EB-2013-0159

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 Oakville Hydro Electricity Distribution Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2014.

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

January 21, 2014

OAKVILLE HYDRO DISTRIBUTION INC.
2014 RATES REBASING CASE
EB-2013-0159

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

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-Energy Probe-1

Ref: Exhibit 2, Tab 1, Schedule 2

The evidence indicates that capital additions closed to rate base in 2010 were $1,894,084, or 13% above the Board approved level. What measures has the applicant put in place to ensure that such variances from plan do not occur in the future?

1.1-Energy Probe-2

Ref: Exhibit 2, Tab 5, Schedule 2

Please confirm that based on Appendix 2-AB, the distributor has no planned capital expenditures out of the ordinary in 2015 through 2018, other than a small amount for a new customer information system in 2016.

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

1.2-Enrgy Probe-3

Ref: Exhibit 1, Tab 2, Schedule 1

Please provide the customer feedback received from each of the town council meetings shown in the table on page 4.

1.2-Enrgy Probe-4

Ref: Exhibit 1, Tab 2, Schedule 1

Please confirm that the distributor did not have customer engagement meetings with residential or general service customers that were focused on the 2014 rate application. If this cannot be confirmed, please provide the dates of any such meetings, along with the material presented to the customers and the feedback received from the customers.

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-Energy Probe-5

Ref: Most Recent Cost of Service Decision

a) **Please provide a list of all Board-approved plans from the most recent cost of service decision.**

b) **Please provide the evidence references in the current application that illustrates that the distributor is delivering on these approved plans.**

2.1-Energy Probe-6

Ref: All Exhibits

a) **Please provide the references to any performance efficiency benchmarking undertaken by the distributor.**

b) **Has the distributor considered benchmarking in relation to other distributors and/or to its own past historical performance? Please indicate where in the evidence this information has been provided for capital expenditures and OM&A expenses.**

2.1-Energy Probe-7

Ref: Exhibit 2, Tab 1, Schedule 2

a) **Please provide more details on the increase in capital expenditures of $1,894,084 from the Board approved level in 2010.**

b) **Please explain why these additional capital expenditures were required in 2010 rather than being carried forward to 2011. Please explain why other capital expenditures in 2010 were not deferred to 2011 when these additional capital expenditures became known.**

3. Customer Focus

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

3.1-Energy Pobe-8

Ref: Exhibit 1, Tab 2, Schedule 1

a) **Please provide all customer feedback and preferences received from residential customers with respect to capital expenditures in the bridge and test years.**

b) **Please provide all customer feedback and preferences received from non-residential customers with respect to capital expenditures in the bridge and test years.**

c) **Please provide all customer feedback and preferences received from residential customers with respect to OM&A expenses in the bridge and test years.**

d) **Please provide all customer feedback and preferences received from non-residential customers with respect to OM&A expenses in the bridge and test years.**

e) **Did the distributor ask customers (residential or non-residential) for feedback and preferences on employee compensation, including, but not limited to salary levels, salary increases, benefits and pensions? If yes, please provide the feedback received.**

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 level of associated revenue requirement requested by the applicant?

4.1-EP-9

Ref: Exhibit 2, Tab 5, Schedule 2

a) Does the distributor agree that system reliability has to be attained, or does it have to be maintained? Please explain fully.

b) How has the distributor determined that its distribution system plan will result in continuous improvement in productivity? Please explain fully.

c) Does the distributor believe that its current level of system reliability and quality objectives need to be improved or that they are already high and need to be maintained?

d) What component or percentage of the associated revenue requirement does the distributor believe is directly related to the continuous improvement in productivity, the attainment of system reliability and quality objectives?

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-Energy Probe-10

Ref: Exhibit 1, Tab 1, Schedule 1

a) What is the dollar impact of the union rate increase of 2.5% in July 2013, combined with the 1.5% increase effective July 1, 2014 on the 2014 unionized costs?

b) What is the dollar impact associated with the 2% increase in the test year for non-union employees?

c) What was the percentage and associated dollar increase in the bridge year for non-union employees?

4.2-Energy Probe-11

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

Please provide the operating, maintenance, meter reading and any other costs associated with the use of mechanical meters included in the 2010 Board approved OM&A costs that have been eliminated through the use of smart meters.

4.2-Energy Probe-12

Ref: Exhibit 4, Tab 1, Schedule 2

a) Is the 1.5% increase shown for July 1, 2014 to December, 2014 on top of the 2.5% increase received for the January 1, 2014 through June 30, 2014 period shown on page 9?

b) Based on the figures shown on page 9, is the average increase for unionized employees about 3.25%, based on a 2.5% increase for the first half of the year and 4% (2.5% + 1.5%) for the second half of the year? If no, please calculate the average increase for 2014 and show all calculations.

c) What is the increase in unionized employee wages and salaries for 2014 compared to 2013 in both dollar and percentage terms?

d) What is the increase in non-unionized employee wages and salaries for 2014 compared to 2013 in dollars based on the 2% increase used (page 11)?

4.2-Energy Probe-13

Ref: Exhibit 4, Tab 2,

a) Has Oakville Hydro obtained Board of Director approval for the 2014 forecasts included in this rate application (OM&A, capital expenditures, revenues, etc.)? If not, when is this approval expected?

b) Please provide the full cost (including benefits) of the three full time staff additions noted on page 2, along with the amounts that are recovered from affiliates or through related revenues.

c) How long of an overlap will there be in the hiring of an additional control room operator for succession planning purposes?

d) What is the 2014 cost forecast for the accounts receivable insurance on selected non-governmental general service customers noted on page 11?

e) Is the cost of the insurance noted above directly allocated to the general service rate classes? If not, why not?

4.2-Energy Probe-14

Ref: Exhibit 4, Tab 2, Schedule 2

a) Please provide the smart meter related costs that were included in the deferral account by the year they were incurred in 2010, 2011 and 2012 (other years as well, if applicable).

b) Is the $427,224 shown in Table 4-3 the costs incurred for smart meters only in 2012, or does it include the amounts cleared in the deferral account? If the latter, and if different from the response to part (a) please indicate the actual costs incurred in 2012, rather than the costs expensed in 2012.

4.2-Energy Probe-15

Ref: Exhibit 4, tab 2, Schedule 2, pages 2-3

a) Please quantify the identified cost savings associated with the processing of invoices soon after account closure as a result of the proposed move to monthly billing. Please confirm these cost savings have been included as a reduction to the OM&A component of the revenue requirement for 2014.

b) Please quantify the reduced costs associated with bad debts and doubtful accounts as a result of the proposed move to monthly billing. Please confirm these reduced costs have been included as a reduction to the OM&A component of the revenue requirement for 2014.

4.2-Energy Probe-16

Ref: Exhibit 4, Tab 2, Schedule 2

a) Please update Tables 4-3 and Appendix 2-JA to reflect the most recent year-to-date figures available for 2013, along with an estimate of the remaining months in 2013.

b) Please provide a table in the same level of detail as in Appendix 2-JA that shows the most recent year-to-date actual expenditures in 2013 along with the figures for the corresponding period in 2012.

4.2-Energy Probe-17

Ref: Exhibit 4, Tab 2, Schedule 2

a) Please provide a breakdown of the Operations and Maintenance line items shown in Table 4-4 for each year shown (including 2010 Board approved) so as to separate out the costs associated with the mechanical meters that were replaced with smart meters beginning in 2010.

b) Please provide a breakdown of the Billing line item shown in Table 4-5 for each year shown (including 2010 Board approved) so as to separate out the costs associated with the mechanical meters that were replaced with smart meters beginning in 2010.

c) With respect to the key account representative that had allocated half of his time to the CDM program, please indicate where these costs were allocated prior to 2014.

d) If the costs noted in part (c) were funded by the OPA, please confirm that the OPA funding for one half of this person's costs will cease at the beginning of 2014.

4.2-Energy Probe-18

Ref: Exhibit 4, Tab 2, Schedule 3, Appendix 2-JB

Tree trimming costs show a significant increase in 2012 in Appendix 2-JB. This increase is explained on page 10 of the evidence, as is the increase in 2014. However, if 2012 was an unusual year, please explain why there is no decrease shown for 2013.

4.2-Energy Probe-19

Ref: Exhibit 4, Tab 2, Schedule 2, Table 4-3

If the municipal transformer station operating costs have been included in the deferral account which is to be cleared as part of this proceeding, why has Oakville Hydro included the costs in the recoverable OM&A costs to begin with?

4.2-Energy Probe-20

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

Please explain the $1 million difference in 2010 Board approved normalized OM&A between Table 4-9 and Table 4-3. If necessary, please provide a corrected table.

4.2-Energy Probe-21

Ref: Exhibit 4, Tab 3, Schedule 1

Please provide an updated version of Appendix 2-JC that reflects the most recent year-to-date information available for 2013, along with an estimate for the remainder of the year.

4.2-Energy Probe-22

Ref: Exhibit 4, Tab 3, Schedule 8

a) Based on the most recent information available, please provide the costs incurred to date for each of the legal and consulting line items shown in Appendix 2-M associated with the cost of service application.

b) If the consultant costs are associated with more than one consultant or report/service, please provide a breakdown of these costs and indicate what each cost is for.

4.2-Energy Probe-23

Ref: Exhibit 4, Tab 3, Schedule 4

a) Are the premiums paid by the distributor to OMERS equal to the employee contributions to OMERS? If not, please provide a table, similar to Table 4-13 that shows the distributors contributions to OMERS in one line and the contribution of all employees in aggregate to OMERS in a separate line.

b) Have there been any changes in post-retirement benefits since the 2010 cost of service application? If yes, please provide details, including any change in costs.

c) Have there been any changes in the benefits provided to employees since the 2010 cost of service application? If yes, please provide details, including any change in costs.

4.2-Energy Probe-24

Ref: Exhibit 4, Tab 3, Schedule 4

a) Please provide the actual amount of bonus or incentive payments made in each of 2010 through 2012, along with the forecast for 2013 and 2014 included in Appendix 2-K.

b) Please provide the total potential amount of bonus or incentive payments that were available in each of 2010 through 2012, along with the forecast for 2013 and 2014.

c) Based on the response to parts (a) and (b) above please provide a table that shows the ratio of actual to potential bonus or incentive payments for each of 2010 through 2014.

4.2-Energy Probe-25

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

a) Please confirm that the $106,609 figure that represents one-fifth of the cost of preparing the cost of service application includes costs incurred in 2012 and 2013.

b) Are these amounts that are included in 2012 and 2013 also reflected in those years in Table 4-4 in Exhibit 4, Tab 2, Schedule 2?

c) If the response to part (b) is yes, please explain why this is not double counting these costs.

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

5. Public Policy Responsiveness

5.1 Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

5.1-Energy Probe-26

Ref: Current Application

a) **Please provide a list of the obligations mandated by government in 2010 through to the current time.**

b) **For each of the obligations noted in (a) above, please explain how the distributor has met those obligations.**

6. Financial Performance

6.1 Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

6.2 Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

6.2-Energy Probe-27

Ref: Exhibits 1, 2 & 4

a) **Please describe, with references to the evidence, the operational effectiveness initiatives that the distributor has or is planning to undertake.**

b) **Please show now these initiatives have, or will result in savings to ratepayers.**

c) **Please explain how the savings identified in part (b) above are sustainable.**

7. Revenue Requirement

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

7.1-Energy Probe-28

Ref: Exhibit 2, Tab 1, Schedule 2

Table 2-5 indicates that the average net book value in 2010 was more than $3 million below the Board approved forecast.

a) **Please confirm that the removal of stranded meters from rate base in 2010 resulted in a reduction in the average NBV in 2010 of $1,397,625. If this cannot be confirmed, please indicate the reduction in average NBV in 2010 due to the removal of the stranded meters.**

b) **What is the difference in the average net book value reduction in 2010 compared to Board approved of more than $3 million and the amount associated with the removal of the stranded meters related to?**

c) **Please reconcile the reduction in average NBV, after the removal of the impact of the stranded meters, with the fact that Oakville Hydro's capital expenditures in 2010 were almost $2 million more than the Board approved figure.**

d) **The reduction in the closing balance of gross fixed assets as shown in Table 2-5 is $7,337,209. Please indicate how much of this decrease was related to the stranded meters.**

e) **Please provide a version of Table 2-5 that shows the comparison between 2010 actual and 2010 Board approved, but leaving the stranded meters (gross assets and accumulated depreciation) in the 2010 actual figures.**

7.1-Energy Probe-29

Ref: Exhibit 2, Tab 1, Schedule 2

a) **Please update Tables 2-16 and 2-17 to reflect actual data for the most recent year-to-date period currently available along with a forecast for the remainder of the year as to what will be in-service by the end of 2013. Please also include any disposals now forecast for 2013.**

b) Please updated Table 2-18 to reflect any changes as a result of the update to 2013 requested in part (a).

c) Please explain why there is no WIP forecast for the end of 2014 despite the fact that there was been WIP in every other year shown.

7.1-Energy Probe-30

Ref: Exhibit 2, Tab 2, Schedule 2

What was the driver for the nearly $8 million higher WIP shown in Table 2-20 for 2010 as compared to the Board approved level?

7.1-Energy Probe-31

Ref: Exhibit 2, Tab 3, Schedule 1

a) When did or when will Oakville Hydro convert all rate classes to monthly billing?

b) What rate classes did Oakville Hydro bill on a monthly basis before converting all classes to monthly billing? Were all other rate classes billed on a bi-monthly basis? If not, please provide the billing frequency for any other rate classes that were not billed on a monthly or bi-monthly basis.

c) Given the significant impact on cash flow of monthly billing versus bi-monthly billing, why did Oakville Hydro determine that it did not need to do a lead/lag study to determine an appropriate working cash allowance?

d) Does Oakville Hydro agree that by moving all rate classes to monthly billing, its cash flow will be significantly improved? If not, please explain.

e) What is the incremental impact on OM&A costs of moving to monthly billing of the recent announcement by Canada Post that postage rates will increase significantly over the next number of years?

7.1-Energy Probe-32

Ref: Exhibit 2, Tab 3, Schedule 1

a) Do the controllable expenses include any amounts of depreciation expense associated with transportation equipment that has been allocated to OM&A expense in 2014? If yes, please provide the amount.

b) Please update Tables 2-26 and 2-27 to reflect the October 17, 2013 Regulated Price Plan Price Report.

c) Please explain why the Adjustment to Address Bias Towards Unfavourable Variance and the Adjustment to Clear Existing Variance are not used in the calculation of the non-RPP price whereas it is included in the RPP price.

d) What is the impact of include the two Adjustments noted in part (c) above on the cost of power based on the October, 2013 Report?

7.1-Energy Probe-33

Ref: Exhibit 2, Tab 3, Schedule 1

For each of the components of the cost of power shown in Table 2-27, please indicate when the distributor pays the corresponding invoices.

7.1-Energy Probe-34

Ref: Exhibit 4, Appendix A &
Exhibit 3, Tab 2, Schedule 1

a) Please reconcile the number of residential and GS< 50 customers impacted (55,003 and 4,941, respectively) as shown on page 2 of Exhibit 4, Appendix A with the number of customers shown in Table 3-22 in Exhibit 3, Tab 2, Schedule 1.

b) How many bills does the distributor issue monthly for the Street Lights and Sentinel lights? Please confirm that bills are issued for each customer and not for each connection.

7.1-Energy Probe-35

Ref: Exhibit 2, Tab 5, Schedule 6

a) Do the figures shown in Table 2-49 for 2014 include a full year of the revenue requirement, or the revenue requirement for only the January through April period?

b) Please provide a breakdown of the revenues received through the rate rider shown in Table 2-48 by rate class for each of the years shown.

c) **Please confirm that the revenues shown in Table 2-48 for 2014 are a forecast for the January through April period.**

d) **Where any rate rider amounts associated with this project collected from Milton Hydro? If yes, please provide the amount collected/forecast to be collected from the first month the rider was recovered from Milton Hydro to the end of April, 2014.**

e) **When did Milton Hydro connect to this station?**

f) **How will the costs associated with this station be allocated to Oakville Hydro customers and to Milton Hydro in 2014?**

g) **Will any of the variance in the revenue requirement shown in Table 2-49 to be collected from customers be collected from Milton Hydro? If yes, please indicate where in Table 2-50 the new embedded distributor rate is shown along with rider to be applied.**

7.2 Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board`s accounting policies?

7.2-Energy Probe-36

Ref: Exhibit 4, Tab 4, Schedule 1

Oakville Hydro is using a useful life of 10 years for smart meters and smart meters - infrastructure.

a) **For each of the other utilities listed on page 8 that contracted with Kinetrics for the depreciation study, please indicate the useful lives used for the smart meter accounts.**

b) **Please explain why Oakville Hydro has used a 10 year life for the smart meters when most distributors have used a 15 year life. In particular, what difference is there with the Oakville Hydro smart meters?**

c) **What would be the impact on (i) the depreciation expense in each of 2013 and 2014 and (ii) the rate base for 2014, if the useful life for smart meters and smart meters - infrastructure was set to 15 years for both 2013 and 2014?**

d) **Does the distributor have any concerns related to benchmarking given its outlier status with respect to the depreciation of smart meters? If not, why not?**

7.3 Are the proposed levels of taxes appropriate?

7.3-Energy Probe-37

Ref: Exhibit 4, Tab 5, Schedule 4

a) Please update Table 4-37 to reflect actual property taxes for 2013.

b) Please explain the increases in property taxes for substations and for the building between 2012 and 2013.

c) Please explain why only the building property taxes in Table 4-37 are shown as property taxes in the RRWF. Are the other property taxes shown in Table 4-37 included in OM&A costs?

d) Where is the reduction in the building property taxes associated with the rental of space in the building to an affiliate reflected in the evidence?

7.3-Energy Probe-38

Ref: Exhibit 4, Tab 5, Schedule 1

a) Are the tax credits associated with the 0.7 equivalent cooperative students and the 4.0 full-time equivalent apprentices in addition to the $36,694 in investment tax credits?

b) Please confirm that the tax credits associated with the cooperative students and the apprentices would total about $42,000 (0.7 x 3,000 + 4.0 x 10,000). If this is not correct, please provide the estimated tax credits.

c) Does Oakville Hydro have any apprentice positions that would qualify for the $2,000 federal employment tax credit? If so, please quantify this tax credit.

d) Table 4-35 does not appear to reconcile with the statement on page 3 that no investment tax credits have been included for 2014. Please reconcile.

7.3-Energy Probe-39

Ref: Exhibit 4, Appendix G &
Exhibit 2, Tab 1, Schedule 3, Appendix 2-BA

a) Please explain why the computer software additions shown for 2013 and 2014 in Appendix 2-BA in Exhibit 2, Tab 1, Schedule 3 (account 1611) are shown as being in CCA class 12 in those exhibits, but in the CCA schedules in the PILS model are included in CCA class 50.

b) Please explain why computer hardware (account 1920) additions to rate base shown in Appendix 2-BA are included in CCA class 10, rather than in CCA class 50.

c) Please provide revised CCA schedules for 2013 and 2014 based on including computer software in CCA class 12 and computer hardware in CCA class 50. What is the impact on the CCA deduction available for 2014 of these changes?

7.4 Is the proposed allocation of shared services and corporate costs appropriate?

7.4-Energy Probe-40

Ref: Exhibit 1, Tab 3, Schedule 3

Are any of the costs associated with the board of directors of Oakville Hydro Corporation included in the historical and/or forecast costs for Oakville Hydro Electricity Distribution? If yes, please quantify by year from 2010 through 2014.

7.4-Energy Probe-41

Ref: Exhibit 4, Tab 3, Schedule 5

a) A number of costs are allocated to affiliates without markup. Please explain how these costs and the associated revenues from the affiliates are accounted for. Does Table 4-17 imply that of the $2,193,924 in costs recovered from affiliates, that $381,450 is recorded as revenues with the remainder recorded as a reduction to OM&A costs?

b) Please confirm that because there is no markup applied to the OM&A costs recovered from affiliates, that no return on capital or depreciation associated with the assets used to provide services to affiliates are recovered from those affiliates. For example, are any of the asset-related costs associated with billing for water, sewer and rental tanks recovered from the affiliates?

7.4-Energy Probe-42

Ref: Exhibit 4, Tab 3, Schedule 5

Please explain why Oakville Hydro ratepayers should pay for any of the costs associated with the parent corporation's Board of Directors?

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

7.5-Energy Probe-43

Ref: Exhibit 5, Tab 1, Schedule 1

Please update the 2014 table found in Appendix 2-OA (page 6) and in Appendix 2-OB (page 7) to reflect the update cost of capital parameters applicable to 2014 cost of service applications, as issued by the Board on November 25, 2013.

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

7.6-Energy Probe-44

Ref; Exhibit 3, Tab 3, Schedule 1

a) **Please provide an updated version of Appendix 2-H (page 6) that reflects the most recent year-to-date information available for 2013, along with the forecast for the remainder of the year. In answering this, please adjust the historical years to remove any interest earned on regulatory accounts and any CDM revenues and costs.**

b) **Please provide the most recent year-to-date figures available for 2013 in the same level of detail as found in Appendix 2-H (page 6), along with the figures for the corresponding period in 2012.**

c) **Please explain why there are no microfit revenues shown in Appendix 2-H for either 2013 or 2014.**

7.6-Energy Probe-45

Ref: Exhibit 3, Tab 3, Schedule 1, pages 6-8

a) Please explain the reduction in pole rental (account 4210) between 2012 and 2013. Is Oakville Hydro renting fewer poles in 2013 than it did in 2012?

b) Please explain why there is no revenue forecast for 2014 in account 4385 for sentinel light rentals. What costs are incurred on a fully allocated basis in order to provide these rentals? Where are these costs included in the revenue requirement?

c) Please explain why almost all of the line items shown in account 4235 show a decrease between actual 2012 and the forecast for 2013, in light of the comment on page 3 that this account has been forecast based on a 2% increase from the last actual results.

d) Please explain why there are no proceeds on the sale of capital assets shown in account 4390 in 2014 when Oakville Hydro is replacing a number of vehicles.

e) Please provide the number of vehicles being replaced in 2014 and the net book value of those vehicles being replaced, along with an estimated sale value of the vehicles.

7.6-Energy Probe-46

Ref: Exhibit 3, Tab 3, Schedule 1, pages 9-10

a) How many customer requested service calls during regular hours has Oakville Hydro received on average over the last 3 years?

b) How many customer requested service calls outside of regular hours has Oakville Hydro received on average over the last 3 years?

c) What are the current charges for the services where Oakville Hydro is proposing a charge of $30 and $165 per hour?

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-Energy Probe-47

Ref: Exhibit 6

a) Please update the RRWF found in Appendix 6A to reflect any changes or corrections resulting from the interrogatory responses, as well as the updated cost of capital parameters applicable to 2014 cost of service applications as issued by the Board on November 25, 2013.

b) Please provide a tracking sheet showing the changes and/or corrections made to the revenue deficiency/sufficiency calculation as noted in part (a) above. For each change, please provide a reference to the associated interrogatory response that results in the change.

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-Energy Probe-48

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

a) Please re-estimate the power purchased equation by dropping the daylight hours variable and replacing the spring fall flag variable with two variables - a spring flag (equal to 1 in March, April and May, 0 otherwise) and a fall flag (1 in September, October and November, 0 otherwise). Please provide the regression statistics as shown in the Summary Output on page 5.

b) Please provide revised Tables 3-4, 3-13, 3-17, 3-18, 3-21, 3-22, 3-23 and any other tables that are impacted based on the forecast generated in the response to part (a) above.

c) Please provide the live Excel spreadsheet that contains the equation requested in part (a) above.

d) Please provide the impact on revenues at existing rates based on the forecast from the equation requested in part (a). Please show the change in distribution revenue calculated by rate class.

e) What is the impact on the working cash allowance of the forecasted generated in response to part (a)? Please show all calculations.

8.1-Energy Probe-49

Ref: Exhibit 3, Tab 2, Schedule 1

a) Tables 3-22 and 3-23 appear to have a number of differences for 2014. For each difference, please explain the difference and indicate which figure is the forecast used to determine the revenue deficiency and to collect amounts through rate riders. For example, Tables 3-22 and 3-23 show the same kWh for the GS > 50 class, but different figures for the kW forecast for 2014.

b) Some of the street lighting and sentinel figures appear to have been reversed between Tables 3-22 and 3-23. Please provide corrected tables.

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

8.2-Energy Probe-50

Ref: Exhibit 7, Tab 1, Schedule 1 &
Exhibit 3, Tab 3, Schedule 1

a) Please reconcile the number of connections used in the cost allocation model for the USL and sentinel rate classes (675 and 160, respectively) with the figures shown for 2014 in Tables 3-22 and 3-23 (674 and 157, respectively).

b) Please reconcile the number of connection used in the cost allocation model for the street lighting class (10,413) with the figures for 2014 shown in Table 3-22 (10,404) and in Table 3-23 (6,120).

8.2-Energy Probe-51

Ref: Exhibit 7, Tab 1, Schedule 2 &
Exhibit 3, Appendix A

a) Please show how the average peak load of 6 MW was calculated based on the information provided in Exhibit 3, Appendix A.

b) What is the one hour demand capacity of the station? Is this the 156 MW noted on page 1 of Exhibit 7, Tab 1, Schedule 2?

c) Please provide a revised Table 7-5 that is based on the maximum one hour demand of 7.9 MW as identified in Exhibit 3, Appendix A.

8.2-Energy Probe-52

Ref: Exhibit 7, Tab 1, Schedule 2 &
Exhibit 2, Tab 5, Schedule 2

a) Has Oakville Hydro allocated the $5 million in costs associated with the on-site emergency back-up transformer for the Glenorchy Municipal Transformer Station as discussed on page 73 of Exhibit 2, Tab 5, Schedule 2 to the embedded distributor class? If not, why not?

b) Will the emergency back-up transformer be used only for Oakville Hydro customers or will Milton Hydro customers also benefit from this expenditure?

c) If Milton Hydro customers receive some of the benefits associated with this expenditure, please provide a table that shows the direct allocation to the embedded class in a manner similar to Table 7-5.

8.2-Energy Probe-53

Ref: Exhibit 7, Tab 1, Schedule 3 & Appendix A

a) Please explain why the status quo ratios shown in the table at the top of page 7 are different than the ratios shown in Sheet O1 in the cost allocation model in Appendix A.

b) Please explain why Oakville Hydro is proposing to move all revenue to cost ratios to 100% in 2015.

8.2-Energy Probe-54

Ref: Exhibit 7, Appendix A

Using the revenue to cost ratios shown in Appendix A, Sheet O1, as the starting point, please move the revenue to cost ratio for the embedded class to 100%, lower the ratio for the USL, sentinel and GS < 50 classes to 120%. Please calculate the revenue to cost ratios for the remaining classes (residential GS > 50, GS > 1,000, street lighting) so that they are all the same and result in revenue neutrality overall. Based on this approach, what is the revenue to cost ratios for the rate classes that are currently 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-Energy Probe-55

Ref: Exhibit 8, Tab 1, Schedule 1 &
Exhibit 8, Tab 2, Schedule 1 &
Exhibit 8, Tab 12, Schedule 1.

a) Please update all impacted tables in Exhibit 8, Tab 1, Schedule 1 and Exhibit 8, Tab 2, Schedule 1using the revenue to cost ratios requested in 8.2-EP-54.

b) Please provide a revised Table 8-22 from Exhibit 8, Tab 12, Schedule 1 based on the revenue to cost ratios referred to above.

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

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

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?

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-Energy Probe-56

Ref: Exhibit 2, Tab 6, Schedule 4

a) Please provide a revised Table 2-60, Table 2-61 and Appendix 2-EE that reflect the treatment of account 1576 consistent with the Board's decision in EB-2012-0161 for PowerStream.

b) Please provide the after-tax calculation of the WIP amount to be recovered from ratepayers, along with a table similar to Table 2-61, again consistent with the Board's decision in EB-2012-0161.

9.1-Energy Probe-57

Ref: Exhibit 9, Tab 11, Schedule 1 &
Exhibit 4, Tab 2, Schedule 2

a) Please show the derivation of the actual revenue requirement associated with the actual costs for the municipal transformation station in each of 2011 through 2014 that totals the amount of $5,834,937 shown in Table 9-32. In particular, please show separate lines for the revenue requirement components such as depreciation, return on equity, cost of debt, PILs, OM&A, etc. and provide all assumptions used in the calculations.

b) Please explain any differences in the OM&A calculated in part (a) above and the figures shown in Table 4-3 in Exhibit 4, Tab 2, Schedule 2.

c) Do the depreciation expenses include use of the half year rule in the year in which the assets went into service?

d) Do the PILs calculations include the impact of the capital cost allowance available for each of the years?

***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?**