -	$ -
Horizon		Funded through distribution rates						$ -
		Funded through ICM rate riders						$ -
		Total	$ -	$ -	$ -	$ -	$ -	$ -
PowerStream		Funded through distribution rates						$ -
		Funded through ICM rate riders						$ -
		Total	$ -	$ -	$ -	$ -	$ -	$ -
Alectra (total)	0	Funded through distribution rates	$ -	$ -	$ -	$ -	$ -	$ -
		Funded through ICM rate riders	$ -	$ -	$ -	$ -	$ -	$ -
		Total	$ -	$ -	$ -	$ -	$ -	$ -

1-Staff-21

Underground Asset Renewal Reductions Reconciliation

Ref 1: Exhibit 3- Tab 1- Schedule 1- Page 4- Table 20
Ref 1: Exhibit 4- Tab 1- Schedule 1- Attachment 12 "Guidehouse Assurance Review"
Table 20 of Exhibit 3- Tab 1- Schedule 1 shows that Alectra Utilities has reduced its Underground Asset Renewal by $125.2 million (before the ICMs being proposed in the current application) from the 2020-2024 DSP as filed in EB-2019-0018, while Alectra Utilities is proposing ICM projects of $52.3 million for underground asset renewal for the Enersource and PowerStream RZs.

Guidehouse Canada Ltd's (Guidehouse's) document filed as Attachment 12 to Exhibit 4- Tab 1- Schedule 1 is a third-party Assurance Review of Alectra Utilities' revised 2020-2024 DSP, per revisions made earlier this year. Guidehouse's report is dated May 2022. In its report, Guidehouse states on page 2 of its report:

> Since the time the DSP was prepared and submitted to the OEB, Alectra has encountered conditions and circumstances that supports a $97.9 million downward adjustment to its original five-year investment plan. Foremost among these is a reduction in investments due to Covid-19 related impacts. Further, to maintain spending within current authorized base rates, Alectra has significantly reduced investments by approximately $58 million over five years for System Renewal; mostly underground cable injection and replacement.

OEB staff calculates, based on the data that is reported in Table 20, that the reduction in underground cable injection and replacement (i.e., underground asset renewal), would be $125.2 million - $52.3 million (proposed for ICM recovery) = $72.9 million. This is a reduction of nearly $15 million more than the $58 million documented by Guidehouse.

a) Please provide a reconciliation between the underground asset renewal reductions from the 2020-2024 DSP between Alectra Utilities' evidence in Table 20 and that documented by Guidehouse in the "Assurance Review" report.

1-Staff-22
Materiality Threshold
Ref 1: Exhibit 2- Tab 1- Schedule 1- Page 4-5, 18-20
On page 4 of Exhibit 2- Tab 1- Schedule 1, Alectra Utilities documents the materiality threshold equation per the current Capital Funding Option policy of the OEB.[7] The Price Cap Index (PCI), used in the materiality threshold calculation is the "Price Cap Index

[7] EB-2014-0219, *Report of the OEB on New Policy Options for the Funding of Capital Investments: Supplemental Report*, January 22, 2016

(IPI-stretch_factor) from the distributor's most recent Price Cap IR application as a placeholder for the initial application filing to be updated when new information becomes available".

Alectra Utilities has used the 3.3% value for the PCI, as approved by the OEB in the Generic IPI decision for 2022 rate applications.[8] Alectra Utilities has documented that this value will be updated for the OEB-issued PCI for 2023 rate applications at the time of the decision and rate order for the final determination of the 2023 eligible ICM capital funding and the resulting ICM rate riders.[9] Similarly, Alectra Utilities proposes that the final determination for the 2024 eligible ACM capital funding and the resulting ACM rate riders would be calculated based on the OEB-issued PCI for 2024 rate applications at the time of the decision and rate order for Alectra Utilities' 2024 rates application.[10]

OEB staff notes that the use of the single, current value of the PCI is a simplification of the formula but was reasonable before the onset of the COVID-19 pandemic when inflation fluctuated around the 2% target of the Bank of Canada and the Government of Canada. However, beginning in mid-2021, inflation has increased outside of the 1% to 3% range that the Government and the Bank of Canada target. While part of the increase, initially, can be attributed to a "rebound" or base year effect of lower inflation in 2020 due to socioeconomic lockdowns to address the onset of the pandemic, restricting many goods and services and creating an oversupply in other sectors, inflation has proven to be higher and more persistent than was hoped for.

a) Please document any sensitivity analyses that Alectra Utilities has done concerning its ICM proposals in this application, with respect to changes in inflation on prices or on the forecasted costs of the Underground Asset Renewal projects.
b) Please confirm that Alectra has not taken into account the annual depreciation expense being recovered (and specifically in each of the PowerStream and Enersource RZs) through current approved ICM rate riders. This information is provided in the attachment to 1-Staff-16, "1-Staff-16_Attachment 1.xlsx", in which Alectra has been requested to confirm and update in response to that interrogatory.

1-Staff-23
Sensitivity Analysis for Adjusted Capital Plan
Ref 1: Exhibit 3- Tab 1- Schedule 1

[8] EB-2021-0212
[9] Exhibit 2- Tab 1- Schedule 1- Page 5
[10] Exhibit 2- Tab 1- Schedule 1- Page 18-20

Alectra documents, beginning on page 2 of this exhibit, its adjusted DSP following the EB-2019-0008 M-factor Decision as conducted in the March-May 2022 period.

a) What inflation factor was used as part of the Adjusted Capital Plan?
b) Does Alectra Utilities plan to further adjust its capital for this application as new inflation data is available?
c) Please document any sensitivity analysis, contingencies, or updates, that Alectra Utilities considered and/or adopted as part of the DSP update done in March/April 2022.

1-Staff-24
PILs
Ref 1: Exhibit 2- Tab 1- Schedule 1- Pages 11, 18
Ref 2: Chapter 3 Filing Requirements for Electricity Distribution Rate Applications -2022
Edition for 2023 Rate Applications, May 24, 2022, Pages 29-30
The Accelerated Investment Incentive Program (AIIP) provides for a first-year increase in capital cost allowance (CCA). Alectra Utilities indicated that PILs in the ICM have been calculated using a full year of CCA.

Under the AIIP, in 2023, accelerated CCA will be calculated by applying the CCA rate at 1.5 times the additions in the year. In 2024, accelerated CCA is being phased out, and accelerated CCA will be calculated by applying the CCA rate at one time the additions in the year.

a) Please confirm that for 2023, accelerated CCA has not been reflected in the ICM PILs and that any accelerated CCA impacts will be reflected in Account 1592, Sub-account CCA Changes. If not confirmed, please explain.
b) Please confirm that for 2024, no amounts are expected to be recorded in Account 1592, Sub-account CCA Changes as the calculation of CCA in the ICM PILs and actual CCA expected to be claimed are aligned. If not confirmed, please explain.
c) The Chapter 3 Filing Requirements indicate that the OEB may consider accelerated CCA in assessing the impact of the proposed capital projects on the operations of the distributor in determining if ICM funding is warranted.
    i. Please provide the calculation of the incremental revenue requirement if accelerated CCA is reflected for each of the PowerStream and Enersource rate zone's 2023 ICMs. Please also provide this calculation for the 2024 ICMs if accelerated CCA has not already been reflected in the ICM PILs.

ii. Please comment on whether the ICMs have a significant influence on the operation of the distributor and whether ICM funding is warranted after taking accelerated CCA into account for the ICMs.

1-Staff-25
Return on Equity
Ref 1: Exhibit 2/Tab 1/Schedule 1/Pages 8 and 16
Ref 2: Exhibit 4/Tab 1/ Schedule 1/ Attachment 2
Ref 3: EB-2019-0018, Partial Decision and Order, January 30, 2020, Pages 42-46
Ref 4: EB-2020-0002, Decision and Rate Order, December 17, 2021, Pages 43-46
Alectra Utilities' 2021 return on equity (ROE) was 6.18%, 277 basis points below the consolidated ROE for Alectra Utilities of 8.95%. In Attachment 2, Alectra Utilities provided the summary of the OEB's *Reporting and Record-Keeping Requirements* (RRR) 2.1.5.6 it filed with the OEB to support its 2021 ROE. OEB staff has attached the full RRR 2.1.5.6 filed with the OEB in "1-Staff-25 RRR 2.1.5.6.pdf".

Alectra Utilities' 2021 RRR 2.1.5.6 includes an adjustment of ($32,568,001) for Net OM&A Merger Savings in applicable areas.

a) In the Horizon rate zone's 2017 to 2019 ESM calculations, adjustments were made to exclude merger-related costs and savings. Please confirm that the nature of the adjustment for Net OM&A Merger Savings in Alectra Utilities' 2021 ROE is the same as the adjustments for Horizon's 2017 to 2019 ESM. If not confirmed, please explain the nature of the adjustments.
b) OEB staff recalculated Alectra Utilities' 2021 ROE excluding the Net OM&A Merger Savings adjustment in applicable areas to be 7.95%. Please confirm the accuracy of the recalculated ROE. If not confirmed, please provide Alectra Utilities' ROE calculation excluding the Net OM&A Merger Savings adjustment in the same format as in Attachment 2.
c) Please explain the rationale for the Net OM&A Mergers Savings adjustment in Alectra Utilities' 2021 ROE calculation and why this adjustment is appropriate in determining the ROE for ICM funding purposes. Please discuss this in the context of how it compares to the appropriateness of including the adjustment for ESM purposes.