EB-2012-0168

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 Tillsonburg Hydro 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")

January 2, 2013

TILLSONBURG HYDRO INC.
2013 RATES REBASING CASE
EB-2012-0168

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

Energy Probe # 1

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

a) Please explain the increase in the allocation of the Chief Administrator Office from 0.10 FTE in 2011 to 0.16 in 2013.

b) Please explain the increase in the allocation of the Director of Finance from 0.10 FTE in 2011 to 0.21 in 2013.

c) Does THI have any documented time sheets or studies that reflect the projected increases noted above? If so, please provide the information.

d) Please update the table to reflect actual data for 2012. If actual data is not yet available for the entire 2012 year, please update based on the most recent year-to-date information available, along with a forecast for the remainder of the year.

Energy Probe # 2

Ref: Exhibit 1, Tab 1, Schedule 10

Please confirm that THI has adopted IFRS effective January 1, 2013.

Energy Probe # 3

Ref: Exhibit 1, Tab 1, Schedule 11

a) Please provide a description of the THI non-regulated operations.

b) How has THI excluded the costs (OM&A, depreciation, PILs, etc.) associated with these non-regulated operations from the cost of service application?

Energy Probe # 4

Ref: Exhibit 1, Tab 2, Schedule 3

a) **What is the impact on the revenue requirement if the costs other than labour and fleet were assumed to increase by 2% in 2013, instead of 3%?**

b) **What is the impact on the revenue requirement if the costs other than labour and fleet were assumed to increase by 2% in both 2012 and 2013, instead of 3%?**

c) **Please explain why THI proposes to recover the 2013 Cost of Service application regulatory costs over a three year period (May 2013 through April 2016) rather than over the standard four year period?**

Energy Probe # 5

Ref: Exhibit 1, Tab 2, Schedule 8

Does the application and evidence contain actual data for the six months ended June 30, 2012? If not, please indicate how many months of actual data have been included in the 2012 bridge year figures in each of the components of the evidence (e.g. OM&A, revenues, capital expenditures, and so on).

EXHIBIT 2 – RATE BASE

Energy Probe # 6

Ref: Exhibit 2, Tab 1, Schedule 1

Please provide an updated version of Table 1 that reflects actual data for 2012 under both CGAAP and MIFRS. If actual data for all of 2012 is not yet available, please provide an estimate for 2012 based on as many months of data as are currently available, along with a forecast for the remaining months of 2012.

Energy Probe # 7

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

a) **Please provide THI's actual capital structure for 2012 and forecast for 2013 and compare it to the deemed capital structure.**

b) Please explain why THI uses the actual capital structure rather than the deemed capital structure in the economic evaluation of all system expansions.

c) Does THI also use the actual cost rates associated with the actual capital structure in the economic evaluation of all system expansions, or does THI use the approved deemed rates?

Energy Probe # 8

Ref: Exhibit 2, Tab 2, Schedule 3

a) Please explain how the assets average remaining life was calculated in setting the useful lives shown in Table 2.

b) If THI applies the useful lives shown in Table 2, how has it reflected the actual age of the assets? For example, if the substation equipment has an average age of 10 years at the time of conversion to MIFRS, does THI apply a 40 year life to the opening net book value of the assets or does it apply a 30 year life (40 - 10) to the opening net book value of the assets?

c) Did THI use the half year rule for depreciation for assets added in the test year in EB-2008-0246 that set rates for 2009? If yes, please provide an excerpt from the EB-2008-0246 evidence/interrogatories that shows the use of the half year rule.

d) Please confirm that THI has used the half year rule in the calculation of the depreciation expense and accumulated depreciation for each of 2008 through 2012. If this cannot be confirmed, please show the methodology used for each of 2008 through 2012.

Energy Probe # 9

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

a) Please provide updated continuity schedules for 2012 under both CGAAP and MIFRS based on actual data for 2012. If actual data for all of 2012 is not yet available, please provide an estimate for 2012 based on as many months of data as are currently available, along with a forecast for the remaining months of 2012.

b) Please indicate the amount and the account for all of the smart meter related capital additions being added to rate base shown in the 2013 continuity schedule.

c) Has THI included the smart meter capital expenditures as part of the opening PP&E in 2013 in order to calculate rate base as shown in Table 1? If not, why not?

d) Please calculate the test year rate base assuming that net smart meter capital additions are included in opening rate base in 2013 and net stranded meter costs are removed at the end of 2012, so they are not included in the calculation of the 2013 rate base.

Energy Probe # 10

Ref: Exhibit 2, Tab 4, Schedule 4 &
Exhibit 2, Tab 4, Schedule 3, Attachment 2

a) Please provide an update to pages 1 through 4 to reflect actual capital additions for 2012.

b) Do all of the capital additions shown in the table on page 1 close to rate base in 2012?

c) Please reconcile the inclusion of the 939 Queen Street project in 2012 capital additions for $89,000, as shown in Exhibit 2, tab 4, Schedule 4, pages 2-3 with the in service date of March 2013 for this project shown in Table 1 in Exhibit 2, Tab 4, Schedule 3, Attachment 2.

Energy Probe # 11

Ref: Exhibit 2, Tab 4, Schedule 6

a) Please explain why THI has assumed that the residential and GS < 50 kW meters have the same value, resulting in a rider that is the same for the two rate classes.

b) If THI used the NBV shown in Table 3, and calculated a rate rider that was to be recovered over 4 years for both rate classes, what would the riders be? (Please show all calculations.)

c) Please confirm that the figure of $3.3298 shown in Table 2 is an annual cost, not a monthly cost.

Energy Probe # 12

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

a) **Please provide the detailed calculations that result in the 2013 cost of power of $17,212,690. Please show how the volumes match the volume forecast from Exhibit 3.**

b) **Please update the cost of power calculation to reflect the Regulated Price Plan Price Report dated October 17, 2012.**

EXHIBIT 3 – OPERATING REVENUE

Energy Probe # 13

Ref: Exhibit 3, Tab 1, Schedule 1

Please update Table 3-1 to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please provide an estimate for 2012 based on as many months of data as are currently available, along with a forecast for the remaining months of 2012.

Energy Probe # 14

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

a) **Please update Table 3.1.1 to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please provide an estimate for 2012 based on as many months of data as are currently available, along with a forecast for the remaining months of 2012.**

b) **Are the customer/connection figures shown year-end figures or averages for the years?**

Energy Probe # 15

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

a) **Does THI believe that forecasting out two years (bridge and test) is appropriate using equations that have only four years of data in their estimation? Please explain fully.**

b) Are the actual class consumption volumes based on the calendar month or on a billing cycle?

c) Please explain why 72 months were used for the GS 50-499 class when only 48 months were used for the residential and GS < 50 classes.

d) Please provide the regression statistics estimated over the 2008 through 2011 period for the residential equation where the dependent variable is the residential volume per month divided by the number of customers for the month, and the explanatory variables are the same as shown in Table 1 with the exception of the addition of a Spring/Fall Variable (a value of 1 in March, April, May, September, October, November and a value of 0 in all other months). Please also provide Table 2 showing the MAPE and provide the forecast for 2013 as shown in Table 9.

e) Please provide the regression statistics estimated over the 2008 through 2011 period for the GS 50-499 equation where the explanatory variables are the same as shown in Table 5. Please also provide Table 6 showing the MAPE and provide the forecast for 2013 as shown in Table 9.

f) Please explain why there are only 18 peak days shown for February, 2013 as compared to 19 or 20 for each of 2006 through 2012. Other than Family Day, what other weekday is not considered a peak day?

Energy Probe # 16

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

With respect to the Large GS classes, Customer #2 was moved from the GS >1500 class to the GS 500 - 1499 class at the beginning of 2010.

a) How did THI adjust the "net" volumes for the GS 500 - 1499 class for 2008 and 2009?

b) What is the current status of Customer #3 in terms of the reclassification?

c) Please update Tables 10 and 11 to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please provide an estimate for 2012 based on as many months of data as are currently available, along with a forecast for the remaining months of 2012.

Energy Probe # 17

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

Please update Tables 14 and 15 to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please provide an estimate for 2012 based on as many months of data as are currently available, along with a forecast for the remaining months of 2012.

Energy Probe # 18

Ref: Exhibit 3, Tab 1, Schedule 3

Please explain why the persistence figures are higher than the average figures for all classes except for residential in Table 3-6.

Energy Probe # 19

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

a) Please update table C7 Commodity Price to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please provide an estimate for 2012 based on as many months of data as are currently available, along with a forecast for the remaining months of 2012.

b) Please update the weighted average price to reflect the Regulated Price Plan Price Report dated October 17, 2012.

Energy Probe # 20

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

a) Please update the tables shown in Attachment 1 to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please provide the actual year-to-date revenues for the most recent period available in 2012, along with the corresponding figures for the same period in 2011, in the same level of detail as shown in the tables in Attachment 1.

b) Please explain why there is no Miscellaneous Interest Revenue forecast for 2013.

EXHIBIT 4 – OPERATING COSTS

Energy Probe # 21

Ref: Exhibit 4, Tab 1, Schedule 3

a) Has THI included any CDM related costs in the OM&A for the 2013 test year or in the previous years 2009 through 2012? If yes, please provide the amount included in OM&A costs for each year, broken down into the programs/initiatives shown in the evidence.

b) Does THI receive any revenue (for example, from the OPA) associated with the CDM programs and initiatives being offered? If yes, please show the amount of the revenue received in each year 2009 through 2011, along with the forecasts for 2012 and 2013. Please also show where these revenues have been reflected in the evidence as an offset to the revenue requirement if the corresponding costs have been included in the OM&A component of the revenue requirement.

Energy Probe # 22

Ref: Exhibit 4, Tab 2, Schedule 1, Attachments 1 - 5

Please provide updated versions for all the appendices shown in Attachments 1 through 5 to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please provide an estimate for 2012 based on as many months of data as are currently available, along with a forecast for the remaining months of 2012.

Energy Probe # 23

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

a) Please provide copies of all the correspondence and information used to conclude that the lease cost should be $132,620 as indicated in section 5.1 Facility.

b) Please provide copies of all the correspondence and information used to conclude that the $140,000 annual management fee is reasonable.

c) Please provide copies of all the correspondence and information used to conclude that the indirect labour costs should be increased to $708,469.

Energy Probe # 24

Ref: Exhibit 4, Tab 4, Schedule 1

a) Please provide the cost of living increase percentages for each of 2009 through 2013.

b) Please update Appendix 2-K to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please provide an estimate for 2012 based on as many months of data as are currently available, along with a forecast for the remaining months of 2012.

Energy Probe # 25

Ref: Exhibit 4, Tab 7, Schedule 1

How has THI taken into account the existing age of the assets on the transfer of these assets to MIFRS? For example if the existing poles, towers and fixtures are on average 10 years old, how has THI factored this into the calculation of MIFRS based depreciation where new poles, towers and fixtures are expected to have a 50 year life?

Energy Probe # 26

Ref: Exhibit 4, Tab 7, Schedule 1, Attachment 1 &
Exhibit 2, Tab 3, Schedule 3, Attachment 2 &
Revenue Requirement Workform &
Exhibit 9, Tab 3, Schedule 2, Attachment 2

Please reconcile the following depreciation figures found in the referenced evidence:

Exhibit 4, Tab 7, Schedule 1, Attachment 1	**$672,026**
Exhibit 2, Tab 3, Schedule 3, Attachment 2	**$336,228**
Exhibit 9, Tab 3, Schedule 2, Attachment 2	**$340,650**
Exhibit 9, Tab 3, Schedule 2, Attachment 2 (after Account 1575)	**$286,962**
Revenue Requirement Workform	**$282,540**

Energy Probe # 27

Ref: Exhibit 4, Tab 8, Schedule 3, Attachment 1

Please explain why additions to the CCA schedule for the bridge year reflect MIFRS additions rather than CGAAP additions?

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

Energy Probe # 28

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

a) Please update Appendix 2-OA for 2013 to reflect the cost of capital parameters as set out in 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.

b) Please explain why THI does not propose to include the TD Canada Trust loan, which has a principal balance of $913,167 in 2013 (Appendix 2-OB) in the calculation of the long term debt rate.

Energy Probe # 29

Ref: Exhibit 5, Tab 1, Schedule 1, Attachment 1 &
Exhibit 5, Tab 1, Schedule 2, Attachment 1

a) Please reconcile the average balance related to the TD Canada Trust loan outstanding in 2013 as shown in Exhibit 5, Tab 1, Schedule 2, Attachment 1 of $1,270,000 with the principal amount of $913,167 shown in Appendix 2-OB in Exhibit 5, Tab 1, Schedule 1, Attachment 1. What is the forecasted average outstanding balance related to this loan for 2013?

b) What is the amount of this debt actually outstanding at the end of 2012?

c) Please calculated the weighted average cost of long term debt if the average outstanding balance requested in part (a) above at a rate of 4.53% is combined with the remaining unfunded long term debt required to 56% of the deemed capital structure is weighted at the Board's current deemed long-term debt rate of 4.03%. Please show all calculations.

EXHIBIT 7 – COST ALLOCATION

Energy Probe # 30

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

a) Please explain why the proposed revenue to cost ratio for the GS 50-499 class shown on page 4 of 5 is slightly lower than the status quo ratio.

b) If the GS 50-499 ratio were to be maintained at the status quo ratio of 98.97%, what would be the impact proposed by THI on the proposed ratios for the other classes?

EXHIBIT 8 - RATE DESIGN

Energy Probe # 31

Ref: Exhibit 8, Tab 2, Schedule 1 &
Exhibit 8, Tab 4, Schedule 3, Attachment 2

a) Please explain why THI is proposing to reduce the fixed rate percentage of the revenue recovery for the residential and GS < 50 classes, as shown in Table 2.

b) Please provide a revised Table 2 and Table 3 that would show a proposed monthly fixed charge for the residential and GS < 50 classes if the fixed percentage of the recovery from 2012 were maintained for 2013.

c) Please calculate the variable charges for the residential and GS < 50 classes that would result from the monthly fixed charges requested in part (b) above.

d) Please provide revised bill impacts, as shown in Exhibit 8, Tab 4, Schedule 3, Attachment 2 for the residential and GS < 50 classes based on the fixed and variable rates determined in parts (b) and (c) above.

EXIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

Energy Probe # 32

Ref: Exhibit 9, Tab 4, Schedule 1 &
Exhibit 2, Tab 4, Schedule 6, Attachment 1

a) Please confirm that with a smart meter rider of $3.3298 per month, as stated on line 21 of Exhibit 9, Tab 4, Schedule 1, applied to 6,708 customers (Exhibit 2, Tab 4, Schedule 6, Attachment 1) for 48 months results in the collection of $1,072,142 (3.3298/month x 48 months x 6,708 customers).

b) In light of the over collection implied by part (a), please confirm that the $3.3298/month charge should be an annual charge, or $0.27748/month.

c) If necessary, based on the response to part (b) above, is it still necessary to recovery the stranded meter costs over 4 years? If not, would THI agree that these costs can be recovered over 1 year?

d) Based on the above, please provide updated bill impacts for the residential and GS < 50 customer classes.