

**Ontario Energy Board**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an application by Burlington  
Hydro Inc. for an order approving just and reasonable rates and  
other charges for electricity distribution to be effective May 1,  
2014.

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**INTERROGATORIES OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**February 6, 2014**

**BURLINGTON HYDRO INC.  
2014 RATES REBASING CASE  
EB-2013-0115**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**1. Foundation**

**1.1 Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?**

**1.2 Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?**

**2. Performance Measures**

**2.1 Does the applicant's performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?**

**2.1-Energy Probe-1**

**Ref: Exhibit 1, Tab 1, Schedule 2**

**The evidence states that BHI continues to rank among the best managed and operated mid-sized local utilities in Ontario.**

- a) Please provide the efficiency cohort grouping for BHI for each of 2010 through 2013, along with the associated stretch factor that was applicable to the utility in each of those years.**
- b) Please provide the efficiency cohort grouping for BHI for 2014, along with the associated stretch factor.**

### **2.1-Energy Probe-2**

**Ref: Most Recent Cost of Service Decision**

- a) Please provide a list of all Board-approved plans from the most recent cost of service decision.**
- b) Please provide the evidence references in the current application that illustrates that the distributor is delivering on these approved plans.**

### **2.1-Energy Probe-3**

**Ref: Exhibit 1, Tab 1, Schedule 2**

- a) Please provide the references to any performance efficiency benchmarking undertaken by the distributor.**
- b) Has the distributor considered benchmarking in relation to other distributors and/or to its own past historical performance? Please indicate where in the evidence this information has been provided for capital expenditures and OM&A expenses.**

## **3. Customer Focus**

### **3.1 Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?**

#### **3.1-Energy Probe-4**

**Ref: Exhibit 1, Tab 2, Schedule 1**

- a) What customer feedback and/or preferences has BHI received through its customer engagement process?**
- b) Please provide a list of the questions asked of customers with respect to the proposed capital expenditures and operating expenses.**

#### **4. Operational Effectiveness**

##### **4.1 Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the level of associated revenue requirement requested by the applicant?**

###### **4.1-Energy Probe-5**

Ref: Exhibit 2, Tab 8, Schedule 1

- a) If data for 2013 is now available, please update Table 2-15 to include figures for 2013.
- b) Please explain the decline in the SQI for new connections - low voltage between 2009 and 2011.
- c) Please explain the decline in the SQI for telephone accessibility between 2009 and 2011.
- d) Please the increase in the SQI for the telephone abandon rate between 2009 and 2011.

##### **4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?**

###### **4.2-Energy Probe-6**

Ref: Exhibit 1, Tab 1, Schedule 6

Please provide the annual increase in 2011, 2012 and 2013 (if available) for the average weekly earnings variable which is now utilized by the OEB in setting the inflation value under the price cap model.

###### **4.2-Energy Probe-7**

Ref: Exhibit 4, Tab 2, Schedule 2, page 7

An increase of \$913,000 is noted as being related to one-time smart meter related OM&A costs, \$345,000 for AMI costs and \$19,500 for telecommunications costs.

- a) Were the AMI and telecommunications costs incurred only in 2012 or were some of the costs incurred in previous years and cleared as a result of the smart meter decision?

- b) Please provide a breakdown of the costs into costs actually incurred in 2012 and costs actually incurred in each of the previous years in which these costs were incurred.

#### **4.2-Energy Probe-8**

Ref: Exhibit 4, Tab 2, Schedule 2, page 8

The evidence indicates that the increase in OM&A costs between 2012 and 2013 due to the accounting change is \$836,000. Does BHI believe that the OM&A forecast for 2014 is also \$836,000 higher as a result of the accounting change than if the change had not taken place in 2013? If not, please provide an estimate of the increase in 2014 OM&A that is the direct result of new CGAAP.

#### **4.2-Energy Probe-9**

Ref: Exhibit 4, Tab 1, Schedule 2

Please update Table 4-1 to include actual data for 2013. If actual data for all of 2013 is not yet available, please provide the most recent year-to-date figures available for 2013 in the same level of detail as shown in Table 4-1, along with the figures for the corresponding period in 2012. In doing so, please do not include any of the one-time smart meter costs recorded in 2012 that were incurred in previous years.

#### **4.2-Energy Probe-10**

Ref: Exhibit 4, Tab 2, Schedule 2, page 8 &  
Exhibit 4, Tab 2, Schedule 5

Please reconcile the figure of \$836,000 noted in the first reference with the \$700,000 noted in the second reference.

#### **4.2-Energy Probe-11**

Ref: Exhibit 4, Tab 2, Schedule 7

The evidence provided in this schedule is a repeat of the LEAP evidence found in Exhibit 4, Tab 2, Schedule 6 and there does not appear to be any evidence related to the charges related to the Green Energy and Green Economy Act included. Has BHI included any such costs in the test year?

#### **4.2-Energy Probe-12**

**Ref: Exhibit 4, Tab 2, Schedule 9 &  
Exhibit 4, Tab 1, Schedule 2**

- a) **Please confirm that there are no non-recoverable charitable donations included in Table 4-1 for the 2013 bridge year. If this is not confirmed, please indicate the amount included in the 2013 forecast, and in the 2013 actuals requested in a previous interrogatory.**
- b) **Are the amounts shown in Tables 4-9, 4-10 and 4.11 for 2010, 2011 and 2012 included in the figures shown in Table 4-1?**

#### **4.2-Energy Probe-13**

**Ref: Exhibit 4, Tab 4, Schedule 1**

- a) **What increase has been forecast for 2014 for unionized employees, management and non-union employees?**
- b) **Has BHI made any significant changes to the incentive pay program since the last cost of service proceeding? If yes, please provide a description of the changes made.**
- c) **For each of 2010 through 2014, please provide a table that shows the total potential incentive pay that could have been paid out in each year, the amount that was actually paid out in each year (actual for 2010 through 2012 and forecast for 2013 and 2014 unless 2013 actual is available) and the ratio of the amount paid out (or forecast to be paid out) relative to the total potential.**
- d) **Please confirm that the increases in the Ontario CPI have been 3.1%, 1.4% and 1.0%, respectively, for 2011, 2012 and 2013.**

#### **4.2-Energy Probe-14**

**Ref: Exhibit 4, Tab 1, Schedule 2**

**The evidence speaks of the inflationary pressures between 2010 and 2014 that have increased OM&A spending by about \$1.5 million over this period.**

- a) **Please provide the inflation rate assumed for 2013 and 2014 for OM&A purposes.**

- b) Please provide the dollar value associated with this inflation rate for each of 2013 and 2014.

#### **4.2-Energy Probe-15**

Ref: Exhibit 4, Tab 4, Schedule 1, Attachment 2

Please update Appendix 2-K to reflect actual data for 2013.

#### **4.2-Energy Probe-16**

Ref: Exhibit 4, Tab 4, Schedule 2, page 7 & 9

The evidence lists of a number of apprentices to be hired in 2013 and 2014.

- a) Please indicate which of these positions qualify for the Ontario apprenticeship tax credit.
- b) Please indicate which of these positions qualify for the federal job creation tax credit.
- c) Please update Table 4-12 to reflect actual data for 2013.

**4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rates for customers, or is any additional rate mitigation required?**

### **5. Public Policy Responsiveness**

**5.1 Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?**

#### **5.1-Energy Probe-17**

Ref: Current Application

- a) Please provide a list of the obligations mandated by government in 2010 through to the current time.

- b) For each of the obligations noted in (a) above, please explain how the distributor has met those obligations.

## **6. Financial Performance**

### **6.1 Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?**

### **6.2 Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?**

#### **6.2-Energy Probe-18**

Ref: Exhibits 1, 2 & 4

- a) Please describe, with references to the evidence, the operational effectiveness initiatives that the distributor has or is planning to undertake.
- b) Please show how these initiatives have, or will result in savings to ratepayers.
- c) Please explain how the savings identified in part (b) above are sustainable.

## **7. Revenue Requirement**

### **7.1 Is the proposed Test year rate base including the working capital allowance reasonable?**

#### **7.1-Energy Probe-19**

Ref: Exhibit 2, Tab 1, Schedule 3

Please update Table 2-4 and 2-5 to reflect actual capital expenditures closed to rate base in 2013 and to reflect actual OM&A and cost of power expenses for 2013.

#### **7.1-Energy Probe-20**

Ref: Exhibit 2, Tab 2, Schedule 1

- a) Please update Table 2-9 to reflect actual capital expenditures closed to rate base in 2013.
- b) Please update Table 2 (Appendix 2-AB) to reflect actual data for 2013.



- c) **Please explain the different figures shown in the two pages of Table 2 for 2014 through 2018.**

### **7.1-Energy Probe-21**

**Ref: Exhibit 2, Tab 2, Schedule 3**

- a) **Please provide an updated continuity schedule for 2013 to reflect actual data for 2013. If actual data for 2013 is not yet available, please provide the most recent year to date actuals for 2013, along with a best estimate for the remainder of the year.**
- b) **Please provide an updated 2014 continuity schedule that reflects the changes in 2013 and any other changes that may be required.**
- c) **How does BHI account for work in progress? If BHI has historically had work in progress at year end, please provide the actual amount for each of 2010 through 2013 and the forecast for 2014. Please also confirm that the amounts of work in progress at year end have NOT been included in the continuity schedules until the assets have been placed into service.**

### **7.1-Energy Probe-22**

**Ref: Exhibit 2, Tab 2, Schedule 3 &  
Exhibit 2, Tab 4, Schedule 1**

- a) **Please confirm that the continuity schedules shown for 2010 through 2012 are based on old CGAAP and for 2013 through 2014 are based on a new CGAAP.**
- b) **Please confirm that the disposals shown in 2010 and 2011 for meters are both related to the removal of stranded meters. If this cannot be confirmed, please explain these disposals.**
- c) **If applicable, please reconcile the figures shown in the continuity schedules for 2010 and 2011 with the figures shown in Table 2-13 in Exhibit 2, Tab 4, Schedule 1.**
- d) **Please quantify the amount related to smart meters added in the 2012 continuity schedule.**

- e) **Given that meters and smart meters have different depreciation rates (Exhibit 2, Tab 2, Schedule 2, Table 2-10) please explain why the smart meters appear to have been included in the same account with other meters.**

### **7.1-Energy Probe-23**

**Ref: Exhibit 2, Tab 2, Schedule 3**

- a) **Please explain what asset(s) was added to account 1990 Intangible Assets in 2011 and 2012.**
- b) **Please explain what was removed from account 1990 Intangible Assets in 2013 and where this amount was transferred to.**
- c) **Please explain why there was no depreciation or accumulated depreciation associated with this account in either 2011 or 2012.**
- d) **Please explain why there is negative depreciation shown for this account in 2013, that increased the net book value of the asset by \$557,059.**

### **7.1-Energy Probe-24**

**Ref: Exhibit 2, Tab 3, Schedule 1**

- a) **Please indicate which rate classes are billed on a monthly basis and which rate classes are billed on a bi-monthly basis.**
- b) **Does BHI have any plans to move all customer classes to monthly billing?**

### **7.2 Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board's accounting policies?**

### **7.2-Energy Probe-25**

**Ref: Exhibit 2, Tab 2, Schedule 3 & RRWF**

- a) **Please explain the difference in depreciation expense of \$4,566,460 shown for 2014 in the 2014 continuity schedule and the amount of \$4,182,434 shown in the RRWF.**

- b) **If this difference is all or partially related to fully allocated depreciation expense, please provide the amount that is forecast to be capitalized and the amount that is expensed through OM&A (e.g. transportation equipment).**

### **7.3 Are the proposed levels of taxes appropriate?**

#### **7.3-Energy Probe-26**

**Ref: PILs Workform**

- a) **Please confirm that BHI has included computer equipment hardware (account 1920) in CCA class 10 rather than in class 50 in both 2013 and 2014. Please explain.**
- b) **Please provide a version of the 2013 and 2014 CCA schedules that places computer equipment hardware in CCA class 50 in both years.**
- c) **Based on the response to part (b) above, please show the change the CCA deduction available for 2014.**

#### **7.3-Energy Probe-27**

**Ref: PILs Workform**

- a) **Does BHI have any positions that qualify for the federal job creation tax credit of \$2,000 in 2014?**
- b) **Does BHI have any positions that qualify for the Ontario co-operative education tax credits?**
- c) **If the response to parts (a) and or (b) are yes, please provide the forecast tax credits associated with the positions in 2014.**

#### **7.3-Energy Probe-28**

**Ref: PILs Workform**

**Please provide a live PILs workform that reflects the previous questions related to the calculation of PILS and also updates the net income before taxes to reflect the updated cost of capital parameters, as well as any changes in capital additions for 2013.**

**7.4 Is the proposed allocation of shared services and corporate costs appropriate?**

**7.4-Energy Probe-29**

**Ref: Exhibit 1, Tab 5, Schedule 5**

- a) Does BHI pay any of the Board of Director costs associated with any of the related entities shown in the chart? If yes, please provide the amounts paid by BHI for each of 2010 through 2013 on an actual basis and the amount forecast for 2014.**
- b) Do any of the BHI employees perform any work for any of the affiliates? If yes, please provide details including the amounts allocated to these affiliates from BHI and fully explain how these amounts have calculated and how they have been forecast for the 2014 test year.**

**7.4-Energy Probe-30**

**Ref: Exhibit 4, Tab 5, Schedule 1, Attachment 1**

- a) Please explain why there is no markup associated with the shared services (other than for the billing service) shown in the table for 2014.**
- b) What would be the dollar impact if a 9% markup was applied to the cost of service for each of the items that currently does not include a markup.**

**7.4-Energy Probe-31**

**Ref: Exhibit 4, Tab 5, Schedule 1, Attachment 1 & Exhibit 3, Tab 3, Schedule 1, Attachment 1**

- a) Is the revenue received shown in Attachment 1 to Exhibit 4, Tab 5, Schedule 1 for 2014 included in other operating revenues shown in Appendix 2-H in Attachment 1 to Exhibit 3, Tab 3, Schedule 1? If yes, please indicate where it is included in that table.**
- b) Are the costs for the service shown for 2014 in Attachment 1 of Exhibit 4, Tab 5, Schedule 1 included in the OM&A forecast figures for 2014 or are they netted off the revenues shown in Appendix 2-H in Attachment 1 to Exhibit 3, Tab 3, Schedule 1?**

**7.5 Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?**

**7.5-Energy Probe-32**

**Ref: Exhibit 5, Tab 1, Schedule 1, Attachment 1**

**Please update the 2014 table found in Appendix 2-OA (page 2) to reflect the update cost of capital parameters applicable to 2014 cost of service applications, as issued by the Board on November 25, 2013.**

**7.5-Energy Probe-33**

**Ref: Exhibit 5, Tab 1, Schedule 2**

- a) With long term interest rates at historically low levels, has BHI sought to replace all of any portion of the affiliate promissory note? If not, why not? If yes, please provide details of amounts and rates available to BHI.**
- b) With capital expenditures of around \$8 million per year, please explain why BHI has not considered borrowing at historically low long term rates? How does BHI propose to finance the capital expenditures planned over the next 5 years?**

**7.5-Energy Probe-34**

**Ref: Exhibit 5, Tab 1, Schedule 2, Attachments 1 & 6**

- a) Please explain why Appendix 2-OB (Attachment 6) shows the affiliate promissory note as being at a fixed rate while the promissory note in Attachment 1 appears to allow the rate to fluctuate.**
- b) Please explain why Appendix 2-OB (Attachment 6) shows the affiliate promissory note with a start date of April 2, 2010, while the promissory note shown in Attachment 1 is dated April 10, 2002.**
- c) Please file any amendments made to the promissory note shown in Attachment 1 that have been made since 2002.**

**7.6 Is the proposed forecast of other revenues including those from specific service charges appropriate?**

**7.6-Energy Probe-35**

Ref: Exhibit 3, Tab 3, Schedule 1, Attachment 1

- a) Please update Appendix 2-H to reflect actual data for 2013. If actual data for all of 2013 is not yet available, please provide the most recent year-to-date actual figures available for 2013 in the same level of detail as found in Appendix 2-H. Please also provide the figures for the corresponding year-to-date period in 2012.
- b) Please explain the loss of \$263,000 shown in account 4390 for 2013.

**7.7 Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?**

**7.7-Energy Probe-36**

Ref: Exhibit 6

- a) Please update the RRWF to reflect any changes or corrections resulting from the interrogatory responses, as well as the updated cost of capital parameters applicable to 2014 cost of service applications as issued by the Board on November 25, 2013.
- b) Please provide a tracking sheet showing the changes and/or corrections made to the revenue deficiency/sufficiency calculation as noted in part (a) above. For each change, please provide a reference to the associated interrogatory response that results in the change.

**8. Load Forecast, Cost Allocation and Rate Design**

**8.1 Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?**

**8.1-Energy Probe-37**

Ref: Exhibit 3, Tab 1, Schedule 1

- a) Please update Table 3-5 to include actual data for 2013.

- b) What is the basis for the customer numbers shown in Table 3-5 (e.g. year end, monthly average, average of opening and closing figures, etc.)?

**8.1-Energy Probe-38**

Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1

Please confirm that the rate class information used is billed energy based on actual monthly consumption and not based on actual consumption adjusted for unbilled volumes. If this cannot be confirmed, please explain how the historical data used represents actual consumption in a month.

**8.1-Energy Probe-39**

Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1

The live Excel spreadsheet provided in conjunction with the models estimated in conjunction with the Elenchus report is not complete in that it does not show any of the estimated equations or the forecast value for the explanatory variables used in each of the equations, or the calculation of the monthly and annual MAPEs, or the forecasted volumes that are being claimed for 2013 and 2014.

Please provide a spreadsheet that includes all the historical values of the data used, along with the forecasted values for 2013 and 2014 of all the explanatory variables. Please provide the estimated values for each equation, along with the percent error used in the calculation of the monthly and annual MAPE statistics, and the monthly forecasts from each equation for 2013 and 2014 using the estimated equations.

**8.1-Energy Probe-40**

Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1

- a) Please explain how the forecast for 2014 employment was arrived at given the information in Table 8 is for 2012 and 2013 and there is no forecast for 2014.
- b) Please update the employment forecast by incorporating actual employment levels for 2013 from the source cited on page 1, along with the most recent employment forecasts from the sources shown in Table 8 for 2014. Please provide a version of Table 8 that shows these forecasts and the dates of those forecasts.

- c) **Please show the calculation of the monthly 2014 forecast figures for the employment variable using the updated figures requested in part (b) following the methodology explained on page 9, with the modification that the employment ratios for 2012 and 2013 are used instead of 2011 and 2012.**

**8.1-Energy Probe-41**

**Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1**

**Please show and explain how the normalized average use figures shown in Table 16 are calculated. In particular, please show the derivation of the residential normalized average use of 9,346 in 2012 relative to the actual figure of 9,342.**

**8.1-Energy Probe-42**

**Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1**

- a) **Please estimate a trend equation using the data found in Table 10 with the kW/kWh ratio as the dependent variable and the year as the explanatory variable (trend). Please provide the resulting regression statistics and results.**
- b) **Based on the equation estimated above, what is the forecasted 2014 kW/kWh ratio?**
- c) **What is the impact on the revenue forecast at existing rates of using the ratio calculated above in place of the 0.0026823 used?**

**8.1-Energy Probe-43**

**Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1**

**Please update Table 15 to reflect actual customers and connections for 2013.**



### **8.1-Energy Probe-44**

**Ref: Exhibit 3, Tab 2, Schedule 1 &  
Exhibit 3, Tab 1, Schedule 3**

- a) **Please explain the difference between the kWh and kW forecasts shown in the table on page 3 of Exhibit 3, Tab 1, Schedule 3 and the figures shown in Table 3-7 in Exhibit 3, Tab 2, Schedule 1.**
- b) **Please confirm that for revenue calculation purposes, the figures shown in Exhibit 3, Tab 1, Schedule 3 were used.**

### **8.2 Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?**

### **8.2-Energy Probe-45**

**Ref: Exhibit 7, Tab 1, Schedule 1 &  
Exhibit 8, Tab 4, Schedule 2**

**With respect to Table 7-4, please assume that the USL ratio is reduced to 120% and GS < 50 ratio is maintained at 101.39% and the street lighting ratio is maintained at 96.84%.**

- a) **Please increase the GS > 50 ratio from 81.84% to 85.0%. Please calculate the resulting residential revenue to cost ratio that maintains the overall revenue collection required for the deficiency.**
- b) **Based on the results of part (a), please provide updated bill impacts as shown in Exhibit 8, Tab 4, Schedule 2.**

### **8.3 Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?**

### **8.4 Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?**

### **8.5 Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?**

**8.6 Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?**

**9. Accounting**

**9.1 Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?**

**9.1-Energy Probe-46**

**Ref: Exhibit 9, Tab 2, Schedule 4**

**Please explain the basis of the allocation of the stranded meter costs between the rate classes shown in Table 9-11.**

**9.2 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?**

**9.2-Energy Probe-47**

**Ref: Exhibit 9, Tab 1, Schedule 3**

- a) **Please explain why BHI believes that the return on rate base should be recovered from customers rather than returned to customers?**
- b) **Please update Appendix 2-EE to reflect the revised WACC to reflect the update cost of capital parameters applicable to 2014 cost of service applications, as issued by the Board on November 25, 2013.**