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August 18, 2014

BY FAX & BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2014-0113
St. Thomas Energy Inc. --- 2015 Rates Application
Energy Probe – Interrogatories to Applicant

Pursuant to Procedural Order No. 1, issued on August 6, 2014, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) to St. Thomas Energy in the EB-2014-0113 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc. Robert Kent, St. Thomas Energy (By email)
Gary Tobin, St. Thomas Energy (By email)
Andrew Taylor, Counsel to St. Thomas Energy (By email)
Randy Aiken, Aiken & Associates (By email)
Parties of Interest (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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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 St. Thomas
Energy 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 18, 2014

**ST. THOMAS ENERGY INC.
2015 RATES REBASING CASE
EB-2014-0113**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, Tab 5, Schedule 1, page 19

STEI recorded \$248,000 of one time smart meter expenses and \$419,000 of one time amortization associated with the smart meter disposition.

- a) Please provide a breakdown of the \$248,000 into the years the expenses were actually incurred.**
- b) Please confirm that the \$419,000 of amortization costs were not included in the 2012 OM&A costs. If this cannot be confirmed, please explain why an amortization expense was classified as an OM&A expense.**
- c) Please explain why the return to customers of a PILs expense was classified as an OM&A expense in 2012.**

1-Energy Probe-2

Ref: Exhibit 1, Tab 5, Schedule 2

**Please provide a summary of the results of the April 2014 survey noted on page 2.
Please also provide the complete survey.**

1-Energy Probe-3

Ref: Exhibit 1, Tab 5, Schedule 1

- a) What is the total cost associated with the Roving Energy Manager?**
- b) What proportion of these costs would be paid for by STEI?**
- c) Has this amount been included in the 2014 revenue requirement?**

1-Energy Probe-4

Ref: Exhibit 1, Tab 5, Schedule 17

Are costs associated with the Board of Directors of any of the corporations shown included in either the test revenue requirement or the historical OM&A costs for STEI? If yes, please quantify.

1-Energy Probe-5

Ref: Exhibit 1, Tab 5, Schedule 3, Attachment 1

The 2013 Audited Financial Statements shows a long term interest expense of \$917,321.

- a) Please show how this figure has been calculated and show the components noted in Notes 11 (Promissory Note Payable to City of St. Thomas) and Note 15 (Interest Paid on Long Term Debt to Ascent Group Inc.) and any other component of the total.**
- b) Is the long term debt interest paid to Ascent Group (\$149,952) associated with the term loan from Ascent Group? If yes, please explain how the interest rate of 3.55% results in the \$149,952. If no, please explain what loan the interest cost of \$149,952 is associated with.**

EXHIBIT 2 – RATE BASE

2-Energy Probe-6

Ref: Exhibit 2, Tab 1, Schedule 1

- a) Is there any difference in the 2015 continuity schedule under IFRS as compared to what it would be under CGAAP with the changes in capitalization and depreciation rates adopted in 2012? If yes, please provide details.**
- b) Please update the 2014 continuity schedule to reflect the most recent year to date actual additions to rate base, along with a forecast for the remainder of the year. If any of these changes affect 2015, please provide an updated continuity schedule for 2015.**

- c) Based on the response to part (b) please show any capital additions that have been deferred from 2014 to 2015 and any capital additions that have been brought forward to 2014 from 2015.
- d) Please confirm that the disposals shown in the 2015 continuity are all related to the removal of stranded meters. If this cannot be confirmed, please indicate what other changes are included in the disposals.
- e) Please reconcile the stranded meter transfer figure of \$438,774 shown on page 16 with the figures shown in the 2015 continuity schedule.
- f) Please reconcile the smart meter figure of \$3,627,775 on page 12 with the amount of \$3,100,869 shown in the 2012 continuity schedule.
- g) Please confirm that STEI does not have any fully allocated depreciation. If this cannot be confirmed, please provide the amount allocated to capital and the amount allocated to OM&A in the 2015 test year and show how this has been reflected in the depreciation expense.

2-Energy Probe-7

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

Please reconcile the figure of \$3,627,775 shown in the first reference related to smart meters with the figure of \$3,267,775 shown in the second reference.

2-Energy Probe-8

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

- a) Should the reference to the estimated NBV of stranded meters as of December 31, 2015 on the top of page 2 be 2014? If not, please explain why it is not the NBV of the stranded meters as of December 31, 2014.
- b) What is the NBV of the stranded meters as of December 31, 2014?
- c) STEI states that the 2015 revenue requirement does not include either a cost of capital return or depreciation expense associated with the stranded meter costs removed from rate base. However, as shown in the 2014 continuity schedules in Exhibit 2, Tab 1, Schedule 1, the stranded meters are included in the 2014 year end balances and are not removed until 2015. This means that the 2015 rate base calculation includes the stranded meters in the opening balance. Please reconcile this with the statement noted above.

2-Energy Probe-9

Ref: Exhibit 2, Tab 1, Schedule 6, Appendix 2-AB

- a) Please provide the Plan, Actual and Variance calculations shown for 2012 excluding smart meters and the capital additions attributed to corporate restructuring.**
- b) Please update the columns associated with 2014 to reflect the most recent year to date additions for 2014, along with the most recent forecast for the remainder of the year.**

2-Energy Probe-10

Ref: Exhibit 2, Tab 1, Schedule 7

The evidence indicates that commencing January 1, 2015, depreciation is calculated using the half year rule.

- a) Please confirm that the use of the half year rule in 2015 applies to both regulatory and financial accounting. If not, please explain.**
- b) How did STEI calculate depreciation in the year an asset enters service in each of 2011 through 2014?**
- c) If the response to part (b) above is different than the half year rule, please show the level of depreciation based on the methodology used by STEI and using the half year rule for each of 2011 through 2014.**

2-Energy Probe-11

Ref: Exhibit 2, Tab 1, Schedule 6

For each of the conversion and system upgrade projects for 2014 and 2015, please provide the most recent forecast of the in-service date.

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-12

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

- a) Please explain why the data used to estimate the residential equation begins with 2005:04 rather than 2005:01 so that a complete year could be used.**
- b) Please provide the equation(s) used to generate the 20 year trend forecast of degree days shown in Table 2.4. Please provide the data used to estimate the 20 year trend in a live Excel spreadsheet.**
- c) What is the forecast of residential kWh's based on using the 20 year trend in degree days?**
- d) The residential equation coefficients shown in Table 2.1 cannot be replicated based on the spreadsheet provided. Please explain what adjustments were applied to the OLS equation, such as a correction for autocorrelation. Please provide the equation statistics before any such adjustments were made, including the statistics that lead to the adjustments.**
- e) Please provide the equation statistics (Table 2.1), the MAPE (Table 2.2) and the forecasts for 2014 and 2015 (Table 2.6) using an equation that includes a trend variable.**
- f) Please provide the equation statistics (Table 2.1), the MAPE (Table 2.2) and the forecasts for 2014 and 2015 (Table 2.6) using an equation that replaces the shoulder variable with 2 shoulder variables - one for March, April and May and one for September, October and November.**

3-Energy Probe-13

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

- a) What is the forecast of residential kWh's based on using the 20 year trend in degree days?**
- b) The GS<50 equation coefficients shown in Table 3.1 cannot be replicated based on the spreadsheet provided. Please explain what adjustments were applied to the OLS equation, such as a correction for autocorrelation. Please provide the equation statistics before any such adjustments were made, including the statistics that lead to the adjustments.**

- c) Please provide the equation statistics (Table 3.1), the MAPE (Table 3.2) and the forecasts for 2014 and 2015 (Table 3.6) using an equation that includes a trend variable.
- d) Please provide the equation statistics (Table 3.1), the MAPE (Table 3.2) and the forecasts for 2014 and 2015 (Table 3.6) using an equation that replaces the shoulder variable with 2 shoulder variables - one for March, April and May and one for September, October and November.

3-Energy Probe-14

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

- a) What is the forecast of residential kWh's based on using the 20 year trend in degree days?
- b) The evidence indicates that a binary variable representing shoulder months consumption was included in the model, but Table 4.1 does not include this variable. Please explain.
- c) Please provide the equation statistics (Table 4.1), the MAPE (Table 4.2) and the forecasts for 2014 and 2015 (Table 4.6) using an equation that includes a trend variable.
- d) Please indicate the type of customers included in this rate class. For example, are they institutional customers such as hospitals and schools? Are there any customers that would be considered non weather sensitive?

3-Energy Probe-15

Ref: Exhibit 3, Tab 1, Schedule 4

How has STEI determined that it will target CDM savings of 1,500,000 kWh in 2015?

3-Energy Probe-16

Ref: Exhibit 3, Tab 1, Schedule 6

- a) Please explain why there is no interest income shown in Appendix 2-H.

- b) Please provide the actual interest income in each of 2011 through 2013, excluding any interest income or expense associated with regulatory accounts.
- c) Please show the calculation of the standard supply service revenue of \$37,410 shown for 2015 based on the standard charge and the forecasted number of SSS customers.

3-Energy Probe-17

Ref: Exhibit 3, Tab 1, Schedule 6

Account 4375 includes the revenues associated with water and sewer billing and collecting and other affiliate revenues.

- a) Why are there no costs shown in account 4380?
- b) Are the costs associated with the revenues generated in account 4375 included in the OM&A expenses?
- c) Please provide the actual and forecasted costs associated with the revenues in account 4375 in each of 2011 through 2015.
- d) Please explain the large figures in account 4375 in 2012 and 2013. In particular, what is this increase in revenue associated with?

3-Energy Probe-18

Ref: Exhibit 3, Tab 1, Schedule 6

Please provide the most recent year to date actuals for 2014 in the same level of detail as found in Table 3-17. Please also provide the figures for the corresponding period in 2013.

EXHIBIT 4 – OPERATING COSTS

4-Energy Probe-19

Ref: Exhibit 4, Tab 1, Schedule 2

Please show the derivation of the 2.1% inflation factor used for 2014 and 2015 based on the projected inflation figures used for labour and non-labour purchases, including the weighting of the two factors.

4-Energy Probe-20

Ref: Exhibit 4, Tab 1, Schedule 2

At the bottom of page 6, the evidence indicates that Appendix 2-JA excludes property taxes. However, the 2015 figure of \$4,634,620 in Appendix 2-JA is the sum of the OM&A expenses and property taxes as shown in the RRWF. Please reconcile.

4-Energy Probe-21

Ref: Exhibit 4, Tab 1, Schedule 2

Please provide the most recent year to date actual expenses in the same level of detail as found in Appendix 2-JA. Please also provide the figures for the corresponding period in 2013.

4-Energy Probe-22

Ref: Exhibit 4, Tab 1, Schedule 4

Please provide a table that shows the actual amount of performance pay for each of 2012 and 2013 and the forecast for 2014 and 2015. Please also provide the total potential performance pay in each of these years based on achieving all of the corporate and personal goals. Please also include a line that shows the percentage of actual performance pay to potential performance pay.

4-Energy Probe-23

Ref: Exhibit 4, Tab 1, Schedule 5

- a) Please explain why it is appropriate to allocate shared costs such as postage on an incremental basis rather than on a fully allocated basis.
- b) Please provide the total shared costs that are paid for entirely by STEI rather than being partially allocated to affiliates in 2015.

4-Energy Probe-24

Ref: Exhibit 4, Tab 1, Schedule 5

If STEI were to reverse the agreement associated with water and sewer billing and the City of St. Thomas provided billing and collecting services to STEI please discuss each of the following.

- a) By the City providing these services STEI would still be able to share costs and increase efficiency and effectiveness. If not, please explain.**
- b) Would there be any impact on STEI costs of continuing to recover 100% of third party costs?**
- c) Would there be any change in the allocation of staffing costs based upon the time study noted?**
- d) What would be the impact on STEI if shared costs such as postage were not charged by the City to STEI as the joint bill does not increase the City's costs in these areas and there would be no cost reduction if the City was not billing for the electricity service?**

4-Energy Probe-25

Ref: Exhibit 4, Tab 1, Schedule 5

With respect to the corporate cost allocation tables shown for 2014 and 2015:

- a) Please explain the reduction of 50% in revenues from AESI from \$70,000 to \$35,000 for labour and equipment support.**
- b) What is the \$70,000 charge from AESI to STEI in both 2014 and 2015 related to?**
- c) Are any bad debt expenses incurred from water and sewer bills included in the revenue requirement for 2015 or in the OM&A or in account 4375? If yes, please provide the amount for each of 2012 through 2015.**

4-Energy Probe-26

Ref: Exhibit 4, Tab 1, Schedule 5, Attachment 1

What is the basis, at page 13, for the statement that the services performed by STEI on behalf of the City for water and sewer billing and collections should be based on an incremental basis?

4-Energy Probe-27

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

Page 16 of the report appears to show that the corporate, finance and governance costs are allocated between STEI and AESI based on revenues.

- a) Please provide the source of the STEI revenue figure of \$8,499,437 and reconcile this figure with the total revenue requirement of STEI of \$7,962,742 shown in the RRWF.**
- b) Please explain why none of the costs associated with corporate, finance and governance appears to have been allocated to AGI.**
- c) Has any time analysis been done for the positions that provide service to more than one entity? If not, why not?**

4-Energy Probe-28

Ref: Exhibit 4, Tab 1, Schedule 4

Does Appendix 2-K reflect the partial allocation to STEI of the CEO, CFO, COO, executive assistant, etc. that are noted in the Cost Driver Study for St. Thomas Energy Inc. at Attachment 1 of Exhibit 4, Tab 1, Schedule 5? In particular, does it reflect only partial FTE's and their corresponding partial salary, wages and benefits?

4-Energy Probe-29

**Ref: Exhibit 4, Tab 1, Schedule 8 &
Exhibit 4, Tab 1, Schedule 2**

Appendix 2-M shows \$80,000 in 2013 costs and \$350,000 in 2014 costs associated with the cost of service application in this proceeding. Are these costs included in the 2013 and/or 2014 figures shown in Appendix 2-JA in Exhibit 4, Tab 1, Schedule 2?

4-Energy Probe-30

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

Are any donations included in account 6205 (other than LEAP) included shown in Appendix 2-JA in Exhibit 4, Tab 1, Schedule 2? If yes, please provide the amount in each of 2012 through 2015.

4-Energy Probe-31

Ref: Exhibit 4, Tab 1, Schedule 11

The evidence states that STEI's amortization policy has been to record a full year of depreciation expense on capital additions during the year that the asset was placed into service.

- a) Have the rate base figures used for 2011 through 2014 been based on the full year of depreciation or the half year rule for capital additions during the year?**
- b) If the response to part (a) is that it is based on the half year being used for 2011 through 2014, does this mean that STEI has two sets of accounting figures for PP&E - one for financial reporting purposes and one for regulatory purposes?**

4-Energy Probe-32

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

The 2015 CCA schedule does not match the composition of the additions shown in the fixed asset continuity schedule.

- a) Please explain the \$215,000 added to CCA class 8, when the continuity schedule shows the total should be \$90,000.**
- b) Please explain why there is no addition to CCA Class 10 for transportation equipment shown in the continuity schedule of \$125,000.**
- c) Please explain the \$85,000 added to CCA Class 10 when this amount is shown as computer hardware in the continuity schedule which should be added to CCA class 50.**

4-Energy Probe-33

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

The 2014 CCA schedule does not match the composition of the additions shown in the fixed asset continuity schedule.

- a) Please explain why the \$19,500 shown in the continuity schedule for computer hardware has been included in CCA class 10 rather than class 50.**
- b) Please explain why the \$28,000 shown in the continuity schedule for tools has been included in CCA class 10 rather than class 8.**

4-Energy Probe-34

Ref: Exhibit 4, Tab 1, Schedule 12, Attachments 1 & 3

Please explain why the historic year UCC shown in Attachment 3 of \$28,187,172 is less than the corresponding figure in Schedule 8 in Attachment 1 of \$28,743,552.

4-Energy Probe-35

Ref: Exhibit 4, Tab 1, Schedule 12, Attachment 3

Please provide updated CCA schedules for the historic, bridge and test years based on any changes as a result of the previous three interrogatories.

4-Energy Probe-36

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

It does not appear that STEI is claiming any Ontario Co-op Education tax credits in 2015.

- a) Please provide the amount of this tax credit claimed in each of 2012 and 2013, and the forecast for 2014.**
- b) Please explain why no co-op credit has been claimed in 2015 despite showing co-op and summer help in Table 4-7 in Exhibit 4, Tab 1, Schedule 4.**

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5-Energy Probe-37

Ref: Exhibit 5, Tab 1, Schedule 2

- a) Does SREI propose to update the short term and long term debt rates when new rates are made available by the Board prior to the decision in this application, as it proposes to do with the return on equity?**
- b) Does STEI have any other debt that would be classified as long term, other than the promissory note due to the City of St. Thomas?**

5-Energy Probe-38

Ref: Exhibit 5, Tab 1, Schedule 2

The promissory note due to the City of St. Thomas is scheduled to mature in the test year.

Has STEI looked at replacing this promissory note with third party financing? If not, why not? If yes, please provide details including rates available for different terms.

5-Energy Probe-39

Ref: Exhibit 5, Tab 1, Schedule 2

- a) The evidence states that STEI has used the Board approved rate of 4.88% for all long term debt. Other than the note payable to the City of St. Thomas, what other debt instruments does STEI have in place?**
- b) Please provide a table that shows the deemed long term debt in 2015, the amount outstanding for the note payable to the City of St. Thomas and any other debt instrument that is currently in place.**

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-40

Ref: Exhibit 6, Tab 1, Schedule 1

- a) Please provide an updated Table 6-1 and a live version of the RRWF to reflect any updates, changes or corrections that STEI accepts as a result of the interrogatory process, including the correction to the cost of power calculation noted in the evidence.**
- b) Please provide a tracking sheet that demonstrates the changes in the revenue deficiency for each individual item changed.**

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-41

Ref: Exhibit 7, Tab 1, Schedule 3

Please provide a revised version of Table 7-4 where only the revenue to cost ratio that is increased to offset the reduction in the sentinel lighting ratio is the GS>50 class, rather than spreading the increase across the GS<50, GS>50 and streetlighting classes.

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-42

Ref: Exhibit 8, Tab 1, Schedule 8

Appendix 2-R appears to have a number of inconsistencies. For example, the 5 year average in line B is equal to the 2009 figure despite no figures for the other years and the five year average in line G is 1.0175, which is less than the 5 years shown. Please provide a corrected version of the table.