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August 14, 2018

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board

Dear Ms. Walli:

**Re: EB-2018-0038 Erie Thames Powerline Corp. (EPTL) 2018 Distribution Rates
interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed VECC's interrogatories in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

In accordance with Procedural Orders No.1 and the Board's Decision on Issues List and Appeal (August 9, 2018) we have limited ourselves to questions within the ambit of the approved issues list. We would note however, that Procedural Order No.1 establishes a settlement conference for this proceeding.

As set out in VECC's letter of intervention we are advising the Board that we have identified matters in our review of the Application that fall outside the limited issues allowed by the Board to be pursued in the discovery portion of this proceeding. Without further discovery the materiality of these matters are unknown.

Given no direction to the contrary we assume that the Board will expect parties to attempt to achieve settlement on all of the issues and not just those matters subject to discovery of the parties. Having reviewed the entire body of evidence we can inform the Board that there are matters which we will be advising our client may be difficult to come to complete settlement in the absence of further clarifying information.

Nothing precludes parties from asking for such clarification at the time of the settlement conference. This is less efficient since it requires analysis of that information be done only at that time.

As this proceeding is based on the testing of the "proportionate review" pilot project we are bringing this matter to Board's attention now and so as not to unduly delay or burden the Applicant in responding later in the process.

Yours truly,
Mark Garner
Consultant for VECC

Graig Petit, Erie Thames Powerlines Corporation - ueb@eriethamespower.com
Scott Stoll, Aird & Berlis LLP - stoll@airdberlis.com

REQUESTOR NAME VECC
TO: Erie Thames Power Lines (ETPL)
DATE: August 14, 2018
CASE NO: EB-2017-0038
APPLICATION NAME 2018 COS Application

(Full Hearing Issues Only)

1) Rate Base

Is the rate base element of the RR reasonable, and has it been appropriately determined in accordance with OEB policies and practices?

a) Has ETPL adequately addressed any discrepancies that could affect opening rate base?

VECC -1

Reference: Exhibit 2, Tab 2, Schedule 1, pages 22 & 24 /Appendix 2-BA, Fixed Asset Continuity Schedules for 2016 & 2017

a) Please explain the purpose of the 2016 Land Addition (Account 1805) of \$75,505 and the role of the land purchased in providing service to customers in 2018.

Response to VECC-1(a)

The 2016 Land Addition of \$75,505 related to the purchase of land in Mitchell, ON on which the Applicant planned to build a service centre after the Town of Mitchell provided the Applicant with notice that it would not extend the lease for the Applicant's existing service centre in Mitchell beyond 2017.

The Applicant submits that, in the event the Applicant's merger with West Coast Huron Energy Inc. (the "Goderich Merger") is approved by the OEB, the Applicant will not require this land and exercise a vendor take back option whereby the Town of Mitchell will re-acquire the land.

b) Please explain the purpose of the 2017 Buildings Addition (Account 1808) of \$748,343 and the role of the building addition in providing service to customers in 2018. Is this building addition related to the previous year's land acquisition?

Response to VECC-1(b)

The 2017 Buildings Addition of \$748,343 related to the costs to build the service centre referenced in VECC-1(a) above. As noted above, in the event the Goderich Merger is approved by the OEB, the Applicant will not require this land and these building costs will not be required.

b) Has ETPL adequately addressed any impacts to ETPL's proposed net book value from the removal of fully amortized assets?

c) Has ETPL adequately addressed its allocation of material burden since 2013?

d) Is ETPL's accounting treatment of customer contributions correct?

VECC-2

Reference: London Hydro EB-2016-0091, Exhibit 2, Tab 2, Schedule 5, page 162/

Pre-amble: The following excerpt is taken from the evidence of London Hydro Inc. in its most recent cost of service rate case EB-2016-0091.

“Capital contributions received are treated as a liability on the balance sheet.

Amortization of the deferred customer contributions is calculated over the average life span of the related assets and, if necessary, would be adjusted to reflect any changes in the remaining useful lives of the underlying capital assets.

Amounts that are amortized are to be recorded as a charge to the revenue deferral account and a credit to the revenue account. For the purposes of reporting to the OEB, contributed capital is considered to be recorded as a capital account (as a credit to the asset contra account).”

London Hydro adopted IFRS accounting in 2015 and the Board approved London Hydro's rate plan in its Decision of March 23, 2017.

a) Please explain if and how ETPL's treatment of customer capital contributions differs from that used by London Hydro as explained above.

Response to VECC-2(a)

The Applicant confirms that its treatment of customer capital contributions does not differ from that used by London Hydro as explained above.

VECC-3

Reference: Exhibit 2/Tab 6/Schedule 1/Attachment 1 – Continuity Schedules

- a) Please explain the rationale for the removal of the closing balance of \$6,790,435 under account 1995 – Contributions and Grants – in the 2014 conversion from CGAAP to IFRS.

Response to VECC-3(a)

During discovery with Board staff, it was requested that the Applicant remove the closing balance from account 1995 and move such amounts to account 2440. ETPL complied with this request in completing the above-referenced schedules. ETPL has corrected the continuity for this change in its updated continuity statements 2-BA and corrects the movement of closing balances to tie with ETPL's financial statements

2) Distribution System Plan (DSP) and Capital Expenditures

Are ETPL's proposed capital expenditures appropriate and have the trade-offs with the proposed level of Operating Costs been given adequate consideration?

- a) **Is the extent of ETPL's contribution to and need for Hydro One related projects tentatively scheduled beyond 2019 in Norwich, Mitchell and Beachville adequately justified?**

VECC-4

Reference: E1/T6/S1/pg.4

- a) Please explain how the DSP addresses the reliability problems in Norwich?

Response to VECC-4(a)

The Applicant respectfully submits that the Asset Management Plan and Capital Investment Plan inherently addresses reliability issues in all areas. The Applicant's asset optimization process utilizes a risk/value based approach to choosing capital projects. For example, if reliability issues are a

concern in Norwich, the asset optimization process will identify projects which address these reliability issues.

- b) **Has ETPL provided adequate support for its conclusion that a number of capital investments will result in increased efficiency?**

- c) **Has ETPL adequately explained and justified the reasons for and the impact of the two-year lag for Asset Condition Assessment (ACA) and Asset Management Plan (AMP) information, which is current as of January 2015 on the DSP?**

- d) **As ETPL is having to manually lower the recommended renewal spending levels, is this an indication that the ACA and AMP may not be properly timed or misapplied?**

- e) **Has ETPL provided sufficient information as to the means which it uses to assess data accuracy?**

VECC-5

Reference: Exhibit 2, Tab 6, Schedule 1, Attachment 3 – DSP. pg. 21

- a) Please explain how the data with respect to the assets listed in the table below have become more accurate since the 2011.

Table 3: Asset Data Accuracy

ASSET TYPE	2011	20
	DATA ACCURACY	
Poles	83%	94%
Pole Mounted Transformers	0%	44%
Pad Mounted Transformers	0%	72%
Underground Medium Voltage	0%	0%

Response to VECC-5(a)

At the time of the 2011 ACA/AMP, the Applicant submits that its GIS system was in its initial stages and legacy paper records were being transferred to electronic formats in the GIS. Since that time, the GIS system has matured and asset information has improved. Data that was missing in 2011 has been backfilled through inspections and data transferred from legacy records. This process will continue over time leading to further improvements in asset data accuracy.

- b) ETPL makes the following statement: “[S]ince 2011 ETPL has implemented a formal pole testing program that it intends to repeat on a consistent cycle moving forward. For the past three years (2014-2016) we have tested 1/3 of our system per year ensuring that our entire system has recently been tested. This has allowed us to fill the majority of holes in pole related data and condition assessments.”

Does this mean that 94% of all ETPL poles have been tested?

Response to VECC-5(b)

The Applicant submits that 100% of its poles have been tested. The 6% gap between the two figures identified above is primarily a result of inspectors not being able to physically read pole stamps and tags; therefore some poles do not have an age recorded.

Please describe the type of testing done on poles.

Response to VECC-5(b)

The type of pole testing used by the Applicant is “Sound and Selective Bore”. This involves a qualified and competent inspector (via a third party contractor) to hammer test the pole and identify suspect areas above and below grade. If suspect areas are identified, the inspector will bore a small hole in the pole to assess the internal condition. The results of these tests along with a visual inspection are then entered into software for analysis.

- f) **Has ETPL provided an adequate explanation for the worsening scorecard trend for the measure “Average Number of Hours that Power to a Customer is Interrupted?”**

VECC-6

Reference E1/T11/S1/Attachment 8 & DSP pg.31

- a) Please update the 2015 Scorecard to show 2017 results.

Response to VECC-6(a)

The Applicant's draft 2017 Scorecard is submitted with and attached to the Applicant's interrogatory responses.

- g) Has ETPL provided an adequate explanation as to why it's per km costs are in the highest quartile of LDC per km costs?**

VECC-7

Reference: Exhibit 2, Tab 6, Schedule 1, Attachment 3 – DSP. pg. 33

- a) Please amend Figures 7, 8 and 9 to label the horizontal axis.

Response to VECC-7(a)

Amended Figures 7, 8 & 9 with horizontal axis labelled are submitted with and attached to the Applicant's interrogatory responses.

- h) Has ETPL adequately justified the appropriateness of its approach to investment decisions?**

VECC-8

Reference: Exhibit 2, Tab 6, Schedule 1, Attachment 3 – DSP. pg. 35-

- a) Please provide outage SAIFI/SAIDI data by cause code for each year 2012 through 2017 (excluding loss of supply).

Response to VECC-8(a)

The Applicant's outage SAIFI/SAIDI data by cause code for 2012-2017 (excluding loss of supply) are set out below:

	<u>SAIDI</u>					
	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
<i>Unknown/Other</i>	0.0404	0.0108	0.0065	0.0098	0.0528	0.0029
<i>Scheduled Outage</i>	0.0015	0.0974	0.0028	0.0146	0.2336	0.1387
<i>Loss of Supply</i>	1.1303	0.8115	1.6241	3.1725	2.0827	0.9581
<i>Tree Contacts</i>	0.0219	0.1021	0.1062	0.5560	0.1045	0.1101

<i>Lightning</i>	1.1207	0.0415	0.1244	0.0135	0.0000	0.0152
<i>Defective Equipment</i>	0.1542	0.1330	0.2931	0.1164	0.1056	0.2511
<i>Adverse Weather</i>	0.0000	0.0085	0.0465	0.0011	0.9579	0.0845
<i>Adverse Environment</i>	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<i>Human Element</i>	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000
<i>Foreign Interference</i>	0.1344	0.0213	0.0099	0.0172	0.0105	0.2993
<i>Major Event</i>	0.1490	0.0000	0.0000	0.0000	0.4101	0.0000

SAIFI

	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
<i>Unknown/Other</i>	0.0129	0.0099	0.0042	0.0062	0.0240	0.0015
<i>Scheduled Outage</i>	0.0010	0.0414	0.0026	0.0062	0.0353	0.0299
<i>Loss of Supply</i>	0.4916	0.3308	0.6356	0.5783	0.6740	0.3388
<i>Tree Contacts</i>	0.0081	0.0390	0.0576	0.3407	0.0711	0.0891
<i>Lightning</i>	0.0635	0.0205	0.1230	0.0046	0.0000	0.0092
<i>Defective Equipment</i>	0.0669	0.0834	0.0723	0.1268	0.0454	0.0854
<i>Adverse Weather</i>	0.0000	0.0020	0.0389	0.0007	0.0623	0.0111
<i>Adverse Environment</i>	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<i>Human Element</i>	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000
<i>Foreign Interference</i>	0.1711	0.0180	0.0134	0.0076	0.0041	0.1370
<i>Major Event</i>	0.1054	0.0000	0.0000	0.0000	0.2415	0.0000

b) Please explain how the DSP addresses outages due of equipment failures.

Response to VECC-8(b)

The Applicant submits that the DSP does not have any specific projects planned for 2018 that directly target equipment failures. However, ETPL

does earmark dollars for unplanned capital work due to things like equipment failure, storms etc.

The asset optimization process utilizes a risk/value based approach to choosing capital projects; therefore, if the Applicant determines that a specific type of equipment failure is causing outages, then it will address it through the optimization process. As an example, in 2014, the Applicant discovered that porcelain type insulators had caused a number of outages in Ingersoll and it therefore created a project to replace all porcelain insulators along the main feeder lines.

- c) Please provide the equipment lost outage targets for the DSP.

Response to VECC-8(c)

The Applicant submits that it does not currently set targets for equipment lost outages.

VECC-9

Reference: Exhibit 2, ab 6, Schedule 1, Attachment 3 – DSP

- a) Please explain how ETPL intends to measure the cost effectiveness of implementing its distribution plan.

Response to VECC-9(a)

The Applicant submits that it intends to track and monitor benchmarking metrics such as cost (\$) per customer, cost (\$) per km of line, and efficiency assessments striving for continuous improvement.

- b) Please explain what metrics or outcomes will be reported each year to understand the reliability benefits of the distribution system plan.

Response to VECC-9(b)

The Applicant submits that it intends to track and monitor benchmarking metrics such as cost (\$) per customer, cost (\$) per km of line, and efficiency assessments striving for continuous improvement.

- c) With respect to both a) and b) please provide the specific metrics that ETPL will be monitoring.

Response to VECC-9(c)

The Applicant submits that it plans to continue reporting SAIDI, SAIFI and other standard reliability metrics to monitor the reliability benefits of the DSP. The majority of customer feedback indicates that current levels of reliability are acceptable; therefore the Applicant intends to monitor its long term trends to ensure they remain consistent. The Applicant will also continue to engage its customers and ensure that their opinion regarding their reliability levels remains positive.

In addition, the Applicant also plans to track each of the following metrics on a feeder level to complete a worst performing feeder analysis:

- SAIDI - with and without loss of supply
- SAIFI - with and without loss of supply
- Outages by Cause Code

i) Has ETPL provided appropriate justification for its proposed pole replacement program?

VECC-10

Reference: EB-2012-0121/Tab 3/Schedule 1

- a) In its last cost of service filing EPTL made the following statement: “[E]rie Thames has budgeted “\$150,000 based on previous years replacements; the project is an ongoing project that typically gets completed in the first quarter of every year.” Has ETPL spent \$150k in each year since 2012 on the pole program?

Response to VECC-10(a)

The Applicant’s average spend in our pole replacement program since 2012 is set out below.

	2012	2013	2014	2015	2016	2017
Pole Replacement Program	\$70,119	\$84,668	\$81,167	\$100,023	\$241,517	\$134,443
	AVERAGE SPEND: \$118,656					

j) Has ETPL provided an appropriate estimation of the value of lost useful life

of assets in its voltage conversion programs as these projects are primarily completed in conjunction with system renewal type projects?

- k) Has ETPL provided sufficient evidence as to the meaning of and appropriate use of heat maps, which are used by ETPL to prioritize capital expenditures?**

- l) Given that ETPL's historic investment levels have resulted in acceptable reliability performance, does ETPL need to provide further support for the proposal to gradually increase capital investment levels? In third party assessments of the investment process, was the acceptable level of reliability given adequate consideration? If not should the assessment methodology used be adjusted to account for it?**

- m) Is the proposed increase in system renewal capital spending for the 2018 to 2022 period prudent in light of the lower average spending in this category over the previous 5 year period?**

VECC-11

Reference: Exhibit 2, Appendix 2-AA

- a) Please amend Appendix 2-AA to include 2017 actual results (or confirm this is already the case).

Response to VECC-11(a)

A revised Appendix 2-AA to include 2017 actual results is submitted with and attached to the Applicant's interrogatory responses.

- n) Do the capital additions to rate base since the last rebasing of 2012 inform the assessment of the planned capital for 2018 to 2022?**

VECC-12

Reference: E2/T1/S1/pg.2 & EB-2012-0121 Exhibit2, Tab 3, Schedule 1

ETPL's gross fixed assets in 2012 were approximately \$1.2 million less than Board approved (Table 2-1). In its EB-2012-0121 2012 capital forecast the following table was provided:

Project Name	2012 Capital Assets by Project							Uniform System of Accounts #							TOTAL
	Poles & Fixtures	OH Conductor	UG Conduit	UG Conductor	Transformers	Services	Meters	Building/Fixture	Hardware	Software	Transportation	Tools	SCADA	Contributed Cap	
	1830	1835	1840	1845	1850	1855	1860	1908	1920	1925	1930	1940	1980	1995	
Pole Replacement Program	\$ 150,000														\$ 150,000
New Service Connections & Upgrades						\$ 285,000									\$ 285,000
Aytmer, Park Street Ph2	\$ 60,000	\$ 20,000	\$ 40,000	\$ 20,000	\$ 15,000		\$ 25,000								\$ 180,000
Belmont Hazelwood Crescent - Underground	\$ 15,000		\$ 30,000	\$ 25,000	\$ 45,000										\$ 115,000
Clinton MS#2 Conversion	\$ 111,000	\$ 164,000	\$ 5,000	\$ 5,000	\$ 65,000	\$ 5,000									\$ 355,000
Tavistock, William St	\$ 45,000	\$ 35,000													\$ 80,000
Tavistock, Maria, Adam and Aroa	\$ 83,000	\$ 102,000			\$ 65,000										\$ 250,000
Municipal Road Reconstruction	\$ 50,000														\$ 50,000
Ingersoll, Ingersoll Street re-insulate	\$ 55,000														\$ 55,000
Ingersoll, Melita, Wahnem Street		\$ 10,000	\$ 75,000	\$ 35,000	\$ 60,000										\$ 180,000
Otterville, Dover St 27kv Ext	\$ 84,000	\$ 128,000			\$ 63,000										\$ 275,000
Port Stanley Main St S. Jameson - Cornel			\$ 112,000	\$ 74,000	\$ 135,000	\$ 84,000									\$ 405,000
Mitchell Conversion, Pond St and Thames	\$ 57,000	\$ 36,000			\$ 12,000										\$ 105,000
Mitchell Conversion, St George St	\$ 10,000	\$ 8,000			\$ 22,000										\$ 40,000
Clinton Town Hall UG Upgrade	\$ 13,000	\$ 2,000	\$ 19,000	\$ 21,000											\$ 55,000
Substations Upgrades								\$ 20,000							\$ 20,000
Fleet										\$ 340,000					\$ 340,000
Tools & Equipment											\$ 35,000				\$ 35,000
Meter Purchases							\$ 45,000								\$ 45,000
Computers, Monitors, Phones and Equipment									\$ 25,000						\$ 25,000
Pole Trailer/Fork Lift										\$ 40,000					\$ 40,000
Building Leasehold Improvements								\$ 40,000							\$ 40,000
SCADA and Automation													\$ 200,000		\$ 200,000
Total by Account GL	\$ 733,000	\$ 505,000	\$ 281,000	\$ 180,000	\$ 482,000	\$ 374,000	\$ 70,000	\$ 60,000	\$ 25,000	\$ -	\$ 380,000	\$ 35,000	\$ 200,000	\$ -	\$ 3,325,000

a) Please provide a variance analysis describing material departures from the planned 2012 capital spending.

Response to VECC-12(a)

In 2012, the Applicant had significant work in progress at year end and, as such, its rate base was understated by \$914,469. The Applicant worked hard to complete all of its capital programs prior to year end but unfortunately it was not able to. When this work-in-progress figure is accounted for, the Applicant spent exactly what it had forecast and the rate base was only \$21,000 less than the Board-approved amount for 2012.

VECC-13

Reference: Exhibit 2, Tab 5, Schedule 1

Pre-amble. In its 2012 cost of service rate filing ETPL filed a comprehensive Asset Condition Assessment and Asset Management Plan in EB-2012-0121 based on an asset condition assessment study carried out by METSCO Inc.

a) The following statement was made in the EB-2012-0121 “[T]he METSCO Report identified 6 Distribution Substations that would need replacing over the next decade. The 2012 spending will deal with 1 (Clinton, \$355,000) of the 6 and 5 will remain.

It is likely that at least 2 of the remaining 5 will be replaced prior to the next rebasing at a cost similar to the Clinton Project” (E2/T3/S1/section7.0). Please explain what projects have been completed with respect to the 6 referenced distribution stations.

Response to VECC-13(a)

The following six (6) substations were identified in the 2011 METSCO AMP; an update as to their current status has been provided:

1. **Clinton MS2** - Erie Thames was able to complete conversion projects that enabled this substation to be taken out of service in 2014.
2. **Aylmer Forest DS** - In 2015 ETPL was able to source an inexpensive replacement transformer from a neighboring utility. We were able to refurbish the transformer and make minor upgrades to the station for \$94,272.02 which has extended the life of the station for a number of years.
3. **Mitchell DS** - Erie Thames intends to remove the Mitchell DS from service in 2018 as a result of voltage conversion initiatives in the area.
4. **Ingersoll MS#3** - ETPL continues to monitor the condition of this substation and intends to have it remain in service. This station has redundancy through Ingersoll MS#1 and therefore if one of the stations was to fail the other station could carry the entire Ingersoll 4kV load.
5. **Clinton MS#1** - ETPL is continuing to monitor the condition of this station. In 2017 we were able to purchase a spare transformer suitable for this location and other remaining stations which will provide a low cost option to extend the life if required.
6. **Tavistock DS** - As a result of a lighting strike in 2012, the transformer at this station was replaced in emergency conditions and is now our newest 4kV transformer.

b) The following table was provide in EB-2012-0121/Exhibit 2/Tab 5/Schedule 1/pg.41-). Please update this table to show the actuals spent on the listed projects and including years 2016 and 2017.

Program and Project	2013	2014	2015
New Service Connections and Upgrades	\$285,000	\$285,000	\$285,000
Municipal Road Reconstruction	\$50,000	\$50,000	\$50,000

Meters	\$45,000	\$45,000	\$45,000
Tools & Equipment	\$35,000	\$40,000	\$40,000
Computers, Phones, etc.	\$25,000	\$25,000	\$25,000
Lands, Buildings & Leasehold Improvements	\$40,000	\$40,000	\$40,000
Fleet	\$340,000	\$340,000	\$340,000
SCADA & Smart Grid	\$200,000	\$200,000	\$200,000
Sub-total	\$1,025,000	\$1,025,000	\$1,025,000
Pole Replacement ¹	\$150,000	\$150,000	\$150,000
Clinton MS#2 Conversion ¹	\$355,000	\$355,000	\$355,000
Mitchell Conversion ¹	\$145,000	\$145,000	-
Station Upgrades ¹	\$20,000	\$20,000	\$20,000

Response to VECC-13(b)

An updated 2-AA and 2-AB has been completed and submitted with ETPL's responses:

VECC-14

Reference: Exhibit 2/Tab 2/Schedule 1/Appendices 2-AA

- a) Please amend Appendix 2-AB to include 2012 Board approved and actual spending.

Response to VECC-14(a)

A revised Appendix 2-AAB to include 2012 Board-approved and actual spending is submitted with the Applicant's interrogatory responses.

3) Operating Costs

Are ETPL's operating costs appropriate?

This issue includes:

- a) Does the differential between ETPL's 2012 OEB approved level of OM&A of \$5,660,594 and actual OM&A costs of \$4,855,139, or \$805,455, or 17 percent, raise concerns about the accuracy of ETPL's current forecast?**

- b) Is ETPL's conclusion that it is clearly performing well when compared to its expected cost calculation justified?**

VECC-15

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

- a) Please update Table 4-6 for 2017 actual IPI inflation rates.

Response to VECC-15(a)

ETPL is unsure what inflation rates VECC is referring to here. If IRM inflation ETPL would argue that that value is unrealistic and as such the rates utilized in Table 4-6 are still representative of the level of inflation ETPL experienced.

table showing annual CPI inflation rates for the 2012 through 2017 period.

Response to VECC-15(b)

ETPL is unsure what inflation rates VECC is referring to here. If IRM inflation ETPL would argue that that value is unrealistic and as such the rates utilized in Table 4-6 are still representative of the level of inflation ETPL experienced.

- c) Is ETPL's inclusion of \$140,000 in operating costs for cyber and privacy risk mitigation appropriate and is the classification of these costs as regulatory in nature appropriate?**

VECC-16

Reference: Exhibit 4, Tab 2, Schedule 3, page

- a) Please provide the budget underpinning the \$144k for cyber security.

Response to VECC-16(a)

The items underpinning the \$140,000 for cyber security include:

- Approximately \$40,000 for incremental IT staff costs,
- Approximately \$50,000 for security-as-a-service annually to a third party for monthly operations and compliance manager, asset management, incident and investigation response, and Security information event monitoring 24/7.
- Approximately \$50,000 for End User Cyber Security Training, policy and risk assessment maintenance, data privacy reporting and monitoring and third party auditing of how the Applicant is performing with respect to cyber security and privacy.

d) Are the merger savings stated as arising from ETPL’s previous mergers with West Perth and Clinton Power accurately quantified and reflected in the current application?

e) Are ETPL’s stated FTE levels and compensation costs appropriate and/or comparable to those of other utilities given that some employees who work for ETPL are located in its affiliated companies?

VECC-17

Reference: Exhibit 4, Tab 1, Schedule 3 page 3

a) Please amend Table 4-14 (Appendix 2-K) to show the total amount of capitalized and expensed compensation in each year 2012 through 2018.

Response to VECC-17(a)

An amended Table 4-14 showing the total amount of capitalized and expensed compensation in each year from 2012 to 2018 is set out below.

Employee Costs	2012 BA	2012 Actuals	2013 Actuals	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals
Total Compensation (Salary, Wages and Benefits)	\$ 3,971,078	\$ 4,188,251	\$4,322,156	\$ 4,515,560	\$ 4,947,885	\$ 4,989,082	\$ 4,626,529
Total Compensation Expensed		\$ 2,774,791	\$2,581,093	\$ 2,948,878	\$ 3,395,635	\$ 3,409,183	\$ 3,323,292
Total Compensation Capitalized		\$ 1,413,460	\$1,741,064	\$ 1,566,682	\$ 1,552,251	\$ 1,579,899	\$ 1,303,237

f) Are the accounting changes which have shifted costs away from O&M and into Administration appropriate?

g) Are affiliate transactions forecast by ETPL appropriate and, if so, why?

VECC-18

Reference: Exhibit 4, Tab 5, page 7

- a) Please explain the increase in EARTH Management cost from \$362,464 in 2012 to \$485,575 in 2018.

Response to VECC-18(a)

ERTH Costs were reevaluated through the years from 2012 to 2018 and as a result costs were shifted from IT and HR and Legal to executive costs. This fact coupled with the fact that ETPL's President became CEO of EARTH in 2017 but maintained responsibility for ETPL President caused the increase. Despite this increase it is important to note that EARTH costs in total have only increased by 3% since 2012 or 0.58% per year.

- b) Please explain the increase in EARTH IT costs from \$31,058 in 2012 to \$217,850 in 2018.

- The increase in IT costs is the \$140,000 for Cyber Security and risk and the remaining increases are for costs for EARTH to provide server and infrastructure for ETPL and the increased costs for providing of servers and maintenance for the new financial system.

- h) Are ETPL's purchases of non-affiliate services resulting in appropriate costs and are the divisions of service acquisitions between affiliates and non-affiliates appropriate?**

VECC-19

Reference: Exhibit 4, Tab 6, page 1-

- a) If ETPL is a member of the EDA please provide the annual fees paid for each year 2012 through 2018 (forecast)

Response to VECC-19

FEES PAID TO THE ELECTRICAL DISTRIBUTION ASSOCIATION						
2012	2013	2014	2015	2016	2017	2018
\$45,467	\$48,112	\$48,023	\$58,564	\$78,229	\$76,346	\$78,306

i) Is ETPL’s proposal to establish a five-year useful life for smart metering assets appropriate as this is not within the Kinectrics range?

VECC-20

a) Please provide the study supporting the 5 year depreciation life for smart meters.

b) **Response to VECC-20**

- The depreciation life of 5 years is not for smart meters but rather communication equipment with respect to smart meters. Smart meters themselves are amortized over 12 years.

j) Did the underspending in operating costs for the period 2012, 2013 and 2014 from that approved by the Board in 2012 result in any deferred costs that are proposed to be recovered in 2018 onward?

k) Is the increase in compensation both the increase in costs and the reduction in non-management positions and increase in management positions reasonable?

4) Cost of Long-Term Debt

a) Is ETPL’s use of the OEB’s deemed long term debt rate of 4.16 percent appropriate for the 2017 and 2018 promissory notes due to EARTH Corporation, an affiliate of ETPL, which have rates of 2.5 percent?

b) Has ETPL calculated interest expense appropriately for promissory notes shown as issued on the last days of 2015, 2017 and 2018 respectively?

VECC-21

Reference: Exhibit 5, Tab 2

a) What due diligence has ETPL undertaken to ensure that it cannot borrow long-term for less than the 4.16% affiliate debt ceiling set by the Board?

Response to VECC-21(a)

ETPL has relied on the due diligence of the Board in their review of the market conditions and calculation of the Deemed Long-term Debt Rate based on September 2017 data as outlined in the “Cost of Capital Parameters Updates for 2018 Cost of Service and Custom Incentive Rate-Setting Applications” issued by the board on November 23, 2017.

Notwithstanding the cost of setting up long term debt with third party lenders would likely offset any potential reduction in rates. ETPL would note that

fixed money would likely be approximately or greater than 4.36%. ETPL would not want to expose itself for variable rates on any loan other than an operating line.

- b) Does ETPL borrow commercially for any short or long-term borrowing (including lines of credit?). If yes please provide the annualized interest for those borrowings

Response to VECC-21(b)

ETPL has an operating line of credit with interest payable at Bank Prime – currently 3.70%. ETPL has loans for large vehicles at 5.7% for 8 years.

- c) Does ETPL's policy of borrowing 100% of its long-term debt at above market rates pose any risk to the regulated utility that might have consequences on ratepayers?

Response to VECC-18(c)

Rate is only one measure or consideration in borrowing. ETPL considers the totality of the terms and conditions with respect to its debt.

ETPL does not foresee any risk as this structure has been in place since deregulation and there has not been any consequence to date. Also the Board of ETPL oversees the financial viability of the operation and as such will take measures to adjust its interest payments before there is a risk to the ratepayer.

VECC-22

Reference: Exhibit 5, Tab 2, page 3-5

- a) In 2018 ETPL forecasts that it will actually pay interests amounts to its various affiliated companies of \$1,705,339. Table 5-4 shows the actual amount collected in rates for long-term debt will be \$936,386. Please explain how ETPL finances the \$768,953 (789k) difference.

Response to VECC-22(a)

ETPL finances the difference through its net income and communicates to its Board and Shareholder that this difference is a deemed dividend they receive since the debt is not paid at current market rates.

- b) Please explain what amount (\$1.7 or 789k) is used to calculate the achieved return on equity shown in ETPL Scorecard is the 789k

Response to VECC-22(b)

ETPL uses the deemed 789k for the calculation of achieved return on its Scorecard as required by the OEB.

- c) Please provide the 2017 achieved and deemed return on equity.

Response to VECC-22(c)

See ETPL's 2017 financial statements included with these IR responses in the responses to CCC and or Board staff and ETPL's scorecard provide in its response to SEC.

5) Load Forecast and Other Revenue (written submissions only)

- a) Is ETPL's proposed Load Forecast appropriate, including the interrelationship with, and impacts of, other issues?

N/A

- b) Is ETPL's proposed Other Revenue appropriate, including the interrelationship with, and impacts of, other issues?

N/A

6) Revenue Sufficiency/Deficiency (written submissions only)

- a) Has ETPL's proposed Revenue Sufficiency/Deficiency been accurately determined, given the impacts from the hearing of other issues?

N/A

7) Cost Allocation

- a) Are ETPL's proposed revenue-to-cost ratios appropriate, particularly given the shifts in the revenue-to-cost ratios produced in the cost allocation model from the previously approved ratios in 2012 to the status quo ratios, which are used to derive the proposed ratios in this application?

7.0 –VECC -23

Reference: Exhibit 7, Tab 1, page 6
Cost Allocation Model – Tab I4 (BO ASSETS)

a) Is the asset breakdown (i.e., Bulk vs. Primary vs. Secondary) used in the current Application the same as that used in ETPL's last cost of service application (EB-2012-0121)?

Response to VECC-23(a)

The asset breakdown used in the current application is the same as that used in ETPL's last COS application.

b) If not, what are the differences and why have the values changed?

- NA

c) If not, what would be impact on the revenue to cost ratios calculated by the cost allocation model of using the same breakout as in the last cost of service application?

- NA

7.0 –VECC -24

Reference: Exhibit 7, Tab 1, page 6
Cost Allocation Model – Tab I5.1 (Misc Data)

a) Is the "Portion of pole leasing revenue from Secondary" used in the current Application the same as that used in ETPL's last cost of service application (EB-2012-0121)?

Response to VECC-24(a)

The proportion of pole leasing revenue from secondary is the same in the current application as it was in the 2012 COS application.

b) If not, what are the differences and why has the value changed?

- NA

c) If not, what would be impact on the revenue to cost ratios calculated by the cost allocation model of using the same percentage as in the last cost of service application?

- NA

7.0 –VECC -25

Reference: Exhibit 7, Tab 1, page 7
Cost Allocation Model – Tab I5.2 (Weighting Factors)
Cost Allocation Model – Tab I3 (TB Data)

- a) Are the weighting factors for Services used in the current Application the same as those used in ETPL's last cost of service application (EB-2012-0121)?

Response to VECC-25(a)

The services weighting factors as the same in current application as they were in the 2012 application.

- b) If not, please provide the analysis supporting the updated values.
- NA

c) If not, what would be impact on the revenue to cost ratios calculated by the cost allocation model of using the Services weighting factors as in the last cost of service application?

 - NA

d) With respect to the proposed Billing & Collecting weighting factor analysis, please provide the costs for: i) Utilismart, ii) Canada Post Office, iii) Billing Department and iv) Collections Department consistent with the costs used in the Application and reconcile the total with the total Billing and Collecting costs shown in the Cost Allocation model - \$1,017,094 (\$830,289 + \$186,805).

Response to VECC-25(d)

- e) With respect to the proposed Billing & Collecting weighting factor analysis, please indicate how many Sentinel Lighting customers are "linked" to another customer account and provide a break down by customer class.

Response to VECC-25(e)

All of the sentinel lighting customers are linked to another customer account but unfortunately at this time a breakdown by class is not available.

- f) What would be impact on the revenue to cost ratios calculated by the cost allocation model of using the Billing & Collecting weighting factors from the last cost of service application?

Response to VECC-25(d)

	Name of Customer Class	Status Quo Ratios	
		Original	Same weighting factors
		%	%
1	Residential	88.76%	95.28%
2	General Service < 50 kW	99.88%	81.87%
3	General Service > 50 to 999 kW	155.80%	128.42%
4	General Service > 1,000 to 4,999 kW	149.57%	148.40%
5	Large Use	73.46%	73.11%
6	Unmetered Scattered Load	173.79%	51.47%
7	Sentinel Lighting	45.21%	107.30%
8	Street Lighting	169.17%	169.11%
9	Embedded Distributor	228.31%	228.87%

7.0 –VECC -26

Reference: Exhibit 7, Tab 1, page 11
 Cost Allocation Model – Tab I6.2 (Customer Data)

- a) The Application states (page 11) there are 9 street light customers but Cost Allocation model uses a value of 8. Please reconcile and update the Cost Allocation model as required. Should be 9 (Clinton)
- b) Tab I6.2 has no value for secondary customers for Street Lights, please reconcile and update the Cost Allocation model as required.
- c) The Street Light values for primary and line transformer customer base are hard coded. Please explain how they were determined and provide the calculation.

7.0 –VECC -27

Reference: Exhibit 7, Tab 1, page 11
 Cost Allocation Model, Tab I6.2 (Customer Data)

- a) The Application states (lines 13-14) that “EPTL has not entered any customers for Sentinel Lighting or USL”. However, Tab I6.2 of the model does include customer counts for these classes. Please reconcile and update the cost allocation model as required.

Response to VECC-27(a)

The application misspoke and the model is correct.

7.0 –VECC -28

Reference: Exhibit 7, Tab 1, page 12

Cost Allocation Model, Tab I6.2 (Customer Data)

- a) The Application states (lines 1-4) that the calculation of the Secondary customer base used the same approach as for the Line Transformer customer base. Please explain why the GS 50-999 customer counts for these two are different and update the cost allocation model if required.

7.0 –VECC -29

Reference: Exhibit 7, Tab 1, page 12

Cost Allocation Model – Tab I7.2 (Meter Reading)

- a) Are the weighting factors for Meter Reading used in the current Application the same as those used in ETPL's last cost of service application (EB-2012-0121)?

Response to VECC-29(a)

The meter reading weighting factors are the same in both applications.

- b) If not, what would be impact on the revenue to cost ratios calculated by the cost allocation model of using the Meter Reading weighting factors as in the last cost of service application?
- NA

7.0 –VECC -30

Reference: Exhibit 7, Tab 1, page 12

Cost Allocation Model – Tab I7.1 (Meter Capital)

- a) Are the weighting factors for Meter Capital used in the current Application the same as those used in ETPL's last cost of service application (EB-

2012-0121)?

Response to VECC-30(a)

The weighting factors are the same in both applications.

- b) If not, what would be impact on the revenue to cost ratios calculated by the cost allocation model of using the Meter Reading weighting factors as in the last cost of service application?
- NA

7.0 –VECC -31

Reference: Exhibit 7, Tab 1, page 12 and Attachment 7-F
Cost Allocation Model – Tab I8 (Demand Data)

- a) With respect to the weather normalization methodology used in Attachment 7-F:
- i. Has it been used in a cost allocation previously approved by the Board (i.e., not a Settlement Agreement)? If yes, please indicate which proceeding(s).
 - ii. Has it been explicitly accepted in any previous Settlement Agreement approved by the Board? If yes, please indicate which proceeding(s).
 - iii. Is it used and accepted by a regulator in any other jurisdiction? If yes, please indicate where, in what proceeding(s) and provide links to/copies of the relevant applications/decisions.

Response to VECC-31(a)

To ETPL's knowledge the weather normalization methodology used in Attachment 7-F has not been approved by the Board, explicitly accepted in a settlement conference, or approved by a regulator in another jurisdiction.

Elenchus developed this methodology to address the Board's requirements for weather normalized load profiles using hourly data. Load profiles derived with this methodology has only been used in one proceeding, EB-2017-0039, in which the load profiles were used but the methodology was not explicitly accepted in the Settlement Agreement. Though the same weather normalization methodology was used in both cases, the absence of hourly load data for certain rate classes in that case created additional methodological issues that are not present for Erie Thames.

- b) What would be impact on the revenue to cost ratios calculated by the cost allocation model of using the same load profiles as in the last cost of service application?

Response to VECC-31(b)

The table below shows the Revenue to Expense Status Quo% as per sheet O1 of the Cost Allocation Model for each rate class using updated load profiles (as filed) and using load profiles from EB-2012-0121

Revenue to Cost Status Quo%		
Rate Class	As Filed	2012 Load Profiles
Residential	88.76%	89.05%
GS <50	99.88%	98.43%
GS >50 to 999 kW	155.80%	132.50%
GS > 1,000 to 4,999 kW	149.57%	203.39%
Large Use >5MW	73.46%	75.03%
Street Light	169.17%	168.30%
Sentinel	45.21%	45.20%
Unmetered Scattered Load	173.79%	161.21%
Embedded Distributor	228.31%	198.68%

•

7.0 –VECC -32

Reference: Exhibit 7, Tab 2, Schedule 1, page 3
 RRWF, Tab 11 (Cost Allocation)
 Cost Allocation Model – Tab O1 (Revenue to Cost)

- a) The status quo revenue to cost ratios set out in the Application and the RRWF do not match those calculated by the Cost Allocation Model. Please reconcile and update the proposed ratios as required.

Response to VECC-32(a)

ETPL will update its RRWF and make changes as required in the

OEB's IR's and will submit a RRWF that ties to the revenue to cost ratios as calculated by the Cost Allocation Model.

7.0 –VECC -33

Reference: Exhibit 7

RRWF, Tab 11 (Cost Allocation)/ Cost Allocation Model

- a) Please provide an updated version of the Cost Allocation model incorporating all corrections/revisions arising from the foregoing questions or issues raised by other parties to the proceeding.

Response to VECC-33(a)

ETPL will provide an updated CA model as required and update the RRWF Tab 11 as necessary resulting from all of the responses provided in the IR's received from interveners and Board staff.

- b) Please update RRWF, Tab 11 based on the response to part (a).

Response to VECC-33(b)

RRWF will be updated as mentioned above.

- b) Is ETPL's proposal for a final standby rate appropriate?

7.0 –VECC -34

Reference: Exhibit 7, Tab 1, pages 1-2 and Attachment 7-G
Exhibit 8, Attachment 8-F (Proposed Tariff Sheet)
Exhibit 3, Tab 1, Schedule 2, page 2, Table 3-2

- a) The Application states (Exhibit 7, Tab 1, page 2) that ETPL is proposing standby rates and seeks their approval on a final basis which would be applicable to its Intermediate (1,000-4,999 k) and Large Use classes. Will standby charges be applicable regardless of the size of the customer's generator(s) or only if customer generation exceeds a certain limit? If the latter, what are the proposed limits?

Response to VECC-34(a)

The intent of ETPL's proposed stand by rates is to recover any incremental costs incurred for Transmission network and connection charges from Hydro One with respect to Gross Load Billing. Therefore, ETPL would propose that Hydro Ones limits of over 2 MW for renewable generation and over 1 MW for non-renewable generation.

7.0 –VECC -35

Reference: Exhibit 7, Tab 1, pages 1-2 and Attachment 7-G
Exhibit 8, Attachment 8-F (Proposed Tariff Sheet)
Exhibit 3, Tab 1, Schedule 2, page 2, Table 3-2

Preamble: According to Attachment 7-G (Slide titled - How GLB will appear on the bill), the following charge items on an LDC bill will be based on gross load: i) the Facility Charge for Connection to Common ST Lines, ii) Rate Rider for Disposition of Deferral and Variance Accounts (General) (2015), iii) Rate Rider for Disposition of Deferral and Variance Accounts (Wholesale Market Service Rate), iv) Retail Transmission Rate – Line Connection Service Rate and v) Retail Transmission Rate-Transformation Connection Service Rate.

- a) Please confirm that the reference to LDC bill refers to the bill that ETPL receives from HONI. If not confirmed, please explain the reference.

Response to VECC-35(a)

ETPL confirms the reference is to ETPL's bill from HONI

- b) Apart from the "Facility Charge for Connection to Common ST Lines", are there any other volumetric-based ST charges from HONI that are applicable to ETPL? If so, what are they?

Response to VECC-35(b)

ETPL receives Transmission Connection and Network charges, Line Connection charge, Common ST, High Voltage Distribution System and Low Voltage Distribution system charges as well as Monthly service charges from HONI.

7.0 –VECC -36

Reference: Exhibit 7, Tab 1, pages 1-2 and Attachment 7-G

Exhibit 8, Attachment 8-F (Proposed Tariff Sheet)
Exhibit 3, Tab 1, Schedule 2, page 2, Table 3-2

- a) The Application states (Exhibit 7, Tab 1, page 2) that ETPL is proposing standby rates and seeks their approval on a final basis which would be applicable to its Intermediate (1,000-4,999 k) and Large Use classes. However, the proposed 2018 tariff sheets for these two classes do not include any reference to a “standby rate” or “gross load billing” – please reconcile.

Response to VECC-36(a)

ETPL will include the appropriate reference in its final Tariff sheet that reflects how standby rates and gross load billing are handled as a result of the decision.

- b) If the proposal is to have a separate standby “rate”, please provide revised versions of the proposed 2018 tariff sheets for the Intermediate and Large Use customer classes that: i) include the proposed Standby Rate and ii) defined the billing determinant(s) that will be used in conjunction with the rate.

Response to VECC-36(b)

ETPL does not propose to have separate stand by rates at this time and as such do not need to update the Tariff sheet for this item.

- c) If the proposal is to not have a separate standby rate but to alter the billing determinants for certain charges applicable to these two classes:
- i. Please confirm (for each of the two classes) to which charges on the Proposed Tariff Sheet the “standby charge” would apply such that the definition of the billing determinant would change and, in each case, explain why gross load billing is appropriate.

Response to VECC-36(c)

This is what ETPL is proposing and proposes that the volume charged for Transmission Network and Transmission Connection and Distribution variable be grossed up as per Gross Load Billing.

- ii. If the standby charge (i.e., gross load billing) is not applicable to the volumetric distribution charges for these two classes, please explain why.

iii. Please provide a definition of the new billing determinant suitable for inclusion in either the proposed Tariff Sheet or ETPL's Conditions of Service.

- TO BE DETERMINED

d) If the proposal is to not have a separate standby rate but to alter the billing determinants for certain charges applicable to the Intermediate and Large Use classes:

- i. For the Intermediate class (which currently has a customer to which the proposal would apply), please indicate for which of the years 2012-2016 the customer concerned owned and operated "self-generation" and provide revised kW values (per Table 3-2) based on the definition of the billing determinants as would apply to those charges to which a "standby" would also apply.
- ii. Provide, for the Intermediate class, a kW forecast for 2017 and 2018 which includes the standby kW and explain how it was determined.
- iii. Indicate whether the proposed 2018 Intermediate class charges to which standby would apply were derived using the Intermediate class kW forecast as set out in Table 3-2 or as provided in response to item (ii). If the currently proposed charges were based on the billing determinants set out in Table 3-2, please re-calculate using, for the Intermediate class, the billing determinants per item (ii).

- NA

c) Are any changes to ETPL's proposed cost allocation needed as a result of the hearing of other issues? (written submissions only)

N/A

8) Rate Design (written submissions only)

a) Are ETPL's proposed bill impacts related to the Sentinel Lighting rate class appropriate?

N/A

b) Are any changes to ETPL's proposed rate design needed as a result of the hearing of other issues?

N/A

9) Deferral and Variance Accounts

- a) Are ETPL's proposals for the disposition of Group One accounts appropriate, including the allocation of the Global Adjustment between Regulated Price Plan (RPP) and non-RPP customers and general consistency in the continuity schedules?**

- b) Are ETPL's proposals for disposition of Group Two accounts appropriate including the claim for IFRS transition costs and the calculation of the Account 1576 balance?**

- c) Is ETPL's request for a new variance account related to Other Post-employment Benefits (OPEBs) appropriate given that the OEB has previously established an account for such variances?**

End of document