

## Innisfil Hydro Distribution Systems Limited EB-2014-0086

### Board Staff Interrogatories

#### Staff-IR 1

Ref: Rate Generator, sheet 14 – RTSR RRR Date

Below is a screen shot of the billing determinants Innisfil Hydro has provided on sheet 14 of the Rate Generator:

Rate Class	Rate Description	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor
RESIDENTIAL	Retail Transmission Rate - Network Service Rate	\$/kWh	147,964,296	-	1.0746
RESIDENTIAL	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	147,964,296	-	1.0746
GENERAL SERVICE LESS THAN 50 KW	Retail Transmission Rate - Network Service Rate	\$/kWh	30,842,995	-	1.0746
GENERAL SERVICE LESS THAN 50 KW	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	30,842,995	-	1.0746
GENERAL SERVICE 50 TO 4,999 KW	Retail Transmission Rate - Network Service Rate	\$/kW	17,822,602	49,886	-
GENERAL SERVICE 50 TO 4,999 KW	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	17,822,602	49,886	-
GENERAL SERVICE 50 TO 4,999 KW	Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	33,099,119	92,646	-
GENERAL SERVICE 50 TO 4,999 KW	Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	33,099,119	92,646	-
UNMETERED SCATTERED LOAD	Retail Transmission Rate - Network Service Rate	\$/kWh	479,040	-	1.0746
UNMETERED SCATTERED LOAD	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	479,040	-	1.0746
SENTINEL LIGHTING	Retail Transmission Rate - Network Service Rate	\$/kW	108,960	308	-
SENTINEL LIGHTING	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	108,960	308	-
STREET LIGHTING	Retail Transmission Rate - Network Service Rate	\$/kW	1,494,736	4,524	-
STREET LIGHTING	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1,494,736	4,524	-

- a) Please confirm that the data entered in columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” are not adjusted by Innisfil Hydro’s Board approved loss factor.
- b) Board staff was unable to reconcile the above data with the Innisfil Hydro reported RRR data as per December 31, 2013. Please reconcile and provide an explanation as to the differences.

#### Staff-IR 2

Ref: Rate Generator, sheet 15 – RTSR RRR Date

Board staff noted that Innisfil Hydro entered the following Hydro One Network Inc.’s sub-transmission rates on sheet 15 of the Rate Generator:

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Hydro One Sub-Transmission Rates		Unit	Effective January 1, 2013	Effective January 1, 2014	Effective January 1, 2015
Rate Description			Rate	Rate	Rate
Network Service Rate	kW		\$ 3.18	\$ 3.23	\$ 3.18
Line Connection Service Rate	kW		\$ 0.70	\$ 0.65	\$ 0.70
Transformation Connection Service Rate	kW		\$ 1.63	\$ 1.62	\$ 1.63
Both Line and Transformation Connection Service Rate	kW		\$ 2.33	\$ 2.27	\$ 2.33

- a) Please confirm that cells I35 to I41 should have reflected the most recent Board-approved sub-transmission rates, of \$3.23 (Network Service Rate), \$0.65 (Line Connection Service Rate) and \$1.62 (Transformation Connection Service Rate), which were issued December 19, 2013 (EB-2013-0141) for rates effective January 1, 2014.
- b) If so, Board staff will make the necessary adjustments. If not, explain why not.

**Staff-IR 3**

**Ref: Rate Generator, sheet 15 – RTSR RRR Date**

As per EB-2013-0141 Hydro One Network Inc.'s rate rider #9A (Rate Rider for Disposition of Deferral/Variance Accounts (2012) (General)) is effective until December 31, 2014. Please confirm that the inputs cells I79 to I91 should be zero. If so, Board staff will make the necessary adjustments.

**Staff-IR 4**

**Ref: Manager's summary, p. 42-43**

In its Application Innisfil Hydro request the establishment of a DVA account to track forecasted lost revenue for its Street lighting customer class. Please provide further reasoning, including the causation, materiality and prudence for such an account given that provisions for the off-ramp mechanism have not been triggered.

**Staff-IR 5**

**Ref: Rate Generator, sheet 26**

Board staff notes that Innisfil Hydro has not provided a sunset date for the incremental capital rate riders.

- a) Please provide a sunset date and the rationale for choosing that date.

**Staff-IR 5**

**Ref: Manager's summary, Exhibits 3-6, Purchase and Sale Agreements**

Innisfil Hydro provided the following purchase and sale agreement between itself and the Town of Innisfil as well as a letter stating that the Town of Innisfil wishes to exercise its option to also purchase 2073 Commerce Park Drive at a purchase price of \$425,000:

Buyer	Seller	Property	Purchase Price
Town of Innisfil	Innisfil Hydro	2061 Commerce Park Drive, Innisfil	\$500,000
Innisfil Hydro	Town of Innisfil	2147 Innisfil Beach Road	\$650,000
Town of Innisfil	Innisfil Hydro	2147 Innisfil Beach Road	\$663,500
Innisfil Hydro	Town of Innisfil	Plan 51R38921	\$998,250

- a) Please confirm the above transactions.
- b) On p. 52 of the Manager's summary, Innisfil Hydro notes that a second land swap was the result of an invitation to relocate the building site after the Town of Innisfil purchased 72 acres of land for a new operations centre and salt barn. The total cost of the new site is \$998,250, which is an increase of \$348,250 or 53.5% over the Old Town Hall campus.
  - i. Please explain Innisfil Hydro efficiencies and economies of scale by remaining contiguous with the Town of Innisfil Parks and Roads cluster to justify this increase.
  - ii. Please provide an estimate of any cost savings and detail the economic benefit to Innisfil Hydro's customers.
  - iii. Innisfil Hydro has included an amount of \$781,945 for parking lot and road. Provide further details of these costs and provide a cost allocation between Innisfil Hydro and the Town of Innisfil.
- c) On p. 57 of the manager's summary, Innisfil Hydro shows the amount of land value included in the ICM claim as \$1,015,496. Please explain the variance to the purchase price of \$998,250.
- d) How has the sale of 2073 and 2061 Commerce Park Drive for a combined value of \$925,000 been reflected in the ICM cost recovery claim? Please provide the exact closing dates for both transactions.

**Staff-IR 6**

**Ref: Manager's summary, p. 43-55 and Exhibit 1**

- a) Please provide the address of the new corporate headquarters.
- b) Please confirm Innisfil Hydro's current headcount of 35 FTE and complete the table below using projected growth data over the next 10 years.

	Plan 51R38921
Capital cost	
Square footage	
Head office employees projected over a 10 yr. horizon	
Gross square feet per employee	
Capital cost per employee	
Capital cost/gross square feet	
Meeting areas (sq. feet and total numbers)	

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- c) Please explain the basis for the forecasted customer growth and the associated growth in FTEs.
- d) Please state if and what industry standards Innisfil Hydro applied in its planning process and provide comparators within the industry.

**Staff-IR 7**

**Ref: Manager's summary, p. 43-55 and Exhibit 2 – McKnight option analysis**

In Exhibit 2, Innisfil Hydro provided an analysis of 5 options by McKnight, Charron and Laurin Inc. Architects, which range from cost points of \$1.3M to 3.1M. In its analysis Mr. McKnight recommended option 5, the renovation of the Old Town Hall at a cost of \$1.3M.

- a) Please explain how the chosen option for a new headquarters in the amount of \$13.2M is prudent and cost effective, given the options detailed in Exhibit 2, in particular options 1 and 2.

**Staff-IR 8**

**Ref: Manager's summary, Exhibit 7 – Construction Agreement and Incremental Capital Project model, Summary**

In exhibit 7, Innisfil Hydro provided a construction agreement with B.W.K Construction Company Ltd. in the amount of \$9.8M. In the summary sheet of the Incremental Capital Project model Innisfil Hydro shows an amount of \$10.7M with the building and an additional amount of \$754K for HVAC and Roof.

- a) Please explain the variance.
- b) Please state if roofing was part of the original estimate.
- c) Please state if the contract was the result of a competition. If so, please provide other quotes that were received. If not, please explain why not.
- d) Explain the contractual measures taken to control cost overruns and how Innisfil Hydro protected its interests and customers?

**Staff-IR10**

**Ref: Manager's summary, p. 43-55**

Please confirm that Innisfil Hydro's rate base does not currently include any capital additions related to Innisfil Hydro's new headquarters.

**Staff-IR11**

**Ref: Manager's summary, p. 43-55**

As part of Innisfil Hydro's last rebasing application (EB-2012-0139), Innisfil Hydro estimated incremental capital requirements for the new headquarters in the amount of \$5M, in addition to the inclusion of \$2M in the 2012 rate base. Please explain the increase in cost for the new headquarters, given Innisfil Hydro's statement that "the architectural drawings were transposed onto the new site without modification".

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**Staff-IR12**

**Ref: Manager's summary, p. 55**

On p. 55 Innisfil Hydro shows estimated rental income of \$101,705 from the proposed leasing options of a total space of 5630 sq. ft.

- a) Please explain how Innisfil Hydro proposes to include this revenue off-set in the cost recovery of the ICM during the remainder of the IRM term.

**Staff-IR13**

**Ref: Manager's summary**

- a) Please provide Innisfil Hydro's 2015 non-discretionary capital expenditures not including the capital expenditures for the new headquarters.
- b) Please explain why Innisfil Hydro choose to calculate the ICM threshold based on forecast capital expenditures of \$4.9M agreed in EB-2012-0139.
- c) Please provide a new threshold calculation using 2015 non-discretionary capital expenditure.