

**Renfrew Hydro Inc.
2010 Electricity Distribution Rates
EB-2009-0146
Board Staff Interrogatories**

General

1. Filing Consistent Information

It would appear that certain data have been variously stated in the application such that it is unclear which values the Applicant is relying on and what the appropriate resultant rates should be.

If in addressing these interrogatories and those of VECC, any data is found to be inconsistently filed *and this affects the rates requested*, please file one complete consistent set of models, worksheets, data, etc. covering all key aspects of the application, in a manner that reflects Board current policies, guidelines, etc.

2. Responses to Letters of Comment

Following publication of the Notice of Application, has the Applicant received any letters of comment in respect of this application? If so, please confirm whether a reply was sent by the Applicant in response to such comments and if so, please file copies of such responses with the Board. If not, please explain why a response was not sent and confirm if the Applicant intends to respond and file a copy of the response if and when such response is given.

3. Late Filing

Board records show that the Applicant filed its application on May 28, 2010, after the April 30, 2010 closing date for 2010 cost of service rate applications as set out in the Board's April 20, 2010, letter: "Application for Rates for the 2010 Rate Year – Direction Regarding Filing."

Please provide a comprehensive explanation for the Applicant's four-week delay in filing its 2010 cost of service rate application.

Exhibit 1: Administrative Documents

4. Distribution System

Ref: Exhibit 1/2/2/p1

The Applicant states on page 1 of the exhibit that “RHI received its supply from Hydro One...” In Exhibit 3.1.2.1.p1 the Applicant states “Renfrew Hydro purchases its wholesale energy from an embedded generator and also from Hydro One...”

- a) Please provide details of the energy purchased from the embedded generator.
- b) Please identify the embedded generator.
- c) Please confirm that the energy purchased from the embedded generator has been appropriately reflected in the various calculations in the application or provide alternative calculations as necessary.

5. Proposed Rates

Ref: Exhibit 1/1/2/p2 and Exhibit 8/4/4/2/pp1-7

In the first referenced exhibit the Applicant provides select *summer* overall bill impacts. In the second referenced exhibit the Applicant provides additional *summer*, and separately *winter*, overall bill impacts.

For each customer class, please provide a comprehensive range of overall bill impacts encompassing the full year.

6. Budget Directives and Assumptions

Ref: Exhibit 1/4/5/1/p1

The Applicant states that distribution revenue was forecast using weather normalized volumes multiplied by “both current approved distribution rates and by proposed rates in order to project the revenue for the 2010 test year”.

Please explain the role(s) that the currently-approved distribution rates played in calculating the 2010 revenue and, in particular, state the weighting (i.e. number of months) if any, the currently-approved distribution rates were given in the 2010 revenue calculation.

Exhibit 2: Rate Base

7. Power Supply Expenses

Ref: Exhibit 2/1/1/1/p1, Exhibit 2.5.1.p2, Exhibit 3.1.3.pp1-2 and Exhibit 3.1.3.1.pp1-4.

The Applicant shows the Power Supply Expenses used in developing the Working Capital Allowance and outlines the methodology used.

Please provide detailed calculations in the form of a live Excel spreadsheet for the 2010 Power Supply Expenses forecast of \$8,709,166 showing, in particular, the utilization of the RPP and non-RPP volumes and rates, and support any assumptions made.

8. Asset Retirement

Ref: Exhibit 2/2/2/p1

In discussing its Asset Retirement Policy the Applicant states: "The only other planned asset retirements are for vehicles reaching the end of their typical useful life. One such retirement is expected in 2010." It is noted that in Exhibit 2.4.4.p2 that Renfrew typically replaces its large vehicles after 20 years of service. It is also noted that in Exhibit 2.4.3.pp4-5 that the existing digger/derrick is a 1986 model and a new digger/derrick is part of the 2009 capital investments.

- a) Please provide any supporting evidence that, in addition to its chronological age, the current digger/derrick needs to be replaced.
- b) Has the 2009 planned acquisition been made?

9. Depreciation

Ref: Exhibit 2/2/3/p1

In discussing its Depreciation Policy, the Applicant states: "For rate-setting purposes, Renfrew has applied the half-year rule for depreciation *retrospectively since the Board-approved balances for the 2006 EDR.*" [Emphasis added.]

Please elaborate on the retrospect reference and, in particular, any changes in Renfrew's depreciation policy or practices respecting the application of the half-year rule.

10. Capital Contributions

Ref: Exhibit 2/2/3/p1

In discussing its Capital Contribution Policy the Applicant states: "To date, Renfrew has maintained a legacy practice of recovering incremental costs for system expansions through charges recorded as revenue from jobbing, rather than capital contributions."

Please calculate the cumulative impact (since the 2006 EDR) on the 2010 rate base of using this legacy practice and estimate the impact on the 2010 revenue requirement were capital contributions included as an offset to rate base.

11. Fixed Assets

Ref: Exhibit 2/3/3/1/pp1-15

The Applicant provides details of its 2006 EDR approvals and the actual/planned capital expenditures in the 2006-2009 period.

Please provide any information available that compares the approved capital expenditures (i.e. OEB approved or Renfrew's Board of Directors approved) and the subsequent actual capital expenditures for each year in the 2006 to 2009 period and provide an explanation for the differences.

12. Fixed Assets

Ref: Exhibit 2/3/3/1/pp1-15

In this exhibit where the Applicant provides details of its 2006-2010 capital expenditures, the expenditures seem to be concentrated within certain accounts.

Please provide a copy of any strategic investment plan being pursued or, in the absence of such a document, comment on any such informal plan the Applicant may be following.

13. Gross Assets

Ref: Exhibit 2/3/1/1/p2

In this exhibit and in Exhibit 2.3.3.1.p12 the Applicant shows its 2009 capital expenditures to be \$633,656.

Please rationalize this value with the \$640,725 value shown in Exhibit 2.4.3.1.p1 and provide the 2009 actual value.

14. Working Capital Allowance

Ref: Exhibit 2/5/1/1/p1

The Applicant shows the 2009 and 2010 entries for the 4730-Rural Rate Assistance Expense account.

Please rationalize the sign difference between the 2009 and 2010 values.

15. Service Quality and Reliability

Ref: Exhibit 2/6/2/1/p1

In the Reliability Performance Measures table, the Applicant shows the 2007 CAIDI values for “All Interruptions” and “Excluding Loss of Supply” to be 1.53 and 2.08 respectively.

Please clarify why the “All Interruptions” value is less than the “Excluding Loss of Supply” value.

Exhibit 3: Loads, Customers – Throughput Revenue

16. Throughput and Distribution Revenue

Ref: Exhibit 3/2/1/1/pp1-3

In the exhibit, the 2010 tables appear to be consistently based on currently approved (i.e. 2009) rates.

Please provide the three pages of tables utilizing the proposed 2010 rates.

17. Load Forecasting and Weather Normalization Methodology

Ref: Exhibit 3/1/2/p1

The Applicant states that the forecast was completed using the NAC method “as the approach which yielded the most reasonable results given the data available”. Details of the methodology employed are contained in Attachment 1 of the exhibit.

- a) Please explain why the NAC was based on “the *average* of the most recent 5 years actual average use per customer” [emphasis added] and thus any trends in the data were excluded.
- b) Please provide the load forecast incorporating any trends in the data.

- c) Please confirm that the only data available to, and utilized by the Applicant, to convert actual historical load to weather normalized load were that provided by HONI as input of the 2006 informational cost study.
- d) Please explain what the Table 5 data “2004 H1 Retail NAC” were used for.

18. Load Forecasting and Weather Normalization Methodology

Ref: Exhibit 3/1/2/1/p2

In Attachment 1 it states: “Using a wholesale forecasting approach and allocating normalized wholesale consumption based on class historical shares *yields unusually pessimistic forecasts for the residential class in particular.*” [Emphasis added.]

- a) Please describe in detail the methodology employed that yielded these “unusually pessimistic” results.
- b) Please provide any mathematical expressions that were developed linking load and independent variables.
- c) Please provide the “unusually pessimistic” kWh/kW values forecasted.

19. Projected Power Supply Expenses

Ref: Exhibit 3/1/3/1/p3

The 2010 volume for Residential class is shown as 34,609,528 kWh.

Beginning with the Residential load forecast of 31,881,465 kWh in Exhibit 3/1/1/1/p1, please show the calculation of the 34,609,528 kWh value and explain any loss factors used.

20. Other Revenues

Ref: Exhibit 3/1/2/1/p2

In Exhibit 3/1/2/1/p2 the total Other Revenue is shown as \$141,527. In Exhibit 6/1/2/1/p1 the Revenue Offsets are shown as \$139,777.

Please differentiate between the Other Revenue and Revenue Offsets entities as used in this application and reconcile the two values quoted.

Exhibit 4: Operating Costs

21. OM&A Cost Drivers

Ref: Exhibit 4/2/1/3/p1

The OM&A Cost Driver Table shows the entry “Audit / Accounting / Tax filings” to be \$15,000 for 2010.

Please explain this entry.

22. Employee Costs

Ref: Exhibit 4/4/1/1/p1

The Employee Costs Table shows the average 2009 and 2010 Salary & Wages for Union staff to be \$56,704 and \$62,130 respectively.

Please confirm that this one-year increase is in the order of 9.6% and explain the circumstances that have led – or are expected to lead – to an increase of this magnitude.

23. Staff Levels

Ref: Exhibit 4/4/1/p1 and Exhibit 4/2/1/5/p1

Exhibit 4/4/1/p1 shows the headcount to be 10. Exhibit 4/2/1/5/p1 shows the Number of FTEEs for 2010 to be 12.

Please confirm that the headcount of 10 shown in Exhibit 4/4/1/p1 is for the year 2010 and reconcile this with the 12 FTEEs for the year 2010.

24. Purchases from Suppliers

Ref: Exhibit 4/6/1/1//p1

The “Table of Purchases by Supplier (2008)” provides the supplier, amount and method of deciding on the supplier and/or amount of the purchase.

Please explain in detail the meaning of “cost approach” and “contract” and describe any envisaged changes from the 2008 data provided to that expected in 2010.

Exhibit 6: Calculation of Revenue Deficiency or Surplus

25. Table of Revenue Deficiency or Surplus

Ref: Exhibit 6/2/1/1/p1

Total Net Revenues, OM&A Expenses and PILs/Income Taxes for 2010 are shown as \$1,732,221, \$1,171,594 and \$10,029 respectively. The apparently-same entities are shown elsewhere as \$1,757,554 (Exhibit 3/2/1/1/p2), \$1,149,829 (Exhibit 4/1/2/p1) and \$57,195 (Exhibit 4/8/3/1/p17) respectively.

Please differentiate between the apparently-same entities, reconcile the values and identify the values upon which the Applicant will rely.

Exhibit 9: Deferral and Variance Accounts

26. Regulatory Audit Bulletin – Account 1588

Ref: Exhibit 9

On October 15, 2009, the Board's Regulatory Audit & Accounting group issued a bulletin related to Regulatory Accounting & Reporting of Account 1588 RSVA Power and Account 1588 RSVA Power Sub-account Global Adjustment.

Please confirm whether the Applicant has complied with this bulletin and whether or not the Applicant plans on making any changes to its filing with respect to Account 1588.

27. Deferral / Variance Accounts

Ref: Exhibit 9/1/2/p2/lines 7-12

Account 1508 – The Applicant indicated that \$7K of the approximately \$59K for disposition is related to OEB assessment charges.

Please indicate if any of these amounts relate to periods after April 30, 2006. (According to Article 220 of the APH, "This account shall be used to record the difference between OEB costs assessments invoiced to the distributor for the Board's 2004/05 and 2005/06 (up to April 30, 2006) fiscal years and OEB costs assessments previously included in the distributors' rates.")

28. Deferral / Variance Accounts

Ref: Exhibit 9/1/2/1/pp5-6

The “Continuity Statements for Deferral/Variance Accounts”, pages 5 and 6 show under Jan 1/09 to April 30/09, and under May 1/ 09 to Dec. 31/09, a column titled “Other”.

- a) Please explain what these columns represent.
- b) How were the numbers in the column titled “Other” derived?

29. Allocation of Account 1590

Refs: Exhibit 9/2/1/1/p1

The Applicant proposes to dispose of account 1590 – Recovery of Regulatory Asset Balances. According to the “Report of the Board on Electricity Distributors’ Deferral and Variance Account Review Initiative (EDDVAR)” (EB-2008-0046), disposition of account 1590 is to be allocated to rate classes in proportion to the recovery share as established when rate riders were implemented.

- a) Please clarify if the Applicant has based the allocation on kWh.
- b) If a) is answered in the affirmative, please recalculate the rate rider using the default allocation factor as per the Board report EB-2008-0046.