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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. <http://www.piac.ca>

Michael Buonaguro
Counsel for VECC
(416) 767-1666

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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-2007-0755
Chapleau Public Utilities Corporation – 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.

Chapleau Public Utilities Corporation (CPUC)
2008 Electricity Rate Application
Board File No. EB-2007-0755

VECC's Interrogatories

Question #1

Reference: i) Exhibit 1, page 14
ii) Appendix A, page 6 of 10

- a) Does CPUC provide any services to or share any of its resources with the Affiliate? If so, please indicate what they are and provide a schedule that sets out:
- The revenues received by CPUC for each service in 2006 (actual), 2007, and 2008,
 - A description as to how the cost of each service is determined, and
 - Where in the current Application these revenues are accounted for.

Question #2

Reference: i) Exhibit 1, page 19

- a) In its Application, CPUC states that allowing it to recover its required distribution revenue requirement will enable it to refund to customers the over-collection that has occurred in its RSVA accounts. Please explain this link further. Isn't the purpose of maintaining separate variance accounts for the RSVAs to allow them to be tracked and managed separately from the actual distribution rates?
- b) Please clarify the basis for the 2006 and 2008 average customer use data shown on page 19:
- Is the 2006 data the actual average use for 2006 or the average use for 2006 that was used in the 2006 EDR model?
 - How were the 2008 average use figures developed?

Question #3

Reference: i) Appendix E, Exhibit 1 Schedules

- a) Does CPUC pay proxy "Capital Taxes" and, if yes, where are they accounted for in the Application?

- b) Please revise Appendix E, Exhibit 1 (Revenue Sufficiency – Current Base Rates to Continue Schedule) to reflect/show for 2006 (approved) through 2008:
- Rate Base for each year
 - Interest costs based on “deemed” debt for each year
 - Net income after taxes for each year
 - Return on equity achieved (based on deemed capital structure) for each year
 - Allowed ROE for each year.
- c) With respect to Appendix E, Exhibit 1 (Customer Class Impact Schedule) – please undertake the following:
- Confirm that there is no LV Cost recovery included in CPUC’s 2006 or 2007 approved Distribution rates.
 - Confirm that the LV Cost recovery is included in the Proposed Distribution Rates (as opposed to through a Rate Rider).
 - Provide a schedule that set out 2008 revenue by customer class (fixed and variable) based on 2008 billing quantities and 2007 rates – excluding approved 2007 Rate Riders and the Smart Meter Rate adder.
 - Provide a schedule that set out 2008 revenue by customer class (fixed and variable) based on 2008 billing quantities and proposed 2008 rates – excluding proposed 2008 Rate Riders and the Smart Meter Rate adder.

Question #4

Reference:

- i) Exhibit 2, pages 21-22
- ii) Appendix D, page 9
- iii) Appendix E, Exhibit 2 Schedules

- a) Reference (i) suggests that the purpose of the 3 Regulators to be installed in 2008 is “to reduce distribution losses”. However, the EnerSpectrum Group Report (Reference (ii)) states that the three regulators “are not attributable to reducing system losses”. Please reconcile.
- b) Please explain why the average cost of a replacement pole increased from \$310.20 in 2006 and \$312.50 in 2007 to \$400 in 2008 (almost 30%).
- c) Were all capital expenditures for 2006, 2007 and 2008 placed in-service in the year spent? If not, please provide a table setting out the capital spending, capital additions and CWIP for each year.
- d) Please reconcile the reported \$8,402 in 2007 total capital additions with the \$9,402 sum of the individual projects (i.e. \$6,902 + \$2,500).

- e) Please provide a copy of CPUC's Smart Metering Plan, showing planned annual installation, capital costs and OM&A costs.
- f) Does CPUC have government approval to proceed with Smart Meter installations? If yes, please provide a copy. If not, when is such approval anticipated?
- g) Please provide a detailed break down of the planned \$29,291 spending on Smart Meters in 2008.
- h) Why are all of the 2008 Smart Meter cost considered to be capital?
- i) Why are all of the Smart Meter costs being included in Rate Base as opposed to being recorded in Deferral/Variance Account #1555 (Smart Meter Capital and Recovery of Offset) which has been established by the OEB for this purpose?
- j) Please explain how CPUC established the Power Purchased, WMS, Network Charges and Connection Charges values for 2007 and 2008 used in the Allowance for Working Capital calculation.
- k) Please reconcile the Low Voltage Expenses reported in Reference (i) for 2006, 2007 and 2008 as part of the Working Capital Allowance calculation with those reported in Appendix E, Exhibit 1.
- l) Please explain why the 2008 Net Fixed Asset value used for Rate Base determination is the year-end value (\$908,647) as opposed to the average annual value (\$895,939).
- m) Please provide the business case for the 3 Regulators CPUC plans to install in 2008. If the business case is contained in Appendix D, please indicate where in the Appendix the justification can be found.
- n) Please confirm that CPUC does not own any buildings, computer equipment or software. If it does, where are the assets accounted for in Exhibit 2 (2008 Assets Schedule)?

Question #5

Reference:

- i) Exhibit 3, pages 23-24
- ii) Appendix E, Exhibit 3 Schedules

- a) Please clarify the basis for the 2008 load forecast by reconciling the following:
 - Reference (i) states that the volume forecast for 2008 is an average of the 2006 actual and the 2007 estimates.

- Reference (ii) {Exhibit 3 a – Customer Data Schedule) states that 2008 is an average of 2005, 2006 and 2007.
 - Appendix E, Exhibit 9 a) suggests that the load forecast for 2008 is derived based on the projected number of customers for 2008 multiplied by an average use per customer value. The Exhibit also suggests that each customer class' average use per customer value is calculated by "averaging" per customer usage for 2006 and 2007.
- b) Please explain basis for the Residential customer count (1,177) forecast for 2008.
- c) Appendix D, Exhibit 3 c) {Distribution, Miscellaneous and Other Revenue) includes a line for Other Distribution Revenue – Retailer Charges with value of \$1,736 for 2008. In Schedule Exhibit 1 {Revenue Deficiency} the \$1,736 is attributed to Retailer Charges and SSS Administration. Please undertake the following:
- Clarify if the \$1,736 includes SSS Administration Revenues
 - If no, please indicate where these revenues are accounted for and what the values are for 2006 through 2008.
 - If yes, please indicate the amount attributable to SSS Administration revenues.
 - Please indicate the number of CPUC customers that are expected to pay the SSS Admin in 2008.

Question #6

Reference: i) Exhibit 4, pages 25-29
ii) Appendix E, Exhibit 4 Schedules

- a) What are the major operating and maintenance activities that account the roughly \$300,000 in costs annually?
- b) Why is 2007 included in the calculation of the loss adjustment factor as opposed to just using actual data?

Question #7

Reference: i) Exhibit 5, pages 30-32
ii) Appendix E, Exhibit 5 a), b) & c) Schedules

- a) Why is there no reference to Account 1555? Where is CPUC recording the revenues it receives from the Smart Meter rate adder of \$0.26 / customer / month?
- b) CPUC appears to be seeking to dispose of balances in its Regulatory Asset accounts as forecast to April 30, 2008. Why is CPUC seeking to

dispose of forecast balances as opposed to using the 2006 actual balances?

- c) Does CPUC pay Transmission charges directly to the IESO or does it pay Hydro One for these services based on Hydro One's retail transmission charges?
- d) Please indicate how the 12% figure used to adjust the Transmission Network and Connection rates was established. Are the CPUC monthly billing volumes for Line Connection and Transformation Connection the same? If not, what are their relative values?

Question #8

Reference: i) Exhibit 6, page 33
ii) Appendix E, Exhibit 6 Schedules

- a) Why has CPUC not included a short-term debt component in its deemed capital structure, as directed by the OEB in its December 20, 2006 Report of the Board of Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors?
- b) What is the basis for the proposed 9% ROE?
- c) Does CPUC acknowledge that the ROE will be updated in January 2008 based on the Board's ROE formula?

Question #9

Reference: i) Exhibit 7, page 34

- a) Please provide a schedule that sets out the derivation of the \$749,633 in revenue shown on page 34.
- b) Throughout the Application there are a number of different values given for 2008 Base Distribution revenues at Proposed Base Rates. Please explain and reconcile the differences between the following values:
 - Appendix E, Exhibit 1 (Revenue Sufficiency @ Proposed Base Rates) \$680,023
 - Appendix E, Exhibit 1 (Customer Class Data) \$729,656 (calculated as sum of Base volumetric and fixed revenues plus LV/Wheeling)
 - Appendix E, Exhibit 2 \$678,911 (Base Revenue Requirement)
 - Appendix E, Exhibit 3 c) \$723,168 (2008 Distribution Revenues)

- c) Please reconcile the \$617,239 in reported in Appendix E, Exhibit 2 as Distribution expense other than PILs and interest with the \$617,411 figure reported in Reference (i).
- d) What are the expected LV costs for 2008? Reference (i) cites a value of \$24,631. However, Appendix E, Exhibit 1 (Customer Class Data) cites a value of \$36,903.
- e) Please confirm whether to following Table correctly sets out CPUC's 2008 proposed Revenue Requirement and revise as necessary explaining any changes.

2008 Revenue Requirement		Source
Operations/Maintenance and Billing & Collecting	\$366,697	App. E, Exh 4
Depreciation	\$36,563	App. E, Exh 2
Administration	\$189,520	App. E, Exh 4
LV Charges	\$36,903	App. E, Exh 5 a)
Return on Rate Base	\$105,863	Exh 7, page 34
Total	\$735,546	
Less Other Revenues	\$44,981	App. E, Exh 3 c)
Base Distribution Revenue Requirement	\$690,565	

- f) Please clarify what overall return on capital CPUC is requesting for 2008 – 8.07% or 10.8%. If the later, what is the basis for this departure from the calculated cost of capital?

Question #10

Reference:

- i) Exhibit 8, pages 35-36
- ii) Appendix E, Exhibit 8 and 9 Schedules

- a) Please provide a copy of Run 2 of CPUC's Cost Allocation informational filing.
- b) Please explain the source of the \$688,519 Test Year Revenue Requirement set out on page 36 of Reference (i). Please provide a schedule that sets out the derivation of this value and provide cross references to where in the Application each of the values used in the derivation can be found.

- c) Reference (i) states that CPUC is proposing to address some of the cross subsidization in the current cost allocation. How did CPUC determine the adjustment that would be made to each class' Revenue Requirement?
- d) Please confirm whether the rates used in Reference (ii), Exhibit 9 a) to determine the allocation to customer classes prior to any adjustment for to address cross subsidization concerns included the Smart Meter rate adder.
- e) Please confirm if the rates used to determine the fixed-variable split by customer class in Exhibits 9 a) and 9 c) included the Smart Meter rate adder.
- f) If the responses to parts (d) and/or (e) are yes, please recalculate the cost allocation and base rates with the Smart Meter rate adder excluded from the 2007 rates used in the analysis.

Question #11

Reference: i) Customer Impacts

- 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 #12

Reference: i) General

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