

Clarification TMMC-3

Topic: Standby Rate Proposal

Reference: IR-TMMC-12

Preamble: In its response to IR-TMMC-12, Sub-Question 4, Energy+ indicates that it is not able to identify the specific asset values and annual depreciation expenses for the assets that are being reserved as the assets are categorized on a pooled asset basis. Therefore the asset values, net book value, and the annual depreciation expense is not specifically available.

In IR-TMMC-12, TMMC specifically requested that estimates of asset values be provided in the event that specific asset values could not be provided because of the use of “group accounting methods”. Group accounting is a synonym for pooled asset accounting.

One specific asset referenced in Energy+’s response is capacity at Preston TS on the 230kV-27.6kV transformers.

Questions:

1. Please provide estimates of the asset values, net book value and depreciation expense of the assets noted as specifically requested in TMMC’s original IR.
2. Please confirm our understanding that the 230kV-27.6kV transformer is an asset owned by Hydro One and therefore is not part of Energy+’s Rate Base and therefore not part of the costs that will be recovered through Energy+’s distribution tariff.
3. In light of your response to Sub-Question 2 above, please indicate why the reservation of capacity on the transformer noted above is relevant to Energy+’s request to apply for a Standby tariff.

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RESPONSES:

1. Energy+ has provided the actual costs of the 795MCM aluminum wire and associated clamps/bracket/insulators/bolts along with two TMMC specific loadbreak switches and a few solid blade switches in response to TMMC IR#11. These are the assets that Energy+ identified that are dedicated exclusively for use by TMMC.

In addition, Energy+ has prepared a high level estimate of shared asset costs (poles and meters) in an effort to provide an additional response to TMMC. Energy+ has prepared this estimate using assumptions that are based on average asset values in the asset categories, depreciation rates for the asset classes, and based on the information in the asset records with respect to the age of the assets that have been identified as servicing the TMMC plant, that are not exclusive to TMMC. This is not a standard methodology for cost allocation, and Energy+ does not support the use of this methodology for cost allocation purposes. These shared assets are used by multiple customers, not just TMMC. Specifically, the pole assets that support the M24 feeder also support the M23, M27, and M29 feeders and the pole assets that support the M30 feeder also support the M25, M29 and M42 feeders. Energy+ notes that there may be other assets such as CT's/PT's located at Preston TS that measures the load withdrawn from the transmission system. Energy+ owns these assets, however, Energy+ is unable to determine the exact age and asset values.

That said, Energy+ has made best efforts to identify all of the assets and to compute the asset values as requested for purposes of responding to this clarification question. Energy+ has not completed a visual inspection. Energy+ notes that the assets identified in this response are with respect to the distribution system assets and does not include all of the other general plant asset categories that would be attributable to servicing TMMC and all of Energy+'s other customers (control room, IT systems, office, trucks, tools and equipment, etc.).

The following is a greatly simplified summary of the specific assets identified by Energy+ Inc.:

Table 1: Pole Assets – M24 27.6 KV Feeder

Pole Assets	Concrete Total	Wood	ENERGY+ Total
Year			
1/1/1961		1	1
1/1/1962		1	1
1/1/1976		1	1
1/1/1981		3	3
1/1/1983		1	1
1/1/1984		1	1
1/1/1986		8	8
1/1/1987	7	36	43
1/1/1988		3	3
1/1/1989	1	2	3
1/1/1990	1		1
1/1/1991	1		1
1/1/1993		1	1
1/1/1995		2	2
1/1/1996	2	15	17
1/1/1998		1	1
1/1/2002		1	1
1/1/2003		1	1
6/28/2005		1	1
1/1/2007		1	1
10/29/2009		2	2
1/1/2010		1	1
2/19/2011		1	1
9/7/2012		1	1
10/24/2012		1	1
10/1/2013		7	7
9/18/2014		1	1
1/1/2016		1	1
8/14/2016		2	2
Grand Total	12	97	109

Table 2: Pole Assets – M30 27.6 KV Feeder

Pole Assets	Concrete	Wood	ENERGY+ Total
1/1/1956		1	1
1/1/1976		1	1
1/1/1979	1		1
1/1/1981	1		1
1/1/1982		1	1
1/1/1983		5	5
1/1/1986		18	18
1/1/1987	1	15	16
1/1/1988	7	2	9
1/1/1989		2	2
1/1/1990	1		1
1/1/1991		10	10
1/1/1992		1	1
1/1/1993	1	4	5
1/1/1994		7	7
1/1/1995		5	5
1/1/1996		44	44
1/1/1999		1	1
1/1/2001		1	1
1/1/2008		1	1
8/7/2008		3	3
5/16/2010		1	1
2/18/2011		1	1
3/7/2012		1	1
6/8/2014		1	1
1/26/2016		1	1
10/14/2016		1	1
10/19/2016		5	5
Grand Total	12	133	145

Metering Assets – 4 Meters – Upgraded in 2015

The following chart provides the high level estimate of the asset values as of Dec. 31, 2017:

Table – Clarification – TMMC 3: High Level Estimate of Non-Exclusive Distribution Assets

TOTAL M24 POLES	Estimated Assets			
	Estimated Cost	Estimated Acc. Amort.	Estimated NBV	Estimated Annual Depreciation
Concrete	\$ 22,942	\$ 19,990	\$ 2,952	\$ 273
Wood	\$ 290,373	\$ 174,403	\$ 115,970	\$ 2,714
Total	\$ 313,315	\$ 194,393	\$ 118,922	\$ 2,987
TOTAL M30 POLES	\$ 10,196	\$ 9,364	\$ 832	\$ 93
Concrete	\$ 743,858	\$ 543,485	\$ 200,373	\$ 6,219
Wood	\$ 754,054	\$ 552,849	\$ 201,205	\$ 6,311
TOTAL				
Concrete	\$ 33,138	\$ 29,354	\$ 3,784	\$ 366
Wood	\$ 1,034,231	\$ 717,888	\$ 316,343	\$ 8,933
	\$ 1,067,369	\$ 747,242	\$ 320,127	\$ 9,299
Metering Assets	\$ 34,000	\$ 5,667	\$ 28,333	\$ 2,267

- Energy+ confirms that the 230kV-27.6kV transformers at the Preston Transformer Station are owned by Hydro One and therefore these assets are not part of Energy+'s Rate Base and therefore not part of the costs that will be recovered through Energy+'s distribution tariff.

3. The reservation of capacity on the transformers at the Preston Transformer Station (TS) is relevant since the available transformation capacity is limited and Preston TS must supply a total of eight 27.6kV distribution feeders. Two of these 27.6kV feeders designated as 21M24 and 21M30 supply only the TMMC plant. Five 27.6kV feeders designated as 21M23, 21M25, 21M27, 21M28 and 21M29 supply other customers on Energy+'s distribution system. The feeder designated as 21M26 is not presently supplying any load but will in the future. The capacity of Preston TS is 125MVA (Ten Day Summer Limited Time Rating). Energy+ must reserve 9.2MW of this capacity at all times in case TMMC's load-displacement generation (LDG) drops off-line instantaneously adding 9.2MW of load to Preston TS. This 9.2MW of capacity reservation on the transformers at Preston TS means that Energy+ cannot utilize the full 125MVA of capacity for load. The actual MVA figure would depend on the power factor of TMMC's load at the time. However, using a 90% power factor, Energy+ must ensure that it keeps $9.2/0.9 = 10.2$ MVA of capacity at Preston TS available all of the time in case the LDG drops off-line. Therefore, only 114.8MVA (125-10.2) of load can be placed on Preston TS when the LDG is in operation. This impacts the operation of Energy+'s distribution system, reduces Energy+'s capability to meet load growth by 10.2MVA and will ultimately advance the requirement for additional transformation capacity.