

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 Hydro One
Brampton Networks 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 23, 2014

**HYDRO ONE BRAMPTON NETWORKS INC.
2015 RATES REBASING CASE
EB-2014-0083**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, Tab 7, Schedule 1

- a) Please update Table 1 to reflect the most recent forecasts available from HIS Global Insight.**
- b) Please update Table 2 to reflect actual data for 2013 and any changes for 2014 and 2015.**

1-Energy Probe-2

Ref: Exhibit 1, Tab 7, Schedule 1

The evidence (page 8) states that the current labour agreements with UNIFOR and IBEW extend to March 31, 2014. Please provide an update to the labour agreements in place with both UNIFOR and IBEW.

EXHIBIT 2 – RATE BASE

2-Energy Probe-3

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

The first reference indicates that the half year rule is used only to forecast the bridge and test years, while the second reference seems to imply that the half year rule is used for all years in the calculation of rate base. Please reconcile and clearly indicate for rate base calculation purposes, which years use the half year rule and which use the month in-service method.

2-Energy Probe-4

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

- a) Please explain what is included in account 5725.**
- b) Please provide continuity schedules for 2010 through 2015 that show the additions, disposals and any adjustments made to account 5725 that results in the amortization figures shown for this account in 2010 through 2015 in Appendix 2-BA.**

2-Energy Probe-5

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

- a) Please explain the adjustments to accumulated depreciation shown for 2013.**
- b) Please provide an updated continuity schedule for 2014, along with the resulting impacts on 2015 based on the most recent year-to-date actual capital additions closed to rate base in 2014 along with a forecast for the remainder of the year.**
- c) Please explain how HOBNI has forecast the disposals in the 2015 test year that results in an increase in depreciation expense of \$729,250.**
- d) Please explain the gain on disposal of property is equal to the difference between the gross assets disposal and the accumulated depreciation disposal for 2014 and 2015, while for all the previous years it appears to be significantly less than the difference in these figures.**
- e) The fully allocated depreciation shown for 2015 totals approximately \$1.43 million. Please indicate how much, if any, of this amount is capitalized and how much is included in OM&A.**

2-Energy Probe-6

Ref: Exhibit 2, Tab 3, Schedule 1

- a) Does HOBNI bill all rate classes on a monthly basis? If not, please provide a table that shows the billing frequency for each rate class.**
- b) Has the billing frequency for any rate class changed since the last cost of service application? If yes, please provide details.**

2-Energy Probe-7

Ref: Exhibit 2, Tab 3, Schedule 2

- a) Please show the calculation used to derive the 2014 RPP price of \$0.0898 based on the RPP price of \$0.089 noted on lines 4-5 on page 2.**
- b) Please show the derivation of the HOEP and GA figures for 2014.**
- c) Please update Table 3 and 6 to reflect the most recent Regulated Price Plan Price Report that is available. Please show the derivation of the HOEP, GA and RPP prices used for 2015.**
- d) Is the RPP non-RPP split shown on Tables 5 and 6 based on the 2013 actual data? If not, what is the split based on?**

2-Energy Probe-8

Ref: Exhibit 2, Tab 4, Schedule 1

The evidence indicates that OM&A expenditures in 2010 through 2012 have been adjusted to reflect smart meter related costs.

- a) Please confirm that the OM&A costs shown in this application for 2010 through 2012 include all the smart meter costs that were included in the smart meter OM&A variance account that was cleared in EB-2012-0440. If this cannot be confirmed, please explain what smart meter related OM&A costs were not included in these years.**
- b) Please confirm that HOBNI has included in each of 2010 through 2012 the actual smart meter related OM&A costs incurred and that these costs were not all allocated to one year, such as 2012. If this cannot be confirmed, please show the amount of smart meter related OM&A costs that were incurred in each year and the amount included in OM&A each year as a result of the EB-2012-0440 decision.**

2-Energy Probe-9

Ref: Exhibit 2, Tab 5, Schedule 1

- a) Are the capital expenditures shown in Table 7 gross expenditures or are they net of contributions?**

- b) Please provide a table that shows for each of the years shown in Table 7, gross capital expenditures, contributions & grants, net capital expenditures and capital additions closed to rate base.

2-Energy Probe-10

**Ref: Exhibit 2, Tab2, Schedule 2, Appendix 1 &
Exhibit 2, Tab 5, Schedule 1**

The second reference (page 19) indicates that the 2015 capital expenditures includes \$2.4 million associated with general plant - fleet for the replacement of equipment at the end of its useful life. The 2015 continuity schedule in first reference does not show any disposal related to transportation equipment.

- a) Please explain why the equipment being replaced in 2015 is not shown as a disposal in the continuity schedule. Does this mean that each of the pieces of equipment will be fully depreciated when it is replaced in 2015?
- b) Where has the sale value or scrap value of the equipment being replaced been included in the evidence?

2-Energy Probe-11

Ref: Exhibit 2, Tab 6

- a) Are the capital projects listed in Table 5-39 for each of 2014 and 2015 still the most up to date list of capital projects for these years? If not, please provide an up to date list along with the business cases for any projects that have been added to the list.
- b) Based on capital expenditures to date in 2014 and the forecast for the remainder of 2014, will HOBNI close all the expenditures to rate base that it is forecasting as part of this application? If not, please provide details.

2-Energy Probe-12

Ref: Exhibit 2, Tab 6

- a) Please confirm that for all the projects shown in pages 139 to 298, no capital expenditures have been included in the rate base for 2014 for any components of the projects that show an in-service date after 2014. Similarly, please also confirm that no capital expenditures have been included in the rate base for 2015 for any components of the projects that shown an in-service date after 2015.**
- b) For all projects in pages 139 to 298 that show an in-service date for 2014, please indicate if the project is still on target to be completed and in-service by the end of 2014. For any projects that are not, please provide the amount included in the additions to rate base in 2014.**

2-Energy Probe-13

Ref: Exhibit 2, Tab 6

- a) Please explain the difference in the capital expenditures noted in Table 5-26 of the Distribution System Plan and the figures shown in Appendix E included at the end of Appendix B: Studies & Supporting Documentation.**
- b) The business case for the ERP system shown on page 154 of 157 of Appendix A: Capital Project Business Cases 2014 & 2015 only shows a cost of about \$5 million in 2015. However, in Appendix E included at the end of Appendix B: Studies & Supporting Documentation shows an additional cost of \$5 million in 2016. Please explain how the business case has been evaluated in the absence of the 2016 costs.**

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-14

Ref: Exhibit 3, Tab 1, Schedule 1

- a) Table 11 is the same as Table 8. Please provide the correct Table 11.**
- b) Are the results in Table 10 based on actual consumption or normalized actual consumption?**

3-Energy Probe-15

Ref: Exhibit 3, Tab 1, Schedule 1

The evidence indicates that over time the average temperature during summer and winter months is increasing. However HOBNI does not appear to have estimated the CGG and HDD figures that would be forecast for 2015 based on a simple 20 year trend of the degree days from 1994 through 2013.

- a) Please provide the 20 year trend forecast for 2015 for both HDD and CDD, including a live Excel spreadsheet that has all the historical data used and the regression equation(s) used to estimate the trend.**
- b) Based on the HDD and CDD forecasts for 2015 in part (a), what is the impact on revenues at existing rates and the overall revenue deficiency? In preparing this response, please use the same methodology as proposed by HOBNI for all other aspects of the forecast.**

3-Energy Probe-16

Ref: Exhibit 3, Tab 1, Schedule 1

- a) Please explain why HOBNI is not proposing to use the geometric mean for customer growth for all ten years shown in Table 8, consistent with the 10 years of historical data used to estimate kWh.**
- b) Does HOBNI believe that the 2008 through 2013 period represents a full business cycle? Please explain.**
- c) Please provide a version of Table 8 that calculates the geometric mean for each rate class based on all the years of data shown.**
- d) Please provide a version of Table 8 that calculates the geometric mean for each rate class based on all the years of data shown, but removing the two highest and two lowest growth rates in each rate class, resulting in the geometric mean being the average of the remaining 6 years.**
- e) Based on the response to part (d) above, please provide a revised Table 9 and calculate the impact on the revenue forecast at existing rates for the 2015 test year using the same methodology used by HOBNI.**

3-Energy Probe-17

Ref: Exhibit 3, Tab 1, Schedule 2

Please update Tables 27 through 32 to reflect actual savings in 2013 and any resulting change to the 2014 forecast of CDM savings.

3-Energy Probe-18

Ref: Exhibit 3, Tab 3, Schedule 1

- a) Please provide the most recent year-to-date figures for 2014 in the same level of detail as found in Table 1. Please also provide the figures for the corresponding period in 2013.**
- b) Please indicate where in Tables 2 through 5 the microFIT revenue is recorded. Please show the actual and forecast microFIT revenue for 2011 through 2015.**

3-Energy Probe-19

**Ref: Exhibit 3, Tab 1, Schedule 1 &
Exhibit 2, Tab 6, Appendix B**

A comparison of Tables 7 and 9 in the first reference shows an increase in residential customers of 3,580 in 2014 and 3,676 in 2015. Table 3 in the City of Brampton Growth Projection Report included in the second reference shows an increase in the housing unit forecast of 4,623 in 2014 and 4,664 in 2015. Please explain the difference of about 1,000 units in each of 2014 and 2015.

EXHIBIT 4 – OPERATING COSTS

4-Energy Probe-20

Ref: Exhibit 4, Tab 1, Schedule 1

The evidence states (page 3) that inflation as measured by the Ontario CPI has increased by approximately 2% per year over the 2011 to 2015 period.

Please provide the actual Ontario CPI increases for 2012 and 2013 and the forecast used by HOBNI for 2014 and 2015.

4-Energy Probe-21

Ref: Exhibit 4, Tab 1, Schedule 1

The evidence indicates that wage increase assumptions assumed for 2014 and 2015 for both unionized and non-unionized staff is 2.0% per year (page 6).

Please indicate the change in the 2015 revenue requirement if the wage increases for both 2014 and 2015 was 1.0%. Please take into account the amount expensed and capitalized and provide the response for each of the unionized and non-unionized staff.

4-Energy Probe-22

Ref: Exhibit 4, Tab 1, Schedule 1

- a) Please confirm that the figures shown in Table 2 include property taxes.**
- b) Please provide the most recent year-to-date actuals for 2014 in the same level of detail as shown in Table 2, along with the figures for the corresponding period in 2013.**
- c) Do the 2013 actual expenses or the 2014 forecast include any amount related to storm damage as a result of the December, 2013 ice storm? If yes, please quantify the amount included in 2013 and/or 2014.**
- d) Please show the amounts in 2011 through 2015 for storm damage/emergency repairs.**

4-Energy Probe-23

Ref: Exhibit 4, Tab 2, Schedule 1

The evidence indicates (pages 3-4) that HOBNI will update the DSP plan on an annual basis.

- a) Please confirm that the plan is to update the DSP and not completely redo the DDSF every year. If this cannot be confirmed, please explain.**
- b) Please confirm that the annual DSP will be for a 5 year planning horizon. If this cannot be confirmed, please explain and provide details.**
- c) What was the cost associated with the DSP included in this application?**

4-Energy Probe-24

Ref: Exhibit 4, Tab 2, Schedule 1

What does the "Other" category in Table 7 include?

4-Energy Probe-25

Ref: Exhibit 4, Tab 2, Schedule 1

Does HOBNI offer customers the option of receiving their bills by e-mail rather than receiving a paper bill? If not, why not?

4-Energy Probe-26

Ref: Exhibit 4, Tab 2, Schedule 1

- a) When did HOBNI change its policy of collecting accounts at 60 days rather than 90 days (page 34)?**
- b) Bad debt expenses are forecast to increase 16.5% between 2013 and 2015 and are driven by an increase in the number of customers and an increase in the cost of power. Please provide the percentage increase in the number of customers between 2013 and 2015 and the percentage increase in the average total bill between 2013 and 2015.**
- c) Moving the collection to 60 days from 90 "helps lower the Company's bad debt exposure" (page 34). Please explain and quantify how this has reduced the bad debt forecast in 2015.**

4-Energy Probe-27

Ref: Exhibit 4, Tab 2, Schedule 1

Please provide the most recent year-to-date actual expenditures available for 2014 in the same level of detail as found in Tables 21 and 23. Please also provide the figures for the corresponding period in 2013.

4-Energy Probe-28

Ref: Exhibit 4, Tab 3, Schedule 1

Please provide a table that shows for each of 2011 through 2015 the total incentive compensation paid (or forecast to be paid), the total potential incentive compensation that could have been paid, and the ratio of the actual incentive compensation to the potential incentive compensation.

4-Energy Probe-29

Ref: Exhibit 4, Tab 3, Schedule 1

- a) Please show the current staff count for 2014.**
- b) Please show the number of vacancies for 2011 and 2012 that correspond to the figures of 3 and 8 shown for 2013 and 2014 in Table 3.**
- c) Please provide details of the new agreement that has been negotiated with UNIFOR (page 2).**
- d) What is the current status of negotiations with the IBEW?**

4-Energy Probe-30

Ref: Exhibit 4, Tab 3, Schedule 1

- a) Please expand Table 5 to reflect the number of employees eligible to retire in each of 2011 through 2013.**
- b) Please add a line to the expanded Table 5 requested in part (a) that shows the number of employees that were eligible to retire that actually did in each year.**
- c) How many of the 69 employees eligible to retire in 2014 have retired as of the current time?**

4-Energy Probe-31

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

Please explain why actual FTE's were significantly below the 2011 Board approved level in each of 2011, 2012 and 2013.

4-Energy Probe-32

Ref: Exhibit 4, Tab 3, Schedule 2

- a) Are the figures in Table 18 and 19 consistent with the allocation to Hydro One Networks Transmission and Hydro One Networks Distribution and any other entity to which the HOI costs are allocated?**
- b) Please explain why HOBNI ratepayers should be expected to pay \$16,562 to HOI for the HOI Board of Directors when HOBNI has its own Board of Directors.**
- c) What is the cost included in the 2015 revenue requirement associated with the HOBNI Board of Directors?**
- d) Are there any shared costs related to the purchasing function or accounts payable? If not, why not?**

4-Energy Probe-33

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

- a) Please explain how the financial services allocation of \$256,000 to HOBNI was calculated in relation to the \$49,000 allocated to HOI, \$211,000 to Hydro One Remotes and \$414,000 to Hydro One Telecom.**
- b) Financial services are described as including transaction processing (accounts payable and receivable) along with fixed asset and general accounting. Please explain any difference in these services received by HOBNI from Hydro One Networks than would be received by Hydro One Networks Distribution or Transmission. For example, is there any delay in HOBNI receiving its accounts receivable through Hydro One Networks?**

4-Energy Probe-34

Ref: Exhibit 4, Tab 3, Schedule 4

- a) Please provide the actual to date expenditures associated with the preparation of the 2015 cost of service application in the same level of detail as shown in Table 24.**
- b) Where are the incremental staff resources allocated to this application in 2013 and 2014 allocated in 2015 and subsequent years?**
- c) Please confirm that the 2013 costs of \$325,914 and 2014 costs of \$722,000 are NOT included in the OM&A costs shown in Table 2 in Exhibit 4, Tab 1, Schedule 1.**

4-Energy Probe-35

Ref: Exhibit 4, Tab 4, Schedule 2

The evidence indicates that HOBNI uses the half year rule for depreciation purposes associated with investments made during the year. Please confirm that the half year rule is utilized for the both the forecasts for the bridge and test years and for the historical years. If this cannot be confirmed, please explain how the depreciation associated with investments made during the year is calculated for the historical years.

4-Energy Probe-36

Ref: Exhibit 4, Tab 4, Schedule 4

At page 3, the evidence appears to indicate that from 2015 and forward, while HOBNI has used the half year rule for additions to rate base for regulatory purposes, the financial accounting will use the monthly in-service date for actual depreciation expense.

- a) Please confirm that the above is accurate. If not, please explain when monthly in-service is or will be the methodology used to calculate depreciation.**
- b) Has HOBNI done any study that looks at the difference in depreciation expense using the half year rule relative the monthly in-service approach? If yes, please provide the results. If not, please provide a table that shows for each of 2011 through 2013 the difference in the depreciation expense assuming use of the half year rule versus the monthly in-service approach.**

- c) Please provide a source that confirms that IFRS does not allow for use of the half year rule.
- d) Please provide a reference for the Board direction that the half year rule is to be used for regulatory purposes.
- e) Has Board directed distributors to not use the in-service approach for regulatory purposes?

4-Energy Probe-37

Ref: Exhibit 4, Tab 5, Schedule 3

- a) Please update Table 5 to reflect actual data for 2013.
- b) HOBNI is proposing to increase the number of FTEs in 2014 and 2015. Are any of the increases (including the filling of vacancies) related to positions or individuals that would be eligible for the federal or provincial apprenticeship tax credits?

4-Energy Probe-38

Ref: Exhibit 4, Tab 5, Schedule 4, Appendix 3

Please provide a copy of the 2013 federal/provincial tax return.

4-Energy Probe-39

Ref: Exhibit 4, Tab 7

- a) Has HOBNI, or does HOBNI, intend to file a Z-factor application for the 2013 ice storm costs?
- b) Have the incremental capital costs associated with the ice storm been included in rate base at the end of 2013?
- c) Have the incremental OM&A costs associated with the ice storm been included in the 2013 actuals in this filing?

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5-Energy Probe-40

Ref: Exhibit 5, Tab 2, Schedule 1

Is HOBNI requesting a deemed short-term debt rate of 2.11% for the test year or is the HOBNI proposal to use this as a place holder until the Board issues the cost of capital parameters for 2015, as HOBNI proposes for the return on equity?

5-Energy Probe-41

Ref: Exhibit 5, Tab 2, Schedule 1

- a) What is the status of the new long term debt forecast for July 1, 2014? In particular, has HOBNI entered into additional long term debt in 2014? If yes, please provide the amounts, term and rate.**
- b) Please update the assumed interest rates for 2014 (unless the debt has been entered into) and 2015 based on the most recent information available.**
- c) Please explain why HOBNI has assumed 30 year terms for debt to be obtained in both 2014 and 2015? What would be the forecasted rates for 2014 (unless the debt has been entered into) and 2015 based on terms of 10 and 20 years?**

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-42

Ref: Exhibit 7, Tab 2, Schedule 1

What is the bill impact for the distributed generation customers from moving the revenue to cost ratio from 13.77% to the proposed level of 50%?

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-43

Ref: Exhibit 8, Tab 1, Schedule 1

The evidence states that HOBNI is exposed to more revenue risk associated with higher volumetric based revenue.

- a) Please provide a table that shows the 2015 variable revenue by rate class under the HOBNI fixed/variable proposal (as in Table 3), along with the corresponding figures if the current fixed/variable proportions were retained (Table 1), along with a column showing the difference by rate class.**
- b) Please provide the increases noted at the bottom of page 3 and top of page 4 for the residential customers noted, but based on maintaining the current fixed/variable proportions shown in Table 1.**

8-Energy Probe-44

Ref: Exhibit 8, Tab 6, Schedule 1

The evidence indicates that HOBNI does not record any revenues associated with the items shown in Table 1. Please confirm that HOBNI does not record any of the costs associated with providing these items in OM&A.

8-Energy Probe-45

Ref: Exhibit 8, Tab 9, Schedule 1

What is the impact on the total number of customers in the Distributed Generation rate class of the proposed new rate class? In particular, what is the total revenue forecast based on the new rate class as compared to the revenue forecast for these customers if they were to remain in the GS<50 class? Please also confirm that any change in revenues for this new class would be exactly offset by an equal and opposite amount to the GS<50 class. If this cannot be confirmed, please explain.

8-Energy Probe-46

Ref: Exhibit 8, Tab 9, Schedule 1, Appendix 1

- a) Please explain the line that shows "4315" in the GS<50 kW class.
- b) There are a number of rate riders for the GS<50 kW rate class that do not appear in the proposed Distributed Generation rate class. For each one that does not appear, please explain why it would not be applicable to the new rate class.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-47

Ref: Exhibit 9, Tab 3, Schedule 1

Does HOBNI expect to incur any additional IFRS transition costs in 2014 or in 2015 when it does convert to IFRS? If yes, please provide an estimate.

9-Energy Probe-48

Ref: Exhibit 9, Tab 7, Schedule 1

Please update Table 2 to reflect actual 2013 program data.