**Chapleau Public Utilities Corporation**

**2019 Cost of Service Electricity Distribution Rate Application – EB-2018-0087**

**OEB Staff Interrogatories – Supplemental IRs**

**April 8, 2019**

## 2-Staff-31

**Ref: Exhibit 2, DSP Table 5 and Table 24**

 **Excel Appendix 2-AB**

**Preamble:**

OEB staff has compared the revised November 26, 2018 version of Table 5 and Table 24 in the DSP to Excel Table 2-AB. There are still some very minor discrepancies between the two tables relating to Capital Expenditures, but these items do not require updating due to small size of the discrepancies. However, there are major discrepancies between the System O&M in Table 5 and Table 24 of the DSP to the Excel Appendix 2-AB.

For example, comparing Table 5 and Table 24 of the DSP to the Excel Appendix 2-AB:

2014 Actual System O&M shows $744,700 in the DSP and $223,211 in the Excel Appendix 2-AB

2015 Actual System O&M shows $730,600 in the DSP and $208,239 in the Excel Appendix 2-AB

2016 Actual System O&M shows $744,000 in the DSP and $236,332 in the Excel Appendix 2-AB

2017 Actual System O&M shows $716,600 in the DSP and $237,909 in the Excel Appendix 2-AB

2018 Actual System O&M shows $797,800 in the DSP and $247,400 in the Excel Appendix 2-AB

For example, comparing Table 24 of the DSP to the Excel Appendix 2-AB (Note that Table 5 of the DSP does not have “Plan” System O&M for 2014 through 2018, only “Actual”):

2014 Plan System O&M shows $0 in the DSP and $205,440 in the Excel Appendix 2-AB

2015 Plan System O&M shows $0 in the DSP and $205,440 in the Excel Appendix 2-AB

2016 Plan System O&M shows $328,000 in the DSP and $205,440 in the Excel Appendix 2-AB

2017 Plan System O&M shows $321,200 in the DSP and $205,440 in the Excel Appendix 2-AB

2018 Plan System O&M shows $327,600 in the DSP and $205,440 in the Excel Appendix 2-AB

2019 Plan System O&M shows $813,800 in the DSP and $244,370 in the Excel Appendix 2-AB

2020 Plan System O&M shows $805,800 in the DSP and blank in the Excel Appendix 2-AB

2021 Plan System O&M shows $809,800 in the DSP and blank in the Excel Appendix 2-AB

2022 Plan System O&M shows $807,800 in the DSP and blank in the Excel Appendix 2-AB

2023 Plan System O&M shows $808,800 in the DSP and blank in the Excel Appendix 2-AB

**Question:**

1. Please resolve the above-noted discrepancies.

Responses:

CPUC provides a revised version Appendices 2-AA and 2-AB that are part of its DSP in 2.0 VECC-3 (next IR).

Over the 2014-2018 period, the CPUC experienced an annual increase of 3%. O&M costs are driven by the need to maintain the system’s service and its assets. CPUC projects its forecast O&M expenditures to be in line with historical performance. Please see our response to 4-Staff-44 for further information on the application of inflation.

**2.0 RATE BASE (EXHIBIT 2)**

2.0-VECC-3

Reference: Appendix 2-AA and 2-AB

1. Please update the referenced tables for 2018 actual financial results.

Responses:

1. See tables below

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Appendix 2-AA |  |  |  |  |
| Capital Projects Table |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Capital projects table |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Reporting basis | Reporting basis |  |  | Cgaap | Cgaap | Newgaap | Newgaap | Mifrs | Cgaap | Mifrs | Mifrs |
| Projects | Projects | 2012 test year | Usoa | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| System access | System access |  |  |  |  |  |  |  |  |  |  |
|  | To transfer computer software capital for 2008,2009,2010,2011& |  | 1611 |  |  |  |  |  |  |  |  |
|  | 2012 to computer software from smart meter variance acct. |  |  | $57,476 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Meters & smart meters | 1,500 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Watt hour meters |  | 1860 | $1,108 |  |  |  |  |  |  |  |
|  | Transfer smart meter acct |  |  | $381,117 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Meter purchase |  | 1860 |  | $687 |  |  |  |  |  |  |
|  | "a" to "s" adapter |  |  |  | $193 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Meter rings |  | 1860 |  |  |  | $521 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Meter service provider |  | 1860 |  |  |  |  | $1,000 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Meter sampling |  | 1860 |  |  |  |  |  | $19,668 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Meter reverification |  | 1860 |  |  |  |  |  |  | $10,866 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Sub-total system access |  |  | $439,701 | $880 | $0 | $521 | $1,000 | $19,668 | $10,866 | $0 |
| Contributed capital |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Contributed capital |  |  |  | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Total system access | Total system access |  |  | $439,701 | $880 | $0 | $521 | $1,000 | $19,668 | $10,866 | $0 |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| System renewal | System renewal |  | Usoa | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|  | Poles ,towers & fixtures with some contract work |  | 1830 | $2,502 |  |  | $40,267 |  | $4,389 |  | $0 |
|  | Contractor truck& labour |  |  |  |  |  |  |  |  |  | $56,985 |
|  | Poles towers fixtures only | 23,162 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Line transformers | $8,863.00 | 1650 | $4,439 |  |  |  |  |  | $5,278 | $0 |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Poles (guelph utility poles)highline power supply equipment & |  | 1830 |  |  |  |  |  |  |  |  |
|  | Labour, material from local store |  |  |  | $8,956 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Poles, towers, fixtures, engineering work, contractor material & |  |  |  |  |  |  |  |  |  |  |
|  | Labour |  | 1830 |  |  | $13,973 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Line tx |  | 1850 |  | $3,691 | $4,950 | $5,588 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Poles, towers, fixtures, contractor work |  | 1830 |  |  |  |  | $35,193 |  | $45,940 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Poles towers fixtures cpuc work&materials |  |  |  |  |  |  |  |  |  | $23,682 |
|  | Sub-total system renewal |  |  | $6,941 | $12,647 | $18,923 | $45,855 | $35,193 | $4,389 | $51,218 | $80,667 |
| Contributed capital |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 1995 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Contributed capital |  |  | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Total system renewal | Total system renewal |  |  | $6,941 | $12,647 | $18,923 | $45,855 | $35,193 | $4,389 | $51,218 | $80,667 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| System service | System service |  | Usoa | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|  | Tx station equipment, re-furbished regulators x3. Replace oil in |  |  |  |  |  |  |  |  |  |  |
|  | Same, dispose of old oil, new reg, control for one of the refurbished |  |  |  |  |  |  |  |  |  |  |
|  | Reg. |  | 1815 | $15,406 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Station tx work | 19,765 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Usf engineering cost |  | 1990 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Computer software | $5,000.00 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Computer software- asset management |  | 1925 |  |  | $25,000 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Usf standards |  | 1990 |  |  |  |  | $100 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Distrubution station moisture testing |  | 1815 |  |  |  |  |  |  | $53,000 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Sub-total system service |  |  | $15,406 | $0 | $25,000 | $0 | $100 | $0 | $53,000 | $0 |
| Contributed capital |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 1995 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Contributed capital |  |  | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Total system service | Total system service |  |  | $15,406 | $0 | $25,000 | $0 | $100 | $0 | $53,000 | $0 |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| General plant | General plant |  | Usoa | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|  | Burman energy-asset management plan |  | 1925 |  | $40,000 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Substation tx's re-inhibit and clean oil (stark international) |  | 1815 |  | $34,700 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Burman energy survey & software support |  | 1925 |  |  |  | $54,800 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Boom truck |  |  |  |  |  |  |  |  | $389,010 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Computer upgrade and purchase |  |  |  |  |  |  |  |  | $8,001 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Sub-total general plant |  |  | $0 | $74,700 | $0 | $54,800 | $0 | $0 | $397,011 | $0 |
| Contributed capital |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 1995 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Contributed capital |  |  | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Total system service | Total system service |  |  | $0 | $74,700 | $0 | $54,800 | $0 | $0 | $397,011 | $0 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Transfer of assets from affiliate |  |  |  |  |  |  |  |  |  | 512,095 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Total capital expenditures |  |  |  | 462,048 | 88,227 | 43,923 | 101,176 | 36,293 | 24,057 | 512,095 | 80,667 |
|  |  |  |  |  |  |  |  |  |  |  |  |



|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **CATEGORY** | **Forecast Period** (planned) |
| **2019** | **2020** | **2021** | **2022** | **2023** |
|
| *$ '000* |
| **System Access** |  -  |   |   |   |   |
| **System Renewal** |  80,667  |  80,677  |  80,677  |  80,677  |  80,677  |
| **System Service** |  -  |   |   |   |   |
| **General Plant** |  -  |   |   |   |   |
| **TOTAL EXPENDITURE** |  80,667  |  80,677  |  80,677  |  80,677  |  80,677  |
| **Capital Contributions** |   |   |   |   |   |
| **Net Capital Expenditures** |  80,667  |  80,677  |  80,677  |  80,677  |  80,677  |
| **System O&M** |  $244,370  |  $246,202 | $248,049  | $249,909  | $251,783  |

# Exhibit 3

## 3-Staff-34

Ref: Load Forecast model

**Preamble:**

The last historical observation included in the model is for December 2017.

**Question:**

1. Please update the load forecast including 2018 as a historical actual year.

Responses:

1. The data from the Chapleau weather station is incomplete for 2018 (see file attached to these responses. CPUC seeks approval to use 2009-2017 for the purpose of rate making. Should a Load Forecast still be required in the next Cost of Service application, the utility proposes to use a nearby station that has a complete set of data.

## 4-Staff-46

Ref: Excel Appendix 2-JC

 Exhibit 4, Table 17 - OEB Appendix 2-JC – OM&A Programs Table

**Preamble:**

OEB staff notes that both the Excel and PDF Appendix 2-JC has only one column for 2012 and does not specify whether it is 2012 OEB approved or 2012 actual.

**Question:**

1. Please update the evidence to show 2012 OEB approved and 2012 actual.

Responses:

1. Please find the requested table below. The OM&A program did not exist in 2012; therefore, the table below is for illustrative purposes only.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Reporting Basis*** | **CGAAP** | **NEWGAAP** | **NEWGAAP** | **MIFRS** | **MIFRS** | **MIFRS** | **MIFRS** | **MIFRS** |
| **Programs** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
|  |   |  |  |  |  |  |  |  |
| **Customer Focus** |  |  |  |  |  |  |  |  |
| Customer Service, Mailing Costs, Billing and Collections, LEAP | $69,560.05 | $74,219.95 | $75,286.41 | $78,150.35 | $79,342.15 | $80,816.11 | $73,273.00 | $87,690.00 |
| Bad Debts | $4,107.05 | $6,668.99 | $29,771.17 | $18,900.41 | $6,763.22 | -$208.49 | $10,000.00 | $5,000.00 |
| Meter Reading | $22,033.32 | $34,611.56 | $30,966.66 | $32,959.16 | $35,466.49 | $41,027.29 | $41,226.00 | $41,040.00 |
| Operational focus | $61,236.70 | $70,350.86 | $163,080.53 | $112,540.55 | $99,035.53 | $51,989.04 | $55,320.00 | $56,190.00 |
| **Sub-Total** | **$87,377.07** | **$185,851.36** | **$299,104.77** | **$242,550.47** | **$220,607.39** | **$173,623.95** | **$179,819.00** | **$189,920.00** |
|   |  |  |  |  |  |  |  |  |
| **Operational and Administrative Effectiveness** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Municipal Transformer Station -operating and maintenance costs | $4,023.95 | $2,493.59 | $3,390.12 | $3,467.60 | $2,991.14 | $2,080.44 | $2,331.00 | $4,284.00 |
| Meters maintenance  | $92,076.41 | $1,119.90 | $1,675.40 | $572.37 | $514.32 | $7,009.77 | $392.00 | $6,936.00 |
| Overhead lines | $193,610.74 | $216,798.52 | $218,145.02 | $204,199.34 | $232,826.63 | $228,818.85 | $206,584.00 | $233,150.00 |
|   |  |  |  |  |  |  |  |  |
| Outside Services (Accounting) | $58,598.09 | $39,715.18 | $49,125.20 | $110,675.31 | $76,785.06 | $65,107.08 | $46,929.00 | $30,061.00 |
| Wages Executive & Management,Benefits, Pension, Injuries & Damages | $156,575.41 | $171,682.99 | $164,006.95 | $159,325.52 | $199,378.26 | $229,553.72 | $281,442.00 | $291,317.00 |
|   |  |  |  |  |  |  |  |  |
| Donation Leap | $2,000.00 | $2,000.00 | $2,000.00 | $2,000.00 | $2,000.00 | $2,000.00 | $2,000.00 | $2,000.00 |
|  |  |  |  |  |  |  |  |  |
| **Sub-Total** | **$2,000.00** | **$2,000.00** | **$2,000.00** | **$2,000.00** | **$2,000.00** | **$2,000.00** | **$2,000.00** | **$2,000.00** |
| **TOTAL OM&A** | **601,047** | **638,471** | **744,673** | **730,565** | **744,037** | **716,586** | **791,842** | **821,163** |
| ***integrity check*** | **670,607** | **638,471** | **744,673** | **730,565** | **744,037** | **716,586** | **792,457** | **821,678** |
|  | **69,560** | **0** | **0** | **0** | **0** | **0** | **615** | **515** |
|  |  |  |  |  |  |  | **donations** | **donations** |

## 4-Staff-54

, Appendix 2-N – Shared Services and Corporate 1 Cost Allocation

 Exhibit 4, page 26

 Exhibit 1, 2017 Business Plan, page 39

**Preamble:**

At the above noted first reference, CPUC has provided Appendix 2-N which shows amounts charged by CES to CPUC for the period 2012 to 2017. OEB staff notes that no amounts charged by CPUC to CES are shown.

At the above noted second reference, CPUC stated the following:

By the end of 2018, CPUC will be under-earning due mainly to the fact that the utility was being subsidized by an affiliate. The affiliate was reporting a loss and as such closed its doors on December 31, 2017.

At the above noted third reference, CPUC stated the following:

Because in this case the change in structure was caused primarily because the affiliate that was providing resources to the utility was ceasing operations, the cost sharing opportunities that CPUC enjoyed under the previous structure also ceased.

**Questions:**

* 1. As noted in IR# 4-Staff-53, please confirm that no amounts were charged by CPUC to CES over the period 2012 to 2017. If this is not the case, please quantify and explain.
	2. Please describe and quantify the services charged by CES to customers other than CPUC over the period 2012 to 2017.
	3. Considering that CES ceased operations effective January 1, 2018, it is unclear how the services formally provided by CES to customers other than CPUC are being served.
		1. If CPUC is now providing these services, please quantify the amounts and also quantify the impact on the 2019 proposed revenue requirement. If this is not the case, please explain.
		2. Please demonstrate how CPUC has presented these services as an Other Revenue offset to its 2019 proposed revenue requirement. If this is not the case, please explain.
		3. If CPUC is not providing these services, please confirm which entity is providing these services.
		4. In the breakdown of the cost allocations for 2012 to 2017 that were provided in Exhibit 4 accompanying Appendix 2-N, there are two columns: 1) Amount allocated to CPUC and 2) Amount Remaining in CES. Please describe whether similar amounts in the second column are now being borne by CPUC and please quantify the impact on the 2019 revenue requirement. If this is not the case, please explain.
1. Please describe how CPUC experienced cost sharing opportunities under its former structure of being a virtual utility.
2. Please describe how CPUC was able to manage its operations incurring lower costs in the past when CES was providing services to CPUC, compared to now when CPUC is a conventional, versus virtual utility.
3. Please provide more detail regarding CPUC’s statement that it was being subsidized by an affiliate and that the affiliate was reporting a loss.
4. For costs that were charged and allocated to CPUC by CES at a percentage less than 100% in the past, are 100% of these charges now being borne by CPUC? Please explain and quantify.

Responses:

1. Confirmed.
2. CESC performed work such as streetlight maintenance, chimney cleans, and Hydro One rural work for customers other than CPUC. Please refer to the Section 86 Application filed by CPUC on April 5, 2019 for copies of the financial information CPUC has access to for CESC for the years 2016 and 2017.

i) to the extent the non-utility customers that CESC was servicing continue to want service CPUC is providing that service. CPUC has included the 2018 and 2019 other forecasted revenue from these services in its 2018 and 2019 other revenue forecasts.

ii) These revenues are reflected in account 4375- Revenues from Non-Utility Operations

iii) To the extent that the customers other than CPUC continue to require services and retain CPUC to perform those services CPUC has included forecast revenue from those services in its forecast other revenue; if someone other than CPUC is performing services for customers other than CPUC that used to retain CESC CPUC has no direct knowledge of who may per performing those services, other than to note that Hydro One, to CPUC’s knowledge, is performing the work it used to use CESC for.

iv) The “Amount remaining in CES” column referred to costs that were not allocated to CPUC as a result of time allocations; now that CPUC no longer obtains services from a service company like CESC but instead directly employs its own staff and owns its own service assets there are no unallocated amounts to “remain”. Had CPUC continued to operate as a virtual utility using CESC as its service company the “amount remaining in CES” would have had to be eliminated going forward by increasing the allocation to CPUC and, where feasible, increasing the charges to customers other than CPUC.

1. Because of the nature of the allocation methodology in use before CESC ceased operations CPUC was the beneficiary of an under allocation of costs to it from CESC when there was insufficient revenue from customers other than CPUC to allow CES to recover its full costs.
2. As described in part d) CPUC was the beneficiary of an under allocation of costs to it from CESC. As a result of CESC ceasing operations CPUC lost the benefit of the under allocation of costs to it.
3. As described in parts d) and e) CESC was under allocating costs to CPUC; this constituted a subsidy from CESC to CPUC as long as the under allocation was not rectified through an updating of the cost allocation between the affiliates.
4. Answered in c) (iv).

## 4-Staff-55

Ref: Exhibit 1, pages 9 & 263

Exhibit 4, page 7

**Preamble:**

OEB staff notes that CPUC has characterized the transferring of assets and employees from CES to CPUC as a “merger”. In other exhibits, CPUC refers to a “change in organizational structure”. As a result, CPUC has characterized the transaction as both a merger and / or organizational change.

**Questions:**

1. Please provide details and relevant documentation with respect to the merger and / organizational change including an amalgamation agreement. If there is no amalgamation agreement please explain how the merger was documented and implemented.
2. Please provide an explanation of which assets and employees were within the CPUC company and which were within CES and documentation explaining the transfer of the assets and employees.
3. Does CPUC characterize the merger and / or organizational change as an amalgamation of CPUC and CES?
4. If so did CPUC apply to the OEB for leave to amalgamate, in accordance with s.86(1)c) of the OEB Act?
5. If not, what is CPUC’s rationale for not applying for leave to amalgamate?
6. Does CPUC intend to file an application and when will this application be filed?
7. Did the merger / organizational change involve any transfer of voting securities? If so, please provide details and related documentation.

Responses:

1. All relevant documentation including the Articles of Amalgamation have been filed by CPUC in a Section 86 Application for approval of the amalgamation on April 5, 2019. The Section 86 Application, which CPUC has asked be heard in conjunction with this application, sets out the details of the amalgamation.
2. The Section 86 Application sets out the assets that were provided to the amalgamated company by each of CPUC and CESC.
3. The organization change was effected through the amalgamation of CPUC and CESC as set out in the Section 86 Application.
4. CPUC did not apply for leave to amalgamate under section 86 (1) (c) of the OEB Act.
5. CPUC failed to apply for leave to amalgamate through inadvertence.
6. CPUC filed a leave to amalgamate on April 5, 2019, and sent copies to the parties to this application.
7. No.

## 4-Staff-56

Ref: Exhibit 1, page 9

 Exhibit 4, page 7

**Preamble:**

OEB staff notes that CPUC stated the following regarding the rationale for the merger / organization change with CES.

At the first noted reference, CPUC stated:

As of January 1, 2018, the utility no longer operates as a “virtual” utility where employees were employed by Chapleau Energy Services and contracted out to Chapleau PUC. The merger was intended to reduce regulatory complexity and administrative burden and to make rate applications a less difficult process. The result is a company that can better control the costs associated with rates, and increased transparency.

At the second noted reference, CPUC stated:

The increase can be attributed to two major drivers that impacted both the utility’s overall costs. The first driver was the change in organizational structure from a virtual utility to a conventional utility which caused an increase in overall staffing costs. The methodology used to allocate corporate cost allocations was based on a one-way percentage which upon further analysis revealed that the utility had been benefiting from cost sharing opportunities with its affiliate at the detriment of the affiliate which ended up shutting its operations and doors on December 31, of 2017.

**Questions:**

1. Please provide more detail regarding the rationale for the merger / organizational change.
2. Was it approved by CPUC’s board of directors and shareholder(s) ?
3. Are there any other approvals necessary for the transaction and were they obtained?
4. If so, please provide documents to indicate approval(s) was / were obtained.
5. Please describe the steps that were undertaken when CPUC ceased operating as a virtual utility as of January 1, 2018. Please also quantify these steps (e.g. transfer of assets, employees, etc. from CES to CPUC), including any impacts on the 2019 proposed revenue requirement.
6. Please describe in more detail how CPUC can better control its costs associated with rates and provide increased transparency, as a result of ceasing to operate as virtual utility.
7. Please describe how the change in organizational structure from a virtual utility to a conventional utility caused an increase in overall staffing costs, in particular when it is OEB staff’s understanding that no additional services are being provided by CPUC since it ceased operating as a virtual utility. If this is not the case, please explain.
8. Were any other costs other than staffing costs increased when CPUC changed from a virtual utility to a conventional utility? Please quantify and explain.
9. Please describe CPUC’s reference to a “one-way percentage” of corporate cost allocations between CES and CPUC.

Responses:

1. As a result of the cessation of operations of CESC CPUC needed to find an alternative way to obtain the services it required to maintain and operate its distribution system. Because CESC was an affiliate of CPUC, wholly owned by the same municipal shareholder that wholly owns CPUC, the simplest options for CPUC to obtain the necessary resources in order to continue to maintain and run its system were to either a) transfer the assets of CESC to CPUC, or b) amalgamate with CESC, with the effect that the assets of CESC and CPUC would be held together within Amalco. In either case the net result would be the effective transfer of the assets that CPUC required to maintain and run its distribution system. CPUC’s shareholder ultimately decided to effect the transfer through an amalgamation.
2. Yes.
3. In order to amalgamate with CESC CPUC requires leave of the OEB under s. 86 (1) (c) of the OEB Act; as recognized in 4-Staff-55 CPUC did not apply for leave to amalgamate until April 5, 2019 as a result of inadvertence.
4. N/A.
5. Please see the Section 86 Application filed on April 5, 2019 for the requested details.
6. As a result of the amalgamation all costs to operate the distribution system are now directly borne by CPUC instead of being allocated to CPUC by an affiliate.
7. See IRR 4-Staff-54.
8. See IRR 4-Staff-54.
9. The term “one way percentage” refers to the fact that CPUC never allocated costs to CESC; the allocations were always from CESC to CPUC.

## 4-Staff-57

Ref: Exhibit 2, page 41

 Exhibit 1, page 31 of 2017 Business Plan

**Preamble:**

At the first above noted reference, CPUC has characterized the transaction as a transfer of assets and indicated that there was a $104,610 “transfer of assets from an affiliate” (CES to CPUC) in 2018.

At the second above noted reference, CPUC stated the following:

CPUC was restructured into a fully operational utility on January 1, 2018. Prior to this it had been run and regulated as a virtual utility owning most but not all assets required to conduct business and having no dedicated staff. The restructuring required the transfer of the remainder of the property, plant and equipment assets necessary to carrying out utility business and these assets were transferred at fair value. The transferred assets consisted of office furniture and equipment, computer hardware and software, transportation equipment and tools, tools and equipment. Additionally, all 5 employees were also transferred into CPUC.

**Questions:**

1. Please provide details and documents related to the transfer of assets.
2. How was the valuation of the $104k transfer of assets determined? Please provide details.
3. Please confirm that CPUC has incorporated the $104k of new fixed assets into its proposed 2019 revenue requirement.
4. Please describe and quantify any impact on the proposed 2019 revenue requirement resulting from the merger or amalgamation of CPUC with CES.
5. Please provide details of the tax treatment of losses incurred by CES and quantify any benefit that CPUC may have obtained from these losses for tax purposes.
6. Considering that CES ceased operations effective January 1, 2018, it is unclear how the services formally provided by CES to customers other than CPUC are being served. Of particular concern are the assets that were part of CES that were used to provide services to customers other than CPUC.
	* 1. Please describe and quantify how the assets that were recorded on CES’ books to serve customers other than CPUC where and are now being recorded, considering CES no longer exists.
		2. If CPUC is now providing these services, please quantify the amounts of the assets and also quantify the impact on the 2019 proposed revenue requirement. If this is not the case, please explain.
		3. If CPUC is not providing these services, please confirm which entity is providing these services.

Responses:

1. Please see the Section 86 Application filed on April 5, 2019 for the requested details.
2. Assets were transferred at net book value.
3. Confirmed.
4. There are no impacts on the proposed 2019 revenue requirement as a result of the amalgamation; had the amalgamation not occurred CPUC would have obtained the same staffing and assets as it ultimately obtained through the amalgamation as a result of the cessation of operations by CESC.
5. CPUC is not aware of any tax treatment of losses incurred by CES nor is any benefits to the regulated utility. CPUC notes that KPMG was involved in each step of the amalgamation and did not bring up the topic of tax benefits.
	* 1. All CESC assets were transferred at book value (104,610) and are recorded on the books of the amalgamated company CPUC:
			1. Buildings – 55,931
			2. Office furniture and equipment – 2,769
			3. Transportation equipment – 15,910
			4. Land – 30,000
			5. Transportation equipment – 15,910
			6. Land – 30,000

ii) CPUC has forecast $39,474 in revenue from services to customers other than CPUC, with offsetting costs to provide those services in the amount of $25,658.

iii) See IRR 4-Staff-54 c) iii).

# Exhibit 7

## 7-Staff-63

Ref: Exhibit 7, Weighting Factors

**Preamble**

CPUC notes that it “does not carry any balances in account 1855 therefore the effects of the weighting factors are irrelevant.”

**Questions:**

1. Does CPUC provide service connections to any rate classes?
2. If so, which rate classes and which account(s) is this tracked in?

Responses:

1. CPUC has not provided services connections to its customers in many years as can be seen in the declining historical customer count shown in the Load Forecast. Change in customer count is usually as a result of connect and disconnect.
2. Should CPUC have any new customers, the costs related to new services listed in the APH will be recorded in account 1855

# Exhibit 8

## 8-Staff-70

Ref: Exhibit 8, section 8.1.2

Exhibit 8, section 8.1.16

RRWF sheet 12. Res\_Rate\_Design

**Preamble:**

CPUC is proposing increase the residential fixed charge from $24.04, to $50.87. This reflects an increase of $6.79 to $30.83 to recover the deficiency, and an increase of $20.04 to $50.87 to implement the residential rate design policy in a single year. CPUC reasons that the Distribution Rate Protection Plan (DRP) will limit the charge to $36.86. OEB staff notes that following this reasoning, residential rate design would increase the fixed charge from $30.83 to the maximum imposed by the DRP of $36.86. Therefore, a residential customer would be exposed to an increase in the fixed charge of $6.03). This is still in excess of the $4.00 threshold. If CPUC were to commence a five-year transition in this application, the fixed charge would increase by $4.01 to $34.84 as a result of the residential rate design policy.

CPUC has provided a residential bill impact scenario for 405 kWh of energy consumption to address the 10th percentile of consumption. In arriving at the 10th percentile of consumption, CPUC has filtered out all customers that had less than 12 months of consumption, and those that used less than 50 kWh per month.

OEB staff has calculated that a five-year transition would result in a variable charge of $0.0144/ kWh, and that at 405 kWh, this would result in a variable charge of $5.83. Combined with the $34.84 fixed charge under that scenario, the total charge from base rates would be $40.67. Since this is more than $36.86, the selection of a one-year transition or five-year transition would have no impact on the total bill of a low-volume residential customer after DRP has been applied.

**Questions:**

1. Has CPUC considered starting a five-year transition to fully fixed rates in this rate application with the possibility of accelerating the transition once the DRP contains the increase in fixed charge (as seen by the customer) to $4.00?
2. In arriving at the 10th percentile of consumption, why did CPUC filter out customers that had less than 50 kWh per month?
3. Please confirm or correct OEB staff’s calculation of the impact of a five-year transition to fully fixed rates.

Responses:

1. CPUC is open to suggestions with respect to the transition to fully fixed rate as long as it minimizes rate-shock and that it’s in the interest of the customer. CPUC is also mindful that the rate design strategy can only truly be finalized once the OEB has issued its decision and order or full settlement is reached.
2. CPUC confirms that it removed consumption less than 50kWh.
3. CPUC agrees with Board Staff’s calculation based on the original application however, the calculations are now obsolete as the Rate Base and Revenue Requirement and Cost Allocation have changed as a result of these responses to IRs.

# Exhibit 9

## 9-Staff-81

Ref: Exhibit 9, DVA Continuity Schedule

Filing Requirements[[1]](#footnote-1)

GA Analysis Workform Instructions, Appendix A (posted to the OEB’s website on July 13, 2018)

**Questions:**

1. CPUC did not file Appendix A to the GA Analysis Workform Instructions, available on the OEB’s website for 2019 rates page. Please file a completed Appendix A, GA Methodology Description, as per the Filing Requirements.
2. CPUC has not recorded projected interest on the DVA continuity schedule for the period for the calendar year 2018. Please make the necessary corrections to the evidence.
3. CPUC has allocated all GA to one rate class – GS 50-4999kW. Please confirm that CPUC has no non-RPP customers in any other rate class. If this is not the case, please update the evidence.

Responses:

1. Appendix A to the GA Analysis Workform is filed along with these responses.
2. The updated DVA continuity schedule is filed along with these responses.
3. Yes all GA is allocated to the one class.

## 9-Staff-90

Ref: Filing Requirements[[2]](#footnote-2)

GA Analysis Workform for 2015, 2016 and 2017, GA Analysis Workform Instructions dated July 13, 2018

DVA Continuity Schedule

Excerpt from CPUC’s 2015 GA Workform Note 5– Reconciling items 1b and 2a:

**Preamble:**

Excerpt from CPUC’s 2015 GA Workform Note 5– Reconciling items 1b and 2a:



The GA Workform is designed as a reasonability test to determine if the utility has correctly calculated the amount proposed for disposition. Under Note 4, an expected amount is calculated based on the revenues and expenses related to consumption for the year. The reconciling items under Note 5 begin with the transactions that the utility recorded in its GL, and adjusted for the timing differences, and allocation of GA costs based on actual non-RPP consumption for the year.

**Questions:**

1. Please discuss the credit amount shown under 1b for:
	1. When was it recorded in CPUC’s GL,
	2. how was it determined.
	3. Is it related to the allocation of CT 148?
2. Please discuss the credit amount of $18,940 shown under 2a. OEB staff notes that as per the description for item 2a, it relates to the previous year when it would have been a current year adjustment on the GA Workform. However, CPUC has not shown it as an adjustment in the previous year under 2b. Please provide CPUC’s rationale for not showing it as 2b in the previous year (2014) GA Workform, but including it under 2a in 2015.

Responses:

* 1. And b) the issue has been rectified in the GA Workform filed along with these responses.

## 9-Staff-91

Ref: Excerpt from CPUC’s 2016 GA Workform Note 5– Reconciling item 2a

**Preamble:**

Excerpt from CPUC’s 2016 GA Workform Note 5– Reconciling item 2a:



**Question:**

1. Please describe what the amount 2a is about, and why is the exact same number not included under 2b (with opposite sign) in the previous year?

Responses:

1. The issue has been rectified in the GA Workform filed along with these responses.

## 9-Staff-92

Ref: 2017 – Reconciling items Note 5

**Questions:**

1. Please describe the reasons for not having any adjustments under Note 5 in 2017.
2. Please describe CPUC’s processes with respect to allocating CT 148 to Accounts 4705 and 4707, including true-up processes.

Responses:

1. The issue has been rectified in the GA Workform filed along with these responses.
2. CT 148 from IESO invoice is booked into Account 4705 Power Purchased first. Once this is completed, an analysis is completed to pro-rate the data between 4705 and 4705.100 based on RPP/non-RPP consumption. Once the consumption for the RPP/non-RPP consumption is determined, an allocation is completed to account 4705.100. Any variance of GA charges and GA revenue is transferred into Account 1588.100 RSVA GA.

## 9-Staff-93

Ref: Exhibit 9, Account 1588 and Account 1589

 DVA Continuity Schedule

OEB Letter, OEB’s Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts, July 20, 2018

**Preamble:**

Utilities generally do not complete all billings until a few months after the consumption month. As per the OEB letter of July 20, 2018, utilities are required to true-up CT 1142 and CT 148 when proposing disposition of the commodity pass-through accounts.

**Questions:**

1. How long does CPUC keep its books open after year-end?
2. Are all true-ups included in Accounts 1588 and 1589?
3. Why are there no principal adjustments on CPUC’s DVA Continuity Schedule for Accounts 1588 and 1589 in year 2017?

Responses:

1. We keep them open through the first quarter of the next year.
2. Yes
3. There are no principal adjustments; all is recorded as transactions.

## 9-Staff-95

Ref: Exhibit 9, sections 9.6, 9.7, 9.8, 9.9

Appendices 2-BAs, 2-C, 2-EC,

DVA Continuity Schedule - Rate Rider calculations for Account 1576

**Preamble:**

On page 38 (line 8), CPUC has stated that it is requesting disposition of a balance of $870,367 in Account 1576 over a 2-year period. This number, as well as the disposition term, are not consistent with evidence in the other parts of the application. For example: Table 16 on page 39 (1 year), and Appendix 2-EC (1 year), page 44 (48 month term), DVA Continuity Schedule Rate Riders tab (2 years).

The amount in Account 1576 has not been calculated in accordance with the APH and other accounting guidance for recording amounts in this account. Below are some of the issues noted by the OEB staff:

* Opening net PP&E for 2013 is shown on a gross basis. This should be on a net basis, as per the instructions on Appendix 2-EC for Account 1576. This number, based on the FA continuity schedules filed by CPUC would be $1,083,265 under both CGAAP and revised CGAAP.
* Net depreciation is incorrect for all years under both accounting policies. They should all be shown as negatives (see instructions on 2-EC)
* Closing net PP&E for year 1 should be opening net PP&E for year 2.
* CPUC is showing the same number for Net PP&E under both policies for 2014 onwards. Please review the instructions, as net PP&E should be calculated under separate policies (before and after changes to policies).
* No explanation provided for the net depreciation for 2018 under former GAAP as the amounts are not consistent with the FA continuity schedule.

**Questions:**

1. Please indicate the disposition term requested.
2. Please provide updated evidence after making corrections for the issues noted above.
3. Please explain how net depreciation of $631,101 was recorded under former CGAAP in 2018. This amount is not consistent with Appendix 2-BAs – Fixed assets continuity schedule. Please provide reference in the evidence filed.

Responses:

1. The disposition of 1576 is revised to be for 1 year.
2. A revised Appendix 2-EC is filed along with these responses.

## 9-Staff-97

Ref: LRAMVA Workform, Tab 5 (2016 retrofit program)

**Preamble:**

100% of the savings from the 2016 retrofit program have been allocated to the streetlight class.

**Questions:**

1. Please confirm that CPUC did not undertake any other activities as part of the 2016 retrofit program other than street lighting upgrades.
2. If CPUC had CDM savings from other non-streetlight programs as part of the 2016 retrofit program, please explain the rationale for allocating 100% of the 2016 retrofit program savings to street lighting customers. What changed in terms of customer participation as there was a 10% allocation of savings to GS<50 kW and 90% allocation to GS 50 kW to 4999 kW from the 2012 to 2014 retrofit program, and a 100% allocation of 2015 retrofit program savings to the GS<50 kW class?
3. Please indicate the municipality that undertook the streetlight upgrades as part of the 2016 retrofit program.
4. Please confirm that all streetlight upgrades were made as part of the 2016 retrofit program.
5. If available, please provide the report(s) from the municipality or spreadsheets filed by third party consultants to confirm that the streetlights that have been upgraded, including information such as:
	* The total number of streetlights that were upgraded, on a monthly basis
	* The percentage of streetlights that were upgraded through the 2016 retrofit program to the total streetlight population
	* The original type of bulb that was in-place, the efficient type of bulb that was installed (LED and non-LED)
	* The savings achieved through the streetlight upgrades, on a monthly basis

Responses:

1. Confirmed
2. The retrofit project in 2016 and 2017 was part of a specific “Waterfront Revitalization” project where the lights in question are billed under the GS<50 rate class.
3. Town of Chapleau
4. Please see response to b)
5. Please see response to b) where no savings were allocated to the Streetlights class.
1. Filing Requirements For Electricity Distribution Rate Applications - 2018 Edition for 2019 Rate Applications - Chapter 2 Cost of Service, July 12, 2018 [↑](#footnote-ref-1)
2. Filing Requirements For Electricity Distribution Rate Applications - 2018 Edition for 2019 Rate Applications - Chapter 2 Cost of Service, July 12, 2018 [↑](#footnote-ref-2)