

St. Thomas energy inc.

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St. Thomas Energy Inc.
135 Edward St.
St. Thomas, ON
N5P 4A8

October 1, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**Re: St Thomas Energy Inc. EB-2014-0113
2015 Cost of Service Electricity Distribution Rate Application
Responses to Technical Conference Undertakings**

Dear Ms. Walli:

St. Thomas Energy Inc. "STEI" herein submits its undertaking responses to the Technical Conference that was held on Monday September 22, 2014.

An electronic copy of these responses has been filed via the Board's Regulatory Electronic Submission System.

Please contact the undersigned if you have any questions with regard to STEI's submission.

Yours Truly,
St. Thomas Energy Inc.



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TECHNICAL CONFERENCE

UNDERTAKINGS

Undertaking No. JT1.1:

To reconcile the year-to-date July 2014 figures in 3-Energy Probe-18 and 3-SEC-11

3-Energy Probe-18 requested the most recent year-to-date actuals for 2014 and the figures for the corresponding 2013 period in the same level of detail as found in Table 3-17.

STEI provided the following table as requested.

Other Operating Revenue			
		2013	2014
		July 31	July 31
4080	Standard Supply Service	\$ 33,809	\$ 34,453
4082	Retail Services Revenues	\$ 14,781	\$ 13,894
4084	STR Processing	\$ 421	\$ 329
4210	Rent from Electric Property	\$ -	\$ 5,000
4220	Other Electric Revenues	\$ -	\$ -
4225	Late Payment Charges	\$ 75,777	\$ 77,018
4235	Specific Service Charges	\$ 90,048	\$ 92,703
4355	Gain on Disposal	\$ -	\$ -
4375	Revenues from Non Rate-Regulated Utility Operations	\$ 798,363	\$ 709,238
4380	Expenses from Non Rate-Regulated Utility Operations	-\$ 666,135	-\$ 582,309
4390	Miscellaneous Non-Operating Income	\$ 79,283	\$ 32,082
	Specific Service Charges	\$ 90,048	\$ 92,703
	Late Payment Charges	\$ 75,777	\$ 77,018
	Other Operating Revenues	\$ 926,657	\$ 794,996
	Other Income or Deductions	-\$ 666,135	-\$ 582,309
	Total	\$ 426,347	\$ 382,408
4405	Interest and Dividend Income	23,548	19,800

3-SEC-11 requested that STEI add a column to Appendix 2-H which provides year-to-date actuals for 2014.

STEI provided an updated Appendix 2-H that did not reconcile with the Other Operating Revenue table provided in response to 3-Energy Probe-18.

STEI re-submits Appendix 2-H that provides the July 31, 2014 actuals that reconciles with the Other Operating Revenue table.

**Appendix 2-H
Other Operating Revenue**

USoA #	USoA Description	2011	2011 Actual	2012 Actual	2013 Actual	Bridge Year ^a	Bridge Year ^a	Test Year
		Approved				2014 July 31	2014	2015
	<i>Reporting Basis</i>	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS
4080	Standard Supply Service	\$ 33,130	\$ 48,039	\$ 57,834	\$ 58,337	\$ 34,453	\$ 50,000	\$ 37,410
4082	Retail Services Revenues	\$ 37,386	\$ 31,980	\$ 27,269	\$ 25,111	\$ 13,894	\$ 29,252	\$ 29,245
4084	STR Processing	\$ 967	\$ 898	\$ 696	\$ 631	\$ 329	\$ 746	\$ 746
4210	Rent from Electric Property	\$305,058	\$ 312,994	\$ 77,313	\$ 34,074	\$ 5,000	\$ 30,000	\$ 29,994
4220	Other Electric Revenues	\$ 69,935	\$ 69,935	\$ 70,135	\$ 69,935	\$ -	\$ 65,000	\$ 65,000
4225	Late Payment Charges	\$138,817	\$ 122,874	\$ 118,049	\$ 130,857	\$ 77,018	\$ 120,000	\$ 120,000
4235	Specific Service Charges	\$163,834	\$ 147,745	\$ 165,278	\$ 168,396	\$ 92,703	\$ 149,000	\$ 149,000
4355	Gain on Disposal		\$ -					
4375	Revenues from Non Rate-Regulated Utility Operations	\$ 58,374	\$ 343,085	\$1,064,456	\$ 1,458,239	\$ 709,238	\$ 342,000	\$ 324,000
4390	Miscellaneous Non-Operating Income	\$ 41,000	\$ 41,000	\$ 71,848	\$ 129,922	\$ 32,082	\$ 60,000	\$ -
	Specific Service Charges	\$163,834	\$ 147,745	\$ 165,278	\$ 168,396	\$ 92,703	\$ 149,000	\$ 149,000
	Late Payment Charges	\$138,817	\$ 122,874	\$ 118,049	\$ 130,857	\$ 77,018	\$ 120,000	\$ 120,000
	Other Operating Revenues	\$545,850	\$ 847,932	\$1,369,551	\$ 1,776,249	\$ 794,996	\$ 576,998	\$ 486,395
	Other Income or Deductions	-\$ 39,559	-\$ 200,025	-\$ 938,566	-\$ 1,124,370	-\$ 582,309	-\$ 292,256	-\$ 299,351
	Total	\$808,942	\$ 918,526	\$ 714,312	\$ 951,132	\$ 382,408	\$ 553,742	\$ 456,044

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UNDERTAKINGS

Undertaking No. JT1.2:

To breakout the top portion of the table in 3-VECC-43 part A for accounts 4375 and 4380 between water and sewer and other revenues and costs included in that.

STEI has provided the following table that breaks out the water and sewer revenue, account 4375 and related expenses, 4380. The table also reflects adjusted July 2014 amount.

Account 4375 and 4380 Reconciliation						
Account	2011 Actual	2012 Actual	2013 Actual	2014 BY	2015 TY	July 2014
Other Revenues						
4375	17,059	198,139	421,738	70,000	35,000	142,832
4380	-	160,101	233,888	-	-	86,966
Total	17,059	38,038	187,850	70,000	35,000	55,866
Water & Sewer						
4375	-	329,945	337,317	272,000	294,000	195,440
4380	-	263,590	258,228	292,256	299,351	124,377
Total	-	66,355	79,089	(20,256)	(5,351)	71,063
CDM						
4375	326,027	536,372	699,184	-	-	370,966
4380	200,025	514,874	632,254	-	-	370,966
Total	126,002	21,498	66,930	-	-	-
Total						
4375	343,086	1,064,456	1,458,239	342,000	329,000	709,238
4380	200,025	938,565	1,124,370	292,256	299,351	582,309
Total	143,061	125,891	333,869	49,744	29,649	126,929

STEI notes that the actual water expenses account 4380 is not indicative of the amounts calculated pursuant to the associated SLA. STEI needs to update its financial system to capture the allocated labour costs per the SLA; however as illustrated below there will be no net impact after the appropriate adjustments are made.

The net result of the water and sewer billing for the 2015TY is a surplus of \$14,249 that is embedded as a revenue offset as illustrated below.

Water & Sewer Summary	2015 TY
W&S surplus (deficit)	(5,351)
W&S interest charges - Account 4225	43,000
W&S additional expenses	(23,400)
Surplus	14,249

Summary

As provided in the above table, the net result of the water and sewer SLA is a surplus (revenue offset) of \$14,249.

If STEI were to adjust the other operating revenues and expenses to reflect the SLA the adjustments would be as follows:

Other operating expenses (account 4380) would increase by \$23,400 from \$299,351 to \$322,751.

The net result is a surplus of \$14,249 consisting of Interest on water and sewer accounts of \$43,000 (embedded in account 4225), recovery from the City of \$294,000 (account 4375) less expenses of \$322,751 (account 4380).

The other adjustment would be an offsetting OM&A reduction in the customer and service expenses of \$23,400.

ST. THOMAS ENERGY INC.					
	Original Filing	Adjustments	TC	W&S Adjustment	2015 TY
OM&A	4,634,620	37,540	4,672,160	(23,400)	4,648,760
Amortization	1,208,219	-	1,208,219	-	1,208,219
Distribution Expenses	5,842,839	37,540	5,880,379	(23,400)	5,856,979
RROC	2,065,741	(16,738)	2,049,003	-	2,049,003
PILS (with gross up)	54,162	(21,957)	32,205	-	32,205
Service Revenue Requirement	7,962,742	(1,155)	7,961,587	(23,400)	7,938,187
Revenue Offsets	(496,044)	(15,000)	(511,044)	23,400	(487,644)
Base Revenue Requirement	7,466,698	(16,155)	7,450,543	-	7,450,543

As provided in the table above there would be no impact on the Base Revenue Requirement as the net impact of the two adjustments is 0; while the updated allocation of expenses to account 4380 would reduce the other revenue, this reduction would be offset by the corresponding reduction in OM&A expenses.

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UNDERTAKINGS

Undertaking No. JT1.3:

To provide an updated revenue requirement work form and tracking sheet and bill impact, Appendix 2-W, based on all changes to date.

The RRWF is attached to this undertaking. Following is a summary of the changes with the noted references.

ST. THOMAS ENERGY INC.					Reference
		Original Filing	Adjustments	TC	
Distribution Expenses		4,634,620	37,540	4,672,160	TC 4-SEC-33 Ex 1, T5, Sch 20, pg 1
Power Supply Expenses		34,206,528	(1,999,836)	32,206,692	
Working Capital		38,841,148	(1,962,296)	36,878,852	
Allowance	0.13	5,049,349	(255,098)	4,794,251	
Average Net Fixed Assets		26,434,846	-	26,434,846	
Total Rate Base		31,484,195	(255,098)	31,229,097	
Short-Term Debt	4.00%	2.11%	-	2.11%	
Long-Term Debt	56.00%	4.88%	-	4.88%	
Total Equity	40.00%	9.36%	-	9.36%	
Regulated Rate of Return	100.00%	6.56%	0.00%	6.56%	
Regulated Return on Capital					
Deemed Interest Expense		886,973	(7,187)	879,786	
Deemed Return on Equity		1,178,768	(9,551)	1,169,217	
Regulated Return on Capital		2,065,741	(16,738)	2,049,003	
OM&A		4,634,620	37,540	4,672,160	TC 4-SEC-33
Amortization		1,208,219	-	1,208,219	
Distribution Expenses		5,842,839	37,540	5,880,379	
RROC		2,065,741	(16,738)	2,049,003	
PILS (with gross up)		54,162	(21,957)	32,205	TC 4-EP-53TC
Service Revenue Requirement		7,962,742	(1,155)	7,961,587	
Revenue Offsets		(496,044)	(15,000)	(511,044)	TC 3-VECC-43
Base Revenue Requirement		7,466,698	(16,155)	7,450,543	

The RRWF has not been adjusted to include microFit adjustment for increased recovery and expense, TC 3-VECC-46 as STEI has been requested to increase the microFit charge from the current Board Approved service charge \$5.40 to \$10.00, as the increased OM&A costs would be 100% recovered via the new charge

Based upon all changes to date, the Service Revenue Requirement has decreased by \$1,115 and the Base Revenue Requirement has decreased by \$16,155.

Appendix 2-W is attached to this undertaking. Following is a summary of the bill impacts provided in the original filing and revised for items identified during the technical conference.

BILL IMPACTS							
Original Filing							
	Distribution Charges		Delivery Charges		Total Bill		
	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change	
Residential	\$ 3.38	15.4%	\$ 3.65	11.4%	\$ 3.83	3.4%	
GS < 50 kW	\$ 6.31	15.7%	\$ 6.97	10.8%	\$ 7.38	2.8%	
GS > 50 kW	\$ 38.92	23.4%	\$ 50.80	7.7%	\$ 57.54	1.2%	
Sentinel Lighting	\$ (1.03)	-14.8%	\$ (1.01)	-12.9%	\$ (1.03)	-8.8%	
Street Lighting	\$ 0.38	12.4%	\$ 0.39	10.9%	\$ 0.40	4.5%	

BILL IMPACTS							
Technical Conference Adjustments							
	Distribution Charges		Delivery Charges		Total Bill		
	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change	
Residential	\$ 3.20	14.6%	\$ 4.07	12.7%	\$ 4.46	4.0%	
GS < 50 kW	\$ 6.40	15.9%	\$ 8.37	13.0%	\$ 9.29	3.5%	
GS > 50 kW	\$ 37.54	22.6%	\$ 79.88	12.2%	\$ 96.64	2.1%	
Sentinel Lighting	\$ (1.06)	-15.1%	\$ (0.99)	-12.5%	\$ (0.99)	-8.5%	
Street Lighting	\$ 0.37	12.1%	\$ 0.42	11.6%	\$ 0.45	5.0%	

The Technical Conference Adjustments table includes all items identified in the table on the previous page and the following items.

- Adjusted Load Forecast – Undertaking JT1.4
- Updated RTSR model – Undertaking JT1.6
- Stranded Meter recovery, adjusted allocation – TC-Staff-9-42
- Revised loss factor – 8-VECC-37

TECHNICAL CONFERENCE

UNDERTAKINGS

Undertaking No. JT1.4:

To provide a schedule showing load forecast pre-CDM adjustment by customer class, proposed adjustment by customer class, and final forecast by customer class after CDM adjustment.

STEI in its original filing proposed the following load forecast, pre and post CDM adjustment.

Original Adjustment To Load Forecast St. Thomas Energy Inc.

	Weather Normalized 2015F (Elenchus)		CDM Load Forecast Adjustment	2015 CDM Adjusted Load Forecast
Retail kWh	A	C = A / B	E = D * C	F = A - E
Residential (kWh)	122,104,397	43%	964,929	121,139,468
GS<50 (kWh)	41,245,470	14%	325,942	40,919,528
GS>50 (kW)	118,183,915	42%	933,948	117,249,967
Street Lights (kW)	3,163,332	1%	24,998	3,138,334
USL (kWh)	23,170	0%	183	22,987
Total Customer (kWh)	284,720,284	100%	2,250,000	282,470,284
	B		D	

	Weather Normalized 2015F (Elenchus)		CDM Load Forecast Adjustment *	2015 CDM Adjusted Load Forecast
kW	G	I = G / H	J = G / A * E	K = G - J
Residential (kWh)	-	0%		-
GS<50 (kWh)	-	0%		-
GS>50 (kW)	301,426	97%	2,382	299,044
Street Lights (kW)	8,754	3%	69	8,685
USL (kWh)	177	0%	1	176
Total Customer (kWh)	310,357	100%	2,453	307,904
	H			

* Note that CDM LF kW is the proportional LF kW over LF kWh times kWh CDM LF adjustment.

Based upon the technical conference questions and discussion STEI is proposing the revised load forecast pre and post CDM adjustment.

STEI's CDM load forecast adjustment has decreased from the original submission as per the OPA reporting format. STEI achieved its 2011 – 2014 kWh CDM target in 2013 and as such the model does not recognize CDM savings in 2014. This resulted in a lower CDM adjustment and increased load forecast.

Technical Conference Adjustment To Load Forecast St. Thomas Energy Inc.

Retail kWh	Weather Normalized 2015F (Elenchus)		CDM Load Forecast Adjustment	2015 CDM Adjusted Load Forecast
	A	C = A / B	E = D * C	F = A - E
Residential (kWh)	122,104,397	43%	586,248	121,518,149
GS<50 (kWh)	41,245,470	14%	198,028	41,047,442
GS>50 (kW)	118,183,915	42%	567,425	117,616,490
Street Lights (kW)	3,163,332	1%	15,188	3,148,144
USL (kWh)	23,170	0%	111	23,059
Total Customer (kWh)	284,720,284	100%	1,367,000	283,353,284
	B		D	

kW	Weather Normalized 2015F (Elenchus)		CDM Load Forecast Adjustment *	2015 CDM Adjusted Load Forecast
	G	I = G / H	J = G / A * E	K = G - J
Residential (kWh)	-	0%		-
GS<50 (kWh)	-	0%		-
GS>50 (kW)	301,426	97%	1,447	299,979
Street Lights (kW)	8,754	3%	42	8,712
USL (kWh)	177	0%	1	176
Total Customer (kWh)	310,357	100%	1,490	308,867
	H			

* Note that CDM LF kW is the proportional LF kW over LF kWh times kWh CDM LF adjustment.

STEI has updated Appendix 2-I reflecting 2013 OPA confirmed CDM results. In doing so, STEI has achieved over 100% of its 2011-2014 target. In setting a 2014 CDM target, and 2014 LRAMVA, STEI was guided by Appendix 2-I which states:

If the distributor has met its cumulative kWh savings target by the end of 2013, the incremental savings for 2014 are assumed to be zero. Any further savings for 2014 CDM savings and any further compensation for meeting or exceeding the four-year (2011-2014) targets will be dealt with through the disposition of the 2011-2014 LRAMVA balance, which will occur in the next cost of service application filed after the final 2014 CDM Reports issued by the OPA in the fall of 2015.

And by Section 2.6.1.3 of the "Filing Requirements for Electricity Distribution Rate Applications" Dated July 18, 2014 which are consistent and lend support to Appendix 2-I:

Appendix 2-I has been updated for 2015 cost of service applications to take into account the 2011-2013 CDM impacts as reported by the OPA, and the forecasted 2014 CDM program impacts assuming that the distributor achieves 100% of its 2011-2014 CDM licence condition target.

Therefore, 0 kWh of CDM activity is forecast for 2014. This persists into 2015 in the CDM adjusted load forecast, and the LRAMVA. Actual CDM activity for 2014 is anticipated to be similar to 2013 and the 2015 forecast, and verified results will be recovered through LRAMVA rate riders.

TECHNICAL CONFERENCE

UNDERTAKINGS

Undertaking No. JT1.5:

To match up LRAMVA kWh proposed in Appendix 2-I with numbers in the Technical Conference responses.

Following are the LRAMVA tables

Original Filing

	2011	2012	2013 kWh	2014	Total for 2014
Amount used for CDM threshold for LRAMVA (2014)	1,160,000.00	1,740,000.00	1,590,057.33	1,590,057.33	6,080,114.67
Manual Adjustment for 2014 Load Forecast (billed basis)	-	-	1,590,057.33	795,028.67	2,385,086.00
Proposed Loss Factor (TLF)	4.79%	Format: X.XX%			
Manual Adjustment for 2014 Load Forecast (system purchased basis)	-	-	1,666,221.08	833,110.54	2,499,331.62
<i>Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g). The Weight factor is also used calculate the impact of each year's program on the CDM adjustment to the 2014 load forecast.</i>					

Revised 2-I per TC

	2011	2012	2013	2014 kWh	2015	Total for 2014	Total for 2015
Amount used for CDM threshold for LRAMVA (2014)	1,160,000.00	1,740,000.00	1,590,057.33	1,590,057.33		6,080,114.67	
2011 CDM adjustment (per Board Decision in 2011 Cost of Service Application) (enter as negative)		-	-	-		-	
Amount used for CDM threshold for LRAMVA (2015)					2,734,000.00		2,734,000.00
Manual Adjustment for 2015 Load Forecast (billed basis)	-	-	-	1,590,057.33	1,367,000.00		2,957,057.33
Proposed Loss Factor (TLF)	4.79%	Format: X.XX%					
Manual Adjustment for 2015 Load Forecast (system purchased basis)	-	-	-	1,666,221.08	1,432,479.30		3,098,700.38

For additional information regarding the LRAMVA and Appendix 2-I adjustments, please see the response to Undertaking JT1.4

TECHNICAL CONFERENCE

UNDERTAKINGS

Undertaking No. JT1.6:

To verify and update the RTSR model.

An updated RTSR model is attached to this undertaking. A summary of the RTSR rates is provided in the table below.

RTSR - Original Filing			
Rate Class	Unit	Proposed RTSR Network	Proposed RTSR Connection
Residential	kWh	\$ 0.0071	\$ 0.0054
GS < 50 kW	kWh	\$ 0.0070	\$ 0.0050
GS > 50 kW	kW	\$ 2.8088	\$ 2.0381
Sentinel Lighting	kW	\$ 1.7656	\$ 1.2803
Street Lighting	kW	\$ 2.1660	\$ 1.5714

RTSR - Revised, Updated Model			
Rate Class	Unit	Proposed RTSR Network	Proposed RTSR Connection
Residential	kWh	\$ 0.0075	\$ 0.0057
GS < 50 kW	kWh	\$ 0.0073	\$ 0.0053
GS > 50 kW	kW	\$ 2.9425	\$ 2.1850
Sentinel Lighting	kW	\$ 1.8496	\$ 1.3725
Street Lighting	kW	\$ 2.2691	\$ 1.6846