

**Alectra Utilities Corporation**  
**Application for 2027-2031 Electricity Distribution Rates**  
**Power Workers' Union Interrogatories**

**3. Capital Spending and Rate Base**

3.1 Are the proposed capital expenditures and in-service additions appropriate?

**3.1-PWU-1**

Ref (1): Exhibit 1, Tab 3, Schedule 1, Page 2 of 30

Since the merger, Alectra Utilities' capital budgets have not increased at the pace required to maintain the integrity of the grid, and defective equipment is now responsible for approximately 50% of the customer hours of interruption that occur.

Ref (2): Exhibit 1, Tab 3, Schedule 1, Page 5 of 30

Since the merger in 2017, including the addition of Guelph Hydro in 2019, total net savings from operating and capital budgets will reach \$340.7 million over 10 years. Importantly, Alectra Utilities anticipates that sustained savings will total approximately \$44.3 million per year from 2027 onward.

**Questions:**

- a) Please list major efforts Alectra made to mitigate the challenges posed by inability to increase capital budget at the pace required to maintain the integrity of the grid.
- b) How does Alectra compare the benefits and savings achieved as a result of the merger with the reality that many critical assets showed significant deterioration since the merger?

**3.1-PWU-2**

Ref (1): Exhibit 2A, Tab 1, Schedule 1, Figure 5.3.2 – 69, Page 221 of 406

Shows Cables Remediated (replaced/injected) vs. % of Very Poor and Poor XLPE Cable Population (2018 to 2031). It shows Poor/Very Poor XLPE population as % of total XLPE population increases, reaching 30% in 2031 in spite of the planned remediation /replacement

Ref (2): Exhibit 2A, Tab 1, Schedule 1, Table 5.3.2 -8, Page 174

Shows Alectra’s inventory of distribution assets

Ref (3): Exhibit 2A Tab 1 Schedule 1, Appendices B01-B04 (Asset Renewals, ACA),

**Question:**

- a) Assuming that the Alectra-recommended spending on replacement of assets in poor and very poor conditions is approved by the OEB, please complete the following partially populated table. In the event figures are inaccurate, please replace and complete with accurate data.

**Table 1 – distribution Assets**

Asset Category	Total # (or length in KM)	In Very Poor/Poor Condition at the end of 2023 (2023 ACA)		Number of Units planned to be replaced over the 2027-31 Period	Estimated assets in Very Poor/Poor Condition at the end of the Plan (2031)	
		Number of Units	Share (% of total)		Number of Units	Share (% of total)
Distribution Transformers	128,362	9,454				
Switchgear	3,444	329?				
Overhead Switches	3,192	80				
Overhead Conductors (length, KM)	18,463					
Wood Poles	105,262	9,691	9%			
Concrete Poles	29,110	586	2%			
UG Primary XLPE Cables (length, KM)	23,106					

UG Primary PILC Cables (length, KM)	474					
UG Primary EPR Cables (length, KM)	114					

**Questions:**

- b) For each asset category above, and assuming the Alectra-recommended replacement plan is approved and the planned work is actually undertaken, please confirm whether the share of assets in poor/very poor condition at the end of the plan (2031) will be higher or lower than the share of assets in poor condition at the beginning of the Plan (2027)
- c) What would the share of Poor/Very poor Transformers be by the end of the Plan (2031) under the “Accelerated” and “Reduced” pacing scenarios?
- d) What would the share of Poor/Very Poor Wood Poles be by the end of the Plan (2031) under the “Accelerated” and “Reduced” pacing scenarios?
- a) For the most critical and significant Station Assets categories, please provide a table similar to Table 1 above, assuming the OEB approves the Alectra-recommended replacement options.

**3.1-PWU-3**

Ref: Exhibit 2A Tab 1 Schedule 1 5.2.1 DSP Overview Page 27 of 406

**“Investment levels for underground renewal need to increase in 2030 and 2031 as the utility concludes the cable injection program and transitions to full cable replacement. Alectra Utilities has determined that the candidates eligible for cable injection will exhaust in 2029.”**

**Questions:**

- a) Please explain what Alectra means by “the utility concludes the cable injection program and transitions to full cable replacement.” Please confirm whether or not Alectra will no longer undertake cable injection programs beyond 2029 and explain why
- b) Please explain the technical criteria used to determine that a cable is no longer a candidate for injection.
- c) On average, by how many years does cable rejuvenation through injection extend the life of an aging cable?
- d) How does the cost of cable injection compare to the cost of cable replacement? For demonstration purpose, please compare the costs of the 51 cable replacements that Alectra undertook for the 2020-2024 period with the 57 cable

injection projects that Alectra undertook during the same period, which is cited in *Exhibit 2A Tab 1 Schedule 1 5.2.1 DSP Overview Page 5 of 406*.

### **3.1-PWU-4**

Ref (1): Exhibit 2A Tab 1 Schedule 1 Appendix B01 – Overhead Asset Renewal Page 3 of 653

**Under the Pole Renewal segment, Alectra Utilities plans to replace 5,256 poles over the 2027- 2031 period. This target will only help address about half of the deteriorated poles and will result in a sizable reduction to the deteriorated population remaining on the system.**

Ref (2) Exhibit 2A Tab 1 Schedule 1 Appendix B01 – Overhead Asset Renewal Page 6 of 653

**Predictive Analytics (*Chapter 5.3.3 Asset Lifecycle Optimization Policies and Practices*) determined that there would be positive value to customers if Alectra Utilities replaced up to 14,540 poles over the 2027-2031 time frame.**

Ref (3): Exhibit 2A Tab 1 Schedule 1 Appendix B01 – Overhead Asset Renewal Page 12 of 653

**Additionally, Alectra Utilities’ overhead distribution network contains a population of 19,086 poles with legacy porcelain insulators and 1,279 first-generation polymeric insulators. The design of these insulators has led to safety issues for Alectra Utilities’ crews and reliability issues for the overhead distribution system. Alectra Utilities will replace a subset of these insulators over the DSP period with new polymeric materials.**

#### **Questions:**

- a) Was the specific information in Ref (2) presented to customers during Alectra’s customer engagements? If yes, what was the response?
- b) Please give an example of recorded safety issues encountered by Alectra’s crews due to legacy porcelain and first-generation polymeric insulators
- c) Please quantify the “subset of these insulators” planned for replacement during the 2027-2031 period in Ref (3)
- d) What would be the cost of replacing all legacy porcelain and first-generation polymeric insulators in Ref (3)?

### **3.1-PWU-5**

Ref (1): Exhibit 2A Tab 1 Schedule 1, Appendices B01 -4, B02 -5, B02 -10, B03 -5

The reference shows a significant increase in historical spending on asset renewal for the period 2020-24 due to a significant increase in the cost of materials that had outpaced inflation.

**Cumulative Annual % Increases in Material Costs from 2020 Baseline**

Asset	2021	2022	2023	2024
Pole	9.9%	23.4%	39.3%	68.6%
Cable	16.7%	47.6%	37.4%	77.9%
Switchgear	-1.4%	9.6%	16.4%	35.9%
Transformer	12.68%	67.24%	101.46%	12.68%

Ref (2): Exhibit 1, Tab 3, Schedule 1, Page 24 of 30

**Table 1-3-4: Summary of Alectra Utilities planned investments over the 2027-2031 period**

	Forecast Period (Planned) (\$MM)				
	2027	2028	2029	2030	2031
System Access	157.7	180.4	164.2	139.1	138.7
System Renewal	193.1	209.4	257.3	346.1	362.6
System Service	39.2	79.6	150.0	132.0	184.2
General Plant	64.8	85.5	82.6	95.9	71.8
<b>Total</b>	<b>454.8</b>	<b>554.9</b>	<b>654.1</b>	<b>713.1</b>	<b>757.3</b>

**Questions:**

- a) Please discuss the impacts, if any, of the significant increase in material cost over the 2020-2024 period on Alectra’s ability to invest in Asset Renewal and its contribution to the significant deterioration of assets presented in the current Application. Also, please confirm if any investment plans were deferred or cancelled as a result.
- b) For the four asset categories in Ref (1), please provide the capital expenditures planned for the 2027-2031 period indicating the contribution (in %) of increases in material cost to the year-over-year increases in spending.
- c) What is the contribution in percent of increase in material cost to the year over year increase in capital expenditure on System Renewal for the 2027-31 period provided in Ref (2)?
- d) What is Alectra’s plan to deal with similar potential increases in material cost over the 2027-31 period?

### **3.1-PWU-6**

Ref (1) Exhibit 2A Tab 1 Schedule 1 Appendix B01 – Overhead Asset Renewal Page 3 of 653

**Under the Pole Renewal segment, Alectra Utilities plans to replace 5,256 poles over the 2027-2031 period. This target will only help address about half of the deteriorated poles and will result in a sizable reduction to the deteriorated population remaining on the system.**

#### **Question:**

- a) Please explain the basis for the above statement given that a portion of the pole population currently in “Good” or “Fair” condition will become “Poor” or “Very Poor” over the course of the 2027-31 period.

### **3.1-PWU-7**

Ref (1) Exhibit 2A Tab 1 Schedule 1 Appendix B01 – Overhead Asset Renewal Page 6 of 653

**At the end of 2023, Alectra Utilities had 10,277 deteriorated poles in Poor or Very Poor condition, which was an increase of approximately 4% compared to the 2018 ACA results, which shows an increase in the pace of deterioration and need to address these investments. A climate vulnerability assessment of the system identified an additional 25,534 poles which pose a risk.**

#### **Questions:**

- b) Please explain situations in which poles could pose risk of climate vulnerability even when they are not in poor or very poor condition.
- c) Please confirm whether or not Alectra’s plan to replace 5,256 poles from 2027-2031 includes a portion of the 25,534 poles which pose risk as identified through climate vulnerability assessment. If yes, how many of the 5,256 poles planned for replacement target poles with risk of climate vulnerability?

## **4. OM&A**

4.1 Are the proposed OM&A Expenditures appropriate?

### **4.1-PWU-8**

Ref. (1): Exhibit 4, Tab 1, Schedule 2, Page 2 of 17, Table 4-1-3:

**Table 4-1-3: OM&A (\$) per Customer**

	Actuals						CAGR
	2019	2020	2021	2022	2023	2024	2019*-2024
OM&A (\$MM)	264.50	285.42	274.77	288.62	287.24	292.00	2.0 %
OM&A per Customer (\$)	251.86	269.96	258.04	269.18	266.30	269.40	1.4 %

\*2019 is the first year that includes Guelph Hydro Electric Systems Inc.

	Bridge		Test	Forecast			CAGR	
	2025	2026	2027	2028	2029	2030	2031	2024-2031
OM&A (\$MM)	311.20	318.79	355.04	371.95	389.48	404.00	415.11	5.1 %
OM&A per Customer (\$)	285.81	291.49	323.28	337.19	351.51	363.01	371.38	4.7 %

Ref. (2): Exhibit 4, Tab 2, Schedule 12, Page 8 of 13, Table 4-2-87

**Table 4-2-87: Cable Locates Program Expenditures (\$MM)**

Program Name: Cable Locates								
Program Costs (\$MM) – Historic Period								
Year	2017	2018	2019	2020	2021	2022	2023*	2024*
Total	6.36	6.27	5.97	6.26	5.79	5.19	1.96	0.46
Program Costs (\$MM) – Bridge and Forecast Period								
Year	2025*	2026*	2027	2028	2029	2030	2031	
Total	1.50	0.73	8.67	8.94	9.22	9.50	9.80	

\*Variance account (1508) applies to Cable Locate program costs in 2023, 2024, 2025, 2026 in the following amounts \$7.29MM, \$7.00MM, \$7.53MM, \$7.75MM, respectively (rounded to nearest \$10,000). The number shown are net of the account balances. Refer to Table 4-2-84 above for more details.

Ref (3): Exhibit 4, Tab 2, Schedule 3, Page 5 of 22, lines 5-12

In 2016, the OEB revised its cost assessment model, resulting in an increase in cost assessment fees. The OEB established Account 1508 Other Regulatory Assets, Sub-Account OEB Cost Assessment Variance, to record the difference between OEB cost assessment fees built into rates and the actual assessment fees. In accordance with the OEB's guidance, Alectra Utilities recorded this difference in the variance account since 2016. Starting in 2027, Alectra Utilities has forecasted OEB cost assessment fees to fully capture the increase in assessment fees on a go forward basis. This represents an increase of approximately \$3.6MM compared to the historical amounts built into rates.

**Question:**

- a) Please provide a revised version of Table 4-1-3 that includes amounts included in the cable locates and OEB Cost Assessment Variance accounts.

**4.1-PWU-9**

Ref. (1): Exhibit 4, Tab 3, Schedule 4, Page 11 of 12, lines 5-13

Alectra Utilities hires contract and temporary staff to cover absences, vacancies, or support special projects requiring specific skills for a limited time. This approach offers flexibility, helps manage workload changes, and ensures projects stay on track without sacrificing quality or efficiency. Temporary employees are often hired to backfill employees who are on special projects, such as system implementations or long-term corporate projects. Additionally, temporary or contract resources are utilized to provide coverage for employees on extended absences such as maternity or long-term disability leave. In 2024 Alectra Utilities had approximately 39.5 temporary FTE and is forecasting reduced utilization of temporary resources annually to 2031.

**Question:**

- a) Please provide the annual forecast of temporary FTEs from 2025 to 2031.

**4.1-PWU-10**

Ref. (1): Exhibit 4, Tab 3, Schedule 5, Attachment 4-7, Page 5 of 11

**Detailed Findings**

At an aggregate level, across all benchmark jobs, Mercer’s review found that Alectra’s total remuneration is within the market competitive range (i.e., within +/- 5% of the comparator market) for both union and nonunionized jobs on a weighted average basis. Specifically, on an overall organization basis, Alectra’s total remuneration has a market variance of 101% (i.e. 1% above 50th percentile) relative to the 50th percentile of the comparator market.

Alectra			Base Salary			Target Total Cash Compensation (“TCC”)			Target Total Remuneration (“TRem”)		
Grade	# of Jobs	# of EEs	Alectra <sup>1</sup>	Market Median	% Var.	Alectra <sup>2</sup>	Market Median	% Var.	Alectra	Market Median	% Var.
11	1	2	\$65	\$65	100%	\$68	\$66	103%	\$90	\$76	119%
12	1	8	\$87	\$81	108%	\$91	\$84	109%	\$117	\$94	124%
14	13	86	\$100	\$98	103%	\$107	\$107	102%	\$136	\$122	114%
15	12	48	\$114	\$104	111%	\$122	\$112	110%	\$153	\$128	122%
16	8	105	\$132	\$153	86%	\$141	\$168	84%	\$176	\$196	90%
17	3	13	\$138	\$130	106%	\$152	\$150	102%	\$189	\$177	107%
18	6	23	\$156	\$167	94%	\$172	\$192	91%	\$212	\$225	96%
19	2	4	\$171	\$167	102%	\$196	\$196	100%	\$241	\$239	101%
20	1	4	\$190	\$179	107%	\$219	\$219	100%	\$268	\$254	105%
21 / 22 <sup>4</sup>	5	5	\$255	\$244	105%	\$319	\$316	102%	\$385	\$389	100%
IBEW & PWU	13	544	\$104	\$109	98%	\$104	\$113	95%	\$131	\$136	99%
<b>Aggregate Total</b>	<b>65</b>	<b>842</b>	<b>\$111</b>	<b>\$116</b>	<b>98%</b>	<b>\$115</b>	<b>\$124</b>	<b>96%</b>	<b>\$144</b>	<b>\$147</b>	<b>101%</b>

**Questions:**

- a) How is the “% Var.” calculated?
- b) Target Total Remuneration for IBEW & PWU is \$131 for Alectra, which is 96% of the \$136 Market Median. Please explain why the “% Var.” figure is 99% instead of 96%.

**4.1-PWU-11**

Ref (1): Exhibit 4, Tab 2, Schedule 15, Page 1 of 16

**Vegetation Management**

**Program Description:** The Vegetation Management Program provides for the effective removal of unwanted plant growth from utility areas of operation. The program has two segments – Vegetation Management Cut Cycle and Reactive Tree Trimming.

The work conducted under both segments is mainly executed by external contractors, overseen by internal and external inspectors. Over the forecast period, program costs will grow increase from \$6.16MM in 2024 to \$7.30MM in 2031. The increase in costs for this program is mainly due to increasing extreme weather, ageing infrastructure and growing regulatory requirements.

Ref (2): Exhibit 4, Tab 3, Schedule 3, Page 2 of 36

Table 4-3-2: FTE by Program

	Historical Period				Bridge Years		Forecast Period				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Overhead Inspections and Maintenance	380.4	371.1	355.7	348.7	390.0	392.0	415.0	430.0	442.0	444.0	445.0
Customer Service	202.2	201.8	213.2	210.9	230.7	222.1	204.3	210.3	231.3	240.3	249.3
Distribution Design	122.1	124.7	129.9	133.5	153.5	158.5	178.0	196.0	206.0	211.0	212.0
Digital and Innovation	111.6	112.3	113.5	120.7	124.0	124.0	127.0	131.5	140.0	145.0	150.0
Network Metering	89.5	93.2	87.7	96.7	105.0	106.8	106.1	107.3	106.3	106.3	106.3
System Control	63.3	69.2	74.2	74.8	92.3	92.3	102.3	106.3	106.3	106.3	106.3
Finance and Treasury	83.3	78.9	76.0	76.1	81.5	79.5	81.5	85.5	92.0	94.0	94.0
Stations	68.3	64.3	65.9	64.7	85.3	85.0	87.0	88.0	89.0	89.0	89.0
Human Resources	75.5	80.8	77.3	80.3	80.2	79.0	80.2	83.2	87.7	87.7	87.7
Asset Management	44.2	41.2	40.9	53.2	65.4	65.8	73.7	81.3	81.3	81.3	81.3
Supply Chain Services	55.5	50.2	52.0	52.0	53.8	52.0	52.5	55.5	58.0	58.0	58.0
Corporate Services	48.3	45.9	42.5	45.1	51.0	51.0	52.5	54.5	56.0	56.0	56.0
Records and Mapping Services	45.2	40.8	44.1	43.0	42.0	42.0	44.0	45.0	45.0	45.0	45.0
Cable Locates	19.6	19.1	18.2	16.7	21.0	19.0	21.0	21.0	21.0	21.0	21.0
Fleet	23.9	20.7	18.9	17.2	18.2	19.0	19.0	19.0	19.0	19.0	19.0
Facilities	17.4	20.0	18.8	19.0	21.0	19.0	19.0	19.0	19.0	19.0	19.0
Program Delivery	9.9	9.7	9.7	10.1	13.0	16.0	16.0	16.0	16.0	16.0	16.0
Vegetation Management	0.8										
Underground Inspections and Maintenance	3.8	2.0	0.3	0.3							
<b>Grand Total</b>	<b>1,464.7</b>	<b>1,445.7</b>	<b>1,438.7</b>	<b>1,462.9</b>	<b>1,627.9</b>	<b>1,623.0</b>	<b>1,679.2</b>	<b>1,749.5</b>	<b>1,816.0</b>	<b>1,839.0</b>	<b>1,855.0</b>

**Questions:**

- a) Reference 1 states “work conducted under both segments is mainly executed by external contractors”. Reference 2 shows there have been no FTEs related to Vegetation Management since 2022. Please confirm vegetation management is done fully by external contractors.

- b) Please provide any cost-benefit analysis prepared by Alectra to support the practice of contracting all or substantially all vegetation management work.

#### 4.1-PWU-11

Ref. (1): Exhibit 4, Tab 2, Schedule 7, Page 9 of 60

**Table 4-2-43: Customer Service Resources (Bridge and Test Period)**

<b>Customer Service Department</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Billing	71.7	67.8	56.7	56.7	57.7	58.7	59.7
Collections & Payments	39.0	36.4	32.0	33.0	37.0	37.0	38.0
Customer Care - Call Centre	70.0	69.5	68.0	69.5	81.0	86.0	92.0
Key Accounts/New Connections	25.0	22.7	22.0	22.5	24.0	26.0	27.0
Customer Excellence	25.0	25.7	25.7	28.7	31.7	32.7	32.7
<b>Grand Total</b>	<b>230.7</b>	<b>222.1</b>	<b>204.3</b>	<b>210.3</b>	<b>231.3</b>	<b>240.3</b>	<b>249.3</b>

Ref. (2): Exhibit 4, Tab 2, Schedule 7, Page 20 of 60

**Table 4-2-48: Breakdown of Internal Agents and Third Party Agents**

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Internal Agents	29	59	59	58	60	69	73	78
Third Party Agents	52	61	58	64	62	59	62	57
Total Agents	1	120	117	122	122	128	137	135
% Internal Agents	36%	49%	50%	48%	49%	54%	54%	58%

#### Questions:

- a) Why is the number of Billing FTEs forecast to decrease from 2025 to 2027?  
 b) Please confirm the total number of agents in Reference 2 should be 81 in 2024 and 135 in 2030.

#### 4.1-PWU-12

Ref. (1): Exhibit 4, Tab 2, Schedule 7, Page 29 of 60

**Alectra Utilities currently provides water billing services to the municipalities of Hamilton, Guelph, Markham, and Vaughan. In 2021, Alectra Utilities made the decision to phase out these services and has since been working collaboratively with each municipality to ensure a smooth and orderly transition. Hamilton will be the first to complete its transition in Q4 2025, followed by Guelph in Q2 2026. Markham and Vaughan are expected to complete their transitions before 2029.**

Ref. (2): Exhibit 4, Tab 2, Schedule 7, Page 30 of 60

**The impact of the water billing exit on Customer Service OM&A includes a \$3.6MM annual OM&A cost pressure beginning in 2026 related to the Hamilton contract as mentioned above. This is partially offset by a \$1.2MM reduction in costs in 2027 with the exit of Guelph, followed by a further \$2.3MM decrease in costs 2029 when Markham and Vaughan exit.**

**Question:**

- a) Please provide a table outlining the costs and revenues associated with water billing from 2021 to 2025.