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August 15, 2019

Reply To: Thomas Brett
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Our File No. 192964

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
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RECEIVED

AUG 15 2019

ONTARIO ENERGY BOARD

Attention: Kirsten Walli,
Board Secretary

Dear Ms. Walli:

Re: EB-2019-0018: Alectra Utilities, 2020 Electricity Distribution Rates Application

Please find enclosed herewith BOMA's Interrogatories on the M-Factor Proposal from Alectra Utilities.

Yours truly,

FOGLER, RUBINOFF LLP

Thomas Brett

Thomas Brett

TB/dd

Encls.

cc: All Parties (*via email*)

ONTARIO ENERGY BOARD

Alectra Utilities Corporation

**Application for electricity distribution rates and other
charges effective January 1, 2020**

**INTERROGATORIES ON THE M-FACTOR PROPOSAL FROM ALECTRA UTILITIES
OF
BUILDING OWNERS AND MANAGERS ASSOCIATION, GREATER TORONTO ("BOMA")**

August 15, 2019

Tom Brett
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Counsel for BOMA

Interrogatories of BOMA on M-Factor

1. *Preamble: Alectra's merger (PowerStream, Horizon, Erersource) became effective January 1, 2017. At Alectra's request, and over the strong opposition of customer groups and intervenors, the Board approved a ten year rebasing deferral. The rationale for the ten year rebasing was to enable the utilities to recover the merger costs, including capital costs. This merger transaction costs were agreed to be de minimis.*
 - (a) Please provide Alectra's merger generated capital and OM&A savings for each of 2017, 2018, and 2019, to date, as well as forecasts for the remainder of the ten year rebasing period.
 - (b) Please also estimate the savings arising from the integrated Distribution System Plan ("DSP") due to more efficient capital allocation, and other efficiencies that should result from the integrated planning relative to having separate plans for each of the constituent rate zones.
2. *Preamble: Alectra Utilities serves over one million customers in its seventeen communities (increase in numbers of customers) with population forecast to grow from \$3.5 million in 2016 to \$4.1 million in 2026 (the next rebasing year).*
 - (a) Please provide an estimate of customer growth over the 2020-2024 plan period, broken down by rate class, and of the revenue which will be generated from those customers for the years 2020, 2021, 2022, 2023, and 2024.
 - (b) Please provide data on customer reliability (SAIFI/SAIDI) for Alectra and/or its rate zones over the last five years ending in 2018.

3. *Ref: Exhibit 1, Tab 3, Schedule 1, p6*

Preamble: Alectra's base rate support average annual capital expenditures of approximately \$236 million, while the DSP contemplates average annual capital expenditures of \$291 million over the 2020-2024 plan period.

- (a) Do these numbers include capital contributions from municipalities, government agencies (eg. Metrolinx, other provincial municipalities), and other sources? Please provide details.
- (b) Do these numbers include forecast additional revenue over the plan period and beyond?
- (c) Please provide details of unfunded capital projects from previous years. Amounts, details of projects, and reasons the projects were implemented without being funded.
- (d) Please explain, in detail, why fourth generation IR ACM/ICM would not deal with the alleged funding requirements.
- (e) Please explain why, if the M-Factor were to be approved, on a company wide basis, to allow a single DSP to be implement, it would not also be appropriate to collapse the various rate zones into a single zone, so as to avoid any disconnect between benefits and payments for those benefits for Alectra ratepayers in different rate zones. Please discuss fully.
- (f) With respect to the direct-buried cable underground, example at Exhibit 2, Tab 1, Schedule 3, p3:

- (i) What are the proposed expenditures on underground cable in each year of the plan? How much will be spent on direct-buried cable and other underground cable?
 - (ii) What are the total km of underground cable in Alectra?
 - (iii) How much of that underground cable is direct-buried?
 - (iv) Please confirm the percentage of other underground cable, and direct buried cable in very good, good, fair, poor, very poor in 2018.
- (g) What will the percentages be in 2020 to 2024:
- (i) if the DSP proposed capex is spent?
 - (ii) if no money is spent over term?
 - (iii) if 50% of the account?
- (h) Please define direct-buried cable, and define the other categories of underground cable, eg. cable in concrete ducts, in metal ducts, in plastic ducts, in some other kind of protective material.
- (i) Please confirm that the EB-2014-0138, issued March 26, 2015, was issued before Alectra's predecessor companies merged to form Alectra.

4. *M-Factor – Fees for Alectra*

- (a) Is Alectra applying for an M-Factor customized to Alectra or an M-Factor applicable to all post-consolidation utilities that "must execute a consolidated DSP during a rebasing deferral period"? (Ibid, p6)
- (b) Please explain how the M-Factor should contain a symmetrical Capital Investment Variance Account, including the feature of the account that provides that any "prudent spending above those levels will be recovered by the utility" is consistent with the purpose of the account, which is stated to be "to ensure that any under investment relative to the level of capital funded through the M-Factor is refunded to customers" (Ibid, p7).
- (c) Given that Alectra intends to maintain separate rate zones for at least the duration of the deferral rebasing period, please confirm that investment flowing from the single DSP will need to be judged against the rate impacts in the host rate zone. Please explain why the adoption of an integrated DSP drives the need for the M-Factor (Ibid, p9).

5. *Preamble: The evidence states that in recent years, Alectra has had to defer system renewal projects to accommodate large relocation projects.*

Has Alectra considered the use of a deferral account to accommodate capital expenditure relocation projects in excess of an agreed threshold in rates?

6. *Preamble: A significant proportion of the past two ICM applications focused on different phases of the same projects (Ibid, p10)*

- (a) Please provide detailed evidence to support this statement, including the projects that were litigated in more than one of the proceedings listed on the page, the

amount of time spent on each project in each case, and which issues relative to the projects were considered in each of the proceedings.

- (b) Why does Alectra recommend the elimination of the project specific materiality threshold? (Ibid, p3).
- (c) Does the examination from the M-Factor materiality threshold, shown at Exhibit 2, Tab 1, Schedule 3, p12, differ in any way from the equation for the ICM materiality threshold? If so, please provide details.
- (d) Please provide the equation, using the data in Table 3 of p13 for each of the five rate zones.
- (e) Please provide Alectra's incremental pre-tax income, which would correspond to a return on equity of three hundred basis points above the allowed rate of return in each of the plan years. (Ibid, p14).
- (f) Please explain what is meant by the word "harmonized" at line 16, on p15.
- (g) Please explain how the riders for each rate zone are calculated. Are they based on the revenue requirement impact of the projects by the M-Factors in that rate zone? Please explain fully.