

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.

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

February 1, 2013

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

**ENERGY PROBE RESEARCH FOUNDATION
SUPPLEMENTAL INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1.0 Energy Probe # 40

**Ref: 1.0 Energy Probe #1 &
4-SEC-18**

- a) Please explain what is meant by PILs Property Taxes.**
- b) The 2013 property tax expense for 2013 is forecast to be \$33,000. Which of the figures in the table provided should this forecast be compared to?**
- c) Please reconcile the figures provided in the response to the property taxes paid to the Municipality of Brockton shown in the response to 4-SEC-18.**

EXHIBIT 2 – RATE BASE

2.0 Energy Probe #41

Ref: 2.0 Energy Probe #2

- a) How many months of actual capital additions are reflected in the response provided?**
- b) Please provide a similar continuity schedule for 2012 as that provided, but based on MIFRS rather than CGAAP, but based on the same modified forecast.**
- c) Please confirm that the figures shown in the response for 2012 are identical to those forecast for 2012 in the original application with the exception that there are no costs shown in the update for distribution station equipment.**
- d) Has the distribution station equipment project been delayed to 2013 or to some future year? Are there any impacts on the 2013 capital additions forecast of the removal of the distribution station equipment costs in 2012?**

2.0 Energy Probe #42

Ref: 2.0 Energy Probe #3

a) Please confirm the figures in the following table, and provide a corrected set of tables if necessary.

Contributions & Grants

OEB Account	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1830 Poles, Towers and Fixtures	28,826	92,493	225,706	52,021	65,797	36,978	35,359
1835 Overhead Conductors and Fixtures	479,406	146,887	248,556	52,371	66,782	45,478	43,859
1840 Underground Conduit	0	0	0	0	0	12,972	12,567
1845 Underground Conductors & Devices	-136,971	94,973	205,756	34,594	157,042	93,391	90,961
1850 Line Transformers	55,142	318,036	423,828	42,799	166,552	177,765	169,665
1855 Services (Overhead & Underground)	305,861	217,250	114,814	103,831	142,403	41,832	41,022
1860 Meters	<u>-54,715</u>	<u>22,777</u>	<u>45,697</u>	<u>1,997</u>	<u>34,144</u>	<u>25,445</u>	<u>24,230</u>
Total	677,549	892,416	1,264,357	287,613	632,720	433,861	417,663

Gross Additions

OEB Account	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1830 Poles, Towers and Fixtures	194,258	284,012	591,965	682,475	542,315	888,906	958,578
1835 Overhead Conductors and Fixtures	622,265	325,395	664,081	726,856	673,323	838,997	893,675
1840 Underground Conduit	389,798	113,840	72,699	35,403	338,350	290,681	409,989
1845 Underground Conductors & Devices	695,407	523,410	2,435,317	632,803	551,064	454,468	505,661
1850 Line Transformers	624,935	699,162	29,689	100,985	507,270	592,656	627,227
1855 Services (Overhead & Underground)	277,646	356,816	344,648	250,877	473,444	637,257	658,066
1860 Meters	<u>197,357</u>	<u>151,290</u>	<u>82,373</u>	<u>98,375</u>	<u>170,518</u>	<u>38,652</u>	<u>316,432</u>
Total	3,001,666	2,453,925	4,220,772	2,527,774	3,256,284	3,741,617	4,369,628

Ratio of Contributions to Gross Additions

OEB Account	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1830 Poles, Towers and Fixtures	14.8%	32.6%	38.1%	7.6%	12.1%	4.2%	3.7%
1835 Overhead Conductors and Fixtures	77.0%	45.1%	37.4%	7.2%	9.9%	5.4%	4.9%
1840 Underground Conduit	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	3.1%
1845 Underground Conductors & Devices	-19.7%	18.1%	8.4%	5.5%	28.5%	20.5%	18.0%
1850 Line Transformers	8.8%	45.5%	1427.6%	42.4%	32.8%	30.0%	27.1%
1855 Services (Overhead & Underground)	110.2%	60.9%	33.3%	41.4%	30.1%	6.6%	6.2%
1860 Meters	<u>-27.7%</u>	<u>15.1%</u>	<u>55.5%</u>	<u>2.0%</u>	<u>20.0%</u>	<u>65.8%</u>	<u>7.7%</u>
Total	22.6%	36.4%	30.0%	11.4%	19.4%	11.6%	9.6%

- b) Please explain the significant declines in the ratios forecast for 2012 and 2013 relative to the actual ratios for 2007 through 2011 for accounts 1830, 1835, 1855 and 1860.

2.0 Energy Probe #43

**Ref: 2.0 Energy Probe #4 &
Exhibit 2, Tab 3, Schedule 3, Attachment 1, page 7**

WPI indicates that the stranded meters have been removed from rate base in 2013. The 2013 continuity schedule shown in page 7 of Attachment 1 to Exhibit 2, Tab 3, Schedule 3 shows a net book value at the end of 2013 for non-smart meters of \$1,026,657. Please explain what this net book value is associated with, in terms of the meters that are still in use by rate class, etc. How much of this total net book value is associated with wholesale meters?

2.0 Energy Probe # 44

Ref: 2.0 Energy Probe #2 & #5 & #6

- a) Please confirm that the response to 2.0 Energy Probe #5 that the Hanover MS1 Reactor Installation and the Harriston T2 Upgrade were not completed in 2012 is reflected in the response provided to 2.0 Energy Probe #2.
- b) Please explain why the 2012 total additions to tools, shop and garage expenditures noted in the response to 2.0 Energy Probe #6 does not appear to be reflected in the response to 2.0 Energy Probe #2.

2.0 Energy Probe # 45

Ref: 2.0 Energy Probe #7

- a) Please explain the increase shown for meters in 2013 between the original forecast of \$280,648 and the known revisions for 2013 as shown of \$460,648 in the non-budgeted work orders on page 7 of the response to 2.0 Energy Probe #7.
- b) Please confirm that all the other increases shown in 2013 from that originally forecast are based on projects deferred from 2012 to 2013.
- c) Please provide updated continuity schedules in both CGAAP and MIFRS format for each of 2012 and 2013 based on the actual YTD and forecast to year end columns shown in the response.

EXHIBIT 3 – OPERATING REVENUE

3.0 Energy Probe #46

**Ref: 3.0-Staff-13c &
3.0-VECC-12**

- a) Did WPI attempt to model purchases using the local employment data? If yes, please provide the model. If no, please provide a model using local employment data in place of Ontario data.**
- b) Has WPI done any analysis to support the conclusion that Ontario employment data is a good proxy for economic activity in the WPI service area?**

3.0 Energy Probe #47

Ref: 3.0 Energy Probe #12

- a) Please confirm that the WPI equation has two residuals (difference between monthly actual and forecasted data) that exceed 4,000,000 kWhs - one in October, 2008 and one in October, 2010.**
- b) Does WPI have any information related to its customers, and in particular its GS >50 kW customers, that might explain these two outliers, such as temporary plant shutdowns, strikes, etc.?**
- c) For the month of October of each year used in the model estimation, please provide the actual GS > 50 kWh consumption.**
- d) Please re-estimate the WPI model by including a dummy variable that has a value of 1 in each of October, 2008 and October, 2010 and a value of 0 in all other months. Please provide the regression equation statistics and the forecast for 2013 that results from this equation.**
- e) Is it possible, in the view of WPI, that the trend variable in the equation requested in Energy Probe interrogatory #12 is a proxy for conservation? If not, why not?**
- f) Please provide a graph similar to the one provided in the interrogatory response (page 65), but change the trend variable to the employment data used in the equation.**

- g) Please provide a graph similar to the one provided in the interrogatory response (page 66), but include the original WPI forecast, the forecast from the equation requested in part (d) above and the forecast from the equation requested in Energy Probe # 12.
- h) The interrogatory response indicates that the Durbin-Watson statistic of 1.28 for the EP model is below the threshold of the D-W statistic for a regression with the number of specified regressors and observations. Please provide the number of observations (n) and the number of regressors (k), along with lower and upper figures (d_L and d_U) and the level of significance that supports this conclusion.

3.0 Energy Probe #48

Ref: 3.0-Staff-18

Please provide a revised version of Appendix 2-F that excludes interest income associated with regulatory asset accounts and OPA CDM related revenues and expenses.

EXHIBIT 4 – OPERATING COSTS

4.0 Energy Probe #49

Ref: 4.0 Energy Probe #23b

Part (b) of the question was meant to reference the 2013 test year. Has WPI claimed any of the tax credits noted in the response to part (a), in the 2013 PILs calculation? If not, why not. Please quantify the amount of the credits available for the 2013 year.

4.0 Energy Probe #50

Ref: 4-SEC-17

The updated Appendix 2-K shows total compensation costs for 2012 (actual) of \$2,860,409 while the MIFRS forecast for 2012 was \$3,081,763.

- a) Are the actual expenditures for 2012 directly comparable to the 2012 MIFRS forecast for the components up to and including the total compensation line?

- b) Please confirm that the amount charged to OM&A under CGAAP is approximately \$235,000 less on an actual basis than that charged on the forecast basis (i.e. \$1,555,367.75 vs. \$1,790,920).

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5.0 Energy Probe #51

**Ref: 5.0 Energy Probe #25 &
5.0-Staff-31c**

- a) Please explain the source of the 4.08% rate on all affiliate debt stated by WPI in the response to part (c) of 5.0-Staff-31.
- b) Please provide an updated Appendix 2-OB that reflects the updated calculation used by WPI in the calculation of the long-term debt rate of 5.28%.

5.0 Energy Probe #52

Ref: 5.0 Energy Probe #28 & Appendix 2-OB

Please reconcile the interest rates shown on the first two CIBC loans shown in Appendix 2-OB, both with start dates in 2007, or 6.13% and 6.18% respectively with the CIBC loans shown in the table provided in the response to 5.0-Energy Probe #28 of 6.09% and 5.97%. Please explain the apparent increase in the rates related to these loans.