

**Attachment AUC-1\_Request for Services:  
Section 2 of the Request of Services**

**SECTION 2 – THE DELIVERABLES**

**2.1 Project Background**

Alectra Utilities Corporation (Alectra Utilities) has filed its custom incentive rate application for the period 2027-2031, marking its first rebasing application in ten years since the amalgamation.

As part of its 2027-2031 Custom Incentive Rate Framework, Alectra Utilities has proposed several key structure elements which are:

- 1) A cost-of-service rebasing in 2027, followed by a Customer Price Cap Index (CPCI) applied to each of years two through five (2028-2031).
- 2) The CPCI formula will establish annual service revenues based on: (a) inflation, (b) a combined productivity and stretch factor (X-factor) of 0.15% based on a third- party econometric analysis, and (c) a revenue growth factor (RGF). The RGF is established on a basis of: year-over-year changes in capital-related revenue requirement (CRRR); non-CRRR which relies primarily on an indexed OM&A budget in 2027 escalate annually by the OEB's inflation factor, a growth factor 'G' and an input price differential 'IPD' (G and IPD are established based on a third- party econometric analysis); and other revenue applied as an offset to indexed OM&A to yield the non-CRRR included in the revenue requirement established RGF.
- 3) An Earnings Sharing Mechanism to share any excess earnings above a 150 basis point dead band above OEB-approved return on equity, with a 50/50 split between customers and the utility.
- 4) The establishment of a Capital-Related Revenue Requirement Variance Account (CRRRVA) for the 2027-2031 term of the DSP which is an asymmetrical account to the benefit of ratepayers to capture differences between forecast and actual capital-related revenue requirement.

The OEB requires the services of a consultant to assist OEB staff with the review and evaluation of Alectra Utilities' proposed rate framework and supporting evidence.

## **2.2 Purpose and Objectives**

The purpose of this procurement is to retain an expert who will review and scrutinize, by identifying the strengths and weaknesses of Alectra Utilities' benchmarking research and custom IR formula and providing associated technical advisory services as required. This will require evaluating the impact of the proposed formula on rates and achieving the desired outcomes as per the OEB's [Renewed Regulatory Framework for Electricity \(RRF\)](#). This may include modeling and scenario analysis to compare outcomes between established frameworks in the RRF, Alectra Utilities' existing rate framework, and the proposed framework. Note that the independent expert will be working directly with OEB staff, and not for the Panel of OEB commissioners who will be hearing the case.

## **2.3 Scope of Work and Requirements**

As required, the expert will:

Analyze the evidence of Alectra Utilities in the areas of total cost benchmarking, and the proposed rate framework. The expert would identify strengths and weaknesses in the filed evidence while considering OEB expectations expressed in prior decisions, OEB's Rate Handbook, the Renewed Regulatory Framework for Electricity, and other applicable sources, and generally accepted rate-making practices. This includes reviewing and providing an opinion on the above areas of the filed evidence in the context of rate applications.

During the proceeding, the expert would:

- a) Assist OEB staff with the preparation of interrogatories to fully assess the above evidence, and review responses.
- b) Participate in any technical conference(s) or assist OEB staff in preparing for any technical conference(s), follow up on any details following the expert's review of the interrogatory responses.
- c) If required, draft a report critiquing the evidence, and/or prepare an alternative study to rebut or augment the evidence filed. This report, if required, will be filed on the record of the proceeding.
- d) If an independent expert's report is filed, respond to interrogatories filed with respect to the report.
- e) If required, assist OEB staff in preparing cross-examination for the oral hearing.
- f) If an independent expert's report is filed, the expert may be required to testify at the oral hearing to explain the analysis and findings in the report.
- g) Assist OEB staff in preparing a final submission.

## **2.4 Term**

The term of the engagement is for one (1) year with the option to extend the agreement by one additional one (1) year term.

**[End of Section 2]**