

Chapleau Public Utilities Corporation

2012 Rate Rebasing Application

EB-2011-0322

**Response to Board Staff Supplemental
Interrogatories**

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Board Staff Supplemental Interrogatories

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Pursuant to Procedural Order No. 3, the following are Board staff's follow-up interrogatories based on the first set of interrogatories responses filed with the Board on June 20, 2012. The numbering continues from that first set of interrogatories.

24. Effective Dates for New Rates

Reference: Board staff Interrogatory 2

CPUC has applied for a Smart Meter Disposition Rider and a Stranded Meter Rate Rider to be recovered over 4 years.

- a. Please state the proposed starting and ending dates that the four years would cover for each rate rider.

Response

CPUC is the proposing that the starting and ending dates for both, the Smart Meter Disposition Rider and the Stranded Meter Rate Rider are to be recovered over 4 years from May 1, 2012 to April 30, 2016.

As CPUCs rates will not be approved until November 1, 2012, CPUC will experience a loss of revenue for 6 months for the above rate riders therefore it is recommended that the revenue loss of \$22,858 be included in "Deferred Rate Impact" account 1574 and recovered from May 1, 2013 to April 30, 2014.

25. Volumes

Reference: Board Staff Interrogatory 5

CPUC states that the billed kWh forecast is adjusted by 1.0490, which is the historical loss factor from the period 2003 to 2010. However, CPUC is requesting the Board to approve a new loss factor for 2012 rates of 1.0671, as found on page 189 of CPUC's application.

- a. Please comment on why CPUC is not using the loss factor it is proposing for determining billing volumes in 2012 for forecasting the weather normalized energy bill in the same year.

Response

CPUC in determining billing volumes in 2012 for forecasting the weather normalized energy used the net purchases excluding the supply facilities loss factor of 1.0151 (average for 2006 to 2010).

On page 23 CPUC provides the output from its forecasting model. The Model is built on five variables and an intercept. Two of the variables are heating degree days and cooling degree days.

- b. Please provide separate estimates of the percentage of residential and GS<50 customers that use electricity for heating and separate estimates of the percentage of the same customer classes that use electricity for cooling.

Response

***Residential customers using electricity for heating is estimated at 65.0%
GS < 50 kW customers using electricity for heating is estimated at 45.0%
Residential customers using electricity for cooling is estimated at 30.0%
GS < 50 kW customers using electricity for cooling is estimated at 30.0%***

- c. Please provide an explanation for the negative intercept.

Response

CPUC is not able to explain the negative intercept fully at this time, however the understanding is that with a negative intercept the regression line becomes less and less reliable as you move away from the center of the data, therefore the intercept may be negative and can still be reasonable.

Based on the predictions determined by the negative intercept in the weather normalization model, the weather normal kW and kWh appear to be quite reasonable.

On page 29 CPUC states that the historical geometric mean was applied in 2011 and 2012 to forecast usage per customer/connection. CPUC provides the results in *Table L – Forecast Annual kWh Usage per Customer/Connection*. Board staff was not able to replicate the table results. For example, the 2010 residential usage per customer/connection was 12,003 according to *Table J – Historical Annual Usage per Customer*. Applying the geometric mean of 0.9930 as found in *Table K – Geometric Mean Growth Rate in Usage per Customer/Connection* results in 11,919 for 2011. However, CPUC determined the usage per residential customer for 2011 to be 11,789.

d. Please explain the apparent discrepancy.

Response

CPUC erroneously supplied the growth rate in customer numbers in Table K instead of the growth rate in usage per customer/connection. The following is the corrected table.

Table K - Geometric Mean Growth Rate in Usage per Customer/Connection

<u>Year</u>	<u>Residential</u>	<u>General Service < 50</u>	<u>General Service >50</u>	<u>USL</u>	<u>Sentinel Lights</u>	<u>Street Lights</u>
<i>Growth Rate in Usage per Customer/Connection</i>						
2003						
2004	0.9746	0.9856	1.0400	0.9988	0.8950	1.0059
2005	0.9544	0.9806	0.9264	1.0012	1.0274	0.9968
2006	0.9973	1.0112	0.9055	1.0052	1.0000	0.9960
2007	1.0045	0.9814	1.0489	1.0000	0.9806	1.0005
2008	1.0121	0.9224	1.0243	1.0021	1.0340	1.0045
2009	1.0180	1.0175	0.9928	0.9878	1.0959	1.0024
2010	0.8991	0.9494	0.9369	1.0248	1.0064	0.9988
Geometric Mean	0.9821	0.9670	0.9998	1.0036	1.0284	1.0016

Based on the above geometric mean of 0.9821 usage per residential customer for 2011 is determined to be 11,789.

- e. Please provide explanations for the geometric mean being less than 1.0, which implies a negative growth rate.

Response

CPUC is a rural Northern Ontario electrical distribution company operating within the Township of Chapleau. Its main industry is forestry and the Canadian Pacific Railway. Several plant closures prior to 2006 in the forestry industry caused a population reduction of 16.9% resulting in 17.1% reduction in CPUC's customer consumption. The economy has not improved however economic levels have been maintained through 2006 and 2011.

In our response to Board staff interrogatories page 27 Table H "Growth in Customer Numbers" shows that CPUC has a negative growth rate. CDM plans adopted in 2006 also had a negative impact on CPUCs consumptions.

26. Capital Expenditures

Reference: Board staff Interrogatory 7

In response to Board staff interrogatory 7 a. and 7 b., CPUC grouped its CAPEX into the following categories; Safety and Reliability, Inclement Weather, and Conservation. In some years the CAPEX does not total 100%.

- a. Please provide, with an explanation, what the balance is that would bring the CAPEX to 100%.

Response

CPUCs response to interrogatory 7 a. and 7 b. for years 2006 to 2012 excluded capital expenditures for Meters, Computer Software and Hardware as it was not able to classify these into the above categories. These have now been classified into the safety and Reliability category. For 2012 total capital expenditures are forecasted to be \$58,290.

The following is the corrected table classifying all capital expenditures.

		2006	2007	2008	2009	2010	2011	2012
1	Safety and Reliability (\$)	13,343	-	16,078	6,417	7,290	7,211	37,476
2	Safety and Reliability (%)	54.9%		67.4%	77.7%	76.6%	100.0%	64.3%
3	Inclement Weather (\$)	-	-	1,133	484	-	-	-
4	Inclement Weather (%)			2.7%	5.9%			
5	Conservation (\$)	10,949	-	12,681	1,182	2,228	-	20,814
6	Conservation (%)	45.1%		29.9%	14.3%	23.4%		35.7%
7	Total (\$)	24,292	-	42,374	8,254	9,518	7,211	58,290
8	Total (%)	100.0		100.0%	100.0%	100.0%	100.0%	100.0%

Board staff also notes that the 2012 CAPEX totals \$19,505 and represents 100% of CAPEX for the year, while on page 90 of the Application, CPUC shows \$58,290 for 2012.

- b. Please explain the apparent discrepancy. If costs are in other categories not listed in the table, please explain, as in a. above.

Response

See response to 26 a. above.

- c. Please explain the nature of the expenditures categorized as Conservation.

Response

CPUC categorized as conservation the following capital expenditures:

- Distribution Station Equipment at 100.0%

- Smart Meters in 2012 at 100.0%

- Replacement of old Line and Station Transformers at 50.0% - The other 50.0% is classified as reliability due to the age of transformers

27. Smart Meters

Reference: Board staff Interrogatory 8

In response to Board staff Interrogatory 8 u. CPUC stated that the unit cost for smart meters without OM&A was \$338.08 per meter, and the total cost with OM&A was \$403.08 per meter. Appendix A of the Combined Proceeding Decision compares data for 9 out of 13 utilities and shows the total cost per meter ranged from \$123.59 to \$189.96, with Hydro One Networks Inc. being the main exception at \$479.47.¹ The Monitoring Report of Smart Meter Investment as of September 30, 2010 also shows an industry average of \$226.92. Please provide an explanation as to why the unit costs appear to be high relative to those found in the Combined Proceeding and the industry average of \$226.92.

Response

Comparison of CPUC smart meter cost of \$403.08 with Appendix A of the Combined Proceeding Decision that compares data for 9 out of 13 utilities and shows the total cost per meter ranging from \$123.59 to \$189.96 is unfair as these Utilities are upwards of 50 to > 200 times larger than CPUC. It's also unfair to compare CPUCs costs with the industry average of \$226.92. CPUC is one of the smallest utilities in the Province and has no neighboring Utilities to share costs with such as collectors costing upwards of \$160,000 each that are able to service up to 15 square km (CPUC is 2 square km) and upwards of 50,000 meters. For example: CPUCs cost of a data collector unit is \$161,374 spread over 50,000 meters is \$3.23, while for CPUC's 1,308 meters is \$123.37. Also, installation costs for the District 9 Utilities by contractors are higher due to the remote location of some of the District 9 Utilities.

Also consider the following:

As identified in CPUCs application, the Town of Chapleau is located in a remote part Northern Ontario, with a population of about 2,300

¹ Board's Decision in the Combined Proceeding EB-2007-0063, September 21, 2007

residents and has a customer base of 1,308 metered customers. Their closest and only neighboring Utility is Hydro One Networks Inc. servicing rural areas. Some of the closest urban communities are; Timmins (203 km), Sault Ste Marie (248 km), Sudbury (409 km) and Hearst (461 km).

The Town of Hearst is the closest sized town to Chapleau having a population of approximately 5,800 with 2,734 metered customers located in a remote part of Ontario and has no neighboring Utilities to share costs with. Their cost per meter should be comparable, but less than CPUC. Both utilities are members of District 9 group who worked together with suppliers to reduce their smart meter costs. CPUC's average actual cost per installed meter is \$403.08 while Hearst's costs have not been finalized at this time, however they estimate the cost to be about \$400.00. In the budgeted costs prepared by consultants for the District 9 group, Chapleau PUC's estimated cost per installed meter was \$469 while Hearst's cost was at \$411.

28. Shared Services

Reference: Board staff Interrogatory 10

CPUC provided a description of the allocators by account for costs transferred from Chapleau Energy Services Corporation ("CESC"). Board staff is interested in the meter reading and billing cost transfers.

- a. Does CESC read and bill for water service?

Response

CESC does not read and bill for water service.

- b. If CESC reads and bills for water service, please show a calculation allocating the cost based on number of bills issued annually for water service and for electricity distribution service.

Response

N/A

29. Cost of Power

Reference: Board staff Interrogatory 17

Board staff requests that an RTSR Work Form be filed to include the following January 1, 2012 Uniform Transmission Rates:

EB-2011-0268	
	\$/kW
Network Service rate	3.22
Line Connection Service Rate	0.79
Transformation Connection Service Rate	1.77

Response

The above \$/kW are the effective rates for January 1, 2011. The correct January 1, 2012 rates are:

<i>Network Service Rate</i>	<i>3.57</i>
<i>Line Connection Service Rate</i>	<i>0.80</i>
<i>Transformation Connection Service Rate</i>	<i>1.77</i>

CPUC is filing the RTSR Adjustment Work Form to include the above January 1, 2012 Uniform Transmission Rates as Appendix A .

The following proposed RTSR rates will be entered into CPUCs 2012 Proposed Rate Schedule which is included as Appendix B.

<i>Rate Class</i>	<i>Unit</i>	<i>Proposed RTSR Network</i>	<i>Proposed RTSR Connection</i>
<i>Residential</i>	<i>kWh</i>	<i>\$0.0065</i>	<i>\$0.0015</i>
<i>General Service < 50 kW</i>	<i>kWh</i>	<i>\$0.0058</i>	<i>\$0.0014</i>
<i>General Service > 50 kW</i>	<i>kW</i>	<i>\$2.3752</i>	<i>\$0.5412</i>
<i>Unmetered Scattered Load</i>	<i>kWh</i>	<i>\$0.0058</i>	<i>\$0.0014</i>
<i>Sentinel Lighting</i>	<i>kW</i>	<i>\$1.8005</i>	<i>\$0.4272</i>
<i>Street Lighting</i>	<i>kW</i>	<i>\$1.7914</i>	<i>\$0.4185</i>

30. Deferral and Variance Accounts

Reference: Board staff Interrogatory 22

The sub numbering in the responses to Board staff Interrogatory is shifted from the numbering in the interrogatory because question 22 e. was not numbered. As a result response 22 e. was question 22 f. The shift in numbering continued to the end of the questions on Deferral and Variance Accounts. The following is based on the original interrogatory numbering.

Board staff Interrogatory 22(g), (i), (k), and (l) asked CPUC to provide rate rider calculations based on the following respectively:

- 50% of the amount recorded in account 1592 Sub-account HST/OVAT ITCs, as per the direction of the Board in EB-2009-0219,
- The debit amount of \$45,686 with respect to the Board letter dated August 6, 2009 subsequent to and OEB Regulatory Audit review,
- Balance in account 1508, Sub-account IFRS Transition Costs as of December 31, 2010, and interest forecasted to April 30, 2012, and
- Use a 2-year disposition period for all accounts (except GA) for rate rider calculations.

In its response to the first 3 bullet points above, CPUC pointed to Appendix E for the rate rider calculations. We were unable to find an "Appendix E". Please provide an updated rate rider calculation ensuring that the calculation includes the amounts as per CPUC's updated evidence provided in response to Board staff Interrogatory 22:

Response

Attached is the updated rate rider calculation, as Appendix C, to include the following:

- ***50% of \$14,340 plus carrying charges for the net amount of \$7,311 recorded in account 1592 Sub-account HST/OVAT ITCs, as per the direction of the Board in EB-2009-0219***
- ***In regard to the debit amount of \$45,686 with respect to the Board letter dated August 6, 2009 subsequent to and OEB Regulatory***

Audit review - see CPUCs response to interrogatory question 22, page 84.

The net balance, in account 1595 inclusive of the \$45,340, is a debit of \$13,742 and is included in Appendix E.

- The balance in account 1508, Sub-account IFRS Transition Costs as of December 31, 2010, and interest forecasted to April 30, 2012 for a total of \$15,398 is included in Appendix E.

SUMMARY

Adjustments were made to the Proposed Rates and Charges, Appendix B as follows:

Adjustments were made to the Retail Transmission Rates to account for the January 1, 2012 increase to the Uniform Transmission Rates as per Appendix A.

Minor adjustments were made to the Deferral and Variance Accounts Rate Riders to account for the reduced kW and kWh for CDM as per Appendix C.

Minor adjustments were also made to the Volumetric Rates to account for the changes made to the Miscellaneous Revenue allocations to the various customer classes as per Appendix E.