



***PUBLIC INTEREST ADVOCACY CENTRE***  
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**ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7**

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: [piac@piac.ca](mailto:piac@piac.ca). <http://www.piac.ca>

Michael Buonaguro  
Counsel for VECC  
(416) 767-1666

October 29, 2010

**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-2010-0136**  
**Kingston Hydro Corporation – 2011 Electricity Distribution Rate Application**

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

Thank you.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

cc: Kingston Hydro Corporation  
Attention: Mr. Randy Murphy

**KINGSTON HYDRO CORPORATION (KINGSTON)**  
**2011 RATE APPLICATION (EB-2010-0136)**  
**VECC'S INTERROGATORIES – ROUND #1**

**LOAD FORECAST**

**QUESTION #1**

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

- a) Please confirm that Kingston is forecasting that it will have only one FIT customer in each of the Residential and GS<50 classes in 2011. If not, what is the forecast customer count?
- b) Is this forecast based on information from the OPA as to the number of FIT/microFIT applications the OPA has received for the Kingston service area? If yes, how recent is the information? If not, why not?

**QUESTION #2**

**Reference:** Exhibit 3/Tab 1/Schedule 1, Attachment 1

- a) Please explain how the normalized 2009 kWh forecast for each customer class was derived.

**QUESTION #3**

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

- a) With respect to page 3, please provide a schedule that sets out (for those classes with demand charges) the actual kW to kWh ratio for 2007, 2008 and 2009.

- b) With respect to page 4, was a Residential equation that included the number of customers tested? If not, why not? If yes, what were the results and why was it rejected for purposes of establishing Kingston's load forecast?
- c) With respect to page 5, was a GS > 50 equation that included the number of customers tested? If not, why not? If yes, what were the results and why was it rejected for purposes of establishing Kingston's load forecast?
- d) With respect to page 5, why does the equation for the Large User class not include HDD as an explanatory variable?
- e) With respect to page 10, please provide any more recent economic forecasts published by the four banks noted.
- f) With respect to Table #10, based the actual weather for 2009 and the coefficients for HDD and CDD for the regression equations for each customer class, what is the kWh adjustment required in order to "weather correct" the actual purchases for each class for the 2009 period?
- g) With respect to the customer count equations on page 12:
- Was monthly customer count data used?
  - What was the time period used to estimate each equation?
  - What are the R-squared values for each of the two customer count equations?
  - Does FTE (-7) mean the variable was included using a 7-month lag? If not, please provide the proper interpretation.
  - How was the lag period established for each equation?
- h) Please provide the actual customer count for each class for the most recent month available.
- i) Please comment on the customer count growth shown in this section for 2010 and 2011 versus the number of new connections assumed for purposes of forecasting capital spending (Exhibit 2).

- j) Please comment on the reasonableness of the forecast decline in the GS<50 customer count for 2010 and 2011 given the positive economic growth forecast for both years.
- k) With respect to pages 15-16, please provide the projected values used for 2010 and 2011 for purposes of the load forecast.

#### **QUESTION #4**

**Reference:** Exhibit 3/Tab1/Schedule 3, Attachment 1

- a) Please update the average commodity cost used for 2011 (\$0.6679/kWh) to reflect the Board's October 2010 RPP Report and recalculate the 2011 projected power supply expenses.

#### **QUESTION #5**

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

- a) Please indicate whether the 2010 rates used included either the Smart Meter Rate Adder or the LV Rate Adder.
- b) If either was included, please re-do the tables excluding the revenues associated with these adders.

### **QUESTION #6**

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

- a) Many of the restatements simply involve transferring revenues from one revenue account to another. For each of 2008 and 2009, please identify the “re-statements” that lead to a change in the overall reported level of Other Revenue (e.g. for 2009 the total changed from \$843,469 to \$790,316).

### **QUESTION #7**

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

- a) The paragraph at line 16 explains that the \$56,539 increase for 2008 was due to the legal settlement. However, the paragraph at line 25 indicates that the reduction of \$117,443 for 2009 was due to the fact that the 2008 settlement was a one-time non-recurring event. Please explain why the decrease is so much larger than the original increase.

### **REVENUE DEFICIENCY**

### **QUESTION #8**

**Reference:** Exhibit 6/Tab 2/Schedule 1, Attachment 1  
Revenue Requirement Work Form (RRWF)

- a) Please reconcile the gross revenue deficiency for 2011 reported in Exhibit 6 (\$2,651,557) with that reported in the RRWF (\$3,370,922).

## COST ALLOCATION

### **QUESTION #9**

**Reference:** Exhibit 7/Tab 1/Schedule 1, Attachment 1

- a) With respect to page 10, please explain the basis for the 516 Streetlight connections used for 2011 (Sheet I6).
- b) With respect to page 12 (Table 8), please confirm whether the 100% overall revenue to cost ratio for 2011 was achieved by adjusting:
  - Each classes distribution revenues at current rate (Sheet O1, Row 18) by a uniform percentage, or
  - Each classes total revenues (Sheet O1, Row 20) by a uniform percentage.
- c) If the adjustment was based on the second approach outlined, please recalculate the 2011 revenue to cost ratios using the first approach outlined in part (b).

### **QUESTION #10**

**Reference:** Exhibit 7/Tab 1/Schedule 2, Attachment 2

2011 Cost Allocation Model, Sheets O1 and I9

Exhibit 7/Tab 2/Schedule 2, Attachment 2, page 1

- a) Please explain why \$596,128 in Grants and Contributions were directly allocated to the GS>50 class.
- b) Why is there no similar allocation to other customer classes?
- c) Please explain why the allocation of Distribution Revenues (totalling \$12,192,213) to customer classes differs as between: i) The Adjusted Distribution Revenue shown in Sheet O2 of the first reference and ii) Column 7C as shown in the table at the bottom of the second reference.

## RATE DESIGN

### QUESTION #11

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

- a) Does Kingston currently have Large Use or GS>50 customers contracting for Standby Power. If yes, please indicate the number of customers and kW under contract by class.
- b) Has Kingston received any revenues for Standby Service since 2006? If yes, please indicate the revenues received by year by customer class.
- c) If the response to part (b) is yes, where is this revenue reflected in the historical reporting of revenues in Exhibit 3? Also, what is the assumed level of revenues for 2011?

### QUESTION #12

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

Exhibit 8/Tab 4/Schedule 4, Attachment 2

- a) Given that the change in the Residential fixed/variable split will “more adequately ensure the achievement of the revenue requirement”, please explain why Kingston is not proposing to reduce its requested ROE for 2011 below the maximum allowed under the Board’s guidelines.
- b) Please provide the residential customer bill impact for a customer using 250 kWh per month.
- c) Based on the most recent 12 months billing data available, how many of Kingston’s residential customers use:

- 250 kWh or less per month
- Between 250 and 500 kWh per month
- Between 500 and 800 kWh per month

Please also indicate the total number of customers over this period.

### **QUESTION #13**

**Reference:** Exhibit 8/Tab 2/Schedule 1, page 3

Exhibit 3/Tab 2/Schedule 1, Attachment 1, page 2

- a) Exhibit 8 states that the transformer ownership allowance is meant to recognize those circumstances where the customer provides its own step down transformation from primary to secondary (page 3, lines 14-16). The table in Exhibit 3 indicates that only 37% of the Large Use billing kW's are eligible for the discount. This suggests that a number of these very large customers are served at secondary voltages. Is this the case? Please reconcile.

### **QUESTION #14**

**Reference:** Exhibit 8/Tab 3/Schedule 2

- a) What is the basis for the -1.10% normalization factor that was applied to the actual 2009 ST kW (pages 2-3)?
- b) Please recalculate the LV adder using the 2011 forecast costs of \$423,741.

- c) Kingston appears to be assuming that it will not be able to adjust the LV adder during the IRM period. What is the basis for this assumption?

## DEFERRAL AND VARIANCE ACCOUNTS

### QUESTION #15

**Reference:** Exhibit 9/Tab 1/Schedule 1, page 5

- a) Has Kingston included any costs for SME charges in its proposed OM&A for 2011? If yes, please indicate the amount, the USOA account and where in the Application this is described?
- b) Why shouldn't the impact of implementing the Energy Consumer Protection Act, 2010 be treated as a Z-Factor adjustment under IRM?

### QUESTION #16

**Reference:** Exhibit 9/Tab 1/Schedule 2, Attachment 1

- a) For Accounts #1518 and #1548 please provide a schedule that sets out (separately) the revenues and expenses for each year from 2005 to 2009.
- b) With respect to Account #1508 (Pension Contributions), please explain the basis for the 2005, 2006 and 2009 additions.
- c) With respect to Account #1508 (IFRS Transition), please explain the nature of the costs incurred to date.

### **QUESTION #17**

**Reference:** Exhibit 9/Tab 2/Schedule 2, Attachment 1

- a) Given that the amount to be recovered in Account #1508 – Incremental Capital is based on a rate adder to HON's ST Rates, why would it not be appropriate to allocate it in the same manner as Account #1550.

### **2008 ANNUAL REPORT**

### **QUESTION #18**

**Reference:** Exhibit 1/Tab 2/Schedule 1, Attachment 1, pages 11-12

- a) Please provide details of the new Economic Evaluation model and Capital Contribution policy instituted in 2008 including the forward looking load forecast and capital plan used to arrive at a pooled marginal cost and NPV per kVA for new and expanded loads.
- b) Is the new policy consistent with OEB guidelines and past decisions?

### **RATE BASE**

### **QUESTION #19**

**Reference:** Exhibit 2/Tab 1/Schedule 2, Attachment 1

- a) Has a lead-lag study ever been conducted either by or on behalf of Kingston Hydro or its predecessor utility? If so, please provide a copy of the most recent lead-lag study.

### **QUESTION #20**

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

- a) Please explain what entries such as 0, 1, and -1 refer to in the column “Retirements/Other” on page 2 of this attachment.
- b) Please explain why there are no retirements shown for years 2006 through 2011 inclusive, given that Kingston has replaced a significant number of poles during this period and plans to replace its aging infrastructure.
- c) If the referenced document is not correct in its entirety, please provide a corrected version.

### **QUESTION #21**

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

- a) Please explain why there are no retirements shown on this attachment for the years 2006-2011 inclusive.
- b) If the referenced document is not correct in its entirety, please provide a corrected version.

### **QUESTION #22**

**Reference:** Exhibit 2/Tab 4/Schedule 1, Attachment 1

- a) The “Historical and Forecast Capital Project Tables” appear to have been omitted from the application since the following schedules show amounts by account. Please provide a copy of the historical capital project tables if they are different than what was filed.

### **QUESTION #23**

**Reference:** Exhibit 2/Tab 4/Schedules 2-6 inclusive

- b) For each year 2005-2009 inclusive, please provide the capital budget broken down by project and as approved by the Board of Directors. Please also indicate the amount included for contingency by project.

### **QUESTION #24**

**Reference:** Exhibit 2/Tab 4/Schedule 7

- a) For 2010 and 2011, please provide the capital budgets as approved by the Board of Directors broken down by project. Please also indicate the amount included for contingency by project.
- b) Please provide the 2010 year-to-date capital spending by Kingston.
- c) Does Kingston prepare multi-year (e.g., 3-5 years) capital spending plans? If so, please provide a copy of the most recent plan. If not, please explain why not.

### **SERVICE QUALITY AND RELIABILITY**

### **QUESTION #25**

**Reference:** Exhibit 2/Tab 6/Schedule 1, pages 2-4

- a) Given that in 2008 and 2009, Kingston barely met the OEB's Telephone Accessibility SQI, please explain why Kingston is not being more proactive in improving its performance in this regard especially since Kingston proposes a major increase in its FTEs.

### **QUESTION #26**

**Reference:** Exhibit 2/Tab 6/Schedule 2, pages 3 and 4

- a) Please comment on the fact that the CAIDI indices for 2007 and 2009 are higher when loss of supply is excluded.

### **OPERATING COSTS**

### **QUESTION #27**

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

- a) Given that the 2006 EDR Approved OM&A expenses exceeded actual OM&A expenses over the period 2006-2009 approximately by \$2M (cumulatively), please explain why Kingston continued to defer necessary maintenance expenses and infrastructure investment over this period.

### **QUESTION #28**

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

- a) Please confirm that the years shown as column headings on the OM&A Cost Driver Table are incorrect as filed and file a corrected table.

### **QUESTION #29**

**Reference:** Exhibit 4/Tab 2/Schedule 3, page 21

- a) Please explain why the effects of inflation are separately considered given that the other 2011 cost drivers incorporate inflation. Does this constitute double counting?

### **QUESTION #30**

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

- a) The table indicates 2011 FTEs of 60.91. Does Kingston expect to maintain this level going forward, e.g., after expected future retirements?

### **QUESTION #31**

**Reference:** Exhibit 4/Tab 4/Schedule 1, page 1 and  
Exhibit 4/Tab4/Schedule 2, page 1, Table 1

- a) The first referenced page states that "... Kingston Hydro has aggregated the Executive and Management numbers with the Non-Union category, as the number of FTEs for those two categories is less than three in total for any of the years." Table 1 on the second referenced page indicates more than 3 FTEs in each year for the Management Group. For each year, please indicate how many of the FTEs shown on Table 1 as "Management" actually represent "Executive."

### **QUESTION #32**

**Reference:** Exhibit 4/Tab 5/Schedule 1, pages 2 and 3

- a) Regarding the use of Allocation Method Two and Allocation Method Three, please explain why the methodology does not reflect any differences in benefits received by the utilities in allocating costs.
- b) Please confirm that none of the assets underpinning the shared services whose costs are allocated to Kingston are in the utility's rate base. If unable to so confirm, please explain fully.

### **QUESTION #33**

**Reference:** Exhibit 4/Tab 5/Schedule 1, pages 4 and 5

- a) Please confirm that no assets underpinning the corporate costs are in the utility's rate base. If unable to so confirm, please explain fully.
- b) The evidence indicates that the City of Kingston provides services to Utilities Kingston with no mark up of costs or return on invested capital. Please indicate how the City of Kingston recovers the capital costs of providing the associated services.

### **SMART METER COSTS**

### **QUESTION #34**

**Reference:** OEB Guideline G-2008-0002 and  
OEB Filing Requirements for Smart Meter Investment Plans,  
October 26, 2006

- a) Please confirm that Guideline G-2008-0002 has not superseded the Filing Requirements for Smart Meter Investment Plans, October 26, 2006.
- b) Please confirm that paragraph 7 of the Filing Requirements specifies that 7. Specifically, and in as much detail as possible, please provide the following information for your planned implementation of the SMIP:
  - the number of meters installed by class and by year, both in absolute terms and as a percentage of the class;
  - the capital expenditures and amortization by class and by year;
  - the operating expenses by class and by year;
  - the effect of the SMIP on the level of the allowance for PILs.
- c) Has Kingston kept (will keep) records by class as required and are accounts 1556 and 1555 segregated by rate class? Please elaborate.

### **QUESTION #35**

**Reference:** Exhibit 9/Tab 3/Schedule 1, Attachment

Preamble: This request is to provide a breakdown of Residential and Commercial meter installations in forecast 2010 and 2011

- a) Please provide by year Support/details of the actual and forecast 2010 and 2011 Residential Class SM Unit costs (procurement and installation separately).
- b) Please provide by year support/details of the actual and forecast 2010 and 2011 Residential Class SM AMI, communications and back office costs (procurement and installation).
- c) Please provide by year support/details of the actual and forecast 2010 and 2011 Commercial Class SM Unit costs (procurement and installation separately).

- d) Please provide by year support/details of the actual and forecast 2010 and 2011 Commercial Class SM AMI, communications and back office costs (procurement and installation.
- e) Please provide a schedule that gives a breakdown of the actual and forecast 2010 and 2011 Capital Costs between the Residential and GS<50kw classes. Reconcile to Appendix 2-R.
- f) Please provide a breakdown of the actual and forecast 2010 and 2011 O&M costs for meters installed in 2010 and 2011 between the Residential, GS<50kw classes. Reconcile to Appendix 2-R.
- g) Are any SM installed in other classes? If so provide details of costs, if any,
- h) Please provide the details of the actual YTD and forecast year end 2010 balances in Accounts 1555 and 1556 by class. Include the carrying cost calculation(s).

### **QUESTION #36**

**Reference:** Exhibit 9/Tab 3/Schedule 1, Attachment 1, Appendix 2-R Accounts 1555 and 1556

- a) Using OEB Worksheet 4 please calculate the Net Fixed assets and SM Rate Adder Revenue Requirement by rate class (Residential, GS<50kw). Please provide the details.
- b) Please calculate the SM revenue requirement and SM 2010 and 2011 Rate Adder revenue by rate class (Residential, GS<50kw ). Please include the Impact of HST after July 1 2010 and compare to the proposed aggregate \$1.00 /metered customer per month.
- c) Please provide a cash flow showing the actual and forecast SM rate adder revenue and SM expenditures by Class per Month for the 2010 and 2011 rate years

## LRAM CLAIM

### **QUESTION #37**

**Reference:** Exhibit 10/Tab 1/Schedule 1

**Preamble:** The Current OEB CDM Guidelines states at Section 7.3  
LRAM The input assumptions used for the calculation of LRAM  
should be the best available at the time of the third party  
assessment referred to in section 7.5.  
For example, if any input assumptions change in 2007, those  
changes should apply for LRAM purposes from the beginning of  
2007 onwards until changed again.”

- a) Please confirm that Kingston has only participated in OPA sponsored Programs from 2006-2009. If not provide an answer to part c) below.
- b) Please provide specific references (Document and page #) and links to all of the authorities from which all residential sector input assumptions were taken for Table 1 and attachment under which the LRAM claim was prepared, including:
  - OEB CDM Guidelines
  - OEB CDM Annual Reports
  - OPA Residential Measures and Assumptions List(s)
  - OPA Report(s) on 2006-2009 Kingston CDM programs
  - If necessary provide the Source Documents
- c) *Answer as necessary.* Please provide support (table/spreadsheet) at the detailed measure level for the savings calculations for all of the residential sector programs including input assumptions -unit kWh savings and free ridership.
- d) Please provide a Table/Spreadsheet that shows the carrying charge calculations for all residential CDM programs Provide explanatory notes and reconcile the result to Table 1.

- e) When did OPA change its input assumptions for the mass market measures (CFLs etc) under the Every Kilowatt Counts (EKC) Campaigns? Provide the date(s) and a table that shows the pre and post input assumptions.
- f) The current OEB CDM Guideline was issued in 2008 and in January 2009 the (15 months before the current LRAM and SSM claims were prepared) the OEB notified distributors that all future Residential LRAM and SSM claims should be based on the OPA Measures and Assumptions List. Please confirm that Table 1 and attachment uses OPA 2010 input assumptions for all mass market residential program measures.
- g) If unable to confirm in the previous part, please provide a version of Table and attachment that uses the 2010 OPA Measures and Assumptions list inputs.
- h) Please compare the resultant LRAM claim in terms of kWh savings and Cost including carrying charges.

### **QUESTION #38**

**Reference:** Exhibit 10/Tab 1/Schedule 1, Attachment 1

Preamble: These questions relate to the SeeLine Independent review

- a) Please provide a full list of all the sources of data that SeeLine used to provide verification of Kingston's LRAM Claim.
- b) When did OPA change its input assumptions (including freeridership) for mass market measures (CFLs etc) under the Every Kilowatt Counts (EKC) Campaigns? Please provide the date(s), a copy of the instructions to distributors and a table that shows the pre and post input assumptions.
- c) Please confirm that the Kingston LRAM Claim is only for OPA Programs, including EKC and uses only OPA Measures and assumptions list inputs.
- d) Please clarify the Statement that

*In particular, the net MW and MWh savings attributable to Kingston Hydro at the initiative level. This information can be found in column I to BK in the worksheet titled "Initiative Level."*

- e) Please provide a Copy of the Spreadsheet referenced on page 2 of the SeeLine letter (footnote 1)

## ONE-TIME COSTS

### QUESTION #39

**Reference:** Exhibit 4/Tab 2/Schedule 6

- a) Will the operating expenses savings due to converting to the HST not be realized in every year going forward?
- b) Please indicate how Kingston estimated the savings of \$38,417.
- c) Please provide the estimated capital spending savings due to conversion to the HST for 2010 and for 2011.