***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 16, 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-2011-0322**

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

Yours truly,

*Original signed*

Michael Janigan

Counsel for VECC

Encl.

cc. CPUC - Marita Morin- chec@onlink.net

|  |  |
| --- | --- |
| **REQUESTOR NAME** | **VECC** |
| **INFORMATION REQUEST ROUND NO**: | **# 1** |
| **TO:** | **Chapleau Public Utilities Coroporation (CPUC)** |
| **DATE:**  | **May 15, 2012** |
| **CASE NO:**  | **EB-2011-0322** |
| **APPLICATION NAME** | **2012 Cost of Service Electricity Distribution Rate Application** |

**RATE BASE**

1. **Reference: Exhibit 2,page 93/page 117**

Chapleau Public Utilities Corporation (CPUC or Chapleau) states that it will spend approximately $55,000 in each of the next four years on capital projects. This compares to less an average of less than $9,000 spent in each year since 2010.

* 1. When are the final results of the Asset Management Plan and the Asset Condition Assessment expected to be completed?
	2. Why is CPUC not waiting until it receives the results of its Asset Management Plan before embarking on this increase in capital spending?
	3. In the absence of the Asset Management Plan and the Asset Condition and Assessment how does CPUC intend to determine should be done and how they should be prioritized?
1. **Reference : Exhibit 2, page 93/page 117**

At page 93 CPUC states that starting in 2012 it will spend $20,000 on developing an Asset Management Plan and $20,000 in 2013 for investigation for “automated Asset Management function.” $50,000 is shown for procurement of computer hardware and software. It also states that $10,000 will be spent over the next four years on Asset Condition Assessment and Data Gathering. At page 117 there is a table showing the total cost for this project is $130,000.

* 1. Did CPUC competitively tender for the contracts for these projects?
	2. How are the estimates for these projects determined (e.g. are the contracts fixed price/sum)?

# Reference: Exhibit 2, Tab 1, Schedule 4, 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 CPUC intend to adopt the 13% working capital allowance for 2012 rates? If not, please explain why a 15% rate is more appropriate.

**LOAD FORECAST AND REVENUE OFFSETS**

# Reference: Exhibit 3, page 102

* 1. The forecast customer count table includes a column titled “Current Actual”. What calendar date (i.e., month/year) are the associated customer count values based on?
	2. What is the actual customer count by class as of 2011 year end?

# Reference: Exhibit 3, page 104

**Board Decision EB-2007-0755, page 5**

* 1. In its EB-2007-0755 Decision the Board stated:

CPUC has failed to meet a basic regulatory requirement, which is to clearly present and fully substantiate its customer number forecast and a weather normalized load forecast in its application. Through significant effort on the part of Board staff and VECC there has been an attempt to understand, through interrogatories, the underpinnings of the forecast data presented. VECC’s conclusion is that the forecast does not appear to have a particular bias, and therefore concludes, reluctantly, that it should be accepted. The Board agrees. The Board expects Chapleau PUC’s next application to show substantial improvement in this area.

What improvements has Chapleau made in its load forecast methodology in order to address the Board’s concern?

* 1. Did CPUC consider and/or test any other load forecasting approaches such as regression analysis using weather and customer-related explanatory variables? If not, why not? If yes, why were these approaches rejected?

# Reference: Exhibit 3, page 104/ Exhibit 4, page 161/ Appendix E

* 1. With respect to Appendix E, the detailed OPA Report appears to be that for Northern Ontario Wires and not CPUC. Please provide the relevant report for Chapeau.
	2. Also, the report provided does not appear to include 2010 programs. Please ensure the material provided for CPUC includes the reported results for 2010 OPA programs.
	3. Please confirm that the LRAM calculations presented in Exhibit 4 are based on CPUC’s reported results for 2006-2010.
	4. Based on the most recent assumptions regarding the “life expectancy” of the various measures implemented in 2006-2010 please complete the following table:

|  |  |
| --- | --- |
| Program Year | CDM Program Impacts by Year (Net kWh Savings) |
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 2006 |  |  |  |  |  |  |  |
| 2007 | xx |  |  |  |  |  |  |
| 2008 | xx | xx |  |  |  |  |  |
| 2009 | xx | xx | xx |  |  |  |  |
| 2010 | xx | xx | xx | xx |  |  |  |
| Total |  |  |  |  |  |  |  |

1. **Reference: Exhibit 3, page 104**
	1. What is CPUC’s 2011-2014 CDM (GWh) Target?
	2. Please describe the CDM programs that Chapleau implemented in 2011 and provide any OPA reports dealing with the CDM savings achieved from the 2011 programs.

*Revenue Offsets*

1. **Reference: Exhibit 3, page 115**
	1. Please explain why there are no actual or forecast revenues for account #4084 but there are for account #4082.
	2. Please provide the actual 2011 Other Operating Revenue in the same format as the table set out on page 115.
	3. How many MicroFit customers did CPUC have at the end of 2011 and how many are forecast for the end of 2012?
	4. Are the revenues from MicroFit service charges included in the forecast Other Operating Revenue? If so, in what account are they included and what is the 2012 forecast revenue?

**OPERATING COSTS**

1. **Reference: Exhibit 4, page 119**
	1. Please update the 2011 Detailed Account by Account OM&A Expense Table for the final audited or unaudited 2011 results.
2. **Reference: Exhibit 4, page 125**
	1. Please confirm that the $2,000 shown in account 6205 (Donations) are in respect to budgeted amounts for CPUC’s LEAP program.
3. **Reference: Exhibit 4, page 123/page 125 & 126**
	1. CPUC shows the 2012 forecast regulatory expense in account 5655 as $14,520. Please show how this amount is calculated (derived) from the Regulatory Cost Schedule which shows the ongoing costs as $31,520
4. **Reference: Exhibit 4, page 132-133**
	1. Please clarify thecompensation table which appears to show that 100% of OM&A is capitalized for the years 2008 through 2012.
5. **Reference: Exhibit 4, page 317**
	1. In 2009 CPUC used an allocation factor of 82.7% for all shared services which were not 100% allocated to CPUC from CESC. In 2012 the allocation factor is 84%. Please explain the reasons for this change.
	2. Please explain how the allocation factor of 84% was derived and explain why it is the same for all accounts.
	3. Please explain why Account 5025 – Overhead Distribution Lines and Feeders – is only 84% allocated to the distribution utility.
6. **Reference: Exhibit 2, page 70/ Exhibit 4, page 117**
	1. Please explain the services provided by Sensus under the $28,600 WAN contract.
	2. Is an amount of $28,600 due in each year of the contract? Which year does the contract begin and when does it end? Is there a cost escalator in the contract, if so please explain?
	3. Was the contract awarded as a result of a competitive tendering process? If not please explain how the contractor was chosen and how CPUC determined the costs were reasonable.
7. **Reference: Exhibit 4, page 125**
	1. Please provide a table showing the 2008 through 2010 OM&A cost per customer and per FTE for the cohort of utilities most like CPUC.

**COST ALLOCATION**

1. **Reference: Exhibit 7, pages 178-179/2012 Cost Allocation Model**
	1. Please provide the O1 sheet based on cost allocation that does not include the adjustments described on page 179.
	2. Please confirm that the values on page 179 for: i) COS 0-22 km and COS 22 – 44 km were based on runs of the COS model that set the I5.1 sheet value at each of these respective ranges. If not, how were the values determined?
	3. Please illustrate how the adjustments were calculated by providing a detailed calculation of the Miscellaneous Revenue Adjustment for the Residential class. In the alternative, provide a working version of the excel spread sheet that calculates the adjustments.
2. **Reference: Exhibit 7, pages 180-181**
	1. Please explain why CPUC is proposing to reduce the revenue to cost ratio for USL to 100% as opposed to 120% - the upper end of the Board’s policy range.
	2. The first table on page 181 does not include any offsetting adjustments in 2013-2014 to the ratios for the other customer classes so as to “balance” total revenues with the overall revenue requirement need as a result of the proposed increases to the Sentinel Lighting ratio. Please indicate where CPUC proposes such adjustments should be made.
	3. Please calculate the required revenue to cost ratios for the GS>50 class and the USL class for 2012-2014 assuming:
		* The Sentinel Lighting ratios are changed as proposed.
		* The Residential, GS<50 and Street Lighting ratios are unchanged.
		* The any surplus revenue is reconciled by first reducing the USL ratio until it reaches 119.59% and then reducing the USL and GS>50 ratios in tandem.
3. **Reference: Exhibit 7, Appendix 2-O**
	1. The total costs in Table (a) do not reconcile with the total proposed revenue requirement. Please provide a corrected version of the table.
	2. The revenue to cost ratios set out in Tables (c) and (d) do not match the values proposed in the Application. If the corrections noted in part (a) of this question do not produce the correct values, please reconcile.
	3. Please provide a table that sets out the proposed Base Revenue Requirement to be recovered from each customer class in 2012 based on the allocated costs (including net income) and the proposed revenue to cost ratios.

**RATE DESIGN**

1. **Reference: Exhibit 8, page 182**
	1. Please calculate the current fixed variable split for the GS>50 class based on net revenues after reductions for the transformer ownership allowance.
	2. Please confirm that customers in the GS>50 class are the only ones who receive the transformer ownership allowance. If not, please provide a breakdown by customer class based on 2011 usage.
2. **Reference: Exhibit 8, pages 183-184**
	1. Please describe how the “cost” of providing the transformer ownership allowance is incorporated into the rate design and specifically which class/classes are responsible for the “cost”.
3. **Reference: Exhibit 8, page 186 /Appendix H – RTSR Adjustment Work Form**
	1. The same UTR values appear to have been used in Sheet 5 of the Work Form for 2011 and 2012 even though the Board approved new UTRs for 2012. Similarly, the same HON ST rates appear to have been used for 2010 and 2011. Please correct as necessary and provide an updated RTSR Work Form.
4. **Reference: Exhibit 8, page 187**
	1. What is the basis for each the rates used in the table (i.e., $0.68, $1.625 and $297.75)? Please show the derivation of each and, if the values include rate riders, confirm the riders are effective until the end of 2012.
5. **Reference: Exhibit 8, page 189**
	1. Please explain the increase in losses experienced in 2010 relative to earlier years?

**LRAM**

1. **Reference: Exhibit 4, page 166**
	1. Please confirm that the 2008 approved load forecast was based on an average of 2006 and 2007 usage. It not, what was the basis for the forecast.
	2. Based on the response to part (a), please confirm that the load forecast used to set 2008 (and subsequent years’) rates will have reflected the impact of CDM programs implemented in 2006 and 2007. If CPUC does not agree, please explain why.
2. **Reference: Exhibit 10, page 161**
	1. Please explain the increase in losses experienced in 2010 relative to earlier years?

## 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. Provide the results (kwh) Actual and forecast by year 2005-2012 for all OPA- funded *Residential* programs for 2005-2010.
	3. For each program for each year tabulate the unit and total savings by year at the program/measure level, including any “co-branded market programs” such as Every Kilowatt Counts (EKC)
	4. 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
	5. 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.
	6. Adjust the LRAM claim as necessary to reflect the measure lives (and Unit savings) for any/all measures that have expired starting in 2010

**RATE MITIGATION**

1. **Reference: Exhibit 10, page 207-208**
	1. Please explain why CPUC is proposing a rate mitigation plan when the overall bill increase for customers as a class (other than street and sentinel lights) are below 10%?
	2. How did CPUC determine which residential customers who would have a bill impact over 10%?
2. **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 |