

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.

**TECHNICAL CONFERENCE QUESTIONS OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

September 5, 2014

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

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-40TC

**Ref: 1-Staff-1 &
4-Energy Probe-30**

Has the RRWF attached to 1-Staff-1 also been updated to reflect the \$61,000 impact on PILs identified in the response to 4-Energy probe-30?

EXHIBIT 2 – RATE BASE

2-Energy Probe-41TC

Ref: 2-Energy Probe-13

The net amount removed in the 2015 continuity schedule is \$201,642 (Exhibit 2, Tab 1, Schedule 1, Attachment 1). Please reconcile this figure to the net book value of the stranded meters of \$234,537(Exhibit 2, Tab 1, Schedule 4, Appendix 2-S).

2-Energy Probe-42TC

**Ref: 2-Energy Probe-13 &
Exhibit 2, Tab 1, Schedule 4**

In Exhibit 2, Tab 1, Schedule 4, Festival states: "*Festival confirms the 2015 revenue requirement does not include either a cost of capital return or depreciation expense associated with the total estimated stranded meter costs removed from rate base.*"

In the response to the interrogatory, it was confirmed that the stranded meters are removed from rate base in 2015 meaning they are included in the opening net book value for 2015.

- a) Please confirm that there is a return on capital associated with the stranded meters because they are included in the opening net book value used for the calculation of rate base.
- b) Please show the calculation of the depreciation expense in this meter category to reflect the statement that no depreciation expense associated with the stranded meters has been included in the revenue requirement for the test year.

2-Energy Probe-43TC

Ref: 2-Energy Probe-14

- a) Please confirm that there is no net book value associated with any of the properties (land) that are not being fully utilized by Festival.
- b) Please confirm that the land next to the main administration building was acquired at no cost to Festival, resulting in no net book value at the current time.

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-44TC

Ref: 3-Staff-29 & 30

- a) Does the table provided in response to 3-Staff-30 include changes based on the new equation estimated in the response to 3-Staff-29? If not, please update the response to 3-Staff-30 based on the use of the new equation in 3-Staff-29.
- b) Please provide Tables 3.6 through 3.10 based on the equation estimated in part(c) of 3-Staff-29.

3-Energy Probe-45TC

Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1, Table 3.9 & 3-Energy Probe-18

- a) Please estimate a regression equation using the kW/kWh ratios shown in Table 3.9 as the dependent variable and a trend variable as the explanatory variable and provide the regression statistics.

- b) If the equation requested in part (a) above has a statistically significant trend variable, please provide the forecasted ratio for 2015 and the normalized kW forecast for 2015 if this ratio was used.
- c) Does Festival have any information as to what is driving the increase in the Large Use billed kW of more than 7% in 2014 relative to 2013?

EXHIBIT 4 – OPERATING COSTS

4-Energy Probe-46TC

Ref: 4-Energy Probe-26

The response to part (a) does not explain the difference in the figures of \$298,746 related to overhead policy changes shown in Appendix 2-JB and the figure of \$254,313 shown in Appendix 2-DA.

- a) Please explain the difference in the two figures.
- b) Which figure is the actual impact on OM&A due to the change in accounting methodologies?

4-Energy Probe-47TC

Ref: 4-VECC-22 &
4-VECC-25

Please explain the difference in the bad debt expenses for the test year shown in these two responses (\$90,564 and \$77,419). Which figure is the actual forecast?

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5-Energy Probe-48TC

Ref: 5-Energy Probe-32

- a) Please provide the wording in the Board's decision in EB-2009-0263 that supports the conclusion that the excess debt over long term debt obligations was subject to the deemed debt rate.

- b) Please confirm that in EB-2009-0263 the weighted approved long term debt rate was 5.68%, calculated as the weighted average of the Board's deemed long term debt rate of 5.87% applied to a loan from the City of Stratford of \$15,600,000 and a rate of 4.51% applied to an Infrastructure Ontario loan of \$2,500,000.
- c) Please confirm that the deemed long term debt in EB-2009-0263 was approximately \$22,570,000.

5-Energy Probe-49TC

Ref: 5-Energy Probe-32

The response indicates that Festival is considering adding \$1.2 million in long term debt to cover the payment of the Permanent Bypass Agreement which is due in December, 2014.

- a) Please provide the term of the loan being considered and the rate associated with this loan.
- b) Is this loan expected to be from an affiliate, Infrastructure Ontario, or some other party?

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-50TC

Ref: 7-Energy Probe-33 &
Exhibit 7, Tab 1, Schedule 1

The response to part (b) says that Festival believes that there is no notable difference in the cost between the two classes and as such has assigned the same weighting factor. In addition, part (b) does not provide the average service cost for a residential customer and a GS < 50 customer.

The evidence in Exhibit 7, Tab 1, Schedule 1 states that "*G.S. < 50 – Factor set at 1.0 as the number of G.S. < 50 kW services are substantially less but the costs to install is higher per connection than residential, so the same factor has been assigned.*"

- a) Please confirm that the services allocator is based on both the number of customers and the relative weighting of the service costs by rate class.

- b) **Please reconcile the statement that there is no notable cost differences between residential and GS < 50 with the statement that the costs to install is higher per connection for the GS <50 than for residential.**
- c) **Please provide the average service cost for a residential customer and for a GS < 50 kW customer, as originally requested.**

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-51TC

Ref: 8-AMPCO-13

Please provide a table that shows for each rate class, the exiting fixed charge, the ceiling of the fixed charge from the cost allocation model, Festival's original proposed fixed charge and the fixed charge as a result of the interrogatory process.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-52TC

Ref: 9-Staff-55

Please explain why Festival has changed the continuation of the ICM rate rider account from No to Yes. Please explain fully why this account needs to be continued if the underlying assets are included in the test year rate base.

9-Energy Probe-53TC

Ref: 9-Staff-59, 60 & 61

Please explain Festival's proposed disposition of accounts 1575 and 1576, including the amounts to be disposed of and the period over which this disposition will occur based on the corrections and updates in the noted interrogatory responses.

9-Energy Probe-54TC

**Ref: 9-Staff-61 &
Exhibit 2, Tab 1, Schedule 1, Attachment 1 &
Exhibit 2, Tab 1, Schedule 4, Appendix 2-S**

- a) Is there a direct link between the net disposals of \$632,747 shown in the 2015 continuity schedule in the second reference, to the \$632,749 shown in Appendix 2-EA in the first reference?**

- b) If the answer to part (a) is yes, do these figures include or exclude the net removal of \$234,537 associated with stranded meters in the third reference? Please explain fully.**

9-Energy Probe-55TC

Ref: 9-Staff-63

Please explain why there is no PILs impact shown in the calculations for 2013 and 2014, including the CCA deduction.