



**PUBLIC INTEREST ADVOCACY CENTRE**  
**LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC**

**ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7**

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: [piac@piac.ca](mailto:piac@piac.ca). <http://www.piac.ca>

Michael Janigan  
Counsel for VECC  
613-562-4002

January 14, 2013

**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-2012-0107 Bluewater Power Distribution Corp.**

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

Yours truly,

Michael Janigan  
Counsel for VECC

Encl.

cc. Bluewater Power Distribution Corporation  
Attn: Mr. Alex Palimaka  
[apalimaka@bluewaterpower.com](mailto:apalimaka@bluewaterpower.com)

|                                      |   |
|--------------------------------------|---|
| <b>REQUESTOR NAME</b>                | <b>VECC</b>   |
| <b>INFORMATION REQUEST ROUND NO:</b> | <b># 1</b>  |
| <b>TO:</b>                           | <b>Bluewater Power Distribution Corporation. (BWP or Bluewater)</b>   |
| <b>DATE:</b>                         | <b>January 14, 2013</b>   |
| <b>CASE NO:</b>                      | <b>EB-2012-0107</b>   |
| <b>APPLICATION NAME</b>              | <b>2013 Cost of Service Electricity Distribution Rate Application</b> |

---

### **GENERAL (Exhibit 1)**

#### **1-VECC- 1.0 Reference: Exhibits All**

- a) Please provide a tracking sheet (table) showing all adjustments arising from the interrogatories (include Reference IR #.; Item description; area of change, i.e. return on capital/rate base/working capital allowance/amortization/PILS/OM&A/ etc.).

### **RATE BASE (Exhibit 2)**

#### **2-VECC-2.0 Reference: Exhibit 2, Tab 2, Schedule 4, Attachment 1**

- a) Please amend the Asset Components and Depreciation Rate Table to include the Kinectrics high, low and average life for each class
- b) Please provide an explanation for any asset class which falls outside of the Kinectrics recommended range.

#### **2-VECC-3.0 Reference: Exhibit 2, Tab 2, Schedule 5 /Tab 4, Schedule 2, Attachment 1, p. 146.**

- a) Please provide the capital contributions for each of 2009 through 2013.
- b) Please explain the methodology for estimating 2013 capital contributions

#### **2-VECC-4.0 Reference: Exhibit 2, Tab 4, Schedule 3, Attachment 1**

- a) Please show the adjustment to capital expenditures in 2013 for the difference in reporting under CGAAP and MIFRS.

- b) Please provide the capital contributions in 2013 as reported under Bluewater’s prior capitalization policy and under the proposed (MIFRS) policy.

**2-VECC-5.0 Reference: Exhibit 2, Tab 4, Schedule 3, Attachment 2**

- a) Please update the 2012 CGAAP and MIFRS capital budget for year-end actuals.

**2-VECC-6.0 Reference: Exhibit 2, Tab 4, Schedule 3, Attachment 3 –Asset Management Plan**

- a) For Project 01 – Building Renovations, the Asset Management Plan indicates the budget (MIFRS) is \$1,870,500. Appendix 2-A shows the project budgeted as \$2,022,198 (CGAAP). Please explain the difference between these two estimates.
- b) Please provide an update for the completion of this building.

**2-VECC-7.0 Reference: Exhibit 2, Tab 4, Schedule 3, Attachment 3 – Asset Management Plan /Appendix 2-A**

- a) Please provide the following information for all information technology spending for 2009 through 2013 (forecast).

|  | 2009 | 2010 | 2011 | 2012 | 2013                                  |
|--|------|------|------|------|---------------------------------------|
| Hardware<br>Billing/smart<br>meter related |      |      |      |      | (show<br>CGAAP<br>MIFRS<br>difference |
| Hardware<br>SCADA related                  |      |      |      |      |                                       |
| Other<br>Computer<br>Hardware              |      |      |      |      |                                       |
| Total Computer<br>Hardware                 |      |      |      |      |                                       |
| Software<br>Billing/smart<br>meter related |      |      |      |      |                                       |
| Software<br>SCADA related                  |      |      |      |      |                                       |
| All other<br>Software                      |      |      |      |      |                                       |
| Total Software                             |      |      |      |      |                                       |
| Capitalized<br>Labour                      |      |      |      |      |                                       |
| Total Capital<br>Spending                  |      |      |      |      |                                       |

**2-VECC-8.0 Reference: Exhibit 2, Tab 4, Schedule 3, Attachment 4; Appendix 2-A**

- a) Please explain the reasons for the lower than average spending on Transportation Equipment (account 1930) in 2009.

**2-VECC-9.0 Reference: Exhibit 2, Tab 4, Schedule 3, Attachment 3 – Asset Management Plan /Appendix 2-A**

- a) In a number of places the Asset Management Plan does not appear to be consistent with the Capital budget as set out in Appendix 2-A. This appears to be especially true for 2012 amounts. Please reconcile Appendix 2-A with any material differences from the Asset Management Plan.

**2-VECC-10 Reference: Exhibit 2, Tab 4, Schedule 3, Attachment 4 Appendix 2-A**

- a) In a number of places in the capital budget the amounts set out for 2012 are identical to those for 2013 (see for example projects listed under U26 and U27). Please confirm that this is not an error in the table.

**2-VECC-11 Reference: Exhibit 1, Tab 2, Schedule 1, pg. 3/ Exhibit 2, Tab 4, Schedule 4, pg. 2**

- a) Please show the adjustment to rate base for smart meter costs subsequent to the Board decision in EB-2012-0263. Specifically please update Table 1 at page 2 of E2/T4/S4.

**2-VECC-12 Reference: Exhibit 2, Tab 6, Schedule 1**

- a) For each year 2009 through 2012 please provide the reason for outages excluding supply loss (e.g. defective equipment, human element, animal interference; tree contact – see pg. 146 of Asset Management Program Review for outage reason categories).

## **LOAD FORECAST (Exhibit 3)**

### **3-VECC-13 Reference: Exhibit 3, Tab 1, Schedule 1, pages 4-5 and Attachment 1**

- a) If available, please update Tables 6, 7 and 8 to include a column for 2012 actuals.
- b) If available, please revise the second table shown in Attachment 1, to show average actual use per customer for 2012 by customer class.

### **3-VECC-14 Reference: Exhibit 3, Tab 1, Schedule 1, page 8**

- a) Please provide a schedule similar to Table 10 that includes only the 3 current large users for all years.

### **3-VECC-15 Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1, pages 2-4**

- a) With respect to pages 2-3, did Elenchus test a regression model that included Residential customer count as an explanatory variable? If yes, please provide the results similar to those shown in Table 1.
- b) If the response to part (a) is no, please undertake such an analysis.
- c) Please provide a revised model for GS<50 that uses full-time employment as opposed to the first difference of full-time employment as the explanatory variable.
- d) Please confirm that, based on the equation proposed for GS<50 that if employment is going up every month over the course of the year but each absolute increase is less than the month before, then unless the other explanatory variables change the estimated monthly consumption in each month will decline from that for the preceding month. If not confirmed, please explain and demonstrate why this result will not occur.
- e) Did Elenchus test a regression for the GS<50 class that included customer count as an explanatory variable? If yes, please provide the results.
- f) If the response to part (e) is no, please provide revised models that do so where one includes the time trend variable and the second does not.

**3-VECC-16 Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1, pages 5-8**

- a) Please explain why the model includes Cooling Degree Days but not Heating Degree Days.
- b) With respect to page 5, are the “several customers” that have been reclassified into GS>50, Customers A-D that are discussed on the following pages?

**3-VECC-17 Reference: Exhibit 3, page 10, Schedule 2, Attachment 1, page 10**

- a) Please update the employment forecasts for 2012 and 2013 based on the most recent information available from each of the banks.

**3-VECC-18 Reference: Exhibit 3, page 10, Schedule 2, Attachment 1, pages 12-16**

- a) What is the basis for the 0.6% growth rate used for the Intermediate class for 2012 and 2013?
- b) If available, please update the analysis for the Intermediate class to include 2012 actual usage.
- c) What is the basis for the -0.4% growth rate use for the Large User class?
- d) If available, please update the analysis for the Large User class to include 2012 actual usage?

**3-VECC-19 Reference: Exhibit 3, page 10, Schedule 2, Attachment 1, page 17**

- a) With respect to Table 22, please provide the customer count for the most recent 2012 month available. If this is December 2012, please also provide the average 2012 customer count by class. If not December 2012, please provide the customer count, by class, for comparable month in 2011.

**3-VECC-20 Reference: Exhibit 3, Tab 1, Schedule 3, page 1**

- a) Please confirm that the 30% factor includes the effect (in 2013) of Bluewater’s 2011, 2012 and 2013 CDM programs. If not, please explain the basis for the 30%.
- b) Since 2011 customer class usage data was used in the estimation of the load forecast models/trend analyses, please explain why the load

forecast prepared by Elenchus doesn't already capture the impact of 2011 CDM programs.

**3-VECC-21 Reference: Exhibit 3, Tab 1, Schedule 3, pages 2-3  
Exhibit 3, Tab 1, Schedule 3, Attachment 1**

- a) Please provide a copy of the OPA's final Report regarding Bluewater's 2006-2010 CDM programs.
- b) With respect to Table 1, the third column in the first row of the header is titled "2006-2010 CDM Programs". However the column immediately below it is titled "6 yr. Avg". Please confirm that the averages in Column B are the average of the savings in years 2006-2011 from the impact of CDM programs for the years 2006-2010.
- c) If part (b) is confirmed, please explain why the actual savings from the 2011 CDM programs was not included in the CDM adjustment calculation.
- d) Please provide a copy of OPA Report regarding Bluewater's final 2011 CDM results.
- e) Please provide revised versions of Table 1 and Attachment 1 that:
  - Include the results of 2011 CDM programs in the calculation of the historical average savings and 2013 persistence.
  - Base the CDM Target Adjustment on 20% of Bluewater's CDM target.
- f) With respect to Attachment 1 (and Table 2) please explain why average savings from CDM over the 2006-2010 period was used to determine the "Revised 2013F" as opposed to the simply the 2010 or 2011 savings.
- g) It is not clear how the kW forecast of CDM was developed. Please confirm that for the relevant classes the kW CDM adjustment is proportional to the class' kWh CDM adjustment. If not, please explain why not.

**OTHER OPERATING REVENUE (Exhibit 3)**

**3-VECC-22 Reference: Exhibit 3, Tab 2, Schedule 1, page 1**

- a) Please confirm whether Bluewater is still proposing to transition to MFIRS for 2013 and, if so, explain why.

- b) What would be the impact if Other Revenue was based on CGAAP?
- c) Please provide the 2012 year-to-date Other Revenue broken down according to Table 1 and provide the 2011 year-to-date values for the comparable month.

**3-VECC-23 Reference: Exhibit 3, Tab 2, Schedule 1, pages 6-7**

- a) Please explain why both the SSS Admin Fee revenues and the Retailer revenues are lower in 2013 as compared to 2011.

**3-VECC-24 Reference: Exhibit 3, Tab 2, Schedule 1, page 8**

- a) Please explain why net margin on Jobbing (as a percent of expenses) is significantly lower in 2013 than in the historic years shown.

**OM&A (Exhibit 4)**

**4-VECC-25 Reference: Exhibit 4, Tab 1, Schedule 1**

- a) Please provide the inflation factors BWP has assumed in this application each year from 2009 for 2013. Please provide the source of the inflation assumption

**4-VECC-26 Reference: Exhibit 4, Tab 1, Schedule 1 / Appendix 2-G**

- a) Please update Appendix 2-G to show actual year-end 2012 OM&A

**4-VECC-27 Reference: Exhibit 4, Tab 1, Appendix 2-G**

- a) Please explain the 100% growth in Account 5410 "Sundry" as between 2009 and 2013 forecast.
- b) Please explain the increase in Account 5630 "Outside Services" employed as between 2009 and 2013 forecast.

**4-VECC-28 Reference: Exhibit 4, Appendix 2-G**

- a) Please explain how the Bad Debt forecast for 2013 is derived/calculated. Specifically address how the forecast was adjusted for the change to monthly billing.
- b) Please provide the actual year-end bad debt expense for 2012.

**4-VECC-29 Reference: Exhibit 4, Tab 1, Schedule 3, Appendix 2-M**

- a) Please show the calculation which provides the proposed 2013 LEAP amount of \$24,000.



**4-VECC-30 Reference: Exhibit 4, Tab 2, Schedule 3, pg. 2 /Appendix 2-G**

- a) The regulatory costs shown in Account 5655 at Appendix 2-G is \$374,545. The description of regulatory costs at page 2 of the above reference states that the regulatory costs for 2013 are comprised of on-going expenses of \$292,859 and 2013 Rebasing Application costs amortized over four years at \$100,200 for a total 2013 regulatory costs of \$393,059. Please reconcile this difference.

**4-VECC-31 Reference: Exhibit 4, Tab 2, Schedule 4, pg. 2**

- a) In the explanation of the inclusion of \$67,500 for environmental costs related to coal tar clean-up at Centennial Park BWP states that in the alternative (to amortized costs) it would seek a deferral account. Please explain whether in one or both cases it is the Utility's intent to recovery all costs incurred or only the budgeted amount of \$270,000.

**4-VECC-32 Reference: Exhibit 4, Tab 2, Schedule 3 / Schedule 5**

- a) Please provide the amount paid in membership fees to the EDA for each year 2009 through 2013 (forecast)
- b) Please explain what insurance coverage is provided by MEARIE, the annual premiums in 2012 and 2013, and the due diligence that BWP takes to ensure that it receives value for money for this policy(ies).

**4-VECC-33 Reference: Exhibit 4, Tab 2, Schedule 5**

- a) The move to monthly billing will cause a further \$322,000 in incremental costs. Please explain why BWP is not proposing a downward adjustment to working capital due to the change in billing frequency.

**4-VECC-34 Reference: Exhibit 4, Tab 4, Schedule 1, pgs. 2-5**

- a) BWP states that it proposed an FTE value of 99 in its 2009 rate application. Actual FTEs shown in Appendix 2-K for 2009 were 105.26. What were the 6 incremental positions and why were they not anticipated in the 2009 application?

**4-VECC-35 Reference: Exhibit 4, Tab 4, Schedule 1, Attachment 2 /Appendix 2-K**

- a) How many FTEs in 2013 are being filled in anticipation of retirements?
- b) Please identify the number of FTEs incremental to the 99 FTEs forecast in the 2009 application that were or are being hired to address new responsibilities (e.g. smart meter related, regulatory etc.). Please

identify separately incremental FTEs related to call center or customer service positions

- c) With reference to the FTEs shown in Appendix 2-K, please show the number of FTEs allocated to affiliates in 2009 through 2013.

**4-VECC-36 Reference: Exhibit 4, Tab 4, Schedule 1, Attachment 2, pg. 10 of 29**

- a) The evidence states that Bluewater's objective is to work toward the 75<sup>th</sup> percentile in respect to comparable salaries. Please explain why this target was chosen. In addressing this question please explain how relative utility size and locational cost of living are factored into the choice.

**4-VECC-37 Reference: Exhibit 4, Tab 4, Schedule 1, Attachment 2, pgs. 28 of 29 –Incentive Pay**

- a) What is the maximum incentive envelope in 2012 and 2013 respectively?
- b) Please confirm that the incentive reliability and service metrics do not include SAIDI/SAIFI or CAIDI targets. If this is true please explain why. If not, then please provide the incentive reliability targets 2013 through 2017.

**AFFILIATE TRANSACTIONS**

**4-VECC-38 Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2 – BDR Study of Affiliate Services**

- a) Please provide the 2009 and 2013 charge to affiliates for each time listed in Table ES:1 of the BDR study (pgs. 4-5).

**4-VECC-39 Reference: Exhibit 1, Tab 2, Schedule 8 – Attachment 1 /Exhibit 4, Tab 5, Schedule 1, Attachment 2**

- a) For each affiliate please identify whether letters of credit or other loan guarantees are provided; the maximum exposure of the facility and the amount of compensation received by BWP annually for providing this service.
- b) Please provide the price and cost for all services listed under section 4.4 "Finance" of the BDO study

**4-VECC-40 Reference: Exhibit 1, Tab 2, Schedule 8 – Attachment 1 /Exhibit 4, Tab 5, Schedule 1, Attachment 2**

- a) Please provide evidence that the loans provided to each affiliate were at a rate which was competitive with what that affiliate may have acquired on a stand-alone basis.

**4-VECC-41 Reference: Exhibit 1, Tab 2, Schedule 8 – Attachment 1 /Exhibit 4, Tab 5, Schedule 1, Attachment 2, section 4.5 pg. 15. -BDR Study of Affiliate Services.**

- a) Please provide a list of insurance policies acquired by BWP Distribution which also cover any affiliate, the annual premiums paid by BWP and the amount of annual premium contributions paid by the affiliate (i.e. all costs referred to in Section 4.5 of the BDR Study).

**4-VECC-42 Reference: Exhibit 4, Tab 5, Schedule 1, pg.11**

- a) The evidence states that pass-through billing for BPSC street lighting work is performed with “no mark-up”. The evidence also states that costs in this area are 80k in 2013. Why does BWP provide this service without a mark-up?
- b) Please also explain if developers interact directly with BPSC for streetlight installation or only with BWP employees.

**4-VECC-43 Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 1**

- a) In 2013 the price and cost of water billing services to BPSC are forecast at \$123,885. In 2009 the price and cost of this service was \$668,022 and \$459,979 respectively. Please explain the reason for the significant lowering of both costs and price.

**4-VECC-44 Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2 – BDR Study of Affiliate Services.**

- a) Section 4.2 states that the executive group estimated that they spend 200 hours annually on affiliate activities (pg. 12). Please confirm that this amount is 200 hours in aggregate for the 9 executive positions or whether this is meant as 200 hours per executive.
- b) What is the basis for allocating Management time to affiliates (see section 4.3 pg. 13-14). Why does Bluewater not use time logs for management activity related to affiliates? Is it planning to use time logs in 2013?

- c) How many of the 8 management staff partake in affiliate activities?  
What was the total number of hours they allocated to affiliate activities in 2012?

**4-VECC-45 Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2 – BDR Study of Affiliate Services?**

- a) Please confirm that none of the SAP capital investments made in 2010 through 2013 were unrelated to water billing. If this is not the case please explain what costs related to SAP changes/upgrades have been allocated to an affiliate in 2012 and 2013.

**4-VECC-46 Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2 – BDR Study of Affiliate Services?**

- a) Please provide evidence that \$4 per square foot is a competitive value for storage for affiliate street lighting and water meter inventory?

**4-VECC-47 Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2 – BDR Study of Affiliate Services?**

- a) Please provide the type and number of hours for vehicle rentals affiliates in 2012. Please distinguish as between specialized vehicles (bucket truck etc.) and all other types of vehicles (i.e. car, SUV or pick-up truck).
- b) Please provide the number of hours charged out for street lighting services from BPD to affiliates in 2011 and 2012. How many employees at BPSC work on servicing street lighting?

**4-VECC-48 Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2 – BDR Study of Affiliate Services, pg. 26**

- a) Has Bluewater received any complaints over the last 4 years, or is aware of any complaints received by the Ontario Energy Board from alternative providers of street lighting or new subdivision customer connection work? If yes please provide details as to the nature of the complaint and how it was resolved.
- b) From 2009 to 2012 how many subdivision connections have been completed by BPSC and how many from alternative providers?

**4-VECC-49 Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2 – BDR Study of Affiliate Services, pg. 26-27**

- a) How many electricity meters are forecast to be read by the affiliate BPSC in 2013?

- b) What is the cost per meter of reading?
- c) What was the cost per meter of reading in 2009 and before the installation of smart meters?

**4-VECC-50 Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2 – BDR Study of Affiliate Services, pg. 28.**

- a) Please provide the number and price of the contracts awarded to Electek in 2012?
- b) For all sole source contracts over \$10,000 please provide the written explanation as to why sole sourcing is to occur (as per section 2.4.4. of the Procurement Policy).

**COST OF CAPITAL (Exhibit 5)**

**5-VECC-51 Reference: Exhibit 5, Tab 1, Schedule 1**

- a) Please provide the actual and Board deemed return on equity for each of the years 2009 through 2012 (estimated).

**5-VECC-52 Reference: Exhibit 5, Tab 1, Schedule 1**

- a) Please provide Bluewater's actual debt/equity ratio forecast for 2013.

**5-VECC-53 Reference: Exhibit 5, Tab 1, Schedule 1**

- a) Why has Bluewater included the unfunded deemed portion of debt at a rate of 4.41% in its calculation of the appropriate rate to charge long term debt.
- b) Please recalculate the cost of long-term debt by removing this factor (that is by using the funded rate average applied to the unfunded portion).

**5-VECC-54 Reference: Exhibit 5, Tab 1, Schedule 1, pg. 1**

- a) Please update the status of the debenture with infrastructure Ontario including the most current estimate of the interest rate and start date for this debenture.
- b) Please recalculate the long-term debt rate by prorating the most current estimate of the interest rate and start date of this debenture for 2013.

## **RATE DESIGN (Exhibit 8)**

### **8-VECC-55 Reference: Exhibit 8, Tab 3, Schedule 1**

- a) Please update the RTSRs to reflect the recently approved 2013 UTRs.

### **8-VECC-56 Reference: Exhibit 8, Tab 3, Schedule 4, pages 1-2**

- a) With respect to the Account History charge and residential landlords, please confirm that the charge is billed to the landlord.
- b) With respect to the Meter Dispute charge, is Bluewater verifying the meter reading or the accuracy of the meter? Please explain more clearly the circumstances under which such a charge would be levied.

### **8-VECC-57 Reference: Exhibit 8, Tab 3, Schedule 5**

- a) Please update the 2013 forecast LV cost for Hydro One's recently approved 2013 distribution rates.
- b) Please provide a schedule that compares Bluewater's actual 2011 power purchases with its forecast 2013 power purchases.

### **8-VECC-58 Reference: Exhibit 3, Tab 2, Schedule 6, page 2**

- a) Please explain the increase in DLF for 2011.

## **DEFERRAL AND VARIANCE ACCOUNTS / LRAM (Exhibit 9)**

### **9-VECC-59 Reference: Exhibit 9, Tab 1, Schedule 3, pg. 5.**

- a) Please explain how the stranded meter rate rider represents the cost causality difference as between residential and general service meters.
- b) Please comment on why one of the following methodologies employed by other Electricity LDCs is not a better approximation of cost causality and why it is not being proposed by BWP:
  - allocation based on revenue requirement;
  - allocation based on smart meter installation costs for the class; or,
  - allocation based on actual recorded cost for the different rate classes for their stranded meter rate rider.

**9-VECC-60 Reference: Exhibit 9, Tab 3, Schedule 1, Attachment 2**

a) For each measure for the years 2006 through 2010 please provide a table showing:

- Program
- Efficiency Measure
- Number of units (participants)
- Measure Life
- LRAM Free Ridership
- Annual energy savings
- Annual Peak demand savings
- Contribution to LRAM

**9-VECC-61 Reference: Exhibit 9, Tab 3, Schedule 1, Attachment 2**

- a) List and confirm OPAs input assumptions for Every Kilowatt Counts 2006 including the measure life and unit kWh savings for Compact Fluorescent Lights and Seasonal Light Emitting Diodes. Confirm some of these assumptions were changed in 2007 and again in 2009 and compare the values.
- b) Please confirm that savings from CFLs installed under EKC 2006 expire in 2010.
- c) Adjust the LRAM claim as necessary to reflect the measure lives (and Unit savings) for any/all measures that have expired starting in 2010.

End of Document