

***PUBLIC INTEREST ADVOCACY CENTRE***

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

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Michael Janigan

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Counsel for VECC

613-562-4002

June 07, 2012

**VIA 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-2011-0249 Wellington North Power Inc.**

**Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

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

Yours truly,

*Original Signed*

Michael Janigan

Counsel for VECC

cc. Wellington North Power Inc.-

Judy Rosebrugh [jrosebrugh@wellingtonnorthpower.com](mailto:jrosebrugh@wellingtonnorthpower.com)

Richard Bucknall - [rbucknall@wellingtonnorthpower.com](mailto:rbucknall@wellingtonnorthpower.com)

|  |  |
| --- | --- |
| **REQUESTOR NAME** | **VECC** |
| **INFORMATION REQUEST ROUND NO**: | **# 1** |
| **TO:** | **Wellington North Power Inc. (WNP)** |
| **DATE:** | **June 7, 2012** |
| **CASE NO:** | **EB-2011-0249** |
| **APPLICATION NAME** | **2012 Cost of Service Electricity Distribution Rate Application** |

**RATE BASE**

1. **Reference: Exhibit 2, Tab 5, Schedule 6**
   1. Please provide the amounts spend on office renovations and office equipment for each year 2008, 2009, 2010 and 2011 and that proposed for 2012.
2. **Reference: Exhibit 1, Tab 2, Schedule 5, page 49**
   1. Please clarify whether the one person noted as being dedicated to MDM/R activity is doing only this work for the next four years.
3. **Reference: Exhibit 2, Tab 1, Schedule 1, page 177**
   1. Please restate Table 2.2 on a CGAAP basis showing any IFRS adjustment separately**.**
4. **Reference: Exhibit 2, Tab 51, Schedule 1, page 177-178**
   1. WNP states that the percentage rate base changes year-on-year is consistent with the exception of 2010. However, the growth in fixed assets between 2010 and 2011 was almost 14%. Please explain this variation. Please quantify the portion of 2011 asset growth that was attributable to smart meter investments.
5. **Reference: Exhibit 2, Tab 2, Schedule 1, page 187**
   1. How many customers of WNP customers are served by distribution assets owned by Hydro One?
   2. What amounts did WNP pay Hydro One to service load transfer customers in 2010, 2011 and forecast for 2012?
6. **Reference: Exhibit 2, Tab 4, Schedule 1, page 210**

On April 12, 2012 the OEB issued revised guidelines for working capital reducing the default value (i.e. not supported by a lead/lag study) from 15 to 13% of the cost of power and controllable costs for 2013 cost of service filings.

* 1. Please explain why in light of the late filing why WNP believes that it should apply a 15% amount rather than the new value established by the Board.
  2. Does WNP bill all its customers on a monthly basis?

1. **Reference: Exhibit 2, Tab 5, Schedule 6, page 251**
   1. Please provide the reference to the Ministry of Energy requirement to “graphically present Smart Meter consumption data”.
   2. What is the total amount (software, hardware and OM&A) that is being spent to meet this requirement in 2012, 2013 and 2014?
2. Reference: Exhibit 2, Tab 7, Schedule 1, page 268
   1. Please explain the meaning of the term “Total Customer Interruptions” in Tables 2-81 – through 2-84 (and similarly in Tables 2-85 and 2-86).
   2. Please explain why in Table 2-81 for the year 2010 the indices show a figure of 2.22 for SAIFI, but figures of zero for SAIDI and CAIDI.
   3. Please confirm that Table 2-85 to 2-88 show reliability indices net of loss of supply from Hydro One (i.e. confirm this is the meaning of “loss supply adjusted”).
   4. If this is confirmed, please explain why for the year 2010 CAIDI is 0.03 for WNP alone (loss supply adjusted Table 2-85), but zero when one includes Hydro One supply interruptions (loss including supply loss Table 2-81).

**LOAD FORECAST AND REVENUE OFFSETS**

1. **Reference: Exhibit 3, Tab 1, Schedule 1, page 329, Table 3-0**
   1. The total revenues for both “2012 Test at Current Rates” and “2012 Test at Proposed Rates” are the same. Please review and revise the Table as necessary.
2. **Reference: Exhibit 3, Tab 2, Schedule 1, page 331**
   1. Please provide the regression model equations estimated for the individual customer classes and the associated adjusted R-squared values.
3. **Reference: Exhibit 3, Tab 2, Schedule 1, pages 332-336**
   1. Did WNPI attempt (pages 332-333) to perform any regression analyses that included economic indicators (e.g., local employment, GDP, etc.) as an explanatory variable? If yes, please provide the results.
   2. Please explain how (page 335) the purchased energy values for each month were adjusted to remove the usage for the three specific customers. In particular, what allowance (if any) was made for the losses associated with the sales to these customers?
   3. The text on page 336 states that the reduction in billed kWh between 2010 and 2011 can be attributed to the General Service 1,000 – 4,999 customer class. However, an inspection of Table 3-5 indicates that this class makes only a very small contribution to the reduction, less than that for the Residential, GS<50 or GS 50-999 classes. Please reconcile.
   4. Also, please explain why the total sales to GS 1,000-4,999 only decline by less than 500,000 kWh in 2011 versus 2010 when the sales to the three automotive customers in the class are projected to decline by over 1,000,000 kWh (per Table 3-15).
4. **Reference: Exhibit 3, Tab 2, Schedule 1, pages 338-341 & Appendix 3A**
   1. Does the purchase data shown in Appendix 3A (2nd column) include or exclude the sales to the three automotive customers?
   2. What loss factor (page 338, 2nd bullet) was used to adjust the purchased energy forecast to produce billed energy? Please explain how this loss factor was determined.
   3. Table 3-14 shows predicted purchases for 2012 (excluding the 3 specific customers) of 75,059,199. Table 3-15 indicates that the 2012 purchases attributable to the 3 specific customers are 26,394,130 kWh – for a total of 101,453,329 kWh. Please confirm that this is the purchased energy value associated with the 94,614,023 billed kWh for 2012 shown in Table 3-20.
5. **Reference: Exhibit 3, Tab 2, Schedule 1, pages 343-348**
   1. Provide a table that sets out for 2009, 2010 the following:
      * The actual purchases for each year (excluding the kWh attributed to the three specific automotive customers – per Table 3-14)
      * The actual HDD and CDD values for each year
      * The “weather normal” HDD and CDD values for each year (as defined by WNPI)
      * The HDD and CDD coefficients per WNPI’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. What was the actual average billed kWh per customer for these three specific customers for 2011 (see Table 3-15)?
   3. Please explain why (in Table 3-15) different loss factors were used for forecasting 2011 and 2012 predicted purchases for the 3 specific customers.
6. **Reference: Exhibit 3, Tab 2, Schedule 1, page 349**

**Preamble:** The Board’s draft CDM Guidelines (EB-2012-0003) would require LDCs to track actual CDM savings against the savings incorporated the approved load forecast by customer class.

* 1. Please provide the most recent progress report from the OPA regarding WNPI’s 2011 CDM achievements. Based on this report, is it reasonable to assume that WNPI will achieve the projected CDM savings in 2011 of 452,000 kWh?
  2. What 2012 CDM programs is WNPI currently participating in? If the 1st quarter OPA CDM report for 2012 is available, please provide.
  3. For purposes of future LRAM calculations (see Preamble), please break the 2012 CDM kWh savings down by customer class and, for those classes billed on a kW basis, provide the associated kW CDM savings.

1. **Reference: Exhibit 3, Tab 2. Schedule 1, page 352**
   1. The text at the bottom of the page acknowledges the trend analysis used by other distributors in forecasting kW/kWh ratios. The text states that WNPI used the historical average. However, Table 3-24 shows the trended values for 2011 and 2012. Please confirm whether WNPI used an average or trended kW/kWh ratio and explain why.
2. **Reference: Exhibit 3, Tab 3, Schedule 2, page 359**
   1. Please provide the actual 2011 Other Operating Revenue by the accounts shown in Table 3-30.
   2. Where in Table 3-30 are the SSS Administration Fee Revenues included?
   3. Please explain why, in 2012, Expenses from Non-Utility Operations exceed Revenues from Non-Utility Operations.

**OPERATING COSTS**

1. **Reference: Exhibit 4, Tab2, Schedule 1, page 382**
   1. The evidence at paragraph h) states that an hourly cost per hour is established for six shared vehicles. Who are these vehicles shared with?
   2. Does WNP have an affiliate relationship with any other company?
   3. What services to WNP provide to Township of Wellington North or the Township of Southgate?
2. **Reference: Exhibit 4, Tab 2, Schedule 1, page 387**
   1. What are the fees paid to CHEC and the EDA in each of 2008 through 2012 (forecast)?
   2. Please clarify Appendix 2-L to show the total costs incurred by RSL for the services and the amount paid by the affiliates (Utilities and Services) for these services and/or the total costs incurred by Utilities or Services and the amounts paid by RSL for the services.
3. **Reference: Exhibit 4, Tab 2, Schedule 3, Tables 4-5 to 4-9**
   1. Please explain why there has been no forecast decrease in meter expenses (Account 5065) notwithstanding the complete replacement of meters in the past two years.
4. **Reference: Exhibit 4, Tab 2, Schedule 3, Tables 4-5 to 4-9**
   1. Please breakdown and compare, account 5310, the 2008 actual meter reading expense ($56,220) to a breakdown of the forecast 2012 meter expenses ($60,198).
5. **Reference: Exhibit 4, Tab 2, Schedule 3, Tables 4-5 to 4-9**
   1. Please provide the actual bad debt expense(account 5335) for 2011 and the first quarter of 2012.
6. **Reference: Exhibit 4, Tab 2, Schedule 3, Tables 4-8 (Account 5315)**
   1. Please provide a breakdown of the actual 2011 customer billing costs (account 5315) and compare and contrast those amounts with the 2012 forecast costs.
7. **Reference: Exhibit 4, Tab 2, Schedule 4, page 424**
   1. Please update the 2011 CPI inflation rate for actual rate as reported by Statistics Canada.
   2. What assumption has WNP used for inflation in years 2008, 2009 and 2010 in its analysis of cost increases.
   3. What 2012 forecast rate of inflation has WNP used in this application? When was this forecast last updated? If later than end of year 2011 please update this forecast.
8. **Reference: Exhibit 4, Tab 2, Schedule 3, page 411 & page 425**
   1. Please reconcile the reported $207,999 in regulatory costs for the 2012 test year shown at Table 4-9 with the proposed recovery of regulatory costs of $106,201 shown at Table 4-12.
9. **Reference: Exhibit 4, Tab 2, Schedule 6, page 427**
   1. Please provide the most recent OM&A cost per customers and FTEE for WNP’s cohort of utilities as defined by the OEB.
10. **Reference: Exhibit 4, Tab 2, Schedule 7, page 427**
    1. Please provide WNP’s cost for transition to IFRS in years 2011, 2012, and 2013
11. **Reference: Exhibit 4, Tab 2, Schedule 10, page 451**
    1. Please update Table 4-24 (Overview of Employee Compensation) to show 2008 Board approved 2008 Actuals, 2009 Actuals and the amount of total compensation capitalized in each year.
12. **Reference: Exhibit 4, Tab 2, Schedule 10, 11 page 463**

Since 2008 WNP has increased its FTE by 25%.

* 1. Please explain what incremental roles and responsibilities have occurred since 2010 which require the addition of two administrative positions.
  2. Please explain the need for an incremental linesman.
  3. Is 19.5 WNP long-term FTE requirement or are any existing positions expected to be retired between 2012 and 2015?

1. **Reference: Exhibit 4, Tab 2, Schedule 10, page 451**
   1. Table 4-24 showing the overview of employee compensation does not show the same amounts as the equivalent categories in Tables 4-25 and 4-26. For example in Table 4-24 the Total Salary and Wages for the Management category in 2010 is $200,976. For the same category and year Table 4-26 showsa regular management salary of $298,457. Please reconcile the differences in these tables.

**COST OF CAPITAL**

1. **Reference: Exhibit 5, Tab 1, Schedule 1, page 689**
   1. Please explain why WNP is seeking a different long-term debt rate than the Board approved rate.

**RATE DESIGN**

1. **Reference: Exhibit 8, Tab 1, Schedule 2, page 722**
   1. Is the fixed-variable split for the GS 50-999 class (Table 8.6) based on variable revenues net of (i.e. less) the transformer ownership allowance? If not, please recalculate the split and the resulting rates using the net variable revenues.
2. **Reference: Exhibit 8, Tab 2, Schedule 1, page 726**
   1. Please update the proposed Retail Transmission Rates using the approved 2012 Uniform Transmission Rates.
3. **Reference: Exhibit 8, Tab 7, Schedule , page 733**
   1. Please outline the basis for WNPI’s forecast 2012 Low Voltage charges (i.e., $145,889.78).
   2. Please provide an alternative forecast of WNPI’s 2012 Low Voltage charges based on the following calculation:
      * WNPI’s actual 2011 LV Charges (from Hydro One) times
      * The ratio of WNPI’s actual 2011 power purchases / WNPI’s forecast 2012 power purchases per Exhibit 3.
4. **Reference: Exhibit 8, Tab 8, Schedule 2, page 736**
   1. Please explain the significant increase in the loss factor for 2009 relative to other years.
   2. Given that 2009 is a noted anomaly (per Exhibit 3); would it not be reasonable to exclude 2009 from the determination of the loss factor? If not, why not?
5. **Reference: Exhibit 8, Tab 10, Schedule 1, pages 753 and 757**
   1. 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
   2. Please provide the Residential bill impact calculations (per page 753) for Residential customers with 500 kWh of monthly use and 250 kWh of monthly use.

**DEFERRAL AND VARIANCE ACCOUNTS**

1. **Reference: Exhibit 4, Tab 2, Schedule 10, page 451**
   1. Table 4-24 showing the overview of employee compensation does not to show the same amounts as the equivalent categories in Tables 4-25 and 4-26 which appear later in the evidence. For example in Table 4-24 the Total Salary and Wages for the Management category for 2010 is $200,976. For the same category and year in Table 4-26 show the regular salary of $298,457. Please reconcile these tables.

**SMART METERS**

1. **Reference: Exhibit 10, Tab 2, Schedule 1, pages 787/ 806**

WNP states that it proposes to charge residential and general service customers the same amount to recover stranded meter costs because it does not have sufficient information to allocate these costs among the classes.

* 1. Is it WNP’s experience that a residential meter is less costly than general service meters? What is WNP’s estimate of the cost difference?
  2. Is it WNP’s experience that a residential meter is less costly to install than a general service meter? What is WNP’s estimate of the cost difference?
  3. Based on WNP’s experience of purchasing and installing meters prior to 2010, is not possible to develop a proxy allocator based on the average cost in 2010 (or earlier) to purchase and install a residential meter and a general service <50 meter.
  4. Based on estimated cost differences between the capital and OM&A (installation) cost of residential and general service meters please provide develop an alternative stranded meter rate rider.

**\*\*\*End of Document\*\*\***