

Staff Question-1

Reference: Rate Generator Models – all Rate Zones (RZ), Tab 3, Continuity Schedule

On September 12, 2023, the OEB published the 2023 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

- a) Please update Tab 3 (Continuity Schedule) to reflect the Q4 2023 OEB-prescribed interest rate of 5.49%**

Response:

- 1 a) Alectra Utilities has updated Tab 3 (Continuity Schedule) to reflect the Q4 2023 OEB-
- 2 prescribed interest rate of 5.49%. The updated Rate Generator Models are filed as Staff
- 3 Question-1_Attach 1_RGM HRZ, Staff Question-1_Attach 2_RGM BRZ, Staff Question-
- 4 1_Attach 3_RGM PRZ, Staff Question-1_Attach 4_RGM ERZ, and Staff Question-1_Attach
- 5 5_RGM GRZ.

Staff Question-1

Attachment 1 RGM HRZ

Please see live excel version of Attachment 1

Staff Question-1

Attachment 2 RGM BRZ

Please see live excel version of Attachment 2

Staff Question-1

Attachment 3 RGM PRZ

Please see live excel version of Attachment 3

Staff Question-1

Attachment 4 RGM ERZ

Please see live excel version of Attachment 4

Staff Question-1

Attachment 5 RGM GRZ

Please see live excel version of Attachment 5

Staff Question-2

Reference 1: 2024 IRM Rate Generator Models (all RZs), Continuity Schedule, Tab 3

Reference 2: IRM Rate Generator – DVA Tabs Instructions - 2024 Rates

Reference 3: OEB Guidance for Electricity Distributors with Forgone Revenues Due to Postponed Rate Implementation from COVID-19, August 6, 2020, page 5

On July 18, 2023, the OEB issued the DVA Tabs Instructions for the 2024 IRM Rate Generator Model. Pages 1 and 3 noted that Account 1509 - Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation was added to the model. A separate rider is calculated for this account in Tab 7, if the disposition is approved.

Regarding Account 1509, Impacts Arising from the COVID-19 Emergency Account, Subaccount Forgone Revenues from Postponing Rate Implementation, the following steps are noted in the August 6, 2020 guidance:

1. Upon implementation of the forgone revenue rate rider that is calculated from the Forgone Revenue Model, the rate rider transactions will be recorded in the same Forgone Revenues Sub-account. This will draw down the accumulated balance of actual forgone revenues/amounts.
2. Any residual balance after the expiry of the rate riders should be requested for final disposition in a future rate application (cost of service or IRM), once the balance has been audited in accordance with normal deferral and variance account disposition practices.
3. If disposition is approved, the residual balance in the Forgone Revenues Sub-account should be disposed proportionately by customer class and the residual balance will be transferred to Account 1595.

Question(s):

- a) Please update Tab 3 (Continuity Schedule) as necessary to reflect a balance in Account 1509 – Impacts Arising from the COVID-19 Emergency, Subaccount Forgone Revenues from Postponing Rate Implementation. Please complete the above-noted steps #1, #2, #3.
- b) If this balance is not applicable, please explain.

Response:

- 1 a) and b)

1 Alectra Utilities did not postpone the implementation of its OEB-approved rates in any year
2 due to COVID-19. Consequently, Alectra Utilities did not record any foregone revenues from
3 postponing rate implementation. Therefore, an update to Tab 3 (Continuity Schedule) is not
4 required.

Staff Question-3

Reference: Rate Generator Models (all RZs), Tabs 11, 15 and 20

On September 28, 2023, the OEB issued a letter regarding 2024 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates.¹ The OEB determined to use of preliminary UTRs to calculate 2024 Retail Service Transmission rates (RTSR) to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. The OEB also directed distributors to update their 2024 application with Hydro One Network Inc.'s (HONI) proposed host RTSRs.

OEB staff has updated Alectra Utilities' Rate Generator Models with the preliminary UTRs and proposed host RTSR by HONI as follows:

UTRs

Uniform Transmission Rates		Unit	2022 Jan to Mar		2022 Apr to Dec		2023 Jan to Jun		2023 Jul to Dec		2024
Rate Description			Rate		Rate		Rate		Rate		
Network Service Rate		kW	\$	5.13	\$	5.46	\$	5.60	\$	5.37	\$ 5.76
Line Connection Service Rate		kW	\$	0.88	\$	0.88	\$	0.92	\$	0.88	\$ 0.95
Transformation Connection Service Rate		kW	\$	2.81	\$	2.81	\$	3.10	\$	2.98	\$ 3.21

Hydro One Sub-Transmission Rates

Hydro One Sub-Transmission Rates		Unit	2022		2023		2024
Rate Description			Rate		Rate		Rate
Network Service Rate		kW	\$	4.3473	\$	4.6545	\$ 4.5778
Line Connection Service Rate		kW	\$	0.6788	\$	0.6056	\$ 0.6056
Transformation Connection Service Rate		kW	\$	2.3267	\$	2.8924	\$ 3.0673
Both Line and Transformation Connection Service Rate		kW	\$	3.0055	\$	3.4980	\$ 3.6729

Question(s):

- Please confirm the accuracy of the Rate Generator Model updates, as well as the accuracy of the resulting Retail Transmission Service Rates following these updates.

¹ OEB Letter, EB-2023-0222, 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, issued September 28, 2023

Response:

- 1 a) Alectra Utilities confirms the accuracy of the Rate Generator Model updates, as well as the
- 2 accuracy of the Retail Transmission Service Rates updates. The updated RGMs are filed as
- 3 Attachments 1-5 in the response to Staff Question-1.

Staff Question-4

Reference: Rate Generator Models (all RZs), Tab 3 Continuity Schedule, Account 1580

For each of the five rate zones, it's noted that the closing principal balance as of December 31, 2022 (adjusted for disposition during 2023) in control Account 1580 (cell BO23) is significantly higher than the closing balance as of December 31, 2021 (adjusted for disposition during 2022) in the same account.

Question(s):

- a) For each rate zone, please explain the drivers that have resulted in a substantial proposed balance in Account 1580 as compared to the prior year's balance.

Response:

Account 1580 records the difference between the IESO's wholesale market service (WMS) charges to Alectra Utilities and the payments received by Alectra Utilities from its customers through the WMS rates. The increase in the closing principal balance as of December 31, 2022, compared to December 31, 2021, was attributable higher WMS charges from the IESO in 2022. The IESO's average WMS charges increased from \$0.0043/kWh in 2021 to \$0.0057/kWh in 2022. Table 1 provides the calculation of IESO's average WMS charges for Alectra Utilities in 2021 and 2022.

Table 1 - IESO's Average WMS charges

	2021	2022
IESO's WMS Charges to Alectra Utilities (\$)	77,877,990	104,689,152
Energy Consumption related to WMS Charge (kWh)	18,024,497,989	18,513,655,528
Average IESO's WMS charges (\$/kWh)	0.0043	0.0057

Conversely, the payments received by Alectra Utilities from its customers remained consistent in 2022 compared to 2021. The 2022 WMS rate and RRRP charge (EB-2021-0300) were unchanged from the 2021 WMS rate and RRRP charge (EB-2020-0276) which were \$0.0030/kWh (excluding the CBR component) and \$0.0005/kWh, respectively. The slightly higher WMS payments received by Alectra Utilities in 2022 were attributed to higher energy consumption during the year.

Horizon Utilities RZ

In control account 1580 for HRZ, the closing principal balance as of December 31, 2022 (cell BO23, Tab 3 Continuity Schedule) is \$6,126,874 higher than the closing balance as of December 31, 2021 (cell BM23, Tab 3 Continuity Schedule). Table 2 provides the difference in control Account 1580 between 2021 and 2022. The higher closing balance as of December 31, 2022 is primarily attributable to higher WMS charges from the IESO in 2022. The WMS payments received by Alectra Utilities increased slightly in 2022, which were attributable to higher energy consumption during the year.

Table 2 – Difference in control Account 1580 between 2021 and 2022 for HRZ

As of December 31, 2021			As of December 31, 2022			Difference		
WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance
\$ 16,219,763	\$ 19,865,394	\$ 3,645,631	\$ 16,634,328	\$ 26,406,833	\$ 9,772,505	\$ 414,565	\$ 6,541,439	\$ 6,126,874

Table 3 provides the difference in WMS charges from the IESO between 2021 and 2022, categorized by the charge types.

Table 3- Difference of IESO's WMS charges between 2021 and 2022 for HRZ

IESO Charge Type	Charge Type Description	Amount
155	Congestion Management Settlement Uplift	\$ 4,266,471
150	Net Energy Market Settlement Uplift	\$ 3,362,111
1550	Day-ahead production cost guarantee recovery debit	\$ 1,484,225
250	10-Minute Spinning Market Reserve Hourly Uplift	\$ 779,738
252	10-Minute Non-Spinning Market Reserve Hourly Uplift	\$ 576,532
102	Transmission Rights Clearing Account Credit	\$ (3,809,214)
Others	Others WMS-related Charge Types recorded to 1508	\$ (118,426)
Total		\$ 6,541,439

Brampton RZ

In control account 1580 for BRZ, the closing principal balance as of December 31, 2022 (cell BO23, Tab 3 Continuity Schedule) is \$6,138,468 higher than the closing balance as of December 31, 2021 (cell BM23, Tab 3 Continuity Schedule). Table 4 provides the difference in control Account 1580 between 2021 and 2022. The higher closing balance as of December 31, 2022 is

primarily attributable to the higher WMS charges from the IESO in 2022. The WMS payments received by Alectra Utilities increased slightly in 2022, which were attributable to higher energy consumption during the year.

Table 4 – Difference in control Account 1580 between 2021 and 2022 for BRZ

As of December 31, 2021			As of December 31, 2022			Difference		
WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance
\$ 14,828,845	\$ 17,887,387	\$ 3,058,543	\$ 15,059,360	\$ 24,256,371	\$ 9,197,010	\$ 230,515	\$ 6,368,983	\$ 6,138,468

Table 5 provides the difference in WMS charges from the IESO between 2021 and 2022, categorized by the charge types.

Table 5- Difference of IESO's WMS charges between 2021 and 2022 for BRZ

IESO Charge Type	Charge Type Description	Amount
155	Congestion Management Settlement Uplift	\$ 3,851,433
150	Net Energy Market Settlement Uplift	\$ 3,062,828
1550	Day-ahead production cost guarantee recovery debit	\$ 1,345,089
250	10-Minute Spinning Market Reserve Hourly Uplift	\$ 719,062
252	10-Minute Non-Spinning Market Reserve Hourly Uplift	\$ 529,977
102	Transmission Rights Clearing Account Credit	\$ (3,034,871)
Others	Others WMS-related Charge Types recorded to 1508	\$ (104,535)
Total		\$ 6,368,983

PowerStream RZ

In control account 1580 for PRZ, the closing principal balance as of December 31, 2022 (cell BO23, Tab 3 Continuity Schedule) is \$12,699,600 higher than the closing balance as of December 31, 2021 (cell BM23, Tab 3 Continuity Schedule). Table 6 provides the difference in control Account 1580 between 2021 and 2022. The higher closing balance as of December 31, 2022 is primarily attributable to the higher WMS charges from the IESO in 2022. The WMS payments received by Alectra Utilities increased slightly in 2022, which were attributable to higher energy consumption during the year.

Table 6 – Difference in control Account 1580 between 2021 and 2022 for PRZ

As of December 31, 2021			As of December 31, 2022			Difference		
WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance
\$ 30,928,937	\$ 38,064,124	\$ 7,135,187	\$ 31,888,260	\$ 51,723,047	\$ 19,834,787	\$ 959,323	\$ 13,658,923	\$ 12,699,600

Table 7 provides the difference in WMS charges from the IESO between 2021 and 2022, categorized by the charge types.

Table 7- Difference of IESO's WMS charges between 2021 and 2022 for PRZ

IESO Charge Type	Charge Type Description	Amount
155	Congestion Management Settlement Uplift	\$ 8,385,674
150	Net Energy Market Settlement Uplift	\$ 6,632,021
1550	Day-ahead production cost guarantee recovery debit	\$ 2,916,700
250	10-Minute Spinning Market Reserve Hourly Uplift	\$ 1,547,506
252	10-Minute Non-Spinning Market Reserve Hourly Uplift	\$ 1,140,916
102	Transmission Rights Clearing Account Credit	\$ (6,969,352)
Others	Others WMS-related Charge Types recorded to 1508	\$ 5,459
Total		\$ 13,658,923

Enersource RZ

In control account 1580 for ERZ, the closing principal balance as of December 31, 2022 (cell BO23, Tab 3 Continuity Schedule) is \$ 9,556,532 higher than the closing balance as of December 31, 2021 (cell BM23, Tab 3 Continuity Schedule). Table 8 provides the difference in control Account 1580 between 2021 and 2022. The higher closing balance as of December 31, 2022 is primarily attributable to the higher WMS charges from the IESO in 2022. The WMS payments received by Alectra Utilities increased slightly in 2022, which were attributable to higher energy consumption during the year.

Table 8 – Difference in control Account 1580 between 2021 and 2022 for ERZ

As of December 31, 2021			As of December 31, 2022			Difference		
WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance
\$ 24,421,107	\$ 30,747,065	\$ 6,325,958	\$ 25,385,324	\$ 41,276,543	\$ 15,882,490	\$ 964,217	\$ 10,529,477	\$ 9,556,532

Table 9 provides the difference in WMS charges from the IESO between 2021 and 2022, categorized by the charge types.

Table 9- Difference of IESO's WMS charges between 2021 and 2022 for ERZ

IESO Charge Type	Charge Type Description	Amount
155	Congestion Management Settlement Uplift	\$ 6,633,618
150	Net Energy Market Settlement Uplift	\$ 5,249,329
1550	Day-ahead production cost guarantee recovery debit	\$ 2,312,325
250	10-Minute Spinning Market Reserve Hourly Uplift	\$ 1,234,971
252	10-Minute Non-Spinning Market Reserve Hourly Uplift	\$ 908,196
102	Transmission Rights Clearing Account Credit	\$ (5,514,626)
Others	Others WMS-related Charge Types recorded to 1508	\$ (294,336)
Total		\$ 10,529,477

Guelph Hydro RZ

In control account 1580 for GRZ, the closing principal balance as of December 31, 2022 (cell BO23, Tab 3 Continuity Schedule) is \$2,191,664 higher than the closing balance as of December 31, 2021 (cell BM23, Tab 3 Continuity Schedule). Table 10 provides the difference in control Account 1580 between 2021 and 2022. The higher closing balance as of December 31, 2022 is primarily attributable to the higher WMS charges from the IESO in 2022. The WMS payments received by Alectra Utilities increased slightly in 2022, which were attributable to higher energy consumption during the year.

Table 10 – Difference in control Account 1580 between 2021 and 2022 for GRZ

As of December 31, 2021			As of December 31, 2022			Difference		
WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance	WMS Received	WMS Payments to the IESO	1580 Balance
\$ 5,746,132	\$ 7,088,794	\$ 1,342,663	\$ 6,004,773	\$ 9,539,100	\$ 3,534,327	\$ 258,642	\$ 2,450,306	\$ 2,191,664

Table 11 provides the difference in WMS charges from the IESO between 2021 and 2022, categorized by the charge types.

1 **Table 11- Difference of IESO's WMS charges between 2021 and 2022 for GRZ**

IESO Charge Type	Charge Type Description	Amount
155	Congestion Management Settlement Uplift	\$ 1,512,469
150	Net Energy Market Settlement Uplift	\$ 1,189,011
1550	Day-ahead production cost guarantee recovery debit	\$ 528,965
250	10-Minute Spinning Market Reserve Hourly Uplift	\$ 283,721
252	10-Minute Non-Spinning Market Reserve Hourly Uplift	\$ 206,926
102	Transmission Rights Clearing Account Credit	\$ (1,269,502)
Others	Others WMS-related Charge Types recorded to 1508	\$ (1,284)
Total		\$ 2,450,306

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Staff Question-5

Reference: Low Voltage (LV) Rates, Rate Generator Models – Brampton RZ, Guelph RZ, Application - Exhibit 2, Tab 1, Schedule 5, pages 5-6

It's noted in the application that Alectra Utilities does not have current LV rates for the Brampton RZ and certain classes of Guelph RZ.

Question(s):

- a) Please explain why Alectra Utilities is requesting for propose 2024 LV rates for all classes of the Brampton RZ.**
- b) Please explain why Alectra Utilities is requesting for proposed 2024 LV rates for Residential, GS<50, GS 1,000 to 4,999, Large Use and Unmetered Scattered Load classes of the Guelph RZ for which there're no current LV rates.**

Response:

- 1 a) and b)
- 2 Due to the increase in LV costs in the Brampton and Guelph Hydro RZs, Alectra Utilities is
- 3 proposing to establish and/or update the LV rates in these rate zones in order to decrease the
- 4 amounts accumulated in the LV variance accounts.
- 5
- 6 Hydro One Brampton forecasted LV costs of \$161K in its 2015 Cost of Service Application and
- 7 calculated the forecasted LV costs to the customer classes based on the proportions of annual
- 8 Retail Transmission Connection Revenue by customer class. For the kWh billed customer classes
- 9 (Residential, GS<50 kW, Distributed Generation and Unmetered Scattered Load), the rate riders
- 10 were negligible (rounded to zero at the fourth decimal place).¹ As rate riders were only applicable
- 11 for the kW billed customer classes, Hydro One Brampton proposed to record LV costs directly in
- 12 account 1550 to be disposed of on an annual basis during the IRM process. As provided in Table
- 13 10 of Exhibit 2, Tab 1, Schedule 5 in the 2024 pre-filed evidence, LV costs in 2022 in the Brampton
- 14 RZ was \$351K or 118% higher than the forecast included in Hydro One Brampton's 2015 Cost of
- 15 Service Application. As a result, Alectra Utilities proposes to establish 2024 LV rates in the
- 16 Brampton RZ as provided in Tab 16.2 of the Rate Generator Model.

¹ EB-2014-0083, Hydro One Brampton Cost of Service Application, April 25, 2014, Exhibit 8, Tab 7, Schedule 1, pp.1-3

1 Guelph Hydro forecasted LV costs of \$29K in its 2016 Cost of Service Application and calculated
2 the forecasted LV costs to the customer classes based on the allocation of annual Retail
3 Transmission Connection charges. In its 2016 Application, Guelph Hydro proposed to charge the
4 LV rates to the GS 50-999 kW, Sentinel Lighting and Street Lighting classes only as the LV rates
5 for the other rate classes were negligible (rounded to zero at the fourth decimal place).² As
6 provided in Table 10 of Exhibit 2, Tab 1, Schedule 5 in the 2024 pre-filed evidence, LV costs in
7 2022 in the Guelph Hydro RZ was \$106K or 266% higher than the forecast included in Guelph
8 Hydro's 2016 Cost of Service Application. As a result, Alectra Utilities proposes to establish 2024
9 LV rates in the Guelph Hydro RZ as provided in Tab 16.2 of the Rate Generator Model.

² EB-2015-0073, Guelph Hydro Cost of Service Application, April 24, 2015, Exhibit 8, Tab 8, Schedule 1, pp.4-5

Staff Question-6

Reference: Renewable Generation Connection Rate Protection (RGCRP) – Brampton RZ, PowerStream RZ, Enersource RZ

The OEB's 2021 rates decision¹ noted that OEB staff and Alectra Utilities agreed on updated RGCRP models for the three rate zones (Brampton, PowerStream, and Enersource) to extend the calculations for the RGCRP funding amounts for each year between 2022 to 2026.

In its 2023 rate proceeding, Alectra Utilities provided RGCRP funding models² for each of the rate zones up to year 2026.

Question(s):

- a) Please confirm whether the 2024 RGCRP funding amount for each rate zone has remained unchanged from what was previously approved by the OEB in the 2023 rate proceeding.
 - i) If not confirmed, please explain why these amounts have been changed and please provide the updated 2024 RGCRP funding amount for each rate zone.

Response:

- 1 a) Alectra Utilities confirms that the 2024 RGCRP funding amounts for the Brampton,
2 PowerStream and Enersource RZs remain unchanged from what was previously approved by
3 the OEB in the 2023 rate proceeding. Specifically, Alectra Utilities is requesting RGCRP
4 funding of \$129,051 in the BRZ, \$239,343 in the PRZ and \$135,973 in the ERZ for 2024.

¹ EB-2020-0002, Decision and Rate Order, December 17, 2020

² EB-2022-0185, RGCRP Models, December 8, 2022

Staff Question-7

Reference: LRAMVA Workforms, Attachments 25-29

In Tab 1a 'Summary of Changes' of the LRAMVA workform, Alectra has indicated it has made changes in the Horizon and Guelph rate zone LRAMVA workform, but not in the Brampton, Powerstream or Enersource rate zone workforms. A summary of all changes are shown in the table below.

No.	Tab	Cell Reference	Description	Rate Zone
1	5. 2015-2020 LRAM	Row 1753-1765	Corrected formulas of persistence from prior years to 2023 and applied 2023 rates	Horizon
1	5. 2015-2020 LRAM	AI1564	Formula error - should have referenced Distribution Rate cell AI1554	Guelph
2	5. 2015-2020 LRAM	Rows 1758-1761	Formula error - persistence from prior years (2011-2022) in 2023 are referencing wrong cells.	Guelph

- a) Please confirm that similar changes made to the LRAMVA workforms noted in the table above were not also required for the Brampton, Powerstream and Enersource rate zone LRAMVA workforms. If any changes to the workform were made but omitted from Tab 1a, please indicate what changes were made to each workform and file updated workforms.
- b) If necessary changes to the workforms were not made, but are required, please update accordingly and file the updated workforms with your response.

Response:

- 1 a) Alectra Utilities confirms that similar changes made to the LRAMVA workforms noted in the
- 2 table above were also made to the Brampton, Powerstream and Enersource RZ's LRAMVA
- 3 workforms. Alectra Utilities has updated Tab 1a 'Summary of Changes' of the LRAMVA
- 4 workforms for the Brampton, Powerstream and Enersource RZs to reflect the changes.
- 5
- 6 b) Alectra Utilities has updated Tabs '1a Summary of Changes' and '6. Carrying Charge' in
- 7 LRAMVA workforms for all RZs to reflect the Q4 2023 OEB-prescribed interest rate of 5.49%.

1 The updated LRAMVA workforms are filed as Staff Question-7_Attach 1_LRAMVA Workform
2 HRZ, Staff Question-7_Attach 2_LRAMVA Workform BRZ, Staff Question-7_Attach
3 3_LRAMVA Workform PRZ, Staff Question-7_Attach 4_LRAMVA Workform ERZ, and Staff
4 Question-7_Attach 5_LRAMVA Workform GRZ.

5
6 Alectra Utilities has also updated the LRAMVA balances for each RZ, incorporating the
7 updated carrying charge, in Tab '4. Billing Det. for Def-var' of the RGM. The updated RGMs
8 are filed as Attachments 1-5 in the response to Staff Question-1.

Staff Question-7

Attachment 1 LRAMVA Workform HRZ

Please see live excel version of Attachment 1

Staff Question-7

Attachment 2 LRAMVA Workform BRZ

Please see live excel version of Attachment 2

Staff Question-7

Attachment 3 LRAMVA Workform PRZ

Please see live excel version of Attachment 3

Staff Question-7

Attachment 4 LRAMVA Workform ERZ

Please see live excel version of Attachment 4

Staff Question-7

Attachment 5 LRAMVA Workform GRZ

Please see live excel version of Attachment 5

Staff Question-8

Reference: Earnings Sharing Mechanism (ESM), Exhibit 2, Tab 1, Schedule 9

On page 2 of Exhibit 2 Tab 1 Schedule 9, Alectra Utilities stated:

The achieved ROE of 6.7% excludes the net OM&A merger savings adjustments that were included in the calculation of ROE in years 1 to 5 of the rebasing deferral period. In effect, this ensures that the ROE includes the savings Alectra Utilities achieved as a result of the consolidation, which is the basis for the ESM calculation.

In Table 89 of the application, using 2017 and 2018 ROE data, Alectra Utilities derived weighting factors for AUC 4 RZs (Alectra Utilities with only Enersource, Horizon, PowerStream and Brampton RZs) to be applied to Alectra Consolidated's (all five RZs) 2022 ROE data.


Table 89 – 2017 and 2018 RRR 2.1.5.6 ROE Summary

2017 RRR ROE 2.1.5.6	AUC 4 RZs	Guelph	Alectra Consolidated	Weighting Factor AUC 4 RZs
Adjusted Regulated Net Income (A)	92,065,394	5,839,597	97,904,991	0.9404
Rate Base (RB)	2,731,011,247	150,463,475	2,881,474,722	0.9478
Regulated Deemed Equity (40% of RB) (B)	1,092,404,499	60,185,390	1,152,589,889	0.9478
Achieved ROE % (A/B)	8.43%	9.70%	8.49%	

2018 RRR ROE 2.1.5.6	AUC 4 RZs	Guelph	Alectra Consolidated	Weighting Factor AUC 4 RZs
Adjusted Regulated Net Income (A)	88,414,588	5,072,739	93,487,327	0.9457
Rate Base (RB)	2,885,572,416	154,944,539	3,040,516,955	0.9490
Regulated Deemed Equity (40% of RB) (B)	1,154,228,966	61,977,816	1,216,206,782	0.9490
Achieved ROE % (A/B)	7.66%	8.18%	7.69%	

In Table 92 of the application, Alectra Utilities applied the 2017 and 2018 weighting factors to 2022 Alectra Consolidated's ROE data to derive 2022 (calculated) achieved ROE for AUC 4 RZs.

Table 92 – Alectra Utilities 2022 ESM Calculation

 2022 RRR ROE 2.1.5.6	Consolidated	2017	2018
		Weighting Factor AUC 4 RZs	Weighting Factor AUC 4 RZs
Adjusted Regulated Net Income (A)	93,178,915	87,621,207	88,122,911
Rate Base	3,475,211,015	3,293,744,101	3,298,114,496
Regulated Deemed Equity (40% of RB) (B)	1,390,084,406	1,317,497,641	1,319,245,798
Achieved ROE % (A/B)	6.70%	6.65%	6.68%
Deemed ROE	8.95%	8.94%	8.94%
Difference	-2.25%	-2.29%	-2.26%

Alectra Utilities concluded that the derived achieved ROE results (AUC 4 RZs) is either 229 basis points or 226 basis points below a deemed ROE of 8.94%. Therefore, the ESM is not triggered.

Question(s):

- a) With respect to the net OM&A merger savings adjustments in the ROE calculation please explain why the treatment in Years 1 to 5 of the rebasing deferral period (adjustments were included in ROE calculation) was different than the treatment in Year 6 (adjustments were excluded in ROE calculation).
- b) Please elaborate on the nature of the net OM&A merger savings adjustments.
 - i. Please provide the amount of the OM&A merger savings adjustments for Year 6.
 - ii. Please provide a recalculation for 2022 ESM by including the above OM&A merger savings adjustments.
- c) Alectra Utilities noted that the OM&A merger savings adjustments treatment ensures that the 2022 ROE includes the savings Alectra Utilities achieved as a result of the consolidation, which is the basis for the ESM calculation. Please discuss the rationale for this statement.
- d) Were there any integration and transaction costs incurred in Year 6 of the rebasing deferral period (2022)? If yes, did Alectra Utilities include/exclude any integration and transaction costs in the ROE calculation? And what is the amount? Please discuss the rationale for including or excluding these costs?

- e) **With respect to Alectra Utilities' proposal of applying the 2017 and 2018 weighting factors to 2022 Alectra Consolidated's ROE data to derive a proxy for the achieved ROE of AUC 4 RZs, please discuss the reasonability of this method (and why the weighting factors based on 2017 and 2018 data are appropriate for 2022 ROE situation). Does Alectra Utilities plan to apply the same method in the ESM of Years 7 to 10 of the rebasing deferral period? If yes, please discuss the rationale.**
- i. **Please use the average weighting factor of 2017 and 2018 for the 4 RZs to calculate a proxy for the 2022 achieved ROE for AUC 4 RZs and compare to the deemed ROE.**
- f) **Other than the proposed 2017 and 2018 weighting factor method, are there any other alternative method(s) that can be considered to derive the AUC 4 RZs' achieved ROE? If yes, please discuss.**

Response:

a) On March 26, 2015, the OEB issued its *Report of the Board: Rate-making Associated with Distributor Consolidation* ("MAADs Policy"). The OEB requires consolidating entities that propose to defer rebasing beyond five years to implement an ESM for the period beyond five years, whereby excess earnings are shared with consumers on a 50:50 basis for all earnings that are more than 300 basis points above the consolidated entity's annual ROE. The ESM is designed to protect customers and ensure that they share in any increased benefits from consolidation during the deferred rebasing period. As stated at p. 7 of the MAADs Policy, this sharing provides for the shareholders to continue to recover transaction costs while ensuring customers of the consolidated entity will benefit from the efficiencies and savings the new distributor has achieved.

The ESM will consider the earning of Alectra Utilities in years six to ten (i.e., 2022 to 2026) of the deferred rebasing period as a consolidated entity. Specifically, in years six to ten, 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, consistent with ESM requirement in the MAADs Policy. As the ESM is only effective beyond the initial five-year deferral period, 2017 to 2021 RRR ROE included an adjustment for net OM&A merger savings.

b) i) and ii)

The net OM&A merger adjustment reflects the net of merger related OM&A costs and savings. Net merger related OM&A savings were driven primarily by the integration of back-office functions and include payroll and non-payroll savings, such as rating agency evaluations, consulting support and IT support for corporate systems.

The amount of the net OM&A merger savings adjustment for 2022 (Year 6) is \$36.5MM.

A recalculation of the 2022 ROE including the net OM&A merger savings adjustment is provided as Staff Question-8_Attach 1_2022 ROE_OM&A Merger Savings Adjustment. 2022 ROE including the net OM&A merger savings adjustment is 4.76%. 2022 ROE excluding the net OM&A merger savings adjustment, filed as part of RRR 2.1.5.6 ROE is 6.70%.

c) Please see Alectra Utilities' response to part a).

d) The 2022 net OM&A merger savings adjustment for 2022 includes \$0.03MM of integration costs and \$36.5MM of OM&A savings. The rationale for excluding the net merger OM&A saving adjustment in the ROE calculation is provided in response to part a).

e) The weighting factors were derived using 2017 and 2018 ROE data from the respective annual RRR filings for Alectra Utilities and Guelph Hydro, as the ROE calculations for Alectra and Guelph were reported separately in those years. Since the Alectra Utilities and Guelph Hydro merger was effective January 1, 2019, Alectra Utilities' RRR filings are submitted for Alectra Utilities, and not individually, by rate zone. As a result, using 2017 and 2018 ROE data is the best available information to establish a methodology to exclude Guelph from Alectra's ROE calculation. Alectra Utilities intends to apply the same methodology for the ESM calculation in years 7 to 10 of the rebasing deferral period.

Alectra Utilities has used the average weighting factor of 2017 and 2018 for the 4 RZs to calculate a proxy for the 2022 achieved ROE for AUC 4 RZs. The use of the average weighting factor produces a similar result as the use of 2017 or 2018 data as provided in Table 1 below. 2022 ROE for the 4 RZs using the average weighting factor is 6.66%, compared to 6.65%

using a 2017 weighting factor and 6.68% using a 2018 weighting factor. As a result, under all scenarios, the ESM is not triggered.

Table 1 – 2022 ESM Calculation Summary

2022 RRR ROE 2.1.5.6	Consolidated	2017 Weighting Factor AUC 4 RZs	2018 Weighting Factor AUC 4 RZs	2017 & 2018 Average Weighting AUC 4 RZs
Adjusted Regulated Net Income (A)	93,178,915	87,621,207	88,122,911	87,866,269
Rate Base	3,475,211,015	3,293,744,101	3,298,114,496	3,295,987,985
Regulated Deemed Equity (40% of RB) (B)	1,390,084,406	1,317,497,641	1,319,245,798	1,318,395,194
Achieved ROE % (A/B)	6.70%	6.65%	6.68%	6.66%
Deemed ROE	8.95%	8.94%	8.94%	8.94%
Difference	-2.25%	-2.29%	-2.26%	-2.27%

- f) Alectra Utilities also considered the use of the average weighting factor identified by Staff which resulted in a comparable result to the two weighting factor options presented in the pre-filed evidence (i.e., the use of a 2017 or 2018 weighting factor).

In the OEB's Partial Decision and Order on Alectra Utilities' 2020 Rate Application, with respect to the Horizon Utilities RZ ESM, the OEB stated that "allocation methodologies are not an exact science, and different approaches can be adopted. The OEB notes that Alectra Utilities itself did not over earn in 2017 and 2018".¹ Similarly, Alectra Utilities did not over earn in 2022 and under the three allocation approaches used to exclude the GRZ, the ESM is not triggered.

¹ Partial Decision and Order, EB-2019-0018, January 30, 2020, p.46.

Staff Question-8

Attachment 1 2022 ROE OM&A Merger Savings Adjustment

REGULATED RETURN ON EQUITY (ROE)		2022 RRR	2022 RRR
		With Merger Adj	Without Merger Adj
REGULATED NET INCOME			
Regulated Net Income (Loss)		\$113,112,806.93	\$113,112,806.93
Adjustment Items:			
Non-rate regulated items and other adjustments (Appendix 1)		-\$37,454,628.63	-\$958,093.29
Unrealized (gains)/losses on interest rate swaps			
Actuarial (gains)/losses on OPEB and/or Pensions not approved by the OEB			
Non-recoverable donations (Appendix 2)		\$0.00	\$0.00
Net interest/carrying charges from DVAs (Appendix 3)		-\$2,628,306.18	-\$2,628,306.18
Interest adjustment for deemed debt (Appendix 4)		-\$15,912,657.22	-\$15,813,098.32
Adjusted regulated net income before tax adjustments		\$57,117,214.90	\$93,713,309.14
Add back: Future/deferred taxes expense		\$1,483,169.25	\$1,483,169.25
Add back: Current income tax expense		\$8,911,118.17	\$8,911,118.17
Deduct: Current income tax expense for regulated ROE purposes (Appendix 6)		1,230,716.40	10,928,681.37
Adjusted Regulated Net Income		\$66,280,785.92	\$93,178,915.19
WORKING CAPITAL ALLOWANCE			
Rate base:			
Cost of Power		2,899,921,820.32	2,899,921,820.32
Operating expenses before any applicable adjustments		\$282,997,050.42	\$282,997,050.42
Other Adjustments - Net Merger (synergies)/costs		- 36,496,535.34	-
Adjusted Operating Expense		\$319,493,585.76	\$282,997,050.42
Total Cost of Power and Operating Expenses		\$3,219,415,406.08	\$3,182,918,870.74
Working capital allowance %		10.50%	10.50%
Total working capital allowance (\$)		\$338,038,617.64	\$334,206,481.43
RATE BASE			
Opening balance - regulated PP&E (NBV) (Appendix 5)		\$3,103,769,307.60	\$3,103,769,307.60
Adjusted closing balance - regulated PP&E (NBV) (Appendix 5)		\$3,178,239,760.05	\$3,178,239,760.05
Average regulated PP&E		\$3,141,004,533.83	\$3,141,004,533.83
Total Rate Base		\$3,479,043,151.46	\$3,475,211,015.25
4%	Regulated deemed short-term debt % and \$	\$139,161,726.06	\$139,008,440.61
56%	Regulated deemed long-term debt % and \$	\$1,948,264,164.82	\$1,946,118,168.54
40%	Regulated deemed equity % and \$	\$1,391,617,260.59	\$1,390,084,406.10
REGULATED RATE OF RETURN ON DEEMED EQUITY		2022 RRR	2022 RRR
Achieved ROE%		4.76%	6.70%
Deemed ROE%		8.95%	8.95%
Difference - maximum deadband 3%		-4.19%	-2.25%

Staff Question-9

Reference: IRM Online Model

Alectra Utilities participated in the IRM Online Model LDC pilot project this year. Please describe Alectra Utilities' experience using the IRM Online platform, and provide feedback with respect to the IRM Online Model and the over-all process.

Response:

1 Alectra Utilities appreciates the opportunity to participate in the IRM Online project and to provide
2 feedback. Alectra Utilities' experience using the IRM Online platform proved to be a labour-
3 intensive process. The process appears to require a significant amount of manual data entry (e.g.,
4 Tab 16.1 LV Expense) which can be time-consuming and prone to human error. Further, the
5 application has a slow response time when inputting large volumes of data (e.g., in the LV tabs).
6
7 In terms of feedback with respect to the IRM Online Model and the overall process, Alectra Utilities
8 believes there is room for improvement in the user interface to streamline data entry. It would be
9 beneficial if the platform could incorporate additional automation, by integrating with Excel models
10 to pull in relevant data, uploading a standalone excel file or requesting data at a summary level
11 instead of a detail level. The autofill feature should be reviewed and improved to ensure it is pulling
12 the correct data. Additionally, implementing features such as data validation checks (e.g.,
13 ensuring the same values are consistent in all the related tabs) would greatly enhance the user
14 experience and accuracy of the results.
15
16 Overall, the IRM Online Model would be a good tool for a standard IRM application. In scenarios
17 where customization is required (e.g., the proposed disposition period for a rate rider in a specific
18 rate class differs from the standard recovery period of 12 months) further customization of the
19 model would be required to accommodate the proposed scenario, which may result in delays in
20 the mechanistic IRM process. Alternatively, the OEB may consider which fields/cells in the model
21 can be "unlocked" to allow greater flexibility for distributors with unique scenarios.