

***PUBLIC INTEREST ADVOCACY CENTRE***

***LE CENTRE POUR LA DEFENSE DE L’INTERET PUBLIC***

## ONE Nicholas Street, Suite 1204, Ottawa, Ontario, CanadaK1N 7B7

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Michael Janigan

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Counsel for VECC

613-562-4002

May 15, 2012

**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: EB-2011-0319**

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

Yours truly,

*Original Signed*

Michael Janigan

Counsel for VECC

Encl.

cc. ERHDC - Jennifer Uchmanowicz - jennifer.uchmanowicz@ssmpuc.com

|  |  |
| --- | --- |
| **REQUESTOR NAME** | **VECC** |
| **INFORMATION REQUEST ROUND NO**: | **# 1** |
| **TO:** | **Espanola Regional Hydro Distribution Corporation (ERHDC)** |
| **DATE:** | **May 15, 2012** |
| **CASE NO:** | **EB-2011-0319** |
| **APPLICATION NAME** | **2012 Cost of Service Electricity Distribution Rate Application** |

**RATE BASE**

1. **Reference: Exhibit 2, Tab 2, Schedule 2, page 1**
   1. Please explain the large difference between the 2008 Board Approved Gross Fixed Assets and Accumulated Depreciation and the 2008 actual amounts (i.e. $3.7 vs. $6.1 million and $1.87 vs. $4.23 million).

# Reference: Exhibit 2, Tab 2, Schedule 1, page 2

# Please provide the change in fixed assets in 2011 and 2012 related to the smart meter program.

# Reference: Exhibit 2, Tab 1, Schedule 4, page 1/Tab 4, Schedule 1, page 1.

# On April 12, 2012 the Board issued guidelines implementing a 13% working capital calculation for utilities who have not undertaken their own lead-lag study. Does ERHDC intend to adopt the 13% working capital allowance for 2012 rates? If not, please explain why a 15% rate is more appropriate.

*Depreciation*

# Reference: Exhibit 2, Tab 2, Schedule 3, page 4

# ERHDC has proposed different useful lives for some asset from the typical life used in the Kinectric’s Report (e.g. switches, switchgear, switchgear and junction cubicle, industrial meters etc.). Please provide a table showing those assets with different lives from the Kinectric’s typical life. Please include a column for each item which shows the adjustment to 2012 depreciation amounts if the Kinectrics typical life was used rather than the asset life proposed by ERHDC.

*Capital Expenditures*

# Reference: Exhibit 2, Tab 2, Schedule 7

# Please provide a table showing all current vehicles, year of acquisition, acquisition cost, estimated year of replacement and estimated replacement cost.

# Reference: Exhibit 2, Tab 2, Schedule 7, page 7

# Please update the 2011 capital projects Table 2-22 for 2011 year-end actuals (audited or unaudited).

**LOAD FORECAST AND REVENUE OFFSETS**

# Reference: Exhibit 3, Tab 2, Schedule 1, page 2

# On what basis are R-squared values of 76% and 71% judged as being “well below an acceptable range”?

1. **Reference: Exhibit 3, Tab 2, Schedule 1, page 7 (lines 15-21)**
   1. Did ERHDC undertake a “step-wise” elimination of these three variables listed in order to determine if the elimination of one or two of the variables would result in the remaining variables having statistically significant coefficients?
2. **Reference: Exhibit 3, Tab 2, Schedule 1, pages 9-10**
   1. Provide a table that sets out for 2009 and 2010 the following:
      * The actual purchases for each year
      * The actual HDD and CDD values for each year
      * The “weather normal” HDD and CDD values for each year (as defined by ERHDC)
      * The HDD and CDD coefficients per ERHDC’s regression model
      * The weather normal adjustment for each year based on the product of a) the HDD and CDD coefficients and b) the differences between the actual and “weather normal” values for HDD and CDD respectively.
      * The estimated “weather normal purchases” calculated by adjusting actual purchases by the values calculated in the preceding bullet.
   2. Please confirm whether the normalized forecast results reported in Table 3-7 for 2011 and 2012 are before or after the CDM adjustment. If after, please explain why the 2011 and 2012 values are the same.
   3. Please outline the CDM programs offered by ERHDC in 2011 and provide any reports from the OPA (quarterly or annual) regarding savings achieved in 2011.
   4. For purposes of the CDM adjustment has ERHDC assumed the 552,000 kWh of CDM savings are billed energy or purchased energy?
   5. Over what historical period was the 1.0675 loss factor calculated? Please reconcile with the proposed loss factor of 1.0714 based on a 5-year historical average (per Exhibit 8/Tab 1/Schedule 6, page 1).
   6. What are the billed kW associated with the CDM savings included in the 2012 load forecast for the GS>50, Sentinel Lighting and Street Lighting classes?
3. **Reference: Exhibit 3, Tab 2, Schedule 1, page `15**
   1. Please re-do Table 3-17 in order to show also how the CDM adjustment by customer class (per Table 3-8) was incorporated into the derivation of the billed energy forecast by customer class.
4. **Reference: Exhibit 3, Tab 3, Schedule 1, page 1**
   1. Please explain why there is no reported Interest and Dividend income (Account #4405).
   2. Please explain the increase in 2010 for each of the following accounts and why the increased value is not forecast to continue in 2011 and 2012:
      * Specific Service Charges (#4235)
      * Late Payment Charges (#4225)
5. **Reference: Exhibit 3, Tab 3, Schedule 1, page 1**
   1. Please describe the sources of revenues for Account #4325 (Revenues from Merchandise, Jobbing, etc.) and why the revenues are forecast to decline in 2011 and 2012.
6. **Reference: Exhibit 3, Tab 3, Schedule 1, page 1**
   1. How many Micro-Fit customers does ERHDC currently have (i.e., year-end 2011)? How many are forecast for year-end 2012?
   2. Where is the revenue from Micro-Fit service charges captured in Table 3-22?

**OPERATING COSTS**

1. **Reference: Exhibit 4, Tab 1, Schedule 1, page 1.**
   1. Please provide the 2011 annual inflation CPI inflation rate ERHDC and the most recent annualized 2011 rate published by Statistics Canada.
2. **Reference: Exhibit 4, Tab 1, Schedule 1, Tables 4-1 to 4-4**
   1. Pleaserestate the 2011 and 2012 OM&A table (Table 4-5) on a CGAAP basis and show any IRFS adjustment in a separate column.
3. **Reference: Exhibit 4, Tab 1, Schedule 1/Schedule 5 Tables 4-7**
   1. Please update the 2011 OM&A Tables to show 2011 actual results.
   2. Please show for each account category (i.e. Maintenance/Billing & Collecting, etc.) the costs for services provided by PUC. [For example in 2012 ERHDC proposes to spend $397,159 on Maintenance. The added row in the revised table would show what amount of this figure is forecast to be remitted to PUC in accordance with the service contract].
4. **Reference: Exhibit 4, Tab 2, Schedule 4, BDR Report page 11**
   1. Please update the OM&A Cohort comparator table shown at page 11 of this report for the most recent 2010 (and 2011 if available) OM&A per customer figures.
5. **Reference: Exhibit 4, Tab 2, Schedule 5**
   1. There does not appear to be any reference in the Asset Condition Assessment & Asset Management Plan to vegetation issues. Did Metsco/Costello identify vegetation as an issue?
   2. Please explain how ERHDC develop its vegetation management budget.
   3. Please provide the reasons ERHDC neglected its tree trimming responsibilities prior to 2008.
   4. Please explain the steps that were taken in each year since 2008 to assess the state of vegetation growth near distribution plant.
   5. When did ERHDC become aware of the Bass Lake Road vegetation issue?
   6. What process was used to select the vegetation contractor (Wilderness Environmental Services)?
6. **Reference: Exhibit 4, Tab 2, Schedule 5, pg.16 /pg.26**
   1. Please reconcile for 2012 the amount shown in Account 5655 – Regulatory Expense – ($35,000) and the amount shown in Table 4-15 (total costs $108,000).
7. **Reference: Exhibit 4, Tab 2, Schedule 6, pg. 2**
   1. Please explain the variance between the 2008 Board approved total compensation of $526,423 and the 2008 actual spending of $446,219.

**COST ALLOCATION**

1. **Reference: Exhibit 7, Tab 1, Schedule 2, page 2**

**2012 Cost Allocation Model, Tab I7.1 (Meter Capital)**

**Exhibit 9, Table 9-10**

1. In the Cost Allocation Model ERHDC has assumed that the cost of a smart meter is the same for all customer classes ($295). However, the discussion of its smart meter program (Exhibit 9, Tab 2, Table 9-10) indicates that the cost of smart meters varies by customer class. Please reconcile and provide a revised Cost Allocation Model run which reflects the relative cost of smart meters by customer class.
2. Pleaseupdate Table 7-4 based on the results of this revised Cost Allocation.

**RATE DESIGN**

1. **Reference: Exhibit 8, Tab 1, Schedule 2, page 3**
   1. Please confirm that the cost of providing the transformer allowance ($11,512) is incorporated in the variable charge for the GS>50 class. If not, how is the cost recovered?
2. **Reference: Exhibit 8, Tab 1, Schedule 4, page 1**
   1. Please explain how the total forecast LV cost of $276,397 was derived.
   2. What were ERHDC’s actual LV costs for 2011 and what were ERHDC’s actual total energy purchases for 2011?
3. **Reference: Exhibit 8, Tab 2, Schedule 5** 
   1. Please confirm that the rate impacts shown in Appendix A are the impacts after the adoption of the rate mitigation measures set out at page 1, lines 11-16. If not, please re-do the residential impact analysis based on the proposed rates.
   2. Based on the most recent 12 months of billing data please indicate the number of Residential customers whose average monthly use falls into each of the following consumption ranges:
      * 0-250 kWh
      * >250-500 kWh
      * >500-800 kWh
      * >800 – 1,500 kWh
      * >1,500 kWh
   3. At page 1 (lines 4-8) ERHDC states that it has “taken measures to mitigate these costs to the fairest and most reasonable extent possible”. Are the “measures” referenced here to the ones described at lines 11-16? If additional measures were explicitly taken to mitigate costs please outline what they were.

**LRAM**

## Reference: Exhibit 10, page 161

* 1. When will OPA results for 2010 Programs be available and how may this affect the LRAM and Load forecast?
  2. List and confirm OPA’s input assumptions for EKC (if offered) 2005 and 2006 including the measure life and unit kwh savings for Compact Fluorescent Lights and Seasonal Light Emitting Diodes. Confirm some of these assumptions were changed in 2007 and again in 2009 and compare the values
  3. Confirm/ demonstrate whether the claimed savings shown in the response to part b) reflect the measure lives in place at the time the programs were run or reflect the latest OPA Measures and Assumptions list values.
  4. Adjust the LRAM claim as necessary to reflect the measure lives (and Unit savings) for any/all measures that have expired starting in 2010

1. **Reference: Update Summary**
   1. In order to assist in tracking updates to the original application, please complete a table similar to the one shown below for all changes made (whether due to interrogatory response or otherwise).

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SUMMARYOFPROPOSEDCHANGES** | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Reference** | **Item** | **RegulatedReturnonCapital** | **RegulatedRateofReturn** | **RateBase** | **Working**  **Capital** | **WorkingCapitalAllowance** | **Amortization** | **PILS** | **OM&A** | **ServiceRevenueRequirement** | **BaseRevenue**  **Requirement** | **GrossRevenue**  **Deficiency** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **OriginalSubmission** | **4,185,471** | **7.02%** | **59,653,664** | **40,569,453** | **6,085,418** | **2,327,524** | **321,256** | **5,852,617** | **12,686,868** | **12,209,580** | **1,178,225** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| VECC IR #10 | Updatedcostofdebt | 4,213,572 | 7.06% | 59,653,664 | 40,569,453 | 6,085,418 | 2,327,524 | 321,256 | 5,852,617 | 12,714,969 | 12,237,681 | 1,206,326 |
|  | Change | 28,101 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 28,101 | 28,101 | 28,101 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Board Staff #3,#4,#8 | Revised2011 and2012 CapitalBudgets | 4,183,054 | 7.06% | 59,221,611 | 40,569,453 | 6,085,418 | 2,279,493 | 315,954 | 5,852,617 | 12,631,118 | 12,153,829 | 1,122,475 |