

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 Innisfil Hydro
Distribution Systems Limited 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 4, 2013

**INNISFIL HYDRO DISTRIBUTION SYSTEMS LIMITED
2013 RATES REBASING CASE
EB-2012-0139**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1.0 Energy Probe # 1

Ref: Exhibit 1, Tab 1, Schedule 3

At pages 2 and 3, IHDSL submits that a debt ceiling of 60% is not sustainable for high growth LDCs like IHDSL and requests that the debt ceiling be raised to 75%.

Please indicate what specific request IHDSL is making regarding the deemed capital structure for the 2013 test year. If IHDSL is not requesting a change in the deemed capital structure, what specific request is IHDSL making?

1.0 Energy Probe # 2

Ref: Exhibit 1, Tab 1, Schedule 4

- a) Please explain why IHDSL did not prepare a 2013 COS application for rates effective January 1, 2013?**
- b) What would be the significant changes (if any) in the evidence that would be required for a test year that is equivalent to the calendar year?**
- c) What are the cost increases and/or cost savings (egg. simplified financial reporting) that IHDSL expects will occur as a result of moving to a calendar year fiscal year in 2014?**

1.0 Energy Probe # 3

Ref: Exhibit 1, Tab 1, Schedule 10

Please confirm that IHDSL will convert to IFRS on January 1, 2013. If this cannot be confirmed, please indicate when IHDSL will convert to IFRS.

1.0 Energy Probe # 4

Ref: Exhibit 1, Tab 1, Schedule 13

What is the status of EB-2007-0031 and any Board recommendations as a result of it?

1.0 Energy Probe # 5

Ref: Exhibit 1, Tab 1, Schedule 15

Are any costs associated with the Board of Directors of Innisfil Energy Services Limited included in the revenue requirement of IHDSL? If yes, please quantify.

EXHIBIT 2 – RATE BASE

2.0 Energy Probe # 6

Ref: Exhibit 2, Tab 1, Schedule 1, page 3 & Appendix 1

- a) Please explain why the purchase agreement price of \$925,000 noted on page 3 does not include any value associated with the portables on the property noted in Appendix 1 of having a value of \$36,000 to \$40,000?**
- b) Why did IHDSL decide to sell the combined property for \$925,000 when the estimated value shown in Appendix 1 would be \$1,050,000 if the two properties would have been sold separately?**
- c) Has the sale of the current property taken place? If not, when is the expected date of the sale? Is the property being sold to the town, an affiliate or to a third party?**
- d) Does the purchase of the Old Town Hall site for \$650,000 include the costs for demolition of the old building? If not, what is the cost associated with the demolition of the old building?**
- e) What is the status of the new site? Has the building been demolished?**
- f) When was construction of the new building started? Is it still on schedule to be completed by the end of 2013?**

2.0 Energy Probe # 7

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

- a) Please explain why the figures shown in Table 2.1 in Exhibit 2, Tab 1, Schedule 2 for 2011 do not match the figures shown in Table 2.4 of Exhibit 2, Tab 2, Schedule 1.**
- b) Are the figures shown in Table 2.1 in Exhibit 2, Tab 1, Schedule 2 CGAAP or MIFRS based?**
- c) Please explain why the figures shown in Table 2.1 in Exhibit 2, Tab 1, Schedule 2 for 2012 do not match either of the CGAAP or MIFRS based figures shown in Tables 2.5 and 2.6 of Exhibit 2, Tab 2, Schedule 1.**
- d) Please confirm that the figures shown in Table 2.1 in Exhibit 2, Tab 1, Schedule 2 for 2013 are MIFRS based and not CGAAP based. If this cannot be confirmed, please explain why these figures match those in Table 2.7 of Exhibit 2, Tab 2, Schedule 1 which are shown as MIFRS based figures.**

2.0 Energy Probe # 8

Ref: Exhibit 2, Tab 1, Schedule 3

- a) Please confirm that IHDSL has included \$2 million associated with the new building facilities in the 2013 opening gross assets and a total of \$7 million at the end of 2013 for rate base calculation purposes.**
- b) Please quantify the amount of accumulated depreciation at the beginning and ending of 2013 associated with the new building facilities used in the calculation of the test year rate base.**
- c) Please confirm the net book value associated with stranded meters has been removed from the calculation of the 2013 rate base in its entirety, meaning that the net book value was removed from the opening balance in 2013.**
- d) Please provide the net book value of the stranded assets as of the end of 2012.**
- e) Has the net book value of the land and buildings of the current head office been removed from the value of the assets at the end of 2013? If not, please explain why not?**
- f) What is the forecasted net book value of the land and buildings associated with the current head office site at the end of 2013?**

2.0 Energy Probe # 9

Ref: Exhibit 2, Tab 2, Schedule 1

On page 1, at lines 6 through 13 of the evidence, a number of table numbers are referenced that do not exist in the schedule. Further, the evidence implies that there is a continuity schedule for 2013 under CGAAP which does not appear to be included in the continuity schedules provided. Please provide the 2013 continuity schedule based on CGAAP.

2.0 Energy Probe # 10

**Ref: Exhibit 2, Tab 2, Schedule 1, Tables 2.5 & 2.6 &
Exhibit 2, Tab 1, Schedule 1**

- a) The additions to gross plant shown for 2012 in Tables 2.5 and 2.6 are identical. Please explain why there is no adjustment based on the conversion from CGAAP to MIFRS. Is IHDSL indicating that there is no change in the level of capitalization for it between CGAAP and MIFRS?**
- b) Is the \$465,000 in additions shown in account 1805 for the new administration offices? If yes, please explain the difference between this figure and the \$650,000 noted as the purchase price on page 3 of Exhibit 2, Tab 1, Schedule 1. If no, please explain where the \$650,000 for the land for the new administration offices has been included in the 2012 and 2013 continuity schedules.**
- c) Is all of the \$2,025,000 shown as an addition in account 1908 related to the new building?**
- d) Where are the costs associated with the demolition of the old town hall shown?**
- e) Please update both continuity schedules for 2012 (Table 2.5 and the first Table 2.6) to reflect actual data for 2012. If actual data is not available for all of 2012, please update for the most recent year-to-date actual data available, along with the forecast of capital expenditures that will be put into service by the end of 2012.**
- f) Please explain why IHDSL does not show any work in progress for capital expenditures that are not completed and not put into service by year end.**

- g) Please show where in the gross assets, the stranded meters have been removed in 2012.

2.0 Energy Probe # 11

Ref: Exhibit 2, Tab 2, Schedule 1, Second Table 2.6

- a) The second Table 2.6 shown indicates it is based on MIFRS. Please confirm that this is correct.
- b) Please explain where the stranded meters have been removed from the gross assets and accumulated depreciation in the 2013 continuity schedule. Did IHDSL remove the stranded meters from the PP&E in 2009 and 2010?
- c) Please explain the significant reduction in Contributions and Grants shown in 2013 relative to 2012 and past years.
- d) Please provide a schedule that shows for 2009 through 2012 actual (or estimated actual for 2012) and the forecast for 2013 the breakdown of the contributions and grants into the account line items that they are associated with. Please also show the gross capital additions for each of those accounts that have an associated contribution and grant associated with it.
- e) Please confirm that the \$5,127,500 shown as an addition to account 1980 is all related to the new administration building. If this cannot be confirmed, please quantify the amount associated with the new administration building and any other expenditures.
- f) Has IHDSL included any incremental capital expenditures in 2012 or 2013 associated with new office furniture and equipment for the new facilities? If yes, please quantify.

2.0 Energy Probe # 12

Ref: Exhibit 2, Tab 2, Schedule 4

- a) Please explain why the Additions shown in the tables on page 2 and 3 in account 1908 are \$2,025,000 under CGAAP and only \$25,000 under MIFRS.
- b) Please confirm that the \$2,000,000 difference noted above has been included as an addition for depreciation purposes in the 2013 schedule shown on page 3.

- c) Please explain why there is no column shown to adjust the depreciation expense in 2013 as there was in 2012 for assets that are fully depreciated within the year.

2.0 Energy Probe # 13

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

- a) Please reconcile the figure of \$6,188,461 shown in the 2012 capital projects table on page 16 of Exhibit 2, Tab 3, Schedule 1 with the figure of \$6,083,921 shown in Tables 2.5 and 2.6 of Exhibit 2, Tab 2, Schedule 1.
- b) Please update the table on page 16 to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please provide data for 2012 on the basis of actual expenditures in 2012 along with a forecast for the remainder of the year.

2.0 Energy Probe # 14

Ref: Exhibit 2, Tab 3, Schedule 3

- a) For each indicator in which the SQI shown in Table 3.10 is lower than the OEB Minimum Standard, please explain why IHDSL did not meet the minimum standards.
- b) Please provide an updated Scorecard that includes the most recent monthly data currently available for 2012.

2.0 Energy Probe # 15

Ref: Exhibit 2, Tab 5, Schedule 1

- a) Please update the cost of power calculations for 2013 to reflect the OEB's Regulated Price Plan Price Report dated October 17, 2012.
- b) Please show the derivation of the SME cost of \$73,097. Have these costs been approved by the Board?

2.0 Energy Probe # 16

Ref: Exhibit 2, Tab 5, Schedule 4 &
Exhibit 2, Tab 2, Schedule 1

- a) Please reconcile the additions of \$6,032,445 shown in Exhibit 2, Tab 5, Schedule 4 with the additions of \$6,083,921 shown in Tables 2.5 and 2.6 of Exhibit 2, Tab 2, Schedule 1.
- b) Please confirm that the reference to Midland on page 2 of Exhibit 2, tab 5, Schedule 4 should be to IHDSL.
- c) Please provide a version of Table 2.5.5 that reflects the calculation of the revenue deficiency based on CGAAP.

2.0 Energy Probe # 17

Ref: Exhibit 2, Appendix E

Please confirm that the GEA costs shown in Appendix E have not been included in the capital expenditures forecast for 2012 and 2013 that have been included in the calculation of the rate base for 2013.

EXHIBIT 3 – OPERATING REVENUE

3.0 Energy Probe # 18

Ref: Exhibit 3, Tab 2, Schedule 1

- a) Are the customer/connection figures shown in Table 3-3 year-end figures or average numbers for the year?
- b) If available, please update Tables 3-2, 3-3 and 3-4 to reflect actual data for 2012. If complete data is not available for 2012, please provide an update for the 2012 figures to reflect actual data for as many months as are available for 2012, along with the forecast for the remaining months of 2012.

3.0 Energy Probe # 19

Ref: Exhibit 3, Tab 2, Schedule 1

Did IHDSL try to incorporate any other explanatory variables, other than those shown on page 7? If no, please explain why not. If yes, please indicate what other explanatory variables were investigated and state why they were not included in the final version of the equation.

3.0 Energy Probe # 20

Ref: Exhibit 3, Tab 2, Schedule 1

Please update Table 3-7 to show historical data for 2012. If actual data for all of 2012 is not yet available, please provide a forecast for 2012 based on as many months of actual data as is currently available, along with a forecast for the remaining months in 2012.

3.0 Energy Probe # 21

Ref: Exhibit 3, Tab 3, Schedule 3

- a) Please provide a version of Table 3.3.9 that excludes OPA revenue and costs (in accounts 4375 and 4380, respectively) and regulatory accounts interest (account 4405).**
- b) Please provide the most recent year-to-date figures for 2012 in the same level of detail as shown in Table 3.3.9 requested in part (a) above. Please also provide the corresponding figures for the same year-to-date period in 2011.**
- c) Please provide a breakdown of accounts 4375 and 4380 into revenues and expenses for water billing services and the Interco management fee. Please also provide actual data in the same level of detail for 2012, or the most recent year-to-date period available for 2012.**

EXHIBIT 4 – OPERATING COSTS

4.0 Energy Probe # 22

Ref: Exhibit 4, Tab 1, Schedule 1

- a) Please provide the most recent year-to-date expenses available for 2012 in the same level of detail as shown in Table 4.1. Please also provide the corresponding figures for the same year-to-date period in 2011.**
- b) What is the impact on the OM&A costs if the 2013 inflation rate of 3% (page 12) is reduced to 2%?**

4.0 Energy Probe # 23

Ref: Exhibit 4, Tab 2, Schedule 2

- a) Please provide the most recent year-to-date actual expenses for 2012 and the corresponding figures for the same period in 2011 for each of the accounts shown in Tables 4.6 through 4.10.**
- b) Please explain the significant increases in meter expenses (account 5065) in both 2012 and 2013.**
- c) Please explain the increase of more than \$108,000 in miscellaneous distribution expenses (account 5085) between 2012 and 2013.**
- d) Please explain the increase in maintenance of overhead conductors and devices (account 5125) between 2012 and 2013.**
- e) Please explain the \$50,000 increase in maintenance of line transformers (account 5160) between 2012 and 2013.**
- f) Please explain the \$96,000 increase between 2012 and 2013 in customer billing (account 5315).**
- g) Please explain the increase of 33% between 2012 and 2013 for bad debt expense (account 5335).**

4.0 Energy Probe # 24

Ref: Exhibit 4, Tab 2, Schedule 4

Does the management category shown in Table 4.16 include members of the Board of Directors? If yes, please provide a version of Table 4.16 that separates the Board of Directors from management in the table.

4.0 Energy Probe # 25

Ref: Exhibit 4, Tab 2, Schedule 6

- a) Please confirm that IHDSL's 2009 rates were set based on the use of the half year methodology for capital additions in the current year.**
- b) Please confirm that IHDSL has used the half year methodology for all years while under IRM.**
- c) Please explain the reduction of \$639,864 shown at the bottom of the table in Appendix 2-CH. Please also explain the difference between Appendix 2-CH and Table 2.38.**

4.0 Energy Probe # 26

Ref: Exhibit 4, Tab 3, Schedule 1

Please confirm that the Ontario Income Tax rate shown in Table 3.2 for the 2012 and 2013 years is actually 11.50%.

4.0 Energy Probe # 27

Ref: Exhibit 4, Tab 3, Schedule 2

- a) Please confirm that the CCA schedule for 2012 reflects A UCC opening balance that is consistent with the actual closing balance from the 2011 tax filing.**
- b) Please explain why IHDSL has included computer hardware in CCA class 10 rather than in class 50 in both 2012 and 2013.**
- c) Please confirm that in the 2011 tax filing, IHDSL included computer hardware additions in CCA class 50.**

- d) Please provide revised CCA schedules for 2012 and 2013 where the computer hardware additions for both 2012 and 2013 are put into CCA class 50 instead of class 10.

4.0 Energy Probe # 28

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

- a) Please explain the difference in Tables 3.3 through 3.6 in Exhibit 4, Tab 3, Schedule 2 and Tables 4.4 through 4.7 in Exhibit 4, Tab 4, Schedule 3.
- b) Which set of tables has been used to calculate the CCA and CEC deductions for PILs purposes in 2013?

4.0 Energy Probe # 29

Ref: Exhibit 4, Tab 3, Schedule 1

- a) Did IHDSL 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 IHDSL claimed any of the tax credits noted above in part (a)? If not, please explain why not. If yes, please quantify.
- c) Has IHDSL claimed any other tax credits, other than those noted in part (a) above? If yes, please quantify.

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5.0 Energy Probe # 30

Ref: Exhibit 5, Tab 1, Schedule 1

- a) What is the impact on the revenue deficiency of reducing the return on equity from 9.12% to 8.93% as set in accordance with the Cost of Capital Parameter Updates for 2013 Cost of Service Applications issued by the OEB on November 15, 2012?
- b) Please confirm that the 2.087% shown on line 11 on page 2 should be 2.08%.

5.0 Energy Probe # 31

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

- a) Please reconcile the further increase in the demand load of \$8.0m for the 2013 capital projects noted on page 2 of Exhibit 5, Tab 1, Schedule 1 with the demand loan shown in Table 5.1.3 in Exhibit 5, Tab 1, Schedule 2 with an issuance date of January 1, 2013 in the amount of \$13,843,930.**
- b) Please explain how the amount of \$13,843,930 for the demand loan noted above was determined.**
- c) Please indicate how the rate of 5.0% was determined as the forecast for the \$13,843,930 demand loan.**
- d) Please confirm that the loan of \$3,805,466 with an issuance date of March 14, 2012 and an interest rate of 4.05% reflects an actual loan and not a forecast.**
- e) Please explain why the debenture from the Town of Innisfil is not considered an affiliate loan?**
- f) Please provide a copy of the debenture from the Town of Innisfil, along with all amendments made to the debenture.**
- g) Please explain why IHDSL is forecasting the issuance of a demand loan on January 1, 2013 rather than a long term debt instrument?**
- h) Please explain why IHDSL is forecasting the issuance of a loan in 2013 from the Toronto Dominion bank rather from Infrastructure Ontario.**
- i) What are the current rates available from Infrastructure Ontario for term loans of 5, 10, 20 and 30 years?**

5.0 Energy Probe # 32

Ref: Exhibit 5, Tab 1, Schedule 2

The tables for 2012 and 2013 shown on page 4 of Exhibit 5, Tab 1, Schedule 2 show a variable rate demand loan of \$5,481,662 at a rate of 4.50% for 2012 and a variable rate demand loan of \$13,843,930 at a rate of 5.0% for 2013.

- a) Please confirm that the variable rate loan shown for 2012 is subsumed in the variable rate loan shown for 2013. If this cannot be confirmed, please explain where this \$5,481,662 loan in 2012 has gone in 2013.
- b) Please provide a copy of the loan agreement for the \$5,481,662 shown for 2012, along with any amendments made to the loan.
- c) If the \$13,843,930 demand loan has a variable rate, please explain why the Board's deemed long term debt rate would not be the ceiling applicable to the loan.
- d) What are the terms upon which the demand loan can be called?
- e) Please update the tables on page 4 for both 2012 and 2013 to reflect any changes necessary to reflect actual loan agreements in place as of the current time.

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6.0 Energy Probe # 33

Ref: Exhibit 6, Tab 1, Schedule 1

Please reconcile the figures of \$761,836 and \$787,625 shown on page 1 with the figures shown in the 2013 Test Existing Rates column of Table 6.1.1 and with the gross revenue deficiency of \$761,836 shown in the Revenue Requirement Workform.

EXHIBIT 7 – COST ALLOCATION

7.0 Energy Probe # 34

Ref: Exhibit 7, Schedule 1

- a) Is IHDSL aware of any other distributor that has billing weighting factors for the other rate classes that are significantly below the level for the residential class as IHDSL is proposing in the table on page 3?
- b) What are the resulting revenue to cost ratios if the billing weighting factors were maintained at the default weighting factors? Please provide a table that shows the revenue to cost ratios using these default weighting factors and the weighting factors proposed by IHDSL.

- c) Please confirm that based on the middle table on page 3, IHDSL has made the assumption that it takes the same amount of time to bill one residential customer as it does one GS < 50, one GS > 50, one street light, one USL and one sentinel light customer. Please provide the rationale for this assumption.

7.0 Energy Probe # 35

Ref: Exhibit 7, Schedule 2

- a) Please explain why the figures in the Output O1 - Cost Allocation Model shown on page 2 of Exhibit 7, Schedule 2 do not match the Output O1 sheet from the Excel version of the cost allocation model that was filed.
- b) Please explain why the figures in the Output O1 - Cost Allocation Model shown on page 2 of Exhibit 7, Schedule 2 do not match the figures in the third table on page 3 of the same exhibit.

EXHIBIT 8 - RATE DESIGN

8.0 Energy Probe # 36

Ref: Exhibit 8, Tab 3, Schedule 1

Please explain how the LV cost of \$509,329 for 2013 has been calculated.

8.0 Energy Probe # 37

Ref: Exhibit 8, Tab 5, Schedule 1

- a) If available at the time of the filing of the interrogatory responses, please update Table 8.11 to include actual 2012 data, including the SFLF calculation based on actual 2012 purchases from the IESO and Hydro One.
- b) Given the unusual loss in 2008, does IHDSL believe it would be more reasonable to use a 3 year average (2009 through 2011) than the 5 year average to calculate the loss factor? If no, please explain why not.

8.0 Energy Probe # 38

Ref: Exhibit 8, Tab 6, Schedule 1

- a) **Is IHDSL proposing any rate mitigation measures for the Sentinel Light class?**
- b) **Please confirm that the impact per month of the total bill increase of 13.59% for the Sentinel Light class is an increase of about \$10 per month.**

8.0 Energy Probe # 39

Ref: Exhibit 8, Tab 8, Schedule 3 & Appendix B

- a) **Is the GEA rate adder of \$0.5233 a per customer per month charge or a per kWh charge or something else?**
- b) **Appendix B shows the residential GEA rate adder rider as \$0.5233 per kWh while for the GS < 50 and GS > 50 classes it is shown as a charge of \$0.5233 per month. Please reconcile.**
- c) **Please confirm that IHDSL proposes to change the microFIT rate to \$5.40 per month.**

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9.0 Energy Probe # 40

Ref: Exhibit 9, Tab 3, Schedule 1

- a) **The evidence states that the NBV of the stranded meters as of December 31, 2012 is \$359,195 (page 1, line 6). Table 9.10 reflects this same figure, but appears to include accumulated depreciation through to the end of March, 2013. Please reconcile.**
- b) **Please explain why there are no proceeds on disposition associated with the stranded meters. Was there any scrap value associated with these meters? If so, how has it been accounted for?**
- c) **What type of data did IHDSL utilize to allow it to determine the allocation of the stranded meters by rate class?**