

***PUBLIC INTEREST ADVOCACY CENTRE***

***LE CENTRE POUR LA DEFENSE DE L’INTERET PUBLIC***

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Michael Buonaguro

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November 16, 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)**

**EB-2009-0273**

**Orillia Power Distribution Corporation – 2010 Electricity Distribution Rate Application**

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

Thank you.

Yours truly,

Michael Buonaguro

Counsel for VECC

Encl.

**Orillia Power Distribution Corporation (“OPDC” or “Orillia”)**

**EB-2009-0273, 2010 Rate Application**

**Interrogatories of the Vulnerable Energy Consumers’ Coalition (“VECC”)**

**Question #1**

**Reference:** Exhibit 1/tab 2/Schedule 4, page 1

1. Please provide a copy of the 5 year capital budget approved in 2008.

**Question #2**

**Reference:** Exhibit 1,Appendix 1-H

1. Please confirm that all figures in this schedule have been rounded to the nearest thousand dollars.

1. Please indicate how the cost estimates reflect forecasted productivity and inflation increases in general.
2. Please confirm that the capital plans in this exhibit fully reflect the most recent 5 year capital plan approved by the Board of Directors. If unable to so confirm, please provide a copy of the most recent 5 year capital spending plan.
3. With respect to subtransmission pole replacement, please provide the number of poles to be replaced in each year and the length of the pole replacement cycle (if applicable).
4. With respect to overhead distribution pole replacement, please provide the number of poles to be replaced in each year and the length of the pole replacement cycle (if applicable).
5. With respect to distribution transformers and meters, please provide the number of new meters planned for installation for each year 2010-2015 inclusive.
6. With respect to office equipment and furniture, please explain why miscellaneous office equipment expenditures are much higher in 2010 than thereafter.
7. With respect to computer hardware and software, please provide a breakdown of the numbers and types of equipment planned to be spent each year on desktop/laptop upgrades, peripherals, other hardware.
8. Please provide the number of desktop stations and laptop computers currently being used by OPDC.
9. Please explain how the costs for vehicles were estimated.

**Question #3**

**Reference:** Exhibit 1,Appendix 1-J

1. For each year 2004-08 inclusive, please provide the budget amounts for (i) capital expenditures and distribution (ii) operations and (iii) administration as approved by the Board of Directors prior to the commencement of said years.

**Question #4**

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

1. Please explain why there are no disposals shown in 2010 to reflect the replacement of the two trucks in 2010.

1. Please provide the mileage in terms of number of kilometers on the vehicles to be replaced, T-4 and T-18.

**Question #5**

**Reference:** Exhibit 2/tab 2/Schedule 1, page 9

1. The evidence states that of its planned $1.868M in 2009 capital expenditures, OPDC had spent only $360K, i.e., less than 20% of the total, as of June 30, 2009. Please provide an update reflecting actual 2009 capital expenditures to date.
2. Please provide 2008 capital expenditure figures comparable to those referred to in part a) of this question, i.e., (i) total planned 2008 spending and (ii) actual 2008 capital spending from January 1, 2008 to June 30, 2008.

**Question #6**

**Reference:** Exhibit 2/Tab 4/Schedule 1, page 21

Exhibit 1, Appendix 1-H

1. The first reference indicates that OPDC spent $164,400 in 2005 to convert to the Harris billing system while the second reference indicates that OPDC expects to incur costs of $80K in 2011 for “Conversion to Harris Northstar V.6 & SQL Database.” Please provide additional details with respect to the scope and need for each of the projects.

**Question #7**

**Reference:** Exhibit 2, Appendix 2-A

1. The evidence states that “Surplus vehicles are traded in or disposed of to gain the greatest possible recovery for the Company.” Please advise as to whether such surplus vehicles are included in rate base until they are traded in or disposed of.

1. Please indicate the accounting treatment that OPDC uses when it trades in or disposes of vehicles and indicate how this treatment impacts revenue requirements benefits ratepayers.

**Question #8**

**Reference:** Exhibit 4/Tab 3/Schedule 2, page 5 and page 12

1. Regarding the additional engineering technician hired, please elaborate with respect to “the increased regulatory requirements and additional requirements for internal engineering support” that this position addresses.

1. Please explain which regulatory requirements have increased such that regulatory officer hired in 2006 cannot handle them without the help of the engineering technician.

**Question #9**

**Reference:** Exhibit 3/Tab 1/Schedule 1, pages 1-2

1. In its EB-2007-0680 Report (page 33) the Board directed Toronto Hydro to work with other parties to understand differences in load forecast methodologies employed. Has Orillia had any discussions with Toronto Hydro regarding changes it may be implementing in its load forecast methodology? If yes, what was the outcome and how are they reflected in Orillia’s current approach?
2. Is Orillia aware of the fact that for its 2010 Rate Application (EB-2009-0139), Toronto Hydro has changed its load forecasting methodology to one that uses class specific models to forecast sales on a class specific basis? If yes, please comment as to why the Toronto data supports such analysis while (as discussed on page 9) Orillia’s data does not.

**Question #10**

**Reference:** Exhibit 3/Tab 1/Schedule 3, pages 1-9

1. Please prepare a table similar to Table 3-5, but use the definition of weather normal in predicting each historical year’s total system purchases. The result will then be a **prediction of weather normal purchases** for each year 1996 – 2008. In the same table please include the resulting year over year change in **predicted weather normal purchases** for Orillia.
2. Using the results from part (a) and the predicted values in Table3- 5, please calculate the variance in purchases energy for each year attributable to weather variations.
3. Please provide a schedule that set outs the actual Ontario weather normalized sales for each year from 1996-2008 as reported by the IESO. In the same schedule please calculate the annual year over year changes in total weather normalized Ontario sales.
4. Page 1 quotes the IESO’s 18-Month Outlook which flags the decrease in industrial consumption as a significant contributor to the down turn in provincial usage. To what extent does proportion of industrial load in Orillia and the make of the industries in Orillia match that of the province overall?
5. What other model specifications did Orillia test (page 4) in the development of its prediction model? Please indicate the results of each in a format similar to that used on pages 5 and 6.
6. Please provide schedule setting out the year over year growth in population for the period 1996-2008.
7. What is Orillia’s prediction regarding the growth in population in its service area for 2009 and 2010?
8. Please provide the GDP growth rates for 2009 and 2010 per the Ontario Economic Outlook (page 6).
9. Using Orillia’s prediction model, the forecast GDP growth from the Ministry of Finance (part h) and the forecast for Orillia’s population (per part g), please prepare a forecast of purchases for Orillia for 2009 and 2010. (Note: If note no population forecast is available, please use the average annual population growth over the 1996-2008 period as the assumed growth rate for both years). Please provide the results in a format similar to that of Appendix 3-B.

**Question #11**

**Reference:** Exhibit 3/Tab 1/Schedule 3, pages 10-17

1. Are the historical customer/connection values set out in Table 3-7 year-end or average annual values?
2. Please provide a schedule that compares the forecast number of new customers as set out in this Exhibit for 2009 and 2010 with the number of new connections for each year reflected in the capital spending forecast in Exhibit 2. Please reconcile any material differences.
3. Please confirm that for the Residential and GS<50 classes the historical average use per customer shown on page 13 will be influenced by the weather conditions in year concerned.
4. Given this fact, please confirm that the calculated growth rates for these two classes will be affected by historical variations in weather.
5. Why is it appropriate to use the growth rate in usage per customer/connection (non weather-normalized) to forecast usage for 2008 and 2009?
6. Please confirm that the calculation of the geometric annual growth rate in Table 3-11 really only considers the values for 1996 and 2008. If this is not the case, please explain more fully how the value is calculated.
7. Please provide the Hydro One information relied on in order to determine the weather sensitivity by rate class (page 16).
8. Given that residential uses include lighting, cooking and refrigeration, why is it reasonable to assume that the Residential class is 100% weather sensitive?
9. Please provide a schedule that sets out the average use per customer for each class as forecast for 2009 and 2010 based on the results on Table 15.
10. Please provide a schedule setting the average weather normalized use per customer for each class based on the data provided by Hydro One Networks for Festival’s 2007 Cost Allocation filing and indicate the year the data is based on.
11. Please apply the same the methodology as used by Orillia to weather normalize 2010 usage (pages 15-17) and determine the weather normalized use by customer class for 2008 using the predicted total weather normalized purchases as determined in Question 10, part (a) and the actual non-weather normalized used by class for 2008**.** Please provide a schedule that sets out the results in terms of total weather normalized use by customer class and per customer weather normalized use by customer class for 2008.
12. Please contrast the percentage differences between non-normalized and the normalized forecast for 2009 and 2010 with the historical differences between predicted non-normalized and normalized sales over the period 1996-2008 (per Question 10, part (b)).
13. What is the basis for Orillia’s assumptions regarding the 2.2 GWh and 4.4 GWh reduction attributable to load displacement generation in 2009 and 2010 respectively? Why is it all attributed to the GS>50 class?
14. What level of interest has Orillia received to-date from its customers regarding the development of embedded generation? For example, how many customers have expressed interest to date, how many have requested some form of connection/impact assessment and what is the associated MW/MWh with the latter? In responding please separately identify the prospects for microFIT generators versus larger embedded generators.
15. Given that the OEB has now determined that the loads associated with microFIT generators will be gross billed, won’t this mean there is a disconnect between the impact of distributed generation on the sales as reported by Orillia and other LDCs (which will not be net of microFIT generators) versus those reported by the IESO (which will be net of microFIT generators)? If so, please comment on what portion of the distributed generation adjustment should be “added back” into Orillia’s sales.

**Question #12**

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

1. Please provide a schedule setting out the rates and volumes by customer class supporting the 2010 test year revenues reported in Table 3-20.
2. Please clarify whether the rates used in part (a) included:

* Smart Meter charges
* Discounts for transformer ownership where applicable.
* LV costs

**Question #13**

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

1. Please explain more fully the $70,000 forecast Loss on Disposition for 2010.
2. Does $70,000 represent the full forecast loss or 50% of the forecast loss for 2010?

**Question #14**

**Reference:** Exhibit 4/Tab 4/Schedule 1, page 1

a) Please confirm that by automatically giving the Executive/management group the same increase as awarded to the union, the Executive/management base salary levels are unrelated to either individual performance or utility performance.

**Question #15**

**Reference:** Exhibit 4/Tab 4/Schedule 1, page 3

a) Please confirm that the EPP payments to staff are in addition to contract increases.

**Question #16**

**Reference:** Exhibit 4/Tab 4/Schedule 1, page 5, Table 4-10

a) Please explain why yearly incentive pay increased about five-fold in 2008 and thereafter and also explain why this 400% increase benefits ratepayers.

**Question #17**

**Reference:** Exhibit 5/Tab 1/Schedule 2, page 1

a) If Orillia wanted to pay off the promissory note, is it able to do so without the agreement of the shareholder? If not, what agreements are required and why?

b) If the shareholder were to demand repayment of the promissory note (or permitted OPDC to pay off the note), are there any impediments to OPDC borrowing from a third party such as a commercial bank? For example, would it require the guarantee or permission of the shareholder to undertake such borrowing?

1. If the response to part b) is “yes,” is there any reason to expect these impediments would prevent OPDC from undertaking 3rd party borrowing? For example, if a guarantee were required from the shareholders, is ther any reason to expect such a guarantee could not/would not be provided?

**Question #18**

**Reference:** Exhibit 6/Tab 1/Schedule 1, page 3

Exhibit 8/Tab 2/Schedule 1, Table 8-4

1. Please provide a schedule that sets out the derivation of Distribution Revenues @ Existing Rates ($6,161,700). Please include the volumes and rates used for each class and confirm that:

* The rates used exclude any smart meter or LV cost adders
* The rates used have been reduced by the transformer ownership allowance where appropriate.

If not, please recalculate the revenues at existing rates by class with the rates specified as above.

1. Based on the responses to the first round of interrogatories from all parties please prepare a schedule that sets out all the adjustments/revisions that Orillia has acknowledged as being required to the currently requested 2010 revenue requirement and the impact of each.

**Question #19**

**Reference:** i) Exhibit 7/Tab 1/Schedule 3

1. Please provide an electronic copy of the 2010 Cost Allocation Run.
2. With respect to Table 7-2, please confirm that the proportion of revenues by class shown in the column “2010 Distribution Revenues Allocated based on Proportion of Revenue at Existing Rates” matches those shown in response to Question #18, part (a).
3. Why is Orillia proposing to move the revenue to cost ratio for the USL class to 100% when the upper end of the Board’s range is 120% and GS>50 is at 125.2%?

**Question #20**

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

1. Please confirm that the Board’s EB-2007-0667 Guideline (page 12) sets the upper limit for the MSC at 120% of avoided costs plus the allocated customer costs (i.e., Minimum System plus PLCC Adjustment). Based on this definition, do any of Orillia’s proposed monthly service charges exceed the Board’s upper limit?
2. On page 3 Orillia states that “an MSC ceiling has not been established”. However, on page 2 Orillia states that “the OEB indicated that for the time being, it does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined in the Methodology for the MSC”. Please explain why the later direction from the OEB doesn’t effectively establish a ceiling for those distributors whose MSC values are below the Board’s upper limit.

**Question #21**

**Reference:** Exhibit 8/Tab 2/Schedule 2

1. Please provide a schedule setting the volumes and HON rates used to determine the forecast 2010 LV costs of $185,000.

**Question #22**

**Reference:** Exhibit 8/Tab 3/Schedule 1

* 1. Please confirm that all of charges to Orillia for Transmission Network and Connection service are based on Hydro One Networks-Distribution’s retail transmission service rates.
  2. Please confirm that Orillia has not included any allowance in its application for increases in 2010 to Hydro One Networks-Distribution’s retails transmission service rates.

**Question #23**

**Reference:** Exhibit 8/Tab 4/Schedule 1

1. Are the sub-transmission lines currently used to deliver power from Orillia Power Generation Corporation to Orillia Power Distribution owned by Orillia Power Distribution or by Hydro One Networks?
2. If owned by Hydro One Networks is Orillia billed LV charges for the use of this line and will this billing cease in 2010 when the supply arrangements change?
3. If the response to part (b) is yes, please explain how this change has been factored into the determination of the forecast 2010 LV costs.