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

BY E-MAIL

November 8, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: PUC Distribution Inc. (PUC Distribution)
Application for 2023 Electricity Distribution Rates
OEB Staff Interrogatories
Ontario Energy Board File Number: EB-2022-0059

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. PUC Distribution and intervenors have been copied on this filing.

Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

Yours truly,

Georgette Vlahos

Digitally signed by Georgette Vlahos
Date: 2022.11.08 14:28:15 -05'00'

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

Attach.

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

OEB Staff Interrogatories
PUC Distribution Inc.
2023 Cost of Service Application

Exhibit 1 – Administrative

1-Staff-1
Updated Revenue Requirement Workform (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on Sheet 3 (Data_Input_Sheet). Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 (Tracking Sheet) and may also be included on other sheets in the RRWF to assist in understanding the changes.

In addition, please file an updated set of models, as applicable, that reflects the interrogatory responses, including an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption/demand levels (e.g., 750 kWh for residential, 2,000 kWh for GS<50, etc.).

1-Staff-2
Responses to Letters of Comment

Following publication of the Notice of Application, the OEB received 1 letter of comment. Section 2.1.5 of the Filing Requirements states that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letter of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent

comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-3
Customer Engagement
Ref 1: Exhibit 1, pages 50-51
Ref 2: Exhibit 1, page 64

PUC Distribution states that the MyPUC App launched in July 2021, and as of August 2022, 3,360 customers are using the App. Further, when customers download and activate the MyPUC App, they are also enrolled in e-billing.

(a) Are there ongoing incremental OM&A costs associated with the mobile app? If yes, what are the costs and in which OM&A program are these costs recorded?
(b) Has PUC Distribution estimated the user uptake of the MyPUC App for the 2023 test year and beyond? If yes, please provide those estimates and explain how PUC Distribution developed its estimates.
(c) Has PUC Distribution incorporated any anticipated OM&A savings related to fewer customers on paper billing as a result of downloading the MyPUC App? If yes, please provide the quantum and explain how the savings were calculated.

Reference 2 states that PUC Distribution's goal is to become a paperless operation by 2024.

(d) Please confirm if PUC Distribution has built this target into its proposed OM&A costs. If not, please explain why.

1-Staff-4
Facilitating Innovation
Ref 1: Exhibit 1, page 119
Ref 2: **https://northernontario.ctvnews.ca/battery-storage-facility-in-the-sault-worth-300m-could-open-in-2025-1.6074708**
Ref 3: https://www.timminspress.com/news/battery-energy-storage-project-sizzles-with-unanswered-questions

At reference 1, PUC Distribution states that it has:

> …partnered with Demand Power Group Inc. to help the Sault Area Hospital with a new innovative program that will save millions on energy costs. The Customer Energy Management (CEMa) program will help larger customers reduce their electricity bill by providing improved power reliability and quality while reducing energy through the use of a battery energy storage system. This will allow the customer to store electricity during off peak hours and use it during peak rate times.

(a) Please confirm if the quote from the evidence above discusses the same project noted in the links in references 2 and 3.
(b) If the battery energy storage system moves forward, please explain how PUC Distribution anticipates it would affect PUC Distribution's operations. For example, will there be any implications on PUC Distribution's load or revenues?
(c) If applicable, has PUC Distribution determined how it intends to mitigate any risks to its operations?

1-Staff-5
Productivity
Ref: Exhibit 1, page 97

(a) Please discuss if PUC Distribution has implemented any productivity initiatives over the 2018-2022 period to improve cost efficiency. If so, please provide details of these initiatives and quantified cost savings (for both capital and OM&A).
(b) Please discuss PUC Distribution's plans for any new productivity initiatives for the period of 2023-2027.

1-Staff-6
Customer Engagement
Ref: Exhibit 1, Appendix L – Customer Engagement Survey Phase 1

The response choices to questions 4 and 6 have not been provided. Please provide the responses to questions 4 and 6.

1-Staff-7
Customer Engagement
Ref 1: Exhibit 1, page 60-61
Ref 2: Exhibit 1, page 50

PUC Distribution states that proposals in the current application were communicated with customers via an online customer engagement survey conducted during a three-week period between May 20 and June 10, 2022. The purpose was to ultimately inform PUC Distribution's 2023 application.

On page 61 of Exhibit 1, PUC Distribution states that the feedback collected from this survey has informed the application in a number of ways. The evidence goes on to discuss how PUC Distribution is making significant investments in the Sault Smart Grid (SSG) and investments in customer service tools such as the MyPUC App.

OEB staff notes that on page 50 of Exhibit 1, PUC Distribution states that the MyPUC App was developed in 2021. Further, the SSG project was approved by the OEB in April

2021. Both the SSG and MyPUC App seem to have been underway prior to these surveys.

(a) Please clarify how feedback collected from the cost of service application surveys specifically have informed the application.
(b) Please describe any changes made to the proposed capital and operating plans as a result of any feedback received.

1-Staff-8
Electric Vehicles
Ref 1: Exhibit 1, page 62
Ref 2: Exhibit 1, Appendix M – Customer Engagement Survey, Question 8
Ref 3: Exhibit 4, Appendix B - Full Absorption Cost Allocation Review, page 17

Reference 1 states that PUC has purchased electric vehicles and developed a plan to further electrify their fleet to lower maintenance and fuel costs and lower their carbon footprint.

The question in reference 2 asked customers to rank a list of factors other people have identified as important when considering whether to buy an electric vehicle in terms of importance. OEB staff interprets the results to mean that initial purchase price was ranked first.

Based on the evidence, OEB staff understands that PUC Distribution's OM&A expenses include a charge from PUC Services that is based on depreciating and financing of vehicles that are utilized to provide services to PUC Distribution. Reference 3 notes:

> Rates are set to recover actual costs when applied to all vehicle hours, where actual cost includes fuel, maintenance, and amortization, and cost of capital based on the OEB-approved rate of return applied to the net book value of the assets. Different rates are set for each of several vehicle classes, based on review by Finance staff as to the relative cost of each vehicle class.

(a) What percentage of vehicles are electric?
(b) What were the top criteria for determining which electric vehicles to purchase?
(c) Have lower maintenance, fuel, or other costs been incorporated into the proposed test year OM&A as a result of the electrification of some vehicles? If so, how? If not, why not?
    i. How were the savings determined?
(d) What facilities are used to charge these electric vehicles and how have any incremental costs been incorporated in this application? Please detail the costs.

1-Staff-9
Scorecard - SAIDI

Ref: Exhibit 1, pages 88-89

PUC Distribution's SAIDI result in 2021 of 1.81 was above the distributor target of 1.38. PUC Distribution states that there are ongoing efforts to improve reliability including replacing aging infrastructure and improving vegetation management.

Please describe any changes made to PUC Distribution's vegetation management program compared to its historical practice.

1-Staff-10
Debt to Equity
Ref 1: Exhibit 1, page 104
Ref 2: Exhibit 1, Appendix E – OEB 2021 Scorecard
Ref 3: Chapter 2 Appendices, Tab 2-OB – Debt Instruments

Reference 1 states the following:

> Historically, PUC's debt to equity has remained at a level close to 2:1. PUC will be undergoing additional financing for the completion of the SSG project in 2022. This will increase debt to equity in 2023 to approximately 2.36:1. PUC's long-range plan is to push the debt to equity back towards the deemed 60/40 level.
>
> PUC's target for this metric in 2023 is to reduce the debt to equity to 60%/40%.

(a) Please reconcile the statements which indicate that: (1) PUC Distribution is expecting its debt-to-equity ratio for 2023 to be approximately 2.36:1; (2) PUC Distribution's target is to reduce the debt to equity to the OEB's deemed 60/40 split in 2023; and (3) PUC's long-range plan is to push the debt to equity back towards the deemed 60/40 level.
(b) Please outline the expected timing and plan for bringing PUC Distribution's total debt to equity ratio closer to the OEB's deemed 60/40 split.
(c) Tab 2-OB from PUC Distribution's Chapter 2 Appendices shows Infrastructure Ontario as the lender for loans 2-7. Has PUC Distribution considered both the implications on the availability of and the expected rates for debt that could not be obtained through Infrastructure Ontario? Please describe the risks, and how PUC Distribution intends to mitigate those risks should that become a circumstance faced by the utility.

Exhibit 2 – Rate Base

2-Staff-11
Allowance for Working Capital
Ref 1: Revenue Requirement Workform, Tab 3 – Data Input Sheet
Ref 2: Exhibit 2, page 53

There may be a minor typographical error on tab 3 of the RRWF. The controllable expenses on tab 3 shows an input of $13,949,291. Reference 2 shows a figure of $13,949,277.

Please make the necessary correction to the RRWF as applicable.

2-Staff-12
Ref 1: Chapter 2 Appendices, Tab 2-BA - Fixed Asset Cont
Ref 2: Chapter 2 Appendices, Tab 2-H – Other Revenue
Ref 3: Excel PILs model

There are no disposals in Appendix 2-BA for 2020-2023. There are no proceeds of dispositions in the UCC schedules of the Excel PILs model. There are no gains/losses on asset disposition/retirement in Appendix 2-H for 2020-2023. Please confirm that this is appropriate. If not confirmed, please revise the evidence as necessary.

2-Staff-13
Ref 1: Exhibit 2, page 44, 58
Ref 2: Chapter 2 Appendices, Tab 2-BA - Fixed Asset Cont

PUC Distribution states that the Substation-16 project was substantially completed in 2021 at a revised total cost of $6,020,119.

PUC Distribution states that it has:

> brought both ICM's (Sub 16 and SSG) into rate base in 2022. Sub-16 had a half year of depreciation in 2021 and full year in 2022. Chapter 2 Appendices 2-C is showing a variance of $150,503 in 2022 Bridge Year. This is because the formula doesn't account for the fact that Sub 16 had a half year worth of depreciation when it was part of 1508 regulatory assets.

Please confirm that the net book value as at January 1, 2023 represents Substation-16 being placed into service in 2021 with half-year depreciation in 2021 and a full year depreciation in 2022.

2-Staff-14
PP&E
Ref 1: Chapter 2 Appendix 2-BA
Ref 2: Exhibit 1, Appendix G, 2021 Audited Financial Statements (AFSs)

In Appendix 2-BA, the 2021 net book value of $102,514,079, excluding Account 2440 – Deferred Revenues agree to the net book value excluding Construction-in-Process as shown in note 6 of PUC Distribution's 2021 AFSs.

In Appendix 2-BA, the 2021 net book value in Account 2440 – Deferred Revenues is $5,330,111. In PUC Distribution's 2021 AFSs, note 9 shows that the 2021 carrying amount of deferred revenues is $7,034,528.

Please reconcile the difference in 2021 deferred revenues between Appendix 2-BA and the amount in the 2021 AFSs.

2-Staff-15
Depreciation
Ref 1: Exhibit 2, page 43
Ref 2: Accounting Procedures Handbook, effective January 1, 2012

Regarding depreciation, per page 16 of Article 410 of the Accounting Procedures Handbook (APH), any property, plant and equipment asset that is readily identifiable in the plant records should be separately accounted for and depreciated over its estimated useful life. In addition, page 14 indicates that for regulatory purposes, distributors have the option of categorizing "like assets" together due to certain circumstances. Regarding depreciation, PUC Distribution uses the pooling of assets for all fixed assets.

Please clarify this statement and comment on whether the depreciation of pooled of assets meet the circumstances noted in the APH for all fixed assets.

2-Staff-16
Useful Lives
Ref 1: Chapter 2 Appendix 2-BB
Ref 2: Exhibit 2, page 43

In Appendix 2-BB, it indicates that Account 1808 Buildings and Fixtures – HVAC/Mechanical currently has a service life of 50 years and is being proposed to have a service life of 25 years. Exhibit 2 shows a 50-year service life.

(a) Please clarify what is the service life being proposed for the assets in Account 1808.
(b) If there is a proposed change in service life, please explain why.

2-Staff-17
SSG – 2023 Costs
Ref 1: Exhibit 2, page 42
Ref 2: Exhibit 2, pages 37-40

PUC Distribution states that $3,190,371 of the total project costs related to the SSG are being completed in Q1 2023 and that this amount has been removed from the ICM project and included as part of 2023 capital additions.

On pages 37-40 of Exhibit 2, PUC Distribution lists the major components of the $10,113,3717 variance between 2022 bridge and 2023 test year gross assets.

OEB staff calculates that the sum of the items in the various accounts related to the SSG amount to a total of $3,315,493.

(a) Please confirm if OEB staff's calculation is correct.
(b) If yes, please reconcile with the amount of $3,190,371.
(c) Please confirm the depreciation amounts included are appropriate.
(d) If any changes are required, please make them, as appropriate.

2-Staff-18
SSG – 2023 Costs
Ref: Exhibit 2, pages 65-66

PUC Distribution states a small portion of testing is to occur in Q1 2023 related to the SSG, and that it has excluded that portion of asset additions from 2022 rate base and included it as part of 2023 rate base. As noted in the interrogatory above, there is about $3.19M in costs related to the SSG for 2023.

Please detail the testing required for the SSG which amounts to a total of over $3.19M.

2-Staff-19
SSG ICM
Ref 1: Chapter 2 Appendix 2-BA
Ref 2: DVA Continuity Schedule
Ref 3: Exhibit 9, Appendix A – SSG ICM Accounting Order

Tab 2b of the DVA Continuity Schedule shows the forecasted 2022 year-end balances for Account 1508, Sub-account ICM Sault Smart Grid Capital to be $21,357,909, and Account 1508, Sub-account ICM Sault Smart Grid Depreciation and Accumulated Depreciation to be $500,407 and ($500,407) respectively. Per Appendix A of the DVA Continuity Schedule, $300,080 has been forecasted for depreciation for 2022. In Chapter 2 Appendix 2-BA, depreciation for the SSG ICM is $300,244 for 2022 and $600,488 for 2023.

(a) Please reconcile the depreciation in the applicable 1508 ICM SSG sub-accounts to the depreciation in Appendix 2-BA.
(b) In the SSG ICM accounting orders, accounts #7 to 10 relate to capital contributions for the NRCan Grant. These sub-accounts are not shown in the

DVA Continuity Schedule. Please confirm that the SSG ICM sub-accounts shown in the DVA Continuity Schedule are net of the applicable capital contribution sub-accounts. If not confirmed, please explain how the capital contribution sub-accounts are used.

2-Staff-20
Substation-16 ICM True-up
Ref 1: Exhibit 2, pages 59-64
Ref 2: Chapter 2 Filing Requirements, 2022 Edition for 2023 Rate Applications, April 18, 2022
Ref 3: Exhibit 9, page 10
Ref 4: DVA Continuity Schedule

The Filing Requirements indicate that the ICM true-up calculation compares the recalculated revenue requirement based on actual capital spending relating to the OEB-approved ICM project(s) to the rate rider revenues collected in the same period.

Table 2-27 recalculates the ICM revenue requirement for Substation-16 based on the actual cost of $6,020,000 and the in-service year of 2021. In the calculation, the "eligible for ICM amount" is $3,894,622, which is an increase from the $2,602,851 that was in the approved ICM in Table 2-26.

(a) Please indicate the updates made which revised the "eligible for ICM amount" (e.g. CAPEX and materiality threshold used).
(b) PUC Distribution provided a recalculated approved ICM revenue requirement in Table 2-28, with the half-year rule applied to depreciation and CCA only. Please provide a recalculated revenue requirement based on actual costs, applying the half-year rule to the capital cost, depreciation and CCA, consistent with the OEB's ICM model.
(c) In Exhibit 9, it was stated that the reconciliation for Substation 16 includes Account 1509 – ICM Rate Rider for Recovery of COVID-19 Forgone Revenue from Postponing Rate Implementation, effective from November 1, 2020 to October 1, 2022. Please clarify what the statement means.
    i. Table 2-25A in Exhibit 2 shows the projected rate rider revenues from 2020 to 2023 to be $713,107. This appears to equal the sum of the ending balances in Account 1508 – ICM Substation 16 Rate Riders and Account 1509 ICM Substation 16 Rate Riders in the DVA Continuity Schedule. Please confirm that the balances in these two sub-accounts represent the actual rate riders collected by PUC Distribution. If not confirmed, please explain.
    ii. In tab 2b of the DVA Continuity Schedule, there are ending balances for Account 1508 - COVID-19 Foregone Revenue - ICM Substation Delayed Rate Implementation and Account 1509, COVID-19 Foregone Revenue -

ICM Substation Delayed Rate Implementation of ($115,142) and $115,142, respectively. Please confirm that these balances represent the actual foregone revenue. If not confirmed, please explain.

2-Staff-21
Cost of Power
Ref 1: Chapter 2 Appendices, Tab 2-ZB – Cost of Power
Ref 2: Regulated Price Plan Price Report, November 1, 2022 to October 31, 2023, issued October 21, 2022

Regarding Tab 2-ZB of the Chapter 2 Appendices:

(a) Please confirm that for the demand-based classes, it is accurate that no loss factor has been applied to the volumes entered.
(b) If the answer to (a) is yes, please provide an explanation why.
(c) If any changes are required, please make them to the required tab(s).
(d) On October 21, 2022, the OEB announced electricity prices under the Regulated Price Plan (RPP) effective November 1, 2022. Also effective November 1, 2022, the Ontario government's Ontario Electricity Rebate (OER) will be 11.7%. Please update the cost of power calculation.

2-Staff-22
Historical Capital Expenditures
Ref: Distribution System Plan – 5.2.1.3 Capital Investment Highlights

In Table 5.2-2 in reference 1, PUC Distribution states that 0 months of actual expenditures are included in 2022.

Please provide an updated Appendix 2-AA and Appendix 2-AB with forecasted 2022 spending that includes as many months as possible of actual spending.

2-Staff-23
Asset Condition Assessment
Ref: Distribution System Plan – Appendix H – Asset Condition Assessment

METSCO has outlined a number of ways PUC Distribution can improve its asset condition assessment going forward.

How does PUC Distribution intend to improve its data availability index (DAI) for its assets going forward?

2-Staff-24
Substation-16
Ref 1: Exhibit 2 – 2.8.1 Substation 16

Ref 2: EB-2019-0170, Application – Appendix 7, p. 6
Ref 3: EB-2019-0170, Application – Appendix 7 – Appendix B – Table 1
Ref 4: EB-2019-0170, Application – Appendix 7 – Appendix C
Ref 5: Report of the OEB – Regulatory Treatment of Impacts Arising from the COVID-19 Emergency

PUC Distribution originally estimated that Substation-16 would be complete in 2020 and cost $4.7 million. The project was completed in 2021 with actual costs of $6.0 million. As a result of the COVID-19 pandemic, PUC Distribution decided to delay construction. The higher costs were mostly due to higher bidding prices, environmental clean-up, road restoration, and COVID-related expenses.

(a) PUC Distribution stated that the tender for the project was $608k higher than originally estimated. Please provide a table showing a cost breakdown for the original cost estimate and a cost breakdown of the awarded bid estimate.
(b) Please confirm if there was any change in the original scope for the estimates provided in part (a).
(c) PUC Distribution stated that during the demolition of the original substation transformer oil was found. In reference 3, it shows that oil was found in the soil and was known at the time of the ICM. Please explain why remediation was not part of the original scope in EB-2019-0170.
(d) PUC Distribution stated that the duct bank and road restoration costs are $327k higher due to design changes. Please provide the changes in scope, explanation of the change, and breakdown of the cost of each change.
(e) PUC Distribution stated that one of the reasons for the delay was consideration of logistics or project completion. Please explain the logistics considered due the COVID-19 pandemic.
(f) PUC Distribution provided COVID related expenses of $176k, which were driven by equipment storage and handling and cost increases to labour and materials. Please provide a breakdown between the two areas, details related to the cost increases, and how PUC Distribution attempted to mitigate these costs.
(g) In reference 5, the OEB established a sub-account to track COVID-19 impacts for capital-related revenue requirement. Please explain why PUC Distribution has proposed to include the $176k in the Substation-16 total cost rather than the COVID-19 Account 1509 sub-account.
    i. Please discuss the $176k in the context of the 1509 sub-account, including, but not limited to the amount of revenue requirement that would be recorded in the account, the means test, causation, materiality and prudence.
(h) Does PUC Distribution 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 Substation-

16 rather than the Account 1509 mechanism? Please explain and discuss PUC Distribution's views on how the rules for Account 1509 apply to these cost overruns.

2-Staff-25
Sault Smart Grid – Reprioritization
Ref 1: Exhibit 2 – 2.8.2 Sault Smart Grid
Ref 2: Exhibit 2 – Distribution System Plan – 5.3.6.2.1
Ref 3: Chapter 2 Appendices – 2-AA

In reference 1, it shows that the gross capital additions for the SSG is $28.7 million, which is the same amount shown in reference 3. PUC Distribution also states that it reallocated funds for Substation 22 renewal to the renewal of transformers, switchgears, and on-load tap changers, which will benefit the SSG. PUC Distribution also proposes to defer the GIS UN Migration project.

(a) Please confirm the renewal of transformers, switchgears, and on-load tap changers referenced above were in the original SSG scope. If so, please confirm that those costs are not in other line items in 2-AA. If not, please explain how this was a reprioritization of capital projects to accommodate the SSG and not an increase in scope.
(b) The costs for the switchgear and distribution station program increased significantly in 2023. Please explain the driver for the increase.
(c) Based on PUC Distribution's prioritization criteria, please rank all the capital projects and programs in reference 3.
(d) Please provide a cost variance breakdown for the SSG project comparing the actual cost of the project components compared to what was planned.
(e) Based on PUC Distribution's prioritization criteria please provide the priority rankings and the prioritization score breakdown comparing all projects within the DSP period.

2-Staff-26
Sault Smart Grid - Benefits
Ref 1: Exhibit 2 – 2.8.2 Sault Smart Grid
Ref 2: Exhibit 2 – Distribution System Plan – 5.3.6.2.2
Ref 3: EB-2020-0249 - PUC Amended Application, p. 17
Ref 4: Regulated Price Plan Price Report, November 1, 2022 to October 31, 2023, issued October 21, 2022
Ref 5: Exhibit 2 – Distribution System Plan – p.93, Table 5.3-27

Reference 3 states that the scope of work could be reduced by PUC Distribution to maintain project capital limit set for the project. In reference 2, PUC Distribution confirmed that it has adjusted the scope of the distribution automation.

(a) Please confirm the scope of the reduction in distribution automation and a cost estimate to complete the reduced scope items.
(b) The forecasted annual reliability benefit to customers is $2.0 million. Please provide the basis of how the $2.0 million is forecasted.
(c) Please confirm if the reduction in scope for distribution automation could affect the reliability benefits to customers. If so, quantify the benefit loss provided in part (b). If not, please explain why not.
(d) The RPP Report was issued October 21, 2022. Please update the cost of power.
(e) Please reconcile the 2023 Update in Table 5.3-27 in reference 5. The total projected benefit to customers does not sum up to the annual net benefit to customers and the annual reliability benefit to customers.

2-Staff-27
Sault Smart Grid - Performance
Ref 1: Exhibit 2 – Distribution System Plan – 5.3.6.2.3
Ref 2: 2023 Cost of Capital, October 20, 2022

PUC Distribution proposes a method to symmetrically link VVO savings to ROE through a deferral and variance account. PUC Distribution intends to measure the VVO consumption savings.

(a) Please explain from a technical perspective how PUC Distribution will measure the VVO consumption savings.
(b) Please provide the formulas used for the calculations in Table 5.3-29 Customer Net Benefit summary (preferably in excel format).
(c) Please provide the loss factor calculation PUC Distribution referenced from EB-2018-0219/2020-0249 Appendix AA-14.
(d) Please update the calculations with the 2023 cost of capital parameters.
(e) Please explain the benefits of a symmetrical maximum upside/downside cap in the DVA.
(f) Please comment on the probability that scenario 3 will happen as compared to scenario 4. If one scenario is more likely to happen than the other how is the symmetrical cap truly symmetrical?

2-Staff-28
Sault Smart Grid - Performance Metrics
Ref: Distribution System Plan – 5.3.6.2.3 PUC's Response to OEB Order #6

PUC Distribution has provided an example of 2.7% electricity savings from the SSG project, which results in annual electricity savings of 17,456,712 kWh.

(a) Please reconcile the 17,456,712 kWh savings with the 16,324,838 kWh savings estimated in Section 5.3.6.3.2.3 within the Distribution System Plan.

In reference 1, PUC Distribution intends to track the reduction in demand reduction by trending the kW on station assets.

(b) Please explain how PUC Distribution will normalize across the years to take into consideration changes in load growth such that it is a fair comparison on the reduction as a result of VVO performance.
(c) How does PUC Distribution expect the forecasted annual electricity savings (kWh) from the SSG project to change when considering DERs, EVs, and other future technologies?
(d) Please explain if PUC Distribution considered establishing a % target for demand reduction. If not, why not?

One of the metrics was avoided revenue loss, which is calculated based on minutes of customer reliability improvement and average customer revenue.

(e) Please confirm this is calculated by rate class and uses average customer revenue by rate class.

The calculation for customer reliability improvement is based on customers that experience a momentary outage divided by total customer outages in one event.

(f) Please explain how PUC Distribution differentiates momentary outages benefited from equipment installed prior to SSG (e.g., reclosers) to equipment installed as part of the SSG.

PUC Distribution provided in table 2 a table of projected green house gas emissions savings.

(g) Please provide the equivalent PUC Distribution energy savings each for the ten years and confirm whether PUC Distribution intends to update the electricity sector GHG emissions, IESO annual energy demand, and emission factor yearly.
(h) Please provide the document that supports the 4.32 emission factor.
(i) How does PUC Distribution expect the forecasted annual emission factor to change and what impact will it have on the forecasted emission savings? Has PUC Distribution considered external studies that have forecasted Ontario's electrical emission factors?

2-Staff-29
Sault Smart Grid – Liquidated Damages
Ref 1: Exhibit 2 – 2.8.2 Sault Smart Grid
Ref 2: Exhibit 2 – Distribution System Plan – 5.3.6.2.4

PUC Distribution states that it does not expect any EPC Contract Liquidated Damages. The EPC Contract Liquidated Damages was filed confidentially in EB-2018-0217/2020-0249 and the decision notes that it covers damages resulting from "performance" or

"delay". The SSG was originally planned to be in-service end of 2022 but now there is still testing and optimization in 2023.

(a) Please confirm if the testing and optimization was originally planned for end of 2022.
(b) Please explain whether the work in 2023 would constitute as a delay from the EPC contract.
(c) Please explain how "performance" was assessed if testing and optimization has not been completed.

2-Staff-30
Reliability
Ref: Distribution System Plan – 5.2.3.2.3 Outage Details for Years 2017-2021

PUC Distribution showed that the highest outage cause is due to defective equipment.

Please provide a further breakdown of defective equipment outages identifying the equipment that caused the outage.

2-Staff-31
Cause Code – Foreign Interference
Ref: Distribution System Plan – 5.2.3.2.3 Outage Details for Years 2017-2021

According to PUC Distribution, 14% of customer hours of interruption are due to foreign interferences, excluding major event days.

What plans does PUC Distribution have to reduce foreign interference outages during the DSP period?

2-Staff-32
System Renewal
Ref: Distribution System Plan – 5.4.1.2.2 System Renewal

The forecasted system renewal spending varies from $4.561 million to $2.525 million between 2023 to 2027.

Can system renewal projects be deferred from 2023 to later years to better pace system renewal spending?

2-Staff-33
DSP Performance Measures – Telephone Calls Answered on Time
Ref: Distribution System Plan – 5.2.3.1 Distribution System Plan

According to PUC Distribution, the percentage of telephone calls answered on time has decreased from 80% in 2018 to 71% in 2021. PUC Distribution's target is to answer at least 65% of phone calls on time.

(a) Why has the number of phone calls answered on time been trending down?
(b) Does PUC Distribution intend to improve the number of phone calls answered on time during the DSP period? If so, how does PUC Distribution intend to improve this measure?

2-Staff-34
City Projects
Ref 1: Chapter 2 Appendices – 2-AA
Ref 2: Distribution System Plan – Appendix A – City Projects

PUC Distribution states that in 2023 it anticipates the relocation of an underground vault and an overhead to underground relocation.

(a) Please provide the cost estimate for these projects and any other known city projects currently.
(b) The capital contributions provided in table 1 of reference 2 show that on a percentage basis, the capital contributions for 2022 and 2023 are lower than historical years. Please explain why.

2-Staff-35
Joint Use
Ref 1: Distribution System Plan – 5.2.2.4 Telecommunication Entities
Ref 2: Distribution System Plan – Appendix A – City Projects

PUC Distribution provides a summary of consultations in reference 1. The last consultation with telecommunication entities was in 2020.

(a) Please provide any updated consultations with telecommunication entities since 2020.
(b) Are there any planned consultations with telecommunication entities? If not, why?

2-Staff-36
Services
Ref 1: Distribution System Plan – Appendix A – Services
Ref 2: Load Forecast Model

PUC Distribution states that some new/upgraded services in existing areas require distribution system upgrades to service the customer. In reference 2, it shows that the overall trend for system load is declining.

(a) Please explain what system upgrades are required to accommodate new services since the overall system load is declining.

(b) Please divide the services budget by expansion projects and system upgrade projects.

2-Staff-37
New Subdivisions
Ref 1: Distribution System Plan – Appendix A – Services
Ref 2: Load Forecast Model

PUC Distribution states that it anticipates 150 new lots throughout PUC Distribution's service territory in 2023. However, in reference 2, the change in the number of customers for the residential rate class between 2022 and 2023 is only 103.

Please explain whether PUC Distribution would agree that a manual adjustment is required considering it has actual forecasted information on new lots connecting to the system. If not, please explain why not.

2-Staff-38
Distribution Station
Ref 1: Chapter 2 appendices – 2-AA
Ref 2: Distribution System Plan – Appendix A

In reference 1, the distribution station budget in forced renewal and improvements and enhancements totals $301k. In reference 2, there is a material investment narrative called stations renewal – buildings & fence repair, which includes $144k for the test year.

The material investment narratives for station renewal appear to be missing $157k. Please provide the narrative for the remaining balance or please explain which narrative in reference 2 should explain the remaining balance.

2-Staff-39
Station Renewal – Building and Fence Repair
Ref 1: Distribution System Plan – Appendix A – Station Renewal – Building and Fence Repairs
Ref 2: Asset Condition Assessment

PUC Distribution states in reference 1 that the Building and Fence Repair program is to ensure the upkeep of buildings and associated fences. From 2018 to 2022, PUC Distribution spent $30k on average in this program but in 2023 to 2027, PUC Distribution forecasts an average spend of $110k. In reference 2, it shows that the building and fence condition is either very good or good.

Please explain why the average spend of this program would need to increase when the condition of the assets is still very good and good.

2-Staff-40
OH Renewal - Pole Replacement
Ref: Distribution System Plan – Appendix A – OH Renewal - Poles

PUC Distribution states that it plans to replace approximately 60 poles per year during the forecasted period (not including forced replacements). On average, PUC Distribution plans to spend on average $620k per year on poles within this program. Historically, PUC Distribution spent on average $514k per year on poles through the same program (2018-2022).

(a) Please state how many poles were replaced within this program for each year between 2018 to 2022 (unforced pole replacements).
(b) Approximately how many poles does PUC Distribution expect to be in poor or very poor condition by the end of the DSP period (including those currently in fair condition)?

2-Staff-41
Unplanned Line Renewal
Ref 1: Distribution System Plan – Appendix A – Unplanned OH Renewal
Ref 2: Distribution System Plan – Appendix A – Unplanned UG Renewal

In reference 1 and 2, PUC Distribution provides table 1, which shows the estimated number of replacements per year.

Please provide the number of historical (2018 to 2022) replacements for all assets shown in table 1.

2-Staff-42
Overhead Renewal Transformers (PCBs)
Ref 1: Distribution System Plan – Appendix A – Overhead Renewal Transformers (PCBs)
Ref 2: Chapter 2 Appendices – 2-AA

Reference 1 shows that PUC Distribution intends to spend $711k on a program to replace PCB transformers. In reference 2, there is capital expenditure of $1.48M for OH Renewal.

(a) Please confirm if the budget to replace PCB transformers is included in the $1.48M.
(b) The requirement to remove PCB transformers has been known since 2008 however PUC Distribution has not spent any capital budget on PCBs in the past

five years. Please explain why PUC Distribution has not done so, and how this decision was prudent.

(c) This program is stated as high priority but is only starting in 2023. Please show this program's priority in comparison to capital projects/programs in the past five years.

(d) Please provide an approximate number of poles which will be replaced through this program.

(e) Is PUC Distribution expecting overlap with other pole replacement programs? Do the estimated costs in each program account for overlap?

2-Staff-43
Voltage Conversion
Ref: Distribution System Plan – Appendix A – Overhead Renewal Voltage Conversion

PUC Distribution states that it intends to voltage convert the 4.16kV system in this period of the DSP and to disconnect Substation-4 and 5 but will not decommission them until the next cost of service period. Table 1 in reference 1 also only shows expenditures in 2023.

(a) Please confirm if all the 4.16kV systems will be converted at the end of 2023. If not, please explain why there are no other planned capital amounts in future years. If so, please explain why PUC Distribution has not paced the voltage conversion over five years since the substations will not be decommissioned until the next cost of service.

(b) Please provide the number of km of line that will be converted by the end of 2023.

(c) Please explain if there are any safety risks in leaving two substations disconnected but not decommissioned for five years and whether this decision will incur current or future incremental OM&A costs as compared to decommissioning the stations now.

(d) Please confirm if Substations-4 and 5 still have net book value in rate base.

2-Staff-44
Underground Renewal – Padmount Transformers
Ref 1: Distribution System Plan – Appendix A – Unplanned UG Renewal (Forced)
Ref 2: Exhibit 2, PUC Distribution Inc. Asset Condition Assessment, p.50

As per reference 1, PUC Distribution estimates that six padmount transformers and seven submersible transformers will be replaced each year of the DSP period (2023-2027). According to the asset condition assessment performed by METSCO, approximately 47 padmount transformers are in poor or very poor condition and 128 submersible transformers are in poor or very poor condition.

The average cost per year between 2023 and 2027 for the program is $387.4k. The average cost per year between 2019 and 2021 was approximately $338k, a 15% increase. In that period, five mini padmount transformers, 13 padmount transformers, and 21 submersible transformers were replaced.

(a) Please explain the increase to the average cost of the program between 2019-2021 and 2023-2027.
(b) Please explain the reasoning for replacing approximately 30 padmount transformers, given that only 47 are currently in poor or very poor condition (64%). Is PUC Distribution aiming to replace all its padmount transformers in poor condition at some point?

2-Staff-45
Restricted Wire
Ref: Distribution System Plan – Appendix A – Restricted Conductor

PUC Distribution is removing #6 copper conductor and replacing it with #2ACSR conductor. On average, PUC Distribution plans to spend $600k per year on restricted conductors. Historically, PUC Distribution spent $598k per year on restricted conductors (2018-2022).

(a) Please explain if PUC Distribution has considered the benefits of a larger conductor size in comparison to the incremental costs. If not, please explain how PUC Distribution assessed that #2ACSR is a suitable size for future capacity needs and storm hardening its distribution system.
(b) Please state the historical restricted conductor projects completed in each year from 2018 to 2022.
(c) Please provide a table outlining how many meters of conductor was replaced with each historical project (2018 to 2022) and each forecasted project (2022).

2-Staff-46
Customer Demand – Revenue Meters
Ref: Distribution System Plan – Appendix A – Revenue Meters

PUC Distribution states that as part of its revenue meters replacement program, it will replace on average 400 meters per year during the DSP period. The average cost estimated by PUC Distribution equates to $348k per year or $870 per meter during the DSP period. From 2018 to 2022, the average cost per meter was $742 per meter. The average replacement cost per meter has increased by 17% from the historic to the test period.

Please explain the increase in the gross cost to install the revenue meters.

2-Staff-47
Underground Renewal – Vaults
Ref: Distribution System Plan – Appendix A – UG Renewal Vaults

PUC Distribution intends to rejuvenate major/minor vaults identified as deficient and Manhole 123. The budget for underground renewals in 2023 is also $401k.

(a) Please provide the work planned for 2023 and explain why the budget is higher for 2023 than in other years.
(b) Please provide a cost assessment for the worst-case scenario and the best-case scenario to address Manhole 123.
(c) Please explain how PUC Distribution has tried to pace the underground renewal work over the DSP period.

2-Staff-48
Substation-22
Ref: Distribution System Plan – 5.3.6.2.1 PUC's Response to OEB Order #4

PUC Distribution deferred its Substation-22 rebuild project to 2027.

(a) Please provide a high-level scope of work for the rebuild.
(b) What risks are associated with moving the Substation 22 rebuild project to 2027?
(c) How did PUC Distribution determine the sizing requirements for Substation 22?
(d) Could load be shifted across other substations to avoid the Substation 22 rebuild?
(e) Were DERs and electric vehicles considered when sizing Substation 22?

2-Staff-49
GIS UN Migration
Ref: Distribution System Plan – 5.4.2.1.1 GIS UN Migration Project

According to PUC Distribution, ESRI Canada was consulted to provide a gap analysis and assist in developing a technology roadmap for the migration to the Utility Network (UN). PUC Distribution states that its existing GIS is based on Geometric Network technology, which is approximately twenty-five years old, approaching end of useful life, and will no longer be supported by the vendor in the next three years as they move exclusively to a UN platform.

Please explain how PUC Distribution determined to use the UN software. Please describe what other options were considered.

2-Staff-50
Buildings
Ref: Distribution System Plan – Appendix A – Buildings

PUC Distribution provides a list of proposed building work for 2023. In table 1 in the above reference, the budgeted building costs also increase over the five years.

Please provide the list of proposed building work for 2024 to 2027 along with estimated costs to build out table 1.

2-Staff-51
Tools and Equipment
Ref: Distribution System Plan – Appendix A – Tools and Equipment

PUC Distribution intends to replace an Omicron Injection Tester and Transformer Oil Drying Equipment in 2023.

(a) Please provide a cost breakdown of both pieces of equipment.
(b) Please explain why purchasing either piece of equipment cannot be deferred to 2024.

2-Staff-52
Transmission Station Improvement
Ref: Chapter 2 Appendices – 2-AA

In the reference, there is a transmission station improvements and enhancements investment with no material investment summary.

Please provide the material investment summary to support the $175k.

Exhibit 3 – Customer and Load Forecast

3-Staff-53
Customer/Connection Forecast
Ref 1: Exhibit 3, page 12
Ref 2: Load Forecast Model, Rate Class Customer Model

PUC Distribution has proposed an adjusted customer connection count for the GS < 50 and GS > 50 customer classes.

(a) Please explain why the adjusted 2021 customer connection counts are used as the starting point for growth instead of the 2021 historic actual connections.
(b) Please provide the monthly customer connection counts for all rate classes for the most recent month available, and for the 11 prior months (12 months total).
(c) The GS > 50 customer counts have been declining and are forecast to decline in the test year. Does PUC Distribution have insights into the cause of the reduction in customer connections in the GS > 50 customer class?

3-Staff-54
Wholesale Purchases Forecast
Ref: Load Forecast Model, sheets Purchased Power Model, Regressions

The worksheet Purchased Power Model includes three sets of regression output prefaced by three different dates, March 3, 2022, May 17, 2022, and August 5, 2022. All sets of output use the same explanatory variables but have different output values. The equations used to predict purchases reference the last output, labelled August 5, 2022.

(a) Please explain what caused the difference in results between the three runs, and why the last run was ultimately selected.
(b) Please explain why the Number of Customers was ultimately retained despite having an insignificant t-stat of -0.017, and a counter-intuitive negative sign implying that as customers are added, load decreases.
(c) Has PUC distribution attempted to identify a cause for the decreasing load and attempted identify an explanatory variable that could be used to estimate this decrease?
(d) As a scenario, please provide a model which excludes the customer count variable.

The worksheet Regressions includes several regression output statistics.

(e) Please explain the purpose of these runs, and on what basis they can be compared to the proposed model, or any of the output in the Power Purchase Model worksheet.

3-Staff-55
COVID-19
Ref: Exhibit 3, pages 11, 19

PUC Distribution states that 2020 and 2021 actual purchases and customer count were normalized to adjust for those years being affected by COVID-19.

(a) Please provide the unadjusted, adjustment, and adjusted values for the purchases on a monthly basis.
(b) Has PUC distribution observed changes in Residential consumption due to the COVID-19 pandemic, and if so, how has it been considered in adjusting wholesale purchases?
(c) Please indicate how COVID-19 impacted the rate classes differently, and how this influenced the proposed rate class energy forecasts.
(d) As a scenario, please provide a load forecast and all output statistics where the wholesale purchases are un-adjusted, but the adjustment is included as an explanatory variable instead.

3-Staff-56
Wholesale Purchases Forecast
Ref: Load Forecast Model, sheet Summary

The Summary sheet indicates that predicted purchases were lower than actual in 2011-2014, then higher than actual from 2015 to 2019, and then was below actual again in 2020 to 2021. The 2011 actual load was 745.0 GWh and 2017 actual load was 653.0 GWh reflecting an average decrease of 2.2% per year. The 2018 actual load was 666.7 GWh and 2021 actual load was 647.7 GWh reflecting an average decrease of 1.0% per year.

(a) Does PUC distribution have any insights into the slowing of the load reductions?
(b) As a scenario, please provide a model where two Trend variables are used instead of the existing trend variable. The first trend variable takes a value of 1 in January 2011 and increases by 1 each month reaching 84 in December 2017 and remains at 84 for all remaining months to December 2023. The second trend variable takes a value of 0 each month from January 2011 to December 2017, then takes a value of 1 in January 2018, increasing by 1 each month, and reaches a value of 60 in December 2023.

3-Staff-57
CDM Adjustment
Ref: Exhibit 3, pages 28-29

PUC Distribution notes that a CDM adjustment has been made to its load forecast to reflect the impact of CDM activities that are expected to be implemented from 2023 to 2027 within PUC Distribution's service territory based on its share of electricity use within the province, the IESO's 2021-2024 CDM Framework, and the IESO's Planning Outlook.

PUC Distribution further notes that no CDM adjustment is required for PUC's CDM programs offered under the Conservation First Framework, as there were no projects completed in 2021, and the use of actual load data for 2021 in the forecast means that the impact of CFF programs is already fully captured in the load forecast.

Please provide PUC's Distribution's rationale for using a single year for historical impacts of CDM (i.e. not accounting for declining persistence of historical CDM over the rebasing period) while proposing to include the average impact of new CDM over the full rebasing period.

3-Staff-58
CDM Adjustment
Ref: Exhibit 3, page 32

PUC Distribution notes that an adjustment is applied to the forecast CDM results as the estimated value captured in the load forecast is based on an earlier estimate. The adjustment will be removed at the time other changes are made to the load forecast.

(a) Please explain what is meant by the above-noted statement.
(b) In Table 3-28, please explain the “adjustment to match load forecast” row and how it relates to the above-noted statement.

3-Staff-59
Load Growth
Ref: Load Forecast

(a) How has EV penetration been factored into load growth expectation over the forecast period?
(b) Has PUC Distribution developed a load forecast specifically for EV growth?
(c) Has PUC Distribution considered the impact of Distributed Energy Resources or other emerging technologies on its load forecast? Please explain your response.

Exhibit 4 – Operating Expenses

4-Staff-60
OM&A Programs
Ref: Chapter 2 Appendices, Tab 2-JC_OM&A Programs

Please provide a version of Tab 2-JC of the Chapter 2 Appendices that includes an additional column which shows actual amounts for 2022 for as many months as possible, and another additional column that shows year-to-date actuals at the same point in 2021.

4-Staff-61
OM&A - Inflation
Ref: Exhibit 4, page 9

PUC Distribution states that:

> For 2022 and 2023 budgeted OM&A expenses, PUC incorporated inflationary increases for unionized labour per collective agreements of 2%, Executive and Management labour increases per PUC’s management compensation policy and other non labour items at a general inflation rate of 3%.

Further on page 9, PUC Distribution provides Table 4-3 and states that the total increase from 2022 to the 2023 test year due to inflation is $447,630. Also on page 9, PUC Distribution states that it expects the IPI to increase in 2023 to above 7.7% (CPI May 2021 to May 2022).

It is unclear to OEB staff what inflation rate has been factored into the proposed 2023 OM&A costs given that PUC Distribution states it has budgeted non-labour items at a general inflation rate of 3%, while the table shows a rate of 7.4% (i.e., inflation of 7.7% - 0.30% stretch factor).

(a) Please confirm the inflation rate(s) used in the OM&A inflation trends in table 4-3 for 2022 and 2023, and the inflation rate(s) incorporated into the 2022 and 2023 budgeted OM&A expenses.
(b) Please reconcile the rates with the statements above table 4-3 on page 9.
(c) Please explain why PUC Distribution has utilized the Canadian (national) CPI, not seasonally adjusted, for May 2022 versus May 2021 as an estimate for 2023 inflation given that: 1) Comparing inflation on a monthly basis is not always indicative of the annual rate, and 2) the OEB does not use CPI as a measure of inflation for capital-intensive utilities.

4-Staff-62
COVID Costs
Ref 1: Exhibit 4, page 11
Ref 2: Chapter 2 Appendices, Tab 2-JB – OM&A Cost Drivers

PUC Distribution states that the slight increase in OM&A in 2020 is due to COVID related costs that PUC Distribution is not seeking recovery for as it was reversed in 2021.

Tab 2-JB shows a debit entry of $805,463 in 2021. PUC Distribution states costs in the COVID DVA account were deemed ineligible for recovery and $805,463 was recognized as an expense in 2021.

(a) Please provide a breakdown of the $805,463 amount of COVID-related costs in 2021.
(b) Please clarify if PUC Distribution has included any costs resulting from COVID in its 2022 and 2023 capital and OM&A budgets. As part of the response, please clarify if the $805k amount is included in PUC Distribution's base OM&A as seen in Table 4-5.

4-Staff-63
APB Benchmarking
Ref: Exhibit 4, page 8

PUC Distribution states that other than inflation, one of the reasons for the increase in test year OM&A, among others, is due to increased Cyber Security, Regulatory and IT resources (i.e., Green Button and APB Benchmarking) ($123k).

Please describe what incremental initiatives PUC Distribution is undertaking associated with APB benchmarking and the expected outcomes. As part of the response, please describe the responsibilities of the additional Regulatory Analyst related to these initiatives.

4-Staff-64
Green Button
Ref: Exhibit 4, page 12

OEB staff notes that the Green Button Regulation came into effect on November 1, 2021, and requires distributors to implement Green Button by November 1, 2023, for the purposes of complying with section 25.35.8 of the *Electricity Act*, 1998.

The OEB approved the establishment of a generic deferral account for rate regulated distributors to record the incremental costs directly attributable to the implementation of the Green Button initiative, in a manner that accords with the requirements set out in the Green Button Regulation.

The evidence in this application states that:

> Green Button incremental initiative costs for 2022 have been recorded in the generic Account 1508 Deferral Account, however, PUC has included costs in OM&A for the 2023 Test year.

(a) Please detail the costs that have been included in PUC Distribution's proposed operating and/or capital budgets for Green Button implementation. As part of the response, please identify where the costs have been included (e.g., which program).
(b) Please confirm if PUC Distribution is managing or planning to manage Green Button implementation internally or through an external vendor (i.e., outside of PUC Services).
    i. If PUC Distribution is planning to manage Green Button implementation through an external vendor, please describe the responsibilities of the additional Regulatory Analyst related to the Green Button initiative.
(c) Please provide the balance in the generic Account 1508 Deferral Account related to the Green Button initiative incurred to date.
(d) Please confirm that PUC Distribution is not seeking disposition of the generic account for incremental costs for 2022 in the current application, as the current proceeding is proposing to dispose 2021 audited balances. If not confirmed, please explain.

4-Staff-65
OM&A Variances
Ref 1: Exhibit 4, section 4.3 OM&A variance analysis
Ref 2: Chapter 2 Filing Requirements, April 18, 2022, page 28
Ref 3: Chapter 2 Appendices, Tab 2-JC

The Filing Requirements state a variance analysis in required for the test year vs the bridge year in relation to 2-JC, and that the materiality threshold applies to details of the OM&A programs if using Appendix 2-JC.

OEB staff notes that there are line items above the materiality threshold when comparing the 2023 test year to the 2022 bridge year which an accompanying variance analysis has not been provided. These programs include load dispatching, regulatory affairs, and administrative.

Please provide a discussion on the variances for these items between the 2023 test year and the 2022 bridge year.

4-Staff-66
Community Relations Costs
Ref: Chapter 2 Appendices, Tab 2-JC – OM&A Programs

Please explain the driver(s) for the increase in community relations expenses between 2018 actuals and the 2023 test year (i.e., approximately $133k).

4-Staff-67
Operations Expenses
Ref 1: Chapter 2 Appendices, Tab 2-JC – OM&A Programs
Ref 2: Exhibit 4, page 8
Ref 3: Exhibit 4, page 26

The Operations – Load Dispatching line item is proposed to increase by approximately $153k when comparing the 2023 test year to the 2018 OEB-approved amount (or $171k when comparing the 2022 bridge year to the 2023 test year). PUC Distribution notes that it has added an additional System Operator position in support of SSG.

The Operations - Miscellaneous Operating line item is proposed to increase by approximately $149k when comparing the 2023 test year to the 2018 OEB-approved amount. Part of the increase is attributed to an increase in labour costs as a result of an additional Electrical Engineer in support of the SSG.

(a) Please confirm that these are the 2 FTEs associated with the SSG project noted on page 8 of exhibit 4.

(b) Please confirm if the costs associated with these 2 FTEs are 100% directly allocated to PUC Distribution. If not, please describe how costs have been allocated between PUC Distribution and its affiliate.
(c) Please describe the roles and responsibilities of each of the System Operator and the Electrical Engineer.
(d) What is the expected timeframe for the hiring of these two positions?

4-Staff-68
Maintenance Expenses
Ref 1: Chapter 2 Appendices, Tab 2-JC – OM&A Programs
Ref 2: Exhibit 4, page 27

The costs proposed in 2023 for the Maintenance – Stations line item is about $705k. The variance between the test year and 2021 actuals represents an increase of approximately $264k. PUC Distribution states that one of the drivers for this increase is "the shift of labour from capital to maintenance. In 2021, extensive resources were directed to capital work for the Substation 16 re-build which decreased the allocation of labour charged to station operations and maintenance accounts."

OEB staff notes that between 2018 actuals and 2021, costs ranged between $295k and $471k. Increases are shown in 2022 ($606k) and 2023 ($705k).

Please explain the driver(s) for the lower costs for this line item between 2018 and 2020, followed by increases in 2022 and 2023.

4-Staff-69
Administrative Expenses
Ref 1: Chapter 2 Appendices, Tab 2-JC – OM&A Programs
Ref 2: Exhibit 4, page 29

The costs proposed in 2023 for the Administrative line item is about $2.8M. The variance between the test year and 2018 OEB-approved amounts represents an increase of approximately $943k. Part of the increase is associated with new software to support electronic process conversions including software for contractor management, accounts payable processing, and a new platform for electronic forms for PUC's operations group.

(a) Please confirm if any capital costs have been included for the new software. If yes, please detail the quantum. If no capital costs have been included, please explain why.
(b) Does PUC Distribution anticipate efficiencies related to the enhanced digitization of the above items? If yes, please describe.

(c) Has PUC Distribution reflected any anticipated OM&A savings from the items above into its OM&A budget? If yes, please quantify the amounts and how they were calculated. If not, why not?
(d) Please explain the decrease in costs in 2022 (relative to 2021), followed by an increase in 2023.

4-Staff-70
Administrative Expenses
Ref 1: Chapter 2 Appendices, Tab 2-JC – OM&A Programs
Ref 2: Exhibit 4, page 30

As noted in the interrogatory above, the costs proposed in 2023 for the Administrative line item is about $2.8M. The variance between the test year and 2018 OEB-approved amounts represents an increase of approximately $943k. Part of the variance can be attributed to the following additions by PUC Services:

- Vice President, Corporate Services
- Director of Innovation & Technology
- Information Security Analyst
- Senior People & Culture Business partner
- Assistant Controller

OEB staff notes that on page 22 of exhibit 4, there is also a statement regarding the addition of a Technical Accountant by PUC Services.

(a) Please confirm if the Technical Accountant noted on page 22 also contributes to part of the $943k increase.
(b) For each position identified above please describe the roles and responsibilities for each.
(c) When were each of the roles added, or expected to be added? If applicable, please also indicate which of the roles are currently filled.
(d) Please describe how the costs of these positions have been allocated between PUC Distribution and PUC Services.

4-Staff-71
Executive and Management Employees
Ref: Exhibit 4, pages 33-34, 37

PUC Distribution states that management staff compensation levels are reviewed on a regular basis and benchmarked against the MEARIE Group Management Salary Survey administered by Korn Ferry Hay Group.

Further, every three years a salary structure review is completed to compare the management salary bands against a utility peer group to ensure compensation remains within the 50th percentile. For the intervening years, adjustments are applied to the salary bands based on November CPI for Ontario in accordance with the Management Compensation policy.

(a) When was the most recent review and benchmarking conducted against the MEARIE Group Management Salary Survey?
(b) Table 4-13 shows management salary increases between 2018 and 2022. What percentage wage increase for management salary is embedded in the 2023 test year?
(c) With respect to (b), please provide a discussion on the reasonability of the percentage embedded in the proposed test year amounts.
(d) Page 37 states that adjustments for Management staff salaries are in accordance with PUC Services' Management Compensation Policy, in addition to adjustments for productivity, merit, and promotion. Please describe the methodology for determining adjustments for productivity and merit.

4-Staff-72
Employee Costs Table
Ref 1: Chapter 2 Appendices, Tab 2-K – Employee Costs
Ref 2: Exhibit 4, pages 39-40

The Management and Non-Management line items under total compensation (salary, wages, & benefits) noted on Tab 2-K of the Chapter 2 Appendices does not reconcile to Exhibit 4, page 39.

(a) Please confirm the correct figures.
(b) Please file a revised version of Table 4-17 (page 40), if required.
(c) Please explain the material increase in Management total benefits between 2021 and 2022 (i.e., increase of approximately 67%).

4-Staff-73
Pension and Other Post-Employment Benefits (OPEBs)
Ref 1: Exhibit 4, pages 39, 41

Table 4-17 on page 41 provides the employee benefit costs charge to OM&A, which is reproduced below:

Table 4-17: Employee Benefit Costs

Benefit	2018 Last Rebasing	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Bridge	2023 Test
CPP Employers' Portion	$ 188,142	$ 174,462	$ 187,643	$ 192,284	$ 237,683	$ 300,592	$ 331,238
EI Employers' Portion	$ 67,036	$ 77,083	$ 71,482	$ 71,818	$ 79,424	$ 100,446	$ 110,687
Employer Health Tax	$ 117,218	$ 116,266	$ 118,991	$ 120,618	$ 139,312	$ 176,184	$ 194,147
WSIB	$ 57,110	$ 67,224	$ 55,534	$ 63,614	$ 70,925	$ 89,697	$ 98,842
OMERS Employers' Portion	$ 591,221	$ 581,078	$ 618,817	$ 651,832	$ 692,231	$ 875,447	$ 964,701
OPEB	$ -	$ 42,183	$ 34,150	$ 48,978	$ 44,053	$ 55,713	$ 61,393
Corporate Benefits	$ 531,880	$ 751,427	$ 737,866	$ 646,635	$ 827,387	$ 1,046,375	$ 1,153,056
Total Benefits Charged to OM&A	**$ 1,552,607**	**$ 1,809,722**	**$ 1,824,483**	**$ 1,795,780**	**$ 2,091,015**	**$ 2,644,454**	**$ 2,914,064**

As per the Table 4-17 above, OEB staff calculated the growth of 2022 and 2023 amounts from the prior year amounts to be 26.5% (calculated as [($2,644,454 - $2,091,015)/$2,091,015] and 10.2% (calculated as [($2,914,064- $2,644,454)/$2,644,454]), respectively.

Page 41 states that: “For 2022 Bridge and 2023 Test years amounts have been forecasted using a 5% increase on prior year amounts.”

(a) Please reconcile the growth rates between PUC’s statement and the calculated growth rates based on Table 4-17 on page 41.
(b) Please explain what makes up the corporate benefit in Table 4-17.

4-Staff-74
Pension and Other Post-Employment Benefits
Ref 1: Exhibit 4, pages 35, 39 and 41
Ref 2: Exhibit 2, page 72
Ref 3: Exhibit 4, Appendix A, PUCS Actuarial Report

Page 35 of Exhibit 4 states:

> PUCS recovers their Ontario Post Employment Benefits (“OPEB”) costs based on the accrual method. This method recognizes the cost of OPEBs as an employee’s service is rendered and the benefit is earned. PUC’s shared portion of the accrued OPEBs is allocated as an overhead on direct labour on an annual basis. As such, PUC’ Distributions obligation for OPEBs is treated similar to pension funding where there are no future obligations.

Page 41 further states PUC Distribution has determined the details of employee benefit programs breakdown above using the shared services allocation methodology described in the Shared Services section.

Reference 2 indicates that payroll costs in direct labour costs, which is capitalized in PP&E include benefits, pensions, CPP, EI etc. PUC filed 2021 Actuarial report of PUCS in Appendix A of Exhibit 4.

(a) Please clarify and describe how the benefit amounts have been determined (e.g. direct assignment, or allocation factor based on summed FTE).
(b) As PUC Distribution's OPEB obligation is treated similar to pension funding where there are no future obligations, please comment on PUC Distribution's recovery of OPEB amounts based on PUCS' accrued OPEB amounts.
    i. Please comment on whether PUC Distribution's recovery on a cash basis would be materiality different than recovery on the proposed accrual basis.
(c) Please calculate the shared portion of PUC Distribution's shared portion of accrued OPEB liability for the years 2021 to 2024 by using the Defined benefit liability on the PUCS' actuarial report multiplied by the shared portion (%).
    i. Please explain if and where PUC Distribution's 2021 shared portion of accrued OPEB liability is included in the PUC's 2021 AFSs.
    ii. Please explain where PUC Distribution's 2023 shared portion of accrued OPEB liability is included in 2023 rate application and models (including PILs model).
(d) Please provide a table similar to Table 4-17, showing the benefits capitalized.

4-Staff-75
Shared Services and Corporate Cost Allocation
Ref: Exhibit 4, page 42

PUC Distribution states that as a virtual utility, it shares certain resources with affiliates in order to create economies of scale and scope.

Please discuss how the shared services structure has provided value and benefits to customers.

4-Staff-76
Shared Services and Corporate Cost Allocation
Ref 1: Exhibit 4, page 47
Ref 2: Exhibit 4, Appendix B - Full Absorption Cost Allocation Review, page 19
Ref 3: Chapter 2 Appendices, Tab 2-H – Other_Oper_Rev
Ref 4: Chapter 2 Appendices, Tab 2-N – Corp. Cost Allocation

Reference 1 states that all activities of the PUC group of companies are carried out in a shared building which is owned by PUC Distribution. The portion of the building used by affiliates is made available by PUC distribution under a lease arrangement. The lease is priced to affiliates at fully allocated cost. The rent is included in PUC's Other Revenue.

Reference 2 states that "building operating costs including property taxes, electricity, heating, water and sewer, insurance, janitorial, repairs and maintenance were

determined on a square footage basis and charged in addition to the cost-based lease charge from PUCD."

(a) Please explain the driver(s) behind the "Building Rental" charge from PUC Distribution to PUC Services declining in each year between 2018-2023.
(b) Please explain how the "Building Rental" amount for 2023 was forecasted.
    i. Please confirm if the building operating costs which are charged in addition to the cost-based lease charge from PUC Distribution to PUC Services noted in reference 2 above are included in the Building Charge/Building Rental line items on Tabs 2-H – Other Revenue and 2-N – Corporate Cost Allocation, respectively. If not, where are they recorded?
(c) Are there other entities that occupy the building? If yes, please confirm if PUC Distribution receives rent payments from other entities besides PUC Services.
(d) Given that the building is owned by PUC Distribution, please explain the allocated cost from PUC Services to PUC Distribution for the "Building 5675" line item as seen in the Chapter 2 Appendices, Tab 2-N.

4-Staff-77
Shared Services and Corporate Cost Allocation
Ref 1: Exhibit 4, page 49
Ref 2: Exhibit 4, Appendix B - Full Absorption Cost Allocation Review, page 7

Tables 4-21 and 4-22 at reference 1 provide the shared service allocation between 2018 and 2021.

Reference 2 states that "For allocation of the building cost among affiliates, the allocator is Operations FTE hours, for all departments with operations out of the shared building."

Please explain the driver(s) behind the increase in the % of the building being allocated to PUC Distribution (based on the allocator "% of building utilized") between 2018 and 2021 (i.e., increase to 55.34% from 46.45%).

4-Staff-78
Shared Services and Corporate Cost Allocation
Ref 1: Exhibit 4, page 47
Ref 2: Chapter 2 Filing Requirements, April 18, 2022, page 31

The Filing Requirements indicate that respect to Tab 2-N of the Chapter 2 Appendices regarding corporate cost allocation, a variance analyses, with explanations, are required for the following:

- Test year vs. last OEB-approved
- Test year vs. most recent actuals

PUC Distribution provided a table at the bottom of page 47 showing the variances between the test year v. last OEB-approved, and test year vs. last actual, however an explanation of those variances does not seem to have been provided.

(a) Please provide a discussion of the variances above materiality (i.e., test year v. last OEB-approved for "Customer Service Acct 5405 to 5420" and "Admin Acct 5605 to 5635, 5665").
(b) Please explain the driver(s) behind the material increase in "Admin Acct 5605 to 5635, 5665" between 2020 and 2021.

4-Staff-79
Ref 1: Exhibit 4, Appendix B - Full Absorption Cost Allocation Review, page 10
Ref 2: Exhibit 4, page 51

Reference 1 indicates that 17 Trees Inc. provides vegetation management services to its 3-way ownership partners, PUC Distribution, Greater Sudbury Utilities Inc. and North Bay Hydro Services Inc.

(a) How did PUC Distribution help form this company?
(b) OEB staff notes that work contracted to 17 Trees is sole sourced as seen in reference 2. How does PUC Distribution ensure that the prices from 17 Trees are competitive?

4-Staff-80
Regulatory Costs
Ref 1: Chapter 2 Appendices, Tab 2-M – Regulatory Costs
Ref 2: Exhibit 4, pages 51-52

Total application costs are forecasted to be $680k for the current application. The breakdown is provided in the table below.

Cost of Service Application Costs	Total $
Incremental operating expenses associated with staff resources allocated to this application	$126,366
Consultant Costs	$430,634
Intervenor Costs	$100,000
OEB Application Costs	$20,000
Settlement Conference Costs (virtual)	$3,000

(a) How much has PUC Distribution spent to date for this application?
(b) The 2018 OEB-approved consultant costs were $515k as seen on Tab 2-M. The actual 2018 consultant costs were about $267k. For the current application, consultant costs are about $431k.

i. Please explain why the 2018 actual consultant costs were slightly less than half of what was forecasted.
ii. For the current application, please provide details of the consulting costs by assignment.

(c) Has PUC Distribution benchmarked its regulatory costs with other utilities? If not, please explain why.

4-Staff-81
LRAMVA Balance
Ref 1: LRAMVA Workform – Tab 1
Ref 2: DVA Continuity Schedule – Tab 2b and Tab 4
Ref 3: Exhibit 4, Table 4-28

The total LRAMVA balance in the LRAMVA balance does not match the balance in the DVA Continuity Schedule ($196,576 vs. $201,460). The difference appears to be that the total amount allocated to the GS < 50 class is a credit of 111,834 in tab 4 of the DVA Continuity Schedule and a credit of $106,950 in the LRAMVA Workform.

(a) Please explain the discrepancy between the two balances and confirm the amount requested for disposition.
(b) If required, please update the LRAMVA Workform and/or DVA Continuity Schedule to reflect the LRAMVA balance requested for disposition.

4-Staff-82
2019 Lost Revenues
Ref: LRAMVA Workform – Tab 5

In Table 5-e, please confirm that source of the adjustment to the 2019 savings for the Save on Energy Retrofit Program (row 883).

4-Staff-83
Continued Use of the LRAMVA
Ref: Exhibit 4, page 55

The 2021 CDM Guidelines requires electricity distributors filing an application for 2023 rates to seek disposition of all outstanding LRAMVA balances related to previously established LRAMVA thresholds. PUC Distribution notes that it is not currently running any CDM programs.

(a) Please confirm if PUC Distribution is seeking disposition of all outstanding LRAMVA balances and whether the LRAMVA would have a zero balance if disposition is approved.
(b) Please explain whether PUC Distribution is requesting to use the LRAMVA for any CDM activities for 2023 or beyond at this time.

Exhibit 5 – Cost of Capital and Capital Structure

5-Staff-84
Cost of Capital Parameters
Ref: 2023 Cost of Capital Parameters

On October 20, 2022, the OEB issued a letter announcing the cost of capital parameters applicable to 2023 cost-based applications.[1]

Please update the evidence, as required, to reflect the 2023 cost of capital parameters.

5-Staff-85
Ref 1: Exhibit 5, page 4
Ref 2: Chapter 2 Appendices, Tab 2-OB – Debt Instruments
Ref 3: EB-2009-0084, Report of the Board on the Cost of Capital for Ontario's Regulated Utilities, December 11, 2009, page 53

Reference 1 states that PUC Distribution has a promissory note payable to its parent company, PUC Inc., with interest payable quarterly, **rates periodically negotiated (emphasis added)**, and principal payable one year after demand. In this application, as originally filed, the interest rate on this note will be based on the OEB's cost of capital parameter for deemed long term debt for 2023 cost of service rate applications issued October 28, 2021 which is 3.49%.

Tab 2-OB of the Chapter 2 Appendices indicates that this is a fixed rate note.

The *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities* states that:

> The deemed long-term debt rate will act as a proxy or ceiling for what would be considered to be a market-based rate by the Board in certain circumstances. These circumstances include:
>
> - For affiliate debt (i.e., debt held by an affiliated party as defined by the Ontario Business Corporations Act, 1990) with a fixed rate, the deemed long-term debt rate at the time of issuance will be used as a ceiling on the rate allowed for that debt.
> - For debt that has a variable rate, the deemed long-term debt rate will be a ceiling on the rate allowed for that debt. This applies whether the debt holder is an affiliate or a third-party.

[1] Ontario Energy Board, Letter re: 2023 Cost of Capital Parameters, October 20, 2022

(a) Please confirm if this a fixed or variable rate note. If variable, please update Tab 2-OB as required.
(b) Please confirm if PUC Distribution is proposing to update the rate with the OEB's cost of capital parameters applicable to 2023 applications, as issued by the OEB on October 20, 2022.

5-Staff-86
Ref: Exhibit 5, page 6

The evidence indicates that Loan number 6 is to be finalized with Infrastructure Ontario. It is anticipated to be a 20-year debenture with an estimated fixed interest rate of 5.00% used for rate making purposes.

What is the status of the forecasted loan number 6 with a start date of January 1, 2023? If there is any update, please provide, and reflect in updated 2-OB schedules for the 2023 test year.

Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

6-Staff-87
PILs Workform
Ref 1: PILs Workform
Ref 2: Chapter 2 Appendix 2-BA

In the bridge year of the PILs Workform, tab B8 shows additions of $29,330,033, which agree to the sum of additions and ICM SSG additions in Appendix 2-BA for 2022.

(a) Please confirm that the additions for the Substation-16 have already been included in PUC Distribution's 2021 tax return. If not confirmed, please explain PUC Distribution's CCA treatment for Substation 16.
(b) Using the bridge year as an example, the additions in tab B8 of $29,330,033 include the reduction of $492,800 for capital contributions as shown in the breakdown of additions in Appendix 2-BA. Therefore, CCA has been reduced by the amortization related to capital contributions. On tab B1, there is a deduction of $246,348 for the amortization of contributed capital. The same circumstances apply to the test year. Please explain PUC Distribution's treatment of contributed capital (whether an election is made for contributed capital).
    i. Please explain whether there is any double counting of amortization for capital contributions. If so, please revise the evidence as needed.

6-Staff-88
Loss Carry-forward
Ref: Exhibit 6, page 21-22

PUC Distribution is forecasting a tax loss carry-forward of $3,915,084 available for use in the test year, with $1,660,194 attributed to Account 1592, Sub-account CCA Changes. PUC Distribution is proposing to refund the tax loss carry-forward net of the 1592 sub-account amount of $2,254,890 to ratepayers through a two-year rate rider.

(a) Please discuss the main drivers and the associated amounts that resulted in the tax loss carry-forward of $3,915,084.
(b) Please explain PUC Distribution's rationale for proposing this approach relating to PILs.
(c) Typically, the tax loss carry-forward available for use in the test year is amortized over the five years in the IRM term by applying one fifth of the tax loss carry-forward to the test year taxable income for regulatory purposes. Please explain whether PUC Distribution has considered this approach and explain why it was not proposed.

6-Staff-89
Account 1592
Ref: Exhibit 6, page 17

The calculation for Account 1592, Sub-account CCA Changes is provided in Table 6-14. PUC Distribution indicated that the 2018 actual additions were used as the basis for its CCA calculation and journal entries for 2018 to 2022.

(a) Please clarify what is meant by 2018 actual additions were used as the basis for the CCA calculation.
(b) In Table 6-14, the 2018 amount for CCA – Old Rules and CCA – AIIP rules are both $205,202. Please explain whether this amount is CCA or actual additions for 2018.
(c) In Table 6-14, please provide the formula for the line CCA – Old Rules and explain how it is calculated. Please clarify the correlation between the $205,202 in 2018 and how it relates to each subsequent year.
(d) In Table 6-14, please provide the formula for the line CCA – AIIP Rules and explain how it is calculated. Please clarify the correlation between the $205,202 in 2018 how it relates to each subsequent year.
(e) Please explain why 2018 actual additions are used as the basis for the CCA calculation and not actual additions in each year from 2019 to 2022.

6-Staff-90
CCA Smoothing
Ref 1: Exhibit 6, page 23

Ref 2: PILs Workform

Table 6-22 provides the CCA smoothing calculation. For 2023, CCA is $1,178,982. It states that net capital additions of $10,113,371 were used to calculate accelerated CCA with no phase out row, and DSP projected additions are used to calculate accelerated CCA phase out row.

(a) Please confirm that the 2023 CCA of $1,178,982 pertains only to the CCA of additions in 2023 and not CCA from prior year additions.
(b) OEB staff calculated the 2023 CCA pertaining to 2023 additions to be $1,196,293 [($9,536,336 x 8% x 1.5) +($557,035 x 6% x 1.5)] based on tab T8 of the PILs Workform. Please explain how the $1,178,982 is calculated.
(c) Please explain PUC Distribution's rationale for using the test year capital additions consistently for each year from 2022 to 2027 for the calculation of accelerated CCA with no phase out, but using forecasted DSP additions for each year from 2022 to 2027 for the calculation of accelerated CCA with the phase out.
(d) Please provide a CCA smoothing calculation using the test year capital additions for each year from 2022 to 2027 for both the calculations of accelerated CCA with and without phase out.
(e) Please provide a CCA smoothing calculation using the DSP forecasted additions for each year from 2022 to 2027 for both the calculations of accelerated CCA with and without phase out.

6-Staff-91
Other Revenues
Ref: Chapter 2 Appendices, Tab 2-H – Other Operating Revenue

(a) Please explain the method PUC Distribution used to forecast its Other Revenues for 2023 for each applicable account noted in Tab 2-H.
(b) Please provide a table (similar to the layout of Tab 2-H) with an added column showing year to date actuals for 2022.

6-Staff-92
Other Revenue
Ref 1: Chapter 2 Appendices, Tab 2-H – Other_Oper_Rev
Ref 2: Chapter 2 Filing Requirements, April 18, 2022, page 41

Please confirm that any revenue related to microFIT charges are recorded as a revenue offset in Account 4235 and not included as part of the base distribution revenue requirement.

6-Staff-93
Other Revenues
Ref 1: Exhibit 6, page 30
Ref 2: Chapter 2 Appendices, Tab 2-H – Other_Oper_Rev
Ref 3: Chapter 2 Filing Requirements, April 18, 2022, page 40-41
Ref 4: Exhibit 4, page 44

PUC Distribution states that:

> Account 4210 includes the shared administrative building. A significant portion of the operating activities of the PUC group of companies are carried out in a shared building/facility at 500 Second Line East, which is owned by PUC. The portion of the building used by affiliates is made available by PUC under a lease arrangement. The lease is priced to affiliates at fully allocated cost.

The Filing Requirements indicate that revenues from affiliate transactions should be recorded in Account 4375, and expenses from affiliate transactions should be recorded in Account 4380.

Page 44 of Exhibit 4 shows the building rental for the 2023 test year from PUC Distribution to PUC Services in the Shared Services section.

(a) Please explain why the "Building Charge" is being included in Account 4210 as opposed to Account 4375. If any changes are required, please make those changes to Tab 2-H.
(b) Please confirm if the "Building Charge" in Tab 2-H represents the rent received by PUC Distribution from PUC Services for the shared office building.
(c) Please explain why there are no expenses recorded in Account 4380 related to the portion of the shared building being used by PUC Distribution's affiliate.
(d) Please confirm that there has been no changes to the regulatory treatment of the building leased to affiliates from PUC Distribution's last rebasing application to this application (e.g. resulting from the adoption of IFRS 16). If not confirmed, please explain.

Exhibit 7 – Cost Allocation

7-Staff-94
Weighting Factors
Ref: Exhibit 7, pages 4-5

PUC Distribution states that it "assigned a weighting factor of 1 to the Residential rate class and further calculated the associated weighting factors for the remaining rate classes."

Please provide the derivation of the weighting factors used.

7-Staff-95
Load Profiles
Ref: Exhibit 7, pages 7-13

COVID Normalized Consumption Data was used to produce the load profiles.

(a) Please indicate what was normalized.
    i. Does this refer to the hourly loads?
    ii. Does this refer to the annual forecast?
(b) As a scenario, please provide the load profiles and the demand allocators that would result from using profiles that have not been normalized for COVID – i.e. normalized only for Weather.

The method of determining the proportion of system load that is HDD and CDD related energy use in each month is described leveraging the load forecast output. The Load forecast output includes coefficients for HDD and CDD. The average temperature for each ranked day in 2021 is compared to the historic average temperature for the ranked day, and a ratio is used in determining the adjustment.

(c) How does the methodology address the potential for differences in weather sensitivity between the rate classes?
(d) Has PUC Distribution looked for options to use HDD and CDD more directly to look at heating and cooling related load on a daily, rather than monthly basis? Please describe what was reviewed, and why the proposed methodology was ultimately chosen.

Exhibit 8 – Rate Design

8-Staff-96
Fixed/Variable Charge
Ref 1: Revenue Requirement Work Form, sheet 13. Rate Design
Ref 2: Cost Allocation Model, sheet O2. Fixed Charge | Floor | Ceiling

The fixed charge is proposed to increase to $27.90 in the GS < 50 rate class, $154.07 in the GS > 50 rate class, and $17.09 for USL. All of these are above the minimum system with peak load carrying capability (PLCC) from the cost allocation model (commonly referred to as the ceiling).

Please provide the variable charge that would result if the fixed charge were maintained at the existing charge.

8-Staff-97
Loss Adjustment Factors
Ref: Exhibit 8, pages 14-15

The A(1) "Wholesale" kWh delivered to the distributor (higher value) and A(2) "Wholesale" kWh delivered to the distributor (lower value) are the same values. Therefore, the model has calculated a supply facility loss factor of 1.0000.

(a) Please confirm that the values used reflect energy generated for use by PUC Distribution's customers inclusive of any transmission losses and any embedded generation.
(b) If part (a) cannot be confirmed, please provide these values.

8-Staff-98
Smart Meter Entity Charge
Ref 1: OEB Letter, Smart Metering Charge to be Charged by Electricity Distributors from January 1, 2023 – December 31, 2027
Ref 2: Tariff and Bill Impact Model, Tab 3 – Regulatory Charges, Proposed Tariff of Rates and Charges (Excel)
Ref 3: Exhibit 8, page 14

On September 8, 2022, the OEB issued the letter in reference 1 with regards to the Smart Metering Entity Charge (SMC) to be charged by distributors from January 1, 2023 to December 31, 2027. Effective January 1, 2023, the retail SMC to be charged and collected by electricity distributors from applicable Residential and General Service <50kW customers will be $0.42 per smart meter per month.

(a) Please incorporate the updated SMC in the Tariff and Bill Impact Model.
(b) Please incorporate the updated SMC in the Chapter 2 Appendices, Tab 2-ZB – Cost of Power
(c) Please file a stand-alone Excel version of the proposed Tariff of Rates and Charges.

8-Staff-99
Bill Impacts
Ref 1: Exhibit 8, page 17, Table 8-16
Ref 2: Tariff and Bill Impact Model, Tab 6- Bill Impacts

PUC Distribution provided its proposed bill impacts which include the reduction of approximately 2.70% in VVO consumption savings from the SSG project.

Please provide a separate copy of the Tariff and Bill Impact Model which shows the proposed bill impacts (as may be updated through responses to interrogatories) excluding any savings from the SSG project.

8-Staff-100
Retail Transmission Service Rates
Ref: RTSR Workform

An updated RTSR Workform has been posted on the OEB's 2023 electricity distribution rates webpage (https://www.oeb.ca/applications/applications-oeb/electricity-distribution-rates/2023-electricity-distribution-rate) to reflect certain corrections to the values on tab 4 and minor formula changes to tab 9.

(a) Please re-file the RTSR Workform using the most recent version.
(b) Please confirm the data entered on Tab 3 reflects the most recent RRR data for PUC Distribution.
(c) Please ensure any resulting changes are made to other inputs/models as required (e.g., Cost of Power calculation Tab 2-ZB, Tariff of Rates and Charges etc.)

8-Staff-101
Regulatory Charges
Ref 1: Tariff and Bill Impact Model, Tab 3 – Regulatory Charges
Ref 2: Exhibit 8, Appendix C - Proposed Tariff of Rates and Charges

On November 3, 2022, the OEB issued its Decision and Order in EB-2022-0220 with respect to energy retailer service charges for electricity distributors effective January 1, 2023. Similarly, the OEB issued its Decision and Order in EB-2022-0221 with respect to the Distribution Pole Attachment Charge effective January 1, 2023.

Please update the Tariff and Bill Impact Model and proposed Tariff of Rates and Charges to reflect the OEB's decisions for these matters.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-102
Account 1588
Ref: DVA Continuity Schedule

In the DVA Continuity Schedule, cells D36 to D40 show Account 1588 as the account number for 1595 sub-accounts. Please revise the DVA Continuity Schedule to show the account number as Account 1595.

9-Staff-103
Account 1522
Ref 1: DVA Continuity Schedule
Ref 2: Exhibit 4, page 35

In tab 2b of the DVA Continuity Schedule, there is $0 for Account 1522 – Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges as at the 2021 year-end.

(a) Please explain whether PUC Distribution uses this account as PUC Distribution does not have future obligations for OPEBs.
(b) If Account 1522 is used, please confirm that the $0 balance is appropriate.
(c) If Account 1522 is not used, please explain why not.

9-Staff-104
Pole Attachment variance
Ref: Exhibit 9, page 18

Reference 1 indicates that:

> In 2018, the pole attachment charge was initially updated from $22.35 to $28.09 for September 1, 2018 until December 31, 2018 and adjusted to the OEB rate of $43.63 effective January 1, 2019. The rate was again adjusted to $44.50 on January 1, 2020…..PUC had its pole attachment rate updated with approval of its 2018 COS application and therefore has not calculated any further variance beyond 2018.

(a) Please provide the pole attachment charge rates used to determine other revenues in the 2018 approved revenue requirement.
(b) If the rate incorporated in the 2018 revenue requirement was $28.09, please explain why there is no variance calculated beyond 2018 as the $28.09 was a transitionary rate.

9-Staff-105
COVID-19 Delayed Implementation IRM Forgone Revenue Variance
Ref 1: Exhibit 9, page 22
Ref 2: Guidance for Electricity Distributors with Foregone Revenues Due to Postponed Rate Implementation from COVID-19, August 6, 2020

Table 9-10 in Reference 1 provides the calculation for the balance in Account 1509, Sub-account Foregone Revenues from Postponing Rate Implementation. The calculation includes a forecast of foregone revenue is up to October 2022.

(a) Please provide any updates to the forecasted amount and rationale if the amount is significantly different from the actual rider collected.
(b) Based on the accounting guidance in Reference 2, the audited balance is to be requested for disposition (Appendix A of the guidance notes that the audited 2021 balance is requested for disposition in the 2023 rate application). The balance requested for disposition has not been audited yet. Please confirm that

PUC Distribution is still requesting the disposition of the balance in this proceeding.

i. If confirmed, please confirm that PUC Distribution does not expect any further adjustments or activity in the sub-account after disposition. If not confirmed, please explain.
ii. Please also confirm that this account be discontinued after the disposition of the amount. If not, please provide explanation.

9-Staff-106
COVID-19 Incremental Expense Variance
Ref 1: Exhibit 9, page 27
Ref 2: Exhibit 9, page 24
Ref 3: Exhibit 1, pages 103 ~105
Ref 4: Report of the OEB – Regulatory Treatment of Impacts Arising from the COVID-19 Emergency (EB-2020-0133), June 17, 0133 (COVID-19 Report)

PUC Distribution is requesting disposition of the balance in Account 1509, Sub-account Impacts from Complying with Government/OEB-initiated Customer Relief Programs.

(a) Please confirm that the amounts in Table 9-12 were incurred in 2020 only. If not confirmed, please provide a breakdown of Table 9-12 by year. Please also discuss the means test, materiality, and methodology to determine incremental amounts for the annual balance in the sub-account.
(b) Reference 1 indicates that the incremental costs were above the regular management and operation services provided by PUCS as they were to deal with additional services dealing with the extraordinary government and OEB emergency programs. Please confirm that the incremental costs are OM&A in nature and not capital.
    i. If not confirmed, please explain whether the revenue requirement impact has been reflected in the amounts proposed for disposition. If not, why not.
    ii. The OEB's COVID-19 Report provides a guide for a methodology to measure incremental costs. Please provide calculations of the incremental billing expenses and the incremental labour expenses in Table 9-12 in Reference 1 using a baseline comparison to the greater of
        1. The amount embedded in base rates (adjusted for inflationary increases less productivity)
        2. The highest actual amount over the past five years (2015 to 2019).
    iii. If the baseline methodology above was not used to determine incremental billing and labour expenses, please explain the methodology PUC Distribution used to determine incremental amounts.
    iv. Please explain how the amounts identified are clearly attributable to COVID-19.

(c) In Reference 1, PUC Distribution stated that it believes it acted prudently to minimize the impacts and fully exploited all available cost reductions and savings. Please discuss the cost reductions and savings that were identified.

(d) Reference 2 indicates that recovery of any balances recorded in the Account should be subject to evidence that the costs are not only reasonable, but also that recovery of the costs is necessary for the utility to maintain its opportunity to earn a fair return over the long run. Based on PUC's discussion of financial ratios in Reference 3, it appears that PUC Distribution already has a financing plan to improve its financial viability in the long run. Please comment on whether the recovery of the costs in the 1509 sub-account is necessary.

9-Staff-107
Account 1595
Ref 1: Exhibit 9, page 16
Ref 2: DVA Continuity Schedule
Ref 3: Chapter 2 Filing Requirements, 2022 Edition for 2023 Rate Applications, April 18, 2022

PUC Distribution is requesting final disposition of Account 1595 (2018). The associated rate rider ended April 30, 2020. PUC Distribution noted that it had no subsequent activity in this sub-account other than a reconciliation adjustment between Account 1595 (2019) to correct balances between disposal years. PUC expects no further activity to this account and requests final disposal of the residual balance.

Per page 61 of the Chapter 2 Filing Requirements, distributors become eligible to seek disposition of Account 1595 balances two years after the expiry of the rate rider and the balance in the sub-account is audited. For PUC Distribution's Account 1595 (2018), the sub-account would be eligible for disposition in its 2024 rate application and not the current proceeding.

Please provide PUC Distribution's thoughts on withdrawing the requested disposition of the sub-account. Please revise the relevant evidence.

9-Staff-108
Account 1589
Ref 1: GA Analysis Workform
Ref 2: EB-2021-0054 GA Analysis Workform, March 4, 2022

In the 2023 GA Analysis Workform, the principal adjustment tab shows no principal adjustments that were included in the last approved balance (Note 8). In PUC Distribution's 2022 GA Analysis Workform, there were principal adjustments of

($759,501) and $759,201 for Accounts 1589 and 1588, respectively, that were recorded in the 2021 general ledger.

(a) Please explain why these principal adjustments are not shown in the 2023 GA Analysis Workform to be reversed in the 2021 Accounts 1588 and 1589 balances.
(b) Please comment on whether there would be any double counting, where the principal adjustments are reflected in the 2020 balances approved for disposition already and are also included in the 2021 balances requested for disposition in this proceeding as the principal adjustments are recorded in the 2021 general ledger. Please revise the evidence as necessary and reassess the results of the GA Analysis Workform and Account 1588 tabs.

9-Staff-109
GA Analysis Work Form
Ref 1: Exhibit 9, page 16
Ref 2: GA Analysis Workform
Ref 3: Accounting Guidance for IESO Charge Type 2148, May 15, 2019

Reference 1 indicates that "The total activity in 2021 for account 1588 RSVA Power is 1.4%, however, the amount includes a CT2148 prior year amounts. Excluding this amount, it would be 0.6%, less than 1.0% of the total power purchased in account 4705 – Power purchased net a 2020 prior year adjustment GA charge by IESO invoiced in 2021."

(a) Please provide the amount for CT2148 and provide the calculation showing how to derive the 0.6% related to Account 1588 RSVA Power.
(b) Per the Accounting Guidance in Reference 3, CT2148 is to be apportioned between RPP and non-RPP. Please explain why there is no reconciling item related to CT 2148 for Account 1589 RSVA Global Adjustment in the GA 2021 tab. Please provide the portion of CT 2148 for Account 1589 RSVA Global Adjustment and revise the evidence as needed, reassessing the GA Analysis Workform as applicable.

9-Staff-110
1508 Sub-account Incremental VVO Savings or Costs
Ref 1: Exhibit 9, Appendix B
Ref 2: Exhibit 2, DSP, pages 94-97

PUC Distribution is proposing two new sub-accounts for Incremental VVO Savings and Costs. On page 97 of the DSP, PUC Distribution notes that it is proposing a symmetrical maximum upside and downside equal to ROE of the SSG assets. Based on the revised project spend and the OEB's current cost of capital parameters, the current cap is ± $773,539.

(a) Please discuss the causation, materiality and prudence for the establishment of the sub-account.
(b) Please clarify how the cap of $773,539 is calculated and how it is equal to the ROE of the SSG assets.
(c) Please clarify if the cap amount will change. If yes, please explain what will cause a change to the cap.
(d) The associated draft Accounting Order names two sub-accounts, one for Incremental SSG Costs and a second for Incremental VVO Savings. Table 2 shows both debit and credit journal entries being recorded in the Incremental SSG Costs sub-account. The example journal entries on the last page of the accounting order show journal entries being recorded in the sub-account Incremental SSG Costs or Savings. Please clarify, which sub-account(s) are proposed and revise the draft accounting order as needed.
(e) The associated draft Accounting Order does not provide a reference to the cap noted in the DSP. Please update the Accounting Order to include this reference.

9-Staff-111
1508 Sub-account SSG EPC Contract Liquidated Damages
Ref: Exhibit 9, Appendix C

PUC Distribution is proposing to establish a new sub-account to record the revenue requirement difference relating to the EPC contract liquidated damages. The draft accounting order states that the adjustment will occur on the earlier of December 31, 2023 or the date liquidated damages are actually received in accordance with applicable accounting standards. Depending on the timing of settling this liability, the amount may be estimated and further updated once a final amount is received.

(a) Please discuss the causation, materiality and prudence for the establishment of the sub-account.
(b) Please clarify whether PUC Distribution is indicating that it will accrue an entry at December 31, 2023 if they are aware of liquidated damages even though it has not yet been received.
    i. If not confirmed, please explain the statement.
    ii. Please also explain the circumstances in which the amount of the entry may be estimated and the estimated quantum.