October 16, 2025

VIA RESS

Mr. Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street
27th Floor, Box 2319
Toronto, ON M4P 1E4
Email: registrar@oeb.ca

Dear Mr. Murray;

Re: EB-2025-0055 – Alectra Utilities Corporation ("Alectra Utilities") 2026 Electricity Distribution ("EDR") Rate Application – Alectra Utilities' Interrogatory 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. 1 dated September 24, 2025, parties were required to submit interrogatories on the Applicant's evidence by October 2, 2025, with the Applicant's responses due October 16, 2025.

Enclosed are Alectra's responses to interrogatories from OEB Staff and School Energy Coalition ("SEC").

The responses are being filed electronically through the OEB's RESS system. Included with the electronic filing are live Excel models for the following responses:

Staff-6	Rate Generator Models for all rate zones
2-SEC-3	Depreciation Study Preliminary Results
2-SEC-3	Change in UL Calculations

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

Yours truly,

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

cc: Charles Keizer, Torys LLP
All parties in EB-2025-0055

Staff-1

Reference 1: Rate Generator Model, Tab 3, Continuity Schedule

Preamble:

On September 11, 2025, the OEB published the 2025 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):

a) **Please confirm that Tab 3 (Continuity Schedule), for each of Alectra Utilities' rate zones, reflects the Q4 2025 OEB-prescribed interest rate of 2.91%. If not, please update Tab 3, as necessary.**

Response:

Alectra Utilities confirms that Tab 3 (Continuity Schedule), for each of Alectra Utilities' rate zones, reflects the Q4 2025 OEB-prescribed interest rate of 2.91%.

Staff-2

Reference 1: 2026 Rate Generator Model, Tab 4, Cell 33

Alectra Utilities has requested the disposition of its Group 1 account balances across all rate zones. OEB staff notes that the Threshold Test calculated for the Brampton Rate Zone (BRZ) falls below the threshold required for disposition.

Question(s):

a) Please explain the rationale for requesting the disposition of Group 1 balances in the BRZ, given that the Threshold Test result does not meet the minimum requirement for disposition.

Response:

a) The Chapter 3 Filing Requirements issued June 19, 2025, allow distributors to elect to dispose of Group 1 account balances below the pre-set disposition threshold of +/-$0.001/kWh. The Threshold Test calculated for BRZ is $0.0006/kWh, which is below the disposition threshold. Alectra Utilities is electing to dispose of BRZ Group 1 account balances as of December 31, 2024 based on:

1. Materiality - The BRZ total Group 1 accounts balance of $2.5MM is material and results in calculated volumetric rate riders for all BRZ rate classes.
2. Consistency - The Threshold Test is met for the remaining four rate zones (HRZ, PRZ, ERZ, and GRZ). It is also met on a consolidated basis, as presented in Table 1 below. This approach is consistent with Alectra Utilities' election and the OEB's approved disposition of Group 1 balances below the threshold for the Brampton, Enersource, Guelph and PowerStream rate zones in Alectra Utilities' 2022 IRM application (EB-2021-0005).

Table 1 – Pre-Disposition Test

	Consolidated	HRZ	BRZ	PRZ	ERZ	GRZ
Total Group 1 Balance ($)	43,955,813	6,126,623	2,546,542	16,261,356	17,304,502	1,716,791
Total kWh (2024 RRR)	27,174,252,655	5,195,494,530	4,178,224,078	9,152,799,985	7,006,344,451	1,641,389,610
$/kWh	0.0016	0.0012	0.0006	0.0018	0.0025	0.0010

Staff-3

Reference 1: 2026 Rate Generator Model – Brampton Rate Zone, Tab 20: Final Tariff Schedule, Rows 256 and 259

Reference 2: 2026 Rate Generator Model – Guelph Rate Zone, Tab 20: Final Tariff Schedule, Rows 279 and 280

Reference 3: EB-2022-0185 – Alectra Utilities Corporation, Decision and Rate Order, issued December 8, 2022, p.19

In Reference 3, Alectra Utilities was approved to dispose of its Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) debit balance of approximately $19.3 million across five rate zones. This balance included lost revenues from CDM programs delivered in 2020 and 2021, persisting savings from programs delivered in prior years, and associated carrying charges. As outlined in the OEB's Decision referenced above, Alectra Utilities' proposal to recover the LRAMVA balances was approved for the Brampton Rate Zone Street Lighting rate class over a 24-month period, and for the Guelph Rate Zone Street Lighting rate class over a 36-month period to minimize the bill impact.

Question(s):

a) **Please confirm whether the rate riders in References 1 and 2 are associated with the disposition approved in Reference 3.**

b) **Please confirm the expiration dates of the rate riders referenced in References 1 and 2 and clarify whether these dates are consistent with the recovery periods approved in Reference 3.**

c) **Please confirm that the LRAMVA disposition amounts approved in Reference 3 will be fully disposed of by December 31, 2026**

Response:

a) References 1 and 2 are not associated with the disposition approved in Reference 3 (EB-2022-0185). They are associated with the OEB's Decision and Rate Order in Alectra Utilities' 2024 rate application, issued on December 14, 2023, page 21-22 (EB-2023-0241).

The rate riders for the Brampton Rate Zone in Reference 1 are provided below.

- Rate Rider for Disposition of Lost revenue Adjustment Mechanism Variance Account (LRAMVA) (2024) - effective until December 31, 2026 $4.9920/kW
- Rate Rider for Disposition of Prospective Lost revenue Adjustment Mechanism Variance Account (LRAMVA) (2024) - effective until December 31, 2026 $2.5428/kW

The rate riders for the Guelph Rate Zone in Reference 2 are provided below.

- Rate Rider for Disposition of Lost revenue Adjustment Mechanism Variance Account (LRAMVA) (2024) - effective until December 31, 2026 $12.8665/kW
- Rate Rider for Disposition of Prospective Lost revenue Adjustment Mechanism Variance Account (LRAMVA) (2024) - effective until December 31, 2026 $6.5536/kW

In EB-2023-0241 (i.e. Reference 1 and 2), the OEB approved the disposition of Alectra Utilities' LRAMVA debit balance of approximately $20.4MM across five rate zones. This balance consisted of lost revenues from CDM programs delivered in 2022 and 2023, persisting savings from programs delivered in prior years, and associated carrying charges. In addition, the OEB also approved the LRAM-eligible amounts for the years 2024 to 2026 on a prospective basis for all five rate zones. For the 2024 rate year, the OEB approved the requested LRAM-eligible amount of approximately $9.5MM to be recovered from customers and the associated rate riders. Additionally, the OEB approved Alectra Utilities to recover the 2022 to 2024 LRAMVA balances for the Brampton and Guelph Hydro rate zones Street Lighting rate class over 36 months, effective until December 31, 2026.

b) Alectra Utilities confirms that the expiration dates of the rate riders referenced in References 1 and 2 are December 31, 2026 These expiration dates are consistent with the recovery periods approved in EB-2023-0241.

c) Alectra Utilities confirms that the LRAMVA disposition amounts approved in EB-2023-0241 will be fully disposed of by December 31, 2026.

Staff-4

Reference 1: Exhibit 2 / Tab 1 / Schedule 12 / Pages 1-2

Reference 2: Exhibit 2 / Tab 1 / Schedule 12 / Appendix 'A'

Reference 3: EB-2022-0065, Decision and Order, Schedule B

In Reference 1, Alectra Utilities states that in preparation for the filing of its 2027 rebasing application, the company is undertaking a third-party depreciation study that will be filed as part of the rebasing application. Preliminary results indicate that changes in financial useful lives of assets are expected to result in a net decrease in depreciation expense for 2025 of $17 million and 2026 of $21 million, the final two years of Alectra Utilities' rebasing deferral period. Alectra Utilities intends to implement the changes in depreciation for financial reporting purposes, effective January 1, 2025.

Alectra Utilities requests approval for an accounting order to establish a new deferral and variance account effective January 1, 2025 and to record the impact of implementing the new depreciation study using the Account 1576 approach.

In Reference 2, the draft accounting order states that the Account 1576 approach requires a rate of return component to be applied to the balance in the account before disposition which will be determined at rebasing. Interest carrying charges will not be applied to the account balances.

Page 35 of Alectra Utilities' 2020 Partial Decision and Order (EB-2019-0018) states that: "The OEB adopts the Account 1576 approach to the deferral accounts for the change in capitalization policy."

In Reference 3, OEB staff notes that a similar deferral and variance account (DVA) was established to track the impact of updated useful lives, where carrying charges were applied at the OEB-approved rate for DVAs.

Question(s):

a) **Please provide the estimated balance in the account that is to be disposed of in the next rebasing application, showing the principal amount and the return component with calculation separately.**

b) **Please explain why Alectra Utilities considers it appropriate to apply the rate of return approach used for Account 1576 to this new account as compared to applying the prescribed interest rates on the DVA, given that the 2020 Partial**

Decision and Order states that the Account 1576 approach is for the DVA for the changes of capitalization policy.

c) Please compare the return on the account to the carrying charges on the account if the account were to apply OEB prescribed interest for 2025 and 2026 amounts. Please use the 2025 Q4 prescribed interest rate of 2.91% to calculate the forecasted carrying charges.

d) Please provide any precedent applications that Alectra Utilities is aware of where the OEB approved similar variance accounts during the rate term for the change of the useful lives of assets.

e) Please explain Alectra Utilities' view on establishing this account and whether it does or does not constitute retroactive ratemaking.

Response:

a) Table 1 provides the estimated balance in the account that is to be disposed of in the next rebasing application, showing the principal amount and the return component with calculations, separately.

Table 1: Estimated balance in Account 1508 Sub-account - Useful Life Changes

Reporting Basis	2025 MIFRS Forecast	2026 MIFRS Forecast
	$	$
PP&E Values under former useful lives		
Opening net PP&E	3,670,770,322	3,830,595,427
Net Additions	346,696,347	335,859,635
Net Depreciation (includes derecognition)	(186,871,242)	(199,360,870)
Closing net PP&E	3,830,595,427	3,967,094,192
PP&E Values under revised useful lives (Starts from 2025)		
Opening net PP&E	3,670,770,322	3,847,217,145
Net Additions	346,696,347	335,859,635
Net Depreciation (includes derecognition)	(170,249,523)	(178,121,703)
Closing net PP&E	3,847,217,145	4,004,955,077
Difference in Closing net PP&E	(16,621,718)	(37,860,885)

Effect on Deferral and Variance Account Rate Riders		
Closing balance in Account 1508 Sub-account - Useful Life Changes		(37,860,885)
Return on Rate Base Associated with Account 1508 Sub-account - Useful Life Changes balance at return on capital of 6.1%		(2,309,514)
Amount included in Deferral and Variance Account Rate Rider Calculation		(40,170,399)

b) In 2012, the OEB established Account 1576 for distributors to record accounting changes to depreciation expense and capitalization policies in the transition to IFRS. Consistent with a Letter from the Board to Licensed Electricity Distributors re: *Accounting Policy Changes for Accounts 1575 and 1576*, dated June 25, 2013, the Board established a generic policy requiring a rate of return component to be applied to the balance of Account 1576 upon its disposition in rates.

Alectra Utilities considers it appropriate to follow the Board policy and apply the rate of return approach used for Account 1576 to the new DVA. Alectra Utilities considers the new DVA for Useful Life Changes to be similar in nature to Account 1576, since both accounts relate to accounting changes that affect depreciation expense.

c) Table 2 compares the return on the account to the carrying charges on the account. The return on the account is calculated by applying the proposed 2027 weighted average cost of capital of 6.1% to the forecasted balances in the deferral account for disposition. The carrying charges on the account are calculated by applying the OEB-prescribed 2025 Q4 interest rate of 2.91% to the forecasted balances in this deferral account for disposition. The table shows that the return on the account is approximately $1.2MM higher than the carrying charges on the account.

Table 2: Return on the Account vs Carrying Charges on the Account Comparison ($)

	2025	2026	Total
Principal Balance	(16,621,718)	(21,239,167)	(37,860,885)
Return on Rate Base - 6.1%	(1,013,925)	(1,295,589)	(2,309,514)
Carrying Charges - 2.91%	(483,692)	(618,060)	(1,101,752)
Difference	**(530,233)**	**(677,529)**	**(1,207,762)**

d) Please see Alectra Utilities' response to part b). Alectra Utilities' proposed approach to record the balances in the account is aligned with the OEB's guidance related to accounting changes for depreciation expense and capitalization policies.

e) As identified in Exhibit 2, Tab 1, Schedule 12, in preparation for its 2027 rebasing application, Alectra Utilities undertook a third-party depreciation study as well as a third-party study to evaluate and update Alectra Utilities' Direct Labour Capitalization rate methodology. These studies were still ongoing in 2025 and the preliminary results of the study unknown at the time of Alectra Utilities' 2025 IRM application. As a result, Alectra Utilities did not request approval for the establishment of the new accounts at that time. Given the materiality of the impact (refund to customers) and the fact that these changes will be implemented for financial reporting purposes, effective January 1, 2025, Alectra Utilities felt it was prudent to request approval to establish these accounts in its 2026 IRM application to ensure that these balances are tracked and refunded to customers as part of Alectra Utilities' 2027 rebasing application.

Staff-5

Reference 1: Exhibit 2 / Tab 1 / Schedule 12 / Pages 3-4

Reference 2: Exhibit 2 / Tab 1 / Schedule 12 / Appendix 'B'

Reference 3: Exhibit 2 / Tab 1 / Schedule 12 / Pages 3-4

Alectra Utilities undertook a third-party study to evaluate and update Alectra Utilities' Direct Labour Capitalization (DLC) rate methodology used to allocate directly attributable capital costs to capital projects, for those individuals that do not utilize timesheets. The results of the study indicate an increase in labour capitalization (i.e., higher capital costs) and a corresponding decrease to OM&A costs in 2025 and 2026, the final two years of Alectra Utilities' rebasing deferral period. Alectra Utilities intends to implement the DLC change for financial reporting purposes, effective January 1, 2025.

The results of the study indicate that impact of the DLC change will result in a credit balance recorded in the deferral and variance account of approximately $6 million in 2025 and $5 million in 2026.

Alectra Utilities requests approval for an accounting order to establish a new deferral and variance account effective January 1, 2025 to record the impact using the Account 1576 approach.

In Reference 2, the account description states that interest carrying charges will not be applied to the account balances.

In Reference 3, Alectra Utilities states that it currently has a DVA to capture the impact of harmonizing the capitalization policies of Enersource Rate Zone, BRZ, Guelph Rate Zone and Horizon Rate Zone to the capitalization policy of the Powerstream Rate Zone. Alectra Utilities uses the Account 1576 approach and a pre-ERP allocation method to translate those policy impacts to each rate zone, which were both accepted by the OEB in its 2020 IRM (EB-2019-0018). Alectra Utilities is proposing to track a new change in estimate from its DLC study using a 1576 approach, which impacts its capitalization ratios.

Question(s):

a) **Please provide the estimated balance in the account that is to be disposed of in the next rebasing application, showing the principal amount and the return component with calculation separately.**
b) **Please confirm whether Alectra Utilities is proposing to use a rate of return approach for the DLC DVA.**

i. If confirmed, please update the draft accounting order.
ii. If not confirmed, please explain if another mechanism is proposed to capture interest.

c) Please explain in detail how Alectra Utilities proposes to exclude the DLC-related impacts for 2025-2026 from its existing capitalization policy impact models to ensure there is no double counting.

d) Please explain Alectra Utilities' view on establishing this account and whether it does or does not constitute retroactive ratemaking.

Response:

a) Table 1 provides the estimated balance in the account that is to be disposed of in the next rebasing application, showing the principal amount and the return component with calculations separately.

Table 1: Estimated balance in Account 1508 Sub-account - Direct Labour Capitalization Changes

Reporting Basis	**2025 MIFRS Forecast $**	**2026 MIFRS Forecast $**
Capital Budget under Old DLC Rates		
Division		
Asset Strategy	5,952,166	6,576,687
Customer Service	1,129,462	1,168,241
Network Metering	2,302,778	3,010,055
Operations	10,127,092	13,657,359
Total	**19,511,497**	**24,412,342**
Capital Budget under New DLC Rates		
Division		
Asset Strategy	7,215,158	7,733,323
Customer Service	825,792	856,140
Network Metering	3,470,083	4,135,122
Operations	13,706,831	17,020,649
Total	**25,217,864**	**29,745,235**
Difference in Capital Budget	(5,706,367)	(5,332,893)

Effect on Deferral and Variance Account Rate Riders

Closing balance in Account 1508 Sub-account - Direct Labour Capitalization Changes		(11,039,260)
Return on Rate Base Associated with Account 1508 Sub-account - Direct Labour Capitalization Changes balance at return on capital of 6.1%		(673,395)
Amount included in Deferral and Variance Account Rate Rider Calculation		(11,712,654)

b) i) Alectra Utilities proposes to use the Account 1576 approach (i.e., a rate of return applied to the balance) for the balance of its new DLC DVA upon its disposition in rates. Alectra Utilities has updated the draft accounting order in Appendix A.

b) ii) Please see Alectra Utilities' response to part b) i).

c) In respect to Alectra Utilities' existing capitalization policy impact models, Alectra Utilities uses an allocation methodology based on the best available data prior to the ERP convergence as a reasonable approach to proxy the actual impacts. Alectra Utilities determined an allocation percentage by rate zone to be applied to 2019 to 2026 distribution system plant capital based on a ratio of the actual impact of the capitalization policy change prior to the ERP convergence to actual distribution system plant capital. In the OEB's Decision and Rate Order for Alectra Utilities' 2021 EDR Application, the OEB accepted the allocation methodology applied by Alectra Utilities to the capitalization policy deferral accounts.

There are two components in calculating Alectra Utilities' existing capitalization policy impacts:

1. The ratio of the actual capitalization policy impact prior to ERP convergence, and
2. The actual distribution system plant capital.

As noted in Alectra Utilities' responses to Technical Conference Undertakings (EB-2017-0024), the capitalization policy changes effective February 1, 2017 were attributable to more salaries and benefits being allocated to capital programs associated with network planning, standards, records, and customer account setup. The ratio of the actual capitalization policy impact prior to ERP convergence reflects this change.

Alectra Utilities' 2025 DLC burden rates changes, as identified in the DLC study, is primarily due to the inclusion of Control Room Labour Costs within the Direct Labour Capitalization Burden Pool. This change is incremental to Alectra Utilities' capitalization policy change effective on February 1, 2017 and, therefore, does not result in double counting in the ratio itself.

With respect to the actual distribution system plant capital, Alectra Utilities proposes that, when applying the existing ratio to the 2025 and 2026 distribution system plant capital, the incremental direct labour burden costs resulting from the 2025 updates be excluded from the capital amount. The forecasted incremental direct labour burden costs are identified in Table 1 above — $5.7MM for 2025 and $5.3MM for 2026. Alectra Utilities proposes to reduce its 2025 and 2026 distribution system plant capital amounts by $5.7MM and $5.3MM, respectively, to ensure there is no double counting, for the purposes of calculating its existing capital policy impact.

d) Please see Alectra Utilities' response to Staff-4 e).

Appendix A

Proposed Accounting Order
Direct Labour Capitalization Changes

PROPOSED ACCOUNTING ORDER

NEW VARIANCE ACCOUNT – DIRECT LABOUR CAPITALIZATION CHANGES

The purpose of the new Direct Labour Capitalization Changes account is to track the cumulative difference between the former and revised Direct Labour Capitalization rates as determined by the DLC study and using the Account 1576 approach. The Account 1576 approach requires a rate of return component to be applied to the balance in the account before disposition which will be determined at rebasing. The account will be effective from January 1, 2025 until the effective date of Alectra Utilities' rebasing decision, unless otherwise directed by the OEB. The account will be cumulative and increase labour capitalization (i.e., higher capital costs) thus correspondingly decrease OM&A costs. The calculation of any entries made to the Direct Labour Capitalization Changes account and the prudence of any account balances will be subject to review and OEB approval at rebasing.

Interest carrying charges will not be applied to the account balances.

Alectra Utilities will use the following sub-account to record the amounts:

- Account 1508, Other Regulatory Assets, Sub-account Direct Labour Capitalization Changes

The sample accounting entry for the variance account:

A. To record entries in the Direct Labour Capitalization Changes variance account:
    - CR 1508 Other Regulatory Assets, Sub-account Direct Labour Capitalization Changes
    - DR 4305 Regulatory Debits

Staff-6

Question(s):

a) In the instance the OEB releases any updated rates / charges (e.g., 2026 Uniform Transmission Rates) before Alectra Utilities provides its responses to OEB staff's interrogatories, please update the Rate Generator Model for each rate zone, as applicable, and identify the rates / charge that were updated.

Response:

a) Alectra Utilities has updated the Rate Generator Models for each rate zone to reflect the 2026 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates released in a letter on October 9, 2025. As a result of this update, RTSRs for all rate classes have been updated in the RGM filed as Attachments 1 to 5 to this response.

Staff-6

Attachment 1
RGM HRZ

Please see live Excel version of Attachment 1

Staff-6

Attachment 2
RGM BRZ

Please see live Excel version of Attachment 2

Staff-6

Attachment 3
RGM PRZ

Please see live Excel version of Attachment 3

Staff-6

Attachment 4
RGM ERZ

Please see live Excel version of Attachment 4

Staff-6

Attachment 5
RGM GRZ

Please see live Excel version of Attachment 5

2-SEC-1

Reference 1: Exhibit 2, Tab 1, Schedule 8, Tables 56, 57, 58, 59 and 60

Question(s):

Please provide the four years 2021-2024 of actual billing determinants, and forecast for 2025 of billing determinants that were used to forecast the billing determinants for 2026.

Response:

Alectra Utilities uses the most recent actual billing determinants filed with the OEB in its RRR filing to calculate the LRAMVA Rate Riders. In Reference 1, the Total Metered kWh and Metered kW or kWh represent Alectra Utilities' 2024 actual billing determinants, as reported in its 2024 RRR filing. This approach has been consistently applied in Alectra Utilities' IRM rate applications throughout the rebasing deferral period. Accordingly, Alectra Utilities did not use the 2026 forecasted billing determinants for the purpose of calculating the LRAMVA rate riders.

Tables 1 to 5 provide the actual billing determinants for each rate zone for the four years from 2021 to 2024, as a reference.

Table 1: Actual Billing Determinants from 2021 to 2024 for HRZ

HRZ	Unit	2021 Total Metered kWh	2021 Metered kW or kVA	2022 Total Metered kWh	2022 Metered kW or kVA	2023 Total Metered kWh	2023 Metered kW or kVA	2024 Total Metered kWh	2024 Metered kW or kVA
Residential Service Classification	kWh	1,750,901,672	-	1,723,218,402	-	1,657,486,848	-	1,738,650,226	-
General Service less than 50 kW Service Classification	kWh	539,961,163	-	571,968,761	-	561,539,589	-	576,791,739	-
General Service 50 to 4,999 kW Service Classification	kW	1,774,437,840	4,774,583	1,840,793,611	4,984,449	1,811,633,308	4,805,216	1,754,666,698	4,738,017
Large Use Service Classification	kW	158,661,784	312,972	160,030,813	369,374	180,612,106	417,365	232,027,456	535,719
Large Use with Dedicated Assets Service classification	kW	978,057,607	1,834,853	987,694,867	1,772,765	905,271,908	1,646,341	865,114,352	1,601,505
Unmetered Scattered Load Service Classification	kWh	10,813,208	-	11,397,762	-	11,006,325	-	11,127,816	-
Street Lighting Service Classification	kW	16,835,410	47,814	16,812,495	47,485	16,789,772	48,734	16,837,050	50,635
Sentinel Lighting Service Classification	kW	376,546	1,016	404,591	1,018	420,155	1,039	279,195	1,333
Total		5,230,045,230	6,971,238	5,312,321,302	7,175,091	5,144,760,011	6,918,696	5,195,494,530	6,927,209

Table 2: Actual Billing Determinants from 2021 to 2024 for BRZ

BRZ	Unit	2021 Total Metered kWh	2021 Metered kW or kVA	2022 Total Metered kWh	2022 Metered kW or kVA	2023 Total Metered kWh	2023 Metered kW or kVA	2024 Total Metered kWh	2024 Metered kW or kVA
Residential Service Classification	kWh	1,479,524,940	-	1,514,333,797	-	1,506,172,493	-	1,595,360,777	-
General Service less than 50 kW Service Classification	kWh	320,581,842	-	339,722,356	-	350,464,103	-	345,070,797	-
General Service 50 to 699 kW Service Classification	kW	1,096,519,220	3,171,783	1,098,155,696	3,161,404	1,069,528,474	3,054,412	1,081,912,303	3,013,128
General Service 700 to 4,999 kW Service Classification	kW	845,503,645	1,983,220	888,514,514	2,006,773	889,593,911	2,098,584	878,797,903	2,065,626
Large Use Service Classification	kW	318,590,884	610,320	300,083,693	578,695	339,330,587	627,714	248,545,493	455,970
Unmetered Scattered Load Service Classification	kWh	5,972,556	-	6,107,318	-	6,124,138	-	6,163,740	-
Street Lighting Service Classification	kW	22,576,207	63,704	22,607,635	63,600	20,230,130	56,827	19,136,673	53,847
Embedded Distributor Service Classification	kWh	20,220,547	-	-	-	-	-	2,951,233	-
Distributed Generation [Dgen] Service Classification	kWh	287,811	-	288,173	-	288,216	-	285,160	-
Energy From Waste Service Classification	kW	-	-	-	-	-	-	-	-
Total		4,109,777,652	5,829,027	4,169,813,182	5,810,472	4,181,732,052	5,837,537	4,178,224,078	5,588,572

Table 3: Actual Billing Determinants from 2021 to 2024 for PRZ

PRZ	Unit	2021 Total Metered kWh	2021 Metered kW or kVA	2022 Total Metered kWh	2022 Metered kW or kVA	2023 Total Metered kWh	2023 Metered kW or kVA	2024 Total Metered kWh	2024 Metered kW or kVA
Residential Service Classification	kWh	2,962,781,846	-	2,933,738,041	-	2,907,298,100	-	3,025,132,486	-
General Service less than 50 kW Service Classification	kWh	941,632,609	-	1,011,691,122	-	1,002,426,174	-	1,027,917,567	-
General Service 50 to 4,999 kW Service Classification	kW	4,521,404,350	11,893,965	4,695,412,730	12,325,693	4,700,075,806	12,213,079	4,810,217,506	12,300,262
Large Use Service Classification	kW	91,936,942	163,835	121,322,389	191,317	164,275,589	264,791	234,289,032	434,331
Unmetered Scattered Load Service Classification	kWh	13,968,337	-	14,434,010	-	14,867,634	-	15,207,735	-
Street Lighting Service Classification	kW	47,642,169	134,090	39,116,765	110,692	38,969,356	110,574	39,805,164	111,704
Sentinel Lighting Service Classification	kW	262,056	719	246,335	664	244,141	664	230,495	626
Total		8,579,628,309	12,192,609	8,815,961,392	12,628,366	8,828,156,801	12,589,108	9,152,799,985	12,846,922

Table 4: Actual Billing Determinants from 2021 to 2024 for ERZ

ERZ	Unit	2021 Total Metered kWh	2021 Metered kW or kVA	2022 Total Metered kWh	2022 Metered kW or kVA	2023 Total Metered kWh	2023 Metered kW or kVA	2024 Total Metered kWh	2024 Metered kW or kVA
Residential Service Classification	kWh	1,560,006,402	-	1,599,146,375	-	1,532,308,288	-	1,507,273,531	-
General Service less than 50 kW Service Classification	kWh	650,022,841	-	696,191,917	-	675,022,579	-	706,226,080	-
General Service 50 to 499 kW Service Classification	kW	1,802,899,950	5,106,990	1,863,077,828	5,327,788	1,960,455,061	5,582,111	2,065,049,698	5,667,848
General Service 500 to 4,999 kW Service Classification	kW	1,908,000,191	4,304,608	1,865,649,100	4,396,114	1,729,348,668	3,998,221	1,674,211,357	3,874,534
Large Use Service Classification	kW	960,912,688	1,654,974	991,422,381	1,690,526	996,695,363	1,697,448	1,028,034,923	1,745,816
Unmetered Scattered Load Service Classification	kWh	11,802,772	-	11,275,180	-	10,958,274	-	12,049,941	-
Street Lighting Service Classification	kW	14,888,780	41,559	13,531,876	36,860	13,659,482	35,207	13,498,921	36,292
Total		6,908,533,624	11,108,131	7,040,294,657	11,451,288	6,918,447,716	11,312,986	7,006,344,451	11,324,491

Table 5: Actual Billing Determinants from 2021 to 2024 for GRZ

GRZ	Unit	2021 Total Metered kWh	2021 Metered kW or kVA	2022 Total Metered kWh	2022 Metered kW or kVA	2023 Total Metered kWh	2023 Metered kW or kVA	2024 Total Metered kWh	2024 Metered kW or kVA
Residential Service Classification	kWh	394,416,459	-	402,743,917	-	388,134,977	-	425,190,395	-
General Service less than 50 kW Service Classification	kWh	131,028,017	-	142,191,756	-	144,231,817	-	142,117,243	-
General Service 50 to 999 kW Service Classification	kW	367,004,051	989,097	383,402,165	1,029,314	390,659,922	1,038,212	384,302,386	1,098,484
General Service 1,000 to 4,999 kW Service Classification	kW	469,907,881	1,049,644	503,964,437	1,092,494	519,650,013	1,084,318	489,221,744	1,048,638
Large Use Service Classification	kW	204,838,574	421,555	204,125,168	401,558	210,718,239	408,185	195,177,787	404,119
Unmetered Scattered Load Service Classification	kWh	2,094,915	-	1,933,820	-	1,925,676	-	1,947,999	-
Street Lighting Service Classification	kW	3,490,952	10,148	3,653,948	10,086	3,609,788	10,085	3,421,663	9,541
Sentinel Lighting Service Classification	kW	8,890	25	10,392	29	10,392	29	10,392	29
Total		1,572,789,739	2,470,469	1,642,025,603	2,533,481	1,658,940,825	2,540,830	1,641,389,610	2,560,811

2-SEC-2

Reference 1: Exhibit 2, Tab 1, Schedule 9, Table 64

Preamble: The Application states that 'Starting in year 6 (2022) and continuing through to year 10 (2026), the ROE calculation excludes merger-related costs/savings adjustments. This approach ensures that the ROE calculation in years 6 to 10 (2022-2026) includes the savings Alectra Utilities achieved as a result of the consolidation, which is the basis for the ESM calculation.'

Question(s):

a) Please recalculate the actual ROEs shown in Table 64 for the Alectra 4 RZs and Guelph RZ, including the Net OM&A Merger Savings using both 2017 and 2018 weightings.

b) Please file RRR 2.1.5.6 calculations for 2024 for the Alectra 4 RZs and Guelph RZ that reconcile to the achieved ROEs provided in Table 64.

Response:

a) Alectra Utilities has recalculated the 2024 actual ROEs with the 2024 Net OM&A Merger Savings adjustment of $35.9MM (i.e., the 2024 net OM&A merger savings of $35.9MM is removed from OM&A, thereby increasing OM&A used for the ROE calculation, which reduces the calculated ROE) in Table 1 below. The recalculated ROE is 5.46%, as compared to the achieved ROE of 7.16%, which excludes the Net OM&A Merger Savings adjustment. Under the allocation approach used to determine achieved ROE for the 4 RZs and Guelph RZ, Alectra Utilities' earnings did not exceed a threshold of 300 basis points above the deemed ROE, therefore, the ESM was not triggered.

Table 1: Alectra Utilities 2024 ESM Calculation including Net OM&A Merger Savings

2024 RRR ROE 2.1.5.6 (including Net OM&A Merger Savings Adj)	Consolidated (i)	2017 Weighting Factor AUC 4 RZs (ii)	Achieved ROE AUC 4 RZs (iii) = (i) * (ii)	Achieved ROE GRZ (iv) = (i) - (iii)
Adjusted Regulated Net Income (A)	85,504,893	0.9404	80,404,907	5,099,987
Rate Base	3,914,427,845	0.9478	3,710,026,116	204,401,729
Regulated Deemed Equity (40% of RB) (B)	1,565,771,138	0.9478	1,484,010,446	81,760,692
Achieved ROE % (A/B)	**5.46%**		**5.42%**	**6.24%**
Deemed ROE	**8.95%**		**8.94%**	**9.19%**
Difference	**-3.49%**		**-3.52%**	**-2.95%**

2024 RRR ROE 2.1.5.6 (including Net OM&A Merger Savings Adj)	Consolidated (i)	2018 Weighting Factor AUC 4 RZs (ii)	Achieved ROE AUC 4 RZs (iii) = (i) * (ii)	Achieved ROE GRZ (iv) = (i) - (iii)
Adjusted Regulated Net Income (A)	85,504,893	0.9457	80,865,292	4,639,602
Rate Base	3,914,427,845	0.9490	3,714,948,866	199,478,980
Regulated Deemed Equity (40% of RB) (B)	1,565,771,138	0.9490	1,485,979,546	79,791,592
Achieved ROE % (A/B)	**5.46%**		**5.44%**	**5.81%**
Deemed ROE	**8.95%**		**8.94%**	**9.19%**
Difference	**-3.49%**		**-3.49%**	**-3.38%**

b) Alectra Utilities annually files RRR 2.1.5.6 calculations on a consolidated basis. The consolidated RRR 2.1.5.6 calculations for 2024 are provided in pages 9 and 10 of Attachment 28 in the evidence. Table 64 in the evidence is an allocation of the 2024 achieved ROE to the 4 RZs and Guelph RZ using 2017 and 2018 weighting factors to determine whether the ESM is triggered.

2-SEC-3

Reference 1: Exhibit 2, Tab 1, Schedule 12, pages 1-2

Question(s):

a) Please provide the preliminary results of the third-party depreciation study, indicating any changes from Alectra's current useful lives and compare to the ranges provided in the Kinectrics Report.
b) Please provide the calculations which indicate to Alectra that the requested new DVA is forecasted to have credit balances of $17M in 2025 and $21M in 2026.

Response:

a) The results of the third-party depreciation study can be found in Attachment 1 – Depreciation Study Preliminary Results. Alectra Utilities has utilized the OEB's Chapter 2 Appendix 2-BB template to provide the comparison to the Kinectrics Report. The aforementioned file also compares the new useful lives to those currently used by Alectra Utilities. The useful lives are within the range of lives provided by the Kinectrics report, with the exception of underground conductors and devices (XLPE tree retardant and non-tree retardant), printers, and major computer software. Alectra is either using or expecting to use these assets beyond the years recommended as the upper limit of the range indicated in the Kinectrics study.

b) Alecta Utilities calculated the depreciation expense on the existing and the new useful lives by using two financial models that incorporate historical asset data and the estimated 2025-2026 in-service additions among other assumptions. The table below summarizes the results of the calculations for 2025 and 2026.

Table 1: Impact Resulting from Useful Life Changes

	2025	2026
Depreciation expense under new useful lives	$162,935,879	$171,057,221
Depreciation expense under former useful lives	$179,557,597	$192,296,388
Difference in Depreciation Expense	**-$16,621,718**	**-$21,239,167**

The calculations support at the USoA level is provided as Attachment 2_Change in UL Calculations.

2-SEC-3

Attachment 1
Depreciation Study Preliminary Results

Please see live Excel version of Attachment 1

2-SEC-3

Attachment 2
Change in UL Calculations

Please see live Excel version of Attachment 2

2-SEC-4

Reference 1: Exhibit 2, Tab 1, Schedule 12, page 3

Question(s):

a) Please provide the preliminary results of the Direct Labour Capitalization study.

b) Please provide the calculations which indicate to Alectra that the requested new DVA is forecasted to have credit balances of $6M in 2025 and $5M in 2026.

Response:

a) The preliminary results of the Direct Labour Capitalization Study can be found in Table 1 and Table 2 below. Table 1 provides the total impact on capitalized costs represented as a percentage of the total labour for the applicable positions in comparison to the previous capitalization allocation. Table 2 provides a further summary comparison segmented by business unit.

Table 1: Total Impact of Time Study Results

	DLC Study Capitalization Allocation %	Previous Capitalization Allocation %
Capital	51.93%	42.84%
OM&A	48.07%	57.16%

Table 2: Time Study Results by Business Unit

Business Unit	DLC Study Capitalization Allocation %	Previous Capitalization Allocation %
Asset Sustainment	79%	84%
Capital Investment Planning	99%	80%
Customer Capital	71%	70%
Distribution Standards	13%	0%
Key Accounts/New Connections	53%	72%
Layouts and ICI	90%	70%
Network Metering	72%	51%
OH Mtce & Construction Central – North	54%	60%
OH Mtce & Construction Central – South	55%	60%
OH Mtce & Construction East – North	65%	58%
OH Mtce & Construction East – South	38%	62%

OH Mtce & Construction SouthWest – Guelph	45%	50%
OH Mtce & Construction West – St. Catharines	66%	63%
OH Mtce & Construction West Hamilton	54%	63%
Planned Capital	83%	70%
Program Delivery	43%	60%
Protection and Control	21%	31%
Records & Mapping Services	39%	45%
Reliability	65%	80%
Station Design	59%	70%
Station Sustainment	12%	27%
Subdivision Design	75%	70%
System Control	38%	0%
System Planning & Optimization	84%	75%
Total	**51.93%**	**42.84%**

b) Alecta Utilities quantified the change in capitalization at the position level for all applicable positions to estimate the expected balances of the new DVA. The tables below summarize the results of the calculation for 2025 and 2026 by Division.

Table 3: Capital under Old DLC Rates

Division	2025 Forecast	2026 Forecast
Asset Strategy	$5,952,166	$6,576,687
Customer Service	$1,129,462	$1,168,241
Network Metering	$2,302,778	$3,010,055
Operations	$10,127,092	$13,657,359
Total	**$19,511,497**	**$24,412,342**

Table 4: Capital under New DLC Rates

Division	2025 Forecast	2026 Forecast
Asset Strategy	$7,215,158	$7,733,323
Customer Service	$825,792	$856,140
Network Metering	$3,470,083	$4,135,122
Operations	$13,706,831	$17,020,649
Total	**$25,217,864**	**$29,745,235**

Table 5: Difference in Capital under New vs Old DLC Rates

Division	2025 Forecast	2026 Forecast
Capital under Old DLC Rates	$19,511,498	$24,412,342
Capital under New DLC Rates	$25,217,864	$29,745,324
Difference	**$5,706,367**	**$5,332,893**