



**PUBLIC INTEREST ADVOCACY CENTRE  
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Michael Buonaguro  
Counsel for VECC

March 14, 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)  
Interrogatories: EB-2008-0014  
Atikokan Hydro 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,

A handwritten signature in blue ink, appearing to be 'M Buonaguro'.

Michael Buonaguro  
Counsel for VECC  
Encl.

**Atikokan Hydro Inc. (Atikokan)**  
**2008 Electricity Rate Application**  
**Board File No. EB-2008-0014**

**VECC's Interrogatories**

**Question #1**

**Reference:** i) Exhibit 1, Tab 1, Schedules 4 and 5  
ii) Exhibit 1, Tab 1, Schedules 7 and 8

- a) Please confirm that the current monthly service charges include a Smart Meter rate adder of \$0.25 / month / metered customer.
- b) Please confirm whether the proposed 2008 rates set out in Schedule 5 include the Smart Meter rate adder of \$0.25 / month / metered customer (per Schedule 5) or \$0.26 / month / metered customer (per Schedule 8).

**Question #2**

**Reference:** i) Exhibit 1, Tab 1, Schedule 7, lines 15-17

- a) Please confirm that for 2008 Atikokan is proposing to move its equity ratio from 50% to 46.7%.

**Question #3**

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

- a) Please confirm that Atikokan is not applying for approval of any new deferral or variance accounts. If it is applying for any new accounts please provide the rationale for each account being requested and explanation of the costs and/revenues that would be recorded in the account.

#### **Question #4**

**Reference:**           i) Exhibit 1, Tab 1, Schedule 9  
                          ii) Exhibit 4, Tab 1, Schedule 2

- a) Please provide a Schedule that sets out the calculation of the 2008 Distribution Revenue at Existing Rates shown in Reference (i). The schedule should show the revenue calculation for each customer class, including both the 2007 rates used and the 2008 billing quantities.
- b) Did the rates used to calculate the Distribution Revenues at Existing Rates include the Smart Meter rate adder? If so, please re-do the calculation excluding the Smart Meter rate adder and provide the supporting calculations (similar to part (a)).
- c) Please confirm whether the Revenues at Existing Rates reported in Reference (i) are based on rates net of the transformer ownership allowance where applicable.
- d) Please prepare the Schedule that:
  - Sets out the calculation of the revenues from each class (based on 2008 volumes and 2007 Rates) prior to the provision of the Transformer Ownership Allowance,
  - Shows separately the calculation of the transformer ownership allowance discount based on eligible 2008 volumes and 2007 rates by class, and
  - Shows the total revenues by class, after netting out the Transformer Ownership Allowance.
- e) Please reconcile the Amortization Expense shown in Reference (i) of \$240,777 with the \$168,510 value shown in Reference (ii).
- f) Reference (i) reports a 2008 OM&A expense of \$977,555 excluding Amortization. However, Reference (ii) indicates that OM&A plus Amortization equals \$977,555. Please reconcile.
- g) Please provide a Schedule that sets out the calculation of the \$73,201 deemed interest expense.
- h) Please reconcile the \$120,184 return on equity reported in Reference (i) with the \$113,908 value shown in Exhibit 4, Tab 3, Schedule 1.
- i) Please reconcile the \$23,048 income tax value shown in Reference (i) with the zero value reported in Exhibit 4, Tab 3, Schedule 1.

- j) Based on the foregoing reconciliations and excluding revenues for the Smart Meter rate adder, please re-calculate the 2008 test year revenue sufficiency/deficiency.

**Question #5**

**Reference:** i) Exhibit 1, Tab 1, Schedule 10

- a) Please provide a reference/source for the \$184,810 value for return on capital.

**Question #6**

**Reference:** i) Exhibit 1, Tab 1, Schedule

- a) Following the July 2007 Final Report, was a plan developed for how to determine final rates for Atikokan?
- b) Are Atikokan's 2007 rates still "interim"? If not, please provide the Board decision regarding final 2007 rates.
- c) If they are still interim, what is Atikokan's understanding as to what must be done in order to finalize its 2007 rates and when does Atikokan anticipate making the associated application?

**Question #7**

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

- a) Please confirm that Atikokan is not (itself) an embedded utility. If it is, please indicate who the host utility is and how much of its load is provided by the host utility.

**Question #8**

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

- a) Please describe Atikokan Enercom Inc.'s lines of business.

### **Question #9**

**Reference:** i) Exhibit 1, Tab 3, Schedule 1  
ii) Exhibit 6, Tab 1, Schedule 3

- a) According to page 11 of the 2006 Financial Statements (Reference (i)) the loan from the Township of Atikokan carries a rate of 0 %. Please confirm that this is the case. If not, please provide documentation supporting an alternate interest rate for this loan.
- b) Please reconcile the 5% rate quoted in Reference (ii) with the 0% rate quoted in Reference (i).

### **Question #10**

**Reference:** i) Exhibit 1, Tab 4, Schedule 1

- a) Please provide an update on the status of Atikokan's Intermediate customer. For example, has the customer ceased operations and is no longer paying for service and, if so, when? If the customer is still continuing to operate, is the level operations consistent with past year and how long is it expected to continue to operate?
- b) Please confirm that, as a result of the payment arrangements described on page 4, Atikokan does not anticipate any "bad debt" associated with the customer. If this is not the case, please explain.

### **Question #11**

**Reference:** i) Exhibit 2, Tab 3, Schedule 1  
ii) Exhibit 2, Tab 3, Schedule 4

- a) How much of the proposed \$235,000 spending in 2008 on Transportation and Related Equipment is for the bucket aerial device? If this device does not account for the entire spending, please indicate what the balance of the spending is for.
- b) Reference (ii) explains that the need for the new aerial device arises from the fact that the man lift function on the existing digger derrick is difficult to maintain (Reference (ii), page 2). Did Atikokan explore the option of replacing/retrofitting the man lift function on the existing vehicle? If not, why not? If yes, why was this option not pursued?

- c) Why is a new 3 bay building needed (per Reference (ii)) to house one additional piece of transportation equipment?
- d) Please confirm that all capital spending for 2006, 2007 and 2008 is for assets that are in-service the same year. If not, please indicate the differences between capital spending and capital additions for each year.

### **Question #12**

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

- a) Please indicate how the forecasts for the 2007 and 2008 for the various cost of power components were developed. In particular, what was the assumption regarding the average cost purchased power in 2008 (i.e., the average HOEP)?
- b) Please explain the basis for the increase in Account #4714 - Network Charges (2008 over 2007), particularly when the Board has approved lower Transmission Network Charge rates for 2008.
- c) Please explain the basis for the 2008 charges for Transmission Connection.

### **Question #13**

**Reference:** i) Exhibit 3, Tab 1, Schedule 2  
ii) Exhibit 1, Tab 4, Schedule 1, page 3

- a) Reference (i) shows no 2007 revenue from Atikokan's Intermediate User class where as Reference (ii) shows distribution revenue of over \$30,000. Please reconcile.
- b) Where are the SSS Admin charge revenues reported in Reference (i), page 1?

### **Question #14**

**Reference:** i) Exhibit 3, Tab 2, Schedule 1, pages 2-4

- a) What is the actual 2007 customer count for the Residential, GS<50 kW and GS >50-2999 kW classes?

### **Question #15**

**Reference:** i) Exhibit 3, Tab 2, Schedule 1, pages 5-7

- a) Please provide a Schedule that shows the derivation of the Retail NAC for each customer class (page 5, lines 15-16) based on the Weather Normal Wholesale kWh and Customer Counts shown.

### **Question #16**

**Reference:** i) Exhibit 4, Tab 2, Schedule 1  
ii) Exhibit 4, Tab 3, Schedule 3

- a) With respect to the roughly 10% increase in total Operation costs from 2006 (Actual) to 2008, how much is due to additional training requirements in 2008 (per Reference (ii), page 4)?
- b) Please explain the reason for the roughly 10% increase in Billing and Collections expense from 2006 (Actual) to 2008. What factors besides internal labour costs contributed to the increase and by how much?
- c) Why is bad debt expense forecast to increase from less than \$2,000 in 2006 (Actual) to \$3,000 in 2008?
- d) Please provide a Schedule that breaks down the cost of Outside services employed for 2007 and 2008 by Supplier.
- e) If the cost of the rate rebasing Application is included in the 2007 Outside Services Employed (per Reference (ii), page), why are the regulatory expenditures for 2008 forecast to be even higher (per Reference (i), page 4)?
- f) Where are the revenues received from Atikokan Enercom reflected in the Application?

### **Question #17**

**Reference:** i) Exhibit 4, Tab 2, Schedule 7  
ii) Exhibit 4, Tab 2, Schedule 2

- a) The cost of Outside Services for 2007 and 2008 shown in Reference (ii) does not match the totals for Purchase of Services shown in Reference (i). Please reconcile.

### **Question #18**

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

- a) Please confirm that the average compensation (Salary plus Benefits) has increased from \$61,088.38 (\$549,795.43/9) in 2006 to \$79,668.65 (\$557,680.52/7) in 2008.
- b) What is the reason for this 30% increase in average wages and benefits over two years?

### **Question #19**

**Reference:** Exhibit 4, Tab 3, Schedule 2

- a) Do any of Atikokan's capital additions for 2007 or 2008 qualify for the new CCA class created in the March 2007 Budget? If so, please update the schedule accordingly.

### **Question #20**

**Reference:** i) Exhibit 5, Tab 1, Schedule 1  
ii) Exhibit 5, Tab 1, Schedule 3

- a) Please confirm that, for the accounts noted, Atikokan is seeking to clear balances as of April 30<sup>th</sup>, 2008.
- b) Please confirm that for the following accounts the forecast balance Atikokan is seeking to clear includes forecast adjustments to the principal portion of the account for the period January 1, 2007 to April 30, 2008:
  - Account #1518 – Retail Cost Variance Account – Retail
  - Account #1548 – Retail Cost Variance Account – STR
  - Account #1555 – Smart Meter Capital Variance Account
  - Account #1580 – RSVA – Wholesale Market Service Charge
  - Account #1584 – RSVA – Retail Transmission Network Charge
  - Account #1586 – RSVA – Retail Transmission Connection Charge
  - Account #1588 – RSVA – Power
- c) Please explain why it is appropriate to seek to clear a forecast principal balance for these accounts as opposed to an the December 31, 2006 balance.
- d) Please explain why Atikokan is seeking to clear Account #1555, when the funds are meant to be applied to future Smart Metering activities.

- e) Please explain the basis for the positive adjustment to Account #1555 of \$1,708 for the period January 1-April 30, 2007. If this adjustment reflects revenues from the Smart Meter rate adder for the period why isn't it negative?
- f) Were 2006, 2007 or 2008 statistics used for the allocation factors in Reference (ii)?
- g) Page 2 of Reference (ii) indicates that Atikokan is not proposing to dispose of the forecast balance in Account #1590 at this time. However, the text in Exhibit 5, Tab 1, Schedule 4, page 1 (lines 12-17) suggests it is. Please reconcile.

### **Question #21**

**Reference:** Exhibit 6, Tab 1, Schedule 2

- a) Please explain the basis for the 6% cost of debt used in the calculation (pages 1-2) of Atikokan's weighted average cost of capital.

### **Question #22**

**Reference:** Exhibit 8, Tab 1, Schedule 2

- a) Please provide a full copy of the Cost Allocation Run 2 that yielded the results shown on page 4.

### **Question #23**

**Reference:** Exhibit 8, Tab 1, Schedule 3

- a) Please explain how the revenue to cost ratios shown on page 3 were determined versus those shown on page 4 of Exhibit 8, Tab 1, Schedule 2.
- b) With respect to the table at the bottom of page 3, please explain why the last column (Being Subsidized/Over Contributing) does not sum to zero.
- c) If the revenue to cost ratios presented this Schedule are based on an alternate/different Cost Allocation run than that which resulted in the ratios shown in Schedule 2 – please provide a full copy of the run.

## **Question #24**

Reference: Exhibit 9, Tab 1, Schedule 1

- a) The Base Revenue Requirement calculation shows an Amortization expense of \$169,736. However, Exhibit 4, Tab 1, Schedule 2 (page 1) shows a value of \$168,510. Please reconcile.
- b) Please provide a schedule that sets out the derivation of the \$184,810 Regulated Return on Capital.
- c) Please reconcile the Revenue Offset value of \$70,293 shown in this schedule with the value for Other Distribution Revenue of \$60,956 shown in Exhibit 3, Tab 2, Schedule 1.
- d) Please provide a schedule that sets out the volumes and rates used to determine the fixed and variable revenues by customer class shown in the Table titled "Allocation of Fixed and Variable % Distribution Revenues at Existing Rates".
- e) How was the total Net Revenue Requirement by Customer Class established?
- f) Does the proposed allocation of the Base Revenue Requirement to customer classes maintain or shift the revenue to cost ratios by class?
- g) If the proposed allocation changes the revenue to cost ratios by class please provide:
  - A schedule that sets out the current revenue to cost ratio along with the proposed value for each class.
  - The basis for the current revenue to cost ratio
  - The rationale for the proposed changes, and
  - How the Total Net Revenue Requirement by customer class was calculated using the proposed revenue to cost ratios.
- h) If the proposed allocation does not change the revenue to cost ratios by class please provide:
  - The current revenue to cost ratios (and indicate how they were established) proposal
  - How the Total Net Revenue Requirement by customer class was established.
- h) Please provide a schedule showing the derivation of the \$36.52 / month fixed charge for Residential customers. Note: Starting with the Total Net Revenue Requirement of \$779,630.16 proposed for Residential

multiplying by 71.31% and then dividing by 1421 customers and 12 months yields a value of \$32.60.

- i) Please confirm that the proposed fixed charges set out in this Schedule do not include a Smart Meter rate adder.
- j) Exhibit 8, Tab 1, Schedule (page 7) concludes that the monthly fixed charge for the Residential class should be reduced. Based on this comment, why is Atikokan proposing to increase the monthly service charge for Residential customers?

### **Question #25**

**Reference:** Exhibit 9, Tab 1, Schedule 8

**Question:**

- a) The text states that Column A represents the % allocation based on actual cost of service while Column B represents the allocation based on current rates. Please explain why since the revenue to cost ratio for the Residential Class is greater than 100% the allocation factor in Column A is higher than the one in Column B. One would expect that moving to “allocated costs” would have reduced the allocation to the Residential class.
- b) Please explain if and how the results of set out in this schedule were used to determine the Total Net Revenue Requirement customer class set out in Exhibit 9, Tab 1, Schedule 1.

### **Question #26**

**Reference:** Exhibit 9, Tab 1, Schedule 9

- 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 #37**

**Reference:** i) General

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