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ROLAND**

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File 100020

August 23, 2022

VIA RESS FILING and EMAIL: registrar@oeb.ca

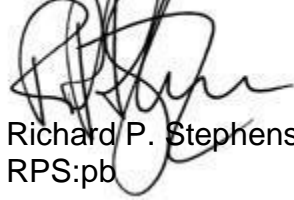
Nancy Marconi,
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

**Re: EB-2022-0013 – Alectra Utilities – Incremental Capital Module (“ICM”)
Application for 2023 Electricity Distribution Rates and Charges**

Attached please find the Submissions of the Power Workers’ Union in connection with the above-noted proceedings. An electronic copy has been filed through the Board’s RESS filing system.

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP



Richard P. Stephenson
RPS:pb

Attach.

Doc 4402399 v1

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, being Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Alectra Utilities Corporation to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2023.

Submissions of the Power Workers’ Union

A. INTRODUCTION

1. Alectra Utilities Corporation (“Alectra” or the “Applicant”) filed an application with the Ontario Energy Board (“OEB” or the “Board”) on May 16, 2022, seeking approval for incremental capital funding for its PowerStream RZ and Enersource RZ to be effective January 1, 2023, and January 1, 2024 (the “Application”), as set out in Table 1:

Table 1: 2023 and 2024 Eligible Capital Projects¹

PowerStream RZ ICM	2023	2024	Total
Cable Injection	5,912,536	9,431,280	15,343,816
Cable Replacement	10,721,259	8,812,384	19,533,643
Total Incremental Capital	\$16,633,795	\$18,243,664	\$34,877,459

Enersource RZ ICM	2023	2024	Total
Cable Injection	2,926,499	3,515,638	6,442,137
Cable Replacement	5,802,666	5,173,243	10,975,909
Total Incremental Capital	\$8,729,165	\$8,688,881	\$17,418,046

¹ Exhibit 1, Tab 1, Schedule 4, Page 7 of 10

2. For the reasons that follow, it is the PWU's submission that the ICM should be approved as filed, subject to any updates filed by the Applicant in this proceeding and any adjustments thereof that the Board deems appropriate.

B. The requested ICM minimizes the long-run costs borne by ratepayers

3. On May 8, 2019, Alectra filed an application with the OEB seeking approval of a capital funding mechanism, the "M-factor", to support the capital investments contemplated in its 2020 Distribution System Plan ("DSP").² The OEB did not ultimately approve the \$265 million capital funding proposal. Aside from approval for ICM funding of \$10.7 million in 2021 for two non-discretionary road-widening projects,³ Alectra has not received approval to recover the additional funding necessary to support the investments described in the DSP.

4. Given the absence of additional funding, Alectra has reduced its planned capital spending and redirected the level of funds that are supported through rates. The PWU notes that Alectra has never met or exceeded its ROE in any year since amalgamation so it has, in fact, always spent more than what is supported through rates. Despite its best efforts to maintain reliability, this level of funding is inadequate to address Alectra's deteriorating assets. Underground cable renewal in the PowerStream and Enersource rate zones remain significantly underfunded, even after capital spending is optimized.

5. Alectra leveraged its new Asset Analytics Platform to identify projects for ICM funding. The Asset Analytics Platform identified hotspots for cable failures with an urgent need for renewal.⁴ This included 52 high priority projects within the PowerStream and Enersource rate zones, only 24 of which could be addressed with funding in rates. Though the Asset Analytics Platform is introduced in this application, Alectra confirms that it would have requested funding for a similar number of projects to address deteriorating underground cable without this platform.⁵

² Exhibit 3, Tab 1, Schedule 1, Page 1 of 11

³ EB-2020-0002 Alectra 2021 ICM Application

⁴ Exhibit 3, Tab 1, Schedule 4, Page 7 of 41

⁵ PWU-2

6. The cable renewals for the remaining 28 projects are necessary to avoid customer interruptions in the near future. ICM funding at this time is prudent to minimize the total costs to be recovered from ratepayers with economical cable injections. The cable injections extend the remaining useful lives of existing cables that would otherwise have to be replaced at a higher cost to ratepayers.

7. Insufficient funding for cable renewal needlessly adds more costs to ratepayers in two ways. First, the cost of cable injections is lower than the cost of full cable replacements. Second, if deteriorating cables are not addressed then Alectra must divert its proactive cable renewal budget to reactive projects. Reactive projects tend to be more costly and reduce funds that are available for these high priority proactive projects, further aggravating the funding issue.

8. Alectra has estimated the \$52.3 million total ICM funding across 2023 and 2024 in both rate zones would avoid \$180 million in future cable renewal expenditures over the next 16 years.⁶ This represents an opportunity for ratepayers to save 70.9%.⁷ In response to a PWU interrogatory, Alectra provided the impact for customers if ICM funding was not approved in comparison to the proposed ICM rate riders in each of the PowerStream and Enersource rate zones. For the purposes of comparison, the \$180 million status quo option is provided in the form of a rate rider.

Table 1 – PowerStream RZ Bill Impact Comparison

Rate Class	2023/2024 ICM Monthly Rate Rider	\$180MM Monthly Rate Rider
Residential	\$0.33	\$1.14
General Service Less Than 50 kW	\$0.75	\$2.80
General Service 50 To 4,999 kW	\$14.47	\$49.79
Large Use	\$273.62	\$942.40
Unmetered Scattered Load	\$0.10	\$0.36
Sentinel Lighting	\$0.17	\$0.58
Street Lighting	\$0.10	\$0.31

⁶ 1-Staff-4, Attachment 1

⁷ Exhibit 1, Tab 1, Schedule 4, Page 9 of 10

Table 2 – Enersource RZ Bill Impact Comparison

Rate Class	2023/2024 ICM Monthly Rate Rider	\$180MM Monthly Rate Rider
Residential	\$0.26	\$0.88
General Service Less Than 50 kW	\$0.87	\$2.61
General Service 50 To 499 kW	\$12.25	\$42.22
General Service 500 To 4,999 kW	\$76.42	\$262.99
Large Use	\$306.86	\$1,057.14
Unmetered Scattered Load	\$0.16	\$0.51
Street Lighting	\$0.04	\$0.10

9. The proactive option to undertake cable renewal as described in this application provides material benefits to each rate class in each rate zone. The PWU submits that the ICM funding should be approved as it provides the lowest bills for ratepayers.

C. The requested ICM meets the eligibility criteria of materiality, need and prudence

10. The requested ICM satisfies the eligibility criteria of materiality, need and prudence set out in section 4.1.5 of the Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module (EB-2014-0219), issued on September 18, 2014 (“the ACM Report”).

11. For the PowerStream RZ, Alectra Utilities has calculated the capital expenditure materiality threshold of \$97.8 million in 2023 and \$99.1 million in 2024. Given the 2023 total capital budget of \$120.0 in 2023 and \$118.9 million in 2024, the maximum eligible incremental capital is \$22.1 million in 2023 and \$19.9 million in 2024.⁸ Alectra Utilities calculated the materiality threshold using the Board- approved rate base and depreciation amounts from its 2015 Cost of Service Application (EB-2014-0083), a price cap index (PCI) of 3.0% and a growth rate of 0.18% for both 2023 and 2024.⁹ The PCI of 3.0% is based on inflation of 3.3% less a productivity factor of 0% and a stretch factor of 0.3%.¹⁰ The growth rate of 0.18% is calculated in accordance with the ACM Report.¹¹ The requested incremental capital for PowerStream RZ of \$16.6 million in 2023 and \$18.2

⁸ Exhibit 2 Tab 1 Schedule 1 Page 7 of 20, Table 6

⁹ Exhibit 2 Tab 1 Schedule 1 Page 6 of 20

¹⁰ Ibid.

¹¹ Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module (EB-2014-0219), September 18, 2014

million in 2024 therefore each satisfy the Board's materiality threshold criteria and is also significant amount in relation to the 2023 and 2024 Capital expenditure budgets.

12. For the Enersource RZ, Alectra Utilities has calculated the capital expenditure materiality threshold of \$52.2 million in 2023 and \$52.7 million in 2024. Given the 2023 total capital budget of \$65.4 in 2023 and \$60.6 million in 2024, the maximum eligible incremental capital is \$13.2 million in 2023 and \$7.9 million in 2024.¹² Alectra Utilities calculated the materiality threshold using the Board-approved rate base and depreciation amounts from its 2013 Cost of Service Application (EB-2012-0033), a price cap index (PCI) of 3.0% and a growth rate of -0.33% for both 2023 and 2024.¹³ The PCI of 3.0% is based on inflation of 3.3% less a productivity factor of 0% and a stretch factor of 0.3%.¹⁴ The growth rate of 0.18% is calculated in accordance with the ACM Report. The requested incremental capital for the Enersource RZ of \$8.7 million in both 2023 and 2024 therefore each satisfy the Board's materiality threshold criteria and is also significant amount in relation to the 2023 and 2024 Capital expenditure budgets.

13. Alectra's application also meets the Means Test set in the ACM Report and therefore qualifies for funding through an ICM. Specifically, if a distributor's regulated return, as calculated in its most recent calculation exceeds 300 basis points above the deemed return on equity ("ROE") embedded in the distributor's rates, the funding for any incremental capital project will not be allowed.

14. Alectra Utilities 2021 ROE was calculated to be 6.18%, 277 basis points below a calculated ROE for Alectra of 8.95%.¹⁵ Additionally, Alectra Utilities has never met or exceeded its deemed ROE in any year since amalgamation.¹⁶

¹² Exhibit 2 Tab 1 Schedule 1 Page 15 of 20, Table 13

¹³ Exhibit 2 Tab 1 Schedule 1 Page 14 of 20

¹⁴ Ibid.

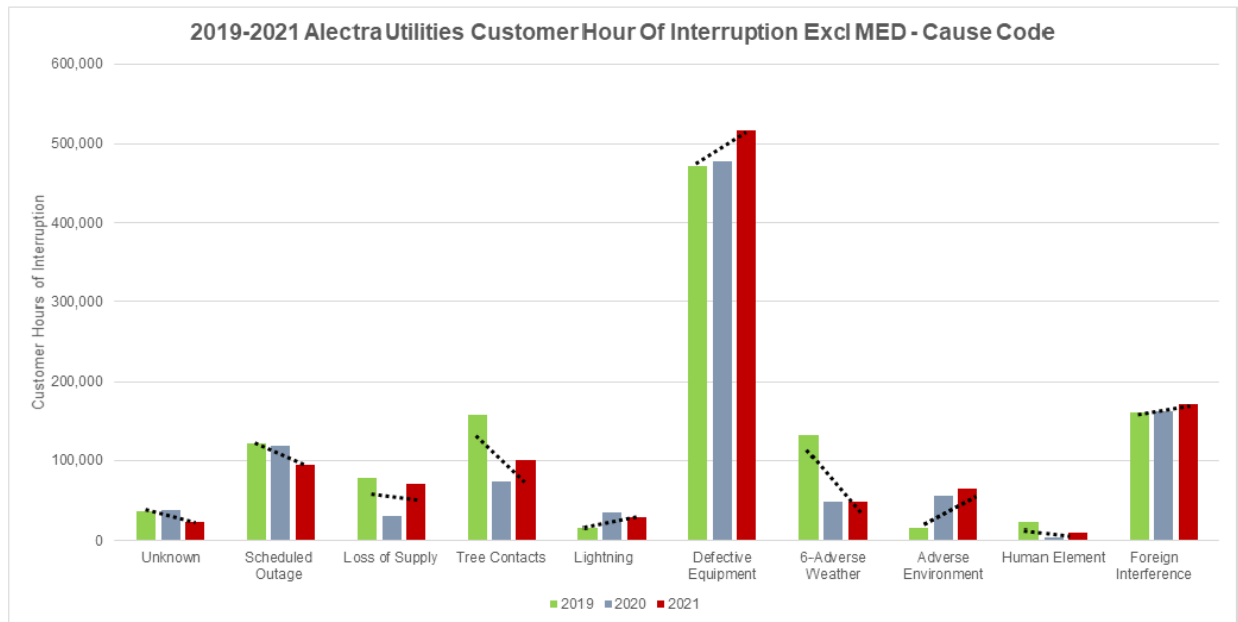
¹⁵ Exhibit 2 Tab 1 Schedule 1 Page 8 of 20

¹⁶ PWU-2

D. Not approving the requested ICM would result in further deterioration of assets

15. Alectra’s evidence demonstrates the need for funding to address defective equipment that is the primary source of interruptions. This is demonstrated in the figure below.¹⁷

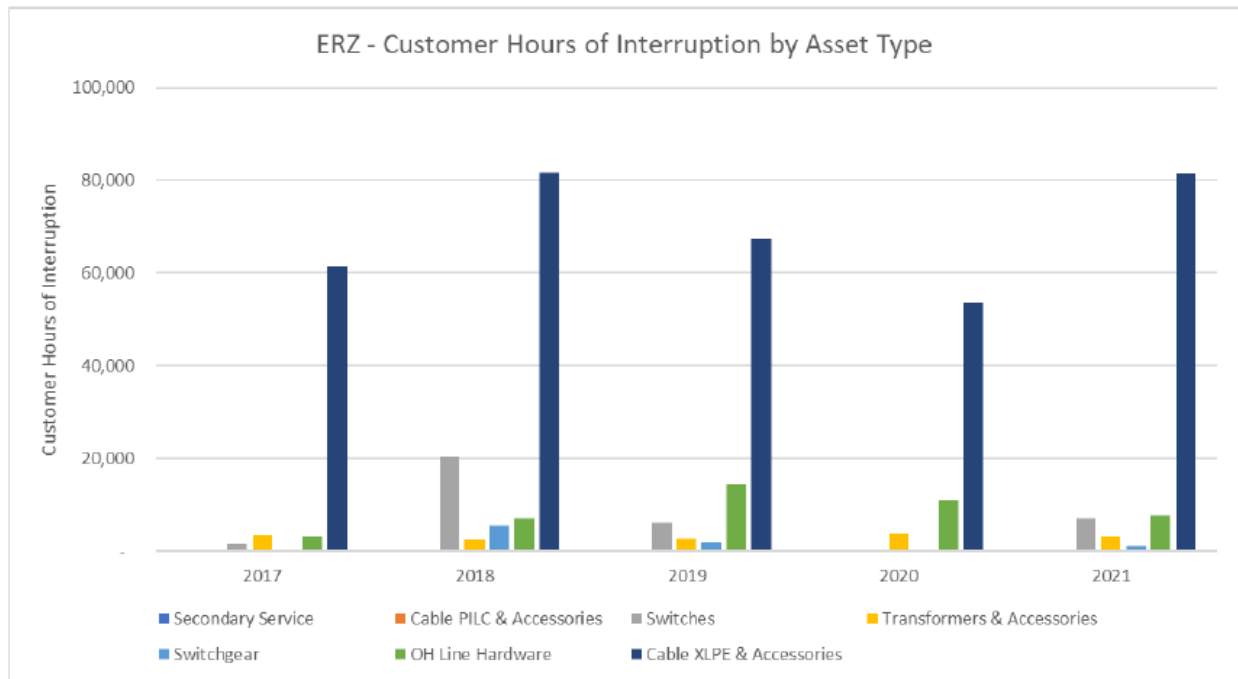
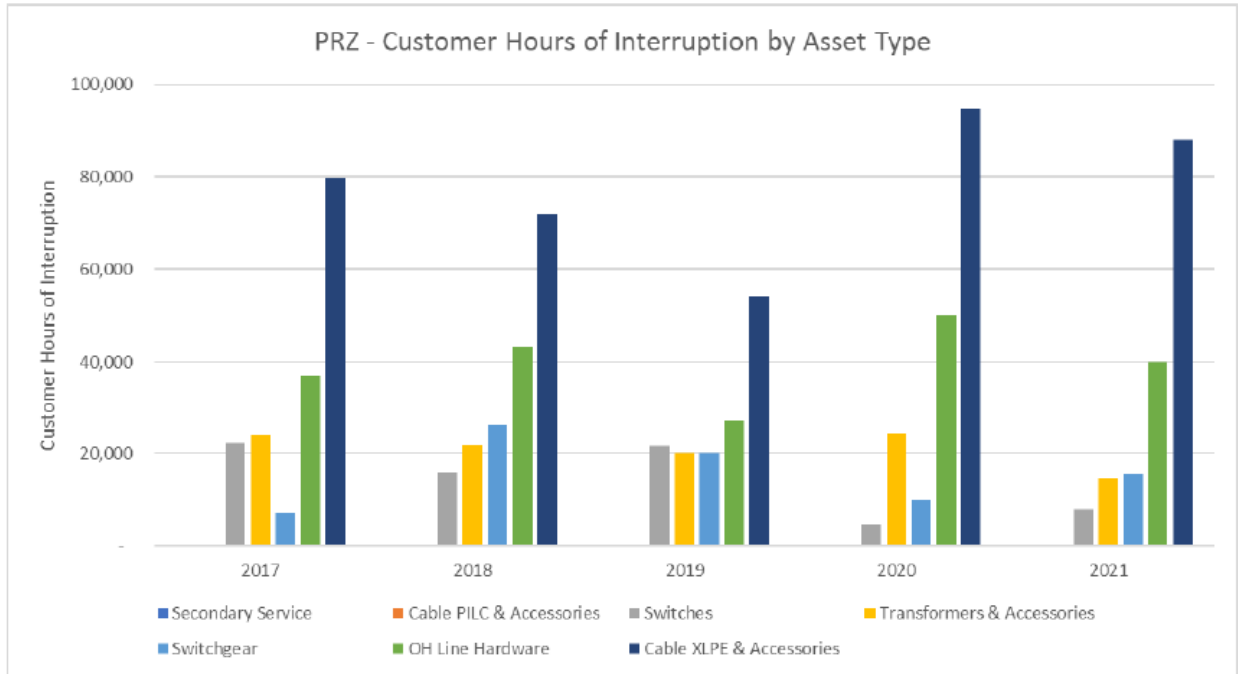
Figure 1 – Customer Hours of Interruption by Cause Code



16. Furthermore, the two figures below that present interruptions by asset type within the PowerStream and Enersource rate zones make clear that underground cables are continuously the primary source of interruptions.¹⁸ Defective underground cables are the largest contributor to SAIDI and SAIFI in both of these rate zones.

¹⁷ Exhibit 1, Tab 1, Schedule 4, Page 6 of 10

¹⁸ 1-Staff-2, Figure 4 (BRZ) and Figure 10 (PRZ)



17. Alectra’s Asset Analytics Platform has allowed it to better identify priority projects and optimize the value it provides its customers with investments in high impact investments. Alectra now needs sufficient funding to meet the service quality its customers expect.

18. If the Board were to deny the requests for ICM funding, Alectra Utilities would be forced to redeploy its capital spending from other priorities in order to complete these projects or allow a foreseeable decline in reliability to unfold. No ICM funding would further reduce the capital investments contemplated in its DSP and continue to fall behind in its efforts to implement the DSP, which would increase the risk that Alectra Utilities will not be able to meet the service quality and reliability expectations of its customers in the years ahead.

19. Alectra has demonstrated operational effectiveness as prioritized in the Renewed Regulatory Framework for Electricity Distributors, with continuous improvement in productivity and cost performance. Providing value for money can only go as far as the limitations of funding made available to Alectra. The PWU submits that Alectra has demonstrated that it will provide substantial value for the level of ICM funding requested.

All of which is respectfully submitted.