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Ontario

BY E-MAIL

July 31, 2015

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: PowerStream Inc.
Application for Rates
Board File Number EB-2015-0003

In accordance with Procedural Order No. 1 issued on July 10, 2015, please find attached the Ontario Energy Board staff interrogatories on the referenced application filed by PowerStream Inc.

Original Signed By

Martin Davies
Project Advisor, Electricity Rates & Accounting

Attachment

cc: Parties to EB-2015-0003

Ontario Energy Board Staff Interrogatories
Custom Incentive Rate-Setting Application for 2016 to 2020 Electricity Distribution Rates and Charges
PowerStream Inc. ("PowerStream")
EB-2015-0003
July 31, 2015

I-Staff-1
Ref: S I-1/T1/S1/p. 1 and S VI/S1/p. 2

At the first reference, it is stated that:

> On April 16, 2015, the potential of a four-party merger involving PowerStream, Enersource, Horizon Utilities and Hydro One Brampton was announced. The parties have signed a non-binding Letter of Intent to explore the potential benefits of a merger. There is also an option for three of the parties to purchase Hydro One Brampton at a pre-defined price.
>
> Currently the parties are in the process of assessing the financial merits of the merger. Transaction costs (before the merger) and transition costs (after the merger) are being weighed against the potential "synergy savings" from bringing four distributors together. If the Shareholders approve the merger (with or without the purchase of Hydro One Brampton) then OEB approval will be sought through a MAADs application.
>
> This Custom IR rate application is for PowerStream as a "standalone" distributor. It is PowerStream's intention to proceed with the Application on this basis regardless of whether or not a decision to merge is made and a MAADs application submitted.

At the second reference, it is stated that the proposed rate plan would terminate under the following conditions:

> PowerStream is proposing to apply the Board's existing policy in relation to off-ramps. Under the RRFE, the Board expects that distributors that apply using the custom rate-setting method will be committed to that method for the duration of the approved term. The Board recognized that a distributor may need to seek early termination and had provided a mechanism for regulatory review to be initiated if the distributor performs outside of the ±300 basis points earnings dead band or if its performance erodes to unacceptable levels.

a) Please confirm that no impacts of the proposed merger are reflected in the application, or if this is not the case, please explain what these impacts are.
b) Please provide an update as to the current status of the merger including the anticipated process for completion and the timing of future milestones to completion.

c) Please confirm that the means of acquiring Hydro One Brampton will have no impact on customer rates during the rate plan period, or if this is not confirmed, please explain.
d) Please state whether or not the potential merger could result in termination of the rate plan. If so, please discuss the circumstances under which this could occur.

I-Staff-2
Ref: S I/T1/S1
Following publication of the Notice of Application, the OEB received 1 letter of comment. Section 2.1.9 of the Filing Requirements states that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses are filed to any subsequent letters that may be submitted in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

I-Staff-3
Ref: S I/T3/S1/p. 4
Table 4 of the above reference shows total load and customers for the period 2013 to 2020.

OEB staff notes that in the period from 2014 to the 2020 Test year weather normalized load decreases by roughly 1%, while total customers increases by roughly 11%.

Please explain why in spite of a total customer increase of 11% in the 2014 to 2020 period, total load is decreasing by 1% in the same period.

I-Staff-4
Ref: SI/T3/S1/p. 7, PowerStream Inc. *Settlement Agreement Filed: October 24, 2012,* p.13 and SVI/T31/S1/p. 7
In Table 9 of the first reference, PowerStream states that actual 2013 capital spending was $93.7 million.

In the second reference, a 2013 Test year capital spending level of $114.3 million is accepted for purposes of settlement, which is 22% greater than the 2013 actual level.

In the third reference, a 2014 actual capital spending level of $109.5 million is shown. The proposed capital spending level for the 2016 test year from the first reference is $132.9 million which is 21% higher than the 2014 actual level.

a) Please provide an explanation for the difference between the 2013 Test year approved capital spending level and the 2013 actual.
b) Please explain why the OEB should have confidence that the 2016 proposed capital spending level will be achieved given the 2013 differential noted in a).
c) Please state how PowerStream's 2015 actual capital spending to date is tracking against forecasts.
d) Please state whether or not PowerStream took into account the cumulative impact that its capital spending since 2012 would have on 2016 rates and, if so, what changes ensued from these considerations.

I-Staff-5

Ref: SI/T3/S1/p. 13

At the above reference, PowerStream discusses its Deferral and Variance Accounts.

Chapter 2 of the Filing Requirements notes that "distributors must establish separate rate riders to recover the balances in the RSVAs from Market Participants ("MPs") who must not be allocated the RSVA account balances related to charges for which the MPs settle directly with the IESO (e.g. wholesale energy, wholesale market services)."

Chapter 2 of the Filing Requirements also note that "distributors who serve Class A customers per O.Reg 429/04 (i.e. customers greater than 5 MW) must propose an appropriate allocation for the recovery of the global adjustment variance balance based on their settlement process with the IESO.

a) Please state whether or not PowerStream serves any consumers that are Wholesale Market Participants ("WMPs").

    If yes:
    i. Have these consumers been WMPs throughout the entire time over which variances accumulated in the RSVA accounts are proposed for disposition?
    ii. Please confirm that RSVA account balances have not been allocated to WMP customers as they settle these charges directly with the IESO.

b) Please state whether or not PowerStream serves any class A consumers that settle energy charges directly with PowerStream. If yes, please explain how balances in Account 1589 (Global Adjustment) have been allocated to these consumers.

c) As of July 1, 2015, per O.Reg 429/04, an eligible customer with a maximum hourly demand over three megawatts, but less than five can elect to become a Class A for an applicable adjustment period of one year.

    i. Please state whether PowerStream serves any of these customers

    ii. Please discuss PowerStream's approach to this matter in the context of Section 2.9.7.1 Global Adjustment which is a new section in Chapter 2 of the OEB's Filing Requirements issued July 16, 2015.

I-Staff-6

Ref: SI/T3/S1/p. 13

At the above reference, PowerStream discusses its Deferral and Variance Accounts.

The OEB issued APH guidance on deferral accounts related to Renewable Generation Connection and Smart Grid Development accounts on March 31, 2015.

a) Please state whether or not PowerStream has followed this guidance (Guideline Q&A #8) as it applies to the portion for rate base inclusion.
b) If PowerStream has not followed this guidance, please make any required changes and re-file the information. If PowerStream does not wish to do this, please explain why not.

I-Staff-7

Ref: SI/T3/S1/p. 13

At the above reference, PowerStream discusses its Deferral and Variance Accounts.

In calculating Deferral and Variance Account rate riders for sub-groups of customers within a class (e.g. WMPs and non-WMPs), distributors have used two approaches.

1) Rate riders grouped by the nature of the deferral and variance accounts (i.e. one set of rate riders for accounts related to transmission (e.g. 1584 and 1586) and another set of rate riders for accounts related to power (e.g. 1580 and 1588). For an example, see the EnWin Utilities Ltd. Final 2014 Tariff of Rates and Charges (EB-2014-0156).
2) Sets of rate riders calculated on the basis of the customer group to which they would apply (i.e. one rate rider for WMPs and one rate rider for non-WMPs). For an example, see Bluewater Power Distribution Corp.'s 2014 IRM application (EB-2013-0112).

Please state which approach PowerStream uses and explain why this is the case.

II-1-Staff-8
Ref: E A/T1

a) What specific outcomes does PowerStream target for its planned OM&A and capital spending over the five year plan term (e.g. reduction in unit cost to targeted level, reduction in outage length by x%)?

b) How is progress toward the targeted outcomes to be quantified?

c) By what metric of performance will success in achieving the outcome be demonstrated?

d) How is the value to customers of the proposed spending over the plan term to be demonstrated?

e) What consequences should occur if targeted outcomes are exceeded? If targeted outcomes are not achieved?

f) Please describe how each of the targeted outcomes aligns with customer preferences identified by PowerStream, with reference to the evidence in this application.

II-1-Staff-9

Ref: E B/T1/pp.1-2
In discussing the bill impacts arising from the application, PowerStream divides the impacts into the categories of “Extraordinary items” and “Business as usual.” The former category includes such items as the replacement of PowerStream’s billing system, storm hardening capital and OM&A expenditures and a new transformer station. It is stated that “Business as usual” consists of capital additions and increases in OM&A expenditures in the rebasing year excluding these extraordinary items.

Please discuss the criteria used by PowerStream to determine if an expenditure was an extraordinary or business as usual item.

II-1-Staff-10

Ref: E F/T1 and Ontario Energy Board EB-2013-0416/EB-2014-0247 Hydro One Networks Inc. *Decision* March 12, 2015, p.8

In the first reference, PowerStream discusses its approach to productivity.

In the second reference, it is stated that:

> However, the OEB notes that, despite having applied under the Custom IR framework, Hydro One characterized its application as a "Custom Cost of Service" application. The company indicated that cost savings from productivity improvements were embedded in cost forecasts, and that the company would bear the risk of failing to achieve these savings. The OEB does not consider Hydro One's "Custom Cost of Service" application to be sufficiently aligned with the objectives of the RRFE policy to approve the application as presented. Also, the OEB does not consider it acceptable to postpone the potential commencement of an appropriately-structured **incentive based** rate setting framework until 2020 following the five-year period proposed by Hydro One.

a) Please state why the criticisms the OEB made in the Hydro One Decision referenced above would not be equally applicable to PowerStream's application.
b) Please state why PowerStream did not commission an external study of its productivity similar to that included by Toronto Hydro-Electric System Limited in its Custom IR application (EB-2014-0116) "Econometric Benchmarking of Historical and Projected Total Cost and Reliability Levels, 31 Jul 2014, prepared by Power System Engineering Inc."
c) In the event, the OEB was to determine that such an external study would be helpful to it in assessing PowerStream's productivity, please state any concerns PowerStream would have with producing such a study.

II-1-Staff-11

Ref: E F/T1/p.5/Table 4

The above reference provides estimated productivity savings from OM&A. The savings are calculated off the "Status Quo" OM&A which is stated as "determined by taking the most recent 2013 Board Approved OM&A and adjusting for significant cost drivers affecting OM&A costs such as inflationary wage and price increases, growth and other identified cost drivers."

a) Please state why PowerStream believes that the most recent 2013 Board Approved OM&A is an appropriate base to be used to determine productivity savings.
b) Please provide an alternate version of Table 4 using 2013 actual OM&A in place of 2013 Board Approved OM&A.

II-1-Staff-12

Ref: E F/T1/p.6/Table 6 and E J/T1/p.2/Table 1

The first of the above references, Table 6, provides the derivation of the net incremental new costs category shown in Table 4. These costs are from the second reference Table 1 which is entitled "Net Incremental New Costs for Changing Requirements and Extraordinary Items," specifically the "Compliance," "Risk Management," and "Customer Expectation" categories from the "Business as usual" section of Table 1 and the "Vegetation Management" and "CIS Implementation" categories from the "Extra-ordinary items" section of Table 1.

a) Please state why "Vegetation Management" and "CIS Implementation" would be considered as "Extra-ordinary items" while the remaining categories would be "Business as usual." Please discuss in the context of vegetation management and CIS costs being ongoing business as usual costs for most distributors.
b) Please state what the "Other" category in Table 1 consists of.
c) Please state for Table 1 whether all work force-related costs were separated out into the "Compensation" category from the other categories in the table such as "Vegetation Management" and "CIS Implementation" and how this was done, or if not please state which workforce-related costs remain in the other categories.

II-1-Staff-13

Ref: E F/T1/pp.6-7

At the above reference the productivity changes arising from PowerStream's plans to rehabilitate 140 kilometres of end-of-life or beyond underground cable in 2015 and each year during the 2016 to 2020 IR plan term.

a) Please confirm that this is the only capital program that PowerStream is including in determining its estimated productivity savings from capital or if not please explain.
b) Please state the criteria used by PowerStream to determine that a particular capital program produced productivity savings versus those programs which did not produce such savings.

II-1-Staff-14

Ref: E F/T1/p.7/Table 7

The above table provides the derivation of additional productivity savings from capital.

a) Please confirm that the savings shown in the table are expenses dollars rather than capital dollars, or if not, please explain.

b) Please provide an explanation as to how these savings were derived starting from the capital costs which were incurred to achieve the savings. Please include an explanation as to whether or not the ongoing costs of the capital expenditures for the cable injection program have been included in these calculations and if so, how. If not, please explain.

II-1-Staff-15

Ref: E G/T 2, Consolidated Distribution System Plan

Please provide the copies of the following studies, reports, analyses that are mentioned in the DSP:

a) The latest Worst Performing Feeders study.

b) The latest "*Feeder Balancing and System Reconfiguration Plan*".

c) The latest long-term load forecast and system capacity study for PowerStream territories.

d) The latest version of PowerStream's Annual Distribution Inspection and Maintenance Programs.

e) PowerStream's 2012 Distribution Automation Report.

f) A copy of the engineering consultant report used by PowerStream to justify the Highway Crossing Remediation program.

g) Any other study or report that was used to develop the DSP and has not been provided in the current application

II-1-Staff-16

Ref: E G/T 2, Distribution System Plan Summary

Please provide the following information for each of the DSP investment categories and project/material sub-projects, if available, for each of the years 2011 – 2020, in sufficient detail to calculate the investment amounts in the DSP:

a) Number of asset units installed and to be installed.

b) Number of asset units removed and to be removed.

c) Capitalized cost per asset units.

d) Please discuss any trends in capitalized cost per asset over the period, with specific reference to a) inflation trends and b) productivity measures.

If any of the requested information is not available, please provide an explanation.

II-1-Staff-17

Ref: E G/T2/p. 2 l 3-7, Distribution System Plan Summary

Average spending on System Renewal in the 2016-2020 period is planned to increase by 94% over 2011-2015 spending. PowerStream states “Renewal spending has increased due to the implementation of a comprehensive asset management process”.

Please describe the new elements of the asset management process that were implemented in the past four years and had not existed prior to 2011 that have led to the 94% increase in System Renewal category.

II-1-Staff-18

Ref: E G/T2/ p. 3, l. 1-2, Distribution System Plan Summary, 5.3.1 Asset Management Process Overview, p. 12, 5.3.2 Overview of Assets Managed, Asset Inventory, p. 24 and EB-2013-0166, 2014 IRM - Response to SEC IRs, Appendix A: Powerstream Asset Condition Assessment Technical Report

On page 3 of the DSP Summary, PowerStream states “All asset information used for Asset Condition Assessment and reliability analysis in the DS Plan is as of December 31, 2014”.

In section 5.3.1 (page 12) of the Asset Management Process Overview PowerStream states that:

> The ACA program includes the development of Health Indices, risk-based economic analyses (probability of failure and criticality), and recommended Asset Sustainability Plans (replacements).

It is also stated that “asset condition assessment data is maintained, within the various asset registries, on the following key electrical distribution and general plant assets” with 17 categories then being listed.

a) Please confirm that Health Indices, risk-based economic analyses and recommended Asset Sustainability plans are completed on a cyclical basis (yearly or bi-yearly) for all the aforementioned assets to determine investment levels in the capital plan.

b) Please confirm that all Asset Condition Assessment results presented in the section Asset Inventory (beginning on p.24) are based on the asset registry and inspection data as of December 31, 2014.

c) What is the inspection year of the data used for the asset condition assessment? If variable between asset classes please provide what data is from which year. If varied between the units within the asset class, please provide a range of the

earliest and latest inspection data used for the asset condition assessment for this asset class.

d) Did PowerStream update Risk-based economic analysis and Econometric replacement results in accordance with the ACA report provided in EB-2013-0166? If yes, please provide the results. If no, please explain.

e) Please explain how PowerStream used the risk-based economic analysis results in development and prioritization of the capital projects.

f) Has PowerStream changed any of the formulations, methodologies, useful lives, or probability failure curves between the revisions of the Asset Condition Assessment report (in 2009, 2012 and the most recent update presented in Asset Inventory)?

g) Please state whether or not the Asset Condition Assessment results presented in the Asset Inventory were the basis for the identification and development of investments proposed in the 2015-2020 DSP.

II-1-Staff-19
Ref: E G/T3/p. 1

At the above reference, it is stated that:

> In accordance with the Board's most recent Chapter 2 Filing Requirements for Distribution Rate Applications, dated July 18, 2014, at section 2.5.1.3, PowerStream continues to apply the 13% working capital allowance (WCA) factor to the sum of the Cost of Power and Controllable OM&A Expenses. The 13% WCA factor is applied throughout the five years in this application.

On June 3, 2015, the OEB issued a letter entitled "Allowance for Working Capital for Electricity Distribution Rate Applications" which provided an update to the OEB's policy for the calculation of the allowance for working capital for electricity rate applications. The letter stated that effective immediately the OEB was adopting a new default value of 7.5%.

The OEB further stated that for a Custom IR application it expected distributors choosing this option to file evidence in support of their requested working capital allowance, rather than the use of a default value. The letter also stated that while the use of the default value will no longer be applicable to Custom IR applications, given the timing of this new policy, distributors that have filed a Custom IR application for rates

effective January 1, 2016 may use the 7.5% default value to calculate their working capital allowance rather than file a lead-lag study as part of their application.

a) Please state whether or not it is PowerStream's intention to file evidence in support of its proposed 13% working capital allowance, or to accept the 7.5% default value. If it is PowerStream's intention to file such evidence, please state the expected filing date.
b) In the event, PowerStream intends to request the 7.5% default value, please update its application to reflect all changes arising from the shift to a 7.5% default value.

II-1-Staff-20

Ref: E H/T1/p.1.

At the above reference it is stated that:

> In its Cost of Service Application (EB-2012-0161), PowerStream forecasted sales using a "top-down" approach…Striving for continuous improvement, PowerStream has since developed and is now proposing a new forecasting approach to load, customers and connections for this Application. The new approach developed in MetrixND, forecasts class-specific sales based on multifactor regression models.

a) Please state what factors caused PowerStream to conclude that it required a new forecasting approach and whether or not this was because any deficiencies were identified in the previous approach.
b) Please describe the process by which PowerStream determined what the new approach would be and why it believes it to be the best approach.
c) Please state whether or not PowerStream undertook any comparisons between the loads, customers and connections that would be produced by the two approaches and if so, please state what the results of these comparisons were. If PowerStream did not undertake any such comparisons, please explain why not.

II-1-Staff-21

Ref: E H/T2/p. 3

Please provide a table that lists all the appropriate OPA/IESO CDM Initiatives that produced net CDM savings which were used in the LRAMVA calculations. For each rate class, please list all relevant CDM initiatives in the applicable year and provide the subsequent net CDM savings for each. An example is provided below:

Residential	Net kWh	Net kW
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		
GS < 50 kW	Net kWh	Net kW
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		
GS > 50 kW	Net kWh	Net kW
Initiative 1		
Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		
Other classes (e.g., Streetlighting, Large Use, etc.), as needed	Net kWh	Net kW
Initiative 1		

Initiative 2		
Initiative 3		
Total		
Volumetric Rate Used		
Lost Revenues		

A separate table should be provided for each year.

II-1-Staff-22

Ref: E I/T1/p.1.

At the above reference, PowerStream states when discussing Specific Service Charges states that it is not "proposing to alter the list or change the charges during the term of the Custom IR."

a) Please state when the existing specific service charges were first set.
b) Please state why PowerStream believes that it is reasonable to leave these charges unchanged for the five-year period of the application.

II-1-Staff-23

Ref: E J/T1/p. 1

Please state where in the above reference, PowerStream identifies its treatment of one-time costs in the application. If this treatment is not identified, please state what it is and what the typical amortization period would be.

II-1-Staff-24

Ref: E J/T1/p. 2/Table 1

At the above reference, PowerStream provides a year-by-year breakdown of its operating costs. The proposed increase in the 2016 Test year relative to the 2014 actual level is significant at 12.6%.

a) Please outline the outcomes and higher level of services that customers will receive for the relatively higher rates they are paying.

b) Please identify any customer engagement that supports the further increases proposed in this application.

c) Please provide the analysis that was performed to assess whether PowerStream's planning decisions reflect best practices of Ontario distributors.

d) Please identify any initiatives considered and/or undertaken by PowerStream, including any analysis conducted, to optimize plans and activities from a cost perspective, for example, balancing cost levels of OM&A versus capital.

e) The OEB's letter of August 14, 2014, established the stretch factor assignments for 2015 rates. PowerStream was assigned to Stretch Factor Group 3 out of five groups. Please provide details on any initiatives undertaken to improve PowerStream's assignment in future years.

II-1-Staff-25

Ref: E J/T2

At the above reference, PowerStream discusses its approach to compensation.

a) PowerStream does not appear to have undertaken any relevant studies of its proposed increases in compensation/headcount on the basis of compensation benchmarking, or any other external comparators, and appears to have justified its proposed increases solely on the basis of its anticipated needs without any specific reference to any external comparators. Please explain what analyses and data PowerStream has used to derive its proposed compensation per headcount for the bridge and test years.
b) With respect to Appendix 2-K, please explain PowerStream's compensation strategy. Please explain how this strategy has resulted in an 11% increase in management and 4% increase in non-management compensation for the 2016 Test year as compared to 2014 actuals.

II-1-Staff-26

Ref: E J/T2/p.2 and J-SEC-34 SIII/T1/S1/pp.305-306.

At the first reference above, PowerStream provides Appendix 2-K Employee Costs.

At the second reference, PowerStream is requested to add two lines to the above referenced appendix "Total Compensation Charged to OM&A" and "Total Compensation Capitalized."

Please provide an explanation for the changes in "Total Compensation Charged to OM&A" particularly including an explanation as to why this amount on a percentage basis appears to be lower for 2014 Actual than for the prior or subsequent years.

II-1-Staff-27

Ref: E L/T1

At the above reference PowerStream's approach to cost allocation is discussed.

On June 12, 2015, the OEB issued a new cost allocation policy for the streetlighting rate class.

a) Please confirm that the current application as filed does not incorporate any updates to reflect the new OEB policy, or if it does, please explain.
b) If the application as filed does not incorporate the new policy, please state whether or not PowerStream has any plans to update the application for this change and if so what the timing of such an update would be.

II-1-Staff-28

Ref: E M/T1/p.4.

At the above reference it is stated that:

> PowerStream notes that the OEB is currently undergoing a process to review rate design for the Residential and small General Service classes (EB-2012-0410). PowerStream has not incorporated any of the rate designs as outlined in the Draft Report of the Board at this time. However, should the OEB issue direction to LDCs related to this consultation, PowerStream is prepared to incorporate changes as applicable.

On April 2, 2015, the OEB issued its EB-2012-0410 *Board Policy A New Distribution Rate Design for Residential Electricity Customers.* In this document, it is stated that "Under the new policy, electricity distributors will structure residential rates so that all the costs for distribution service are collected through a fixed monthly charge."

a) Please confirm that the current application as filed does not incorporate any updates to reflect the new OEB policy, or if it does, please explain.
b) If the application as filed does not incorporate the new policy, please state whether or not PowerStream intends to file for an exception request or has any plans to update the application for this change and if so what the timing of such an update would be.

II-1-Staff-29

Ref: E M/T3/p. 1

At the above reference, PowerStream discusses its 2016 to 2020 proposed RTSRs.

On January 8, 2015 (EB-2014-0357), the OEB issued a Rate Order for the 2015 Uniform Transmission Rates and on April 23, 2015 (EB-2013-0416), the OEB issued a Rate Order for Hydro One Distribution's Sub-transmission rates.

Please provide an updated RTSR Adjustment Workform in working Microsoft Excel format reflecting the new UTR's and Sub-Transmission Rates, as applicable, including any other corrections or adjustments that PowerStream wishes to make to the previous version of the Workform. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

II-1-Staff-30
Ref: E N/T1/S1/p. 1
At the above reference, PowerStream discusses its OPEB Deferral Account.

PowerStream has recovered OPEBs in rates previously.

a) Please indicate if OPEBs were recovered on a cash or accrual accounting basis for each year since PowerStream started to recover OPEBs.

b) Please complete the table below to show the difference, if any, between the actual cash benefit payments and the amounts recovered from ratepayers from the year PowerStream started recovering amounts for OPEBs.

OPEBs	**First year of recovery to 2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Amounts included in rates							
OM&A							
Capital							
Sub-total							
Paid benefit amounts							
Net excess amount included in rates greater than amounts actually paid							

c) Please describe what PowerStream has done with any recoveries in excess of cash benefit payments.

II-1-Staff-31

Ref: E N/T3/p.1

At the above reference, it is stated that PowerStream is requesting a new deferral account to capture the net book value of meters removed from service to comply with the OEB's May 21, 2014 Distribution System Code amendment requiring all General Service over 50 kW customers to have meters capable of recording time-of-use electricity consumption.

Please provide a draft accounting order for the proposed deferral account.

II-2-Staff-32

Ref: E G/T2

The above reference is PowerStream's Consolidated Distribution System Plan.

Chapter 5 of the Filing Requirements states, "A DS Plan filing must demonstrate that distribution services are provided in a manner that responds to identified customer preferences."

Please explain how PowerStream's DS Plan reflects customer preferences identified through customer engagement.

II-2-Staff-33

Ref: E G/T2, 5.2.1 Distribution System Plan Overview/ p. 1, l. 27-29

PowerStream states:

> These corporate objectives influence the DS Plan. They are used within the optimization scoring process to link value to the strategy map and they are tied to business cases.

Please show the score value assigned to each objective using a few typical individual projects.

II-2-Staff-34

Ref: E G/T2/ 5.2.3 Performance Measurement for Continuous Improvement, p. 4, l. 2-9

Powerstream states that its plan execution metric is actual capital spending compared

to the approved capital budget. Although no previous DSP has been filed yearly spend as compared to planned should be available year over year.

a) Please provide previous plans for the yearly spend as defined.

b) Please complete the table below for the historical five year period for planned vs actual capital spend.

	2011	2012	2013	2014	2015 (YTD)
Planned					
Actual					
Deviation ($)					
Deviation (%)					

II-2-Staff-35

Ref: E G/T2, 5.2.3 Performance Measurement for Continuous Improvement, p. 4, l. 11-24 and p. 5, Figure 2

PowerStream states that it:

> … will be monitoring its execution of the projects and programs included in the DS Plan. Variances, which are defined as a comparison of the actual dollars spent compared to the approved budget estimate, are reviewed are categorizing within the prescribed limits.

a) Please comment on whether or not there is a lack of management of work order variances as illustrated through the inconsistency of work order variances in Figure 2.

b) How is the "budget estimate" related to the OEB approved spending?

c) When did PowerStream last refine labour/equipment rates and standard labour/equipment hour allocations for its unit costs used in estimates?

d) Please state whether or not PowerStream has performed an analysis as to whether or not labour/equipment rates and their allocation reflect actual costs of 2016. If yes, please provide the results.

e) Please provide an overview of the major causes of variances of work orders by percentage contribution to overall variances for each historical year (2011-2015 [YTD]).

II-2-Staff-36

Ref: E G/T2, 5.2.3 Performance Measurement for Continuous Improvement, p. 5, l. 6-7

PowerStream states that "Cable remediation is the only program where failure rate analysis can be readily measured."

Please state why failure rate data is not readily available for other asset classes.

II-2-Staff-37

Ref: E G/T2, 5.2.3 Performance Measurement for Continuous Improvement, p. 12, l. 1-9 and EB-2013-0166, 2014 IRM – Response to SEC IRs, Appendix A: PowerStream Asset Condition Assessment Technical Report, p.5

PowerStream states at the first reference that:

> The Health Index for distribution assets identifies the current level and future risk of equipment failure …The Health Index metric is also used to provide an indication of the level of investment required over a twenty year planning horizon…

a) Please describe how PowerStream uses the health index score to gather indications of appropriate levels of investment. Please provide the step by step procedure from health index score to investment level.

b) What is the rationale behind the twenty-year planning horizon selected?

II-2-Staff-38

Ref: E G/T2, 5.3.1 Asset Management Process Overview, p. 27, l. 7-8

PowerStream states that business cases used to support a request for capital funding must contain among other requirements "financial details associated with each alternative; and financial analysis to capture both capital and OM&A".

a) Please describe the financial details that must be included with each alternative.

b) Please confirm that the financial analysis is intended to capture the Net Present Value of the respective projects. If yes, please provide the methodology used by PowerStream to calculate Net Present Value. If no, please explain the financial metrics used by PowerStream to determine cost savings benefits over the costs of the projects.

II-2-Staff-39

Ref: E G/T2, 5.3.2 Overview of Assets Managed, p. 5, Figure 2 and Section VI, T13/S1/p. 3

In the first reference, projected peak load in PowerStream South in 2021 is 1,966MW compared to 1,689MW in 2016. This growth is about 16% over the five year period. Overall growth for the previous five year period 2011-2016 is only 3%.

In the second reference, PowerStream indicates in "Schedules of Volumes, Customers/Connections and Revenues" that while customer count will increase by approximately 1.8% a year, consumption in kWh will decrease approximately 1% a year with Total KW Volumes in 2020 decreasing by 1% compared to 2016.

a) Please provide the basis for such a rapid anticipated growth in PowerStream South in 2016-2021. Please provide any study or report that would justify the projected 16% increase in the 2016 to 2021 period.

b) Please provide the actual peak load in 2014, and 2015YTD.

c) Please provide similar projections of Peak load in PowerStream North.

d) PowerStream calculates 2016-2020 rates based on decreasing consumption by its customers and a modest increase in customer counts. However, the DSP is based on the projected rapid growth of the system peak. Please explain.

e) Please provide a forecast of the system peak by 2020 with a confidence interval (min/max), year-by-year, for South and North.

f) Please describe the conservation measures committed and planned to reduce peak demands in PowerStream's service territories.

II-2-Staff-40

Ref: E G/T2, 5.3.2 Overview of Assets Managed, p. 18, l. 12-15

PowerStream states that its system planning philosophy for municipal sub-stations in the north requires:

> … a "triad" model of supply – where at least three stations (or 3 transformers) are tied together through open points such that loss if one station is lost, all load from the triad supplied stations can be supplied by the remaining stations. This criteria considers individual substation transformer ratings as well as the network's contingency capacity.

Please state whether or not PowerStream has performed a risk-based economic or any other type of business analysis to justify this philosophy versus other models of supply. If yes, please provide the report.

II-2-Staff-41

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 1, l. 29-32, p. 2, l. 1-12 and p. 3, Figure 1

At the first reference, PowerStream states:

> A large contributor to the assessment process is the annual inspection of critical assets. Annual inspections are completed on the distribution system for the overhead system, load interruptor switches, padmount switchgear, vault rooms, padmounted switchgear, stations and poles. An assessment is made and an asset will be categorized as a Code A, Code C, or Code C…

PowerStream goes on to describe the actions required for each code inspection.

a) Please state why the code system has been developed and how it adds value beyond the established methodology used in ACA.

b) Please provide the justification, for each critical asset class, by which the prescribed actions for each code have been determined. Please state how this optimal policy has been determined.

c) In Figure 1, for categories where the Health index is not applicable, please confirm that it is not used in the identification or justification for asset investment.

d) In Figure 1, for categories where the prioritization score is not applicable, please confirm that no prioritization is done for these assets.

e) In Figure 1, where both Health Index and Inspection is present for an asset class:

i) please outline the way in which each is used in the determination of investment (i.e. where is there overlap between the two, which takes priority, how each influences decisions etc.)

ii) if the inspection assigns Code C to the asset, but the Health Index shows a Poor condition, please state which is determinative.

II-2-Staff-42

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 3, Figure 1 and E G/T2, 5.3.2 Overview of Assets Managed, p. 51, Figure 50

PowerStream presents Health Index results for Wood Poles on Figure 50. However, on Figure 1 of the first reference, the Health Index score is identified as "Not Applicable" for "Pole Replacement."

Please provide an explanation.

II-2-Staff-43

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 5, l. 7-12

PowerStream states:

> When an existing pole is replaced, PowerStream must install the new pole according to the current standards…If in any particular case, the pole has transformers, switches, or other equipment with significant remaining life, these are salvaged and re-used.

a) Please state how PowerStream determines if an asset is re-used or salvaged.

b) Please state the percentage of equipment that is re-used through this process.

c) Please state whether the re-use of equipment has been included as a cost savings in the forecast?

II-2-Staff-44

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 6, l. 26-29 and Section IV/T1/G-AMPCO-9, p.29

Please state whether or not statistical analysis has been done to determine actual useful life of asset classes used by PowerStream. If yes, please provide this analysis.

II-2-Staff-45

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 13,

At the above reference, there is discussion of a "Storm Hardening and Rear Lot Remediation" program. It is stated that PowerStream has performed a review of the rear lot pockets:

> In 2012, a review of the rear lot pockets was performed. There are thirty-six (36) areas of various sizes. These assets are aging, with an average age of years forty-two (42) years, with the oldest being sixty-six (66) years old.

PowerStream further indicates that these assets "pose a potential safety risk to the public due to the planting of trees and installation of sheds and pools close to the lines" and that several potential options and associated costs were presented.

Finally, it is stated that a second review of options was performed and as a result, PowerStream is now proposing to annually replace areas of the rear lots supplies with front lot standard construction until they are remediated.

a) Please provide asset counts (poles, transformers, switches, km of conductors/cables) and the age profiles for each rear lot asset class for each of the 36 areas. If data are not available, please explain.

b) What options were considered as part of the "first review" and "second review" of the rear lot construction? Are these review documents available? If yes, please provide the documents.

c) Please provide historical references to safety incidents that have taken place with respect to rear lot construction – including incidents impacting safety to the public, as well as safety to crews.

d) Please clarify the difference between "replacement" of rear lot as opposed to "remediation".

II-2-Staff-46

Ref: Section III, T4/S1, BOMA-11, Appendix A, Section 5.14 – Other Initiatives

At the above reference, PowerStream provides a description of the "Rear Lot Construction Elimination" program. It is stated that existing rear lot construction "presents some operational and reliability issues" – however, it is noted that "Cost and CMI saving are not estimated at this time"

a) Please provide historical reliability (SAIDI/SAIFI or CI/CMI) data for each of the 36 areas and combined as well as the expected estimated reliability savings in 2015-2020.

b) Please confirm that the expected estimated reliability savings for the Rear Lot remediation program are provided in the Five Year Work Reliability Work Plan 2015-2019. If not, please provide the expected reliability savings in 2015-2020.

II-2-Staff-47

Ref: Section IV, T2, TCQ-2 G-SEC-19, Appendix B, Hardening the Distribution System Against Severe Storms – Final Report

At the above reference, various options are presented for managing Rear Lot infrastructure. This includes:

(1) replace existing rear lot overhead with new rear lot overhead,

(2) replace existing rear lot with new front lot overhead,

(3) a hybrid approach to underground primary and maintain secondary overhead connections, and

(4) replace existing rear lot overhead with front lot underground.

While the report provides some recommendations between Options 3 and 4, there is no specific option that the report recommends. The report indicates that while Option 2 is feasible, it is not achievable due to public and political backlash against new overhead plant in an underground area.

a) When selecting the most viable option out of the 4 presented in the report, did PowerStream produce a full business case, which quantified the total life-cycle costs associated with each option? Total life cycle costs take into account the risks of the existing assets to be replaced (reliability impacts, ongoing maintenance costs, safety and environmental impacts) as well as the capital costs of the new assets to be installed. If yes, please provide this business case. If the business case is not available, please explain what option PowerStream concludes to be the most viable option.

b) If available, please provide any customer engagement programs or surveys that illustrate differences between “overhead” and “underground” areas, and justify that there is a risk of political and public backlash if the utility were to proceed with an overhead installation within an underground area.

c) Appendix D of the same report provides a Rear Lot Priority List of all activities from 2015 onwards to 2029. Please provide further information behind this prioritization approach – namely how PowerStream determined which areas were high priority and which areas were low priority. Please explain what quantified metrics and costs were considered as part of this analysis, including mitigated risks, capital cost requirements and ongoing maintenance costs.

d) Please confirm that PowerStream follows Appendix D to define the priority and develop budget estimates for the Rear Lot remediation program in the DSP.

e) Please explain the zero spending level in 2021-2023 in the recommended Rear Lot priority list in Appendix B.

II-2-Staff-48

Ref: Section III, T1/S1, G-AMPCO-28 and Section IV, T2, TCQ-2 G-SEC-19, Appendix B, Hardening the Distribution System Against Severe Storms – Final Report

At the first reference above, PowerStream provided a breakdown of the rear lot expenditures taking place from 2015 onwards to 2020. This response also provides the number of projects and areas that will be converted, along with an expected completion date of 2029.

a) Please explain why the spending levels for Rear Lot in 2016-2020 are constant in spite of a changing number of projects and areas. If more up-to-date estimates for the rear lot remediation program in 2015 to 2020 are available, please provide updated numbers.

b) Please reconcile the numbers in part a) with the second reference CIMA report, Appendix D, Rear Lot Priority List 2015-2029 numbers provided in Project Cost numbers.

c) Please explain how PowerStream determined that 2029 should be the end date for the Rear Lot program. Please describe other options, including conversion of Rear Lot earlier than 2029, or later than 2029 that were considered while making the decision on the completion year target.

II-2-Staff-49

Ref: Section III, T1/S1, B-CCC-16 and Section IV, T2, TCQ-2 G-SEC-19, Appendix B, Hardening the Distribution System Against Severe Storms – Final Report

At the first reference, PowerStream states that:

> proposed rear lot conversion investment expenditures for 2016 to 2020 is based on historical expenditures of similar type construction work. The proposed investments are based on estimated construction costs of approximately $12,400 per customer.

a) Please provide detailed justification for the estimate per customer used for Rear Lot project spending.

b) Please reconcile the estimated construction cost per customer with the Project Cost in Appendix D of the CIMA report (second reference).

II-2-Staff-50

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 14, Table 1

Please provide a source to justify the useful life for IT Asset classes shown in this table.

II-2-Staff-51

Ref: E G/T2, 5.3.1 Asset Management Process Overview, p. 24, l. 10-14, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 16, l. 8-9 and p. 17, Figure 5

At the first reference, PowerStream states that the:

> [Asset Management & Decision Making] … process also considers input from customers and recommendations from interdepartmental committees. The proposed projects are then placed into the optimization process and applied within the capital budget threshold to generate the optimal list of projects/programs for a given year (projects with the highest value are included in the year's portfolio).

PowerStream also states that "Business units prepare detailed budgets, justifications and business cases for project and enter these into the optimization tool".

a) Please provide the Value Function of the optimization tool with a complete set of parameters and weightings.

b) What is an objective function of the Value in the optimization tool? Please provide a formula, whether an objective is to minimize or maximize.

c) In addition to the objective function in part b) please provide inequality and equality constraints used to optimize the Value. Please describe how these constraints are being set?

d) Please describe an optimization algorithm utilized by C55 to define an optimal list of projects.

e) Please provide a full list of projects with the associated capital dollar amount that were placed into the optimization process for the development of 2015-2020 DSP.

f) Please identify the capital budget threshold and any other constraints applied for each of the years.

g) Please provide a Single Value for the Value Measure, the Value of Risk Mitigation and Residual Risk for each of the programs/projects that were run through the C55 optimization tool for the purpose of development of the 2015-2020 DSP.

h) Please identify the projects that were placed into the optimization process but not included in the submitted DSP plan as a result of the optimization.

i) Please provide the Investment Value Report and Scenario Comparison Report (shown on the Figure 5) from the C55 system for the run that was used to optimize DSP programs/projects for 2015-2020:

II-2-Staff-52

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 20, l. 22-28 and p. 22, l. 1-7

At the second reference, PowerStream states:

> The Value of Risk Mitigation in all risk categories is computed using the same methodology…For each risk the project owner specifies both the consequence and probability of consequence.

a) For each of the risk mitigation categories at the first reference (on page 20) (IT Capacity, Financial, Environmental, Safety, Distribution, Compliance), please provide a description of how the project owner would select consequence values along with the sources of those values and rational for their applicability to PowerStream (for example - cost of a safety incident both direct and indirect).

b) Please state how consistency in assigning consequence and probability is maintained across all projects in cases where different authors each populate their own consequences and probabilities.

II-2-Staff-53

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 26, Table 2, p. 27-28, Vegetation Management and Section III, Tab 1, Schedule 1, p. 83-84, F-Energy Probe-7, p. 144 G-AMPCO-11

PowerStream's vegetation management program costs in 2013 were $1.461M, but by 2020 will be $4.716M representing an overall annual increase expected to be $3.255M.

OEB staff calculates the year over year increases in Vegetation Management spending as the following (using Table 2 of the above references):

Activity	2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019
Vegetation Management	25.3%	20.4%	17.1%	14.7%	13.0%

a) Please explain in detail and justify the continuing cumulative increase and fluctuation in vegetation management spending.

b) Please provide average unit costs (e.g. per km, per tree cut etc.) for vegetation management for the historical period (2011-2014) as well as for the forecast period for each of the years. Please discuss cost trends, including inflationary factors, reasons for increases, and attendant productivity measures undertaken and planned to offset or reduce unit costs.

c) Please state whether or not PowerStream has performed any risk-based economic analysis to justify an increased budget for vegetation management. If yes, please provide the results.

d) Please state whether or not PowerStream conducts any reliability-based tree trimming practices for targeting areas using cycles adjusted for reliability impact. If yes, please provide the results.

e) If available, please provide a benchmark (at least minimum, maximum and average values) for a tree trimming cycle for rear lots in other similar utilities. Please describe whether and how these benchmarks were incorporated into PowerStream's business planning and forecast.

f) Please provide 2011-2014 and 2015 year-to-date numbers for SAIDI/SAIFI, tree contacts as a cause, excluding Major Event Days (MED).

g) Please provide the expected annual reliability improvements (SAIFI/SAIDI, tree contacts as a cause), excluding MED for each of 2016-2020 as a result of new tree trimming cycles, separately for rear lot and front lot lines. Please apply Customer Interruption Costs for improved delta in reliability to calculate a monetary equivalent of reliability improvement results.

h) Please apply Customer Interruption Costs for improved delta in reliability in part e) to calculate a monetary equivalent of reliability improvement results.

i) Please provide expected 20-year average annual reliability improvements (SAIFI/SAIDI, tree contacts as a cause) MED only as a result of a new tree trimming cycles, separately for rear lot and front lot lines. Please apply Customer Interruption Costs for improved delta in reliability to calculate a monetary equivalent of reliability improvement results. Please note that 20-year average is requested to smooth out Major event storms over a longer period of time.

II-2-Staff-54

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 30, l. 22-25

PowerStream states that "Within PowerStream's ACA models, curves have been developed to indicate a correlation between asset condition/age and failures, and depict the likely expected number of failed units over time."

a) Please provide the failure curves function for all the asset classes.

b) Please provide any statistical analysis which shows the correlation between asset age/condition and failure rate to substantiate the curve development.

c) Please provide the calculated expected number of asset failures in 2014 for each asset class based on the failure curves. Please compare it to the actual failure counts.

d) Please state whether or not PowerStream has utilized failure curves and implied asset condition improvement through the DSP for the purpose of developing expected reliability performance of the system (SAIDI/SAIFI) in 2015-2020. If yes, please provide a description of the methodology, including expected asset condition and reliability improvements.

II-2-Staff-55

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 32, Table 3

a) Please state the expected number of assets per each asset class that PowerStream has replaced in 2011-2014 and is planning to replace in 2015-2020 within the annual Emergency/Reactive Replacements.

b) Please confirm that these units are in addition to the units planned to be replaced within the other system renewal programs/projects.

II-2-Staff-56

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, pp. 34-36

PowerStream states:

> In 2014, PowerStream created its Reliability Model. This model was designed to calculate a five year forward looking reliability projection in terms of SAIDI performance based on the past five years of reliability history and future planned capital system renewal reliability related improvements

Please state whether or not PowerStream has also included potential impacts from programs other than those listed in Table 5 in its reliability projection model If not, please explain.

II-2--Staff-57

Ref: II-2 E G/T2/ p. 4-5, Distribution System Plan Summary and E G/T2/5.3.3/p. 34, pp. 37 - 38

At the first reference on page 4, PowerStream states that the System Renewal program was designed to "hold system failures, and consequently, reliability, at a constant level (no degradation)."

However, on the next page PowerStream states that:

> There is an expectation that the projects and programs will lead to a modest improvement in reliability to customers as the controllable portion of the System Average Interruption Duration Index ("SAIDI") will decrease as the capital projects/programs and the appropriate Operations & Maintenance spending practices are implemented.

Therefore, the expected outcome of the DSP appears to differ from the original goal of the plan which was to hold the system reliability constant.

At the second reference above, PowerStream states that it created its reliability model in 2014 and that:

> This model was designed to calculate a five year forward looking reliability projection in terms of SAIDI performance based on the past five years of reliability history and future planned capital system renewal reliability related improvements"

At the third reference above, PowerStream provides Figure 8, which is entitled "Total SAIDI, 2015 – 2020 (Predicted)" which shows the improvement in SAIDI during the period of the application.

a) Given the above conclusion of a modest improvement in SAIDI and the significant increase in the capital program that is forecast, please state whether or not PowerStream undertook any cost/benefit analysis of the proposed capital program expenditures as regards their impact on reliability. If PowerStream did undertake any such analyses, please provide them. If not, please state why not.
b) Figure 8 shows a drop in Predicted SAIDI in the 2015 to 2020 period from 69.26 minutes to 59.97 minutes or a drop of about 9.3 minutes. Please state the level of capital expenditures that were on average necessary to achieve a one minute reduction in SAIDI and comment on this result.

c) Please state whether or not the key conclusion arising from the reliability model, specifically that the projects and programs would only lead to a modest improvement in reliability to customers, was discussed with PowerStream's customers during its customer engagement sessions and, if so, what the customer reaction to this conclusion was. If not, please state why not.
d) Please confirm that 2016-2020 DSP was developed to hold system reliability at a constant level in light of the statement referenced above.
e) If this is not the case, please provide a list of 2015-2020 projects which will result in improvements in reliability from existing levels.
f) Please provide a list of 2015-2020 projects that could be reduced in scope or deferred to achieve the original goal of the DSP to hold the reliability at a constant level.

II-2-Staff-58

Ref: E G/T2, 5.3.3 Asset Lifecycle Optimization Policies and Procedures, p. 34, l. 8-9 and Section III, Tab 4, Schedule 1, BOMA-11, Appendix B, Five Year Work Reliability Work Plan 2015-2019, p.18 Table 8

At the first reference, it is stated that "PowerStream will be striving for targets

determined by its Reliability Model".

The second reference is Table 8 "Five year Reliability Improvement Savings.

Please calculate Benefit/Cost ratios for each of the programs in this table for each of the years, by using the following formula including the Customer Interruption Cost used by PowerStream: Cost ($) / (CMI Savings * Customer Interruption Cost)

II-2-Staff-59

Ref: E G/T2, 5.4.1 Capital Expenditure Plan Summary, p. 2, Table 1, Section III, Tab 1, Schedule 1, G-CCC-45, J-CCC-55 and E J/T2/, Appendix 2-K, p. 2

In its response to G-CCC-45 PowerStream calculated a portion of the capital program that has been and will be completed by internal resources.

PowerStream provides in Appendix 2-K a total number of Non-management employees.

In its response to J-CCC-55 PowerStream explains that "the percentage of … union employees will remain consistent of approximately 60% throughout the rate plan".

Based on the above references, OEB staff has calculated capital budget completed internally over number of non-management employees to determine an annual average

level of capital dollars per employee. The four categories in the table below are the year, the capital budget completed internally, the number of non-management employees and the resulting dollars per employee:

2012 - $29M - 415 - $0.07M/employee

2013 - $37M - 429 - $0.09M/employee

2014 - $39M - 439 - $0.09M/employee

2015 - $61M - 454 - $0.13M/employee

2016 - $72M - 449 - $0.16M/employee

2017 - $66M - 445 - $0.15M/employee

2018 - $61M - 445 - $0.14M/employee

2019 - $55M - 446 - $0.12M/employee

2020 - $56M - 444 - $0.13M/employee

a) Please state whether or not PowerStream is in agreement with the above OEB staff calculations and if not, please make any necessary corrections or other adjustments that PowerStream would consider necessary with explanations.

b) Please provide a detailed explanation of how PowerStream is planning to execute suggested capital programs/projects in 2015-2020 which are expected to result in significant increases to $0.12M - $0.16M / employee of internal capital budget execution in 2015 to 2020 compared to actual numbers of $0.07-0.09 achieved in 2012 to 2014.

c) If PowerStream believes that $0.12 - $0.16 of internal capital spending per employee is achievable in 2015-2020, please state whether or not PowerStream agrees that this implies almost 75% labour productivity improvement (average $0.14M/employee in 2015-2020 divided by $0.08M/employee in 2012-2014) in capital spending in its DSP and comment on the feasibility of this improvement.

II-2-Staff-60

Ref: E G/T2, 5.4.1 Capital Expenditure Plan Summary, p. 8, Table 5, 5.4.5 Justifying Capital Expenditures, Appendix A: Project Investment Summaries, Project Code: 102180, 101991, 102968, 103204, 102196, 102009, 102263 and Section IV, T2, TCQ-39, Appendix C

Please provide financial analysis including Net Present Value calculations for all the IT & Info / Communication Systems projects that exceed the materiality threshold.

II-2--Staff-61

Ref: EG/T2/ 5.4.2/p. 1

At the above reference, PowerStream begins its discussion of its customer engagement efforts.

Chapter 2 of the Filing Requirements states, "The RRFE Report contemplates **enhanced** engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations." (Emphasis added)

Please describe the differences between customer engagement conducted in preparation for the current application and previous customer engagement. Please explain how customer engagement has been enhanced.

II-2--Staff-62

Ref: E G/T2/5.4.2/pp.1-13

At the above reference, PowerStream discusses its customer engagement activities.

Please state whether or not PowerStream's undertakings in this area included providing customers with a range of options in terms of bill increases and related service quality improvements that the bill increases would produce. If PowerStream did undertake such activities, please state where they are discussed in the application. If not, please explain why not and why PowerStream believes that its customer engagement activities were adequate in the absence of this approach.

II-2-Staff-63

Ref: E G/T2, 5.4.3 System Capability Assessment for Renewable Energy Generation, p. 7, l. 10-12

At the above reference, PowerStream states that "…the Renewable Generation growth rate is expected to peak and begin to decline in 2016 through 2018".

a) Please state why PowerStream believes the Renewable Generation growth rate will peak in 2016.

b) Please state what PowerStream believes will occur after 2018.

c) Please state whether or not PowerStream has a plan if Renewable Generation growth continues through 2016. If yes, please provide.

II-2-Staff-64

Ref: E G/T2, 5.4.3 System Capability Assessment for Renewable Energy Generation

Please state the percentage penetration level PowerStream allows for renewable generation on its feeders.

II-2-Staff-65

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 4, I. 4-9

At the above reference, PowerStream states that:

> the 2016 to 2020 investment requirements for the installation of new service infrastructure, as provided in Table 5.4.5.2, are aligned with the increasing trend in the volume of new customer connections and cost escalations for contractors. Refer to Exhibit H, Tab 3 for a detailed discussion on historical and future customer growth.

a) Please provide in a table the actual customer count and customer growth rate and new connections and subdivisions capital spending and growth rate for 2011-2020.

b) If there is a higher growth rate of capital spending compared to the customer growth rate, please provide a detailed explanation for this.

II-2-Staff-66

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 6 and E G/T2, Appendix A: Project Investment Summaries, Project Code: 102175,

a) Please provide an end of life criteria for Residential meters

b) Please provide an installation profile by year of “ICON F” meters

c) Please identify a list of privacy data that are at risk with the “ICON F” meters

d) Please provide a list of known cases of actual security breaches related to insufficient encryption data requirements.

e) Please confirm that there are no current regulatory or legislative requirements in relation to residential meters that mandate a replacement of “ICON F” meters. If yes, please provide a reference to the respective documents.

II-2-Staff-67

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 6 and E G/T2, Appendix A: Project Investment Summaries, Project Code: 102175, 103637

a) Please provide historical spending on the Metering program in 2011-2014.

b) There is a gap between the total capital budget and total capital spending of the metering projects that exceeds the materiality threshold, e.g. in 2015 the gap is $1.9M and in 2020 the gap is $1.5M. Please explain.

c) Please provide a count of meter replacements per forecast year for each of these projects: 103637: 4,500 meters total, 102175: 2,000 meters total

d) Please provide an explanation of how metering work will be carried out year over year, specifically considerations with respect to metering crews in the year 2020 when a large spending peak appears in the forecast of project 102175

II-2-Staff-68

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 7, l. 4-22 and Appendix A: Project Investment Summaries, Project Code: 101761, 101763

PowerStream states:

> PowerStream is obligated under the DSC and its Conditions of Service to perform these projects and incur its share of related expenditures. These investments cannot be deferred by PowerStream and must proceed when and where required by the customer. capital contributions toward the cost of all customer demand projects are collected by PowerStream in accordance with the DSC and the provisions of its Conditions of Service. PowerStream's proposed investment expenditures for 2016 to 2020 are based on the historical actual expenditures of projects initiated from 2011 to 2014 with latest forecasts for 2014 and 2015. The forecast investments for 2016 to 2020 are provided below in Table 5.4.5.5.

OEB staff calculates a total average historical spending for the 2011-2015 period for these projects as $0,56M. However, an average spending in Table 5.4.5.5 for 2016-2020 of $1,09M is forecast.

Please provide the justification for the significantly higher forecast compared to the historical level.

II-2-Staff-69

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 12, l. 1-6, Appendix A: Project Investment Summaries, Project Code: 100835 and 100851, and EB-2013-0166, 2014

IRM - Response to SEC IRs, Appendix A: Powerstream Asset Condition Assessment Technical Report

At the first reference, PowerStream states that based on the findings of the Asset Condition Assessment and a detailed analysis of success and costs of the two remediation techniques, it proposes to remediate specific underground cables using the cable injection program at the rate of 100 km/year until 2036 and to replace underground cables at the rate of 30 km/year.

In the project justification for projects 100835 and 100851, rates of 105-115 km/year and 25 km/year for injection and replacement respectively have been selected.

In the ACA report on pages 112 and 116, rates of 47 km/year and 57 km/year for injection and replacement respectively have been determined as optimal.

a) Please reconcile the differences between the proposed rates on page 12, projects 100835 and100851 and optimal rates computed through the ACA.

b) Please provide any risk-based economic justification that was used to determine a new optimal level of underground cable and injection including demonstrating that this level is more beneficial than that defined in the ACA.

c) Please provide the detailed step by step calculation/decision for the final replacement and injection rates. Please provide a risk-based economic justification for the new number.

II-2-Staff-70

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, Appendix A: Project Investment Summaries, Project Code: 100835 and 100851, Section III, T2, F-CCC-29, Appendix A, p. 9, 16, and Section III, T4, Schedule 1, BOMA-11 Appendix B, p.26

In the second reference above (F-CCC-29 Appendix A, p. 9), PowerStream provided a customer satisfaction value justification for the cable remediation program for 2015 and for 2016 that reads as follows:

This project potentially can help avoid outages to 24,290 customers and 2,035,740 CMI.
For 1000 m of cable:
- Frequency of Failure is: 0.5 failure per 1000m of cable per year

For 140,000 m of cable:
- Frequency of Failure Rate is: 0.5 x 140000/1000 = 70 failures per year

According to 2012 Control Room data, there were 123 Cable and Splice failures affecting 42,724 customers and 3,577,118 CMI.
- Average number of customers affected by 1 failure is: 42,724/123 = 347 customers
- Projected number of customers affected by 70 failures is: 347 x 70 = 24,290 customers
- Average CMI for 1 failure is: 3,577,118/123 = 29,082 CMI
- Projected CMI for 70 failures is: 29,082 x 70 = 2,035,740 CMI

In the third reference, the Five Year Reliability Work Plan contained in response to the BOMA interrogatory, PowerStream provided Table 17 with the total CMI savings due to the cable remediation program:

Year	2015	2016	2017	2018	2019	2020
CMI Saving	188,800	188,800	188,800	188,800	94,400	0

In the program description for project code 100835, PowerStream also stated that "there were 103, 123, 133 and 113 cable and splice failures in 2011, 2012, 2013 and 2014 respectively. If not rehabilitated, the cable population will get older and will fail more often to the level that is not manageable by PowerStream and not tolerable by the customers".

a) Please identify a source for the 0.5 failure per 1000m of cable per year. Please explain in detail how this number was calculated.

b) Please state the number of failures per year that the 2015 and 2016 programs are expected to avoid and contrast this number with the number of cable and splice failures in any of the 2011-2014 years. Please explain any differential.

c) If the actual cable failure rate differs from 0.5 per 1000m of cable, please reconcile the business cases. If this failure rate has been used to justify or forecast any other numbers in the application, please reconcile with these sections of the application as well.

II-2-Staff-71

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 12, l. 1-6, Appendix A: Project Investment Summaries, Project Code: 100835 and 100851 and EB-2013-0166, 2014 IRM - Response to SEC IRs, Appendix A: Powerstream Asset Condition Assessment Technical Report, p. 112, 114 and 116

The Asset Condition Assessment Technical Report identified $288 per meter of cable replacement and $72 per meter of cable injection as average costs of the program.

Based on the numbers presented in the Project Investment Summary, OEB staff has calculated the following cost per meter numbers:

	2015	2016	2017	2018	2019	2020
Cable Replacement (25 km/year)	$11,718,862	$12,538,684	$13,607,273	$14,288,297	$15,085,861	$15,340,181
Cost per meter	$469	$502	$544	$572	$603	$614
Cable Injection (115 km/year)	$4,024,219	$4,138,312	$4,255,465	$4,375,771	$4,499,323	$4,626,219
Cost per meter	$35	$36	$37	$38	$39	$40

a) Please explain the higher number per meter of cable replacement and the lower number per meter of cable injection.

b) Please explain the 5%-7% increase in cost per meter of cable replacement in 2016-2019.

II-2-Staff-72

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 16 and 17, l. 13-14 and 1-2, Appendix A: Project Investment Summaries, Project Code: 100867 and EB-2013-0166, 2014 IRM - Response to SEC IRs, Appendix A: Powerstream Asset Condition Assessment Technical Report, p. 107

On pages 16 and 17 PowerStream states

> …theoretically 2.5% of the poles would require replacement every year…PowerStream's experience has shown that only 1% of the pole population are expected to be found in poor condition every year (over the next five years)…PowerStream proposes to only replace 400 poles per year… .

However, in the ACA report on page 107 the recommendation is to replace 300-400 poles per year.

a) Please provide the details and actual data for recent years that justifies 1% of the pole population being in poor condition. Please specify for both poor condition systems, Health Index and Code A, B, C.

b) If a proposal to replace 400 poles per year was based on the recommendation of the ACA Technical Report, then please justify why was the higher value of 400 selected over 300 poles per year?

PowerStream also states in the Material Investment section (Project Code 100867) the following:

For 1 pole:
- Frequency of Failure is: 0.05 failure per year (1 in 20 years)

For 400 poles:
- Frequency of Failure is: 0.05 failure x 400 = 20 failures.
- Estimated average number of customers affected by 1 failure is = 100 customers
- Estimated projected number of customers affected by 20 failures is: 100 x 20 = 2,000 customers

Duration of interruption = 3 hours per interruption
CMI for 1 pole failure = 100 customers x 3 hour x 60 min = 18,000 CMI
CMI for 20 pole failures = 18,000 CMI x 20 = 360,000 CMI

In addition, PowerStream states:

- O&M Cost for 1 emergency pole failure replacement = $20,000 per failure
- O&M Cost for 20 emergency pole failure replacement = $20,000 x 20 = $400,000

Please provide the actual number of failed poles and total spending for emergency pole failure replacement for each of 2011-2014.

c) Please provide statistical data to support the 0.05 failure rate per year for the poles in poor condition.

II-2-Staff-73

Ref:E G/T2, 5.4.5 Justifying Capital Expenditures, p. 12, 13, p. 15, I. 26-28, 5.3.2 Overview of Assets Managed, p. 46 and Appendix A: Project Investment Summaries, Project Code: 100859

In various sections of the application OEB staff notes that the following statements are made:

- Total number of distribution switchgears in Poor and Very Poor condition is 180.
- PowerStream is planning to replace 31-36 switchgears a year in the 2016-2020 period.
- In addition, “PowerStream’s Emergency/Reactive forecasts expenditures for 2016 to 2020 are based on historical spending during the period of 2011 to 2013”.

- Historically, “there were 30, 24, and 28 switchgear failures in 2011, 2012, and 2013 respectively”. Average number of failures is 27 per year.

a) Please confirm that all the distribution switchgears in Poor and Very Poor condition will be replaced as part of the Switchgear Replacement program 2015-2020.

b) As there are only 180 switchgears in Poor and Very Poor condition, please provide an explanation as to which switchgears in Fair/Good/Very Good condition will be replaced as part of the Switchgear replacement program.

c) If there is no double counting in both the Switchgear replacement program and Distribution Line Emergency/Reactive program, then an expected number of replaced distribution switchgear per year is 53 (sum of average number of failures (27) and planned replacement volumes (36), Please confirm this number. If this number cannot be confirmed, please provide an explanation and an expected number of the total switchgear failures and replacements in 2016-2020.

II-2-Staff-74

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 14, 15 and 5.3.2 Overview of Assets Managed, p. 45

There are only 38 mini-rupter switches in Poor and Very Poor condition. However, PowerStream plans to replace 60 mini-rupters in 2015-2020.

From the preceding, OEB staff concludes that 22 mini-rupter switches that are planned to be replaced are in Fair/Good/Very Good condition

Please provide an explanation for replacing mini-rupters in Fair/Good/Very Good condition.

II-2-Staff-75

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 13, 14 and 5.3.2 Overview of Assets Managed, p. 48

a) Please provide ACA results for submersible transformers and for pad-mounted transformers respectively.

b) Please provide a risk-based economic justification to replace 65 transformers a year.

II-2-Staff-76

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 17,p. 26, Appendix A: Project Investment Summaries, Project Code: 100859 and Section III, T4/S1, BOMA-11, Appendix B, p. 28

Power Stream states that

> The Fault Indicator Deployment Plan requires the deployment of a standard, modern fault indicator. Levels of spending remain constant at $500,000 per annum from 2015 through 2017, then increases to $635,000 by 2023. Increased expenditures are to account for inflation and also to budget for the costs of communications infrastructure to connect to SCADA fault indicators at strategic locations.

Therefore, the total investment in 2015-2020 is approximately $3.0M-$3.4M.

In its discussion of Reliability Investments including Distribution Automation on p. 26, PowerStream states

> Other distribution automation initiatives include the installation of SCADA-controlled switches and reclosers, improvements to SCADA infrastructure including communication networks, and distribution feeder fault indicator installation.

In addition, in the Project 100859 Switchgear Replacement Program - 2015 to 2020, PowerStream states “The installation will include associated U/G terminations, fault indicators, and locks”.

In the Five Year Work Reliability Work Plan for 2015-2019, PowerStream forecasts reliability improvement due to the fault indicator installation program:

Table 20:CMI Savings from the Fault Indicator Program

Year	2015	2016	2017	2018	2019	2020
CMI Saving	31,500	31,500	31,500	31,500	15,750	0

a) Please confirm that the fault indicators installed in Distribution Automation are in addition to those in the fault indicator replacement program

b) Please provide an explanation for increasing investments in 2018-2023 in the fault indicators and new communication infrastructure in spite of the impact of this initiative decreasing to zero by 2020.

II-2-Staff-77

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 18

It is stated that

PowerStream has approximately 340 Remote Terminal Unit (RTU) automated switches in service… There are a number of existing overhead RTU-controlled switches that are at or close to end-of-life, and will eventually fail to open or close remotely. Through annual inspection and maintenance programs, PowerStream will identify the units that are in the worst condition and require replacement. PowerStream proposes to replace 5 of these RTU-controlled switches each year for the next 10 years.

a) Please provide asset demographics and the latest ACA results for RTU's.

b) Please provide capital spending for the RTU replacement project for each of 2015-2020 years.

II-2-Staff-78

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 18 and Overview of Assets Managed, p. 60

PowerStream states:

> The following voltage conversion projects are included in the Overhead Lines and Assets Planned Replacement program:
>
> • 2015 Elder Mill MS Conversion- Part 2 (3F2);
>
> • 2015/2016 Miller Avenue Markham 27.6kV Conversion;
>
> • 2017 Concord MS Conversion to 27.6 kV - Phase 3;
>
> • 2017 Hwy 27 from Major Mack to Nashville 27.6kV Conversion; and
>
> • 2019 Elder Mill MS Conversion – Part 3.
>
> Detailed justification information for the voltage conversion projects can be found in the Material Investments section of Appendix A to this DS Plan.

In the Reliability including Distribution Automation section on p. 60 of the document PowerStream states that

> This sub-category is for those projects required to sustain the distribution system and ensure reliability. These projects are identified through technical studies or through an identified reliability need. Included in this category are Voltage Conversion Projects, System Reconfiguration Projects, Radial Supply Remediation Projects, Distribution Automation Projects, Reliability Driven Projects and remote Fault Indicator Installation projects.

a) Please provide a page reference or a project code for the voltage conversion projects in the Material Investment section. If not included, please provide a detailed Project Description.

b) Please provide a list of other Voltage Conversion projects that are included in the Reliability including Distribution Automation project. Please provide capital spending amounts for each of 2015-2020 years.

II-2-Staff-79

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 25-26 and Appendix A: Project Investment Summaries, Project Code: 100886

a) Please provide a list of feeders that have been already DA enabled. Please provide for each DA enabled feeder its ranking in WPF in the year prior to the year of installation.

b) Please provide annual reliability data (CMI, FAIDI) for all the DA enabled feeders, 5 years prior to the installation year and after the installation.

c) Please provide an actual average restoration time with DA vs expected 2-5 min.

d) Please a list of feeders that are planned for DA installation in 2015 and 2016. Please provide for each of the feeders its current ranking in WPF.

II-2-Staff-80

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 27

PowerStream states that "Justification on a project basis is included in the material project templates provided in Appendix A".

Please refer to a project in Appendix A that includes Station Safety and Security.

II-2-Staff-81

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 27

Smart Grid/RGEN Investments in 2015-2020 are adding up to $6.5M.

Please provide a detailed justification for these investments.

II-2-Staff-82

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 30-31 and Appendix A: Project Investment Summaries, Project Code: 102263, 102009, 103204, 102968

PowerStream states for Project 102263 that

> [The MWM] is expected to yield net benefits in terms of productivity and efficiency. These benefits will be quantified as part of the 2014 Planning phase.

In addition, PowerStream also states for the same project the following:

> This [project costing and resource usage] information is used upon project closing but reviewed minimally through project execution. Any scheduling that is done is completed using Excel and/or Microsoft Project. Much of the work lands on the Field/Trades Supervisor's desk and they manually sort through and decide which projects go on which day. There is little communication or information available while a project is executing and resource information is limited and difficult to put together to get insight and control around much of the work that is occurring. Productivity is lost through unnecessary extra field trips, scheduling errors and less than optimal resource allocation.

a) Please identify a go-live date for the MWM. Please explain the need for continuous investment in the system through the five year period.

b) If the projects are minimally reviewed through the project, please identify what elements PowerStream has currently in place to ensure that project cost and resource usage are under control.

c) If the Field/Trades supervisors decide which projects are to be executed on which day, please describe what elements PowerStream has currently in place to ensure that projects are being executed in accordance with their priority.

d) Please provide a rough estimate on the productivity losses through the unnecessary extra field trips, scheduling errors and less than optimal resource allocation.

II-2-Staff-83

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 32-33 and Appendix A: Project Investment Summaries, Project Code: 103357, 103358

a) Please provide the inventory of vehicles/equipment, the current mileage, age and condition assessment result, and current annual maintenance cost for each.

b) Please state the business case used by Powerstream to justify buying new vehicles while acknowledging these vehicles are highly maintainable.

c) Please provide a basis for the selection of a 15-20 year typical useful life for equipment.

d) Please confirm that inflation is included in the 2015-2020 capital spending amounts.

II-2-Staff-84

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 34

PowerStream states that "Detailed justification information on the tools projects can be found in the Material Investments section in Appendix A of this DS Plan".

a) Please refer to a project in Appendix A that includes Tools.
b) Please explain a growth rate of 25% in Tools in 2020 over 2015.
c) Please explain the inclusion of the following projects in Tools: GoPro cameras, Remote Disconnection Meters ($0.8M in total), Scanner for AddiScott Office, Mobile Tablets.

II-2-Staff-85

Ref: E G/T2, 5.4.5 Justifying Capital Expenditures, p. 35

At the above reference "Smart Grid - Other Investments" in 2015-2020 are adding up to $6.7M.

Please provide a detailed justification for these investments.

II-2-Staff-86

Ref: E G/T2, Appendix A: Project Investment Summaries, Project Codes: 101896,101911, 101887, 101906

Please explain why the forecast for New Subdivisions is consistently higher than in the 2011-2014 period.

II-2-Staff-87

Ref: E G/T2, Appendix A: Project Investment Summaries, Project Code: 101761, 101763

In each of the project justification sections PowerStream states "The 2015 estimate is based on a 10% annual increase."

OEB staff has calculated the following table of rates of change between years.

	2012 vs 2011	2013 vs 2012	2014 vs 2013	2014 Average	2015 vs 2014	2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	Historical Avg vs Forecast Avg
101763	-83.5%	121.2%	10.7%	10.6%	16.9%	2.3%	-14.8%	-83.5%	121.2%	10.7%	10.6%
101761	-64.0%	142.3%	19.3%	17.1%	16.1%	14.1%	75.7%	-64.0%	142.3%	19.3%	17.1%

Please provide a detailed explanation as to how PowerStream arrived at a 10% annual increase and to which value this increase was applied to derive the 2015 value?

II-2-Staff-88

Ref: E G/T2, Appendix A: Project Investment Summaries, Project Code: 101800, 101860

Please describe what factors and values were utilized in the forecasting of storm damaged related expenditures in these two projects.

II-2-Staff-89

Ref: EB-2013-0166, 2014 IRM - Response to SEC IRs, Appendix B: Powerstream Inc. Corporate Ten Year Capital Plan 2014-2023 and E G/T2, 5.4.4 Capital Expenditure Summary, p. 11

OEB staff calculates the difference between forecasts in the DSP and the 10 year plan in the table below. Please provide the rationale for the total spend increase of $47M in the DSP.

	2015	2016	2017	2018	2019	2020	Total
Total DSP	$118,399,998	$132,900,017	$131,599,752	$125,499,835	$125,500,540	$125,500,071	$759,400,213
Total 10 Year Plan	$130,864,713	$123,495,236	$120,349,110	$98,999,672	$127,224,247	$111,151,594	$712,084,572
Difference	$12,464,715	-$9,404,781	-$11,250,642	-$26,500,163	$1,723,707	-$14,348,477	-$47,315,641

II-2-Staff-90

Ref: E G/T2, Consolidated Distribution System Plan and EB-2013-0166, 2014 IRM - TC Undertakings, JT 1.2

PowerStream's planning utilizes a set of customer interruption costs to quantify the customer's financial impact of outages. In the undertaking, PowerStream presents these outage costs as "Interim".

a) Has PowerStream refined their CIC's since this undertaking?

b) How were the supporting studies selected to reflect a similar operating environment and customers to PowerStream?

c) Is PowerStream aware of any other studies or emerging studies which can improve the estimated CIC?

d) Does PowerStream plan on conducting customer research in order to develop its own CIC's?

III-Staff-91

Ref: T1/S1/p. 185, pp.270 – p. 271 and p. 186

In the first reference above, PowerStream states that it bills its residential customers on a bi-monthly basis and the rest of the customers on a monthly basis and provides relevant customer numbers. In the second reference, PowerStream states that it intends to move to monthly billing as directed by the OEB and in the third reference provides estimated benefits and costs. On page 271 of the second reference, PowerStream provides information on its e-billing practices.

a) Please describe the Applicant's efforts to promote e-billing to its customers.

b) Please describe other initiatives that the Applicant has undertaken, or intends to undertake, to manage the costs of monthly billing for all customers.

III-Staff-92

Ref: /T1/S1/p.206 G-SEC-28 and *Filing Requirements for Electricity Distribution Rate Applications -2015 Edition for 2016 Rates Applications* Chapter 2 Cost of Service July 16, 2015,p.12.

At the first reference, PowerStream was asked to explain how it modified, if at all, its proposed DS Plan after reviewing the Customer Consultation Report. PowerStream's response was that the plan was not modified after reviewing the Customer Consultation Report.

At the second reference, it is stated that: "The OEB expects distributors to provide an overview of customer engagement activities that the distributor has undertaken with respect to its plans and how customer needs, preferences and expectations have been reflected in the distributor's application."

Given that PowerStream did not modify its DS Plan after reviewing the Customer Consultation Report, please explain why PowerStream believes that this requirement has been met.

III-Staff-93
Ref: T1/S1/p.304, J-SEC-33
At the above reference PowerStream is asked to state for the purposes of the 2016 to 2020 plan, what assumptions it is making regarding the outcome of the next collective agreement with the PWU.

PowerStream responded that there are no additional assumptions regarding the outcome of the next Collective Agreement in the 2016 to 2020 plan, except the annual inflation assumptions.

Please state in the event that the outcome of the next collective bargaining process was to be significantly different from what is assumed in the Application, whether such an outcome could be expected to have any impacts on the extent of PowerStream's annual rate adjustment filings in the 2016 and subsequent period and, if so, what those impacts might be.

V-Staff-94
Ref: T3
At the above reference PowerStream provides bill impacts for various rate classes and consumption levels.

a) Please explain why the Ontario Clean Energy Benefit is not included as part of the 2015 bill even though it remains in effect in 2015.
b) Please recalculate bill impacts for the residential class at 800 kWh consumption and GS< 50, 2,000 kWh class for 2016 incorporating the OCEB in 2015.

V-Staff-95
Ref: T3/S1
Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.).

VI-Staff-96

Ref: T7/S1/p. 2

At the above reference, PowerStream's Conditions of Service are discussed.

a) Please identify any rates and charges that are included in the Applicant's Conditions of Service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered through these rates and charges.
b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2012 to 2014 inclusive, and the revenues forecasted for the 2015 bridge and 2016 test years.
c) Please explain whether, in the Applicant's view, these rates and charges should be included on the Applicant's tariff sheet of approved rates and charges.

VI-Staff-97

Ref: T25/S1/p. 1

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 10 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

VI-Staff-98

Ref: T26/S1/p.2

At the above reference PowerStream discusses its proposals in the application for annual adjustments, adjustments outside the normal course of business and termination of the rate plan.

PowerStream states that it:

> …proposes to file a draft rate order containing evidence supporting the changes from the original revenue requirement and interim rates approved in this Application. PowerStream believes that the time and resources required would be similar to an IRM application of average or medium complexity.

a) Please confirm that in the Application PowerStream is proposing final rates for 2016 and interim rates for the 2017 to 2020 years of the Application. If not, please explain.
b) Assuming part a is confirmed, please state why PowerStream is proposing interim rates for the 2017 to 2020 period and whether there are any precedents for setting rates interim for a four year period.
c) Please discuss the request for interim rates in the context of the RRFE expectation that "a distributor's application under Custom IR to demonstrate its ability to manage within the rates set, given the actual costs and revenues will vary from forecast." (RRFE report, p.19).

VI-Staff-99

Ref: SVI/T26/S1/p. 2

At the above reference, PowerStream discusses its proposed "Adjustments Outside of the Normal Course of Business" and states that:

> PowerStream proposes to file a more robust annual update that addresses the "outside of the normal course of business" issue. This filing would involve adjustments beyond the largely mechanical adjustments in a normal annual update and the evidence required to support the adjustments.

a) Please elaborate on what PowerStream means by "a more robust annual update."
b) Please provide examples of the types of adjustments that would be encompassed by "adjustments beyond the largely mechanical adjustments in a normal annual update."

VI-Staff-100

Ref: SVI/T26/S1/p. 2

At the above reference, PowerStream proposes when discussing adjustments outside of the normal course of business "that a Materiality Threshold of $1,000,000 would be applied on a net basis."

Please clarify what is meant by a "net basis."