

***PUBLIC INTEREST ADVOCACY CENTRE***

***LE CENTRE POUR LA DEFENSE DE L’INTERET PUBLIC***

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Counsel for VECC

613-562-4002

July 04, 2012

**VIA MAIL and E-MAIL**

Ms. Kirsten Walli

Board Secretary

Ontario Energy Board

P.O. Box 2319

2300 Yonge St.

Toronto, ON

M4P 1E4

Dear Ms. Walli:

**Re: EB-2011-0033 Enersource Hydro Mississauga Inc.**

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,



Michael Janigan

Counsel for VECC

Encl.

cc. Enersource Hydro Mississauga Inc.

Attn: Ms. Gia DeJulio

[regulatoryaffairs@enersource.com](mailto:regulatoryaffairs@enersource.com)

|  |  |
| --- | --- |
| **REQUESTOR NAME** | **VECC** |
| **INFORMATION REQUEST ROUND NO**: | **# 1** |
| **TO:** | **Enersource Hydro Mississauga Inc. (Enersource)** |
| **DATE:** | **June 27, 2012** |
| **CASE NO:** | **EB-2011-0033** |
| **APPLICATION NAME** | **2013 Cost of Service Electricity Distribution Rate Application** |

**General**

**1.1 Is the proposed approach to set rates for two years appropriate?**

1. Reference: Exhibit 1, Tab 2, Schedule 1 pages 1-7

In the Board’s Report on 3rd Generation Incentive Rate Regulation it stated the following: “[*Professor*] *Yatchew commented that under comprehensive multi-year cost of service, incentives are substantially less powerful relative to properly implemented IR; and moreover, the regulatory burden is high for the regulator and distributors. He noted that the hybrid approach (under which OM&A would be indexed and capital costs would be forecasted) would create incentives to increase capital expenditures, in order to maintain or improve a good OM&A performance profile - a disadvantage of the hybrid approach”[[1]](#footnote-1)*. The Board then went on to state that it will retain a comprehensive price cap form of adjustment.

* 1. What, if any, difference is there between the hybrid approach described by Professor Yatchew and rejected by the Board in this Report, and the proposal of Enersource in this application?

1. Reference: Exhibit 2, Tab 1, Schedule 1 pages 9-11

In the Board’s Report on 3rd Generation Incentive Rate Regulation it stated the following: “*Dr. Kaufmann advised in his May 6th presentation to participants that implicit in an X-factor is a historical pattern of capital expenditures for the industry, and that generally a separate capital module should not be required under a comprehensive rate indexing plan. However, he commented that if, going forward, projected capital investment is substantially different than the history of what is reflected in the X-factor, then there could be an issue and a capital module could be designed to address the disparity.*”[[2]](#footnote-2)

* 1. Enersource states that capital expenditures in 2013 are forecast to increase by 3.43% and in 2014 by 2.87%. How is this amount of capital expenditures significantly different than the history of capital expenditures reflected in the X-factor (i.e. for the years preceding 2008)?

**1.4 Is service quality acceptable?**

1. Reference: Exhibit 2, Tab 3, Schedule 1, Appendix 1
   1. Enersource’s service quality indicators related to appointments has shown a small decline since 2009 (Appointments Scheduled, Met and Rescheduled). Please explain this change.
2. Reference: Exhibit 2, Tab 3, Schedule 1, Appendix 1, Table 2 and 3
   1. Please update the Service Reliability Indices Tables to include the years 2006 through 2008.
3. Reference: Exhibit 2, Tab 3, Schedule 1, Appendix 1, Table 2 and 3
   1. Please explain the reasons why the CAIDI indices have improved since 2009 while both SAIDI and SAIFI indices have fallen during the same period.
4. Reference: Exhibit 2, Tab 3, Schedule 1, Appendix 1, Table 2 and 3
   1. Please explain what specific compensation incentives are related to the Service Reliability Indices and show the amount of related compensation (bonus/incentives) related to these incentives that was awarded in each of the years 2008 through 2011. Please break this down by executive/management; unionized; and non-union.

**Rate Base**

**2.1 Is the proposed rate base for 2013 and 2014, including capital expenditures for 2013 and 2014, appropriate?**

1. Reference: Exhibit 2, Tab 2, Schedule 1, page 2, Table 1:Net Capital Expenditures
   1. Please provide for Table 1: Net Capital Expenditures, on a CGAAP basis for 2011 through 2014.
   2. Are the reported 2011 figures actuals or forecast, please clarify?
   3. Please update the 2012 capital expenditures for most recent actuals.
2. Reference: Exhibit 2, Tab 2, Schedule 1
   1. Enersource’s forecast capital contributions for 2012 through 2014 are significantly below the actual contributions in 2008 through 2011. Please explain the reasons for this change.
3. Reference: Exhibit 2, Tab 2, Schedule 2, page 6
   1. Enersource states that the AMP initiatives will enable it *“…to make more-informed decisions and optimize it asset decisions in order to enhance system reliability*.” What measures, other than the mandated reliability statistics, does Enersource intend to employ and monitor in order to understand what impact the implementation of the plan has on system reliability?
4. Reference: Exhibit 2, Tab 2, Schedule 2, Appendix 1
   1. Please provide the Strategic Plan referenced in the AMP
5. Reference: Exhibit 2, Tab 2, Schedule 2, Appendix 1, page 10
   1. Please explain how the reliability targets were chosen. In particular please explain why the CAIDI target of 36 minutes appears to be higher than the OEB guidelines (31-26.5 minutes).
6. Reference: Exhibit 2, Tab 2, Schedule 2, Appendix 1, pages 37- 65 / Exhibit 4, Tab 1, Schedule 5, page 3-

*Section 10 of the AMP discuss a number of distribution assets and provide a summary which generally reads as: “…In contrast to historical rate of installation, on average, each year over the next x years Enersource should be replacing X pieces of equipment” The narrative does not describe the historical practice. VECC is interested in understanding the financial implication of the AMP vis-à-vis historical practice.*

* 1. Please create a table for each asset discussed in this section which shows the historical annual replacement rate and annual cost (please show how this is calculated), and the expected annual replacement rate and cost based on the AMP recommendations (i.e. for years 2008 through 2016).
  2. Prior to the completion of the AMP filed in this application how had Enersource developed its annual capital investment and maintenance plans? In what way does the AMP differ from past practice?
  3. In addition to the change in maintenance practice described in section 10 the AMP identifies a number of asset investment or rehabilitation projects (e.g. sections 12 ,13 and 14). Based on Enersource’s historical experience and past planning practices please identify the projects and their estimated cost which are anomalous with past experience (i.e. which would not have been identified under the past practices).

1. Reference: Exhibit 2, Tab 2, Schedule 2, Appendix 2, age 120
   1. Please provide the 2010 Facility study referred to at section 16.7 of the AMP.
2. Reference: Exhibit 2, Tab 2, Schedule 2, Schedule 5, page 12, Table 1
   1. Please provide the lease versus buy analysis that was used and underpins the summary at Table 1 of this Exhibit.
   2. Please provide descriptive in detail the meaning for each column in Table 1. For example, please explain what is meant by “Inflows Rate Impact” and describe its constituent parts.

**2.2 Is the proposed Working Capital Allowance for 2013 and 2014 appropriate?**

1. Reference: E2, Tab 1, Schedule 4, Appendix 1, Table 5
   1. Enersource has adjusted its collection lag by 1 day to reflect the change in bill date from the day it is created to the date it is mailed. Since no change has occurred in the actual date the bill is mailed why did Enersource assume that customers will pay one day later?
   2. No change has been made to the mailing date of bills and the effect of the change is to allow those customers who wished to avoid a penalty to pay one day later, i.e. on day 17 rather than day 16. This means that the Weighted Average for Overdue Accounts in the first overdue category 17-46 now reflects a period of 16-46 days. The implication adding one full day to the lag appears therefore to be an increase in the first overdue category’s weighted average from 3.08 to 4.08 days. Please revise Table 5 to showing how and where the 1 day addition is incorporated. Please provide the assumptions and evidence supporting this change.

**2.3 Is the proposed Green Energy Act Plan appropriate?**

1. Reference: Exhibit 2, Tab 2, Schedule 3, Appendix 1
   1. Please provide the annual incremental OM&A costs of the Green Energy Plan for the years 2011 through 2016.
   2. Please provide the annual incremental FTEs and compensation costs related to the Green Energy Plan for the years 2011 through 2016.
2. Reference: Exhibit 2, Tab 2, Schedule 3, Appendix 1, page 12
   1. Please explain and reconcile the Enersource and customer contributions shown for Project A and B with the later tables showing Enersource and customer contributions (i.e. identify how, or if, project A and B are incorporated into the forecast costs).
3. Reference: Exhibit 2, Tab 2, Schedule 3, Appendix 1, page 3 /Exhibit 2, Tab 2, Schedule 3, Appendix 2, page 4
   1. Please reconcile the statement made in the Green Energy Plan: “*A number of constraints have been placed on the Enersource system by the upstream transmitter, Hydro One, that will limit the amount of renewable generation that can be connected.”* with the statement made by the OPA in its letter of comment that “*There are no currently known upstream transmission constraints applicable to Enersource’s service territory.”*

**Operating Revenue**

**3.1 Is the proposed load forecast for 2013 and 2014, including billing determinants, appropriate?**

1. Reference: Exhibit 3, Tab 1, Schedule 1, page 1 (lines 13-16) and page 3, Table 1
   1. Please explain how the “Weather-Corrected Energy Purchases” values were derived.
   2. Please provide a table that sets out for 2009, 2010 and 2011 the following:
      * The actual purchases for each year
      * The actual HDD and CDD values for each year
      * The “weather normal” HDD and CDD values for each year (as defined by Enersource)
      * The HDD and CDD coefficients per Enersource’s regression model
      * The weather normal adjustment for each year based on the product of a) the HDD and CDD coefficients and b) the differences between the “weather normal” and actual values for HDD and CDD respectively.
      * The estimated “weather normal purchases” calculated by adjusting actual purchases by the values calculated in the preceding bullet.
2. Reference: Exhibit 3, Tab 1, Schedule 1, pages 3 - 10/ Exhibit 3, Tab 1, Schedule 2, pages 1 - 5

*Preamble: In the first reference the model appears to be based on “energy purchases” (e.g. see page 3, Table 1). However, in the second reference the model appears to be based on energy consumption (i.e. energy delivered to customers (e.g., see page 2, Table 1). However the historical values reported are the same in each case.*

* 1. Please clarify whether the system energy model discussed in these two references is based on energy purchases or energy delivered to customers (i.e., purchases less losses).
  2. If based on consumption (i.e. delivered energy) please explain how the hourly “purchased” energy values were converted to “delivered” energy.
  3. Please confirm that the historical values used to estimate the model (and shown in the references) included impacts of any CDM activities undertaken up to that point in time. If not, how were the actual values adjusted to remove the impact of CDM?
  4. Please provide a schedule that sets out the 2009, 2010 and 2011 historical values for each of the independent variables used in the model and also set out the projected values for the independent variables used to determine the 2012 and 2013 forecasts for energy purchases/consumption. In the same schedule please include the actual (where applicable) and projected energy purchases/consumption for each year.
  5. Using the same data sources and methodology as for 2013, please provide the projected values for each of the independent variables for 2014.
  6. Using the model and the projected 2014 values for the independent variables please provide a forecast for 2014 energy purchases/consumption.

1. Reference: Exhibit 3, Tab 1, Schedule 2, pages 5 - 7
   1. Please provide a schedule that sets out, for each year when there were either third tranche or OPA funded CDM programs the energy savings achieved in that year and the persisting savings in each subsequent year through to 2014. (Note: The last program year in the Table should be 2011)
   2. For purposes of forecasting energy purchases/consumption, did Enersource continue to increase the value of the “trending variable” (see page 6, lines 1-3) for the years 2012 and 2013 or hold the value constant at the historical 2011 value?
   3. If the value of the trending variable was not held constant at the 2011 level, please explain why the model’s projections for 2012 and 2013 are not considered to capture any incremental CDM impacts for programs after 2011.
   4. If the value of the trending variable was not held constant at the 2011 level when projecting energy purchases/consumption for 2012 and 2013 please provide the model’s forecast results for 2012, 2013 and 2014 when the year-end 2011 value for the trending variable is used for 2012, 2013 and 2014 in conjunction with the Enersource’s forecast values for the other independent variables used in the model.
   5. Please provide a copy of the OPA’s report regarding Enersource’s 2011 CDM programs. If the final report is not available, please provide the most recent year-to-date report for 2011 released by the OPA.
2. Reference: Exhibit 3, Tab 1, Schedule 2, pages 7 - 10
   1. Please provide a schedule that sets out, for the energy forecasts for 2012 and 2013 (similar to Table 5) but based on an 11 and 31 year average of HDD and CDD values
3. Reference: Exhibit 3, Tab 1, Schedule 2, Tables 1 & 4 /Exhibit 3, Tab 1, Schedule 2, pages 11-13 and Attachments C - H
   1. The note in column 2 of Table 4 suggests that the energy consumption forecast by customer class comes from Table 1. However, Table 1 sets out the forecast results using the system energy model and does not provide class specific forecasts. Please reconcile and explain how the class specific forecasts were derived and how Enersource ensured the sum of the class-specific values totaled to the results of its system energy forecast.
   2. Pages 11-13 discuss the individual class models developed by Enersource. There is no “class model” for Street Lighting”. Please explain how its class energy consumption is forecast.
   3. Pages 11-13 discuss the individual class models developed by Enersource. Please provide a schedule that sets out Enersource’s forecast energy consumption by customer class for 2012, 2013 and 2014 based on these models and show the total for each year based (solely) on the sum of the results of the individual class models. (Note: As there is no “model” per se for Street Lighting, please include the 2012-2014 for this class based on the response to part (b)).
   4. Please confirm that several of the customer class models used a time-trend variable as one of the independent explanatory variables (per Attachments C - H).
   5. If not already done in response to part (c), please re-do part (c) but, where a trend variable is used, set the value for 2012-2014 at the year-end value for 2011.
4. Reference: Exhibit 3, Tab 1, Schedule 2, page 12
   1. Please provide a schedule that for each demand billed class sets out the kW to kWh ratio for each of the years 2007-2011.
   2. Based on the CDM energy savings for 2013 set out in Table 4 please indicate the billing kW reductions attributable to CDM in 2013 for each demand billed class.
5. Reference: Exhibit 3, Tab 1, Schedule 2, pages 14-15
   1. Using the same approach please provide average and year-end customer counts by class for 2014.
   2. Please provide a schedule that sets out, for each year when there were either third tranche or OPA funded CDM programs the energy savings achieved in that year and the persisting savings in each subsequent year through to 2014. (Note: The last program year in the Table should be 2011)
6. Reference: Exhibit 3, Tab 1, Schedule 2, pages 29-31
   1. Attachments 2 through 5 all include a footnote that states – “Sales figures above include losses”. Please clarify what this means (e.g. are the values grossed up to include losses as opposed to representing metered/delivered values?).
   2. Based on the responses to the preceding interrogatories please provide the 2014 values for Attachments 2-7 inclusive.
7. Reference: Exhibit 3, Tab 1, Schedule 2, page 31
   1. How many suite metered Residential customers does Enersource have as of year-end 2011 (i.e., Residential customers in large multi-residential buildings)?
   2. What is the projected average number of Residential suite-metered customers for 2012, 2013 and 2014?

**3.2 Is the proposed forecast of other regulated rates and charges for 2013 and 2014 appropriate?**

1. Reference: Exhibit 3, Tab 3, Schedule 1, page 5
   1. How many micro-fit customers does Enersource have as of December 31, 2011?
   2. How many micro-fit customers does Enersource expect to have as of year-end 2012, year-end 2013 and year-end 2014?
2. Reference: Exhibit 3, Tab 3, Schedule 1, Appendix 2-C
   1. Why are pole rental revenues forecast to decline in 2012 and 2013 relative to 2011?
   2. What types of assets are associated with the “Gain on Disposition” revenues forecast for 2012 and 2013 and how was the $161,000 for each year established?

**Operating Costs**

**4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?**

1. Reference: Exhibit 1, Tab 2, Schedule 2, page 5, Table 1
   1. Please provide the reasons for the increase in benefit rates from 2012 to 2013 (the 1% increase).
2. Reference: Exhibit 4, Tab 1, Schedule 3 page 13-14
   1. Enersource explains that it has hired an Accounts Receivable Manager and selected two new third-party collection agencies in order to mitigate bad debt. What change in the forecast bad debt expense was made in light of this mitigation strategy?
3. Reference: Exhibit 4, Tab 1, Schedule 5, Table 2
   1. Does Enersource intend to spend $400,000 and $100,000 on inspections and software maintenance respectfully in each year from 2013 to 2017? If so please provide an explanation as to the nature of these ongoing activities.
4. Reference: Exhibit 4, Tab 1, Schedule 5, page 3, Table 1
   1. Please provide a description of the responsibilities and the average salary and benefit for each of the 4 new positions expected to be required under the AMP initiative.
5. Reference: Exhibit 4, Tab 1, Schedule 9, page 10
   1. Please provide an explanation as to the consultant and professional services of $361,000 in the test year.
   2. Is this an ongoing cost? Please explain.
6. Reference: Exhibit 4, Tab 1, Schedule 9, Table 1
   1. Please explain the reasons for the increase in software licence renewal costs.
7. Reference: Exhibit 4, Tab 1, Appendix 2-F
   1. Please provide Appendix 2-F (Detailed. Account by Account, OM&A) on a CGAAP basis for all years to 2013.
   2. Please also update he 2012 Bridge year to incorporate for the most current actual spending.
8. Reference: Exhibit 4, Tab 1, Appendix 2-1, page 1
   1. Please provide the OM&A cost per customer and per FTEE for Enersource’s cohort of utilities as identified by the OEB.
9. Reference: Exhibit 4, Tab 3, Schedule 1, page 14.
   1. Enersource states that Collective Agreement increase of 3.25% in 2012 and 2013 are consistent with increases negotiated within the industry. On what basis is this statement made?
   2. What comparators outside the Ontario gas and electricity industry did Enersource review in determining a reasonable salary increase for union and non-union employees? Please provide any studies that were utilized.
10. Reference: Exhibit 4, Tab 3, Schedule 1, page 15/ Exhibit 4, Tab 3, Schedule 1, Appendix 2-K, page 1
    1. At least two of the four incentive criteria relate to service quality. Since 2008 Enersource’s service quality has declined as measured by SAIFI and SAIDI. Yet during this same period the average incentive pay for the Executive/Management category has grown by over 300% and the overall incentive payouts have nearly tripled. Please explain the reasons for the large increase in incentive pay.
11. Reference: Exhibit 4, Tab 3,Schedule 1, Appendix 2-K, page
    1. Please explain the reasons for the large increase in employee overtime vis-à-vis the 2008 cost of service estimate.
    2. Please explain which category of OM&A costs most overtime is related to and why.
12. Reference: Exhibit 4, Tab 4, Schedule 1, page 6
    1. What is the cost to Enersource for all corporate relations matters for 2008 through 2016.
    2. Generally speaking, corporate relations are used to enhance shareholder value. In this case why does Enersource believe that corporate relations are an appropriate ratepayer costs?
13. Reference: Exhibit 4, Tab 1, Schedule 6
    1. Please identify all for 2008 through 2013 the OM&A costs that are related to suite metering.
    2. Does Enersource account for suite metering costs separately?
14. Reference: Exhibit 4, Tab 1, Schedule 6, page 8
    1. Please identify the incremental responsibilities that required the transfer to two FTEs to Metering Operations.
    2. Please identify separately the salary, benefits and recoverable salary and benefits of the incremental staff hired or transferred to Metering Operations since 2008.

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

1. Reference: Exhibit 4, Tab 1, Schedule 8, page 4 Table 3
   1. Please explain why the EC operating costs allocated to Enersource have increase from 84% in 2008 to 93% in 2013.

**Capital Structure and Cost of Capital**

**5.1 Is the proposed capital structure, rate of return on equity and short term debt cost for 2013 and 2014 appropriate?**

**5.2 Is the proposed long term debt cost for 2013 and 2014 appropriate?**

1. Reference: Exhibit 1, Tab 3, Schedule 6/Exhibit 5, Tab 1, page 2
   1. What alternative to Borealis Infrastructure Trust did Enersource/EC consider when it refinanced its long-term debt in 2011?
   2. Please provide the financial analysis summary of provided to Executive/ Board of Directors which was used in selecting Borealis Infrastructure Trust.
   3. Please provide the comparable bond rates that were used by Enersource in order for it to determine a competitive financing rate for the BIT financing.
   4. Why did Enersource not offer a public placement or seek Infrastructure Ontario funds?
2. Reference: Exhibit 5, Tab 1, page 2
   1. Since EC/Enersource and Borealis Infrastructure Trust are not at complete arms-length did the Board of directors have an independent assessment of the BIT transaction undertaken? If not how did Enersource assure itself that it had negotiated the most competitive deal possible?

**Cost Allocation**

**6.1 Is the proposed cost allocation methodology for 2013 and 2014 appropriate?**

1. Reference: Exhibit 7, Tab 1, Schedule 1, page 5 (lines 2-9)
   1. Has Enersource undertaken any review of the appropriateness of using the default weighting factors for services and billing for its circumstances? If yes, please provide the associated analyses/reports.
2. Reference: Exhibit 7, Tab 1, Schedule 1, page 6 (lines 15-16)
   1. What year was the Hydro One load analysis based on?
   2. Was the analysis done for the rate classes as proposed by Enersource for 2013 or for the current rate classes? If for the current rate classes, how has Enersource determined the load profiles for the new USL class and the newly defined GS<50 class?
   3. Please provide the load profiles as determined by Hydro One Networks (e.g., kWhs, NCP and CP values by class) and explain how they were used to establish the values presented in Sheet I8 of the Cost Allocation Model.
   4. Please explain what Row 50 from Sheet I6.1 of the Cost Allocation model represents.
3. Reference: Exhibit 7, Tab 1, Schedule 1, page 6 and CA Model, Sheets I6.2 and I8
   1. For 2013 will Enersource have any suite-metered Residential customers that are located in multi-residential buildings that are service at primary voltage (i.e., the apartment owner/condominium owns the transformer)? If yes, how many such customers are there forecast to be?
   2. If the response to part (a) is yes, please reconcile this with the residential customer counts shown in Sheet I6.2 which suggest all Residential customers are serviced a secondary voltage.
   3. With respect to Sheet I8, please explain why for Residential the various Primary NCP values are higher than the corresponding Secondary and Line Transformer NCP values when all customers are assumed to be served at secondary voltage.
   4. If any changes are required to the Cost Allocation model as a result of the responses to the preceding questions, please provide an updated model run and indicate the changes that have been made.
4. Reference: Exhibit 7, Tab 1, Schedule 1, pages 10-11
   1. Currently, only the ratios for USL and Large Users are outside the Board’s Target Range. Assuming the ratios for both of these customer classes are reduced to the upper boundary of their respective ranges, what would the resulting Residential ratio required to offset the revenue loss?

**6.2 Are the revenue-to-cost ratios for 2013 and 2014 appropriate?**

1. Reference: Exhibit 7, Tab 1, Schedule 1, Appendix 2-O /Cost Allocation Model, Sheet O1
   1. The revenue at current rates reported in Appendix 2-O (totaling $114,544,654) does not match the revenue at current rates as shown in Sheet O1 ($112,705,976). Similarly, the status quo revenue to cost ratios reported in Appendix 2-O does not match those in Sheet O1. Please reconcile and file a revised version of Appendix 2-O.

**Rate Design**

**7.1 Are the fixed to variable splits for each class for 2013 and 2014 appropriate?**

1. Reference: Exhibit 8, Tab 1, Schedule 1, pages 1-3
   1. With respect to Table 1, please confirm that:
      * The 2012 smart meter adder was included in the fixed charge for each class for purposes of establishing revenue at current rates.
      * The revenues for the GS 5-499, GS 500-499 and Large Use classes have not been reduced to reflect the transformer ownership allowance.
   2. Please re-do Table 1 such that:
      * In column A, the revenue for each customer class reconciles with that reported in Sheet O1 for revenue at current rates (Row 18),
      * In column B, the revenue for each customer class reconciles with that reported in Sheet O1 based on the status quo (Row 24)
      * Column E sets out Enersource’s proposed allocation of the 2013 base revenue requirement, and
      * For purposes of including the cost of the transformer ownership allowance, add another two columns where the first allocates the 2013 transformer allowance specifically to the classes receiving it (i.e., based on Cost Allocation Model, Sheet I6, row 40) and the second sets out the total revenues by class (before any transformer ownership discount is applied).
   3. Please provide a table that sets out Enersource’s calculation of the existing fixed-variable split for each customer class based on revenues at current rates.
   4. Confirm whether or not Enersource’s calculation of the existing fixed-variable split:
      * Included the smart meter funding adder in the calculation of the fixed portion of the split for each class
      * Used revenues and rates for each class prior to any reductions for the transformer ownership allowance.
   5. If the response to either bullet in part (d) is affirmative, please re-calculate the existing fixed variable split for each class where the fixed rates exclude the smart meter funding adder and the total revenues for each class are reduced by the applicable transformer ownership allowance discount.
   6. Based on the results of part (e) please re-calculate Table 2.
   7. Based on the results of part (e), please provide a schedule that calculates the variable rate before and after Cost Allocation (similar to Table 3) and then add a column that sets out the after Cost Allocation variable rate inclusive of recovering the cost of providing the transformer allowance to each respective class.

**7.5 Is the proposed Tariff of Rates and Charges for 2013 and 2014 appropriate?**

1. Reference: Exhibit 8, Tab 3, Schedule 1, page 2
   1. Given that, for Retailer Services, costs have exceeded revenue in each of the previous five years what is the basis for the assumption that costs will equal revenues for 2013?
2. Reference: Exhibit 8, Tab 1, Schedule 1, Appendix 2
   1. Please explain how the 2014 Service Charge and Distribution Volumetric Charge were determined for each customer class and provide an illustrative calculation using the Residential rates.

END OF DOCUMENT

1. Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors, July 14, 2008, page 6. [↑](#footnote-ref-1)
2. Ibid, pages 24-25 [↑](#footnote-ref-2)