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Ontario

BY E-MAIL

November 18, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: PowerStream Inc. ("PowerStream")
2014 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2013-0166

In accordance with Procedural Order #1, please find attached Board Staff's interrogatories in the above noted proceeding. The applicant and all intervenors have been copied on this filing.

PowerStream's responses to interrogatories are due on December 2, 2013.

Yours truly,

Original Signed By

Stephen Vetsis
Analyst – Applications & Regulatory Audit

Encl.

Board Staff Interrogatories
2014 IRM Rate Application
PowerStream Inc. ("PowerStream")
EB-2013-0166

Manager's Summary

Board Staff Interrogatory No. 1

Ref: Application, Manager's Summary - page 9

On page 9 of the Manager's Summary, PowerStream states:

> The Price Cap index of 0.98% is calculated in the Board's Rate Generator model, based on the preliminary 4th GIRM parameters. PowerStream recognizes that certain parameter values, including the price escalator (GDP-IPI) of 2.0%, Total Productivity Factor ("TPF") of 0.72% and the stretch factor of 0.3% are proxy values that will be adjusted to the Board approved values at the time of preparing the 2014 rate order.

a) Please confirm that PowerStream intends to update its calculation of the ICM threshold to reflect updates to the Board's price cap adjustment parameters for 2014 rates.

Green Energy Act ("GEA") Deferral Accounts

Board Staff Interrogatory No. 2

Ref: Application, Manager's Summary - page 32

On page 32 of the Manager's Summary, PowerStream states the following regarding the GEA plan filed with its 2013 cost of service application:

> PowerStream had filed for GEA funding rate adders based on the planned spending but this request was withdrawn at the request of Board Staff and intervenors who felt that a detailed Green Energy Plan was needed, rather than the Basic Green Energy Act Plan filed by PowerStream, if funding adders were to be approved. In the absence of funding adders, PowerStream seeks approval to dispose of certain GEA deferral accounts based on the actual balances as at December 31, 2012.

a) Please confirm whether or not PowerStream is proposing to dispose of the GEA deferral accounts on a final basis. If so, please explain why in PowerStream's view it would be reasonable for the Board to dispose of the accounts in the absence of a prudence review.
b) If not, were the Board to approve the use of funding adders, would PowerStream accept the disposition of costs requested in this application, subject to a future prudence review in its next cost of service application?

Board Staff Interrogatory No. 3

Ref: Application, Manager's Summary - pages 34 and 35
Ref: Application, Appendix M - page 7
Ref: Application, EB-2012-0161 - Ex. B1/T. 1/Sch. 5, pages 13 - 23

On page 34 of the Manager's Summary, PowerStream indicates that is seeks to update its compensation claim for Renewable Generation Connection Rate Protection ("RGCRP"). PowerStream states that its request for 2014 has been updated to include:

- the revenue requirement for the eligible investments made in 2012 for the years 2012, 2013 and 2014, taken from the model attached as Appendix M; and
- the 2014 revenue requirement on the eligible investments made up to the end of 2011, taken from the model filed and approved in 2013 (see Appendix N).

On page 7 of Appendix M of the Application, PowerStream shows investments for renewable generation connections in 2012. The table indicating investments and the amounts eligible for RGCRP is reproduced below.

Calculation of Direct benefits

		Actual 2012	Direct Benefit	Eligible Amount
Capital spending			6%	
WiMax Communication Network		$ 254,459	$ 15,268	$ 239,191
CIS modifications for FIT		$ 33,067	$ 1,984	$ 31,083
Fault Level Reduction and Station programming		$ 354,973	$ 21,298	$ 333,675
Total		**$ 642,499**	**$ 38,550**	**$ 603,949**

On pages 13 - 22 of Ex. B1/T. 1/Sch. 5 of PowerStream's 2013 cost of service application, PowerStream describes a project to update its CIS system that was included in its capital expenditures for 2012 and 2013.

a) Please provide an overall description, a breakdown of the costs, as well as, a description of the nature of the costs for the three projects indicated in the above table, and on page 7 of Appendix M. In the description, please indicate PowerStream's procurement process for selecting vendors and 3rd party service providers, as well as, the nature of the services/products procured.
b) Please confirm whether or not the costs for CIS modifications for FIT customers are incremental to CIS upgrade costs approved in rates in PowerStream's 2013 cost of service application.

Board Staff Interrogatory No. 4

Ref: Application, Manager's Summary - pages 35 and 38

On page 35 of the Manager's Summary, PowerStream shows a balance in account 1535 Smart Grid OM&A of $803,499. On page 38 of the Manager's Summary, PowerStream states:

> Smart grid OM&A costs consists of costs for employees on the Smart Grid team, consultant costs and costs related to knowledge gathering and sharing activities (conferences, trade shows, meetings, training). Some of the main activities are discussed below.

No further details or breakdown of the OM&A costs related to smart grid are provided. The $803,499 in OM&A requested for disposition represents that vast majority of the $840,791 total revenue requirement for Smart Grid activities that PowerStream is proposing to recover through the Smart Grid Cost Disposition Rate Rider.

a) Please provide a detailed break-down of the Smart Grid OM&A costs sought for recovery for each of the Smart Grid activities indicated in the Manager's Summary.
b) Where OM&A costs were for the services of external parties (e.g. consultants) please describe the methods and considerations used to procure their services.
c) Where OM&A costs are for PowerStream employees, please explain the nature of the costs and how they are incremental to costs built in base rates.

Incremental Capital Module

Board Staff Interrogatory No. 5

Ref: Manager's Summary - page 12
Ref: Application, EB-2012-0161 - Ex. B1/T.1/Sch.6, pages 30 - 33

On page 12 of the Manager's Summary, PowerStream states:

> PowerStream's process is to prepare a two-year capital budget and a five year capital plan each year. The last approved capital budget was for the 2013 and 2014 calendar years. Once the 2013 and 2014 Capital Budget is approved by the Executive and the Board of Directors, the 2013 portion becomes the capital plan for 2013. The 2014 portion represents the best information at the time as to what capital work will need to be done in 2014.
>
> As part of its annual capital planning and budgeting process in 2013, PowerStream updates the five year capital plan for 2014 to 2018. The updated five year capital plan and the 2014 portion of the 2013-2014 capital budget is then the starting point for the 2014-2015 capital budget build.

On pages 30 through 33 of Exhibit B1, Tab 1, Schedule 6 of PowerStream's last cost of service application, PowerStream provided a discussion of its forecast capital expenditures in 2014 and 2015, as compared to, 2013. On page 31 PowerStream indicated total capital expenditures of approximately $114M in 2013 and $116M in 2014. PowerStream also noted expected total capital expenditures of approximately $121M in 2015.

a) Given that PowerStream had expected relatively consistent capital expenditures in both 2013 and 2014, in its last cost of service application, please explain the changes in circumstances that have led to PowerStream filing for additional capital funding in 2014.
b) Please provide the total updated capital budget forecast for 2014, including a break-down of the discretionary work into major capital projects.
c) In its last cost of service application, PowerStream had forecast a slight increase in capital spending for 2015. Based on its current five year capital plan and two-year capital budget, is PowerStream anticipating that it will seek additional capital funding in its 2015 rate application?

Board Staff Interrogatory No. 6

Ref: Application, Manager's Summary – pages 12, 13 and 16

On pages 12 and 13 of the Application, PowerStream states:

> For the purposes of this application, PowerStream has concentrated its efforts on identifying the non-discretionary projects that will be included in the final 2014 capital budget.
>
> PowerStream cannot provide a list of 2014 discretionary capital with any certainty at this time. The discretionary capital list will be finalized once the results of the IRM/ICM process are known and PowerStream understands the capital funding that is available.

On page 16 of the Application, PowerStream states:

> If PowerStream does not obtain the requested ICM funding, it will have to reconsider the amount of capital spending and adjust to maintain its financial stability. This may result in deferring some of the capital work that needs to be done to maintain the distribution system at the current level of reliability and prevent further degradation.

a) Please provide PowerStream's best estimate of its discretionary capital budget, at this time. Please include brief descriptions of the types of activities that would be undertaken.
b) Please discuss the impact on PowerStream's system planning were the Board to not approve PowerStream's ICM request.
c) Were the Board to approve only a sub-set of eligible capital projects for ICM funding, please provide a list prioritizing the projects for which PowerStream is seeking additional capital funding.

Board Staff Interrogatory No. 7

Ref: Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, EB-2007-0673, September 17, 2008 – page 31

On page 31 of the Supplemental Report on 3rd Generation IRM, the Board states the following regarding the use if the ICM:

> The intent is not to have an IR regime under which distributors would habitually have their CAPEX reviewed to determine whether their rates are adequate to support the required funding. Rather, the capital module is intended to be reserved for unusual circumstances that are not captured as a Z-factor and where the distributor has no other options for meeting its capital requirements within the context of its financial capacities underpinned by existing rates.

Board staff notes that the ICM has evolved to the extent that "unplanned" is no longer a criteria for an ICM project. However, with the exception of one unique case (e.g. Toronto Hydro), most ICM projects approved have been for unusual projects, such as entire transformer station replacements/rebuilds.

a) Please discuss how PowerStream's ICM request is consistent with the Board's interpretation of the use of the ICM, as set out in the Supplemental Report on 3rd Generation IRM.

Board Staff Interrogatory No. 8

Ref: Application, Appendix G-2 - pages 1 - 7

On page 4 of Appendix G-2 of the Application, PowerStream states:

> The cables that are identified for replacement are direct buried cables. The direct buried cables are being replaced with new cable that will be installed in ducts. Ducts provide mechanical protection against external factors in the future, cables can be pulled out from the duct and replaced more easily than replacing a direct buried cable.

a) Please confirm whether or not the proposed replacement of direct buried cable with new cable installed in ducts is for main feeders exclusively, or if PowerStream intends to install express feeders in ducts, as well.

Board Staff Interrogatory No. 9

Ref: Application, Appendix G-5 - pages 1 - 10

On pages 1 through 10 of Appendix G-5 of the Application, PowerStream summarizes two system capacity relief projects in Barrie and Richmond Hill. PowerStream notes that these projects are to provide additional capacity to areas that are currently at capacity and are expecting significant loads to be energized in the near term. The two projects total $3.9M.

a) Please confirm whether or not the requested capital funding of $3.9M is net of any capital contributions that will be provided by developers in Richmond Hill and Barrie. If not, please indicate the anticipated amounts of capital contributions that will be required, if any.

Board Staff Interrogatory No. 10

Ref: Application, Appendix H-3 - pages 3 and 4

On page 3 of Appendix H-3 of the Application, PowerStream states it is in the second year of a ten year program to replace the first generation of IConF type Sensus smart meters deployed in 2007. PowerStream noted that there were 85,000 meters of this type that are currently deployed. On page 4 PowerStream notes that "as the Regional Network Interface (RNI) receives annual firmware upgrades, at some point it will no longer support the IConF meter.

a) Has PowerStream contacted the vendor to determine how long the IConF meters will continue to be supported with firmware updates? If so, what response did PowerStream receive?
b) How many meters is PowerStream proposing to replace per year?
c) PowerStream is replacing meters that are currently reflected in rate base and that have a significant remaining useful life. How do PowerStream's estimated $196,100 in meter upgrade costs reflect these factors?

Board Staff Interrogatory No. 11

Ref: Application, Appendix H-4 - page 5

Table 1 from Appendix H-4 of the Application, summarizing the historical expenditures for each of the categories of emergency replacement work, is reproduced below.

Table 1: Historical Expenditures

Year	2013 Budget	2012 Actual	2011 Actual	2010 Actual
Poles, Conductors and Devices, Transformers	$ 6,640,392	$5,135,602	$6,680,567	$6,418,993
Major Storms and Accidents	$1,347,684	$1,392,799	$685,238	$427,289
Switching Equipment	$1,702,109	$1,806,249	N/A	N/A
Station Assets	$518,086	$540,706	$244,928	$102,726
TOTAL	$10,208,271	$8,875,356	$7,610,733	$6,949,008

On page 5 of Appendix H-4, PowerStream states that "forecast expenditures for the replacement work are determined based on historical expenditures." Table 2, reproduced below from Appendix H-4, summarizes PowerStream's expected budget for emergency replacement work in 2014.

Table 2: 2014 Budget	
Poles, Conductors and Devices, Transformers	$5,229,149
Major Storms and Accidents	$1,307,712
Switching Equipment	$1,687,130
Station Assets	$497,420
TOTAL	$8,721,411

a) Why does PowerStream not provide any historical expenditures for the Switching Equipment class of replacement work in 2011 and 2012?
b) Please provide further details on the methodology PowerStream uses to translate its historical emergency replacement costs to expected amounts for 2014. Please provide actual costs to date in 2013, for PowerStream's emergency replacement work.
c) In Appendix G-1, PowerStream provides details regarding its Pole Replacement Program along with an estimated budget of $4.75M for 2014. Please provide the actual historical costs for PowerStream's pole replacement program from 2013 to 2010. Please explain the distinction between what work is classified as part of the pole replacement program and what is considered an emergency replacement. Please confirm that there is no overlap between the requested costs for the two programs.
d) PowerStream experienced a significant jump in historical costs related to major storms and accidents between 2011 and 2012. Please explain the reasons for the jump between those two historical years. PowerStream maintained the 2012 level of costs in its 2013 budget. Please comment on whether or not PowerStream has experienced similar levels of actual emergency replacement work in 2013.
e) Similar to d) PowerStream experienced a jump in historical costs related to station assets between 2011 and 2012. Please summarize the reasons for the jump and whether or not PowerStream has experienced similar levels of actual emergency replacement work for station assets in 2013.

Incremental Capital Workform

Board Staff Interrogatory No. 12

Ref: 2014 Incremental Capital Workform - Sheet C1.1

A section of sheet C1.1 of the 2014 Incremental Capital Workform is reproduced below.

Load Actual - 2012 Actual

Rate Class	Fixed Metric	Vol Metric	Billed Customers or Connections A	Billed kWh B	Billed kW C
Residential	Customer	kWh	301,603	2,765,593,704	0
General Service Less Than 50 kW	Customer	kWh	30,636	1,019,490,760	0
General Service 50 to 4,999 kW	Customer	kW	4,687	4,581,886,335	12,165,749
Large Use	Customer	kW	1	26,670,727	81,464
Standby Power	Connection	kW	0	0	0
Unmetered Scattered Load	Connection	kWh	2,816	12,933,395	0
Sentinel Lighting	Connection	kW	117	413,091	1,071
Street Lighting	Connection	kW	81,933	60,734,607	165,019

PowerStream's RRR 2.1.5 filing for the 2012 year shows the following values:

Rate Class	Billed Customers or Connections	Billed kWh/kW (as applicable)
Residential	304,801	2,772,334,989
GS < 50 kW	30,773	1,019,024,366
GS 50 to 4,999 kW	4,768	12,166,846
Large Use	1	81,464
Unmetered Scattered Load	2,842	12,970,917
Sentinel Lighting	115	1,073
Street Lighting	82,520	167,382

a) Please reconcile the difference between the data provided in the Incremental Capital Workform and PowerStream's 2012 RRR 2.1.5 filing. If the values were entered in error, please indicate the error and Board staff will make the appropriate change to the model.

2014 RTSR Workform

Board Staff Interrogatory No. 13

Ref: 2014 RTSR Workform - Sheet 4

A section of Sheet 4 of the 2014 RTSR Workform is reproduced below.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor
Residential	kWh	2,772,334,986		1.0345
General Service Less Than 50 kW	kWh	1,019,024,366		1.0345
General Service 50 to 4,999 kW	kW		6,730,683	
General Service 50 to 4,999 kW – Interval Metered	kW		5,358,368	
Large Use	kW		159,258	

Board staff is unable to reconcile the non-loss adjusted metered kW for the GS 50 to 4,999 kW and Large Use classes with the values in PowerStream's 2012 RRR 2.1.5 filing (shown in interrogatory above).

a) Please reconcile the difference between the data provided in the RTSR Workform and PowerStream's 2012 RRR 2.1.5 filing. If the values were entered in error, please indicate the error and Board staff will make the appropriate change to the model.