Ontario Energy Board | Commission de l'énergie de l'Ontario

BY E-MAIL

December 17, 2019

Christine Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: PUC Distribution Inc. (PUC Distribution)
2020 IRM Distribution Rate Application
OEB Staff Interrogatories
OEB File No. EB-2019-0170

In accordance with Procedural Order No.1, please find attached OEB Staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

PUC Distribution's responses to interrogatories are due by January 10, 2020.

Yours truly,

Original Signed By

Georgette Vlahos
Advisor, Electricity Distribution - Major Rate Applications & Consolidations

Encl.

PUC Distribution Inc. (PUC Distribution)
OEB Staff Interrogatories
EB-2019-0170

Staff-1
Ref: Rate Generator Model, Tab 16 – Rev2Cost_GDPIPI

OEB staff has updated the input price index (IPI) applicable for 2020 distribution rate application to 2.0% as announced by the OEB on October 31, 2019. The Price Cap Index has been updated accordingly to 1.55%.

OEB staff has also updated PUC Distribution's Rate Generator Model for the most recent TOU pricing (Nov 1) and new Ontario Electricity Rebate (31.8%).

Please confirm PUC Distribution's acceptance of the updated model provided with these OEB staff interrogatories.

Staff-2
Ref: Rate Generator Model, Tab 3 – Continuity Schedule

PUC Distribution has entered data in Columns BM and BN for principle and interest amounts approved for disposition by the OEB in its 2019 rate application.

Please populate the Account 1595 (2019) line in the model provided in Staff-1 to show the transfer of the principle and interest balances into the applicable 1595 (2019) sub-account in columns BM and BN, respectively.

Staff-3
Ref: Rate Generator Model, Tab 3 – Continuity Schedule

PUC Distribution is not requesting disposition of its Group 1 Accounts in this proceeding, however, on tab 3 of the model, PUC Distribution has selected "yes" to dispose of Accounts 1588 and 1589.

Please correct the model provided in Staff-1.

Staff-4
Ref: EB-2019-0170 Application, Manager's Summary, Page 12

PUC Distribution is currently in the process of conducting an internal review of its Account 1588 and 1589 balances in the context of the new accounting guidance. The review will be completed before December 31, 2019.

(a) Please provide a status update on the internal review.
(b) Please confirm that PUC Distribution is performing the review for balances that were approved on an interim basis for 2015 and 2016, as well as 2017 and 2018, which have yet to be disposed.

Staff-5
Ref: EB-2019-0170 Application, Manager's Summary, Page 12

The new accounting guidance *Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589* issued on February 21, 2019 is effective January 1, 2019 and to be implemented by August 31, 2019.

(a) Please indicate whether PUC Distribution has implemented the new accounting guidance by August 31, 2019.
(b) If not, please explain when the new accounting guidance will be implemented.
(c) Please confirm the new accounting guidance has been implemented retroactive to January 1, 2019.

Staff-6
Ref: Rate Generator Model, Tab 3 – Continuity Schedule

In tab 3 of the Rate Generator Model, Account 1580 WMS, CBR Class A has a balance at the 2018 year-end. Though the balance is small, this sub-account is not expected to hold a balance at year-end as per the accounting guidance[1] for this sub-account.

(a) Please explain why the sub-account holds a balance at year-end.
(b) Please confirm that PUC Distribution is adhering to the accounting guidance for this sub-account.

[1] Letter regarding Guidance on Wholesale Market Services Accounting for Capacity Based Demand Response (CBDR) and new IESO Charge Type 9920, dated March 29, 2016

Staff-7
Ref 1: Rate Generator Model, Tab 19 – Proposed Tariff of Rates and Charges
Ref 2: Rate Generator Model, Tab 2 – Current Tariff Schedule

OEB staff notes that the Rate Generator Model was not pulling the "Rate Rider for Embedded Generation Adjustment" as found on Tab 2 (current tariff) for all rate classes onto Tab 19 (proposed tariff). OEB staff has updated the model.

Please confirm PUC Distribution's acceptance of the updated model provided with Staff-1.

Staff-8
Ref: Rate Generator Model, Tab 19 - Proposed Tariff of Rates and Charges

As per the Rate Order in EB-2017-0183, OEB staff will update the tariff at the decision and rate order stage of this proceeding for the following changes to Non-Payment of Account Service Charges:

1. Removal of all "Collection of Account" charges
2. Removal of all "Install/Remove Load Control Device" charges
3. Change any reference of "Disconnect/Reconnect" to "Reconnection"
4. Alter the "Late Payment – per month" charge to "Late Payment – per month" (effective annual rate 19.56% per annum or 0.04896% compounded daily rate)

Please confirm PUC Distribution's acceptance of the above.

Incremental Capital Module

Staff-9
Ref 1: EB-2019-0170, Application, Appendix 7– 2020 Incremental Capital Module, Page 9
Ref 2: Capital Module Applicable to ACM and ICM, Tab 1 – Information Sheet

Reference 1 shows the eligible incremental capital amount for PUC Distribution as follows:

Eligible Incremental Capital	Capital Expenditures
Total 2020 Capex Less: Materiality Threshold	$9,100,376 $5,665,251
Maximum Eligible Incremental Capital	$3,435,125

(a) Please provide an updated Capital Module Applicable to ACM and ICM with the 2020 input price index (IPI) of 2.0% as announced by the OEB on October 31, 2019.
(b) Please confirm the updated maximum eligible incremental capital amount for PUC Distribution.

Staff-10
Ref 1: EB-2019-0046, Appendix 7 – 2020 Incremental Capital Module (ICM) Manager Summary and Appendices, Page 9
Ref 2: EB-2019-0046, Appendix 7-D – Material Capital Asset Justification

Reference 1 notes that the capital investment required for Substation 16 is over $4.7M, yet reference 2 estimates the cost of Substation 16 to be $3.9M.

(a) Please provide confirmation that the cost of Substation 16 is $4.7M and provide a cost breakdown.
(b) In the same cost breakdown, please provide an itemized list of the costs that have been incurred to date.

Staff-11
Ref: EB-2019-0046, Appendix 7 – 2020 Incremental Capital Module (ICM) Manager Summary and Appendices, Page 12

PUC Distribution states that a hospital is supplied by the 34.5kV system which also supplies Substation 16. PUC Distribution also states that Substation 16 must be isolated prior to any maintenance, repairs, or circuit switching, which eliminates back-up supply to connected customers.

(a) Is the hospital supplied by a redundant 34.5kV supply? If the hospital has a redundant 34.5kV supply, will the redundant supply also supply the new Substation 16?
(b) Please provide the number of scheduled outages on Substation 16 per year for the past five years.
(c) Please explain the technical procedures to isolate Substation 16. Does the new Substation 16 require isolation for maintenance, repairs, or circuit switching? If not, please explain why?

Staff-12
Ref: EB-2019-0046, Appendix 7 – 2020 Incremental Capital Module (ICM) Manager Summary and Appendices, Page 13

PUC Distribution states that it expects more than 2MW of new load to come online over the next 3 years. PUC Distribution is concerned that Substation 16 may be operating close to or beyond its 15MVA capacity over the 2019/2020 winter period.

(a) Please provide supporting information that there is 2MW of expected load.
(b) Please provide historical actual load growth rates within the Substation 16 service area over the last five years.
(c) Does the existing or new transformer have ratings based on ambient temperatures? If so, has PUC Distribution considered the higher rating available for winter conditions?
(d) What is the cooling type for the old versus the new transformer (e.g. oil natural air natural or oil natural air forced)?
(e) What are the estimated incremental savings for a transformer one size smaller than 10MVA?

Staff-13
Ref 1: EB-2017-0071 Exhibit 2, Pages 17-33, Variance Analysis
Ref 2: EB-2017-0071 Exhibit 2, Page 53, Capital Project Table

PUC Distribution shows in its variance analysis and capital project table that it has invested in planning costs for Substation 16 since 2014.

(a) Please confirm if the costs shown for Substation 16 in the references above were included in base rates for PUC Distribution's last cost of service application.
(b) If the costs were included in base rates, please confirm that these costs are not included in this ICM proposal.
(c) The spending for Substation 16 for reference 1 and 2 does not match for the years 2013 and 2014. Please provide an updated capital project table.
(d) In reference 2, there were investments for overhead conductors and line transformers included for Substation 16. Please explain the scope of work and also if those costs are included in this ICM.

Staff-14
Ref: EB-2019-0046, Appendix 7 – 2020 Incremental Capital Module (ICM) Manager Summary and Appendices, Pages 5-6 and 9

The new Substation 16 will be housed in an aesthetically pleasing building with a residential exterior appearance.

(a) The existing Substation 16 is not enclosed inside a building.
    i. Please explain the need to house the new Substation 16 in an aesthetically pleasing building.
    ii. Please provide the estimated price differential if the substation was not placed inside a building.
    iii. Did housing all the equipment inside a building drive the decision to use gas insulated equipment?
    iv. Please provide the cost savings analysis between gas insulated equipment versus non-gas insulated equipment.

(b) Does housing the station inside a building incur costs it otherwise would not have (e.g. heating and ventilation, emergency lighting, and security alarm and doors)?

(c) PUC Distribution states that the new substation will have barrier walls to limit transformer hums, however Substation 16 is surrounded by street and parking space with the exception of the west side, where there appears to be residential property. Did PUC Distribution consider only constructing a sound wall on the west side to mitigate noise pollution?

Staff-15
Ref 1: EB-2019-0046, Appendix 7-D, DSP Material Capital Asset Justification – Sub 16 Rebuild
Ref 2: EB-2018-0219, Appendix 11, Page 15, Sault Smart Grid (SSG)

PUC Distribution states in reference 1 that it completed the rebuild of substation 10 in 2015.

(a) What automation capabilities does Substation 10 have?

(b) Please compare the design specifications between Substation 10 and Substation 16 and explain the differences.

In reference 2, PUC Distribution states that its substations currently do not have the capability to dynamically regulate voltage levels. In reference 1, PUC Distribution states that it decided to specify on-load tap changers due to long feeders and load densification.

(c) Please provide specific voltage issues that could not be addressed by an off-load tap changer for long feeders and load densification.

(d) Did the Substation 16 rebuild project proposed in 2018 include off-load tap changers?

(e) Is the need for an on-load tap changer in preparation for Volt/VAR optimization?

(f) What is the incremental cost to retrofit a transformer with an off-load tap changer to an on-load tap changer?

Staff-16
Ref: EB-2018-0219, Appendix 11-J, Physical Scoping Diagram

PUC Distribution provided a physical scoping diagram for components required in the substation for the proposed Sault Smart Grid project.

(a) Does Substation 16 have a control house? If not, is there space for a control house in the future?
(b) Will Substation 16 include capabilities for a fiber or wireless network? If so, please provide the cost of these items.
(c) Are the new breakers programmable?
(d) Does the new Substation 16 have local automation capabilities that the existing substation does not have? If so, what capabilities does it have?
(e) Do these capabilities require additional investment with a centralized SCADA system?

Staff-17
Ref 1: EB-2019-0046, Appendix 7 – 2020 Incremental Capital Module (ICM) Manager Summary and Appendices, Page 9
Ref 2: EB-2017-0071 Exhibit 2 – Appendix 2 Distribution System Plan, Pages 59, 63, 79

PUC Distribution states in reference 1 that the closest stations to Substation 16 are Substations 18 and 20. In reference 2, the asset condition assessment shows that Substation 18 and 20 are also in similar condition as Substation 16.

(a) Please provide the station refurbishment plans for Substation 18 and 20, if available.
(b) Does PUC Distribution intend to file additional ICM applications for the renewal of Substation 18 and 20?
(c) Did PUC Distribution consider retiring one of the substations and building a larger station with additional feeders during the rebuild? If not, please explain why.

Staff-18
Ref: EB-2019-0046, Appendix 7 – 2020 Incremental Capital Module (ICM) Manager Summary and Appendices, Pages 16-19

The Electrical Safety Association (ESA) inspected Substation 16 and identified seven defects.

(a) Please provide the defects identified.
(b) If the ESA did not identify the transformer or switchgear as defects, please explain why.

Staff-19
Ref: EB-2019-0046, Appendix 7 – 2020 Incremental Capital Module (ICM) Manager Summary and Appendices, Page 21

PUC Distribution states that it engaged customers on September 18, 2019 as part of a Town Hall meeting to present plans for the renewal of Substation 16.

(a) How many customers attended the September 18, 2019 meeting?
(b) Please provide any minutes, documentation of customer comments, questions etc. that PUC Distribution received during and/or after the presentation.

Staff-20
Ref: EB-2019-0046, Appendix 7 – 2020 Incremental Capital Module (ICM) Manager Summary and Appendices, Pages 6 and 21

PUC Distribution states that its procurement process is through a competitive Request for Proposal (RFP) process and contracts are awarded on a best-value basis.

(a) Please provide the RFP for the Substation 16 renewal project.
(b) Please provide the scoring matrix used for evaluate the proposals.
(c) At page 6, PUC states a detailed technical and lifecycle cost evaluation was used for the major equipment quote review. Please explain the technical and lifecycle cost evaluation methodology.

Staff-21
Ref: Incremental Capital Module, Manager's Summary, Pages 23-25

PUC Distribution has included the effects of accelerated CCA in the calculation of the incremental revenue requirement for the ICM.

(a) Please explain PUC Distribution's rationale for including the accelerated CCA in the ICM model instead of Account 1592 PILs and Tax Variances –CCA Changes.
(b) Please provide a calculation of the CCA and the resulting incremental revenue requirement, using the CCA rules before the rule change to accelerated CCA.

Staff-22
Ref: Incremental Capital Module, Manager's Summary, Page 27

PUC Distribution requests to establish deferral and variance accounts to track the costs and recovery of costs related to Sub 16 renewal, for the purpose of truing up the balance in PUC Distribution's next cost of service rate application.

(a) Please clarify whether PUC Distribution is requesting for additional accounts beyond what the OEB has already established for ICM purposes.

(b) If yes, for each account, please discuss the causation, materiality and prudence eligibility criteria as set out in the Chapter 2 Filing Requirements for Electricity Distributors.
(c) Please also provide the draft accounting order for each account, including a description of what the account is to record, and the mechanics of the account.