

Chapleau Public Utilities Corporation

2012 Rate Rebasing Application

EB-2011-0322

Response to VECC Interrogatories

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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.

- a) When are the final results of the Asset Management Plan and the Asset Condition Assessment expected to be completed?

Response

The final results of the Asset Management Plan and the Asset Condition Assessment are expected to be completed in 4 years.

- b) Why is CPUC not waiting until it receives the results of its Asset Management Plan before embarking on this increase in capital spending?

Response

CPUC has not invested much in capital in the last few years due to the implementation of smart meters which used up much of our investments and also man hours. CPUC now feels that it is time to embark on this increase in capital spending to insure that our system is reliable and safe. Due to our limited staff it is easier to complete a few projects a year and easier on budgeting. CPUC is changing old poles for safety and reliability and installing new transformers on these poles in an attempt to lower our line losses.

- c) 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?

Response

CPUC uses our patrol deficiency inspection reports to determine which projects should be completed first. When a pole is done its useful life, it is changed and rebuilt to today's standards, changing transformers and hardware.

2. 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.

a) Did CPUC competitively tender for the contracts for these projects?

Response

No. CPUC did not competitively tender for the contract for these projects. It made sense to CPUC to engage Burman Energy because of our close working relationship with them. In 2007 Burman Energy completed our System Analysis for Loss Optimization. They are our turnkey solution to CDM programming, completed our LRAM application and our Green Energy Act Plan. Burman Energy has gathered a lot of the information prior to the Asset Management Plan, therefore the incremental cost would be considerably less.

b) How are the estimates for these projects determined (e.g. are the contracts fixed price/sum)?

Response

These estimates were developed by Burman Energy for the cost of service application.

3. Reference: Exhibit 2, Tab 1, Schedule 4, page 1

a) 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.

Response

CPUC does not intend to adopt the 13% working capital allowance for 2012 rates. The 15% is more appropriate for CPUC as this was one of only two options available at the time of the application to consider. CPUC with very limited recourses and funding was not able to perform their own lead-lag study.

LOAD FORECAST AND REVENUE OFFSETS

4. Reference: Exhibit 3, page 102

- a) 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?

Response

"Current actual" customer counts were for September 2011.

- b) What is the actual customer count by class as of 2011 year end?

Response

Actual Customer Counts by class at December 31, 2011 are:

<i>Residential</i>	<i>1,128</i>
<i>General Service <50 kW</i>	<i>162</i>
<i>General Service >50 kW</i>	<i>14</i>
<i>USL</i>	<i>6</i>
<i>Sentinel Lights</i>	<i>23</i>
<i>Street Lights</i>	<i><u>341</u></i>
<i>Total</i>	<i><u>1,674</u></i>

5. Reference: Exhibit 3, page 104 Board Decision EB-2007-0755, page 5

- a) 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?

Response

CPUC improved its load forecasting by using actual data from 2006 to 2010, determining average customers and consumptions by customer by class to arrive at its forecast for 2012. In order to determine the most accurate data for the Bridge Year (2011), CPUC used actual data to August 2011 and the average monthly consumptions from 2008 to 2010 for the September to December forecast. The 2011 forecast data was used for comparison purposes only and was not used in the development of data for 2012. The following is a comparison of forecast to actual for kWh and kW.

Customer Class	2011 Forecast kWh	2011 Actual kWh	2011 Forecast kW	2011 Actual kW
Residential	14,430,938	14,223,450		
General Service <50 kW	5,099,927	5,102,862		
General Service >50 kW	7,367,030	7,236,568	19,462	19,548
USL	7,243	7,734		
Sentinel Lights	26,021	26,236	66	65
Street Lights	293,649	296,713	780	780
TOTAL	27,224,806	26,893,563	20,308	20,393
% change from Forecast		(1.217%)		0.004%

- b) 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?

Response

CPUC did not consider and/or test any other load forecasting approaches such as regression analysis using weather and customer-related explanatory variables in its original application because for reasons stated on page 104 of the application, CPUC felt that weather normalization forecast modeling was unnecessary.

CPUC has now filed a weather normalization regression model as requested by the Board , Interrogatory # 5 c.

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

- a) 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.

Response

Please see attached Excel Workbook with corrected OPA assumptions Tab.

- b) 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.

Response

The report includes 2010 programs. The report has also been updated based on the finalized 2010 OPA results. The OPA results for the Great Refrigerator Round Up 2009-2010 have been subsequently updated by the OPA since the finalized published 2009 results.

- c) Please confirm that the LRAM calculations presented in Exhibit 4 are based on CPUC's reported results for 2006-2010.

Response

The LRAM calculations are based on CPUC's reported results for 2006-2010. The following OPA file was used to calculate all LRAM:

"2006-2010 Final OPA CDM Results.Chapleau Public Utilities Corporation.xls"

- d) Based on the most recent assumptions regarding the "life expectancy" of the various measures implemented in 2006-2010 please complete the following table:

Response

Program Year	CDM Program Impacts by Year (Net kWh Savings)						
	2006	2007	2008	2009	2010	2011	2012
2006	137,333	137,333	137,333	137,333	23,852	23,852	21,818
2007	0	107,331	69,641	64,967	64,967	64,967	62,976
2008	0	0	64,197	64,005	64,005	64,005	57,346
2009	0	0	0	51,623	36,907	36,907	36,867
2010	0	0	0	0	39,744	16,125	15,946
Total	137,333	244,664	271,171	317,927	229,475	205,855	194,952

7. Reference: Exhibit 3, page 104

- a) What is CPUC's 2011-2014 CDM (GWh) Target?

Response

Per the updated Targets released by the OEB November 2010, CPUC's GWH target is 1.210.

- b) 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.

Response

Chapleau PUC implemented the full range of programs offered by the OPA with the exception of the Low Income program. Program details can be found at www.saveONenergy.ca

Finalized 2011 program results are expected to be released in the Fall of 2012.

Revenue Offsets

8. Reference: Exhibit 3, page 115

- a) Please explain why there are no actual or forecast revenues for account #4084 but there are for account #4082.

Response

CPUC has few Retail Customers (25 customers May 2012), and next to no Service Transaction Requests.

- b) Please provide the actual 2011 Other Operating Revenue in the same format as the table set out on page 115.

Response

**Appendix 2-C
Other Operating Revenue**

USoA #	USoA Description	2011 Actual
4235	Specific Service Charges	\$ 8,501
4225	Late Payment Charges	\$ 5,583
4082	Retail Services Revenues	\$ 2,834
4405	Interest & Dividend Income	\$ 15,500
4210	Rent from Electric Property	\$ 7,306
4325	Revenues from Merchandising	\$ 2,389
4330	Cost & Expense of Merchandising	\$ 4,770

Specific Service Charges	\$	8,501
Late Payment Charges	\$	5,583
Other Operating Revenues	\$	10,140
Other Income or Deductions	\$	22,659
Total	\$	46,883

- c) How many MicroFit customers did CPUC have at the end of 2011 and how many are forecast for the end of 2012?

Response

CPUC had no MicroFit customers at the end of 2011 and none are forecast for the end of 2012.

- d) 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?

Response

Not-applicable

OPERATING COSTS

9. Reference: Exhibit 4, page 119

- a) Please update the 2011 Detailed Account by Account OM&A Expense Table for the final audited or unaudited 2011 results.

Response

This table is available in the Board Staff interrogatory responses to question 3 g. Appendix G "CPUC_IR_ActualProforma Q 3"

10. Reference: Exhibit 4, page 125

- a) Please confirm that the \$2,000 shown in account 6205 (Donations) are in respect to budgeted amounts for CPUC's LEAP program.

Response

CPUC confirms that the \$2,000 shown in account 6205 (Donations) are in respect to budgeted amounts for CPUC's LEAP Program.

11. Reference: Exhibit 4, page 123/page 125 & 126

- a) 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.

Response

The \$14,520 is derived from:

OEB Annual Assessment \$5,100

Other Regulatory Agency fees \$1,700

Intervenor Costs \$6,720

12. Reference: Exhibit 4, page 132-133

- a) Please clarify the compensation table which appears to show that 100% of OM&A is capitalized for the years 2008 through 2012.

Response

CPUCs OM&A expenses are not capitalized for the years 2008 through 2012.

13. Reference: Exhibit 4, page 317

- a) 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.

Response

The allocation factor changes from year to year and is determined on the basis of the direct hours worked for CPUC and determined as a percentage to all hours worked by CESC employees.

- b) Please explain how the allocation factor of 84% was derived and explain why it is the same for all accounts.

Response

This was responded to Board Staff Interrogatory # 11 c.

- c) Please explain why Account 5025 – Overhead Distribution Lines and Feeders – is only 84% allocated to the distribution utility.

Response

This account is for operation supplies and expenses that are common expenditures to both CESC and CPUC.

14.Reference: Exhibit 2, page 70/ Exhibit 4, page 117

- a) Please explain the services provided by Sensus under the \$28,600 WAN contract.

Response

As part of our contract with Sensus, they provide the WAN backhaul for the transmission of meter read data from the AMRC back to the AMCC. This includes the operations and maintenance of the communications from the AMRC to the AMCC for the transmission of meter read data.

- b) 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?

Response

Yes, the amount of \$28,600 is due in each year of the contract. The effective date of the contract was in 2009 and the initial term is 15 years. Price escalation is based on Core CPI and is applied on an annual basis.

- c) 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.

Response

Yes, the contract was awarded as a result of a competitive tendering process.

15.Reference: Exhibit 4, page 125

- a) 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.

Response

CPUC does not have such statistics for other utilities.

COST ALLOCATION

16.Reference: Exhibit 7, pages 178-179/2012 Cost Allocation Model

- a) Please provide the O1 sheet based on cost allocation that does not include the adjustments described on page 179.

Response

These are attached as Appendix A

- b) 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?

Response

CPUC Confirms that the 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.

- c) 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.

Response

The excel worksheet is included with Appendix K "CPUC Supporting Worksheets" 'Revenue Requirement' "Sheet 01 Adjustments"

17.Reference: Exhibit 7, pages 180-181

- a) 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.

Response

Ideally cost to revenue ratios for all customer classes should all be at 100.0%. CPUC saw an opportunity to do this for the USL class simply because this is the smallest class and required a minor adjustment to achieve.

- b) 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.

Response

CPUC has made the full adjustment in the residential class in 2012. This is shown in Appendix K "CPUC Supporting Worksheets" "Historical Bridge Test Years for customers kW kWh" "Proposed Rates" 3rd table.

- c) 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.

Response

The required revenue to cost ratios will not change for the GS>50 class and the USL class for 2012-2014 assuming Sentinel Lighting ratios are changed as proposed.

- The Residential, GS<50 and Street Lighting ratios are unchanged.

Response

The GS >50 kW and Street lighting class revenue will not change if the Residential , GS <50 and Street Lighting ratios are not changed.

- 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.

Response

This question is unclear as to what the intervenor wants.

18.Reference: Exhibit 7, Appendix 2-O

- a) The total costs in Table (a) do not reconcile with the total proposed revenue requirement. Please provide a corrected version of the table.

Response

a) Allocated Costs

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$ 370,895	63.48%	\$ 558,259	65.62%
GS < 50 kW	\$ 117,312	20.08%	\$ 165,765	19.48%
GS > 50 kW (or 50 kW < GS < 4,999 kW, if applicable)	\$ 61,538	10.53%	\$ 85,745	10.08%
GS > xxx kW, if applicable		0.00%		0.00%
Large User, if applicable		0.00%		0.00%
Street Lighting	\$ 30,149	5.16%	\$ 35,480	4.17%
Sentinel Lighting	\$ 2,244	0.38%	\$ 3,864	0.45%
Unmetered Scattered Load (USL)	\$ 2,099	0.36%	\$ 1,643	0.19%
Other class, if applicable		0.00%		0.00%
		0.00%		0.00%
Embedded distributor, if applicant is a host distributor		0.00%		0.00%
Total	\$ 584,237	100.00%	\$ 850,756	100.00%

The above are the adjusted costs/revenues following Board Staff Interrogatories.

- b) 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.

Response

The revenue to cost ratios set out in Tables (c) and (d) now do match the values proposed in the Application following Board Staff Interrogatories.

- c) 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.

Response

The table requested is available in Appendix G in Board Staff interrogatory responses submitted to the Board June 20, 2012.

RATE DESIGN

19.Reference: Exhibit 8, page 182

- a) Please calculate the current fixed variable split for the GS>50 class based on net revenues after reductions for the transformer ownership allowance.

Response

The current Fixed Variable for the GS>50 class based on net revenues after reductions for the transformer ownership allowance will be at Fixed 43.0% and Variable 57.0%

- b) 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.

Response

CPUC confirms that customers in the GS>50 class are the only ones who receive the transformer ownership allowance.

20.Reference: Exhibit 8, pages 183-184

- a) 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”.

Response

CPUCs provides transformer ownerships allowances to customers who are all in the GS >50 kW class and therefore this class is responsible for the cost.

21.Reference: Exhibit 8, page 186 /Appendix H – RTSR Adjustment Work Form

- a) 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.

Response

The Hydro One Networks Transmission rates have been approved, but Hydro One Networks did not apply for 2012 rates, so it is my understanding that the rates from 2012 are still the current rates.

22.Reference: Exhibit 8, page 187

- a) 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.

Response

- b) *Hydro One Networks Inc. is the host distributor to CPUC and charges for Common Sub-Transmission lines (ST) at \$0.68 /kW and High Voltage Distribution Service (HVDS)at \$1.625 /kW and for 3 connections per month at \$297.75 each. These charges cannot be confirmed that they are effective until the end of 2012 as these are Hydro One charges.*

23.Reference: Exhibit 8, page 189

- a) Please explain the increase in losses experienced in 2010 relative to earlier years?

Response

Up to and including 2008 unbilled kWh consumptions were being accrued and included in the determination of losses for the period. This practice changed starting in 2009 and this may have been the cause for higher losses than normal in 2010.

CPUC is attempting to reduce these losses to a more acceptable level by implementing an asset management plan that will help with the replacement of old transformers. Also a recent study performed by Burman Energy to address our losses, recommended to try to balance the load on our 3 feeders. This is currently being looked into.

LRAM

24.Reference: Exhibit 4, page 166

- a) Please confirm that the 2008 approved load forecast was based on an average of 2006 and 2007 usage. If not, what was the basis for the forecast.

Response

CPUC confirms that the 2008 approved load forecast was based on an average of 2006 and 2007 usage.

- b) 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.

Response

The load forecast used to set 2008 (and subsequent years') rates did not reflect the impact of CDM programs implemented in 2006 and 2007. It was an oversight.

25.Reference: Exhibit 10, page 161

- a) Please explain the increase in losses experienced in 2010 relative to earlier years?

Response

The above question a) is a duplicate of question 23.

26. Reference: Exhibit 10, page 161

- a) When will OPA results for 2010 Programs be available and how may this affect the LRAM and Load forecast?

Response

The finalized 2010 Program results were released by the OPA November 15, 2011.

- b) Provide the results (kwh) Actual and forecast by year 2005-2012 for all OPA- funded *Residential* programs for 2005-2010.

Response

The kWh results for all OPA residential programs can be found on Attachment B Excel workbook – VECC Q26 (b) Tab

- c) 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)

Response

The unit and total savings by program/measure level can be found on Attachment B Excel workbook – VECC Q26 (c) Tab

- d) 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

Response

The input assumptions for EKC 2006 and 2005 can be found on Attachment B Excel workbook – Q 26 (d) Tab

The table shows that the input assumptions for CFLs change from 104.4 kWh in 2006 to 43 kWh in 2007. As well, the SLED assumptions changed from 30.75 kWh in 2006 to 13.7 kWh in 2008.

- e) 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.

Response

The savings claimed as part of this LRAM reflect the measure lives in place at the time the programs were run. Unit assumptions can be found on the attached Excel workbook – OPA assumptions tab. The savings used to generate the LRAM used the OPA final results, which includes consideration for the measure lives.

- f) Adjust the LRAM claim as necessary to reflect the measure lives (and Unit savings) for any/all measures that have expired starting in 2010

Response

The LRAM already reflects the measure lives and unit savings for all measures that have expired starting in 2010.

RATE MITIGATION

27.Reference: Exhibit 10, page 207-208

- a) 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%?

Response

CPUC is very aware that customers with low consumptions will experience increases of over 10.0% and a rate mitigation plan will help them during a difficult time.

- b) How did CPUC determine which residential customers who would have a bill impact over 10%?

Response

CPUC will determine the point of kWh consumption that goes beyond the 10.0% increase and develop a mitigation plan to assist this group of customers.

28. Reference: Update Summary

- a) 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).

SUMMARY OF PROPOSED CHANGES												
Reference		Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILS	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
	Original Submission	607,443	8.57%	1,518,609	3,212,844	481,927	75,576	15,050	654,340	865,765	823,030	200,442
VECC IR #10		607,443	8.57%	1,518,609	3,212,844	481,927	75,576	15,050	654,340	865,765	823,030	200,442
	Change	0	0	0	0	0	0	0	0	0	0	0
Board Staff #5, #15, #17	Revised June 2012	605,513	9.12%	1,513,783	3,180,673	477,101	75,576	13,824	654,340	850,756	809,021	188,830