



**PUBLIC INTEREST ADVOCACY CENTRE**  
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(416) 767-1666

January 21, 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-2007-0762**  
**Rideau St. Lawrence Distribution Inc. – 2008 Electricity Distribution Rate**  
**Application**

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

Yours truly,

A handwritten signature in blue ink, appearing to be 'M. Buonaguro', written over a horizontal line.

Michael Buonaguro  
Counsel for VECC  
Encl.

**Rideau St. Lawrence Distribution Inc. (RSL)**  
**2008 Electricity Rate Application**  
**Board File No. EB-2007-0762**

**VECC's Interrogatories**

**Question #1**

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

- a) Please confirm that RSL's proposed capital structure of 50% equity and 50% debt does not conform with the Board's Report on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation of Ontario's Electricity Distributors issued December 20, 2006. Please explain more fully RSL's rationale for this departure?
- b) Did RSL participate in and make submissions to the Board during the proceeding that resulted in the report described in part (a)?

**Question #2**

**Reference:** i) Exhibit 1/Tab 1/Schedule 5  
ii) Exhibit 5/Tab 1/Schedule 1

- 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 #3**

**Reference:** i) Exhibit 1/Tab 1/Schedule 7  
ii) Exhibit 1/Tab 1/Schedule 12

- a) Please confirm that the RSL is fully embedded within Hydro One Networks and does not pay any Transmission charges directly to the IESO. If this not the case, please indicate the percentage of RSL's purchases that are made directly from the IESO administered grid.

#### **Question #4**

**Reference:** i) Exhibit 1/Tab 2/Schedule 1  
ii) Exhibit 9/Tab 1/Schedule 10

- a) What is the average (weather normalized) consumption for a residential customer?
- b) 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 #6**

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

- a) Please confirm that the Distribution Revenue value (\$1,745,688) was calculated by applying the approved 2007 rates (excluding the smart meter rate adder) to the forecast 2008 billing quantities for each class.
- b) If the response to part (a) is yes, please provide a schedule setting out the detailed calculation, including:
  - The 2007 rates used for each customer class
  - The 2008 billing quantities for each customer class
  - The total revenues by customer class
- c) If the response to part (a) is no, please explain what the value is based on and then recalculate the schedule. In doing so, please provide the details requested in part (b).
- d) Please explain what the "Net Adjustments per 2008 PILs" values represent.

#### **Question #7**

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

- 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 RSL has associated with each category. In addition, please clarify whether the amounts reported by asset category are net of capital contributions.

### **Question #8**

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

- a) Why was it necessary and/or prudent for RSL to purchased the Wholesale Meter points from Hydro One (per page 18)?
- b) Were the Wholesale Meter points purchased from Hydro One in 2005 and 2006 points of delivery between Hydro One's distribution system and RSL? If not, where are the meter points in relation to Hydro One's and RSL's distribution systems?
- c) If the response to part (b) is yes, why is it necessary to upgrade the points so that they comply with IESO standards?
- d) Please outline the number and/or type of meters purchased in 2007 that account for the \$40,000 increase (per page 22). Is the purchase triggered by a failure of tested meters to satisfy Measurement Canada re-verification? If not, please explain more fully why the meters are being replaced.
- e) Please explain why the gross book value for Transportation Equipment is zero for 2006.
- f) Please outline the reduction incorporated in 2007 projected OM&SA costs as a result of the operational efficiencies created by the upgrade to the Harris Computer Billing Software (page 24). In which OM&A account(s) are these savings reflected?

## **Question #9**

**Reference:** i) Exhibit 2/Tab 3/Schedules 2, 3 and 4

- a) For 2006 why is there a reduction of \$9,644 for Construction in Progress if all 2006 Capital Expenditures were started and completed in 2006?
- b) Please explain the source of the \$77,897 of contributed capital for 2006 (page 33). The value is significantly higher than for 2007 or 2008. (Note: The explanation on page 36 only accounts for \$17,504 of the \$77,897).
- c) Also, in the Materiality Analysis (page 33), there appears to be \$86,151 in contributed capital (i.e., \$77,897+\$8,254) as opposed to the \$77,897 shown on page 30. Please reconcile.
- d) With respect to the 2006 Riverside Extension, please clarify the start and in-service dates. On page 33, they are shown as 2003 and 2004 respectively. If 2004 is the end date, why is the spending included in 2006 capital expenditures?
- e) With respect to the 2007 Interval Meter Project, are the new interval meters consistent with smart metering requirements or will they have to be replaced again as part of the government's Smart Metering initiative (page 34)?
- f) How many meters were replaced as part of the Interval Meter project? Were the existing meters due for replacement?
- g) With respect to the 2008 pole and conductor replacement spending, how did RSL determine the number of poles (and which poles) to replace in 2008?
- h) If there are no system expansions expected in 2007 or 2008 (per page 36), what is the source of the \$16,462 in capital contributions shown for 2007 (page 31).

## **Question #10**

**Reference:** i) Exhibit 2/Tab 3/Schedule 5

- a) What is the 45% overhead factor meant to capture? Does it include an allowance for general administration costs?

### **Question #11**

**Reference:** i) Exhibit 2/Tab 4/Schedule 1, page 41

- 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 #12**

**Reference:** i) Exhibit 3/Tab 2/Schedule 1, page 5

- 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) Please provide a schedule that sets out the calculation of the adjustment made for the GS > 50 kW class due the loss of a customer.
- c) If the steps outlined in part (a) do not reflect the approach used by RSL in developing the load forecast please provide a schedule setting out the various computational steps used to develop RSL's load forecast.

### **Question #13**

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

- a) In which USoA account is the "corporate charge" recorded?
- b) What assets does "Utilities" own and use in providing services that require a "return"?

- c) What is the return on Utilities' assets underlying the 2006, 2007 and 2008 corporate charges? How was the level of "return" established for each year?
- d) Do the Retail Transmission Rates for Network and Connection proposed by RSL for 2008 include a reduction to capture the transfer of wholesale metering costs to distribution OM&A expense? If not, why not and what would be the anticipated impact? If yes, what is the reduction in each of the charges?
- e) What is the impact on RSL's Distribution revenue requirement for 2008 of transferring this wholesale metering to RSL?

#### **Question #14**

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

- a) Please explain the almost 30 time increase in Maintenance of Distribution Station Equipment spending between 2007 and 2008.
- b) Please explain the material increases between 2006 (actual) and 2008 for the following accounts:
  - Maintenance of Overhead Conductors and Devices
  - Maintenance of Overhead Services
  - Overhead Distribution Lines and Feeders – ROW

#### **Question #15**

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

- a) With respect to the 2007 to 2008 changes, please provide a schedule that indicates the dollar impact of each of following items and which USoA accounts are affected:
  - Pole/Conductor Replacement Program
  - Elimination of PCB in-service transformers
  - Transfer of Wholesale Metering Points
  - Cost of 2008 Rate Application.
- b) What is the total anticipated cost of the 2008 Rate Application and how much has been incurred to date?
- c) How is RSL proposing to track and record the balance of the cost of the 2008 Rate Application? Does it propose to establish a variance account or use an existing account?

### **Question #16**

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

- a) What is the basis for the 10% adder for executives? Is it cost based (i.e., calculated based on total cost of executives relative to total direct costs)?

### **Question #17**

**Reference:** i) Exhibit 4/Tab 2/Schedule 8

- a) The total depreciation charges shown in Reference (i) do not reconcile with the depreciation charges shown in Exhibit 1/Tab 2/Schedule 4 for 2008. It would appear that Reference (i) is reporting Accumulated Depreciation and not Annual Depreciation for 2008. Please provide a revised table with annual depreciation by USoA.

### **Question #18**

**Reference:** i) Exhibit 4/Tab 3/Schedules 1-3

- a) Do the federal tax rates used in the tax calculation for 2008 reflect the recent federal budget reductions in tax rates?
- b) The March 2007 federal budget introduced new CCA classes for computer equipment and buildings (after March 2007). Do any of Lakefront's capital additions in 2007 and 2008 qualify and, if so, please adjust the CCA calculation accordingly.

### **Question #19**

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

- a) Why is RSL applying for disposition of the Deferred Payments in Lieu of Taxes account (#1562) but not the PILs contra account (#1563)?

### **Question #20**

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

- a) Please provide a copy of the Cost Allocation informational filing Run that best matches RSL's 2008 Rate Application.

## **Question #21**

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

- a) Please confirm if RSL's approved 2006 and 2008<sup>7</sup> distribution rates included an adder for the recovery of LV costs (page 2).
- b) If the response to part (a) is yes, does the December 31, 2006 balance in deferral account #1550 (LV Variance Account) include the accrual of LV-related revenues collected during 2006? If not, what were the 2006 revenues (up to December 31, 2006) attributable to the LV rate adder?
- c) Please confirm that RSL's approved 2007 distribution rates included a rate adder for Smart Meters. If yes, what is it?
- d) Please confirm whether or not the costs included in the Cost Allocation informational filings included LV Charges or just RSL's Distribution Costs.
- e) With respect to the Rate Design Overview on page 2, please explain how the values in the fourth and seventh columns were determined.
- f) If the proportions described in part (e) are based on the 2006 values from the Cost Allocation informational filing, then please comment on the appropriateness of using them to determine the 2008 revenue allocations consistent with 100% Revenue to Cost ratio given that the loads for each customer class have changed between 2006 and 2008.
- g) If the proportions described in part (e) are based on the 2006 values from the Cost Allocation informational filing, then please recalculate the proposed allocation of 2008 Base Revenue Requirement to customer classes assuming that customer class revenues based on 2008 loads multiplied by 2007 rates (net of the Smart Meter rate adder and any LV rate adder) are consistent with the Revenue to Cost ratios produced by the Cost Allocation informational filing.

## **Question #22**

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

- a) Please provide schedule setting out the calculation of the existing fixed variable split by customer class. Please include in the schedule both a description and the values for the rates and the billing quantities used for each class.
- b) Unless the results of part (a) are based on the following approach, please recalculate the fixed variable split for each customer class as follows:

- I. Determine the 2007 rates for each customer class net of the Smart Meter rate adder and any LV rate adder
- II. Determine the fixed and variable revenues for each customer class using the rates from Step I. and 2008 billing quantities.
- III. Determine the Proportion of Fixed Revenues for each customer class based on the results of Step II.

**Question #23**

**Reference:** i) General

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

**Question #24**

**Reference:** i) Exhibit 9/Tab 1/Schedule 7

- a) Please confirm that RSL's proposed rates do not include any allowance for either:
  - Smart Meter rate adder, or
  - Recovery of LV costs charged by Hydro One.
- b) If the response to part (a) is yes, please explain why.
- c) Why are the increases in the fixed and variable charges for residential customers different (14.2% vs. 31.8%) if the fixed-variable split is unchanged as suggested in Exhibit 8/Tab 1/Schedule 2 (page 7)?