

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 Algoma
Power Inc. for an order approving just and reasonable rates and
other charges for electricity distribution to be effective January
1, 2015.

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

July 18, 2014

**ALGOMA POWER INC.
2015 RATES REBASING CASE
EB-2014-0055**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, Tab 1, Schedule 16

Please confirm that there are not costs included in the test year revenue requirement associated with the Board of Directors of any of the affiliates shown on page 1. If this cannot be confirmed, please provide the amount included in the test year and the amounts included in the historical and bridge years.

1-Energy Probe-2

Ref: Exhibit 1, Tab 2, Schedule 1

When does API expect that the Board will determine the appropriate RRRP Adjustment Factor during this proceeding?

EXHIBIT 2 – RATE BASE

2-Energy Probe-3

Ref: Exhibit 2, Tab 1, Schedule 2

Please add two columns to the Rate Base Variance Table to include 2010 actuals and the 2010 forecast used in the last cost of service rebasing application.

2-Energy Probe-4

Ref: Exhibit 2, Tab 1, Schedule 3

- a) Are the fixed asset continuity schedules for 2011 and 2012 based on CGAAP or ASPE?**
- b) Please confirm that the 2013 through 2015 figures are based on ASPE.**

- c) If the response to part (a) is CGAAP, please indicate the impact on the cost of fixed assets closed to rate base under ASPE instead of CGAAP for both 2011 and 2012.
- d) Please explain what the "allocations" column in each of the continuity schedules represents and please show the calculation of these amounts in each of the years shown.

2-Energy Probe-5

Ref: Exhibit 2, Tab 1, Schedule 4

- a) Please provide a table at the same level of detail that shows the 2010 actual gross fixed assets compared to the forecasted levels for the 2010 bridge year in the last cost of service application.
- b) Actual gross assets in 2011 were approximately \$4.8 million below the 2011 Board Approved figure. Please provide an explanation for the reduction in the following categories:
 - i) computer equipment and software (accounts 19209, 1925 and 1611) - reduction of about \$3.0 million;
 - ii) land (account 1805) - reduction of \$322,000;
 - iii) building and fixtures (account 1808) - reduction of \$307,000; and
 - iv) other tangible property (account 1990) - reduction of \$2.15 million.

2-Energy Probe-6

Ref: Exhibit 2, Tab 1, Schedule 5

- a) What is the billing frequency for each of API's rate classes?
- b) Has this billing frequency changed since API's last cost of service proceeding that set 2011 rates? If yes, please explain what changes were made and when they were made.

2-Energy Probe-7

Ref: Exhibit 2, Tab 1, Schedule 5

- a) Please provide the calculations used to derive the current RPP and non-RPP commodity estimates of \$0.08899/kWh and \$0.08949/kWh figures.

- b) Please update the RPP and non-RPP prices based on the latest Regulated Price Plan Report. In doing so, please provide the calculations used to derive the new rates.**
- c) Please provide the impact of the updated RPP and non-RPP prices used in part (b) on each of the working capital allowance component of rate base and the revenue deficiency for the test year.**

2-Energy Probe-8

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

Table 2.2.1.1 in Exhibit 2, Tab 2, Schedule 1 reflects the amounts associated with the stranded meters in gross assets and accumulated depreciation.

- a) Please confirm that the 2014 amounts are shown as disposals in the 2015 continuity schedule in Exhibit 2, Tab 1, Schedule 3 (page 5).**
- b) Please confirm that the rate base variance account table in Exhibit 2, Tab 1, Schedule 2 reflects an average net book value for 2015 based on the ending balances of 2014 and 2015.**
- c) Please confirm that the 2014 year end figure includes stranded meters.**
- d) Please re-calculation rate base for 2015 based on the average of the opening and closing net book value for 2015, with the opening balance excluding stranded meters.**

2-Energy Probe-9

Ref: Exhibit 2, Tab 2, Schedule 1

- a) Please explain why depreciation was not continued to be calculated on the conventional meters noted under Scenario B.**
- b) Please confirm that the conventional meters in inventory were not included in rate base as part of the 2011 rebasing application and that there was no return on capital or depreciation included in the 2011 approved revenue requirement. If this cannot be confirmed, please explain.**

2-Energy Probe-10

Ref: Exhibit 2, Tab 2, Schedule 1

- a) Did API track the net book value of the stranded meters by rate class (i.e. Residential-R1 and Seasonal) on an historical basis? If yes, please provide the net book value for the two categories using this allocation rather than that proposed by API in Table 2.2.1.3.**
- b) If API does not have the historical information requested in part (a) above, please provide the values of the meters allocated to these two rate classes based on the cost allocation model used in the 2011 rebasing application.**
- c) Based on the responses provided above, please provide revised versions of Table 2.2.1.3 that use the different allocation factor to calculate the rate rider for both rate classes.**

2-Energy Probe-11

Ref: Exhibit 2, Tab 3, Schedule 2

Please update the table on page 6 to reflect the most recent actual capital expenditures for 2014 along with the forecast for the remainder of the year.

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-12

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

- a) What does STEI stand for? (page 4, line 7)**
- b) Are the customer numbers used in the Elenchus report year end or the average number of customers per year? If the latter, is the average based on the opening and closing numbers for the year or the average number for each month?**
- c) For each rate class, please provide the most recent number of customers available in 2014 along with the figure for the corresponding month in 2013.**

3-Energy Probe-13

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

- a) Please confirm that the forecasted shift of 107 customers from the seasonal to residential R1 class means 107 customers in 2014 and a further 107 customers in 2015.**
- b) Please explain why the shift in volumes is 321,000 in both 2014 and 2015. In particular, why isn't the shift in 2015 double this amount, or 642,000 reflecting the additional volumes shifted in 2015 compared to 2014 for the additional customers switching in 2015?**

3-Energy Probe-14

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

- a) Please explain how the normalized historical figures for 2006 through 2013 shown in Table 2-3 were calculated. In particular, are the estimates based on a forecast using normalized (i.e. 10 year average) figures for HDD and CDD with no other changes to that used in the regression equation?**
- b) Please provide a revised Table 2-3 that calculates normalized figures for 2006 through 2013 based on actuals and the difference in degree days times the appropriate coefficient. In particular, please calculate normalized actual equal to actual plus HDD coefficient times (normal HDD minus actual HDD) plus CDD coefficient times (normal CDD minus actual CDD).**

3-Energy Probe-15

Ref: Exhibit 3, Tab 1, Schedule 2, Appendix A, Schedule 2 & API Load Forecast Model (Excel Spreadsheet)

- a) The spreadsheet provided does not contain all the information needed to replicate the estimated regression equation. In particular, it does not include the historical data for November and December of 2005.**

Please provide the complete historical data set needed to estimate the regression equation found in the spreadsheet.

- b) The spreadsheet provided has most of the links between the sheets removed.**

Please provide the excel spreadsheet requested in part (a) above with all the links still in place.

3-Energy Probe-16

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

- a) Please explain why the time variable has been included in the equation given that it is not statistically significant.**
- b) Did Elenchus try any other explanatory variables, such as number of days in the month, spring-fall flag, summer flag, etc.? If not, why not? If yes, please provide a live Excel spreadsheet that shows the variables used and the subsequent regression equations.**

3-Energy Probe-17

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

- a) Please explain why API has not forecast any increase in kWh's or kW's associated with the five large use customers for 2014 and 2015 despite an increase in every year from 2008 through 2013.**
- b) Please provide the most recent year-to-date kWh's and kW's available for 2014 for the 5 large use customers, along with the figures for the corresponding period in 2013.**

3-Energy Probe-18

Ref: Exhibit 3, Tab 4, Schedule 2

Please provide the most recent year-to-date actual figures for 2014 that are currently available in the same level of detail as that found in Appendix 2-H. Please also provide the figures for the corresponding period in 2013.

3-Energy Probe-19

Ref: Exhibit 3, Tab 4, Schedule 1

- a) Please explain why the revenues in account 4086 are forecast to be lower in 2014 and 2015 as compared to previous years given that the number of customers is increasing.**

- b) Please explain why there is no revenue forecast for accounts 4082 and 4084 for 2014 and 2015 despite revenue being recorded in 2013.
- c) Please explain why the revenue in account 4210 was significantly higher in 2012 than it was in other years.
- d) Please explain the decrease in revenues forecast in account 4210 in 2014 and 2015 relative to 2013.
- e) Please explain the decrease in account 4225 in 2015 relative to 2011 through 2013.
- f) Please explain the decrease in account 4235 in 2015 relative to 2012 and 2013.
- g) In 2011 through 2013, the net revenue in accounts 4325 and 4330 was between \$15,000 and \$20,000. Please explain why the net revenue forecast for 2014 and 2015 is \$0.
- h) Does the interest income in account 4405 include interest earned and payable related to deferral and variance accounts? If yes, please provide the amount in account 4405 excluding any interest associated with deferral and variance accounts.
- i) Does API have any microFit customers? If yes, please provide the average number in each of 2011 through 2013 and the forecast for 2014 and 2015. Please also indicate where the revenue associated with the customers is shown and provide the amount for each year of 2011 through 2015.

EXHIBIT 4 – OPERATING COSTS

4-Energy Probe-20

Ref: Exhibit 4, Tab 1, Schedule 1

- a) Please confirm that all the figures shown in Table 4.1.1.1 are on an ASPE accounting basis. If this is not the case, please explain which years are on an ASPE basis and which are on a CGAAP basis.
- b) Do the figures included in Table 4.1.1.1 include the property taxes shown in Exhibit 4, Tab 2, Schedule 5?
- c) Please explain what GEC stands for in Table 4.1.1.2.

- d) If the GEC line reflects the accounting adjustment made effective January 1, 2013, does this mean that the actual OM&A costs shown for the 2011 Board approved and actual 2011 and 2012 columns were higher by the amounts shown in the GEC line if they were shown on a comparable basis to the 2013 through 2015 figures? If not, please explain fully the adjustments made in the GEC line.
- e) Please provide the most recent year-to-date actuals for 2014 in the same level of detail as found in Table 4.1.1.1 and the figures for the corresponding period in 2013.

4-Energy Probe-21

Ref: Exhibit 4, Tab 2, Schedule 2

- a) Please explain why the outage response costs are forecast to decline by \$90,000 in 2014 and then increase by \$180,000 in 2015.
- b) Please confirm that API now bills all customers on a monthly basis, whereas before the Residential - R2 class was billed monthly, the Residential R1 class was billed bi-monthly, the street lighting class was billed monthly and the Seasonal class was billed annually. If this is not correct, please indicate the billing frequency for each rate class prior to and after the change in billing frequency.

4-Energy Probe-22

Ref: Exhibit 4, Tab 4, Schedule 1

- a) What was the wage increase for unionized employees in 2010, 2011 and 2012?
- b) What is the impact on the 2015 revenue requirement if the unionized wage increases for January 1, 2014 and January 1, 2015 were both 2.0%?
- c) Please provide the annual percentage change in the Labour AWE - All Employees - Ontario from Statistics Canada that the Board used to calculate the 2014 inflation factor value in the EB-2010-0379 Report of the Board dated November 21, 2013.
- d) What was the annual increase for executive, management and non-union staff in each of 2010 through 2013 and what is the forecast for 2014 and 2015?

4-Energy Probe-23

Ref: Exhibit 4, Tab 4, Schedule 1, Appendix A

What is the current level of FTE's for 2014?

4-Energy Probe-24

Ref: Exhibit 4, Tab 4, Schedule 1

Please provide a table that shows for each of 2011 through 2015 the actual/forecast amount of incentive compensation, the total potential compensation that was/will be available and the ratio of the amount paid/forecast to be paid to the potential.

4-Energy Probe-25

Ref: Exhibit 4, Tab 11, Schedule 1

The evidence indicates that API calculates amortization commencing in the month following the month the asset is capitalized for capital additions during the current year. Please provide the actual amortization expense for capital additions during the current year for each of 2011 through 2013 and the amount that would have been calculated if the half year rule had been used for those years.

4-Energy Probe-26

Ref: Exhibit 4, Tab 11, Schedule 2

- a) Please explain how the depreciation on asset allocations is calculated.**
- b) Does API capitalize and/or expense any of the depreciation expense for such things as transportation equipment? If yes, please quantify the amount in each of 2011 through 2015.**

4-Energy Probe-27

**Ref: Exhibit 4, Tab 12, Schedule 3 &
Exhibit 2, Tab 1, Schedule 3**

Please explain the significant differences in CCA additions (\$5,536,393) and gross asset additions (\$9,940,474) for 2013.

4-Energy Probe-28

Ref: Exhibit 4, Tab 12, Schedule 4

Please provide a copy of the 2013 income tax return.

4-Energy Probe-29

Ref: Exhibit 4, Tab 12, Schedule 4

- a) Has API had any tax credits (Ontario apprenticeship training, Ontario co-operative education, federal job creation, etc.) in 2011 through 2013? If yes please identify the number of positions and the credits claimed.**
- b) Does API have any positions in 2014 and/or 2015 that would qualify for any of the tax credits noted in part (a)? If yes, please indicate how many and what the associated tax credit is.**

4-Energy Probe-30

Ref: Exhibit 4, Tab 12, Schedule 5

Please explain the significant increase in property taxes forecast for 2015 relative to 2014 and 2013.

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5-Energy Probe-31

Ref: Exhibit 5, Tab 1, Schedule 1

- a) Please confirm that API has only one long term debt note in the amount of \$52 million at a rate of 5.118% with a maturity date of December 16, 2041. If this cannot be confirmed, please provide a list of all such notes including the principal, interest rate and maturity date.**
- b) Is any of the long term debt callable on demand or redeemable by API? If yes, please provide details. For example, what parties have the ability to redeem or call all or part of the debt and what amount of notice is required to do so?**

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-32

**Ref: Exhibit 6, Tab 1, Schedule 2 &
RRWF**

The figures in the 2015 Test Required Revenue in Table 6.1.2.1 do not match the figures in the RRWF in the Initial Application at Proposed Rates on the Revenue Deficiency/Sufficiency sheet. Please provide a corrected RRWF and/or Table 6.1.2.1 so that the two balance.

6-Energy Probe-33

Ref: Exhibit 6, Tab 1, Schedule 4

Please confirm that in the absence of the accounting change, the deficiency in 2015 would have been about \$5.2 million (\$3,631,300 deficiency plus \$1,525,053 accounting change impact). If this cannot be confirmed, please show the calculation of the deficiency in 2015 in the absence of the account change.

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-34

Ref: Exhibit 7, Tab 1, Schedule 2

Please explain why the metering capital weighting factor for the seasonal class is 0.89 instead of the same 1.0 used for residential-R1. What is driving the lower capital cost for seasonal customers?

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-35

**Ref: Exhibit 8, Tab 2, Schedule 1 &
Exhibit 2, Tab 2, Schedule 1**

Please show the calculation that results in the Residential-R1 monthly fixed charge of \$24.03 shown in Table 8.2.1.4 in Exhibit 8, Tab 2, Schedule 1. In particular, please show how this figure was determined based on the current charge of \$20.96 per year (Table 8.2.1.2) and the \$1.89 per month charge associated with the

stranded meter costs shown in Table 2.2.1.3 in Exhibit 2, Tab 2, Schedule 1. If these two latter figures are not relevant in the calculation, please explain the relevance of these figures.

8-Energy Probe-36

Ref: Exhibit 8, Tab 2, Schedule 1

- a) Please explain why the total figure shown in the second part of Table 8.2.1.4 in the last column (\$6,993,505) does not appear to include the transformer allowance revenue of \$74,096.
- b) Please explain how the rural and remote rate protection amount of \$14,515,412 is calculated based on the information in the table.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-37

Ref: Exhibit 9, Tab 9, Schedule 1

Please explain how the additional \$760,467 that was accumulated beyond the amount designated to be disposed of was calculated.