

BY E-MAIL

July 18, 2023

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

Dear Ms. Marconi:

**Re: InnPower Corporation (InnPower)
Application for 2024 Distribution Rates
Ontario Energy Board File Number: EB-2023-0033**

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

InnPower's responses to interrogatories are due by August 8, 2023. 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,

Donald Lau
Project Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

OEB Staff Interrogatories
2024 Electricity Distribution Rates Application
InnPower Corporation (InnPower)
EB-2023-0033
July 18, 2023

*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*.

Exhibit 1 – Administration

1-Staff-1

Updated Revenue Requirement Work Form (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 understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2024 Electricity Distributor Rate Applications webpage.

1-Staff-2

Ref 1: Exhibit 1, Tab 3, Schedule 3, page 328

Ref 2: Chapter 2 Appendix 2-BA

According to Reference 1, InnPower adopted IFRS 16 – Leases on January 1, 2019. InnPower stated that there was no right-of-use asset or related lease liability recognized at the transition as there were no outstanding lease contracts at that time.

- a) Please file a copy of InnPower's 2019 AFS, demonstrating that there was no right-of-use asset capitalized from the application of the IFRS-16.

1-Staff-3

Conditions of Service

Ref 1: EB-2016-0085 Decision and Order

Ref 2: Exhibit 1 – 14.4 Directive #4

Ref 3: Distribution System Code

In reference 1, the OEB noted that InnPower's Conditions of Service did not include the business process it uses to disconnect and reconnect consumers as required by the DSC. In reference 2, InnPower stated that it updated its Conditions of Service with a disconnection policy. The policy included wording from the distribution system code. In section 4.8 of the distribution system code, it also discusses winter disconnections, reconnections, and load devices.

- a) Please explain how InnPower has addressed winter disconnections in its disconnection policy.

Exhibit 2 – Rate Base

2-Staff-4

2023 Bridge Year Actual

Ref 1: Appendix 2-AA and Appendix 2-AB

InnPower provided its 2023 Bridge Year forecasts with zero months of actual spending included.

- a) Please update capital expenditures for the 2023 bridge year in Appendix 2-AA format and Appendix 2-AB format (and update other related tabs in Chapter 2 Appendices accordingly) to account for updates to the work schedule since the application was filed. Please specify for which months actual data has been used versus forecast.
- b) In Appendix 2-AA, please provide the capital expenditures to date for the 2023 Bridge Year.

2-Staff-5

Historical Underspending

Ref 1: Chapter 2 Appendices – Appendix 2-AB

InnPower has historically underspent compared to its capital expenditure plans. The OEB approved a 2017 net capital expenditure amount of \$4.405 million, while InnPower spent \$3.481 million, a difference of 21%. Between 2017 and 2021, InnPower's total planned capital expenditure amount was \$27.577 million, while InnPower's actual spending was \$21.812 million, also a difference of 21%.

- a) How has InnPower strived to improve the accuracy of its estimates for the Test year and beyond?

- b) What is the process that InnPower undertakes to forecast planned expenditures?
- c) What level of certainty does InnPower have that the forecasted projects and expenditures will proceed as planned?
- d) What are the key risks that may impact the schedule and budget over the forecast period?
- e) What actions does InnPower have planned to manage or mitigate these risks?
- f) How does InnPower proactively identify ongoing risks?
- g) What is the escalation process that InnPower undertakes to mitigate or avoid the impacts of identified risks?
- h) Should the historical level of variability continue over the forecast period, how will InnPower manage and (re)prioritize its schedule and budget, ensuring that high-priority projects are completed?

InnPower has deferred many projects throughout the historical years in order to complete higher priority projects.

- i) What is InnPower's plan to ensure that the deferred projects are completed in the future?
- j) If InnPower has deemed any of the deferred projects no longer necessary, what was the process undertaken to reach this determination?

2-Staff-6

System Access: Historical Variance

Ref 1: Distribution System Plan, p.102, Table 5.4-1 Historical and Bridge Year Capital Expenditures and System O&M

Ref 2: Distribution System Plan, Section 5.4.1.1.1 System Access, pp.104-112

There was an underspend in the System Access category over the historical period, with an average variance of 31% under planned. Most of this underspend is related to planned customer connections not materializing or projects out of InnPower's control being deferred.

- a) Does the total underspend in System Access over the historical period represent a backlog of projects that might take place during the forecast period (For example, was expected subdivision growth simply delayed rather than foregone)? If so, is this backlog accounted for in the planned expenditures for the forecast period?
- b) If so, is this backlog accounted for in the planned expenditures for the forecast period?

- c) Many System Access projects related to subdivision connections during the historical period were delayed as a result of developer timelines. What steps has InnPower taken to improve engagement with stakeholders (developers, road authorities, etc.) to proactively anticipate and manage potential delays?

2-Staff-7

System Access: Forecast Expenditures

Ref 1: Distribution System Plan, p.102, Table 5.4-1 Historical and Bridge Year Capital Expenditures and System O&M

Ref 2: Distribution System Plan, p.129, Figure 5.4-3 Forecast Net Expenditures by Investment Category [Excl. BATU & TS Project]

Ref 3: Distribution System Plan, Section 5.4.1.2.1 System Access, p.130

Excluding the Barrie Area Transmission Upgrade (BATU) and TS Project costs, System Access expenditures represent the largest planned capital expenditure over the forecast period, at 37.5% of overall spending. This represents an increase from 26% of overall spending from the historical period.

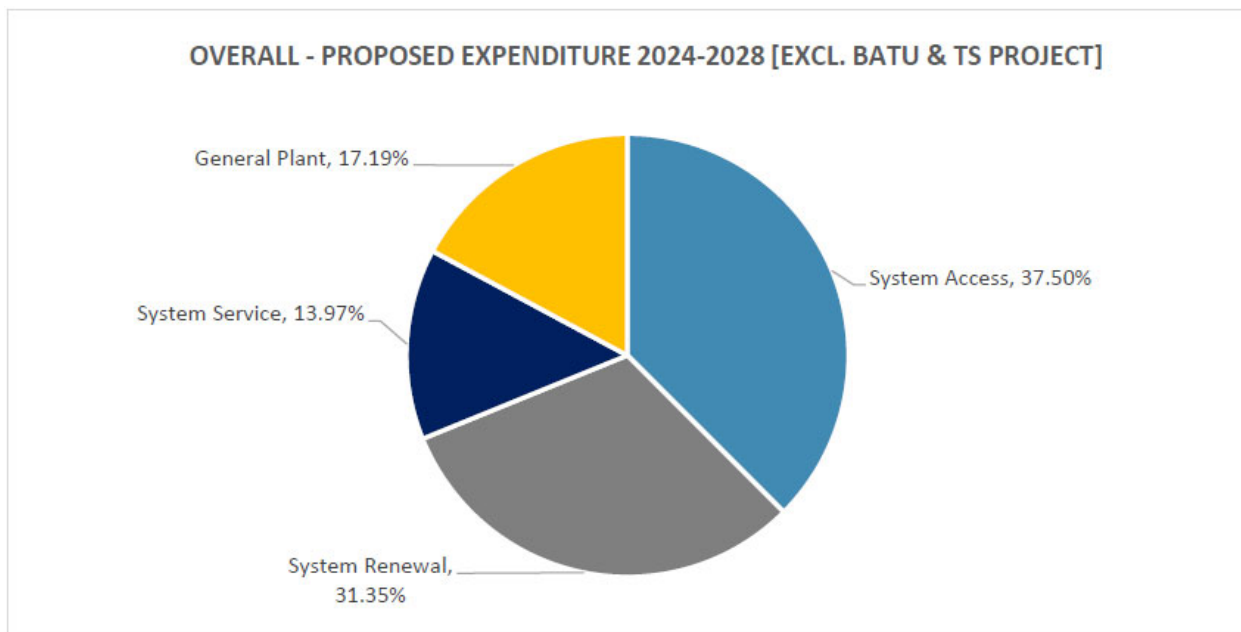


Figure 5.4-3: Forecast Net Expenditures by Investment Category [Excl. BATU & TS Project]

- a) Approximately 48% of these expenditures represent servicing new subdivisions.
- Please provide additional information on the specific projects (i.e., which subdivisions are expected to be developed and when) that informed InnPower's planned System Access expenditures over the forecast period.
 - For each of the projects identified, has an Offer to Connect agreement been executed?

2-Staff-8

System Renewal: Forecast Expenditures

Ref 1: Distribution System Plan, p.146, Figure 5.4-15 System Renewal Comparative Expenditures

InnPower's planned average System Renewal spending during the forecast period is expected to be 16% less than what was spent on average during the historical period and bridge year, as shown in the figure below. How will InnPower ensure that this reduced spending will not have adverse impacts on the health of system assets in the coming years?

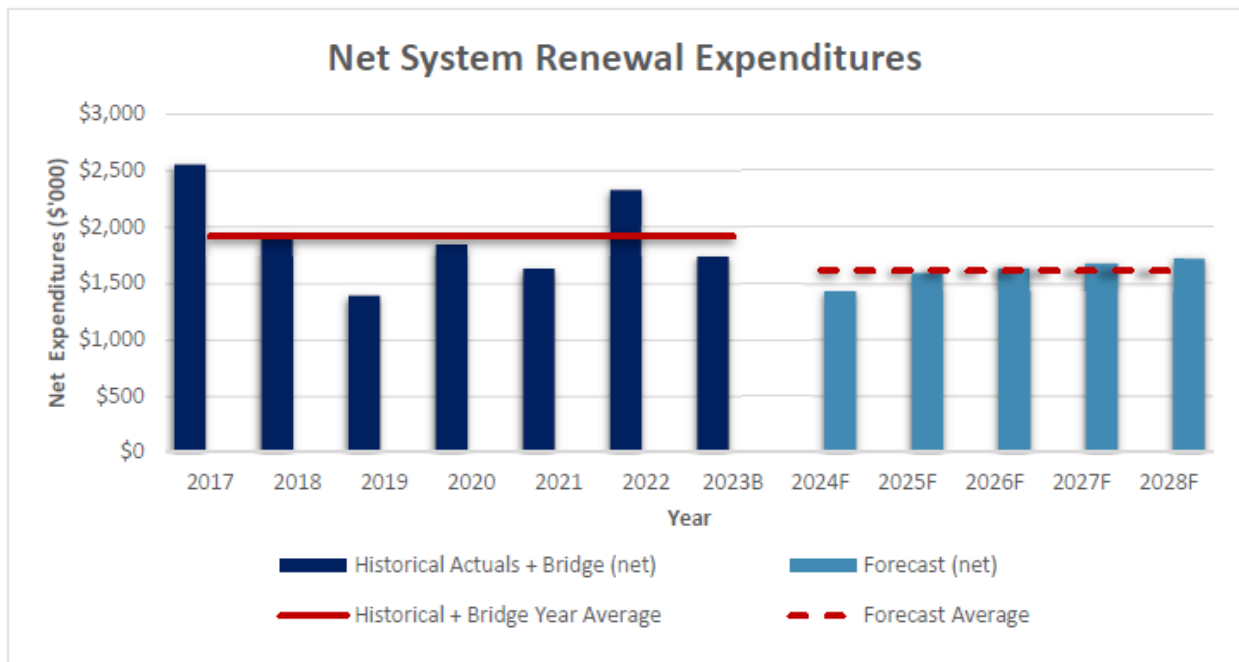


Figure 5.4-15: System Renewal Comparative Expenditures

2-Staff-9

Market Conditions

Ref 1: Distribution System Plan, Section 5.4.1.1 Plan Versus Actual Variances for the Historical Period, p.137

Market conditions in recent years such as supply chain difficulties, labour shortages, and cost escalation have had a significant impact on the ability of owners to deliver capital works on time and within budget. InnPower cites supply chain constraints and cost increases as factors contributing to spending variability and project delays over the historical period (e.g., BATU project cost escalation and delays, switch commissioning project delays, buyout of leased vehicles rather than purchase of new vehicles).

- a) What steps has InnPower taken to ensure it can maintain the planned schedule for forecast expenditures?
- b) What steps has InnPower taken to incorporate recent cost escalation into its forecasted investments?
- c) What are InnPower's plans to mitigate and address risks presented by supply chain constraints, which have more recently had a significant impact on lead times for electrical equipment?

2-Staff-10

Projected System Growth

Ref 1: Distribution System Plan, Section 5.3.2 Overview of Assets Managed, pp.55-59

In predicting customer and load growth over the forecast period, InnPower has considered a conservative and an optimistic growth case. The conservative case predicts 5% annual customer growth, resulting in a total increase in customer numbers of 34%. The optimistic case predicts 12% annual customer growth, resulting in a total increase in customer numbers of 100% by 2028. The conservative and optimistic case result in a total increase of system peak demand of 58% and 86% by 2028, respectively.

- a) The 12% annual customer growth prediction used in the optimistic forecast case is a significant jump from the historical average of 3.6%. What are the underlying assumptions associated with the optimistic case?
- b) There is a significant difference between the total growth in customer numbers and system peak demand over the forecast period using either the conservative or optimistic case.
 - i. How has InnPower reconciled the difference between these projections?
 - ii. How have these projections informed investment decisions over the forecast period?
- c) InnPower has calculated a conservative and optimistic case for projected customer growth and peak demand growth but presented only one projection for total energy delivered over the forecast period.
 - i. Is the total energy forecast based on the conservative or optimistic case used to project customer growth and peak demand growth?
 - ii. How has this estimate informed investment decisions over the forecast period?

2-Staff-11

Annual Asset Condition Assessment

Ref 1: Distribution System Plan, p.52, Table 5.3-2 Information Comprising InnPower's Asset Database

InnPower stated that it conducts annual asset condition assessments.

- a) What are the annual costs associated with the asset condition assessment from 2017-2028?
- b) Has InnPower considered shifting to a 2-3 year cycle for asset condition assessments? What drawbacks would there be to shifting asset condition assessments to a 2-3 year cycle?

2-Staff-12

Asset Data Collection Improvements

Ref 1: Asset Condition Assessment, Section 6.3 Data Collection Improvements, p.78

Ref 2: Asset Condition Assessment, p.13, Table 0-3 Asset Condition Assessment Overall Results

METSCO has recommended several changes to improve asset data collection for future asset condition assessments. Improvements include collecting missing data and changing condition grading schemes to a five-tier system (e.g. very good to very poor) where some are currently graded on a three-tier system (e.g. good, fair, and poor). METSCO also recommends introducing more variables that can provide further insight into the condition of assets such as visual inspections of station capacitors and age data of station switches.

- a) It was noted that 98 Polemount Transformers, 136 Padmount Transformers, and five Lightning Arresters did not have sufficient data to allow a Health Index score to be calculated during the ACA. Other assets with data limitations included overhead conductors and underground cables. How will InnPower collect data on these assets and assess their condition?
- b) Will InnPower be changing its condition grading scheme to a five-tier system for all assets as recommended by METSCO?

2-Staff-13

Outage Cause Codes

Ref 1: Distribution System Plan, Section 5.2.3.2.3 Outage Details for Years 2017-2022, pp.39-40

Ref 2: Distribution System Plan, Section 5.2.3.2.3 Outage Details for Years 2017-2022, pp.41-42

Ref 3: Distribution System Plan, 5.2.3.2.3 Outage Details for Years 2017-2022, p.34

Ref 4: Distribution System Plan, 5.2.3.2.3 Outage Details for Years 2017-2022, pp.37, 40-41

In Reference 1, InnPower has identified 20.8% of outages as being due to scheduled outages. InnPower stated that it aims to plan and execute capital work and maintenance appropriately.

- a) Does InnPower have a formal plan to lower the number of scheduled outages during the Distribution System Plan period?

In Reference 2, InnPower has reported that 29.2% of customer hours of interruption are due to adverse weather.

- b) Does InnPower have a breakdown of adverse weather outages (e.g., Wind, Ice, Snow, and Other)?
- c) InnPower has stated that it invests in system hardening to address adverse weather events that continue to increase in frequency as a result of climate change. Please provide details on how InnPower hardens its system in light of climate change and resiliency efforts. How much has InnPower invested in storm hardening during the forecasted period (compared to InnPower's standard design practices)?
- d) Do pole outages fall under adverse weather? If not, where are they categorized?

In Reference 3, InnPower notes that performance in SAIDI, SAIFI and CAIDI improves when excluding outages due to Loss of Supply (LOS) and Major Event Days (MED).

- e) Has InnPower communicated with Hydro One to express concern over LOS outages? If so, what was the resulting action plan? If not, will InnPower be expressing concern to Hydro One over the increasing LOS outages?

In Reference 4, InnPower has identified 9.8% of outages, 21.9% of customers interrupted, and 8.5% of customer hours of interruption as being from unknown/other causes.

- f) Has InnPower taken any steps to further categorize unknown/other outages?

2-Staff-14

Defective Equipment Outages

Ref 1: Distribution System Plan, Section 5.2.3.2.3 Outage Details for Years 2017-2022, pp.41-42

Ref 2: Distribution System Plan, Section 5.3.2.2.3 Asset Failures/Performance, pp.82-83

In Reference 1, InnPower reported that there were only 902 hours of interruption associated with defective equipment in 2022 whereas in 2020 and 2021, the number of hours were greater than 7,000.

- a) Does InnPower have any explanation for why the number of hours of interruption caused by defective equipment were so low in 2022? Is InnPower seeing a similar trend in 2023 thus far?
- b) As per Reference 2, fuses and secondary conductors were the asset types with the highest rates of failure during the historical period, however these do not appear to be included in the planned material System Renewal projects. What actions are planned to improve the reliability of these assets?

2-Staff-15

Subdivision Projects

Ref 1: Distribution System Plan, Material Investment Narrative, IPCSA – Subdivision Projects

InnPower stated that the subdivision projects involve, in some cases, replacing existing poles, overhead switches, and pad-mounted switches.

- a) Can InnPower confirm that the replacement of assets as part of the subdivision projects are not included in those replacements completed as part of System Renewal programs?
- b) InnPower stated that it estimated subdivision projects based on an average net connection cost of \$0.9 million yet it plans to connect 1030 units at a cost of \$663k in 2024. Can InnPower please clarify unit cost estimates per connection from 2023-2028? Please provide the number of connections for each year.
- c) How did InnPower estimate the number of connections/costs for the 2025-2028 years? Has InnPower been given estimates by developers for these years or are these forecasts solely developed based on InnPower's growth estimates?

2-Staff-16

System Access: Road Authority Projects

Ref 1: Distribution System Plan, Section 5.4.1.2.1 System Access, p.132

Ref 2: Distribution System Plan, pp.103-112, Tables 5.4-3 to 5.4-7

There is no spending forecasted for System Access projects related to road authority works during the years 2027 and 2028 due to a lack of planned projects during these years. However, the System Access budget variance explanations presented in Tables 5.4-3 to 5.4-7 indicate that there were at least nine road authority-driven projects over

the historical period that were unplanned or over budget. One project, IPC2017SA02, was 1840% over budget. How does InnPower plan to manage its budget and ensure it is able to cover costs should unanticipated road authority projects arise in 2027/2028?

2-Staff-17

Smart Meter Capital Expenditures

Ref 1: Distribution System Plan, Material Investment Narrative, IPCSA05 - Metering

InnPower has provided the number of historical meters purchased and the associated capital expenditure between 2017-2022. Unit cost per meter is \$1.3k/meter in 2017 and \$6.3k/meter in 2020 compared to approximately \$0.3k/meter in 2018-2020 and 2022.

- a) Please explain the higher unit cost for smart meters in 2017 and 2020.

The average unit cost per meter is \$0.53k during the forecasted period of 2024-2028 assuming 1,000 meters are purchased annually.

- b) Please explain the increase in unit cost over the forecasted period in comparison to 2018-2020 and 2022.
- c) When will InnPower need to start mass replacements of its smart meter inventory?

2-Staff-18

System Renewal: Capital Trouble Calls & Emerging Projects

Ref 1: Distribution System Plan, Appendix A Material Narratives, IPCSR01 – Capital Trouble Calls & Emerging Projects

Ref 2: Chapter 2 Appendices, Appendix 2-AA

InnPower notes that projected spending on Capital Trouble Calls and Emerging Projects is based on historical trends. However, the average forecasted spending on this project is \$377k, as compared with \$654k during the historical period.

- a) What is the rationale for the decrease in spending as compared to the historical trends?
- b) What plans are proposed to ensure InnPower is able to cover costs if future requirements more closely resemble the historical period?

2-Staff-19

Wood Pole Replacements

Ref 1: Asset Condition Assessment, p.13, Table 0-3 Asset Condition Assessment Overall Results

Ref 2: EB-2016-0085 Distribution System Plan, p.62

METSCO has reported the percentage of wood poles in poor and very poor condition to be 21% of the total population in the 2021 asset condition assessment. In InnPower's last Distribution System Plan as part of the EB-2016-0085 proceeding, InnPower reported that 4% of wood poles were in poor and very poor condition (2016 asset condition assessment).

- a) Why did the number of poles in poor condition increase significantly in a five-year period?
- b) Has the pole testing methodology changed since the last Distribution System Plan?
- c) InnPower plans to replace 40 poles per year on average during the forecast period, which is a reduction from the average of 53 poles per year that were replaced from 2018 to 2022. How will InnPower ensure that the planned rate of replacement will be sufficient to ensure the reliability of this asset class given the increase to the number of poles identified in poor condition?
- d) How many wood poles does InnPower expect to degrade further into the poor or very poor category by the end of the Distribution System Plan period?
- e) Is InnPower's plan to maintain the current condition of its pole population or improve it?

2-Staff-20

Maintenance of Wood Poles

Ref 1: EB-2016-0085 Distribution System Plan, p.81

In InnPower's last Distribution System Plan, InnPower stated that it used butt treatment and pole-top maintenance to extend the life of poles.

- a) InnPower has not mentioned butt treatment or pole-top maintenance in its current Distribution System Plan. Does InnPower still perform these maintenance measures?
- b) If not, why were these measures stopped?

2-Staff-21

Recloser Replacement

Ref 1: Distribution System Plan, Material Investment Narrative, IPCSR04 –

Recloser Replacement

InnPower has provided the number of historical reclosers replaced from 2017-2022 and their associated costs. InnPower notes that after 2022, InnPower began installing solid dielectric units with automation instead of oil-filled reclosers.

- a) What benefits has InnPower seen from using dielectric units with automation over oil-filled units given that the unit cost per recloser replacement has significantly increased to \$51k in 2022 compared to \$28k in 2021?
- b) InnPower has estimated that the unit cost will increase to \$61k in 2023, a 19% increase. InnPower further estimates the unit cost to increase to \$67k in 2024, another 9% increase. Please explain the rationale for the estimated increase.

2-Staff-22

Switch Replacement

Ref 1: Distribution System Plan, Material Investment Narrative, IPCSR05 – Switch Replacement

Ref 2: Distribution System Plan, pp.82-83, Table 5.3-13: Defective Equipment Outages by Asset Type

Ref 3: Asset Condition Assessment, p.13, Table 0-3 Asset Condition Assessment Overall Results

InnPower has provided the number of gang and in-line switches replaced from 2017-2022 and their associated costs. InnPower states in reference 1 that it replaces switches that are in very poor condition and that are functionally obsolete, no longer operable or incapable of interrupting load current. InnPower has identified units for replacement based on previous infrared inspections and has developed an active replacement program which started in 2023.

According to the METSCO asset condition assessment, one 44kV motorized switch is in poor condition and two station switches are in very poor condition (Reference 3), yet InnPower is aiming to replace two gang switches and several in-line switches each year going forward (Reference 1).

Between 2017-2022, there have been on average 2.7 annual failures associated with switches (Reference 2).

- a) Given that there are only a few switches in poor or very poor condition and there are only 2.7 annual failures associated with switches, what is the risk of pacing the program at a slower rate?

2-Staff-23

Switchgear Replacement

Ref 1: Distribution System Plan, Material Investment Narrative, IPCSR06 – Switchgear Replacement

Ref 2: Distribution System Plan, pp.82-83, Table 5.3-13: Defective Equipment Outages by Asset Type

Ref 3: Asset Condition Assessment, p.13, Table 0-3 Asset Condition Assessment Overall Results

InnPower stated that it replaces switchgears in very poor condition based on the results of the asset condition assessment and infrared inspections.

- a) According to the asset condition assessment, no switchgears are in poor condition (reference 3). As such, please clarify how InnPower prioritized which switchgears to replace each year and how many to replace each year.
- b) In reference 2, InnPower provided a table of defective equipment outages. There is not a separate category for switchgears. Please clarify in which category switchgears would fall and how many outages are associated with switchgears each year, if available.
- c) Given that no switchgear is in poor condition, what is the risk of deferring the replacement of a switchgear from the test and/or bridge year(s)?

2-Staff-24

Voltage Regulators

Ref 1: Chapter 2 Appendices, Appendix 2-AB

InnPower has budgeted \$160k for voltage regulators in the 2023 bridge year.

- a) Please provide an explanation of the capital expenditure. Is the expenditure to install new voltage regulators or to replace existing ones?

2-Staff-25

System Renewal: Transformer Replacement

Ref 1: Distribution System Plan, Appendix A Material Narratives, IPCSR02 – Transformer Replacement

Ref 2: Chapter 2 Appendices, Appendix 2-AA

Ref 3: Asset Condition Assessment, p.13, Table 0-3 Asset Condition Assessment Overall Results

The historical costs associated with the Transformer Replacement Program do not match between the Chapter 2 Appendices Excel and the Material Investments Narrative.

Table 1: Historical & Future Capital Expenditures

	Historical Costs (\$ '000)						Bridge Year	Test Year	Future Costs (\$ '000)			
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Capital (Gross)	109	10	105	74	336	108	150	157	161	165	169	173
Contributions	0	0	0	0	(46)	(12)	0	0	0	0	0	0
Capital (Net)	109	10	105	74	290	95	150	157	161	165	169	173

	Net Capital/Gross Capital Gross Capital					
Projects	2017	2018	2019	2020	2021	2022
IPCSR02 - TRANSFORMER REPLACEMENT PROGRAM	448,238	219,328	553,954	314,264	425,436	269,438

- a) For historical comparison purposes, please confirm which are the correct historical amounts.
- b) If the Excel amounts are correct, investments in Transformer Replacement are decreasing by more than half on average from the historical period to the forecast period. How has InnPower determined that this reduced investment will be sufficient to ensure the reliability of these assets in the future, given that transformers are the third largest contributor to outages caused by defective equipment, and according to the ACA there are 125 transformers in poor or very poor condition?

2-Staff-26 Transformer Replacement

Ref 1: OEB Appendix 2-BA Fixed Asset Continuity Schedules

Ref 2: Exhibit 2.5.3 Distribution System Plan

IPCSR02 – Transformer Replacement (Material Investment Narrative,
Investment Category: System Renewal)

Ref 3: [APB Unit Cost Calculations: 2021 Results \(xlsx\) - 27 March 2023](#)

Capital additions to Uniform System of Accounts (USoA) 1850 Line Transformers for historical years and the bridge year have been provided in reference 1 as follows:

Historical 2017 Actual	Historical 2018 Actual	Historical 2019 Actual	Historical 2020 Actual	Historical 2021 Actual	Historical 2022 Actual	Bridge 2023 Forecast
\$641,354	\$570,444	\$1,038,208	\$1,409,176	\$1,293,633	\$1,001,922	\$246,000

Table 1 and 2 in reference 2 provides the historical and the bridge year capital expenditures related to transformer replacements and the number of transformer replacements respectively as follows:

Table 1: Historical & Future Capital Expenditures

	Historical Costs (\$ '000)						Bridge Year	Test Year	Future Costs (\$ '000)			
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Capital (Gross)	400	264	156	687	201	216	524	500	513	525	538	552
Contributions	0	0	0	0	0	0	0	0	0	0	0	0
Capital (Net)	400	264	156	687	201	216	524	500	513	525	538	552

Table 2: Historical Transformer Replacements

Year	Padmount	Polemount	# of Transformers Replaced
2017	2	7	9
2018	1	3	4
2019	9	1	10
2020	9	13	22
2021	2	14	16
2022	5	5	10

Activity and program benchmarking results in reference 3 provides the capital expenditures related to transformer replacements and the number of transformer replacements for the historical years.

USoA [1850] Capital Additions					
Cost (\$1,000)					
2017	2018	2019	2020	2021	Average
641.4	570.4	1,042.2	1,405.2	1,293.6	990.6

Scale (Lines Transformer Additions)					
2017	2018	2019	2020	2021	Average
124.0	124.0	296.0	221.0	229.0	198.8

- For the bridge year, capital additions in reference 1 for USoA 1850 is lower than gross capital expenditure in table 1 in reference 2. Please reconcile the differences.
- For the historical years, the capital expenditures in table 1 in reference 2 are generally lower than the capital additions to account 1850 in reference 1. Please explain what other DSP programs are contributing to the capital additions to account 1850 in reference 1.
- The number of units of transformers replaced per year as per table 2/reference 2 are significantly lower than the number of units of transformers replaced as per APB reference 3. Please reconcile the differences?

2-Staff-27

Advanced Capital Module

Ref 1: ACM Model

Ref 2: 2024 Inflation Parameter letter, June 29, 2023

Please update the ACM model to reflect the 2024 inflation parameter has issued as per Reference 2.

2-Staff-28

Station Rehabilitation

Ref 1: Distribution System Plan, Material Investment Narrative, IPCSS12 – Station Rehab

InnPower has performed station rehabilitation measures throughout the historical period with most of the costs being recoverable.

Table 1: Historical & Future Capital Expenditures

	Historical Costs (\$ '000)						Bridge Year	Test Year	Future Costs (\$ '000)			
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Capital (Gross)	21	276	2,194	2,683	2,030	393	4,979	3,100	4,948	468	625	644
Contributions	0	0	(1,783)	(2,607)	(17)	0	(4,875)	(3,100)	(4,720)	0	0	0
Capital (Net)	21	76	411	76	2,013	393	104	0	228	468	625	644

- a) Please explain the variance in the net cost to the Station Rehabilitation program in 2021, and why there were minimal capital contributions in 2021 compared to other historical years.

InnPower notes that the majority of expenditures towards the Station Rehabilitation program under the System Service category are expected to be recoverable in the years 2023-2025, however, the actual contributions are still to be finalized.

- b) How were the contribution estimates developed?
- c) How does InnPower plan to accommodate any variances to the actual contribution amount?
- d) Please provide the cost estimate report for the planned Station Rehabilitation program.

2-Staff-29

InnPower TS Project

Ref 1: Distribution System Plan, p.144

Ref 2: Distribution System Plan – 5.2.1.2.3. System Service, p.9

Ref 3: Chapter 2 appendices – 2-AA and 2-BA

InnPower has a multi-year project for the development of a new transformer station project which is anticipated to be in-service by the end of the forecasted period or beyond.

- a) Please provide a material investment narrative and cost estimate report for this project, if possible.
- b) The 2022 Regional Infrastructure Plan identified supply constraints at the Barrie TS beginning in 2025, while the New TS is not expected to enter service until at least 2027.
 - i. Has InnPower considered the impact of these constraints in the meantime?
 - ii. Does InnPower have a plan to address potential supply constraints in the interim?
- c) Please confirm who will control/operate and maintain InnPower TS once it is completed.

In reference 2, InnPower stated that it will incur \$1.35 million in costs for the InnPower TS for an Environmental Assessment in 2023. InnPower also stated that this spending will remain in work in progress until the next rebasing. In reference 3, the net total 2023 capital expenditures and in-service additions are equal in 2-AA and 2-BA.

- d) Please confirm if the \$1.35 million is recorded as work in progress in 2-BA.

2-Staff-30

IT Hardware and IT Software

Ref 1: Distribution System Plan, Material Investment Narrative, IPCGP01 – IT Hardware

Ref 2: Exhibit 4, Tab 1, Schedule 3, p.43

Ref 3: Distribution System Plan, Material Investment Narrative, IPCGP02 – IT Software

InnPower has budgeted \$194k in the 2024 Test Year for IT hardware. The average annual IT hardware expenditure was \$79k from 2017 to 2023, whereas InnPower estimates the annual average IT hardware expenditure to be \$206k in the forecasted years.

InnPower has budgeted \$125k in the 2024 Test Year for IT software. The average annual IT software expenditure was \$73.6k from 2017 to 2023, whereas InnPower estimates the annual average IT software expenditure to be \$131.4k in the forecasted years.

- a) InnPower has stated that it has been investing in cybersecurity over the period of 2017-2024 in reference 2. As such, why is there such an increase in costs

between the period of 2017-2023 and 2024-2028 for both hardware and software?

- b) Please provide a breakdown of the 2024 expenditures for IT hardware and what makes up the rest of the costs from 2025-2028.

2-Staff-31

Fleet Management

Ref 1: Chapter 2 Appendices, Appendix 2-AB

InnPower has provided criteria for the replacement of its fleet.

- a) Please provide the fleet management assessment performed for each vehicle, if available.
- b) Was InnPower's fleet management assessment criteria peer-reviewed?
- c) Please provide a status update on the timing of delivery for the bucket truck that is expected to be in-service in 2024.

InnPower stated that it plans to lease a small service truck and a pool of other vehicles in 2023.

- d) Please provide an update on the status of the small service truck pool of vehicles scheduled for 2023?

2-Staff-32

Electrification

Ref 1: Distribution System Plan, Section 5.3.1.3 Process, p.48

InnPower has stated that it has not seen a large uptake in electric vehicles in its service territory. For any new connections, InnPower stated that it engages third-parties to understand any information that indicates an uptake in electric vehicles to determine if capacity adjustments are required.

InnPower has not stated in its Distribution System Plan if it has seen an uptake in heat pumps.

- a) Did InnPower perform any analysis to determine the energy demand and consumption impact of electric vehicle usage on the distribution system for the plan period? If not, on what basis has InnPower determined that there would be no impact on the Distribution System Plan as a result of the uptake in electric vehicles (or lack thereof)?

- b) If InnPower performed a load and/or consumption analysis with electric vehicle considerations, did InnPower include the difference in loads associated with Level 1 versus Level 2 EV chargers?
- c) Through the federal Greener Home Initiative, residents are being encouraged to switch to cold climate heat pumps for space heating.¹ Has InnPower considered the uptake of cold climate heat pumps over the coming years? How has it affected planning during the Distribution System Plan period?
- d) When replacing distribution transformers, what does InnPower do to determine if upsizing is warranted for future potential electrification needs?

2-Staff-33

CDM Considerations

Ref 1: Distribution System Plan, Section 5.3.5 CDM Activities to Address System Needs, p.100

Ref 2: 2021 CDM Guidelines, Chapter 3.1

InnPower notes that it considers CDM as part of its planning process to determine whether CDM can be considered a viable alternative to any of its planned investments over the forecast period. InnPower further notes that currently no viable CDM alternatives have been identified. As a result, there are no CDM activities currently planned over the forecast period. InnPower will continue to consider the ability to use distribution rate funded CDM to potentially defer or avoid investments.

- a) Please describe how InnPower has addressed or plans to address the requirement in the OEB's CDM Guidelines for distributors to "make reasonable efforts to incorporate consideration of CDM activities into their distribution system planning process, by considering whether distribution rate-funded CDM activities may be a preferred approach to meeting a system need, thus avoiding or deferring spending on traditional infrastructure."
- b) Please describe specific changes, if any, that InnPower has made to its distribution system planning process to address the requirement.

2-Staff-34

Paperless Workflow

Ref 1: Exhibit 1, p.53, Table 1-7 InnPower Key Achievements from 2017 to 2023

Ref 2: Distribution System Plan, p.52, Table 5.3-2 Information Comprising InnPower's Asset Database

In Exhibit 1, InnPower states that it has implemented a \$0 paperless workflow management system across the organization. In the Distribution System Plan, a number

¹ [NRCAN, Canada Greener Home Initiatives](#)

of asset databases still use paper, such as the financial system, outage history, and general plant systems.

- a) Is InnPower planning to digitize these systems? If so, please provide the budget for digitization.

2-Staff-35

Additions and Disposals

Ref 1: Chapter 2 Appendix 2-BA

Ref 2: Exhibit 1, Appendix 1-3-1 (A) 2021 Audited Financial Statements, Note 12

OEB staff noted the additions and disposals recorded in Appendix 2-BA for Account 2005 Property Under Finance Lease deviate from what was reported in InnPower’s 2021 Audited Financial Statements. Table 1 below presents a summary of the variances.

Table 1: Summary of Variances between App 2-BA and 2021 AFS

Property Under Finance Lease	A. Reference 1 App 2-BA Additions	B. Reference 2 2021 AFS Disposals	Variances (A-B)
Cost - Additions	\$ 135,521	\$ 65,000	\$ 70,521
Cost - Disposals	\$ (297,549)	\$ (227,000)	\$ (70,549)
Accumulated Amortization - Additions	\$ (107,346)	\$ (54,000)	\$ (53,346)
Accumulated Amortization - Disposals	\$ 125,851	\$ 76,000	\$ 49,851

- a) Please reconcile and explain the discrepancies mentioned above and make any necessary updates to Reference 1 and other applicable schedules.

2-Staff-36

PP&E

Ref 1: Chapter 2 Appendix 2-BA

Ref 2: Exhibit 1, Appendix 1-3-1 (A) 2021 Audited Financial Statements

Ref 3: Exhibit 1, Appendix 1-3-1 (B) 2022 Audited Financial Statements

- a) Please provide a reconciliation of the PP&E reported in Appendix 2-BA and the 2021 and 2022 Audited Financial Statements.

2-Staff-37

Capital Additions

Ref 1: Chapter 2 Appendices_20230512_rev, Tab Appendix 2-AB

Ref 2: Chapter 2 Appendices_20230512_rev, Tab Appendix 2-BA

OEB staff notes a discrepancy between the net capital expenditures (in service additions) amounts provided in Reference 1 and the capital addition amounts recorded in Reference 2. Based on the variance amounts, it seems like the additions in Account 2005 Property Under Finance Lease are not included in Appendix 2-AB for the years 2019 - 2024. Table 2 below presents a summary of the variances.

Table 2: Summary of Variances between App 2-AB and App 2-BA

Year	Net Capital Expenditures App 2-AB \$,000	Net Additions App 2-BA \$,000	Variances \$,000
2017 (Actual)	3,481	3,425	56
2018 (Actual)	4,066	4,067	(1)
2019 (Actual)	2,778	2,948	(170)
2020 (Actual)	4,487	4,714	(227)
2021 (Actual)	7,000	7,136	(136)
2022 (Actual)	4,376	4,451	(75)
2023 (Plan)	11,485	11,960	(475)
2024 (Plan)	9,120	9,120	-

- a) Please provide an explanation/reconciliation for the discrepancies noted above and update the applicable schedules as necessary.

2-Staff-38

Barrie Area Transmission Upgrade Project

Ref 1: Exhibit 2, Section 2-5-7 Advanced Capital Module, p.92

Ref 2: EB-2018-0017 Decision and Order, April 23, 2020

InnPower is requesting approval for four DVA sub accounts related to the BATU project. InnPower is expected to pay Hydro One \$4.1 million each year from 2023-2027 in capital contributions for the project. InnPower notes that it would only be recording contribution installments in the DVAs for the years 2025-2027 since the 2023 and 2024 amounts would be included in rate base.

- a) Did InnPower also consider the impact of using a DVA account to track the 2023 and 2024 capital contributions?
- b) Hydro One provided a cost estimate for the Barrie Area Transmission Upgrade project in April 2022. Does InnPower have an updated cost and time estimate?
- c) If the Barrie Area Transmission Upgrade is not completed in Q4 2023 but in 2024 how does InnPower propose to credit customers the difference that would be imbedded in rates?

- d) If the Barrie Area Transmission Upgrade is not completed will the \$1.4 million in 44kV work from Barrie TS be in-service for 2023?
- e) If the project cost increases following the cost of service proceeding, will InnPower seek to recover deficiencies in funding?
- f) Is InnPower on track to meet the load forecast it provided to Hydro One for the capital contribution calculations?

In reference 2, the Barrie Area Transmission Upgrade project was forecasted to cost approximately \$91 million but has now been revised to \$125 million.

- g) What are the primary causes of cost increases that have arisen since the project was first approved?
- h) If OEB does not fully approve the \$125 million at Hydro One's next rebasing how will this affect InnPower? Has InnPower considered this scenario?

2-Staff-39

Barrie Area Transmission Upgrade

Ref 1: Exhibit 1, Appendix 1-1-4 (F) 1508 ACM Draft Accounting Order

Ref 2: OEB Chapter 2 Filing Requirements 2023 Edition for 2024 Rate Applications

Ref 3: Chapter 2 Appendix 2-BA

Ref 4: Exhibit 2, Tab 5, Schedule 7, pages 92 and 93

Ref 5: EB-2018-0117, Decision and Order, April 23, 2020, page 16

Ref 6: Exhibit 9, Table 2, Schedule 1, page 45

InnPower is requesting approval of a new deferral account, 1508, Other Regulatory Assets, Sub-Account Batu Installment Account with four sub-accounts. In Reference 1, InnPower has described the mechanics of the request account and subaccounts:

- Sub-Account BATU Installments Paid: Will record InnPower's cumulative capital contribution installments as they are paid to Hydro One, exclusive of amounts paid in 2023 and 2024
- Sub-Account BATU Installment, Carrying Charges: Will record return on rate base (i.e., interest and return on equity, PILs) on the amounts included in Sub-Account BATU Installments paid.
- Sub-Account BATU Installment Depreciation Expense: Will record depreciation expense associated with the capital contributions recorded in Sub-Account BATU Installments paid.
- Sub-Account BATU Installment Accumulated Depreciation: Will be credited with the amounts charged to the BATU Installment Depreciation Expense Sub-Account.

Additionally, InnPower stated that the deferral account and its sub-accounts will become effective on January 1, 2024.

In Reference 1, InnPower states that:

In the alternative, and only if the OEB does not approve this new deferral account, InnPower is requesting approval of three ACM requests relating to capital contributions paid to Hydro One for InnPower's calculated portions of the BATU Project. This request is based on the evidence provided above (including the results of the OEB's ACM model), and the OEB's Decision and Order in EB-2018-0117.

As per Reference 3, OEB staff notes that InnPower has recorded installments paid in 2023 and 2024 under Account 1609 Capital Contribution Paid, which are included in the Appendix 2-BA Fixed Assets Continuity Schedule and the PILs workform.

In Reference 4, InnPower states that:

The new deferral account will ensure that InnPower does not suffer a loss on approximately 78% of the installments made to Hydro One, which would be the consequence of using the OEB's ACM model.

InnPower provided a table 2-48 showing the shortfall of \$9.62 M (78%) in its collection of the capital contributions in 2025 to 2027 because InnPower can only request for the maximum eligible incremental capital amount in each year of 2025 to 2027, using the ACM approach.

In Reference 5, the OEB finds it is appropriate that InnPower only records in its rate base the amounts that it has paid.

- a) Please explain why InnPower is requesting the new DVA account and the sub-accounts become effective on January 1, 2024.
- b) OEB staff understands that the tax impacts of the 2023 and 2024 installments are included in the revenue requirement in this application. Please explain how the tax impacts of 2025 to 2027 installments are to be recorded in the proposed DVA. Please elaborate on the tax treatments and any differences in the tax treatments of the DVA approach as compared to the tax treatment when the 2023 and 2024 installments are included in the revenue requirements. Please calculate the 2025 balances in four sub-accounts of the proposed BATU DVA and show the calculations, using the 2025 installment amount and show any necessary assumptions.
- c) Please explain what would be the net book value of the capital contributions that had not been depreciated and would be transferred to

the rate base in the next rebasing application. Please clarify whether any entries would be recorded in the sub-accounts for the years after 2027 and before the next rebasing year.

- d) InnPower provides two options to recover the BATU project installments: the VA approach and the ACM approach. Please explain the following regarding these two approaches:
- i. Please provide any precedent that any LDC request the capital contribution through a DVA rather than the ACM.
 - ii. Please provide any precedent that InnPower is aware of the conditional proposal (i.e. if one proposal is not approved, the OEB is to approve another proposal).
 - iii. Please provide the regulatory impact of both approaches regarding the revenue requirements in the base year and the incentive period.

Exhibit 3 – Operating Revenue

3-Staff-40

Customer Forecast

Ref 1: Exhibit 3, page 19

Ref 2: Distribution System Plan, Section 5.3.2 Overview of Assets Managed, pages 55-59

InnPower has calculated geometric mean growth of 3.2% in the Residential class and less than that in the general service rate classes. It has used this growth to underpin the customer connection forecasts for 2023 and 2024. In the Distribution System Plan it has estimated conservative growth to be 5% per year, and optimistic growth to be 12% per year.

- a) Please provide details on connections added in each year from 2018-2022 resulting from subdivision growth.
- b) Please provide details on new subdivisions with connections completed or anticipated in 2023 or 2024. For those not yet connected, please provide details on the stage of construction, and when the connections are anticipated.

3-Staff-41

Demand Forecast

Ref 1: Load Forecast Model, sheet Rate Class Load Model

The ratio of GS > 50 kW demand to GS > 50 kW energy is higher than the historic average for 2021 and 2022. The same pattern exists in the embedded distributor class. This indicates that there is more customer peak demand relative to overall energy use in recent years.

- a) Is InnPower aware of any changes that would result in peak demand increasing since 2021-?

Exhibit 4 – Operating Costs

4-Staff-42

Salaries and Wages

Ref 1: Chapter 2 Appendices, App.2-K

Ref 2: Exhibit 4, page 145

Ref 3: Exhibit 4 – Variance Analysis

Ref 4: Chapter 2 appendices - 2-JB

InnPower has projected a CAGR of 5.3% when comparing the 2024 management salary per FTE forecast with the 2017 OEB-approved rate, and a CAGR of 8.3% when comparing the 2024 management salary and benefits package per FTE with the 2017 OEB-approved rate. InnPower stated in Reference 2 that it has tried to match salary increases for management and non-union workers with those of union workers.

- a) Please reconcile the explanation for management salaries stated in Reference 2 given that non-management employees have a forecasted CAGR salary increase of 3% when compared to the 2017 OEB-approved amount?

In Reference 3, the Variance Analysis section, there is mention of FTE additions in OM&A drivers other than within Salaries and Wages section.

- b) Please confirm if all the additional FTE salaries are included in the Salaries and Wages line in Reference 4. If not, please provide the number of FTEs added for each driver and the description of FTE functions.

4-Staff-43

Cost Drivers – Regulatory Rate Application and Other Regulatory Costs

Ref 1: Exhibit 4 – 2.6 Regulatory Rate Application and Other Regulatory Costs, p. 42

InnPower stated that one of the cost drivers for Regulatory Rate Application and Other Regulatory Costs are the two administrative penalties related to Assurance of Voluntary Compliance.

- a) Please confirm whether the \$25k penalty issued in 2019 and the \$5k penalty issued in 2020 were included in OM&A in their respective years.

4-Staff-44

IT and Cybersecurity

Ref 1: Exhibit 4 – 2.7 IT and Cyber Security, p. 44

InnPower stated that it has invested in Software-as-a-Service (SaaS), transitioning expenses from capital to OM&A.

- a) Please explain what programs or applications have transitioned to SaaS. Please provide the cost in each program that has transitioned from capital to OM&A as a result of the SaaS.

4-Staff-45

Building and Office Supplies

Ref 1: Exhibit 4 – 2.8 Building and Office Supplies, pp. 44-45

Based on the annual OM&A program variance sheet, 7% of the OM&A increase has come from building and office supplies. InnPower stated that building and office supply costs increased in 2022 due to janitorial and plumbing services, and costs increased in 2023 due to full-time snow clearing at all station driveways.

- a) Please explain the increased janitorial and plumbing services in 2022. How much of the \$67k increased OM&A cost from 2021 to 2022 is associated with janitorial and plumbing services? Was this a one-time maintenance cost or an on-going operational cost increase?
- b) Please explain what is meant by full-time snow clearing.
- c) Please provide the business case for implementing full-time snow clearing. How much of the \$72k increased OM&A cost from 2023 is associated with the full-time snow clearing?

4-Staff-46

Vegetation Management

Ref 1: Exhibit 4 – 2.13 Vegetation Management, p. 48

InnPower invested heavily into changing its vegetation management program in 2021 to reduce tree contacts. Vegetation management costs increased by \$324k in 2021. Costs are expected to increase a further by \$50k in 2024.

- a) Please explain changes made to the vegetation management program in 2021.
- b) Please explain the driver for the increase in vegetation management costs in 2024.

4-Staff-47

Distribution Meters

Ref 1: Exhibit 4 – 2.15 Distribution Meters, p. 49

Ref 2: Exhibit 4 – 3.1.4. Distribution Meter Operations

InnPower explained that the increase in Distribution Meters OM&A was due to in suite metering projects, backorder of Sensus meters, and purchase of conventional meters. InnPower also stated that the cost increase is due to an increase in the number of meter upgrades, installations and verifications based on significant growth in customer base.

- a) In reference 1 the variance explanations all appear to be capital costs. Please explain how the capital cost of meters affects the OM&A costs.
- b) How does the installation of new meters increase OM&A?
- c) Please provide the number of staff in the Distribution Meter Operations group and the positions of the staff.
- d) Please provide the number of meter upgrades, installations, and verifications between 2017 and 2023.

4-Staff-48

Engineering/Operations Expenses

Ref 1: Exhibit 4 – 4.1.4 OM&A Variance analysis

Ref 2: Exhibit 4 – 4.1.6.3.3 Staff Increases in 2023 and 2024

InnPower stated that decreases in 2020 and 2022 to the Engineering / Systems Ops / Line Construction / SCADA / Ops Admin program were due to the reallocation of staff and change in work orders. InnPower also added a control room operator, P&C technologist, stations project engineer, and asset management engineer in 2023 and an additional control room operator, an additional P&C technologist, and station/planning supervisor in 2024.

- a) Please explain which programs the dollars were redirected to for reallocation of staff and change in work orders in 2020 and 2022.
- b) In reference 2, InnPower stated that the new control room operator is required due to system expansions and increases in day to day controlling activity and requests. Please provide information on yearly controlling activity and requests seen by the control room for the past five years.
- c) Please provide the current number of P&C technologists and stations project engineers.

4-Staff-49

Overhead Distribution Lines and Feeders

Ref 1: Chapter 2 Appendices, App.2-JC

Ref 2: Exhibit 4 – 3.2.1 Overhead Distribution Lines and Feeders

InnPower has estimated an increase in 'overhead distribution lines and feeders' from \$780k in 2022 and \$723k in 2023 to \$948k in 2024. InnPower explains the 'overhead distribution lines and feeders' category to include the majority of InnPower's inspection and maintenance program, including switch maintenance, trouble calls, overhead conductors, tree calls, and DIRs.

- a) Please explain the 31% increase in 'overhead distribution lines and feeders' in 2024 given that InnPower has increased its capital spending on the replacement of many of the assets within this program?

InnPower stated in reference 2 that the decrease in the budget for 2022 was due to the reallocation of costs between various programs.

- b) Please provide the amounts re-allocated and the programs the amounts were re-allocated to.

InnPower stated in reference 2 that the cost increase for Overhead Distribution Lines and Feeders is due to an increase in station maintenance.

- c) Please provide a breakout of cost and explain why there are station maintenance costs in the Overhead Distribution Lines and Feeders program.

InnPower stated in reference 2 that the 2023 to 2024 increase of \$224k is driven by disconnects/reconnects, vegetation management, and station maintenance. In Appendix 2-JB the vegetation management increase in 2024 is \$50k.

- d) Please provide a breakdown of the cost increase between 2023 and 2024 by disconnects/reconnects, vegetation management, and station maintenance.
- e) InnPower stated that the disconnect/reconnect budget was increased to align with historical increases. Please provide the forecasting methodology and the historical data used for the forecast.

4-Staff-50

Customer Service & Billings

Ref 1: Chapter 2 Appendices, App.2-JC

Ref 2: Exhibit 4 – 1.1.3. Customer Service & Billings, p. 60

Reference 1 shows an increase of \$150k between 2017 and 2018 actuals for Customer Service and Billings. InnPower also saw an increase of \$168k between 2018 and 2019, which InnPower attributed to stepping up several staff to a higher pay band.

- a) Please confirm if this increase in 2017 to 2018 was also driven by moving staff to a high pay band. If not, please explain the increase.
- b) Please provide the number of staff in the Customer Service & Billings group that received the step-up.

4-Staff-51

Audit, Legal, and Consulting

Ref 1: Exhibit 4 – 1.1.7 Audit, Legal, and Consulting

Ref 2: Chapter 2 appendices – 2-JC OM&A Programs

InnPower stated that increases in Audit, Legal, and Consulting between 2024 and 2017 were due to union negotiations, and consulting costs for an IT audit, cyber security/network monitoring, job evaluation restructuring for union staff, succession planning, EDI program, and Miscellaneous HR consulting.

- a) Please confirm if any of the cost drivers listed above are expected between 2024 to 2028.
- b) Are there other planned consulting studies planned for 2024 to 2028? If so, please provide background on the studies.
- c) Do the 2024 costs shown in Reference 2 represent an annual amount expected to be spent each year 2024-2028, or one-fifth of the total amount expected to be spent over the 2024-2028 period?

4-Staff-52

Building and Office Supplies

Ref 1: Exhibit 4 – 1.1.8 Building and Office Supplies

InnPower stated that the cost drivers for Building and Office supplies are due to new heating systems, cameras, more contact points, and shatterproof sensors on main floor windows.

- a) Please explain why these capital investments would increase OM&A costs for building and office supplies.

4-Staff-53

Management, Finance, Administrative, Regulatory, and Information Technology

Ref 1: Exhibit 4 – 1.1.9 Management, Finance, Administrative, Regulatory, and Information Technology

Ref 2: Chapter 2 appendices – 2-N Corporate Cost Allocation

In reference 1, InnPower provided explanations for variances in this program but omitted explanations for 2020 and 2021.

- a) Please explain the \$219k increase between 2019 and 2020 and the \$107k decrease between 2020 and 2021.
- b) Please explain the difference between the costs for the Information Technology Division and the Information Systems program and provide examples of IT costs that would fall under each program.
- c) InnPower stated that it acquired contracted services in 2023 and 2024 associated with the Chief Compliance Officer, Corporate Services, Information Technology, health and safety, and legal services. Please confirm if those services were from InnPower's affiliates. If so, why are the costs not shown in Reference 2?

4-Staff-54

Employee Burnout Survey

Ref 1: Exhibit 4, page 135

InnPower performed an employee survey, evaluating the burnout of its employees to gauge the need for more FTEs.

- a) Was this survey developed by InnPower or a third party?
- b) Did InnPower consider using a rating format (i.e. 1-5) with neutral language instead of a binary 'agree or disagree' format that may lead to certain responses?

4-Staff-55

FTE Additions 2017-2024

Ref 1: Exhibit 4, page 126

InnPower has increased its total number of FTEs by 17.8 from 2017 to 2022 and by another 16.5 FTEs in the years 2023-2024.

- a) Please provide a list of FTE additions and removals from 2017 to 2024, by year, with a general description of the need for the additions.

4-Staff-56

Shared Services

Ref 1: Exhibit 4 –Shared Services and Corporate Cost Variance Analysis

Ref 2: Chapter 2 appendices – 2-H Other Operating Revenue

Ref 3: Chapter 2 appendices – 2-N Corporate Cost Allocation

Ref 4: Exhibit 4 – Staff Increase in 2023 and 2024

In reference 1, the shared services revenue is \$2.4 million for 2024. In reference 2, the revenue from affiliates is \$2.28 million in 2024.

- a) Please confirm the correct amount or explain the variance.
- b) Please provide InnPower's actual shared service and corporate cost allocation for 2017 in reference 3.

The net revenue from non-rate-regulated utility operations in reference 2 is \$645k in 2024. However, in reference 3, the total amount of services offered is \$1.6 million and is almost fully priced based on fully allocated costs. This presumably would lead to minimal revenue and cost variances.

- c) Please provide a reconciliation between the net revenue from non-rate-regulated utility operations in Reference 2 and the corporate cost allocation in Reference 3.

InnPower stated that the fully allocated costs used in a year are estimated based on the prior year's expenses. Once the audited financial statements are completed, the costs are adjusted to actuals.

- d) Please confirm if the 2023 values in Appendix 2-N include true-ups from 2021 and 2022.

InnPower stated that there are only 3 new staff in 2023 and 2024 that will be fully cost-shared with its affiliates however the cost and revenue to its affiliates have gone up approximately by 122% for shared services and 60% for corporate cost allocation in 2023 to 2024 as compared to 2019 to 2022

- e) Please explain how an incremental of 3 new shared staff leads to such a large increase.
- f) Please provide a variance explanation on average for the period of 2019 to 2022 as compared to 2023 to 2024.

4-Staff-57

Affiliate Allocation

Ref 1: Exhibit 4, page 161

Ref 2: Exhibit 4, page 168

In reference 1, InnPower stated that it has estimated the common space in its office building to be approximately 30% of the office space area. In reference 2, InnPower stated that the market price per square foot used to calculate affiliate costs was based on a 2015 study that escalated rates up to 2025.

- a) How was the 30% common space determined?
- b) Please provide the 2015 study that shows the market price escalation from 2015-2025. Does the escalation accurately represent the actual economic conditions since 2015?
- c) When calculating the hours of labour for affiliates, did InnPower consider hours worked from home and the impact on shared services revenue?

4-Staff-58

Non-affiliate Services

Ref 1: Exhibit 4 – 4.2.2 Purchase of Non-Affiliate Services

InnPower acquires approximately \$13 million in services for capital and maintenance work from multiple non-affiliates.

- a) Please provide the breakdown for maintenance work and capital work.
- b) Has InnPower considered potential savings by adding additional FTEs for the maintenance work instead of contracting it? If so, what were the results?

4-Staff-59

One-time Costs

Ref 1: Chapter 2 appendices – 2-M Regulatory Costs

Ref 2: Exhibit 4 – 4.2.3 One-Time Costs

InnPower budgeted \$100k for legal costs, \$92k in consultant costs, and \$50k in intervenor costs for the 2024 test year. InnPower also made a manual adjustment of \$44k in cell C82.

- a) Please provide the spending in legal costs and consultant costs to date.
- b) Please provide the number of intervenors InnPower budgeted for this application.

In 2020 (EB-2020-0282), InnPower was issued a \$5,000 penalty as a result of overcharging customers by continuing a rate rider beyond the approved expiry date, contrary to the Rate Order.

- a) Please explain why InnPower included \$5,000 from the assurance of voluntary compliance in the one-time costs.

Exhibit 5 – Cost of Capital

5-Staff-60

Debt Instruments

Ref 1: Chapter 2 Appendices, App.2-OB

In reference 1, InnPower provided its debt instruments. Most of the loans taken by InnPower are through TD Bank.

- a) Did InnPower consider other lenders besides TD Bank?

In 2024, InnPower renewed TD-20 and TD-21 loans at a rate of 3.9% but acquired new debt (2023 CAPEX Loan) at 5%.

- b) Please explain the difference in debt rate in the same year.

InnPower acquired new debt in 2023 and 2024 at a rate of 5%. The BATU leave to construct decision was issued in 2020.

- c) Please confirm if the new debt in 2023 and 2024 was due to the BATU project. If so, please explain why InnPower did not acquire debt earlier when interest rates were historically low.

Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

6-Staff-61

Provincial Tax Return

Ref 1: Exhibit 6, Tab 2, Schedule 1, page 17

InnPower indicated in Reference 1 that it has been selected for an audit of its 2018 and 2019 Provincial tax returns by the CRA. InnPower stated that there are no/immaterial adjustments expected once the audit is complete.

- a) Please provide the status of the audit and if the audit is expected to be completed before the record-closing date of this proceeding. If so, please confirm that InnPower will provide the summary of the audit.
- b) Please clarify the purpose of the audit and any potential regulatory impacts.

6-Staff-62

Depreciation/Amortization

Ref 1: Chapter 2 Appendix 2-BA

Ref 2: 2024 Income Tax PILs Workform

OEB staff notes that the Net Depreciation figures in Reference 1 do not align with the Amortization amounts recorded in Sch 1 in Reference 2 for the historical, bridge, or test years. It seems that InnPower has included the depreciation amounts of Other Non Rate-Regulated Utility Assets in the depreciation and amortization add-back in the PILs

model. OEB staff notes that the non rate-regulated utility assets should not be included in the PILs model.

- a) Please confirm OEB staff's observation above.
- b) If confirmed, please update the applicable schedules by removing the non rate-regulated utility assets in the PILs model.
- c) Please complete Tab S1. Integrity Checks in Reference 2.

Exhibit 7 – Cost Allocation

7-Staff-63

Load Profiles

Ref 1: Exhibit 8, Pages 12-13

InnPower indicated that if it were to update load profiles, it would use a methodology that requires at least three years of historical data. It discovered that it did not have the required data to complete the update at this time.

- a) Did InnPower consider other methodologies for updating load profiles with different data requirements? Why were these either not considered or dismissed as options?
- b) Please confirm that InnPower is gathering the required data on a go-forward basis, so that the data required will be available the next time it files a rebasing application.
- c) Please explain why InnPower believes that a 19 year old load profile would be a relevant basis for cost allocation today.

Exhibit 8 – Rate Design

8-Staff-64

Fixed Charges

Ref 1: Exhibit 8, pages 8-10

InnPower is proposing to maintain the existing fixed charges for Sentinel Lighting and Unmetered Scattered Load, resulting in decreases in the variable charges. InnPower is also proposing to maintain the fixed/variable proportions, increasing both the fixed and variable charges for all other rate classes. This includes the GS < 50 kW, GS 50 to 4,999 kW and Embedded Distributor rate classes where the fixed charge is already above the ceiling from the cost allocation model.

- a) Please provide the rationale for maintaining the fixed charges while reducing the variable charges for the Sentinel Lighting and Unmetered Scattered Load classes.

- b) Please provide the fixed and variable charges that would result from maintaining the fixed charge in the GS < 50 kW, GS 50 to 4,999kW and Embedded Distributor rate classes, and maintaining the fixed/variable proportion for all other non-residential rate classes.

8-Staff-65

Specific Service Charges

Ref 1: Exhibit 8, pages 18-21

InnPower is proposing to create new charges for Customer Initiated Disconnection and Reconnection. The charges levels are consistent with the charges for reconnection following a disconnection due to non-payment of the account.

InnPower indicates that it collected a total of \$1,480 from eight work orders in 2022 and expects the same volume in 2023 and 2024.

- a) Please provide a breakdown of forecasted revenue for each of the proposed new charges.
- b) Is InnPower able to identify groups of customers that would typically be required to pay for disconnects or reconnects under the new proposed charges?
- c) What steps has InnPower taken to attempt to engage customers about the proposed changes to disconnection and reconnection charges?

8-Staff-66

Loss Factor

Ref 1: Exhibit 8 – Loss Adjustment Factor

Ref 2: Chapter 2 appendices – 2-R Loss Factor

InnPower stated that a complete CYME model was needed prior to the line loss study, and the results were not obtained before filing the current application.

- a) Please provide an update on the status of InnPower's line loss study.
- b) InnPower's total loss factor is trending upwards. Please provide an explanation of the increase in losses and how InnPower plans to address them?

8-Staff-67

Bill Impact Model

Ref 1: Bill Impact Model

In tab 6 of the bill impact model, InnPower includes a formula that applies the loss factor to a residential fixed rate rider (Cell J101).

- a) Please correct the formula.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-68

CCA

Ref 1: Exhibit 9, Tab 1, Schedule 4, Table 9-11, page 39

Ref 2: 2024 DVA Continuity Schedule

In Reference 1, InnPower has indicated that it has tracked the full revenue requirement impact related to the Bill C-97 CCA rule change up to December 31, 2022 in Account 1592 sub-account as directed by the OEB.

Furthermore, InnPower has requested the disposal of a credit balance amounting to \$1,008,488.

To support the balances in Account 1592, PILs and Tax Variances, Sub-Account CCA Changes, InnPower has provided the following Table 3 in Reference 1.

Table 3 (Table 9-11): Tax Variance

Year	Prior CCA (\$)	Accelerated CCA (\$)	Difference in CCA (\$)	Difference in Grossed Up PILs (\$)	Cumulative Difference in Grossed Up PILs (\$)
2018	3,713,285	3,884,828	(171,543)	(61,849)	(61,849)
2019	3,689,587	3,932,369	(242,782)	(87,534)	(149,382)
2020	3,672,032	4,129,248	(457,216)	(164,847)	(314,229)
2021	3,803,064	5,106,841	(1,303,777)	(470,069)	(784,298)
2022	4,040,132	4,661,942	(621,810)	(224,190)	(1,008,488)
2023	4,646,650	5,237,706	(591,056)	(213,102)	(213,102)
2024	5,143,549	4,994,314	149,235	53,806	(159,296)

According to Reference 2, there are no carrying charges accrued in this account. The following Table 4 presents the account balances for Account 1592, PILs and Tax Variances, Sub-Account CCA Changes recorded in InnPower's 2024 DVA Continuity Schedule.

Table 4: DVA Continuity Schedule: Account 1592, Sub-Account CCA Changes

Years	Continuity Schedule Balances (\$)	Continuity Schedule Cumulatives Balances (\$)
2018	-	-
2019	(370,926.00)	(370,926.00)
2020	205,920.00	(165,006.00)
2021	(113,869.00)	(278,875.00)
2022	(729,613.00)	(1,008,488.00)

- a) Please provide supporting schedules for the prior CCA amounts corresponding to the respective years provided in the table above.
- b) The cumulative balance as of December 31, 2022 recorded in the DVA Continuity Schedules agrees with the supporting schedule (Table 3) provided by InnPower. However, the annual balances recorded in the Continuity Schedules differ from the supporting schedule. Please explain.
- c) Please explain why InnPower did not accrue carrying charges on the balances in Account 1592, Sub-Account CCA Changes.
 - i. Please record interest on the balances in the respective years using the prescribed interest rates set by the OEB.
 - ii. Please record forecasted interests up to December 31, 2023 on December 31, 2022 balance using the prescribed interest rates set by the OEB.
 - iii. Please update the applicable schedules as necessary.

9-Staff-69

CCA

Ref 1: Exhibit 9, Appendix 9-1-4 (A) – (G)

Ref 2: Chapter 2 Appendix 2-BA

Ref 3: Exhibit 6, Appendix 6-2-1 (A)-(F)

Ref 4: 2024 Income Tax PILs Workform

In Reference 1, InnPower has provided accelerated CCA calculations for the years 2018 through 2024. The costs of acquisitions recorded in the accelerated CCA calculations align with the amounts filed in the prior tax returns (Reference 3) and the PILs workform (Reference 4). However, OEB staff has identified discrepancies between the total PP&E additions recorded in Appendix 2-BA and the cost of acquisitions provided in Reference 1. The variances between the schedules are summarized in Table 5 below.

Table 5: Summary of Variances in PP&E Additions

Year	A. App 2-BA Total PP&E Additions	B. App 2-BA Property Under Finance Lease	C. Adjusted Total Additions (A-B)	D. Cost of Acquisitions (Reference 1)	Variances (C-D)
2018	4,066,548	-	4,066,548	4,115,289	\$ (48,741)
2019	5,418,211	170,612	5,247,599	5,134,808	\$ 112,791
2020	6,097,675	227,479	5,870,196	5,776,390	\$ 93,806
2021	7,135,674	135,521	7,000,153	6,890,217	\$ 109,936
2022	6,652,705	75,328	6,577,377	6,497,240	\$ 80,137
2023	11,960,286	475,689	11,484,597	11,484,597	\$ -
2024	9,120,000	-	9,120,000	9,120,000	\$ -

- a) Please explain the variances shown in the table above and update the applicable schedules as applicable.

9-Staff-70

CCA

Ref 1: Exhibit 9, Tab 1, Schedule 4, page 39

Ref 2: Exhibit 9, Tab 1, Schedule 3, Table 9-8, page 27

According to Reference 1, InnPower is requesting disposition of the Account 1592, PILs and Tax Variances, Sub-Account CCA Changes balance as of December 31, 2022. Additionally, InnPower has indicated in Reference 2 to continue Account 1592, PILs and Tax Variance for 2006 and Subsequent Years.

Per Reference 2, OEB suggested applicants may propose a mechanism to smooth the tax impacts over the five-year IRM term given there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. The OEB will assess an applicant's smoothing proposal on a case-by-case basis. If the OEB approves the smoothing proposal, the distributor's use of (or access to) Account 1592, to record the impacts of the specific CCA changes contemplated in the smoothing proposal, will no longer be applicable.

- a) Please confirm if InnPower plans to record subsequent changes including the expected phase-out of accelerated CCA beginning in 2024 in Account 1592, PILs and Tax Variances, Sub-Account CCA Change.
- b) Please explain if InnPower has considered smoothing out the tax impacts over the five-year IRM term for the CCA changes. If not, why not? Otherwise, please provide a proposed tax smoothing method.

9-Staff-71

Global Adjustment

Ref 1: 2024 GA Analysis Workform, Tab GA 2021

Ref 2: 2024 DVA Continuity Schedule, Tab 2a

Ref 3: 2024 GA Analysis Workform Instructions, 5) a), page 6

InnPower reported a credit amount of \$102,784 for the Net Change in Principal balance in the General Ledger in Reference 1. This amount does not agree with the Transactions during 2022 amount of a debit balance of \$57,812 in Reference 2. Additionally, InnPower included the approved 2020 disposition amount of a debit balance of \$160,596 as part of the Reconciling Items (item #6) in Reference 1.

OEB staff notes that the variance in the 2022 transactions amount between the Reference 1 and Reference 2 agrees with the OEB approved disposition amount during 2022 (\$160,596). This amount is reported as part of the Reconciling Items in Reference 2.

Page 6 of the 2024 GA Analysis Workform Instructions per Reference 3 provides guidance on the GA tab- Note 5 that the input amount in the Net Change in Principal Balance in the General Ledger should equal the GA transactions recorded in Account 1589 for this year. Therefore, this amount should not include dispositions.

- a) Please update the GA Analysis Workform based on Reference 3 to exclude the approved disposition amount of \$160,596.

9-Staff-72

Deferral and Variance Account

Ref 1: InnPower 2022 2.1.7 Balance Sheet & Income Statement RRR Filing

Ref 2: 2024 DVA Continuity Schedule, Tab 2b

According to Reference 2, there is a variance of a credit balance of \$135,881 between the 2.1.7 RRR and the Continuity Schedule for Account 1580, Sub-Account Deferred IFRS Transition Costs. OEB staff recognizes that InnPower has utilized the 2023 model for the 2024 application, which might cause potential mapping issues.

The credit balance of \$135,881 mismapped to Account 1508, Sub-Account Deferred IFRS Transition Costs in the Continuity Schedule representing the combined total of Account 1508, Sub-Account OEB Cost Assessment Variance (a credit balance of \$72,487) and Account 1508, Sub-Account Pole Attachment Revenue Variance (a credit balance of \$66,198) based on InnPower's 2022 RRR Filing per Reference 1.

- a) Please update the 2024 DVA Continuity Schedule and other applicable schedules utilizing the OEB published 2024 CoS schedules and models.

- b) Please update the total requested disposition amounts for Group 2 accounts and supporting evidence as necessary.

9-Staff-73

RCVA

Ref 1 : Exhibit 9, Table 1, Schedule 5, pages 42 and 43

On page 43 of Reference 1, InnPower states that: "There is an apparent downward trend in the number of retailer associated customers and consequently in the amount of revenue collected from the retailers derived from fees based on the number of transaction".

Table 9-12 on page 42 of Reference 1 shows that the incremental expense that is reflected in RCVA 1518 has increased from \$24k in 2017 to \$67k in 2021.

- a) Please explain why the incremental expense has increased significantly while the number of retailer-associated customers has decreased over the same period.