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Ontario

BY E-MAIL

May 23, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Sioux Lookout Hydro Inc. ("SLHI")
2013 Electricity Distribution Rates
Board Staff Supplementary Interrogatories
Board File No. EB-2012-0165

In accordance with Procedural Order No. 2, please find attached Board Staff interrogatories in the above proceeding. Please forward the following to SLHI and to all other registered parties to this proceeding.

In addition please advise SLHI that responses to interrogatories are due by June 5, 2013.

Yours truly,

Original Signed By

Suresh Advani

Encl.

Sioux Lookout Hydro Inc. ("SLHI")
2013 Electricity Distribution Rates
EB-2012-0165
Board Staff Supplementary Interrogatories

Exhibit 2

2-Staff-33s – Gross Fixed Assets

Ref: 2-VECC-12
Ref: Updated Revenue Requirement Work Form/Tab 3

Board staff notes that resulting from the interrogatory process, the Net Fixed Assets (Average) component of Rate Base is adjusted upwards by $44,641.

a) Please identify and provide in summary form the components causing the upward adjustment.

Exhibit 3

3-Staff-34s – Load Forecasting

Ref: 3-Staff-11, 3-VECC-11, 3-VECC-12

Please provide a regression analysis with the following specifications:

- No intercept;
- Use of most recent Fall 2012 outlook from the Ontario Ministry of Finance for Ontario GDP;
- Exclusion of "Pulp Mill Flag"; and
- Dependent variable adjusted to exclude the loss-adjusted pulp mill consumption.

a) Please provide all regression results, including the MAPE based on monthly residuals and actuals.

b) Please provide the plot of monthly actuals against predicted, in the same format as provided in 3-Staff-11 c).

3-Staff-35s – Unmetered Scattered Load

Ref: 3-Staff-12, Exhibit 7, Exhibit 8

In response to interrogatory 3-Staff-12, SLHI explained that the decline in USL connections is a result of installing meters for these loads.

a) What class of customer are the converted metered USL connections now categorized as (e.g. as GS < 50 kW)?

b) SLHI states that it has one unmetered USL connection remaining in service in 2013.

   i. Does SLHI have plans to meter this remaining connection?
   ii. What is SLHI's policy with respect to metering any new USL connections that might be requested in the future?

3-Staff-36s – CDM Adjustment

Ref: 3-Staff-13, Exhibit 4/Appendix 4D

In the response to 3-Staff-13 part c), SLHI states:

> Sioux Lookout Hydro agrees with the methodology used to determine the CDM savings that will underlie the 2013 CDM amount for the LRAMVA. *With regards to the manual CDM adjustment for the 2013 test year load forecast, Sioux Lookout Hydro submits it should be a value that represents the net level since this is consistent with 2013 cost of service settlement agreements to date.* In addition, the 2011 value should not be included in the manual CDM adjustment. The results of the 2011 programs and how they persist into 2013 have been reflected in the actual 2011 power purchases used in the regression analysis. In Sioux Lookout Hydro's view to include the 2011 value in the manual CDM adjustment would be a double count. With regards to the 2013 value used in the manual CDM adjustment, Sioux Lookout Hydro is concerned with using the "half year rule" *since it is Sioux Lookout Hydro's understanding that there should be consistent treatment on how the load*

forecast is adjusted and how the LRAMVA threshold is determined. Since a full year amount is used in the LRAMVA threshold calculation for 2013 then a full year for 2013 should be used in the manual CDM adjustment. [Emphasis added]

a) What is the basis for SLHI's "understanding that there should be consistent treatment on how the load forecast is adjusted and how the LRAMVA threshold is determined."

b) The Tab "Methodology" of Exhibit 4/Appendix 4-D states has the following statement with respect to OPA-reported results: "All savings are annualized (i.e. the savings are the same regardless of time of year a project was completed or measure installed)". In other words, the reported results assume that the program was fully in place from January 1 to December 31. In reality, a given year's CDM program will be implemented at some point in the year, and the savings will begin to be realized as customers take advantage and implement the savings initiatives. In other words, the impact of the 2013 CDM programs on the 2013 consumption and demand will not reflect the full "annualized" savings in 2013. Please provide further explanation as to why SLHI believes that that the full year 2013 CDM savings should be used for the adjustment.

Exhibit 4

4-Staff-37s – Inflation

Ref: 4-Staff-15

SLHI states that it relied on the update released by the Board on March 13, 2012, and that the non-labour inflation, except where increases are directly known, is 2%.

a) Please confirm that the Board update referred to is the annual 2011 GDP-IPI change issued by the Board for 2012 IRM applications with May 1, 2012 effective dates. If not, please explain.

4-Staff-38s – Depreciation Expense

Ref: 4-Staff-14, Table 4.74
Ref: Exhibit 2, Tab 5, Schedule 4, page 3, Table 2.54

In the pre-filed evidence Sioux Lookout provided Table 2.54: "Variance Account 1576 - in relation to PP&E Changes under CGAAP" which showed that a credit adjustment of ($24,722) to 2013 Depreciation Expense was made to clear Account 1576.

In the response to updated Table 4.74 for IR 4-Staff-14, Sioux Lookout provided an updated adjustment to 2013 Depreciation Expense to clear Account 1576 – a credit adjustment to depreciation expense of ($26,188).

An updated Table 2.54 was not provided with the response to IR 4-Staff-14 which showed the derivation of the updated adjustment to 2013 Depreciation Expense to clear Account 1576.

a) Please provide an updated Table 2.54 that shows the derivation of the updated adjustment to 2013 Depreciation Expense to clear Account 1576 – a credit adjustment to depreciation expense of ($26,188).

4-Staff-39s – Depreciation Expense

Ref: 4-Staff-14
Ref: Exhibit 4, Tab 2, Schedule 7, page 2, Table 4.70
Ref: Updated Appendix 2-CG

Board staff notes that resulting from the interrogatory process, the 2012 Bridge Year MCGAAP Amortization Expense in cell K54 of the updated Appendix 2-CG has changed from $349,497 (initial application) to $349,947.

a) Please provide an updated Table 4.70 to reflect this change.

4-Staff-40s – PILs

Ref: Income Tax/PILs Work Form for 2013 Filers
Ref: Exhibit 4, Tab 3, Schedule 1
Ref: Tab 9 of updated Revenue Requirement Work Form ("RRWF")

SLHI did not file updated PILs evidence in its response to interrogatories. As a result of updating other evidence through the interrogatory phase of this proceeding, SLHI appears to have updated the amount of PILs it is proposing to recover in rates from $11,066 to $22,680, as indicated in the updated RRWF.

a) Please update the Income Tax/PILs Work Form, Exhibit 4/Tab 3/Schedule 1, and any other applicable evidence for any changes required to the amount of PILs SLHI is proposing to recover in rates.

4-Staff-41s – One-time Cost/HR Expense

Ref: 4-VECC-18,
Ref: Exhibit 4, Tab 1, Schedule 1, page 6
Ref: Exhibit 4, Tab 2, Schedule 4, page 5

a) Is the $84,746 one-time HR expense incurred in 2012 and referenced in 4-VECC-18 related to the severance package paid to the employee (lineman) who left the company in 2012?

Exhibit 6

6-Staff-42s – Revenue Requirement

Ref: Updated Revenue Requirement Work Form/Tab 8 and Tab 9

Board staff notes that through the interrogatory process, the Revenue Requirement (Service and Base) is adjusted upwards by $35,935.

a) Please identify and provide in summary form the components causing the upward adjustment.

Exhibit 8

8-Staff-43s – Loss Factors

Ref: 8-Staff-25

Ref: Exhibit 8, Schedule 1, page 12

Board staff understands from SLHI's response to Board staff interrogatory 8-Staff-25 that in its 2008 cost-of-service application, SLHI's approved Total Loss Factor ("TLF") of 1.0642 (6.42%) was labeled in error as TLF, when in fact it was SLHI's Distribution Loss Factor ("DLF") based on an average of distribution losses for the 2002 to 2006 period. Board staff further understands that based on this explanation, SLHI has achieved a reduction of 1.03% in line losses in the past five years.

a) Given that the DLF component of SLHI's proposed TLF of 1.0897 (8.97%) at 1.0539 (5.39%) exceeds 5%, please explain what mitigating actions SLHI plans to take going forward to achieve further reductions in line losses.

Exhibit 9

9-Staff-44s – Stranded Meters

Ref: 9-Staff-27

Sheet I7.1 from SLHI's 2007 Cost Allocation model shows a relative capital weighted meter cost of 1.08 for the GS < 50 kW class, compared to a Residential CWMC index of 1. This indicates that the cost of a conventional meter for the GS < 50 kW class was slightly higher than that for the Residential class, indicating a slightly higher incidence of polyphase meters. All else being equal, this would suggest that the NBV for a stranded conventional meter for the GS < 50 kW class would also be higher than that for the Residential class and, hence, the SMRR for the GS < 50 kW class should be higher than that for the Residential SMRR for the same recovery period.

SLHI's proposal is for a Residential SMRR of $2.83/month and $2.63/month for GS < 50 kW customers, with recovery for both being over two years.

The response to part d) of 9-Staff-27 provides alternative calculations that would result in a Residential SMRR of $2.74/month and a GS < 50 kW SMRR of $3.24/month.

a) Please provide SLHI's views of the preference for and appropriateness of its SMRRs as originally proposed and the alternatives calculated in response to 9-Staff-27 d).