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Ontario

BY E-MAIL

July 13, 2018

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

Dear Ms. Walli:

Re: PUC Distribution Inc. (PUC Distribution)
2018 Distribution Rate Application
OEB Staff Interrogatories
OEB File No.: EB-2017-0071

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

PUC Distribution's responses to interrogatories are due by August 9, 2018.

Yours truly,

Original Signed By

Andrew Frank
Project Advisor – Major Applications

Attach.

OEB Staff Interrogatories
2018 Cost of Service Rate Application
PUC Distribution Inc. (PUC Distribution)
EB-2017-0071
July 13, 2018

Exhibit 1 – Administration

1-Staff-1

Responses to Letters of Comment

Following publication of the Notice of Application, the OEB received four letter(s) of comment. Sections 2.1.6 of the Filing Requirements state that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-2

Updated RRWF

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF (version 7.02, issued July 14, 2017) in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. In completing the updated RRWF, please ensure that sheet 1 is completed. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), 12 (Residential Rate Design) and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet, and may

also be included on other sheets in the RRWF to assist understanding of changes.

1-Staff-3

Updated Bill Impacts

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption / demand levels (e.g. 750 kWh for residential, 2,000 kWh for GS<50, etc.).

1-Staff-4

Ref: Exhibit 1, page 26

Please provide all the communication between PUC Distribution, its Board of Directors and its shareholders from 2014 to 2017, regarding this rate application, and any material spending priorities included in this application, or considered for this application. Please explain how spending priorities were arrived at.

1-Staff-5

Ref: Exhibit 1, Appendix 4, PUC Distribution Scorecard

PUC Distribution has failed to meet its Serious Electrical Incident Index target in two of the five years on its scorecard (2012 and 2014).

a) Please describe any measures PUC Distribution has taken or is taking to improve these results.
b) Please provide the 2017 performance for all scorecard measures available.

1-Staff-6

Ref: Exhibit 2, Appendix 2, PUC Distribution Inc. Distribution System Plan, p. 98
http://www.saultstar.com/2018/07/06/sault-puc-touts-smart-grid-project
http://www.saultstar.com/2018/07/09/council-unanimously-approves-smart-grid

In the first reference, PUC Distribution states that it is exploring a large scale 2 – 3 year smart grid project. It also states that “It is anticipated that PUC Distribution would be utilizing the Incremental Capital Module process for this project should

the analysis and financial feasibility criteria, including the “no net bill increase” be achieved”.
The first article referenced states that:

> The project will cost a total of $32,751,469. Brewer said that PUC is almost positive that they will be receiving $14,340,000 in federal and provincial government funding to subsidize the project, meaning that they will only require $18,501,469. PUC will present the project to city council Monday to gain their approval so it can begin installation.

The second article referenced states:

> Coun. Susan Myers, who asked about Smart Grid’s cost to citizens, was told that neither taxpayers nor electricity users would face any charges or experience any increase in fees from the development and construction of Smart Grid. All they would notice would be a small, 11 cent reduction in their monthly bills and a more reliable system that would drastically reduce CO2 emissions within the city, to the tune of 2,804 tonnes annually.

a) Please confirm or correct the amounts quoted.
b) Please confirm that both references refer to the same project, or clarify what each project entails
c) Please clarify which entity or entities will be responsible for investing the remaining $18,501,469, and the amounts to be invested by each if the cost is to be shared.
d) In the event that the project costs more or less than forecasted, which entity or entities will be responsible for the variance? If applicable, how will this be apportioned?
e) Has PUC Distribution prepared any forecasts of the ongoing implications for Operation and Maintenance in terms of operating and maintaining the smart grid investment as well as any impacts on operating and maintaining other utility assets. If so, please provide, if not, why not?
f) If the $18,501,469 is to be funded by PUC Distribution rate payers, please confirm that PUC Distribution will be applying to the OEB for approval of this project through a separate application to the OEB prior to any amounts being spent.
g) Has this project been ranked against other projects in the forecast period?
h) Please explain how PUC Distribution anticipates achieving a no net bill increase when applying of an ICM.
i) Has PUC Distribution considered any opportunities for the smart grid to defer or replace investment in other capital assets?

j) Has PUC Distribution carried out any customer engagement with respect to this project?

1-Staff-7

Ref: Chapter 2 Appendices – Appendix 2-BA
Exhibit 1 – Appendix 6 – Audited Financial Statements

The cost, accumulated depreciation, depreciation charge, and net book value of capital assets in the 2016 historical year audited financial statements do not agree to the values included in Appendix 2-BA. These discrepancies are noted below. As a result, the 2018 test year rate base and 2018 test year depreciation values may be overstated/(understated).

	Appendix 2-BA	**Audited Financial Statements - 2016**	**Difference**
Property, Plant and Equipment			
Cost – Balance December 31, 2016	$101,126,227	$101,485,749	($359,222)
Accumulated Depreciation – Balance December 31, 2016	$10,213,863	$12,072,523	($1,858,660)
Net Book Value – Balance December 31, 2016	$90,912,364	$89,413,226	$1,499,138
Depreciation Charge - 2016	$3,543,991	$4,202,174	$658,183

a) Please explain and reconcile the differences noted above.
b) Please update, as required, the historical, bridge, and test year cost, accumulated depreciation, and depreciation charge amounts included Appendix 2-BA so that these amounts reconcile to the Audited Financial Statements as appropriate. Please update other evidence as required to address this discrepancy.

Exhibit 2 – Rate Base

2-Staff-8

Impact of Customer Preferences

Ref: Exhibit 1, Appendix 5, Page 17
Exhibit 2, page 422

Chapter 5 of the Filing Requirements states, “A DS Plan filing must demonstrate that distribution services are provided in a manner that responds to identified customer preferences.”

The applicant plans to upgrade Substation 16 from 15 MVA of capacity to 26.6 MVA of capacity at a cost of $3.9 million. PUC Distribution has experienced, and projects declining demand. At the same time, customer feedback indicates that customers are not willing to pay more for improved reliability. Please explain how the project reflects customer preferences identified through customer engagement.

2-Staff-9

Ref: Exhibit 2, pages 13-14

In 2014, the value of account 1830, Poles, Towers and Fixtures reflects $1,010,215 of work completed for the Bell Alliant Fiber to Home Project.

a) Please provide any economic evaluations performed for this project, as well as details on expenditures in each year, and capital contributions received.
b) Please detail any benefits to rate payers to support any remaining costs incurred by PUC Distribution.

2-Staff-10

Ref: Exhibit 2 – Rate Base Appendix 1 – Fixed Asset Continuity Schedules
Chapter 2 Appendices – 2-BA Fixed Asset Continuity Schedule
Chapter 2 Appendices – 2-H Other Operating Revenue
Chapter 2 Appendices – 2-C Depreciation Expense

Under the rules of the Accounting Procedures Handbook (APH), Article 220, amounts relating to capital contributions are to be included in Account 2440 – Deferred Revenues. Amounts recognized in this account are to be amortized to income over the useful life of the related property, plant and equipment by

debiting this account and crediting Account 4245 - Government and Other Assistance Directly Credited to Income.

a) Please explain why the applicant has continued to record amounts in USoA 1995 subsequent to IFRS adoption, rather than recording Contributions and Grants in Deferred Revenue Account 2440 and amortizing the associated revenue to Account 4245.
b) Please revise the Chapter 2 Appendices where applicable, including tabs 2-BA, 2-H, and 2-C, to comply with APH reporting rules with respect to capital contributions and update any other applicable areas of the application affected by this change.

2-Staff-11

Ref: Chapter 2 Appendices – 2BA Fixed Asset Continuity Schedule

a) Please confirm that there are no amounts recognized in capital assets or rate base with respect to the costs of any decommissioning liabilities associated with capital assets.
b) If there are any costs pertaining to decommissioning liabilities included in capital asset values or rate base, please quantify these amounts for the historical, bridge, and test years and provide an analysis for which elements of property, plant and equipment these obligations relate to.

2-Staff-12

Ref: Exhibit 2, pages 90-92, 172-173, 410-413

PUC Distribution states that the demand for new services has been flat over the historical period and that there hasn't been significant growth in the region's population over this same period. PUC Distribution also states that this trend is expected to continue during the period covered by the DSP.

a) Please provide details for how the 2018 System Access forecasts for new subdivisions, new services and upgraded services to meet customer needs was calculated.
b) Please provide the 2012 – 2017 annual System Access spending for new and upgraded services.
c) Please provide the 2012 – 2017 annual System Access spending for new subdivisions.
d) Please provide the net average cost per connection for new services added during the historical period.

2-Staff-13

Ref: Exhibit 2, pages 91, 103

PUC Distribution states that before preparing this DSP, it consulted with stakeholders. PUC Distribution also states that the highest priority concern from almost all customer engagement activities is the high cost of electricity bills and an increasing worry over affordability. PUC Distribution states that one of the DSP outcomes is to maintain electricity distribution rates at affordable levels

a) How has PUC Distribution determined that the DSP will result in rates that are at affordable levels?
b) What was the percentage of PUC Distribution customers consulted through the customer engagement activities?
c) Were the stakeholders consulted on the specific material projects proposed to be undertaken in the forecast period?
d) Were the stakeholders consulted on the final version of the DSP?

2-Staff-14

Ref: Exhibit 2, page 95

The DSP indicates that Substation 14 is no longer in service.

Please confirm that the two power transformers for Substation 14 are no longer in service and if so, please correct Figure 4-3 to indicate that.

2-Staff-15

Ref: Exhibit 2, pages 95, 178, 201

PUC Distribution states that 2 distribution stations are to be replaced during the forecast period. Station 16 has been identified as one of the stations.

Please identify which is the other station to be replaced during the forecast period and in which year.

2-Staff-16

Ref: Exhibit 2, page 96

PUC Distribution states it has a “planned pole” replacement program for 30 poles per year. PUC Distribution also has a number of other projects (i.e. line rebuild, conversion, etc.) that may result in poles in “poor” and “very poor condition” being replaced as part of that specific project.

For each of the projects in the forecast period, please provide the number of poles in Poor or Very Poor condition that are expected to be replaced as part of those projects.

2-Staff-17

Ref: Exhibit 2, page 97, 100, 418, 420

PUC Distribution states that the DSP includes funding to perform emergency repairs and refurbishment upon line failures in service. PUC Distribution also states that emergency repair costs are expected to accelerate during the forecast period.

a) Please provide the annual historical spending for emergency repairs for line failures in service.
b) Please provide emergency repair costs for each of the forecast 2019 – 2022 forecast years in the material project sheets

2-Staff-18

Ref: Exhibit 2, page 98

PUC Distribution states that the entire motor vehicle fleet used for operations is owned by PUC Distribution's non-regulated affiliate services company PUC Services Inc.

Please provide the business case for lease of vehicles through PUC Distribution's affiliate.

2-Staff-19

Ref: Exhibit 2, page 99, 100

PUC Distribution states that cost savings will be achieved through capital deferrals and avoided power interruptions. PUC Distribution states that it is unable to quantify the customer savings due to capital deferrals and also from avoided power interruptions at this time because customer reliability valuation surveys have not been performed. PUC Distribution also states that emergency repair costs are expected to accelerate during the next five years.

a) Please advise if PUC Distribution has undertaken or reviewed any existing studies, papers, etc. done by other distribution utilities on the cost of outages to customers. If so, what were the conclusions of these reviews?

b) If applicable, please provide examples of cost savings due to improvements in existing performance and processes rather than just capital deferral.
c) Please explain how there will be cost savings through avoided power outages if emergency repair costs are expected to accelerate during the next five years?

2-Staff-20

Ref: Exhibit 2, page 101

PUC Distribution states that better quality and more extensive asset condition data has been collected over the past five years.

Please explain what processes and actions were taken to provide improved data collection.

2-Staff-21

Ref: Exhibit 2, page 112-113

PUC Distribution states that it measures and monitors safety related to its infrastructure and operations with the objective of minimizing the risk of accidents and injuries. Table 5 summarizes PUC Distribution‘s safety performance over the historical period.

a) Please provide summary details of each of the General Public Incidents noted in Table 5. What was the root cause that resulted in each incident?
b) What, if anything, was changed in PUC Distribution’s planning and operations as a result of lessons learned from these incidents?

2-Staff-22

Ref: Exhibit 2, pages 118, 194

Tables 7 and 26 provide comparisons of Budget to Actual spending for the 2012 – 2016 historical period.

Please update both tables to show actual capital spending in the 2017 bridge year.

2-Staff-23

Ref: Exhibit 2, page 119

Section 2.3.5.1 of the DSP describes the capital actual vs budget spending variances during the historical period. A number of variances in the System Access category seem to result from “unplanned” needs from third party telecoms, municipal road reconstruction projects requiring PUC Distribution infrastructure relocation, etc. PUC Distribution has noted that it has implemented proactive project management to improve internal resource planning and project management on capital projects to address unplanned third party needs.

> What has changed in the external consultation process to address these types of information gaps before they become an internal resource allocation problem?

2-Staff-24

Ref: Exhibit 2, page 123-124

PUC Distribution states that it continues to implement productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements.

> Please provide quantitative and qualitative details of the “productivity and improvement initiatives” mentioned above.

2-Staff-25

Ref: Exhibit 2, page 124-125

Figure 4 provides Total Cost per km for the 2012 – 2016 historical period. PUC Distribution also states that the target for this metric in 2018 is $30,274.

> What was the PUC Distribution total cost per km in 2017?

2-Staff-26

Ref: Exhibit 2, pages 130 - 131

PUC Distribution has calculated and verified the CDM program peak demand impacts for the 2010 – 2014 period.

a) Please confirm this is winter peak demand savings.
b) What is the expected CDM impact on winter peak demand for the forecast period?

2-Staff-27

Ref: Exhibit 2, page 133

PUC Distribution states that one of its core values is to be Innovative, specifically that in order to succeed in advancing a climate of innovation PUC Distribution must seek out new approaches or technologies and apply ingenuity and creativity when confronting challenges. One area of challenge is determination of remaining cable life. A number of utilities, such as Energy Ottawa, are looking at additional methods, besides age, of determining remaining cable life.

Please explain why, in consideration of its core value on Innovation, PUC Distribution has not looked at any additional methods for determining remaining cable life?

2-Staff-28

Ref: Exhibit 2, pages 133-135, 177-181

PUC Distribution has provided Corporate Goals, Asset Management Objectives, and Investment Prioritization information in Section 3.1.1. PUC Distribution has also provided "refinement criteria" to rank projects in Section 4.1.1.

a) How do the Corporate Goals, Asset Management Objectives, and Investment Prioritization information in Section 3.1.1 align with the Renewed Regulatory Framework objectives?
b) What is the relationship between the "ranking" criteria used to prioritize investments in section 4.1.4 and the "ranking" of strategic and tactical objectives in section 3.1.1?
c) Please explain why mandated obligations (i.e. connection of renewable generation) are ranked lower for investment purposes than other non-mandated objectives?
d) Is it the intent to change the relative ranking with changes to the proposed investment portfolio? If so, how does this provide any consistency of application of PUC Distribution's tactical objectives to its strategic goals?

2-Staff-29

Ref: Exhibit 2, page 134

PUC Distribution states in Table 14 that the Strategic Goal for Customers is to achieve an A+ rating.

How does this correspond to the performance metrics being tracked in section 2.3.2 of the DSP?

2-Staff-30

Ref: Exhibit 2, pages 140

PUC Distribution states that customer engagement sessions were held under the direction of the Customer Engagement and Business Development division to receive feedback and determine customer preferences for service quality level and retail rate escalation. This information was employed by the Finance and Corporate Support division, to establish the overall spending envelope to be applied to the four investment categories.

What are the overall capital spending envelopes that were established for each of the 2018 – 2022 forecast years?

2-Staff-31

Ref: Exhibit 2, pages 148, 236 – 243, 265, 266

The Asset Condition Assessment report, performed by Metsco, provided a methodology for assessing the condition of various assets and identified a number of power transformers and station switchgear with Poor and Very Poor Health Indexes.

Please provide the detail calculations of Health Index for the individual transformers and stations.

2-Staff-32

Ref: Exhibit 2, page 154, 155

PUC Distribution states that 25% of underground cable operating at 34.5kV and 12.5kV has been assessed as being in “poor” condition primarily due to age information.

a) Please provide an outage history for all underground cable rated as being in poor condition.
b) Please confirm the asset condition status (Good, Fair, etc.) of cables aged 30 – 40 years as shown in Figures 20 and 21.

2-Staff-33

Ref: Exhibit 2, pages 167, 270

PUC Distribution states that poles are tested and inspected on a 7 year cycle. PUC Distribution states that it has an on-going non-destructive pole testing program since 2003.

Please provide the details of the non-destructive pole methods used to test the poles.

2-Staff-34

Ref: Exhibit 2, pages 170 – 171, 293, 488

PUC Distribution states that vegetation growth around distribution system lines is managed on a 4-year cycle. This is a change from the previous 3 year cycle. PUC Distribution states that it has extended this program to a four-year cycle to reduce costs annually. PUC Distribution also states that all customer requests for tree related issues are tracked as Customer Service Orders through the Customer Information System.

a) Please provide the historical and forecast annual costs for the vegetation management program.
b) Does the vegetation management program consider the impact of climate change on line clearances and cycles?
c) What is PUC Distribution's policy with respect to line clearing on customer property?

2-Staff-35

Ref: Exhibit 2, pages 177, 181, 184

PUC Distribution has defined a number of investment planning objectives.

a) What is the relationship between the investment planning objectives in section 4.2.1 and the criteria to prioritize investments in section 4.1.4?
b) How are these incorporated into Table 23?

2-Staff-36

Ref: Exhibit 2, page 179, 408-445

The PUC Distribution DSP provides material project details only for the 2018 test year. Chapter 5 of the filing requirements states that the DSP must include information on prospective investments over a minimum five year forecast period, beginning with the test year.

a) Please amend Table 22 of the DSP and provide details on all material capital expenditures for the 2019 – 2022 forecast period.
b) Please expand Appendix G to provide details for all projects exceeding the materiality threshold in the 2019 – 2022 forecast period.

2-Staff-37

Ref: Exhibit 2, page 199

PUC Distribution states that over the historical period there has been a mean annual increase of 0.4% in O&M expenditure. Forecast O&M expenditures contain an annual inflationary increase of 1.5%.

Please explain why the historic O&M expenditure rate of 0.4% annually is not appropriate for the forecast period.

2-Staff-38

Ref: Exhibit 2, page 265

PUC Distribution states that a number of station transformers have “undergone rehabilitation of the coil”.

What is meant by rehabilitation? Have the transformers been rebuilt?

2-Staff-39

Ref: Exhibit 2, page 276-277

PUC Distribution states that vast majority of the cables installed prior to 1990 were installed in direct buried configuration.

Please confirm that all underground cable installed since 1990 is installed in duct.

2-Staff-40

Ref: Exhibit 2, page 288

PUC Distribution states that the five-year investment plan includes budgetary provision for testing suspect distribution transformers for PCB content. PUC Distribution also states that “Current PCB regulations in Canada permit the use of distribution transformers containing PCB content in oil of up to 50 parts per million and this use can continue up to December 31, 2025. All distribution transformers must be below 50 parts per million after December 31, 2025.”

a) Please confirm that current PCB regulations in Canada permit the use of distribution transformers containing PCB content in oil of up to 500 parts per million and can continue up to December 31, 2025.
b) Has PUC Distribution undertaken any PCB transformer testing in the past?

2-Staff-41

Ref: Exhibit 2, page 414

PUC Distribution forecasts the 2018 System Access spending for Joint Use to be $97,153 net of capital contribution.

a) Please provide details for how the System Access forecasts for “make-ready work”, related to joint use applications by 3rd party telecommunications companies was calculated.
b) Please provide the 2012 – 2017 annual System Access spending for “make-ready work”.
c) Please provide examples of PUC Distribution “make-ready work” costs that are offset by capital contribution from 3rd party telecommunication companies and costs that are retained by PUC Distribution.

2-Staff-42

Ref: Exhibit 2, pages 416, 93

PUC Distribution forecasts the 2018 System Access spending for line relocations required in conjunction with municipal road reconstruction programs to be $224,305 net of capital contribution.

a) Please provide details for how the System Access forecasts for line relocations was calculated.
b) Please provide the 2012 – 2017 annual System Access spending for line relocations.
c) Please provide a listing of all road programs that will require line relocations as identified in the City’s 5 year development plan.

2-Staff-43

Ref: Exhibit 2, pages 426

PUC Distribution states that it has overhead infrastructure as joint use on 3350 poles owned by Bell.

What mechanisms are in place to determine the adequacy of Bell poles to safely and reliability support PUC Distribution assets?

Exhibit 3 – Operating Revenues

3-Staff-44

Ref: Exhibit 3, page 10.

PUC Distribution states that:

> The regression model uses monthly kWh and monthly values of independent variables from January 2003 to December 2016 to determine the monthly regression coefficients.

a) Please update the load forecast to include 2017 as a historic (actual) year.
b) Did PUC Distribution attempt a regression with fewer, e.g. ten years?
c) Did PUC Distribution take any steps to validate that the earliest years still have predictive value in forecasting load for a prospective test year?
d) If the answer to part b) and c) is no, please run a load forecast with 10 years of historic data as a scenario.

3-Staff-45

Ref: Exhibit 3, pages 10-15.

PUC Distribution did not identify that a trend variable, nor an indicator of economic activity such as GDP or employment were attempted.

a) Please explain why neither a trend nor an indicator of economic activity were included in the model.
b) Please prepare a load forecast including a trend variable as a scenario. Please set the value of the trend variable to one in January 2003, increasing by one each month, reaching 180 in December 2017. If any of the current variables are no longer statistically significant as a result of including the trend variable, please remove those variables.
c) Please prepare a load forecast with a GDP or employment indicator of economic activity in Ontario. If any of the current variables are no longer statistically significant as a result of including the trend variable, please remove those variables.
d) If the results under the above scenarios show an improved R squared compared to that provided in the evidence, please provide a revised load forecast on that basis.
e) Please provide the output and model in Excel and PDF formats.

3-Staff-46

Ref: Exhibit 3, pages 19-24

PUC Distribution has used data for the period January 2003 to December 2016 in the regression analysis. The regression result has been used to prepare the load forecast.

a) Please confirm whether PUC Distribution tested the accuracy of its forecast and if yes, please explain how the accuracy was tested.
b) Please compare the actual load for 2017 to the forecast for 2017.
c) Please compare the actual load for 2017 to a model prediction of 2017 using known actual explanatory variables for 2017.

3-Staff-47

Ref: Exhibit 3, page 6

PUC Distribution states that:

> The historical connection values for street lights have been measured as devices but the 2017 and 2018 forecast has been changed to connections to be consistent with the 2017 rate order for PUC Distribution (EB-2016-0102).
>
> Please indicate where PUC Distribution was instructed to charge on a per connection basis, rather than the more typical per device (light) basis.

3-Staff-48

Ref: Exhibit 3, page 42
Appendix 2-H

Account 4080-2 – SSS Revenue is forecasted at $105,000 for 2017 and 2018 after operating in a range of $118,839 (2016 Actual) to $121,349 (2015 Actual) for the years 2013-2016. Account 4235 – Miscellaneous Service Revenues are forecasted at $170,100 for 2017 and 2018 following 2018 actual revenue of $316,019. Account 4325 is forecasted at $80,000 for 2017 and 2018 after 2016 actual revenue of $229,685. With respect to Specific Service Charges, PUC Distribution states:

> Specific Service Charges in 2017 are 46% ($145,919) less than 2016. Collection fees are projected to be $120,000 under prior year as a result in

a change to collection processes. By utilizing an automated call system, PUC Distribution has substantially reduced the number of collection visits to customers' premises, therefore is no longer charging a collection charge in these circumstances.

a) Please provide an update of Table 3-39 and Appendix 2-H with actual results for 2017.
b) Please explain the reason for the reduction in account 4080-2 – SSS Revenue.
c) Is the automated call system reflected in the reduction in account 4235 – Miscellaneous Service Revenues?
d) If the answer to part c) is no, please explain the cause of the reduction in Account 4235.
e) If the answer to part c) is no, please explain which account is impacted by the automated call system.
f) Please explain the reason for the reduction in account 4325 – Merchandising.

3-Staff-49

Ref: Appendix 2-I
Appendix 2-R

The proposed loss factor has been entered as 1.0489%. In Appendix 2-R the proposed loss factor is shown as 1.0481, which is 4.81%.

Please revise Appendix 2-I to reflect the proposed loss factor.

Exhibit 4 – Operating Expenses

4-Staff-50

a) Please refile Appendices 2-JA, 2-JB, 2-JC, 2-K, and 2-L using 2017 actuals and compare to 2016.
b) Please explain any variances between the 2017 actual and forecasted amounts.

4-Staff-51

Does PUC Distribution have any major OM&A programs wrapping up in the test year or IRM period? If so, please describe.

4-Staff-52

Ref: Exhibit 4, page 28
Appendix 2-D

PUC Distribution used categories of Material, Engineering, Trucking, Supervisory in competing Appendix 2-D, rather than the standard categories including employee benefits, costs of site preparation, professional fees, costs of opening a new facility, etc.

a) Please explain why PUC Distribution provided an alternative breakdown of capitalized OM&A.
b) If possible, please provide a breakdown using the standard Appendix 2-D categories as applicable with any additional categories as required.

4-Staff-53

Ref: Exhibit 1, page 14-15
Exhibit 4, page 30
Appendix 2-JC
EB-2012-0162, Decision and Rate Order, July 4, 2013, page 2

In a PUC Distribution's previous cost of service application, an amount of $100,000 per year, for a total of $400,000 was to be used for productivity initiatives. PUC Distribution states that it was used for:

- Productivity Improvement Project led by the consulting firm Focused Management Resources (FMR)
- Interactive Voice Response (IVR) system
- Upgraded Telephone System
- Automated Vehicle Locator (AVL)
- Mobile Work Orders (MCare)
- Time of Use Data Usage
- Website Refresh
- Ontario One Call implementation
- Customer Connect implementation
- Server virtualization
- Computer auto shutdown
- CIS software upgrade (CARE)

PUC Distribution states that the IVR system "is used collection of accounts in place of sending a field service rep", and "has resulted in reduced collection

charges". However, customer collections costs have increased in every historic year from $280,607 in 2013 (Actual) to $341,961 in 2016 (Actual), and $351,309 is projected for 2018.

a) Please explain why the collections costs are increasing and projected to continue to increase despite the impact of the IVR?
b) Is PUC Distribution proposing that any proportion of its current OM&A budget be used for productivity initiatives?
c) If PUC Distribution is not proposing to continue to spend $100,000 of OM&A per year on productivity, please indicate which accounts have been reduced to account for the reduction in spending.

4-Staff-54

Ref: Exhibit 4, page 32

PUC Distribution states that it "fell behind processing bad debts in 2014 and 2015, but made a concentrated effort in 2016 to bring write-offs up to date."

a) How does PUC Distribution determine when a debt is bad, and write it off?
b) What measures does PUC Distribution take to limit exposure to bad debts, and at what times are those measures taken?
c) Did PUC Distribution delay implementing any measures to manage bad debt losses in the 2013-2017?
d) If the answer to part c) is yes, please indicate by year and rate class, on average, the estimated amount of delay in days or percent.
e) Do the bad debt losses in 2013 and 2017 actual (as updated per 4-Staff-50) reflect a steady state for those years? I.e. were write-offs up to date at the beginning and end of those years?

4-Staff-55

Ref: Exhibit 4, page 32

PUC Distribution states that it "is required to change existing non interval meters for customers that are >50 kW which will increase MIST meter reading/communication costs by approximately $50,000 per year."

a) How many General Service > 50 kW customers does PUC Distribution have that require new meters and meter reading?

4-Staff-56

Ref: Exhibit 4, page 32

PUC Distribution states that postage is responsible for $44,000 of the increase in 2018 proposed from 2016 actual.

a) What was the average postage rate PUC Distribution paid in 2016?
b) What is the postage rate PUC Distribution expects to pay in 2018?
c) What steps is PUC Distribution taking to convert customers to electronic billing?
d) What proportion of customers used electronic billing in 2016, and what proportion of customers are expected to use electronic billing in 2018?

4-Staff-57

Ref: Exhibit 4, pages 33, 47
Chapter 2 Appendix 2-M

PUC Distribution states that the regulatory costs in the test year have increased $120,000 since last rebasing as a result of "regulatory consultant fees to assist with the cost of service rate application". Since costs related to this cost of service application should be amortized over 5 years, this implies consulting costs exceed the costs of the 2013 cost of service by $600,000 for this reason alone. Appendix 2-M indicates that a total of $665,800 in one-time consultant's costs are required between the bridge year and test year. On-Going consultant's costs are forecasted to be $106,816 in 2018. In addition, a Regulatory Assistant position was added, resulting in an increase of 0.72 FTE in 2018 vs 2017.

a) Please provide details of the consulting costs in 2017 and 2018 by assignment and consultant and provide the rationale.
b) When was the new regulatory analyst hired or when does PUC Distribution anticipate hiring the new regulatory analyst?
c) Is the new regulatory analyst a net addition to head count, or does PUC Distribution expect to return to former regulatory staffing levels at some point in the future?
d) Why does PUC Distribution need to incur both increased employee costs and increased consulting costs in preparing the cost of service application?

4-Staff-58

Ref: Exhibit 4, page 33

PUC Distribution states that building costs have increased $228,508 since the last rebasing application. Of this, janitorial costs have increased by $20,000, utilities have increased $135,000, property taxes have increased $224,000, and internal labour costs to service the building have increased $69,000. This is partially offset by $106,000 due to an increased allocation of building costs to stores operations, and a reduction of $110,000 due to not incurring costs for the former administrative building.

a) Please provide annual costs from 2013 approved to 2017 actual and 2018 proposed for janitorial, utilities, property taxes, and internal labour to service buildings for both the current building, and the former administrative building.
b) Please explain any significant drivers for the variances.

4-Staff-59

Ref: Exhibit 4, page 39
Appendix 2-K

PUC Distribution has proposed a material 20% increase in employee total compensation for the test year relative to the 2013 approved levels. This is despite a reduction in total headcount from 87 in 2013 approved to 84 in the 2018 test year.

The average total compensation per employee has increased from $93,057 approved in 2013 to $115,300 proposed for 2018. This represents an average increase of 4.4% per year.

a) What additional value is brought to the consumer for this increase in compensation?
b) Please provide specific information on why the proposed cost increases are necessary for the applicant to achieve the objectives that the applicant has targeted in the capital and operating expenditure sections of its application, and the alternative methods for achieving these objectives that were considered and rejected in favour of the proposed compensation increases.

4-Staff-60

Ref: Exhibit 4, pages 47-50

PUC Distribution has not indicated that undertook any relevant studies of its proposed increases in non-management compensation on the basis of compensation benchmarking, or any other external comparators, and appears to have justified its proposed increases solely on the basis of its anticipated needs without any specific reference to any external comparators. Please explain what analyses and data the applicant has used to derive its proposed compensation per headcount for the bridge and test years.

4-Staff-61

Ref: Exhibit 4, pages 51-57
Appendix 2-N

PUC Distribution was allocated 56% of the billing, collections, and customer service costs from PUC Services in 2013 Approved. In 2018 proposed, the allocation of collections from PUC Services to PUC Distribution increased to 74%, while billing and customer service remained at 56%. PUC Distribution indicates that all three expense categories are allocated based on the number of customers.

a) Please explain the apparent inconsistency.
b) Please quantify customer counts, labour related effort, and proportions of building utilized supporting the allocators in table 4-35 on page 57.

4-Staff-62

Ref: Appendix 2-L
2016 Yearbook of Electricity Distributors

The applicant's OM&A expense per customer is at the upper range, when compared to other similar utilities. Further, the proposed future OM&A reflects an average annual increase of 3.7% compared to 2013 Approved.

a) Please outline the outcomes and higher level of services that customers will receive for the relatively higher rates they are paying.
b) Please identify any customer engagement that supports the further increases proposed in this application.

c) Please provide the analysis that was performed to assess whether this applicant's planning decisions reflect best practices of Ontario distributors.
d) Please identify any initiatives considered and/or undertaken by the applicant, including any analysis conducted, to optimize plans and activities from a cost perspective, for example, balancing cost levels of OM&A versus capital.

4-Staff-63

Ref: Exhibit 4, Appendix 7, page 7
Tab 8 of the LRAMVA work form

PUC Distribution applied for a debit balance of $475,677 in lost revenues associated with new CDM program savings between 2013 and 2016. The LRAMVA includes persisting savings from 2011 and 2012 CDM programs in 2013, 2011-2013 CDM programs in 2014, 2011-2014 CDM programs in 2015, and 2011-2015 CDM programs in 2016. Projected carrying charges up to April 2018 were included in the LRAMVA. Actual conservation savings were compared against PUC Distribution's forecasted conservation savings of 9,399,060 kWh included in the load forecast, which was set out in PUC Distribution's 2013 cost of service application.

As part of the LRAMVA, there was $61,398 in demand savings from streetlight projects, which represents approximately 13% of the total LRAMVA claim.

a) Please confirm that 91,702 kWh of savings in 2015 and 3,310,019 kWh of savings in 2016 were determined by the IESO to be attributable to the municipal streetlighting project.
b) Please confirm the conversion factor to adjust the energy savings to demand savings for the streetlighting project.
c) Please confirm that the monthly streetlighting savings was based on the Board approved load profile for streetlight customers from the last cost of service application. If it is not based on a Board approved load profile, please explain how the monthly breakdown of the streetlight savings was determined.
d) A net-to-gross ratio of 0.86 appears to be confirmed by the IESO to deduct free riders from the 2015 gross energy savings for the municipal streetlighting project (cell K27).
    i. Please explain the rationale for applying a net-to-gross ratio of 0.84 against the 2015 demand savings.
    ii. Please confirm how the net-to-gross ratio of 0.84 was calculated.

e) A net-to-gross ratio of 0.83 appears to be confirmed by the IESO to deduct free riders from the 2016 gross energy savings for the municipal streetlighting project (cell K28).
   i. Please explain the rationale for applying a net-to-gross ratio of 0.82 against the 2016 demand savings.
   ii. Please confirm how the net-to-gross ratio of 0.82 was calculated.

4-Staff-64

Ref: Exhibit 4, Page 87 of 100
Table 6 (Tab 6) of the LRAMVA work form

In the application, PUC Distribution stated that interest rates from the present to April 2018 were assumed to remain constant.

Please update Table 6 (Tab 6) with the Board-approved prescribed interest rates for Q4 2017, Q1 2018 and Q2 2018.

4-Staff-65

Ref: Exhibit 4, Table 4-59, Page 88 of 100
Tab 6 of 2018 DVA Continuity Schedule

In Table 4-59 of Exhibit 4, it shows that the proposed LRAMVA balance did not generate rate riders for any customer classes. The proposed LRAMVA rate riders do not appear to be consistent with the LRAMVA rate riders calculated in Tab 6 of the DVA Continuity Schedule.

Please confirm that the LRAMVA rate riders included in Tab 6 of the DVA Continuity Schedule are the correct rate riders resulting from the disposition of the LRAMVA balance.

4-Staff-66

Ref: Table 4-b (Tab 4) of LRAMVA work form

In Table 4-b, it appears that the 2012 savings adjustments for the Home Assistance Program were applied only to the 2012 year but not to future years (row 23).

Please confirm whether PUC Distribution will include the persistence of the energy and demand savings adjustment for the Home Assistance Program beyond the first year in which the savings were impacted. If yes, please adjust Table 4-b accordingly.

4-Staff-67

Ref: Table 5-a (Tab 5) of LRAMVA work form

For four legacy CDM programs implemented in 2015, the IESO verified savings adjustments for 2015 were not included for the 2015 year. These four legacy programs in Table 5-a included the Coupon Initiative (program 1), Bi-Annual Retailer Event Initiative (program 2), HVAC Incentives Initiative (program 3) and the Efficiency: Equipment Replacement Incentive Initiative (program 7). It appears that the persistence of the savings adjustments were applied in 2016 and beyond, but not in 2015.

a) Please discuss the rationale for not including the 2015 savings adjustment in the 2015 year.
b) If PUC Distribution determines that it is appropriate to include the 2015 savings adjustment in the 2015 year for the four programs discussed, please make the adjustments in the LRAMVA work form.

4-Staff-68

a) If PUC Distribution has made any changes to the LRAMVA work form as a result of its responses to interrogatories, please file an updated LRAMVA work form.
b) Please confirm the updated LRAMVA balance and LRAMVA rate riders by customer class.
c) Please re-file the following documents that were confirmed by PUC Distribution to be uploaded onto the RESS portal:
    - Final-Verified-2016-Annual-LDC-CDM-Program-1 Results-Resport-PUC2 Distribution-Inc-20170630.xlsx
    - 2011-2014 Final Results Report_HCPUC Distribution Inc.xlsx
    - PUC Persistence 2011-2013.xlsx
    - PUC 2014 Persistence June 15-2006.xlsx

4-Staff-69

Ref: Exhibit 4 – Table 4.19 OPEBs
Exhibit 4 Other Post-Employment Benefits

Page 50 of Exhibit 4 states:

> PUC Services recovers their OPEB costs based on the accrual method. This method recognizes the cost of OPEBs as an employee's service is rendered and the benefit is earned. PUC Distribution's shared portion of

the accrued amount is allocated as an overhead on direct labour on an annual basis. As such, PUC Distribution's obligation for OPEBs is treated similar to pension funding where there is no future obligations.

OEB staff seeks further clarification regarding pension and Other Post-employment Benefits (OPEBs) amounts included in rates and the accounting for these amounts.

a) Please confirm if the amounts included in rates include an annual actuarial adjustment. If so, please quantify the amounts included in rates (separately for OM&A and Capital Expenditures) with respect to annual actuarial adjustments.
b) If PUC Distribution's cost for OPEBs is based exclusively on employees' services being rendered and benefits earned, and contains no adjustments for future obligations based on changes in actuarial assumptions, please explain why OPEB costs allocated to OM&A and Capital in 2014 are shown as negative amounts?
c) For each of 2016, 2017 and 2018, please provide a table with the following information:
    i. Total cost of OPEBs accrued for PUC Services Inc.,
    ii. Total cost of OPEBs for PUC Services Inc. calculated by an actuarial valuation (if one exists), and
    iii. Total portion of the OPEB costs accrued by PUC Services Inc. that was allocated to PUC Distribution Inc. and included in rates.
d) Please explain why an actuarial valuation has been included in this application for 2015 and 2017, but not 2016? Does the applicant record OPEB costs based on actuarial valuation on an annual basis?
e) The applicant has provided an actuarial valuation for PUC Services Inc. for 2015 and 2017. Is there an actuarial valuation available at this time for the projected OPEB costs for the 2018 test year? If so, please provide a copy. If not, please indicate when one would become available.

4-Staff-70

Ref: Exhibit 4 – 2.4.5 Payments in Lieu of Taxes (PILs)
Exhibit 4 – Appendix 8 – PUC Distribution Inc. Tax Returns 2012-2016
2018 Test Year PILs Workform

OEB staff notes several discrepancies between the PILs Workform and the historical tax returns of the applicant. In particular, notable discrepancies include:

1. Net Income (Loss) for Tax Purposes in Tab H0 of the PILs Workform is calculated as $364,437 in Tab H0 in the PILs Workform, however, this

amount is calculated as ($1,935,479) in the Schedule 1 of the 2016 Corporate Tax Return.

2. The following line items do not reconcile between Tab H0 and the Schedule 1 amounts in the Corporate Tax Return:
    i. Income Before PILs/Taxes (From PILs Workform H0)
    ii. Loss in Equity in Subsidiary/Affiliates (From PILs Workform H0)
    iii. Taxable/Non-Deductible Comprehensive Income Items (Line 239 from the Schedule 1 of the Corporate Tax Return)
    iv. Regulatory Charges Deferred for accounting purposes (Line 396 from the Schedule 1 of the Corporate Tax Return)
3. Net-Capital Loss Carryforwards at the end of 2016 are presented as ($203,910) in tab H4 of the PILs model, rather than $1,662,889 in the Schedule 4 of the 2016 Corporate Tax Return.

OEB staff has interpreted some of these discrepancies to be made with intent, in order for the model to allow the applicant's projected non-capital tax losses to be amortized evenly over the full five year period until the applicant's next rebasing application.

a) Please confirm that the discrepancies between historical year amounts in the PILs Workform and those shown on the 2016 Corporate Tax Return occur for the purpose of having the projected tax losses amortized and applied evenly over the five year period between rebasing applications. If this is not the case, please explain the reason for the discrepancies between the PILs Workform and the Corporate Tax Return for the 2016 historical year.
b) OEB staff has revised the applicable formulae in tab T4 – Schedule 4 Loss Carryforward in the PILs workform to allow for the applicant's projected tax losses to be utilized over the 5 year period. The updated PILs workform with the revised formulae has been included with these interrogatories, titled "D18-4981 PUC_2018_Test_year_Income_Tax_PILs_Workform_20180329 Tab T4 Updated". Please complete this version of the model, ensuring amounts entered in historical year tabs match amounts reported in the Corporate Tax Return of the applicant for 2016 in all applicable fields, in particular amounts in Tabs H0, H4, B0, B4, T0 and T4.
c) Please provide a copy of the 2017 Corporate Tax Return of PUC Distribution Inc., if available at this time. If one is not available at this time, please indicate when one will become available.
d) Please update the bridge year schedules in the PILs Workform to match those of PUC Distribution's 2017 Corporate Tax Return, if available. If the 2017 Corporate Tax Return is not available at this time, please revise the

bridge year figures reconcile to the applicant's accrued 2017 tax provisions in the 2017 Audited Financial Statements.

4-Staff-71

Ref: Exhibit 4 – 2.4.5 Payments in Lieu of Taxes (PILs)
Exhibit 4 – Appendix 8 – PUC Distribution Inc. Tax Returns 2012-2016
2018 Test Year PILs Workform – Tab A – Data Input Sheet

In the 2018 Test Year PILs Workform, Tab A – Data input sheet, the applicant has indicated that it does not have any Loss-Carryforwards (non-capital or net-capital) in the historical, bridge, and test years to be applied in the test year PILs calculation. However, the 2016 Corporate Tax Return shows a carryforward of non-capital losses in the Schedule 4, and the applicant indicated that it projects to have non-capital losses leading up to the test year. The applicant has also answered "Yes" in the historical, bridge, and test years, to the question "Did the Applicant Pay any Dividends". OEB staff does not see any evidence provided in the Manager's Summary or other areas of the application of dividend payments and their associated tax treatment in the historical, bridge or test years.

a) Please confirm whether or not the applicant has historical loss carryforward amounts to be used in the bridge and test years, as indicated in Schedule 4 of the 2016 Corporate Tax Return.
b) Please confirm that the applicant did not pay any dividends in 2016 or 2017 and does not plan to pay any dividends in the test year, 2018.
c) Please review Tab A in the Data Input Sheet and confirm its accuracy. If appropriate, please update the questions regarding loss-carryforwards, dividends paid, and any other questions that require revisions.

4-Staff-72

Ref: Exhibit 4 – 2.4.5 Payments in Lieu of Taxes (PILs)
Revenue Requirement Workform – Tab 3 – Data Input Sheet
2018 Test Year PILs Workform – Tab H0 – PILs Tax Provision Historical

The applicant has recorded a federal tax rate of 11.5% and a provincial tax rate of 15% in the PILs Historical Tax Provision Sheet and in the Revenue Requirement Workform Data Input Sheet. The rates are provincial and federal tax rates are erroneously reversed. The maximum provincial tax rate is 11.5% and the maximum federal tax rate is 15%.

Although OEB staff acknowledges that the combined provincial and federal rates are unaffected, please update the PILs Workform and Revenue Requirement Workform, as well as any other areas of the application, to the correct provincial and federal tax rates.

4-Staff-73

Ref: Chapter 2 Appendices – Appendix 2-BA
2018 Test Year PILs Workform

OEB staff notes that deprecation values used in the 2016 historical year PILs model do not agree to the deprecation values included in Appendix 2-BA. OEB staff notes that the values used in Appendix 2-BA generate the 2018 test year rate base and 2018 test year depreciation values. These discrepancies are noted below. As a result, the historical, bridge, and test year taxable incomes included in the PILs model may be overstated/(understated). Alternatively, the PILs model may not need an adjustment, however, the 2018 test year rate base and 2018 test year depreciation values may be overstated/(understated).

	Depreciation Included in PILs Model	Depreciation Included in App 2-BA	Difference
2016 – historical	$4,202,174	$3,543,991	$658,183

a) Please explain and reconcile the difference noted above. Please update PUC Distribution's evidence as required to address this discrepancy
b) Please update, as required, the historical, bridge, and test year depreciation values included in the 2018 Test Year PILs model as appropriate, so that these amounts reconcile to Appendix 2-BA. Please update other evidence as required to address this discrepancy.

Exhibit 5 – Cost of Capital

5-Staff-74

Ref: Exhibit 5, page 6
Chapter 2 Appendix 2-OB

PUC Distribution indicates that the start date of promissory notes is the current year in every year. For example, for the 2018 test year, the start date of every note is entered as 2018.

a) Please revise appendix 2-OB indicating the start date for each promissory note.
b) If there are any updates as a result of 2017 actual information, please update as applicable.
c) Please provide details of any promissory notes, or portions of promissory notes maturing in 2018.

Exhibit 7 – Cost Allocation

7-Staff-75

Ref: Exhibit 7, page 6
Cost Allocation Model, Sheet I5.2 – Weighting Factors
2013 Settlement Cost Allocation Model, February 15 2013, Sheet I5.2 – Weighting Factors

PUC Distribution states that it "has developed weighting factors as outlined below based on discussions with staff experienced in the subject area."

The following weighting factors have been provided for services as well as billing and collecting

Rate Class	Services	Billing and Collecting
Residential	1.0	1.0
General Service < 50kW	0.7	1.1
General Service 50 to 4,999 kW	0.4	4.0
Sentinel Lighting	0.05	0.8
Street Lights	0.05	0.8
Unmetered Scattered Load	0.05	0.8

This indicates that it costs PUC Distribution less on average per customer to provide services to General Service < 50 kW than Residential and less still to provide services to General Service 50 to 4,999 kW.

a) Do a portion of General Service customers provide their own service connection? If so, how is it determined which services are to be provided by PUC Distribution, and which are to be provided by the customer?
b) Please provide a derivation of the proposed values for both services as well as billing and collecting weighting factors for all classes.

7-Staff-76

Ref: Cost Allocation Model, Sheet I6.2 – Customer Data

PUC Distribution has populated one customer for the Sentinel.

> Please confirm that all 348 sentinel connections are used by one customer, or revise the entries.

Exhibit 8 – Rate Design

8-Staff-77

Ref: Exhibit 8, Pages 4, 7, Table 8-5
Tariff Schedule and Bill Impact Model, Tab 5. 2-W Bill Impacts

PUC Distribution's states:

> Except for the Residential class, PUC Distribution proposes to maintain the fixed/variable proportions assumed in the current rates to design the proposed monthly service charges.

However, the filing requirements state:

> If a distributor's current fixed charge for any non-residential class is higher than the calculated ceiling, there is no requirement to lower the fixed charge to the ceiling, nor are distributors expected to raise the fixed charge further above the ceiling for any non-residential class.

PUC Distribution has proposed to increase the fixed charge, even where it is already above the Ceiling Fixed Charge from Cost Allocation.

> Please provide the variable charges that would result if PUC Distribution followed the direction provided in filing requirements, and applied a fixed charge of $114.46 for General Service 50 to 4,999 kW, and a fixed charge of $12.69 for Unmetered Scattered Load.

8-Staff-78

Ref: Exhibit 8, Pages 9-10
RTSR Workform, Tab 5. UTRs and Sub-Transmission
EB-2017-0280, Decision and Rate Order, November 23, 2017

In completion of the RTSR Workform, PUC Distribution has incorporated historic 2017 UTR rates in the 2018 calculation. Per the Decision and Rate Order in EB-2017-0280, the current rates to be used for 2018 are as follows:

Network Service Rate	3.52
Line Connection Service Rate	0.88
Transformation Connection Service Rate	2.13

Please revise the RTSR model to incorporate the current UTRs.

8-Staff-79

Ref: Exhibit 8, Pages 10-11
Tariff Schedule and Bill Impact Model, Tab 5. 2-W Bill Impacts
PUC Distribution Website promotion of community meeting,
http://www.ssmpuc.com/news/index.cfm?fuseaction=ViewOneBooking&id=334

In Exhibit 8, PUC Distribution's states

> On June 22, 2017 the Board issued a Decision with Reasons and Rate Order (EB-2017-0234) establishing that the RRRP charge used by rate-regulated distributors to bill their customers shall be $0.0003 per kilowatt-hour for electricity consumed on or after July 1, 2017. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's Board-approved Total Loss Factor.
>
> On March 1, 2018, the Board issued a Decision and Order (EB-2017-0290) establishing a Smart Metering Entity Charge of $0.57 per month for Residential and General Service < 50kW customers effective January 1, 2018 to December 31, 2022. PUC Distribution has reflected a Smart Metering Entity Charge of $0.57 per month in this Application.

In the tariff schedule and bill impact model, the Current OEB-Approved Smart Meter Entity Charge is entered as $0.79, and the Current OEB-Approved Rural and Remote Rate Protection (RRRP) is entered as $0.0021. The Proposed rates

in the same tariff reflect the rates of $0.57 and $0.0003. As a result, the bill impact calculation shows a savings as a result of changes in these rates.

In promoting the community meeting, PUC Distribution drew attention to the resulting total bill impact.

> In this application, PUC Distribution is applying to the OEB for approval to increase its distribution rate by $6.98 per month resulting in a net increase of $1.94 per month for the average provincial customer consuming 750 kWh per month.

a) Please confirm that customers are already experiencing the savings that result from the changes to the RRRP and Smart Metering Entity Charge.
b) Please update the tariff and bill impact model to reflect the charges of $0.0003 for RRRP, and $0.57 for Smart Metering Entity Charge as the Current OEB-Approved rates.
c) Please confirm that after making these revisions, the total bill impact for a residential customer on RPP using 750 kWh/month is $3.65

8-Staff-80

Ref: Exhibit 8, Pages 11-12
Chapter 2 Appendix 2-R

PUC Distribution has entered both the “Wholesale” kWh delivered to distributor (higher value) and “Wholesale” kWh delivered to distributor (lower value) with the same values. The higher value is expected to reflect the energy at the high voltage side of the transformer at the interface to the transmission grid while the lower value is expected to reflect energy at the low voltage side of the transformer at the interface to the transmission grid, with a difference reflecting the transformer losses.

PUC Distribution has also entered 1.0000 for the Supply Facility Loss Factor (SFLF). The instructions state that where the distributor is connected directly to the IESO-controlled grid, the SFLF is 1.0045.

a) Do the “Wholesale” kWh delivered to distributor values reflect energy at the high or low voltage side of the transformer at the interface to the transmission grid?
b) Please explain why PUC Distribution has taken this approach.
c) Please revise the loss factor calculation as appropriate.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-81

Ref: Exhibit 9 - DVA Continuity Schedule – Tab 2 2016 Continuity Schedule
EB-2016-0102 Decision & Rate Order – Pages 6-8
Exhibit 1 – Administrative Documents

In the applicant's most recent Incentive Regulation Mechanism (IRM) application (EB-2016-0102), the OEB did not approve the disposition of Group 1 account balances. The OEB stated in that decision:

> In its responses to OEB staff questions regarding the significant credit balance of $5,084,683 in Account 1588 RSVA Power, PUC Distribution responded that there are two adjustments that are required to the account, as follows:
> 1. PUC Distribution determined that it was under-invoiced by the IESO for the Global Adjustment Charge (charge type 148) for the months of June, July and August of 2015. PUC calculated that its Cost of Power (COP) expense for 2015 was understated by $2.5 million effectively increasing the credit balance in account 1588 by the same amount, and
> 2. PUC Distribution also determined that it had not completed its RPP Settlement true-ups with the IESO for 2015, effectively understating its Cost of Power (COP) by a further estimated $2.6 Million. PUC Distribution estimated that the true-up adjustment with the IESO would impact RSVA Power by a debit of $2.6 Million.

The OEB further stated that:

> As a result of OEB staff questioning the balance in Account 1588, PUC Distribution found two significant errors. This lowers the confidence in the accuracy of all Group 1 balances…PUC Distribution is expected to undertake a review of all of its Group 1 balances, complete corrections and true-ups and bring balances forward for disposition in its next rate application." (EB-2016-0102 Decision and Rate Order pp. 7-8).

a) Please explain why the applicant has not addressed the issues raised in the most recent IRM application regarding errors found in the commodity accounts being requested for disposition, directly within this application.
b) Please describe, in detail, the nature of the review that the applicant undertook for its Group 1 balances, including the scope of the review, the issues identified, the accounts impacted, and the steps the applicant took to remedy the previous errors.
c) Please confirm that the two adjustments to Account 1588 pertaining to the 2015 balances that were discovered in the most recent IRM application

are reflected in the 2016 closing balances. If they are not reflected in the 2016 closing balances, please enter these amounts in the principal adjustments column for 2016 in the DVA continuity schedule and update any other areas of the application, as necessary, as a result of this change.

d) Please provide a detailed analysis of Account 1588, segregating and quantifying the transactions recorded in the account during 2016 by:
   i. amounts that relate to 2015 transactions in the form of corrections or adjustments to IESO invoices for the Global Adjustment Charge,
   ii. amounts that relate to RPP Settlement true-ups with the IESO for 2015,
   iii. total aggregate net transactions that relate to 2016, and
   iv. any other adjustments pertaining to 2015 or 2016 that were discovered as a result of the applicant's review of its Group 1 balances.

e) Please describe any changes to internal controls or business processes that the applicant instituted as a result of the errors discovered in the most recent IRM application and provide a rationale for how the risk of material misstatement of the Group 1 account balances being requested for disposition in this proceeding have been mitigated.

9-Staff-82

Ref: DVA Continuity Schedule – Tab 2 2016 Continuity Schedule
EB-2012-0162 Final Decision & Order – Appendix O Draft Accounting Order
Exhibit 1 – Administrative Documents – Page 18 Table 1.5

In the applicant's previous rebasing application (EB-2012-0162), the Board stated in its accounting order (EB-2012-0162 Final Decision & Order Appendix O) that the amounts recorded in Account 1508, Other Regulatory Assets, sub-account Productivity Initiatives Variance Account shall be brought forward for disposition in PUC Distribution's next Cost of Service rates application. The applicant has identified that as of December 31, 2016, expenditures on productivity and efficiency initiatives have exceeded the $400,000 ring-fenced amount (Exhibit 1 Table 1.5).

a) Please explain why the amounts reflected in Account 1508, Other Regulatory Assets, sub-account Productivity Initiatives Variance Account, as well as the amounts in the contra Account 2425, Other Deferred Credits, show amounts of ($365,400) and $365,400, respectively, and have not been brought forward for disposition in this rate application.
b) If the applicant agrees that the amounts of $400,000 and ($400,000), respectively, in each account should be brought forward for disposition in

this application, please revise the amounts reported and request to have them brought forward for disposition in the DVA Continuity Schedule – Tab 2 2016 Continuity Schedule.

c) Please confirm that Account 1508, Other Regulatory Assets, sub-account Productivity Initiatives Variance Account will be discontinued subsequent to its disposition.

9-Staff-83

Ref: DVA Continuity Schedule – Tab 2 2016 Continuity Schedule

The applicant has accumulated a large credit balance in Account 1580 – RSVA – Wholesale Market Service Charge, representing a total claim in the amount of $2,438,120 refundable to ratepayers.

Please provide any reasons or circumstances that have resulted in the accumulation of such a substantial balance in this account. Please provide an explanation for which charges from the IESO invoices that flow into Account 1580 – RSVA – Wholesale Market Service Charge, were lower as a result of these circumstances. Alternatively, explain how certain charges billed to customers that flow into Account 1580 – RSVA – Wholesale Market Service Charge were higher as a result of these circumstances. If there are multiple contributory factors for the large credit balance in Account 1580, please segregate these items and quantify their relative impact on Account 1580, if possible.

9-Staff-84

Ref: DVA Continuity Schedule – Tab 7.a GA Analysis Workform – Note 5 Reconciliation items 1a and 1b
DVA Continuity Schedule – Tab 2 2016 Continuity Schedule

In booking expense journal entries for Charge Type 1142 (formerly 142), and Charge Type 148 from the IESO invoice, please confirm which of the following approaches is used:

a) Charge Type 1142 is booked into Account 1588. Charge Type 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively[1].

[1] Note, the following in all references in OEB Staff questions relating to amounts booked to accounts 1588 and 1589. Amounts are not booked directly to accounts USoA 1588 and 1589 relating to power purchase and sale transactions, but are rather booked to the cost of power USoA 4705 Power Purchased/4707 Charges - Global Adjustment and the respective Energy Sales USoA accounts, respectively. However, accounts 1588 and 1589 are impacted the same way as accounts 4705/4707 are for cost of power transactions, and the same way as the Energy Sales accounts are for revenue transactions.

b) Charge Type 1142 is booked into Account 1588. In relation to Charge Type 148, the non-RPP quantities multiplied by the GA rate is booked to account 1589 and the remainder of Charge Type 148 is booked to account 1588.
c) Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equalling GA RPP is credited into Account 1589.
d) If another approach is used, please explain in detail.

9-Staff-85

Ref: DVA Continuity Schedule – Tab 7.a GA Analysis Workform – Reconciliation items 1a and 1b
DVA Continuity Schedule – Tab 2 2016 Continuity Schedule

With regards to the principal balance being requested for disposition in USoA 1589 as at Dec. 31, 2016, all components that flow into Account 1589 (i to iv in table below) should be based on actuals in the DVA Continuity Schedule – Tab 2 2016 Continuity Schedule. Please complete the following table to:

a) Indicate whether each of the components are based on estimates or actuals at year end, and
b) Quantify the adjustment, if applicable, pertaining to each component that is trued-up from estimate to actual.

	Component	**Estimate or Actual?**	**Notes/Comments**	**Quantify True Up Adjustment $ Amount**
i	Revenue (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)			
ii	Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)			
iii	Expenses - GA non-RPP: Charge Type 148 with respect to			

	the RPP/non-RPP kWh volume proportions.			
iv	Credit of GA RPP: Charge Type 142 if the approach under 9-Staff-84 is used			

c) For each item in the table above, please confirm that the GA Analysis Workform in the DVA Continuity Schedule – Tab 7.a for 2016 and 2015 have included all true-up adjustments in Note 5 – Reconciling Items. Please confirm that the DVA Continuity Schedule – Tab 2 2016 Continuity Schedule has been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

9-Staff-86

Ref: DVA Continuity Schedule – Tab 2 2016 Continuity Schedule

With regards to the principal balance being requested for disposition in USoA 1588 as at Dec. 31, 2016, all components that flow into Account 1588 (i to iv in table below) should be based on actuals in the DVA Continuity Schedule – Tab 2 2016 Continuity Schedule. Please complete the following table to:

a) Indicate whether the component is based on estimates or actuals at year end, and
b) Quantify the adjustment pertaining to each component that is trued-up from estimate to actual

	Component	**Estimate or Actual?**	**Notes/Comments**	**Quantify True Up Adjustment $ Amount**
i	Revenues (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)			
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)			

ijj	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)			
iv	Expenses - GA RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.			
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type			

c) For each item in the table above, please confirm that the GA Analysis Workform in the DVA Continuity Schedule – Tab 7.a for 2016 and 2015 have included all true-up adjustments in Note 5 – Reconciling Items. Please confirm that the DVA Continuity Schedule – Tab 2 2016 Continuity Schedule has been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

9-Staff-87

Ref: DVA Continuity Schedule – Tab 7.a GA Analysis Workform Note 4

a) Please confirm whether non-RPP Class B customers are billed on a calendar month basis. If not, on what basis are they billed?
b) Please confirm that the Non-RPP Class B kWh amounts entered in column F in Note 4 of the GA Analysis Workform represent the actual kWh that were consumed by non-RPP Class B customers for each month, rather than the amounts that were billed for each month.
c) If the amounts entered in column F does not represent consumption for each month, please revise Note 4 for each year of the GA Analysis Workform to include the amounts in columns G and H so that column F represents Non-RPP Class B kWh consumption totals for each month.
d) Please confirm that unbilled revenue for any particular month is accrued at the same GA price as billed revenue. If unbilled revenue is not accrued at the same GA price, please indicate the GA price used to calculate unbilled revenue and explain why this price is used rather than the one applied to billed consumption.

9-Staff-88

Ref: DVA Continuity Schedule – Tab 7.a GA Analysis Workform Note 5 Reconciling Items 1a and 1b

The applicant has not recorded any amounts for reconciling items 1a and 1b in Note 5 of the GA Analysis Workform.

a) Please confirm that any true-ups to adjust GA costs (IESO Charge Type 148) from estimated amounts to actuals, including any GA price or GA Non-RPP quantity variances, are recorded in the fiscal year that they pertain to.
b) Please confirm that any true-ups to monthly RPP settlement totals (IESO Charge Type 142) that have an impact on Account 1589 are recorded in the fiscal year that they pertain to.
c) If true-up adjustments to GA prices, GA allocations between Accounts 1588 and 1589, or Charge Type 142, relating to either 2015 or 2016 are journalized in subsequent fiscal years, please enter the amounts in Reconciling Item 1a and 1b, as applicable, in the GA Analysis Workform and provide a detailed calculation for how those adjustments are calculated, which fiscal year they pertain to, and which fiscal year they were recorded in the applicant's general ledger.

9-Staff-89

Ref: DVA Continuity Schedule – Tab 7.a GA Analysis Workform Note 5 Reconciling Items 2a and 2b.

Please provide the total amounts of GA unbilled revenue originally accrued at year end for both 2015 and 2016, as well as the amount of actual GA billed revenue that relates to each year-end accrual.

9-Staff-90

Ref: Exhibit 9 – Deferral and Variance Accounts - Pages 18-22 IESO Settlement Process

OEB staff requires further clarification on the applicant's RPP settlement true-up processes.

With respect to its RPP settlement process, the applicant states:

> The RPP settlement variance is calculated for customers with Conventional Meters on Tiered pricing and customer with Smart Meters on Time of Use (TOU) pricing. PUC Distribution's billing system provides the kWh's billed to RPP customers each month, as well as the corresponding

> RPP revenue. In addition, the system also tracks the corresponding amounts (not billed) calculated at both the Hourly Ontario Energy Price (HOEP) and applicable monthly Global Adjustment (GA) 2nd Estimate rate. The settlement variance is calculated by subtracting the RPP revenues billed to consumers from the amounts calculated using HOEP plus the GA amount adjusted to reflect the final GA rate. This variance is then submitted for settlement to the IESO. (pg. 20)

In addition, with respect to its settlement true-up, the applicant states:

> The RPP volume is multiplied by the actual GA rate to determine the GA allocated to RPP customers and is netted against the estimate that was either paid to or received from the IESO on a monthly basis. This difference is then settled with the IESO on a monthly basis.

The applicant has explained their procedures for calculating the difference between the actual versus preliminary amounts of global adjustment attributable to RPP customers, however, other elements of the RPP settlement true-up require further explanation. Please complete sections regarding the true-up process for the RPP revenue and HOEP attributable to RPP customers in the following table and provide any clarification for any assumptions OEB staff have used in creating it:

RPP Settlement Element	**Initial Submission**	**True-up Process**	**OEB staff comments**
RPP Revenue	Amounts billed in a particular month are retrieved from the billings system and are used as a proxy for revenue collected from RPP customers based on consumption in that month.		Please explain how the applicant calculates the RPP revenue based on actual consumption, rather than billings, for any particular month. Explain how this adjustment is subsequently settled with the IESO.

HOEP attributable to RPP customers	Amounts billed in a particular month are retrieved from the billings system. The kWh generated in this report are multiplied by the average HOEP in that particular month to estimate HOEP attributable to RPP customers.		Please explain how the applicant calculates the HOEP attributable to RPP customers based on actual consumption, rather than billings, for any particular month. Explain how this adjustment is subsequently settled with the IESO.
GA attributable to RPP customers	Amounts billed in a particular month are retrieved from the billings system. The kWh generated in this report are multiplied by the GA (2nd Estimate) Rate in that particular month to estimate GA attributable to RPP customers.	PUC determines actual RPP kWh by removing non-RPP consumption kWh (derived from billing system) from the total kWh charged by the IESO. PUC multiplies the actual GA rate (from the IESO invoice), against the RPP kWh calculated above. The difference between this figure and the initial estimated costs of GA for RPP customers is settled with the IESO as an adjustment on a monthly basis.	Please explain how the applicant determines what the non-RPP consumption is? Is calendar month consumption data available from the billing system? Are there any adjustments considered for the consumption of Class A Non-RPP customers?

9-Staff-91

Ref: Exhibit 9 – Deferral and Variance Accounts - Pages 18-22
IESO Settlement Process

Please confirm that the applicant has updated its RPP Settlement true-up procedures consistent with the OEB May 23, 2017 letter regarding the Guidance on the Disposition of Accounts 1588 and 1589.

9-Staff-92

Ref: DVA Continuity Schedule – Tab 2 2016 Continuity Schedule

Account 1580, sub-account CBR Class B is expected to have accumulated a balance beginning in April 2015. There are no amounts recorded in the DVA Continuity Schedule in 2015 or 2016 for CBR Class B.

Please confirm whether the balance requested for disposition as at Dec. 31, 2016 is accurate, given the missing input in the DVA Continuity Schedule. If necessary, please revise the DVA Continuity Schedule.