March 23, 2015

Colin Macdonald, P. Eng.
Senior Vice President, Regulatory Affairs & Customer Service
PowerStream Inc.
161 Cityview Boulevard
Vaughan, ON
L4H 0A9

Re: PowerStream Inc. Consultative 2015-0003

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

M. Garner

For/Michael Janigan
Counsel for VECC

Attachment

e-mail: Consultative Parties
A. RATE PLAN

A –VECC -1
Reference: E-A/T-1/pg. 4

Pre-amble: PowerStream writes “As discussed above, inflation and productivity have been built into PowerStream’s forecasted costs underpinning rates, so no automatic annual adjustment is proposed”

In its Decision EB-2013-0416 (Hydro One Networks Inc. distribution rates) the Board wrote: “The OEB expects Custom IR rate setting to include expectations for benchmark productivity and efficiency gains that are external to the company. The OEB does not equate Hydro One’s embedded annual savings with productivity and efficiency incentives. Incentive-based or performance-based rates are set to provide companies with strong incentives to continuously seek efficiencies in their businesses.”

a) Please explain how the proposal is different than Hydro One’s (which the Board rejected as not being in conformance with the RRFE principles).

A. – VECC – 2
Reference: E-A/T-1/pg. 4 & E-F/T-1/pg.6/Table 5

a) Please provide the source of the inflation forecasts shown in Table 5.
b) Does table 5 shown CPI, GDPI or some other inflation measurement?
A. – VECC – 3
Reference: E-A/T-1/pg. 2

a) At the above reference it states: “PowerStream has prepared five year capital investment plans in the past but only optimized and prepared detailed capital budgets for two year periods.” Please explain this statement and what bearing it has on the 2017-2020 capital budgets shown in this proposal.

A. – VECC – 4
Reference: E-A/T-2/pg. 1

a) It appears that PowerStream proposes to set rates interim at the beginning of each new rate followed some time later by final rates based on adjustments of the annual rate filing. Please confirm this is the correct interpretation. If so, please provide details as to the regulatory process that PowerStream proposes to review these adjustments and the final implementation timing of the rates.

B. BILL IMPACTS AND PROPOSED RATES

C. BUSINESS PLANNING AND BUDGETING PROCESS

D. ACCOUNTING AND REGULATORY STANDARDS

F. PRODUCTIVITY, BENCHMARKING & CUSTOMER ENGAGEMENT

F. – VECC – 5
Reference: F-G/T-1pg. 3/Table 1

a) Table 1 appears to calculate the expected productivity savings to be attained on the base 2013 year. Please recalculate the table showing what savings would be required if the 0.3% stretch factor were calculated on each years preceding value.

F. – VECC – 6
Reference: F-G/T-1pg. 6/Table 6 & J/T-1/pg.4
Pre-amble: It is unclear how PowerStream defines “incremental new costs for changing requirement.” Most, if not all the items shown in the table appear not to be costs related to incremental new responsibilities, as for example might have occurred as part of the introduction of TOU metered services. Rather they appear to be “business as usual” costs, albeit at increased amounts as compared to past spending.

a) Please provide the definition used for classifying costs into Table 6.
b) For each category in Table 6 (e.g. vegetation management) please show the amount that was approved as part of the last Board cost of service application (e.g. 2013).
c) Please provide details as to what activities are captured under the categories of “Risk Management” and “Customer expectation”.
d) Please explain why for many of the categories the amounts are larger in the early years and decline or are negative in subsequent years.
e) Why is the replacement of the CIS classified as both a continuous productivity improvement and also as an incremental new cost?

F. – VECC – 7
Reference: E-F/T-2/pg.3 & Appendix 2-L

a) Please explain how the degradation in labour productivity as measured by OM&A costs per FTE (going from $150/FTE in 2013 to $185/FTE in 2020) is congruent with the proposition of PowerStream that there are productivity savings with the proposed rate plan.
b) Please confirm that no total factor productivity study, capital cost benchmarking study or an overall OM&A benchmarking study has been completed in support of the rate proposal.
c) Please confirm that under the proposal PowerStream is predicting a decline in its productivity as measured by the predicted vs actual/forecast costs (as shown in Figure 1).

F. – VECC –8
Reference: E-F/T-2/pg.4-6

a) At the above reference PowerStream lists a number of factors which it postulates makes it different (and hence non-comparable in some aspect) to other Ontario distributors. What study has the PowerStream undertaken to
understand what difference exist between its operations and that of other Utilities?
b) Has PowerStream undertaken any similar studies of the working capital requirements of other bi-monthly billing utilities?

F.-VECC-9
Reference:  E-F/T2/pg.6

a) Please revise Table 2 (OM&A per customer comparison) removing Toronto Hydro and Hydro One.

F.-VECC-10
Reference:  E-G/T2/Appendix G-2-1 Consolidated DSP/T2/pg.2

a) With respect to the Customer Consultation what was the number of residential customers who participated?
b) How was it determined that these residential customers represented a random sample of the population of customers (for example, employment status, age, demographic, etc.)
c) What tests were used understand whether the participating group results could be extrapolated to the general population of PowerStream customers?

F.-VECC-11
Reference:  E-G/T2/Appendix G-2-1 Consolidated DSP/T2/pg.104

a) What was the non-response rate of the telephone survey?
b) What checks were made to test for non-response bias?

G. RATE BASE

G. – VECC –12
Reference:  E-G/T-4/pg. 3-5

a) With respect to page 3 (lines 23) to page 4 (line 17), please provide schedules that set out the 2011-2013 values used to calculate each of the historic three-year averages described.
Pre-amble: PowerStream discusses in different places its cable injection program noting that it is at the forefront of this technology and that it will create a new asset class to record rehabilitated cables. However, there is no discussion of the risk with respect to this technology. The same can be said about the pole reinforcement technology.

a) What studies has the Utility undertaken to understand these risks?
b) How did PowerStream determine a 20 year life for the rehabilitated cable assets?
c) Why has the Utility created a new asset class for rehabilitated cable assets, but not for poles rehabilitated with the pole reinforcement technology?
d) Please provide any precedent for creating a new class for an asset which is being refurbished.

G. – VECC –14
Reference:  E-G-2-1 DSP Appendix//pg.37

a) Please explain how the potential emerging reliability SAIDI figures were derived.

G. – VECC –15
Reference:  E-G/T-2/pg. 17 Appendix G-2-1 Consolidated DSP

a) Please provide the SAIFI and SAIDI figures for each of 2009 through 20120 (forecast) for outages separately by cause codes:
   - (5) Defective Equipment
   - Schedule Outage
   - Tree Contact

b) Please explain if PowerStream intends to develop/use any metrics with respect to measuring the performance of the distribution system plan.
a) Please provide a table showing each of the five municipal stations anticipated to be built, the forecast spending in each year of the plan and the total forecast cost of each station.
b) Please confirm that these amounts are in the forecast capital budget of the rate proposal.
c) Please provide the start and completion date forecast for each station.

g. – VECC – 17
Reference: E-G/T-2a/pg. 1

a) Why are the 2012 and 2013 in-service additions much lower than the 2014 and projected 2015-20 amounts?
b) Are the 2014 in-service figures (total $95.9) actuals or forecast? If the latter, when will the 2014 actual (audited or unaudited) results be known?

G. – VECC – 18
Reference: E-G/T-2/pg.4 & Appendix G-2-1 Consolidated DSP/5.4.1./pg. 8

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a) Please reconcile the CIS spending shown in the above table (taken from the DSP) with the CIS projected costs of $19.9 million shown at G/T2/pg.6.
b) Please provide the annual maintenance costs and (separately) training costs for the new CIS system for each of 2015 through 2020.

G. –VECC -19
Reference: G-2-1 Consolidated DSP (pdf pg. 450-)

The entire justification for $4.6 million in renovations to the Barrie building appears to be to create corporate uniformity in office space. The building is noted as being 20 years old.

a) How many staff are housed in this building?
b) When was the building last renovated?
c) It is noted that there is potential for leasing extra space in this building. Please explain what amount of space and expected revenue might be expected.

H. DISTRIBUTION REVENUE

H. –VECC -20
Reference: E-H/T-1/ pg. 1

d) Over the period 2008-2014 used to estimate the models for each rates class, were the meters for each rate class all read at the end of each month?
e) If not, how were the calendar monthly sales data for each class determined?

H. –VECC -21
Reference: E-H/pg. 3; Appendix H-1-1 and Appendix H-1-2

a) Please provide a “legend” that explains what the abbreviation in the each of the columns in Appendix H-1-2 stands for.
b) The Proposal states that the historical and forecast saturation values were based on OPA data. Please explain fully what this data is (e.g. is it Power
Stream specific or provincial) and how the annual values were derived by the OPA.

c) The Proposal states that the historical efficiency values were based on OPA data. Please explain fully what this data is (e.g. is it Power Stream specific or provincial) and how the annual values were derived by the OPA.

d) The Proposal states the forecast efficiency values reflect improvements in energy efficiency before CDM adjustments. Please explain fully the basis for the efficiency/usage improvements between 2014 and 2020 as predicted for the various uses in Appendix H-1-2.

e) Please indicate the sources for both the historical and forecast values for each of the economic variables in Appendix H-1-1.

f) Please provide a table that summarizes the historical and forecast annual growth rates for each of the economic variables in Appendix H-1-1.

H. –VECC -22
Reference: E-H/Appendix H-1-3 – Residential

a) Was “number of calendar days” evaluated as a possible explanatory variable for Residential usage? If yes, why was it excluded? If not, please provide an evaluation of this potential variable?

b) Please explain why, for the Residential forecast, population, energy intensity and per capital income were all combined together into one single variable.

c) Please provide a schedule that sets out both the historic and forecast values for this “combined” explanatory variable.

d) What would the Residential regression model results (and associated statistics) if the three were separated and each included as a distinct explanatory variable?

e) Please provide a schedule that contrasts PowerStream’s Residential energy forecast (prior to CDM adjustments) with the forecast that would result from using the results of part (d).

f) Please explain how, in Table 2, the weather normal historical values for Residential usage were derived.

H. –VECC -23
Reference: E-H/Appendix H-1-3 – GS<50 and GS>50

a) Was “number of peak days” evaluated as a possible explanatory variable for both the GS<50 and GS>50 models? If yes, why was it excluded in
each case? If not, please provide an evaluation of this potential variable for each of the two classes?

H. –VECC -24
Reference:  E-H/T-1/pg. 4

a) The Proposal states that PowerStream “found that cooling-related demand began when temperatures exceeded 18 degrees and heating-related demand began when temperatures fell below 10 degrees”. What is the basis for this statement?

H. –VECC -25
Reference:  E-H/Appendix H-1-3 – Sentinel & Street Lighting

a) Please explain why only certain months were included as explanatory variables for the Sentinel Light and Street Lighting models. Were all months tested as potential explanatory variables in each case?

b) Are all of the Street Lights in Power Stream’s service area currently HPS? If not, what is the make-up by type as of December 2014?

c) What percentage of the total street lights (i.e., devices) in Power Stream’s service are currently HPS lights owned by Vaughan, Barrie or Markham?

H. –VECC -26
Reference:  E-H/T-1/pg. 6  E-H/T-2/pg. 2-3 and Appendix 2-I

a) Please provide a copy of the OPA’s (now IESO’s) final CDM evaluation for 2013.

b) Is Table 2 (E-H/Tab 2) based on PowerStream’s 535 GWh target or its CDM submission to the IESO?

c) Please provide the equivalent of Table 2 but where each year’s CDM is the full “annualized” impact of the CDM programs.

d) Power Stream claims that it has used the ½ year rule for first year’s savings attributed to its future CDM programs. However, in Tab 2, Table 2, the first year saving used for 2016, 2017, 2018, 2019 and 2020 programs are all more than 50% of the savings attributed in to the programs in subsequent years (e.g., for 2017 CDM programs the first year’s savings are 43,861,543 kWh and the following years’ savings are 66,489,632 kWh). Please reconcile and correct Table 2 and the
subsequent load forecast as required.
e) With respect to the 2015 LRAMVA GWhs reported in Appendix 2-I, please confirm that this is based on the ½ of the forecast impact of 2015 CDM programs in 2015. If affirmed, please confirm that PowerStream is not proposing to base its 2015 LRAMVA calculation on the actual annualized CDM results as will be reported by the IESO but rather ½ of this value.

H. –VECC -27
Reference:  E-H/T-4/pg. 1 and Appendix H-1-3

a) Please explain how the kW billing determinant forecasts for the GS>50, Large Use, Street Lighting and Sentinel Lighting classes were derived from the GWh forecasts for each class as set out in Appendix H-1-3.

I. REVENUE OFFSETS

I. –VECC -28
Reference:  E-I/pg. 2

a) Please explain why, for each of the years 2016-2020, the forecasted revenues from Late Payment Charges are less than the actual revenues in 2014.
b) Please explain why the total Other Income and Deduction falls from values of $6.2 M and $6.4 M in 2013 and 2014 respectively to between $5.0 M and $5.4 M in each of the test years (2016-2020).

J. OPERATION, MAINTENANCE AND ADMINISTRATION EXPENSES

J-VECC-29
Reference:  E-J/T-1/pg.2

a) Please amend the cost driver table to show the cost driver related to existing 2014 FTEs (i.e. salary increases) separate from the drivers related to the post 2014 incremental FTE costs.
b) Please show the incremental (post 2014) FTEs assignment, by year, against each of the other cost driver categories shown in Table 1.
a) Please explain why the total FTEs in 2013 were 17.55 below the Board approved figure of 550.65.
b) Please provide a table showing the post 2014 incremental FTEs by job description and department.

J.-VECC- 31
Reference: E-J/4-1 Appendix2 M - Regulatory

a) Please explain the derivation of the forecasts for the regulatory costs categories (1), (2) and (3).
b) Please explain why the OM&A regulatory related expenses (category No. 7) fluctuates (e.g. increases up to 2018, then decreases).
c) Please explain why regulatory costs increase during the incentive rate plan when presumably the Utility is filing fewer applications.

J. – VECC – 32
Reference: E-J/T-1/pg. 3-5

a) What are the incremental costs for moving the tree trimming cycle from 5 to 3 years?

K. COST OF CAPITAL

L. COST ALLOCATION (EXHIBIT 7)

L –VECC -33
Reference: E-L/T-1/pg. 1

a) In terms of the updating to the load profiles please identify those customer classes for which the load profiles used in the 2013 COS application were simply re-scaled to the new GWh load forecast versus those classes for which a “new” load profile was established.
b) For each of the customer classes in the latter case, please explain the basis for the “new” load profile.
a) Please explain why, contrary to Board policy (EB-2007-0667 Report, page 7) the proposed revenue to cost ratios for some customer classes are moving away from 100% over the test years.

Preamble: It is noted that in the Proposal's Cost Allocation models, the Meter Reading Tab (I-7.2) includes suite meters as well as smart meters for the Residential class – whereas the cost allocation used in the 2013 COSS Application included only smart meters.

b) Please explain how Power Stream forecast the number of Residential customers with smart meters as opposed to suite meters for each of the test years and provide the split for each year.

c) Please explain the change in meter reading categories used in Tab I7.2 as between the 2013 COSS Application and the current Proposal.

d) Please explain how the cost/unit for each of the different meter reading categories was established.

d) Please explain, for each customer class, how the number of meters by type as shown in Tab I-7.1 was translated into the number of meter reads by type shown in Tab I-7.2.

a) Please explain why the customer counts shown in Exhibit H/Tab 4/Table 7 don't match the customer counts in Tab I-6.2 of the cost allocation models.

b) There are also some slight discrepancies between the volumetric billing determinants shown in Table 6 and those used in the cost allocation models. Please reconcile.

c) Please explain why the number of meters by customer class used in the 2016-2020 Cost Allocation models (Tab I-7.1) does not equal the number of customers in each class as shown Table 7.
L. –VECC -37

a) Do all the buildings with PowerStream’s Residential suite metered customers utilize Power Stream’s transformers and secondary distribution system? If not, in Tab I-6.2, why are all the Residential customers assumed to be served using PowerStream’s transformers and secondary distribution system?
b) Please revise Tab I-6.2 of the 2016-2020 Cost Allocation models as necessary.

M. RATE DESIGN

M. –VECC -38
Reference:  E-M/T-4/pg. 1-2

a) With respect to the proposed LV charges, does PowerStream proposed to update these values to reflect any updates to HONI’s approved ST Rates or is it seeking to set the rates at those laid out in Table 3.

M. –VECC -39
Reference:  E-M/T-5/pg. 1-2

a) Please explain why PowerStream has used three years of historical data to calculate the loss factors as opposed five years as preferred by the Filing Guidelines (Section 2.11.9).

N. DEFERRAL AND VARIANCE ACCOUNTS

N. –VECC -40
Reference:  E-N/T-1/S-1/pg. 1 & 4

a) Please provide the detailed calculations supporting the $505.3 k LRAMVA total to be returned to customers and the allocation to customer classes. Note: As part of the response please provide any OPA/IESO evaluation reports regarding the actual CDM achieved for the years concerned and indicate how the results set out in the reports were translated into actual billing determinants by customer class.
N. –VECC -41
Reference:  E-N/T-1/S-1/paging. 1 & 4

a) What is the current status of the GS>50 TOU meter replacement program?
b) What are the expected balances for the proposed deferral account for each of the years 2015 through 2020?

N.-VECC-42
Reference:  All

a) How does PowerStream propose to address the proposed Board changes to the Distribution System Code affecting billing frequency?

End of document