



**PUBLIC INTEREST ADVOCACY CENTRE**  
**LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC**

**ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7**

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: [piac@piac.ca](mailto:piac@piac.ca). <http://www.piac.ca>

Michael Buonaguro  
Counsel for VECC  
(416) 767-1666

July 26, 2010

**VIA MAIL and E-MAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition  
EB-2009-0146  
Renfrew Hydro Inc. – 2010 Electricity Distribution Rate Application**

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

**RENFREW HYDRO INC. – 2010 RATE APPLICATION**

**(EB-2009-0146)**

**VECC'S INTERROGATORIES (ROUND #1)**

**GENERAL**

**Question #1**

**Reference:** Exhibit 1, Tab 1, Schedule 2, page 2 (lines 1-2)

- a) What is Renfrew's view as to the appropriate effective date for its proposed 2010 rates?

**Question #2**

**Reference:** Exhibit 1, Tab 2, Schedule 2, page 1  
OEB Staff IR #4

- a) Please comment on the total number of transformers installed at Renfrew's sub-stations and their overall capacity relative to the peak load requirements Renfrew is required to provide.
- b) As part of the response to OEB Staff #4, please indicate whether the two hydro-electric plants which are connected to Renfrew's distribution system are owned by Renfrew Power Generation Inc.?

**Question #3**

**Reference:** Exhibit 1, Tab 2, Schedule 4, page 1 and Attachment 1

- a) It appears that the Rental Agreement was entered into on or before November 2000. Please confirm whether this is the case.
- b) How were the market based rates for the rental agreement determined? When was the last time the appropriateness of the rental rates was assessed?

#### **Question #4**

**Reference:** Exhibit 1, Tab 4, Schedule 5, Attachment 2

- a) Please confirm that Renfrew has the necessary systems in place to track the PST amounts actually paid in the first six months of 2010.
- b) Please provide a schedule that sets out the actual capital spending and OM&A expense for 2008 and 2009 along with the actual PST amounts associated with each.

#### **RATE BASE**

#### **Question #5**

**Reference:** Exhibit 2, Tab 3, Schedule 1, Attachment 1, pages 1 - 2  
Exhibit 2, Tab 3, Schedule 3, Attachment 1, pages 10-15  
Exhibit 1, Tab 4, Schedule 5, Attachment 1, page 1

- a) If not done already, please update the Gross Asset Variance Tables and the Fixed Asset Continuity Statements for 2009 and 2010 to reflect actual 2009 capital spending.

#### **Question #6**

**Reference:** Exhibit 2, Tab 4, Schedule 3, Attachment 1, page 1

- a) Were all of the capital projects planned for 2009 completed as forecast (timing and budget)? If not please update the referenced schedule and indicate what projects (and spending) is forecast to be carried over to 2010.

#### **Question #7**

**Reference:** Exhibit 2, Tab 1, Schedule 1, Attachment 1, page 1  
Exhibit 2, Tab 3, Schedule 3, Attachment 1, page 15

- a) The opening and closing balances for 2010 net fixed assets reported in the first reference do not match those reported in the second reference. Please reconcile and update the requested 2010 rate base as necessary.

### **Question #8**

**Reference:** Exhibit 2, Tab 4, Schedule 2  
Exhibit 2, Tab 4, Schedule 3

- a) Please provide (in a single table) the 2004-2010 capital spending broken down as follows:
- Account 1808
  - Account 1820
  - Accounts 1830 & 1835
  - Accounts 1840 & 1845
  - Account 1850
  - Account 1855
  - Account 1860 (excluding smart meter spending recorded in deferral accounts)
  - Account 1915
  - Account 1920
  - Account 1930
  - Account 1935
  - Account 1940
- (Note: This listing should reflect all of the accounts where capital spending to be included in rate base is reported, if not please add any additional accounts as needed)

### **Question #9**

**Reference:** Exhibit 2, Tab 4, Schedule 4  
Exhibit 2, Tab 4, Schedule 3, Attachment 1, pages 1 & 2

- a) The first reference states that investment planning involves the identification and prioritization of potential capital projects. Please provide the initial list of potential capital projects identified for 2010 and explain why the proposed projects were prioritized to proceed in 2010.

### **Question #10**

**Reference:** Exhibit 2, Tab 4, Schedule 3

- a) Why is there no spending on Annual Meter Replacements and Upgrades in 2009?
- b) Why was there no spending on the Argyle Street rebuild in 2009 (i.e., there is spending in 2008 and then again in 2010)?

- c) Project 2010-09 is referred to as the third phase of a residential development. However, there does not appear to be any historic spending on this project in prior years. Please provide additional background on the development including the timing of past spending and the number of new services installed each year (up to 2010).
- d) Please explain why MS #2 is considered to be “undersized” for the application and the increase in “size” required.

### **Question #11**

**Reference:** Exhibit 2, Tab 5, Schedule 1, Attachment 1, page 1  
Exhibit 3, Tab 1, Schedule 3, Attachment 1  
OEB Staff IR #7

- a) Please provide a schedule that sets out for Renfrew’s actual 2009 billing determinants for Hydro One Networks’ Transmission Network charges. Using Hydro One Networks’ approved 2010 rate for Network charges, please include in the same schedule the charges from Hydro One Networks based on 2009 billings determinants and 2010 rates.
- b) Please provide a schedule that sets out for Renfrew’s actual 2009 billing determinants for Hydro One Networks’ Transmission Connection charges. Using Hydro One Networks’ approved 2010 rate for Connection charges, please include in the same schedule the charges from Hydro One Networks based on 2009 billings determinants and 2010 rates.
- c) Please reconcile the 2009 Power Supply Expenses reported in the first reference with those reported in the second (e.g. Transmission Network Charges of \$405,287 vs. \$449,140).

### **LOAD FORECAST & OPERATING REVENUE**

#### **Question #12**

**Reference:** Exhibit 3, Tab 1, Schedule 1 (including Attachment 1)

- a) Are the customer counts reported in Attachment 1 year-end or average annual values?
- b) Please confirm that the Attachment reflects the actual customer counts by class for 2009. If not, please update.
- c) In what year did the mall demolition referenced in Schedule 1 take place?

### **Question #13**

**Reference:** Exhibit 3, Tab 1, Schedule 2, Attachment 1 (Load Forecast Report)

- a) Page 2 explains that the wholesale forecasting approach was attempted for Renfrew but yielded unrealistic results. Please provide a schedule that sets out the actual annual Heating and Cooling degree days for 2005 to 2009 inclusive. In the same schedule please include the Heating and Cooling degree days associated with the Consultant's definition of "weather normal" and contrast with the average over these five historical years.
- b) Based on the Consultant's and Renfrew's understanding of the customer base will variations in Heating degree days or Cooling degree day have a greater effect on Renfrew's load?
- c) With respect to page 5, why is it reasonable to base the forecast customer count for the GS<50 and GS>50 customer classes on historic trends when, in both cases, discreet/unique events (e.g. a fire in 2009 and a mall demolition) have had a significant effect on the growth in customer count over this period?

### **Question #14**

**Reference:** Exhibit 3, Tab 2, Schedule 1, Attachment 1  
Exhibit 9, Tab 3, Schedule 2

- a) Please confirm that the fixed monthly charges for 2009 include \$0.26//month for the smart meter adder.
- b) If yes, please explain why the smart meter adder was included in the rates used to determine Net Distribution Revenue.
- c) Please provide revised schedules as necessary.

### **Question #15**

**Reference:** Exhibit 3, Tab 3, Schedule 1, Attachment 2, page 3  
Exhibit 2, Tab 2, Schedule 4, page 1  
Exhibit 2, Tab 4, Schedule 3, page 8

- a) Are there any Jobbing (Contributed Capital) revenues associated with the Mayhew Residential Phase 3 Development in 2010? If not, why not?
- b) If yes, are these revenues reflected in the revenues reported for Account #4325. If yes, why are the revenues for 2010 virtually the same as those for 2009?

### **OPERATING COSTS**

#### **Question #16**

**Reference:** Exhibit 4, Tab 2, Schedule 1, Attachment 3  
Exhibit 4, Tab 3, Schedule 1  
Exhibit 4, Tab 4, Schedule 1, Attachment 1

- a) Page 5 of the second reference indicates that an apprentice lineman was recruited in 2006 as part of Renfrew's succession plan.
  - Has the lineman this apprentice was hired to replace retired or is he still employed by Renfrew in 2010?
  - If retired by 2010, why was there no reference to this in the Cost Driver Explanation (first reference)?
  - If retired by 2010, where is this reflected in the year over year changes in union head count and wages in the third reference?
  - If not retired, when is this expected to occur?
- b) Page 3 of the second reference indicates that an additional apprentice lineman was recruited in 2008 to replace a lineman who went on permanent WSIB.
  - The Cost Driver explanation (first reference) includes the addition of the apprentice. Why does it not also include the transfer of the existing lineman to permanent WSIB as a cost offset for 2008 and/or 2009?
  - Please confirm whether the head counts and labour costs reported in the third reference include the lineman transferred to WSIB.
- c) How many apprentices does Renfrew have in 2010?

### **Question #17**

**Reference:** Exhibit 4, Tab 2, Schedule 1, Attachment 4

- a) The costs of an annual IRM filing in 2011-2013 are estimated at \$25,000. However, total regulatory costs for 2008 were only \$11,361. Please reconcile.
- b) What external costs did Renfrew incur in the preparation of its IRM Applications for 2008 and 2009 Rates?

### **Question #18**

**Reference:** Exhibit 4, Tab 2, Schedule 2

- a) Why are the costs associated with the transition to IFRS not recorded in a deferral account as per Board Report – EB-2008-0408, page 43?

### **Question #19**

**Reference:** Exhibit 4, Tab 5, Schedule 1  
Exhibit 1, Tab 2, Schedule 4

- a) The second reference indicates that:
  - Renfrew Hydro provides streetlight and traffic light maintenance services to the Town of Renfrew.
  - Renfrew Hydro rents garage, office and storage space from its affiliate – Renfrew Power Generation Inc.Are these all the service transactions (apart from the sale/purchase of power) that Renfrew is expected to have with its affiliates in 2010?
- b) If not please provide a table listing the additional services, the service provider, the service recipient, the 2010 value of the transaction and the basis for the pricing.
- c) The second paragraph of the second reference suggests that services are “priced” based on allocated costs. However, the next paragraph states they are priced using a “market-based pricing methodology”. Please provide additional information as to precisely how the prices for the services provided are established.
- d) Does Renfrew have a Service Agreement with the Town for the services provided? If yes, please provide. If not, why not?



### **Question #20**

**Reference:** Exhibit 4, Tab 8, Schedule 3, Attachment 1

- a) Is Renfrew eligible for any federal or provincial apprenticeship/training tax credits in 2010? If yes, have they been included in the tax calculations? If no, why not given Renfrew has one or more apprentices in 2010.

### **COST ALLOCATION**

#### **Question #21**

**Reference:** Exhibit 7, Tab 1, Schedule 1, Attachment 1

- a) With respect to page 11, please file a schedule that sets out the 2010 revenue to cost ratios for each class assuming that the 2009 rates were all increased by the same percentage sufficient to recover the requested Base Distribution Revenue Requirement.
- b) If the calculation of 2010 revenue at 2009 rates used fixed monthly charges that included the smart meter adder (see Question # 14), please re-do the 2010 Cost Allocation using distribution revenues by customer class that are based on 2009 rates that exclude the smart meter adder.
- c) Please re-do part (a) using the results from part (b) as the starting point.

#### **Question #22**

**Reference:** Exhibit 7, Tab 1, Schedule 2

- a) Renfrew's rationale for setting the target ratio for GS<50 at 100% (per page 1) is that this permits the ratio for the Residential class to be reduced to within the range prescribed by the Board. Why did Renfrew choose to increase the ratio for GS<50 (which is already at 96%) as opposed to further increasing the ratios for GS>50, Street Lighting and USL all of which are being moved upwards to no more than 80%?

#### **Question #23**

**Reference:** Exhibit 7, Tab 1, Schedule 2, Attachment 1, page 1

- a) Please confirm that the revenues by customer class used to calculate the Outstanding Base Revenue Requirement % - Existing Rates (e.g. Residential

– 58.19%) are based on 2009 rates that included the LV adder and did not allow for the fact some GS>50 customers receive a transformer ownership discount.

- b) Please recalculate the percentages referenced in part (a) using the Net Distribution Revenue by Class as set out in Exhibit 3/Tab 2/Schedule 1/Attachment 1, page 2 for 2010 at 2009 rates.
- c) Renfrew claims that its proposal reduces the revenue to cost ratio for the Residential class in 2010 relative to current rates. However, this schedule indicates that the Residential revenues collected under proposal will be 59.01% in 2010 as opposed to 58.19% at existing 2009 rates – which is an increase in revenue responsibility for 2010. Please reconcile.

## **RATE DESIGN**

### **Question #24**

**Reference:** Exhibit 8, Tab 1, Schedule 1

- a) Please confirm that the monthly rates used to determine the fixed variable splits in Table 2 included the smart meter rate adder. If yes, please re-do the Table with the smart meter rate adder excluded.

### **Question #25**

**Reference:** Exhibit 8, Tab 2, Schedule 1

- a) What are the maximum upper boundaries for the fixed charge for the Residential, GS<50 and GS>50 classes as established by the 2010 Cost Allocation?
- b) Please explain why the Rate Application fixed charges for Street Lighting and USL shown Attachment 1, page 1 and Attachment 2, page 1 are not the same (e.g. for USL - \$30.51 vs. \$29.97).
- c) With respect to the second paragraph on page 1, why were the fixed charges not derived in a manner consistent with the Board's findings in other rate applications? What would the services charges for USL and Street Lighting be using this approach? Please provide the supporting calculations.
- d) Please explain why the resulting variable rates for each customer class shown in Attachment 1, page 1 don't match those in Attachment 2 (e.g., for Residential - \$0.0159 vs. \$0.0161).

- e) Please set out the allocated revenues by class used to derive the “resulting usage rates” in Attachment 1.
- f) Please reconcile the total allocated revenues by class in Attachment 2 (\$2,057,046) with the Gross Base Revenue figure shown in Exhibit 8, Tab 4, Schedule 2 (\$2,042,813).

**Question #26**

**Reference:** Exhibit 8, Tab 3, Schedule 1, Attachment 2

- a) Please provide the derivation of the 18.3% and 7.91% 2010 increases in HON’s RTSR rates for Network and Connection.

**Question #27**

**Reference:** Exhibit 8, Tab 3, Schedule 2, Attachment 1

- a) Please provide the derivation of the 1.8% 2010 load increase adjustment factor.

**Question #28**

**Reference:** Exhibit 8, Tab 3, Schedule 3, Attachment 1

- a) What is the basis for the 1.034 Supply Facility Loss Factor?

**DEFERRAL AND VARIANCE ACCOUNTS**

**Question #29**

**Reference:** Exhibit 9, Tab 1, Schedule 1, page 3

- a) Exhibit 4, Tab 2, Schedule 1, page 1 shows the elimination of PST from OM&A expenditures for 2010. Please indicate where in the Application the removal of PST from capital spending is set out.

## **SMART METERS**

### **Question #30**

**Reference:** Exhibit 9, Exhibit 3, Schedule 1, Attachment 1, page 1

- a) What is the basis for the \$62,500 in incremental OM&A cost for smart meters in 2010?
- b) Please provide more details basis for the forecast capital cost of \$514,358 for Renfrew's smart meters.
- c) Does Renfrew expect there to be a difference in the smart meter unit capital cost or unit OM&A cost for the Residential vs. GS<50 and Other? If yes, please provide the unit capital and/or OM&A costs for each class.
- d) Please reconcile the 2010 funding adder revenues shown here (\$13,020) with the 2010 smart meter revenue requirement of \$102,694 used to determine the proposed 2010 funding adder.

### **Question #31**

**Reference:** Exhibit 9, Tab 3, Schedule 2

- a) Renfrew's request for a utility-specific smart meter adder does not include all of the information required in accordance with the Board's G-2008-0002 Guideline (pages 10-11). Please provide the required support information.
- b) Have the projected 2010 smart meter costs been adjusted to account for the introduction of HST?