EB-2015-0061

Entegrus Powerlines Inc.

Application for electricity distribution rates and other charges beginning May 1, 2016.

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

November 19, 2015

ENTEGRUS POWERLINES INC.
2016 RATES REBASING CASE
EB-2015-0061

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, page 9

Please confirm that there are no costs associated with the Board of Directors from any of the affiliates shown in Chart 1-1 included in the test year revenue requirement for EPI other than those directly incurred by the Board of Directors of EPI. If this cannot be confirmed, please indicate the amount included in the test year revenue requirement from the other affiliates, along with the amount included in the historical and bridge year OM&A forecasts.

1-Energy Probe-2

Ref: Exhibit 1, page 81

a) **In the calculation of the 2010 BAP figures, did EPI inflate the relevant figures by only the Board IRM inflation factors as applicable to each of the years, or by the applicable inflation rates less base productivity and stretch factor adjustments?**

b) **If the response to part (a) is that only inflation adjustments were used, please provide a table that shows the 2010 BAP for each relevant indicator using both the EPI approach and an approach that would inflate the figures by inflation less base productivity less stretch factors.**

c) **Please show the calculation of the 5.2% noted on line 25.**

EXHIBIT 2 – RATE BASE

2-Energy Probe-3

Ref: Exhibit B, page 7

Please confirm that the fully allocated transportation depreciation shown in Table 2-3 is included in OM&A but that the non-regulated water asset depreciation is not included in OM&A for either 2015 or 2016.

2-Energy Probe-4

Ref: Exhibit B, pages 86-96

a) **How many months of actual data are included in the 2015 bridge year forecasts?**

b) **Please updates Tables 2-16 and 2-18 to reflect the most recent year to date actuals available for 2015, along with the current forecast for the remainder of 2015, along with any changes that may result for 2016.**

2-Energy Probe-5

Ref: Exhibit B, pages 108-115

Please update Tables 2-21, 2-22, 2-23 and 2-29 to reflect the October 15, 2015 Regulated Price Plan Price Report as identified in the November 6, 2015 evidence update and any other cost of power related updates available.

2-Energy Probe-6

Ref: Exhibit B, page 120

a) **Please explain why the accumulated amortization shown in Table 2-31 did not increase between 2007 and 2010 and the net book value did not decline over this period.**

b) **Please provide a version of Table 2-31 that separates the stranded meters between the former CK Utility and MPDC.**

c) **Please provide a version of Table 2-31 that shows the depreciation expense for each year.**

d) **Is EPI proposing to recover the stranded meter costs by rate class from all customers in those rate classes or only from the former MPDC customers?**

2-Energy Probe-7

Ref: Exhibit B, pages 122

Please provide a version on Table 2-32 that includes the budgeted amounts in the "Plan" columns. If budget data is not available at the level shown in Table 2-32 please provide the total budget capital expenditure for each year.

2-Energy Probe-8

Ref: Exhibit 2, page 133

a) **Please explain what is meant by "Account cancellation" in Table 2-41.**

b) **Please explain why the contributions shown in Table 4-21 are lower in 2015 and 2016 than they have been historically.**

c) **To which line items shown in Table 4-21 are the capital contributions related?**

d) **Please provide a table that shows the total of the capital additions to which capital contributions apply (response to part (c) above), the capital contributions, and the ratio of contributions to related capital additions for 2011 through 2016.**

2-Energy Probe-9

Ref: Exhibit 2, Attachment 2-A

Please provide updated Appendix 2-BA fixed asset continuity schedules to reflect the most recent year to date information available for 2015 along with a forecast for the remainder of 2015 and any changes in 2016 that result from the 2015 changes.

2-Energy Probe-10

Ref: Exhibit 2, Attachment 2-A

With respect to the fixed asset continuity schedule for the 2016 test year:

a) **Please explain why the fully allocated depreciation adjustment for stores equipment is $240,170, while the amount of depreciation shown in account 1935, stores equipment is $0.**

b) **Please explain what accounts the depreciation reduction of $240,170 is related to.**

c) **Please explain why this reduction of $240,170, which is for non-regulated water asset depreciation (Table 2-3), is needed if these assets are not included in the distribution fixed asset continuity schedule.**

d) Please identify the values of the non-regulated water assets included in the fixed asset continuity that gives rise to the $240,170 in non-regulated depreciation expense.

e) Please explain what is included in account 1990 Other Tangible Property and please explain why these assets are not included in another account.

2-Energy Probe-11

Ref: November 6, 2015 Evidence Update, Attachment A

a) Please explain why the working capital percentages shown in Table 1 are different for each of the years shown. For example, is the difference based on the different weighting of forecast expenses that vary by year?

b) Please explain why EPI is not using the forecast WCA percentage of 8.0% for the 2016 test year?

2-Energy Probe-12

Ref: November 6, 2015 Evidence Update, Attachment A & Exhibit 3

a) Please confirm that each of the accounts which contribute to other revenue shown in Table 3-66 in Exhibit 3 have been taken into account in the calculation of the other revenue lag of 132.61 days shown in Table 2. If this cannot be confirmed, please indicate which accounts shown in Table 3-66 have not been included in the calculation and what other revenues have been included.

b) Please provide all the data, assumptions and calculations used to calculate the figure of 132.61 days for other revenue.

2-Energy Probe-13

Ref: November 6, 2015 Evidence Update, Attachment A

a) With respect to the debt retirement charge, please explain why the expense lead time is not closer to 30 days, being the sum of the service lead time of about 15 days and 15 days if the payment is made during the middle of the following month.

b) Please provide a table showing the calculation of the 19.27 days, similar to Table 14 in the July 27, 2015 Working Capital Requirements of North Bay Hydro Distribution Ltd.'s Distribution Business and filed in EB-2014-0099.

2-Energy Probe-14

Ref: November 6, 2015 Evidence Update, Attachment A

a) Please provide a table that shows the payments and the dates used in the calculation of the PILs expense lead time of (94.38) days.

b) What was the actual PILs payable and paid in 2014? Please show this figure in the 2014 income tax form shown in Attachment 4-R to Exhibit 4. If the amount was greater than $379,000, when did EPI make this payment? If the amount was less than $379,000, when did EPI receive its refund?

c) Please confirm that the two large estimated payments made in January and February were related to taxable income in 2014 and were not related to taxes payable for 2013. If this cannot be confirmed, please explain fully.

d) Does EPI continue to make large payments for PILs in the first few months of a tax year? If yes, please explain why EPI makes these payments.

e) Please provide the required schedule of PILs payments for 2014 and 2015 and confirm that EPI is required to pay 1/12th of its previous year taxes each month. If this cannot be confirmed, please explain what payments are required and the timing of those payments.

2-Energy Probe-15

Ref: November 6, 2015 Evidence Update, Attachment A

a) Please provide a table that shows the calculation of the 11.71 day lag for interest expense. In doing so, please show each note payable separately in the calculation.

b) Based on the response to part (a) above, please reconcile the lag for the $23,523,326 Promissory Note which states that the interest shall be calculated and payable monthly in arrears on the last day of the following month (Exhibit 5, Attachment 5-A).

c) Based on the response to part (a) above, please reconcile the lag for each of the parent company notes payable (Exhibit 5, Attachments 5-B through 5-F) which all indicate that interest payment is due on the 15th day following the month interest is earned.

d) Please provide the details and note associated with any intercompany short term loans used in the calculation of the interest lag.

e) Please provide details associate with interest paid on customer deposits, such as the amount, timing and frequency of such payments.

2-Energy Probe-16

Ref: November 6, 2015 Evidence Update, Attachment A

a) Please explain why EPI makes prepayments to the Ontario Energy Board and the Electricity Distributors Association.

b) Will EPI continue to make prepayments to these organizations in 2016?

2-Energy Probe-17

Ref: November 6, 2015 Evidence Update, Attachment A

With respect to Table 7:

a) Please provide the data, payment dates, etc. used to calculate the lead (lag) days shown in Table 7 for each of the three items shown.

b) Please confirm that the OM&A payment amount shown in Table 7 does not include any of the wage and benefit related costs shown in Table 5.

c) The OM&A payment amount shown in Table 7 is higher than the figure shown in Table 6. What other costs have been included in the Table 7 figure? Please confirm that HST is payable on those additional amounts.

d) Please explain in detail the calculation of the (4.5) days shown for customer revenues in Table 7, including how this figure relates to the billing, collection and payment processing lags shown in Table 3, if at all.

e) Please confirm that the HST payable at the end of any month is based on the invoices sent to customers in the previous month. If this cannot be confirmed, please explain the statement that remittances and collections are generally on the last day of the month following the date of the applicable billing period.

f) Please provide an example of when the HST is payable to the government for a customer that has their meter read on each of the following days:
i) June 3;
ii) June 17; and
iii) June 30.
Please explain fully based on the billing, collection and payment processing lags.

g) If the statutory approach for HST (as noted in Appendix A) was used for both EPI and North Bay Hydro in EB-2014-0099, please explain the significant difference in days between EPI (4.50) and North Bay (24.66).

h) Please provide the HST weighted HST lead (lag) days for customer revenues for each of the lead lag Navigant studies completed in 2013 to the current time for Ontario electricity distributors that have been filed with the Ontario Energy Board.

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-18

Ref: Exhibit 3, page 17

a) Please provide a table that shows for each rate class, the actual number of customers/connections by month for 2014 and for each month in 2015 for which actual data is available.

b) Are the figures shown Table 3-4 average figures or year-end figures?

3-Energy Probe-19

Ref: Exhibit 3, page 14

In a number of places, EPI states that it using the last 5 years of data to calculate forecast parameters such as the geomean for customer growth, changes in average use per customer and the kW/kWh ratios. Please explain why EPI has not used the same 5 year period for the calculation of the loss factor.

3-Energy Probe-20

Ref: Exhibit 3, pages 11-12

a) Please explain why the regression equation shown on these pages, along with the regression results, does not match the equation shown in the live Excel model that was included as part of the November 6, 2015 evidence update.

b) Please confirm that the equation used in the live Excel model is the equation used to generate the forecast. If this cannot be confirmed, please explain what has been used to generate the forecast.

3-Energy Probe-21

Ref: Exhibit 3, page 8

Please provide the source of the historical manufacturing data used in the regression equation. Please also provide a link to the information from Statistics Canada.

3-Energy Probe-22

Ref: November 6, 2015 Evidence Update

The evidence update states that EPI has updated the load forecast to reflect the appropriate number of streetlight connections identified by way of the ongoing LED conversion project in the towns of Strathroy and Mount Brydges. However, the streetlight connection forecast has been lowered for CK, Newbury and Dutton as well. Please explain.

3-Energy Probe-23

Ref: Exhibit 3, pages 48-49

a) Please update Tables 3-52 and 3-53 to reflect actual data for the most recent year to date month as is available for 2015, along with a forecast for the remainder of the year.

c) Please provide the most recent year to date revenue as is available for 2015 in the same level of detail as shown in Table 3-52, along with the figures for the corresponding period in 2014. Please also provide the associated year-to-date adjustments as shown in Table 3-53.

d) Please provide a version of Table 3-52 that excludes the adjustments shown in Table 3-53.

3-Energy Probe-24

Ref: Exhibit 3, Attachment 3-E

a) Please provide a copy of Appendix H that reflects only the revenues and costs included in the revenue requirement, and is consistent with the total figures shown in Table 3-53.

b) Please explain the reduction of more than $60,000 between 2014 and 2015 for late payment charges, when the bad debt forecast has not decreased between 2014 and 2015.

EXHIBIT 4 – OPERATING EXPENSES

4-Energy Probe-25

Ref: Exhibit 4, page 8

a) Please confirm that there are no property taxes or LEAP costs in any of the years shown in Table 4-2 or in the calculations shown in Table 4-1. If this cannot be confirmed, please provide the amount for property taxes and/or LEAP funding by year that is included in the tables.

b) Please add a column to Table 4-2 that shows for the 2015 bridge year the most recent year to date actual expenses available, along with a forecast for the remainder of the year.

c) Please provide the most recent year-to-date figures available for 2015, along with the figures for the corresponding period in 2014.

4-Energy Probe-26

Ref: Exhibit 4, page 12

The evidence indicates an increase in 2016 of $102,381 for power quality resources and tools in 2016 for industrial customers.

a) Is this an incremental cost of $102,381 for 2016, or has some of the increase happened before 2016?

b) Given that this expense is directly related to industrial production machinery that has very low tolerances for voltage variations, has EPI allocated this cost directly to the rate classes that have this problem? If not, why not?

4-Energy Probe-27

Ref: Exhibit 4, page 17

With respect to Table 4-6, there are a number of cost drivers shown.

a) Is the $90,000 increase shown in 2016 for Customer Service - My Account Upgrades, Outage Management System a one-time cost or will the $90,000 increase persist in 2017 through 2020?

b) Is the $100,000 increase shown in 2016 for Additional Engineering Software Licensing to Support DSP Updates a one-time cost or will the $100,000 increase persist in 2017 through 2020?

c) With respect to the smart meter disposition costs shown for 2010 and 2012, please confirm that the costs recorded in 2010 and 2012 were costs cleared from deferral costs.

d) For each of the 2010 and 2012 smart meter disposition costs, please show the amount of the expense actually incurred by year.

e) Where there any smart meter disposition costs included in the 2010 Board Approved Proxy figure of $7,896,250? If yes, please indicate the amount.

f) Please explain the significant reduction in the operating portion of salaries and benefits in 2010 relative to 2010 Board approved proxy and then the subsequent increase in 2011.

g) Please explain why there is not a significant reduction in bad debts forecast for 2015 and 2016 given the increase in 2014 was driven by colder than normal weather and the forecasts for 2015 and 2016 are based on normal weather.

h) How much of the $90,000 increase in bad debts in 2014 was related to the longer and harsher winter?

4-Energy Probe-28

Ref: Exhibit 4, page 20

a) **Based on the most recent information available and a forecast for the remainder of the year, how many FTE's will EPI have for 2015?**

b) **Please confirm that the number of FTE's shown in Table 4-7 are only those for the regulated distributor and that there are no FTE's included for non-regulated activities or that are funded through sources other than the revenue requirement, such as CDM funding. If this cannot be confirmed, please provide a version of Table 4-7 that only includes FTE's that are funded through the proposed revenue requirement.**

4-Energy Probe-29

Ref: Exhibit 4, page 41

Please add two lines to Table 4-13 that shows, for each year shown, the amount of employee costs that is capitalized and the amount included in OM&A.

4-Energy Probe-30

Ref: Exhibit 4, pages 54-55

a) **Is the amount included in the revenue requirement and in the historical OM&A figures for OPEBS based on an accrual method or a cash basis?**

b) **Please provide the amounts for each year on a cash basis and on an accrual basis. Please also show the amount expensed and the amount capitalized under both approaches.**

4-Energy Probe-31

Ref: Exhibit 4, page 60

Do the fully allocated costs shown in Table 4-27 include an allowance for assets used to provide the services, such as computers, office equipment, vehicles, etc. to cover the associated cost of capital and depreciation associated with these assets that are used partly to provide the shared services? If not, why not?

4-Energy Probe-32

Ref: Exhibit 4, page 64

Please explain why the depreciation expense shown in Table 4-29 is referred to as a reduction in OM&A.

4-Energy Probe-33

Ref: Exhibit 4, Attachment 2-M, and page 68

a) Please confirm that none of the costs incurred in 2015 for one-time costs for this application, totalling $267,781, are included in Table 4-2 for the 2015 bridge year. If this cannot be confirmed, please indicate the amount included in the 2015 bridge year for this application in Table 4-2.

b) Please provide a table that shows for each of the items noted at lines 3 through 10 on page 68 the forecasted cost, the amount billed to date and the amount forecast to be billed for the remainder of this process.

4-Energy Probe-34

Ref: Exhibit 4, Attachment 4-S &
Exhibit 2, Attachment 2-A

a) For the 2015 bridge year please explain why the following figures do not match between the CCA schedule and the fixed asset continuity schedule:
  i) computer software (CCA class 12) of $246,000 vs. account 1611 of $496,000; and
  ii) computer hardware (CCA class 50) of $495,000 vs. account 1920 of $35,000.

b) For the 2016 test year, please show the categories in the fixed asset continuity schedule that add up to:
  i) the $626,000 in CCA class 12; and
  ii) the $125,500 in CCA class 8.

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

5-Energy Probe-35

Ref: Exhibit 5

a) Has EPI attempted to obtain any third party long term debt? If not, please explain why not. If yes, please explain why this debt was not obtained, including any rates or covenants that were proposed.

b) Please update Table 5-7 to reflect the cost of capital parameters issued by the Board on October 15, 2015.

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-36

Ref: Exhibit 6

Based on any corrections, changes or updates as a result of the interrogatory process, please:

a) Provide updated Tables 6-1 through 6-5,

b) Provide an updated RRWF that includes the appropriate and necessary entries in the Tracking Form indicating the interrogatory response/update/correction which is the basis for the change made. Please also provide the RRWF in electronic form.

6-Energy Probe-37

Ref: November 6, 2015 Updated Evidence - RRWF

The tracking form sheet of the updated RRWF shows that the change resulting from the cost of capital parameters is the same in the service revenue requirement, base revenue requirement and grossed up revenue deficiency/sufficiency columns (-$180,959. However, for the other adjustments (WCA percentage change and COP rates), the service and base revenue requirement changes do not match the change in the grossed up revenue deficiency. Please explain. Please also explain why the WCA percentage change does not add up to -$7,345, the sum of the changes in the cost of capital and taxes/PILs. Similarly, why does the COP change not added up to +$52,656, again the sum the changes in the cost of capital and taxes/PILs.

EXHIBIT 7 – COST ALLOCATION

*****NOTE: For the interrogatories related to Exhibit 7, please respond to them based on the updates as noted in EPI's November 6, 2015 evidence update.**

7-Energy Probe-38

Ref: Exhibit 7, page 15

Please explain why the cost to bill a street lighting customer is the same as a residential customer. For example, does EPI have to track the number of connections and/or devices for each street lighting customer?

7-Energy Probe-39

Ref: Exhibit 7, pages 23-24

a) **Please explain why there are no figures shown for the co-incident peak for the sentinel and street lighting classes for several of the months shown. Is it simply because the peak hour in those months occurred during the day when the sentinel and street lights were not on?**

b) **Please explain how EPI determined the direct allocation associated with capital contributions. Does EPI maintain historical records associated with capital contributions on a rate class basis?**

7-Energy Probe-40

Ref: Exhibit 7, pages 27-30

a) **Please provide a version of Tables 7-14, 7-15 and 7-16 that reflects the EPI movements as described at lines 3 through 10 on page 28, with the following exceptions: the GS < 50 class is left at 114.3%, street lighting is left at 120%, and USL is left at 120% and the sentinel ratio is increased to equal the residential ratio.**

b) **Please show the total bill impact on the SMP large use customer if the revenue to cost ratio is moved to 85% for him.**

c) **Does EPI's proposal mean that the 2 large use customers would be paying different rates for 3 years?**

d) Please provide a version of Tables 7-14, 7-15 and 7-16 that reflects the EPI movements as described at lines 3 through 10 on page 28, with the following exceptions: the Large Use class is set to 85% for both customers, the ratio for the sentinel class is increased to match the residential ratio, and the rate classes with revenue to cost ratios above 1.0 are brought down in unison starting with the highest ratios (120% for USL and street lighting) and then the next highest ratio (114.3% for GS < 50), etc. until there is a common revenue to cost ratio for these classes and the total is revenue neutral to EPI.

e) The evidence on page 29 states that the annual mitigation plan adjustments to the residential class are immaterial. Please provide the annual increase in residential revenues as a result of the EPI proposal for each year that that the mitigation plan would be in effect.

f) Please explain why the CK large use customer should see a small rate decrease due to the lowering of the revenue to cost ratio, when the ratio is already below 100%.

g) What is the revenue to cost ratio for the large use category if the total bill impact the SMP large use customer is limited to 10%?

h) Did EPI ask residential customers through its various surveys if they thought it was appropriate that they should pay more so a large industrial customer could pay less than what the Board policy ranges for revenue to cost ratios would result in?

7-Energy Probe-41

Ref: Exhibit 7, Attachment 7-D

a) Does EPI bill HONI, the embedded distributor for the cost of power and global adjustment costs?

b) If the response to part (a) is yes, has EPI included this cost of power in the cost of power calculation used for the working capital purposes? If not, please explain why not.

c) If the response to part (b) is yes, has EPI allocated any of the cost of capital associated with the rate base associated with the working capital to the embedded distributor class? If not, why not? If not, what would be the approximate added cost to the embedded class?

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-42

Ref: Exhibit 8, page 30

The Board is considering a review of specific service charges and other rates such as pole rentals and MicroFit customers. If the Board directs distributors to implement any such new rates during EPI's IRM term, does EPI agree that the change in revenue due to the change in rates should be placed in a deferral account for later disposal to customers? If not, why not?

8-Energy Probe-43

Ref: Exhibit 8, page 40

Please update Table 8-33 to reflect the corrected WCA figure, the updated cost of power calculation, the updated cost of capital and updated streetlighting billing determinants, along with any other changes or corrections made as a result of the interrogatory process.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-44

Ref: Exhibit 9, pages 33-34

a) **Does EPI propose to recover the stranded meter costs from all residential and GS < 50 and GS > 50 customers?**

b) **Please confirm that EPI has already recovered the CK Utility related stranded meter costs from the customers served by CK Utility.**

c) **Please confirm that the stranded meter costs proposed to be recovered in this application are only related to the former SMP, Dutton and Newbury service areas. If this cannot be confirmed, please show a breakdown of the stranded meter costs by former service area.**

9-Energy Probe-45

Ref: Exhibit 9, page 36

Please update Table 9-25 to reflect the updated cost of capital parameters issued by the Board on October 15, 2015, and to reflect any changes in capital expenditures/additions in 2015.

9-Energy Probe-46

Ref: Exhibit 9, page 49

a) **Please show the allocation of the stranded meter costs in account 1555 to the residential, GS<50 and GS>50 rate classes. For example, were these assets tracked on a rate class basis?**

b) **Please explain fully how this allocation was determined if the assets were not tracked on a rate class basis.**

c) **Please show the calculation of a standalone rate rider for the stranded meter costs assuming the EPI recovery from all customers is approved.**

d) **Please show the calculation of a standalone rate rider for the stranded meter costs assuming the recovery is only from customers in the SMP, Dutton and Newbury service areas.**

9-Energy Probe-47

Ref: Exhibit 9, page 50

There is a significant difference in the LRAM amount for the large use class between the CK customer and the SMP customer. Please confirm that under EPI's proposal the SMP customer is paying for a significant portion of the CDM savings achieved by the CK customer.