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

BY EMAIL

October 14, 2021

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

Dear Ms. Long:

Re: EB-2021-0018 Application for 2022 Rates

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Energy+ Inc.'s responses to interrogatories are due by October 28, 2021.

Any questions relating to this letter should be directed to Marc Abramovitz at marc.abramovitz@oeb.ca or at 416-440-7690. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Marc Abramovitz
Incentive Rate Setting & Regulatory Accounting

Encl.

OEB Staff Interrogatories
Energy+ Inc.
EB-2021-0018

Please note, Energy+ Inc. is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

1-Staff-1

Ref: (1) Manager's Summary, page 16, August 16, 2021
(2) GA Analysis Workform, Tab Principal Adjustments, August 16, 2021
(3) 2022 IRM Rate Generator Model, Tab 3, August 16, 2021
(4) EB-2020-0016, GA Analysis Workform, August 17, 2020

At Reference #1, Energy+ stated that it had made the following 2019 principal adjustments that were reversed as 2020 principal adjustments. Energy+ stated that these adjustments were made to reflect "revised commodity accounting process."

These adjustments were also reflected at Reference #2 (Tab Principal Adjustments) and Reference #3. The 2019 principal adjustments were also incorporated into adjustments at Reference #4.

OEB Staff Table 1 – Principal Adjustments

	Account 1588	Account 1589
2019 principal adjustment	(189,376)	47,812
2020 principal adjustment	189,376	(47,812)

However, at Reference #2, Tab GA 2020, Energy+ has shown a 2020 Account 1589 debit principal adjustment of $47,812, instead of a credit principal adjustment of $47,812.

a) Does Energy+ agree with the values shown in OEB Staff Table 1? If Energy+ disagrees, please update the table accordingly.
b) Please clarify that Reference #2, Tab GA 2020, should reflect a credit amount of $47,812 and not a debit amount.

1-Staff-2

Ref: (1) GA Analysis Workform, Tab 1588 Reasonability, August 16, 2021
(2) GA Analysis Workform, Tab GA 2020, August 16, 2021
(3) EB-2020-0016, 2021 IRM Decision, December 10, 2020, Tariff of Rates and Charges, page 19

At Reference #1, Energy+ indicated that "Account 1588 as % of Account 4705" for 2020 was 1.6% which is greater than the OEB's threshold of 1.0%. Energy+ provided the following explanation:

> The primary driver of the larger Account 1588 balance, relative cost of power purchased, is the difference between the actual loss factor and the loss factor used for billing purposes. In 2020, Energy+ billed for delivery on 1,642 GWh, compared to 1,655 GWh purchased excluding wholesale market participants. This 0.78% difference directly translates to the variance in Account 1588.

At Reference #2, Energy+ indicated that its "Most Recent Approved Loss Factor for Secondary Metered Customer < 5,000 kW" was 1.0335, however at Reference #3, the most recent approved loss factor is 1.0307.

a) Please provide support for Energy+'s explanation for its high Account 1588 balance, including how the "0.78% difference directly translates to the variance in Account 1588".
b) In the answer to question a), please reconcile the different loss factors provided at Reference #2 and Reference #3 and update Reference #2 if required.

1-Staff-3

Ref: (1) 2022 IRM Rate Generator Model, Tab 3, August 16, 2021

At the above reference, Energy+ is requesting clearance of a high balance relating to Account 1588 which is a debit of $1,557,836, relating to only one year of balances (2020). This is notably driven by the high transactions in 2020 of $1,359,302. Typically, large balances are not expected for Account 1588, as it should only hold the difference between actual and approved line losses.

a) Please explain the large requested claim and 2020 transactions for Account 1588, in consideration of line losses.

1-Staff-4

Ref: (1) GA Analysis Workform, Tab 2020 GA, August 16, 2021
(2) OEB Instructions for Completing GA Analysis Workform – 2022 Rates, June 24, 2021, page 17-18

At Reference #1, Energy+ provided a reconciling Account 1589 item of a credit of $564,348 related to the “Impacts of GA deferral.”

At Reference #2, the OEB provided guidance regarding the “Impacts of GA Deferral”.

a) Please provide high level calculations for the credit of $564,348, following the OEB’s guidance at Reference #2.

1-Staff-5

Ref: (1) ACM Model
Ref: (2) EB-2018-0028 Revenue Requirement Workform, July 18, 2019

In tab 3 of reference 1, the total number of unmetered scattered load connections is 568 but in the RRR the unmetered scattered load connections is 468.

a) Please reconcile the difference.

Energy+ has multiple embedded distributor rate classes.

b) Please explain how Energy+ calculated the monthly service charge and distribution volumetric rate for the embedded distributor rate class.

The billed kW in tab 6 of reference 1 do not match the kW provided in reference 2.

c) Please reconcile the difference

1-Staff-6

Ref: (1) 2022 IRM Application, pp. 23-25

Energy+ stated that the tendering costs were $4.6M, which is $1.2M lower than the average bid of prices of $5.8M.

a) Please breakdown each the costs tendered and provide the original estimates provided at the time of the last cost of service and the reduced estimate because of the OEB's decision in EB-2018-0028.

Energy+ stated that it was able to realize $570k in cost reductions through value engineering.

b) Please confirm if the $540k was the only reduction Energy+ was able to find from the original Class C estimate of $8.1M.
c) In the absence of COVID-19, please explain how Energy+ would have completed the Southworks project within the OEB's approved funding envelope of $6.5M.

1-Staff-7

Ref: (1) 2022 IRM Application, pp. 25-26

In Table 16 of reference 1, Energy+ showed $2.2M in project cost increases. Energy+ also stated that it had incurred $1.8M in costs, which were not originally identified.

a) Please identify the costs in Table 16 that are included in the $1.8M in unanticipated costs.

Energy+ also identified the construction of a firewall, which was not included in the 2019 cost of service application.

b) Please explain the driver of the firewall and why it was not identified in the last cost of service application.
c) Please provide the tendering process Energy+ used to find the best cost for the construction of the firewall. If there was no tendering process, please explain why.

1-Staff-8

Ref: (1) 2022 IRM Application, pp. 25-26
Ref: (2) 2022 IRM Application – Appendix F
Ref: (3) EB-2019-0180 Decision and Order, December 5, 2019

Energy+ identified that $1.1M of the cost increases was due to the inflation increases in the local construction industry. Energy+ stated that the OEB used a benchmark of $300/sq. ft but if non-residential inflation was used, the average cost would be $351/sq. ft. In Energy+'s last cost of service application, the OEB approved an envelope of $6.5M based on the benchmark $300/sq. ft. Energy+ filed a motion to review and vary the decision in reference 3 and provided evidence that if the OEB used a construction sector inflationary index the average cost would have been $346/sq ft. In reference 3, the OEB stated in its findings that "To argue now that the OEB IRM inflation factors were the wrong measure is an attempt to re-argue the Rate Application."

a) Please explain how the cost increase of $1.1M is not an attempt to re-argue the issue of an appropriate inflationary increase.

1-Staff-9

Ref: (1) 2022 IRM Application, pp. 25-27
Ref: (2) Report of the OEB – Regulatory Treatment of Impacts Arising from the COVID-19 Emergency

In reference 1, Energy+ identified $1.1M in inflationary cost increases. Energy+ also stated that there were higher labour costs in the active workforce during the COVID-19 pandemic.

a) Please provide a breakdown of the inflationary costs Energy+ believes are COVID-19 related and the inflationary costs that are not. Please also provide the methodology Energy+ used to provide the breakdown.

In reference 1, Energy+ identified $413k in capital cost increases because of COVID-19. In reference 2, the OEB established a sub-account of Account 1509 to track COVID-19 impacts for capital-related revenue requirement.

b) Please explain why Energy+ has proposed to include the incremental amount of $413k and any amounts identified in part a as part of the updated ACM total expenditure, rather than in the COVID-19 Account 1509 sub-account.
c) Does Energy+ believe that, as long as additional project costs are prudently incurred, even if they are driven by the impacts of COVID-19, the applicant should be permitted to recover these amounts through the ACM mechanism rather than the Account 1509 mechanism? Please explain and discuss Energy+' views on how the rules for Account 1509 apply to these cost overruns.
d) Please cite the area of the OEB's COVID-19 report that support Energy+' proposal to record incremental costs as an ACM over-spending recovery, rather than recording these amounts in Account 1509.
e) Please provide the cost increases in table 16 absent the effects of the COVID-19 pandemic.

In reference 1, Energy+ stated that in the 2020 and 2021 budget Energy+ reduced its capital spending to mitigate the overall impact of COVID-19.

f) Please provide the actual capital spending in 2020 and 2021 as compared to the amounts provide in the distribution system plan (Table 17 of reference 1).
g) Please explain whether Energy+ intends to record the capital cost reductions in the COVID-19 sub-account.

Energy+ stated that part of the cost increases was due to the spike in material costs because of COVID-19. During COVID-19, many people were also working from home.

h) Please explain if Energy+ considered delaying the projects in-service date to mitigate higher temporary material costs, especially when most administrative staff would most likely have been working from home and not in the office. If not, why not?

1-Staff-10

Ref: (1) Sheet 20. Bill Impact

OEB staff has identified that the Non-RPP Retailer Average Price and Average IESO Wholesale Market Price used at the above reference were incorrectly entered as $0.2689. OEB staff has updated the pricing to reflect the correct amount of $0.1060. Please confirm that the model included with these interrogatories reflects this update.