EB-2015-0110

Wellington North Power Inc.

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

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

January 6, 2016

WELLINGTON NORTH POWER INC.
2016 RATES REBASING CASE
EB-2015-0110

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, Tab 2, Schedule 7, page 16

In parts (i) and (j) the balances included carrying charges projected to April 30, 2015.

a) **Please confirm that the carrying charges included through to April 30, 2015 are actual figures and not projected. If this cannot be confirmed, please update the affected balances to reflect actual data.**

b) **Does WNPI propose to include the projected carrying costs through to April 30, 2016 in the disposition of the 2014 balances? Please explain fully.**

1-Energy Probe-2

Ref: Exhibit 1, Tab 3, Schedule 2

Has the WNPI Board of Directors approved the capital and operating budgets contained in the evidence filed in this application?

1-Energy Probe-3

Ref: Exhibit 1, Tab 8, Schedule 1

a) **Why did the majority shareholder decide to increase the number of directors from 5 to 7?**

b) **What was the composition of the Board of Directors before it was increased to 7 members as to the number of representatives from the Township of Wellington North, employees of WNPI and independent directors?**

c) **What is the incremental cost associated from the change from 5 to 7 directors?**

EXHIBIT 2 – RATE BASE

2-Energy Probe-4

Ref: Exhibit 2, Tab 1, Schedule 4

a) Please update Table 2.14 to reflect actual data for 2015. If actual data for 2015 is not yet available, please update the table to reflect the most recent year-to-date actual data available, along with an estimate for the assets to be placed into service by the end of 2015.

b) Please update Table 2.15 to reflect any changes in Table 2.14.

2-Energy Probe-5

Ref: Exhibit 2, Tab 1, Schedule 4, Table 2.15

a) Please explain why the depreciation expense for account 1611 is significantly less in 2016 than in 2015. Is this because some items in this category became fully depreciated in 2015 and/or 2016?

b) Please explain why the depreciation expense for account 1930 is significantly less in 2016 than in 2015. Is this because some items in this category became fully depreciated in 2015 and/or 2016?

c) Table 2.15 shows a total of $48,605 in fully allocated depreciation. How much of this is expensed and included in OM&A and how much is included in capitalized depreciation? How has this ratio changed from the breakdown in the percentages expensed and capitalized in each of 2011 through 2015?

d) Please explain why there is no deferred revenue (aid to construction) shown for the test year in account 2440, despite amounts being recorded in previous years.

e) Over what period has WNPI amortized the aid to construction to be paid to Hydro One, and explain how this period was determined?

2-Energy Probe-6

Ref: Exhibit 2, Tab 2, Schedule 1

What does WNPI mean when it states (page page 23, lines 29-31) that there is a partial offset to the capital contribution by the allocation of deferred revenue to income?

2-Energy Probe-7

Ref: Exhibit 2, Tab 3, Schedule 1

Please update Tables 2.24 and 2.25 to reflect the October 15, 2015 Regulated Price Plan Price Report and any updates to the retail transmission rates, WMS, RRR and LV charges that are now known for 2016.

2-Energy Probe-8

Ref: Exhibit 2, Tab 5, Schedule 7

a) **Please explain the nearly $194,000 increase in design-build contractor costs shown in Table 2.31.**

b) **Please update Table 2.33 to reflect the most recent actual data available for 2015 for the ICE rate rider estimation.**

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-9

Ref: Exhibit 3, Tab 1, Schedule 10

a) **Are the customer numbers shown in Table 3.26 year-end figures or average figures for the year?**

b) **Please update Table 3.26 to include actual customers for 2015. If actual customer figures are not yet available, please provide an estimate, based on the most recent actual information available.**

3-Energy Probe-10

Ref: Exhibit 3, Tab 1, Schedule 8

a) **Please confirm that based on the trend functions used to forecast the sensitive customers explanatory variable, the forecast for 2015 and 2016 is lower than the actual values for 2014.**

b) **Please explain why WNPI has used the 2015 forecast figures for the sensitive customers variable for both 2015 and 2016, rather than using the trend forecast for 2016.**

3-Energy Probe-11

Ref: Exhibit 3, Tab 1, Schedule 8

a) **Please confirm that based on the average of 2013 and 2014 used to forecast the regional employment explanatory variable, the forecast for 2015 and 2016 is lower than the actual values for 2016.**

b) **Please explain why WNPI has not used the trend function to forecast the regional employment variable for both 2015 and 2016, rather than using the average of 2013 and 2014.**

3-Energy Probe-12

Ref: Exhibit 3, Tab 1, Schedule 9

Please add a trend variable (1 in month 1, 2 in month 2, etc.) to the regression analysis shown in Table 3.19. Based on that regression analysis, please provide:

a) **the regression results in Table 3.20;**
b) **the mean absolute percentage error (MAPE);**
c) **an updated Table 3.22; and**
d) **an updated Table 3.38.**

3-Energy Probe-13

Ref: Exhibit 3, Tab 1, Schedule 9

a) **Please provide a live Excel spreadsheet that incorporates the following changes to the load forecast:**

   i) **inclusion of the trend variable in the equation (Interrogatory #12 above); and**
   ii) **use of the trend forecast for the sensitive customers variable for 2016 rather than the 2015 forecast (Interrogatory #10 above); and**
   iii) **use of a trend forecast for the regional employment variable for 2015 and 2016 in place of the 2013 and 2014 average (Interrogatory #11 above).**

b) **Please provide the impact on the revenue requirement of the changes noted in part (a) above, including the same weather and CDM adjustments made to the forecast and the kW forecast methodology used by WNPI, showing the impact on revenues at existing rates and the impact on the cost of service related to the change in the cost of power on rate base. In doing so, please provide an updated Table 3.22 and Table 3.38.**

3-Energy Probe-14

Ref: Exhibit 3, Tab 1, Schedule 11

It is not clear how WNPI has derived the figures in Tables 3.27 and 3.28. Please provide all the assumptions and figures, including the derivation of those figures, used to calculate the alignment of the non-normalized forecast to the normalized forecast. In particular, please explain

a) **any adjustments made to the forecast shown in Table 3.22 for the loss factor, and how that loss factor was calculated and over what years the calculation used.**

b) **How the non-weather figures were calculated, for example, were they based on the number of customers and an average use per customer? If so, please provide all the data used to generate these figures.**

3-Energy Probe-15

Ref: Exhibit 3, Tab 1, Schedule 8

Please provide the actual data for 2015 for the Sensitive Customers volumes shown in Table 3.17

3-Energy Probe-16

Ref: Exhibit 3, Tab 5, Schedule 1

a) **Please update Table 3.52 to reflect actual data for 2015. If actual data for all of 2015 is not yet available, please provide the most recent year-to-date actual data for 2015 that is available, along with the figures for the corresponding period in 2014.**

b) **Where are the microFit revenues shown in Tale 3.52? Does the forecast for 2016 reflect the increase in the monthly charge proposed by WNPI to $10?**

c) **Please provide the number of actual and forecast microFit customers for 2012 through 2016.**

EXHIBIT 4 – OPERATING EXPENSES

4-Energy Probe-17

Ref: Exhibit 4, Tab 2, Schedule 1

Please update Appendix 2-JA to reflect actual data for 2015. If actual data for all of 2015 is not yet available, 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-18

Ref: Exhibit 4, Tab 2, Schedule 1, Appendix 2-JB

a) **Please confirm that the costs included in the movement of the smart meter costs from 1556 to billing and collection in 2012 were for 2011 and previous years. If this cannot be confirmed, please explain how much of the amount was related to costs incurred in 2012.**

b) **Please confirm that actual costs incurred in 2012 were very close to the Board approved figure, excluding the transfer noted above in part (a).**

c) Is the 2015 Organization Restructure cost of $37,500 and the corresponding reduction of $86,500 for the CEO Retirement shown in 2015 a one-time cost/saving or is it a permanent change in costs? Please explain fully.

d) Please explain the MAS invoice line in Appendix 2-JB.

e) Are the Finance/CIS Conferences for employees cost of $11,500 in 2014 a one-time cost or a permanent increase in the level of these costs? Please explain fully.

f) Are the Interim Financial Audit, IT costs, Board Member Conference and replacement of safety clothes costs shown for 2013 one-time costs or do they reflect a permanent increase in these costs? Please explain fully.

4-Energy Probe-19

Ref: Exhibit 4, Tab 2, Schedule 1, Appendix 2-JB

With respect to the change in regulatory costs shown in Appendix 2-JB:

a) Please provide the absolute level of the costs in 2012 Board Approved, 2012, 2013 and 2014 and forecast for 2015 and 2016.

b) Do the 2015 and/or 2016 forecast of regulatory costs include any costs forecast to be incurred for the current rate application? If yes, please show how much has been included in each of 2015 and 2016.

c) Please reconcile the change in costs provided in Appendix 2-JB, the figures provided in the response to part (a) and the figures provided in Table 4.18.

d) Do the change in regulatory costs shown in Appendix 2-JB reflect the costs forecast to be incurred for this regulatory proceeding in each of 2015 and 2016, or do they reflect the amortization of these costs over 5 years, beginning in 2016? Please explain fully.

4-Energy Probe-20

Ref: Exhibit 4, Tab 2, Schedule 2

The statement at the top of page 18 would imply that the figures in Appendix 2-JB for 2015 include the regulatory costs related to the current application forecast to be incurred in 2015.

a) Please confirm the above statement is correct.

b) Please explain why these costs are included in the 2015 forecast when they will be recovered over a 5 year period beginning in 2016.

c) Please provide the forecasted amount included in 2015 that is proposed to be amortized and recovered over a 5 year period beginning in 2016. If the amounts are different from those shown in Table 4.19, please explain fully.

d) What regulatory costs have been included in 2016 in Appendix 2-JB associated with the costs for the current application? In particular, do they reflect the amortization over 5 years of the forecasted costs for 2015 and 2016, or do they include the costs expected to be incurred in 2016, as shown in Table 4.19?

4-Energy Probe-21

Ref: Exhibit 4, Tab 3, Schedule 3

Please add lines to Appendix 2-K that shows the amount of total employee compensation that is charged to OM&A and the amount that is capitalized.

4-Energy Probe-22

Ref: Exhibit 4, Tab 3, Schedule 1

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-23

Ref: Exhibit 4, Tab 3, Schedule 8

a) What was the total intervenor cost associated with the last cost of service rebasing application?

b) What is the basis for the $20,000 cost for the 3rd party review of the DSP shown in the table in page 59?

c) What costs are included in the $20,000 for the one-day settlement conference? For example, are the additional intervenor costs included in this figure relative to the $60,000 shown in the table on page 59?

d) Are any of the costs shown for 2015 in Table 4.19 included in Appendix 2-JA in 2015? Please explain fully.

e) How has WNPI defined "incremental" operating expenses associated with staff resources to this application in Table 4.19? If these costs are incremental, please confirm that the 2016 costs for staff resources are about $24,000 lower than in 2015, and $26,000 higher than in 2014. If this cannot be confirmed, please explain fully.

f) Please confirm that WNPI's forecast of costs associated with this application is $279,390 based on the figures shown in Table 4.19 and that the amount included in the OM&A for 2016 is one-fifth of this amount, or $55,878. If this cannot be confirmed, please explain.

4-Energy Probe-24

Ref: Exhibit 4, Tab 4, Schedule 2 &
Exhibit 2, Tab 1, Schedule 4

In Tab.es 2.14 and 2.15 in Exhibit 2, Tab 1, Schedule 4, the depreciation expense is shown as $451,706 for 2015 and $410,175 for 2016. In Appendix 2-CE and 2-CF, the amount shown in the column that is taken from Appendix 2-BA is $438,840 for 2015 and $396,010 for 2016. Please explain these differences, given that that are both supposed to be based on the information from Appendix 2-BA.

4-Energy Probe-25

Ref: Exhibit 4, Tab 4, Schedule 2 &
Exhibit 4, Tab 4, Schedule 3

a) In Appendix 2-CF for 2016, smart meters are shown having a useful life of 15 years, yet in Table 4.21, WNPI is proposing a 10 year useful life. Please explain.

b) Is the revenue requirement shown in Exhibit 6 and RRWF based on the use of a 15 or 10 year average useful life for smart meters?

c) Is WNPI seeking to change the useful life to 10 years for only new smart meters installed beginning in 2016 or for all smart meters installed beginning in 2008?

d) What is the impact on the 2016 revenue requirement of moving from a 15 year useful life to 10 years as proposed by WNPI in 2016, including the impact on the depreciation expense and the impact on rate base.

e) Please explain why in Appendix 2-CE there no figure shown for the useful lives of smart meters added in 2015.

4-Energy Probe-26

Ref: Exhibit 4, Tab 4, Schedule 3

Please confirm the following, based on the information provided in Tables 4.22 and 4.23.

a) The percentage of meters installed in 2010 that were faulty and replaced in 2013 was 4.7%, the percentage of meters installed in 2010 that were faulty and replaced in 2014 was 4.3% and the percentage of meters installed in 2010 that were faulty and replaced in 2015 through June was 1.5%.

b) The cumulative percentage of meters installed in 2010 and replaced by June 2015 was 11.5%.

c) Please update Table 4.23 to reflect the most recent information now available for 2015.

d) If 11.5% of the meters are replaced within 5 years (i.e. 2015 from 2010), please explain why WNPI believes that the average life is only 10 years as compared to 15 years?

e) Did WNPI compare the failure rate to any Iowa (survivor) curves to determine that 10 years was the appropriate average useful life?

4-Energy Probe-27

Ref: Exhibit 4, Tab 4, Schedule 3

Please confirm, that based on Table 4.21, WNPI has not changed any of the depreciation rates used through 2015 from those that were approved in the 2012 cost of service application.

4-Energy Probe-28

Ref: Exhibit 4, Appendix 4I and
Exhibit 2, Tab 1, Schedule 4

a) The bridge year CCA schedule in Appendix 4I (page 195) shows total additions of $730,000, while in Table 2.14, the total additions shown are $760,000. Please explain the $30,000 difference.

b) Table 2.14 shows the addition of $23,000 for computer software and as CCA class 12. However, the CCA schedule does not show any additions to class 12. Please explain.

c) Table 2.14 shows the addition of $85,000 for computer hardware and as CCA class 45. However, the CCA schedules show only $23,000 in additions to class 45. Please explain.

d) Please explain what is included in CCA class 10 in relation to the figures shown in Table 2.14.

4-Energy Probe-29

Ref: Exhibit 4, Appendix 4I and
Exhibit 2, Tab 1, Schedule 4

a) The test year CCA schedule in Appendix 4I (page 200) shows total additions of $1,880,401, while in Table 2.15, the total additions shown are $1,910,401. Please explain the $30,000 difference.

b) Table 2.15 shows the addition of $1,300 for computer software and as CCA class 12. However, the CCA schedule does not show any additions to class 12 but rather shows this as an addition to CCA class 45. Please explain.

c) Table 2.15 shows the addition of $39,350 for computer hardware and as CCA class 45. However, the CCA schedules does not show any additions to class 45 but rather shows this amount as an addition to CCA class 10. Please explain.

d) Please explain what is included in CCA class 10 in relation to the figures shown in Table 2.14.

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

5-Energy Probe-30

Ref: Exhibit 5, Tab 1, Schedule 1

At page 3 of the evidence, lines 8 -10, WNPI states that it understands that the OEB may update the ROE for 2016 at a later date, even though the OEB issued the cost of capital parameters on October 15, 2015. What is the basis for the understanding that the OEB may further update the ROE for 2016?

5-Energy Probe-31

Ref: Exhibit 5, Tab 1, Schedule 3

Is the forecasted Infrastructure Ontario rate for July 2016 based on a serial or amortizer loan?

5-Energy Probe-32

Ref: Exhibit 5, Tab 1, Schedule 4 & Appendix 5A

The evidence indicates that no principle is being paid on the affiliate promissory note.

a) **Is this a change from when the original promissory note was signed in July, 2000? If yes, what other changes have been made to the promissory note shown in Appendix 5A?**

b) **If applicable, please file all changes or modifications to the promissory note with the Township of Wellington North since the original agreement shown in Appendix 5A was signed.**

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-33

Ref: Exhibit 6, Tab 1, Schedule 1

Based on any corrections, changes or updates (such as updates to the cost of power), please:

a) Provide updated Tables 6-1 through 6-8 (excluding any tables that do not change),

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

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-34

Ref: Exhibit 7, Tab 1, Schedule 1

a) Please confirm that based on the weighting factors of 0 shown in Table 7.2 for services, that WNPI does not own any service related assets for the street lighting, sentinel lighting and USL rate classes and that the services are owned by the customers. If this cannot be confirmed, please explain fully.

b) Please confirm that WNPI does not incur any OM&A costs associated with the services that serve the above noted rate classes. If this cannot be confirmed, please explain fully and please provide the forecast amounts incurred for each rate class.

7-Energy Probe-35

Ref: Exhibit 7, Tab 3, Schedule 1

a) Please explain why WNPI proposes to reduce the GS < 50 revenue to cost ratio from 119.93 to 115.82, as shown in Table 7.16, when the status quo ratio is already within the Board's approved range for this rate class.

b) What would be the resulting revenue to cost ratio for the residential class if the WNPI proposals are accepted, with the exception that the ratio for the GS < 50 class remains at the status quo figure of 119.93?

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-36

Ref: Exhibit 8, Tab 1, Schedules 4, 6 & 7

Please update any relevant tables in Schedules, 4, 6 and 7 to reflect Board approved retail transmission service rates, wholesale market service rates and/or rural or remote rate plan rates that are different from those used by WNPI in its evidence.

8-Energy Probe-37

Ref: Exhibit 8, Tab 1, Schedule 11

a) Please update Tables 8.16, 8.17 & 8.18 to reflect actual LV costs and recoveries for 2015.

b) Will the addition of the connection to the Palmerston TS have any impact on the LV charges from Hydro One? Please explain fully and if needed, please quantify the expected impact.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-38

Ref: Exhibit 9, Tab 1, Schedule 10

a) Please explain why WNPI believes that the requested sub-account is required.

b) Does this sub-account track the difference between the amounts to be recovered from all the rate riders in place from May 1, 2016 through April 30, 2017 and the amounts actually recovered?

c) Please explain why there is no balance in this account for 2008, 2009, 2011, 2013 or 2014, but there is a balance shown for 2010 and 2012 in Table 9.2.

d) Why was the balance in the 2010 account not disposed of in the last rebasing application?