**EB-2014-0238**

# 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 Great Lakes Power Transmission Inc. on behalf of Great Lakes Power Transmission LP an Order or Orders pursuant to section 78 of the *Ontario Energy Board Act, 1998* for 2015 and 2016 transmission rates and related matters.

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**INTERROGATORIES OF**
**ENERGY PROBE RESEARCH FOUNDATION**
**("ENERGY PROBE")**

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**September 22, 2014**

**GREAT LAKES POWER TRANSMISSION INC.**
**on behalf of**
**GREAT LAKES POWER TRANSMISSION LP**
**2015 and 2016 Transmission Rates**

**EB-2014-0238**

**ENERGY PROBE INTERROGATORIES**

## Capital

**2-Energy Probe-1**

**Ref: Exhibit 2, Tab 1, Schedule 1, pages 4- 8**

**This reference describes the Wood Structure Replacement Program approved by the Board in EB-2012-0300.**

**a) Please provide a table showing the number of structures replaced in each year of the program and the actual or forecast cost for the year in question since the inception of the program.**

**b) Are all of the poles to be replaced on high voltage structures or are 44 kV structures also planned for replacement under the program?**

**2-Energy Probe-2**

**Ref: Exhibit 2, Tab 1, Schedule 1, page 10**

**This page describes the addition of a 44 kV Station Service Voltage Transformer at the Highway 101 TS. The existing transformer owned by Algoma Power is expected to be retained as backup and paid for on a usage basis.**

**Please provide an explanation of the usage charges that GLPT will incur for this backup supply to station service.**

**2-Energy Probe-3**

**Ref: Exhibit 2, Tab 1, Schedule 2, page 12 &**
**Exhibit 2, Tab 1, Schedule 2, pages 7-8**

**The first reference describes the Enterprise Resource Planning upgrades forecast to cost $663,700. The second reference is the Asset Continuity Schedule for 2015 which shows the forecast cost in Account 1925 Computer Software.**

**a) Will this system require new computer hardware for it to work properly? If yes, please provide a description and cost for the required hardware.**

**b) Is the computer hardware in Account 1920 for $258,500 in 2015 and $276,000 in 2016 related to the ERP system? If no, please provide a brief description of what those hardware expenditures are for.**

**2-Energy Probe-4**

**Ref: Exhibit 2, Tab 1, Schedule 2, pages 7-8**

**This reference shows asset continuity for 2015 and 2016. Account 1705 Land shows additions of $380,000 in 2015 and $580,000 in 2016.**

**Please explain what these additions are for.**

## Rate Base

**2-Energy Probe-5**

**Ref: Exhibit 2, Tab 1, Schedule 1, page12: 3. Enterprise Resource Planning Upgrades - $663,700**

**a) In addition to the Business Plan requested by Board Staff, please provide the following:**
- **Summary of RFP**
- **Number of potential bidders**
- **Schedule, including in-service date(s)**
- **Benefits Realization Plan showing Capital and Operating savings by year**

**b) Will any other Corporate Affiliates use the system(s)? If so, please provide information on how the costs/benefits will be allocated.**

**2-Energy Probe-6**

**Ref: Exhibit 2, Tab 1, Schedule 3, page 2**

a) **Please provide the WC Calculation Tables Approved/Accepted for 2013/14 corresponding to Tables 2-1-3 A, B and C.**

b) **Please provide a Variance Report that highlights any material changes in assumptions and related outputs for 2015/16.**

**2-Energy Probe-7**

**Ref: Exhibit 2, Tab 3, Schedule1, page 3, Table &**
**Schedule 2, Tab 3, 1 B**

a) **Please provide a comparison Table in Format of Table 2-3-1-B and add Column with Applicable DPCC Standards from Table 1 in Appendix A.**

b) **Please add Indicators showing DPCC standard minimum standard indicators (Appendix A) on Figure 2-3-1-B.**

c) **Please provide DPCC Targets for 2015 and 2016 by category, or if not available, in aggregate.**

## Operating Revenue

**2-Energy Probe-8**

**Ref: Exhibit 3, Tab1, Schedule 2, page 4: UTR Forecasts**

a) **Please describe/discuss Weather Impacts on Charge Determinant Forecast.**

b) **lease provide a Statistical Analysis of each of Charge determinants, if necessary use more historical data, and also show the aggregate Impact on Revenue Forecast**

## OM&A Costs

**2-Energy Probe-9**

**Ref: Exhibit 4, Tab 2, Schedule 1, page 1: OM&A Overview and First Quartile Report**

**a) Please explain why no Canadian Transmitters are included in the First Quartile Report Peer Group?**

**b) Confirm that there are/are not CEA Cost comparison/benchmarking studies for Transmission.**

**c) Please provide a comparison based on up to 5 key Metrics selected by GPLT, (e.g. OM&A per customer/per km) for GPLT and Hydro One based on data from recent Regulatory Filings.**

**2-Energy Probe-10**

**Ref: Exhibit 4, Tab 2, Schedule 2, page 33, Appendix C Actuarial Valuation – December 31, 2012**

**a) The Mercer Report indicates the next Valuation is scheduled following December 2013. Has this been done? If so please file a copy.**

**b) Has GPLT considered using a Pension Cost Variance Account to deal with variations? Please discuss historic materiality of employer cost variations and merits of such an account.**

**c) Confirm the DB pension plan contribution ratio is 3:1 employer: employee.**

**d) Please provide data that positions this relative to the GPLT peer group.**

**2-Energy Probe-11**

**Ref: Exhibit 4, Tab 2, Schedule 3, pages 2- 8, Tables 4-2-3 A, B and D**

**a) Please provide gross costs and GPLT shares of each component of shared costs for 2012A-2016F (Table A).**

**b) Please Provide equivalent CCA tables to Table B for 2013 and 2014 as agreed to in Settlement.**

**c) Please provide a version of Table 4-2-3 D – Calculation of Cost Drivers for Corporate Cost Allocation showing last approved/accepted allocations.**

**d) Please provide a variance discussion regarding any material changes that are reflected in the Current CCA Allocation Tables for 2015/16.**

**2-Energy Probe-12**

**Ref: Exhibit 4, Tab 4, Schedule 5, page 4: CCA Calculations**

**a) Please provide information regarding the CCA to be claimed for the new EWS.**

**b) Please reconcile to the amount of CCA shown in the CCA Tax Calculation Tables for 2015 and 2016.**

## Rate Design

**2-Energy Probe-13**

**Ref: Exhibit 8, Tab 1,-S2 page 1 Table 8-1-2 A and Table 8-1-2 B: ETS Rate**

**Has the 2014 Settlement on the ETS rate been reflected in the Revenue and Reconciliations?**

**If not, please provide an estimate of the impact of the change from $2.00/Mwh to $1.70/Mwh**

## OM&A

**4-Energy Probe-14**

**Ref: Exh4, Tab 2, Schedule 1, page 13**

**This page discusses the prospect of increased compliance costs to meet NERC standards and requirements.**

**a) Lines 6-12 refer to the expectation that NERC's definition of the BES will change and be adopted by the IESO in the test period affecting GLPT's compliance obligations. Please provide any reports or correspondence from the IESO on this subject.**

**b) What time period will the IESO and NERC allow for GLPT to become compliant with the requirements under the new BES definition.**

**c) What parts of GLPT's system are considered part of the BES under the current NERC definition and what parts are expected to become part of the BES under the new definition?**

**d) Please provide some examples of the kinds of compliance issues that will have to be resolved under the new BES definition.**

**e) Are the "new security and other measures" referred to in Line 11 and 12 different than the "Critical Infrastructure Program Standards" referred to in lines 4-5? If so, please explain the differences.**

**f) Please indicate where the increased compliance costs are budgeted for in the Uniform System of Accounts Table 4-2-1 D on page 9.**

**g) If the BES definition eventually adopted by the IESO does not change in a way that affects GLPT's compliance requirements, will the Compliance Program Development planned for 2015 still be necessary? Will the Compliance Analyst position still be necessary?**

**4-Energy Probe-15**

**Ref: Exhibit 4, Tab 2, Schedule 1, pages 14-15 &**
**EB-2012-0300, Exhibit 4, Tab 2, Schedule 2, page 7**

**Pages 14-15 in the first reference describe the need to spend "$205,000 to engage a third party consultant in 2015 to "complete a review of all existing and upcoming standards including the BES definitional change and further develop a comprehensive compliance program".**

**Page 7 of the second reference describes the need to engage a third party consultant in 2013 to "complete a review of all existing and upcoming standards (with the exception of the Bulk Electric System definitional change, described in Exhibit 9, Tab 2, Schedule 1) and further develop a comprehensive compliance program".**

**a) Was the 2013 standards review and compliance development program carried out? If yes, please provide a copy of the review and the compliance program that was developed along with the actual cost. If no, please explain why the project was not carried out and indicate what the budgeted cost was.**

**b) Do the words "complete a review…" and "further develop …" (emphasis added) mean that the consultant was doing work on a project that had already been started but needed completing? If so, please provide a brief history of the standards review and compliance program including when it originally started, what the work involved was and how much has been spent on it to date.**

**c) Lines 17-18 of the second reference reads "Costs in 2014 will only be related to maintenance of the new program and fees related to compliance audits." Please indicate what the costs were in 2014 for this program.**

**d) Please describe in more detail what the 2015 standards review and further development of the compliance program will involve and how it relates to the 2013 project.**

**e) Lines 13-14 on page 15 of the first reference note that Hydro One described a similar compliance program in Exhibit C1 of EB-2012-0031. Please provide the Tab, Schedule and page numbers for the reference.**

**4-Energy Probe-16**

**Ref: Exhibit 4, Tab 2, Schedule 1, page 14 &**
**EB-2012-0300, Exhibit 4, Tab 2, Schedule 2, page 7**

**Lines 1-5 of the first reference discuss the need for the new position of Compliance Analyst. In addition to Board Staff's IR 15, please answer the following questions:**

**a) Does GLPT have a position description and qualifications needed for this position? If so, please provide a copy. If not, please describe the qualifications GLPT anticipates will be necessary in candidates for the position.**

**b) Can any of GLPT's current employees qualify for this position? If so, can that individual's old position be eliminated through reassignment of duties or other efficiencies?**

**c) Please indicate where the costs of the Compliance Analyst are budgeted for in the Uniform system of Accounts Table 4-2-1 D on page 9.**

**d) Lines 14-16 of the second reference reads "It is anticipated that GLPT will have the program completed in 2013, at which point GLPT's management team and existing staff will take ownership of the program and be responsible for its execution." Please explain what has changed since 2013 that requires a dedicated analyst position to manage the compliance program.**

**4-Energy Probe-17**

**Ref: Exhibit 4, Tab 2, Schedule 1, page 16 &**
**EB-2012-0300, Exhibit 4, Tab 2, Schedule 2, page 8**

**Increased costs in 2015 and 2016 OM&A include succession planning costs for expected retirement of three system operators in the test years. In addition to the questions asked in Board Staff IR 16 please answer the following:**

a) **Has GLPT received requests for retirement from the three operators that will qualify for it in the test years? If not, how is GLPT hedging the risk that one or more will not retire as expected leaving it with more staff than needed?**

b) **Is GLPT intending to hire only fully qualified first operators? If so, please elaborate on why operators trained and experienced on other transmission systems would need 12-18 months of training and on the job experience on GLPT's system to qualify them to operate it.**

c) **Please indicate where the costs of the new operator hires are budgeted for in the Uniform system of Accounts Table 4-2-1 D on page 9.**

d) **Lines 4-5 of the second reference read "GLPT is forecasting that it will hire one new Second Operator in 2014 as the start of this succession plan". Was that second operator hired in 2014 as planned? If yes, how long has it taken for that individual to become familiar with GLPT's system? If not, please explain what changed to make the hire unnecessary.**

**4-Energy Probe-18**

**Ref: Exhibit 4, Tab 2, Schedule 1, page 16**

**GLPT is asking for $30,000 annually for the incremental cost of training 4 operators to meet NERC standards. According to the evidence, 5 other operators have already achieved the required standard and are maintaining it.**

a) **Please describe what activities are being funded by the $30,000 annual cost.**

b) **If 5 operators have previously been trained to meet the NERC standard it would appear that sufficient resources were embedded in prior year OM&A budgets and therefore revenue requirements in those years to finance that training. Please explain why incremental funding is needed for the final 4 operators.**

**4-Energy Probe-19**

**Ref: Exhibit 4, Tab 2, Schedule1, pages 9-10 &**
**EB-2012-0300 Exhibit 4, Tab 2, Schedule1, Page 6 &**
**EB-2012-0300 Exhibit 2, Tab 2, Schedule1, Appendix A, Pages 4-5 &**
**Board Staff IR 2-Staff-3**

**Lines 6-17 on page 10 of the first reference describe the reallocation of approximately $500,000 from internal labour capitalization to OM&A in 2013 as a result of a decline in the level of capital expenditures.**

**Using the above referenced exhibits and Staff IR 3, Energy Probe has constructed the following table that compares capital expenditures to Operations, Maintenance and total O&M costs for the period 2010-2016.**

**Comparison of Capital Costs to O&M Costs K$**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| **Operating** | **3446.9** | **3821.7** | **4026.7** | **4406.6** | **4283.0** | **4941.4** | **5130.9** |
| **Mtce** | **2153.3** | **2014.9** | **1729.6** | **1899.5** | **2113.6** | **2058.2** | **2099.3** |
| **Total O&M** | **5600.2** | **5836.6** | **5756.3** | **6306.1** | **6396.6** | **6999.6** | **7230.2** |
| **Capital** | **4868.7** | **7227.5** | **33216.8** | **4557.1** | **4393.4** | **9460.0** | **9768.6** |

**Notes: 1. O&M numbers for 2010 and 2011 were taken from Table 4-2-1 C in reference 2**
**2. Capital numbers for 2010 and 2011 were taken from continuity schedules in reference 3**
**3. O&M numbers for 2012-2016 were taken from Table 4-2-1 D in Reference 1**
**4. Capital numbers for 2012-2016 were taken from 2-Staff-3 in reference 4**

**a) Please confirm that the numbers appearing in this table are correct.**

**b) If internal labour capitalization was a major factor in O&M costs, one would expect O&M costs to be lower in high capitalization years. However, total O&M costs in the years 2010-2012 did not vary significantly despite a very large variation in capital expenditures. Please explain why internal labour capitalization does not appear to have caused a decrease in O&M costs in 2011 and 2012 despite their comparatively higher capital programs.**

**c) Capital expenditures in 2013 are not significantly different that those in 2010. However, O&M costs were about $700 K higher in 2013 than 2010. If internal labour capitalization were the reason for the higher O&M costs in 2013 one would expect a comparable O&M cost in 2010 when capital expenditures were about the same. Please explain.**

**d) O&M costs in 2015 and 2016 are about $700 K and $900 K respectively more than in 2013. Capital expenditures in 2015 and 2016 are more than double those in 2013. Even allowing for the incremental O&M costs in 2015 and 2016 associated with additional operators, the new compliance analyst and the standards study 2015 and 2016 O&M costs are still $200 K to $300 K higher than 2013. If internal labour capitalization was a factor in O&M costs, one would expect lower O&M in 2015 and 2016 compared to 2013. Please explain.**

**4-Energy Probe-20**

**Ref: Exhibit 4, Tab 2, Schedule 1, page 9 &**
**EB-2012-0300 Exhibit 4, Tab 2, Schedule 1, page 6**

**OM&A costs for 2012-2016 are set out in the current application in Table 4-2-1 D of the first reference while OM&A costs for 2010-2014 were set out EB-2012-0300 in Table 4-2-1 C of second reference.**

**In the EB-2012-0300 application, Account 4830 Overhead Line Expenses were generally in the $220 K range with the highest being the 2014 forecast of $229.8 K In the current application, overhead line costs are significantly higher in some cases double what was in the previous application.**

**a) Please explain the drivers for overhead line costs that have caused this significant increase from the last application.**

**b) Are these costs expected to continue at the higher levels into the future?**

**c) When does GLPT expect the Wood Structure Replacement program to result in lower maintenance costs for overhead lines?**

**4-Energy Probe-21**

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

**Table 4-2-1-D in this reference shows OM&A expenses by account.**

a) **Account 4845 Miscellaneous Transmission Expenses for 2014 are $662.0. The forecasts for 2015 and 2016 are 723.1 and 737.5 respectively which is about 10% higher than the 2014 cost. Please explain the increase for 2015 and 2016.**

b) **Account 5615 General Administrative Salaries and Expenses for 2014 are $1457.5, for 2015 are $1768.2 and for 2016 are $1803.5. Please explain the increase in costs for 2015 and 2016.**

## Deferral Accounts

**6-Energy Probe-22**

**Ref: Exhibit 6, Tab 1, Schedule 2, pages 2-6**

**This reference describes the Comstock claim and requests permission from the Board to clear accumulated costs of defending this claim. In addition to the questions posed in 6-Staff-28 please answer the following one.**

a) **Did GLPT make a motion at the outset of this action or at any time subsequent to the action being initiated asking the Court to require security from Comstock against litigation expenses that might be awarded to GLPT if it successfully defended the action?**

b) **If yes, please provide documentation of the motion and the Court's decision on it. If no, please explain why this would not have been a prudent action to have taken to protect itself and its ratepayers.**

**6-Energy Probe-23**

**Ref: Exhibit 6, Tab 2, Schedule 1, page 1-2**

**This page describes GLPT's request for a new deferral account to record costs associated with prospective new customer connections. In addition to the questions posed in 6-Staff-33 please answer the following:**

**Lines 1-2 state that GLPT does not have a capital or OM&A budget built into revenue requirement to fund new customer connections. Line 6 states that only those costs not already provided for in revenue requirement will be charged to the new deferral account.**

**Please describe the kinds of costs that GLPT might incur for new customer connections that are already built into revenue requirement.**