EB-2014-0101

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 Oshawa PUC Networks Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015 and for each following year through to December 31, 2019.

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

April 15, 2015

OSHAWA PUC NETWORKS INC.
2015 -2019 CUSTOM IR APPLICATION
EB-2014-0101

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

EXHIBIT 1 – ADMINISTRATIVE

1-Energy Probe-1

Ref: Exhibit 1, Tab C, page 18

The evidence states "The balance of the costs underlying OPUCN's proposed rates for each of year of the Custom IR plan term are at OPUCN's risk".

Please provide a comprehensive list of the items for which OPUCN is at risk.

1-Energy Probe-2

Ref: Exhibit 1, Tab C

Please update Tables 5 and 6 to reflect actual data for 2014.

EXHIBIT 2 – RATE BASE

2-Energy Probe-3

Ref: Exhibit 2, Tab A

Please update Tables 2-1 and 2-2 to reflect actual data for 2014.

2-Energy Probe-4

Ref: Exhibit 2, Tab A

a) **Please update Table 2-3 to reflect actual data for 2014. Please also include figures for 2011.**

b) **Based on the response to part (a), what is the average actual expenditures for 2011 through 2014?**

c) Please revise Table 2-4 to show the multiple to one decimal place, similar to Table 2-3.

d) What is the average level of forecasted capital expenditures for 2015 through 2019?

e) Please provide a version of Table 2-4 that removes the capital expenditures and depreciation expense associated with the $6.5 million in cost contributions to Hydro One Networks Transmission for a regional transmission capacity solution and the $9.0 million associated with the new MS9 substation.

f) Please confirm that OPUCN does not consider its forecasted capital expenditures in 2015 through 2019 to be highly variable. If this cannot be confirmed, please explain.

g) The Board has indicated that the Custom IR approach is most appropriate for distributors with investment needs that exceed historical levels. Based on the responses above, please show how the forecasted investment needs in 2015 through 2019 exceed the historical levels in 2011 through 2014, with and without the two projects noted in part (e).

2-Energy Probe-5

Ref: Exhibit 2, Tab A

a) Please update Table 2-5 to reflect actual data for 2014.

b) Please divide the system access figures in Table 2-5 and the associated 3rd party contributions into amounts associated with each of third party requests for plant relocation, expansions and service connections, and metering.

2-Energy Probe-6

Ref: Exhibit 2, Tab 1

On page 16 it is stated that the total expenditures for system renewal over the 2015-2019 period is approximately $23.9 million which includes unplanned emergency type replacements of $4.2 million.

a) Please confirm that the $4.2 million is for the 5 year period, or about $0.84 million per year on average.

b) What were the average capital expenditures over the 2011 through 2014 period for unplanned emergency type replacements?

2-Energy Probe-7

Ref: Exhibit 2, Tab A

Please update Tables 2-9 and 2-10 to reflect actual data for 2014.

2-Energy Probe-8

Ref: Exhibit 2, Tab A, pages 43-52

a) Have there been any changes to the rates for the smart meter entity charge, Ontario clean energy benefit, wholesale market services, transmission - network, transmission - connection or rural rate assistance since OPUCN calculated the cost of power component of working capital? If yes, please update Tables 2-15 to 2-21 to reflect these changes.

b) In addition to any changes noted in part (a) above, please update the cost of power in Tables 2-14 to 2-21 to reflect the April, 2015 Regulated Price Plan Price Report (beginning with May 2015 and using the current forecasts for January through April, 2015).

c) What year of historical data has OPUCN used to calculate the split between RPP and non-RPP volumes for the residential and GS< 50 classes?

d) Please provide the split between RPP and non-RPP volumes based on actual 2014 consumption.

2-Energy Probe-9

Ref: Exhibit 2, Tab A

a) Please confirm that the proposal to adjust the working capital component of rate base on an annual basis for changes in the rates for the cost of power (page 30) is similar to that approved for Enbridge Gas Distribution in EB-2012-0459, in that the update will reflect both the change in the rates to be applied to the volumes and to the volumes that will be also be updated on an annual basis. If this cannot be confirmed, please explain fully what adjustments would be included in the annual adjustment.

b) Would the annual adjustment also reflect the most recent information used to determine the split between RPP and non-RPP volumes?

2-Energy Probe-10

Ref: Exhibit 2, Tab A, Appendix 2-BA

a) Please confirm that OPUCN does not capitalize or expense any depreciation expense.

b) Please update the continuity schedule for 2014 to reflect actual data and the continuity schedules for 2015 through 2019 to reflect changes emanating from 2014 actuals.

c) Please explain why and how the net book value for meters is negative in each of 2012 through 2019 and growing in magnitude over this period.

d) Please explain why there is no depreciation expense shown for smart meters in 2012.

e) Please explain why there is no depreciation expense shown in any of 2014 through 2019 for smart meters. If this is related to the ongoing depreciation expense shown for meters in each of those years, please provide revised continuity schedules for all years that show the depreciation expense properly allocated between meters and smart meters.

f) What is the depreciation rate used for meters and for smart meters?

g) Please explain why OPUCN continues to record expenditures related to computer hardware as part of CCA Class 10, rather than CCA Class 50?

2-Energy Probe-11

Ref: Exhibit 2, Tab A, Appendix 2-BA

OPUCN has capital expenditures in each of 2014 through 2019 related to transportation equipment.

a) For each year, please indicate whether or not the expenditures are for replacement vehicles or net new additions to the fleet.

b) Please explain why there are no disposals (costs and accumulated depreciation) associated with transportation equipment in any of 2014

through 2019. Are all of the vehicles being replaced and disposed of fully depreciated at the time of their replacement?

2-Energy Probe-12

Ref: Exhibit 2, Tab A, pages 112-113

a) How has OPUCN estimated the potential $10 to $12 million contribution noted on page 112? In particular, how have the estimated regional benefits been allocated among OPUCN and other distributors?

b) What is the current expectation of when the project will be completed and placed into service?

c) The evidence indicates that OPUCN previously purchased the land for the MS9 distribution station.

- **i) When did OPUCN purchase the land?**
- **ii) What was the cost of the land?**
- **iii) When did OPUCN include the land in rate base for regulatory purposes?**
- **iv) What has OPUCN used the land for since its purchase given that this project was placed on hold?**

d) When is this new MS9 substation expected to be completed and placed into service?

2-Energy Probe-13

Ref: Exhibit 2, Tab A

On page 144, it is stated that vehicle hourly charges are calculated by totaling fuel, repairs and maintenance, depreciation and other directly attributable costs, then dividing by the estimated number of available for use hours. These hourly charges are then allocated to individual capital projects through the OPUCN timesheet system.

a) If depreciation expense is allocated to and included in the vehicle hourly charges, please explain why there is no reduction in depreciation expense shown in Appendix 2-BA to reflect the allocation of some of this expense to capital expenditures.

b) Please confirm that the OM&A expenses included in this application do not include any costs associated with vehicle fuel, repairs and maintenance and other directly attributable costs (such as insurance) that have ultimately been allocated to capital expenditures. Please show how this has been accomplished in terms of the amounts allocated to the capital expenditures and excluded from OM&A.

2-Energy Probe-14

Ref: Exhibit 2, Tab A

Please update Tables 2-52, Table 2-53 and the figures shown on pages 146, 147 and 149 to reflect actual data for 2014.

2-Energy Probe-15

Ref: Exhibit 2, Tab A, page 19 and Schedule 1

Please explain why OPUCN has used 13% for the calculation of the working capital allowance when the recommended figure found in the EY report in Schedule 1 at page 4 is 12.74%.

2-Energy Probe-16

Ref: Exhibit 2, Tab A, Schedule 1

Please confirm that all of OPUCN's customers are billed on a monthly basis. If this cannot be confirmed, please provide an estimate, by rate class, of the revenues from customers that are billed on monthly basis and the revenues from customers that are billed on any other frequency.

2-Energy Probe-17

Ref: Exhibit 2, Tab A, Schedule 1

Does OPUCN agree that when specific service start and end dates are unknown but it is known that a service is evenly distributed over a period, the mid-point of the period can be calculated as the number of days in a year divided by the number of periods in year, all divided by 2? If not, please explain fully.

2-Energy Probe-18

Ref: Exhibit 2, Tab A, Schedule 1

a) **Please show the calculation of the weighted average service lag of 20.41 days for 2012 and 21.44 days for 2013. Please show all figures and assumptions used.**

b) **If the larger revenue customers were billed near the beginning of each month, would this result in OPUCN having a service lag that is shorter than the typical midpoint of 15 days? If not, please explain fully.**

c) **Please confirm that all the revenue lags (service, billing, collection, payment processing) calculated in 2012 included the impact of the leap year.**

2-Energy Probe-19

Ref: Exhibit 2, Tab A, Schedule 1

Table 4 shows the calculation of the collection lag.

a) **Please confirm that the calculation of the days sales outstanding (DSO) is based on the division of the accounts receivable by the sales figures shown for each month, multiplied by 31 days in a month, even for those months that do not have 31 days.**

b) **Please confirm that the average of 21.93 and 22.30 days is a straight average and is not a dollar weighted average of the monthly figures.**

c) **Please provide a version of Table 4 that reflects the actual number of days in each month for the DSO, along with the dollar weighted average of the monthly figures.**

2-Energy Probe-20

Ref: Exhibit 2, Tab A, Schedule 1

Payment by cheque and credit card are noted in the calculation of the payment processing lag. Does OPUCN have customers that pay by internet, debit card or pre-authorized payments? If yes, how are these payments taken into account in the calculation of the payment processing lag?

2-Energy Probe-21

Ref: Exhibit 2, Tab A, Schedule 1

a) Did OPUCN investigate the source of the significant difference in the revenue lag for completion of service shown in Table 6 between 2012 and 2013?

b) Were there any large one-time projects in either 2012 or 2013 that led to most of this difference? If yes, please recalculate the revenue lag with these projects removed.

c) If the response to part (b) is no, please expand Table 6 to include the calculation of the revenue lag for 2014.

2-Energy Probe-22

Ref: Exhibit 2, Tab A, Schedule 1

a) Do the cost of power expense leads of 19.70 and 20.89 days indicate that based on an average month of 15.21 days, the payments are made on average 4.49 days (2012) and 5.68 days (2013) following month end?

b) Please provide a table that shows for each month of 2012 and for each month of 2013, the amounts billed and paid to the IESO, along with the payment date associated with the invoice.

c) Please provide a table that shows for each month of 2012 and for each month of 2013, the amounts billed and paid to embedded generators, along with the payment date associated with each of the invoices.

2-Energy Probe-23

Ref: Exhibit 2, Tab A, Schedule 1

a) The evidence states that employees are paid on a bi-weekly basis and that payments are released and deposited into employee accounts three days after the payment run is triggered. What is the bi-weekly period? For example, is it Monday through Sunday, with payment deposited on Thursday?

b) Please explain the lead days for Pension OMERS and WSIB are shown as 35 days, when the remittances are made on the 22 or 23rd of the month for the previous period. In particular, why is the lead not 37.5 days, being 22.5 days, plus 15 days for the service period of the previous month?

2-Energy Probe-24

Ref: Exhibit 2, Tab A, Schedule 1

a) **Please explain why the midpoint calculation shown on page 5 is defined as the ((end date)-(start date))/2 rather than the conventional formula of ((end date)-(start date)+1)/2.**

b) **With relationship to the two formulae noted above, please show the calculation of the 10 day lag noted in Table 10 for payroll.**

c) **Please explain why all of the lead days shown in Table 10 appear to assume an average of 15.0 days in the month when the average for a non-leap year is 15.21 days and 14.25 days for a leap year.**

2-Energy Probe-25

Ref: Exhibit 2, Tab A, Schedule 1

With respect to the supplier expenses shown in Table 11:

a) **Please provide all the data, information, calculations and assumptions used to calculate the subcontractor lead days.**

b) **Are the subcontractor lead days based on dollar weighted averages, or on straight averages of the number of invoices?**

c) **Please provide all the data, information, calculations and assumptions used to calculate the communications lead days.**

d) **Are the communications lead days based on dollar weighted averages, or on straight averages of the number of invoices?**

e) **Please provide all the data, information, calculations and assumptions used to calculate the vehicles lead days.**

f) **Are the vehicles lead days based on dollar weighted averages, or on straight averages of the number of invoices?**

g) **Please provide, in table format, the invoice dates, payment dates and amount associated with rent for each month of 2012 and 2013 those results in the lead days shown in Table 11. Please include all assumptions used.**

h) If insurance companies issue bills for the previous month of coverage, please explain why the expense leads are lower than the service period of 15.21 days.

i) Please provide, in table format, the invoice dates, payments dates and amount associated with insurance for each month of 2012 and 2013 that results in the lead days shown in Table 11. Please include all assumptions used.

j) Please provide all the data, information, calculations and assumptions used to calculate the pre-paid lead days.

k) Are the pre-paid lead days based on dollar weighted averages, or on straight averages of the number of invoices?

l) The other categories in Table 11 represent a significant proportion of total supplier expenses. Please indicate what costs are included in this category and why they were not analyzed as part of the lead/lag study.

m) Please provide all the data, information, calculations and assumptions used to calculate the municipal tax lead days.

n) Are the municipal tax lead days based on dollar weighted averages, or on straight averages of the number of payments?

2-Energy Probe-26

Ref: Exhibit 2, Tab A, Schedule 1

a) Please explain why the expense lead for interest on long term debt is based only on the external debt and not the debt from the affiliate?

b) Please calculate the expense lead for interest on long term debt based on the payments dates and amounts for both the external debt ($7 million) and the affiliate debt ($23 million). Please provide all data, information, calculations and assumptions used.

2-Energy Probe-27

Ref: Exhibit 2, Tab A, Schedule 1

Please provide all the data, information, calculations and assumptions used to calculate the PILs lead days.

2-Energy Probe-28

Ref: Exhibit 2, Tab A, Schedule 1

a) **Please show the calculation of each of the lead/lag days shown in each of Tables 13 and 14 based on the HST lead of (45) days that represents the gap between collections lag and HST payments and the collection and payment processing lag.**

b) **Please confirm that OPUCN remits the HST based on invoices issued in the previous month. For example, for all invoices issued in March, OPUCN has to remit the HST on the revenues invoiced at the end of April. If this cannot be confirmed, please provide an example of what is actually done.**

c) **Please confirm that OPUCN claims a credit on its monthly HST remittance based on the HST paid to the IESO and embedded distributors based on invoice received in the previous month. For example, for invoices received in March, the HST component is a credit to the amount remitted at the end of April. If this is not accurate, please provide an example of what is actually done.**

d) **Please explain why column d in Tables 15 and 16 indicates it is based on columns b and c, and yet if one of these columns is negative and the other positive, the result in d does not reflect this.**

2-Energy Probe-29

Ref: Exhibit 2, Tab A, Schedule 1

a) **Does OPUCN include inventory in rate base? Please explain fully where items in inventory are recorded if they are not included in accounts that are included in rate base.**

b) **Is OPUCN aware of any other lead/lag study for electricity distributors in Ontario that have included an inventory lag?**

c) **Please provide an example of a spare transformer being purchased, remaining in inventory for a number of months and then placed into service, in terms of the financial accounting and the regulatory accounting. Please show when the transformer is included in rate base.**

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-30

Ref: Exhibit 3, page 13

Please update Table 3-11 to reflect actual data for 2014.

3-Energy Probe-31

Ref: Exhibit 3, page 19

a) **Please show mathematically how the figures in the "Estimated Operating Revenue at IRM Annual Increase of 1.45% in the table at the top of page are estimated for each of 2016 through 2019.**

b) **How has the factor of 1.45% been determined?**

3-Energy Probe-32

Ref: Exhibit 3, Table 3-17A

a) **How are the average annual numbers in Table 3-17A calculated? Are they the average of the opening and closing number of customers in the year, or are they the average of the number of customers at the end of each month in the year, the average of the monthly average number of customers or some other calculation?**

b) **For each month in 2010 through 2014 actuals, please provide the number of customers for each rate class.**

3-Energy Probe-33

Ref: Exhibit 3

a) **Please expand/update Tables 3-23, 3-24 and 3-25 to include actual data for 2014.**

b) **Please updates Tables 3-31, 3-32 and 3-33 to include actual data for 2014.**

3-Energy Probe-34

Ref: Exhibit 3, pages 36, 49-51

a) Please provide the historical and forecasted unemployment rates from the Conference Board of Canada if they are different from the figures shown on pages 49 through 51.

b) Please explain why the historical figures used are different from the unemployment rates available from Statistics Canada in CANSIM Table 282-0135. If some smoothing or averaging has been applied, please explain fully.

d) Please explain why there is no change in the forecasted unemployment rates from the level recorded in the fourth quarter of 2013.

3-Energy Probe-35

Ref: Exhibit 3, pages 49-51 and Excel Spreadsheet

In the Excel spreadsheet the "Economic Indices" tab includes two sets of forecasts for the unemployment rate, both of which are lower than the 7.55% used for 2014 through 2019 as shown on pages 49-51.

a) Please explain the difference in the two columns in the spreadsheet (columns C and G).

b) Which of the two columns noted above contains the most recent actual and forecasted values?

c) Please calculate the load forecast based on the unemployment forecast that reflects the most recent actual and forecasted values as requested in part (b) above, and please provide a live Excel spreadsheet that shows the impact of this change.

d) Based on the load forecasted requested in part (c) above, what is the impact on the revenue deficiency in each of 2015 and 2016?

3-Energy Probe-36

Ref: Exhibit 3

Please provide all planning documents from the City of Oshawa and any other documents that have been used to forecast an increase in the number of customers of 3% per year.

3-Energy Probe-37

Ref: Exhibit 3

a) **Does Table 3-36 include revenues and costs (accounts 4375 and 4380) associated with CDM activities?**

b) **Do the figures include any LRAM related revenues or costs?**

c) **Please update Table 3-36 to include actual data for 2014. Please exclude, if applicable, revenues and costs associated with CDM activities and amounts recovered through the LRAM mechanism.**

3-Energy Probe-38

Ref: Exhibit 3 &
Exhibit 10, Tab D

a) **Does OPUCN propose to include updated forecasts of other operating revenue as part of the annual adjustment mechanism? If not, please explain why not.**

b) **Given that the forecast for account 4360 (loss on disposal of utility and other property) is closely related to the retrofit work related to the expansion of Highway 407, which is a major driver in the capital expenditures, please explain why there should not be a variance account similar to the DPRCVA proposed on page 5 of Exhibit 10, Tab D for distribution plant relocations in response to 3rd party requests.**

3-Energy Probe-39

Ref: Exhibit 3, Table 3-36

a) **Please explain why there is no forecast of retail services revenue.**

b) Please explain why there is gain shown for the disposition of vehicles that are forecast to be replaced over the 2015 through 2019 period?

c) What is the expected value of vehicles scheduled to be replaced over the IR period?

d) Where has OPUCN included revenues from MicroFit customers?

e) Please show the derivation of the MicroFit revenues based on the monthly fixed charge and the average number of connections per year for each of 2010 through 2019, including actual figures for 2014.

f) How has OPUCN forecast the amounts in account 4360 loss on disposal of utility and other property? In particular, please explain the ups and downs forecast for 2015 through 2019.

g) Please explain why rent from electric property is forecast to be lower in 2014 through 2019 than that recorded in 2012 or 2013.

EXHIBIT 4 – OPERATING COSTS

4-Energy Probe-40

Ref: Exhibit 4

a) Please update Table 4-4 to reflect actual data for 2014.

b) Please update Table 4-6 to reflect actual data for 2014.

c) Please update Table 4-7 to reflect actual data for 2014.

d) Please confirm that the total OM&A figures for 2012 Board Approved are incorrect as it is equal to the 2012 Actual figure. Please provide the correct figures for the 2012 Board Approved volumes in the response to part (c).

4-Energy Probe-41

Ref: Exhibit 4

Please confirm that the differences in each year between the figures in Table 4-7 and the sum of the figures in Tables 4-6 and 4-8 are related to the LEAP amounts. If this cannot be confirmed, please explain the noted difference.

4-Energy Probe-42

Ref: Exhibit 4, Table 4-3 & pages 11-12

a) What assumptions has OPUCN used to come up with the IRM% of 1.55% per year in each of 2014 through 2019?

b) Please provide the historical 2012 through 2014 percentage of total OM&A costs that are labour (including benefits) related that results in the 61% figure noted in the evidence.

c) Please provide a table for 2015 through 2019 that shows the labour (including benefits) related costs and the non-labour related costs for each year as a percentage of total OM&A costs, including property taxes. If these 2 figures do not add up to 100%, please indicate what other costs are missing.

d) Please explain fully what OPUCN means by "OPUCN has used its actual historical weightings for purposes of its forecast" (last sentence on page 11).

e) What is the date of the Conference Board of Canada forecast for the Ontario CPI noted on page 12?

f) What is the Conference Board of Canada forecast for the Ontario CPI based on the latest forecast available?

4-Energy Probe-43

Ref: Exhibit 4, Table 4-11

a) Please update Table 4-11 to reflect actual data for 2014.

b) Please confirm that the figures shown in the table are cumulative. For example, the increase in Other costs between 2014 and 2019 is the sum of the figures shown for 2015 through 2019 or $327,376.

4-Energy Probe-44

Ref: Exhibit 4, page 41

a) Please provide the annual wage increase for union employees for 2012 and 2013.

b) Please provide the forecasted wage increase for union employees for 2018 and 2019.

c) Please provide the actual and forecasted percentage increases for the executive/management/non-management category for each of 2012 through 2019.

4-Energy Probe-45

Ref: Exhibit 4, page 47

Do any of the management costs paid by OPUCN to OPUC include an amount related to the OPUC Board of Directors? If yes, please provide a table that shows, for each of 2012 through 2019, including 2014 actual, the amount included in the management fee for the OPUC Board of Directors and the amount included in OM&A expenses for the OPUCN Board of Directors.

4-Energy Probe-46

Ref: Exhibit 4, Table 4-38

a) For each of the line items for one-time costs related to this application, please provide the most recent year-to-date amount invoiced to OPUCN.

b) What was the Board approved one-time costs associated with the 2012 cost of service rebasing application? Please provide the breakdown in the same level of detail as shown in Table 4-38.

c) What were the actual one-time costs associated with the 2012 cost of service rebasing application? Please provide the breakdown in the same level of detail as shown in Table 4-38.

d) Please provide the amount amortized in each of 2012 through 2015.

4-Energy Probe-47

Ref: Exhibit 4, page 62

Please confirm that there are no charitable or political donations, other than those that are LEAP related, included in the historical or bridge year OM&A costs shown in the evidence. If this cannot be confirmed, please provide the amount included in the historical and bridge year forecasts.

4-Energy Probe-48

Ref: Exhibit 4, page 63

The evidence indicates that OPUCN charges six months of depreciation in the year of addition. Please confirm that OPUCN uses the half year rule for regulatory purposes and also uses the same rule for financial accounting purposes (i.e. both methods reflect six months of depreciation for additions in the current year). If this cannot be confirmed, please explain fully.

4-Energy Probe-49

Ref: Exhibit 4, Table 4-40

a) **When did OPUCN adopt the useful lives recommended by Metsco for accounting purposes?**

b) **What is the estimated annual impact on the depreciation expense of using the Metsco useful lives in place of those from Kinetrics?**

4-Energy Probe-50

Ref: Exhibit 4, Table 4-54

a) **How has OPUCN treated the rate smoothing proposal and the associated rate riders in the calculation of the net income before income taxes?**

b) **Please explain how OPUCN has forecast investment tax credits for the 2015 through 2019 period.**

c) **Please explain how OPUCN has forecast miscellaneous tax credits for the 2015 through 2019 period.**

d) **Please provide the actual (or expected) investment tax credits for 2014 and the miscellaneous tax credits for 2014.**

e) **Please provide a table that shows for each of 2012 through 2019, including actual 2014, the number of employees eligible for the apprenticeship tax credit, the Ontario co-operative education tax credit and the federal job creation tax credit.**

4-Energy Probe-51

Ref: Exhibit 4, Table 4-56 & Appendix 4-5 (Schedule 8) & Exhibit 2, Appendix 2-BA

a) What is included in CCA Class 95?

b) Please explain the difference in the CCA amount shown for 2013 of $10,495,188 in Table 4-56 and the additions in Appendix 2-BA of $10,747,504.

c) Please explain the difference in the CCA amount shown for 2012 of $11,000,870 in Table 4-56 and the additions in Appendix 2-BA of $11,092,013.

4-Energy Probe-52

Ref: Exhibit 4, Table 4-56 & Exhibit 2, Appendix 2-BA

a) Please provide an updated Table 4-57 that reflects actual capital expenditures for 2014.

b) Please provide Schedule 8 (CCA) from the 2014 income tax filing, if available.

c) If the cost of acquisitions for CCA purposes (Schedule 8) is different than the net additions (Table 4-56), please explain and reconcile.

4-Energy Probe-53

Ref: Exhibit 4, Table 4-57 & Exhibit 2, Appendix 2-BA

a) Please provide an updated Table 4-57 that reflects actual capital expenditures for 2014.

b) Please provide Schedule 8 (CCA) from the 2014 income tax filing, if available.

c) If the cost of acquisitions for CCA purposes (Schedule 8) is different than the net additions (Table 4-57), please explain and reconcile.

4-Energy Probe-54

Ref: Exhibit 4, Tables 4-57, 4-58 &
Exhibit 2, Appendix 2-BA

a) Please explain why OPUCN appears to have put computer equipment - hardware (account 1920) into CCA Class 10 instead of 50 in each of 2014 through 2019, whereas it was properly placed into CCA Class 50 in each of 2012 and 2013.

b) Please explain why the amounts included in CCA Class 8 for each of 2012 through 2019 is less than the sum of the amounts shown as additions in Appendix 2-BA for those accounts that are shown as CCA Class 8 assets (accounts 1915, 1935, 1940, 1945, 1950, 1955 and 1960).

c) Please provide a table that shows the sum of the amounts in Appendix 2-BA as being in CCA Class 8 as compared to the amounts in CCA Class 8 in Tables 4-56, 4-57 and 4-58) and the result difference. If any of the difference relates to contributions and grants (account 1995) please explain what assets in Class 8 attract the contributions. Please explain any remaining differences.

EXHIBIT 5 - COST OF CAPITAL & CAPITAL STRUCTURE

5-Energy Probe-55

Ref: Exhibit 5, pages 2-3

OPUCN is requesting an annual adjustment for the return on equity, short term debt and long term debt based on the figures on any Board revisions to these parameters.

If the Board were to change the deemed capital structure for distributors, would this change also be reflected in the annual adjustment mechanism, if and when it took place?

5-Energy Probe-56

Ref: Exhibit 5, page 5-6

OPUCN estimates an issuance of approximately $12.3 million in long term debt in 2015.

a) **Has OPUCN issued any of this debt to date in 2015? If yes, please provide details and provide a copy of the loan arrangement.**

b) **Has OPUCN entered into any negotiations related to the 2015 long term debt? If yes, please provide a summary of those negotiations to date.**

5-Energy Probe-57

Ref: Exhibit 5, Tables 5-2 & 5-12

Table 5-2 shows an amount of $2,554,000 in affiliate loans repaid in 2014. However, Table 5-12 shows no reduction in the balance of the affiliate loan of $23,064,000. Please explain.

5-Energy Probe-58

Ref: Exhibit 5, Table 5-13

a) **Please update Table 5-13 to reflect any additional actual debt issued in 2015 to date.**

b) **What are the expected terms of the two TD Bank loans shown?**

c) **Has OPUCN investigated the option of borrowing from Infrastructure Ontario? If not, why not? If yes, please explain why OPUCN forecasts loans from TD Bank.**

d) **Please provide the current rates available from Infrastructure Ontario for the terms of the loans requested in part (b) above.**

5-Energy Probe-59

Ref: Exhibit 5, Appendix 5-1

a) **The loan agreement shown in Appendix 5-1 is between the TD Bank and Oshawa Power & Utilities Corporation. Please provide the corresponding loan agreement between Oshawa Power & Utilities Corporation and OPUCN.**

b) **What is the interest payment frequency associated with the loan from Oshawa Power & Utilities Corporation to OPUCN? Please provide the interest payment dates for this loan.**

EXHIBIT 6 - REVENUE SUFFICIENCY/DEFICIENCY

6-Energy Probe-60

Ref: Exhibit 6

Upon completion of the interrogatory responses, please provide updated Tables 6-1 through 6.8 and corresponding RRWFs that reflects any and all changes made as a result of the responses to the interrogatories and any updates or corrections made to the evidence. Please include a live Excel version of each of the RRWF spreadsheets, including the tracking form that shows the changes made, the source of each change and the impact of each change.

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-61

Re: Exhibit 7, Table 7-6

a) **Please explain why OPUCN is proposing to reduce the residential revenue to cost ratio from the status quo ratio of 96.7% to 95.7% in 2016.**

b) **If the residential revenue to cost ratio was maintained at the status quo ratio of 96.7%, what would be the required ratio for the street lighting and USL classes assuming they are equal to one another and all the other proposed ratios are as proposed?**

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-62

Ref: Exhibit 8

a) Please provide a version of Tables 8-6 through 8-18 that reflects an increase in 2016 through 2019 for the residential fixed charge as described in the EB-2012-0410 Board Policy - A New Distribution Rate Design for Residential Electricity Customers dated April 2, 2015.

b) Based on the response to part (a), please provide a series of tables that shows the impact on residential rates for distribution rates only, and for the total bill, for monthly consumption levels of 200, 300, 500, 800, 1,000 and 1,500 kWh's, both with and without rate smoothing.

8-Energy Probe-63

Ref: Exhibit 8, pages 14-15

a) Please show the calculation of the 2014 loss factor by either extending Table 8-21 to include another column or by providing a standalone table in the same level of detail as Table 8-21 for the 2014 calculations.

b) Does OPUCN propose to update the loss factor calculations as part of the annual adjustment process? If not, please explain why not.

EXHIBIT 9 - DEFERRAL & VARIANCE ACCOUNTS

9-Energy Probe-64

Ref: Exhibit 9

a) Please update Table 9-1 to reflect balances as of the end of December, 2014.

b) Does a negative number indicate amounts that would be refunded to customers or collected by OPUCN?

c) Please explain why OPUCN does not propose to dispose of Group 1 and Group 2 balances at the end of 2014 as part of this application.

EXHIBIT 10 - CUSTOM IR SUPPORTING EVIDENCE

10-Energy Probe-65

Ref: Exhibit 10, Tab A, page 4

The evidence states that OPUCN's cost performance will gradually rise from a level commensurate with a Group 3 stretch factor in 2015 to a level commensurate with a Group 2 stretch factor in later years of the plan.

Please provide the Group that OPUCN was in for each of 2010 through 2015 based on the respective PEG report to the OEB.

10-Energy Probe-66

Ref: Exhibit 10, Tab A, Table 2

a) **Please provide a table for each of OM&A, customer and delivery volumes in which the figures for 2010 through 2019 are compared to the figures provided elsewhere in the evidence. Please include a column that shows any difference, by year, for each of the three requested tables.**

b) **Please explain any difference in the tables provided above.**

10-Energy Probe-67

Ref: Exhibit 10, Tab A

a) **What is the date of the price forecast purchased from the Conference Board of Canada noted on page 13?**

b) **Please update the analysis and all impacted tables based on the most recent price forecast available from the Conference Board of Canada.**

10-Energy Probe-68

Ref: Exhibit 10, Tab A

In the *'Empirical Research in Support of Incentive Rate-Setting: 2013 Benchmarking Update Report to the Ontario Energy Board'* dated July 2014, OPUCN is shown in Table 3 as having actual cost less predicted costs of -18.1% for 2010-2012 and -17.6% for 2013.

a) **Please expand Table 4 in Tab A to include figures for 2010 through 2014, using actual figures for these years.**

b) **Please provide a version of Table 4 that reflects forecasted figures for each of 2015 through 2019 that results in a cost performance equal to that recorded in 2013 of -17.6% in each of the years shown.**

c) **Please confirm that the forecasted figures in Table 4 are all consistent with the evidence elsewhere in the application. If this cannot be confirmed, please provide a version of Table 4 where the forecasted figures shown for each year are consistent with the evidence filed in the current application.**

10-Energy Probe-69

Ref: Exhibit 10, Tab C

Please update Table 9 to reflect the most recent forecast and actual data from the Conference Board of Canada.

10-Energy Probe-70

Ref: Exhibit 10, Tab C

a) **Please confirm that the TCECM is solely dependent on the return on equity in the calculation of any efficiency carryover.**

b) **Please explain why the proposed TCECM is not symmetrical. If the TCECM was symmetrical, would this not provide an incentive to OPUCN to employ efficiency initiatives to at least meet the target ROE in order to avoid lower returns for 2 years?**

c) **Please confirm that because the incentive is based on ROE, there may be an incentive for OPUCN to over forecast capital expenditures, OM&A and to under forecast customer additions, distribution revenues and other revenues.**

d) Please confirm that because the incentive is based on ROE there may be an incentive to delay capital expenditures and OM&A expenditures as much as possible in order to achieve returns in excess of those based on the forecast.

e) How does the TCECM avoid the delay of capital expenditures and OM&A expenses to beyond the 5 year period in order to increase the ROE in each of the 5 years, especially for expenditures in the last few years?

10-Energy Probe-71

Ref: Exhibit 10, Tab C

With respect to the CCIEIM:

a) Please confirm that actual costs would be tracked at the program level for the two programs, and not on a project by project basis within the system renewal program.

b) Please explain fully how the costs associated with projects within the system renewal program would be tracked (on a project by project basis or on an aggregate basis) and compared to the forecasted costs taking into consideration such things as i) projects done that were not included in the forecast; ii) projects in the forecast that were not done; iii) changes in projects that change the magnitude (increase or decrease) of the project.

c) Please confirm that the CCIEIM proposal builds in a bias to over forecast the cost of these programs, given the result is that OPUCN would receive a benefit for not spending money.

d) Please provide an example of each of a $1 million over spend and under spend in the rate rider calculation for 2020 and the impact on rates beyond 2020.

e) Please confirm that there would be no rate rider calculations in 2015 through 2019 and that the mechanism only applies to the total spend over the 2015 through 2019 period.

f) Please confirm that the timing of the expenditures in 2015 through 2019 as forecast would not be relevant in the calculation of the rate rider, as the only thing that is relevant is the capital expenditure over the 5 year period.

g) Please explain how this would ensure that OPUCN does not delay spending on capital until 2019 in order to earn high returns in 2015 through 2018 and avoid an under spend in the 5 year period.

10-Energy Probe-72

Ref: Exhibit 10, Tab D

Through the annual rate adjustment process, OPUCN proposes adjustments for updated actual and forecast costs for required contributions to Hydro One Networks Inc. for transmission upgrades, un-budgeted distribution projects required as a result of regional planning service in OPUCN's distribution area and updated actual and forecast costs for required relocation of OPUCN distribution plant in response to 3rd party requests, as well as updated forecasts of net new customer connection costs.

a) **Please confirm that at the time rates are set for each of 2016 through 2019, OPUCN would only have actual data for the year two years earlier and would not have actual data for the immediately preceding year (for example, for 2018 rates, actual data would be available for 2016, but not for 2017).**

b) **Does OPUCN propose to provide and updated "bridge" year forecast as part of the annual adjustment process? Fully explain the response, including providing an example.**

c) **How is OPUCN's proposal, noted above, different than an incremental capital module if the actual and forecasted costs noted above are significantly different from what is included in the current forecast?**

d) **Would each of the adjustments being proposed by OPUCN related to capital expenditures qualify for an incremental capital module if OPUCN were under the 4th generation price cap IR model? Please explain fully.**

e) **Please provide a table that shows for 2012 through 2019, including actual data for 2014, the total net customer connection costs, the number of customer connections and the resulting net cost per customer connection.**

10-Energy Probe-73

Ref: Exhibit 10, Tab D

With regard to the Z factor adjustment facility, OPUCN describes this as being required to address material cost increases or decreases linked to an unexpected, non-routine event not reasonably within the control of utility management or preventable by the exercise of due diligence.

a) Would the loss of a large customer qualify as a Z factor event if the loss in revenue was material?

b) Would the gain of a large customer qualify as a Z factor event if the gain in revenue was material?

c) Would a change in tax rates qualify as Z factor event, in its entirety, if the change was material? In responding to this, please include a discussion of the Board's past practice with respect to sharing of the impact of tax changes equally between shareholders and ratepayers.

d) With respect to any cost increases, would these increases be reviewed in isolation, or in conjunction with other costs, some of which may have decreased? If not, why not?

e) Would be OPUCN be required to mitigate any Z-factor event, to the best of its ability, before filing a Z-factor claim?

f) What is the level of OM&A expenses included in the forecast for each of 2015 through 2019 for a major weather event? Please also provide the actual costs associated with major weather events for each of 2011 through 2014.

10-Energy Probe-74

Ref: Exhibit 10, Tab E

Given the timing of this application and the probable timing of a decision and rate order for 2015 rates, what sort of annual update process is OPUCN proposing for 2016 rates? In particular, what would be the timing of such an application, and what additional information would be used to calculate any adjustments from the forecasts included in the current application?