

# PUBLIC INTEREST ADVOCACY CENTRE LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N

Michael Janigan Counsel for VECC 613-562-4002

August 10, 2012

VIA MAIL and 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-2012-0161 PowerStream Inc. 2013 Rates

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

Yours truly,

For/

Michael Janigan Counsel for VECC

Encl. cc. PowerStream Inc. Attn: Colin Macdonald colin.macdonald@powerstream.ca

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND	# 1
TO:	PowerStream Inc.
DATE:	August 10, 2012
CASE NO:	EB-2012-0161
APPLICATION NAME	2013 Cost of Service Electricity Distribution Rate Application

#### General

1.1 Are PowerStream's economic and business planning assumptions appropriate?

## 1.2 Is service quality, based on the Board's specified performance indicators, acceptable?

- 1. Reference: Exhibit B4, Tab1, Schedule 1
  - a) Please provide a breakdown of the reasons for power interruption for the period 2009 through 2011 (e.g. tree contact, pole failure, accidental contact etc.).
  - b) Please provide the number of unplanned and interruptions due to poles for each of 2009 through 2011 and the sustained outages for each year as a result of pole failure.
  - c) Please provide the number of unplanned interruptions due to underground cable/conduit for each of 2009 through 2011 and the sustained outages for each year as a result of cable/conduit failure.

## 1.3 Are the proposals to align the rate year with PowerStream's fiscal year and for rates effective January 1, 2013 appropriate?

#### 1.4 Is the proposed Green Energy Act Plan appropriate?

- 2. Reference: Exhibit B2, Tab 1, Schedule 2
  - a) What alternatives to the WiMAX communication system did PowerStream consider (e.g. leasing communications)? Please provide the analysis of the options considered.

## **1.5 Has PowerStream responded appropriately to all relevant Board directions from previous proceedings?**

## **Rate Base**

#### 2.1 Is the proposed Rate Base for Test Year 2013 appropriate?

#### 2.2 Is the Working Capital Allowance for Test Year 2013 appropriate?

- 3. Reference: Exhibit B3, Tab 1, Schedule 1, page 1
  - a) Did PowerStream complete a lead-lag study? If so please file this study.
  - b) If not, did PowerStream do any other type of analysis of the working capital requirement as compared to what would be allowed under the Board's default methodology? If yes, please file that analysis.

# 2.3 Is the proposed Capital Expenditures forecast for Test Year 2013 appropriate?

- 4. Reference: Exhibit B1, Tab 1, Schedule 6, page 25
  - a) Please provide a table showing for the period 2010 through 2016 the following CIS costs (please modify as necessary to show largest IS categories);

CIS Hardware	2010-2016
CIS Software & Maintenance	
ERP Hardware	
ERP Software & Maintenance	
SCADA Hardware	
SCADA Software & Maintenance	
Outage Management System Hardware	
Outage Management System Software&Maint	
AMI/ODA Hardware	
AMI/ODA Software & Maintenance	

Other IS Hardware	
Other IS Software & Maintenance	
Other IS Maintenance Costs	
IS Consulting Fees	
Other IS Costs (please identify significant categories)	Total IS Capital Costs

- 5. Reference: Exhibit B1,Tab 1, Schedule 8, page 9/ Exhibit D1, Tab 2, Schedule 1, page 5
  - a) The underground cable injection sustainment program in 2013 is over 10 times the spending in 2011. Please explain how PowerStream is able to carry out this large increase in work. Is to work subcontracted? If so to whom. What was the process for awarding contracts?
  - b) At Exhibit D1, page 5 it states that in 2012 PowerStream will commence a program to perform VLF testing and currently cables are replaced only once a pattern of failure is clearly established. It appears from then that PowerStream is proposing significant increases in cable replacement and restoration prior to the testing program? If this is correct please explain why PowerStream is not waiting for the results on the VLF program.
- 6. Reference: Exhibit B1, Tab 1, Schedule 8, pages 14 16
  - a) Please explain why, notwithstanding a significant increase in sustainment capital expenditures, the amount forecast to be spend on unscheduled replacement of failed distribution equipment is rising between 2012 and 2013.
  - b) Please explain why notwithstanding a significant increase in sustainment capital expenditures the amount forecast to be spend on unscheduled replacement of failed switchgears failed distribution equipment is rising between 2012 and 2013.
  - c) Please explain why no amounts were forecast for unscheduled replacement of failed switchgear prior to 2012.

- 7. Reference: Exhibit B1, Tab 1, Schedule 8, page 21
  - a) PowerStream states that it has "*completed eleven SorbWeb installations at MS's*". Yet the table accompanying this section shows no spending on this item in 2012 or 2011. Please explain when these 11 installations were completed.
  - b) How many SorbWeb installations were completed in 2010?
- 8. Reference: Exhibit B1, Tab 1, Schedule 8, page 27
  - a) Please provide a modified table of the planned annual expenditures for New Subdivision Development which shows (1) the actual/forecast amount expended in each year; and (2) the amount of capital contributions **charged** against that year's expenditure (as opposed to collected in that year). For example:

#### **Planned Annual Expenditures:**

Year	2009 Actual	2010 Actual	2011 Actual	2011 MIFRS Actual	2012 Bridge	2013 Test
Expenditures						
Capital Contribution						

- b) Please complete the same form of table Secondary Services and Layouts.
- c) Please explain why there were no expenditures for Secondary Services in 2009 and 2010.
- 9. Reference: Exhibit B1, Tab 1, Schedule 8, page 31
  - a) Please provide a table in the form described in VECC interrogatory #7 for Road Authority Projects.
- 10. Reference: Exhibit B1, Tab 1, Schedule 8, page 34
  - a) In respect to the Vaughan Transformer Station 4, when does PowerStream expect the Class EA process to be complete?
  - b) When is the anticipated purchase date for land for this project?
  - c) Please provide the project timelines which show when the land must be purchased in order for this project to be completed by the summer of 2016.

- 11. Reference: Exhibit B1, Tab 1, Schedule 8, page 40
  - a) Does PowerStream account for Suite Metering separately for both capital and OM&A spending.
- 12. Reference: Exhibit B1, Tab 1, Schedule 8, page 42
  - a) Has Hydro One provided the total cost for the Buttonville Metering Upgrade?
  - b) Has PowerStream been invoiced for any or all of this project?
  - c) What date has Hydro One provided for completion of this project?
- 13. Reference: Exhibit B1, Tab 2, Schedule 2 Five Year Capital Plan

Preamble: The purpose of this interrogatory is to better understand the vintage of the underground cable that is being replaced or refurbished.

a) At section 6.1.2.1 of the Plan is a graph entitled "PowerStream Underground Cable Projected Demographics Total Cable." Using this graph please superimpose all 2013 cable rehabilitation and replacement projects. Please legend the superimpositions (for example Flowervale subdivision Cable Rehabilitation would be shown as a superimposed colour in the appropriate vintage column with height of the superimposition representing he number of kilometers replaced by this project).

### **Operating Revenue**

# 3.1 Is the proposed forecast of 2013 Test Year Throughput Revenue appropriate?

- 14. Reference: Exhibit C1, Tab 1, Schedule 4, Tables 3 7
  - a) Please provide revised versions of Tables 3-7 with the names of the individual customer classes shown.
- 3.2 Are the proposed customers/connections and class specific load forecasts (both kWh and kW) for Test Year 2013 appropriate, including the impact of CDM and weather normalization?

- 15. Reference: Exhibit C1, Tab 1, Schedule 1, page 2 (line 17) / Exhibit C1, Tab 1, Schedule 3, page 2 (lines 1-2)
  - a) Please provide a schedule that for the years 2010 2013 inclusive sets out the number of new Residential suite-metered customers added each year broken down as between new construction and retrofits.
- 16. Reference: Exhibit C1, Tab 1, Schedule 2, page 2 (lines 3-19)
  - a) Please indicate which of the Canadian users listed use the MetrixND software for revenue forecasting purposes.
- 17. Reference: Exhibit C1, Tab 1, Schedule 1, page 1 (lines 14-15)
  - a) Please provide the model estimated by PowerStream for each customer class that provided the "best" statistical fit. In each case please provide the estimated model (i.e., description of independent and dependent variables, coefficient values and statistical properties).
- 18. Reference: Exhibit C1, Tab 1, Schedule 1, pages 3-5
  - a) With respect to Tables 3 and 5 (pages 4 & 5), please provide a schedule that sets out, for each year when there were either third tranche or OPA funded CDM programs the energy savings achieved in that year and the persisting savings in each subsequent year through to 2014. (Note: The last program year in the Table should be 2011 and the total for each year should reconcile with the values reported for OPA and 3<sup>rd</sup> Tranche programs in Tables 3 and 5).
  - b) Please confirm that the savings reported by the OPA for programs in the first year they are implemented (e.g. the savings in 2011 from programs implemented in 2011) are the annualized values – assuming the programs were all implemented January 1<sup>st</sup> and not the actual savings in the first year based on when the programs actually started.
  - c) Please confirm whether or not the 3<sup>rd</sup> Tranche reported savings in the first program year are based on the same approach.
  - d) If either (b) or (c) is confirmed, please indicate what adjustments PowerStream made to the reported values for purposes of its load forecast modeling.

- e) If no adjustments were made please restate the historic and projected CDM savings to allow for this factor; re-estimate the load forecast model and provide an updated total purchases projection for 2012 and 2013.
- f) Please confirm whether the reported historic results for OPA and 3<sup>rd</sup> Tranche programs were purchased kWh (i.e. grossed up for losses) or billed kWs. If the latter, have the values been adjusted for purposes of estimating the load forecast model and, if so, how?
- g) Given that the load forecast model is based on monthly data, how were the CDM savings shown Tables 3 and 5 converted to monthly values?
- h) Please provide a copy of OPA's report regarding PowerStream's 2011 CDM program results.
- 19. Reference: Exhibit C1, Tab 1, Schedule 2, page 7
  - a) Please provide a table that sets out for 2009, 2010 and 2011 the following:
    - The actual purchases for each year
    - The actual HDD and CDD values for each year
    - The "weather normal" HDD and CDD values for each year (as defined by PowerStream)
    - The HDD and CDD coefficients per PowerStream'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 "weather normal" and actual values for HDD and CDD respectively.
    - The estimated "weather normal purchases" calculated by adjusting actual purchases by the values calculated in the preceding bullet.
- 20. Reference: Exhibit C1, Tab 1, Schedule 2, page 14 (line 7)
  - a) Please explain why 10 degrees was used as the base for the HDD values.
- 21. Reference: Exhibit C1, Tab 1, Schedule 2, pages 7 and 15 (lines 3-5)
  - a) Please provide the forecast for 2013 based on 30-year normalized weather comparable to that for 10 and 20 years as per Table 6.

#### 22. Reference: Exhibit C1, Tab 1, Schedule 2, page 22

- a) Please provide a schedule that sets out the CDM programs Power Stream plans on using to achieve its 2012 forecast kWh CDM savings, and show the planned savings by program.
- b) Please describe the current status of PowerStream's 2012 CDM program implementation and the results achieved to date.
- c) Please provide any reports that have been prepared by the OPA regarding PowerStream's 2012 CDM program results.
- 23. Reference: Exhibit C1, Tab 1, Schedule 3, pages 1-4
  - a) With respect to Table 2 please indicate the number of net customer additions for 2012 as of June 30<sup>th</sup> for each customer class and (for comparative purposes) also provide the net 2011 customer additions as of June 30 2011.
  - b) Please confirm whether the number of customers by customer class reported in Table 3 are year-end or average annual values.
  - c) Please indicate for each of 2011, 2012 and 2013 the number of Residential customers that are in-suite metered customers.

#### 3.3 Is the proposed Test Year forecast of other revenues appropriate?

- 24. Reference: Exhibit C2, Tab 1, Schedule 2, page1 and 3 (lines 13-17)
  - a) Please provide a schedule that shows the 2010, 2011, 2012 and 2013 revenues from Specific Service Charges broken down by charge and specifically isolate the annual revenues associated with gains on work orders.
  - b) Please indicate where and how in Exhibit B the treatment of gains and losses after 2012 have been incorporated as a "capital contribution".
- 25. Reference: Exhibit C2, Tab 1, Schedule 3, page 1
  - a) Please provide a schedule that sets out the June 30<sup>th</sup> 2012 year to date Other Operating Revenue for each account and provide the equivalent values for June 2011.

26. Reference: Exhibit C2, Tab 1, Schedule 2, pages 8 and 11

- a) Please explain the \$70,000 drop in Rent from Electric Property as between 2011 and after (per page 8).
- b) What is the basis for the reduced forecast for miscellaneous nonoperating income and sales of scrap in 2012 and 2013 as compare to 2011?

## **Operating Costs**

#### 4.1 Is the overall Test Year 2013 OM&A forecast appropriate?

- 27. Reference: Exhibit D
  - a) Please file the detailed OM&A accounts for 2009 through 2013 (Board Guidelines Appendix 2-F).
  - b) Please file the detailed Compensation and FTE (Board Guidelines Appendix 2-K).
- 28. Reference Exhibit D
  - a) Please provide an OM&A table in the same form as VECC IR# showing the IS OM&A costs.
- 29. Reference: Exhibit D1, Tab 1, Schedule 1, page 6
  - a) PowerStream identifies \$454,000 in additional costs related to environmental changes, vandalism and vehicle accidents. Please provide a breakdown of these costs for 2009 through 2014. Please include insurance costs and claims.
  - b) Are all of these costs recouped through insurance claims? If not please explain why.
- 30. Reference: Exhibit D1, Tab 1, Schedule 1, page 6
  - a) Please provide explain how the \$797,000 in 2013 OM&A attributable to soil remediation is calculated
  - b) Is this work outsourced? If so have contracts been awarded?
  - c) Please provide a list of the sites which PowerStream believes will need similar remediation after 2013.

- 31. Reference: Exhibit D1, Tab 1, Schedule 1, page 6
  - a) Please provide the incremental OM&A costs related to the maintenance and ongoing operation of smart meters.
- 32. Reference: Exhibit D1, Tab 1, Schedule 1
  - a) Please provide the fees (separately) paid to the EDA, CEA for the years 2009 through 2014. Please confirm PowerStream is seeking recovery of these costs in rates.
- 33. Reference: Exhibit D1, Tab 1, Schedule 1, page 8,9
  - a) Please provide a table of all training costs for the period 2009 through 2014. Please breakdown these costs by engineering training related and non-engineering related.
- 34. Reference: Exhibit D1, Tab 1, Schedule 1, page 9
  - a) Please provide a list of the various types of insurance purchased by PowerStream (e.g. Credit Risk Insurance etc.), the associated premiums, and the carrier for the period 2009 through 2014).
- 35. Reference: Exhibit D1, Tab 1, Schedule 2, page 2, Table 1/ Schedule 3, page 3
  - a) PowerStream states that savings as the result of the merger with Barrie Hydro were \$6.2 million. Table 1 shows that the OM&A cost per customer for 2009 through 2011 was either at or exceeded the cost per customer of either standalone utility. Please explain how the 6.2 million was calculated and why on a cost per customer basis no savings appear to have been achieved.
- 36. Reference: Exhibit D1, Tab 1, Schedule 3, page 4
  - a) What are the 2013 and 2014 estimated cost of the Collingwood partnership?
- 37. Reference: Exhibit D1, Tab 1, Schedule 3
  - a) Please provide a table which shows for each year 2009 through 2014 total consulting costs. Please breakdown the table into categories: Engineering related; Corporate/Strategic/HR; Other.
- 38. Reference: Exhibit D1, Tab 2, Schedule 2, page 7
  - a) Please clarify the total fibre optic link costs between Vaughn and Barrie and in which year these costs were incurred.

- 39. Exhibit D1, Tab 5, Schedule 3, page 1, Table 1
  - a) Please provide further detail on the Georgian College and York University donations and why PowerStream believes these costs are appropriately borne by ratepayers.
- 40. Exhibit D1, Tab 3, Schedule 1, page 10
  - a) Please provide the Corporate Communications costs for 2009 through 2014.
- 4.2 Is the proposed level of the Depreciation/Amortization expense for 2013 appropriate?
- 4.3 Is the Test Year 2013 forecast of PILs appropriate?
- 4.4 Is the proposed allocation of shared services and corporate costs appropriate?
- 4.5 Are the 2013 compensation costs and employee levels appropriate?
- 4.6 Have the savings due to the merger with Barrie Hydro been properly reflected in the test year?

### **Deferral and Variance Accounts**

- 5.1 Is the proposed clearance of the deferral and variance account balances appropriate?
- 5.2 Are the proposed new and existing deferral and variance accounts for the test year appropriate?
- 5.3 Is the proposal related to the recovery of stranded meter costs appropriate?

### **Capital Structure and Cost of Capital**

#### 6.1 Are the proposed Test Year cost of capital parameters appropriate?

- 41. Reference: Exhibit E, Tab 1, Schedule 1, page 4
  - a) Please explain how the 4.41% rate for the deemed long-term debt was estimated?

## **Cost Allocation**

# 7.1 Is Power Stream's proposed cost allocation methodology for 2013 appropriate?

#### 42. Reference: Exhibit G, Tab 1, Schedule 2, page 1

- a) The Board's EB-2010-0219 Report (page 26) directed distributors to establish distributor-specific weighting factors for Services costs as well as Billing and Collecting. Are the weighing factors used by PowerStream for these cost the default values or utility specific values?
- b) If they are the Board's default values, please explain why they are appropriate as required by the OEB's EB-2010-0219 Report (page 26).
- c) If they are PowerStream-specific values, please explain how they were established and provide any supporting reports/analyses prepared by PowerStream.
- 43. Reference: Exhibit G, Tab 1, Schedule 2, page 2
  - Preamble: On page 2 (lines 17-20) reference is made to a correction to the average number of street lights per connection with respect to Barrie.
    - a) Please provide a schedule that sets out the previous and current assumptions used by PowerStream regarding the number streetlights per connection.
    - b) Please the study/analysis supporting the change.
- 44. Reference: Cost Allocation Model, Sheet I7.1
  - a) Please explain how PowerStream derived the unit meter costs used to allocate meter capital costs to customer classes.
  - b) Please provide a schedule that sets out the capital costs for smart meters by customer class and the resulting per customer smart meter capital costs by class consistent with previous smart meter applications.

- 45. Reference: Cost Allocation Model, Sheets 17.1 and 16.2
  - a) With respect to Sheet I6.2, please explain why none of the GS, Street Lighting, Sentinel Lighting or USL customers are assumed to make use of Services.
  - b) Are all of the buildings with suite-metered Residential customers served at secondary voltages (i.e. none of the buildings provide their own transformer)? If not, how many suite-metered Residential customers are in buildings that provide their own transformer and are served at primary voltage?

# 7.2 Are the revenue-to-cost ratios in the cost allocation for Test Year 2013 appropriate?

- 46. Reference: Exhibit G, Tab 1, Schedule 2, pages 2-3
  - a) Please explain why PowerStream is proposing to increase the revenue to cost ratio for Large Users above 80% the lower end of the Board's target range for this class.
  - b) Please explain why Power Stream is proposing to increase the revenue to cost ratio for Large User from 43.7% to over 100%.
  - c) Please provide the revenue to cost ratio for Street Lighting assuming the ratio for Large Users is increased to 80% and the ratios for all other classes remain unchanged from the status quo values.

### Modified International Financial Reporting Standards

- 8.1 Is the proposed service revenue requirement calculated using modified IFRS appropriate?
- 9.2 Is the treatment of property, plant and equipment due to the transition to the new accounting standard appropriate?

### **Rate Design**

#### 7.1 Is the full Tariff of Rates and Charges as proposed appropriate?

- 47. Reference: Exhibit C2, Tab 1, Schedule 2, page 5 (lines 4-7)
  - a) PowerStream proposes to apply the proposed charge to the "incoming customer". However, as noted in the previous paragraph, the incoming customer can only be assessed this charge it he/she agrees to assume responsibility. What will happen in those situations where the incoming customer does <u>not</u> agree to assume responsibility?

#### 7.2 Is the derivation of the proposed base distribution rates appropriate?

48. Reference: Exhibit G, Tab 1, Schedule 1, page 2 (lines 15-23) / Exhibit G. Tab 1, Schedule 2, page 4 (lines 6-7)

- a) Please provide a schedule that sets out the calculation of the current fixed-variable for each customer class as used by PowerStream in its rate design determinations.
- b) With respect to the schedule provided in response to part (a), for those customer classes where some/all of the customers receive the transformer ownership allowance, were the variable revenues used to determine the fixed-variable split net of (i.e., reduced to account for) the transformer ownership allowance? If not, please re-do the response to part (a), where the variable revenues used to determine the fixed-variable split are net of the transformer ownership allowance.

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

- a) For those classes where either the 2012 MSC in the Northern or Southern service area exceeds the 2013 CAS ceiling, why is the maximum charge used as the ceiling as oppose to the weighted average charge?
- b) Please provide the weighted average 2012 MSC for GS>50 based on the 2012 MSC values and the 2013 number of GS>50 customers in the South and North service areas.
- c) Please provide the weighted average 2012 MSC for USL based on the 2012 MSC values and the 2013 number of USL customers in the South and North service areas.
- d) Please provide the weighted average 2012 MSC for LU based on the 2012 MSC values and the 2013 number of LU customers in the South and North service areas.
- e) Please provide the weighted average 2012 MSC for Residential based on the 2012 MSC values and the 2013 number of Residential customers in the South and North service areas.
- f) Are any of the Large Use customers located in PowerStream's Northern service area?

50. Reference: Exhibit G, Tab 1, Schedule 2, page 2

- a) Given the significant difference in the assets required to service the two Large Use customers was any consideration given to making a distinction as between the rates charged these two customers (e.g., introduce a further discount for not using Primary Assets)?
- 7.2 Are the proposed changes to LV rates appropriate?
- 7.3 Are the proposed Total Loss Adjustment Factors appropriate?
- 7.4 Is PowerStream's proposed rate harmonization appropriate?

### Smart Meters

- 10.1 Are the proposed quanta and nature of smart meter costs, including the allocation and recovery methodologies appropriate?
- 51. Reference: Exhibit I, Tab 1, Schedule 8
  - a) Please provide a summary table showing the derivation of the rate rider (including allocators) for account 1555

#### **10.2** Is the proposed treatment of stranded meter costs appropriate?

- 52. Reference: Exhibit I, Tab 1, Schedule 8
  - a) Please provide a summary table showing the derivation of the rate rider (including allocator) for account 1556

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