



***PUBLIC INTEREST ADVOCACY CENTRE
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December 20, 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-2010-0140
Parry Sound Power Corporation – 2011 Electricity Distribution Rate
Application**

Please find enclosed the interrogatories of 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.

PARRY SOUND POWER CORPORATION
(PARRY SOUND)
2011 RATE APPLICATION (EB-2010-0140)
VECC'S INTERROGATORIES – ROUND #1

LOAD FORECAST

QUESTION #1

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

- a) The Evidence states that the load forecast methodology used is similar to that employed by Innisfil, Orangeville and other distributors. However, for these distributors regression analysis was used to predict total purchases from the IESO whereas Parry Sound is using regression analysis to predict energy use by customer class. Please reconcile.
- b) The accompanying Load Forecast excel worksheets ("Data Input") suggest that the explanatory variable is the energy "consumed" by the customer in month concerned. Please explain how this monthly value was established for the years 2002 to 2009 (per Data Input sheet).

QUESTION #2

Reference: Exhibit 3/Tab 2/Schedule 1, pages 2-3 and 7-11

- a) Please explain why the years 2004-2009 were used for the regression analysis when data (per the Data Input Sheet) was available for the period 2002-2009.
- b) Please re-do the analysis using the years 2002-2009.
- c) For each customer class, please outline what other explanatory variables were tested and why they were excluded.

- d) If not tested per part c), please provide a regression analysis for the residential class that includes number of customers as an explanatory variable.
- e) Were GDP and Employment tested as potential explanatory variables for both the GS<50 and GS>50 classes?
- f) Please outline the source and definition for the “Employment Stats” variable used in the GS>50 class.
- g) Please provide the sources for forecast (2010 and 2011) values for each explanatory variable used.
- h) Did Parry Sound investigate as to whether more local/regional economic variables were available on a historical basis and, if yes, why weren’t they used in the analysis?

QUESTION #3

Reference: Exhibit 3/Tab 2/Schedule 1, pages 12-14

- a) Please confirm that the OEB’s GWh targets represent “reduced electricity consumption accumulated over the four year period” 2011-2014.
- b) Please explain why Parry Sound assumed that ¼ of the accumulated savings would be achieved in 2011. Please confirm that, assuming 100% persistence through to 2014, Parry Sound would not have to implement any additional CDM measures in subsequent years in order to achieve its target.
- c) Please confirm that the 2011-2014 Net Cumulative Energy Savings Target set by the OEB for Parry Sound is 4.16 GWh.
- d) Please confirm that the “geometric mean” is effectively the average growth rate between starting and the end values of the relevant data stream.

- e) Please explain why it is appropriate to use a data series that ends with 2009 (a recessionary year) when projecting the future growth in customer count.
- f) Please provide Parry Sound's actual customer count, by class, for the most recent month available.
- g) Please confirm whether the customer count numbers reported in Table 3-3 are year end or average annual values.
- h) 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).
- i) Please provide a schedule that for the GS>50, Street Light and Sentinel Light classes sets out, for the years 2004-2009:
 - Annual kWh billed
 - Annual kW billed
 - Ratio of kW/kWh billed by year
 - Average 5 year ratioForecast 2010 and kW based on forecast 2010 and 2011 forecast energy and five year average for kW/kWh ratio. Please perform this calculation based on both the before and after CDM energy forecasts.
- j) Please confirm that Parry Sound's Peak Demand target is with respect to the "provincial peak demand". Why is this target relevant when determining the impact of CDM on monthly billing demand over the 12 months of year?

QUESTION #4

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

- a) Please explain more fully Parry Sound's corporate restructuring for 2011 and why it results in the elimination of Non-Utility revenues and expenses.

- b) What was the source of the 2009 Miscellaneous Non-Operating Income and why is no similar income forecast for 2010 or 2011?
- c) Please explain the reduction in Interest and Dividend Income between 2008 and subsequent years.
- d) Please confirm in which account Pole Rental income is recorded.
- e) Please confirm that Parry Sound is not proposing any changes/additions to its specific service charges.

COST ALLOCATION

QUESTION #5

Reference: Exhibit 6/Tab 1/Schedule 1, page 2

Exhibit 7/Tab 1/Schedule 2, Appendix A, page 2

- a) Please provide a schedule that sets out the derivation of the \$1,822,340 revenue for 2011 at existing rates. In doing so, please show the volumes and rates used by customer class.
- b) Please confirm that the rates used in the determination of the \$1,822,340 2011 revenue at existing rates excluded the LV rates, the Smart Meter rate adder and took into account the foregone revenue due to the transformer ownership allowance discount. If not, please recalculate the revenues at existing rates with these adjustments.

QUESTION #6

Reference: Exhibit 7/Tab 12/Schedule 2, page 2

- a) Does the Cost Allocation underlying the results presented in Table 1 exclude the transformer ownership allowance and LV costs?

QUESTION #7

Reference: Exhibit 7/Tab 1/Schedule 2, pages 3-5

- a) Per Cost Allocation Model (Sheet I6) please confirm that there are 18 USL customers and that each customer has one connection. If this is not the case please indicate the number of USL customers versus the number of USL connections – where a single customer (who receives a bill) may own a number of connections (example there are over 1,000 Street Light connections but only one customer).

RATE DESIGN

QUESTION #8

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

- a) Please confirm that the current (2010) monthly service charge for GS>50 exceeds the ceiling value established by the Board's EB-2007-0667 Report.
- b) Why is Parry Sound proposing to increase the GS>50 monthly service charge to be further above the ceiling established by the Board's guidelines.

QUESTION #9

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

- a) Please provide a schedule that sets out for 2009:
- The monthly 2009 billing quantities for LV
 - The monthly 2011 approved LV rates
 - The monthly (and total annual) charges based on 2011 rates and 2009 billing quantities.

QUESTION #10

Reference: Exhibit 8/Tab 1/Schedule 6, page 18

- a) Please provide the derivation of the \$4.745/kW rate for GS>50.

QUESTION #11

Reference: Exhibit 8/Tab 1/Schedule 6, Appendix A

- a) Please confirm that the total bill impact for a residential customer using 250 kWh/month is 25.43%.
- b) Please confirm that the total bill impact for a residential customer using 1,000 kWh/month is 19.96%.
- c) Based on the most recent 12 months of billing data, how many of Parry Sound's residential customers fall into the following usage categories:
- 250 kWh/month or less
 - >250-500 kWh/month
 - >500-1,000 kWh/month
 - >1,000-1,500 kWh per month
 - More than 1,500 kWh per month
- d) What initiatives is Parry Sound proposing to help mitigate the bill impact for Residential customers?

DEFERRAL AND VARIANCE ACCOUNTS

QUESTION #12

Reference: Exhibit 9/Tab 1/Schedule 2, page 2

OEB June 2010 Filing Requirements, Section 2.10.2

- a) Please explain why Parry Sound hasn't established a separate rate adder for the Power Sub-Account-Global adjustment as required by the Board's June 2010 filing requirements.

- b) Please calculate the rate-riders assuming the refund/recovery occurs over 2 years and re-calculate the total bill impacts as set out in Exhibit 8/Tab 1/Schedule 6, Appendix A.

SMART METER RATE ADDER

QUESTION #13

References: i) OEB Guideline G-2008-0002:

- ii) OEB Filing Requirements for Smart Meter Investment Plans, October 26, 2006
- iii) Exhibit 9 Tab 1 Schedule 3

- a) Confirm that Guideline G-2008-0002 has not superseded the Filing Requirements for Smart Meter Investment Plans, October 26, 2006.
- b) 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) Did Parry Sound file its SMIP in accordance with the Filing Guidelines? Please elaborate
- d) Has Parry Sound kept records by class as required by the Filing Guidelines and are accounts, 1556 and 1555 segregated by rate class? Please elaborate.

QUESTION #14

- References:**
- i) Exhibit 9 Tab 1 Schedule 3
 - ii) OEB SM Adder Worksheets 7 & 8

Preamble: In its EB-2010-0209 Decision the Board Stated

“ the Board finds that PowerStream’s original cost allocation methodology is reasonable and based on the principle of cost causality”

- a) Provide a copy of the OEB Worksheets for calculating Smart Meter Rate Adders populated with the data to support the proposed \$1.71/customer/mo rate adder.
- b) Provide the *average unit capital costs* (procurement and installation) and total capital costs for each of residential and GS<50kW meters to the end of 2010
- c) Provide an estimate of the SM rate adder revenue collected from each of the Residential and GS<50kw classes to the end of 2010. (average #customers * SM adder rate/metered customer/month). Prorate the carrying costs and reconcile to OEB Worksheet 7.
- d) Provide the estimated 2011/12 total capital costs (procurement and installation) for each of the Residential and GS<50 kW classes.
- e) Calculate class-specific proxy 2011/12 rate adders using capital cost as the cost driver for allocating the 2011/12 Revenue Requirement.(Sheet 8). The class specific rate adders should add to the same total 2011/2012 SM revenue as that projected from the aggregate SM rate adder of \$1.71/customer/mo (Worksheets 7 and 8)

LRAM/SSM

QUESTION #15

References: i) Exhibit 10 Tab 1 Schedule 2 Burman Report Page 7 and Attachments A and C.

Preamble: For all programs/projects, the OEB Total Resource Cost Guide, Section 5, Assumptions and Measures List September 8, 2005 were used in TRC calculations in accordance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No.: EB-2008-0352, January 27, 2009.

- a) When (year and date) did the OPA change its Input assumptions (unit savings and free ridership) for CFLs under the Every Kilowatt Counts Campaigns?
- b) Provide a copy of the SeeLine EKC calculators before and after the change Confirm /Show how the EKC assumptions compare to the latest OPA Mass Market and CI Measures and Input Assumptions.
- c) Provide a copy of the spreadsheet showing the SSM calculation as filed. Reconcile to Attachment C.
- d) Provide a calculation of the 3rd tranche SSM using the OPA EKC input assumptions for CFLs from January (2007?) following the change in input assumptions. Provide a revised version of Attachment C.

QUESTION #16

References: Exhibit 10/Tab 1/Schedule 2, Burman Report, page 6 and Attachments A and E

Preamble: For all programs/projects, the most recently published OPA assumptions and measures list were used in LRAM calculations in

accordance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No.: EB-2008-0352, January 27, 2009 and consistent with recent Decision and Order

EB-2009-0192 for Horizon Utilities Corporation that directed LRAM calculations use the most current available input assumptions for all CDM programs.

- a) Confirm the source and Input assumptions for the following 3rd tranche CDM programs (addition to Attachment E)

- **Lighten Your Electricity Bill 2005**

- CFLs
- SLEDs - 5W
- SLEDs - Mini Lights
- Programmable Thermostat - Space Heating
- Programmable Thermostat - Space Cooling
- Timer - Outdoor Light
- Timer - Indoor Light
- Ceiling Fan

—# units and unit kwh savings, operating hours, lifetime and free ridership for each year 2005-2009.

Reconcile to net **62,485 kWh and 3.81 kW peak** and to Attachment E.

- **Light Bulb Giveaways 2006/2007**

—# units and unit kwh savings, operating hours, lifetime and free ridership for each year 2005-2009.

Reconcile to net **61,430 kWh and 1.42 kW peak** and to Attachment E

- b) Explain why the free-ridership assumption for CFLs is maintained at 10%.

- c) If the lifetime for SLEDs and CFLs is less than the 5 years of kWh savings explain why free ridership should not be increased and/or a persistence factor applied.

QUESTION #17

Reference: Exhibit 8/Tab 6/Schedule 1, Appendix A Burman Report, Results Table Page 5

- a) Based on the response to Questions 15 and 16 provide a calculation of the revised LRAM/SSM schedules for 3rd tranche programs (including Carrying charges) and recalculate the rate riders

QUESTION #18

Reference: Exhibit 10/Tab 1/Schedule 2, Burman Report, page 6 and Attachments A, B

Preamble: OPA sponsored programs also represent lost revenue through their successful implementation and are included in LRAM calculations.

The sum of all program LRAM calculations, including OPA sponsored programs is \$563,469.27

- a) Provide a copy of the audited OPA Results for Parry Sound.
- b) Provide details of the OPA EKC campaigns from 2006-2009 that add to the data shown in Attachments A, B- Residential line 4 and 12 -Every Kilowatt counts—
- i. # units
 - ii. unit and total kwh savings,
 - iii. operating hours,
 - iv. lifetime and

- v. free ridership
for each year 2006-2009

- c) Reconcile to the revenue for each year and the Total Revenue and to the OPA Results for Parry Sound.

RATE BASE/CAPITAL EXPENDITURES

QUESTION #19

Reference: Exhibit 2/Tab 4/Schedule 1, page 3

- a) Please update the commodity cost for the prices as set out in the October 2010 RPP Report.

QUESTION #20

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

- a) Are the MS1 and MS2 metering stations fully depreciated? If not, please provide the NBV of these assets.
- b) What is PSP's estimate of the scrap/salvage/sale/trade-in value of the associated plant and equipment value of MS1 and MS2?
- c) How does PSP intend to record any amounts received for the MS1 and MS2 assets?

QUESTION #21

Reference: Exhibit 2/Tab 2/Schedule 1, pages 3-5, Tables 3-5

- a) For each of the disposals shown in years 2008, 2009, and 2010, please indicate (i) the nature of the assets being disposed of, (ii) PSP's estimate of the scrap/salvage/sale/trade-in value of the assets being disposed of,

and (iii) PSP's proposed treatment of the revenues from disposition of the assets.

QUESTION #22

Reference: Exhibit 2

- a) Please provide the amount of PST paid by PSP on its capital expenditures for the full years 2007, 2008, and 2009 and the PST paid on capital expenditures in 2010 to July 1, 2010.

QUESTION #23

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

- a) Does PSP have a Board of Directors approved capital budget for 2010 and/or 2011? If so, please provide a copy of the budget(s) as approved by the Board of Directors and the date on which it/they were approved..

QUESTION #24

Reference: Exhibit 2/Tab 1/Schedule 2, page 1, Table 1 and
Exhibit 4/Tab 2/Schedule 7, pages 3-8

- a) Please indicate the accounting treatment used for capital additions was used in calculating the NBV of assets included in rate base for 2004 and 2006.
- b) If the response to part (a) was "the full-year rule," please recalculate the rate bases and depreciation charges for 2007-2010 using the full-year rule and the rate base for 2011 using "the half-year rule."
- c) Please provide the impacts of the calculation requested in part (b) on the Test Year rate base, depreciation expense, and revenue deficiency.

SERVICE QUALITY AND RELIABILITY PERFORMANCE

QUESTION #25

Reference: Exhibit 2/Tab 3/Schedule 4, page 1

- a) Are the underground cables and transformers responsible for the most frequent failures relatively old?
- b) Please discuss any other reasons for the 2008 spike in reliability indices.

CORPORATE STRUCTURE

QUESTION #26

Reference: Exhibit 1/Tab 1/Schedules 11 and 12

- a) Please provide the amount included in PSP's 2011 revenue requirement for its own (PSP's) Board of Directors.
- b) Please provide the amount allocated to PSP in 2011 for (i) its parent's (Holdco's) Board of Directors and (ii) its affiliates' Boards of Directors.
- c) Please describe the composition of the utility's Board of Directors.

QUESTION #27

Reference: Exhibit 1/Tab 1/Schedule 13, page 1

- a) Please provide the analysis supporting the estimated \$100K cost to achieve ARC compliance.

QUESTION #28

Reference: Exhibit 1/Tab 1/Schedule 13, page 1

Preamble: The evidence states that “[t]he final plans are not complete, however, Parry Sound Power’s Board of Directors have mandated ARC compliance by January 1, 2011.”

- a) Is it the utility’s Board of Directors that mandated compliance by January 1, 2011?
- b) Does PSP expect to be ARC compliant on January 1, 2011?
- c) Please provide an update to the status of the efforts to become ARC compliant along with a breakdown of the compliance costs incurred to date.

OPERATING EXPENSES

QUESTION #29

Reference: Exhibit 4/Tab 1/Schedule 1, pages 2-3

- a) Please explain why annual Billing and Collecting costs have been so volatile over the period 2006-2010.
- b) Please explain how PSP has estimated these costs for 2011.

QUESTION #30

Reference: Exhibit 4/Tab 1/Schedule 1, page 6

- a) Please provide a copy of the 2011 operating budget as approved by the Board of Directors and also a copy of the 2010 operating budget as approved by the Board of Directors.

QUESTION #31

Reference: Exhibit 4

- a) Please provide the amount of PST paid by PSP on its OM&A expenditures for the full years 2007, 2008, and 2009 and the PST paid on OM&A expenditures in 2010 to July 1, 2010.

QUESTION #32

Reference: Exhibit 4/Tab 2/Schedule 3, page 9

- a) When was the asset management plan that PSP engaged Rodan to develop completed and provided to PSP?
- b) If the answer to part (a) was in either 2006 or 2007, please explain why the plan was only “started to be implemented in 2010.”