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**BY E-MAIL**

October 19, 2012

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Midland Power Utility Corporation  
2013 Electricity Distribution Rates  
Board Staff Interrogatories  
Board File No. EB-2012-0147**

In accordance with Procedural Order No. 1, please find attached Board Staff interrogatories in the above proceeding. Please forward the following to Midland Power Utility Corporation and to all other registered parties to this proceeding.

In addition please advise Midland Power Utility Corporation that responses to interrogatories are due by November 16, 2012.

Yours truly,

*Original Signed By*

Suresh Advani

Encl.

**Midland Power Utility Corporation (“Midland”)  
2013 Electricity Distribution Rates  
EB-2012-0147  
Board Staff Interrogatories**

**1. Responses to Letters of Comment**

Following publication of the Notice of Application, has the Applicant received any letters of comment in respect of this application? If so, please confirm whether a reply was sent by the Applicant in response to such comments and if so, please file copies of such responses with the Board. If not, please explain why a response was not sent and advise whether the Applicant intends to respond and file a copy of the response if and when such response is given.

**2. Updated RRWF**

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that the applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

**3. Updated Revenue Requirement**

Upon completion of responses to all interrogatories, please identify any adjustments to the proposed service revenue requirement that the applicant wishes to make relative to the original application.

**4. Updated Appendix 2-W, Bill Impacts**

Ref: Appendix 2-W

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (i.e. 800 kWh for residential, 2,000 kWh for GS<50).

## **Exhibit 1**

### **5. Conditions of Service**

Ref: Exhibit 1/Tab 1/Sch. 14/p. 1

- a) Please identify any rates and charges that are included in the applicant's conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.
- b) If applicable, please provide a schedule outlining the revenues recovered from these rates and charges from Midland's last rate re-basing year 2009 to 2011 and the revenue forecasted for the 2012 bridge and 2013 test years.
- c) If applicable, please explain whether in the applicant's view, these rates and charges should be included on the applicant's tariff sheet.

## **Exhibit 2**

### **6. Capital Expenditures (Approved vs. Actual)**

Ref: Exhibit 2/Tab 3/Sch. 1 & 2

The Applicant provides details of its capital expenditures in the 2007-2012 period.

Please provide any information available that compares the approved capital expenditures (i.e. OEB approved or Midland's Board of Directors approved) and the subsequent actual capital expenditures for each year in the 2007 to 2012 period and provide an explanation for the differences.

## **7. Capital Expenditures (Vehicle Replacement)**

Ref: Exhibit 2/Tab 3/Sch. 1/p. 2 & 6

The Applicant states that its vehicle replacement process considers the following criteria:

- Vehicle operational condition;
- Vehicle safety;
- Mileage;
- Age;
- Engine hours; and
- Department needs

The Applicant also states that it will be replacing two trucks in 2012 at a cost of \$536,200.

Please provide detailed information for the two trucks Midland plans to replace in 2012 in terms of the vehicle replacement criteria.

## **8. Rate Base**

Ref: Appendix 2-B Fixed Asset CGAAP Continuity Schedules for 2011 and 2012

Board staff notes that the CGAAP based Ending Balance for Accumulated Depreciation for 2011 of \$12,270,092 does not match the beginning balance of \$12,471,467 for 2012.

- a. Please explain why the beginning balance in 2012 is higher by \$201,375 than the ending balance in 2011.
- b. Please file all adjusted Chapter 2 Appendices as necessary.

## **9. Green Energy Act Facilities**

Ref: Exhibit 2/Tab 3/Sch1/p. 7

Ref: Exhibit 4/Tab 1/Sch1/ p. 8

With respect to operating expenses related to the Green Energy Act, the Applicant states: “Midland PUC does intend to record any incremental operating expenses related to the Green Energy Act in the prescribed deferral account and seek recovery on a historical/actual basis”.

With respect to capital expenses related to the Green Energy Act, the Applicant states: “Midland does not anticipate incurring additional capital expenditures relating to the provisions of the Green Energy Act”.

- a) Board staff notes that reference 1 includes a statement that Midland intends to record *operating expenses* in the future in the Board’s deferral accounts. Board staff further notes that there are no similar statements relating to *capital expenditures* but there are numerous references (including reference 2) to the fact that no capital expenditures are anticipated. In the event that there are in fact some capital expenditures, would Midland make use of the deferral accounts 1531 through 1536?
- b) Please indicate whether the reason there are no amounts incurred to date for Capital and OM&A expenses relating to consultations or studies on Green Energy Act facilities is that:
  - they are being accumulated in deferral accounts, or
  - because they are not significant?
- c) If there are any deferral accounts related to the Green Energy Plan for the Board to examine for approval and clearing, for expenditures up to and including 2012, please identify the amounts and the accounts, and provide a full description.

## **10. Smart Grid Development**

Ref: Exhibit 2/Tab 3/Sch. 2/ p. 25

The Applicant refers to “2010 Project 5” in the above reference titled “Mapping (GIS), Asset Management Study”, as “... a roadmap for Midland PUC’s evolution into Smart Grid technologies ...”.

Please indicate whether:

- a. This project is a component of a Smart Grid Plan? If yes, please provide details of the plan and any charges which have been made and which require review and approval by the Board; and
- b. There will be future charges to the Smart Grid Deferral accounts for Smart Grid Capital (Account 1534) and OM&A (Account 1535).

## **Exhibit 3**

### **11. System Energy Forecast (Heating and Cooling Days)**

Ref: Exhibit 3/Tab 2/Sch.1/p.7

The Applicant states in its evidence that information related to heating and cooling degree days was obtained from weather data for Pearson International Airport.

Please confirm whether or not the Applicant considered sourcing weather data related to a location closer to its service territory.

### **12. System Energy Forecast (Average and Trend)**

Ref: Exhibit 3/Tab 2/ Sch.1/p.10-11

The Applicant provides values for 2012 and 2013 with a 10-year average and a 20-year trend assumption for weather normalization.

Please explain the difference between 10-year average and 20-year trend.

### **13. Load Forecast (Impact of CDM Programs)**

Ref: Exhibit 3/Tab 2/ Sch.1/p.16-18

The Applicant notes that a manual adjustment has been made to its proposed load forecast to reflect the impact of the 2012 and 2013 CDM programs and that this adjustment reflects the gross impacts of 2012 and 2013 CDM programs.

- a) Please confirm that it is Midland's understanding that the LRAMVA will compare final, verified net CDM program savings with the net CDM component that has been included in its load forecast. If Midland does not agree, please discuss.
- b) Please provide a table that clearly shows the manual CDM adjustment to the proposed load forecast for both the projected net CDM impacts (kWh) and gross CDM impacts (kWh) as outlined in the example below:

Net CDM Savings (kWh)					
	2011	2012	2013	2014	Total
2011					
2012					
2013					
2014					
Gross CDM Savings (kWh)					
	2011	2012	2013	2014	Total
2011					
2012					
2013					
2014					

#### 14. Lost Revenue Adjustment Mechanism (“LRAM”) Recovery

Ref: Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003)<sup>1</sup>, page 13

The Board's CDM Guidelines note on page 13 that:

“At a minimum, distributors must apply for disposition of the balance in the LRAMVA at the time of their Cost of Service rate applications. Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their Incentive Regulation Mechanism rate application, if the balance is deemed significant by the applicant.”

<sup>1</sup> [http://www.ontarioenergyboard.ca/OEB/Documents/EB-2012-0003/CDM\\_Guidelines\\_Electricity\\_Distributor.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/EB-2012-0003/CDM_Guidelines_Electricity_Distributor.pdf)

Board staff acknowledges that the final, verified results for Midland's 2011 OPA-Contracted Province-Wide CDM programs were not available at the time that Midland filed its application. However, on September 30, 2012, Midland filed its 2011 CDM Annual Report with the Board which included final, verified results for Midland's 2011 CDM program activity.

- a. Please discuss if Midland will be providing an update to its application to seek disposition of any variances between the final results of its 2011 CDM programs and the CDM savings included in Midland's 2011 load forecast.
- b. If the answer to (a) is yes, please provide supporting evidence for Midland's LRAMVA application.
- c. If the answer to (a) is no, please discuss Midland's plan for disposing of its LRAMVA in future applications.

## **Exhibit 4**

### **15. Low Income Energy Assistance Program (LEAP)**

Ref: Exhibit 4/Tab 1/Sch. 1/p. 7

The application states that the Applicant has included an amount of \$5,000 for the Low Income Assistance Program (LEAP), based on 0.12% of Midland's Test year service revenue requirement.

- a. Please state whether or not the applicant has included (in addition to the \$5,000 amount discussed above) an amount in its 2013 test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.



## **16. Assumptions for Increases to OM&A**

Ref: Exhibit 4/Tab 1/Sch. 1/p. 8

The Applicant has stated that a 2% inflation increase has been applied to the expected expenditures except in cases where it is a known amount. Please identify the source document for the inflation assumption.

## **17. Employee Costs**

Ref: Exhibit 4/Tab 2/Sch. 4/p. 3

Table 4.2.21 shows that the Total Compensation (Salary, Wages and Benefits) costs for management staff show a projected increase of 21.2% p.a. from 2011 to 2013 compared to 7.7% p.a. for union staff for the same period.

- a) Please explain the circumstances driving the significantly higher increase in management staff costs compared to union staff costs for the 2011 to 2013 period.
- b) Please explain the circumstances driving employee (both management and union staff) cost increases for the 2011 to 2013 period that exceed the 2% default inflation increase.

## **Exhibit 8**

### **18. Loss Factors**

Ref: Exhibit 8/Sch. 1/p. 9

The Applicant has stated that approximately 7% of its load is attributed to Hydro One, i.e. Midland is partially embedded, and approximately 7% of its load is supplied through host distributor Hydro One and approximately 93% of its load is

supplied directly through the IESO-controlled grid. Board staff notes that the Supply Facilities Loss Factor ("SFLF") is typically 1.0340 for a fully embedded distributor and 1.0045 for a fully directly connected distributor. Board staff further notes that Midland's 5-year average SFLF is 1.0345.

- a) Given that approximately only 7% of Midland's load is supplied through an embedded connection, please explain the rationale for the 5-year average SFLF being closer to the 1.0340 value (fully embedded) rather than the 1.0045 value (fully directly connected).

## **Exhibit 9**

### **19. Stranded Meters**

Ref: Exhibit 9/Tab 3/Sch. 3/p. 3

In Table 9.3.12: Rate Riders – Stranded Meters, Midland documents the allocation of the stranded meter costs as 77% to Residential and 23% to GS < 50 kW customers, and notes that this is based on the 2007 CA (Cost Allocation).

- a. Please file a copy of Sheet I7.1 of Midland's Cost Allocation Study – Run 2 from its 2009 Cost of Service rates application.
- b. Please provide further description of the 77% and 23% allocation factors and how they are derived from the results of Midland's 2007 Cost Allocation study.

### **20. Deferral and Variance Accounts (Adjustments)**

Has Midland made any adjustments to deferral and variance account balances that were previously approved by the Board on a final basis in a previous Cost of Service or IRM proceeding (i.e. balances that were adjusted subsequent to the balance sheet date that were cleared in the most recent rates proceeding)? If yes, please provide explanations for the nature and amounts of the adjustments and include supporting documentation.

### **21. Deferral and Variance Accounts (Energy Sales and Cost of Power))**

Please provide breakdown of energy sales and cost of power expense, as reported in the audited financial statements, by USoA account number. Please tie these numbers to the audited financial statements. If there is a difference between the energy sales and cost of power expense reported numbers, please explain why the applicant is making a profit or loss on the commodity.

### **22. Deferral and Variance Accounts (Global Adjustment)**

Please confirm if Midland pro-rates the IESO Global Adjustment Charge into the RPP and non-RPP portions. If this is not the case, please provide an explanation.

### **23. Deferral and Variance Accounts (Streetlights Connections)**

Ref: Exhibit 9/Tab3/Sch. 2/p.1, Tables 9.3.4, 9.3.6 & 9.3.7

Board staff notes that the number of customers for streetlights connections used for allocating account balances in accounts 1518 and 1592 is 4, as per Table 9.3.4. Board staff further notes that this number is not consistent with the customer numbers for streetlights (1,911) reported under RRR as of December 31, 2011.

- a. Please explain the discrepancy in the number of customers used for allocating account balances in the application and the number of customers reported under RRR as of December 31, 2011.
- b. Please update the rate rider calculations as necessary.