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December 20, 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)
EB-2011-0326: Interrogatories

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Hydro 2000 Inc.

2012 Distribution Rate Application

EB-2011-0326

Round 1 Interrogatories of the Vulnerable Energy Consumers Coalition (“VECC”)

General

1. Reference Exhibit 8, Tab 4, Schedule 3

- a) The Board issued new customer service rules to apply to low-income electricity consumers. Are Hydro 2000’s current conditions of service compliant with the Board requirements that came into effect October 1, 2011?
- b) If yes, how does Hydro 2000 make these new provisions known to new customers?

Rate Base

2. Reference Exhibit 2, Tab 3, Schedule 1, Table 2.3.2.

- a) Table 2.3.2 (Gross Asset Variance Table) shows account 1860 (Meters) having a projection of \$225,248 in 2011 and gross assets of \$195,667. Please reconcile these figures with Appendix 2-B (Fixed Asset Continuity Schedule), which shows no additions for account 1860 in 2011 and additions of \$195,297 in 2012, with the explanation at Exhibit 2, Tab 3, page 1, which indicates a 2011 projected balance of \$903K (see line 14).

3. Reference: Exhibit 2/Tab 4/Schedule 2

- a) Please provide a 2008 Capital Additions table in the format shown for 2009 (Capital Additions for 2009) and as shown at Exhibit 2, Tab 4, Schedule 3, page 1.

Load Forecast

- 4. **Reference: Exhibit 3, Tab 1, Schedule 2, page 1, lines 26-28 /Exhibit 3, Tab 1, Schedule 2, Attachment 1, page 2** Preamble: It is understood that the employment variable (d_FTE_OttReg) is the difference between the full time employment in the current month and the previous month, e.g., FTEt – FTEt-1

- a) Please explain why the difference is an appropriate variable to use in the regression equation formulation. In doing so please address what appears to be a counter-intuitive outcome for 2011 and 2012 where since the change in employment is less in 2012 than in 2011 the forecast purchases for 2012 are less than those in 2011. However, the result why should purchases be less in 2012 (than 2011) when absolute employment levels are higher in 2012 than in 2011?
- b) Provide the results (i.e., the equation, R-squared values and associated statistics) for a regression using the absolute employment level for the month as opposed to the difference. Please provide a forecast of purchases for 2011 and 2012 using this equation.

5. Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1, page 5

- a) Please provide a table that sets out for 2009 and 2010 the following:
 - i. The actual purchases for each year
 - ii. The actual HDD and CDD values for each year
 - iii. The “weather normal” HDD and CDD values for each year (as defined by Hydro 2000)
 - iv. The HDD and CDD coefficients per Hydro 2000’s regression model
 - v. The weather normal adjustment for each year based on the product of a) the HDD and CDD coefficients and b) the differences between the “weather normal” and actual values for HDD and CDD respectively.
 - vi. The estimated “weather normal purchases” calculated by adjusting actual purchases by the values calculated in the preceding bullet.

6. Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1, pages 5 & 7 /Exhibit 8, Tab 3, Schedule 5, Attachment 1, Tab C1

- a) Please reconcile the actual wholesale purchase values for 2009 and 2010 as shown in Exhibit 3 (Table 6) with those reported in Exhibit 8 (Table C1).
- b) Please reconcile the retail sales values for 2010 as shown in Exhibit 3 (Table 10) with those reported in Exhibit 8 (Table C1).
- c) Based on the results shown in Exhibit 3 (Table 6 and 10), please calculate the implicit loss factors for 2011 and 2012. Please contrast the resulting values with the actual loss factor for 2009 and 2010 and the assumed loss factors (per Exhibit 8) for 2012 and reconcile any material differences.

7. Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1, page 8

- a) What is the June 30, 2011 customer count for each class?
- b) If known, what is the 2011 year-end customer count for each class?

8. Reference: Exhibit 3, Tab 1, Schedule 2, page 1 (lines 8-9)

- a) Please confirm that the actual data used to develop the forecast of purchases for 2011 and 2012 included purchases for 2010 and part of 2011.
- b) Please confirm that the actual data for this period will include any impacts that CDM programs offered in 2006-2010 will have had on usage over this period.
- c) If confirmed, please indicate whether or not it is reasonable to assume that the purchase forecasts for 2011 and 2012 capture the impact of CDM programs offered over 2006 to 2010 as they are based on data that includes the impact of these programs? If not, why not?

9. Reference: Exhibit 3, Tab 1, Schedule 3, pages 1 to 3

- a) With respect to Table 1, please explain the difference between the \$/MWh value shown and the \$/kWh values shown and which column's values are appropriate to use in the working capital calculation.
- b) Please explain why the non-RPP price used in the Table on page 2 is different from either of the values set out in Table 1.
- c) Please explain why the average commodity price use in the table on page 3 is not equivalent to the calculated value shown on page 2.

Revenue Offsets

10. Reference: Exhibit 3, Tab 3, Table C9 (2012) / 2012 CoS Rate Maker Model, Tab A2

- a) Please explain why there are no revenues forecasted for each of the following accounts as they all reported revenues for 2009 and 2010:
 - i. #4082
 - ii. #4405.

OM&A Expenses

- 11. Reference Exhibit 4, Tab 2, Schedule 2, page 1 / Exhibit 4, Tab 2, Schedule 3, page 3**
 - a) Please reconcile the Table at Schedule 2 (Regulatory Cost Schedule) with the Table at Schedule 3 (Filing Costs for Rate Application).
- 12. Reference Exhibit 4, Tab 2, Schedule 3**
 - a) Please explain how the estimate of \$60,000 for transition to IFRS was derived.
- 13. Reference: Exhibit 4, Tab 2, Schedule 1, Page 3 Appendix 2-G /Board Staff IR #7**
 - a) In conjunction with the response to Board Staff IR #7 and in revising the OM&A Cost Driver Table, please include a column indicating which cost drivers are one-time costs.
- 14. Reference Exhibit 4, Tab 3, Schedule 1, Attachment 1, page 3**
 - a) The 2012 vs. 2011 year variance explanation at line 7 through 12 appear to include the impact of 3 years of IRM expenses in both the Operations and Admin and General Expense categories. Also the amounts explained are not equal to the total in the titles (i.e. Operations 17K and Admin 62K). Please clarify the explanations given for 2012 vs. 2011 and showing how \$17k and 62K were arrived at.
- 15. Reference Exhibit 4, Tab 4, Schedule 1, page 1, Appendix 2-K**
 - a) The Employee Costs table shows that 100% of compensation costs are capitalized (final row). Please confirm this is correct and if not please provide the appropriate portion of employee costs that are capitalized and the amount charged to OM&A.
- 16. Reference Exhibit 4, Tab 4, Schedule 1, Attachment 1, page 1**
 - a) The evidence states that beginning in 2008 the General Manager's salary was to be adjusted by four increments of \$4,000. At Exhibit 4, Tab 1, Schedule 4, page 2 the evidence states that in 2011 the incremental cost of one part-time employee were \$13,000. These two adjustments (\$17,000) explain 97% of the change in compensation between 2010 and 2011, but explains only 89% of the change between

2011 and 2012. Please provide the details for the 11% unexplained change in compensation between 2011 and 2012.

17. Reference Exhibit 4, Tab 1, Schedule 4, page 1 / Exhibit 4, Tab 4, Schedule 1, Attachment 1, page 1

- a) In addition to the General Manager and the part-time employee the evidence refers to both an Assistant Manager (\$4/pg1) and Administrative Assistant (\$1/pg. 1). Are these the same position?
- b) The evidence suggests there are ongoing training and travel cost expenses of \$18,000 (\$4/pg1) is this correct?
- c) If not, what are these the total forecast 2012 travel and expense costs for the 3 Hydro 2000 employees?

Cost Allocation

18. Reference: Exhibit 7, Tab 1, Schedule 1, Attachment 1 /2012 Cost Allocation Model

- a) Please confirm that the cost allocation model used was the updated version released by the OEB in August 2011.
- b) With respect to Table 6 in Attachment 1, can Hydro 2000 explain the reasons for the significant shift in Revenue to Cost Ratios as between 2008 and 2012?
- c) With respect to the allocation factors used in the Cost Allocation Model, please complete the following table.

| | 2008 Rate Allocation – Cost Allocation | | | | | 2012 Rate Application - Cost Allocation | | | | |
|---|--|--------|--------|-----|----|---|--------|--------|-----|----|
| | Res | GS <50 | GS >50 | USL | SL | Res | GS <50 | GS >50 | USL | SL |
| Relative Meter Reading Weighting Factors (Residential = 1.0) | 1.0 | | | | | 1.0 | | | | |
| Relative Services Weighting Factors (Residential = 1.0) | 1.0 | | | | | 1.0 | | | | |
| Relative Billing & Collecting Weighting Factors (Residential = 1.0) | 1.0 | | | | | 1.0 | | | | |

- d) With respect to Sheet I7.2, please explain the rationale for assuming the same Meter Reading Weighting factor for all customer classes.

19. Reference: Exhibit 7, Tab 2, Schedule 1

- a) Please revise Table 2 to also include the Residential class.

Rate Design

20. Reference: Exhibit 8, Tab 2, Schedule 1, pages 1 to 3 /Exhibit 8, Tab 4, Schedule 2, Attachment 2, Tables H4 & H5

- a) Please provide Residential bill impact calculations for the following monthly usage levels:
 - i. 250 kWh
 - ii. 500 kWh
 - iii. 1,000 kWh
 - iv. 2,000 kWh

21. Reference: Exhibit 8, Tab 3, Schedule 3, Attachment 1

- a) Please explain why the proposed charges in “C5 Transmission Rates” table do not equal those set out in the table “Calculation of Proposed RTSRs”. Also, please indicate which values are the correct ones
- b) Please file a completed copy of the Board’s RTSR Work Form?
- c) If the proposed RTSR rates do not reconcile with those determined in the RTSR Work Form, please explain why.

22. Reference: Exhibit 8, Tab 3, Schedule 4, Attachment 1

- a) What is the basis for the total estimated 2012 LV costs (\$100,429)?

Smart Meters

23. Reference Exhibit 9, Tab 3, Schedule 2

- a) Using Table 1 at page 1 of this Exhibit please show the derivation of the \$22, 472 in one time smart meter costs.
- b) Please explain what these expenses relate to?

LRAM

24. Reference: Exhibit 9, Tab 3, Schedule 3, Attachment 2

- a) Please explain why the totals are the same (i.e. 1,557,266 kWh) for both Table One and Table Two when the 2012 values in Table Two have been adjusted to April 30, 2012? Please address the same question as it applies to Tables Three and Four. If required, please correct the requested LRAM.
- b) Please explain why Hydro 2000 is seeking an LRAM for 2011 and the first four months of 2012 when the OPA has not issued a final report for 2011 or 2012.
- c) With respect to Tables Five, Six and Seven, please show how the volumetric rates were determined for each year for each customer class. In doing so, please confirm that the rates are based on the Board-approved volumetric distribution charges per the Board's CDM Guidelines.