

BY E-MAIL

October 4, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Alectra Utilities Corporation (Alectra Utilities)
Application for 2025 Distribution Rates
Ontario Energy Board (OEB) File Number: EB-2024-0006**

In accordance with Procedural Order No. 1, please find attached the OEB staff's interrogatories in the above-noted proceeding. Alectra Utilities and all intervenors have been copied on this filing.

Alectra Utilities' responses to interrogatories are due by October 18, 2024.

Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Any questions relating to this letter should be directed to the Case Manager, Oluwole (Wolly) Bibiresanmi, at 437-880-4352 or oluwole.bibiresanmi@oeb.ca.

Yours truly,

Oluwole (Wolly) Bibiresanmi
Advisor, Incentive Rate-setting Mechanism

Encl.

OEB Staff Interrogatories
Alectra Utilities Corporation (Alectra Utilities)
EB-2024-0006
October 4, 2024

Please note, Alectra Utilities Corporation (Alectra Utilities) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

1-Staff-1

Capitalization Policy

Ref 1: 2025 IRM Rate Generator Model, Enersource Rate Zone (ERZ) – Current Tariff Schedule, Tab 2

Ref 2: Manager Summary Exhibit 2, Tab 1, Schedule 2, p. 7

In Reference 1, the Tariff schedule in Tab 2 indicates that Alectra Utilities' ERZ had access to required funding for its projects which included the underground asset renewal from 2017 to 2024 Incentive Rate Mechanism (IRM) year.

In Reference 2, Alectra Utilities states that the decrease in the ERZ of \$22.4 million is mainly due to lower investment in underground asset renewal and lower line capacity.

Question(s):

- a) Alectra Utilities in the previous applications for funding always justified the importance of required investment in critical assets such as the underground asset. Please provide reasoning for the decrease in investment in the underground assets in 2023 despite receiving all the required funding since 2017?

1-Staff-2

Threshold Test

Ref: 2025 IRM rate Generator Model PowerStream Rate Zone (PRZ), Guelph Rate Zone (GRZ), Horizon Rate Zone (HRZ) Tab 4, Cells C29-33

Alectra Utilities requested the disposition of its Group 1 balances in all rate zones. OEB staff notes that Alectra Utilities calculated its Threshold Test in the PRZ, HRZ, and GRZ to be \$0.0006, \$0.0003, and \$0.0008, respectively, which did not meet the Threshold Test.

Question(s):

- a) Please explain the reasoning for requesting the disposition of Group 1 balances despite not meeting the Threshold Test in the PRZ, HRZ, and GRZ.

1-Staff-3

Earnings Sharing Mechanism (ESM) – Returns On Equity (ROE)

Ref: Manager’s Summary, Exhibit 2, Tab 1, Schedule 9, pg. 2-3

In the reference, Alectra Utilities states that to determine the 2023 ROE in HRZ, BRZ, PRZ and ERZ, the weighting factors were derived using 2017 and 2018 ROE data from respective annual reporting and record-keeping requirements (RRR) filings for Alectra Utilities and Guelph Hydro, as shown in Table 1 and 2.

In addition, Alectra Utilities also states that the Achieved ROE % for HRZ, BRZ, PRZ, ERZ, and GRZ reconciles to the RRR 2.1.5.6 ROE submissions for 2017 and 2018.

Table 1: 2017 RRR 2.1.5.6 ROE Summary¹

Description	HRZ, BRZ, PRZ & ERZ	GRZ	Alectra Utilities Consolidated	Weighting Factors for HRZ, BRZ, PRZ & ERZ
Adjusted Regulated Net Income(A)	92,065,394	5,839,597	97,904,991	0.9404
Rate Base (RB)	2,731,011,247	150,463,475	2,881,474,722	0.9478
Regulated Deemed Equity(40% of RB) (B)	1,092,404,499	60,185,390	1,152,589,889	0.9478
Archived ROE % (A/B)	8.43%	9.70%	8.49%	

¹ Manager’s Summary, Exhibit 2, Tab 1, Schedule 9, pg. 3

Table 2: 2018 RRR 2.1.5.6 ROE Summary²

Description	HRZ, BRZ, PRZ & ERZ	GRZ	Alectra Utilities Consolidated	Weighting Factors for HRZ, BRZ, PRZ & ERZ
Adjusted Regulated Net Income(A)	88,414,588	5,072,739	93,487,327	0.9457
Rate Base (RB)	2,885,572,416	154,944,539	3,040,516,955	0.9490
Regulated Deemed Equity(40% of RB) (B)	1,154,228,966	61,977,816	1,216,206,782	0.9490
Archived ROE % (A/B)	7.66%	8.18%	7.69%	

Question(s):

- a) Has there been any subsequent reconciliation of the HRZ, BRZ, PRZ, ERZ, and GRZ Achieved ROE to RRR 2.1.5.6 submissions after 2018? If yes, please provide a copy. If not, please explain why.
- b) For the ESM, Alectra Utilities states that it evaluated a deemed ROE for Horizon, Brampton, PowerStream, and Enersource RZs, excluding Guelph of 8.94% in determining that the ESM is not triggered. Please provide calculations showing how the Achieved ROE % for Alectra Utilities (excluding Guelph) and Guelph demonstrates Alectra Utilities' conclusion that the ESM is not triggered.

1-Staff-4

Ref: Rate Generator Model, Tab 3, Continuity Schedule

On September 13, 2024, the OEB published the 2024 Quarter 4 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

² Manager's Summary, Exhibit 2, Tab 1, Schedule 9, pg. 3

- a) Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2024 OEB-prescribed interest rate of 4.40%.

1-Staff-5

Ref 1: Attachment 22 RGCRP BRZ, Attachment 23 RGCRP PRZ, Attachment 24 RGCRP ERZ

Ref 2: EB-2020-0002, IRR for ERZ-Staff-30, PRZ-Staff-42

Ref 3: EB-2022-0185, RGCRP BRZ Excel Model, RGCRP PRZ Excel Model, RGCRP ERZ Excel Model

In response to OEB staff interrogatories for its 2021 request for RGCRP funding approval, Alectra Utilities confirmed that it does not expect any future RGCRP capital additions in 2022-2026 for ERZ, BRZ, and PRZ. OEB staff notes that the RGCRP funding request for 2025 is the same as what was provided in the previously approved 2023 RGCRP Models in Reference 3.

Question(s):

- a) Please confirm OEB staff's understanding that the RGCRP funding requests for 2025 for ERZ, BRZ and PRZ remain unchanged from the 2023 IRM model because there were no capital additions in 2025. If this is not the case, please explain.

1-Staff-6

Ref 1: Attachment 27 ESM Calculation

Ref 2: Manager Summary, Exhibit 2 / Tab 1 / Schedule 9

To determine the 2023 ROE for the Horizon, Brampton, PowerStream and Enersource RZs only, Alectra Utilities derived weighting factors to be applied to Alectra Consolidated (all five RZs) ROE data. The weighting factors were derived using 2017 and 2018 ROE data from the respective annual RRR filings for Alectra Utilities and Guelph Hydro. Since the Alectra Utilities and Guelph Hydro merger was effective January 1, 2019, Alectra Utilities (4 RZs) and Guelph Hydro filed separate RRR 2.1.5.6 ROE calculations for 2017 and 2018.

OEB staff has copied the table for the weighted average deemed ROE calculation for the 5 rate zones from Reference 1 but is unable to recreate the amounts under the deemed equity portion of the rate base for each rate zone.

Weighted Average Deemed ROE Calculation	Deemed Equity Portion of Rate Base (\$)	Weighting Factor	Deemed ROE
ERZ	249,399,133	0.22	8.93%
BRZ	161,847,409	0.14	9.30%
GRZ	60,556,692	0.05	9.19%
PRZ	433,122,065	0.38	8.78%
HRZ	222,279,180	0.20	8.98%
Alectra Weighted Deemed ROE (5 RZs)			8.95%

Question(s):

- a) Please provide supporting calculations of how the deemed equity portion of rate base (\$) for each rate zone was calculated.
 - i) Please confirm whether this calculation was utilized and approved in the past. If it was approved in the past, please provide the reference.
- b) The weighting factors of the 5 rate zones add to 0.99 where OEB staff expects the factors to add to 1.00. Please update the evidence as necessary.
 - i) If this should not be the case, please explain why.