BOARD STAFF INTERROGATORIES
ORANGEVILLE HYDRO LIMITED ("OHL")
2014 ELECTRICITY DISTRIBUTION COST OF SERVICE RATES

January 17, 2014

1. Foundation

1.1 Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.1-Staff-1

Ref: E2/T5/S4 p. 1 – Overview of Distribution System Plan ("DSP") (Adobe p. 247)

On page 1 of E1/T5/S4 in OHL overview over the DSP, OHL states that although no formal Asset Management Plan was included in OHL's 2010 rebasing application, OHL provided the Hatch Asset Condition Report at that time. OHL further states that OHL applied the asset condition assessment report as well as existing Asset Management Practices to draft an Asset Management Plan prior to the issuance of the Renewed Regulatory Framework ("RRWF"). OHL also notes that its Asset Management Process has been developed within the renewed regulatory framework and the Chapter 5 filing requirements. Board staff notes that OHL has not provided a copy of the Asset Management Plan.

a. Please provide a copy of the Asset Management Plan or any other relevant documents of the ASI Asset Management Process.
b. Please provide a copy of the most recent Asset Condition Assessment which forms the basis for assessments of equipment life, whether it is the Hatch report or a later report.
c. If the Hatch report is the latest, explain why OHL has not obtained an updated report.

1.1-Staff-2

In late December 2013, many parts of southern Ontario experienced a significant ice storm.

a. Please identify any impacts that the Applicant estimates that the December 2013 ice storm has had or will have on the test year capital and OM&A budget levels (e.g., in terms of infrastructure replacement or maintenance and vegetation management).
b. Will the Applicant be updating its Application in light of this event? If so, by when does it intend to file any updated evidence?

1.2 Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

1.2-Staff-3

Ref: E1/T2/S1, pp. 1-2

On pages 1-2 of E1/T2/S1 of its Application OHL describes its customer engagement activities, especially its energy conservation efforts. Chapter 2 of the Filling Requirements states that "the RRFE Report contemplates **enhanced** engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations."

a. Please describe the difference between customer engagement conducted in preparation for the current application and previous customer engagement.
b. Please explain how customer engagement has been enhanced.

1.2-Staff-4

Ref: E1/T2/S1, pp. 1-2

On page 1 of E1/T2/S1 OHL mentions workshops/townhall meetings to explain smart meters to customers as well as workshops for manufacturers, commercial and institutional customers to help them understand and manage their bills.

OHL states that "since OHL is owned by municipal shareholders, ultimately the customers are engaged through the shareholders". Chapter 2 of the Filing Requirements states, "Distributors should specifically discuss in the application how their customers were engaged in order to determine their needs. This could include references to any communications sent to customers about the application such as bill inserts, town hall meetings held, or other forms of outreach undertaken to engage customers and explain to them how the application serves their needs and expectations and the feedback heard from customers through these engagement activities."

a. Please explain how customers are engaged through the shareholders on electricity distribution issues specifically.
b. What forms of outreach were employed to explain how the current application serves the needs and expectations of customers, beyond the smart meters costs included in this application?
c. If no further communication, specific to this application was employed, please explain why.

2. Performance Measures

2.1 Does the applicant's performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?

2.1-Staff-5

Ref: E2/T5/S4, p.1 – DSP, Service Quality and Reliability Performance (Adobe p. 465) and 2006 Electricity Distribution Rate Handbook, p. 141, s15.2

OHL shows SAIDI (excluding supply losses) 4 year average of 1.015 and a 2012 value of 1.08. The target indices for 2014 indicate a SAIDI of 1.5 (excluding loss of supply). The Board generally expects LDCs to maintain or improve upon the 3 year average.

a. Please explain why OHL has not been able to maintain or improve its 3year average.
b. Why is OHL anticipating higher outage rate during the 2014 rate year versus the 2012.
c. What steps have been or will be taken to improve OHL's reliability statistics.

3. Customer Focus

3.1 Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

3.1-Staff-6

Ref: E2/T5/S4, DSP, p.4; section 2.6, p. 20 (Adobe p. 270) and section 5.0, p. 27

Chapter 5 of the Filing Requirements states, "A DS Plan filing must demonstrate that distribution services are provided in a manner that responds to identified customer preferences."

OHL has various projects that relate to the conversion from OHL's 4.16kV system to a 27.6kV distribution system. Board staff notes that this often includes the conversion from an overhead system to an underground system.

a. Please explain how these projects are responsive to customer preferences identified through customer engagement.
b. Please state the role of the shareholder in this decision-making process.
c. Please state what other options OHL has considered to provide a cost efficient distribution system.
d. Please state the bill impact for a typical customer of the cost of this project and relate it to the additional value a typical customer will receive as a result of it.

3.1-Staff-7

Ref: E4/T2/S1, pp. 1-3, Appendix 2-L

In Appendix 2-L, OHL shows OM&A costs of $237 per customer, which is an increase of 27% over 2010 Board-approved amount and 10.5% over 2012 actuals. OHL is proposing an increase in total OM&A expenses of 32.4% over 2010 board-approved and 12.8% over 2012 actuals.

a. Please state how OHL compares to other similar utilities.
b. Please discuss the drivers for this increase in further detail, with reference to the Board's inflation factor of 1.7% and its labour/capital composition.
c. Please outline the outcomes and higher level of services that OHL customers will receive for the relatively higher rates they are paying.
d. Please identify any customer engagement that supports the further increases proposed in this application.
e. Please provide the analysis that was performed to assess whether this applicant's planning decisions reflect best practices of Ontario distributors.
f. Please identify any initiatives considered and/or undertaken by the applicant, including any analysis conducted, to optimize plans and activities from a cost perspective, for example, balancing cost levels of OM&A versus capital.
g. The Board's letter of November 28, 2012, established the stretch factor assignments for 2013 rates. The applicant was assigned to Stretch Factor Group 2 out of three groups. On November 21, 2013, the Board established the stretch factor assignments for 2014 rates in the Report of the Board: Rate Setting Parameters and Benchmarking under the renewed Regulatory Framework for Ontario's Electricity Distributors. The applicant was assigned to Group III out of five groups. Please provide details on any initiatives undertaken to improve the applicant's assignment in future years.

3.1-Staff-8

Ref: E4/T2/S1, pp. 1-3, Appendix 2JA

In Appendix 2-JA Orangeville Hydro shows OM&A expenses growing at a compounded annual growth rate of 5.8% with percentage change year over year from 12% (2011), 5% (2012), 4% (2013) and 9% (2014).

	Last Rebasing Year (2010 Board-Approved)	Last Rebasing Year (2010 Actuals)	Variance 2009 BA – 2009 Actuals	2011 Actuals	Variance 2011 Actuals vs. 2009 Actuals	2012 Actuals	Variance 2012 Actuals vs. 2011 Actuals	2013 Bridge Year	Variance 2013 Bridge vs. 2012 Actuals	2014 Test Year	Variance 2014 Test vs. 2013 Bridge
Operations	$ 378,946	$ 392,746	-$ 13,800	$ 433,555	$ 40,809	$ 458,597	$ 25,042	$ 487,141	$ 28,544	$ 507,835	$ 20,694
Maintenance	$ 492,423	$ 425,049	$ 67,374	$ 534,881	$ 109,833	$ 465,329	-$ 69,552	$ 562,725	$ 97,395	$ 616,413	$ 53,688
Billing and Collecting	$ 549,953	$ 523,585	$ 26,369	$ 628,892	$ 105,307	$ 739,649	$ 110,757	$ 712,500	-$ 27,148	$ 741,719	$ 29,218
Community Relations	$ 20,862	$ 18,084	$ 2,778	$ 26,560	$ 8,476	$ 28,170	$ 1,610	$ 21,254	-$ 6,917	$ 17,278	-$ 3,976
Administrative and General	$ 1,216,832	$ 1,280,256	-$ 63,425	$ 1,332,083	$ 51,826	$ 1,407,416	$ 75,333	$ 1,437,088	$ 29,672	$ 1,611,938	$ 174,850
Total OM&A Expenses	$ 2,659,015	$ 2,639,719	$ 19,296	$ 2,955,971	$ 316,252	$ 3,099,161	$ 143,189	$ 3,220,707	$ 121,547	$ 3,495,183	$ 274,476
Adjustments for Total non-recoverable items (from Appendices 2-JA and 2-JB)											
Total Recoverable OM&A Expenses	$ 2,659,015	$ 2,639,719	$ 19,296	$ 2,955,971	$ 316,252	$ 3,099,161	$ 143,189	$ 3,220,707	$ 121,547	$ 3,495,183	$ 274,476
Variance from previous year				$ 316,252		$ 143,189		$ 121,547		$ 274,476	
Percent change (year over year)				12%		5%		4%		9%	
Percent Change: Test year vs. Most Current Actual						12.78%					
Simple average of % variance for all years						32.41%					7%
Compound Annual Growth Rate for all years											5.8%
Compound Growth Rate (2012 Actuals vs. 2009 Actuals)						5.49%					

a) Please identify what improvements in services and outcomes the applicant's customers will experience in 2014 and during the subsequent IRM term as a

result of increasing the provision for OM&A in 2014 at about 1.5 times the annual rate experienced over the 2010-2013 period.

b) How has the applicant communicated these benefits to its customers, and how did customers respond? Please provide some examples, including any customer feedback. If no communications took place, explain why not.

4. Operational Effectiveness

4.1 Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the associated level of revenue requirement requested by the applicant?

4.1-Staff-9

Ref: E2/T5/S4, DSP section 2.6, p. 20 (Adobe p. 270) and section 5.0, p. 27 (Adobe p.

On page 27, OHL states that new construction in both communities (Town of Orangeville and Village of Grand Valley) is mostly underground and notes that this practice began in Orangeville in the 1970's on the 4.16kV system. Board staff notes that this is generally more expensive than using overhead distribution.

a. Please provide any assessment that compared and contrasted the cost of 27.6kV overhead distribution system with a similarly rated underground ducted 27.6kV distribution and provide relevant business cases.
b. Please state what assessments were done to assist in the decision to install an underground system and state if OHL has been mandated by the municipality to convert to an underground system. Please provide any relevant documentation.
c. Please provide a detailed description of how ratepayers/consumers have been consulted in making this choice.

4.1-Staff-10

Ref: E2/T1/S2 p.1 and E2/T5/S4, p.62, s11.4 (Adobe p. 312)

In the first reference OHL noted that OHL underspend on capital projects in 2010 actual vs. board-approved and that this was partially due to OHL finding a "virtual no-cost remedy and In-home controls that are part of the OPA Peaksaver program" instead of SCADA development. In the second reference OHL concludes that the investment in a SCADA system has been

deferred and that the existing system in place provides "near real time visual notification of all Power Fails, PowerRestores, Voltage Dips and Meter Tampers that are reported by the smart meters". While the Smart Meter provides data, it does not allow for control of facilities, and hence the potential advantages of having the data may not be able to be realised.

a. Please describe what, if any, remote control facilities are in place for 44, 27.6 and 4kV distribution system equipment.
b. What sectionalising facilities are available on the 27.6kV loops to gain advantage in reducing outages?
c. What kinds of projects were judged to be higher priority than the development of a SCADA system and why?

4.1-Staff-11

Ref: E2/T5/S6, Appendix A – OPA Letter of Comment and E2/T5/S4, p. 23, Tables 8 and 9

The OPA suggests that there is 190kW of FIT contracts as recently as July 3 2013, but this doesn't seem to explain the large difference between OPA and OHL in the kW of projects. The following table represents the OHL and OPA reports on Fit and MicroFIT projects:

MicroFit and FIT Contracts

	microFIT		FIT	
	Quantity	kW	Quantity	kW
OHL MicroFIT connected	14	109kW	1	250kW
OHL plans to connect	2	12kW	2	322kW
TOTAL	16	121kW	3	572kW
Per OPA	16	122kW	6	815kW

a. Please reconcile the difference in FIT and microFIT projects between OPA and OHL.

4.1-Staff-12

Ref: E2/T5/S4 – DSP, Project Number B78-2013: First St. – Fifth Avenue 27.6kV Conversion (Adobe p. 380)

In the above reference, under "Coordination" OHL states: "OHL is coordinating this pole work with third party attached to ensure clearances are appropriate and their needs are met."

a. Please identify this third party.
b. Please explain what is meant in this context by "attached".

4.1-Staff-13

Ref: E2/T5/S4 – DSP, Project Number B79-2013: Parkview Heights Transformer Replacement (Adobe p. 382)

OHL has included capital cost of $85K for the replacement of existing transformer assets with 12 new pad mount transformers. OHL stated that these transformer assets have come to the end of life due to exterior corrosion and need to be replaced in 2013 & 2014. Included in this capital expenditure are excavation costs and new concrete vaults.

a. Please explain why completely new excavation and vaults are required for these transformers. Perhaps photographs would help to explain this.
b. Please explain how and why the decision was made to locate the pad mount transformers in underground vaults rather than above ground.
c. Please provide the results of the asset condition assessment which justifies replacing all of the transformers.
d. Please indicate how many transformers of the same specification exist in the OHL system and their ages.
e. Please provide a clear colour photograph of a transformer showing exterior corrosion and holes that pose a risk to the public.
f. Please provide a reliability history of these transformers.
g. Please indicate if the new pad mount transformers were or will be acquired through competitive bidding, or through alternate procedures, and explain.

4.1-Staff-14

Ref: E2/T5/S4 – DSP, Project Number B80-2013: Emma and Douglas Street Pole Line Replacement (Adobe p. 383)

In section C OHL states that “Due to the age and condition of these assets OHL has decided to replace this pole line.” The total project cost is $58K.

a. Please provide a cost-benefit study that supports this project’s capital expenditure.

4.1-Staff-15
Ref: E2/T5/S4 – DSP, Project Number B82-2013: Cooper-George-Parkview-Main St. South Pole Line (Adobe p. 386)

OHL requested a total capital expenditure of $75K for the installation of 22 new wood poles, hardware, and new secondary bus as well as to complete a primary loop.

a. OHL stated that “OHL's annual inspections and staff reports have identified aged assets as well as inadequate clearances and undersized conductors”. Please provide the asset condition assessment highlighting these deficiencies.
b. Under Safety OHL states “the open bus small conductor will be replaced with the appropriate sized insulated conductor”. Please explain that statement.

4.1-Staff-16
Ref: E2/T5/S4 – DSP, Project Number B80-2013: Emma and Douglas Street Pole Line Replacement (Adobe p. 383) and Project Number B50-2011 (Adobe p. 352)

In the first reference OHL refers, in section C to “pole line is difficult to access for maintenance and repair.” This relates to a project to replace 4kV distribution lines which cross the backyards, with underground 27.6kV cables.

a. Please expand upon the difficulties mentioned and how removal of backyard pole lines is likely to reduce maintenance and repair.
b. Please indicate in regard to removal of the backyard pole lines whether this is in response to customer consultation and preferences, and whether that consultation included awareness of the cost of the activity. Please provide details of customer consultations and methods.
c. Indicate how reduced maintenance and repair costs are reflected in the Operational costs.

4.1-Staff-17

Ref: E4/T5/S1, p. 1

OHL states that the 2012 capital cost for its new File Nexus system (total $38,400) has been shared with the municipalities. OHL further notes that it has increased the rate charged to the municipalities over a three year period to recover this capital cost.

a. Please state the amount that is being recovered from the municipalities.
b. Please explain how OHL customers are better served by this program and detail any savings due to efficiencies.
c. Please state how customer feedback was incorporated in the decision to purchase the File Nexus system.

4.2 Are the applicant’s proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?

4.2-Staff-18

Ref: E2/T5/S4, pp. 42-45, tables 20 and 21 (Adobe p. 292-295) and 53-56, tables 29 and 30 (Adobe 303-306)

OHL's DSP shows a significant conversion of OHL's distribution system from overhead to an underground system. OHL states that one of the drivers for this conversion is the reduction of maintenance costs and increased reliability.

On pages 42-45 and 53-56 of the DSP, OHL provides tables 20, 21, 29 and 30 which show historical (2009-2013) and forecast (2014-2018) operating and maintenance expenses. The table below is derived from excerpts of those O&M tables (rows 6-8 of table 20 and 29 and rows 7-9 in tables 21 and 30) and calculates the changes in operational expenditures over the historic and forecast period. Board staff notes increases in both the historic and forecasted period.

Operation and Maintenance expenses

	2009	2013	2009-2013 % increase	2014	2018	2014-2018 % Increase	2013-2014 % Increase
Overhead Operating	10,971	16,236	48	19,577	23,796	22	21
Overhead Maintenance	187,815	234,679	25	265,044	322,162	22	13
Overhead O&M	198,786	250,915	26	250,915	284,621	22	13
Underground Operating	1,276	9,280	627	9,965	12,113	22	7
Underground Maintenance	65,113	97,094	50	118,608	144,169	22	22
Underground O&M	66,389	106,374	60	128,573	156282	22	21

a. How was the projection of expenditures for the next five years arrived at?
b. Please provide the rationale for the increase in underground O&M and overhead O&M.
c. Please list operational efficiencies achieved through the conversion project and explain why overhead O&M continues to increase rather than showing a decline as OHL continues to convert its system an underground distribution system.
d. Please provide a detailed explanation of the increases of overhead and underground O&M from the 2013 bridge to the 2014 test year, as shown in the right hand column.
e. Please provide these costs on a unitized basis (i.e. per km).

4.2-Staff-19

Ref: E4/T4/S1, Appendix 2-K

The applicant has proposed an approx. 5% increases in headcount and 8% in employee compensation for the Test year relative to the 2012 actual levels.

a. What objectives has the applicant established for its operations?
   Please provide more specific information on why the proposed cost increases are necessary for the applicant to achieve the objectives that the applicant has targeted in the capital and operating expenditures sections of tis application, and the alternative methods for achieving these objectives that were considered and rejected in favour of the proposed headcount and compensation increases.

4.2-Staff-20

With respect to Appendix 2-K, please explain the applicant's compensation strategy. Please explain why this strategy has resulted in a 19% increase in management and 24% increase in non-management compensation since last rebasing and how these increases are fundamental to the delivery of OHL's plans.

4.2-Staff-21

Ref: E4/T2/S1, pp. 1-2

On page 1, OHL states that in 2005 it implemented a new Management Performance & Compensation Plan for all salaried employees. OHL noted that the plan was developed with the assistance of an outside consulting firm, Pearson & Associates and that pay market data was collected from Ontario's LDC's.

a. Please describe the external comparators in more detail.
b. Has OHL updated this data since 2005? If yes, please state how this data has impacted on what is proposed in the application. If not, please explain why not.

4.2-Staff-22

Ref: E4/T2/S1, Appendix 2-JB

For the 2013 bridge year OHL shows a cost driver of $159,096 titled Change in cost of Materials/Supplies, which is 5% of the overall OM&A budget and a 177% increase since 2012 actual. Please provide a breakdown of this expense. Please provide the rationale for this increase and state how OHL customers are better served by this expenditure. For any unit cost increases, please explain OHL's costs with reference to the capital portion of the industry

specific inflation index. Please explain the procurement practices that Orangeville employs for these materials and their relation to the expense increase, including expected economies of purchasing at scale.

4.2-Staff-23

Ref: E4/T3/S1, pp 9-10 and 14, Appendix 2-JC

In Appendix 2-JC, OHL shows a significant increase of 22.8% in Administrative Expenses, mainly in Labor and Benefits and Administration over 2012 actual. This accounts for a $263,060 or 66.4% of total OM&A increases over 2012 actual and 41.7% of total OM&A increases over 2010 board-approved.

a.
b. Please provide the rationale for this increase and how OHL's customers are better served by this increase in administrative costs.
c. What factors were taken into consideration which leads to the increase in this program?
d. What alternatives were examined to deliver on these goals? Please explain this increase and how it exemplifies continuous improvement in productivity.

4.2-Staff-24

Ref: E4/T1/S1, pp. 2-3

On page 4 OHL states that Billing and Collecting, Community Relations, Administrative and General increases account for 18% of the total increase of 30%. OHL further noted that it has implemented a File Nexus filing system.

a. Please identify the billing frequency that the applicant is planning on using for the test period and beyond. Please explain how the File Nexus filing system has impacted OHL's billing system.

b. If the applicant is planning to implement monthly billing, please refer to parts c) through g) below. If not, please explain why not.

c. Please identify any impacts that the implementation of monthly billing has had on billing and collection expenses or any other OM&A category.

d. Please identify the percentage of customers on e-billing as of December 31, 2013.

e. Please describe the Applicant's efforts to promote e-billing to its customers.

f. Please describe other initiatives that the Applicant has undertaken, or intends to undertake, to manage the costs of monthly billing for all customers.

g. As part of the decision making process, has the applicant determined the impact of the change to monthly billing on its working capital? If so, how is the working capital impacted by this change? If not, why not?

4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rate increases for customers, or is any additional rate mitigation required?

4.3-Staff-25

Ref: E2/T5/S2, pp. 1-6

Please provide the year-to-date actual 2013 capital expenditures available, along with a forecast for the remaining month, to the same level of detail as Appendix 2-JA. Please provide a comparison of year-to-date actuals for 2013 with the corresponding time period in 2012.

7. Revenue Requirement

7.1 Is the proposed Test year rate base including the working capital allowance reasonable?

7.1-Staff-26

Ref: E2/T1/S2, p.3 and E2/T2/S3

On page 3 OHL makes reference to table 2:7, which should show the variance in rate base between the 2012 rate year and 2013 bridge year under the old CGAAP. However, this table is missing.

a. Please file the table 2:7.
b. Please explain why capital addition for under the old and the new CGAAP for 2013 are the same at $1,562,109 although OHL implemented its new capitalization policy on January 1, 2013.

7.3 Are the proposed levels of taxes appropriate?

7.3-Staff-27

Ref: E4/T8/S1, p. 1

Has OHL received its 2012 tax assessment? If yes, please provide the tax assessment.

7.3-Staff-28

Ref: E4/T8/S1, p.1 and Appendix C – PILS Workform

OHL's PILS tax form indicates that OHL will not be claiming SRED credit for the test year. Please provide further explanations as to why not, given that OHL was able to claim SRED credits for the 2012 rate year.

7.3-Staff-29

Ref: E4/T4/S2 and Appendix C – PILS Workform

In the first reference OHL stated that it had a union staff increased by one Apprentice Lineperson in 2013. Please explain why OHL did not reflect an Apprenticeship Training Tax Credit in its PILs calculation.

7.5 Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.5-Staff-30

Ref: E5

OHL states that the cost of capital should be updated to reflect the Cost of Capital parameters as updated and issued by the Board for 2014 distribution rates. On November 25, 2013, the Board issued updated Cost of Capital parameters for rates effective in 2014 and determined on the basis of costs of service rates applications. The letter can be obtained at http://www.ontarioenergyboard.ca/OEB/_Documents/2014EDR/OEB_Ltr_Cost_of_Capital_update_2014Jan01_20131125.pdf . The following are the Cost of Capital parameters for 2014 cost of service rates applications:

Cost of Capital Parameter	Parameter Value for 2014 Cost of Service Rates Applications
Return on Equity (ROE)	9.36%
Deemed Long-term debt rate	4.88%
Deemed Short-term debt rate	2.11%

a. Please provide updated versions of Appendices 2-OA and 2-OB for the 2014 test year reflected the updated Cost of Capital parameters, as applicable.
b. Please reflect the updated Cost of Capital parameters in the updated RRWF reflecting changes made as a result of responses to interrogatories.

c. Please reflect the updated Cost of Capital parameters in the calculation of any rate riders, such as for Accounts 1575 or 1576 or for Green Energy Act initiatives where the weighted average cost of capital will affect the determination of the amounts and the rate riders to recover or refund the balances for disposition.

7.6 Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.6-Staff-31

Ref: E3/T3/S2, p. 3
E2/T5/S9, p. 2, Appendix 2-ED

In Appendix 2-ED, the total in the deferral account as at 2013 is $821,499 before the associated return. In Exhibit 3, Tab 3, Schedule 2, Page 3, the amount recorded in Account 4305 Regulatory Debit is $173,590 and $847,666 for 2012 and 2013, totalling $1,021,256. OHL has indicated "In 2012 the actual entry for accounting changes was incorrect but is corrected in the Board's Appendix 2-ED".

a. Please explain what the nature of the incorrect entry for accounting changes was.
b. Please indicate if the correct amount has been recorded in OHL's books.
c. Please explain what the actual amount recorded in Account 4305 Regulatory Debits is for 2012 and 2013.
d. Please reconcile this with the amount recorded in Account 1576, excluding the return as per Appendix 2-ED.

7.6-Staff-32

Ref: E3/T3/S1

Please provide the most recent year-to-date actuals for 2013 and any remaining forecast, if applicable. Please update Appendix 2-H for the most recent year-to-date figures and provide the comparable figures for 2012.

7.7 Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

7.7-Staff-33

Updated RRWF

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF in Excel format with any corrections or adjustments that the applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

7.7-Staff-34

Updated Appendix 2-W, Bill Impacts

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (i.e. 800 kWh for residential, 2,000 kWh for GS<50).

8. Load Forecast, Cost Allocation and Rate Design

8.1 Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?

8.1-Staff-35

Ref: E3/T2/S4, E8/T3/S7 and Appendix 2-I – Load Forecast CDM Adjustment

Appendix 2-I calculates and documents the amount for the 2013 and 2014 CDM program impacts assuming that the distributor will achieve the 4-year (2011-2014) CDM target savings that are a condition of its licence, and also the corresponding amount for the persistence of CDM programs for 2012 to 2014 beyond what is determined in the base forecast using historical consumption and exogenous explanatory variables, on the 2014 consumption forecast.

a. OHL has used a regression model to estimate system purchased consumption. In cell B75 of Appendix 2-I, OHL has input a loss factor of 4.74%. In Exhibit 8/Tab 3/Schedule 7, OHL has a proposed TLF of 4.81%. Please explain the input loss factor in Appendix 2-I.
b. In row 55 of Appendix 2-I, OHL has input weights of 1, 0.5, 1 and 0.5 for, respectively, 2011, 2012, 2013 and 2014. These weights correspond to the impact on 2014 consumption of CDM programs in these years beyond what is in the base forecast derived from the estimated regression model. The weights for 2012, 2013 and 2014 are logical. However, 2011 CDM programs would have a ½-year impact in 2011 and full year persistence on 2012, and thus is fully reflected in the historical data used for the system purchased regression model. Please explain why OHL has used a factor of “1” for 2011 to reflect persistence of 2011 CDM programs on 2014

consumption through the manual adjustment if it is already reflected through the regression model.

c. If OHL makes changes or updates to Appendix 2-I, please provide an updated version in working Microsoft Excel format. Please also reflect any changes in the 2014 load forecast and in the determination of the LRAMVA threshold for 2014.

8.1-Staff-36

Ref: E3/T2/S3 and Excel Load Forecast Model

On page 2 of this exhibit, OHL states:

> The multifactor regression model has determined drivers of year-over-year changes in OHL's load growth; these include weather, number of days in the month, population and an Intermediate class flag weather, number of days in month, Ontario employment data, population, and CDM activity. These factors are captured within the multifactor regression model.

On the following page and in the model estimates on sheet "Purchased_Power_Model", the estimated model is summarized as consumption in modelled on the following exogenous variables:

- Heating Degree Days and Cooling Degree Days (proxying weather, and based on the Orangeville weather station);
- Spring/Fall flag (with values of "0", "1/3", "2/3" and "1" depending on the percentage of days in the month that are "Spring" or "Fall";
- Number of calendar days in the month;
- Number of Peak Hours in the month;
- Employment for Ontario, from StatsCan matrix 282-0054; and
- CDM program impacts.

a. What are the population and Intermediate flag variables referenced on page 2 of the exhibit?
b. Please explain why both the number of calendar days and the number of Peak Hours in the month are variables that are appropriately included together in the regression model?
c. Statistics Canada Matrix 282-0054 is the Labour Force Survey and reflects employment and unemployment statistics on a number of measures, for Canada, provinces and major regional areas within provinces, including Ontario. Please identify the specific series used, by title/descriptor and series number used for the Ontario employment measure.
d. The CDM variable has a constant value for every month in each year. As new CDM programs are rolled out and uptake of the programs will increase, there should be

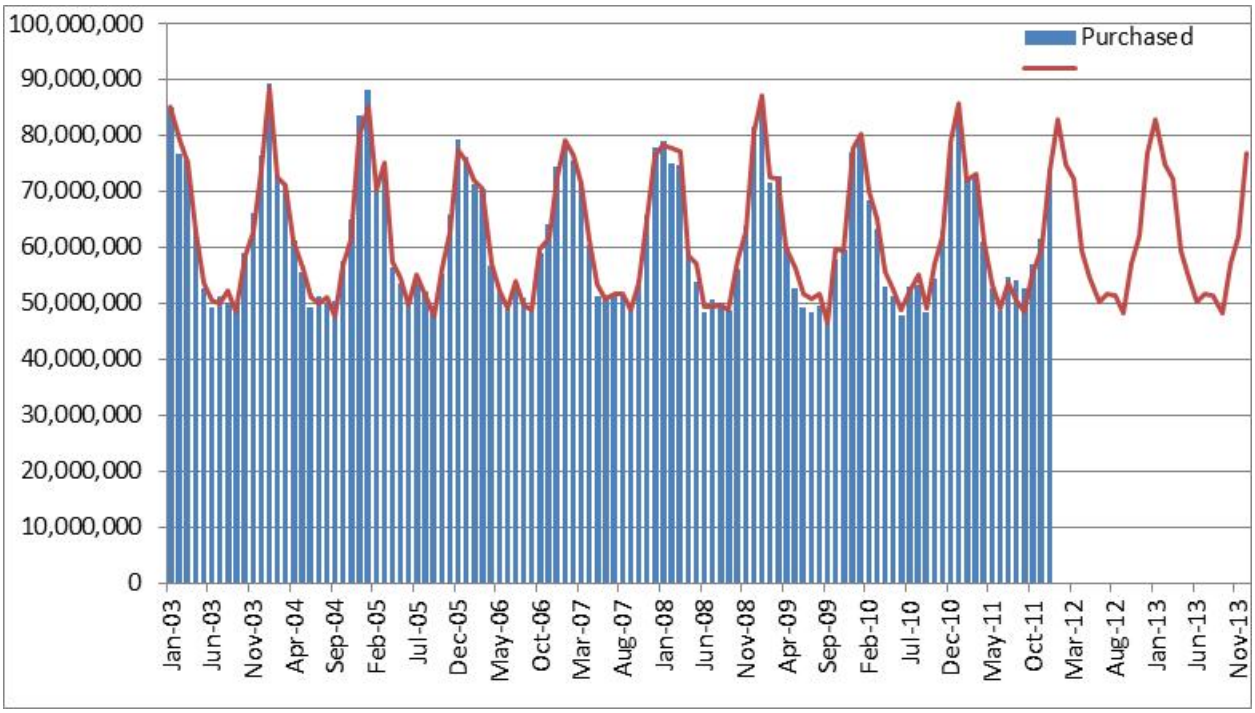
some changes, mostly increase over time. Please provide a detailed description and derivation of the CDM variable.

8.1-Staff-37

Ref: E3/T2/S3 – Load Forecast Model

The estimated regression model is based on monthly statistics and so model diagnosis is appropriately based on monthly data.

Actual vs. Predicted Monthly Consumption kWh



a. Please provide a variation of the graph shown on page 5 of this exhibit, but based on the monthly actual and estimated values, similar to the format shown above. Please include the predicted values for the 2013 Bridge and 2014 Test years.
b. Please provide the Mean Absolute Percentage Error of the estimated load forecast regression model based on the monthly residuals.

8.2 Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.2-Staff-38

Ref: E7/T1/S2, Table 7-2 and Cost Allocation model, worksheets 'I 5.2 Weighting Factors' and 'I 6.2 Customer Data'

Please confirm that the weighting factor of 21.8 for the Street Light class is applied to the number of bills to that class, not the number of connections as appears in Table 7-2.

8.2-Staff-39

Ref: E7/T1/S3, Table 7-7 Appendix 2-P; Appendix 2-W

Orangeville proposes to reduce the revenue to cost ratio for two classes (GS<50, USL) where the status quo ratio is substantially above 100%. To accommodate this adjustment, the Residential status quo revenue to cost ratio is being increased from 101.88% to 103.00%, but the ratio for three other classes remains unchanged despite the fact that they are all substantially below 100%. A result of this re-balancing proposal is that distribution rates for the Residential class would increase by 1.5% while those of all other classes will decrease or remain nearly unchanged.

a. Please explain the rationale for increasing the Residential revenue to cost ratio and distribution rates while leaving the rates unchanged for GS>50 kW, Street Lights, and Sentinel Lighting classes and their ratios below 100%.

8.3 Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?

8.3-Staff-40

Ref: E3/T2/S1, Table 3-20; Rate Design Model worksheet 'Allocation Low Voltage costs' and RTSR model worksheet 'Forecast wholesale'

a. Please confirm that the LV costs are allocated in the Rate Design model using a forecast wholesale cost of $893,917, whereas the corresponding forecast in the RTSR model is $903,888.
b. Please update one or both of the references if necessary, based on the response to the previous interrogatory as it concerns Orangeville's forecast of Transmission Connection cost.
c. Orangeville appears to be following the methodology for allocating LV costs that the Board has directed. Nevertheless, please comment on the plausibility of the methodology in Orangeville's case, in which over 45% of LV cost is allocated to the GS>50 kW class which is forecast to consume less than 15% of total kWh based on Orangeville's load forecast (i.e. 37 GWh of 249 total GWh)

8.4 Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?

8.4-Staff-41

Ref: E8/T3/S7, p. 1

The proposed Supply Facilities Loss Factor is 1.0141, which is the five-year average. The average SFLF for the most recent two years is 1.013.

a. Please provide the calculation of the SFLF for 2012, showing the amounts of electricity delivered from the grid system through the high voltage transmission system and from the host distributor, together with the loss factors associated with these two sources (which are expected to be 1.0045 and 1.034 respectively).
b. Please confirm that the Total Loss Factor would be 1.0470 if the SFLF were based on the two recent years, whereas it is 1.0482 using the five-year average.

8.4-Staff-42

Ref: Appendix 2-W

The bill impact of line losses increases from $4.68 to $4.81 for all customer sizes in all classes in Appendix 2-W.

a. Please confirm that the cost of line losses should be proportional to the size of the customer's consumption in each class.

8.5 Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.5-Staff-43

Ref: E8, Appendix A - RTSR model

The wholesale cost of Transmission consists entirely of electricity delivered through the IESO at the Uniform Transmission Service rates, for historical, current, and test years. As a partially embedded distributor, it would be expected that some proportion of the power is delivered through the host distributor Hydro One, with the cost determined by the Sub-Transmission class RTSRs.

a. Please provide the proportions of electricity that Orangeville receives directly from the transmission system (Hydro One T.S.) and from the host distributor's LV system (Common St Line).
b. Please update the RTSR model correspondingly with the host distributor's RTSR rates (which are already provided in worksheet 'UTRs and Sub-Transmission' but are apparently not used in subsequent worksheets).

8.6 Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

8.6-Staff-44

Tariff of Rates and Charges

The 3rd paragraph in the "Application" section of the tariff sheet for each rate class reads as follows:

> *Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.*

Based on recent Tariff of Rates and Charges approved by the Board in 2013 rate applications, the above paragraph should be amended as follows:

> *Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.*

Please confirm whether the applicant has any concerns with the noted change to be applied to those classes for which the regulatory component applies,
and if so, why .

9. Accounting

9.1 Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.1-Staff-45

Ref: E9/T4/S1 and Appendix 2-S – Stranded Meters

In Exhibit 9/Tab 4/Schedule 1, OHL provides its proposal for the Stranded Meter Rate Rider (SMRR). OHL has also provided Appendix 2-S to document the determination of the net book value of stranded meters to be recovered through the SMRR. Board staff has replicated Appendix 2-S below, and added a column that shows the depreciation expense being attributed to the stranded conventional meters in each year.

Appendix 2-S
Stranded Meter Treatment

Year	Notes	Gross Asset Value	Accumulated Amortization	Contributed Capital (Net of Amortization)	Net Asset	Proceeds on Disposition	Residual Net Book Value	Depreciation Expense in Year
		(A)	(B)	(C)	(D) = (A) - (B) - (C)	(E)	(F) = (D) - (E)	(G) = [(B) - (B) (previous year)]+[(A) - (A)(previous year)]
2006		$ 1,411,095	$ 766,748		$ 644,347		$ 644,347	
2007		$ 1,547,803	$ 841,807		$ 705,996		$ 705,996	$ 211,766
2008		$ 1,557,220	$ 897,709		$ 659,512		$ 659,512	$ 65,320
2009		$ 1,557,640	$ 937,558		$ 620,082		$ 620,082	$ 40,269
2010		$ 1,579,709	$ 999,961		$ 579,747		$ 579,747	$ 84,472
2011		$ 1,533,380	$ 1,080,009		$ 453,370		$ 453,370	$ 33,719
2012		$ 1,533,380	$ 1,122,675		$ 410,705		$ 410,705	$ 42,665
2013	(1)	$ 1,533,380	$ 1,159,981		$ 373,399		$ 373,399	$ 37,306

a. Please confirm the data and calculations.
b. Please explain the decrease in the gross book value of stranded meters from $1,579,709 in 2010 to $1,533,380 in 2011.
c. Please explain why the depreciation expense in each year varies from 2010 onwards. In particular, please explain why depreciation expense in each of 2011 to 2013 is no more than 50% of the depreciation expense in 2010.

9.1-Staff-46

Ref: E9/T2/S1, pp. 5-7 and E9/T2/S3, p. 2

The following differences are noted in OHL's request for disposition within its evidence

Account	**Exhibit 9, Tab 2, Schedule 1, Page 5-7**	**Exhibit 9, Tab 2, Schedule 3, Page 2**
1508 Other Regulatory Assets – Sub-account Incremental Capital Charges	$42,781	$9,554
1518 Retail Settlement Variance Account - Retail	$47,550	$42,781
1532 Renewable Connection Operation, Maintenance and Administration	($825)	$47,550
1548 Retail Settlement Variance Account – Service Transaction Request	($32,043)	($825)
1555 Smart Meter Capital & Recovery Offset Variance Sub-Account Stranded Meter Costs and 1566 Smart Meter OM&A Offset Variance Sub-Account Stranded Meter Costs	$373,399* *Per Exhibit 9, Tab 4, Schedule 1, Page 1 as well	$453,370 (=$410,705+$42,665)

Please clarify the amount OHL is requesting for disposition for the above noted accounts. Please update the evidence as necessary (e.g. rate rider allocation).

9.1-Staff-47

Ref: E9/T2/S1, pp. 10-11; E9/T2/S3, p. 2 and Filing Requirements for Electricity Distribution Rate Applications, July 17, 2013, Section 2.12.2

With regards to Account 1592 PILS and Tax Variance for 2006 and Subsequent Years – Sub-account HST/OVAT Input Tax Credits:

a. Please explain what amounts in the table on page 10 represent.
b. Please explain why carrying charges are applied to the amounts in the table on page 10.
c. On Schedule 1 page 10, OHL states "the requested amount is a 50% credit of ($108,385) balance of outlined in the Board's Appendix 2-TB below". This is confirmed on page 11 where OHL states "OHL is thereby requesting disposition a credit $(54,193) for Account 1592. However, in Appendix 2-TB on page 11, the Total Annual PST savings is $62,888 (50% of this amount is $34,444). In Schedule 3, page 2, the total claim amount for Account 1592 is ($32,043). Please clarify what is the amount that OHL is requesting for disposition and provide the appropriate analysis on how these estimates are derived in accordance with the December 2010 FAQ #4 as per the Filing Requirements.

9.1-Staff-48

Ref: E9/T6/S1, pp. 1 - 2, LRAM Recovery

OHL has requested the disposition of its LRAMVA – Account 1568, of a total amount of $18,074, which includes $348 in carrying charges through April 30, 2014.

OHL is requesting the disposition of the lost revenues related to its 2011 CDM savings in both 2011 and the persisting 2011 savings in 2012.

a. Please provide a table that includes all the appropriate OPA CDM Initiatives OHL participated in which produced net CDM savings used in OHL's LRAMVA calculations. For each rate class, please list all relevant CDM initiatives for the applicable year and provide the subsequent net CDM savings for each. An example is provided below:

OPA CDM Initiatives

Residential	**2011 Net kWh**	**2011 Net kW**	**2012**	**2012**

			Persisting Net kWh	**Persisting Net kWh**
Initiative 1				
Initiative 2				
Initiative 3				
Total				
GS<50	**2011 Net kWh**	**2011 Net kW**	**2012 Persisting Net kWh**	**2012 Persisting Net kWh**
Initiative 1				
Initiative 2				
Initiative 3				
Total				
GS>50	**2011 Net kWh**	**2011 Net kW**	**2012 Persisting Net kWh**	**2012 Persisting Net kWh**
Initiative 1				
Initiative 2				
Initiative 3				
Total				

9.1-Staff-49

Ref: E9/T3/S1, pp. 1-4 and Appendix A – Z-factor Event

OHL is requesting the disposition of a total debit balance of $275,893 due to the remediation of a contaminated site of a dismantled distribution station. On page 2 OHL stated that in order to limit costs, based on the consultant's report, the site was entombed with a rubber membrane so nothing could leach into or out of OHL's property.

On page 11, the Remediation Closure Report (Appendix A) noted in its conclusion that the contaminated soil left in place beneath the 0.90m depth contained concentration of arsenic, at all sampling locations, which exceed the MOE Table 8 Standard. A geotextile membrane denotes the boundary between contaminated soils left in place versus clean imported backfill.

a. How can OHL ensure that this cost is a one-time cost, given the contamination at deeper soil levels as well as the southeastern portion of the site remain?
b. How is OHL guaranteeing the public safety of this site in the future?
c. Please discuss any alternative solution considered by OHL, e.g. did OHL consider further excavation to complete the remediation of the site? If so, please provide cost estimates.
d. OHL has deducted a property value of $100,000 from the total event cost of $370,589 excluding carrying charges. What are OHL's future plans for this property?
e. Does OHL expect any similar issues with other sites of dismantled distribution stations as the conversion project progresses?

9.1-Staff-50

Ref: E9/T3/S1, pp. 1-4 and Appendix A

OHL has elected to allocate the extraordinary event costs of $275,893 on a volumetric basis.

a. Please provide the rationale from a cost causality standpoint of proposing to use metered kWh to allocate the costs to OHL's customer rate classes.
b. Did OHL consider allocating this amount on the same basis as transformer costs? If so, please explain the rationale for rejecting this approach. If not, please comment on OHLs view on whether this approach should be considered.
c. Please provide a table that compares the costs allocated to each rate classes when using: (a) kWh as the allocator; and (b) using the allocation factor for transformer costs underpinning OHL's 2010 cost of service application.

9.2 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?

9.2-Staff-51

Ref: E3, Appendix D, EDDVAR Continuity Schedule; E2/T5/S9, Page 2, Appendix 2-ED and E1/T3/S1, Appendix C, 2012 Audited Financial Statements (Note 6)

In the continuity schedule, a variance was noted for Account 1576 in the column showing the variance between RRR and the 2012 balance. The RRR balance agrees with OHL's 2012 financial statements. The 2012 balance agrees with the balance per Appendix 2-ED. The variance shown in the EDDVARR continuity schedule is as follows:

Account	RRR and Audited Financial Statements	2012 Balance Claimed for Disposition	Variance
1576 Accounting Changes Under CGAAP	-$173,590	-$1,052,590	$879,000

In Appendix A of the EDDVARR Continuity Schedule, OHL indicated that the variance is due to the 2013 difference and the rate the return calculation. Per Appendix 2-ED, the 2013 difference would be -$444,582 [-$821,499-(-$376,917)] and the rate of return is -$231,091, totalling -675,673 and not -$879,000. Please reconcile the difference and update the evidence as necessary.

9.2-Staff-52

Ref: E9/T2/S1-Account 1532 and G-2009-0087 Guidelines: Deemed Conditions of Licence: Distribution System Planning, issued June 16, 2009

In its Application OHL is requesting to dispose a debit balance of $47,550 in account 1532 related to the development of a GEA Plan for OHL's 2010 CoS application. OHL notes that it subsequently withdrew the GEA plan. See breakdown of the costs below:

Description	2009	2010	2011	2012	2013	2014	Total
Consultant - GEA Plan	16,378						16,378
Staff Training	2,913						2,913
GEA Education for Staff	5,114						5,114
GEA Education for Business/Community	1,180	7,302					8,482
Science Workshop		10,522					10,522
Website Modifications	-	797					797
Incremental Labour	648						648
Carrying Charges		294	862	659	659	220	2,694
Total	**26,234**	**18,915**	**862**	**659**	**659**	**220**	**47,550**

a. Please confirm that the balance for disposition is $47,550 rather than $825 as shown in line 25 of E9/T2/S1, p. 6.
b. Please provide further details as to the reason for withdrawing the GEA plan from its 2010 application.
c. Please describe if OHL's customers received any value from the planning process and if so what. Please describe whether, and how this plan was incorporated into this current application's DSP.
d. Account 1532 is established to record "incremental operating, maintenance, amortization and administrative expenses directly related to "renewable enabling improvements"…In addition, costs that can be recorded in this account also include expenses associated with preparing a Distribution System Plan pursuant to the planning guidelines set out in section IV of these Guidelines and expenses associated with changes to a distributor's CIS to enable the automated settlement of FIT contracts".
    i. Please explain how Staff Training ($2,913), GEA Education for Staff ($5,114) and Businesses ($1,180 and $7,302) as well a science workshop ($10,522) qualify under the above account description.
    ii. Please provide a copy of the GEA plan, which was the basis of these expenditures.