Board Staff Supplemental Interrogatories
Orangeville Hydro Limited
2010 Electricity Distribution Rates
EB-2009-0272

Low Voltage Cost Forecast

54. Ref: IRR Board staff # 9 and # 38

OHL has provided details on two components of its forecast of LV cost, ST lines and LVDS, totalling $274, 135, in the response to # 9. In the response to # 38, the total cost of $314,695 is mentioned.

a. Please show a calculation of the third component of LV cost, the fixed charge per delivery point, and if this component does not reconcile the two amounts $274,135 and $314,695 please provide a reconciliation of the amounts.

b. Please update the response to # 38 with 'Proposed LV Charges Revenue' to each class that add to the correct total amount from part (a).

55. Ref: IRR Board staff # 9

It appears that the ST rates assumed in the first table in the response to # 9 are based on Hydro One's application EB-2009-0096 as follows:

- Fixed charge as proposed, less Rate Rider # 4
- ST Line close but not precisely as proposed, less Rate Rider # 4
- LVDS as proposed, but without Rate Rider # 4

a. If this explanation of the rates assumed in # 9 is inaccurate please provide the right explanation.

b. Using the format of the latter two tables in the response, please provide a calculation of total LV cost assuming no Rate Rider # 4 on any component, and a calculation with Rate Rider # 4 on all components of OHL's cost.

c. Please calculate a weighted average of the forecasts from part (b), with weights ¼ with Rate Rider # 4 and ¾ without. These weights are based on the assumption that Rate Rider # 4 will be in place for one year after the proposed effective date of OHL's application, and that OHL will apply for re-based rates after three years after that. If other weights would be more reasonable, please provide that calculation instead, with an explanation.)

Load Forecast

56. Ref: IRR Board staff # 13(b), and Exh 3 / 2 / 1 / p. 7

    a. Please explain the use of trended HDD and CDD data, distinguishing between “trended” data on the one hand, and average HDD or CDD calculated as the mean of either 20 years of data or 10 (or 11) years of data.

    b. OHL has provided its data for the 10-year and 20-year averages of HDD. The difference in average heating degree days is 146 between the 10-year and 20-year scenarios, and there is no difference in average cooling degree days. Multiplying the difference of 146 times the coefficient of HDD in the econometric equation in Exhibit 3 yields a difference of 750,887 kWh, a little more than half as much as the difference cited in the Application which is 1,297,165 kWh.

    c. To help parties in understanding how the forecasting model works, please explain why there is this apparent inconsistency in the alternative fitted amounts in the equation.

59. Ref: IRR Board staff # 16(b), and Exh 3 / 2 / 1 / Tables 4 and 9

    OHL has provided population data for 2010 from the Town of Orangeville and a consultant referred to as the Hemson report.

    a. Please indicate which 2010 population forecast was used to arrive at the 2010 load forecast found in Table 4, and provide the 2010 forecast of kWh using the one that was not used in Table 4.

    b. Please confirm that OHL’s forecast of the increased number of Residential customers in Table 9 is more consistent with the population forecast from Hemson than with the forecast provided by the Town of Orangeville.

    c. Please provide more information on how the consultant incorporated the changes in provincial legislation, as mentioned in the response to 16(b).

60. Ref: IRR Board staff # 16(b), and Exhibit 3 / 2 / 1 / Appendix A

    The growth rate provided by the Town of Orangeville is described in the interrogatory response as being based on Census data, most recently in 2006. However, in the Appendix the projected growth of approximately 30 per year is only 1/3 of the growth in the period actually covered by the Census which was over 100 per year.

    Does OHL consider this to be a reason to consider the projections attributed to the Town of Orangeville in the response to 16(b) to be pessimistic, perhaps overly so?

62. Ref: IRR VECC # 22(i)

OHL has indicated in the response to #22(i) that the participation of commercial customers in CDM programs is now included in the load forecast, but that the effect is not yet reflected in the proposed rates.

a. Will there be updated information from the OPA showing final participation rates and load impacts for 2009? If so, when will this information be available?

b. If updated information is going to be available, will it be available soon enough to enable a more accurate forecast of the impact of CDM in 2010?

c. If there will not be updated information on CDM to enable a better 2010 forecast, please provide the best forecast that is currently available, as described in the response to 22(i) -- rather than waiting until the final rates as suggested.

63. Ref: IRR Board staff # 18(a), and IRR VECC # 22(e)

The response to # 18(a) indicates that a mistake in the impact of CDM programs has been corrected by OHL. The response to # 22(e) shows impacts of 783,114 kWh in 2009 and 787,775 kWh in 2010, which differ from 962,000 in both years in the original version of Table 6 (Exh 3 / 2 / 1 / p. 10).

a. Is the change in Table 6 in the response to 22(e) the correction that is referred to? If not, please explain the correction and indicate where it is available in the record of this application.

b. Please provide a brief explanation of the current forecast of the impact of CDM, and in particular please indicate why the impact is expected to increase so little in 2010 over 2009.

64. Ref: IRR Board staff # 18(c), and IRR VECC # 21(f)

The response includes an offer to update the impact of CDM program participation when new reports are available similar to the 2008 report provided with the response.

a. Please indicate the approximate date at which the updated reports will be available to OHL, and explain whether the report(s) will be for 2009 only or whether an updated forecast of 2010 effects will also be available at that time.

b. Please explain how the expected update for 2009 will differ from the information provided in response to VECC interrogatory # 21(f) – including any explanation that would assist in converting from the units in # 21(f) – MW – compared to the manual adjustment made to the load forecast – thousands of kWh.

65. Ref: IRR VECC # 20(f), and Exhibit 3 / 2 / 1 / Appendix A

The response indicates that there has been an update of the financial outlook for the province since the Appendix was prepared.

a. Does OHL consider that the local economy in its service territory will likely experience as much of a decrease in percentage terms as is projected in the report cited in the response?

b. If OHL has calculated an updated 2010 load forecast, fitted on an updated “Ontario Real GDP Monthly %” and any other updates that may have become available, please provide the updated load forecast.

Cost Allocation

66. Ref: IRR VECC 34(b), and Exh 7 / 1 / 2 / p. 6

OHL has provided in part (c) a corrected version of Table 2 in place of the one in Exhibit 7 / 1 / 2, including $820,144 in revenue from the GS > 50 kW class. The description in part (b) describes how it is based in part on existing rates and in part on an allocation of miscellaneous revenue to the class.

a. Please provide a breakdown of the total $820,144 by revenue from customers currently paying the GS > 50 kW non-TOU rate in Orangeville, customers currently paying the GS>50 kW rate in Grand Valley, customers paying the GS > 50 kW Time-of-Use rate in Orangeville, and Miscellaneous Revenue (in total, not broken down by customer group).

b. Please provide the same break-down for the proposed revenue $861,026 in Table 5 (Exh 7 / 1 / 2 / p. 6)

Fixed:Variable Ratio of GS> 50 kW Class

67. Ref: IRR Board staff # 40

The original interrogatory requested a reconciliation of seemingly contradictory calculations in the Application. The response confirms that OHL intends to maintain a constant fixed:variable ratio for the class as a whole, but does not provide the information that would confirm that this is being accomplished.

a. Please provide a detailed calculation of two hypothetical revenue forecasts, i) from monthly service charges and ii) from volumetric charges per kW, using the current approved rates, showing these amounts separately for each of the following groups:
   - customers currently paying the GS > 50 kW non-TOU rate in Orangeville,
   - customers currently paying the GS>50 kW rate in Grand Valley,
   - customers paying the GS > 50 kW Time-of-Use rate in Orangeville.

b. Please provide the revenue forecasts in the same amount of detail, using the proposed rates, ensuring that a consistent forecast of customer numbers and billing demands is used in parts (a) and (b).

Deferral and Variance Accounts

68. Ref: IRR Board staff # 46(b), and Exh 9 / 1 / 3 / p. 2

    OHL has calculated a rate rider for the GS > 50 kW class, based on a balance that includes the entire amount of the Global Adjustment sub-account in Account 1588.

    a. Please confirm that all customers in this class are non-RPP customers, and that all non-RPP customers of OHL are in this class. If this statement cannot be confirmed, i.e. if the GS>50 kW class and OHL's non-RPP customers are not the identical group of customers, please provide information on kWh forecast for the exceptions, in particular any non-RPP kWh in other classes other than GS > 50 kW.

    b. Would OHL's billing system be able to accommodate a separate rate rider that would be applicable to non-RPP customers only?

Operating Costs

69. Ref: IRR Board staff # 25, and Exh 4 / 2 / 3 / p. 12

    The response provides a breakdown of the factors in the increase of Account 5605 'Executive Salaries and Expenses' from 2008 actual to the test year forecast. Amongst the factors are an increase in personnel, inflation and staff shift.

    a. Please provide a similar breakdown for accounts 5610 and 5615, including an explanation of any decrease due to the staff shift toward account 5605.

    b. Please provide a similar breakdown of account 5630 'Outside Service Employed', including an explanation of how the decrease in that account affects any of accounts 5605, 5610, or 5615.

70. Ref: IRR Board staff # 25, and Exh 4 / 2 / 3 / pp. 8 – 9

    Inflation at 2.5% in 2009 and 2.3% in 2010 are cited as reasons for increases in contractor and payroll costs. The response to the interrogatory cites inflation at 6% in 2009 and 7% in 2010 as factors in the increase in Executive Salaries and Expenses.

    Please reconcile these divergent assumptions about inflation, using the data provided in the response to the previous interrogatory and/or additional information that may enable the Board to assess whether the proposed payroll costs are appropriate.

Calculation of Revenue Deficiency or Surplus

71. Ref: IRR VECC # 32(b), and IRR SEC #11(b)

VECC requested an itemization of adjustments and revisions made by OHL that affect the 2010 revenue requirement, and hence the calculated revenue deficiency. The adjustments and revisions are weighted cost of debt, tax rate, LV expense, and an item relating to CDM. The table provided has a number of columns that lack a heading.

a. Please provide headings for the table that has been submitted in response to VECC # 32(b), and/or provide a simpler version of the table that would give only the critical information about each adjustment/revision.

b. Please provide a description of the fourth item in the table, which relates to CDM, or alternatively provide a reference to the Application or an interrogatory response that describes the item.

c. The response to SEC # 11(b) appears to involve an adjustment in the cost of membership in the CHEC Group from $12,058 to $35,750. Is this an adjustment that should be added to the list provided in the response to VECC # 32(b)?

Green Energy Plan

72. Ref: IRR Board staff # 53, Appendix A (revised Table 4), and IRR VECC # 42(h)

Marketing expense of $16,000 has been removed from each year, relating to Infrastructure Upgrades.

a. Please confirm that this amount is still included in OHL's revenue requirement for the test year.

b. If it is included, please indicate where it is included in Exhibit 4 / 2 / 3 / Table 5 of the Application.

c. Please provide a brief description of the likely role of marketing related to Infrastructure Upgrades.

d. In light of the response to VECC # 42(h), should there be an amount for Marketing and/or Customer Incentives in Table 4, in the final section of the table where costs are assumed to be allocated to those outside OHL/s service area?

73. Ref: IRR Board staff # 50(a)

The response indicates that OHL's distribution system can handle expected additional load due to MicroFIT. However, Table 4 of the Green Energy Plan continues to include in the Infrastructure Upgrades section an capital expenditure of $50,000 in 2010 and amounts of $50,000 or $100,000 in various years during the Plan.

Please provide an explanation of this seeming contradiction.

74. Ref: IRR Board staff # 53 (revised Table 4), and IRR VECC # 42(b)

The revised table includes $10,000 expense per year relating to CIS Upgrades, in the section that would be included in OHL Distribution Rates.

a. Please explain whether this amount is included in the cost forecast in Exhibit 3, or alternatively whether it is an additional expense.

b. Please explain whether the capital expenditure referred to in the response to VECC # 42(b), which is $60,000, is the same expenditure or is in addition to the OM&A expense of $60,000 in Exhibit 4 / 2 / 3 / p. 8 (under item (c)(ii).