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BY E-MAIL

November 25, 2015

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

Dear Ms. Walli:

**Re: Enersource Hydro Mississauga Inc.
2016 Distribution Rate Application
OEB Staff Interrogatories
Board File No. EB-2015-0065**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Enersource Hydro and all intervenors have been copied on this filing.

Enersource Hydro's responses to interrogatories are due by December 9, 2015.

Yours truly,

Original Signed By

Jane Scott
Project Advisor – Electricity Rates & Prices

Attach.

Enersource Hydro Mississauga Inc. (Enersource)
2016 Distribution Rate Application
EB-2015-0065
OEB Staff Interrogatories
November 25, 2015

Tab 2 – Manager's Summary

IRM – Move to fixed Residential distribution rates.

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Ref: Tab 2, pg. 46, Table 2

Please provide the percentage increase for both RPP and non RPP Residential customers at the 10th percentile level of consumption based on 2016 Delivery (Subtotal C) divided by 2015 Total Bill. Should either percentage be greater than 10%, please provide a mitigation plan.

Incremental Capital Module

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Ref 1: Tab 2, pg. 21, Table 4

Ref 2: Tab 2, pg. 23, Table 5

In Table 4 referenced above, Enersource shows a Distribution System Plan 2016 Capex of \$73,985k. Please reconcile this to the $\$76,738,831 + \$400,000 - \$2,131,250 = \$75,007,581$ as shown on Table 5 for 2016.

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Ref: Tab 2, pg. 21, Table 5

Please update Table 5 with year to date actuals for 2015.

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Ref 1: Tab 2, pg. 23, Table 5

Ref 2: EB-2012-0033, Exhibit 2, Tab 2, Schedule 2, Appendix 1, Table 17.6

Combining the information from the above two references, we can compare the original forecast versus actual and updated forecast for capital spending as per the table below (\$000). Please explain:

- a) The changes that have occurred in Enersource's system and operating conditions since the filing in 2012 and this ICM application that have resulted in the large variances in capital expenditures from forecasted to actual for 2014 and forecasted to updated forecast for 2015 and 2016.
- b) The material year over year increases from 2014 to 2016 in each of the four investment categories.

	Source	Table 17.6	Table 6	Table 17.6	Table 6	Table 17.6	Table 6	Table 17.6	Table 6	Table 17.6	Table 6
		2012 Forecast	2012 Actual	2013 Forecast	2013 Actual	2014 Forecast	2014 Actual	2015 Forecast	2015 Updated Forecast	2016 Forecast	2016 Updated Forecast
System Service	System Capacity – Growth Driven Investment	9,312	9,860	11,134	10,712	10,329	11,228	10,507	16,267	10,686	17,200
System Renewal	System Sustainment – Reliability Driven Investment	14,483	16,225	16,326	20,887	18,329	31,257	19,319	35,204	20,939	34,735
System Access	System Expansion & Upgrades – Customer Driven Investment	10,675	11,493	5,525	10,055	5,968	9,474	5,293	14,633	5,268	12,008
(included above)	Non-System Requirements - Regulatory Driven Investment										
General Plant	Non-System Requirements – Internally-Driven Investment	29,472	29,220	13,187	6,831	10,725	6,231	9,646	10,585	9,317	12,796
	TOTAL CAPITAL EXPEDITURES	63,942	66,798	46,172	48,485	45,351	58,190	44,765	76,689	46,210	76,739
	Variance		4.5%		5.0%		28.3%		71.3%		66.1%
	Hydro One TS payments										41,656
	LRT										400
	TOTAL CAPITAL EXPEDITURES										118,795

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Ref 1: Ontario Energy Board Filing Requirements for Electricity Transmission and Distribution Applications, Chapter 3 – Incentive Rate-Setting Applications, July 16, 2015, Section 3.3.2.3

Ref 2: Attachment H, Sheet 10b

The first reference above states “The OEB’s general guidance on the application of the half-year rule was originally provided in the Supplemental Report. In this report the OEB determined that the half- year rule should not apply so as not to build a deficiency for the subsequent years of the IRM plan term. This approach is unchanged in the new ACM/ICM policy. However, the OEB’s approach in decisions has been to apply the half-year rule in cases in which the ICM request coincides with the final year of a distributor’s IRM plan term¹.”

- a) When is Enersource planning its next rebasing?
- b) In the second reference above, in Cells K55 and K56 appear to show that Enersource has used the half year rule in calculating the depreciation related to the CCRA true ups. From K57 it is not clear whether the half year rule was used for the 2016 Distribution System Plan capex. If Enersource is planning to rebase in 2017, please confirm that Enersource used the half year rule for all projects in determining the revenue requirement related to the requested Incremental Capital Module, or conversely if Enersource is not planning to rebase in 2017, please recalculate the revenue requirement related to the requested Incremental Capital Module using a full year of depreciation for all projects.

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Ref 1: Tab 2, pg. 21, Table 4

Ref 2: Attachment J, Schedule B and Attachment L, Schedule B

The first reference shows \$41.7M of the requested incremental capital is for a true up of the Connection and Cost Recovery Agreements (CCRA) for Cardiff and Winston Churchill TSs. The second references provide the expected load and revenue for each station.

- a) Please provide detailed calculations for each station for (1) the original capital contribution and (2) the requested true up, including total costs, annual loads, rates and discount rates.
- b) Was Cardiff TS trued up after 5 years in 2010? If so, please provide the details. If not, why not?

- c) Attachment J, Schedule B for Cardiff TS shows a guaranteed revenue date of May 1, 2012 for the Line Connection Pool Work and May 1, 2026 for the Transformation Connection Pool Work, however the Attachment K, Schedule B for Winston Churchill TS does not show any guaranteed revenue dates. Were guaranteed revenue dates for Winston Churchill TS determined?
- d) If so, please provide.

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Ref 1: Tab 2, pg. 21

Ref 2: Attachment L, Schedule B

Why is the amount due to HONI for Winston Churchill TS (\$40.4M) greater than the total of the actual engineering and construction cost of the Transformation Connection Pool Work (\$27.33M) and actual engineering and construction cost of the Line Connection Pool Work (\$0.99M) and the actual engineering and construction cost of the network customer allocated work (\$0.24M) = \$25.56M?

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Ref 1: Tab 2, pg. 27

Ref 2: Tab 2, pg. 25

In the first reference, Enersource states that it “plans to build a new substation to meet future supply needs in its 27.6kV service territory” and that “Erindale TS T1/T2 is forecasted to be overloaded”. In the second reference, Enersource states that “The proposed station [Cardiff TS] was designed to offload Erindale TS T1/T2”

Please explain why Enersource would plan to build a new station to offload Erindale TS, when Cardiff TS, which was also built to off load the same station, has not seen its load materialize and as a result Enersource customers are required to pay HONI \$1.3M?

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Ref: Tab 2, pg. 38

In its application, Enersource states that the revenue shortfall is partly due to an economic downturn that occurred in 2008. Winston Churchill TS was put into service on July 27, 2010.

- a) When was construction of the station started?
- b) Was a reassessment of the need for the station done in light of the economic downturn in 2008?

- c) Was there any thought of delaying or cancelling construction of the station in light of the economic downturn?
- d) Did the CCRAs allow Enersource to cancel the projects before construction started and just pay HONI's costs to date?

Renewable Generation Connection Funding Amounts

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Ref 1: Tab F – Calculation of Renewable Generation Provincial Amount

Ref 2: Supplementary Evidence, Balance of Accounts 1531, 1532 & 1533

Sheet 1 of Tab F shows the total revenue requirement for 2016 for Renewable Generation connections is \$155,153, with \$50,142 being a direct benefit to Enersource's customers and \$105,010 to come from the Provincial Rate Protection.

- a) Please confirm that Enersource is not planning to apply the \$0.020/customer rate rider to recover the direct benefit portion in 2016.
- b) Please confirm that Enersource did not apply the GEA rate rider related to the direct benefit portions shown on Sheet 1 of Tab F for 2013-2015.
- c) Please provide reconciliation between the capital amounts, OM&A and revenue requirement shown in Reference 1 and the 2014 balances for Accounts 1531, 1532 and 1533 shown in Reference 2.

Supplementary ICM Evidence

Incremental Capital Module

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Ref 1: Supplementary Evidence Capital Planning Overview 2016-2021 pg.7

Ref 2: Capital Expenditure Projects 2016 Budget

The Capital Planning Overview states that:

"The Project Prioritization phase ranks each project based on their value and allows for all projects to be evaluated based on the same criteria to determine what projects will provide the most value to the business while minimizing the risks. A Preliminary Project List is created based on the prioritization process and understanding of risk/impact if the proposed project is not approved."

- a) For all projects shown on the Capital Expenditure Projects 2016 Budget list please provide the project's prioritization position with respect to the other projects on the list.
- b) Please provide further details on how a project's prioritization position is determined.
- c) Once prioritization is done, how is it decided whether or not a project will proceed or be deferred?
- d) Please provide a list of projects which Enersource has deferred from 2016 into future years.

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Ref 1: Supplementary Evidence, pg.6

Ref 2: Supplementary Evidence – 2016 Capital Expenditure Projects Budget

In the first reference, Enersource states that “if these costs are not recovered in rates, Enersource will have to reconsider its future approach to maintaining its high reliability”.

Should Enersource's request for an additional \$29.9M in capital expenditures (ICM request of \$71.5M – CCRA true-up of \$41.6M) to be included in the ICM rate rider not be approved, which specific projects from the list provided in the Supplementary Evidence - 2016 Capital Expenditure Projects Budget would Enersource not complete or delay and what would be the impact on Enersource's reliability?

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Ref 1: Supplementary Evidence Capital Planning Overview 2016-2021 pg.7

Ref 2: Capital Expenditure Projects 2016 Budget

Please complete the following table:

\$000	Actual			Forecast						
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SS	9,860	10,712	11,228	16,267	17,200					
SR	16,225	20,887	31,257	35,204	34,735					
SA net	10,245	4,111	5,336	8,978	10,277					
GP	7,006	6,831	6,231	10,585	12,796					
Total	43,336	42,541	54,051	71,034	75,008					
AFUDC					483					
1557					-1,506					
Total	43,336	42,541	54,051	71,034	73,985					

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Supp - Ref 1: Supplementary Evidence Business Cases for Projects included in the ICM

Based on the information provided in each project's business case the following table was prepared by OEB staff. Based on this information, Enersource has \$47,211,000 (\$46,260,000+\$951,000) of capital work that can be deferred until after 2016.

- a) Please explain why Enersource is not able to defer sufficient projects such that it does not require an ICM for an additional \$29.9M in capital expenditures?

Project #	Mandatory?	Defer?	Total	Cat	Project
C0581 1-4	Yes	No	\$ 545,000	GP	Engineering and Asset Systems
C0581 5-6	No	N/A	\$ 985,000	GP	Engineering and Asset Systems
C0584	Yes	No	\$ 2,775,000	GP	Rolling Stock
C0585	Yes	Yes	\$ 951,000	GP	Desktops-Laptops Platform upgrade
C0588 1	Yes	N/A	\$ 935,000	GP	System Upgrades JDE, Flex Time Tracking
C0588 2-3	No	N/A	\$ 950,000	GP	JDE ERR System
C0589 2-5	Yes	No	\$ 2,070,000	GP	Monthly Billing
C0589 1	No	N/A	\$ 400,000	GP	Customer Web Self service
C0591	No	N/A	\$ 2,985,000	GP	Mavis Rd Grounds and Buildings
C0595	No	N/A	\$ 200,000	GP	Major Tools
C0531	Yes	No	\$ 2,400,000	SA	Road Projects
C0532			\$ 400,000	SA	LRT
C0541	Yes	No	\$ 1,993,750	SA	Services
C0594	Yes	No	\$ 1,505,511	SA	Smart Meters Large Users recovered through 1557
C0597	Yes	No	\$ 1,263,320	SA	Wholesale Meter Upgrades
C0598	Yes	No	\$ 1,172,000	SA	Metering
C0899	Yes	No	\$ 1,387,000	SA	Smart Meters in Condos
C0900	Yes	No	\$ 155,000	SA	MicroFIT
C0505	No	N/A	\$ 13,250,000	SR	Subdivision Rebuild
C0561	No	N/A	\$ 6,090,000	SR	Overhead Rebuilds
C0562	No	N/A	\$ 4,200,000	SR	Subtransmission Renewal
C0563	Yes	No	\$ 4,125,000	SR	U/G Transformer Replacement
C0564	Yes	No	\$ 3,000,000	SR	O/H Transformer Replacement
C0565	No	No	\$ 3,750,000	SR	Padmounted Switchgear
C0567			\$ 320,000	SR	Emergency Replacements
C0504	No	N/A	\$ 11,600,000	SS	Substation Upgrades
C0507	No	N/A	\$ 2,400,000	SS	Subtransmission Expansion
C0576	No	N/A	\$ 3,200,000	SS	Auto Switches/SCADA
TOTAL			\$ 75,007,581		
Mandatory and cannot be deferred			\$ 24,046,581		
Not Mandatory and can be deferred			\$ 46,260,000		
Mandatory but can be deferred			\$ 951,000		
Not Mandatory but cannot be deferred			\$ 3,750,000		

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Ref 1: Supplementary ICM Evidence Summary pg. 7

Ref 2: Ontario Energy Board Filing Requirements for Electricity Transmission and Distribution Applications, Chapter 5 – Consolidated Distribution System Plan Filing Requirements, March 28, 2013, Section 5.1.3

The first reference above refers to Enersource's Distribution System Plan (DSP) and states that a draft copy could be provided with the caveat that it will be updated as customer input is received. The second reference states "The Board may also require a DS Plan to be filed in relation to leave to construct, Incremental Capital Module or Z-factor applications." Please file a copy of Enersource's draft DSP, with the understanding that it will be updated subject to customer input.