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September 15, 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 – Technical Conference Questions to Applicant

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

Please note: These questions are indicative of the questions Energy Probe may ask and identify major areas of interest. The list is not intended to be exact or complete, and Energy Probe may have further questions arising from the answers to the sample questions attached.

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.

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

September 15, 2014

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

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-43TC

Ref: 1-Energy Probe-1

Please confirm that the \$248,000 of one time smart meter expenses that STEI recorded in 2012 is equivalent to the \$247,071 shown in the table in the response to part (a) and that the interest expense of \$48,528 shown in the response was not included in the OM&A figures in 2012.

EXHIBIT 2 – RATE BASE

2-Energy Probe-44TC

**Ref: 2-Energy Probe-11 &
Exhibit 2, Tab 1, Schedule 6 (Appendix 2-AA) &
Exhibit 1, Tab 1, Schedule 1 (Appendix 2-BA)**

- a) Please explain the relationship between the capital project figures shown in Appendix 2-AA and the capital additions shown in Appendix 2-BA. In particular, for 2011 and 2015 the figures shown in Appendix 2-AA are equal to the gross additions shown in Appendix 2-BA. However, this does not appear to be the case for 2012, 2013 or 2014. Please provide a table that shows the reconciliation of the Appendix 2-AA and Appendix 2-BA capital projects/additions.
- b) The response to 2-Energy Probe-11 shows that there are two projects in each of 2014 and 2015 that are not forecast to be entirely completed in the years where the capital project costs are shown in Appendix 2-AA. Please confirm that for all four of these projects, discrete amounts of the project can be placed into service before the entire project is completed. If this cannot be confirmed, please explain.

- c) As an example Item 49, New Power Line, has a cost associated with the project of \$208,750. The interrogatory response indicates that 25% of the project would be in service by the end of 2015, with the remaining 75% in service by the end of the second quarter of 2016. Please confirm this is the correct interpretation of the response.

2-Energy Probe-45TC

Ref: 2-SEC-9

- a) What is the status of the Service Area Amendment?
- b) Has STEI included any costs associated with this contested subdivision in its application?

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-46TC

Ref: 3-Energy Probe-12

- a) The response to part (b) refers to an attached spreadsheet, which does not seem to have been provided. Please provide the live Excel spreadsheet that contains all of the historical data used to calculate the 20 year trend in degree days.
- b) Part (b) of the question as requested the equations used to estimate to the 20 year trend, but no equations have been provided. How did Elenchus calculate the normal HDD and CDD values shown in Table 2.4?

3-Energy Probe-47TC

Ref: 3-Energy Probe-16 & 17

- a) Based on the responses to the two referenced interrogatories, is the STEI forecast for total other operating revenue in the 2015 test year \$496,044 being the sum of \$35,000, shown for account 4405 in 3-Energy Probe-16, and \$461,044, shown in the response to 4-Energy Probe-17? If not, please provide the current forecast for 2015 along with its derivation based on these interrogatory responses.
- b) Please provide a table that shows accounts 4375 and 4380 only, along with the net margin for each of 2011 Approved through the 2015 forecast with CDM revenues and costs removed.

3-Energy Probe-48TC

Ref: 3-Energy Probe-18 &
3-SEC-11

- a) Please provide a version of the table provided in the response to 3-Energy Probe-18 that excludes CDM related revenues and costs.
- b) Please explain the difference in the July 31, 2014 figures provided in the responses to the two interrogatories.

EXHIBIT 4 – OPERATING COSTS

4-Energy Probe-49TC

Ref: 4-Staff-22 & Exhibit 4, Tab 1, Schedule 2

The evidence indicates (Exhibit 4, Tab 1, Schedule 2, page 12) that STEI pays \$22,000 for community relations through the AGI annual fee. The interrogatory response indicates that the total amount of \$22,000 represents the budget for the entire enterprise (AGI and all of its subsidiaries). Does this mean that STEI is financing all of the community relations costs of AGI?

4-Energy Probe-50TC

Ref: 4-Energy Probe-23

The response to part (a) indicates that if the City chose to move the service to another provider, STEI would be left financing the increased postage costs that have not been included in rate base.

- a) Does STEI mean revenue requirement rather than rate base?
- b) Please explain what is meant by the increased postage costs that have not been included.
- c) Please explain the \$35,400 recovered from the City for the costs noted when the evidence indicates that these costs are paid for entirely by STEI. Is the \$35,400 related to costs incurred by STEI for billing water and sewer customers that are not STEI customers?

4-Energy Probe-51TC

Ref: 4-Energy Probe-24

Please provide the requested responses and include whatever caveats STEI believes are needed. Please fully explain each caveat.

4-Energy Probe-52TC

Ref: 4-Energy Probe-26

If no postage costs are allocated to the City please explain how, if the City chose to move the service to another provider, STEI would be left financing the increased postage costs. In particular, what increased postage costs is STEI referring to and please explain how under the current agreement with the City these increased postage costs are shared with the City.

4-Energy Probe-53TC

Ref: 4-Energy Probe-32, 33 & 35

- a) For each of the items listed in 4-Energy Probe-32 and 33, please indicate whether or not STEI accepts the changes.**
- b) Please provide the updated CCA continuity schedules for 2014 and 2015, as requested, showing all changes being made and accepted by STEI.**

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5-Energy Probe-54TC

Ref: 5-Energy Probe-38

- a) Please provide any evidence the company has that supports the statement that if STEI were to replace the affiliate debt with third party debt, the overall risk profile of STEI would increase which may result in an increase in the overall interest rate for STEI.**
- b) Could STEI borrow from Infrastructure Ontario to finance its bridge and test year capital expenditures? If not, please explain why not. If yes, please provide the current interest rates from IO for terms of 5, 10, 15, 25 and 30 year terms.**

5-Energy Probe-55TC

Ref: 5-Energy Probe-39

- a) Please explain why STEI is forecasting the renewal of the affiliated debt in November, 2015 for only a six year period.
- b) Please explain why STEI believes that it is appropriate to apply the Board's deemed long term debt rate, which is based on a term of 30 years, to debt that has a term of only 6 years.

5-Energy Probe-56TC

Ref: 5-Energy Probe-39 &
1-Energy Probe-5 &
Exhibit 4, Tab 1, Schedule 2

- a) Please explain the difference in the Bank of Nova Scotia loan rate of 5.0% shown in the table provided in the response to 5-Energy Probe-39, the weighted rate of 4.40% shown in the response to part (b) of 1-Energy Probe-5 and the 3.25% noted for this loan on page 2 of Exhibit 4, Tab 1, Schedule 2.
- b) Please provide the current weighted average rate of the loan rate for 2014.
- c) Please provide the forecasted weighted average rate of the loan for 2015.

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-57TC

Please provide the requested RRWF and tracking sheet that incorporates all changes, corrections or updates that STEI proposes as a result of the interrogatory responses and technical conference questions.

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-58TC

- a) Please provide a table that shows each of the 26 budget line items, their weights and the derivation of the overall weighting factors for the 26 budget items.
- b) Please show the derivation of the labour factors for each rate class.

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-59TC

Ref: 8-Staff-34

Based on the changes proposed by STEI as a result of the interrogatory responses and technical conference questions and any other corrections or updates, please provide an updated Appendix 2-W to show the proposed bill impacts for all rate classes.