

Ontario Energy Board

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

AND IN THE MATTER OF an application by Westario
Power Inc. for an order approving just and reasonable rates and
other charges for electricity distribution to be effective May 1,
2013.

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

December 12, 2012

**WESTARIO POWER INC.
2013 RATES REBASING CASE
EB-2012-0176**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1.0 Energy Probe # 1

Ref: Exhibit 1, Tab 3, Schedule 3

Please provide details on the Taxes Other Than Income Taxes which have been removed from the regulatory OM&A expense.

EXHIBIT 2 – RATE BASE

2.0 Energy Probe # 2

Ref: Exhibit 2, Tab 3, Schedule 3, Attachment 1, page 6

- a) Please confirm that the continuity schedule for 2012 includes 6 months of actual capital expenditures. If this cannot be confirmed, please indicate how many months of actual capital expenditures are reflected in the continuity schedule.**
- b) Please update the 2012 continuity schedule to reflect the most recent actual year-to-date capital expenditures closed to rate base along with the forecast for the remainder months of the capital expenditures that will be put into service by the end of 2012 and included in rate base.**

2.0 Energy Probe # 3

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

Please provide a table that shows for each year 2007 through 2013 the total Contributions and Grants, along with this total broken down into the OEB Accounts to which the amounts are related.

2.0 Energy Probe # 4

Ref: Exhibit 2, Tab 3, Schedule 3, Attachment 1, page 7

- a) Please confirm that the costs related to the stranded meters are included in the opening or closing balances for 2013.**
- b) When did WPI remove the stranded assets from the rate base calculation? If this was done prior to the end of 2012, please explain why.**

2.0 Energy Probe # 5

Ref: Exhibit 2, Tab 4, Schedule 3

- a) What does WPI do with the copper that is replaced through the #6 Copper Replacement Program? Is it sold as scrap? If so, please provide the value of the copper sold in each of 2009 through 2013.**
- c) What is the status of Hanover MS1 Reactor Installation? Will it still be completed on time and on budget and placed into service by the end of 2012?**
- d) What is the status of Harriston T2 Upgrade? Will it still be completed on time and on budget and placed into service by the end of 2012?**
- e) Please quantify the reduction in meter reading costs (page 28) in the 2013 test year associated with the meter capital forecast shown for Meters. Please indicate whether or not this reduction has been explicitly incorporated in the OM&A forecast for the test year.**
- f) Please explain what is driving the significant increase in New 3 Phase Customer costs in 2012 and 2013 relative the levels recorded in previous years.**
- g) Based on the most recent year-to-date actuals and forecasts for the remainder of 2012, what is the actual capital expenditure in 2012 for New 3 Phase Customer expenditures?**
- h) Please explain what is driving the significant increase in New Low Voltage Service costs in 2012 and 2013 relative the levels recorded in previous years.**
- i) Based on the most recent year-to-date actuals and forecasts for the remainder of 2012, what is the actual capital expenditure in 2012 for New Low Voltage Service expenditures?**

- j) What is the most recent year-to-date contributed capital (page 78) recorded in 2012?

2.0 Energy Probe # 6

Ref: Exhibit 2, Tab 4, Schedule 3

- a) Has the new double bucket truck, budgeted for 2012 at a cost of \$450,000 been purchased and placed in service? If not, when is it forecast to be purchased and placed into service?
- b) Please provide further explanation as to the increase in Tools, Shop & Garage Equipment expenditures forecast for 2012 and 2013 relative to previous years.
- c) Please provide the actual year-to-date expenditures in 2012 for Tools, Shop & Garage Equipment.

2.0 Energy Probe # 7

Ref: Exhibit 2, Tab 4, Schedule 3, Appendix 2-A

Please provide a table that reflects only 2012 and 2013 projects. Please update the 2012 and 2013 figures to reflect actual year-to-date expenditures made in 2012 and the forecast for the remainder of the year. Please include any projects not originally included in the forecast. Please also include any adjustments to 2013 related to deferrals from 2012 to 2013, or from 2013 to later years, if applicable.

2.0 Energy Probe # 8

Ref: Exhibit 2, Tab 4, Schedule 4

Please provide a copy of the most recent presentation from management to the Board of Directors in 2012 as referenced on page 16 of the DAMP.

2.0 Energy Probe # 9

Ref: Exhibit 2, Tab 4, Schedule 5

The evidence states that WPI ceased to calculate any further depreciation on stranded meters once the meters were no longer in service.

- a) Please confirm that WPI continued to calculate depreciation on the stranded meters in the smart meter deferral account.**
- b) Please provide a version of Table 1 that shows the calculation of the residual net book value of the meters that were stranded in 2010 in order to provide an illustration of how the depreciation for these meters was handled in 2010, 2011 and 2012.**

2.0 Energy Probe # 10

Ref: Exhibit 2, Tab 7, Schedule 1

Please provide any response from Hydro One to the request for comments.

EXHIBIT 3 – OPERATING REVENUE

3.0 Energy Probe # 11

Ref: Exhibit 3, Tab 1, Schedule 1

Please provide the change in wholesale purchases between 2011 and 2012. If actual data for all of 2012 are not yet available, please provide the change in wholesale purchases for the most recent actual year-to-date period available for 2012, from the corresponding period in 2011.

3.0 Energy Probe # 12

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

Please make the following changes to the wholesale equation as follows:

- i) Please replace the Ontario Employment variable with a trend variable that starts with a value of 1.0 in January 2004 and increases by a value of 1.0 in each month;**

- ii) Please add the number of peak hours as an explanatory variable;
- iii) Please add a spring/fall flag as an explanatory variable (value of 1 in March, April, May, September, October and November, 0 in all other months); and
- iv) A dummy explanatory variable with a value of 1 in October 2008 and October 2010 and a value of 0 in all other months.

Please provide the regression statistics (Table 2), MAPE calculation (Table 3) and forecast (Table 6) for this equation leaving the other explanatory variables as used in the original equation.

3.0 Energy Probe # 13

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

- a) Please explain how the 2011 actual figures were normalized as shown in Table 10.
- b) Please provide the normalized figures for each rate class in each of 2007 through 2010 using the same methodology as used in Table 10 for 2011.
- c) Please provide a table similar to Table 10 that shows the normalized actual volumes for the most recent year-to-date period available for 2012, along with the normalized volumes for the corresponding period in 2011.

3.0 Energy Probe # 14

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

- a) Please expand Table 11 to reflect actual data for 2004 through 2006.
- c) Please explain why the growth rate used to forecast the number of customers shown in Table 11 is based on 2004 through 2011 data rather than the 2007 through 2011 data shown in the table.
- d) Please provide the average number of customers for each rate class shown in Table 11 based on the average of the most recent year-to-date months available for 2012 and the corresponding figures for the same period in 2011.

3.0 Energy Probe # 15

Ref: Exhibit 3, Tab 1, Schedule 3

Please explain why the figures in the 5 Yr. Avg (2006/2011) column shown in Table 1 do not add up to total shown in the Total Customer (kWh) line.

3.0 Energy Probe # 16

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

- a) Please explain and show the derivation of the 2013 volume of 472,111,691 kWh shown in Attachment 1 of Exhibit 3, Tab 1, Schedule 4 relative to the figure shown in Table 1 of Exhibit 3, Tab 1, Schedule 3.**
- b) Please explain the use of the price of \$0.0807 in Attachment 1 of Exhibit 3, Tab 1, Schedule 4 for 2013 relative the prices shown in the table on page 2.**
- c) Please update the table on page 2 and the calculations in Attachment 1 of Exhibit 3, Tab 1, Schedule 4 to reflect the October 17, 2012 Regulated Price Plan Price Report.**

3.0 Energy Probe # 17

Ref: Exhibit 3, Tab 2, Schedule 1

- a) Please provide the most recent year-to-date figures for 2012 in the same level of detail as the Appendix 2-F table along with the corresponding figures for 2011.**
- b) Please explain the significant drop in margins in account 4325 and 4330 from more than \$200,000 in 2011 to \$44,000 in the 2013 test year.**
- d) Please provide the most recent actual year-to-date figures for 2012 for accounts 4225 and 4330, along with the figures for the corresponding period in 2011.**
- e) Please explain the drop in account 4355/4360 in the 2013 test year relative to the figures shown for 2010, 2011 and forecast for 2012.**

- f) Please explain the drop in the margin in accounts 4375 and 4380 to \$0 in the bridge and test years from the margins shown in 2010 and 2011. Please also indicate what these revenues and expenses are related to in the 2010 through 2013 period.
- g) Please show how the \$55,000 figure was calculated for account 4405. Please indicate the average cash balance and interest rate forecast for 2013, along with the corresponding figures for 2011.
- h) How has the reduction in retailer service revenues (account 4082) been reflected in higher SSS administration charges (account 4080)?

EXHIBIT 4 – OPERATING COSTS

4.0 Energy Probe # 18

Ref: Exhibit 4, Tab 1, Schedule 1

Please provide the most recent year-to-date actual expenses for 2012, in the same level of detail as shown in Table 1. Please also provide the figures for the corresponding period in 2011.

4.0 Energy Probe # 19

Ref: Exhibit 4, Tab 2, Schedule 1

- a) With reference to cost driver #3 on page 4, please explain what is meant by "these costs were on a one time basis". In particular, if the \$152,562 are one time costs incurred in 2011, please explain why no reduction is shown for 2012.
- b) With respect to cost driver #4 on page 4, please explain why there is no corresponding decrease in Appendix 2-J in 2012? Why isn't the fine in 2011 considered a one time cost?
- c) With respect to cost driver #2 shown on page 5, please explain why tree trimming was put on hold in 2011.
- d) Please provide the actual tree trimming expenses for 2009 through 2011, the forecasts for 2012 and 2013 and the actual expense for 2012 based on the most recent year-to-date figure available.

- e) Please explain why there is no decrease shown for 2013 associated with cost driver #3 on page 5. If the increase in costs due to the shadowing of the Executive Assistant in 2012 increased costs, why would these costs not decrease in 2013 when only the replacement employee is being paid? Please provide the portion of the \$66,850 increase associated with this shadowing in 2012.
- f) Please explain the increases in both 2012 and 2013 for the "Other" line shown in Appendix 2-J.

4.0 Energy Probe # 20

Ref: Exhibit 4, Tab 3, Schedule 1

- a) Please explain the increase to \$25,000 in account 5410 in 2013 from \$0 in 2011. Please indicate what these expenditures are related to and provide the most recent year-to-date expenditures incurred in 2012.
- b) Please explain the increase to \$7,000 in account 5425 in 2013 from \$0 in 2011. Please indicate what these expenditures are related to and provide the most recent year-to-date expenditures incurred in 2012.
- c) Please explain the increase to \$37,000 in account 5330 in 2013 from \$0 in 2011. Please indicate what these expenditures are related to and provide the most recent year-to-date expenditures incurred in 2012.
- d) Please explain the relationship between accounts 4330 and 5320 and explain why there are significant increases shown in 2013 in both accounts.

4.0 Energy Probe # 21

Ref: Exhibit 4, Tab 4, Schedule 1

- a) Please explain what WPI means when it states (page 1) that vacant positions are not accounted for in the actual years in table 1. In particular, if a position was filled at the beginning of a year and vacant at the end of the year, is this 1 FTE or 0.5 FTE?
- b) In Table 5, for 2009 through 2011, please provide the maximum average yearly STI that the Management employees were eligible for.
- c) With respect to the \$8,000 average yearly STI shown in Table 5, please indicate what percentage of the maximum STI this represents in each year.

- d) What is the impact on the revenue requirement if the unionized annual salary adjustment for 2013 was reduced from 3.0% to 2.0%?

4.0 Energy Probe # 22

Ref: Exhibit 4, Tab 7, Schedule 1

Please confirm that WPI used the half year rule for depreciation in each of 2009, 2010 and 2011 on an actual basis.

4.0 Energy Probe # 23

Ref: Exhibit 4, Tab 8

- a) Did WPI have any Apprenticeship Training Tax credits, Co-Operative Education Tax credits or Federal Job Creation tax credits in 2011? If yes, please provide details and quantify.
- b) Has WPI claimed any of the tax credits noted above in part (a)? If not, please explain why not. If yes, please quantify.

4.0 Energy Probe # 24

**Ref: Exhibit 4, Tab 11 &
Exhibit 4, Tab 1, Schedule 1**

Is the \$12,500 for LEAP included in the \$5,191,500 shown in Table 1 of Exhibit 4, Tab 1, Schedule 1 or is it in addition to this amount?

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5.0 Energy Probe # 25

Ref: Exhibit 5, Tab 1, Schedule 1

What is the impact on the revenue deficiency of the cost of capital parameters from the Board's November 15, 2012 letter re Cost of Capital Parameter Updates for 2013 Cost of Service Applications for Rates Effective January 1, 2013?

5.0 Energy Probe # 26

Ref: Exhibit 5, Tab 1, Schedule 1

Please reconcile the \$9.2 million in third party long-term debt noted on page 1 with the figure of \$8,980,324 shown on page 3 for 2013.

5.0 Energy Probe # 27

Ref: Exhibit 5, Tab 1, Schedule 1

- a) Please provide a copy of the affiliate promissory note and any amendments made to the note.**
- b) Is the affiliate promissory note payable on demand?**

5.0 Energy Probe # 28

Ref: Exhibit 5, Tab 1, Schedule 1

- a) Please provide a copy of the mix and rates on the affiliate and third-party long-term debt that the Board accepted in EB-2008-0238.**
- b) What was the Board's deemed long-term debt rate for 2009 rates?**

EXHIBIT 7 – COST ALLOCATION

7.0 Energy Probe # 29

Ref: Exhibit 7, Tab 1, Schedule 1, Attachment 2

In rebalancing the revenue-to-cost ratios, please consider the following approach. The GS > 50 class is reduced to 120%, as is the USL class. The GS < 50 ratio is maintained at 99.23%. To offset this reduction in revenue, the sentinel lighting ratio (51.98%) is first raised to match that of the street lighting class (71.87%) and then both of these ratios are increased to the ratio for the residential class (92.41%). These three ratios are then increased in tandem to a ratio that is revenue neutral in total. Please provide a revised Rebalancing Revenue-to-Cost (R/C) Ratios table based on this approach. Please also indicate if any rate mitigation measures would be needed for the various rate classes that have significant increases in their revenue-to-cost ratios, and if so, please provide a proposed plan for the ratios for 2013, 2014 and 2015.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9.0 Energy Probe # 30

Ref: Exhibit 9, Tab 3, Schedule 2

Please explain why WPI has proposed a 3.67 year recovery period rather than a 3 or 4 year period.

9.0 Energy Probe # 31

Ref: Exhibit 9, Tab 3, Schedule 3

Would WPI be agreeable to extending the stranded meter costs to 3 or 4 years if it was required for rate mitigation purposes? If not, why not?

EXHIBIT 10 - TRANSITION TO MIFRS

10.0 Energy Probe # 32

Ref: Exhibit 10, Tab 2, Schedule 3, Appendix 2-B

Please confirm that the stranded meters are not included in the MIFRS 2013 continuity schedule.

10.0 Energy Probe # 33

**Ref: Exhibit 10, Tab 2, Schedule 3 &
Exhibit 6, Tab 2, Schedule 1, Attachment 2**

- a) Please confirm that WPI has not included the net book value of the smart meters in the opening balance for 2013 in the calculation of the 2013 rate base.**
- b) Please calculate the impact on the revenue requirement if the smart meters are included in the opening balance of the 2013 NBV in the calculation of rate base.**

10.0 Energy Probe # 34

**Ref: Exhibit 10, Tab 2, Schedule 4 &
Exhibit 2, Tab 3, Schedule 3, Attachment 1**

- a) Please reconcile the PP&E Values under CGAAP shown in Appendix 2-EB shown in Exhibit 10, Tab 2, Schedule 4 for 2009, 2010, 2011 and 2012 relative to the figures shown on pages 3 through 6 of Attachment 1 (Appendix 2-B) of Exhibit 2, Tab 3, Schedule 3. Please explain fully why the Net Book Values between the two sources do not match.**
- b) Please explain why the additions and depreciation figures shown under CGAAP do not include disposals shown in Appendix 2-B in Attachment 1 of Exhibit 2, Tab 3, Schedule 3.**
- c) Please confirm that the net book value at the end of 2012 under CGAAP is \$31,525,161, as shown in Attachment 1 of Exhibit 2, Tab 3, Schedule 3.**

10.0 Energy Probe # 35

**Ref: Exhibit 10, Tab 3, Schedule 2 &
Exhibit 10, Tab 2, Schedule 3**

Please explain the \$30,000 difference in contributed capital shown in the two schedules for 2013.

10.0 Energy Probe # 36

Ref: Exhibit 10, Tab 4, Schedule 1

- a) Please provide a table that shows the proposed life (in years) of the various assets under MIFRS with the range of asset lives from the Kinetrics study released in July, 2010.**
- b) If any of the WPI proposed lives is outside of the Kinetrics range, please explain why the WPI estimate is a reasonable estimate.**

10.0 Energy Probe # 37

**Ref: Exhibit 10, Tab 3, Schedule 2 &
Exhibit 10, Tab 5, Schedule 1**

The first reference shows a reduction in MIFRS capital expenditures of \$871,030 (or \$901,030 depending on the response to Energy Probe # 35), while the difference in OM&A shown in the second reference is \$1,101,000. Please explain the difference between these figures.

10.0 Energy Probe # 38

Ref: Exhibit 10, Tab 5, Schedule 1

Please provide the actual taxes other than income taxes in account 3950 for each of 2009 through 2011, along with the forecast for 2012. Please also provide the actual expense for 2012.

10.0 Energy Probe # 39

**Ref: Exhibit 10, Tab 6, Schedule 1, Attachment 2 &
Exhibit 10, Tab 2, Schedule 5.**

Please explain the additions to the Bridge Year CCA Schedule 8 of \$4,753,595 shown in Attachment 2 of Exhibit 10, Tab 6, Schedule 1 relative to the fixed asset continuity schedule additions of \$4,458,595 shown in Exhibit 10, Tab 2, Schedule 5. In particular, what is the \$295,000 difference in these figures related to?