

ONTARIO ENERGY BOARD

IN THE MATTER the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15
(Schedule B);

AND IN THE MATTER OF an application to the Ontario Energy Board
by **Energy+ Inc.** pursuant to Section 78 of the *Ontario Energy Board Act*
for approval of its proposed distribution rates and other charges effective
January 1, 2019.

CONTAINS CONFIDENTIAL INFORMATION

Toyota Motor Manufacturing Canada Inc. (“TMMC”)

Response to Interrogatory 1(b)

of

OEB Staff

October 29, 2018

Staff-TMMC-1

Reference: TMMC Written Evidence of Jeffry Pollock, Large User Class Cost Allocation

Preamble: Mr. Pollock stated that no load displacement generation (LDG) related adjustments to the demand allocators should be made to the Large Use class.

Mr. Pollock also stated that the two dedicated feeders serving TMMC should be directly assigned to TMMC.

Questions:

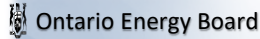
- (a) Please explain in what situations a distributor should create a separate Standby rate class and discuss if TMMC agrees with Energy+'s approach of implementing a Standby charge to all customers in the GS>50 kW and larger rate classes that have LDG (i.e. not creating a separate Standby rate class).
- (b) Please provide a cost allocation model in which TMMC is a separate rate class.
- (c) Mr. Pollock stated that "Energy+'s LDG adjustments are contrary to the Board's directions on cost allocation. Specifically, with respect to LDG, the Board directed distributors to explain in its Filing Summary: (a) What steps were taken to gather relevant data to assess the existence of diversity, and (b) What steps were taken to reflect any diversity of generation in its filing. As previously stated, Energy+ assumed zero diversity for TMMC's generator outages, and it provided no explanation for this assumption."
 - (i) Please discuss if it is TMMC's opinion that these two questions apply only to a distributor who proposes a separate Standby rate class. If so, please explain why it still applies to Energy+'s situation. If not, why not.
 - (ii) Please explain how the filling questions listed in Board's directions lead to the conclusion that "the first step in allocating total costs to the LDG classification is to determine a proper cost-based rate for providing distribution service to the class, irrespective of the impact of LDG."
 - (iii) Please discuss if suitable data cannot reasonably be obtained to assess whether or not an outage of the LDG would occur at the time the large user class reaches its monthly peaks, what methodology should be used to estimate such information.
- (d) Does TMMC give Energy+ access to its hourly metered data of the LDG?
- (e) Please reconcile Schedule JP-3 Total Fixed Assets for Feeders of \$[REDACTED] and Schedule JP-5, page 1 of 2, Directly Allocated Net Fixed Assets of \$251,979.
- (f) The Cost Allocation model provides a mechanism for directly allocating Uniform System of Accounts (USoA) balances. Mr. Pollock's proposed Cost Allocation model does not directly allocate USoA balances. Instead, it leaves the entire USoA balances to be allocated normally, and then performs a direct allocation (not on any USoA balance) to the Large User rate class,

and offsetting direct allocations to other rate classes. Why has the direct allocations of feeder assets, as well as associated OM&A and depreciation been performed as standalone items instead of directly on the related trial balance accounts?

Response:

- (b) Attached is a revised cost allocation model in which TMMC is a separate rate class. The EXCEL version contains confidential tabs and is being provided to the appropriate parties *via* link:

[REDACTED]



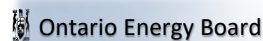
2019 Cost Allocation Model

EB-2018-0028

Instructions:
Please see the first tab in this workbook for detailed instructions

Class Revenue, Cost Analysis, and Return on Rate

| Line | | 1 | 2 | 3 | 5 | 6 | 7 | 8 |
|------|--|----------------------|-----------------------|---------------------|----------------------|---------------------|--------------------|--------------------|
| | Total | Residential | GS <50 | GS> 50- 999 kW | GS> 1,000 - 4,999 kW | Large Use X TMMC | Street Light | Sentinel |
| 1 | Distribution Revenue at Existing Rates | \$33,458,220 | \$17,528,595 | \$4,131,617 | \$7,466,138 | \$2,140,493 | \$267,381 | \$671,811 |
| 2 | Miscellaneous Revenue (mi) | \$1,870,459 | \$1,256,990 | \$205,588 | \$225,747 | \$77,653 | \$9,376 | \$55,140 |
| | Miscellaneous Revenue Input equals Output | | | | | | | |
| 3 | Total Revenue at Existing Rates | \$35,328,679 | \$18,785,585 | \$4,337,206 | \$7,691,885 | \$2,218,146 | \$276,758 | \$726,951 |
| 4 | Factor required to recover deficiency (1 + D) | 1.0333 | | | | | | |
| 5 | Distribution Revenue at Status Quo Rates | \$34,572,250 | \$18,112,229 | \$4,269,184 | \$7,714,732 | \$2,211,764 | \$276,284 | \$694,180 |
| 6 | Miscellaneous Revenue (mi) | \$1,870,459 | \$1,256,990 | \$205,588 | \$225,747 | \$77,653 | \$9,376 | \$55,140 |
| 7 | Total Revenue at Status Quo Rates | \$36,442,709 | \$19,369,220 | \$4,474,773 | \$7,940,479 | \$2,289,416 | \$285,660 | \$749,320 |
| | Expenses | | | | | | | |
| 8 | Distribution Costs (di) | \$4,953,255 | \$2,951,118 | \$508,822 | \$936,400 | \$343,246 | \$42,014 | \$91,092 |
| 9 | Customer Related Costs (cu) | \$4,893,912 | \$3,856,744 | \$634,958 | \$289,309 | \$88,275 | \$6,548 | \$1,531 |
| 10 | General and Administration (ad) | \$8,747,377 | \$5,976,822 | \$1,005,437 | \$1,088,876 | \$379,380 | \$42,719 | \$84,819 |
| 11 | Depreciation and Amortization (dep) | \$6,369,992 | \$3,699,281 | \$788,439 | \$1,225,422 | \$387,180 | \$50,584 | \$102,820 |
| 12 | PILs (INPUT) | \$750,049 | \$427,651 | \$83,320 | \$151,126 | \$49,604 | \$6,008 | \$14,283 |
| 13 | Interest | \$4,377,475 | \$2,495,879 | \$486,278 | \$882,011 | \$289,502 | \$35,066 | \$83,359 |
| 14 | Total Expenses | \$30,092,060 | \$19,407,494 | \$3,507,255 | \$4,573,143 | \$1,537,186 | \$182,940 | \$377,904 |
| 15 | Direct Allocation | \$140,979 | (\$29,754) | (\$10,557) | (\$33,376) | (\$15,964) | (\$2,044) | (\$207) |
| 16 | Allocated Net Income (NI) | \$6,209,670 | \$3,540,530 | \$689,810 | \$1,251,177 | \$410,673 | \$49,743 | \$118,248 |
| 17 | Revenue Requirement (includes NI) | \$36,442,709 | \$22,918,271 | \$4,186,508 | \$5,790,944 | \$1,931,894 | \$230,639 | \$495,945 |
| | Revenue Requirement Input equals Output | | | | | | | |
| | Rate Base Calculation | | | | | | | |
| | Net Assets | | | | | | | |
| 18 | Distribution Plant - Gross | \$195,315,384 | \$112,492,908 | \$22,223,326 | \$39,128,067 | \$12,866,176 | \$1,584,024 | \$3,704,385 |
| 19 | General Plant - Gross | \$15,819,244 | \$9,057,567 | \$1,762,945 | \$3,164,305 | \$1,032,522 | \$125,277 | \$303,130 |
| 20 | Accumulated Depreciation | (\$25,291,672) | (\$14,444,667) | (\$3,128,304) | (\$4,851,589) | (\$1,674,529) | (\$225,603) | (\$424,479) |
| 21 | Capital Contribution | (\$29,939,878) | (\$17,681,500) | (\$3,422,922) | (\$5,792,538) | (\$1,825,198) | (\$223,714) | (\$598,286) |
| 22 | Total Net Plant | \$155,903,079 | \$89,424,307 | \$17,435,046 | \$31,648,245 | \$10,398,971 | \$1,259,983 | \$2,984,750 |
| | Directly Allocated Net Fixed Assets | \$764,856 | (\$81,551) | (\$28,937) | (\$91,480) | (\$43,757) | (\$5,602) | (\$567) |
| | Cost of Power (COP) | \$204,149,413 | \$57,234,905 | \$23,933,484 | \$60,508,046 | \$28,250,770 | \$3,461,184 | \$467,804 |
| | OM&A Expenses | \$18,594,544 | \$12,784,684 | \$2,149,217 | \$2,314,585 | \$810,901 | \$91,281 | \$177,442 |
| | Directly Allocated Expenses | \$28,814 | (\$20,607) | (\$7,312) | (\$23,115) | (\$11,057) | (\$1,416) | (\$143) |
| | Subtotal | \$222,772,772 | \$69,998,983 | \$26,075,390 | \$62,799,515 | \$29,050,614 | \$3,551,050 | \$645,102 |
| | Working Capital | \$16,707,958 | \$5,249,923.70 | \$1,955,654 | \$4,709,964 | \$2,178,796 | \$266,329 | \$48,383 |
| | Total Rate Base | \$173,375,892 | \$94,592,679 | \$19,361,764 | \$36,266,729 | \$12,534,010 | \$1,520,710 | \$3,032,565 |
| | Rate Base Input equals Output | | | | | | | |
| | Equity Component of Rate Base | \$69,350,357 | \$37,837,072 | \$7,744,705 | \$14,506,691 | \$5,013,604 | \$608,284 | \$1,213,026 |
| | Net Income on Allocated Assets | \$6,209,670 | (\$8,521) | \$978,075 | \$3,400,711 | \$768,195 | \$104,764 | \$371,624 |
| | Net Income on Direct Allocation Assets | \$31,862 | (\$3,397) | (\$1,205) | (\$3,811) | (\$1,823) | (\$233) | (\$24) |
| | Net Income | \$6,241,532 | (\$11,919) | \$976,870 | \$3,396,901 | \$766,372 | \$104,531 | \$371,600 |
| | RATIOS ANALYSIS | | | | | | | |
| | REVENUE TO EXPENSES STATUS QUO% | 100.00% | 84.51% | 106.89% | 137.12% | 118.51% | 123.86% | 151.09% |
| | EXISTING REVENUE MINUS ALLOCATED COSTS | (\$1,114,029) | (\$4,132,686) | \$150,698 | \$1,900,941 | \$286,252 | \$46,118 | \$231,006 |
| | Deficiency Input equals Output | | | | | | | |
| | STATUS QUO REVENUE MINUS ALLOCATED COSTS | \$0 | (\$3,549,051) | \$288,265 | \$2,149,535 | \$357,522 | \$55,021 | \$253,375 |
| | RETURN ON EQUITY COMPONENT OF RATE BASE | 9.00% | -0.03% | 12.61% | 23.42% | 15.29% | 17.18% | 30.63% |



2019 Cost Allocation Model

EB-2018-0028

Instructions:

Please see the first tab in this workbook for detailed instructions

Class Revenue, Cost Analysis, and Return on Rate

| Line | | Total | 9 | 10 | 12 | 13 | 14 | 15 | 16 |
|------|---|----------------------|-----------------------------|--|--|---|---|---|---------------------|
| | | | Unmetered Scattered Load | Embedded Distributor Hydro One - CND | Embedded Distributor Waterloo North Hydro - CND | Embedded Distributor Hydro One 1 - BCP | Embedded Distributor Brantford Power BCP | Embedded Distributor Hydro One 2 - BCP | TMMC |
| 1 | Distribution Revenue at Existing Rates | \$33,458,220 | \$64,042 | \$50,527 | \$221,287 | \$119,034 | \$5,388 | \$4,655 | \$772,679 |
| 2 | Miscellaneous Revenue (mi) | \$1,870,459 | \$4,320 | \$562 | \$1,518 | \$328 | \$180 | \$199 | \$31,591 |
| | Mis | | | | | | | | |
| 3 | Total Revenue at Existing Rates | \$35,328,679 | \$68,362 | \$51,088 | \$222,805 | \$119,362 | \$5,568 | \$4,854 | \$804,270 |
| 4 | Factor required to recover deficiency (1 + D) | 1.0333 | | | | | | | |
| 5 | Distribution Revenue at Status Quo Rates | \$34,572,250 | \$66,174 | \$52,209 | \$228,655 | \$122,997 | \$5,567 | \$4,810 | \$798,406 |
| 6 | Miscellaneous Revenue (mi) | \$1,870,459 | \$4,320 | \$562 | \$1,518 | \$328 | \$180 | \$199 | \$31,591 |
| 7 | Total Revenue at Status Quo Rates | \$36,442,709 | \$70,494 | \$52,770 | \$230,173 | \$123,325 | \$5,747 | \$5,009 | \$829,997 |
| | Expenses | | | | | | | | |
| 8 | Distribution Costs (di) | \$4,953,255 | \$13,817 | \$0 | \$0 | \$0 | \$0 | \$0 | \$62,561 |
| 9 | Customer Related Costs (cu) | \$4,893,912 | \$1,388 | \$2,394 | \$405 | \$405 | \$701 | \$1,620 | \$9,452 |
| 10 | General and Administration (ad) | \$8,747,377 | \$13,859 | \$6,134 | \$17,923 | \$3,676 | \$1,852 | \$1,386 | \$120,494 |
| 11 | Depreciation and Amortization (dep) | \$6,369,992 | \$16,523 | \$2,962 | \$4,774 | \$904 | \$616 | \$0 | \$85,475 |
| 12 | PILs (INPUT) | \$750,049 | \$2,180 | \$648 | \$2,566 | \$486 | \$190 | \$0 | \$11,324 |
| 13 | Interest | \$4,377,475 | \$12,723 | \$3,783 | \$14,978 | \$2,837 | \$1,111 | \$0 | \$66,087 |
| 14 | Total Expenses | \$30,092,060 | \$60,490 | \$15,922 | \$40,647 | \$8,309 | \$4,471 | \$3,006 | \$355,392 |
| 15 | Direct Allocation | \$140,979 | (\$31) | \$21,851 | \$94,513 | \$17,904 | \$6,712 | \$0 | \$91,933 |
| 16 | Allocated Net Income (NI) | \$6,209,670 | \$18,048 | \$5,366 | \$21,247 | \$4,025 | \$1,577 | \$0 | \$93,748 |
| 17 | Revenue Requirement (includes NI) | \$36,442,709 | \$78,508 | \$43,139 | \$156,407 | \$30,237 | \$12,759 | \$3,006 | \$541,073 |
| | Revenue Re | | | | | | | | |
| | Rate Base Calculation | | | | | | | | |
| | Net Assets | | | | | | | | |
| 18 | Distribution Plant - Gross | \$195,315,384 | \$560,415 | \$21,740 | \$0 | \$0 | \$3,239 | \$0 | \$2,560,967 |
| 19 | General Plant - Gross | \$15,819,244 | \$46,087 | \$14,837 | \$58,711 | \$11,122 | \$4,357 | \$0 | \$224,358 |
| 20 | Accumulated Depreciation | (\$25,291,672) | (\$61,947) | (\$15,665) | (\$33,328) | (\$6,313) | (\$3,553) | \$0 | (\$403,288) |
| 21 | Capital Contribution | (\$29,939,878) | (\$89,077) | (\$3,537) | \$0 | \$0 | (\$527) | \$0 | (\$275,046) |
| 22 | Total Net Plant | \$155,903,079 | \$455,477 | \$17,375 | \$25,383 | \$4,808 | \$3,517 | \$0 | \$2,106,991 |
| | Directly Allocated Net Fixed Assets | \$764,856 | (\$84) | \$118,547 | \$512,764 | \$97,133 | \$36,413 | \$0 | \$251,979 |
| | Cost of Power (COP) | \$204,149,413 | \$280,069 | \$1,552,477 | \$7,156,251 | \$1,501,556 | \$42,830 | \$5,329,726 | \$14,414,669 |
| | OM&A Expenses | \$18,594,544 | \$29,064 | \$8,529 | \$18,328 | \$4,081 | \$2,553 | \$3,006 | \$192,507 |
| | Directly Allocated Expenses | \$28,814 | (\$21) | \$4,466 | \$19,317 | \$3,659 | \$1,372 | \$0 | \$63,671 |
| | Subtotal | \$222,772,772 | \$309,112 | \$1,565,472 | \$7,193,896 | \$1,509,297 | \$46,755 | \$5,332,732 | \$14,670,847 |
| | Working Capital | \$16,707,958 | \$23,183 | \$117,410 | \$539,542 | \$113,197 | \$3,507 | \$399,955 | \$1,100,314 |
| | Total Rate Base | \$173,375,892 | \$478,577 | \$253,332 | \$1,077,689 | \$215,138 | \$43,436 | \$399,955 | \$3,459,283 |
| | Rate B | | | | | | | | |
| | Equity Component of Rate Base | \$69,350,357 | \$191,431 | \$101,333 | \$431,076 | \$86,055 | \$17,374 | \$159,982 | \$1,383,713 |
| | Net Income on Allocated Assets | \$6,209,670 | \$10,034 | \$14,998 | \$95,013 | \$97,112 | (\$5,435) | \$2,003 | \$382,672 |
| | Net Income on Direct Allocation Assets | \$31,862 | (\$3) | \$4,938 | \$21,361 | \$4,046 | \$1,517 | \$0 | \$10,497 |
| | Net Income | \$6,241,532 | \$10,031 | \$19,936 | \$116,374 | \$101,159 | (\$3,918) | \$2,003 | \$393,169 |
| | RATIOS ANALYSIS | | | | | | | | |
| | REVENUE TO EXPENSES STATUS QUO% | 100.00% | 89.79% | 122.33% | 147.16% | 407.86% | 45.04% | 166.64% | 153.40% |
| | EXISTING REVENUE MINUS ALLOCATED COSTS | (\$1,114,029) | (\$10,146) | \$7,949 | \$66,398 | \$89,124 | (\$7,191) | \$1,848 | \$263,197 |
| | Deficit | | | | | | | | |
| | STATUS QUO REVENUE MINUS ALLOCATED COSTS | \$0 | (\$8,014) | \$9,632 | \$73,766 | \$93,087 | (\$7,012) | \$2,003 | \$288,924 |
| | RETURN ON EQUITY COMPONENT OF RATE BASE | 9.00% | 5.24% | 19.67% | 27.00% | 117.55% | -22.55% | 1.25% | 28.41% |