

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Alectra Utilities Corporation to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2024.

Submissions of the Power Workers’ Union

A. INTRODUCTION

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

Table 1: 2023 and 2024 Eligible Capital Projects¹

ICM Project	PowerStream RZ	Enersource RZ	Total
Cable Injection	\$2,792,127	\$8,458,401	\$11,250,528
Cable Replacement	\$5,073,076	\$8,815,107	\$13,888,183
Total Incremental Capital	\$ 7,865,203	\$17,273,508	\$25,138,711

2. On May 16, 2022, Alectra filed an application with the OEB seeking ICM funding for its PowerStream RZ and Enersource RZ for 2023 and 2024 projects. On November 17, 2022, the OEB approved ICM funding for the 2023 projects in each rate zone. ICM funding for 2024 projects was not approved because the OEB determined that the projects were ineligible for ICM funding at that time.

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

3. Each of the sixteen proposed projects were previously identified by Alectra in its 2023 ICM application.² Alectra considered eight additional cable renewal ICM projects across the PowerStream RZ, Enersource RZ, Brampton RZ, and Horizon RZ based on engineering assessments of cable failures completed in 2022 and 2023. Alectra has elected to defer those investments as the projects were determined not to be as material as the sixteen proposed projects.³

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

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

5. The evidence demonstrates clearly that the proposed investments in the remaining sixteen projects are urgently needed and in the best interests of the applicant's customers generally in order to avoid customer interruptions in the near future. ICM funding at this time is prudent to minimize the total costs to be recovered from ratepayers with economical cable injections. The cable injections extend the remaining useful lives of existing cables that would otherwise have to be replaced at a higher cost to ratepayers.

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

7. Alectra has estimated the \$25.1 million total ICM funding in both rate zones would avoid \$108 million in future cable renewal expenditures.⁴ In response to a PWU

² Exhibit 1 Tab 1 Schedule 4, Page 1 of 10

³ PWU-1

⁴ Exhibit 1 Tab 1 Schedule 4, Page 8 of 10

interrogatory,⁵ Alectra provided the impact for customers if ICM funding was not approved in comparison to the proposed ICM rate riders in each of the PowerStream and Enersource rate zones. For the purposes of comparison, the \$108 million status quo option is provided in the form of a rate rider.

Table 1 – PowerStream RZ Bill Impact Comparison

Rate Class	2024 ICM Monthly Rate Rider	Monthly Rate Rider
Residential	\$0.16	\$0.69
General Service Less Than 50 kW	\$0.37	\$1.73
General Service 50 To 4,999 kW	\$7.03	\$30.23
Large Use	\$132.88	\$572.29
Unmetered Scattered Load	\$0.07	\$0.30
Sentinel Lighting	\$0.08	\$0.36
Street Lighting	\$382.71	\$1,291.79

Table 2 – Enersource RZ Bill Impact Comparison

Rate Class	2024 ICM Monthly Rate Rider	Monthly Rate Rider
Residential	\$0.12	\$0.49
General Service Less Than 50 kW	\$0.41	\$1.51
General Service 50 To 499 kW	\$5.52	\$23.75
General Service 500 To 4,999 kW	\$34.36	\$148.05
Large Use	\$138.39	\$594.88
Unmetered Scattered Load	\$0.07	\$0.28
Street Lighting	\$0.02	\$0.05

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

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

⁵ PWU-2

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

10. For the PowerStream RZ, Alectra Utilities has calculated the capital expenditure materiality threshold of \$90.5 million in 2024. Given the 2024 total capital budget of \$117.6 million, the maximum eligible incremental capital is \$27.0 million.⁶ Alectra Utilities calculated the materiality threshold using the Board- approved rate base and depreciation amounts from its 2015 Cost of Service Application (EB-2014-0083), a price cap index (PCI) of 2.1% and a growth rate of 0.50% for 2024.⁷ The PCI of 2.1% is based on inflation of 2.4% less a productivity factor of 0% and a stretch factor of 0.3%.⁸ The growth rate of 0.50% is calculated in accordance with the ACM Report.⁹ The requested incremental capital for PowerStream RZ of \$7,865,203 million therefore satisfies the Board’s materiality threshold criteria and is also significant in relation to the 2024 Capital expenditure budget.

11. For the Enersource RZ, Alectra Utilities has calculated the capital expenditure materiality threshold of \$39.6 million in 2024. Given the total capital budget of \$56.2 million, the maximum eligible incremental capital is \$16.6 million.¹⁰ Alectra Utilities calculated the materiality threshold using the Board-approved rate base and depreciation amounts from its 2013 Cost of Service Application (EB-2012-0033), a price cap index (PCI) of 1.87% and a growth rate of -0.28%.¹¹ The PCI of 1.87% is based on inflation of 2.17% less a productivity factor of 0% and a stretch factor of 0.3%.¹² The growth rate of -0.28% is calculated in accordance with the ACM Report. The requested incremental capital for the Enersource RZ of \$7.9 million therefore satisfies the Board’s materiality

⁶ Exhibit 2 Tab 1 Schedule 1 Page 11 of 24, Table 6

⁷ Exhibit 2 Tab 1 Schedule 1 Page 10 of 24

⁸ Ibid.

⁹ Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module (EB-2014-0219), September 18, 2014

¹⁰ Exhibit 2 Tab 1 Schedule 1 Page 20 of 24, Table 13

¹¹ Exhibit 2 Tab 1 Schedule 1 Page 19 of 24

¹² Ibid.

threshold criteria and is also significant in relation to the 2024 Capital expenditure budgets.

12. The projects are needed to maintain service reliability to ratepayers. As the OEB found in its decision on Alectra's 2023 ICM request: "The OEB finds that the cable program is urgent based on new information that has arisen, specifically the asset condition report and preparation of the DSP after the RZs were last rebased."¹³

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

14. Alectra Utilities' 2022 ROE was calculated to be 6.7%, 225 basis points below a calculated ROE for Alectra of 8.95%.¹⁴ Additionally, Alectra Utilities has never met or exceeded its deemed ROE in any year since amalgamation.¹⁵

¹³ EB-2022-0013, Decision and Order, November 17, 2022, page 17.

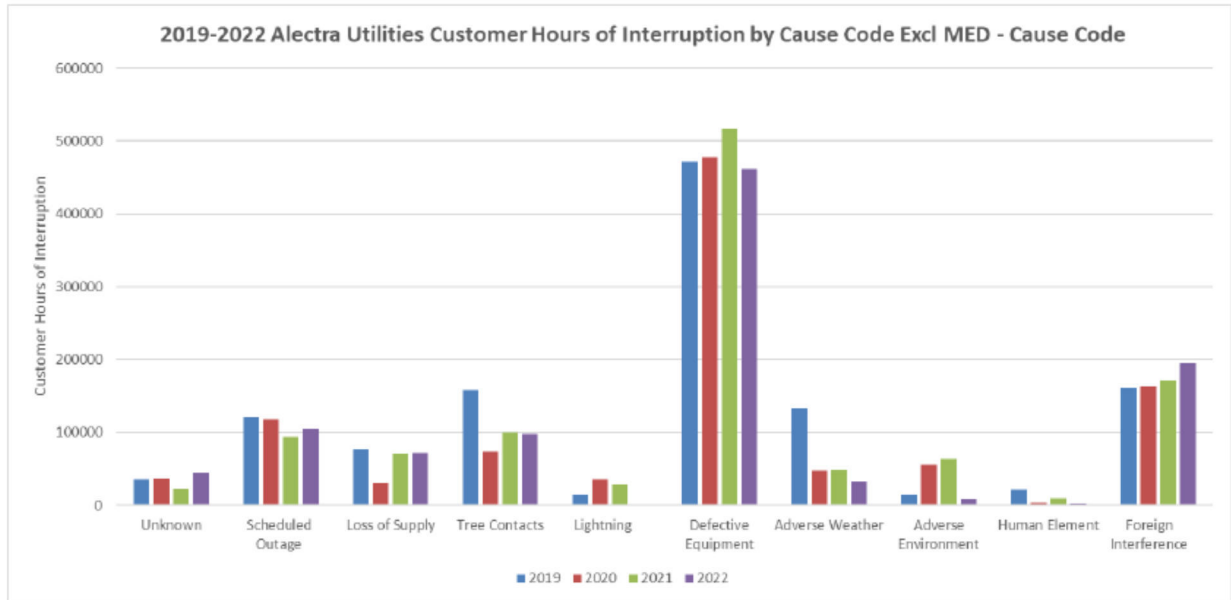
¹⁴ Exhibit 2 Tab 1 Schedule 1 Page 21 of 24

¹⁵ EB-2022-0013, PWU-2 &

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

15. Alectra’s evidence demonstrates the need for funding to address defective equipment that is the primary source of interruptions. This is demonstrated in the figure below.¹⁶

Figure 3: 2019-2022 Customer Hours of Interruption (Excl. MED) by Cause Code

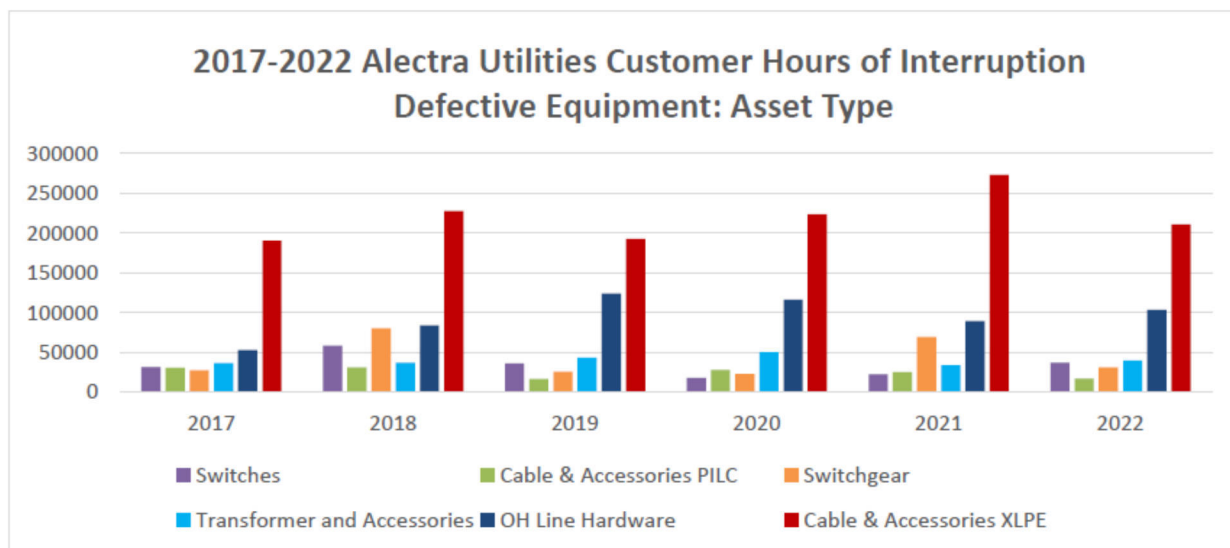


16. Furthermore, the figure below (showing interruptions by asset type) demonstrates that underground cables are regularly the primary source of interruptions.¹⁷ Defective underground cables are the largest contributor to SAIDI and SAIFI in both of these rate zones.

¹⁶ Exhibit 3 Tab 1 Schedule 2, Page 2 of 17

¹⁷ Exhibit 1 Tab 1 Schedule 4, Page 7 of 10

Figure 2 – Customer Hours of Interruption by Asset Type



17. If the Board were to deny the requests for ICM funding, Alectra Utilities would be forced to redeploy its capital spending from other priorities in order to complete these projects – which have already been identified as urgent – and thereby prevent a foreseeable decline in reliability. In this scenario, there would be a further reduction in the capital investments contemplated in Alectra Utilities’ DSP, and it would continue to fall behind in its efforts to implement the DSP. This would increase the risk that Alectra Utilities would not be able to meet the service quality and reliability expectations of its customers in the years ahead.

18. The PWU’s view is that Alectra’s 2024 ICM proposal provides the same ratepayer benefits as its 2023 ICM application and should therefore be approved for the reasons stated in the OEB’s decision on Alectra’s 2023 ICM application.

19. Alectra has demonstrated operational effectiveness as prioritized in the Renewed Regulatory Framework for Electricity Distributors, with continuous improvement in productivity and cost performance. The PWU submits that Alectra has demonstrated that it will provide substantial value for the level of ICM funding requested.

All of which is respectfully submitted.