



PUBLIC INTEREST ADVOCACY CENTRE
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April 19, 2013

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: EB-2012-0165 Sioux Lookout Hydro Inc.

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

Yours truly,

Michael Janigan
Counsel for VECC

Encl.

cc. Sioux Lookout Hydro
Attn: Deanne Kulchyski
dkulchyski@tbaytel.net

| | |
|--------------------------------------|---|
| REQUESTOR NAME | VECC |
| INFORMATION REQUEST ROUND NO: | # 1 |
| TO: | Sioux Lookout Hydro Inc. (Sioux Lookout or SLH) |
| DATE: | April 19, 2012 |
| CASE NO: | EB-2012-0165 |
| APPLICATION NAME | 2013 Cost of Service Electricity Distribution Rate Application |

1. GENERAL (Exhibit 1)

1.0-VECC- 1 Reference: Exhibits All

- a) Please provide a tracking sheet (table) showing all adjustments arising from the interrogatories (include Reference IR #.; Item description; area of change, i.e. return on capital/rate base/working capital allowance/amortization/PILS/OM&A/ etc.).
- b) Please update the RRWF Excel Live spread sheet for all interrogatory adjustments.

2. RATE BASE (Exhibit 2)

2.0 – VECC – 2

Reference: Exhibit 2, Tab 3, Schedule 1, pg. 1

- a) Please confirm that there are no streetlight assets included in the 2012 and 2013 Continuity schedules.

2.0 – VECC – 3

Reference: Exhibit 2, Tab 3, Schedule 2, pg. 18.

- a) If Table 2.17 - 2012 Capital Budget - is a forecast, then please update the Table for the 2012 actuals (unaudited if audited not available).
- b) Please update Appendix 2-A (Excel Spreadsheet Chapter2_Appendices_ V1.1_ 20130304) for actual 2012 project completions.

- c) Please updated Table 2.18- 2013 Capital Budget - and Appendix 2-A, for any changes in the 2013 capital budget due to actual 2012 project completions.

2.0 – VECC – 4

Reference: Exhibit 2, Tab 2, Schedule 1, pg. 6-8

- a) Please update the 2012 and 2013 Fixed Asset Continuity Statements for actual 2012 assets (Tables 2.6 and 2.7).

2.0 – VECC – 5

Reference: Exhibit 2, Tab 3, Schedule 2, pg. 23

- a) Please provide the expected capital contribution for the 2013 Project #40 – Sturgeon River Submarine Cable. If no contribution was sought please explain why not.
- b) The evidence states Ontario Hydro (Hydro One) installed the original cable. When did the customer become a ratepayer of SLHI? What conditions, compensation or other agreements were made between Hydro One and SLHI when this customer was transferred to the local utility.
- c) What rate class is this customer?

2.0 – VECC – 6

Reference: Exhibit 2, Tab 3, Schedule 3

- a) Table 2.30 which shows the 2013 Capital expenditure forecast from the Asset Management plan (also shown at Table 10, pg. 22 of the Asset Management Plan) is significantly higher (\$317,941) then the proposed forecast (\$227,940). Please explain the difference.

2.0 – VECC – 7

Reference: Exhibit 2, Tab 3, Schedule 3/Exhibit 4, Tab 2, Schedule 1, pg.4

- a) SLHI states it does monthly billing. The most recent Lead-Lag studies from Utilities who also use monthly billing have shown a working

capital allowance requirement on between 11 and 12% (See London Hydro EB-2012-0380). Please explain why it would not be appropriate to use a lower working capital allowance given SLHI bills monthly.

2.0 – VECC – 8

Reference: Exhibit 2, Appendix 2-A, Table 4, pg. 7/Exhibit 2, Appendix 2-D

- a) Please update Table 4 to show 2012 SAIFI, SAIDI and CAIDI statistics with and without supply loss.
- b) Please fill out the attached table (or similar table which SLHI may use internally) which shows the causes of outages.

| Description | 2009 Totals | 2010 Totals | 2011 Totals | 2012 Totals |
|------------------------------|----------------|----------------|----------------|----------------|
| Scheduled | | | | |
| Supply Loss | | | | |
| Tree Contact | | | | |
| Lightning | | | | |
| Def. Equip.(other than pole) | | | | |
| Pole Failure | | | | |
| Weather | | | | |
| Human Element | | | | |
| Animals, Vehicle | | | | |
| Environment | | | | |
| Unknown | | | | |
| Total | | | | |

2.0 – VECC – 9

Reference: Exhibit 2, Appendix 2-A, Table 4, pg. 7

- a) At page 28 of the Asset Management plan it identifies the need for IT investments. However, the 2013 capital budget appears to have no new computer hardware or software investments. Please explain the discrepancy?

Green Energy Plan

2.0 – VECC – 10

Reference: Exhibit 2, Tab 6, Schedule 1, pg. 1/Exhibit 2, Appendix 2-B

- a) Please provide the capital and OM&A (separately) costs of the GEA plan for 2012 through 2016.

3. LOAD FORECAST/OPERATING REVENUE (Exhibit 3)

3.0-VECC – 11

Reference: Exhibit 3, Tab 2, Schedule 1, pages 7-10

- a) Is the 2011 Fall Update the most recent publication available from the Ontario Ministry of Finance with actual forecast GDP data for 2011-2013?
- b) If a more recent Outlook and Fiscal Review update is available please provide a schedule contrasting the Ontario Real GDP growth rates for 2011, 2012 and 2013 used in the Application with the more current information.
- c) If there is updated information, please update both the regression model using the new 2011 data and the forecasts for 2012 and 2013 using the new GDP forecasts.

3.0-VECC – 12

Reference: Exhibit 3, Tab 2, Schedule 1, pages 7-10

- a) Please re-estimate the regression model and provide the results per Table 3.5 but instead of using total purchases, use total purchases less sales to the pulp mill as the variable to be explained and exclude the “Pulp Mill Flag” as an explanatory variable. (Note: For purposes of this exercise please use the same data as was used to estimate the regression equation in the Application)
- b) Based on the results for part (a) please provide a forecast for 2012 and 2013 purchases using the same forecast for the independent variables as in the Application.

3.0-VECC – 13

Reference: Exhibit 3, Tab 2, Schedule 1, page 11

- a) Please provide the actual 2012 year-end customer count and average 2012 customer count for each rate class.

3.0-VECC – 14

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

- a) Please provide a copy of the OPA's final 2011 CDM Report for SLHI.

3.0-VECC – 15

**Reference: Exhibit 3, Tab 3, Schedule 3
Appendix 2-F**

- a) Please provide the actual Other Revenue for 2012 in the same format as Appendix 2-F.

4. OPERATING COSTS (Exhibit 4)

4.0 - VECC- 16

Reference: Exhibit 2, Appendix 2-A / Exhibit 4, Tab 1, Schedule 1, pg.3

- a) The Operation and Maintenance Expenses shown at Table 11 at page 23 of the Asset Management are significantly lower than the forecast 2012 and 2013 equivalent budgets (2012 - \$677,652 vs. \$905,256 and \$705,219 vs. \$829,968). Please explain this discrepancy.

4.0 - VECC- 17

Reference: Exhibit 4, Tab 1, Schedule 1, pg.4

- a) The OEB cohort of similar utilities to SLHI include: Atikokan Hydro; Chapleau Public Utilities; Espanola Regional Hydro; Fort Francis Power; Kenora Hydro and Hearst Power. Using the OEB's most recent 2011 Electricity Yearbook statistics please compile a table similar to Table 4.10 which compares SLHI 's OM&A per customer to these utilities.

4.0 - VECC- 18

Reference: Exhibit 4, Tab 1, Schedule 1, pg. 6

- a) Please explain why SLHI believes it is appropriate to collect the \$84,746 in HR expenses over four years (rather than simply expensing the entire amount in 2012)?

4.0 - VECC- 19

Reference: Exhibit 4, Tab 2, Schedule 3, pg. 5

- a) Please provide the actual consulting costs to-date for the 2013 rate application (include outstanding invoices).

4.0 - VECC- 20

Reference: Exhibit 4, Tab 2, Schedule 3, pgs. 1-3

- a) Please provide the breakdown and comparison of costs in account 5315 (Customer Billing) for 2008 vs. 2013.

4.0 - VECC- 23

Reference: Exhibit 4, Tab 2, Schedule 3, pg. 1

- a) Please describe/show the methodology used to estimate the bad debt expense (account 5335) of \$20,000.
- b) What was the actual bad debt expense in 2012?

4.0 - VECC- 25

Reference: Exhibit 4, Tab 1, Schedule 5

- a) Please provide association fees paid to the EDA for each of the years 2008 through 2013 (forecast).
- b) Separately provide and describe the cost of all other association memberships.

4.0 - VECC- 26

Reference: Exhibit 4, Tab 2

- a) Does SLHI purchase property or other insurance from the MEARIE Group? If yes please provide a description of the insurance coverage and the premiums paid in each year 2008 through 2013 (forecast).
- b) If yes, was this product acquired as a sole source contract or by competitive tender.

4.0 - VECC- 27

Reference: Exhibit 4, Tab 2, Schedule 4, pg.1

- a) Please provide an update as to the negotiation of the Power Work Union contract. If a final agreement has been reached please provide the annual wage increase agreed to.

4.0 - VECC- 28

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

- a) Please confirm that one full time apprentice lineman is being employed for succession planning.
- b) When does SLHI expect the position for which this apprentice was hired to become vacant (the incumbent retire)?

4.0 - VECC- 29

Reference: Exhibit 4, Tab 2, Schedule 14, pg. 5

- a) The evidence states the former meter reader was retained after the work for this job was eliminated due to smart meters. The new position was classified as a Groundsman. Please explain what this position is responsible for and who did this work prior to this change.

5. COST OF CAPITAL (Exhibit 5)

4.0 - VECC- 30

Reference: Exhibit 5, Tab 1, Schedule 2

- a) Please update Table 5.1 (and RRWF) for the Board's cost of capital update of February 14, 2013 (see also Board Staff IR # 23).

5.0 - VECC- 31

Reference: Exhibit 5, Tab 1

- a) Please provide the actual and deemed rates of return on equity and capital for each of the years 2009 through 2012.

6. REVENUE DEFICIENCY – No questions

7. COST ALLOCATION (Exhibit 7)

7.0-VECC – 32

Reference: Exhibit 7, Schedule 1, page 2

- a) Please confirm that for classes other than Residential, GS<50 and GS>50 the customers are required to own and maintain the service assets.
- b) If this is not the case, please explain why there are no Services weighting factors for these classes.

7.0-VECC – 33

Reference: Exhibit 7, Schedule 2, page 3

- a) The Application states that the revenue to cost ratio for Street Lighting is being reduced to 75% (from 83%) to reduce rate impacts. However, the Bill Impacts provided in Appendix 2-W indicate that the bill impact for Street Lighting is roughly 2.5% - less than the 6.5% impact for Residential. Please explain more fully, why the Street Lighting ratio needs to be decreased in order to address bill impacts.

7.0-VECC – 34

Reference: Exhibit 7, Schedule 2, page 3

- a) Please calculate the common revenue to cost ratio for Street Lighting and USL that will maintain the proposed revenue requirement assuming that:
 - The Residential ratio is maintained at 90.31%,
 - GS<50 is maintained at 115.16%, and
 - GS 50-4999 is reduced to 120%.

8.0 RATE DESIGN (Exhibit 8)

8.0-VECC – 35

Reference: Exhibit 8, Schedule 1, pages 2-4

- a) Please recalculate the fixed-variable split for GS 50-4999 with the variable revenues reduced by the transformer ownership discount.
- b) Using the results from part (a), please calculate the resulting monthly and variable charges for GS 50-4999 prior to any adjustment for the transformer allowance.

8.0-VECC – 36

Reference: Exhibit 8, Schedule 1, page 6

- a) What were the actual HVDS billing kW for 2011 and 2012?
- b) What were the actual purchased power values for 2011 and 2012?
- c) What is the 2013 forecast purchased power?

9. DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)

9.0-VECC- 37

Reference: Exhibit 9, Tab 3, Schedule 1/Board Staff IR 27

- a) As noted in Board Staff interrogatory 27 the Board requires a cost causality methodology for disposition of stranded meter costs. Three allocation methods have been used by other utilities: (1) actual class specific meter; (2) use of the last approved cost allocation study; (3) class specific smart meter costs as a proxy for stranded meter class specific costs.

- b) Please comment on which methodology SLHI believes would be most appropriate.
- c) Please provide a stranded meter rider using the installed class specific cost of smart meters as a proxy for class specific stranded meter costs

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