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January 10, 2011

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-2010-0135
Kenora Hydro Electric Corporation Inc. – 2011 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.

cc: Kenora Hydro Electric Corporation
Attention: Mr. David Sinclair

KENORA HYDRO ELECTRIC CORPORATION LTD. (KENORA)

2011 RATE APPLICATION (EB-2010-0135)

VECC INTERROGATORIES – ROUND #1

QUESTION #1

Reference: Exhibit 1/Tab 1/ Schedules 14 and 16

- a) Please describe the activities of the Kenora Energy Corporation
- b) Does Kenora Hydro provide any services to or purchase any services from Kenora Energy?
- c) If the response to part (b) is yes, please provide the following:
 - A copy of the Service Agreement between the two entities
 - A list of services purchased/provided, the charges for each in 2009, 2010 and forecast for 2011 and the basis for the charges (e.g. allocated costs, actual costs incurred, etc).

QUESTION #2

Reference: Exhibit 1/Tab 2/Schedule 1, Appendix C, page 1

- a) Please provide a similar schedule that compares the OM&A cost for 2008 and 2009.

QUESTION #3

Reference: Exhibit 2/Tab 1/Schedule 1, pages 1, 6 and 10

- a) Page 1 indicates that the 2011 spending forecasts included in the Application were approved by Kenora's President & CEO on April 30, 2010. Are there any more recent budget forecasts for Kenora that have been approved by the President & CEO and/or the Board of Directors? If yes, please provide.
- b) Please provide the most recent rolling five year capital plan developed by Kenora.

QUESTION #4

Reference: Exhibit 2/Tab 1/Schedule 1, page 7 (lines 17-20)

- a) What assets, apart from poles and transformers, does Kenora repair/replace on a proactive basis?
- b) For each asset category that is repaired/replaced on a proactive basis, please describe how Kenora determines that repair/replacement is required.

QUESTION #5

Reference: Exhibit 2/Tab 1/Schedule 1, page 9
Exhibit 2/Tab 3/Schedule 3, Appendix A (Asset Management Plan),

- a) Please provide a copy of the overall substation reconstruction and refurbishment plan that outlines the scope of the work, the planned schedule and the rationale for undertaking the project. Note: What is being requested here is the overall multi-year plan for the work and the supporting justification regarding the 2006 redesign of the substation as described on page 10 of the Asset Management Plan.
- b) Does the planned capital spending for 2010 and/or 2011 include any expenditures related to smart grid or distributed generation? If so, please identify the projects and the associated spending by year.

QUESTION #6

Reference: Exhibit 2/Tab 3/Schedule 1, page 2
Asset Management Plan, Appendices L and M

- a) Please outline the scope of the building renovations undertaken in 2010 and how it differs from the work planned for 2011.
- b) How does Kenora determine when new vehicles need to be purchased (e.g. the new truck in 2011)?
- c) Please confirm that the City's plans regarding the Harbourfront redevelopment are unchanged from when the Application was prepared and the associated Harbourfront electrical upgrades are still expected to proceed. If not, please revise the capital budgets for 2010 and 2011.

QUESTION #7

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

- a) What portion of the costs of this new position (Manager, Conservation and CDM) is assumed to be funded through the OPA in 2011?

QUESTION #8

Reference: Exhibit 2/Tab 4/Schedule 1, Appendix B

- a) What is the source for the 2010 and 2011 values used for commodity cost (\$0.065/kWh)?
- b) Why was the same Commodity cost used for both RPP and non-RPP customers?
- c) Based on the most recent 12 months of available data, what percentage of Kenora's kWh sales are to RPP customers by customer class?
- d) What is the source/basis for the 2010 and 2011 rates used for Transmission Network and Connection and why are the rates for the two years the same?

QUESTION #9

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

- a) Please provide a schedule setting out the actual capital spending for 2010 using the same categories as in Table 18.

QUESTION #10

Reference: Asset Management Plan, Appendices K, L and M

- a) Please identify the projects in Appendices L and M that give rise to the \$30,000 in contributed capital shown in Appendix K for both 2010 and 2011.

QUESTION #11

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

- a) What are the forecast real GDP growth rates for 2010 and 2011 per the March 2010 Budget?
- b) Is Kenora aware of any more recently prepared forecasts for real GDP growth? If so, please provide and update the load forecast accordingly.
- c) How is customer count measured (e.g. what customer classes does it include)?

QUESTION #12

Reference: Exhibit 3/Tab 2/Schedule 1, page 10

- a) Please provide estimates of weather normal purchases for 2008 and 2009. Please do so, by estimating the impact of weather on actual sales as follows:
 - Determine the difference in each year between the actual and weather normal values for HDD and CDD
 - Using the coefficients from the regression equation (page 9) estimate the impact of the actual vs. normal weather
 - Adjust the actual purchases for this impact.
- b) If known, please provide:
 - The actual purchases for 2010.
 - The weather normal purchases for 2010 following the steps set out in part (a).

QUESTION #13

Reference: Exhibit 3/Tab 2/Schedule 1, pages 11-12

- a) What were the average historical losses over the period 2002-2009?
- b) Please explain why the determination of customer growth rates only used data back to 2004 instead of 2002 similar to the overall load forecast.
- c) Presumably earlier data is available back as far as 2002, since it was used in the regression analysis. Please repeat Tables 8, 9 and 10 using data back to 2002.
- d) Is the historical data in Table 8 based on year end values or average annual values?
- e) Please provide the customer counts by class for the most recent month available (e.g. December 2010).

- f) Please provide the geometric mean for each customer as used to forecast customer/connection numbers for 2010 and 2011. Please also explain precisely how the value was calculated using Residential as an example.

QUESTION #14

Reference: Exhibit 3/Tab 2/Schedule 1, page 17

- a) Please provide a detailed explanation as to how the 1.23 GWh “Adjustment for CDM Targets” was established and how it was apportioned to customer classes.
- b) Please confirm that Kenora’s cumulative energy target is 5.22 GWh. Please also confirm that this represents the total energy savings to be achieved over the 2011-2014 period.
- c) Please confirm that if Kenora achieved 1.23 GWh of savings in 2011 and this value persists through to 2014, then this would contribute 4.92 GWh (i.e., 4×1.23) towards Kenora’s target.

QUESTION #15

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

- a) Please confirm whether the interest and dividend income shown includes any interest charges or credits associated with deferral/variance accounts.
- b) Please confirm that Table 22 does not include the revenues from SS Admin fees

QUESTION #16

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

- a) Please provide the business case that supports/justifies the installation of the SCADA system.
- b) How is the work for SCADA system installation being performed (i.e., internal or external resources)? How was this decision made and, if external resources are being used, how was the contractor selected?

QUESTION #17

Reference: Exhibit 4/Tab 2/Schedule 3, pages 7-10

- a) What services are obtained from Thunder Bay Hydro (per page 7)?
- b) Please provide a break down of the estimated \$150,000 cost for the Asset Management Plan (per page 9).
- c) If portions of the Asset Management Plan preparation were contracted out please explain what work was done by external parties, why and how the contractors were chosen.
- d) Is any of the \$150,000 for the Asset Management Plan internal staff costs? If yes, please indicate dollar amounts by year incurred. Have the reported OM&A costs in for the other USOSA accounts been reduced to reflect this recovery?
- e) Please explain what is included in the \$38,000 for OEB Hearing Assessments (per page 10).
- f) What is Kenora's required level of LEAP funding for 2011?
- g) Please explain the basis for the following Regulatory costs:
 - Expert Witness - \$6,000
 - Consultants Costs - \$55,000
 - Operating Expense Associated with Staff - \$30,000

QUESTION #18

Reference: Exhibit 4/Tab 2/Schedule 5

- a) Please provide the service agreement between Kenora Hydro and the City of Kenora regarding both the services purchased by and the services provided by Kenora Hydro.
- b) If there is no agreement, please explain why.
- c) With respect to the services provided by the City for Finance, Billing and Collecting and Customer Services please explain:
 - Precisely what services are provided
 - Precisely what costs are included for "cost recovery".

- d) With respect to the Street Light maintenance service provided to the City, please explain precisely what costs are included for “cost recovery”

QUESTION #19

Reference: Exhibit 4/Tab 2/Schedule 7, pages 3-5

- a) The discussion pages 3-4 identify 3 new staff since 2008. However, the table on page 5 shows an increase of 4 – please reconcile.
- b) Does the total compensation shown in Table 10 include the compensation costs that will be i) charged to the City for Street Lighting maintenance and ii) charged to OPA programs and/or variance accounts for GEA projects?
- c) If the response to (b) is yes – what are the amounts assumed for items (i) and (ii) in part (b) for 2011?
- d) If the response to part (b) is no – what amounts have been removed for items (i) and (ii)?

QUESTION #20

Reference: i) Exhibit 4/Tab 2/Schedule 8, page 7
ii) Exhibit 8/Tab 1/Schedule 1, page 2
ii) Exhibit 4/Tab 3/Schedule 1

- a) References (i) and (ii) have different values for depreciation in 2011 (\$468,460 vs. \$468,960). Please reconcile.
- b) References (i) and (iii) also have difference values for deprecation (\$533,090 vs. \$533,590). Please reconcile.
- c) Does Kenora have any apprentices or trainees that are eligible for tax credits in 2011? If yes, have these credits been taken into account in the determination of income taxes?

QUESTION #21

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

- a) Has the construction load with IO been converted to a debenture? If yes, when and what is the effective rate? If no, when is the conversion expected to occur?
- b) As necessary, please update the principal amounts and effective rates for the debt outstanding in 2011 (per Schedule 2) and recalculate the 2011 cost of long term debt.

QUESTION #22

Reference: Exhibit 7/Tab 1/Schedule 2, pages 3-4

- a) Please confirm that for purposes of determining the revenues at current rates in Table 2 Kenora has:
 - Excluded the Smart Meter rate adder
 - Allowed for the lower revenues due to the transformer ownership discount.If not please re-do Table #2.
- b) In Table 2 please explain why the revenues by class are the same for both the Current Rate x (d+1) column and the Proposed rates column even though in Table 3 there are proposed changes to the revenue to cost ratios for some customer classes in 2011.

QUESTION #23

Reference: Exhibit 7/Tab 1/Schedule 2, Appendix A

- a) Please provide an electronic copy of the Excel Cost Allocation model.

QUESTION #24

Reference: Exhibit 8/Tab 1/Schedule 1, pages 3-5

- a) Please explain how the Base Revenue Requirement to be recovered from each class (per Table 6) was determined. In doing so please explain why the Base Revenue to be recovered from Residential (\$1,669,017) does not equal the Service Revenue Requirement allocated to Residential (\$1,875,272 – per Table 3) less the Miscellaneous Revenues allocated to Residential (\$218,819 – per Sheet O1 of the Cost Allocation Model).
- b) Starting at line 20 on page 3 Kenora states that “the OEB indicated that for the time being, it does not expect distributors to make changes to the service charge that result in a charge that is greater than the ceiling as defined in the

Methodology”. Based on this how does Kenora reach the conclusion on page 4 that “a monthly service charge ceiling has not been established”?

QUESTION #25

Reference: Exhibit 8/Tab 1/Schedule 1, page 5
Exhibit 8/Tab 1/Schedule 5, Appendix C

- a) Please provide a schedule that, based on the most recent 12 months available, sets out the number of residential customers with monthly usage:
- <250 kWh
 - 250 - <500 kWh
 - 500 kWh - <750 kWh
 - 750 - <1,000 kWh
 - 1,000 kWh or more
- b) Please recalculate the variable distribution charge for Residential assuming the service charge is set equal to the Ceiling set by the Methodology - \$18.69.
- c) Please re-do the bill impact calculations for Residential in Appendix C using the Residential rates as determined from part (b).

QUESTION #26

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

- a) Please provide a schedule that sets out precisely how the “cost” of providing the transformer allowance is included in rates and recovered.

QUESTION #27

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

- a) Can Kenora explain the exceptionally low loss factor recorded for 2009 (1.0192)?
- b) Please explain more fully why Kenora proposes to maintain the existing loss factor as opposed to adopting a factor based on historical results.

QUESTION #28

Reference: Exhibit 9/Tab 1/Schedule 2, pages 1 and 3

- a) Please explain what the costs recorded in Account #1508 that Kenora is seeking to recover represent (i.e., what are the sub-accounts, for what were the costs incurred and when?).
- b) Please explain why kWh is considered the appropriate allocator for these costs.
- c) What would the rate rider credit be (by customer class) if the amounts were refunded over 1 year or 2 years?
- d) Please provide a schedule that set out the total bill impact for 2011 assuming a one year, two year or four year disposition period.

QUESTION #29

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

- a) Please explain the basis for the costs recorded in the following accounts:
 - Renewable Connections
 - Smart Grid

QUESTION #30

Reference: Exhibit 9/Tab 1/Schedule 4, Appendix A

- a) There are no balances reported for Account #1548. Does Kenora not have any customers served by retailers?
- b) In the table Account #1518 is labelled as "Smart Grid Deferral" and not "RCVA Retail Account". Please clarify.

QUESTION #31

Reference: Exhibit 9/Tab 2/Schedule 1, page 3

- a) Has Kenora completed the installation of smart meters as of the end of 2010?

QUESTION #32

Reference: Exhibit 9/Tab 2/Schedule 2

- a) Apart from the 100 meters with remote disconnect capability, are all 5,097 smart meters installed the same type of meter? If not, please provide a schedule that sets out the different types of smart meters installed by customer class and the unit capital costs for each type of meter.

QUESTION #33

Reference: Exhibit 9/Tab 3/Schedule 1

- a) Given that the Board has initiated proceeding EB-2010-0295 to deal with the Settlement of the Late Payment Penalty Class Action, is Kenora still requesting a Late Payment Penalty Recovery as set out in the Application?