VECC-1

Reference: Exhibit 3, Tab 1, Schedule 1, pages 7-
EB-2022-0013 Decision with Reasons November 17, 2022

In its Decision EB-2022-0013 the Board made the following findings:

> ***The availability of ICMs for merged utilities for typical capital programs in their sixth to tenth year of deferral of rebasing is an exception to a fundamental tenet of the OEB's MAADs policy. In particular, the policy provided that in a deferral period, monetary efficiencies arising from a merger would be retained by the merged entity and cost of service rebasing would be foregone during the deferral period*. (EB-2022-0013 Decision and Order, November 17, 2022, page 27)**
>
> **…..**
>
> ***While the OEB finds overall that Alectra Utilities meets the ICM funding criterion of demonstrating a history of good utility practice in capital planning, capital program management and asset maintenance, it also finds that Alectra Utilities' capital planning and execution could be improved going forward. This finding is based on Alectra Utilities' prioritization of general plant capital planning, in particular the prioritization of its customer experience capital expenditures planning ahead of its cable renewal program, a criticism raised by OEB staff as noted earlier in this Decision*. (Ibid, page 21)**
>
> **…….**
>
> ***Further, the OEB is not convinced that Alectra Utilities provided sufficient evidence to justify its prioritizing of some general plant projects in base rates over its cable replacement program*. (ibid page 21)**

a) Please explain how Alectra has addressed the Board's concerns with respect to the reprioritization of general plant capital projects in its 2024 ICM proposal.

b) Please provide the total Alectra General Plant category of spending for the years 2019 through 2024 (forecast) and broken down into the three categories of: IT/Software; Vehicles, Building related, Other (please specify).

Response:

a) Please see Alectra Utilities' response to 1-Staff-9 h).

b) Alectra Utilities has provided the requested breakdown for General Plant category spending for the year 2019 through 2024 in Table 1.

Reductions in IT were a result of the COVID Pandemic and reductions in Fleet were a result of supply chain challenges. As identified in Alectra Utilities' 2023 ICM Application (EB-2022-013, Exhibit 3, Tab 1, Schedule 1, Page 8, as a result of the COVID-19 global pandemic, Alectra Utilities shifted the majority of its staff to working remotely. This shifted the focus of IT to ensuring that employees had the resources and equipment to work remotely, and to operate securely within the corporate network. This transition to remote work, resulted in the temporary deferral of previously planned IT projects. Further, with many external resources and support companies for IT related projects also working remotely, the ability to effectively execute projects, especially projects that were hardware dependent, was challenging in 2020 and 2021. This resulted in lower IT expenditures in 2020 and 2021.

Increased spending in facilities in 2020 was required as part of the COVID pandemic to comply with health and safety regulations when returning staff to the workplace.

Table 1 – Alectra Utilities General Plant Expenditure ($MM)

Category	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Budget
IT/Software	9.0	13.8	13.8	25.8	22.8	19.5
Vehicles	8.0	8.1	6.6	4.0	5.8	9.3
Building Related	2.5	7.4	2.7	3.9	4.5	5.9
Other						
Connection & Cost Recovery Agreements	0.5	0.0	5.6	0.7	0.0	0.0
Tools, Shop and garage Equipment	1.1	1.6	1.1	1.4	1.7	2.1
Other General Plant	0.5	0.0	0.0	0.0	0.0	0.0
Total Other	2.1	1.6	6.7	2.1	1.7	2.1
Grand Total	**21.6**	**30.9**	**29.8**	**35.8**	**34.8**	**36.8**

1.0-VECC-2

Reference: Exhibit 1, Tab 1

a) Please provide the actual OM&A by category (Appendix 2-JA format) spending for each year 2019 through 2022 and the forecast amounts for 2023 and 2024.

b) Please provide the 2018 through 2022 Executive Compensation showing base earnings, incentive total and perquisites.

Response:

a) The actual OM&A by category is provided in Table 1, below.

Table 1 – OM&A by Category ($MM)

OM&A Category	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast
Operations	$ 90.0	$ 84.1	$ 83.2	$ 93.3	$ 99.4	$ 97.1
Maintenance	$ 27.3	$ 26.8	$ 29.9	$ 33.6	$ 32.5	$ 33.1
Billing and Collecting	$ 47.5	$ 63.7	$ 56.8	$ 51.6	$ 51.7	$ 51.0
Community Relations	$ 2.8	$ 4.4	$ 3.2	$ 2.6	$ 2.1	$ 2.1
Administrative and General	$ 97.6	$ 95.4	$ 97.7	$ 100.1	$ 111.2	$ 105.3
Property Taxes	$ 2.5	$ 2.6	$ 2.6	$ 1.9	$ 2.3	$ 2.8
Total OM&A Expenses	**$ 267.8**	**$ 277.1**	**$ 273.4**	**$ 283.0**	**$ 299.3**	**$ 291.5**

b) The requested information is not relevant to any of the issues raised in this Application.

1.0-VECC-3

Reference: Exhibit 2, Tab 1, Schedule 1, pages 12-

a) Please provide the actual return on equity for Alectra for the years 2019 through 2022.

b) Please provide the actual distribution revenues of the Utility for the years 2019 through 2023 (forecast).

Response:

a) Alectra Utilities has provided the actual Return on Equity ("ROE") for the years 2019 through 2022 in Table 1 below. The 2019 to 2021 Actual ROE were based on Alectra Utilities' Reporting and Record-Keeping Requirements ("RRR") 2.1.5.6 ROE filing, adjusted to exclude the net OM&A merger savings adjustment.[1] This adjustment was applicable from 2017 to 2021, the first five years of the rebasing deferral period. In years six to ten of the deferral period, Alectra Utilities will exclude the net OM&A merger savings adjustment in its calculation of ROE. In effect, this will ensure that the calculated ROE includes the savings Alectra Utilities achieved as a result of the consolidation. To ensure the ROE provided for 2019 to 2021 is comparable to the 2022 ROE, Alectra Utilities has restated 2019 to 2021 reported ROE to exclude the net OM&A merger savings adjustment.[2]

Table 1: Actual ROE for 2019-2022

	2019 Actual	2020 Actual	2021 Actual	2022 Actual
ROE	8.67%	6.55%	7.95%	6.70%

b) Alectra Utilities has provided the actual distribution revenues (USoA 4080) for the years 2019 through 2023 (forecast) in Table 2 below.

Table 2: Actual Distribution Revenue for 2019-2023

$MM	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast
Distribution Revenue	559	567	584	607	630

[1] 2019, 2020 and 2021 RRR ROE filed with the OEB (inclusive of the net OM&A adjustment) was 7.21%, 4.80% and 6.18% respectively.

[2] This approach is consistent with Alectra Utilities' response to AMPCO-27 and 1-Staff-25 in Alectra Utilities' 2023 ICM application (EB-2022-0013)

2.0-VECC-4

Reference: Exhibit 2, Tab 2, Schedule 1, Table 10, page 17

a) Please update Table 10 and Table 17 to show the ICM Monthly Bill Impacts percentage increase of distribution rates (in addition to total bill as shown in Table 10).

Response:

a) Alectra Utilities has updated Table 10 and Table 17 to include the ICM monthly bill impacts percentage increase of the distribution portion of the bill in Table 1 and Table 2 below.

Table 1 – ICM Monthly Bill Impacts - PowerStream RZ (before HST and OER)

Rate Class	Unit	kWh	kW	ICM Monthly Rate Rider	% Increase vs 2023 Distribution Bill	% Increase vs 2023 Total Bill*
Residential	kWh	750		$0.16	0.51%	0.13%
General Service Less Than 50 kW	kWh	2,000		$0.37	0.48%	0.12%
General Service 50 To 4,999 kW	kW	80,000	250	$7.03	0.48%	0.06%
Large Use	kW	2,800,000	7,350	$132.88	0.46%	0.04%
Unmetered Scattered Load	kWh	150		$0.07	0.52%	0.22%
Sentinel Lighting	kW	180	1	$0.08	0.44%	0.19%
Street Lighting	kW	1,052,445	2,962	$382.71	0.53%	0.19%

**before HST and OER Rebate*

Table 2 – ICM Monthly Bill Impacts - Enersource RZ (before HST and OER)

Rate Class	Unit	kWh	kW	ICM Monthly Rate Rider	% Increase vs 2023 Distribution Bill	% Increase vs 2023 Total Bill *
Residential	kWh	750		$0.12	0.43%	0.10%
General Service Less Than 50 kW	kWh	2,000		$0.41	0.50%	0.13%
General Service 50 To 499 kW	kW	100,000	230	$5.52	0.37%	0.04%
General Service 500 To 4,999 kW	kW	400,000	2,250	$34.36	0.38%	0.05%
Large Use	kW	3,000,000	5,000	$138.39	0.40%	0.04%
Unmetered Scattered Load	kWh	300		$0.07	0.40%	0.13%
Street Lighting	kW	33	0.1	$0.02	0.77%	0.29%

**before HST and OER Rebate*

3.0-VECC-5

Reference: EB-2022-0013 Exhibit 3, Tab 1, Schedule 4, page 8 Table 28
Exhibit 3, Tab 1. Schedule 4, page 8, Table 22

"*The five proposed ICM projects in the Enersource RZ consist of four of the 2023 ICM projects and one 2024 ICM project from the 2023 ICM application*." (Exhibit 1, Tab 1, Schedule 4, page 1 of 10)

a) Please update Table 28 from EB-2022-0013 (shown above) to add:
   1) A column showing the 2023 completed projects and their final costs;
   2) A column to show the proposed 2024 (EB-2023-0004) costs for projects identified in the EB-2022-0013 Table 28 and as now shown in Table 22; and,
   3) Rows to show any additional projects that were not identified in EB-2022-0013.
b) Please explain any significant variance in project costs (i.e., above 10%).
c) Please explain why the 2024 ICM proposal is $1.9 million lower than the EB-2022-0013 ACM proposal for 2024 UG projects.
d) Please identify which project is the 2023 ICM carryover project noted in the quote above.

Response:

a) Please see Alectra Utilities' response to 1-Staff-5 a). There were no additional projects that were not identified in EB-2022-0013.

b) Tables 1 and 2 below provide the significant variances in ICM project costs between the 2023 and 2024 ICM applications.

Table 1 provides a comparison of the 2023 ICM projects compared to the latest 2023 forecast. Table 2 provides a comparison of the 2024 ICM projects included in the 2023 application, compared to the 2024 application.

1 **Table 1 – Variance Analysis of 2023 ICM projects Budget vs. Forecast**

C55#	Project Name	2023			Explanation
		EB-2022-0013	2023 Forecast	Variance	
151403	Cable Replacement - (AREA46) - Montevideo & Battleford, Mississauga	1.4	0.0	100%	2023 ICM Funding Not Approved
151435	Cable Injection - (AREA56) - Derry Rd W & Ninth Line, Mississauga	1.0	0.0	100%	
151436	Cable Injection - (AREA58 & 59) - Winston Churchill & The Collegeway, Mississauga	1.0	0.0	100%	
151431	Cable Injection - (AREA 39) - Glen Erin Dr and Bell Harbour Dr, Mississauga	0.9	0.0	100%	
151407	Cable Replacement - (AREA25) - Glen Erin & Burnhamthorpe, Mississauga	2.2	0.0	100%	
151913	Cable Replacement- (M44) - Cochrane Dr (North) - Scolberg (South), Markham	2.5	1.1	56%	Favourable estimate/cost for civil work
151902	Cable Replacement - (AREA19) - Dixie Rd and Winding Trail, Mississauga	0.6	0.3	50%	Favourable estimate/cost for civil work
151329	Cable Replacement - (M21) - Raymerville Dr, Markham	1.5	0.9	40%	Favourable estimate/cost for civil work
151461	Cable Injection - (V17) - Jacob Keffer Parkway area of Vaughan	1.6	1.0	38%	Some segments did not meet criteria for injection
151914	Cable Replacement - (V36) - Aviva Park, Vaughan	2.4	1.6	33%	Favourable estimate/cost for civil work
151895	Cable Replacement- Main Feeder Cable on Cantay Road, Mississauga (AREA 44)	0.9	0.8	11%	Favourable estimate/cost for civil work
151912	Cable Replacement – (V51) – Ashbridge Circle area in Vaughan	2.6	2.4	8%	Less than 10%
151520	Cable Injection - (A09) - Willow Farm Lane of Aurora	1.1	1.1	0%	
152379	Cable Replacement - (A10) -Batson Dr, Aurora	1.7	1.9	-12%	Unfavourable estimate/cost for civil work
151361	Cable Injection - (M21) - Cairns Drive area of Markham	1.7	1.9	-12%	More costs associated to splice clearing than estimated
152386	Cable Injection - (R23) - Kersey Cr area of Richmond Hill	1.5	1.8	-20%	More costs associated to splice clearing than estimated
151901	Cable Replacement - (AREA16) - Hemus Square, Mississauga	0.7	1.0	-43%	Unfavourable estimate/cost for civil work
Total		**25.3**	**15.9**		

2

1 **Table 2 - Variance Analysis of 2024 ICM Projects between EB-2022-0013 and EB-2023-004**

C55#	Project Name	2024 EB-2022-0013	2024 EB-2023-0004	Variance	Explanation
151403	Cable Replacement - (AREA46) - Montevideo & Battleford, Mississauga	0.0	1.6	N/A	ERZ Funding Related Shift
151431	Cable Injection - (AREA 39) - Glen Erin Dr and Bell Harbour Dr, Mississauga	0.0	1.3	N/A	
151432	Cable Injection - Edwards Boulevard Area in Mississauga (Area 43 & 51)	1.3	0.0	100%	
151889	Cable Replacement - Tomken Trail in Mississauga (Area 36)	2.0	0.0	100%	
151436	Cable Injection - (AREA58 & 59) - Winston Churchill & The Collegeway, Mississauga	1.1	0.0	100%	
151517	Cable Injection - (BR5) - 8th Line and Highway 11, Bradford	1.3	1.0	23%	Projection of less injectable candidates based on updated information
151456	Cable Injection - (V50) - Sovereign Court area of Vaughan	1.6	1.3	19%	Projection of less injectable candidates based on updated information
151913	Cable Replacement - (M44) - Cochrane Dr (North) - Scolberg (South), Markham	2.5	2.1	16%	Lower estimate for civil contractor work
151361	Cable Injection - (M21) - Cairns Drive area of Markham	1.9	1.7	11%	Projection of less injectable candidates based on updated information
151367	Cable Injection - (V26) - McNaughton Road area of Vaughan	1.9	1.7	11%	Projection of less injectable candidates based on updated information
151329	Cable Replacement - (M21) - Raymerville Dr, Markham	1.6	1.6	0%	Less than 10%
151407	Cable Replacement - (AREA25) - Glen Erin & Burnhamthorpe, Mississauga	2.3	2.4	-4%	
152387	Cable Injection - (V51) - Bainbridge Ave, Vaughan	0.6	0.6	0%	
151459	Cable Injection - (V24) - Creditstone Rd area of Vaughan	2.1	2.2	-5%	
151935	Cable Replacement - (M15) - Larkin Ave area of Markham	1.8	1.9	-6%	
152375	Cable Replacement - (A09) - Hammond Dr area of Aurora	1.3	1.4	-8%	
151903	Cable Replacement - (AREA25) - South Millway, Mississauga	1.0	1.1	-10%	Higher estimated Civil contractor costs
152373	Cable Replacement - (V26) - St. Joan of Arc area of Vaughan	1.6	1.9	-19%	Higher estimated Civil contractor costs
151435	Cable Injection - (AREA56) - Derry Rd W & Ninth Line, Mississauga	1.1	1.5	-36%	Cost for injecting larger cable is more than Alectra had estimated in 2022
Total		**27.0**	**25.1**		

2

c) Please see Alectra Utilities' response to 1-Staff-5 b).

d) The four ICM projects in the Enersource RZ that are included in the current 2024 ICM project list are: Project 151403 - Cable Replacement - Montevideo & Battleford Area in Mississauga (Area 46); Project 151407 - Cable Replacement – Glen Erin & Burnhamthorpe of Mississauga (Area 25); Project 151431 - Cable Injection – Glen Erin Dr & Bell Harbour Dr in Mississauga (Area 39); and Project 151435 - Cable Injection – Derry Road & Ninth Line (Area 56).

3.0-VECC-6

Reference: EB-2022-0013, Exhibit 3, Tab 1, Schedule 2, page 13, Table 21
Exhibit 3, Tab 1, Schedule 2/, page 11 Table 21 Schedule 4 pages 5-7

Table 21 – UG Cable Renewal Investments ($MM) – EB-2022-0013

Investment	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Total
Cable Renewal – Replacement	$37.2	$31.2	$35.4	$25.3	$23.8	$152.9
Cable Renewal – Injection	$3.6	$4.9	$11.5	$13.7	$16.6	$50.3
Emerging Underground Projects	$2.3	$5.9	$8.0	$10.1	$6.9	$32.9
Total	**$43.1**	**$42.0**	**$54.9**	**$49.1**	**$47.3**	**$236.1**

Table 21 – UG Cable Renewal Investments ($MM) EB-2023-0004

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
Total	**$43.1**	**$42.0**	**$54.9**	**$49.1**	**$39.0**	**$61.5**	**$289.6**

a) In EB-2022-0013 Alectra projected $23.8 million in cable renewal and $16.67 million in cable injection and $6.9 million in emerging projects (1st table). Actual 2022 spending in each of those categories was lower. Please explain the variance of $8.3 million.

b) Please provide the number of reactive cable repairs/replacements for each year 2018 through 2023 (to-date). Does the "emerging underground projects" category capture the costs of reactive projects? If not please provide each year's spending on reactive projects.

c) Please provide a table showing the number of emergency replacement projects and their associated costs for each of the years 2018 through 2023 (to-date).

Response:

a) Please see Alectra Utilities' response to 1-Staff-9 f) for an explanation on the variance of the Q1 2022 Forecast to 2022 Actuals expenditures.

b) Alectra Utilities tracks and reports on reactive cable repair as an operating expenditure ("OPEX"). If the cable segment requires emergency replacement, the expenditure is captured under the Reactive Capital investment category. If multiple cable segments require urgent replacement in the vicinity, due to an increase in scope and complexity of the work, Alectra Utilities initiates an Emerging Underground Renewal capital project.

For emergency replacement captured under reactive capital, Alectra Utilities continues to harmonize tracking and reporting of capital reactive expenditures into a consistent practice across all operating zones and consistent methodology by asset type. As such, Alectra Utilities presents reactive capital expenditures from 2018 to year to date 2023 in the Table 2 below.

Reactive capital is not tracked on an individual work order basis, therefore, Alectra Utilities has provided the number of outage events for the following OEB categories from 2018 to month end August 2023:

- Tree Contacts
- Lighting
- Defective Equipment
- Adverse Weather
- Foreign Interference

These cause codes are those most likely to incur capital costs.

Table 1 – Number of Reactive Outages (2018-Aug 2023)

Investment	2018	2019	2020	2021	2022	2023 (YTD)	Total
Reactive Outages	2,966	2,716	2,921	2,489	2,805	1,593	15,490

Table 2 – Reactive Capital Spending ($MM)

Investment	2018	2019	2020	2021	2022	2023 (YTD)	Total
Reactive Capital	$26.4	$22.3	$22.5	$26.8	$34.3	$24.3	$156.6

As identified above, Emerging Underground Projects do not capture the costs of Reactive projects, and are tracked separately.

c) Please see Table 3 below for the number of Emerging Underground projects and Table 4 for Emerging Underground project costs.

Alectra Utilities' Brampton, Horizon, PowerStream and Enersource rate zones migrated to Alectra Utilities' Enterprise Resource Planning ("ERP") system in July 2019. The Guelph rate zone migrated to the ERP system in May 2022. Therefore, the work order counts prior to 2020 for ERZ, PRZ, HRZ and BRZ are no longer available.

Table 3 – Number of Emerging Underground Projects

Investment	2018	2019	2020	2021	2022	2023 (YTD)	Total
Emerging Underground Projects	N/A	N/A	62	41	36	25	164

Table 4 – Emerging Underground Project Costs ($MM)

Investment	2018	2019	2020	2021	2022	2023 (YTD)	Total
Emerging Underground Projects	$2.3	$5.9	$8.0	$10.1	$6.1	$2.6	$35.0

3.0-VECC-7

Reference: Exhibit 3, Tab 1, Schedule 2, page 13

a) Is the condition assessment illustrated in Figure 15 (2018 vs 2022) based solely on the age of the cables? If not please explain what additional factors are included in condition assessment.

Response:

a) Age is not the only input in determining the cable condition using the Health Index. Alectra Utilities tracks cable failures as part of its reliability statistics and investigates cable failure events to understand causes. Alectra Utilities performs cable testing on selected segments and tracks age, cable type (XLPE, Tree Retardant ("TR") XLPE, PILC, EPR), construction type (in-duct, direct buried) for each cable segment. Alectra Utilities also tracks cable segments that have been injected and the date of injection (rejuvenation). All of these factors are considered in the Health Index calculation.

3.0-VECC-8

Reference: Exhibit 3, Tab 1, Schedule 4, page 8

"*The engineering assessment of cable failures was completed utilizing the most recent reliability results as of year end 2022. The assessment conducted in 2021-2022 was reviewed during the 2022-2023 period. Based on the engineering assessment there was no change to the priority projects identified in this application. Although additional priority projects were identified as part of this review, those projects will be completed in later years.*"

a) Using the format of Table 22 Please provide the noted "additional priority projects" and provide Alectra's plan to address these projects prior to rebasing.

Response:

a) Alectra Utilities has provided Table 1 below listing the 'additional priority projects" that were identified as part of the 2022-2023 review. Alectra Utilities has also included the estimated timeframe to complete all phases of the project and the total project costs remaining as of 2023.

Table 1 – Additional priority projects ($MM)

Project #	Project Name	Estimated Completion Timeframe	Total Estimated Cost
152383[1]	Cable Injection - (AREA 39) - Erin Mills Pkwy & Thomas St, Mississauga	2027	$7.1
152385[1]	Cable Injection Project - (R23) - Bathurst - Weldrick - Yonge - Carville, Richmond Hill	2025	$2.1
152492	Cable Injection Project - (B23) - Cundles Rd and Janine St, Barrie	2024	$0.2
152388[1]	Cable Injection Project - (V17) - Langstaff - Keele - Rutherford - Dufferin, Vaughan	2025	$2.8
152317	Cable Injection Project - (H1) - Kennedy - Mayfield - HeartLake - Conservation, Brampton	Beyond 2026	$1.3
152318	Cable Injection Project - (H5) - Kennedy - Steeles - Hwy 410 - Hwy 407, Brampton	Beyond 2026	$2.6
152454	Cable and duct replacement - Golf Club Dr, Hamilton	Beyond 2026	$5.3
152502	Cable Replacement Projects - (M15) Sir Constantine Dr & Parkway area of Markham	Beyond 2026	$3.4

[1] These projects are multi -year projects with a phase being executed in 2024. An additional phase was added to the overall project scope in 2022 which is why they are included as 'additional priority projects' in the list above.

3.0-VECC-9

Reference: Exhibit 3, Tab 1

a) Will Alectra be seeking a 2025 ICM for UG cable renewal? If so please provide the list of projects and their estimated costs.

b) If it is Alectra's intention to continue to seek ICMs past 2024 please provide the annual plan for those projects for the remainder of the rate deferral period.

Response:

a) and b)

Alectra Utilities' current DSP is for the 2020-2024 period. Currently, an updated DSP is required for any ICM request that is filed beyond the five-year horizon of the distributor's current DSP. Alectra Utilities will develop 2025 capital plans as part of the annual capital planning process in 2024 utilizing the most up to date information at that time. Hence, plans for 2025 and 2026, including specifics related to the number, scope and forecasted investment levels of urgent cable renewal projects are not yet finalized. At the conclusion of the planning process, Alectra Utilities will determine if ICM funding is needed to meet additional urgent cable renewal needs.

3.0-VECC-10

Reference: Exhibit 3, Tab 1, Schedule 2, page 12 of 17

To address the DSP objective to prudently invest in and maintain assets to provide sustainable value through the optimal allocation of resources in response to risks, compliance requirements and performance targets, Alectra Utilities established an asset condition metric to limit the population of underground cable that is in poor or very poor condition to 14% of the cable population. This level represents the health of the cable population at the start of the DSP period.

a) Please explain the reasoning behind choosing 14% as a metric (as opposed to 10% or 15% or some other percentage).

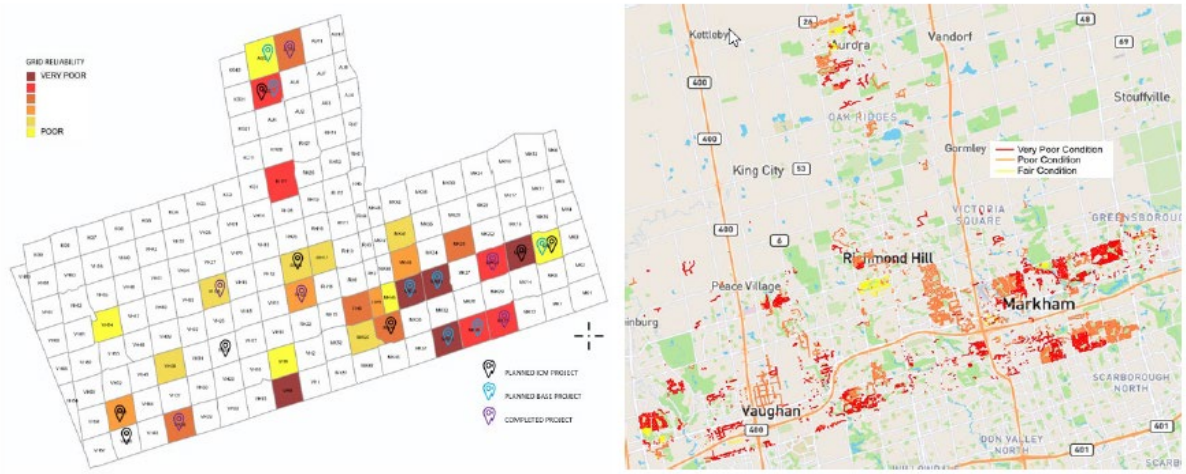
b) What sensitivity analysis has Alectra undertaken around this metric to understand the impact on customer outages (frequency and duration).

Response:

a) As mentioned in the last line of the reference, 14% represents the percentage of degraded cable population at the start of the DSP period. Specifically, when the DSP was prepared, 14% (3,173 km of a total of 22,140 km) of underground cable had a health index of poor or very poor condition. As listed in the DSP, EB-2019-0018, Exhibit 4, Tab 1, Schedule 1, page 102 and 109, Alectra Utilities set performance targets to maintain historical reliability levels across the system and to monitor asset condition. These two metrics are correlated in that in order to maintain reliability, the population of underground cables in poor and very poor condition should be limited to 14% of the cable population.

b) With the Asset Analytics Platform, Alectra Utilities can correlate the most recent areas of very poor reliability with very poor condition of cables to identify localized hotspots. The ability to overlay maps of asset conditions with most recent outage information ensures the optimal allocation of available capital renewal funding. Overlays of outage and asset condition maps shows the relationship between degraded asset condition and outages as provided in Exhibit 3, Tab 1, Schedule 2, Page 16, Figure 17, which has been reproduced below.

Figure 1 - Maps of XLPE Cable Failures and Condition of XLPE Cables for PRZ



The Figure depicts the correlation between the degraded areas in Markham with the areas of poor reliability.