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Ontario

BY E-MAIL

August 15, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: St. Thomas Energy Inc. ("STEI")
2015 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2014-0113

In accordance with Procedural Order #1, please find attached Board Staff's interrogatories in the above noted proceeding. STEI and all intervenors have been copied on this filing.

Yours truly,

Original Signed By

Stephen Vetsis
Analyst – Applications & Regulatory Audit

Encl.

Board Staff Interrogatories
2015 Cost of Service Rate Application
St. Thomas Energy Inc. ("STEI")
EB-2014-0113
August 15, 2014

Exhibit 1

1-Staff-1
Ref: Ex. 1/T. 5/Sch. 3/Att. 2, 2012 Audited Financial Statements

Per note 17 of the financial statements, it appears that STEI has assumed net liabilities of $1,149,191 from Ascent Energy Services Inc.

a) Please explain why STEI chose to restructure to assume a net liability from Ascent Energy Services Inc.
b) Please explain how STEI decided which assets and liabilities to assume from Ascent Energy Services Inc.
c) Please explain how the restructuring is in the best interest of STEI's rate payers.
d) In note 17:
   i. The net liabilities are offset against the related party receivable. Please explain whether this was a receivable to STEI or Ascent Energy Services. If it was a receivable to STEI, please explain why the net liabilities are reduced by a receivable to STEI.
   ii. Please clarify what the line "excess of fair market value of equipment transferred over net book value of $(586,061)" means.

1-Staff-2
Ref: Ex. 1/Tab 5/Sch. 17/Att. 2.1

In Table 1-17, STEI indicates there's a $459,496 difference between its audited financial statements and the OEB trial balance. STEI used net book value of the assets in its audited financial statements but used the fair market value, which was a higher PP&E amount for regulatory purposes.

a) Please provide a table listing the assets transferred from the affiliate company, comparing the net book value as recorded in STEI's audited financial statements to the fair market value as included in the PP&E of the rate application.
b) Please explain why STEI has recorded the transferred assets from its affiliate company at fair market value in the rate application.
c) To Board Staff's knowledge, past Board practice (including Decision with Reasons RP-1999-0034 page 24 and Report of the Board Transition to International Financial Reporting Standards EB-20008-0408 page 14) requires rate base assets to be valued at net book value. Please provide any references indicating that the regulatory treatment of PP&E transferred in from affiliates should be recorded at fair value.

1-Staff-3
Ref: Ex. 1/T. 5/Sch. 17/Att. 2.1
Ref: Filing Requirements Electricity Distribution Rate Applications for 2015 Rate Applications, dated July 18, 2014

STEI has changed its capitalization and depreciation policies effective January 1, 2012. It will adopt IFRS in 2015. As per the chapter 2, page 7 of the filing requirements, the applicant must identify all material changes in the adoption of IFRS that impact its application. Please confirm that no material changes were identified upon the adoption of IFRS that impact the application. If material changes were identified, please explain the changes and the impact to the application.

1-Staff-4
Ref: Ex 1/T6/S2 - Customer Engagement

Did STEI conduct any public events (such as a town hall meetings) where it solicited input from its customers in relation to the DSP or the COS application as a whole? If it did, please provide a summary of the comments that were received and explain how customer input was incorporated in the DSP.

<u>Exhibit 2</u>

2-Staff-5
Ref: Ex. 2/T. 1/Sch. 1, pages 17-21, Appendix 2-BA
Ref: Ex. 2/T. 1/Sch. 6, page 4
Ref: Ex. 1/T. 5/Sch. 3/Att. 1, 2013 Audited Financial Statements
Ref: STEI Decision and Order EB-2012-0348

In STEI's smart meter decision EB-2012-0348 and as indicated in its 2013 audited financial statements, STEI received approval for its smart meters effective January 1, 2013. In Appendix 2-BA, smart meters are added into Account 1860 in 2012 for a net amount of $2,529,092 ($3,100,869-$571,777).

a) Please explain why STEI added smart meters to Account 1860 in 2012 and not 2013 in Appendix 2-BA.
b) Per Exhibit 2, Tab 1, Schedule 6 and STEI's smart meter decision, the approved amount to be transferred into rate base was $3,267,776. Please reconcile this approved amount with the $2,529,092 included in Appendix 2-BA.

2-Staff-6
Ref: Ex. 2/T. 1/Sch. 2, page 5
Ref: STEI Amortization New Policy_20140625, Excel File

Ref: Accounting Procedures Handbook, effective January 1, 2012

Per review of STEI's calculation of amortization as provided in STEI Amortization New Policy_20140625, STEI has recalculated the opening net book value of assets in 2012 and has amortized opening net book value over the remaining service lives as at January 1, 2012. It appears that no further recalculation was done in 2015. However, in Exhibit 2, STEI stated that due to the transition of MIFRS, STEI will amortize the opening net book value of assets over their remaining life.

a) Please confirm that no further recalculation was done in 2015.
b) If further recalculation was done in 2015:
    i. Please explain whether STEI has made further changes in depreciation policy in 2015 to be in accordance with pages 4 and 5 of Article 320 of the APH that indicate that a change in estimate of useful lives is accounted for prospectively, with a recalculation of the average remaining useful life of the opening net book value. Please identify and explain what further changes to useful lives STEI has made in 2015, why the changes were made and the nature of the changes.
    ii. If no further changes in useful lives were made in 2015, please explain why a recalculation was done in 2015.

2-Staff-7
Ref: Ex. 2/T. 1/Sch. 6 - page 5
Ref: Appendix 2-AB

The table in Appendix 2-AB indicates that STEI spent less than it's budgeted capital expenditures by 25.7% in 2010, 16.6% in 2011 and 27.9% in 2013. STEI spent at or above its capital budget in 2012, based on the normalized capital expenditures for 2012 provided by STEI at the above reference. The average capital spending from 2010-2013 was approximately $1,672,000 per year. STEI is forecasting capital spending of $2,163,000 for the test year and will average $2 million per year over the forecast period (2015-2019).

a) Please explain the factors that have led to STEI's capital spending being consistently below budgeted amounts in the years 2010-2013.
b) Please discuss how STEI will be able to manage the approximately 20% increase in annual capital expenditures, given its relatively stable staffing levels.

2-Staff-8
Ref: GIS Project Capital Expenditures – Ex. 2/T. 1/Sch. 6/p. 2
Ref: Chapter 2 Appendix 2-AA
Ref: Ex. 2/T. 1/Sch. 6, page 10

a) At Ex 2/T1/S6/p.10 STEI states that the GIS project concluded in 2014 and no expenditures are forecasted in 2015. The same is noted in the Table 2-20 on page 9. However, in Table Appendix 2AA, STEI has budgeted $50,000 in capital expenditures in 2015 for the GIS project. Please reconcile the differences and correct Appendix 2AA if necessary.

b) If STEI is forecasting to spend $50,000 on the GIS project in 2015, please describe the work that is planned to be undertaken in 2015 and the timelines for the key deliverables.
c) STEI is proposing to add $150,000 in capital expenditures to the 2014 rate base. With respect to 2014:
   (i) Please describe the work that is planned to be undertaken in 2014;
   (ii) Please provide the timelines for the key deliverables;
   (iii) Please confirm whether the GIS project is on track to be completed in 2014; and
   (iv) Please state what is the expected actual 2014 capital expenditure, if different from the budgeted $150,000.

2-Staff-8
Ref: Ex. 2/T. 1/Sch. 6, Table Appendix 2-AA - Building and Equipment Expenditure

Preamble: STEI is planning to spend $515,000 over the 2014 – 2016 period on building renovations and equipment. This is based on a yearly expenditure of $170,000 in 2014 and 2015 respectively and $175,000 in 2016.

a) Did STEI prepare a business case for this project? Please submit the business case for the project, if available.
b) STEI is proposing to add $170,000 in expenditures to the 2014 rate base. With respect to 2014, please describe:
   (i) the work that is planned to be undertaken in 2014;
   (ii) the timelines for the key deliverables;
   (iii) whether the budgeted work for 2014 will be completed as planned; and
   (iv) what is the expected actual 2014 capital expenditure, if different from the budgeted $170,000?

2-Staff-9
Ref: Ex. 2/T. 1/Sch. 11/App. 1 – Distribution System Plan (“DSP”)

Throughout the DSP, STEI references its ongoing voltage conversion project to convert its distribution infrastructure from 2.4kV to 27.6kV.

a) Please submit the business case for the Voltage Conversion Project.
b) The Voltage Conversion Project is a 10 year project and the largest in STEI’s history. Did STEI prepare a “project execution plan” at the start of the project that maps the roll out of the full project? If such a plan was prepared, please submit the plan.
c) In the absence of a business case or a project execution plan, it is unclear from the evidence as to how much of the Voltage Conversion Project has been completed and how much of it still remains to be completed. If this information is

not provided as part of the response to part (b) above, please indicate when is the project expected to be completed? Please also indicate when the 6 Municipal TSs will be removed from service.

2-Staff-10
Ref: Ex. 2/T. 1/Sch. 6, Table Appendix 2AA - Capital Expenditures for the Connection of New Subdivisions

a) STEI has budgeted $200,000 in 2014 and 2015 respectively for the connection of new subdivisions. For comparison purposes, please provide the actual expenditures related to new subdivision connections for the years 2010-2013.
b) In preparing the 2015 TY capital expenditure estimates for this project, did STEI refer to city planning documents or growth studies that identify the regions with STEI territory where new subdivisions are planned? Please provide the studies/documents that were used to support the proposed expenditures.
c) STEI is proposing to add $200,000 to the 2014 rate base. Is STEI on track to expend the capital expenditures that are budgeted for 2014? If it is expected that the 2014 expenditures will be different from the budgeted amounts, please provide STEI's best estimate for the 2014 expenditure.

2-Staff-11
Ref: Asset Condition Assessment ("ACA"), Table III-6, page 13

Table III-6 at the above reference provides an asset replacement strategy that was prepared by Kinetrics as part of the ACA. This Table provides a replacement cycle over a 10 year period for major asset classes. For example, in the case poles, the ACA recommends a replacement cycle over a 10 year period, starting with 86 poles to be replaced in the first year, 76 in the second and so on and reaching a maximum of 84 poles in year 10. This replacement cycle was based on a condition assessment that 4% of poles were in "poor and very poor" condition. Further, at page 11 of the section titled *Asset Lifecycle Optimization Policies and Practices* states "STEI has taken a proactive approach to testing and replacing of wood poles…." However, staff observes that in the current capital expenditure plan, STEI is proposing no expenditures for the Pole Replacement Program in 2014, 2015 and through to the end of 2019.

a) Board staff understands that the Voltage Conversion Project is intended to be the focus of the DSP. However, given the findings of the ACA and STEI's evidence that poles are replaced proactively, please explain the reason for not allocating any capital towards the replacement of poles in 2014, 2015 and beyond.
b) Appendix 2-AA provides the capital expenditures for the Pole Replacement program for the period 2010 to 2013. How many poles were replaced under this program in each of the years respectively?
c) As part of the "Asset Lifecycle Optimization Policies and Practices" STEI provides its inspection cycle for distribution assets. According to that cycle, poles

are inspected on a 3 year cycle. How many poles were inspected in 2013 and what was STEI's assessment of the condition of its poles based on this assessment.

d) The ACA estimates a replacement cost of $10,000 per pole. What is STEI's average cost per pole?

2-Staff-12
Ref: Asset Condition Assessment Report ("ACA"), Table III-6, page 13

Table III-6 at the above reference provides an asset replacement strategy for Pole Mounted Transformers, Pad Mounted Transformers and Overhead Switches. It appears to staff that the current capital expenditure budget does not allocate any funds for the replacement of the noted transformers or switches.

a) Board staff understands that Voltage Conversion Project is the focus of the DSP. However, given the findings of the ACA please explain the reason for such an approach.
b) The ACA was prepared in 2011-2012. The ACA recommends that in year one, STEI replace the following assets: 13 Pole Mounted Transformers, 2 Pad Mounted Transformers and 1 Overhead Switch. How many of these assets were replaced in the first year (i.e. 2013)?
c) For the period of 2010 to 2013 how many defects were reported in relation to each of these asset classes? Please provide the information on a yearly basis if it is available.

2-Staff-13
Ref: Asset Condition Assessment Report (ACA), p.15 & 16 – Conclusions and Recommendations

The ACA recommends a number of improvements in the collection of inspection data. These recommendations are noted in bullets 7-11 at p.16 of the ACA. With reference to each recommendation, please indicate if STEI intends to address the noted gaps. Please identify the improvements STEI has implemented in recent years to address the noted concerns in the collection of inspection data.

2-Staff-14
Ref: Ex. 2/T. 1/Sch. 11/Att. 1 - DSP, Section 1.3, pages 3 & 7

On page 3 of section 1.3 of the Distribution System Plan ("DSP") STEI states that, "in addition to the metrics mandated by the OEB, STEI is evaluating a number of additional performance measures that may potentially assist in the utility's continuous improvement activities."

a) Has STEI consulted with other distributors regarding these and other metrics that may be used for benchmarking? Does STEI intend to compare the metrics to other distributors to gauge performance?
b) On page 7 of section 1.3, STEI mentions using the results of the UtilityPULSE survey to track metrics related to blackouts and outages experienced by its customers. Has STEI considered leveraging its AMI to track such occurrences so that the data can be provided for a much larger set of customers?

2-Staff-15
Ref: Ex. 2/T. 1/Sch. 11/Att. 1 - DSP, Section 1.3, pages 8-10

The table provided on page 8 of section 1.3 of the DSP, shows that the SAIFI, SAIDI and CAIDI metrics are generally higher in 2009-2013 than they were in the preceding five year period (i.e. 2004-2009).

Additionally, the number of unplanned and momentary outages for 2010-2013 are shown in the tables on pages 9 and 10. Other than spikes in 2011, these tables indicate a downward trend in the number of unplanned and momentary outages over that period.

a) Similar to the tables on pages 9 and 10, please provide the number of unplanned and momentary outages for the years 2004-2009, if available.
b) Please reconcile the general trend of increases in the SAIFI and SAIDI metrics from 2009-2013 with the downward trend shown in the table on pages 9 and 10.
c) Please provide a brief summary of the circumstances that may have contributed to the moderate spikes in the number of unplanned and momentary outages in 2011.

2-Staff-16
Ref: Ex. 2/T. 1/Sch. 11/Att. 1 - DSP, sec 2.1, pages 22

On page 22 of section 2.1 of the DSP, STEI states that "the condition of the distribution system, for the short, medium and long term period, is reviewed to maintain and enhance the reliability of the system in the most cost effective manner."

Exhibit 3

3-Staff-17
Ref: Ex. 3/T. 1/Sch. 3/Att. 1 - Sch.3, page 1
Ref: Ex. 3/T. 1/Sch. 4/Att. 1 - Sch. 4, page 3

At the above reference, Elenchus states that the forecast for the GS < 50 kW class was estimated using 60 observations, as opposed to the 100 observations used for the Residential class. Elenchus stated that this was due to an “apparent structural shift” in the class that occurred in 2009.

Elenchus used a similar approach for the GS > 50 kW class.

a) Were any regressions attempted using a variable to reflect the "structural shift" that allowed the use of a larger sample size of observations? If yes, what were the results and why was such an approach ultimately rejected?
b) The regression for the GS > 50 kW class did not yield R-squared values that indicated as strong a fit as the regression performed for the GS < 50kW class. Please identify any other approaches to the regression for the GS < 50 kW that were attempted, if any, and explain why such approaches were ultimately rejected.

3-Staff-18
Ref: Ex. 3/T. 1/Sch. 3/Att.1 – Sch. 3, page 5

At the above reference Elenchus states that it "has determined that it would be appropriate to use 50% of the residential Geomean to fairly estimate the forecast customer counts" for the GS < 50 kW class. In comparing the annual percent change in Residential customer connections (shown in Table 2.7 of the above reference) to the annual percent change in the GS < 50 kW class (shown in Table 3.5), it does not appear that such a trend has occurred in the past. Please provide the basis and rationale for this determination.

3-Staff-19
Ref: Ex. 3/T. 1/Sch. 3/Att.1 – Sch. 3, page 6

Table 3.6 at the above reference shows the predicted normalized annual kWh for the GS < 50 kW class. Elenchus' forecast shows an increase in annual kWh of 4.7% for 2014 and 1.7% for 2015. At pages 5 and 6, Elenchus notes that the GS < 50 kW class was subject to customer reclassification in 2013 and that 58 connections were added to the class in that year. Elenchus is only forecasting an additional 8 customers in 2014.

a) Given the historical trend of decreased consumption for the class that began in 2009, please explain what factors lead STEI to believe that such an increase in consumption would be reasonable in 2014 and 2015.
b) How does the consumption for the class, to date, in 2014 match with the forecast provided by Elenchus?

3-Staff-20
Ref: Ex. 3/T. 1/Sch. 3/Att. 1 – Sch. 4, page 1

At the above reference, Elenchus discusses the treatment of the announcement of the closure of a plant in the GS > 50 kW class. Elenchus states:

> Since May, consumption at the site has averaged about 130,000 kWh/month and 360 kW. This amount has been added back to the class forecast period to account for basic upkeep at the site.

a) Please explain the above statement and clarify the date of closure for the customer.
b) Additionally, please clarify for which year the month of May is referenced in the above.

Exhibit 4

4-Staff-21
Ref: Ex. 4/T. 1/Sch. 1, page 14
Ref: Appendix 2-JB - Recoverable OM&A Cost Driver Table

On page 14, of Ex. 4/T. 1/Sch. 1, STEI states that it has incurred greater bad debt expenses as a result of the current economic conditions. In Appendix 2-JB, STEI indicates that bad debt costs decreased by $80,913 in 2012, $44,270 in 2013 and is showing a projected increase in bad debt costs of $19,000 for 2014.

a) Please reconcile the statement on page 14 with the data provided in Appendix 2-JB.
b) Please explain why STEI is forecasting an increase in bad debt costs for 2014 when it has shown a trend of decreases in 2012 and 2013.

4-Staff-22
Ref: Ex. 4/T. 1/Sch. 2, page 12

At the above reference, STEI states that it "is no longer budgeting for community relations expenditure" and that "this activity is being recorded by its affiliate AGI." STEI notes that approximately $22,000 in community relations costs are included in the AGI annual fee. Please explain how outsourcing the community relations activities to STEI's affiliate will affect STEI's level of customer engagement. Please describe the nature of the activities that will be provided by AGI and, to what extent, STEI will be involved in the planned activities.

4-Staff-23
Ref: Ex. 4/T. 1/Sch. 2, page 13

Table 4-6 at the above reference indicates that STEI spent $330,625 (22%) in Administration and General expenses above what was approved in its 2011 cost of service application. Additionally, STEI states that the administrative costs for 2013-2015 include $450k for administration and governance costs allocated from its parent company AGI.

a) Please provide an explanation for the increase in 2011 actual spending over the Board approved amount.
b) In the row labeled "Change for 2011 approved" STEI shows that Administration and General expenses for the 2015 test year are $851k above amounts approved in its last cost of service application. STEI has already stated that

$450k is due to fees paid to its parent company AGI, which were not in effect at the time of its last rebasing application. To what does STEI attribute that remaining $400k increase in Administration and General expenses?

4-Staff-24
Ref: Appendix 2-JC - OM&A Programs Table

The OM&A Programs Table shows a decrease in planned inspection expenditures from $259,540 in 2012 to $107,462 in 2013. STEI is forecasting $126,035 in planned inspection expenditures for the 2015 test year.

a) Please describe the factors that have led to a decrease in planned inspections.
b) Given the recommendations provided in the Asset Condition Study in Exhibit 2, please comment on what effect the decrease in costs for planned inspections may have on STEI's reliability performance.

4-Staff-25
Ref: Ex. 4/T. 1/Sch. 3, page 2
Ref: Appendix 2-JC - OM&A Programs Table

At the above reference, STEI states that "customer initiated 2015TY O&M activities have increased by $133,148 over the 2012 actual and represents 65% of the total increase for the period." Appendix 2-JC shows $154k in customer initiated expenses for 2012 and $176k for the 2015 test year. Please reconcile the statement with the data provided in Appendix 2-JC.

4-Staff-26
Ref: Ex. 4/T. 1/Sch. 4, page 5
Ref: Ex. 4/T. 1/Sch. 4/Att. 4
Ref: Ex. 1/T. 5/Sch. 3/Att. 2, 2012 Audited Financial Statements
Ref: Ex. 4/T. 1/Sch. 5, pages 1-2

a) Per note 8 and note 17 of the audited financial statements, it appears that the STEI did not have any employee retirement benefit liabilities prior to January 1, 2012, when the liability was assumed from Ascent Energy Services Inc. Please confirm that STEI has not received any past recoveries of Other Post-Employment Benefits ("OPEB") in rates in its past rate applications.
b) If STEI has received past recoveries for OPEBs in rates, please provide a table similar to the one below for each year from the <u>first year</u> STEI included OPEBs in rates on an accrual basis of accounting to 2015, comparing to amounts STEI actually paid.

Year	**…2006**	**2011**	**2012**	**2013**	**2014**	**2015**
Amounts included in rates						
OM&A						
Capital expenditures						

Sub-total						
Paid amounts						
Net excess amount included in rates greater than amounts actually paid						

c) Per note 8 of the audited financial statements, it appears that STEI transferred in $1,213,561 in Employee Future Benefit Liabilities.
   i. Please confirm that this is the liability STEI is proposing to include in the current rate application in 2012. If not, please indicate the amount of liability transferred in for rate purposes.
   ii. Please explain how and on what basis the amount was derived.
   iii. Please explain how STEI has ensured that the amount of liability transferred into STEI appropriately reflects the liability that pertains specifically to STEI. Please include an explanation in relation to the allocation of employees' time spent performing work for STEI before the restructuring.

d) When performing work for STEI at Ascent Energy Services Inc., employees may have spent only a portion of time working for STEI. Please complete the table below for employees transferred into STEI as at January 1, 2012,

Employee / FTEs	**% of Time Performing Work for STEI Prior to Restructuring**	**% of Time Performing Work for STEI After Restructuring**	**Total $ Employee Future Benefit Liability Pertaining to Employee (B)**	**Portion $ of Employee Future Benefit Liability as at January 1, 2012 (A)**	**% of Employee Future Benefit Liability Transferred In (=A/B)**
Employee 1					
Employee 2					
Total			$xx (should agree to total liability per employee per Ascent Energy Services Inc)	$1,213,516	

e) How many employees and contract staff were employed by Ascent Energy Services Inc. up to the end of 2011? Please identify how many were full-time and how many were part-time. Please indicate the number of hours worked in a normal work week for each employee and contract staff.

f) In STEI's Engineering services to Ascent and water and billing services to the City of St. Thomas per Exhibit 4, Schedule 5, how does STEI price the services it provides to affiliates? Do these costs include the appropriate amount of post-retirement benefits for current service, actuarial losses, past service costs and interest costs?

4-Staff-27
Ref: Ex. 4/T. 1/Sch. 4, page 5
Ref: Ex. 4/T. 1/Sch. 4/Att. 4

With regards to actuarial valuations,

a) STEI indicated that a new valuation report will be performed in conjunction with the transition to IFRS in 2015. Has the new valuation been performed yet? If yes, please provide the valuation report.
b) Per Exhibit 4, STEI has budged post-employment benefit costs of $10k for 2014 and 2015. Please explain the rationale of how STEI came up with the $10k budget for each of 2014 and 2015. Please correlate the budgeted amount to the actuarial valuation in attachment 4.

4-Staff-28
Ref: Ex. 4/T. 1/Sch. 5/Att. 1 - Cost Driver Study ("CDS"), pages 11-15

With regards to the analysis provided in the CDS,

a) Page 14 of the CDS states that PricewaterhouseCoopers ("PwC"), "obtained pricing data from four sources for Water/Sewer Billing and Collection services from other Ontario LDCs." Please clarify whether data from 4 LDCs was used for the comparison or whether the data from four separate studies of multiple LDCs were used.
b) In the report, PwC states that the water/sewer billing and collections costs "should be charged at STEI's incremental cost in providing such services." Please explain the principle that was used to derive the $75 hourly rate that will be charged to STEI for locates, meter service layouts and meter technician services.

4-Staff-29
Ref: Ex. 4/T. 1/Sch. 11, page 8
Ref: Ex. 2/T. 1/Sch. 2, page 3

In Exhibit 2, STEI indicated that its 2011 cost of service application assumed the half year rule for depreciation costs. In Exhibit 4, STEI indicated that its amortization policy has been to record a full year's depreciation expense on capital additions during the year that the asset was placed in service. STEI will be adopting the half year rule in 2015.

a) Please explain why STEI has been recording a full year's of depreciation from 2012 to 2014, when the half year rule had been used in 2011, STEI's last cost of service rate application. Please explain why STEI has been inconsistent in applying its depreciation method to additions in the year of service.
b) As a full year's depreciation is taken in each year of 2012-2014, the net book value of PP&E in 2015 will be lower than the net book value of PP&E had the half year rule been used in those years. In Exhibit 2, STEI indicated that its decision

to not adopt the half year rule till 2015 did not impact the 2015 rate base. Please explain why this would be the case.

c) Please quantify the impact to depreciation expense and rate base using the half year rule for 2012 to 2014.

4-Staff-30
Ref: Ex. 4/T. 1/Sch. 12/Att. 1
Ref: Filing Requirements Electricity Distribution Rate Applications for 2015 Rate Applications, dated July 18, 2014

The Filing Requirements state that a distributor should file “copies of most recent Federal and Provincial tax returns.” Board staff acknowledges that, at the time of filing, STEI may not have had copies of its 2013 tax returns. Please provide STEI’s 2013 tax returns.

4-Staff-31
Ref: Ex. 4/T. 1/Sch. 12/Att. 3, PILs model

In the test year, STEI used 1/5 of the 2014 non-capital loss of $211,350. Past Board practice is to include the full non-capital loss in the next year. Please revise 2015 PILS to reflect the usage of the full 2014 non-capital loss in the 2015 test year.

Exhibit 6

6-Staff-32

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

Exhibit 8

8-Staff-33
Ref: Ex. 8/T. 1/Sch. 6, page 5

At the above reference, STEI states that the decrease in other revenues from 2013 to 2014 is “mainly attributed to the one-time items recovered in 2013 that amounted to $260,000.” Please provide further details regarding the one-time items that were recovered in 2013.

8-Staff-34

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

<u>Exhibit 9</u>

9-Staff-35
Ref: Ex. 9/T. 1/Sch. 3, page 2
Ref: Filing Requirements Electricity Distribution Rate Applications for 2015 Rate Applications, dated July 18, 2014

STEI has not requested Account 1508 Other Regulatory Asset, Sub-account Deferred IFRS Transition Costs for disposition. Per chapter 2, page 61 of the Filing Requirements, an applicant should request for review and disposal of the account for the balance including the unaudited actuals for the bridge year and a forecast of any remaining costs to be incurred for the test year. Board staff acknowledges that STEI filed its application before this change was made to the Filing Requirements and that its original request was consistent with the requirements, at the time. However, please quantify these costs and the related carrying charges to December 31, 2014 and update the evidence.

9-Staff-36
Ref: Ex. 9/T. 1/Sch. 3, page 2
Ref: Ex. 1/T. 5/Sch. 3/Att. 2 and 3

In Exhibit 9, STEI indicated that it has prepared financial statements under MIFRS. However, the 2012 and 2013 financial statements in the evidence indicate that they are in accordance with CGAAP. Please clarify whether STEI has financial statements under MIFRS.

9-Staff-37
Ref: Ex. 9/T. 1/Sch. 5, page 2, Appendix 2-ED
Ref: Ex. 1/T. 5/Sch. 17/Att. 2.1
Ref: Accounting Procedures Handbook (“APH”) FAQ July 2012, Appendix A

Per APH FAQ July 2012, Appendix A, Account 1576 is to record the financial differences arising as a result of accounting changes to depreciation expense and capitalization policies permitted by the Board under Canadian GAAP in 2012 or as mandated by the Board in 2013

a) Per Exhibit 1, capital assets had been constructed by STEI’s affiliate AESI and had been treated as purchased asset acquisitions from the related party. This indicates that STEI did not capitalize any overheads on self-constructed assets in the past. Starting January 1, 2012, STEI indicated that it will only capitalize directly attributable costs in the cost of self-constructed assets. As such, there is no accounting difference in the capitalization policy.

i. In comparison to the 2012 to 2014 additions in PP&E under revised CGAAP, please explain how STEI estimated the 2012 to 2014 additions in PP&E values under former CGAAP of Appendix 2-ED.
ii. Please recalculate Account 1576 assuming only depreciation changes and no capitalization changes.

b) Please explain how STEI recorded costs incurred from its Master Service Agreement with affiliate companies prior to the restructuring in 2012 (i.e. what costs were capitalized or expensed and on what basis).

9-Staff-38
Ref: Ex. 9/T. 1/Sch. 6, page 1

STEI stated that it has not been tracking the incremental costs for providing retail services per Article 490, but will endeavor to quantify the variance. Please quantify the amounts for Account 1518 RCVA Retail and Account 1548 RCVA STR from January 1, 2010, after STEI's last Group 2 DVA disposition in its 2011 cost of service rate application.

9-Staff-39
Ref: Ex. 9/T. 1/Sch. 7/Att. 1, EDDVAR Continuity Schedule

In the EDDVAR continuity schedule for Account 1595 (2012),

a) In 2012, please confirm that the ($49,929) in the *Transactions Debit/(Credit) during 2012* column represents the net amount transferred to the account as per STEI's 2012 IRM decision and the rate riders collected in 2012. If not, please explain what the balance is comprised of.
b) In 2012, please confirm that the ($4,508) in the *Interest Jan-1 to Dec-31-12* column represents the net amount transferred to the account as per STEI's 2012 IRM decision and the carrying charges calculated on the balance in 2012. If not, please explain what the balance is comprised of.
c) In 2013, please explain what the ($278,574) in the *Other Adjustments during Q2 2013* column is.

9-Staff-40
Ref: Ex. 9/T. 1/Sch. 7, page 2, Table 9-4
Ref: Ex. 9/T. 1/Sch. 7/Att. 1, EDDVAR Continuity Schedule

For Account 1595 (2011),

a) Please confirm that the balance for Account 1595 (2011) is actually Account 1595 (2014), relating to amounts approved for disposition in STEI's 2014 IRM Decision (EB-2013-0171).
b) If it is not actually Account 1595 (2014), please explain what the account is for as STEI's Group 1 balance as at December 31, 2012 was already approved for disposition in STEI's 2014 IRM.
c) Please update the evidence as appropriate.

9-Staff-41
Ref: Ex. 9/T. 1/Sch. 7, page 2, Table 9-4
Ref: STEI 2013 IRM Decision EB-2012-0166
Ref: Decision and Order EB-2012-0100/EB-2012-0211

In STEI's 2013 IRM Decision, the Smart Metering Entity charge was referenced as a charge effective May 1, 2013 for distributors in the Board's annual Yearbook of Electricity Distributors. Per Decision and Order EB-2012-0100/EB-2012-0211, distributors are to use Account 1551 Smart Metering Entity Charge Variance Account. This account is classified as a Group 1 account. STEI has not requested this account for disposition in Table 9-4. Please quantify the amount in the account and explain why it is not requested for disposition. Please update the evidence as necessary.

9-Staff-42
Ref: Ex. 9/T. 1/Sch. 10, page 1

STEI states that it "is unable to calculate the specific recovery of the NBV by class and as such is seeking a Residential and GS<50 kW recovery based upon 2015TY customer count."

a) What were the installation costs for each of the meter types of the removed stranded meters for each class?
d) How many meters of each type were removed from service for each class?
e) Using the responses to a) and b) please provide an allocation of the remaining net book value of stranded meter costs for each class using a weighted average of the installation costs for the associated meters. Please provide updated calculations of the Stranded Meter Rate Rider using this allocation.