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January 23, 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-2012-0126 Greater Sudbury Hydro Inc.

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

Yours truly,

Michael Janigan
Counsel for VECC

Encl.
cc. Greater Sudbury Hydro Inc.
Attn: Ms. Nancy Whissell
nancy.whissell@sudburyhydro.com

REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND NO:	**# 1**
TO:	**Greater Sudbury Hydro Inc. (GSHI or Sudbury)**
DATE:	**January 23, 2012**
CASE NO:	**EB-2012-0126**
APPLICATION NAME	**2013 Cost of Service Electricity Distribution Rate Application**

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1. GENERAL (Exhibit 1)

No Questions

2. RATE BASE (Exhibit 2)

2.0-VECC- 1.0

Reference: Exhibit 2, Tab 2, Schedule 3, pg. 3, Table 1

a) Please confirm the second row of Table 1 shows the CGAAP depreciation rate under the revised Kinectrics asset lives.

2.0 – VECC – 2.0

Reference: Exhibit 2, Tab 3, Schedule 1, page 3

a) What was the total amount invested in the CODAC project? How much of this investment was written off? In what year did GSHI take this write off?

b) What were the functionality differences between the Harris NorthStar option and what was expected from the CODAC/London project?

2.0 – VECC – 3.0

Reference: Exhibit 2, Tab 3, Schedule 1, Attachment 1

a) Computer software (account 1611 /1925) assets in 2009 were about ½ of the Board approved amount ($1.85 million vs. $3.6 million). Please explain this variance, specifically addressing when any deferred investment was ultimately made.

2.0 – VECC – 4.0

Reference: Exhibit 2, Tab 3, Schedule 1, Attachment 1

a) Please provide GSHI IT capital and OM&A spending for 2009 through 2013 (forecast) in the following categories;
   i. SCADA and engineering (e.g. GIS, Outage Management etc.);
   ii. Billing and Collection;
   iii. Financial and general office; and,
   iv. Other (please specify).

2.0 – VECC – 5.0

Reference: Exhibit 2, Tab 4, Schedule 3, Asset Management Plan Figure 3.3 / Tab 6, Schedule 2, pg.48

a) In 2011 there was an increase in outages (without loss of supply) due to "Unknown/other" causes. What were the major factors contributing to the increase in these outages in this category?

2.0 – VECC – 6.0

Reference: Exhibit 2, Tab 3, Schedule 3, Capital Asset Management Plan; Attachment 1, Asset Condition Assessment

a) Please provide the forecast budget for implementation of the Capital Asset Management Plan for 2013 through 2017. Please show separately the capital and OM&A portions of the budget for each of the categories set out in the plan (e.g. Poles, Pad Mounted Transformers, Substations, Station Refurbishment, Automation, Line Extensions, Voltage Conversion).

b) Please reconcile the Capital Asset Management Plan to the 2013 forecast capital.

2.0 - VECC- 7.0

Reference: Exhibit 2, Tab 3, Schedule 3, Capital Asset Management Plan; Attachment 1, Asset Condition Assessment, pg. 35-36

Pre-amble: At page 35 of the Asset Condition Assessment it states that GSHI uses "Non Conformance Logs" which do not provide standardized inspection criteria or does not record asset condition. It also states that GSHI is working to implement a standardized system.

a) Please update the implementation of this new system and its associated cost.

b) At page 36 of the Assessment it notes that Breakers, Reclosers, Pad Mounted Switchgear and Underground Cables were not included in the study due an absence of sufficient records. Please provide the budget for these items and explain how the 2013 forecast for them was arrived derived.

c) Please comment on the degree of confidence that GSHI has in the current asset condition assessment in the absence of accurate records.

2.0 - VECC- 8.0

Reference: Exhibit 2, Tab 3, Schedule 3, Capital Asset Management Plan; Attachment 1, Asset Condition Assessment, pg. 35-37

a) Please provide an explanation as to how each of the 10 categories listed in Section V "Conclusions and Recommendations" of the Asset Condition Assessment is being addressed. Please show what specific projects address each recommendation.

2.0 - VECC- 9.0

Reference: Exhibit 2, Tab 4, Schedule 2, pg. 4

a) Please explain the significant variance in City Roadworks capital spending since 2009. Specifically address why no spending was made in this category in 2012?

b) Please provide the capital contributions associated with roadwork projects for 2009 through 2013.

2.0 - VECC- 10.0

Reference: Exhibit 2, Tab 4, Schedule 2, pg. 6

a) Please provide a description of the building projects and their need in 2012 and 2013 (amounts listed as $310,379 and $966,000 for 2012 and 2013 respectively).

2.0 - VECC- 11.0

Reference: Exhibit 2, Tab 4, Schedule 2, pg. 6

a) Please provide details of the Falconbridge asset purchase and voltage conversion project, including the purchase price of the assets and the conditions of sale (e.g. investment requirements of GSHI).

GREEN ENERY PLAN

2.0 - VECC- 12.0

Reference: Exhibit 2, Tab 4, Schedule 5, Attachment 1

a) Is GSHI seeking a deferral account and/or rate rider for its proposed GEA Plan spending?

b) Please confirm that the $284,913 in capital costs for facilitating connections is offset by an equal amount of forecast capital contributions.

c) Please confirm that the $284,913 in costs for facilitating connections is not included as costs in Table 1 showing the Renewable Enabling Investment Costs

d) Please provide forecast costs for the conferences and committees that GSHI staff forecast for 2013 through 2017 as part of this plan.

e) Please explain how the Provincial and Distributor costs allocations shown at page 21 and 22 of Plan are derived.

2.0 - VECC- 12.0

Reference: Exhibit 2, Tab 4, Schedule 5, Attachment 1

Pre-amble: GSHI is proposing to use Community Energy Storage (CES) to address perceived voltage issues related to microfit. However this technology does yet exist.

a) Is this a battery storage technology?

b) How was the cost of 2,000 Kw derived?

c) Is GSHI a member of the consortium eCAMION which is working with Toronto Hydro on a similar technology? Is GSHI working with any other Ontario LDCs on this project?

d) Please explain how the estimated $375,000 in CES investment would be recovered (allocated) from the provincial and GSHI ratepayer.

3. LOAD FORECAST (Exhibit 3)

3 – VECC - 13

Reference: Exhibit 3, Tab 1, Schedule 1, pages 3-4 and Attachment 1

a) Please provide the 2012 customer/connection count for the most recent month available.
   - If the most recent month is December 2012, please also provide the average customer count for 2012
   - If the most recent month is not December 2012, please also provide the customer/connection count for the comparable month in 2011.

b) With respect to Attachment 1, what is the difference between the normalized and actual customer counts as shown for 2011 and 2012?

3 – VECC - 14

Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1, pages 2-4

a) Please confirm that, based on the equations proposed for Residential, GS<50 and 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.

3 – VECC - 15

Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1, pages 2-4
Board Staff #15

a) With respect to page 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 using customer count and removing monthly change in full-time employment.

c) Please provide a revised model for Residential that uses full-time employment as opposed to the first difference of full-time employment as the explanatory variable.

d) Please provide the actual annual HDD and CDD values for 2011 in a format similar to Table 7.

3 – VECC - 16

Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1, pages 4-5

a) 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.

b) Did Sudbury/Elenchus test a regression for the GS<50 class that included customer count as an explanatory variable? If yes, please provide the results.

c) If the response to part (b) is no, please provide two revised models that do so where one also includes full-time employment and the second does not.

3 – VECC - 17

Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1, pages 5-7

a) 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.

b) Did Sudbury/Elenchus test a regression for the GS>50 class that included customer count as an explanatory variable? If yes, please provide the results.

c) If the response to part (b) is no, please provide two revised models that do so where one also includes full-time employment and the second does not.

3 – VECC - 18

Reference: Exhibit 3, page 10, Schedule 2, Attachment 1, page 8

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

3 – VECC -19

Reference: Exhibit 3, page 10, Schedule 2, Attachment 1, page 9

a) Please explain how the 2011 normalized energy values for the Residential, GS<50 and GS>50 classes were derived. Please also provide the supporting work sheets.

3 – VECC -20

Reference: Exhibit 3, page 10, Schedule 2, Attachment 1, page 10

a) Please provide more details as to how the 7% reduction in energy use per Street Lighting unit between 2011 and 2013 was established.

b) Please provide more details as to how the overall reduction in USL use per connection as between 2011 and 2013 was established.

3 – VECC -21

Reference: Exhibit 3, page 10, Schedule 2, Attachment 1, pages 11-12

a) What was the average annual growth in customer count for the Residential, GS<50 and GS>50 classes overall for the 2006-2011 period?

3 – VECC -22

Reference: Exhibit 3, Tab 1, Schedule 3, page 1

a) Please confirm that the 30% factor includes the effect (in 2013) of Sudbury'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 -23

Reference: Exhibit 3, Tab 1, Schedule 3, pages 2-3

a) Please provide a copy of the OPA's final Report regarding Sudbury's 2006-2010 CDM programs.

b) Please provide a copy of OPA Report regarding Sudbury's final 2011 CDM results.

c) 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 "2006/11". 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.

d) If part (c) is confirmed, please explain why the actual savings from the 2011 CDM programs were not included in the CDM adjustment calculation.

e) Please provide revised versions of Table 1 that:
   - Includes the results of 2011 CDM programs in the calculation of the historical average savings and 2013 persistence.
   - Bases the CDM Target Adjustment on 20% of Sudbury's CDM target.

f) With respect to Table 1 please explain why average savings from CDM over the 2006-2010 programs was used to determine the "Revised 2013F" as opposed to the 2010 savings (or 2011 savings now they are available).

g) Using the OPA's Reports, please complete the following table showing the total kWh impact of CDM programs in the year they were introduced and each subsequent year. From these results, please show the derivation of; i) the total 5 Year Customer Average CDM and the 2013 Persistence

	Year of Impact							
	2006	2007	2008	2009	2010	2011	2012	2013
2006 Prog								
2007 Prog								
2008 Prog								
2009 Prog								
2010 Prog								
2011 Prog								
TOTAL								

OTHER OPERATING REVENUE (Exhibit 3)

3 – VECC -24

Reference: Exhibit 3, Tab 2, Schedule 3, page 2
Exhibit 3, Appendix 2-F

a) Please explain more fully the Board's 2009 directive and why it leads to a 50% reduction in revenues from various specific charges starting in 2012.

b) Please explain the $70,000 reduction in Late Payment revenues as between 2011 and 2013.

c) Please explain the reduction in Service Transaction Requests revenues as between 2011 and 2013.

d) Please provide the 2012 year-to-date Other Revenue broken down according to Appendix 2-F and provide the 2011 year-to-date values for the comparable month.

4. OPERATING COSTS (Exhibit 4)

4.0 - VECC- 25

Reference: Exhibit 4, Tab 1, Schedule 1, page 1 /pg. 2

a) Please explain why there was a "*growing mountain of distribution plant corrective actions that were not being attended to"* during the 2009 through 2011 period. Specifically address why maintenance had degraded to such an extent that it was identified in an ESA safety audit.

4.0 - VECC- 26

Reference: Exhibit 4, Tab 1, Schedule1

a) Please identify the forecast cost savings in moving to monthly billing for:

i. Working Capital that is in excess of the Board current default value of 13% of controllable costs which is used by bi-monthly billing Utilities; and

ii. Bad Debt costs.

4.0 - VECC- 27

Reference: Exhibit 4, Tab 1, Schedule 1, pg. 4

a) GHSI explains that it was expecting to reduce Customer Service FTEs by 2 with the loss of water billing. Please explain how the addition of 2 Customer Service Staff was identified as necessary because of the change to monthly billing.

b) Please clarify whether the annual summary of call statistics shown in Table 2 at page 4 represent calls from both water and electricity customers or just electricity customers.

c) What is monthly and annual call rate for electricity forecast to be after the introduction of monthly billing?

d) How many staff work the call center or related customer communications area?

e) Is there a manager for the call center. If yes, how does this person's responsibility differ from the proposed new shared Communications Officer?

4.0 - VECC- 28

Reference: Exhibit 4, Tab 1, Schedule 1, Attachment 2 – Business Process Project, Table 1, pg. 15

a) Please provide the historical 2011 OM&A per customer and FTE per customer for the comparator shown in Table 1.

4.0 - VECC- 29

Reference: Exhibit 4, Tab 2, Schedule 3, pg. 1

a) Please describe/show the methodology of how the bad debt estimate of $400,000 was calculated.

4.0 - VECC- 30

Reference: Exhibit 4, Tab 2, Schedule 2, page 3

a) Please file the existing agreement between GSHI and the City of Sudbury or its Affiliate which governs the water billing by GSHI.

b) Please provide the date at which water billing services are to be discontinued.

c) Please provide the date at which call center services to the City are to be discontinued.

4.0 - VECC- 31

Reference: Exhibit 4, Tab 2, Schedule 1, Attachment 2

Pre-amble: The annual average 2012 and 2013 OM&A spending related to Operations is approximately 67% greater than the average annual spending of the three years prior (2099 through 2011). Likewise the most recent 2 year average of maintenance spending is about 45% higher than the average 3 years prior to 2012. This suggests GSHI has underspend OM&A related to plant during the IRM period. However, the evidence also suggests other adjustments need to be considered to make "apples-to-apples" comparisons. In order to facilitate an appropriate comparison please provide a 2013 OM&A summary table (totals for Operations, Maintenance, Billing and Collecting, Community Relations, and A&G) with columns showing the proposed budget and with additional columns showing the following adjustments:

a) the cost impact of the change in capitalization policy;

b) the impact of the transfer pricing study which reallocated amounts historically in account 5675 for each OM&A category as above (this column should show both the negative and positive adjustment);

c) Other accounting adjustments (please provide an explanation); and,

d) The incremental costs related to smart meter implementation.

4.0 - VECC- 32

Reference: Exhibit 4, Tab 2, Schedule 5

a) Please clarify GSHI plan to move to monthly billing including the expected start date.

b) The evidence referenced above suggests that there is a provincial requirement to use monthly billing. Please explain GSHI's understanding a legislated mandate and provide the appropriate reference to provincial or OEB policy on this matter.

4.0 - VECC- 33

Reference: Exhibit 4, Tab 2, Schedule 2, page 3

d) GHSI appears to have calculated its LEAP funding based on the distribution revenue requirement net of other revenues. Please confirm this is correct. If it is, please explain why the Service Revenue Requirement (before revenues) was not used to calculate the LEAP contribution.

4.0 - VECC- 34

Reference: Exhibit 4, Tab 4, Schedule 1, Appendix 2-K

a) GSHI average yearly overtime for management exceeds that of its non-union and union staff. Please provide GSHI's overtime policy in respect to management staff. Specifically address why management staff are eligible for overtime. Has GSHI reviewed the practice of other utilities in respect to management overtime?

4.0 - VECC- 35

Reference: Exhibit 4, Tab 4, Schedule 1, Appendix 2-K

a) Does Appendix 2-K show only FTE employed by GSHI or also those allocated to it from affiliates? If the latter please provide for each category of employee a table showing the number of FTEs employed directly by GSHI separately from those allocated to GSHI (provide for years 2009 through 2013).

b) Please provide the title of, and explanation for, each FTE decrement between 2009 Board approved and 2012 bridge (i.e. 103 to 99.8). Please provide the same for each increment between 2012 and 2013 (i.e. 99.8 to 109.9).

4.0 - VECC- 36

Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 1

a) At Appendix 2-N it states that $307,503 in costs for Building services are "*allocated to corp services – partial redistribution to LDC and other affiliates*". Please clarify the Building Services/occupancy costs forecast to be included in 2013 rates. Please explain the difference from the costs allocated for this in 2009 (44,707).

4.0 - VECC- 37

Reference: Exhibit 4, Tab 6, Schedule 1, pg. 1

a) Does GSHI purchase insurance from The MEARIE Group?

b) If yes, please provide the premiums paid for the years 2009 through 2013. Explain what due diligence GSHI undertakes to ensure that the policy(ies) it purchases are competitive with similar offerings?

4.0 - VECC- 38

Reference: Exhibit 4, Tab 6, Schedule 1

a) Please provide the EDA membership fees paid by GSHI in each of 2009 through 2013 (forecast).

b) Please identify and provide all other corporate membership fees paid by GHSI.

5. COST OF CAPITAL (Exhibit 5)

No Questions

6.REVENUE DEFICIENCY/SUPRLUS (Exhibit 6)

No Questions

COST ALLOCATION (Exhibit 7)

7 – VECC - 39

Reference: Exhibit 7, Tab 1, Schedule 1, pages 2-5

a) Does Sudbury require customers other than Residential to i) own and maintain their service connection or ii) pay for the cost of the connection, but Sudbury owns/maintains it?

d) If the latter, please confirm that by allocating these other classes no Services capital costs the other classes will not be allocated any O&M costs based on the value of these assets.

e) Doesn't the use of demand billing and the resulting introduction of an additional billing determinant for the GS>50 and GS 1,000-4,999 classes introduce additional complexities and costs into the billing process? If not, why not? If yes, how have these additional costs been recognized in the Billing & Collecting Weighting factor.

f) Does Sudbury undertake periodic audits to determine the number of street lights and USL connections on its system? If yes, how do the proposed Billing and Collecting factors for these classes recognize this additional effort?

g) Are the meter costs used in CA Model Sheet I7.1 consistent with Sudbury's smart meter costs by customer class?

7 – VECC - 40

Reference: Exhibit 7, Tab 1, Schedule 1, Attachment 1

a) With respect to page 6, the text claims that the GS>50 class actual loads for 2011 do not require weather normalization. However, in Exhibit 3, the load forecast equation for GS>50 demonstrated that HDD was statistically significant for this class. Please reconcile.

b) With respect to page 6, please confirm that Hydro One's hourly load profiles used a 30-year period for weather normalization. If confirmed, please reconcile this with Sudbury' proposal in Exhibit 3 to use a 10-year weather normalization period.

7 – VECC - 41

Reference: Exhibit 7, Appendix 2-P

a) Please explain why the R/C ratio for GS<50 was reduced from 121.37% to 102.48% while the GS>50 ratio remains unchanged at 112.39%

b) What is the revenue deficiency if the GS<50 and USL ratios are reduced to 120% - the top of the range for each class?

c) What common R/C ratio would Residential and Sentinel Lighting have to be increased to in order to offset this deficiency?

RATE DESIGN (Exhibit 8)

8 – VECC - 42

Reference: Exhibit 8, Tab 2, Schedule 1, pages 5-6

a) The text at the bottom of page 5 suggests that some of the fixed charges were adjusted from the initial values set out in Table 5. However, the proposed charges in Table 6 are exactly the same as those set out in Table 5. Please reconcile.

8 – VECC - 43

Reference: Exhibit 8, Tab 3, Schedule 5

a) What is the percentage change between Sudbury's actual 2011 total energy purchases and its projected energy purchases for 2013?

9. DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)

9.0-VECC- 44

Reference: Exhibit 9, Tab 2, Schedule 3, pg. 7-9

a) Please explain why the sum of the allocations for billing and collection (67.54% and 33.91%) add to greater than 100% of the costs (i.e. 2,288,337 + 1,148,799 = 3,437,136 which is 39k less than the 2009 total budget shown as $3,398,094).

b) Please explain how (or if) the amount allocated for meter reading (13%) was adjusted in 2011 and 2012 to account for the advent of smart meters in GSHI service territory.

c) Of the total 2009 budget of $3,398,094, $230,600 was related to meter reading. For 2011 and 2012 what was the total cost of meter reading?

9.0 – VECC – 45

Reference: Exhibit 9, Tab 1, Schedule 3

a) Is it GSHI position that the cost of an installed residential mechanical meter is identical to the cost of general service mechanical meter? If so what is the basis for this conclusion?

b) At Exhibit 9, Tab 4, Schedule 1, page 29, Table 8.2 GSHI shows that the average GS smart meter installed cost was more than 2.5 times the cost of the average residential smart meter installed. In the absence of separate class accounting costs for mechanical meters why would a similar ratio of 2.5:1 not serve as a good allocator of stranded meter costs?

c) Has GSHI reviewed the methodology to allocate stranded meter costs used by any other LDCs? Why does GSHI believe its proposed methodology best represents class cost causality?

9.0 – VECC – 46

Reference: Exhibit 9, Tab 3, Schedule 1, Attachment 1

a) Please provide a table for 2010 and 2011 CDM programs:

I. Program Name

II. Energy Efficiency Measure

III. Rate Class

IV. Number of Units-Participation

V. Measure Life

VI. LRAM free Ridership rate (%)

VII. Annual Energy Saving – (kWh annual)

VIII. Annual Peak Demand Savings (kW annual)

IX. Dollar value contribution to LRAM

-End of Document-