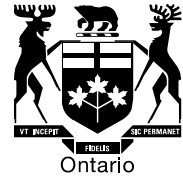


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BY E-MAIL

November 16, 2015

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Entegrus Powerlines Inc.
2016 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2015-0061**

In accordance with Procedural Order #1, please find attached OEB Staff's interrogatories in the above noted proceeding. Entegrus Powerlines Inc. and all intervenors have been copied on this filing.

Yours truly,

Original Signed By

Stephen Vetsis
Advisor – Electricity Rates and Prices

Encl.

Board Staff Interrogatories
2016 Cost of Service Rate Application
Entegrus Powerlines Inc. (Entegrus)
EB-2015-0061
November 16, 2015

Exhibit 2

2-Staff-1

Ref: Ex. 2 – page 25

On page 25, Entegrus states that control room support costs “associated with the operation of the control room in relation to capital work” are capitalized.

- a) Please provide details regarding the control room support activities that are capitalized.
- b) Please confirm the basis for the determination of the costs.
- c) What percentage of overall capitalized Engineering support, operations support and control room support costs can be attributed to control room support costs.

2-Staff-2

Ref: Ex. 2 – page 57

Entegrus reports that \$712k (about 47%) of the variance from 2012 to 2013 for Account 1835 – Overhead Conductor and Devices was attributable to Engineering, Operations and Control Room Support. OEB staff notes that the variances for Entegrus’ capitalized support costs ranged from 10-20% of the total variance for a particular account in all other instances of Entegrus’ variance analysis.

- a) Please explain the high levels of capitalized support costs in 2013 for Account 1835.

2-Staff-3

Ref: Ex. 2 – pages 85 and 95

On page 95 Entegrus forecasts a contributed capital of \$375k which “is consistent with typical receipts of contributed capital excluding large one time projects.” On page 85 of Exhibit 2, Entegrus states that it “receives, on average, \$537k per year in contributed capital.”

- a) Please reconcile the two statements and explain why Entegrus is forecasting levels of capital contributions for the bridge and test years that are below its historical averages.

2-Staff-4

Ref: Ex. 2 – page 92

Ref: Ex. 2, Attachment 2-D: EPI Distribution System Plan (DSP) – page 189.

On page 92, Entegrus states that the forecasted costs to connect FIT projects are “based on historical investment rates and costs, no specific projects have been identified.” On pages 189 of the Distribution System Plan (DSP), Entegrus provides a table labeled as the “Forecasted FIT connections 2015-2020.” On page 189, Entegrus states that the table “is a forecast of future FIT connections, into the Forecast Period, based on extrapolation of known information.”

- a) Please why only historical information is used to estimate FIT costs when Entegrus appears to have some forecast of the expected amount of FIT connections in upcoming years.

2-Staff-5

Ref: Ex. 2 – page 120

In Table 2-31, Entegrus has summarized the residual stranded meter costs it has booked in account 1555. OEB staff notes that there are amounts included in 2007. These have not been depreciated in the 2007-2010 period.

- a) Please explain the nature of the 2007 amounts and explain why they have not been depreciated over the 2007-2010 period.
- b) Please explain how the residual net book value of \$317,140.83 has been allocated between classes for recovery.

2-Staff-6

Ref: Ex. 2 – page 122

On page 122 Entegrus provides a table of actual historical capital expenditures. The column labeled “Plan” is left blank because this application constitutes Entegrus’ first DSP and therefore no amounts were available from a prior DSP.

- a) Please explain how Entegrus planned its capital expenditures in the 2010-2014 period.
- b) Did Entegrus prepare annual plans and budgets for its capital expenditures during that period? If so, please provide Entegrus’ historical capital budgets and compare them to actual spending.
- c) How has Entegrus performed historically with respect to completing its planned expenditures as forecast from both a cost and timing perspective?

2-Staff-7

Ref: Ex. 2, Attachment 2-D: EPI Distribution System Plan (DSP) – page 36

Page 36 of the DSP states that it “builds upon the ACA developed in preparation for this application.” The Asset Condition Assessment (ACA) only addresses investment needs

in the System Renewal category. What was the basis for the investment sought under the other investment categories.

2-Staff-8

Ref: DSP – page 37 and Section 5.3.2.3

The asset categories, listed on page 37 and in section 5.3.2.3 as being assessed by the ACA, do not include feeders and do not appear to be allocated to specific feeders. Please explain and provide an example of how the ACA results are used in conjunction with feeder performance to identify feeders that require urgent attention and capital investment.

2-Staff-9

Ref: DSP – pages 40 and 41

Entegrus states that “municipal projects are budgeted on a two year basis.” Entegrus subsequently states that the MTO generally provides 6 to 12 months’ notice of any planned projects. Given that the DSP has forecasted costs over a five-year period, please explain what assumptions are used to plan municipal and MTO projects beyond the two-year horizon (e.g. historical levels of spending, advance knowledge of major road construction projects, expected new subdivisions, etc.).

2-Staff-10

Ref: DSP – pages 72 – 75

The sum of the rows of SAIFI and SAIDI metrics calculated by cause in Tables 5.2-4 and 5.2-5 do not add to the reported overall SAIFI and SAIDI metrics shown in Figures 5.2-11 and 5.2-12.

- a) Please reconcile why the noted values do not match.
- b) If there is an error in the Figures, please provide an updated Appendix 2-G.

2-Staff-11

Ref: DSP – pages 180 and 181

The project scoring guideline in Table 5.4-6 of the DSP assigns projects scores based on the degree to which projects specifically address EPI’s success factors. This scoring system does not take into account magnitude of the project (i.e. projects of the same type all have the same score regardless of their magnitude and associated cost).

Please explain how Entegrus’ methodology addresses relative impact and cost-efficiency of the projects.

2-Staff-12

Ref: DSP – page 184

Table 5.4-7 shows the calculated score for all projects Entegrus' 2016 plan using the methodology described on pages 97, 180 and 181 of the DSP. Some of the projects listed are non-discretionary, particularly ones that are associated with System Access. Many of these projects produce scores lower than those for other investment categories despite the fact that Entegrus is required by law to complete these projects.

- a) Please explain the purpose of prioritizing non-discretionary projects.
- b) Please explain how do Entegrus treats non-discretionary projects that score lower than discretionary projects when prioritizing.

2-Staff-13

Ref: DSP – page 100 and 101

Figure 5.3-5 shows a diagram of a risk calculation model that uses consequence cost as an input. In the narrative, Entegrus' states that this approach informs its asset management practises. However, the methodology described on pages 97 and 180-181 of the DSP appears to assign a non-monetary risk scores to projects.

- a) Please provide examples of where the risk cost based methodology has been used in prioritizing Entegrus' expenditures.
- b) Figure 5.3-3 shows method where the minimum total cost is used to drive decisions for capital investments. Please provide a specific example in Entegrus' DSP where this approach was used to determine the appropriate course of action.

2-Staff-14

Ref: DSP – pages 112 and 113

The Figures on pages 112 and 113 of the DSP show the Health Index scores for station transformers and station circuit breakers. These Health Index distribution for transformers was derived using age, loading history, visual inspection results and oil testing. Age, visual inspections and testing (where available) were used as the criteria for circuit breakers.

- a) Please indicate whether all input data was available for all units.
- b) If not, what was the percent of available data? How was the Health Index formula adjusted when the complete data set was not available?

2-Staff-15

Ref: DSP, Appendix III, ACA

The ACA presents Health Index distribution for relays (page 21), Ground Grid (pages 23-24), Fences (page 24), conductors (page 33), poles (pages 29-30), underground cables (pages 29-30) and distribution transformers (pages 41-42) and, while it states that various parameters other than age were used in the calculations, it appears that age alone was used for these assets.

- a) Please confirm what information other than age was used in deriving the Health Indices for these assets.
- b) Please indicate the percentage of units for which only age information was available.

2-Staff-16

Ref: DSP, Appendix III, ACA

Section 3 of the ACA provides the methodology for deriving the Health Index of station batteries and charges, and disconnect switches however, no Health Index results are shown. Please explain how the System Renewal costs associated with these asset categories were determined.

2-Staff-17

Ref: DSP – pages 125, 131

The Health Index distribution for primary overhead and underground conductors is shown in Figures 5.3-24 and 5.3-30.

- a) Are the Health Index distributions based on circuit kilometers or conductor kilometers?
- b) Underground cables are spatially distributed and consist of different segments within the same feeder and may not necessarily be of the same condition/age. Did Entegrus assume that all segments belonging to the same feeder had the same condition? If not, how should the Health Index results be interpreted?

2-Staff-18

Ref: DSP – page 136

Entegrus states that “the objective is to identify the assets that have reached the end of their economic life, and are due for replacement or refurbishment.”

- a) Are all assets evaluated once they are determined to be at the end of their economic life or are some assets “run to failure”?
- b) If the latter, please list the assets that Entegrus runs to failure.

2-Staff-19

Ref: DSP – pages 136 and 137

On page 136, Entegrus states that “a health index score is calculated using regular inspection results for each asset to determine the remaining life.” On page 137, Entegrus states that the Health Index is “tied to a probability of failure.”

- a) Please explain how the Health Index is used to determine the remaining life of an asset.

- b) Similarly, please explain how the Health Index is used to calculate a probability of failure.

2-Staff-20

Ref: DSP – pages 138

On page 138 of the DSP, Entegrus uses the term “effective age.” Please explain what this term means, how it is derived and how it was used in prioritizing Entegrus’ investments.

2-Staff-21

Ref: DSP – page 139

Figure 5.3-35 shows a flow chart describing the process for assembling, prioritizing and selecting projects.

- a) Does Entegrus refurbish some of its assets or are all assets replaced at the end of their economic life?
- b) If Entegrus refurbishes some of its assets, please explain where in Figure 5.3-35 a decision on whether an asset should be replaced or refurbished takes place?

2-Staff-22

Ref: DSP – page 141

Entegrus states that the Chatham-Kent region is on a 4-year tree trimming cycle. A 2-year cycle is used in the Middlesex area. Please explain why the tree trimming cycles are different for each region and provide the basis for the cycles.

2-Staff-23

Ref: DSP – page 176

Entegrus lists 5 steps it uses in identifying, selecting, prioritizing and pacing projects.

- a) Please confirm whether or not these five steps were used for every project included in the DSP. If not, please list the projects that were excluded from this process and explain why the 5 steps were not used.
- b) Please provide two specific examples of projects where these 5 steps were applied

Exhibit 3

3-Staff-24

Ref: Ex. 3 – pages 8 and 9

Entegrus states that it has used a 2.5% future growth rate, established by the Ministry of Finance in its 2014 budget forecast, to forecast growth in its service territory. Entegrus

goes on to say that it “is unaware of any significant growth in its service territory to support this growth rate” and states that it “believes this somewhat optimistically captures the potential for growth within pockets of its service territory.”

- a) Given that Entegrus does not believe that the Manufacturing is particularly representative of its service territory, please explain why Entegrus is including this variable in its load forecast?
- b) How is the accuracy of Entegrus’ load forecast altered if this variable is omitted?

3-Staff-25

Ref: Ex. 3 – page 9

Ref: EPI_Update Appl_loadForecast_20151106.xlsx – Sheet “Purchase Forecast”

Entegrus states that it has used an “Economic Adjustment Factor” to reflect the combination of the Industrial Production Factor and Seasonal Adjustment Factor used in the load forecast for Entegrus’ last cost of service application.

- a) Please explain how the Economic Adjustment Factor has been derived.
- b) If possible, please provide a live Excel workbook which shows the derivation of column J from the “Purchase Forecast” sheet of Entegrus’ load forecast model.

3-Staff-26

Ref: Ex. 3 – page 21

Entegrus states that it used weather sensitivity data prepared by Hydro One Networks Inc. in a load profile study in 2006 in order to determine the weather sensitivity for the classes in Entegrus’ 2016 load forecast.

- a) Has Entegrus conducted or is Entegrus aware of any newer studies that may be used to determine the weather sensitivity of its classes? If so, why did Entegrus elect to not use those studies?
- b) Given the age of the data, please explain why Entegrus believes that weather sensitivity data prepared in a 2006 study is still relevant to its customers in 2016.

Exhibit 4

4-Staff-27

Ref: Ex. 4 – page 12 and 19

Entegrus states that it will be acquiring additional \$102,381 in power quality resources and tools in 2016. Entegrus states that this is in response to commercial and industrial customer feedback with respect to power quality. Similarly, Entegrus notes that it will be making changes to its “My Account” portal to allow customers in all rate classes

access to more timely energy consumption data and to provide demand data for high volume classes. Entegrus notes that these reports are currently only for low volume classes.

Given that these incremental costs, mentioned above, are triggered by feedback from specific customer groups, why has Entegrus not directly allocated these amounts to the affected customers in its cost allocation study?

4-Staff-28

Ref: Chapter 2 Appendix 2-JA

Entegrus shows a test year OM&A of approximately \$240k for Community Relations activities. This amount is \$40k above the most recent actuals and about \$170k above the 2010 Board approved proxy amount.

- a) Please list the community relations projects that Entegrus plans to undertake in the test year.
- b) Does Entegrus anticipate the level of costs related to community relations throughout the subsequent IRM term? If not, please identify which projects will cease and identify their associated costs.

4-Staff-29

Ref: Ex. 4 – page 17 & 19

Entegrus' bad debt expense shows a jump of \$90k in the 2014 column of Entegrus' OM&A drivers cost table. These cost levels are maintained in bridge and test year. On page 19 of Exhibit 4, Entegrus notes its bad debt expenses increased in 2014 due to a longer and harsher winter early in the year.

- a) Given that Entegrus has identified a one-time weather event as the driver for the 2014 variance, please explain why Entegrus proposes to maintain bad expenses at the 2014 levels in the test year.
- b) How do Entegrus' actual bad debt expense costs for 2015 compare to 2014 levels?

4-Staff-30

Ref: Ex. 4 – page 25

Ref: Chapter 2 Appendix 2-J

Entegrus is proposing test year OM&A levels for vegetation control that are about \$125 greater than the 2010 Board approved proxy amounts. Entegrus states that it "is the result of a decision by EPI management to make vegetation management a key focus area." Entegrus also states that it began focusing more on a more aggressive approach to preventative vegetation management following its experience assisting another distributor during the 2013 ice storm in the Greater Toronto Area.

- a) Please explain what Entegrus used as a basis to determine the appropriate amount for the increase to its vegetation management budget? If any 3rd party studies were completed, please provide a copy of the study.

4-Staff-31

Ref: Ex. 4, pages 53 – 55

Ref: Ex. 4, Attachment 4-G, EPI Post-Employment Benefits Actuary Report

There are some discrepancies between the Table 4-20 on page 55 and Attachment 4-G.

- a) Please explain the following discrepancies, and/or update the evidence as necessary:

	2014 Revised CGAAP	2014 Actual MIFRS	2015	2016
OPEB expense per Table 4-20	130,050	187,718	171,253	169,493
Pension Expense per page 8 of Report	96,646	139,971	128,213	126,525

- b) Entegrus (i.e. all former utilities that are now Engegrus) has recovered OPEBs in rates previously. For each year since the onset of the recovery of OPEBs, and for each licenced service territory in existence at that time, please indicate if OPEBs were recovered on a cash or accrual accounting basis.
- c) Please complete the table below to show how much more than the actual cash benefit payments, if any, have been recovered from ratepayers from the year Entegrus and its former licensed service territories started recovering amounts for OPEBs. OEB staff notes that Entegrus was amalgamated into a single standalone entity by 2012. Please provide information prior to 2012 for all former service territories on a best efforts basis.

OPEBs	First year of recovery to 2011	2012	2013	2014	2015	2016	Total
Amounts included in rates							
OM&A							
Capital							
Sub-total							
Paid benefit amounts							

Net excess amount included in rates greater than amounts actually paid							
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- d) Please describe what Entegrus has done with the recoveries in excess of cash benefit payments, if any.

Exhibit 7

7-Staff-32

Ref: Ex. 7 - page 8

Ref: EPI_Update Appl_CostAllocation_20151106.xlsm – Sheet I6.1

Entegrus states that it has not included the Standby rate class in the cost allocation model but “rather aimed to include the costs of standby in the Large Use rate class.”

- a) Please explain how Entegrus has included costs from the Standby class in the cost allocation model.
- b) Please explain how any revenues from the proposed Standby rates have been accounted for within the cost allocation model.
- c) Sheet I6.1 of Entegrus’ cost allocation model shows a demand of 86MW for the Large Use class. Please confirm whether or not this demand includes the contracted value of 7.2MW for the customer with load displacement generation.

7-Staff-33

Ref: Ex. 7 – page 9

Ref: EPI_Update Appl_CostAllocation_20151106.xlsm – Sheet I9

On page 9 of Exhibit 7, Entegrus discusses the approach it has taken to allocating costs for the Embedded Distributor rate class. Entegrus states that the result of applying its methodology “is that billing and collecting are directly allocated to the Embedded Distributor class while administration costs as well as some general service capital are indirectly allocated.”

OEB staff notes that the direction allocation sheet of Entegrus’ cost allocation model does not show any costs directly allocated to the Embedded Distributor class. Please explain how billing and collecting costs have been directly allocated to the Embedded Distributor class.

7-Staff-34

Ref: EPI_Update Appl_CostAllocation_20151106.xlsm – Sheet I7.1

On Sheet I7.1 of Entegrus’ cost allocation model, Entegrus shows a “smart meter” meter type that is installed for customers in the Residential, GS < 50kW and GS 50 to

4,999 kW classes. The installation cost for this meter type is the same for all three classes (i.e. \$201).

- a) Please confirm whether or not Entegrus uses only one type of smart meter that is installed for customers in all three of the classes mentioned above.
- b) If Entegrus uses multiple types of smart meters with differing installation cost, please update Sheet I7.1 to identify the different types of meters and their associated installation costs.

Exhibit 8

8-Staff-35

Ref: Ex. 8 – page 8

Ref: Ex. 8, Attachment 8-F, Proposed Tariff

The description of the GS 50 to 4,999 kW class on Entegrus' proposed tariff states that:

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW.

Similarly, the description for Entegrus' Large Use class states:

This classification applies to an account whose average monthly maximum demand used for billing purposes over the most recent 12 consecutive months is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

Both classes say that further servicing details are available in Entegrus' Conditions of Service. The labels for the standby charges proposed by Entegrus state that the charge is applied to "the amount of load transfer capacity contracted."

On page 8 of Exhibit 8, Entegrus states that it has a Large Use customer with a capacity of over 11MW that has two load displacement generators rated at 4.7MW and 5.2MW, respectively. OEB staff notes that if the generators for this customer were both operating at capacity, the large user would have a theoretical maximum billed demand of 1.1MW. Based on the tariff descriptions above, the customer would qualify for the GS 50 to 4,999 kW class if it did not produce a maximum billed demand of greater than 5 MW for 12 consecutive months.

- a) Please provide any relevant sections of Entegrus' conditions of service that would explain how Entegrus treats the billing determinants for a customer with load displacement generation.

- b) If no such sections are available, please proposed wording for the tariff that would explain how eligibility for a class is determined for customers with load displacement generation.
- c) Please explain what criteria customers with load displacement generation must meet in order to transfer between the GS 50 to 4,999 kW and Large Use classes.

8-Staff-36

Ref: Ex. 8 – page 8

Ref: Board Policy: A New Distribution Rate Design for Residential Electricity Customers, April 2, 2015 (EB-2012-0410)

Under Entegrus' proposal to transition its residential customers to fully fixed rates, customers in the SMP, Dutton and Newbury rate zones would see an increase to their fixed charges in excess of \$4. In the case of Newbury, the fixed charge will increase by \$5.56 in 2016. Increases to the monthly fixed charge are expected to be approximately \$2 per rate year in each of the years that follow (2017- 2019).

The OEB's policy with respect to the transition to fully fixed rates states that a distributor may apply for an exception to the OEB's standard approach to transitioning to fixed rates where the monthly fixed charge for residential customers would increase by more than \$4.

- a) Please explain why Entegrus is not seeking mitigation for residential customers in the SMP, Dutton and Newbury rate zones who will experience an increase to the fixed charge greater than \$4.
- b) How does the average monthly consumption of residential customers in the SMP, Dutton and Newbury rate zones compare to Entegrus residential as a whole?

8-Staff-37

Ref: Ex. 8 – page 32

On page 32 of Exhibit 8, Entegrus proposes to a new Specific Service Charge for disconnections and reconnections at the meter, after hours. Entegrus proposes to apply the standard rate \$185/connection from the OEB's 2006 EDR Handbook. Please confirm whether or not Entegrus has included a forecast of other revenues generated by this charge in the test year. If no, please provide a forecast of those revenues.

Exhibit 9

9-Staff-38

Ref: Exhibit 9, page 34 – Account 1576 IFRS – Accounting Changes under CGAAP
Ref: Fixed Asset Continuity Schedules – Appendices 2-BA, and Appendix 2-EC

Entegrus has calculated a balance of zero for Account 1575 as of the changeover date of January 1, 2015. OEB staff notes that Entegrus had a credit of approximately \$5.3 Million in Account 1995 – Customer Contributions as of the changeover date. According to the APH Article 510, under IFRS, customer contributions received subsequent to the transition date are recognized as deferred revenue. Customer contributions recognized prior to the transition date are not reclassified to deferred revenue as a result of electing the optional exemptions.

- a) Given the materiality of the amounts, please provide Appendix 2-BA under former CGAAP to support the Net Additions and Net Depreciation amounts in the calculation of the balance in Account 1576 on Appendix 2-EC for the following years:
 1. 2014
 2. 2015
- b) Please confirm that Entegrus has reviewed Article 510 in determining that account 1575 should have a zero balance as of the changeover date of January 1, 2015. If confirmed, please explain why there is a zero balance. If the balance is to be revised, please provide the calculation. This amount would be the difference between Entegrus' revised CGAAP based amount for customer contributions as of the changeover date, and the MIFRS based amount for customer contributions as of the same date.

9-Staff-39

Ref: Exhibit 9 – Excel file EPI_DVAContinuity_20150828, Account 1508, Other Regulatory Assets – Sub account OEB Cost Assessments and Account 1508, Other Regulatory Assets – Sub account Pension Contributions

Entegrus is requesting the disposition of the December 31, 2014 balances in Account 1508, Sub Account OEB Cost Assessments and Account 1508, Sub Account Pension Contributions.

Staff notes that Entegrus did not follow the December 2005 APH FAQ # 13, which indicates “these recordings are authorized to April 30, 2006 since effective on May 1, 2006 cost assessments and cash pension contributions amounts are included in the distribution rates of LDCs for the 2006/07 rate year.”

Staff notes the OEB findings in the EB 2011-0293 decision, denying Atikokan Hydro's request for recovery of OMERS contributions for the period 2006 to 2011 and OEB cost assessments for the period 2006 to 2009 as being out of period.

- a) Please explain why the Board should approve Entegrus' request for disposition of the balances in Account 1508, Sub Account OEB Cost Assessments and Account 1508, Sub Account Pension Contributions in this rate proceeding.

- b) Please provide an alternative calculation of the rate rider without the balances in these two sub-accounts.

Entegrus Application Update #1 – Dated November 6, 2015

10-Staff-40

Ref: Letter, 2016 Cost of Service Application, Evidence Update, November 6, 2015

Ref: EPI_Update Appl_CostAllocation_20151106.xlsm – Sheets I6.2 and I8

In its letter providing updates to the evidence for the application, Entegrus indicated that it has updated the load forecast to reflect “the appropriate number of streetlight connections.” OEB staff notes that the number of connections on Sheet I6.2 of the cost allocation model provided with the update has remained the same, 2,876. The number of devices has changed from 13,469 to 12,984.

OEB staff notes that the demand data on Sheet I8 has changed for all classes in the cost allocation model that was provided with Entegrus’ update.

- a) Please confirm whether the devices or connections should decrease as a result of the LED conversion project in Strathroy and Mount Brydges.
- b) Please explain why the change to the number of devices would result in the demand values changing for all other classes.