

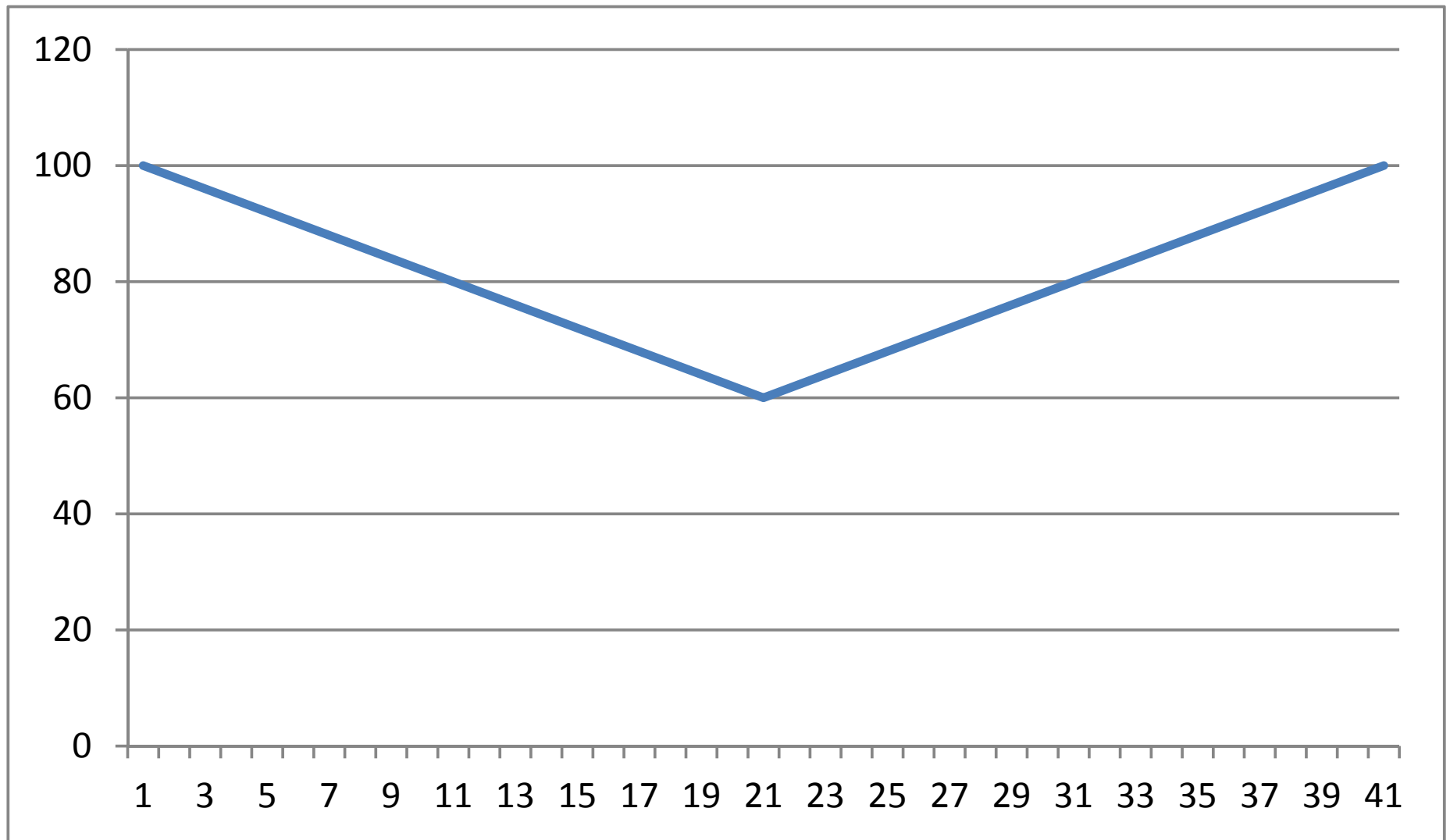
SCHOOL ENERGY COALITION

CROSS-EXAMINATION MATERIALS

EB-2011-0210 - PANEL 1

TABLE OF CONTENTS

1. Trend Chart	2
2. Tr. 1:35-38	3
3. Tr.1:99-100	7
4. Tr.1:84-86	9



1 MR. AIKEN: So then my understanding is that you
2 didn't investigate, as part of the methodology for this
3 proceeding, the trend year methodology with other than 20
4 years of length?

5 MR. GARDINER: If I may refresh my memory?

6 In 2004 we looked at the 20-year trend, the 30-year
7 trend and a 20-year trend with forecast information.

8 MR. AIKEN: But with your additional eight years of
9 data, you didn't go back and look at those again?

10 MR. GARDINER: No, we did not.

11 MR. AIKEN: Okay. Now, if you could turn to page 1 in
12 the LPMA compendium, this is the graph of the northern and
13 southern degree days for 1992 through 2011. The data was
14 taken from the Excel file titled "2013 Regional Data File
15 April 2012", and specifically at the Toronto Union HDD
16 correlations tab, that Excel file was filed in response to
17 Exhibit J.C-2-2-1.

18 Now, when I look at this graph for the last 20 years
19 of actual heating degree days, one thing jumps out to me.
20 There seem to be two distinct periods for both the north
21 and the south. The first period is 1992 through 1997.
22 Over these six years, the degree days are relatively stable
23 and there does not appear to be much of a trend.

24 Would you agree with that?

25 MR. GARDINER: I disagree.

26 MR. AIKEN: Okay. Is there a statistically
27 significant trend between 1992 and 1997?

28 MR. GARDINER: No. I will go back to the testing

1 methodology of the way we analyzed the different
2 methodologies.

3 We actually started with data in 1985, went back to
4 that period, and said, If we were back in that time, what
5 would the 20 year trend be? What would the 30-year average
6 be? And every year we recalculated the blend and the 20-
7 year trend, and then we compared it to the actual.

8 And that's in the -- that's in the summary statistics
9 that are in the interrogatory responses. And, in the case
10 of the evidence, when we used Toronto as an illustration of
11 the concept and proof of the concept, we looked at those
12 statistics, the route means square error, the
13 mean percentage error, and the standard deviations, and it
14 is that data that tells you if the 20-year trend is
15 superior to the blend.

16 So it is not picking periods of time and looking at --
17 as Mr. Aiken is suggesting. It is saying, Go back, get as
18 much data as you can, estimate what the normals would be
19 for the test year, compare it to the actual. Do that to
20 the present, and which one is closer? It is the 20-year
21 trend.

22 MR. AIKEN: Okay. I think you agreed with me that
23 there is no statistically significant trend between 1992
24 and 1997; is that correct?

25 MR. GARDINER: When I look at the chart, Mr. Aiken, I
26 see that at the beginning of the period we were above 4,000
27 heating degree days, and, near the end of the period, in
28 the south we're somewhere around 36, 37, and in the north

1 we were 5,500, and then we're somewhere around 4,700. Both
2 are declining over time.

3 MR. AIKEN: I think you are lumping in 1998. If you
4 look at the table at the bottom of the graph, 1997 and
5 1992, in the south 4,031 in 1992; 4,005 in 1997; in the
6 north, 5,489 to 5,384.

7 MR. GARDINER: Right. But you are picking a period of
8 time here. Also, recall that the legacy weather normal for
9 Union Gas is a 30-year average, so we're going back even
10 further. And I'm sure if we looked at those charts, you
11 may see patterns.

12 The concept is not to look at patterns within certain
13 periods of time. It is to sort of say: Do I go from a 30-
14 year average to a blend or to a 20-year trend, by actually
15 doing the calculation? And then testing that, as I
16 described it before.

17 MR. AIKEN: Okay. One question before we break at
18 11:00. The second period is 1998 through 2011.

19 Now, over this 14-year period, there appears to be a
20 larger variation from year to year than in the 1992 through
21 1997 period.

22 First, would you agree with that?

23 MR. GARDINER: For the periods that you mentioned,
24 yes.

25 MR. AIKEN: And, again, do you believe that there
26 appears to be much of a trend in the 1998 through 2011
27 data?

28 MR. GARDINER: With any data, you can put a trend line

1 through it. The issue with that period of time is you only
2 have 12, 13 years, which is a very short period.

3 So if you -- and that's why Mr. Root advised us to use
4 20. Because if you use a short period, you will get a
5 trend that varies a lot, so you need to go to a longer
6 period, which is what the 20-year trend is.

7 MR. AIKEN: Would you take it -- subject to check, of
8 course -- that what trend there is in the 1998 through 2011
9 data is actually a positive trend for the south, but only
10 significant at an 80 percent level of confidence? While
11 there is no trend in the north data, even at a 50 percent
12 level of confidence?

13 [Witness panel confers]

14 MR. GARDINER: The difficulty I'm having, Mr. Aiken,
15 is you are proposing a new methodology based on a shorter
16 time period, and that's not what Union Gas is proposing.

17 Right now we have a blend. It's 55 percent 30-year
18 average, 30 years. And 45 percent 20-year declining trend.

19 We're proposing to go to straight 100 percent 20-year
20 declining trend; 13 years is not what we're proposing.

21 You could attach statistics to that. I will accept
22 your numbers, but that is not the proposal. It is too
23 short a period, and we're building on the methodology that
24 we've evolved over time from a 30-year average to a blend,
25 and now to the true 20-year declining trend.

26 MR. AIKEN: Thank you. You might be surprised that
27 that is not my proposal, going forward, but that might be a
28 good place to break.

1 MS. VAN DER PAELT: That's right. And -- based on
2 what the customer has told us, yes.

3 MS. HARE: Okay. So, Mr. Wolnik, your question was --

4 MR. WOLNIK: Well, when --

5 MS. HARE: -- understanding the parameters of when the
6 overrun kicks in?

7 MR. WOLNIK: Right.

8 MS. HARE: Can you give us that?

9 MS. VAN DER PAELT: So Mr. Wolnik has stated it
10 correctly, that if the customer exceeds -- so again,
11 subject to checking the contract numbers, because I don't
12 have that contract in front of me, if the customer runs
13 more than the days that are already included in their fixed
14 charges - and my understanding was it was about 12 hours -
15 then they would move into the overrun charges.

16 So we look at their monthly volume that they forecast,
17 look at the days in the month, and at no time do they
18 exceed the hours, take that back to the customer to confirm
19 they don't believe they're going to exceed the hours and
20 ends up in an unauthorized overrun, which we did at several
21 in-person meetings, and they confirmed they did not feel
22 they would have authorized overruns.

23 MS. HARE: But you just told me they had 300,000 and
24 600,000 in 2010 and 2011 --

25 MS. VAN DER PAELT: They did on a historic --

26 MS. HARE: -- so why would you assume, when they tell
27 told you they wouldn't have any, that they wouldn't?

28 MS. VAN DER PAELT: We have always with the large

1 customers used a customer-built-up forecast. There's been
2 a lot of focus historically to ensure that the customer's
3 voice was heard in setting their forecast and that it was
4 appropriate.

5 So that is the manner that we have used to set the top
6 60 contract customers.

7 MS. HARE: Mr. Wolnik?

8 MR. WOLNIK: I think it is important, given they're
9 forecasting zero, that we understand the point in time, the
10 number of hours a day that -- when it would start to kick
11 in.

12 MR. SMITH: We can verify whether it is at the nine-
13 hour mark or the 12-hour mark. We're happy to do that.

14 MS. HARE: Yes. That would be helpful.

15 MR. WOLNIK: Thank you.

16 MR. MILLAR: J1.8.

17 **UNDERTAKING NO. J1.8: TO CONFIRM START TIME OF**
18 **OVERRUN CHARGES**

19 MR. WOLNIK: Could you also tell me the amount of
20 overrun revenue that Halton Hills would have collected --
21 or you would have collected from Halton Hills in 2012,
22 year-to-date?

23 MS. VAN DER PAELT: 2012-year to date, so end of June,
24 we collected \$300,000.

25 MR. WOLNIK: And you are still forecasting zero for
26 2013?

27 MS. VAN DER PAELT: Yes, we are.

28 MR. WOLNIK: Thank you.

1 MR. SMITH: Yes, we will do that.

2 MR. MILLAR: J1.6. Can we just have a clear
3 recitation of what the undertaking is for?

4 MR. WOLNIK: I guess to reconcile the -- I guess the
5 change in volume due to MAV reductions, compared to the
6 J.C-3-13-1 that shows no reduction.

7 **UNDERTAKING NO. J1.6: TO RECONCILE CHANGE IN VOLUME**
8 **DUE TO MAV REDUCTIONS COMPARED TO J.C-3-13-1 THAT**
9 **SHOWS NO REDUCTION.**

10 MS. VAN DER PAELT: Would it be volume or revenue?

11 MR. WOLNIK: We're just talking volume here. That's
12 all.

13 MR. MILLAR: Thank you.

14 MR. WOLNIK: We will talk about revenue -- I'm sorry,
15 we are talking revenue. Pardon me.

16 MS. VAN DER PAELT: You -- yeah, I thought it was a
17 revenue question.

18 MR. WOLNIK: Yes, yes. MAV is revenue, not volume.

19 Going down the list here, again, so NUGs, the 105.6,
20 10-6 m3 reduction and the related \$0.25 million of revenue,
21 can you explain -- what are the reasons that reduction of
22 105.6, 10-6?

23 MS. VAN DER PAELT: So that reduction would be based
24 on the forecast that the customer has provided.

25 So as I mentioned earlier with the NUGs, we look at a
26 three-year historical average, and we take those to the
27 customers and compare that to what they believe will be
28 occurring in the upcoming forecast year.

1 So when you look at the three-year average, some
2 customers -- four of them we actually saw a decrease in
3 terms of their average, and three of them we saw an
4 increase, and the offset is that difference of 105.

5 MR. WOLNIK: So is this their forecast or is this your
6 forecast?

7 MS. VAN DER PAELT: No, we prepare the forecast and
8 take it to the customer, then get the customer's input on
9 that, and then have them agree or disagree and make changes
10 to it as they see fit.

11 MR. WOLNIK: How do you think the customers, then,
12 take into account this 2,800 megawatts of reduced coal-
13 fired generation and the fact that you are forecasting
14 Lennox to be zero? Do you think they take that into
15 account?

16 MS. VAN DER PAELT: I am not sure what they do, John -
17 sorry, Mr. Wolnik.

18 MR. WOLNIK: So do you modify at all? Do you look at
19 the whole picture after you get them all in and say: You
20 know what? Given that we've got this decision to drop out
21 2,800 megawatts of coal, given that we now know that OPG is
22 telling us that they're going to consume zero at Lennox,
23 maybe, maybe we should boost up these other forecasts?

24 MS. VAN DER PAELT: Well, we look at what the customer
25 tells us that they believe is their forecast, because it is
26 really in the customer's self-interest to have an
27 appropriate forecast.

28 Should they think they're going to consume higher

1 volumes, that would result in an increased contract demand
2 and an increased charge, but they would then not have
3 interruptible or overrun rates.

4 If they thought they were going to consume less, it
5 would reduce -- reduce their charges.

6 So the customers have a self-interest in making sure
7 their forecast is an accurate representation of what they
8 believe they will use.

9 MR. WOLNIK: Again, going back to J.C-3-13-1, I don't
10 see any change to the contract demand level. That's what
11 you have told us.

12 MS. VAN DER PAELT: But this is -- these volumes may
13 not have affected their contract demands.

14 MR. WOLNIK: So these are just commodity-based. So
15 these would be whether they dispatched more or less on the
16 basis of their existing CD?

17 MS. VAN DER PAELT: That is what the customers told
18 us, based on what they thought they would be consuming,
19 yes.

20 MR. WOLNIK: So I go back to my original question,
21 then. So how do you think the customers take into account
22 the fact there has been a reduction of 2,800 megawatts of
23 less coal, and the feedback you've got from OPG on Lennox
24 not running?

25 MS. VAN DER PAELT: I am not privy to how the
26 customers establish their volumetric forecasts. We take in
27 their historical; they then provide input as to whether
28 they think it is reasonable or not, but I am not sure what