

December 15, 2023

BY RESS and EMAIL

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
27th Floor, P.O. Box 2319
Toronto, ON M4P 1E4
Email: registrar@oeb.ca

Dear Ms. Marconi;

Re: EB-2023-0004 – Alectra Utilities Corporation (“Alectra Utilities”) 2024 Incremental Capital Module (“ICM”) Rate Application – Alectra Utilities’ Panel Information Request Responses

Alectra Utilities Corporation (“Alectra”) is the Applicant in the above-referenced proceeding. In accordance with the Ontario Energy Board’s (“OEB”) Procedural Order No. 2, please find enclosed the applicant’s responses to the Panel’s information request.

The responses are being filed electronically through the OEB’s RESS system.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,



Natalie Yeates
Director, Regulatory Affairs and Reporting
natalie.yeates@alecrautilities.com

cc: Charles Keizer, Torys LLP
All Parties

Panel Information Request-1

Topic: DSP versus 2024 Underground Asset Renewal and Information Technology Budget and Variance

Reference: EB-2023-0004, 1-Staff-9, Attachment 1 DSP Variances

Preamble:

In the reference Alectra Utilities projected:

- **A 2024 DSP - Underground Asset Renewal capital spend of \$95.5 million and a budget of \$76.1 million with a negative variance of \$19.4 million.**
- **A 2024 DSP Information Technology capital spend of \$8.4 million and a budget of \$19.5 million with a positive variance of \$11 million.**

Questions:

- In table format like the referenced table, please provide the 2024 Underground Asset Renewal allocation of the DSP, 2024 budget and variance by rate zone.**
- In table format, like the referenced table please provide the 2024 Information Technology capital allocation of the DSP, budget, and variance by rate zone. In addition, please explain in detail how Alectra Utilities allocated its Information Technology DSP and budgeted capital by rate zone.**

Response:

- 1 a) The 2024 Underground Asset Renewal allocation of the DSP, 2024 budget and variance by
- 2 rate zone is provided in Table 1, below.

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Table 1 – 2024 Underground Asset Renewal Comparison by Rate Zone (\$MM)

Grouping	Rate Zone	DSP	2024 (\$MM)	
			Budget	Variance
Underground Asset Renewal		95.5	76.1	(19.4)
Cable Remediation –Replacement	BRZ	4.8	1.3	(3.5)
Cable Remediation –Replacement	ERZ	25.6	12.7	(12.9)
Cable Remediation –Replacement	PRZ	20.5	17.8	(2.7)
Cable Remediation –Replacement	GRZ	1.4	0.0	(1.4)
Cable Remediation –Replacement	HRZ	5.3	5.2	(0.1)
Cable Remediation –Replacement Total		57.5	36.9	(20.6)
Cable Remediation – Injection	BRZ	3.5	0.7	(2.8)
Cable Remediation – Injection	ERZ	5.3	5.5	0.2
Cable Remediation – Injection	PRZ	11.8	16.7	4.9
Cable Remediation – Injection	HRZ	2.8	0.9	(2.0)
Cable Remediation – Injection Total		23.5	23.8	0.3
Switchgear Replacement	BRZ	0.5	1.5	1.0
Switchgear Replacement	ERZ	3.9	1.2	(2.7)
Switchgear Replacement	PRZ	3.2	2.8	(0.3)
Switchgear Replacement	GRZ	0.3	0.2	0.0
Switchgear Replacement	HRZ	0.4	0.8	0.3
Switchgear Replacement Total		8.3	6.5	(1.8)
Alectra Initiated Near term projects (Underground)	BRZ	0.9	0.8	(0.1)
Alectra Initiated Near term projects (Underground)	ERZ	1.0	1.2	0.2
Alectra Initiated Near term projects (Underground)	PRZ	1.0	1.9	0.9
Alectra Initiated Near term projects (Underground)	GRZ	0.8	0.5	(0.3)
Alectra Initiated Near term projects (Underground)	HRZ	1.7	2.3	0.6
Alectra Initiated Near term projects (Underground) Total		5.3	6.7	1.4
Civil Structures	PRZ	0.0	0.7	0.7
Civil Structures	GRZ	0.5	0.6	0.1
Civil Structures	HRZ	0.4	0.9	0.5
Civil Structures Total		0.9	2.2	1.3

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At Exhibit 3, Tab 1, Schedule 1, pp.1-5 in this application, Alectra Utilities summarized how it has managed its capital investments during the period covered by the DSP that was filed in the company’s 2020 EDR application (EB-2019-0018). The evidence provided context for the ICM funding requested in this application and demonstrates how Alectra Utilities has worked to effectively manage significant competing priorities within the funding envelope provided by the Price Cap formula. The largest category of capital expenditures planned in the DSP was for the renewal of deteriorated assets; specifically, 53% of the total five-year expenditure in the DSP was driven by System Renewal Investments. Further, the largest category of System Renewal Investments is Underground Asset Renewal. The decision to reduce and defer

1 significant investments in System Renewal was necessary to align the level of investment with
2 the funding in base rates.

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4 b) The 2024 Information Technology allocation of the DSP, 2024 budget and variance by rate
5 zone is provided in Table 2, below.

6 **Table 2 – 2024 Information Technology Budget Comparison by Rate Zone (\$MM)**

Information Technology by Rate Zone	2024 (\$MM)		
	DSP	Budget	Variance
Information Technology	8.4	19.5	11.0
ERZ	2.2	5.2	2.9
BRZ	1.2	2.8	1.6
GRZ	0.4	1.0	0.6
PRZ	3.1	7.1	4.0
HRZ	1.5	3.4	1.9

7
8 General plant expenditures, which include Information Technology expenditures, comprise
9 modifications, replacements or additions to assets that are not part of the distribution system,
10 including: land and buildings; tools and equipment; rolling stock; and electronics devices and
11 software used to support day-to-day business and operations activities.

12
13 In Alectra Utilities’ 2021 EDR Application (EB-2020-0002), Alectra Utilities identified that it
14 moved quickly to operate and report as one company in 2017, consistent with the OEB
15 direction in the MAADs decision. For the purpose of reporting on the Horizon Utilities Rate
16 Zone Capital Investment Variance Account (“CIVA”), it was necessary to allocate the general
17 plant to the rate zones. General plant is not identifiable by rate zone as these assets support
18 the operations of Alectra Utilities as a whole. An allocation methodology was therefore
19 developed by Alectra Utilities to determine the amount of general plant additions in the Horizon
20 Utilities RZ for the purpose of the CIVA calculation.

21
22 An allocation methodology based on each rate zone’s contribution to the total pre-merger rate
23 base was relied on to determine general plant for the respective rate zones. The pre-merger
24 rate base was taken from the annual Reporting and Record keeping Requirements (“RRR”)
25 2.1.5.6 legacy utilities’ RRR filings. The 2016 pre-merger rate base was relied on for the
26 Brampton, Enersource, Horizon Utilities and PowerStream RZs. The 2018 pre-merger rate
27 base was relied on for the Guelph Hydro RZ as Guelph Hydro merged with Alectra Utilities in

1 January, 2019. The allocation percentages were calculated based on each rate zone’s pre-
2 merger rate base as a proportion of the total pre-merger rate base for all rate zones.¹

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4 Table 33 from the 2021 EDR Application pre-filed evidence is reproduced below. The
5 allocation percentages in the table are used to allocate General Plant, including Information
6 Technology Investments by rate zone.

Table 33 – Rate Zone Proportions

	Brampton	Enersource	Horizon	PowerStream	Guelph	Total
Rate Base from ROE filing	\$ 421,744,471	\$ 777,690,672	\$ 506,465,550	\$ 1,064,944,076	\$ 154,944,539	\$ 2,925,789,308
Proportion	14.4%	26.6%	17.3%	36.4%	5.3%	100.0%

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8 This allocation approach from Alectra Utilities’ 2021 EDR Application was consistent with the
9 methodology advanced in the 2020 EDR Application. In both Decisions, the OEB approved
10 Alectra Utilities’ calculations in determining the amounts in the CIVA for Horizon Utilities.²

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12 Further, in response to OEB staff interrogatory 1-Staff-9 h), Alectra Utilities addressed how it
13 re-prioritized its investments for 2023 based on the OEB’s decision and reduced General Plant
14 by \$6.2MM primarily by re-prioritizing and deferring Information Technology investments. The
15 funds were redirected to distribution automation in an effort to reduce the number of customers
16 impacted by an outage and restoration time for those customers impacted by both overhead
17 and underground reliability issues. Alectra Utilities elected to invest in distribution automation
18 instead of in cable renewal as automation has a wider beneficial impact for a higher number
19 of customers and provides grid flexibility to expedite restoration for both overhead and
20 underground systems.

¹ EB-2020-0002, Exhibit 3, Tab 1, Schedule 3, p.4 and EB-2020-0002, Response to SEC Interrogatory SEC-16, October 27, 2020.

² EB-2019-0018, Partial Decision and Order, January 30, 2020, p.49; EB-2020-0002, Decision and Rate Order, December 17, 2020, pp.48-49.

Panel Information Request-2

Topic: EB-2022-0013 approved 2023 ICM funding vs. 2023 Budget ICM spend

Reference 1: EB-2022-0013 Decision and Order, page 2

Reference 2: EB-2023-0004, Alectra_IRR-1-Staff-4_Attach 1_Cable Renewal Spending PRZ ERZ 2017-2024_20230928.xls

Preamble:

Per reference 1, the OEB in its decision and order approved 2023 funding totaling \$18.1 million allocated as:

- \$16.2 million for the PowerStream rate zone
- \$1.9 million for the Enersource rate zone

Per reference 2, Alectra Utilities forecasts 2023 ICM capital totaling \$16.1 million allocated as:

- \$13.9 million for the PowerStream rate zone
- \$2.2 million for the Enersource rate zone

Per reference 2, Alectra Utilities 2023 capital forecast for Cable Replacement/Cable Injection/Emerging Underground Projects funded through distribution rates and funded through ICM rate riders in amounts as much as to 7 or 8 decimal points. For example, Alectra Utilities has forecast \$16,187,162.8710661 to be funded through existing distribution rates in the PowerStream rate zone. The data for all other years and categories is presented to 2 decimal points.

Questions:

- a. Please reconcile the difference in 2023 approved ICM funding and the amount forecast to be spent in 2023 and the reasons for the variance.
- b. Please explain the 2023 decimal point anomaly.

Response:

- 1 a) In response to OEB staff interrogatory 1-Staff-5, Alectra Utilities provided a comparison of
2 2023 OEB approved ICM capital compared to the 2023 ICM capital forecast, by project, for
3 the Enersource and PowerStream rate zones (Tables 1 and 2 in the response). The difference
4 between the approved 2023 ICM funding of \$18.1MM and the 2023 ICM capital forecast of
5 \$16.1MM is primarily driven by lower costs for the following two ICM projects in the
6 PowerStream Rate Zone.

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Table 1 – 2023 PRZ ICM Projects Approved to Forecast Variance (\$MM)

Project Name	Forecast variance vs. Approved (\$MM)
Cable Injection Project - (V17) - Jacob Keffer Parkway area of Vaughan	(0.6)
Cable Replacement Project - (M44) - Cochrane Dr (North) - Scolberg (South), Markham	(1.3)
Total	(1.9)

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4 The variance for the cable injection project on Jacob Keffer Parkway (V17) of \$0.6MM is
5 primarily due to injecting fewer segments of underground cable than initially planned, thereby
6 reducing the overall project costs. During the implementation of the project, Alectra Utilities
7 determined that some of the cable segments were no longer feasible candidates for
8 rehabilitation via cable injection and require replacement in the future.

9

10 The variance for the cable replacement project on Cochrane Drive (M44) of \$1.3MM is due to
11 lower than budgeted costs for civil work. Alectra Utilities was able to complete the project's
12 civil work while avoiding the anticipated congestion in the right of way, resulting in the
13 installation of the underground duct structure at costs lower than budget.

14

15 Further, in response to OEB staff interrogatory, 1-Staff-4, Alectra Utilities provided a
16 comparison of the 2023 budget for underground cable renewal investments (both funded
17 through distribution rates and through ICM rate riders) compared to the 2023 forecast, for the
18 Enersource and PowerStream rate zones. The 2023 budget for the amounts funded through
19 ICM riders reconciled to the amounts approved by the OEB in the 2023 ICM application (i.e.,
20 \$16.2MM for the PRZ and \$1.9MM for the ERZ). In its response, Alectra Utilities identified that
21 it forecasts to complete \$45.7MM of underground renewal in 2023 for these 2 rate zones
22 (funded through rates and ICM riders combined), which is within 1% of the 2023 budget
23 amount of \$45.4MM. Tables 3 and 4 from 1-Staff-4 are reproduced below as Tables 2 and 3
24 to this response.

1 **Table 2: 2023 Underground Renewal Forecast Expenditures vs. Budget for PRZ**

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

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

Enersource Rate Zone	Budget	Forecast	Variance
Funded through distribution rates	2023	2023	2023
Cable Replacement	\$ 7.2	\$ 10.3	\$ 3.0
Cable Injection	\$ 2.8	\$ 2.0	\$ (0.8)
Emerging Underground Projects	\$ 1.1	\$ 1.1	\$ -
Total	\$ 11.2	\$ 13.4	\$ 2.2
Funded through ICM rate riders			
Cable Replacement	\$ 1.9	\$ 2.2	\$ 0.3
Cable Injection	\$ -	\$ -	\$ -
Emerging Underground Projects	\$ -	\$ -	\$ -
Total	\$ 1.9	\$ 2.2	\$ 0.3

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5 b) When Alectra Utilities provided the values, they were copied and pasted from the data source
6 it originated from, into excel. The originating system included multiple decimal points for
7 precision. When formatting the table a few cells were not truncated to only display 2 decimal
8 points.