

Chapleau Public Utilities Corporation

2012 Rate Rebasing Application

EB-2011-0322

Response to VECC Supplemental Interrogatories

Table of Contents

VECC Supplemental Interrogatories

<u>Question</u>	<u>Page</u>
29 Reference: VECC #7 b)	3
30 Reference: VECC #8 b)	3
31 Reference: VECC #16 a)	3
32 Reference: VECC #16 c)	4
33 Reference: VECC #17 c)	5
34 Reference: VECC #18 c)	5
35 Reference: VECC #23 a)	6
36 Reference: VECC #24 b)	6
37 Reference: Board Staff #5 g)	6
38 Reference: Board Staff #16 e) and #20	7
39 Reference: VECC IR #3	8
40 Reference: VECC IR #15	9
41 Reference : Board Staff IR #19	10
42 Reference : Board Staff IR #20	11
43 Reference : VECC Board Staff IR #22	11

Appendices

Appendix D - OPA SaveOnEnergy Q4 2011 Conservation and Demand Management Status Report

Appendix E - Proposed Rates Calculation

#29 Reference: VECC #7 b)

- a) In response to a similar interrogatory other LDCs have filed an OPA SaveOnEnergy Q4 2011 Conservation and Demand Management Status Report for their utility (e.g. Espanola EB-2011-0319, VECC #9 c)). Has the OPA produced a similar report for Chapleau? If yes, please file.

Response

The OPA SaveOnEnergy Q4 2011 Conservation and Demand Management Status Report is attached as Appendix D

#30 Reference: VECC #8 b)

- a) Please explain why the Cost & Expense of Merchandising (Account #4430) exceeds the Revenues ((Account #4325) and why this is forecast to continue in 2012.

Response

Above account # 4430 should be #4330

Both accounts represent revenue - the Cost & Expense of Merchandising account 4330 represents the cost while Revenue account 4325 represents the profit on merchandise. Together they represent Total Revenue.

- b) Please explain why Chapleau has “added” the Cost & Expense of Merchandising to the sum of the other revenues sources in its determination of total Other Operating Revenue.

Response

The sum of both accounts represent the total revenue from merchandising.

#31 Reference: VECC #16 a)

- a) The question asked for the unadjusted O1 Sheet. Please explain why the Miscellaneous Revenue for Residential shown in this worksheet (Appendix A) do not equal the results for 22-44 km allocation (\$28,085) as shown on page 179 of the Application. Is the reason solely due to Appendix A using the updated total revenue requirement of

\$850,756 as opposed to the initial revenue requirement of \$864,765, along with the revised load forecast incorporating CDM?

Response

The updated total revenue requirement of \$850,756 along with the revised load forecast incorporating CDM is the reason for change in the proportion of Miscellaneous Revenue applied to Residential customers.

#32 Reference: VECC #16 c)

- a) Please confirm that for km values of 0-22, Chapleau would be classified as a high density utility for purposes of minimum system designation and that for km values of 23-44 it would be classified as a medium density utility for purposes of minimum system designation.

Response

CPUC would be classified as a medium density utility for purposes of minimum system designation.

- a) Given that the km value for Chapleau is 27 (reasonably within the 23-44 range) please explain more fully why the adjustment proposed by Chapleau is required?

Response

The adjustment proposed by Chapleau is by far a more accurate way to proportionately apply costs to the various customer classes. The following is the impact these changes have had on the different classes when comparing net income and revenue to expense ratios for range 23 - 44 km with 27 km.

Customer Class	Net Income		Change	Revenue/Expense Ratio		Change
	Range 23-44 km	27 km		Range 23-44 km	27 km	
Residential	\$22,190	\$25,408	\$3,218	97.47%	98.06%	0.59%
General Service <50 kW	\$17,070	\$11,396	(\$5,674)	104.28%	100.53%	(3.75%)
General Service >50 kW	\$25,809	\$20,202	(\$5,607)	124.66%	116.10%	(8.56%)
Unmetered Scattered Load	\$371	\$504	\$133	118.48%	128.58%	10.10%
Sentinel Lights	(\$1,865)	(\$1,355)	\$510	54.35%	61.56%	7.21%
Street Lights	(\$8,352)	(\$931)	\$7,421	75.78%	92.10%	16.32%
Total	\$55,223	55,223	\$0.00			

c) What input values for the Cost Allocation model did Chapleau change in order to produce the results for the 0-22 km run?

Response

The results for the 0 - 22 km were produced by the input value of 22 km in Sheet I5.1 Misc. Data of the CA Model, cell D 15.

#33 Reference: VECC #17 c)

- a) The assumptions set out in the question were meant to be taken together (i.e. with the ratios for Sentinel Lighting, Residential, GS<50 and Street Lighting set as specified what would be the ratio for GS>50 and USL if they were set following the process outlined in the last bullet so as to maintain the overall revenue requirement?). Please provide a response based on the updated cost allocation.

Response

By increasing revenue by \$713 to Sentinel Lights Ratio will be 80.0%

To achieve a Ratio of 116.1% for USL allocation will be \$264.

Allocate the balance of \$449 to GS >50 kW ratio will be 115.6%

#34 Reference: VECC #18 c)

- a) The schedules filed as part of Appendix G to the Staff IR responses show an allocation of Miscellaneous Revenues to Residential of \$27,886. However, the Miscellaneous Revenues allocation to Residential in both Appendix D and the updated cost allocation filed with the IRRs is \$27,764. Please reconcile and provide corrected schedules as necessary.

Response

The corrected schedules are attached as:

Proposed Rates Calculation - Appendix E, and

CPUC 2012 Proposed Rate Schedule - Appendix B

#35 Reference: VECC #23 a)

- a) What was the new practice as of 2009? Which practice is appropriate for purposes of determining loss factors and why?

Response

CPUCs new practice is to not include accruals into the loss factor calculations. CPUC believes this practice to be appropriate for purposes of determining loss factors. The use of actual data is simpler and more accurate.

#36 Reference: VECC #24 b)

- a) If the load forecast for 2008 used in setting 2008 rates was based on an average of actual use in 2006 and 2007 please explain why it would not reflect the actual CDM savings that were achieved in 2006 and 2007, as these savings would be reflected the actual loads for those years.

Response

CPUCs response to VECC question #14 b) was in error.

The load forecast for 2008 based on the average of actual use in 2006 and 2007 did reflect the actual CDM savings achieved during those years.

#37 Reference: Board Staff #5 g)

- a) Please provide a schedule that sets out the 2012 adjustment for CDM by customer class and, for those classes that are demand billed, also include the associated kW billing demand reduction.

Response

The following schedule sets out the 2012 adjustment for CDM by customer class for kW and kWh.

See also 2012 Load COP Proposed Rates - Appendix E

Customer Classes	2012 Test Year		CDM Reduction		Adjusted Forecast 2012 Test Year	
	kWh	kW	kWh	kW	kWh	kW
Residential Customers	14,574,912		126,799		14,448,113	
Gen Service <50 kW Customers	5,255,040		45,718		5,209,322	
Gen Service >50 kW Customers	7,658,952	19,530	66,631	170	7,592,321	19,360
Unmetered Scattered Load	7,272		63		7,209	
Sentinel Lighting	25,944	66	226	1	25,718	65
Street Lighting	294,624	780	2,563	7	292,061	773
TOTAL Customers/Connections	27,816,744	20,376	242,000	177	27,574,744	20,199

#38 Reference: Board Staff #16 e) and #20

- a) Do the meter costs set out in Sheet I7.1 reflect the updated expenditure through to 2012?

Response

Yes. Meter Costs set out in Sheet I7.1 reflect the updated expenditure through to 2012.

- a) If yes, please reconcile these values with the unit costs by meter type implicit in the response to Board Staff #20.

Response

Meter Type	Board Staff #20	CA Model Sheet I7.1	
Sensus Icon A2S	\$316	\$305	
Sensus Icon A12S	\$391	\$380	Ave. Prices Each
Sensus Icon A35	\$435	\$423	Ave. Prices Each
Elster A3RL 16S & 36S	\$610	\$599	
Elster A3RL 12S	\$451	\$439	

GE KV2C 9S	\$758	\$747	
GE KV2C 12S	\$1,215	\$1,203	
GE KV2C 16S	\$734	\$722	
3 Phase Demand Meter	\$859	\$847	
Total Cost of Meters	\$439,515	\$430,715	

The difference between Board Staff Question # 20 and CA Sheet I7.1 is \$8,800.

Due to this difference, CPUC conducted an exercise to determine how this change to the CA Model, sheet I7.1, would affect sheet O1 in the CA Model.

The results experienced from this exercise are very minor and therefore no adjustment is required, as identified in the following Revenue to Cost Ratios:

Customer Class	Revenue to Cost Ratio		
	Submission	Adjusted	Difference
Residential	98.06%	98.06%	-
G.S <50 kW	100.53%	100.52%	(0.01)%
G.S <50 kW	116.10%	116.12%	0.02%
USL	128.58%	128.58%	-
Sentinel Lights	61.56%	61.56%	-
Street Lights	92.10%	92.10%	-

- b) If not, please provide a schedule setting out the unit costs by meter type that Chapleau proposes to use in its cost allocation and reconcile the values with the response to Staff #20.

Response

N/A

#39 Reference: VECC IR #3

The purpose of this interrogatory was to find out why it would not be appropriate to use the Board's most up-to-date estimate for calculating working capital adjustments for utilities which do not perform their own lead/lag studies.

- a) Please calculate the working capital adjustment to revenue requirement at 13% and compare this with the requirement at 15%.

Response

The following is the calculation for the working capital allowance at 13% and at 15% as shown in the Revenue Requirement Work form Sheet 4. Rate Base and the change (loss) in Return on Equity

Controllable Expenses	\$664,490	
Cost of Power	<u>\$2,516,183</u>	
Working Capital Base	<u>\$3,180,673</u>	
Working Capital @ 15%	\$477,101	
Working Capital @ 13%		\$413,487
Net Fixed Assets	<u>\$1,036,682</u>	<u>\$1,036,682</u>
Total Rate Base	<u>\$1,513,783</u>	<u>\$1,450,169</u>
Equity Portion of Rate Base	\$605,513	\$580,068
Target Return on Equity @9.12%	\$55,223	\$52,902
Loss of Return on Equity		\$ 2,321

- b) Other than the lower revenue requirement is there any reason for Chapleau to believe its working capital allowance should be higher than that calculated by the new default value set by the Board?

Response

At present there is no other reason for CPUC to believe its working capital allowance should be higher than that calculated by the new default value set by the Board.

#40 Reference: VECC IR #15

- a) Statistics for the cohort of utilities for all Ontario LDCs are published by the Ontario Energy Board (Annual Yearbook – Unitized Statistics). All 2012 cost of service applicants have been asked to file their OM&A per customer as compared to their cohort. Chapleau was classified into the “Small Northern LDC” cohort. Within this cohort were Atikokan Hydro, Sioux Lookout Hydro, Espanola Regional Hydro, Fort Frances Hydro, Hearst Power and Northern Ontario Wires. Please file the cohort comparison for OM&A per customer as can be found in the OEB’s latest publication.

Response

The following is the comparison for OM&A per customer as can be found in the OEB's latest publication for the years 2010, 2009 and 2008.

Utility Name	2010	2009	2008
Atikokan Hydro	601.11	523.90	504.19
Chapleau PUC	412.71	371.89	441.78
Espanola Regional Hydro	311.73	330.05	299.76
Hearst Power	299.76	306.36	251.83
Fort Francis Hydro	350.99	350.06	312.64
Northern Ontario Wires	340.80	334.52	321.23
Sioux Lookout Hydro	426.09	418.06	419.52

#41 Reference: Board Staff IR #19

- a) Please confirm that the number of GS< 50 customers who will be charged a reduced rate in 2012 is 28 of the projected 161 class customers.

Response

CPUC has stated in its Board Staff interrogatory response to Question 19 c. that CPUC will forego the lost revenues from the GS <50 kW, USL and Sentinel Lighting classes.

- b) If this number is less than the total rate class number of the 161 please explain how Chapleau intends to recover the lost revenue from the GS<50 class (i.e. the entire class or the rate reduced sub-group).

Response

See response to a) above.

#42 Reference: Board Staff IR #20

- a) Is Chapleau revising its application to adopt the recalculated class specific SMDR shown in the response to Board Staff IR #20?

Response

CPUC has revised its application to adopt the recalculated class specific SMDR rate riders shown in the response to Board Staff interrogatory #20 and has included these in the 2012 Proposed Rate Schedule as Appendix B

#43 Reference: VECC Board Staff IR #22

- b) Please revise the summary table of disposition of deferral and variance accounts found at page 217 (item 3) of the application (group 1 and 2 accounts).

Response

Description	Account #	Total at Dec. 31, 2010	Interest to Dec. 31, 2012	Amount for Disposition
Low Voltage Variance Account	1550	-\$ 24,813	-\$ 485	-\$ 25,298
RSVA - Wholesale Market Service Charge	1580	-\$ 41,538	-\$ 808	-\$ 42,346
RSVA - Retail Transmission Network	1584	\$ 20,743	\$ 404	\$ 21,147
RSVA - Retail Transmission Connection	1586	\$ 22,008	\$ 521	\$ 22,529
RSVA - Power (excluding Global Adjustment)	1588	-\$ 91,303	-\$ 1,745	-\$ 93,048
RSVA - Power - Sub-A/C Global Adjustment	1588	\$ 915	\$ 39	\$ 954
Retail Costs Variance Account Retail	1518	\$ 3,192	\$ 61	\$ 3,253
Conservation and Demand Management	1565	-\$ 4,731	\$ 0	-\$ 4,731
Dispos. & Recovery of Regulatory Balances (2008)*	1595	\$ 13,665*	\$ 77	\$ 13,742
Other Reg. Assets - Deferred IFRS Transition Costs	1508	\$ 15,104	\$ 94	\$ 15,398
PILs & Tax Variance - HST/OVAT ITCS	1592	\$ 7,170	\$ 141	\$ 7,311
TOTAL				\$ 81,089

**** Disposition & Recovery of Regulatory Balances (2008) balance of \$13,665 is as at December 31, 2011.***