

ECONALYSIS CONSULTING SERVICES
34 KING STREET EAST, SUITE 630, TORONTO,
ONTARIO M5C 2X8
www.econalysis.ca

July 18, 2018

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St.
Toronto, ON

Dear Ms. Walli:

**Re: EB-2017-0071 – PUC Distribution Interrogatories
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

Please find the attached interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark Garner

Consultant for VECC

Email copy:

Mr. Andrew Belsito, Regulatory Affairs : andrew.belsito@smpuc.com

Mr. John Vellone, Borden Ladner Gervais LLP: jvellone@blg.com

REQUESTOR NAME	VECC
TO:	PUC Distribution Inc. (PUC)
DATE:	July 17, 2018
CASE NO:	EB-2017-0071
APPLICATION NAME	2018 COS Application

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: E1/page 17

- a) Please provide the Focused Management Resource (FMR) Study.

1.0-VECC-2

Reference: E1/page 18

- a) For the Productivity Initiatives listed in Table 1.5 please show the estimated annual OM&A savings associated with each initiative.

1.0-VECC-3

Reference: Exhibit 1, pages 20-21

- a) PUC Distribution remains one of the last utilities in Ontario operating as a “virtual utility”. Given that the additional layer of corporate structure adds some additional administrative costs (for example the requirement to have an maintain a Management Services Agreement), how does this corporate structure provides a net benefit, as opposed to net cost, for PUC Distribution ratepayers.
- b) Has PUC considered changing to a more traditional corporate structure in light of the changes in legislation and regulatory requirements since the original establishment of the virtual utility? Please explain why or why not.

1.0-VECC-4

Reference: Exhibit 1, Appendix 4

- a) Please provide the 2017 Scorecard.

1.0-VECC- 5

Reference: Exhibit 1, Appendix 1 – Management Services Agreement

- a) Please confirm that pursuant to Section 3.1 of the Agreement PUC Distribution may next terminate the Agreement in 2022. If this is not the correct date please provide the earliest date at which PUC Distribution may terminate the Management Agreement without penalty.

1-VECC-6

Reference: Exhibit 1, Appendix 6 / Financial Statements 2013

- a) Please explain the nature of the proceeds for the sale of property of \$1.44 million in 2013.

1-VECC-7

Reference: Exhibit 1 / Appendix 8

- a) Please explain why PUC Distribution stopped publishing an annual report in 2013.

1-VECC-8

Reference: Exhibit 1, Appendix 11

- a) Is the Vulnerable Person Registry funded by PUC Distribution? If yes, please provide the annual cost of that program.
- b) What is the annual operating cost of the Customer Connect program?

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC -9

Reference: Exhibit 2, page 9

- a) Please confirm that the new operating centre construction was \$1,861,476 over budget.
- b) Please provide a table showing the major cost categories of the new building showing the original budget and the actual costs.

2.0-VECC-10

Reference: Exhibit 2, page 8

- a) Are the costs of the Transmission related asset recovered in distribution rates or does PUC file for recovery under the UTR rate setting process of the OEB?
- a) In the prior cost of service application(s) were any capital or operating costs related to transmission assets included in the derivation of the revenue requirement. If not, please provide the incremental costs in 2018 for both capital programs and OM&A related costs.

2.0-VECC-11

Reference: Exhibit 2, page 67, Table 2-27

- a) Please provide the total number of interruptions, customer interruptions and hours of interruption for each year 2012 to 2017 by cause code and excluding those caused by loss of supply.

2.0-VECC-12

Reference: Exhibit 2, page 51, Table 2-21

- a) Please update Table 2-21 to include 2017 actual results.

2.0-VECC-13

Reference: Exhibit 2, page 55-56

- a) PUC Distribution states it has “procured a population of remote disconnection meters.” Please explain whether any of these meters are installed on residential premises and under what circumstances.

2.0-VECC-14

Reference: Exhibit 2, Appendix E, Needs Assessment Report 2014

- a) Please identify any material projects and their estimated costs that are being undertaken over the 2018 to 2022 period as a requirement of the 2014 Needs Assessment Report.

2.0-VECC-15

Reference: Exhibit 2, page 42 & Exhibit 2, Appendix B, Metsco ACA, page 7

The Tables below show PUC's proposed capital expenditure plan and (below) the capital expenditure plan recommended by METSCO in its 2016 Asset Condition Assessment.

CATEGORY	Forecast Period (planned)					
	2017	2018	2019	2020	2021	2022
	\$ '000					
System Access	1,271	1,511	1,615	2,086	1,604	1,560
System Renewal	3,372	3,761	6,906	3,296	4,533	7,093
System Service	38	-	-	-	-	-
General Plant	-	86	55	62	60	55
TOTAL EXPENDITURE	4,682	5,358	8,576	5,445	6,197	8,708
System O&M	\$ 5,857	\$ 6,213	\$ 6,337	\$ 6,464	\$ 6,593	\$ 6,725

Asset Renewal	2017	2018	2019	2020	2021	Five Year Total
Total Capital Investment Required	\$ 4,088,114	\$ 8,497,108	\$ 4,465,516	\$ 4,510,663	\$ 9,062,246	\$ 30,623,646
Capital Investment Requirement by Excluding Expenditure into Stations	\$ 3,862,898	\$ 3,940,156	\$ 4,018,959	\$ 4,099,338	\$ 4,181,325	\$ 20,102,677

- a) Please reconcile these two plans to show and explain the material differences between PUC proposed plan and the METSCO recommended plan.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -16

Reference: Exhibit 3, page 3 (lines 9-13)
Exhibit 3, page 12 (lines 1-9)

Preamble: At page 3 the Application states that the additional variables (Number of Customers and CDM Activity) were included in the

regression model because “the coefficients on these variables were intuitive and the variables were statistically significant”.

The regression model is set out at page 12 and the coefficient for CDM Activity is -3.68.

- a) Please confirm that, based on PUC’s proposed load forecast model, a 1 kWh increase in CDM activity will result in a 3.68 kWh decrease in purchases power.
- b) Please explain how/why this result is considered to be intuitively correct. Wouldn’t one intuitively expect the coefficient to be reasonably close to -1.0, recognizing that there would also be a need to allow for losses?

3.0 –VECC -17

Reference: Exhibit 3, page 5 (Table
Exhibit 3, page 15 (Table 3-8)

- a) Please confirm that the “Weather Normal Conversion Factor” set out in Table 3-8 is based on the ratio of the “Predicted Weather Normal” value over the “Predicted Value”.

3.0 –VECC -18

Reference: Exhibit 3, page 6 (lines 1-4)
Exhibit 3, page 8 (Table 3-4)

- a) Please explain how the “average” annual customer/connection count for each class was calculated.
- b) Using the same approach please provide a schedule setting out the actual 2017 customer/connection count for each customer class.

3.0 –VECC -19

Reference: Exhibit 3, page 6 (lines 5-8)
Exhibit 3 page 7 (Table 3-3)
Exhibit 3, page 21 (Table 3-15)

- a) For purposes of calculating the “weather normal” billed energy in Table 3-3 for each year, was the same weather normal conversion factor (per Table 3-8) applied to each customer class?
 - i. If not, what conversion factors were applied to each customer class and how were they determined?

- ii. If yes, please reconcile this approach with the PUC's approach to converting its non-normalized weather billed energy forecast to a weather normal forecast which assumes that weather sensitivity varies by customer class (per Table 3-15).

3.0 –VECC -20

Reference: Exhibit 3, page 10 (lines 18-22)

- a) Does PUC have any Fit or microFIT installations in its service area? If yes, please provide a schedule setting out the annual purchases for the period 2003-2016.
- b) If the response to part (a) is yes, were these purchases included in the "total system purchased energy" for purposes of estimating the regression model?
- c) If the FIT/micorFIT purchases were not included in the total system purchased energy please provide a revised load forecast (i.e. excel model similar to current filing) where the total of IESO plus FIT/microFIT purchases is used as the dependent variable.

3.0 –VECC -21

Reference: Exhibit 3, page 11 (lines19-27)

- a) With respect to the adjustment to the 2017 and 2018 purchase power forecast for new street lights installed in 2016, please provide:
 - i. A description of the installation changes made to street lights in 2016.
 - ii. The period of time in 2016 over which the changes was made.
 - iii. How the estimated annual usage of 2,415,793 for the new street lights was derived.
- b) Please provide the actual kWh of energy used by Street Lights in 2017.
- c) Since the new street lights were installed during 2016, why was the usage for 2016 included in the calculation of the average use pre-new installation.
- d) Since the actual Street Light use in 2016 was 4,869,277 kWh and 2016 data was included in the estimation of the load forecast model – why wasn't the adjustment calculated based on the difference between the 2016 usage and the estimated 2017 & 2018 usage (i.e., $4,869,277 - 2,415,793 = 2,453,484$ kWh)?

3.0 –VECC -22

Reference: Exhibit 3, page 12 (line 25) to page 13 (line 6)

Exhibit 4, page 85 (lines 1-9)

- a) Please provide the documentation from the OPA supporting the values for 2006-2010 CDM Final Results set out in Table 3-6.
- b) Exhibit 4, page 85 indicates that the following files have been uploaded to the Board's web-site:
 - "Final-Verified-2016-Annual-LDC-CDM-Program-Results-Report-PUC Distribution-Inc-20170630.xlsx"
 - "2011-2014 Final Results Report_HCPUC Distribution Inc.xlsx"
 - "PUC Persistence 2011-2013.xlsx"
 - "PUC 2014 Persistence June 15-2006.xlsx"

However, none of these files are currently posted on the Board's web-site. Please provide copies of the files.
- c) If not provided in the response to part (b), please provide the documentation from the OPA/IESO that supports the 2011-2014 CDM Final Results set out in Table 3-6.
- d) If not provided in the response to part (b), please provide the documentation from the IESO that supports the 2015 Final CDM Results set out in Table 3-6.
- e) If not provided in the response to part (b), please provide the documentation from the IESO that supports the 2016 Final CDM Results set out in Table 3-6.
- f) The load forecast model does not show the details as to how the CDM results for each year were combined to create Table 3-6, but refers to external models that are not accessible. Please complete the following schedule, based on the annualized results reported by the OPA/IESO.

	Annualized Results by Year (Actual & Forecast)							
Initial Activity Year	2006	2007	2008	Annually to ---→				2018
2006								
2007								
2008								
Annually To ->								
2016								
Total								

3.0 –VECC -23

Reference: Exhibit 3, page 14 (lines 5-15)

- a) Please explain why the ratio of the Predicted Weather Normal versus the Predicted values is applied to the actual Power Purchases as opposed to determining the difference between the two values and then adding this difference to the actual Power Purchases in order to calculate the actual weather normal Power Purchases.

3.0 –VECC -24

Reference: Exhibit 3, pages 10 to 15

- a) Please provide an alternative load forecast model that:
 - i. As the dependent variable, uses the Power Purchases (per the current model) – adjusted for FIT and micro/FIT purchases if required – but also adds to this value the monthly CDM activity values (adjusted by the annual loss factor for the year concerned).
 - ii. As the independent explanatory variables, uses the same variables as the current model – excluding the CDM activity variable.
- b) Please provide a forecast of power purchases for 2017 and 2018 by:
 - i. Using the model developed per part (a) and the currently forecast values for the independent variables (excluding CDM activity) to obtain an initial forecast for 2017 and 2018.
 - ii. Adjusting the total CDM activity results shown in Table 3-6 for 2017 and 2018 by the average historical loss factor (4.59% per page 16).
 - iii. Adjust the annual forecasts for 2017 and 2018 respectively derived in part (i) by the total (loss adjusted) CDM activity values per part (ii).
 - iv. Compare the results with the forecasts for 2017 and 2018 shown in Table 3-8.

3.0 –VECC -25

Reference: Exhibit 3, pages 18-19 (Tables 3-10 and 3-11)

Preamble: Contrary to the statement on page 18 (lines 4-5), it appears the geometric mean growth rate was not used to forecast the customer/connection count for Street Lights.

- a) Please explain the basis for the 2017 and 2018 forecast connection count for Street Light and why the historical geometric mean growth rate wasn't used to forecast the customer/connection count for this class similar to all

other customer classes?

3.0 –VECC -26

Reference: Exhibit 3, page 21 (line 16) to page 23 (line 18)
Load Forecast Model, CDM Activity Tab

- a) What was the basis for the projected CDM savings from 2017 and 2018 CDM programs (as referenced on page 21, lines 21-24)?
- b) Please provide a copy of PUC's most recent CDM plan for 2015-2020 as approved by the IESO.
- c) What was the overall persistence rate for PUC's 2015 CDM programs in 2016?
- d) Please explain how the total 2017 and 2018 forecast savings from CDM were broken down between the Residential, GS<50 and GS>50 customer classes (per Tables 3-17, 3-18 and 3-19).

3.0 –VECC -27

Reference: Exhibit 3, pages 32-36

- a) Throughout the variance explanations PUC frequently states that there are no "material differences". What would PUC consider to be a "material difference" in energy volumes or customer/connection count?

3.0 –VECC -28

Reference: Exhibit 3, page 39 (Table 3-39)

- a) Please provide the 2017 actual Other Operating Revenue broken down per Table 3-39.
- b) Where in Table 3-39 is the revenue from the microFIT charges captured and what are the values for 2016 (actual), 2017 (actual), 2017 (forecast) and 2018 (forecast)?

3.0 –VECC -29

Reference: Exhibit 3, page 42 (lines 13-16)

- a) Please explain more fully how the use of the automated call system has substantially reduced the number of collection visit to customers' premises.
- b) Please compare the number of collection visits made in 2017 with the number made in 2015 and 2016.

3.0 –VECC -30

Reference: Exhibit 3, page 39 (Table 3-39) and page 43

- a) Account 4327 does not appear in Table 3-39. Are the fees charged to PUC Services Inc. captured in Table 3-39 and, if so, where?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0-VECC-31

Reference: Reference: E1/page 13 & E4/Page 7 & Exhibit 1, Appendix 1

- a) What entity does PUC Distribution pays “building usage fees” to to.
- b) PUC Distribution explains that there are no employees in PUC Distribution Inc. (E1/pa.19). Given this fact please explain why building usage fees are incurred by the “virtual utility”.
- c) Given PUC Distribution’s status as a virtual utility please explain why the virtual utility building fees were almost double that of the PUC services which undertakes all the services for PUC Distribution.
- d) What other parties occupy the building for which PUC Distribution pays usage fees? What is the total square footage of the building and what square footage is occupied by PUC Distribution allocated staff?
- e) Section 2.1 of the Amending Agreement (2011) of the Management, Operations and Maintenance Agreement (2001) states that rents shall be calculated on the following formula:

Rent = Capital cost of the Facilities divided by the estimated useful life (in years) of the Facilities plus the cost of capital. For the purposes of this formula “costs of capital” is the capital cost of the Facilities x the cost of capital as established by the Ontario Energy Board from time to time.

Please provide the calculation for the 2018 rents.

4.0 -VECC –32

Reference: Exhibit 4, pages, 20, 27 30, Table 4-19/4-10 Table 4-12, Table 4-14.

- a) Please update Tables 4-19, 4-10, 4-12 and 4-14 to reflect 2017 actual results.

4.0-VECC-33

Reference: Exhibit 4, page 21

- a) Please provide the membership fees paid to the EDA for the period 2013 through 2017 and the amount estimated to be paid in 2018.

4.0-VECC-34

Reference: Exhibit 4, pages 39, 50-60

- a) Of the approximately 85 FTE allocated from PUC Services to PUC distribution over the 2015 to 2018 period how many employees on average worked exclusively for PUC distribution?
- b) What was the total FTE complement of PUC Services in 2017?
- c) What services other than those provided to PUC Distribution does PUC services offer and to whom?

4.0-VECC-35

Reference: Exhibit 4, page 58

- a) Please show how the \$62,000 increase in postage costs in 2018 as compared to 2017 was calculated.

4.0-VECC-36

Reference: Exhibit 4, page 78

- a) Please provide the actual PILs paid for each year 2012 through 2017.

4.0-VECC-37

Reference: Exhibit 4, page 88 (Table 4-59)
Exhibit 9, page 18 (Table 9-12)

- a) Table 4-59 indicates that the LRAMVA rate riders are zero for each customer class. Please reconcile this with the values reported in Table 9-12.

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

5.0-VECC-38

Reference: Exhibit 5

- a) Please explain why PUC Distribution is over leveraged (notional long-term debt of \$55.7 million and actual long-term debt of \$67.7 million)?
- b) Please explain why the long-term debt rate is not calculated on the basis of prorating the highest debt instrument to reduce the maximum amount debt to \$55.7 million?

5.0-VECC-39

Reference Exhibit 5

- a) Please provide the loan agreements for the 3 Infrastructure Ontario loans in 2018.

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

N/A

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –40

Reference: Exhibit 7, page 2 (lines 9-13 and Table 7-1))

- a) Please provide the analysis that supports the proposed Service Weighting Factors set out in Table 7-1. In doing so, please fully explain why the weighting factor for Residential is higher than that for either GS<50 or GS>50.

7.0 – VECC –41

Reference: Exhibit 7, pages 4 to 5

Cost Allocation Model, Tab I6.1 (Revenue), Tab I6.2
(Customer Data) and Tab I8 (Demand Data)

- a) Tab I6.1 shows that no GS<50 customers receive the transformer ownership allowance discount. However, Table I6.2 shows that not all GS<50 customers are served at the secondary level or use the line transformers. Similarly, Tab I8 shows that not all GS<50 demand is

attributed to the either the Line Transformers or the Secondary Assets.
Please reconcile.

- b) With respect to Table I6.2, please explain why the number of GS<50 and GS>50 customers utilizing the line transformers differs from the number utilizing assets at secondary voltage.
- c) With respect to Tab I6.2, please explain why, for Street Lights, the Secondary customer/connection base is set at “4”. Also, please explain why the value should not be equivalent to the total 2018 customer/connection count (i.e., 8,070).
- d) With respect to Tab I6.2, please explain why the Primary, Line Transformer, and Secondary customer base numbers for Sentinel are all set at “1.0”.

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 42

Reference: Exhibit 8, pages 9-10

- a) The Uniform Transmission Rates used in the RTSR Work Form do not appear to match the 2018 UTRs as approved by the Board in EB-2017-0359. Please confirm the UTR values used and revise the RTSR Work Form as required,

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -43

Reference: Exhibit 9

- a) Please explain the origin of the balance in Account 2425 “Other Deferred Credits” and why the balance of \$365,400 is not being disposed of in this application.
- b) Please explain the relationship (if any) to the offsetting and equal balance in account 1508 – “Other Regulatory Assets”.

End of document