



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

**BY E-MAIL**

September 13, 2023

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-2023-0004**

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 September 28, 2023. 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,

Oluwole (Wolly) Bibiresanmi  
Advisor – Electricity Distribution: Incentive Rate Setting and Regulatory Accounting

Attach.

**OEB Staff Interrogatories**  
**Application for Incremental Capital Funding**  
**Alectra Utilities Corporation (Alectra Utilities)**  
**EB-2023-0004**  
**September 13, 2023**

\*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**

**Materiality Threshold**

**Ref 1: EB-2014-0219, Report of the OEB on New Policy Options for the Funding of Capital Investments: Supplemental Report, January 22, 2016, page 23**

**Ref 2: Exhibit 2, Tab 1, Schedule 1, pages 4-5**

As per Reference 1, the policy states that in the calculation of the materiality threshold, distributors "should use the IPI from its most recent Price Cap IR application as a placeholder for the initial application filing. This information is updated if new information becomes available during the proceeding."

In Reference 2, Alectra Utilities proposed a deviation from ICM policy. Alectra Utilities proposed to use a geometric mean of IPIs from each rate zone (RZ)'s first IRM year to 2024 in the calculation of the materiality threshold.<sup>1</sup> Alectra Utilities believes that "the use using the most recent inflation factor value will not accurately represent the historical effect of inflation on depreciation."

- a) Has Alectra Utilities considered any other alternative calculation methods to adjust the materiality threshold formula? If so, please provide the alternative(s) you have considered and the calculations associated with each method.
- b) Please provide the calculation of the ICM materiality thresholds for each RZ by applying the historical years' actual IPIs issued by the OEB since the last rebasing year of the RZs.
- c) Please provide the reasoning, analysis, or explanations supporting the rationale for using an IPI based on a Geometric Mean
- d) Please recalculate the Maximum Eligible Incremental Capital for each of the PowerStream and Enersource RZs using the OEB's 2024 Inflation Parameters for electricity distributors of 4.8%.

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<sup>1</sup> Alectra Utilities has calculated the geometric mean IPI for its PowerStream RZ to be 2.4% and considers all OEB-approved IPIs from 2018-2024. Alectra Utilities has calculated the geometric mean IPI for its Enersource RZ to be 2.17% and considers all OEB-approved IPIs from 2014-2024.

- e) Please include in the response the updated ICM model excel workbook for each of the PowerStream and Enersource RZs.

As per the literal interpretation of the policy outlined in Reference 1, the IPI used in the materiality threshold calculation should match that of the most recent Price Cap IR application.

- f) Has Alectra Utilities considered the impact of using the geometric mean IPI used in this proceeding for its 2024 Price Cap IR application for each RZ?
- g) Please provide a rate impact summary for the two RZs that considers the combined impact of the 2024 ICM and the 2024 IRM.

## **1-Staff-2**

### **Timing of Policy Change**

**Ref 1: EB-2022-0013 OEB Staff Submission, page 6**

**Ref 2: EB-2022-0013 Alectra Utilities Reply Submission, page 11**

**Ref 3: EB-2022-0013 Decision and Order, page 9**

In the EB-2022-0013 proceeding, OEB staff submitted that the 2023 inflation factor be used for Alectra Utilities' 2023 ICM request but did provide recommendations for the materiality of the 2024 ACM request:

OEB staff recommends that the OEB consider allowing Alectra Utilities to file evidence on the potential use of an alternate calculation if the forecasted IPI for 2024 rates is expected to remain much higher than historical values, as part of the 2024 rate implementation application for any approved amounts.

Alectra Utilities stated in its reply submission that it took no position on OEB staff's recommendation other than to say that it believed that amendments to policy should be considered through a policy review process rather than the EB-2022-0013 proceeding.

In the EB-2022-0013 Decision and Order, the OEB stated the following:

The OEB will not change the inflationary input to the ICM calculations as outlined by OEB staff. OEB staff's suggestion could be considered as part of a review of the OEB's ICM policy but should not be considered in this proceeding given that it was only raised by OEB staff in its submission and calculations were not provided to the other parties to allow for a thorough consideration of this issue.

- a) Does Alectra Utilities intend to use the amendment to the materiality threshold calculation for all ICM applications, only for this application, only during extended

deferred rebasing periods, or during times of high inflation? Please provide reasonings for your response.

- b) If an alternative materiality threshold calculation is approved, would Alectra Utilities use a consistent approach for future ICMs until its next rebasing or until a generic hearing takes place that concerns the ICM policy (including times when inflation decreases)?

**1-Staff-3**

**Rate Zone 2024 Project Priority Lists**

**Ref 1: Attachment 4 - 2024 Project Listing PRZ**

**Ref 2: Attachment 6 - 2024 Project Listing ERZ**

Alectra Utilities provided 2024 project listings with cost estimates for its PowerStream and Enersource RZs.

- a) Please provide 2023 and 2024 project listings in Excel format for the two RZs with an additional column outlining the priority score of each project.
- b) Please explain what criteria are used to evaluate priority scores.

**1-Staff-4**

**Beyond the Normal Level of Capital Expenditures Expected in Base Rates**

**Ref 1: EB-2022-0013 Decision and Order, pages 14-15**

**Ref 2: Exhibit 3, Tab 1, Schedule 2, page 11, Table 21**

**Ref 3: Exhibit 2, Tab 1, Schedule 1, pages 7-8**

**Ref 4: EB-2022-0013 Responses to OEB Panel Information Request, Table 6**

In the EB-2022-0013 Decision and Order, the OEB found that the capital expenditures in the 2023 ICM request for the Enersource RZ were not beyond the normal level of capital expenditures expected to be funded by existing rates. The OEB found that Alectra Utilities had budgeted less for cable renewal in 2023 in base rates compared to what it had spent historically for the Enersource RZ.

Alectra Utilities has since updated its cable renewal budgets to include actual spending for 2022, and new budgets for 2023 (presented in the table below).

**Table 1 – Alectra Utilities Underground Cable Renewal Investments (\$ millions)**

Investment	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Forecast 2023	Total
Cable Renewal- Replacement	\$37.2	\$31.2	\$35.4	\$25.3	\$20.1	\$36.1	\$185.3
Cable Renewal- Injection	\$3.6	\$4.9	\$11.5	\$13.7	\$12.8	\$19.1	\$65.6
Emerging underground Projects	\$2.3	\$5.9	\$8.0	\$10.1	\$6.1	\$6.3	\$38.7
<b>Total</b>	<b>\$43.1</b>	<b>\$42.0</b>	<b>\$54.9</b>	<b>\$49.1</b>	<b>\$39.0</b>	<b>\$61.5</b>	<b>\$289.6</b>

- a) Please provide tables for the PowerStream and Enersource RZs separately outlining cable renewal spending/forecasts from 2017-2024. Please follow a similar table structure to Reference 4: EB-2022-0013 Responses to OEB Panel Information Request, Table 6.
- b) Please explain any actual/budget variances between Reference 4 and the table produced in part A of this question for 2022-2024.
- c) How does Alectra Utilities determine how much to budget in 'Emerging Underground Projects' in each RZ?

As part of this proceeding in Reference 2, Alectra Utilities submitted that it does not agree with the test the OEB used to determine if the 2023 ICM request was beyond the normal level of capital expenditures expected to be funded by existing rates.

- d) Given that Alectra Utilities does not believe it is correct to compare historical cable renewal spending in base rates with that which is budgeted in the forecasted period...
  - i. how did Alectra Utilities prioritize which cable renewal projects to include in the base rate budget versus the ICM budget?
  - ii. how did Alectra Utilities determine how much cable renewal spending is appropriate to include in the 2023 and 2024 base rate budget?
  - iii. how did Alectra Utilities determine how much total cable renewal was appropriate for 2023 and 2024?
  - iv. why could Alectra Utilities not achieve a similar amount of cable renewal spending through base rates in 2023 compared to what it had historically (in the Enersource RZ)?

## **1-Staff-5**

### **Proposed 2024 ICM Projects Relative to the 2023 ICM Application**

#### **Ref 1: EB-2023-0004, Exhibit 1, Tab 1, Schedule 4, pages 1-10**

Alectra Utilities proposes 16 ICM projects for 2024 totaling \$25.1 million in the PowerStream and Enersource RZs. Eleven of the projects in the PowerStream RZ are repeated request from the 2024 ACM request made in the EB-2022-0013 proceeding. Five of the projects in the Enersource RZ are repeats from the EB-2022-0013 requests: four of which were 2023 ICM projects and one 2024 ACM project.

- a) Please provide a table for each of the Enersource and PowerStream RZs listing the 2023 and 2024 ICM projects that were included in the 2023 ICM application together with the following:
  - i. the 2023 ICM application proposed capital cost for each proposed project for 2023 and 2024.
  - ii. the installed or projected completed capital cost for 2023 projects.

- iii. any revision to 2024 capital cost for ICM projects proposed to be completed in 2024.
  - iv. an explanation for any variance for cable replacement and cable injection projects to be completed in 2023 and proposed for 2024 relative to the budget proposed in the 2023 ICM application.
- b) Given that cable health continues to worsen, please provide an explanation as to how Alectra Utilities has managed to decrease its incremental capital request by \$1.8 million in 2024 compared to the ACM request in the 2023 Application.

### **1-Staff-6**

#### **Deferred Cable Renewal Projects**

**Ref 1: EB-2022-0013 Decision and Order, page 2**

**Ref 2: Exhibit 1, Tab 1, Schedule 4, page 9**

The OEB approved \$1.9 million of the \$8.7 million ICM request for the Enersource RZ on the basis that it did not believe the ICM request was beyond the normal level of capital expenditure expected in base rates. The OEB expected Alectra Utilities to fund the \$6.8 million difference through its base rates.

Instead, Alectra Utilities only proceeded with three of the eight Enersource RZ projects identified in the 2023 ICM request. Alectra Utilities is now seeking ICM funding in 2024 for four of the projects it had deferred.

- a) Why does Alectra Utilities believe the OEB should approve ICM funding for the four projects that it had deferred from 2023?
- b) Would Alectra Utilities defer these projects again if the OEB does not approve these projects in this proceeding?
- c) Does Alectra Utilities plan to complete all the remaining cable renewal projects that were deferred from the EB-2022-0013 request that were not included in this proceeding?
  - i. If so, does Alectra Utilities believe that base funding is sufficient for the completion of these projects?
  - ii. Has Alectra Utilities considered completing the deferred projects on a paced basis? If not, why not?

### **1-Staff-7**

#### **Alectra Utilities Historical Capital Spending**

**Ref 1: Exhibit 3, Tab 1, Schedule 1, Page 3, Table 18**

**Ref 2: EB-2022-0013 Exhibit 3, Tab 1, Schedule 1, page 1**

**Ref 3: EB-2022-0013 Interrogatory Responses 1-Staff-16**

OEB staff compiled the following table based on the revised Adjusted Capital Plan in Reference 1 and the approved ICM amounts for 2021 and 2023 in Reference 3.

**Table 2 – Alectra Utilities 2020-2024 Historical Spending/Forecast (\$ millions)**

	2020 Actuals	2021 Actuals	2022 Actuals	2023 Forecast	2024 Forecast	Total
Total CAPEX	\$256.1	\$261.9	\$241.6	\$282.6	\$285.3	\$1,327.5
ICM Funding	N/A	\$10.7	N/A	\$18.1	\$25.1	\$53.9
CAPEX w/o ICMs	\$256.1	\$251.2	\$241.6	\$264.5	\$260.2	\$1,273.6

a) Please confirm if the table above is correct or revise the table as applicable.

In Reference 2, noted in the EB-2022-0013 evidence, Alectra Utilities stated that base rates would support an annual average capital amount of \$236 million over the 2020-2024 period.

- b) Please state whether Alectra Utilities believes this to still be true.
- i. Please provide the calculations used to determine this figure and the assumptions made. Please provide a breakdown of the calculation for each year from 2020 to 2024.
  - ii. Please provide similar calculations to the above for the PowerStream and Enersource RZs separately.
- c) What is Alectra Utilities' expected 2024 ROE if the cable renewal projects are completed without ICM funding? What is the expected 2024 ROE if the ICM funding is approved?
- i. Please provide an explanation if the expected 2024 ROEs under both scenarios are outside of the 300 basis points.

### 1-Staff-8

#### PowerStream and Enersource RZs Historical Capital Spending

Ref 1: Exhibit 2, Tab 1, Schedule 4, page 10, Table 5

Ref 2: Exhibit 2, Tab 1, Schedule 4, page 19, Table 12

Ref 3: EB-2022-0013 Interrogatory Responses 1-Staff-16

Alectra Utilities provided capital expenditure amounts from 2018 to 2024 for the PowerStream and Enersource RZs. OEB staff has compiled the following tables using the tables in Reference 1 and Reference 2 as well as the ICMs confirmed in Reference 3.

**Table 3 – PowerStream RZ Historical Spending (\$ millions)**

	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Forecast 2023	Budget 2024
Total CAPEX	100.5	95	99.7	95.4	85.8	117.9	117.6
ICM Funding	11.2	18.8	0	2.9	0	16.2	17.3

CAPEX w/o ICMs	89.3	76.2	99.7	92.5	85.8	101.7	100.3
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**Table 4 – Enersource RZ Historical Spending (\$ millions)**

	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Forecast 2023	Budget 2024
Total CAPEX	59.4	49.8	52.3	55.2	41.3	49.7	56.2
ICM Funding	10.7	7.5	0	0	0	1.9	7.9
CAPEX w/o ICMs	48.7	42.3	52.3	55.2	41.3	47.8	48.3

a) Please confirm if the above tables are correct or revise the tables as applicable.

### 1-Staff-9

#### Adjusted Capital Plan

Ref 1: EB-2022-0013, Exhibit 3, Tab 1, Schedule 1, pages 3-4, Tables 19-20

Ref 2: Exhibit 3, Tab 1, Schedule 1, page 3, Tables 19-20

Ref 3: EB-2022-0013 Decision and Order, page 21

Ref 4: EB-2022-0013 Exhibit 3, Tab 1, Schedule 2, page 13

Ref 5: Exhibit 3, Tab 1, Schedule 1, page 5

In April 2022, Alectra Utilities developed an Adjusted Capital Plan following the unfavourable outcome of the “M-factor” EB-2019-0018 Decision. The Adjusted Capital Plan, as presented in EB-2022-0013, is shown in the tables below. The tables compare the Adjusted Capital Plan to the budget presented in the 2020 Distribution System Plan (DSP) for the “M-factor” proceeding.

**Table 5 – EB-2022-0013 Variance by Investment Category (\$ millions)**

Investment Category	Actual 2020	Actual 2021	Forecast 2022	Budget 2023	Budget 2024	Total
System Access	(\$3.5)	\$0.5	\$1.6	\$2.1	(\$1.9)	(\$1.2)
System Renewal	(\$3.5)	(\$5.5)	(\$28.6)	(\$31.4)	(\$41.2)	(\$110.2)
System Service	(\$11.2)	(\$8.5)	(\$8.8)	(\$18.0)	(\$15.2)	(\$61.7)
General Plant	(\$8.6)	(\$4.8)	\$6.8	\$13.9	\$15.6	\$22.9
Total Reduction, before Proposed ICM	<b>(\$26.8)</b>	<b>(\$18.3)</b>	<b>(\$29.0)</b>	<b>(\$33.4)</b>	<b>(\$42.7)</b>	<b>(\$150.2)</b>
System Renewal-ICM	\$0.0	\$0.0	\$0.0	\$25.4	\$26.9	\$52.3
Total Net Reduction	<b>(\$26.8)</b>	<b>(\$18.3)</b>	<b>(\$29.0)</b>	<b>(\$8.0)</b>	<b>(\$15.8)</b>	<b>(\$97.9)</b>

**Table 6 – EB-2022-0013 Adjusted Capital Plan – Material Changes (\$ millions)**

Summary of Material Changes	2020-2024 Variance
Underground Asset Renewal	(\$125.2)
Lines Capacity	(\$56.9)
Information Technology	\$34.3
Other	(\$2.4)



<b>Total Reduction, before Proposed ICM</b>	<b>(\$150.2)</b>
Proposed ICM Investments	\$52.3
<b>Total Net Reduction</b>	<b>(\$97.9)</b>

Alectra Utilities updated its Adjusted Capital Plan as part of this proceeding. The new capital plan variance to the 2020 DSP is presented below.

The updated Adjusted Capital Plan includes the 2024 ICM request and reflects a net reduction in investments of \$129.0 million over the 2020 to 2024 period compared to the 2020 DSP. Alectra Utilities stated that its decision to reduce and defer significant investments was to align the level of investment with the funding in base rates. According to Alectra Utilities, budgets have been updated to account for the impact of the global supply chain challenges as well as the effect of inflation.

**Table 7 – EB-2023-0004 Variance by Investment Category (\$ millions)**

<b>Investment Category</b>	<b>Actual 2020</b>	<b>Actual 2021</b>	<b>Actual 2022</b>	<b>Forecast 2023</b>	<b>Budget 2024</b>	<b>Total</b>
<b>System Access</b>	(\$3.5)	\$0.5	(\$15.9)	\$5.9	(\$3.6)	(\$16.6)
<b>System Renewal</b>	(\$3.5)	(\$5.5)	(\$19.9)	(\$4.8)	(\$14.4)	(\$48.1)
<b>System Service</b>	(\$11.2)	(\$8.5)	(\$11.6)	(\$22.0)	(\$18.1)	(\$71.4)
<b>General Plant</b>	(\$8.6)	(\$4.8)	\$0.7	\$7.7	\$12.1	\$7.1
<b>Total Variance</b>	<b>(\$26.8)</b>	<b>(\$18.3)</b>	<b>(\$46.7)</b>	<b>(\$13.2)</b>	<b>(\$24.0)</b>	<b>(\$129.0)</b>

**Table 8 – EB-2023-0004 Adjusted Capital Plan – Material Changes (\$ millions)**

<b>Summary of Variances</b>	<b>2020-2024 Variance</b>
Underground Asset Renewal	(\$91.4)
Lines Capacity	(\$71.7)
Information Technology	\$24.2
Other	\$9.9
<b>Total</b>	<b>(\$129.0)</b>

- a) Please provide a breakdown of Table 8 above, which shows the variance by year from 2020 to 2024. Please also subcategorize IT variances in the table by project type (i.e., customer experience, business process optimization, operational technology, grid modernization, etc).
- b) Please provide a similar table to the above but instead of presenting the variance amount, please provide actual spending/budgets.
- c) What inflation factor did Alectra Utilities use in its budgeting plan to account for the impact of the global supply chain and especially, the effect of inflation?
- d) How did Alectra Utilities arrive at a decision to reduce and defer significant investments in System Renewal despite worsening cable reliability performance?
- e) Please provide a breakdown of operational savings achieved due to each IT project type from 2020-2024. Please explain how Alectra Utilities quantified the savings achieved.

- f) There is a difference of \$17.7 million between the 2022 budget in the Adjusted Capital Plan (EB-2022-0013) and actual spending.
  - i. Why was Alectra Utilities unable to meet its overall 2022 budget as developed in April 2022?
  - ii. Were projects that were not completed in 2022 deferred to future years, especially in the System Access category? If yes, provide details.
  - iii. Alectra Utilities spent \$39 million in cable renewal in 2022 yet budgeted \$47.3 million as per Reference 4 in the 2023 application. Please explain why Alectra Utilities was unable to meet its cable renewal budget in 2022.
- g) Comparing the original Adjusted Capital Plan (EB-2022-0013) to the updated version as filed within this application, Alectra Utilities is deferring additional capital expenditures of \$17.7 million in 2022, \$5.2 million in 2023, and \$8.2 million in 2024.
  - i. How much of each year's deferred budget pertains to projects in the PowerStream RZ and Enersource RZ respectively?
  - ii. Please list which material projects were deferred from the original Adjusted Capital Plan for the two RZs, their capital expenditure amount, and why they were deferred.
  - iii. Why can Alectra Utilities not invest these deferred amounts to repair its deteriorating cable population considering it had planned to spend these amounts in base rates as part of the original Adjusted Capital Plan?

In the EB-2022-0013 Decision and Order, the OEB stressed that Alectra Utilities should take care of its cable population and prioritize cable health over some General Plant projects.

- h) How has Alectra Utilities re-prioritized its cable renewal program in comparison to other programs with multiple projects to address OEB's concern of cable renewal prioritization?
- i) Did Alectra Utilities consider shifting parts of its planned spend to the cable renewal budget following the EB-2022-0013 Decision?
  - i. If so, which projects were deferred to prioritize cable renewal spending? Please specify in what years the projects were deferred from and to. What are the cost estimates of these projects? How much cable renewal spending was prioritized as a result of shifting these projects?

## **1-Staff-10**

### **Distribution System Plan**

#### **Ref 1: Exhibit 3, Tab 1, Schedule 1, pages 1-5**

The 2020-2024 Alectra Utilities DSP was widely referenced in this application however it was not submitted as part of the application.

- a) Please file a copy of Alectra Utilities' 2020-2024 DSP on the record of this proceeding.
- b) Please provide explanations and any other available details by project for major redirection of dollars for 2023-2024 between the 2020 DSP and the updated Adjusted Capital Plan (2024 Application). Please categorize the project explanations into the four categories of System Access, System Renewal, System Service, and General Plant.

### **1-Staff-11**

#### **Capital Budget vs. Expenditure**

**Ref 1: Exhibit 2, Tab 1, Schedule 1, pages 19-20 (Figure 1 & Figure 2)**

- a) Please provide a table similar to the Cost of Service Chapter 2 Appendices 2-AB comparing the DSP budget to actuals for 2020-2022 and the DSP budget compared to the latest forecasts for 2023 and 2024.
- b) Please provide a list of Alectra Utilities' capital projects for 2023 and their associated year-to-date actual capital expenditures and forecast for the rest of 2023.

### **1-Staff-12**

#### **Guidehouse Review**

**Ref 1: EB-2022-0013 Exhibit 3, Tab 1, Schedule 1, Page 11**

As part of the EB-2022-0013 proceeding, 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) Did Alectra Utilities consult Guidehouse or any other third-party in the update to its Adjusted Capital Plan considering there have been further deferrals to the 2022-2024 budget of \$31.1 million?
  - i. If no consultation was complete, why did Alectra Utilities feel no consultation was necessary?
  - ii. If consultation was complete, who performed the review and what were the conclusions made?

Alectra Utilities noted as part of its EB-2022-0013 evidence that Guidehouse had also reviewed its asset condition assessment. Alectra Utilities has since updated its asset condition assessment to include 2022 data.

- b) Did Guidehouse or any other third-party review the 2022 update to the asset condition assessment?

- i. If no consultation was complete, why did Alectra Utilities feel no consultation was necessary?
- ii. If consultation was complete, who performed the review and what were the conclusions made?

### **1-Staff-13**

#### **Asset Condition Assessments (DSP and Asset Analytics Platform)**

**Ref 1: Exhibit 1, Tab 1, Schedule 4, page 4**

**Ref 2: Exhibit 3, Tab 1, Schedule 1, pages 1-6**

**Ref 3: Exhibit 3, Tab 1, Schedule 4, page 7**

**Ref 4: Exhibit 3, Tab 1, Schedule 2, page 16**

According to Alectra Utilities, the DSP identified failures of underground direct buried cable and cable accessories as a leading contributor to the declining reliability.

Alectra Utilities noted that it continued to enhance its capital planning tools with the implementation of an Asset Analytics Platform which provided Alectra Utilities with the functionality to compute asset condition assessments, overlay reliability data sets with maps to identify emerging hotspots, and combine large data sets to establish cross-sectional relationships. Alectra Utilities has stated that the enhanced analytics have enabled Alectra Utilities to incorporate the most recent reliability events against up-to-date asset condition information to identify localized emerging issues.

- a) The 2023 and 2024 ICM applications relied heavily on the DSP report. Please explain if the asset analytics platform relies on data sets from the DSP or updated data. How often are the different data sets in the platform updated?

### **1-Staff-14**

#### **Asset Condition Assessment**

**Ref 1: Exhibit 1, Tab 1, Schedule 4, Page 5**

**Ref 2: EB-2022-0013 Responses to OEB Staff Interrogatories, 1-Staff-11**

**Ref 3: Exhibit 3, Tab 1, Schedule 2, Page 5**

**Ref 4: Exhibit 3, Tab 1, Schedule 3, Pages 1-2**

Asset condition assessments were conducted in 2018, 2020 and 2022. The asset condition assessments have identified that the percentage of the cable population in poor condition increased from 14% to 17% to 21% across the four years.

- a) Please confirm if the asset condition assessment methodology has remained the same between 2020 and 2022.
  - i. If changes were made to methodology (i.e. testing), please explain what has changed.
- b) Please provide Alectra Utilities' latest asset condition assessment report.

- i. If a full asset condition was not conducted, please provide the latest underground cable condition assessment report.
- ii. If the asset condition report does not provide cable testing methodology, please describe what tests are used to determine the condition of the cables along with the weight factor of each test. Please also provide the 'data availability index' of the cable population and the methodology used to determine the score.
- c) How are cable injection efforts simulated when computing the asset condition assessments?
- d) The assessment per the application shows that the cable condition will continue to deteriorate despite the ongoing investment in underground cable. Please provide a forecasted timeline of when the deteriorated cables will begin to witness improved statistics.
- e) Please provide the length of cable and percentage of cable in poor/very poor condition as of 2018, 2020, and 2022 for the Enersource and PowerStream RZs.

**1-Staff-15**

**Future Cable Health Condition**

**Ref 1: EB-2022-0013 Responses to OEB Staff Interrogatories, 1-Staff-11**

**Ref 2: Exhibit 3, Tab 1, Schedule 2, Page 5**

Alectra Utilities noted in the EB-2022-0013 evidence (Reference 1) that if ICM funding is not provided, the percentage of the cable population in poor or very poor condition would rise to 25% by 2025. The OEB approved \$18.1 million in ICM funding for 2023. As part of this proceeding (Reference 2), Alectra Utilities again noted that if ICM funding is not provided, one in four neighbourhoods would be served by cables in poor or very poor condition by 2025.

- a) Please confirm if the statement regarding one in four neighbourhoods made by Alectra Utilities is still true given the approved 2023 ICM funding. Please update the statement as applicable.
- b) Please explain the methodology used (including inputs and outputs) in the analytics platform to forecast cable condition health and outages in future years.
- c) Please quantify the percentage of the cable population in poor or very poor condition by completing the following table:

**Table 9 – Percentage of Cables in Poor or Very Poor Condition**

% of cables in poor/very poor condition if...		PowerStream RZ	Enersource RZ	Alectra Utilities
2023	Only projects in base rate funding were completed in 2023.			
	Base rate and 2023 ICM projects are completed as per EB-2023-0004 capital plan.			
2024	2023 ICMs projects are completed, but only 2024 base rate projects are completed.			

	2023 and 2024 ICM projects are completed as per EB-2023-0004 capital plan.			
2025	2023 ICMs projects are completed, but only 2024 and 2025 base rate projects are completed.			
	2023 and 2024 ICM projects are completed as per EB-2023-0004 capital plan. Base rate projects are completed in 2025.			

**1-Staff-16**

**Cable Injection Projects**

**Ref 1: Exhibit 3, Tab 1, Schedule 4, page 8, Table 22**

Alectra Utilities provided a list of underground cable replacement and cable injection projects that encompass the 2024 ICM request.

- a) Please complete the tables below with the following information:
  - i. Identify approximately how many years remain to perform cable injection at each neighbourhood before cable replacement is the only option.
- b) If certain cable injection projects have several years remaining before cable replacement is the only option, why can these specific projects not be deferred to future years?

**Table 10 – Years Remaining for Cable Injection as a Viable Option**

<b>Cable Injection Projects</b>	<b>Project Cost</b>	<b>Years Remaining for Injection</b>
Cairns Drive of Markham (M21)	\$1.7 million	
McNaughton Road Area of Vaughan (V26)	\$1.7 million	
Glen Erin Dr & Bell Harbour Dr in Mississauga (Area 39)	\$1.3 million	
Derry Road & Ninth Line (Area 56)	\$1.5 million	
Sovereign Court Area in Vaughan (V50)	\$1.3 million	
Creditstone Road Area in Vaughan (V24)	\$2.2 million	
8th Line & Highway 11 Area in Bradford (BR5)	\$1.0 million	
Bainbridge Ave (V51)	\$0.6 million	

**1-Staff-17**

**Avoided Costs**

**Ref 1: EB-2022-0013 Alectra Utilities Interrogatory Responses to OEB staff, 1-Staff-4, Attachment 1**

**Ref 2: Exhibit 1, Tab 1, Schedule 4, page 8**

In the EB-2022-0013 proceeding, Alectra Utilities identified that the ICM and ACM requests would avoid approximately \$180 million in future costs after 2027.

In this proceeding, Alectra Utilities identified that the 2024 ICM would avoid \$108 million in future cable renewal expenditures.

- a) Please refile the tables in Reference 1 with the most up-to-date data.
  - i. Please add a third set of tables when refiling the above that includes the variance in avoided customer hours of interruptions each year for the base scenario and the ICM scenario.
  - ii. Please explain how the avoided costs and avoided customer hours of interruption are calculated.

Assuming a similar methodology was used for the 2024 ICM as was provided in Reference 1:

- b) Avoided costs do not begin until 2031. As such, what is the impact on reliability if certain cable injection projects are deferred before 2031?
- c) Why has Alectra Utilities only considered cable injection until 2027?
- d) Why are cable renewal costs greater in 2028-2030 in the ICM scenario compared to the base scenario?

**1-Staff-18**

**Reliability Metrics**

**Ref 1: Exhibit 1, Tab 1, Schedule 4, pages 6-7**

Alectra Utilities provided customer hours of interruption from 2017 to 2022. According to Reference 1, customer hours of interruption pertaining to both defective equipment and 'cables and accessories XLPE' decreased in 2022.

- a) Please provide figures similar to Figure 1 and Figure 2 found in Reference 1 but for the PowerStream RZ and Enersource RZ.
- b) What is the trend in customer hours of interruption pertaining to 'cables and accessories XLPE' for 2023 compared to 2022 for both Alectra Utilities as a whole and for the two RZs? Please explain the trends.
- c) Why does Alectra Utilities believe that customer hours of interruption decreased in 2022?

**1-Staff-19**

**Performance Based Regulation (PBR)**

**Ref 1: Exhibit 2, Tab 1, Schedule 1, page 24**

Alectra Utilities explained PBR in its application as follows:

Performance Based Regulation (“PBR”) distribution rates are set based on a cost of service review. Subsequently, rates are adjusted based on changes to the input price index and the productivity and stretch factors set by the OEB. This is applicable for all Alectra Utilities’ RZs which are under Price Cap IR for the purpose of setting electricity distribution rates. PBR decouples the price (the distribution rate) that a distributor charges for its service from its cost, and therefore, the regulated utility will be responsible for making its investments within the constraints of the price cap, and subject to service standards set by the OEB.

- a) Please confirm if Alectra Utilities is justifying its investments by using PBR?
- b) If yes, please explain how this reconciles with the request for ICM funding at the same time.

**1-Staff-20**

**Customer Engagement Survey**

**Ref 1: Exhibit 3, Tab 1, Schedule 3, page 1**

**Ref 2: Exhibit 1, Tab 1, Schedule 4, pages 8-9**

**Ref 3: EB-2022-0013, Customer Engagement Overview, page 5**

Alectra Utilities engaged Innovative Research Group (Innovative) in 2022 to seek customer input on proposed 2023 and 2024 ICM investments in the PowerStream and Enersource RZs as part of Alectra Utilities’ 2023 ICM Application.

Alectra Utilities submitted the results of the ICM engagement survey as part of its 2023 application which Alectra Utilities believes showed that customers want Alectra Utilities to invest more in renewing deteriorated underground cables.

**Table 11 – Customers Preference for Cable Replacement**

Rate Zone & Rate Class Breakdown <i>% Choosing each option n-size for sample sizes where n&gt;50</i>	Enersource			PowerStream		
	Residential	GS<50kw	GS>50kw + Large Use	Residential	GS<50kw	GS>50kw + Large



Increase investment in cable replacement by [\$11.0MM (ERZ), \$19.5MM (PRZ)] over 2 years	33%	31%	14/44 (32%)	32%	33%	9/35 (26%)
Increase investment in cable replacement by [\$8.6MM (ERZ), \$11.9MM (PRZ)] over 2 years	12%	10%	2/44 (5%)	14%	8%	6/35 (17%)
Increase investment in cable replacement by [\$5.4MM (ERZ), \$5.1MM (PRZ)] over 2 years	11%	11%	6/44 (14%)	12%	13%	5/35 (14%)
Maintain the current level of planned investment in replacement	18%	19%	7/44 (16%)	20%	13%	7/35 (20%)
Don't know	25%	29%	15/44 (34%)	22%	33%	8/35 (23%)

Total percentages of customers that want the same level of current planned investment in replacement to be maintained and those that don't know are close to 50% in both RZs. This class of customers will be impacted by the increases that will come with the chosen option.

- a) Has there been subsequent follow-up engagement efforts to ensure that at least, those under the category of "Don't know" were enlightened of the impending project and possible impacts?
- b) If the response to part A is 'Yes', please provide further details.
- c) Alectra Utilities customers were not privy to the 3.4% IRM rate increase of 2023 and the probable 4.5% IRM rate increase in 2024 when the survey was conducted. Given that these rate increases are greater than IRM increases of the past, why does Alectra Utilities believe that customer preferences may not have changed, thereby warranting a new survey?