EB-2025-0252

Alectra Utilities Corporation

Application for 2027-2031 Electricity Distribution Rates

Power Workers' Union Interrogatories on Board Staff Expert (PEG) Evidence

PWU 1

Ref: Statistical Cost Research for the Alectra Utilities CIR Plan, Pages 31-32 of 100

> Major Disadvantages
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> Major disadvantages of Ontario data include the following.
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> …
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> - Many Ontario distributors are transitioning to OM&A inputs such as cloud computing and non-wire alternatives ("NWAs") to growth-related capex. The complication of NWAs can be mitigated by excluding CDM expenses from the analysis.

Question(s)

a) How has the transition to cloud computing been considered in productivity trend calculations?
b) Is it PEG's understanding that the NWA costs are included as CDM expenses in LDC cost data?
c) If an LDC undertakes an NWA project instead of a capital project, does the lower capital cost result in increased capital productivity trends with no corresponding impact to OM&A productivity trends?

PWU 2

Ref: Statistical Cost Research for the Alectra Utilities CIR Plan, Page 83 of 100

Table 8a

Productivity Growth of Ontario Electricity Distributors 2004-2024

Year	Simple Averages of Annual Productivity Growth Rates			Cost-Weighted Averages of Annual Productivity Growth Rates		
	Total Factor	OM&A	Capital	Total Factor	OM&A	Capital
2004	1.62%	1.90%	0.95%	2.41%	3.91%	-0.28%
2005	-0.16%	1.03%	-0.51%	0.61%	0.87%	0.46%
2006	-1.14%	-2.03%	-0.85%	-1.21%	-3.33%	0.12%
2007	-1.11%	-1.60%	-0.41%	-3.50%	-8.17%	-0.28%
2008	-0.75%	-0.89%	-0.69%	0.57%	1.30%	0.05%
2009	-0.25%	0.26%	-0.47%	-0.86%	-1.79%	-0.21%
2010	0.68%	0.87%	0.69%	0.35%	-1.63%	1.74%
2011	-2.28%	-4.79%	-0.01%	-1.12%	-2.89%	0.20%
2012	-4.39%	-7.52%	0.12%	2.54%	1.34%	3.55%
2013	-1.20%	-1.04%	-1.82%	-2.83%	-4.28%	-1.49%
2014	1.35%	1.71%	0.36%	0.40%	-0.77%	1.49%
2015	-0.08%	0.06%	0.19%	4.09%	6.56%	1.91%
2016	-0.81%	-0.76%	-0.75%	-0.75%	0.57%	-1.88%
2017	-0.25%	0.32%	-0.53%	0.97%	3.59%	-1.31%
2018	0.42%	0.50%	-0.11%	-0.43%	0.20%	-0.97%
2019	0.68%	1.59%	-0.01%	0.58%	2.15%	-0.69%
2020	1.49%	2.60%	-0.11%	1.29%	3.84%	-0.72%
2021	0.56%	0.68%	0.35%	-0.06%	0.39%	-0.42%
2022	-1.08%	-1.92%	0.02%	-1.38%	-2.94%	-0.26%
2023	0.18%	-0.15%	0.63%	-0.53%	-1.35%	-0.02%
2024	-0.74%	-1.80%	0.46%	1.24%	3.25%	0.12%
Average Annual Growth Rates						
2004-2024	-0.35%	-0.52%	-0.12%	0.11%	0.04%	0.05%
2004-2010	-0.16%	-0.07%	-0.19%	-0.23%	-1.26%	0.23%
2014-2024	0.16%	0.26%	0.05%	0.49%	1.41%	-0.25%

Question(s)

a) Please explain why a simple average is more appropriate than a geometric average?

b) Please confirm that simple averages produce higher average annual growth rates than geometric averages within this dataset.

c) Please confirm that outliers such as the OM&A productivity growth rate in 2020 influence average calculations when a simple average is used instead of a geometric average.

d) The average used for the proposed productivity factors is an 11-year average which includes 2014 to 2024.
    a. Please explain why an 11-year average is appropriate.
    b. Please confirm the OM&A productivity factor would be lower if any other year other than 2014 was selected as the starting year.
    c. Please confirm that if growth rates in 2020 were excluded, the average total productivity factor and OM&A productivity factor would be negative for all timeframes except the selected 2014 to 2024 range.

PWU-3

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> PEG counsels against postponing the issue of new productivity factors to a later proceeding. Positive productivity growth targets are now warranted, and customers would benefit at a time of real affordability concerns. Clearspring is quite capable of reviewing new Ontario productivity research in this proceeding.

Ref 2: Statistical Cost Research for the Alectra Utilities CIR Plan, Page 88 of 100

> It is also useful to examine productivity trend results by size of distributor which are presented in Table 8c.61 There was a divergence in trends between larger and smaller distributors. For the RRF period from 2014-2024, the average annual TFP growth of small distributors was positive 0.21% whereas medium-sized distributors averaged 0.10% growth and large distributors averaged an annual decline of 0.01%. These trends compare favorably to the earlier periods ending in 2010 for large and small distributors but not for medium-sized distributors due partly to the superior historical performance of these distributors in the earlier period.

Question(s):

a) Please confirm Alectra is a large distributor.
b) If a) is confirmed, please discuss the appropriateness of having a positive industry-wide productivity factor that is applied to one LDC at this time when the productivity of large distributors is declining.