

**INTERROGATORIES FOR ENERSOURCE HYDRO MISSISSAUGA INC.**

**Re: 2013/2014 Rates Application**

**FROM THE CONSUMERS COUNCIL OF CANADA**

**EB-2012-0033**

**GENERAL**

1.1 Is the proposed approach to set rates for two years appropriate?

1. Please provide copies of all materials provided to Enersource's senior management and Board of Directors regarding the decision to file the two-year application for rates. What other options for rate applications were considered? What were the reasons those other options were rejected?
2. Please provide copies of all materials provided to Enersource's senior management and Board of Directors when seeking approval of the 2013 budget.
3. Prior to filing its application did Enersource have any meetings/correspondence with members of the Board or Board Staff regarding its proposal? If so, please explain the nature of those meetings/correspondence. Please provide copies of any materials presented to a Board member or Board staff
4. Please explain why, for 2014, the current IRM with the ICM is not appropriate for Enersource. What would be the proposed revenue requirement for 2014 if Enersource followed the Board's IRM with an incremental capital module? Please compare this to Enersource's proposed revenue requirement for 2014.
5. Enersource is applying for a unique approach for setting rates for 2014. Please comment to what extent Enersource would be consider changes to the approach proposed by either the Board or intervenors. To what extent is this approach a "take it or leave it" proposal?

1.2 What is the appropriate approach to set rates for 2015 and 2016?

1. How does Enersource plan to file for approval of rates for 2015 and 2016? Please provide a detailed explanation for adopting that approach.

1.3 Has Enersource responded appropriately to all Board directions from previous proceedings?

No Questions

1.4 Is service quality acceptable?

1. Please explain what measures/policies Enersource has in place to ensure acceptable service quality beyond those prescribed by the Board . How is that quality measured?

How does Enersource's service quality in 2012 compare to 2009? Please provide all data that informs that comparison.

1.5 Is the proposal to align the rate year with Enersource's fiscal year, for rates effective January 1, 2013 and January 1, 2014 appropriate?

1. (1/T2/S3) What is the impact on Enersource's ratepayers of moving to a January 1, 2013 implementation date for rates?

#### **RATE BASE**

2.1 Is the proposed rate base for 2013 and 2014, including capital expenditures for 2013 and 2014 appropriate?

1. (2/T2/S1/p. 7) In 2008 Enersource spent \$4.03 million less for land buildings, equipment and IT software and hardware than what was approved by the Board. Were these projects deferred or eliminated? Please explain this significant variance.
2. (2/T2/S1) As part of its 2012 capital expenditures Enersource is planning to spend \$20.420 on land, buildings and grounds investments mainly due to the purchase and retrofit of a new administration building. Please provide a detailed business case for this project.
3. (2/T2/S5) The Mavis Road facility was appraised at \$6.875 million in 2010. What is the most recent appraised value of the facility? When will work commence on reconfiguring that facility?
4. (2/T2/S2/Appendix 2) For all major projects planned for 2012, 2013 and 2014 please provide the most updated expected in-service dates (the expected month that the project will be in-service).

2.2 Is the proposed Working Capital Allowance for 2013 and 2014 appropriate?

1. (2/T1/S4) Did Enercourse issue an RFP for the Working Capital Study? If not, why not? What were the costs of the study and how are those costs to be recovered?

2.3 Is the proposed Green Energy Act Plan appropriate?

1. (2/T2/S3/p. 3) What are the actual GEA capital expenditures to date in 2012?

2.4 Is the capitalization policy and allocation procedure for 2013 and 2014 appropriate?

No Questions

#### **OPERATING REVENUE**

3.1 Is the proposed load forecast for 2013 and 2014, including billing determinants appropriate?

1. (3/T1/S1) Why is Enersource not preparing a load forecast for the determination of 2014 rates?
  2. (3/T1/p. 6) Please provide detailed calculations regarding the CDM adjustments for 2012 and 2013. Please include all assumptions.
- 3.2 Is the proposed forecast of other regulated rates and charges appropriate?
1. (1/T1/S11/Appendix 1) Enersource has made a number of changes to its Conditions of Service set out in Appendix 1. Please explain to what extent these changes have impacted the level of other revenue included in the 2013 revenue requirement.
  2. (3/T3/S1/p. 12) Please explain why the level of interest income has dropped from \$1.9 million in 2008 to a forecast of \$50,000 in 2013.

## **OPERATING COSTS**

- 4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?
1. (1/T2/S2/pp. 1-12) Please provide copies of all "budget guidelines" provided to Enersource's staff in preparation of the 2013 budget. Please provide all related communications. What process did Enersource follow in developing the 2014 budget?
  2. (1/T2/S2/p. 3) The evidence states, "The resulting budget and three-year financial forecast and underlying assumptions are presented for approval to the Enersource Board of Directors." Please provide the three-year financial forecast referred to, together with any explanatory material.
  3. (1/T2/S2/p. 4) What is the assumed annual increase for wages and salaries included in the 2013 budget?
  4. (4/T1/S1/p. 1) The evidence states that, "The other key drivers are items that were largely unforeseen during the 2008 cost of service application, EB-2007-0706." Please specifically identify all of these items.
  5. (4/T1/S1/p. 2) Please explain why actual Customer Care costs were \$1 million less than the 2008 Board approved (or forecast) level.
  6. (4/T1/S1/p. 2) Please explain why actual Engineering and Operations costs were \$1 million less than the Board approved (or forecast) level.
  7. (4/T1/S1/p. 2) Please explain why actual ISTS costs were \$ 1million less than the Board approved (or forecast) level.
  8. (4/T1/S1/p. 2) Please explain what is included in the category "Other expenses" . Please explain why the actual costs were \$427,000 less than the Board approved (or forecast) level.

9. (4/T1/S1/p. 3) Table 2 sets out the "Variance of Total Operating Costs, 2008 vs 2013". Please explain what is specifically captured by "Normal Business Unit Activities" and "Other Key Drivers". Please provide a detailed explanation as to how the \$11.625 and \$7.821 were calculated.
10. (4/T1/S1) Please provide a complete list of all productivity initiatives pursued during the IRM period. Please demonstrate how those initiatives have translated into cost reductions for the 2013 test year.
11. (4/T1/S1/p. 5) The evidence refers to the fact that reliability statistics highlight the growing problems associated with an aging system. The number of outages per year has risen for 384 to 1028 or 167%. The number of customer minutes of interruptions has risen from 3.6 million to 10.3 million. What has Enersource done during the last four years to remedy this problem? Why haven't these issues been addressed earlier?
12. (4/T1/S1/p. 8) What is the total impact on the 2013 Revenue Requirement of adding 11 employees since 2008? Please identify all components of compensation separately.
13. (4/T1/S1/p. 10) the OM&A Cost per customer is going from \$221.84 to \$306.74. Please explain the reasons for the significant increase. Please provide a table setting out OM&A per customer for the years 2008-2014. How has the emergence of individually metered suites impacted OM&A cost per customer?
14. (4/T1/S4/p. 3) Please provide a complete detailed annual cost/budget for the Power Lineman and Cableman apprentice program for the years the program has been in place.
15. (4/T1/S4/p. 4) Has the most recent Toronto Hydro-Electric System Limited Decision regarding suite meters impacted the way in which Enersource intends to deal with suite metering? If so, how? If not, why not?
16. (4/T1/S8) Please provide the annual cost of EC's Board of Directors for the years 2008-2014. Please provide a detailed breakdown of all components. How much of those costs are allocated to Enersource Hydro Mississauga?
17. (4/T1/S10/p. 4) Please provide a complete breakdown of the \$200,000 in legal expenses. Please include all assumptions.
18. (4/T1/S10/p. 4) Please explain what is included in the category of regulatory costs called "OEB Hearing"? Please include all assumptions.
19. (4/T1/S11/p. 7) With respect to Facilities Management Services please indicate what is included in "other costs". Please provide a detailed breakdown of that cost category for the 2013 budget.
20. (4/T1/S12/P. 4) What is the current status of the move from the Mavis Road building? When is the move expected to be complete?

21. (4/T3/S1/p. 3) Of the 18 employees eligible for retirement in 2012 how many are expected to retire? Of the 8 eligible to retire in 2013 how many are expected to retire? Does Enersource survey its employees to determine expected retirements? If not, why not?

4.2 Is the proposed level of depreciation/amortization expense for 2013 and 2014 appropriate?

No Questions

4.3 Is the proposed PILS and property taxes forecast for 2013 and 2014 appropriate?

No Questions

4.4 Is the proposed allocation of shared services and corporate costs appropriate?

1. (4/T4/S1) The evidence states that EC allocates costs to Enersource on a "cost recovery basis" only. Please explain what is meant by "cost recovery basis". Please explain, in detail, how the costs to be allocated are determined.
2. (4/T4/S1) The evidence states that beginning in 2009, EC's method of allocating costs was revised to better align with the amount of services being provided to each affiliate based on either budgeted headcount or as a percentage of revenue. Please explain, specifically, what changes were made and why. How did this impact the allocation of costs?
3. (4/T4/S1/p. 4) The evidence refers to the Corporation's Strategic Plan. Please provide that plan.
4. (4/T4/S1/p. 5) The evidence states that Assets investments must generate appropriate and timely returns. Asset investment opportunities would include utility acquisitions and distribution infrastructure development projects. Please indicate if there are any costs in the 2013 revenue requirement related to utility acquisitions and distribution infrastructure development projects.
5. (4/T4/S1/Appendix 1) Please file the Service Level Agreements that relate to services provided in 2013.
6. (6/T1/S1/p. 3) Table 2 sets out the drivers of the deficiency. Please explain what is meant by "Other (net of Price Cap index increases via IRM)". How was the \$2.626 million calculated?
7. (6/T1/S1/p. 6) Table 5 sets out the drivers of the deficiency for 2014. What would be the deficiency/sufficiency if the impact of increased load and new customers was included?

#### **CAPITAL STRUCTURE AND COST OF CAPITAL**

5.1 Is the proposed capital structure, rate of return on equity and short-term debt costs for 2013 and 2014 appropriate?

No Questions

5.2 Is the proposed long-term debt cost for 2013 and 2014 appropriate?

1. (1/T3/S6) Please explain Enersource's policy regarding long-term debt financing.

#### **COST ALLOCATION**

6.1 Is the proposed cost allocation methodology for 2013 and 2014 appropriate?

1. (7/T1/S1/p. 11) How did Enersource arrive at the proposed monthly charges set out in Table 4 for each rate class?

6.2 Are the revenue to cost ratios for 2013 and 2014 appropriate?

No Questions

#### **RATE DESIGN**

**No Questions**

7.1 Are the fixed to variable splits for each class for 2013 and 2014 appropriate?

7.2 Is the proposed implementation of a Low Voltage Service Rate, the introduction of the Unmetered Scattered Load class, and the merger of the Small Commercial < 50kw class into the General Service < 50 kw class appropriate?

7.3 Are the proposed Total Loss Adjustment Factors appropriate?

7.4 Are the proposed Total Loss Adjustment Factors appropriate?

7.5 Is the proposed Tariff of Rates and Charges for 2013 and 2014 appropriate?

#### **DEFERRAL AND VARIANCE ACCOUNTS**

No Questions

8.1 Are the deferral and variance account balances, allocation methodology and disposition period (s) appropriate?

8.2 Are the proposed rate riders appropriate?

8.3 Are the deferral and variance accounts, including both existing and proposed new accounts, appropriate?

#### **MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

No Questions

## SMART METERS

10.1 Are the proposed quanta and nature of smart meter costs , including the allocation and recovery methodologies appropriate?

1. (9/T2/S1/p. 5) Please provide a schedule setting out all costs of the smart meter program. Please include capital and OM&A costs for each year since the program was initiated. In addition, please provide the total cost per customer of all of the smart meter expenditures incurred to date.
2. (9/T2/S1/p. 8) Enersource has estimated that in 2012 it will spend an additional \$1.488 million on capital costs on the installation of the remaining smart meters. What is the current estimate of the cost of that work in 2012?
3. (9/T2/S1) Has Enersource undertaken any cost/benefit analysis of its smart meter program? If so, please provide a copy of that analysis. If not, why not?

10.2 Is the proposed treatment of stranded meter costs appropriate?

1. (9/T2/S1) Please explain Enersource's proposal treatment of stranded meter costs. Please explain the extent to which it is consistent with Board approved policies.