

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 Festival
Hydro 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")**

August 6, 2014

**FESTIVAL HYDRO INC.
2015 RATES REBASING CASE
EB-2014-0073**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, Tab 2, Schedule 3

- a) **What is the current status of the union negotiations that began in Q1 of 2014?**
- b) **What is the total increase in each of 2014 and 2015 associated with the assumed cost of living adjustments of 2.5%?**
- c) **What is the source of the 2.0% increase in costs other than labour costs?**
- d) **What is the impact in each of 2014 and 2015 of the assumed increase of 2.0% per year increase in costs other than labour costs?**

1-Energy Probe-2

Ref: Exhibit 1, Tab 2, Schedule 5

Appendix 2-AB does not have figures shown for system O&M for 2013 (plan or actual) 2014 (forecast) or 2019 (forecast). Please provide these figures.

1-Energy Probe-3

Ref: Exhibit 1, Tab 2, Schedule 6

Please provide the two components of the 2 factor inflation measure used by the OEB to calculate the inflation factor to be used for IRM applications based on the most recent year (2013) of data available from Statistics Canada (i.e. GDPIPIFDD and AWE-All Employees-Ontario (including overtime)).

1-Energy Probe-4

Ref: Exhibit 1, Tab 4, Schedule 1

- a) **Please confirm that Festival will convert to MIFRS effective January 1, 2015? If this cannot be confirmed, please explain and provide details.**
- b) **Please confirm that Festival changed its depreciation rates and capitalization policy to be consistent with MIFRS effective January 1, 2013. If this cannot be confirmed, please explain and provide details.**

1-Energy Probe-5

Ref: Exhibit 1, Tab 6, Schedule 12

Please confirm that there are no costs associated with the Board of Directors of Festival Hydro Services Inc. included in the historical, bridge and test year OM&A figures for Festival Hydro Inc. If this cannot be confirmed, please provide a table showing the amount included in OM&A for each of 2010 through 2015.

1-Energy Probe-6

Ref: Exhibit 1, Tab 6, Schedule 12

The heading on this schedule indicates that it was filed on August 15, 2013. The evidence also indicates that there are no known costs associated with the structure change at this time as additional roles were not added and salaries are still being negotiated.

Please update the evidence to reflect any costs that are now known of this change in structure.

1-Energy Probe-7

Ref: Exhibit 1, Tab 6, Schedule 13

- a) **What is the current status of the document in E1/T6/S13/A8? If revised, please file the revised document.**
- b) **Please provide the total cost of the Board of Directors for each of 2010 through 2013 and the forecast for 2014 and 2015. Please explain any significant changes due to the number of directors, or changes in their remuneration.**

EXHIBIT 2 – RATE BASE

2-Energy Probe-8

Ref: Exhibit 2, Tab 1, Schedule 1

- a) **Please explain why depreciation rates were slightly different than were included and approved in the 2010 application (page 4).**
- b) **Please provide the level of capital spending to date in 2014 as compared to plan. Has Festival caught up from the lower capital spend to March 31, 2014 noted on page 9?**

2-Energy Probe-9

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

Please reconcile the capital expenditures of \$2.5 million for 2015 in the second reference (Appendix 1-AB) and the \$17.783 million shown in Appendix 2-BA in the second reference, after taking into account the \$13.961 million for the TS station in account 1815.

2-Energy Probe-10

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

- a) **Please explain why the TS station is not included in the closing balance for 2014 and the opening balance of 2015.**
- b) **The test year continuity schedules show an amount of fully allocated depreciation of \$156,997. Please indicate how much of this is expensed in OM&A and how much is capitalized.**
- c) **Please provided updated continuity schedules for 2014 (all three versions shown in Appendix 2-BA) to reflect actual capital additions closed to rate base in 2014 for the most recent actual period available, along with the forecast for the remainder of the year.**

2-Energy Probe-11

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

- a) **Please show the derivation of the 2013 and 2014 figures on the table on the first page of the second reference above.**
- b) **Please reconcile the 2014 figure of \$14,946,801 shown in the second reference with the additions of gross assets of \$13,961,840 and accumulated depreciation of -\$667,059 shown in Appendix 2-BA in the first reference.**

2-Energy Probe-12

Ref: Exhibit 2, Tab 1, Schedule 3

- a) **Which rate classes does Festival bill monthly? What rate classes are billed bi-monthly?**
- b) **Has Festival changed the billing frequency for any rate classes since the 2010 application? If yes, please provide details.**

2-Energy Probe-13

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

- a) **Please confirm that Festival did not remove the stranded meter assets from the continuity schedules in the first reference at the end of 2014.**
- b) **Please confirm that the stranded meters were removed in the 2015 continuity schedule.**

2-Energy Probe-14

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

On page 5 of the second reference, Festival indicates that it has current properties that are not being fully utilized by the utility, including a property next to the main administration building.

- a) Please confirm that Festival has reduced the OM&A forecast for 2015 by the \$8,000 to \$10,000 noted on page 5 of the second exhibit. If this cannot be confirmed, please explain.
- b) While there is disposal of buildings shown for 2015 in Appendix 2-BA in the first reference, there does not appear to be any disposal of land. Please explain if the property to be disposed of in 2015 has been reflected in the continuity schedule for 2015.
- c) What is the net book value of the properties that may be disposed of in 2015?
- d) What are the expected remediation costs for each property that may be disposed of in 2015?
- e) What is the estimated value of each of the properties that may be disposed of in 2015?
- f) How has the potential disposition of the properties in 2015 been reflected in the revenue requirement calculation?
- g) Has or will Festival be disposing of any properties in 2014? If yes, please provide full details, including the net book values, remediation costs and selling prices.

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-15

Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1

- a) Do the wholesale data included in Table 2.1 (Schedule 2) include losses? If yes, please explain whether or not the interval and street light column also includes losses, or are all the losses included in the NSLS column?
- b) If the wholesale data shown in Table 2.1 (Schedule 2) does not include losses, please explain the difference in these figures from those shown in the table on page 2 of Schedule 1.
- c) Please explain why the interval and street light figures shown in Table 2.1 (Schedule 2) do not correspond to the figures shown in the table on page 2 of Schedule 1. Please show how the figures in this column are arrived at.
- d) What other rate classes or figures are included in NSLS class in Table 2.1 (Schedule 2) other than Residential, GS<50 and USL?)

- e) **Please provide versions of Tables 2.2, 2.3, and 2.7 through 2.11 (Schedule 2) based on each of the regression equations below. Please provide a live Excel spreadsheet with each of the requested equations, with all links still in place:**
 - i) **replacing the shoulder variable with a spring variable and a fall variable, and changing the trend variable to be 1 in each month in 2005, 2 in each month of 2006 and so on;**
 - ii) **in addition to the above, adding the number of days in the month as an explanatory variable.**

3-Energy Probe-16

Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1

Please provide a live Excel spreadsheet with all the historical data and the trend equation used to estimate the 20 year trend data shown in Table 2.5 (Schedule 2). If an equation was not estimated, please explain how the 20 year trend figures were calculated and provide the 20 years of historical data used.

3-Energy Probe-17

Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1

- a) **Why has Elenchus included the recession variable in Table 3.1 (Schedule 3) even though it is not statistically significant at a 50% level of confidence?**
- b) **Please provide versions of Tables 3.1, 3.2, and 3.7 through 3.10 (Schedule 3) based on each of the regression equation used, but excluding the recession variable. Please provide a live Excel spreadsheet for the requested equation, with all links still in place.**
- c) **In addition to the equation requested in part (b) above, please replace the work day variable with the number of days in the month and replace the shoulder variable with spring and fall variables and changing the trend variable to be 1 in each month in 2005, 2 in each month of 2006 and so on replace the trend variable used. Please provide the same information requested in part (b) above, including the live Excel spreadsheet.**

3-Energy Probe-18

Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1

- a) Please provide a table that shows the historical share of interval kWh for each of the rate classes (page 2 of Schedule 3).**
- b) Please explain why the sum of the GS<50 and Large Use classes in Tables 3.7 and 3.8 is less than that shown in Table 3.6 for 2005 through 2011, but higher in 2012 and 2013 and higher for the forecasts shown for 2014 and 2015.**
- c) Please provide the most recent year-to-date figures for 2014 associated with kW's for each of the GS>50 and Large User classes, along with the corresponding figures for the same period in 2013.**

3-Energy Probe-19

Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1

- a) Please update all the tables in Schedule 5 if the 2013 OPA final report is now available.**
- b) How has the incremental 1,500,000 of kWh reductions forecast for 2015 been determined?**

3-Energy Probe-20

Ref: Exhibit 3, Tab 3, Schedule 1, Attachment 1

- a) Please provide the most recent year-to-date figures available for 2014 in the same level of detail as found in Appendix 2-H, along with the figures for the corresponding period in 2013.**
- b) Please provide the interest and dividend income excluding interest on variance accounts for 2010 through 2015.**
- c) Where is the revenue associated with the MicroFit charge shown in Appendix 2-H? Please provide the actual and forecasted number of MicroFit customers for 2010 through 2015.**

3-Energy Probe-21

Ref: Exhibit 3, Tab 3, Schedule 1, Attachment 1

- a) Please provide a version of the table for account 4375/4380 that excludes both OPA incentives and solar generation (net).**
- b) Please explain how the 2015 forecast for streetlight capital work & maintenance was derived and why it is less than the 2014 forecast.**
- c) Please explain the reduction in the forecast for 2015 for affiliate management fees.**
- d) What are the costs associated with providing the affiliate management services? Are these costs included in OM&A?**

3-Energy Probe-22

Ref: Exhibit 3, Tab 3, Schedule 2

Please explain why Festival is using the load-weighted price for RPP consumers (\$28.70 per MWh) in the calculation of the price for non-RPP consumers rather than the forecast wholesale electricity price of \$26.28 per MWh.

EXHIBIT 4 – OPERATING COSTS

4-Energy Probe-23

Ref: Exhibit 4, Tab 2, Schedule 1

- a) The evidence (page 4) indicates that Festival expensed the smart meter expenses that were accumulated in the variance account in 2012. Please provide a breakdown of the amount of \$546,293 expensed in 2012 by the years in which the expenses were incurred.**
- b) The evidence (page 6) indicates that Festival expensed \$79,393 in 2013 related to PST costs incurred in previous years. Please provide a breakdown of the \$79,393 by the years in which the costs were actually incurred.**

4-Energy Probe-24

Ref: Exhibit 4, Tab 2, Schedule 1

Please show where in the evidence the savings of \$475,000 in annual network connection costs has been reflected.

4-Energy Probe-25

Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 1

Please provide a table in the same level of detail as shown in Appendix 2-JA that shows the most recent year-to-date actual expenses for 2014. Please also provide a column that shows the figures for the corresponding period in 2013.

4-Energy Probe-26

Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 2 & Attachment 4 & Exhibit 6, Tab 1, Schedule 1

- a) **Please provide a reconciliation of the figures for 2013 with respect to the \$298,746 related to overhead policy changes and (\$133,302) related allocated depreciation costs on trucks in Appendix 2-JB with the figure of \$254,313 shown in Appendix 2-DA for the historic year.**
- b) **Do the OM&A figures shown in Appendix 2-DA for the bridge and test years (\$167,816 and \$148,417, respectively) mean that Festival estimates that overall OM&A costs in 2014 and 2015 are higher by these amounts because of the accounting change that was made in 2013?**
- c) **On page 3 of Exhibit 6, Tab 1, Schedule 1, the evidence states that the 2015 test year OM&A is higher due to the accounting changes by \$267,660. Please reconcile this figure with the two figures noted in Attachments 2 and 4 in Exhibit 4, Tab 2, Schedule 1.**
- d) **Based on any changes or updates, please provide the estimated increase in OM&A for each of 2013, 2014 and 2015 as a result of the change in accounting policies adopted in 2013.**

4-Energy Probe-27

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

- a) **Please show the historical amount for each of 2010 through 2013 and the forecast for 2014 through 2015 associated with emergency repairs (storms).**
- b) **Festival has spent less in tree trimming in each of 2010 through 2013 than was approved in the 2010 application. Please explain why the actual level of tree trimming has been below that forecast in 2010.**
- c) **Please explain why there are sub-totals for meter reading expenses in 2014 and 2015, despite no individual line items being shown.**

4-Energy Probe-28

Ref: Exhibit 4, Tab 4, Schedule 4

- a) **Please confirm that, with the exception of the transformer station in the ICM model, Festival uses the half year depreciation methodology for all capital additions placed into service in the current year for both regulatory accounting purposes and for financial accounting purposes. If this cannot be confirmed, please explain.**
- b) **Has Festival made any changes in the regulatory or financial accounting with respect to depreciation expense since the last cost of service application for 2010 rates was approved? If yes, please provide details.**

4-Energy Probe-29

Ref: Exhibit 4, Tab 5, Schedule 3

Does Festival have any positions that qualify for the Ontario co-operative education tax credits? If yes, please provide details.

4-Energy Probe-30

Ref: Exhibit 4, Tab 5, Schedule 6

The 2014 provincial budget has eliminated the small business deduction for Canadian controlled private corporations with taxable capital in excess of \$15 million. Please show the impact on PILs of this elimination.

4-Energy Probe-31

Ref: Exhibit 4, Tab 5, Schedule 7

- a) **Please show the actual amount of property taxes paid in each of 2010 through 2013.**
- b) **Please show the amount of property taxes paid or forecast to be paid for 2014. Please also provide the amount that is based on bills received at this point in time for 2014.**
- c) **What is the actual amount of property taxes in 2014 associated with the transformer station property?**
- d) **Please explain the difference in the \$188,000 noted in the evidence and the amount of \$19,225 shown in the RRWF for property taxes in the test year.**

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5-Energy Probe-32

Ref: Exhibit 5, Tab 2, Schedule 1

- a) **Please explain why the Board's deemed rate should apply to the deemed debt in excess of the actual long term debt obligations.**
- b) **Has Festival issued any long term debt in 2014, or does it plan to do so?**
- c) **Is Festival forecasting the need for any long term debt in 2015? If so, please provide details.**
- d) **Given the competitive RFP process noted on page 3 in securing the \$14 million required for the TS, has Festival considered replacing any of its affiliate debt with debt at lower rates? If not, why not?**

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-33

Ref: Exhibit 7, Tab 1, Schedule 1

- a) **Please confirm that the services (account 1855) weighting factors should be based on relative cost by rate class. If this cannot be confirmed, please explain fully.**

- b) Please provide the average service cost for a residential customer and the average service customer for a GS <50 customer.
- c) What is the impact on the revenue to cost ratios if the services weighting for the GS<50 class is changed to the ratio of the GS<50 to residential figures provided in part (b) above? In particular, please provide a table that shows the status quo and proposed ratios, comparable to that shown in Exhibit 7, Tab 1, Schedule 4, Attachment 1.

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-34

Ref: Exhibit 8, Tab 1, Schedule 1

- a) What is the current status of the EB-2012-0410 OEB initiative noted on page 4?
- b) Is Festival proposing any changes to the fixed/variable splits as a result of the OEB's initiative in this proceeding?

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-35

Ref: Exhibit 9, Tab 2, Schedule 4

Please update the balance in account 1595 to reflect actual amounts collected through the rider through to the end of April, 2014.

9-Energy Probe-36

Ref: Exhibit 9, Tab 3, Schedule 7

- a) Does Festival have any updates related to the 2015 future employee benefit actuarial report for 2015?
- b) Please explain why Festival believes that account 1575 should be updated for the projected liability arising due to the adoption of MIFRS. In particular, please explain the change in PP&E as a result of this change in the liability.

9-Energy Probe-37

Ref: Exhibit 9, Tab 3, Schedule 8, Attachment 2 & Exhibit 2, Tab 1, Schedule 1, Attachment 1

- a) Please explain why the 2014 closing net PP&E shown in Appendix 2-EE under the revised CGAAP of \$38,621,332 does not match the figure in the 2014 (new policies) continuity schedule shown in Appendix 2-BA of \$38,941,519 when all of the other figures under the new CGAAP and former CGAAP match.**
- b) Please show the reconciliation of the two figures noted above in part (a).**

9-Energy Probe-38

Ref: Exhibit 9, Tab 3, Schedule 11

- a) Please explain why Festival believes that the number of customers is an appropriate allocator of the stranded meter assets.**
- b) Did Festival record and track meter costs by rate class? If so, please provide a breakdown of the residual net book value based on this information.**
- c) If Festival did not track meter costs by rate class, please use the relative cost of residential and GS<50 meters used in the approved 2010 cost allocation model, along with the number of customers to derive an allocation between these two classes.**
- d) Given that residential and GS<50 meter costs were not the same for the stranded meters, does Festival agree that an allocation based on costs as estimated in part (c) above is more appropriate? If not, please explain fully.**
- e) Please calculate the rate riders based on the responses to part (b), or part (c), whichever is applicable.**

9-Energy Probe-39

Ref: Exhibit 9, Tab 3, Schedule 12

- a) Please explain what each of the three Incremental Capital Adjustment tables represent (pages 6-8).**
- b) Please show the derivation of the Incremental Capital CAPEX figure in each of the three tables.**
- c) Please show the calculation of the CCA deduction in each of the three tables.**