



**PUBLIC INTEREST ADVOCACY CENTRE**  
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January 17, 2008

**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-2007-0753**  
**Norfolk Power Distribution Inc. – 2008 Electricity Distribution Rate**  
**Application**

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.  
Thank you.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

**Norfolk Power Distribution Inc. (Norfolk)**  
**2008 Electricity Rate Application**  
**Board File No. EB-2007-0753**

**VECC's Interrogatories**

**Question #1**

**Reference:** i) Exhibit 1/Tab 1/Schedule 5, page 1

- a) Please confirm that Norfolk is not proposing to change the levels for any of its existing Specific Service Charges. If it is, please identify which charges and the rationale for the change.
- b) Please confirm that Norfolk is not proposing any new Specific Service Charges for 2008? If it is, please describe what they are, the rationale for employing a specific service charge and the basis for the rate.

**Question #2**

**Reference:** i) Exhibit 1/Tab 1/Schedule 7, page 2

- a) Please confirm that Norfolk is proposing to include the 2008 costs related to Smart Meters in the 2008 Rate Base and Distribution Base Revenue Requirement as opposed to recording them in the deferral/variance accounts (i.e., Accounts #1555 and 1556) established by the OEB for tracking smart meter related revenues and costs.

**Question #3**

**Reference:** i) Exhibit 1/Tab 1/Schedule 8

- a) Please provide an illustrative "accounting order" that shows how the "Future Capital Projects" deferral/variance account would work.
- b) What information would Norfolk anticipate filing at the time of its next rebasing to justify clearance of the "Future Capital Projects" account?

#### **Question #4**

**Reference:** i) Exhibit 1/Tab 1/Schedule 9

- a) Please confirm that the “Distribution Revenue” reported under the first column (2008 Test Existing Rates) is based on forecast 2008 billing quantities and existing 2007 rates.
- b) If the response to (a) is no, please redo the deficiency/sufficiency calculation using forecast 2008 billing quantities and 2007 rates.
- c) Please provide a schedule that sets out the derivation of the 2008 revenues based on 2007 rates. In doing so, please provide for each class:
  - The forecast 2008 billing quantities
  - The 2007 rates
  - The revenues by customer class – broken down as between those attributable to volumetric vs. fixed monthly charges
  - The total revenues for each class.
- d) Please explain what the line item “Net Adjustments per 2008 PILs” is meant to reflect.
- e) Please confirm that the \$101,174 reported as “Property & Capital Taxes” represents just the cost of Capital Taxes. If not, how much of this is “Property Tax”?

#### **Question #5**

**Reference:** i) Exhibit 1/Tab 1/Schedule 12  
ii) Exhibit 1/Tab 1/Schedule 13

- a) Please comment on the current status of the initiatives outlined by Norfolk in its Line Loss Reduction Plan (Reference (ii)).
- b) Please describe any future planned work associated with these initiatives and cross reference where the costs are included in the current Application.

#### **Question #6**

**Reference:** i) Exhibit 1/Tab 2/Schedule 6

- a) Do either Norfolk Power Inc. or Norfolk Energy Inc. provide services to Norfolk Power Distribution?

- b) If the response to (a) is yes, please indicate what the services are and the charges for each of the services for 2006 (actual), 2007 and 2008.
- c) If the response to (a) is yes, please indicate the basis of the charges for each service and where in the Application the “charges” are included as a cost in the 2008 revenue requirement.
- d) If the response to (a) is yes, please provide copies of the relevant service agreements, as required under the Affiliate Relations Code.

**Question #7**

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

- a) Please provide the full 2006 audited statements, including the associated notes.

**Question #8**

**Reference:** i) Exhibit 2/Tab 2/Schedules 1 & 2

- a) Please provide a summary Schedule that shows just the capital spending and capital additions for each of the years 2006 (actual) through 2008 for each of the following asset categories:
  - Land and Buildings
  - TS Primary Above 50 kW
  - DS
  - Poles and Wires – Overhead
  - Underground
  - Line Transformers
  - Services and Meters
  - General Plant
  - IT Assets
  - Equipment
  - Other Distribution Assets
  - Total of all Asset Categories

In the schedule please indicate which USoA accounts Norfolk associated with each category. In addition, please clarify whether the amounts reported by asset category are net of capital contributions.

## **Question #9**

**Reference:** i) Exhibit 2/Tab 3/Schedule 3, pages 1-10

- a) Please provide a schedule that sets out the capital spending for 2006 (Board Approved and Actual), 2007 and 2008 for each of the budget categories on page 1. Please clarify whether the values presented are net of capital contributions or not.
- b) With respect to page 2, please reconcile the \$5,673,900 figure in the first paragraph with the \$5,157,500 set out in Table 1.
- c) Please ensure the totals set out in Table 1 (page 1) reconcile with the totalized capital spending over all the asset accounts, as set out in response to VECC Question #8.
- d) With respect to Customer Demand Projects, please confirm whether the \$1,841 k spending is net of the estimated \$200,000 in capital contributions.
- e) Using the breakdown in Table 2 (page 3), please provide a schedule setting out the spending on Customer Demand Projects for the years 2006 (actual), 2007 and 2008. Please provide an explanation of the reasons (i.e., underlying drivers) for any year over year change in a spending in any of the categories that exceeds 5%.
- f) Page 6 makes reference to a Table 1 which purportedly summarizes projected 2008 rebuilds and conversions expenditures. However there is no Table 1 provided below – please provide/clarify.
- g) Table 4, (page 6) purports to set out individual projects exceeding \$100,000. However, the table appears to summarize all Renewal spending – please clarify.
- h) Using the breakdown in Table 4 (page 6), please provide a schedule setting out the spending on Renewal Projects for the years 2006 (actual), 2007 and 2008. Please provide an explanation of the reasons (i.e., underlying drivers) for any year over year change in a spending in any of the categories that exceeds 5%.
- i) Please provide a schedule similar to Table 4 (page 6) that sets out the Renewal spending in 2006 (actual) and 2007. Please provide an explanation of any year over year (2006 to 2007 or 2007 to 2008) changes that are greater than 5%.

- j) Please explain why a new feeder is needed for the Bloomburg MTS and why the spending is required in 2008 as opposed to a later year.
- k) Please reconcile the \$1,207,500 in spending on Stations referenced at the top of page 9 with the \$1,134,000 figure at the bottom of the same page.
- l) Please explain what gives rise to the “Deposit for new 115/27.6 kV transformer” and why the payment must be made in 2008.
- m) Please provide a schedule setting out spending on Stations in 2006 (actual) and 2007.
- n) Please give the reasons (i.e., underlying drivers) for any year over year change in Stations spending that exceeds 5%.
- o) Has Norfolk performed any form of Asset Condition Assessment in order to determine areas of required spending for system renewal and their priority? If yes, please provide. If not, on what basis did Norfolk determine the 2008 Renewal capital spending projects it is undertaking?

#### **Question #10**

**Reference:** i) Exhibit 2/Tab 3/Schedule 3, page 11-12

- a) Please confirm whether the reference to “Customer Connections” in the title of Table 7 is correct.
- b) On page 1 of this Schedule “General Plant” appears to be a separate spending category from Customer Meters. However, on page 11, Customer Meters appears to be a sub-category of General Plant. Please clarify. If General Plant is a separate spending category please provide the spending details for 2006 through 2008.
- c) Please provide the total OEB 2006 approved spending for Customer Metering
- d) Please explain the year over year changes in spending on Wholesale Meter Verification (2006 actual to 2007 to 2008).
- e) Please explain why spending on Upgrade and Replacement Programs virtually doubles between 2006 and 2007.
- f) Please provide details regarding the \$4,251,000 spending on smart meters projected for 2008:
  - How many meters does this represent and what is the total cost for meter replacement?

- What other capital costs apart from meters are reflected in this spending?
  - What is Norfolk's overall Smart Metering Plan for the 2008-2010 period?
  - Has Norfolk received authorization (from the provincial government) to proceed with the procurement of Smart Meters? If so, please provide. If not, what is Norfolk's understanding as to when such authorization will be provided?
  - On what basis (i.e., OEB policy or directive) has Norfolk decided that it is appropriate to include its Smart Meter related costs for 2008 in its distribution revenue requirement as opposed to tracking the revenue requirement impacts in a variance account and establishing an appropriate "rate adder"?
- g) Please explain what the \$25,185 and \$49,000 spending in 2006 and 2007 on Smart Meters was for.
- h) Please provide a schedule setting out what the impact on the 2008 revenue requirement is of the planned \$4,251,000 capital spending on Smart Meters.

#### **Question #11**

**Reference:** i) Exhibit 2/Tab 3/Schedule 3, pages 12-13

- a) Please provide a schedule that sets out the capital spending on Computer Hardware and Software for the period 2006 (actual) to 2008. Please fully explain any year over year changes that are greater (+/-) than 5%.
- b) For each of 2006, 2007 and 2008 please identify any major software systems that are either new or being replaced. In each case, explain why spending is required.

#### **Question #12**

**Reference:** i) Exhibit 2/Tab 3/Schedule 3, pages 14-15

- a) Please provide a schedule that sets out capital spending on transportation and related equipment in 2006 (actual), 2007 and 2008. Please explain any year over year variations that exceed 5%.

#### **Question #13**

**Reference:** i) Exhibit 2/Tab 3/Schedule 3, page 16

- a) Please explain the relatively low level of spending on SCADA in 2007 relative to 2006 or 2008.
- b) The first paragraph under SCADA explains that the spending is related to replacing existing equipment. However, the justification suggests reliability will be enhanced. Please explain how reliability will be enhanced if the spending is simply to maintain existing systems.
- c) With respect to Buildings and Fixtures – Service Centre, please explain the why the spending in 2007 and 2008 are both significantly higher than 2006 levels.

#### **Question #14**

**Reference:** i) Exhibit 2/Tab 3/Schedule 3, page 17

- a) Does Norfolk capitalization policy include the capitalization of administration costs or overheads? If so, please explain how the amounts to be capitalized are determined.

#### **Question #15**

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

- a) Please explain the basis for the 2007 and 2008 forecast values for each of the cost of power components presented on page 4.
- b) Please explain why the 2008 charges for Network and Connection do not decline in 2008, in light of the lower Wholesale Transmission rates approved by the OEB for 2008.
- c) What was the average cost of power purchased (cents/kWh) used for the 2007 and 2008 projected Power Purchased values.

#### **Question #16**

**Reference:** i) Exhibit 3/Tab 1/Schedule 2, page 1  
ii) Exhibit 1/Tab 1/Schedule 9, page 1

- a) Please reconcile the Total Revenue figure of \$12,653,802 in Reference (i) with the Total Revenue figure of \$12,800,352 in Reference (i).

#### **Question #17**

**Reference:** i) Exhibit 3/Tab 1/Schedule 2



- a) Please explain the decrease in Other Income and Deductions between 2006 (actual) and 2007.
- b) Please explain where the SSS Admin revenues are captured in the Other Distribution Revenue figures shown.
- c) Where are the revenues reported for the services Norfolk provides to its affiliates (per Exhibit 4/Tab 2/Schedule 3, page 1)?

### **Question #18**

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

- a) Please provide a schedule that sets out for 2004:
  - Actual wholesale volumes (kWh) by customer class
  - Weather corrected wholesale volumes by customer class (as provided by HONI)
  - Weather corrected retail volumes by customer class (based on weather corrected wholesale volumes and class loss factors)
  - The number of customers by customer class
  - The normalized average use per customer (NAC) as used to determine the load forecast.
- b) If the steps outlined in part (a) do not reflect the approach used by Norfolk in developing the load forecast please provide a schedule setting out the various computational steps used to develop Norfolk's load forecast.

### **Question #19**

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

- a) Please explain how the residential weather normalized values were determined for 2006 and 2007.
- b) Why are there no weather normalized values for 2005?
- c) Why are the percentage differences between actual and weather normalized sales the same for 2006 and 2007? Presumably the weather was not the same in 2006 and 2007.

### **Question #20**

**Reference:** i) Exhibit 4/Tab 1/Schedule 1, pages 1-2  
ii) Exhibit 1/Tab 1/Schedule 9, page 1

- a) Please reconcile the OM&A (including depreciation) figure of \$8,306,708 reported in Reference (i) with the sum of the OM&A and Depreciation values (\$7,935,056) reported in Reference (ii). Note – Property taxes may account for part of the difference but they appear to be less than \$100,000.
- b) Please reconcile the Income Tax & Capital Tax figure of \$1,053,527 reported in Reference (i) with the Income Tax and the Income and Capital Tax values reported in Reference (ii).

### **Question #21**

**Reference:** i) Exhibit 4/Tab 2/Schedule 1

- a) Please explain what types of taxes are recorded in Account #6105 – Taxes Other Than Income Taxes.
- b) The 2007 over 2006 increase in Account #5010 (Load Dispatching) is attributed to a change in the account which the operating cost of the SCADA system and IT overhead were reported.
  - Please provide a schedule that shows the 2006 through 2008 values for all the accounts affected by this change.
  - If the year over year change in the total for these accounts is greater than 5% please explain why.
- c) Please confirm that, excluding Amortization Expense and LV Charges:
  - 2006 Actual OM&A is \$3,989,789
  - 2008 OM&A is \$5,098,246
  - 2008 OM&A (excluding Smart Meters) is \$4,736,246
- d) Please provide a high level explanation that identifies and quantifies the major drivers behind the 19% increase in OM&A as between 2006 and 2008, excluding Smart Meters (e.g., How much of the change is due to employee compensation? What factors led to the increase and how much does each account for?)
- e) Please provide details regarding the \$300,000 in OM&A spending on Smart Meters in 2008.

### **Question #22**

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

- a) Please provide the 2008 values for: i) Total Salaries and Wages and ii) Total Benefits by employee group.

### **Question #23**

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

- a) On page 2, Norfolk indicates that it is proposing to use a line loss factor of 5.6% for 2008. Please clarify if this is the proposed Distribution Loss Factor for Secondary Metered customers or the Total Loss Factor for Secondary Metered customers.

### **Question #24**

**Reference:** i) Exhibit 4/Tab 3/Schedule 1

- a) Does Norfolk agree that its Application should be updated to reflect the new federal corporate tax rates for 2008? If not, why not? If yes, please provide a revised PILs estimate for 2008.
- b) The March 2007 federal budget introduced new CCA classes for computer equipment and buildings (after March 2007). Do any of Norfolk's capital additions in 2007 and 2008 qualify and, if so, please adjust the CCA calculation accordingly.
- c) Is any of the planned smart meter investment for 2008 related to computer software or equipment? If so, how much and please confirm which CCA class(es) it has been assigned to.

### **Question #25**

**Reference:** i) Exhibit 4/Tab 3/Schedule 2

- a) Please reconcile (if necessary) the total 2008 capital additions figure provided in response to VECC Question #8 with the value (\$10,188,600) reported on page 4 of Reference (i).

### **Question #26**

**Reference:** i) Exhibit 4/Tab 2/Schedule 1, page 6

- c) Please provide a schedule that shows (for 2006-Board Approved through to 2008) and for each of the various asset classes:
- The Gross Book Value (Year End)
  - The Depreciation Rate
  - The Annual Depreciation
- The total annual depreciation for each year should reconcile with the amortization expenses shown in Reference (i).

### **Question #27**

**Reference:** i) Exhibit 5/Tab 1/Schedule 1 & Schedule 2

- a) Please confirm what the costs accrued in Account #1508 (Other Regulatory Assets) were specifically for. Why is Norfolk not applying for disposal of this account?
- b) What is the difference between the costs Norfolk recorded in Account #1508 and those recorded in Account #1525? Why is Account #1525 not being disposed of at this time?
- c) Does Account #1555 include any capital related costs for Smart Meters or just revenues from the Smart Meter rate adder?
- d) Please explain why there is still a balance in Account #1570 (Qualifying Transition costs). Why is there no disposal of this account in the Application?
- e) Please explain the nature of the costs being claimed in Account #1572 (Extra-Ordinary Event Losses). If this is a Z-factor application, please provide full explanation and explain how the event and costs meet the Board's guidelines.
- f) Why is number of customers the appropriate "allocator" for the Account #1572 costs?
- g) Why is a three year period considered appropriate for the disposition of the variance and deferral accounts?

### **Question #28**

**Reference:** i) Exhibit 6/Tab 1/Schedule 3

- a) Please reconcile the 2008 calculated cost (\$34,074) of the second TD-Canada Trust LT Debt Issue with the principle amount and carrying cost (6.17%) reported.
- b) Please reconcile the 2008 calculated cost (\$34,727) of the Operating Load with the principle amount shown and the carrying cost (6.17%) reported.
- c) Please provide a table setting out the derivation of the 6.7% cost of long term debt used for 2008.

### **Question #29**

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

- a) Please provide a copy of the Cost Allocation informational filing that derives the revenue to cost ratios presented on page 2.
- b) Please confirm whether the Cost Allocation informational filing included LV Charges (i.e., were LV charges included as a “cost” in the filing and did the rates used to determine revenues include an allowance for LV Charge recovery?).
- c) Why is the proposed ratio for USL increased from less than 100% to more than 100%?
- d) If there were no proposed changes to the revenue to cost ratios, what would have been the revenue proportion (page 3) by customer class. Please explain how this value is determined.
- e) Please provide a detailed explanation showing how the proposed revenue to cost ratios on page 2 translate into the proposed revenue proportions on page 3.
- f) The Cost Allocation informational filing allocated the amount of the Transformer Allowance to all customer classes. Please provide the revenue to cost ratios that would result if the filing had allocated the cost in the same manner as Norfolk proposes to do for 2008 (as set out at Exhibit 9/Tab 1/Schedule 1, page 7).

### **Question #30**

**Reference:** i) Exhibit 9/Tab 1/Schedules 2 & 8

- a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
  - Consume less than 100 kWh per month
  - Consume 100 -> 250 kWh per month
  - Consume 250 -> 500 kWh per month
  - Consume 500 -> 750 kWh per month

### **Question #31**

**Reference:** i) Exhibit 9/Tab 1/Schedule 1, page 2

- a) Please provide details regarding the \$68,612 of spending on CDM proposed for 2008 including:

- Whether this is part of the 3<sup>rd</sup> tranche spending or not
- Details regarding the associated CDM programs
- Are there any new programs where the TRC Screening has not be submitted to the OEB. If so, please provide the screening results consistent with the Board's TRC guide.
- The rationale for the proposed allocation to customer classes.

### **Question #32**

**Reference:** i) General

- a) Please provide copies of all Board Decisions pertaining to Norfolk's rates issued since December 31, 2004.

### **Question #33**

**Reference:** i) Exhibit 9/Tab 1/Schedule 1, page 3

- a) The text indicates that the approved monthly fixed charges used to determine the fixed revenue proportion are "before the smart meter adder". However, the rates presented in the associated table appear to be the approved rates for 2007 including the smart meter adder. Please clarify.
- b) Please confirm whether or not Norfolk's approved 2006 (and therefore 2007) rates included an adder/adjustment for LV costs.
- c) Please re-do the calculation of the fixed revenue proportion by customer class based on a "fixed charge" that excludes any smart meter rate adder and treats LV cost consistent with how they were treated in the Cost Allocation informational filing (i.e., if LV costs were not included in the filing then the associated rate adder should be excluded from the determination of the fixed proportion of revenue by class).

### **Question #34**

**Reference:** i) Exhibit 9/Tab 1/Schedule 1, pages 8-9

- a) Please explain how the proportion of retail transmission revenue collected from each class was determined. In particular, please indicate which year's billing quantities and retail transmission rates were used in the calculation.
- b) How was the forecast LV cost of \$371,652 established?

- c) Please indicate which of the proposed customer/connection charges exceed the ceiling for the Monthly Service Charge as set out on page 12 of the Report of the Board dealing with Application of Cost Allocation for Electricity Distributors (November 28, 2007).

**Question #35**

**Reference:** i) Exhibit 9/Tab 1/Schedule 3, page 1

- a) Please confirm that the Network Billings and Connection Billings columns on the page are the revenues Norfolk receives from the retail transmission charges to its customers.