



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

**ALECTRA UTILITIES CORPORATION.
2024 INCREMENTAL CAPITAL MODULE APPLICATION
EB-2023-0004**

Submission of the
Vulnerable Energy Consumers Coalition
(VECC)

October 17, 2023

Vulnerable Energy Consumers Coalition

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Introduction

1. This application is substantively a continuation of the Alectra Utilities (Alectra) capital proposals in EB-2022-0013 for addressing underground plant deterioration in the Enersource and PowerStream rate zones (ERZ and PRZ respectively). In that application we made a number of arguments in favour of rejecting the proposal. These were, in general, that the program was not material in light of the overall annual capital budgets of the Utility and that Alectra had failed to re-prioritize capital projects or use amalgamation efficiencies to help fill the requested capital need.
2. Fundamentally, we argued that the Board has, through its various ICM approvals and modified ICM policies, turned Alectra's rate deferral into a one-sided scheme where ratepayers pay for incremental capital investments while being deprived benefits from reduced operating and maintenance costs. Those arguments apply equally to this application which is simply the conversion of the 2023 ACM approach with a 2024 ICM. Other than the acronym nothing much else has changed.
3. In the event, the Board determined in the prior Decision 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."* The Board also found that *the project-specific materiality" criterion is not applicable to Alectra Utilities' funding request. The February 2022 ICM Update expands the circumstances when ICM funding can be available to include ongoing capital programs during an extended rebasing period where certain additional requirements are met"*¹.
4. The Board subsequently approved all of the sought 2023 ICM projects for the PRZ. However, it denied ICM funding for a large portion of the ERZ ICM projects based on a calculation of 2017 through 2022 average funding of the cable program in the amount of \$14.6 million. This finding reduced the ERZ request of \$16.5 million to \$1.9 million.²
5. As we think it unlikely the Board would now reverse itself from those previous findings it would be frivolous for us to reargue the case of the inequality of the ICM policy or the need for the underground program. While we hold to those arguments our submissions in this application are limited to the following three issues:
 - The calculation of the materiality threshold for each rate zone;
 - The sufficiency of Alectra's response to the Board's concerns as to capital investment prioritization; and,
 - Alectra's adherence to the Board's prior finding of \$14.6 million in rate funding available for the projects in question.

¹ Board Decision EB-2022-0013, November 17, 2022 (Decision 0013), pages, 10 & 13

² IBID, page 14-15.

Incremental Revenue Requirement

6. The incremental revenue requested for each rate zone is shown below.

Table 8 – Incremental Revenue Requirement – PowerStream RZ

Incremental Revenue Requirement	2024
Return on Rate base - Total	\$983,319
Amortization	\$383,856
Incremental Grossed Up PILs	(\$143,540)
Total Incremental Revenue	\$1,223,635

Table 15 – Incremental Revenue Requirement – Enersource RZ

Incremental Revenue Requirement	2024
Return on Rate base - Total	\$506,054
Amortization	\$174,782
Incremental Grossed Up PILs	(\$63,676)
Total Incremental Revenue	\$617,161

The Application

7. When the 2020 DSP was prepared, Alectra Utilities had identified that 14% of underground cable (3,173 km of a total of 22,140 km) had a Health Index of poor or very poor condition. The revised assessment of cable condition identified that the population of poor and very poor condition cable had increased to 4,766 km based on 2022 data.
8. The total forecast spending on cable injection, replacement and emerging underground projects in 2024 is \$67.4 million (inclusive of proposed ICM projects). Alectra Utilities is applying for Incremental Capital funding of \$25.1 million for 2024 and the remaining \$42.3MM is proposed to be funded through base rates³. The ICM projects are a combination of underground cable injection (\$11.25 million) and cable replacements (13.9 million). In the PowerStream RZ base rates support 10 cable renewal projects in 2024. With incremental funding would complete an additional 11 projects, for a total of 21 projects. \$7.865 million of the projects are to be built in the ERZ and \$17.3 in the PRZ⁴.

³ 3-SEC-7

⁴ AMPCO-14

Table 1 – ICM Projects PRZ (\$MM)

Project #	Project Name	2024
151329	Cable Replacement – Raymerville Drive Area in Markham (M21)	\$1.6
151361	Cable Injection – Cairns Drive of Markham (M21)	\$1.7
151367	Cable Injection – McNaughton Road Area of Vaughan (V26)	\$1.7
151456	Cable Injection – Sovereign Court Area in Vaughan (V50)	\$1.3
151459	Cable Injection – Creditstone Road Area in Vaughan (V24)	\$2.2
151517	Cable Injection - 8th Line & Highway 11 Area in Bradford (BR5)	\$1.0
151913	Cable Replacement – Cochrane Drive & Scolberg in Markham (M44)	\$2.1
151935	Cable Replacement - Larkin Ave Area of Markham (M15)	\$1.9
152373	Cable Replacement - St. Joan of Arc Area of Vaughan (V26)	\$1.9
152375	Cable Replacement – Hammond Drive Area in Aurora (A09)	\$1.4
152387	Cable Injection – Bainbridge Ave (V51)	\$0.6
	Total Proposed ICM Investment PRZ	\$17.3

Table 2 – ICM Projects ERZ (\$MM)

Project #	Project Name	2024
151403	Cable Replacement - Montevideo & Battleford Area in Mississauga (Area 46)	\$1.6
151407	Cable Replacement – Glen Erin & Burnhamthorpe of Mississauga (Area 25)	\$2.4
151431	Cable Injection – Glen Erin Dr & Bell Harbour Dr in Mississauga (Area 39)	\$1.3
151435	Cable Injection – Derry Road & Ninth Line (Area 56)	\$1.5
151903	Cable Replacement – South Millway Area in Mississauga (Area 25)	\$1.1
	Total Proposed ICM Investment ERZ	\$7.9

9. The sixteen capital projects in this application were already filed with the OEB in Alectra’s 2023 ICM application EB-2022-0013. In that application the Board did not approve the 2024 projects noting that the 2024 cable program was considered an ACM proposal and that policy only applied to utilities in cost of service applications.⁵ In the prior application \$26,932,544 was the estimated cost of the 2024. In this application those same projects are now estimated to costs about \$1.8 less.⁶

10. Eleven of the projects in the PowerStream RZ are repeated request from the 2024 ACM request. Five of the projects in the Enersource RZ are the same as those requested in EB-2022-0013 requests, four of which were 2023 ICM projects and one a 2024 ACM project. The relationship between the prior request and this application is shown in the tables below:⁷

⁵ Decision 0013, November 17, 2022, page 2

⁶ Decision 0013 page 6 or \$1.7 million using tables shown in 1-Staff-4

⁷ 1-Staff-5

Table 1 – ERZ ICM Project Cost Comparison

ERZ Rate Zone	EB-2022-0013	2023	2023 Q3 Forecast	2024	
		2023 Approved ICM		EB-2022-0013	EB-2023-0004
Cable Replacement Project - (AREA46) - Montevideo & Battleford, Mississauga	1.4	0.0	0.0	0.0	1.6
Cable and Transformer Replacement Project - (AREA25) - Glen Erin & Burnhamthorpe,	2.2	0.0	0.0	2.3	2.4
Cable Injection - (AREA 39) - Glen Erin Dr and Bell Harbour Dr, Mississauga	0.9	0.0	0.0	0.0	1.3
Cable Injection - Edwards Boulevard Area in Mississauga (Area 43 & 51)	0.0	0.0	0.0	1.3	0.0
Cable Injection - (AREA56) - Derry Rd W & Ninth Line, Mississauga	1.0	0.0	0.0	1.1	1.5
Cable Injection - (AREA58 & 59) - Winston Churchill & The Collegeway, Mississauga	1.0	0.0	0.0	1.1	0.0
Cable Replacement - Tomken Trail in Mississauga (Area 36)	0.0	0.0	0.0	2.0	0.0
Cable Replacement- Main Feeder Cable on Cantay Road, Mississauga (AREA 44)	0.9	0.8	0.8	0.0	0.0
Cable Replacement Project - (AREA16) - Hemus Square, Mississauga	0.7	1.1	1.1	0.0	0.0
Cable Replacement Project - (AREA19) - Dixie Rd and Winding Trail, Mississauga	0.6	0.0	0.3	0.0	0.0
Cable Replacement Project - (AREA25) - South Millway, Mississauga	0.0	0.0	0.0	1.0	1.1
ERZ Total	8.7	1.9	2.2	8.7	7.9

Table 2 – PRZ ICM Project Cost Comparison

PRZ Rate Zone	EB-2022-0013	2023	2023 Q3 Forecast	2024	
		2023 Approved ICM		EB-2022-0013	EB-2023-0004
Cable Replacement Project - (M21) - Raymerville Dr, Markham	1.5	1.5	1.0	1.6	1.6
Cable Injection Project - (M21) - Cairns Drive area of Markham	1.7	1.7	2.0	1.9	1.7
Cable Injection Project - (V26) - McNaughton Road area of Vaughan	0.0	0.0	0.0	1.9	1.7
Cable Injection Project - (V50) - Sovereign Court area of Vaughan	0.0	0.0	0.0	1.6	1.3
Cable Injection Project - (V24) - Creditstone Rd area of Vaughan	0.0	0.0	0.0	2.1	2.2
Cable Injection Project - (V17) - Jacob Keffer Parkway area of Vaughan	1.6	1.6	1.0	0.0	0.0
Cable Injection Project - (BR5) - 8th Line and Highway 11, Bradford	0.0	0.0	0.0	1.3	1.0
Cable Injection Project - (A09) - Willow Farm Lane of Aurora	1.1	1.1	1.1	0.0	0.0
Cable Replacement Project – (V51) – Ashbridge Circle area in Vaughan	2.6	2.6	2.4	0.0	0.0
Cable Replacement Project - (M44) - Cochrane Dr (North) - Scolberg (South), Markham	2.5	2.5	1.2	2.5	2.1
Cable Replacement Project - (V36) - Aviva Park, Vaughan	2.4	1.7	1.6	0.0	0.0
Cable Replacement Project - (M15) - Larkin Ave area of Markham	0.0	0.0	0.0	1.8	1.9
Cable Replacement Project - (V26) - St. Joan of Arc area of Vaughan	0.0	0.0	0.0	1.6	1.9
Cable Replacement Project - (A09) - Hammond Dr area of Aurora	0.0	0.0	0.0	1.3	1.4
Cable Replacement Project - (A10) -Batson Dr, Aurora	1.7	1.9	1.9	0.0	0.0
Cable Injection Project - (R23) - Kersey Cr area of Richmond Hill	1.5	1.5	1.8	0.0	0.0
Cable Injection Project - (V51) - Rainbridge Ave, Vaughan	0.0	0.0	0.0	0.6	0.6
PRZ Total	16.6	16.2	13.9	18.2	17.3

11. For the ERZ, Table 1 lists some projects currently proposed for 2024 which were previously proposed for 2023 incremental funding and not approved. For those projects Alectra has assumed the 3.68% inflation and then compared updated project cost estimates against the previously proposed 2023 cost estimate. As Alectra Utilities has begun injecting cables in ERZ the actual costs were higher than originally estimated. This contributed to the updated forecasted injection cost estimates for 2024.⁸

ICM Tests

12. Alectra must meet a number of policy standards for the approval of an ICM. In EB-2022-0113 the Board applied these criteria: (i) Materiality; (ii) Influence on Operations; (iii) Need; (iv) Expected Base funding; (V) Prudence.

Materiality – Choice of Inflation Factor

13. Alectra calculated a materiality threshold that would allow up to \$27 million in incremental capital in the PRZ and \$16.6 million in the ERZ.⁹ This is in contrast to the \$19.9 and \$7.9 maximum eligible incremental capital in these zones that was calculated for 2024 in the prior application EB-2022-0013.¹⁰
14. A part of the variance in eligible incremental capital comes from Alectra's deviation of the appropriate inflation rate to use in the calculation.¹¹ *"Alectra Utilities proposes to use a RZ specific geometric mean to determine the inflation factor value for the materiality threshold calculation. For the Enersource RZ, a geometric mean of 2.17% was calculated using inflation values over the 2014 to 2024 period (i.e., the IRM period for1 the Enersource RZ) and for the PowerStream RZ, a geometric mean of 2.4% was calculated using the inflation factor values over the 2018 to 2024 period".*¹² The tables below compare the proposed geometric mean methodology used by Alectra with the Board's ICM IPI.

⁸ 1-Staff-5

⁹ Exhibit 2, Tab1, Schedule 1, pages 11 and 20

¹⁰ EB-2022-0013, Exhibit 2, Tab 1, Schedule 1, page 7 & 15

¹¹ See 1-Staff-1.

¹² Exhibit 2, Tab 1, Schedule 1, page 5

Table 4 – Maximum Eligible Incremental Capital – PowerStream RZ
Using IPI (1-Staff-1)

Eligible Incremental Capital	2024
Capital Budget	117,556,163
Less: Materiality Threshold	130,502,043
Maximum Eligible Incremental Capital	(12,945,880)

Table 6 – Maximum Eligible Incremental Capital – PowerStream RZ
Using Geometric Mean (Exhibit 2, Tab 1, Schedule 1, page 11)

Eligible Incremental Capital	2024
Capital Budget	117,556,163
Less: Materiality Threshold	90,514,914
Maximum Eligible Incremental Capital	\$27,041,249

Table 6 – Maximum Eligible Incremental Capital – Enersource RZ
Using IPI (1-Staff-1)

Eligible Incremental Capital	ERZ
Capital Budget	56,233,618
Less: Materiality Threshold	67,665,866
Maximum Eligible Incremental Capital	(11,432,248)

Table 13 – Maximum Eligible Incremental Capital – Enersource RZ
Using Geometric Mean (Exhibit 2, Tab 1, Schedule 1, page 20)

Eligible Incremental Capital	ERZ
Capital Budget	56,233,618
Less: Materiality Threshold	39,599,322
Maximum Eligible Incremental Capital	16,634,297

15. The choice of inflation factor would on the face of it determine whether any ICM should be allowed. If the standard IPI inflation factor is used then in both zones the Utility fails to meet the materiality threshold test.
16. The evidence as to whether Alectra’s proposed inflation factor is appropriate is limited. In fact, it is not clear to us whether Alectra’s methodology is mathematically sound. The CPI at least, already incorporates a geometric mean in its calculation.¹³ In any event the

¹³ 6.13 The standard approach refers to the most commonly used method of combining prices, in order to estimate price change for elementary aggregates in the CPI. Typically, consumer expenditure patterns below the elementary aggregate level are not known and therefore the implicitly weighted geometric mean, known as the Jevons formula (6.1), is used to calculate an average price relative from the sample of the collected POs. This means the price

adjustment of the standard calculation in this test was subject only to questions of parties as the Board held no settlement conference or oral hearing in this case. As such we submit the record is less than robust for such a change which results in such a material change in results.

17. One thing we do think the Board should consider is that materiality threshold calculated in 2023 for the 2024 ACM proposal would have yielded “ICM room” of \$19.9 million in the PRZ and \$7.9 million in the ERZ. Adhering to the use of the IPI shows that the model yields dramatically different results based on albeit significant changes in inflationary conditions. If inflation conditions are short term - as central bank policy clearly resolves them to be - then such a dramatic swing in results brings into question the stability of the Board’s ICM model.

18. The second test of materiality is relative to the proportion of overall capital spending. The Total amount of ICM spending is less than 10% of the overall capital budgets.¹⁴

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

Capital Expenditures	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Budget	Total
Total CAPEX	256.1	261.9	241.6	281.6	285.3	1,326.5
ICM Funding (Approved/Requested)	-	10.7	-	18.1	25.1	53.9
CAPEX w/o ICMs	256.1	251.2	241.6	263.5	260.2	1,272.6

19. In EB-2022-0013 the Board found that:¹⁵

“..... the “project-specific materiality” criterion is not applicable to Alectra Utilities’ funding request. The February 2022 ICM Update expands the circumstances when ICM funding can be available to include ongoing capital programs during an extended rebasing period where certain additional requirements are met. Alectra Utilities’ ICM funding application is based on an ongoing cable program.”

As this application is a continuation of that in EB-2022-0013 it follows that the Board will not apply a test of the relative proportion of the proposed ICM spending vis-à-vis overall capital spending.

relative of each collected PO is assigned equal importance in the calculation. The Jevons formula has been used by Statistics Canada since 1995 as its primary formula for the calculation of elementary price indices in the CPI.
<https://www150.statcan.gc.ca/n1/pub/62-553-x/2019001/chap-6-eng.htm>

¹⁴ 1-Staff-7 (1-Staff-8 shows by rate zone)

¹⁵ Decision 0013, page 10

Influence on Operations and Need

20. Similarly, the Board has already opined on the need for the Alectra cable program which this ICM application addressed. Specifically, the Board said¹⁶:

“The current asset condition requires urgent cable replacement and cable injection to ensure reliability and quality of service. In addition, the PowerStream RZ and the Enersource RZ last rebased in 2017 and 2013 respectively, and Alectra Utilities received its first report on the poor condition of cable assets in September 2018.⁴² The consolidated DSP was prepared after this asset condition report. Since September 2018, after the poor asset condition was reported, the cables have further aged.

The OEB finds that Alectra Utilities has met this criterion. Because the relevant time period for assessing whether the information is new is the time of the last rebasing, submissions regarding recent reliability information in the last few years or an updated survey are not helpful to determining this requirement for ICM funding.”

As the proposals in this application are essentially a continuation of what was previously sought it again follows that the proposed program meets the needs tests.

Cable Program Underspending

21. For 2022, Alectra Utilities completed \$21.4MM of underground renewal against a budget of \$25.7MM in PRZ and ERZ, which represents 83% of the budgeted amount.¹⁷ As shown below the actual amounts spent on the underground projects in 2022 was lower than in any of the prior four years¹⁸.

Table 21 – UG Cable Renewal Investments (\$MM)

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

22. The tables below compare what Alectra presented in EB-2022-0013 for 2022 and what has presented in this application.

¹⁶ Decision 1103, page 18

¹⁷ 1-Staff-4

¹⁸ EB-2023-004 Exhibit 3, Tab 1, Schedule 2, page 11

Enersource RZ comparison with EB-2022-0013¹⁹

	Cable Renewal Funding Supported Through Distribution Rates							
Annual Cable Renewal Spending (\$ millions)	Actual 2017	Actual 2018 ³¹	Actual 2019	Actual 2020	Actual 2021	As shown in Decision EB-2022- 0013, page 14 Actual & Budgeted 2022	Actual 1- Staff-4 2022	As shown at 1-Staff-4 Budgeted 2022
Cable Replacement	\$18.7	\$16.1	\$13.8	\$15.2	\$9.7	\$7.6	\$6.8	\$5.6
Cable Injection	N/A	N/A	\$0.0	\$0.0	\$0.0	\$1.7	\$0.9	\$1.5
Emerging Underground Projects	N/A	N/A	\$0.7	\$1.0	\$2.8	\$0.0	\$0.4	\$1.0
Total	\$18.7	\$16.1	\$14.5	\$16.2	\$12.6	\$9.3	\$8.2	\$8.1

PowerStream RZ Comparison with EB-2022-0013

	Cable Renewal Funding Supported Through Distribution Rates							
Annual Cable Renewal Spending (\$ millions)	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	As shown in Decision EB-2022- 0013, page 14 Actual & Budgeted 2022	Actual 1- Staff-4 2022	As shown at 1-Staff-4 Budgeted 2022
Cable Replacement	\$8.3	\$9.9	\$6.7	\$11.9	\$6.3	\$9.5	\$6.5	\$7.1
Cable Injection	\$3.7	\$3.6	\$3.8	\$7.9	\$7.4	\$9.7	\$6.3	\$8.8
Emerging Underground Projects	\$0.0	\$0.0	\$1.9	\$1.9	\$3.0	\$2.3	\$0.4	\$1.7
Total	\$12.0	\$13.5	\$12.4	\$21.7	\$16.7	\$21.5	\$13.2	\$17.6

23. It is not clear to us the reason for the variance as between the Board's recounting of the 2022 budget and the revised 2022 budget numbers shown in response 1-Staff-4. In any event the amount spent in 2022 in the ERZ was substantially below the Board imputed an annual capital budget of \$16.6 million for that rate zone. It is also clear that Alectra underspent in the PRZ as well.

24. In 2023 underspending appears to be continuing in the PRZ. In the ERZ Alectra's overall underground spending is projected to be within the range set out in the prior application.²⁰

¹⁹ See also 3-SEC-8

²⁰ 1-Staff-4 and Decision EB-2022-0013 page 14, Tables 4 & 5

Table 3: 2023 Underground Renewal Forecast Expenditures vs. Budget for PRZ

PowerStream-Rate Zone	EB-2022-0013	Budget	Forecast	Variance
Funded through distribution rates	2023	2023	2023	2023
Cable Replacement	7.4	\$ 6.6	\$ 8.5	\$ 1.8
Cable Injection	8.8	\$ 7.6	\$ 6.0	\$ (1.6)
Emerging Underground Projects	1.4	\$ 1.9	\$ 1.7	\$ (0.2)
Total	17.6	\$ 16.1	\$ 16.2	\$ 0.1
Funded through ICM rate riders				
Cable Replacement	10.7	\$ 10.3	\$ 8.0	\$ (2.3)
Cable Injection	5.9	\$ 5.9	\$ 5.8	\$ (0.1)
Emerging Underground Projects	-	\$ -	\$ -	\$ -
Total	16.6	\$ 16.2	\$ 13.9	\$ (2.4)

Table 4: 2023 Underground Renewal Forecast Expenditures vs. Budget for ERZ

Enersource Rate Zone	EB-2022-0013	Budget	Forecast	Variance
Funded through distribution rates		2023	2023	2023
Cable Replacement	5.1	\$ 7.2	\$ 10.3	\$ 3.0
Cable Injection	1.6	\$ 2.8	\$ 2.0	\$ (0.8)
Emerging Underground Projects	1.1	\$ 1.1	\$ 1.1	\$ -
Total	7.8	\$ 11.2	\$ 13.4	\$ 2.2
Funded through ICM rate riders				
	(applied for)			
Cable Replacement	5.8	\$ 1.9	\$ 2.2	\$ 0.3
Cable Injection	2.9	\$ -	\$ -	\$ -
Emerging Underground Projects		\$ -	\$ -	\$ -
Total	8.7	\$ 1.9	\$ 2.2	\$ 0.3

25. The conclusion we reach is that, notwithstanding the said urgency of the underground renewal program, Alectra underspent on the program significantly in 2022 and expects to spend less than its approved ICM in the PRZ in 2023.

Alectra’s Response to EB-2022-0013

Capital Project Prioritization

26. The Decision EB-2022-0013 expressed concern about Alectra’s capital project prioritization. In response the evidence in this case is

“Alectra Utilities has re-prioritized investments for 2023 based on the OEB’s decision and reduced the investment in General Plant by \$6.2MM primarily by re-prioritizing and deferring Information Technology investments. The funds were redirected to distribution automation in an effort to reduce the number of customers impacted by an outage and restoration time for those customers impacted by both overhead and underground reliability issues. Alectra Utilities elected to invest in distribution automation instead of in cable renewal as automation has a wider beneficial impact for a higher number of customers and provides grid flexibility to expedite restoration for both overhead and underground systems”

27. The fact is that as compared to the periods prior to the ICM requests Alectra continues to make general plant investments significantly higher than in the early period of amalgamation.²¹

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

28. Since the Board’s Decision in EB-20219-0018 rejecting the “M-Factor” concept, Alectra has reduced its overall capital budgets by more than \$125 million including significant decreases to its investments in underground assets.²² Alectra explains that its decision to defer or reduce significant capital investment was necessary to align with the level of investment supported by funding in base rates. At the same time the Utility has increased its investments in IT projects largely in its “Customer Experience” applications and made only modest reductions in response to the Board’s expressed concerns.

²¹ VECC-1

²² 1-Staff-8

29. At the same time overall, in every year from 2020 to 2023 Alectra has made lower capital investments than its budgeted plans. In 2022, the most recent year for which there are actual results the under investment was \$46.7 million²³

30. Our conclusion from this is that Alectra has more capacity to both spend at its budgeted levels and to better prioritize capital to the more urgent needs in underground than it currently undertakes. We believe the Board should consider this unused flexibility in its decision as to whether to grant any ICM funding.

ERZ Normalized Underground Investment

31. In EB-2022-0013 the OEB found that the capital expenditures in the 2023 ICM request for the ERZ 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 in the ERZ. The OEB subsequently approved only \$1.9 million of the \$8.7 million ICM request for the Enersource rate zone.

32. Alectra proceeded with three of the eight ERZ projects identified in the 2023 ICM request and now seeking ICM funding in 2024 for four of the projects it had deferred.²⁴ In the prior ICM application the Board found that base rates in the ERZ supported \$14.6 million in cable projects. Alectra forecasts to spend a total of \$15.6 in rate funded (\$13.4) and ICM funded (\$2.2) in the ERZ. The actual 2023 budget is \$13.1 million.

Enersource Rate Zone	Proposed in EB-2022-0013	Plan	Variance
Funded through distribution rates	2024	2024	2024
Cable Replacement	\$ 5.3	\$ 7.6	\$ 2.3
Cable Injection	\$ 1.7	\$ 2.7	\$ 1.0
Emerging Underground Projects	\$ 1.1	\$ 1.2	\$ 0.1
Total	\$ 8.1	\$ 11.5	\$ 3.4
Funded through ICM rate riders			
Cable Replacement	\$ 5.2	\$ 5.1	\$ (0.1)
Cable Injection	\$ 3.5	\$ 2.8	\$ (0.7)
Emerging Underground Projects	\$ -	\$ -	\$ -
Total	\$ 8.7	\$ 7.9	\$ (0.8)

²³ 1-Staff-9, Attachment 1 DSP variances & 1-Staff-1

²⁴ 1-Staff-6

33. The current proposal contemplates \$11.5 million in cable programs funded through base rates. In our submission if the Board approves ICM funding in the ERZ it should continue to impute the average funding amount of \$14.6 million. This would reduce the allowed ICM funded projects by \$3.1 million.

Results of investments

34. After completion of 2023 ICM projects, the projected percentage of deteriorated cable by 1 2025 is reduced from 25% (as noted in the EB-2022-0013 evidence) to 24.1%.²⁵

35. As well the number of outages due to underground failure continues to decline.

Table 1 – Number of XLPE and Accessories Outages per year (2018-2022) for Alectra Utilities²⁶

Number of XLPE and Accessories outages per year	
2022	375
2021	452
2020	475
2019	411
2018	534
Average	449

36. The evidence points to a declining rate of cable failures. This is not to deny the need for the program. It simply points out that the actual impacts show an improvement in results and suggest there is less urgency to this program than expressed by Alectra.

Conclusions

37. It is clear that based on the standard approach to applying the materiality threshold test neither ICM proposal should be approved. It is also clear that Alectra’s past spending on cable projects, especially in 2022, but even in its ability to carry out expected program shows the Utility has more flexibility within its base rates to fund these programs. In addition, the reliability data bears out that, while the program is needed, a less aggressive capital investment plan is unlikely to have significant negative consequences. We also think Alectra’s calculation as to avoided costs of this program are largely speculative and based on untested premises including the longevity and efficacy of cable injection, a relatively new technology.

²⁵ 1-Staff-15

²⁶ AMPCO-11

38. The Board might therefore reasonably reject the application in its entirety. We would support that on the basis of the same arguments we made in the prior ICM application that the Board's allowance of ICMs for this Utility are a one-sided form of ratemaking and therefore unfair to ratepayers.
39. However, we are mindful of the Board's Decision in EB-2022-0013. In essence that Decision accepts the urgency and need for the cable program. Furthermore, the Decision accepts , with some modest adjustments to incorporate reprioritization of spending in the ERZ, the materiality of the program. That the materiality threshold changes in such dramatic fashion due to one variable in the Board's formula is problematic.
40. The problem is two fold, one is conceptual and the other mathematical. The conceptual problem is to explain why a change in inflation, even a large change, should have such a large impact on long lived assets. It is not intuitive why a short-term spike (hopefully) in 2022 and 2023 inflation rates should make such a large difference in what is allowable in ICM funding for long term assets
41. The other problem is mathematical. It is not clear to us that Alectra's inflation proposal is mathematically sound or a better predictor than what is conventionally employed. Even if it is it does not address the fundamentally point about the inflation variable. As a predictor of the future, we would suggest neither the IPI or geometric mean methodologies are likely to yield good results due to the important exogenous variables which are in turmoil and are now impacting inflation.
42. In our submission Alectra's application should not be dismissed on the basis of a technicality. If the programs continue to meet the need and "influence on operations" the Board found in EB-2022-0013 then the investments should be made. Nothing has fundamentally changed since the last ICM application. While future revenues of Alectra will increase with "inflation informed IRM" capital costs will increase for the same reason.
43. Should the Board decide to grant ICM funding we submit at least two changes should be made. First the Board should make the appropriate adjustment for its past finding on the embedded rate support for capital funding in the ERZ. Secondly, there should be a reduction a reduction of \$2.4 million in the PRZ to recognize the 2023 underspending. We also think it reasonable for the Board to make moderate further reductions in light of Alectra's actual capital spending and its continued ability to better prioritize its capital spending.

VECC submits that it has acted responsibly and efficiently during this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED