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February 13, 2009

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 (VECC)
Notice of Intervention: EB-2008-0246
Tillsonburg Hydro Inc. – 2009 Electricity Distribution Rate Application

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.
Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

TILLSONBURG HYDRO INC. 2009 RATE APPLICATION
EB-2008-0246

INTERROGATORIES OF VECC

Question #1

Reference: Exhibit 3/Tab 1/Schedule 3, Attachment A, page 1

- a) Please provide a schedule that breaks down the Transformer Ownership Allowance for 2008 and 2009 as between the various applicable customer classes (i.e., loads eligible and \$ value for each).
- b) Please confirm that THI does pay LV charges to a host utility.
- c) Please confirm that the fixed rates exclude the smart meter rate adder.

Question #2

Reference: Exhibit 3/Tab 2/Schedule 1, ERA Load Forecast Attachment, pages 8-10

- a) Please provide revised weather normal forecast (Table 8) based on 30 year definition of "weather normal".

Question #3

Reference: Exhibit 3/Tab 2/Schedule 1 – ERA Load Forecast Attachment, pages 10-11

- a) Please confirm that the classes included in the development of the weather normalized forecast (per Table 6) are Residential, GS<50 and GS 50-499.
- b) Please explain why neither the actual nor the weather normalized values set out in Table 7 for the three customer classes sum to the values shown in Table 6.
- c) Did the data used to develop the regression equation include or exclude the sales to Synrecon?

- d) If the regression equation included Synrecon, please explain how the forecast kWh were adjusted to exclude Syrecon for 2009.
- e) Please provide the average (per customer) weather normalized usage for the Residential, GS<50 and GS 50-499 classes as determined and used for THI's Cost Allocation Informational Filing and confirm which year the data represents.
- f) Please provide a schedule that contrasts the results for part (e) with the average per customer weather normalized use for the same classes and year based the results set out in Table 7.
- g) Why was the GS 50-499 kW/kWh ratio for 2007 used to forecast 2008 and 2009 kW's as opposed to the average ratio over the 2003-2007 period?

Question #4

Reference: Exhibit 3/Tab 2/Schedule 1 – ERA Load Forecast Attachment, pages 12-13

- a) Did ERA test the extent to which usage in the GS 500-4999 class (excluding the data for Tillsonburg LP) was correlated with employment trends? If yes, what were the results? If not, please provide the results of such an analysis.
- b) Why was it not possible to simply exclude Tillsonburg LP's kW's and kWh's from the calculation of the kW/kWh ratio for the relevant years?
- c) Please confirm that the adjustment made to reflect the layoffs at DDM Plastics was to reduce the forecast kWh's and kW's by 6.76 GWh and 13,760 kW's respectively. If not, please provide details regarding how the adjustment was made.

Question #5

Reference: Exhibit 3/Tab 2/Schedule 1 – ERA Load Forecast Attachment, page 15

- a) Please reconcile the assumed growth in Residential customer count in 2008 and 2009 with the forecast of declining sales.
- b) Please provide an update of THI's customer count by class based on the most recent actual month available. Please provide the comparable data for one year earlier.

Question #6

Reference: Exhibit 3/Tab 2/Schedule 2, pages 2-5

- a) Please confirm that the data used to estimate the regression equation incorporated data up to the end of 2007.
- b) If the response to part (a) is yes, why would it not be reasonable to assume the effects CDM up to and including 2007 are reflected in the forecast which is based on these equations?
- c) Would it not be reasonable to assume that, if the regression equation is based on data that shows a decline in use due to CDM, the forecast will incorporate a continuation of this trend in the future?
- d) Did ERA test a regression equation with a time-dependent variable and, if so, what were the results?
- e) Has THI contracted with the OPA to deliver any of the OPA's CDM programs in its service area in 2009? If yes, please outline the specific programs and the expected results of each?
- f) What specific OPA programs are customers in the GS 50-499 and GS 500-4999 classes expected to participate in?
- g) Please confirm that over 45% of the OPA's demand reduction savings is due to Demand Management programs designed to reduce demand at time of system peak (per the OPA materials included in the Application). Why is it reasonable to assume that this 2.6% reduction will be seen in the average billing demand over the 12 months of 2009?
- h) Are any of THI's GS 50-499 or GS 500-4999 customers currently participating in demand management programs offered by the IESO or the OPA? If yes, what programs and how many kW's are involved?
- i) On page 5, the reported kW's for GS 50-1,500 and GS 1,500 – 4,999 don't sum to the total reported for GS 50-4,999. Please reconcile.

Question #7

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

a) Please complete the following schedules:

- kWh by Customer Class (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total

- Customer/Connection Count

Customer Class (all)	Updated Cost Allocation Filing		2009 Application	
	# Customers/ Connections	% of Total	# Customers/ Connections	% of Total

Question #8

Reference: Exhibit 8/Tab 1/Schedule 1, page 4 and Attachment 1

- a) Please confirm that the CAR-IF initially prepared by THI was based on the current (2008) customer classes and not those that existed in 2006.
- b) When did the OEB approve the change in customer classes from what existed in 2006 to the current 2008 customer classification?
- c) The text (lines 7-11) states that Attachment A is based on THI's existing customer classes. However, the breakdown of customer classes includes the new customers classes (GS 500-1,500 and GS 1,500-4,999) and excludes Sentinel Lights. Please confirm that Attachment A.1 represents the CAR-IF based on the 2009 proposed customer classes and Attachment B.1 represents the CAR-IF based on the current customer classes.

- d) Please provide an electronic copy of the CAR-IF consistent with Attachment A.1 and A.2
- e) Did THI obtain HON's assistance in developing the customer class load profiles for the initial (original) CAR-IF? If yes, did HON provide load profiles for the customer classes as they existed in 2006 or for the current (2008) customer classes? If the former, how did THI derive the load profiles for its current customer classes (e.g. Coincident Peak and Non-Coincident Peak values)?

Question #9

Reference: Exhibit 8/Tab 1/Schedule 1, pages 5-8

- a) Please confirm that the justification for "splitting" the current GS 500-4,999 class into two is that the revenue to cost ratios for the two "sub classes" are different – suggesting an intra-class cross subsidization currently exists.
- b) Please confirm that, contrary to page 8 (lines 1-4), the cross-subsidization between these sub-class decreases when the demarcation point is changed from 1,500 to 3,000 (i.e., Using 1,500 the ratio of R/C ratios is 1.79 whereas using 3,000 the ratio is only 1.48).
- c) What are the current monthly fixed charge billing determinants (# of connections or # of customers) for the Sentinel Lights and USL classes and are they equivalent (in terms of definition)?
- d) Please confirm that the revenue to cost ratios set out in Table 1 under the column "THI Proposal" are the ratios derived by the CAR-IF based on THI's proposed customer classes (and not the revenue to cost ratios THI is proposing for each class for 2009).

Question #10

Reference: Exhibit 8/Tab 1/Schedule 1, page 9

- a) Please confirm that for purposes of THI's Cost Allocation Informational Filing:
 - The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)
 - The Costs include the cost of the Transformer Ownership Allowance

- The cost of the Transformer Ownership Allowance is allocated to all customer classes
- b) Please provide the results of a cost allocation run with an alternative treatment of the Transformer Ownership Allowance where:
- The Revenues by class are based the rates reduced by the transformer ownership allowance where applicable
 - The Costs allocated exclude the “cost” of the Transformer Ownership Allowance.
- (Note: For purposes of the response please just file the revised Output Sheet O1)

Question #11

Reference: i) Exhibit 8/Tab 1/Schedule 2
ii) Exhibit 9/Tab 1/Schedule 3, Attachment A

- a) Please confirm that this schedule (reference (i)) sets out the revenue to cost ratios by customer class that THI is proposing for 2009.
- b) Please provide a schedule that shows the build up of the revenue requirement components for 2009 where the total reconciles the total revenue reported in reference (ii).
- c) Please provide a schedule that shows how the revenue to cost ratios set out in reference (i) were used to derive the “Allocated Revenue” reported for each customer class in reference (ii). In doing so please also indicate how the 2009 \$ values for a 100% revenue to cost ratio were determined for each customer class.

Question #12

Reference: i) Exhibit 9/Tab 1/Schedule 1, page 3

- a) Please confirm that for all customer classes except USL the fixed charges for 2009 are based on maintaining the ratio of revenue collected through fixed distribution rates. If not, please explain where a different approach was used and what that approach was.
- b) Please provide a schedule that sets out the calculation (i.e., show the loads, rates and resulting fixed and variable revenues) of the current fixed/variable split percentages for each customer class as used by THI.

- c) Please confirm whether the determination of the fixed and variable revenues at current rates used in part (b) included the smart meter adder and the lower revenues due to the transformer ownership allowance.
- d) Using the results from c), please provide a schedule that sets out the derivation of the proposed fixed charges for each class (except USL).
- e) Please confirm that the \$14.30 fixed charge for Residential includes the proposed \$1.00 smart meter adder.
- f) Why, for the USL class, does THI propose to collect virtually all the revenues through the fixed rate?
- g) Please provide a schedule that sets out the target range for the service charge for each customer class based on the results of THI's Cost Allocation Informational Filing and the OEB's November 2007 Report.
- h) Please comment on any proposed fixed charges that fall outside the target range established by the Board.

Question #13

Reference: Exhibit 1/Tab 1/Schedule 6

- a) What is the forecast average monthly residential use for 2009?
- b) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
 - Consume less than 250 kWh per month
 - Consume 250 -> 500 kWh per month
 - Consume 500 -> 750 kWh per month
 - Consume 750 -> 1000 kWh per month
 - Consume 1000 -> 1500 kWh per month
 - Consume 1500 -> 2000 kWh per month
 - Consume more than 2000 kWh per month
- c) This Exhibit includes two Attachment A's – one labelled Updated December 15, 2008 and the other labelled Corrected December 15, 2008. The two show materially different total bill impacts for some customer classes (e.g., for GS<50 one shows impacts in the order of 13% while the other reports impacts of roughly 6%).
 - Please clarify which set of impacts is based on the updated application.
 - Also, please provide the detailed impact calculation sheets similar to those in the 2006 EDR.

Question #14

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

Preamble: THI states that *"it does not own all the assets required to provide distribution services on a commercial basis (e.g., Information Technology assets). ... Pacific Economics Group's benchmarking analysis, based on an analysis of period costs only, ranks THI as 46th and 62nd among all distributors in the Province. This ranking may be lower than is appropriate because THI's costs are overstated. This is because THI pays for the capital employed by the Town through charges paid under the MSA that are recorded as operating costs. In addition, THI provides its customers with enhanced services, such as extended hours cashiering services, staffed telephone contact 24 hours a day and trouble trucks also on a 24 hours a day basis."*

- a) Does THI have an estimate of the extent to which its operating costs are overstated due to it recording payments for the use of the Town as operating expenses? If so, please provide it.
- b) Does THI have an estimate as to the extent to which its ranking in PEG's benchmarking analysis would improve if the payments it makes to the Town for use of its capital were removed from its operating costs for benchmarking purposes? If so, please provide.
- c) Has THI discussed its claim that its operating costs are overstated under PEG's current benchmarking methodology with PEG or Board Staff? If so, please provide a summary of the discussions; if not, why not?
- d) With respect to the capital services for which THI pays the Town under the MSA, please provide a list showing the shared assets, their net book value, the allocation of the capital services provided between THI and the Town, and the allocation of cost recovery between THI and the Town for services from such shared capital.
- e) Please provide any estimate that THI has with respect to the savings that its ratepayers enjoyed in 2008 and will enjoy in 2009, as a result of THI not owning its own capital assets and therefore not including them in rate base but rather paying MSA fees to the Town for the capital services instead.
- f) With respect to the "enhanced services," does THI have any information with respect to the incremental costs of providing enhanced services and customers' willingness-to-pay for such services (e.g., surveys, hedonic price estimates, etc.)? If so, please provide; if not, please explain how THI

knows that its customers consider the enhanced service to be a good deal.

Question #15

Reference: Exhibit 1/Tab 2/Schedule 4, Attachment A
Exhibit 1/Tab 4/Schedule 1
Exhibit 4/Tab 1/Schedule 2, page 16

- a) Please explain how the recruitment of the two apprentice linesmen in August 2008 is reflected in the table provided in Attachment A.

Question #16

Reference: Exhibit 2/Tab 1/Schedule 1, page 7

- a) With respect to capital spending related to new customers, for each year 2004-2008, please provide the amount of such spending budgeted, the actual amount spent, and the amount of CiAC collected.

Question #17

Reference: Exhibit 2/Tab 1/Schedule 1, page 10 Updated
Exhibit 2/Tab 3/Schedule1, Attachment A Updated

- a) With respect to the Voltage Conversion Program, please provide the budgeted expenditure and actual expenditure for each year that this program has been undertaken.
- b) Please provide the original estimates for the cost and duration of this project.
- c) Please provide any estimate that THI has for the reduced line losses once this project is completed.
- d) Please provide THI's current estimate as to when the project will be finished and the yearly costs incurred going forward.

Question #18

Reference: Exhibit 2/Tab 1/Schedule1, page 12

- a) Please indicate how the cost of the recently hired Asset Management Technologist will be allocated/recovered.

Question #19

Reference: Exhibit 2/Tab 1/Schedule1, page 16
Exhibit 4/Tab 2/Schedule1, Attachment E

- a) Regarding the statement beginning at line 5 on page 16, "THI estimates the capital costs of each project uniquely and relies on its historic average OM&A/customer.", please indicate whether any adjustment has been made to exclude the overstatement of operating costs that THI asserts is due to not owning all of the capital whose services the utility uses.
- b) Please indicate whether the historic average OM&A/customer referred to uses the data provided in Attachment E.
- c) Please provide the historic OM&A/customer data that is relied upon.

Question #20

Reference: Exhibit 4/Tab 1/Schedule 2, page 4 and page 16

- a) Given that THI has made its Application for 2009 rebasing already and will have its rates set over a multi-year period pursuant to an IRM, has THI considered whether it needs its own Regulatory Affairs Manager in 2009?