

November 2, 2023

RESS & EMAIL

Ontario Energy Board
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Ms. Nancy Marconi, Registrar

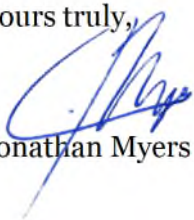
Dear Ms. Marconi:

Re: Alectra Utilities – ICM Application for 2024 Electricity Distribution Rates and Charges (EB-2023-0004)

We are legal counsel to Alectra Utilities Corporation (“Alectra Utilities”). Further to Procedural Order No. 1, we are please to provide Alectra Utilities’ reply submission in respect of the above-referenced proceeding

If you have any questions, please do not hesitate to contact me at the number shown above.

Yours truly,



Jonathan Myers

cc: Ms. Natalie Yeates, Alectra Utilities
Mr. Charles Keizer, Torys LLP

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.

REPLY SUBMISSION

ALECTRA UTILITIES CORPORATION

EB-2023-0004

November 2, 2023

1 **A. INTRODUCTION**

2 Alectra Utilities Corporation (“Alectra Utilities” or the “Applicant”) filed an application with the
3 Ontario Energy Board (“OEB” or the “Board”) on July 21, 2023, under section 78 of the *Ontario*
4 *Energy Board Act*, 1998, seeking approval for Incremental Capital Module (“ICM”) funding for its
5 PowerStream and Enersource rate zones (“RZs”) to be effective January 1, 2024 (the
6 “Application”). The Application was prepared in accordance with applicable OEB policies, filing
7 requirements and guidance. The requested ICM funding will be used to improve reliability in
8 neighbourhoods within these RZs where significant outages are likely to occur due to failures of
9 underground cable. Alectra Utilities will perform urgently needed repairs of deteriorating
10 underground direct-buried cables through silicone injection where feasible, and replacements of
11 deteriorating underground direct-buried cables where rehabilitation is not feasible.

12 This is Alectra Utilities’ reply submission in this matter. For the reasons that follow, Alectra Utilities
13 submits that the Application should be approved as filed.

B. OVERVIEW

All of Alectra Utilities' RZs are on Price Cap IR for the purpose of setting 2024 rates. In accordance with OEB policy relating to ICM funding for consolidating distributors, Alectra Utilities has requested approval for the proposed ICM investments in 2024 for the PowerStream and Enersource RZs. Further, Alectra Utilities has requested approval of the 2024 ICM rate riders, effective January 1, 2024.

Alectra Utilities has met the ICM requirements for each of these RZs, as such requirements are set out in the OEB's *Filing Requirements for Electricity Distribution Rate Applications*, dated June 15, 2023 (the "Chapter 3 Filing Requirements"); *Handbook to Electricity Distributor and Transmitter Consolidations*, dated January 19, 2016 (the "MAADs Handbook"); *Handbook for Utility Rate Applications*, dated October 13, 2016 (the "Rate Handbook"); *Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, dated September 18, 2014 (the "ACM Report"); *Report of the Board – New Policy Options for the Funding of Capital Investments: Supplemental Report*, dated January 22, 2016 (the "Supplemental Report"); and Letter re: *Incremental Capital Modules During Extended Deferred Rebasing Periods*, dated February 10, 2022 (the "ICM Policy Update Letter").

Alectra Utilities has capital investment needs for the PowerStream and Enersource RZs that are not funded through existing distribution rates. Alectra Utilities must urgently invest to address declining reliability due to deteriorated underground direct-buried cable and related equipment. Alectra Utilities has used data analytics to identify neighbourhoods where significant outages are likely to occur due to failures of underground cable, and to address these assets on a focused, localized basis. Based on its analysis of recent underground cable failures and asset condition assessment, as well as engineering assessment of other site-specific considerations, Alectra Utilities has identified the localized hotspots with the highest probability of imminent failure.

Specifically, using its Asset Analytics Platform and engineering assessments, Alectra Utilities identifies projects to address hotspots for cable failures which need renewal. The engineering assessment of cable failures was updated since the 2023 ICM application 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. Alectra Utilities has identified incremental underground cable renewal investments in 16 neighbourhoods in the PowerStream and

1 Enersource RZs for 2024. These projects have been identified for ICM funding because asset
2 conditions, reliability and quality of service in these areas point to an urgent need for renewal, and
3 a delay in renewing these assets beyond 2024 would give rise to unacceptable reliability impacts
4 for customers and materially higher renewal costs in future years.

5 In each of the 16 neighbourhoods, Alectra Utilities will implement the cable renewal strategy
6 (cable injection or cable replacement) that delivers the best value for customers. To ensure the
7 ICM investment is the most cost-effective option for customers, Alectra Utilities will leverage cable
8 injection in neighbourhoods where it is feasible to do so based on the extent to which cable
9 conditions have deteriorated. Approximately 50% of the proposed ICM projects will address
10 deteriorated cables in the affected neighbourhoods using cable injection technology, which
11 extends the life of existing cable at one-sixth the cost of replacement.

12 Alectra Utilities engaged Innovative Research Group (“Innovative”) in 2022 to seek customer input
13 on proposed 2023 and 2024 ICM investments in the PowerStream and Enersource RZs as part
14 of Alectra Utilities’ 2023 ICM application. Each proposed ICM project in this Application was
15 included in the 2023 ICM application and formed part of the customer engagement survey
16 undertaken by Innovative in 2022. The ICM customer engagement survey focused on customer
17 preferences as between specific investment options and outcomes to address the challenges
18 posed by deteriorating underground cable. As set out in Innovative’s April 2022 report on
19 customer engagement for the 2023 ICM application (the “Innovative Report”),¹ customers want
20 Alectra Utilities to invest more in renewing deteriorated underground cable. In both RZs, a majority
21 of customers across all rate classes support an increase in investment using both strategies, and
22 customers consistently prefer a more rapid pace of expenditure on these projects. The results
23 from the 2022 customer engagement survey remain valid given that the investment options and
24 outcomes to address the challenges posed by deteriorating underground cable are consistent
25 with the 2023 ICM application.

26 For the PowerStream RZ, the incremental revenue requirement associated with the 2024 ICM
27 funding request of \$17.3MM is \$1.2MM.² The total monthly bill impact for a typical residential
28 customer in the PowerStream RZ from the proposed ICM rate rider is \$0.16 per month or 0.13%.³
29 For the Enersource RZ, the incremental revenue requirement associated with the ICM funding

¹ EB-2022-0013, Exhibit 4, Tab 1, Schedule 1, Attachment 11.

² Exhibit 2, Tab 1, Schedule 1, pp. 11-15, Table 7 and Table 8.

³ Exhibit 2, Tab 1, Schedule 1, p. 17, Table 10.

request of \$7.9MM is \$0.6MM.⁴ The total monthly bill impact for a typical residential customer in the Enersource RZ from the proposed ICM rate rider is \$0.12 per month or 0.10%.⁵

Based on their submissions, OEB staff supports the Application subject to one adjustment. PWU is also supportive of the Application. SEC, VECC, AMPCO, CCC and CCMBC oppose the Application. Alectra Utilities considers and addresses the submissions of the parties in the sections that follow.

C. OEB POLICY

The OEB's ICM policy, as set out in the ACM Report and the Supplemental Report (together hereinafter referred to as the "ICM Report"), was established to address the treatment of a distributor's capital investment needs that arise during a Price Cap IR rate-setting plan and which are incremental to a materiality threshold.

The *Chapter 3 Filing Requirements* specify that the amount of ICM funding requested must be incremental to the distributor's capital requirements within the context of its financial capacities underpinned by existing rates, and that the request must satisfy the eligibility criteria of materiality, need and prudence.⁶ These 'standard' ICM eligibility criteria⁷ are discussed below.

Further, on February 10, 2022, the OEB issued the ICM Policy Update Letter, which establishes certain modified or additional criteria as part of an update to the OEB's ICM policy insofar as it applies to consolidating utilities in years six to ten of their rebasing deferral period. For Alectra Utilities, this represents the 2022 to 2026 years of its rebasing deferral period. Alectra Utilities is currently in year 7 of its deferral period. Pursuant to the ICM Policy Update Letter, to enhance regulatory efficiency and further incent distributor consolidation, the OEB has provided additional flexibility for distributors that are beyond the fifth year of their deferred rebasing period by permitting them to apply for ICM funding for annual capital programs during years six to ten of their deferral period if they demonstrate:

⁴ Exhibit 2, Tab 1, Schedule 1, pp. 20-22, Table 14 and Table 15.

⁵ Exhibit 2, Tab 1, Schedule 1, p. 24, Table 17.

⁶ *Chapter 3 Filing Requirements*, Section 3.3.2, pp. 26-27.

⁷ See Section 4.1.5, ACM Report

- 1 • An urgent need for such additional funding that is based on new information that has arisen
2 since the utility's most recent rebasing application related to the management of risk
3 associated with asset condition, reliability and quality of service and public safety;
- 4 • History of good utility practice in capital planning, capital program management and asset
5 maintenance;
- 6 • How the ICM investment addresses customer needs and preferences and delivers
7 benefits to customers; and
- 8 • Exhaustion of other available options to manage its costs within the envelope provided by
9 the existing price cap or another applicable formula.

10 In the OEB's decision in Alectra Utilities' 2023 ICM application, the OEB found as follows:

- 11 • The cable program is urgent based on new information that has arisen, specifically the
12 asset condition report and preparation of the DSP after the RZs were last rebased. The
13 OEB found that Alectra Utilities has met this criterion;⁸
- 14 • Alectra Utilities is adequately addressing customer needs and preferences, given the
15 customer engagement survey feedback filed with the application;⁹ and
- 16 • Alectra Utilities meets the requirements of good utility practice.¹⁰

17 Alectra Utilities submits that the Application is consistent with the OEB's current policy in relation
18 to the availability of, and basis for, ICM funding for consolidating distributors. Alectra Utilities has
19 satisfied the relevant standard ICM requirements as well as the additional or modified
20 requirements established in the ICM Policy Update Letter.

21 **D. STANDARD ICM CRITERIA**

22 As noted in Part C, above, the *Chapter 3 Filing Requirements* specify that the amount requested
23 for an ICM claim must satisfy the standard eligibility criteria of materiality, need and prudence.
24 These aspects, and the corresponding submissions from parties, are addressed below.

⁸ OEB, Decision and Order, EB-2022-0013, November 17, 2022, pp.17-18

⁹ OEB, Decision and Order, EB-2022-0013, November 17, 2022, p.18

¹⁰ OEB, Decision and Order, EB-2022-0013, November 17, 2022, pp.21-22.

1. **Materiality**

Under the OEB's policies, there are two considerations in respect of materiality for an ICM request. First is whether an ICM application meets the applicable materiality threshold. Second is whether an ICM application meets the applicable project-specific materiality test.

(a) Materiality Threshold

In accordance with OEB policy, Alectra Utilities is required to apply the ICM "materiality threshold formula", which defines the level of capital expenditures that it should be able to manage within its current rates. This test provides that any incremental capital amounts approved for recovery must (i) fit within the total eligible incremental capital amount, and (ii) have a significant influence on the operation of the distributor.¹¹

(i) Eligible Incremental Capital Amount

The means for determining the Board-defined materiality threshold was updated in the Supplemental Report, as set out in section 3.3.2.2 of the Chapter 3 Filing Requirements and is reproduced in the Application. For each of the PowerStream RZ and the Enersource RZ, Alectra Utilities has calculated the materiality threshold and the corresponding eligible incremental capital amount (i.e., the maximum amount eligible for recovery through ICM) based on its proposed inflation factor inputs as follows:

- PowerStream RZ has a maximum eligible incremental capital amount of \$27.4MM for 2024.¹² The proposal to recover \$17.3MM¹³ through the ICM in respect of the PowerStream RZ is therefore within the range acceptable to the Board; and
- Enersource RZ has a maximum eligible incremental capital amount of \$16.6MM for 2024.¹⁴ The proposal to recover \$7.9MM¹⁵ through the ICM in respect of the Enersource RZ is therefore within the range acceptable to the Board.

The OEB's materiality threshold formula serves to define the level of capital expenditures that a distributor should be able to manage within current rates. The multi-year ICM materiality threshold

¹¹ ACM Report, p. 17.

¹² Exhibit 2, Tab 1, Schedule 1, Table 6, p.11

¹³ Exhibit 2, Tab 1, Schedule 1, Table 7, p.11

¹⁴ Exhibit 2, Tab 1, Schedule 1, Table 13, p.20

¹⁵ Exhibit 2, Tab 1, Schedule 1, Table 14, p.20

formula factors in the cumulative impact of both growth and the price cap index over the years since the utility's last cost of service rebasing application. With respect to the cumulative impact of the price cap index, the inflation factor has a material impact on that cumulative price cap index and the resulting threshold value. In light of the continued variability in the inflation rate, Alectra Utilities has proposed the use of a rate zone specific geometric mean to determine the inflation factor to be included in the price cap index used to calculate the value for the materiality threshold calculation. Alectra Utilities submits that this is an appropriate approach since the application of the OEB-approved inflation factor as the Input Price Index (IPI) used to calculate the price cap index in the materiality threshold formula creates an inherently unjust result that does not reflect historical economic reality intended in the cumulative nature of the price cap index calculation.

In response to interrogatory 1-Staff-1(b), Alectra Utilities provided a calculation of the ICM materiality threshold by applying the historical years' actual IPI issued by the OEB since the last rebasing year of each rate zone (described as the 'annual IPI method' by OEB staff). The OEB defined materiality threshold is represented by the following formula, where n is the number of years since the last rebasing.

$$\text{Threshold Value (\%)} = 1 + \left[\left(\frac{RB}{a} \right) \times (g + PCI \times (1 + g)) \right] \times ((1 + g) \times (1 + PCI))^{n-1} + 10\%$$

In the Supplemental Report, the OEB adopted the multi-year formula to be used for ACM and ICM applications.¹⁶ In the Supplemental Report, the equation was altered to reflect the cumulative and multiplicative impact of both growth and the price cap adjustment over time during the Price Cap IR term. In effect, the formula not only applies the OEB-approved PCI from a distributor's most recent Price Cap IR application to the current rate year, but assumes that a distributor's rates were adjusted by the most recent PCI (in this case, the 2024 PCI of 4.5%) in each year since the distributor last rebased. Although PCI changes from year to year during the IR period, this is not reflected in the current formula as demonstrated in the materiality threshold calculation filed in response to interrogatory 1-Staff-1(b). In that response, Alectra Utilities also included a calculation of the materiality threshold using a PCI of 4.5% in each historical year to illustrate that the current calculation applies the most recent inflation factor in each historical year.

This concept can be further illustrated by dissecting the current materiality threshold formula as shown in Table 1, below. The 'Annual IPI' column uses the actual IPI approved by the OEB over

¹⁶ *Report of the OEB New Policy Options for the Funding of Capital Investments: Supplemental Report* (collectively referred to as the ICM Report), dated January 22, 2016, p.14

the 2018 to 2024 period. In contrast, the '4.8%' column, which depicts the OEB's current threshold formula, uses a PCI of 4.5% in each year from 2018 to 2024 and produces identical threshold values as the OEB's ICM model¹⁷.

Table 1 – Illustration of OEB's Materiality Threshold Calculation

PRZ Illustration	Annual IPI	4.80%
Rebasing Year	2017	2017
# Years since rebasing	7	7
PCI 2018	0.90%	4.50%
PCI 2019	1.20%	4.50%
PCI 2020	1.70%	4.50%
PCI 2021	1.90%	4.50%
PCI 2022	3.00%	4.50%
PCI 2023	3.40%	4.50%
PCI 2024	4.50%	4.50%
Compounded PCI 2018	100.0%	100.0%
Compounded PCI 2019	101.0%	104.5%
Compounded PCI 2020	102.3%	109.2%
Compounded PCI 2021	103.8%	114.1%
Compounded PCI 2022	105.6%	119.3%
Compounded PCI 2023	107.7%	124.6%
Compounded PCI 2024	110.3%	130.2%
Growth Factor	0.50%	0.50%
Dead Band	10%	10%
Rate Base	\$1,082,805,162	\$1,082,805,162
Depreciation	\$52,272,173	\$52,272,173
Threshold Value		
Price Cap IR Year 2018	139.1%	214.1%
Price Cap IR Year 2019	142.7%	219.3%
Price Cap IR Year 2020	148.0%	224.8%
Price Cap IR Year 2021	152.2%	230.6%
Price Cap IR Year 2022	160.2%	236.6%
Price Cap IR Year 2023	167.8%	243.0%
Price Cap IR Year 2024	177.7%	249.7%
Threshold CAPEX		
Price Cap IR Year 2018	\$72,723,763	\$111,900,238
Price Cap IR Year 2019	\$74,617,287	\$114,633,373
Price Cap IR Year 2020	\$77,353,189	\$117,503,822
Price Cap IR Year 2021	\$79,549,553	\$120,518,484
Price Cap IR Year 2022	\$83,716,947	\$123,684,605
Price Cap IR Year 2023	\$87,686,630	\$127,009,794
Price Cap IR Year 2024	\$92,903,687	\$130,502,043

1 The inherent injustice occurs because, to calculate the PCI in the materiality threshold formula,
2 the OEB-approved inflation factor for the ICM year in question is used and that inflation factor is
3 applied to each historical year back to the year of rebasing notwithstanding the relative difference
4 between the OEB-approved inflation factor applied and the actual historical PCIs that would have
5 been used to set rates in each year of the historical period. This has not previously been an issue
6 because of the stability in the inflation rate until recently. The current OEB-approved inflation
7 factor applicable to 2024 is 4.8%. This is a significant contrast to PCIs derived from actual IPIs in
8 the period from 2014 to 2021 applicable to Enersource RZ and the period from 2018 to 2021
9 applicable to PowerStream RZ, which saw actual PCIs reaching no higher than 1.90%. For 2022
10 and 2023 the actual PCI was 3.0% and 3.4% respectively. If the methodology typically used to
11 calculate the materiality threshold is applied, the basis for that calculation is that the inflation factor
12 of 4.8% would have applied in each of the historical years in question, when clearly it did not and
13 was not even close to 4.8%. By imposing an inflation factor that is not reflective of reality, the
14 typical methodology provides a result that is overstated and is wholly an inaccurate representation
15 of the level of funds Alectra Utilities is assumed to have available to fund capital expenditures.

16 The foregoing would not have been an issue when the ICM was introduced in the 3rd Generation
17 IR since inflation rates have been stable until recently. However, this is no longer the case and a
18 return to previous levels is highly uncertain. To provide a more appropriate and applicable
19 representation of the PCI over the periods in question and the resulting cumulative impact of
20 inflation, Alectra Utilities proposed the use of a rate zone specific geometric mean. Comparing
21 the geometric mean to the actual OEB-approved inflation factors, there is no material difference
22 relative to the geometric mean over the 2013 to 2021 period, and material differences range from
23 1.4% to 2.6% over the 2022 to 2024 period.¹⁸ Since the threshold calculation methodology
24 typically applied uses a single inflation factor over all applicable years, the use of the geometric
25 mean provides a more accurate representation of the applicable inflation factor than use of the
26 current OEB approved inflation factor of 4.8%.

27 As identified above, an alternative approach to the geometric mean was filed in response to
28 interrogatory 1-Staff-1b and uses historical actual IPIs in the threshold calculation. This approach
29 involves compounding of the historical years' actual IPI issued by the OEB. OEB staff takes the
30 position that this method appears to be a better representation of the impact of inflation on rates

¹⁸ Exhibit 2, Tab 1, Schedule 1, p.5.

1 when compared to the use of a geometric mean.¹⁹ Alectra Utilities agrees with OEB staff on the
2 merits of the annual IPI method. Alectra Utilities submits that under both approaches, it satisfies
3 the materiality threshold test. This conclusion is supported by OEB staff who submits that the
4 result of the comparison of the materiality threshold under both methods does not provide a
5 material difference.²⁰

6 OEB staff also submits that subsequent applications of their preferred approach should be
7 considered on a case-by-case basis. OEB staff noted that the criteria underpinning the materiality
8 threshold policy is currently evolving because of significant changes in economic indices and
9 there is a need for further analysis to evaluate the components and applicability of the materiality
10 threshold formula.²¹ Alectra Utilities' position is not dissimilar. Alectra Utilities proposes to use its
11 approach for any future ICM applications until its next rebasing or until a generic hearing on the
12 ICM policy takes place. Alectra Utilities assumes that the consideration of the economic indices
13 and further analysis referred to by OEB staff would occur within a generic process relating to the
14 ICM policy and, as such, Alectra Utilities' and OEB staff's positions are consistent with respect to
15 the future use of the methodology deviating from that typically used.

16 With the exception of OEB staff and the PWU, all other parties argue that the current methodology
17 for determining the materiality threshold should be applied and that Alectra Utilities' ICM request
18 should be denied for not exceeding that threshold. However, none of those parties addressed or
19 provided any counter argument as to why the OEB should apply a methodology that assumes an
20 inflation factor for an historical period that is materially different than the actual inflation factor for
21 that period or why that misrepresentation should be the basis for establishing a just and
22 reasonable rate.

23 CCMBC submits that the proposed change to the inflation input method would be a fundamental
24 change to one of the basic principles underlying the concept of ICM.²² However, it is not a basic
25 principle of establishing just and reasonable rates to use entirely inaccurate information as a basis
26 for establishing that rate. CCMBC asserts the PCI and the materiality threshold have to be dealt
27 with in tandem and that the OEB is obliged to apply the same inflation factor for both. However,
28 this assertion reflects CCMBC's misunderstanding of each of the PCI and the materiality

¹⁹ OEB Staff Submission, p.7.

²⁰ OEB Staff Submission, p.8.

²¹ OEB Staff Submission, p.8.

²² CCMBC Submission, p.7.

1 threshold. The PCI reflects an annual adjustment for which the current inflation factor is
2 appropriate. However, the materiality threshold reflects a compounding calculation that is
3 premised on the assumption that the compounding rate reflected by the inflation factor is
4 consistent over both the compounding and the applicable annual rate period. That is not the case
5 because of the current inflation variability and uncertainty. As shown above, in the absence of
6 such consistency, Alectra Utilities and OEB staff's proposal is appropriate in order to avoid an
7 unjust rate result. CCMBC's submissions should not be accepted by the OEB.

8 Others, including SEC, AMPCO and CCC, objected to the deviation from the current methodology
9 because Alectra Utilities made submissions in its 2023 ICM Reply submission (EB-2022-0013) in
10 response to OEB staff's suggestion of an alternative treatment of the inflation factor, that such a
11 change should occur in a generic process. In its Decision on Alectra Utilities' 2023 ICM
12 application, the OEB stated that it will not change the inflationary input to the ICM calculations as
13 outlined by OEB staff. The OEB's decision on the point was partly due to the fact that this issue
14 was raised by OEB staff in its submission and parties were not provided with the calculations to
15 thoroughly consider the issue. Alectra Utilities has provided its justification for its proposal in
16 Exhibit 2, Tab 1, schedule 1 as well as its calculation of the geometric mean in Attachment 7 for
17 consideration in this proceeding. Alectra Utilities also filed an additional materiality threshold
18 calculation in response to interrogatory 1-Staff-1b. All Parties were provided an opportunity to
19 review and comment on Alectra Utilities' proposed calculations and only OEB staff made
20 submissions on this matter.

21 Given that since Alectra Utilities' 2023 ICM application, the OEB has chosen not to commence a
22 generic proceeding to review its ICM Policy and the fact that the 2024 inflation factor has risen
23 further relative to 2023, continuing the inflation variability, Alectra Utilities submits that the OEB
24 should adjust the current methodology, as suggested by Alectra Utilities and OEB staff. As noted
25 above, Alectra Utilities would apply the proposed alternative approach until its rebasing or until
26 modified upon the completion of a generic process. As such Alectra Utilities continues to see merit
27 in a generic process, but that view should not be the basis of denying a rate making approach
28 that is properly reflective of actual inflationary trends for the purposes of determining the
29 materiality threshold.

30 SEC takes the position that because the ICM model has various simplifying assumptions one
31 parameter should not be changed without considering all parameters and that a complete review
32 of the policy is required before Alectra Utilities or OEB Staff's proposal is accepted. Alectra Utilities

1 submits that this assertion is without merit. As set out in response to various interrogatory
2 responses and as shown above, detailed calculations of the materiality threshold using actual
3 inflation factors have been provided. No unusual or inconsistent results occur that would support
4 SEC's concern of unintended consequences. Furthermore, SEC's reference to the standard
5 stretch factor of 0.3% as a simplifying assumption and the potential for unintended consequences
6 is unsupported since the impact of inflation is an external factor that occurs independent of
7 productivity efforts reflected in the stretch factor and as such one factor can change independently
8 of the other.

9 **(ii) Significant Influence on Operations**

10 As noted above, the materiality test requires that consideration be given to whether the
11 incremental capital amounts have a significant influence on the operation of the distributor.

12 Alectra Utilities submits that the investments will have a significant impact on its operations. For
13 the PowerStream RZ, the total proposed investment will avoid approximately 106 cable failure
14 related outages, where each outage would impact 265 customers for approximately two hours
15 per outage. Alectra Utilities has forecast that the combined proposed ICM investment in both RZs
16 will avoid future cable renewal costs of approximately \$108MM, largely attributable to injecting
17 cable now that would otherwise need to be replaced in the future as a result of missing the cable
18 injection feasibility window.²³ Likewise, for the Enersource RZ, the total proposed investment will
19 avoid approximately 49 cable failure related outages, where each outage would impact 441
20 customers for approximately one hour per outage.²⁴ Further, as identified at p. 11 of the 2023 ICM
21 Decision, the OEB found that "the 2023 ICM request and the 2024 ACM request each have a
22 significant influence on operations and on the reliability of distribution service in the PowerStream
23 and Enersource RZs."²⁵

24 This position is consistent with OEB staff's submissions that the proposed investments will help
25 the reliability and quality of Alectra Utilities' service, and will therefore have a significant influence
26 on its operations.²⁶

²³ Exhibit 2, Tab 1, Schedule 1, p. 12.

²⁴ Exhibit 2, Tab 1, Schedule 1, p. 20.

²⁵ OEB, Decision and Order, EB-2022-0013, November 17, 2022, p.11

²⁶ OEB Staff Submission, p. 10

(b) Project Specific Materiality Test

The second consideration in respect of materiality for an ICM request is whether an ICM application meets the applicable project-specific materiality test. The project-specific materiality test provides that (i) minor expenditures, in comparison to the overall capital budget, should be considered ineligible for ICM treatment, and (ii) that a certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.²⁷ A project-specific materiality threshold has not been defined by the Board. In Alectra Utilities' 2018 EDR Decision on p. 15, the OEB stated: "Amending the ICM policy to include a mathematical materiality calculation for this second test should only be done through a policy review."

Alectra Utilities' overall capital budget for all RZs is \$285.3MM in 2024.²⁸ The proposed 2024 ICM cable renewal investments in the PowerStream and Enersource RZs, which total \$25.1MM, are significant relative to the overall capital budget. This is consistent with OEB staff's submission that Alectra Utilities' ICM makes up a significant portion of Alectra Utilities' overall capital budget and therefore, in OEB staff's view, satisfies the project-specific materiality threshold.²⁹ Alectra Utilities has assessed project-specific materiality in the context of the OEB's ICM Policy Update Letter. Alectra Utilities is eligible to request ICM funding for an annual capital program, subject to the requirements identified therein.³⁰ In Alectra Utilities' 2023 ICM Decision, the OEB stated that "...the project-specific materiality criterion is not applicable to Alectra Utilities' funding request. The February 2022 ICM Policy Update Letter 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. The application is not for ICM funding of individual projects as anticipated when the ACM Report was issued in 2014."³¹

2. Need

With regard to need, based on the ACM Report a distributor must satisfy the OEB that (i) it passes the Means Test, (ii) the incremental capital amounts being requested are based on discrete

²⁷ ACM Report, p. 17.

²⁸ Exhibit 2, Tab 1, Schedule 1, p.11.

²⁹ OEB Staff Submission, p. 9.

³⁰ These requirements have been outlined on pp.1-2 of Exhibit 2, Tab 1, Schedule 1.

³¹ OEB, Decision and Order, EB-2022-0013, November 17, 2022, p.10.

1 projects and directly related to the claimed driver, and (iii) the amounts are clearly outside of the
2 base upon which the distributor's rates were derived.³² The foregoing is subject to the
3 modifications set out in the ICM Policy Update Letter.

4 **(a) Means Test**

5 Under the Means Test, if a distributor's regulated return on equity ("ROE"), as most recently
6 calculated for purposes of section 2.1.5.6 of the Reporting and Record Keeping Requirements
7 ("RRR"), exceeds 300 basis points above the deemed ROE embedded in the distributor's rates,
8 funding for any incremental capital project will not be allowed.³³ Alectra Utilities' 2022 annual
9 RRRs were filed for Alectra Utilities as a whole, not individually by RZ. Alectra Utilities' 2022 ROE
10 was calculated to be 6.70%, which is 225 basis points below the deemed ROE for Alectra Utilities
11 of 8.95%.³⁴ Alectra Utilities has demonstrated that, based on its 2022 RRR filing, it has satisfied
12 the Means Test. OEB staff in its submissions agrees that Alectra Utilities passes the Means Test
13 and no party challenged the Application on this basis.³⁵

14 CCMBC accepts that Alectra Utilities' 2022 earnings were lower than the OEB approved return.
15 However, CCMBC wrongly asserts that the equity returns below the OEB approved return reflects
16 poor management. CCMBC's assertion is wholly baseless. There is no evidence in this
17 proceeding to justify the assertion of CCMBC. The returns experienced by Alectra Utilities reflect
18 expenditures (net of synergies and savings) made by Alectra Utilities to maintain and operate the
19 distribution system, many of which were not contemplated at the time of the merger and cannot
20 be funded given the current regulatory rate regime but remain necessary for the benefit of Alectra
21 Utilities customers.

22 **(b) Discrete Project**

23 The ICM Policy Update Letter impacts the standard requirement that ICM funding be for discrete
24 projects. As a result of the ICM Policy Update Letter, additional flexibility is available to qualifying
25 distributors to apply for incremental capital funding for annual capital programs during an
26 extended rebasing deferral period. Accordingly, the discrete project criterion is negated by the
27 OEB's modified ICM policy for distributors that have consolidated and that are in the later years

³² ACM Report, p. 17.

³³ ACM Report, p. 15.

³⁴ Exhibit 2, Tab 1, Schedule 1, p. 12.

³⁵ OEB Staff Submission, p. 11.

1 of their deferred rebasing periods. This is consistent with the submissions from OEB staff on the
2 inapplicability of the discrete project assessment.³⁶ In Alectra Utilities' 2023 ICM Decision, the
3 OEB stated that "...the discrete project criterion is not applicable to Alectra Utilities' request." The
4 OEB further clarified that "Alectra Utilities' ICM funding application is based on an ongoing cable
5 program, comprised of individual discrete projects. The application is not for ICM funding of
6 discrete projects as anticipated when the ACM Report was issued in 2014."³⁷

7 (c) Outside of Base Rates

8 The need is clearly outside of the basis upon which Alectra Utilities' rates were derived. The pace
9 of cable failures has intensified, impacting neighbourhoods at a rate even greater than what was
10 contemplated in the DSP filed in the 2020 EDR application (EB-2019-0018). As discussed further
11 below, in 2020, Alectra Utilities implemented an Asset Analytics Platform to evolve the existing
12 condition-based asset management practice towards predictive analytics, reliability-driven
13 maintenance and machine learning. Using enhanced analytics to consider the most recent
14 reliability events together with up-to-date asset condition information, Alectra Utilities identified
15 localized emerging issues where it would have an opportunity to remedy the situation before
16 larger cascading problems occur. Unfortunately, Alectra Utilities cannot fund all the necessary
17 renewals to address all the neighbourhoods identified through analytics. Consequently, the
18 company continues to experience increases in customer hours of interruption due to XLPE cable
19 failures, with the PowerStream and Enersource RZs accounting for 32% and 33% of Alectra
20 Utilities' customer hours of interruption, respectively, since 2017.

21 In Alectra Utilities' 2023 ICM decision, the OEB stated that "[b]ase rates for the PowerStream RZ
22 and the Enersource RZ were last rebased in 2017 and 2013 respectively. Alectra Utilities received
23 its first report on the poor condition of its cable assets in September 2018. As a result, the cable
24 program encompassed by the ICM/ACM proposal was not part of the capital expenditure plans
25 when rates were last rebased. To this extent, the OEB finds that the current cable program
26 exceeds expected levels provided by base rates."³⁸ In the same Decision, the OEB introduced a
27 new test to assess whether the ICM request was outside of what was expected to be funded in
28 base rates. The OEB referenced the February 2022 ICM Policy Update Letter and stated that
29 "...the investment must be "beyond the normal level of capital expenditures expected to be funded

³⁶ OEB Staff Submission, p. 11.

³⁷ OEB, Decision and Order, November 17, 2022, p.12.

³⁸ OEB, Decision and Order, EB-2022-0013, November 17, 2022, p.13.

1 by existing rates.”³⁹ The OEB established the “normal level” of capital expenditures based on the
2 annual expenditures for each RZ for the cable replacement and cable injection work in the six-
3 year period prior to the ICM request.

4 The complete reference in the ICM Policy Update Letter states that *“In order to qualify for an ICM,*
5 *the capital project must satisfy a materiality threshold to demonstrate that the incremental capital*
6 *amounts are beyond the normal level of capital expenditures expected to be funded by existing*
7 *rates, including the effect of customer and load growth.”* In effect, the threshold is the measure
8 that establishes the normal level of capital expenditures funded by rates. The OEB’s ICM
9 materiality threshold is a capital expenditure threshold which serves to demonstrate the level of
10 capital expenditures that a distributor should be able to manage within its current rates; not on a
11 program or project basis, but on a total basis centered on prudent decision making as
12 contemplated under Performance Based Regulation (“PBR”). If the threshold test is met, a
13 distributor will be eligible to identify projects for ICM treatment. This does not mean that all capital
14 spending up to the maximum eligible incremental capital amount will be granted incremental
15 funding. However, if the ICM request fits within the maximum eligible incremental capital, the
16 amount is eligible for recovery (subject to the other ICM criteria of need and prudence), as it is in
17 excess of what is funded by existing rates. This approach is also consistent with the OEB’s finding
18 that the cable program encompassed by the ICM proposal was not part of the capital expenditure
19 plans when rates were last rebased.⁴⁰ Therefore, Alectra Utilities’ total capital budget, which
20 exceeds the calculated threshold value, includes cable renewal investments that were not
21 contemplated when rates were last rebased.

22 OEB staff argues that the amounts Alectra Utilities proposes for ICM funding are not fully outside
23 of the base upon which rates were derived and, as such, that the amount of ICM funding for 2024
24 should be reduced by \$1.48MM.⁴¹ More particularly, OEB staff argue that “it is appropriate to
25 evaluate what constitutes a normal level of capital expenditure for cable renewal included in base
26 rates using historical spending trends”, and on this basis OEB staff calculates that Alectra Utilities
27 spent on average \$15.10MM on cable renewal through base rates in the PowerStream RZ over
28 the 2017-2023 period, and \$12.95MM in the Enersource RZ over the 2019-2023 period.⁴² OEB

³⁹ OEB, Decision and Order, EB-2022-0013, November 17, 2022, p.14.

⁴⁰ OEB, Decision and Order, EB-2022-0013, November 17, 2022, p.13.

⁴¹ OEB Staff Submission, p. 12.

⁴² OEB staff excluded 2017 and 2018 actuals from the calculation because actuals from those years included other underground asset renewals based on legacy practices.

1 staff has no concerns with the \$19.13MM of proposed base rate spending in the PowerStream
2 RZ for 2024 as this exceeds the historical average of \$15.10MM. However, on the basis that the
3 \$11.47MM of proposed base rate spending in the Enersource RZ for 2024 is less than the
4 historical average \$12.95MM, OEB staff argues that the proposed ICM funding for the Enersource
5 RZ should be reduced by the difference of \$1.48MM.

6 Effectively, OEB staff is applying the same approach that was taken in the OEB's 2023 ICM
7 Decision, by calculating a 'normal level' of capital expenditures expected to be funded by base
8 rates using an average of historical actual annual expenditures. While Alectra Utilities agrees that
9 OEB staff has performed its calculation in a manner that is similar to the approach used in the
10 2023 ICM Decision, for the reasons below Alectra Utilities does not agree that the use of the
11 historical average approach to determining normal capital spending used in the 2023 ICM
12 Decision, and applied by OEB staff in its submissions, is appropriate.

13 First, as stated in the Application⁴³, while establishing a normal level of capital expenditures
14 expected to be funded by base rates for a capital program by reference to historical actual annual
15 expenditures may be applicable in a scenario where rates are recalibrated annually, it is not
16 appropriate under a PBR framework such as Price Cap IR. This is because, under Price Cap IR,
17 the price charged is decoupled from cost, and the regulated utility is responsible for making its
18 investments within the constraints of the price cap and subject to applicable service quality
19 standards. Alectra Utilities prudently manages its capital investments within its approved rate
20 funding envelope, and within that envelope it continuously balances expenditures based on
21 identified business and system needs and the priorities of its customers.

22 Second, the historical average approach to determining normal capital spending does not account
23 for anomalous circumstances which have the effect of skewing the average. As explained in the
24 Application⁴⁴, due to the impact of the COVID pandemic, 2020 and 2021 capital investments in
25 System Access were temporarily reduced and two ten-year Connection and Cost Recovery
26 Agreements ("CCRA") true-up payments were deferred. As a result, Alectra Utilities was able to
27 temporarily avoid greater reductions to prudent investments in System Renewal that would
28 otherwise have been needed in 2020 and 2021 to align with the funding supported by base rates.
29 In essence, because of reduced spending needs in other areas arising from the COVID pandemic,
30 which cannot be sustained longer term, Alectra Utilities was able to spend more on underground

⁴³ Exhibit 2, Tab 1, Schedule 1, p. 7

⁴⁴ Exhibit 3, Tab 1, Schedule 2, p. 3.

1 cable renewal in 2020 and 2021 than it otherwise would have been able to. Those increases in
2 spending on underground renewals skew the results under OEB staff's historical average
3 approach to determining normal capital spending on underground renewals.

4 Without additional investment in underground renewal, Alectra Utilities forecasts that one in four
5 neighbourhoods in its service area will be serviced by deteriorated underground cables by 2025.⁴⁵
6 The significant deterioration rate of underground cable in Mississauga, Vaughan and Markham
7 was illustrated in Figures 7 through 9 of Exhibit 3, Tab 1, Schedule 2, p. 6-7.

8 **3. Prudence**

9 A distributor needs to establish that the incremental capital amount it proposes to incur is prudent.
10 To satisfy the "prudence test", a distributor must demonstrate that its decision to incur the
11 incremental capital amount represents the most cost-effective option (though not necessarily the
12 least initial cost option) for its customers.⁴⁶ OEB staff does not take any specific issue with the
13 prudence of Alectra Utilities' proposed incremental capital amounts for underground cable
14 renewal.

15 In delineating the investments to be undertaken, Alectra Utilities employed rigorous analytical
16 methods. Alectra Utilities examined the increasing hours of interruption due to failing direct-buried
17 XLPE cable by overlaying maps of recent XLPE cable failures and cable asset condition for the
18 Enersource and PowerStream RZs, where most of the cable failures are occurring. Alectra
19 Utilities leveraged its Asset Analytics Platform to identify the projects for ICM funding by
20 overlaying reliability and cable condition maps to identify emerging hotspots and to complete a
21 full engineering assessment of the remediation needs. The engineering assessment of cable
22 failures was completed utilizing the most recent reliability results as of year-end 2022. The
23 assessment conducted in 2021-2022, which informed the ICM projects in the 2023 ICM
24 application, was reviewed during the 2022-2023 period. Based on the updated engineering
25 assessment there was no change to the priority projects identified in this Application.

26 Alectra Utilities considered various options to address the growing reliability issues due to
27 underground cable failures. In each neighbourhood, Alectra Utilities will implement the cable
28 renewal strategy that delivers the best value for customers. To ensure the ICM investment is the

⁴⁵ Exhibit 3, Tab 1, Schedule 2, p.5. See also interrogatory 1-Staff-15.

⁴⁶ ACM Report, p. 17; Filing Requirements, section 3.3.2.

1 most cost-effective option for customers, Alectra Utilities will leverage cable injection in
2 neighbourhoods where it is feasible to do so. Renewal through injection extends the life of the
3 existing cable at one-sixth the cost of replacement and provides environmental benefits by reusing
4 the existing cable.

5 The cable renewal projects address the worst areas throughout Alectra Utilities' entire service
6 area and include 8 cable injection projects and 8 cable replacement projects. With respect to the
7 proposed cable replacement projects, Alectra Utilities will replace the existing deteriorated and
8 failing cable in 8 neighbourhoods with new cable installed in protective conduit that will provide
9 reliable service for the next 55 years. New cable will eliminate the increasing impact of outages
10 from failing cable and reduce the need for reactive and emergency replacement which is more
11 costly and disruptive to customers in the area. With respect to the proposed cable injection
12 projects, Alectra Utilities will achieve two objectives: i) prevent further cable failure outages; and
13 ii) reduce the need for higher future costs to replace the cable.

14 To demonstrate the prudence of each eligible capital project, Alectra Utilities has provided a
15 business case summary that identifies: the project specific reliability along with the types of
16 customers impacted; the cost; and maps highlighting the scope of the work and the
17 condition/reliability of the affected assets. Alectra Utilities has identified that implementation of the
18 proposed ICM cable renewal projects will mitigate approximately 51,074 customer hours of
19 interruption, equivalent to 25% of Alectra Utilities' yearly customer hours of interruption for XLPE
20 cable and avoid approximately \$108MM in future capital renewal costs, by injecting cable now,
21 rather than replacing cable later.⁴⁷

22 SEC and AMPCO argue that, for the Enersource RZ, ICM funding should be denied for the
23 following four ICM projects – Project 151403 (\$1.6MM), Project 151407 (\$2.4MM), Project 151431
24 (\$1.3MM) and Project 1561435 (\$1.5MM) – totaling \$6.8MM, on the basis that these were
25 previously identified as 2023 ICM projects. SEC argues that Alectra Utilities should have
26 completed the four 2023 projects in 2023, and that these projects are therefore not eligible for
27 ICM funding in 2024. AMPCO submits that ICM funding should only be provided for Project
28 151903 (\$1.1MM), which was identified in the 2023 ICM application as a 2024 ICM project. SEC

⁴⁷ Exhibit 3, Tab 1, Schedule 4, p.1.

1 submits that Project 151903 is potentially eligible for funding, but that Alectra Utilities has sufficient
2 funding in base rates for this project.⁴⁸

3 As explained in response to interrogatory 1-Staff-6, the OEB should consider Alectra Utilities'
4 request in this Application on its own merit. The OEB's 2023 ICM Decision did not state that
5 Alectra Utilities could not seek funding for these projects (i.e., the four 2023 ICM projects in the
6 Enersource RZ from the 2023 application that were deferred as a result of the OEB only approving
7 \$1.9MM in funding for Enersource RZ) in later years. The proposed ICM projects in the
8 Enersource RZ are driven by specific reliability concerns identified in the respective
9 neighbourhoods. They have been identified for ICM funding as the asset condition, reliability and
10 quality of service in these areas create an urgent need for funding. Further, in the 2023 ICM
11 Decision, the OEB found the 2023 cable programs in the PowerStream RZ and Enersource RZ
12 to be prudent.⁴⁹

13 **E. MODIFIED ICM CRITERIA FOR ONGOING PROGRAMS**

14 As noted in the discussion on OEB policy under Part C, above, the OEB's ICM Policy Update
15 Letter modified the OEB's ICM policy insofar as it applies to consolidating utilities in years six to
16 ten of their rebasing deferral period, such as Alectra Utilities. Consequently, further to the
17 standard ICM requirements discussed in Part D, above, there are four aspects that Alectra Utilities
18 must demonstrate to support its ICM requests. The submissions of parties on these aspects, are
19 addressed below.

20 **1. Urgent Need**

21 Alectra Utilities has demonstrated, based on new information that has arisen, that it has an urgent
22 need for the requested ICM funding and that the need is related to the management of risk
23 associated with asset condition, reliability and quality of service and public safety. In the OEB's
24 decision in Alectra Utilities' 2023 ICM application, the OEB found that the cable program is urgent
25 based on new information that has arisen, specifically the asset condition report and preparation
26 of the DSP after the RZs were last rebased. The OEB found that Alectra Utilities has met this
27 criterion.⁵⁰

⁴⁸ See SEC Submission, pp.6-7, and AMPCO Submission p.6.

⁴⁹ OEB, Decision and Order, EB-2022-0013, November 17, 2022, p. 16.

⁵⁰ OEB, Decision and Order, EB-2022-0013, November 17, 2022, pp.17-18

1 As detailed in Exhibit 3, Tab 1, Schedule 2, proactive investment to address deteriorated direct-
2 buried underground distribution cable remains urgently needed to prudently address reliability
3 risks in specific neighbourhoods. Delaying these investments further will result in a greater risk of
4 extended outages for affected customers, as well as increasingly reactive and significantly less
5 cost-effective capital expenditures. Many communities in Alectra Utilities' service area, specifically
6 Mississauga, Vaughan, Richmond Hill, Aurora and Markham, experienced exponential growth
7 and development between the 1960s and 1990s. This exponential growth occurred at a time when
8 the electrical industry introduced cross-linked polyethylene (XLPE) underground cables. Alectra
9 Utilities has 4,766 km of direct-buried XLPE cable in service that has deteriorated, is failing and
10 is no longer reliable. This substantial amount of deteriorated direct-buried cable represents 99%
11 of all in-service poor and very poor cable in Alectra Utilities' service territory.⁵¹

12 Alectra Utilities must urgently invest to reverse the trend of worsening reliability, especially in
13 localized hotspots where the cable is failing at an increasing rate. While Alectra Utilities has been
14 investing in these assets for multiple years, the ongoing deterioration of this equipment is
15 outpacing the level of investment supported by Alectra Utilities' base rates. This results in a
16 growing volume of underground assets being replaced reactively through reactive capital or
17 emerging underground renewal. The current level of planned underground cable renewal
18 investment, while significant, is insufficient to maintain the reliability of the distribution system,
19 especially in the growing number of neighbourhoods supplied by deteriorated and unreliable
20 underground cable. While the DSP contemplated that cable failures were a growing risk and set
21 out plans for addressing that growing risk, the pace at which cable failures have intensified in
22 existing or new emerging neighbourhoods is greater than what was contemplated in the DSP. If
23 the company does not increase the pace of planned underground cable renewal, it forecasts that
24 one out of every four neighbourhoods in its service territory will be served by deteriorated and
25 unreliable cables by 2025.

26 The adverse impact from the passage of time is a further reason that Alectra Utilities must urgently
27 invest to avoid further deterioration. Over time, exposure and corrosion break down the insulating
28 properties of underground direct-buried cables, which leads to cable failures and service
29 interruptions. Once the cable starts deteriorating, Alectra Utilities has a limited period of time in
30 which it can implement the lower cost, innovative cable injection process to replenish the
31 insulating properties of the cable and extend its service life. However, if the cable is found to have

⁵¹ Exhibit 3, Tab 1, Schedule 1, p.5.

1 deteriorated beyond the point that rehabilitation through injection is feasible, Alectra Utilities must
2 instead urgently replace the cable before failures cascade into more considerable faults and
3 increasing numbers of customers become impacted by service outages and interruptions.
4 Therefore, there is an urgency to address cables that have started deteriorating by using cable
5 injection as a cost-effective option to extend service life before this option is no longer available,
6 and there is an urgency to address cables for which injection is no longer feasible because those
7 cables have deteriorated so significantly that they need replacement before significant failures
8 and service outages occur.

9 OEB staff, in its submissions, refers to the cable health and equipment outage information that
10 Alectra Utilities has provided and to the implemented Asset Analytics Platform which identifies
11 localized cable hot spots. Further, OEB staff noted the OEB's findings in the 2023 ICM Decision
12 in respect of this criterion, which are summarized above. Based on this information, OEB staff
13 agrees that there is an urgent need to address the increasing number of cable failures.⁵² Similarly,
14 the PWU submitted that the proposed investment is needed to maintain service reliability also
15 citing the OEB's rationale from the 2023 ICM Decision. In addition, the PWU acknowledges the
16 urgency of the need for ICM funding to address defective equipment that is the primary source of
17 service interruptions in the PowerStream and Enersource RZs.⁵³

18 In the 2023 Decision, the OEB rejected SEC's argument that some projects could be deferred
19 based on the cables being classified as fair. The OEB stated that it found the 2023 cable programs
20 to be prudent based upon the condition of the cable assets, and that the investments should help
21 ensure the reliability and quality of service. In addition, the OEB stated that it will not reduce 2023
22 ICM funding as suggested by SEC, on the basis that certain projects could be deferred, consistent
23 with its findings of the urgent need.⁵⁴

24 Although SEC acknowledges this finding in the 2023 Decision, SEC in its current submissions
25 argues that those projects for which ICM funding is being sought, which involve assets in fair
26 condition, are not urgent and do not need to be undertaken in 2024. More particularly, SEC argues
27 that the OEB should not approve ICM funding for the \$2.1MM Cable Replacement Project referred
28 to as Cochrane Drive (North) – Scolberg (South), Markham (Project 151913), or for the \$1.4MM

⁵² OEB Staff Submission, p. 16-17.

⁵³ PWU Submission, p. 6.

⁵⁴ OEB, Decision and Order, EB-2022-0013, November 17, 2022, p. 16.

1 Cable Replacement Project referred to as Hammond Drive Area of Aurora (Project 152375), for
2 a total reduction of \$3.5MM.⁵⁵

3 In Alectra Utilities' view, there are a number of reasons the OEB should not accept SEC's
4 arguments regarding assets classified as being in 'fair condition'.

5 First, the OEB did not accept the argument when SEC tried making it in the 2023 ICM proceeding,
6 as noted above. The circumstances are the same, so there is no reason the OEB should arrive
7 at a different outcome on this point.

8 Second, SEC continues to ignore the important consideration that cable injection projects
9 specifically target failing cable that has sufficient remaining insulation that rehabilitation via
10 injection remains a feasible solution. For cable that is still in fair condition or has not deteriorated
11 too much, Alectra Utilities can inject a fluid that re-enforces the weakened insulation.

12 Third, cable injection is six times less costly than cable replacement. Alectra Utilities has forecast
13 that the combined proposed ICM investment in both RZs will avoid future cable renewal costs of
14 approximately \$108MM. These avoided costs are largely attributable to injecting cables now that
15 would otherwise need to be replaced in the future as a result of missing the cable injection
16 feasibility window.⁵⁶

17 Fourth, SEC's argument is flawed because it is based on consideration of a single criterion –
18 cable condition. As explained in response to interrogatory AMPCO-12 (a), the 16 proposed ICM
19 projects were selected based on the specific reliability concerns identified in the respective
20 neighborhoods. These projects have been identified for ICM funding as the asset condition, as
21 well as the reliability and quality of service in these areas, together gives rise to an urgent need
22 for remediation. Furthermore, once Alectra Utilities' engineers identify emerging areas and
23 hotspots for cable failures, a full engineering assessment of the site is completed, which includes
24 the following elements⁵⁷:

- 25 • Complete reliability evaluation of all outages customers in the area have experienced over
26 the last several years;

⁵⁵ SEC Submission, pp. 5-6.

⁵⁶ Exhibit 2, Tab 1, Schedule 1, p.12, lines 6-9

⁵⁷ Exhibit 3, Tab 1, Schedule 2, page 16, Lines 5-14

- Evaluation of all assets in the area, including transformers and switchgear;
- Location of cable, including available space considering other utilities in the corridor;
- Assessment of the phasing, fusing, plans and feeder configuration;
- Feasibility of applying cable injection to extend the life of existing cable; and
- Other site-specific requirements (e.g., rear lot placement of cables and assets, environmental considerations such as conservation lands, driveways, roads, etc.).

By focusing on cable condition only, SEC has neglected all the other analysis which resulted in the selection of the ICM projects and the determination as to the urgency of the need.

Fifth, SEC has completely disregarded the specifics of the business cases for each of the two projects for which they argue ICM funding should be denied. These are summarized below.

Project #151913

In 2019, this commercial loop located in Markham, just north of Highway 407 off Woodbine, required an emergency replacement on the southern portion and 4 failures occurred in the same year within short succession. This project was completed and for almost a year there were no cable issues. Unfortunately, in 2020 the north half of the loop suffered 3 cable failures. Based on the engineering assessment, it was determined that this area will continue to experience additional failures, disrupting the businesses in this area. Cables in this area are on average 37 years old and are in fair or very poor condition.⁵⁸

Project #152375

Since 2016, this community in Aurora, off Wellington Street West and close to a York Region District School Board facility and the Fleury Park area, has experienced 4 outages. The first occurred in 2016, followed by outages in 2018, 2019, and 2020. Each outage occurred on a different cable within the same localized area. Alectra Utilities is concerned that because the failures are all occurring in the same localized area, this could be a circumstance similar to that which occurred in the York/Hilda area. The Parties may recall the York/Hilda example from the M-Factor application, where it was noted that this area experienced one outage every three

⁵⁸ Exhibit 3, Tab 1, Schedule 4, pp.19-20.

1 days.⁵⁹ As with the York/Hilda area, this community in Aurora has all cables located within the
2 same trench. Consequently, failure on one cable could lead to damage on the others, as occurred
3 in the York/Hilda area. Alectra Utilities submits that completion of this ICM project would avoid a
4 repeat of this unfavourable situation and considers replacing the cable in this area to be prudent
5 and in line with good utility practice.

6 AMPCO requests that Alectra Utilities comment on its observation that the amount of underground
7 cable in Fair condition (4 km) in the 2022 Asset Condition Assessment (“ACA”) appears to be
8 inconsistent with Alectra Utilities’ investment plans with respect to renewal of cable in Fair
9 condition in 2024, which significantly exceeds 4 km.⁶⁰ To clarify, the ACA is the first step in the
10 process of determining the condition of underground cable assets. Alectra Utilities updates the
11 condition assessment of assets, as determined through the ACA, after completing site-specific
12 assessments. As explained in Exhibit 3, Tab 1, Schedule 2, a full engineering assessment is
13 performed for each proposed site, which includes in-depth analysis of historical failures (which
14 deteriorate and impact the life of cable segments), cable testing to verify eligibility for injection
15 and renewal, identification of splices on the cables (i.e., the number of times a cable has already
16 been repaired), customer outage experience in the area, other related assets in the area,
17 configuration and other factors.⁶¹ After the site-specific engineering assessment is completed,
18 updates are made to the condition assessments as made in the ACA. This information is
19 presented in Figure 15, on page 13 of Exhibit 3, Tab 1, Schedule 2, which identifies that Alectra
20 Utilities has approximately 370km of XLPE UG cables in Fair condition. It would be impractical
21 and uneconomical to complete a full engineering assessment for each segment of the
22 underground cable population annually so as to update the ACA. Rather, the ACA is completed
23 based on records, which enables Alectra Utilities to identify candidate sites. From those
24 candidate sites, Alectra Utilities determines which sites require renewal on the most urgent basis
25 based on the additional information derived from performing the site-specific engineering
26 assessment process.

27 VECC argues that there is less urgency for the proposed ICM investments than is conveyed by
28 Alectra Utilities. VECC takes this view on the basis of its observations that after completion of

⁵⁹ EB-2019-0018, Exhibit 4, Tab 1, Schedule 1, p.5, line 1

⁶⁰ AMPCO Submission, p. 8.

⁶¹ See response to 1-Staff-14(b) for further information on the components that are considered in the analysis.

1 the 2023 ICM projects, the projected percentage of deteriorated cable by 2025 will be reduced
2 from 25% to 24.1%, and the number of underground failures continues to decline.⁶²

3 AMPCO includes, under the heading 'Other Considerations' in its submissions, comments
4 regarding improvements in asset condition and reliability, and argues that because the overall
5 health of XLPE cable is getting better Alectra Utilities does not need to spend as much on XLPE
6 cable.⁶³ More particularly, AMPCO argues that ICM funding for XLPE cable should be reduced
7 based on its observations that (a) the kilometers of underground cable in poor and very poor
8 condition has decreased by 5% from the 2021 ACA to the 2022 ACA, and (b) average cable failure
9 events over the 2018-2022 period are 8% lower than for the 2016-2020 period.

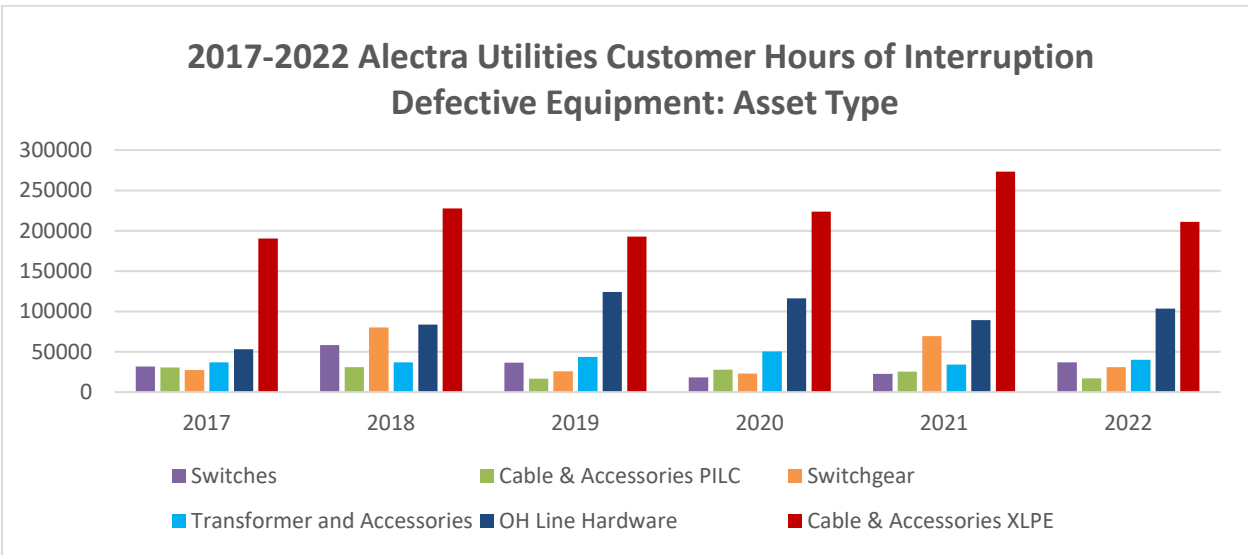
10 For the reasons that follow, it is Alectra Utilities' view that the OEB should give no weight to these
11 arguments from VECC and AMPCO.

12 VECC and AMPCO's observations should not be taken as an indication that any of the proposed
13 ICM investments are somehow less urgent or unnecessary. They do not acknowledge or take
14 into consideration that direct-buried cables and accessories continue to be the most significant
15 asset type impacting customer reliability, as indicated in Figure 2 of Exhibit 1, Tab 1, Schedule 4
16 of the Application (reproduced below as Figure 1). Figure 1 below illustrates that the customer
17 hours of interruption, which is the appropriate indicator of cable failure impact for customers,
18 continues to trend unfavourably. A reduction in the number of outages (in isolation) is not a
19 reasonable indicator that Alectra Utilities should reduce investment in underground cable renewal,
20 nor is it a reasonable indicator that the proposed underground cable renewal investments are not
21 urgent.

⁶² VECC Submission, p. 14.

⁶³ AMPCO Submission, pp. 7-8.

Figure 1 – Customer Hours of Interruption by Asset Type



VECC and AMPCO also ignore the methodology used by Alectra Utilities to identify the proposed projects. Alectra Utilities has consistently indicated that one of the reasons the ICM projects were selected is due to the clustering of failures (“hotspots”). As stated in the Application, the proposed ICM investments are driven by deteriorating asset condition, specifically, an increase in cable failures in localized “hotspots”,⁶⁴ as well as considerations of reliability and quality of service in the areas of those hotspots.⁶⁵

Alectra Utilities’ approach has targeted the worst performing areas with deteriorated cable, which are located in the PowerStream and Enersource RZs. This is consistent with the methodology outlined in Alectra Utilities’ 2020-2024 DSP to improve reliability for identified areas that are experiencing below average reliability performance.⁶⁶ This approach has reduced the backlog of hotspots, thereby reducing the number of events year over year. Despite Alectra Utilities’ efforts to address the backlog of deteriorated cable, with a focus on hotspots, the pace of renewal continues to lag the pace of cable deterioration, resulting in a persistent trend of worsening

⁶⁴ Exhibit 1, Tab 1, Schedule 4 p.5 lines 2-3

⁶⁵ For example, see Project 151403, where customers experienced 6 cable failures in this area in 2022, and Project 151935, where customers experienced 9 outages from cable failures over a 7year period including 2 in 2022 alone. For customers in areas like these, they do not see the reduction in overall outage numbers or customer hours of interruption that VECC and AMPCO refer to, so the reliability impacts for these customers should not be discounted on the basis of reduced outage numbers or customer hours of interruption for Alectra Utilities as a whole.

⁶⁶ EB-2019-0018, Exhibit 4, Tab 1, Schedule 1, Section 5.2.3, p.109.

1 customer hours of interruption.⁶⁷ Continued incremental investment in cable renewal is required
2 to reverse the trend and approval of the requested ICM funding will improve reliability for
3 customers in the identified communities in the Enersource and PowerStream RZs. The positions
4 of VECC and AMPCO to reduce investment based on the lower number of outages or a reduction
5 in customer hours of interruption would only serve to halt the momentum of progress on
6 underground cable renewal, compromise reliability in the identified hotspot neighbourhoods and
7 result in higher future costs for customers.

8 Finally, in further response to AMPCO's argument that the 2022 ACA results show an
9 improvement in deteriorated underground cable compared to the 2021 ACA, Alectra Utilities notes
10 that, as explained in response to interrogatory 3-SEC 8(b), the referenced improvement is
11 primarily a result of record changes from validations in the GIS database, such as the
12 reclassification of cable segment types from XLPE to PILC. Table 2 in the response to 3-SEC 8(b)
13 further illustrates this impact – showing the decrease in the XLPE population in the West region
14 from 2021 to December 2022.

15 VECC argues that Alectra Utilities' underspending on the underground renewal program in the
16 PowerStream RZ and Enersource RZ in 2022, and expected in 2023, relative to budgeted
17 amounts for those years, undermines the assertion that spending on underground renewal is
18 urgently needed.⁶⁸ Furthermore, in making this argument VECC raises questions about
19 differences between 2022 budget numbers taken from different sources.

20 The reasons for the underspending noted by VECC, which are set out in response to interrogatory
21 1-Staff-4, demonstrate that this underspending is not a reasonable indicator as to the urgency of
22 the need for investing in underground renewal. As explained in response to interrogatory 1-Staff-
23 4, Alectra Utilities completed \$21.4MM of underground renewal against a budget of \$25.7MM in
24 the PowerStream RZ and Enersource RZ in 2022, which represents 83% of the budget amount
25 for that year. The reason for this variance was the persistence of supply chain and labour
26 resource issues stemming from the COVID-19 pandemic, which impacted the availability of
27 required materials and labour resources. For these reasons, Alectra Utilities' cable injection
28 contractor experienced interruptions and resource challenges in 2022, leading to a lower volume
29 of cable injection work completed. Furthermore, delayed material delivery for underground cable
30 and accessories required Alectra Utilities to reschedule and defer underground cable replacement

⁶⁷ See Figure 2 from the Application

⁶⁸ VECC Submission, pp. 9-11.

1 work into 2023 and onward in the PowerStream RZ and Enersource RZ. Alectra Utilities is
2 mitigating the risk of further supply chain and resource issues by ordering project materials earlier
3 and securing project contractors through earlier notices.

4 As further explained in response to interrogatory 1-Staff-4, for 2023 Alectra Utilities forecasts to
5 complete \$45.7MM of underground renewal against a budget of \$45.4MM in the PowerStream
6 and Enersource RZs, which is within 1% of the budget amount. For 2024, Alectra Utilities plans
7 to complete \$55.8MM of underground renewal against a previous 2024 plan of \$53.1MM in the
8 PowerStream and Enersource RZs, which represents a 5% increase mostly driven by higher
9 planned underground renewal funded through distribution rates, offset by a lower request for
10 incremental funding for 2024 underground renewal projects.

11 In addition, in response to interrogatory 1-Staff-5, Alectra Utilities identified reasons for the
12 variances in spend for the approved ICM projects. In the Enersource RZ, Alectra Utilities is on
13 track to spend marginally above the 2023 approved ICM amount (\$1.9MM approved vs forecasted
14 spend of \$2.2MM). However, for the PowerStream RZ the 2023 approved ICM amount was
15 \$16.2MM and Alectra Utilities is forecasting expenditures of \$13.9MM. This variance is primarily
16 due to lower expenditures for cable injection projects. More particularly, prior to injection
17 occurring, certain segments of cable did not pass the injection eligibility criteria, and therefore,
18 could not be injected. Alectra Utilities will consider replacement of such segments in a future
19 period.

20 **2. History of Good Utility Practices**

21 Alectra Utilities has demonstrated that it has a history of good utility practice in respect of capital
22 planning, capital program management and asset maintenance. In the OEB's decision in Alectra
23 Utilities' 2023 ICM application, the OEB found Alectra Utilities meets the requirements of good
24 utility practice.⁶⁹

25 Alectra Utilities' capital planning process is based on a data-driven Asset Management
26 Framework through which Alectra Utilities prioritizes projects based on the value they provide to
27 the entire distribution system and not just to a single rate zone. Alectra Utilities also employs an
28 investment portfolio optimization process that includes the ICM projects in an iterative process
29 that makes use of the capital investment portfolio optimization capability of CopperLeaf C55

⁶⁹ OEB, Decision and Order, EB-2022-0013, November 17, 2022, pp.21-22.

1 together with reviews by the Capital Investment Steering Committee and feedback from customer
2 engagement.

3 As described in Exhibit 3, Tab 1, Schedule 1, Alectra Utilities prudently manages its capital
4 investments within its approved rates funding envelope. Within that funding envelope, the
5 company continually balances expenditures based on identified business and system needs and
6 the priorities and preferences of its customers. To this end, Alectra Utilities reviews its capital
7 plan on an annual basis to address evolving needs and priorities. In response to the OEB's 2023
8 ICM decision, Alectra Utilities re-prioritized investments for 2023 by reducing General Plant
9 investments by \$6.2MM primarily by re-prioritizing and deferring Information Technology
10 investments. The funds were redirected to distribution automation in an effort to reduce the
11 number of customers impacted by an outage and restoration time for those customers impacted
12 by both overhead and underground reliability issues. Alectra Utilities elected to invest in
13 distribution automation instead of cable renewal as automation has a wider beneficial impact for
14 a higher number of customers and provides grid flexibility to expedite restoration for both
15 overhead and underground systems.⁷⁰

16 OEB staff accepts that Alectra Utilities has reprioritized some of its budget to improve system
17 reliability through distribution automation, subject to OEB staff's submission regarding a capital
18 reduction as set out above. However, VECC and SEC submitted that Alectra Utilities should not
19 receive the requested incremental funding because Alectra Utilities has the opportunity to further
20 prioritize underground asset renewal in light of its investments in Information Technology projects
21 and an alleged underspending on underground renewal. These intervenors highlight that Alectra
22 Utilities' decision to reduce its investment in the General Plant category by \$6.2MM was redirected
23 to system automation rather than cable renewal. This position is aligned with CCMBC's general
24 position that Alectra Utilities ignored the OEB's comments in the 2023 ICM Decision and has not
25 provided sufficient evidence to satisfy the OEB's request for such reprioritization.⁷¹

26 Alectra Utilities submits that its capital planning and allocation practices have been satisfactory
27 and that it has achieved improvements in its capital planning since the 2023 ICM Decision by
28 further prioritizing the reliable operation of its system. Namely, as discussed above, Alectra
29 Utilities demonstrated its prioritization by reducing its General Plant expenditures by \$6.2MM,
30 specifically by re-prioritizing and deferring Information Technology capital investments and

⁷⁰ See interrogatory response 1-Staff-9 h

⁷¹ CCMB Submission, p. 4.

1 diverting those funds to distribution automation. VECC and SEC submit that because these funds
2 were diverted to distribution system automation rather than to the cable renewal (i.e., the System
3 Renewal) category of capital expenditures, the re-prioritization of capital expenditures is
4 unsatisfactory. Respectfully, Alectra Utilities maintains that an analysis of distribution automation
5 as well as the OEB's commentary in the 2023 ICM Decision demonstrate that Alectra Utilities'
6 redirection of funds achieves the outcome sought by the OEB.

7 In the 2023 ICM Decision, in the context of determining whether Alectra Utilities' capital
8 investment priorities were consistent with good utility practice in capital planning, capital program
9 management and asset maintenance, the OEB assessed the merits of the capital expenditure
10 prioritization based on its ability to achieve the underlying objective of maintaining system
11 reliability.⁷² To that end, the OEB stated that "[t]he OEB considers reliable electricity service a
12 fundamental, core function and responsibility of an electricity distributor."⁷³ As mentioned above,
13 investing in distribution automation offers reliability benefits, including distribution automation
14 infrastructure's ability to benefit a greater number of customers, provide grid flexibility, and to
15 expedite restoration for both overhead and underground systems.⁷⁴ Moreover, Alectra Utilities'
16 decision to divert investment into distribution automation is consistent with customer preferences
17 in respect of system reliability. As part of 2022 engagement initiative on customer needs and
18 priorities, customers were asked to identify their top priority reliability outcomes. Residential and
19 GS<50kW business customers identify reducing restoration time and reducing the number of
20 outages during extreme weather events as their top priority reliability outcomes, followed by
21 improving communication during outages for residential customers.⁷⁵ Based on the foregoing,
22 Alectra Utilities' diversion of funds to distribution automation directly furthers the OEB's underlying
23 objective of promoting system reliability, while simultaneously improving the aspects of system
24 reliability that customers indicated were most important to them.

25 **3. Customer Needs**

26 Alectra Utilities has appropriately demonstrated that the proposed ICM investments address
27 customer needs and preferences and deliver benefits to customers. OEB staff in its submissions
28 comments that the ICM directly addresses customer needs based on the 2022 engagement

⁷² EB-2023-0013, Decision and Order, November 17, 2022, p.21.

⁷³ EB-2023-0013, Decision and Order, November 17, 2022, p.21

⁷⁴ See interrogatory response 1-Staff-9h.

⁷⁵ EB-2023-0013, Innovative, Customer Engagement Report, Exhibit 4, Tab 1, Schedule 1, Attachment 11, p. 7.

1 survey and that Alectra Utilities has demonstrated that the cable renewal program will improve
2 the two most important customer outcomes of reliability and reasonable distribution rates.⁷⁶
3 Regarding OEB staff's comments that the OEB should consider the overall bill impact of the IRM
4 and ICM applications, OEB staff referenced the estimated overall bill impacts provided by Alectra
5 Utilities in response to interrogatory 1-Staff-1(g). Alectra Utilities submits that the estimated overall
6 bill impacts for the PowerStream and Enersource RZs of 1.9% and 2.5%, respectively, are
7 reasonable.⁷⁷ No party has raised any concerns regarding whether the proposed ICM investments
8 address customer needs and preferences or deliver benefits to customers.

9 The OEB's Rate Handbook advises that "customer engagement is expected to inform the
10 development of utility plans, and utilities are expected to demonstrate in their proposals how
11 customer expectations have been integrated into their plans, including the trade-offs between
12 outcomes and costs".⁷⁸ In this Application, Alectra Utilities relies on the results of its customer
13 engagement survey filed in its 2023 ICM application. In the OEB's decision in Alectra Utilities'
14 2023 ICM application, the OEB found that Alectra Utilities adequately addressed customer needs
15 and preferences, given the customer engagement survey feedback filed with the application.⁷⁹
16 Each proposed ICM project in this Application was included in the 2023 ICM application and
17 formed part of the customer engagement survey undertaken by Innovative in 2022.

18 Alectra Utilities engaged Innovative to undertake a customer engagement process in early 2022
19 seeking input on two topics: a broad engagement on customer needs and outcome priorities for
20 future system investments (the "Needs and Outcomes Engagement"), and a focused engagement
21 on potential near-term investments to renew underground cable in the PowerStream and
22 Enersource RZs (the "ICM Engagement"). Innovative assessed customer preferences through
23 an online workbook administered to representative samples of customers in each rate class and
24 rate zone, where applicable.

25 The ICM Engagement provided detailed information on the different potential approaches to
26 addressing deteriorated underground cable in the distribution system. Customers were presented
27 with the trade-offs between bill impacts, reliability outcomes, and volume of cable injected or
28 replaced under four different scenarios, including a "status quo" approach that would maintain the

⁷⁶ OEB Staff Submission, pp. 17-18.

⁷⁷ Please note that these bill impact estimates were provided in response to interrogatory 1-Staff-1g. The OEB's decisions on the IRM and ICM application, including updates to the OEB's models may impact these estimates.

⁷⁸ Handbook to Utility Rate Applications, October 13, 2016, p.11

⁷⁹ OEB, Decision and Order, EB-2022-0013, November 17, 2022, p.18

level of investment that would be funded within base rates. For each option, where applicable, customers were presented with the proposed incremental capital amount over the 2023 and 2024 period, as well as the monthly and cumulative bill impact.

The results of the ICM Engagement showed that customers want Alectra Utilities to invest more in renewing deteriorated underground cable. Customers in both RZs and in all rate classes indicated that they are prepared to fund an increased level of investment in both cable injection and cable replacement during 2023 and 2024.

4. Exhaustion of Other Means

Alectra Utilities has appropriately demonstrated that it has exhausted other available options to manage its costs within the envelope provided by the existing price cap formula.

F. REVENUE REQUIREMENT AND BILL IMPACTS

Alectra Utilities submits that the revenue requirement and bill impacts associated with the Application, as summarized below, are reasonable. No parties have raised any concerns about the revenue requirement or bill impacts.

PowerStream RZ

For the PowerStream RZ, the 2024 incremental revenue requirement associated with the ICM funding request of \$17.3MM is \$1.2MM.⁸⁰ This revenue requirement has been allocated to rate classes based on the current allocation of revenue for the PowerStream RZ using Tab 7 (Revenue Proportions) of the ICM Model.⁸¹ The resulting ICM rate riders for the PowerStream RZ are presented in Table 9 of the pre-filed evidence.⁸² The total 2024 monthly bill impact for a typical residential customer from the proposed ICM rate rider, as presented in Table 10 of the pre-filed evidence, is \$0.16 per month. The bill impacts resulting from the ICM rate riders in the PowerStream RZ, which are derived by comparison to the total before HST and the Ontario Electricity Rebate (OER), range from 0.04% for the Large Use to 0.19% for the Sentinel Lighting and Street Lighting rate classes.⁸³

⁸⁰ Exhibit 2, Tab 1, Schedule 1, pp. 7,10.

⁸¹ Exhibit 4, Tab 1, Schedule 1, Attachment 3.

⁸² Exhibit 2, Tab 1, Schedule 1, p. 11.

⁸³ Exhibit 2, Tab 1, Schedule 1, p. 12.

Enersource RZ

For the Enersource RZ, the 2024 incremental revenue requirement associated with the ICM funding request of \$7.9MM is \$0.6MM.⁸⁴ This revenue requirement has been allocated to rate classes based on the current allocation of revenue for the Enersource RZ using Tab 7 (Revenue Proportions) of the ICM Model.⁸⁵ The resulting ICM rate riders for the Enersource RZ are presented in Table 16 of the pre-filed evidence.⁸⁶ The total monthly bill impact for a typical residential customer from the proposed ICM rate rider, as presented in Table 17 of the pre-filed evidence, is \$0.12 per month. The bill impacts resulting from the ICM rate riders in the Enersource RZ, which are derived by comparison to the total bill excluding HST and OER, range from 0.04% for the General Service 50 to 499 kW and Large Use classes to 0.29% for the Street Lighting rate class.⁸⁷

All of which is respectfully submitted this 2nd day of November 2023.

ALECTRA UTILITIES CORPORATION



Natalie Yeates

Director, Regulatory Affairs and Reporting

⁸⁴ Exhibit 2, Tab 1, Schedule 1, p. 15,17.

⁸⁵ Exhibit 4, Tab 1, Schedule 1, Attachment 7.

⁸⁶ Exhibit 2, Tab 1, Schedule 1, p. 18.

⁸⁷ Exhibit 2, Tab 1, Schedule 1, p. 19.