

ONTARIO ENERGY BOARD

**IN THE MATTER OF the Ontario Energy Board Act, 1998,
5.0. 1998, c.15, 3 Schedule B, as amended (the “OEB Act”);**

**AND IN THE MATTER OF an application by Five Nations
Energy Inc. for an Order or Orders pursuant to section 78 of
the *Ontario Energy Board Act, 1998* approving or fixing just
and reasonable rates and other charges for the transmission
of electricity as of January 1, 2016.**

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
 (“ENERGY PROBE”)**

March 3, 2017

EB-2016-0231
FIVE NATIONS ENERGY INC. APPLICATION FOR 2016 TRANSMISSION RATES
INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION

Administrative/Executive Summary

1.0-Energy Probe-1

Reference: Exhibit 1, Tab 1, Schedule 1

Preamble: This Application is made in substantial accordance with Chapter 2 of the Board's *Filing Requirements for Electricity Transmission Applications*, dated February 11, 2016.

Please provide a Checklist relative to Chapter 2 of the TX Filing Guidelines.

1.0-Energy Probe-2 (See also 10.0- EP 13 & 14)

Reference: Exhibit 1, Tab 1, Schedule 1, Page 2

Preamble: FNEI has filed this Application for Rate Year 2016. It requests adjustments to the base transmission revenue requirement over the remaining four years of the IR period (ending December 31, 2020) by an inflation factor ("I"), a productivity factor ("X") and a stretch factor ("S").

Energy Probe would like to understand in more detail FNEI proposal(s) for setting rates in 2017-2020.

- a) Confirm whether in this proceeding (as opposed to a future application) FNEI is seeking specific OEB approval to set rates for 2017-20 by a Rate Cap Incentive Mechanism.**
- b) Please indicate whether, if the proposed IRM formula results in a deficit relative to the Revenue Requirement, how/will FNEI adjust rates (apart from general increases in the UTR due to Hydro One and Other Transmitters)?**
- c) Has FNEI considered if the proposed IRM Formula will provide adequate recovery of Capital Expense or whether an additional Capital Factor is required? Please Discuss.**

2. Transmission System Plan

2.0-Energy Probe-3

Reference: Exhibit 2, Tab 2, Schedule 1, Appendix I

- a) Please provide a profile (chart) of FNEI major assets by major asset category (Lines, Transformation etc.).**
- b) Indicate for each group how FNEI defines age of assets and end of life assets.**
- c) Please provide FNEI's forecast 2016 capital expenditures on Sustainment (replacing assets), Development (new assets) and Operations (assets to support operations).**
- d) Please provide a 5 year outlook for Capex by category for 2016-2020.**

3. Rate Base

3.0-Energy Probe-4

References: Revised Exhibit 1, Page 46, Table 1-6, Exhibit 2, Page 52

Preamble: FNEI Rate Base

- a) Please provide a Continuity Table Based in Exhibit 1-6 showing for 2015 and 2016 Capex, the In-service additions entering Rate Base in 2017.**
- b) For 2016 based on in-service date information, show Capex that will come in service and that flowing into later years.**
- c) Please provide the net in-service additions to Rate Base in 2016 and year end Rate Base.**
- d) Adjust the Return on Capital component of the 2016 Revenue Requirement to reflect actual In Service Additions (if material).**

4. Service Quality and Reliability

4.0-Energy Probe-5

References: Exhibit 4, Tab 1, Schedule 2, page 1; Table 4-1-2-A.

Preamble: FNEI uses its Customer Delivery Point Performance Standards ("CDPPS"), revised August 2008, to monitor service quality and reliability. CDPPS is comprised of two key metrics: (a) a System Average Interruption Frequency Index ("SAIFI"); and (b) a System Average Interruption Duration Index ("SAIDI").

- a) Please provide the period for the average DP System Reliability Indicators. TSAIDI and TSAIFI in Table 4-1-2-A
- b) Please add 2016 data to Tables/Charts 4-1-2-B to 4-1-2-E.
- c) Please indicate how many FNEI-related outages (SAIDI/SAIFI) were related to Hydro One and how many/duration were FNEI Outages.
- d) Has twinning of the HONIs Moosonee Line produced reduced outages in 2016?
- e) Does FNEI track other Reliability Indicators, as well as CDPPS, for example Worst Performing Circuits? If so, please provide historic Data for these.
- f) Does FNEI track Outage Cause Codes? If so, please provide historic data including the Weather event of 2015.

4.0-Energy Probe-6

Reference: Exhibit 4, Tab 1, Schedule 1, Page 1

Preamble: The OEB's *Filing Requirements for Electricity Transmission Applications* contemplates the establishment of a transmitter scorecard as a key element of performance measurement. To date, no transmitter scorecard has been developed – although FNEI is aware of (and has reviewed) the Proposed Scorecard recently submitted by Hydro One Networks Inc. ("HONI") as part of its current transmission rate application (EB-2016-0160).

- a) Please explain FNEI position on the merits of a TX Scorecard.
- b) Please explain why/why not tracking the 4 major components would assist FNEI and its customers.
- c) Is FNEI willing to prepare a draft TX Scorecard for discussion with its customers? If so, please file a copy.

5. Operating Revenue

5.0-Energy Probe-7

References: Exhibit 1, Tab 5, Schedule 18 / OEB Directive #1: Exhibit 1, Tab 5, Schedule 17; Exhibit 6, Tab 2, Schedule 3

- a) Please provide an Affiliate Relations Chart and 2016 Transfers.

- b) **Please provide the recent/updated Master Service-level Agreements (MSAs).**
- c) **Does FNEI Undertake non-regulated Businesses? If so, please describe these and provide a high level assessment of financial risks to the Regulated Utility Business.**

5.0-Energy Probe-8

Reference: Exhibit 1, Tab 1, Schedule 3

Please provide an Updated/Corrected Revenue Requirement Work Form in Excel Format and provide an email copy to Energy Probe and its Consultants.

5.0-Energy Probe-9

Reference: Exhibit 5, Tab 1, Schedule 3, Page 2 of 2 *Table 5-1-2-B*

- a) **Please indicate if the FNEI charge determinants for 2016 are based on the prior 3 year average, a customer projection for 2016 or both and the weighting applied to each to derive the numbers for each of Network, Line and Transformation.**
- b) **Will FNEI stay with the 2016 determinants or provide updated Forecasts for the IRM Period and if so, will these be filed with the Board?**

6. Operations, Maintenance, and Administrative Expense

6.0-Energy Probe-10

References: Exhibit 6, Tab 1, Schedule 1, *Table 6-2-1-A*

- a) **Please provide a list and Revenue Requirement impact of the major drivers of the 18% increase in OM&A for 2016 over 2015.**
- b) **Specifically provide a breakdown of major drivers for the increase in Operations costs from \$825,000 to \$1,267,800.**

6.0-Energy Probe-11

Reference: Exhibit 6, Tab 2, Schedule 2

- a) Please provide more detail on Positions, Payroll and Compensation:
 - An organization chart showing positions added since 2010, including date of hire
 - more detail on material salary/compensation changes in 2015/16, including specifically Executive Compensation.
- b) Please relate the changes/increases in Compensation to the increase in OM&A for each of 2015 and 2016.

7. Cost of Capital/Financial

7.0-Energy Probe-12

Reference: Exhibit 7, Tab 1, Schedule 1; *Tables 7-1-1-A & 7-1-1-B*; Tab 2, Schedule 1, p2

Preamble: To date, FNEI has re-invested all of its revenues back into its transmission business. However, FNEI may soon be in a position to be able to utilize some of its excess revenues (i.e., funds that would be considered “profit” if it were a for-profit corporation) to meet its other corporate objects.

- a) Please indicate FNEI’s *actual* capital structure, including Embedded Debt.
- b) Are the Term Loans fixed or variable rate? Please clarify.
- c) Confirm if FNEI is planning any new debt in 2017-20 or relying on its Lines of Credit.
- d) During the IRM period will FNEI accept OEB COC updates, or will it request relief, if its COC is higher than the OEB deemed/allowed?
- e) Please provide current Liquidity, Leverage ratios and EBITDA/Debt ratio
- f) Confirm FNEI has not paid dividends/shareholder payments. Based on the statement in the Preamble, please indicate future plans during IRM Period and indicate if these are contingent on the Board’s Decision regarding whether to allow FNEI to earn a Return on Equity (or similar excess above the RR).
- g) Please provide the Financial Statements for 2016 (Audited or Unaudited).
- h) Please provide, in tabular form, the Regulatory Net Income and actual (notional) ROE for the period 2010-2016.

8. Deferral and Variance Accounts

8.0-Energy Probe-13

Reference: Exhibit 10, Tab 1, Schedule 1, Page2

- a) **Please provide the draft accounting Order for the 2017 Z-Factor Deferral Account.**
- b) **How will FNEI Finance costs arising from major Z-factor events until recovery in rates?**

10. Incentive Rate Setting Plan

10.0-Energy Probe-14

References: Exhibit 6, Tab 5, Schedule 1, Page 1; Exhibit 10, Tab 1, Schedule 1, Page2

Preamble: As a threshold to establishing future Z-factor events, FNEI proposes to employ a materiality threshold of \$100,000. This materiality threshold (referred to in this section as the “Z-Factor Materiality Threshold”) is in excess of the materiality threshold of \$50,000 applicable to this Application (referred to in this section as the “Application Materiality Threshold” and set out in Exhibit 1, Tab 4, Schedule 1). The Z-Factor Materiality Threshold has been proposed in excess of the Application Materiality Threshold to comply with Section 2.8.12 of the *Filing Requirements for Electricity Transmission Applications*, dated February 11, 2016 (the “Filing Requirements”).

- a) **Is the Z factor intended, among other things, to allow for unexpected equipment failures? Please clarify scope of Z-factor criteria.**
- b) **Has FNEI considered a higher Threshold given its unique circumstances? Please Discuss.**

10.0-Energy Probe-15

Reference: Exhibit 10, Tab 1, Schedule 1

Preamble: This Application represents the first time that FNEI is proposing a multi-year incentive rate setting plan (“IR Plan”). In doing so, FNEI has had regard to the amended *Filing Requirements for Electricity Transmission Applications*, chapter 2, p. 5 (February 11, 2016). FNEI’s proposal is a revenue cap index proposal.

- a) Does FNEI accept that to date, the OEB has not approved an IRM for Transmission Companies?
- b) If FNEI is seeking OEB approval now for its proposed Rate Setting Mechanism to set rates in 2017-2020, what is FNEI's Position regarding a hearing or separate phase of this hearing?

11. Uniform Transmission Rates

11.0-Energy Probe-16

Reference: Exhibit 11, Tab 1, Schedule 1, Page 2

If Hydro One TX's requested 2017-20 revenue requirement(s) is/are not approved by the OEB as applied for, how will this affect FNEI's "ask" and 2016 and 2017 Revenue Requirements? Please Discuss.