



**PUBLIC INTEREST ADVOCACY CENTRE**  
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613-562-4002

January 28, 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-2012-0167 Thunder Bay Hydro Electricity Distribution Inc.**

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

Yours truly,

Michael Janigan  
Counsel for VECC

Encl.

cc. Thunder Bay Hydro  
Attn: Ms. Cindy Speziale  
[cspeziale@tbhydro.com](mailto:cspeziale@tbhydro.com)

<b>REQUESTOR NAME</b>	<b>VECC</b>
<b>INFORMATION REQUEST ROUND NO:</b>	<b># 1</b>
<b>TO:</b>	<b>Thunder Bay Hydro Electricity Distribution Inc. (TBH or Thunder Bay)</b>
<b>DATE:</b>	<b>January 28, 2012</b>
<b>CASE NO:</b>	<b>EB-2012-0167</b>
<b>APPLICATION NAME</b>	<b>2013 Cost of Service Electricity Distribution Rate Application</b>

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

**No Questions**

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

### **2.0 – VECC – 1**

**Reference: Exhibit 2, Tab 3, Schedule 1, pg. 2 / Appendix 2-A**

- a) Please explain how TBH calculates the capital contribution forecast for 2013.
- b) Please explain why the capital contribution is different under CGAAP (\$1,044,834) than under the adjusted “MCGAAP” (\$989,985).
- c) Appendix 2-A lists all capital projects, but does not show a separate row for capital contributions. Please confirm that the individual projects are net of capital contributions.
- d) If the capital contributions are netted out of each line project please revise the table to show the capital contributions separately and by category (e.g. System Improvement, Customer Driven Expansion, etc.).
- e) Please provide the capital contributions from the City of Thunder Bay for each of the years 2009 through 2013.

## **2.0 – VECC – 2**

### **Reference: Exhibit 2, Appendix 2-A Capital projects**

- a) Please update Appendix 2-A to show the year-end 2012 actual spending.
- b) Please update 2013 capital projects for any changes due to work uncompleted in 2012 or as otherwise necessary.
- c) Please complete these updates in the format described above (interrogatory # 3) showing capital contributions separately in each project category.

## **2.0 – VECC – 3**

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

- a) Please provide the details of the proposed \$3.3 million budget for a new garage showing breakdowns for demolition, construction, furnishing/tools, etc.
- b) Did TBH tender all phases of this project? Are any affiliates providing work or services as part of this project?
- c) Are any changes being made to TBH's administrative offices as part of this project? If so please provide details.
- d) Please provide the cost-benefit analysis that was reviewed by TBH's senior management in making the decision to proceed with the new garage.

## **2.0 – VECC – 4**

### **Reference: Exhibit 2, Appendix 2-A Asset Management Plan, pg. 147**

- a) TBH's 2013 and onward capital spending is considerably higher than the average of the 4 years prior (2009-2012). Please explain why.
- b) Please breakdown the histograms (bar charts) for 2009 through 2011 to show the capital spending categories as are currently shown for 2012 onward.

- c) Please convert the histogram shown in Figure 42 into a table showing for each year the forecast spending (and total) for each of the years 2009 through 2033.

## **GREEN ENERGY PLAN**

### **2.0 – VECC – 6**

**Reference: Exhibit 2, Tab 6, Schedule 1**

- a) Why has TBH applied for a funding adder rather than deferral account treatment of its Green Energy Plan capital expenditure costs?
- b) Is its TBH's position that it will absorb any overspending or under spending on these projects?

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

#### **3 – VECC - 7**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 1  
OEB Staff #11**

- a) Were Thunder Bay's Residential, GS<50 and GS 50-999 customer classes all billed on a monthly basis over the entire period (1999-2011) used for the regression analysis? If not, please ensure the response to OEB Staff #11 also addresses how the monthly usage was established in those years and for those classes that monthly billing was not in effect.

#### **3 – VECC - 8**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 2-6 and 9-10  
OEB Staff #12**

- a) With respect to the Residential class, what other regression models were tested? Please provide the equations (per page 5) and the results (per Table 3-2.9) for any other equations tested.
- b) If not addressed in response to part (a) or OEB Staff #12, please provide the results for the following:
  - I. A regression that also includes a local measure of economic activity (e.g. local employment) and monthly customer count.

- II. A regression that includes a local measure of economic activity and monthly customer count but excludes the CDM variable.

### **3 – VECC -9**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 2-6 and 9-10  
OEB Staff #13**

- a) With respect to the GS<50 class, what other regression models were tested? Please provide the equations (per page 5) and the results (per Table 3-2.9) for any other equations tested.
- b) If not addressed in response to part (a) or OEB Staff #13, please provide the results for the following regressions:
  - I. A regression that also includes a local measure of economic activity (e.g. local employment) and monthly customer count.
  - II. A regression that includes a local measure of economic activity and monthly customer count but excludes the CDM variable.

### **3 – VECC - 10**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 2-6 and 9-10  
OEB Staff #14**

- b) With respect to the GS 50-999 class, what other regression models were tested? Please provide the equations (per page 5) and the results (per Table 3-2.9) for any other equations tested.
- c) If not addressed in response to part (a) or OEB Staff #12, please provide the results for the following regressions:
  - I. A regression that also includes a local measure of economic activity (e.g. local employment) as opposed to GDP and monthly customer count.
  - II. A regression that includes a local measure of economic activity (in lieu of GDP) and monthly customer count but excludes the CDM variable.

### **3 – VECC -11**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 6-8 and Appendix 3-B**

- d) Please provide the OPA 2006-2010 Final CDM Results report.
- e) Please confirm that the 2011 CDM results provided to Thunder Bay on July 25, 2012 are the same as the 2011 Final Results set out in Appendix 3-B dated August 31, 2012. If not, please update Tables 3-2.4 through 3-2.8 and the regression models presented on pages 2-6 and 9-10 using the August 31, 2012 results.

### **3 – VECC - 12**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 10**

- a) Please confirm that, for all three customer classes, using a 13-year historical period to determine “weather normal” produces a lower forecast for 2013 than using either a 10-year or a 20-year period.
- b) Based on this result, please explain why the use of 13-years is appropriate.

### **3 – VECC - 13**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 12**

- c) Please provide a schedule that sets out, for the most recent (2012) month available the customer/connection count by class. If this month is December 2012, please also provide the average 2012 customer/connection count for each class.
- d) If the values provided in response to part (a) are not for December 2012 please provide the comparable values for the same month in 2011.

### **3 – VECC - 14**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 2 and 13-15**

- e) With respect to the GS >1000 class, what other regression models were tested? Please provide the results (per Table 3-2.2) for any other equations tested.
- f) If not addressed in response to part (a), please provide the results for the following regressions:
  - I. A regression that also includes a local measure of economic activity (e.g. local employment) as opposed to GDP and monthly customer count.

- II. A regression that includes a local measure of economic activity (in lieu of GDP) and monthly customer count but excludes the CDM variable.

### **3 – VECC - 15**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 15-18**

- g) With respect to pages 15-16, please confirm that those customers who contribute to the gross versus net difference would have undertaken the conservation measures even without a CDM program.
- h) Please confirm that there would have been similar activity (i.e., customers undertaking CDM even with a CDM program) prior to 2006. If not confirmed please explain why.
- i) Please confirm that the amount of savings in 2013 attributable to customers undertaking CDM without a program will be the same regardless of the CDM programs offered by Thunder Bay/OPA. If not confirmed please explain why.
- j) If part c) is confirmed, please explain more fully why the adjustment for such activity should be linked to the level of CDM program savings anticipated for 2013 for 2012 and 2013 programs.

### **3 – VECC - 16**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 20**

- a) Please indicate the purchased power (kWh) associated with the forecast 2013 billing quantities and explain how the value was determined.

### **3 – VECC - 17**

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

- a) With respect to Table 3-3.1, are the values shown for distribution revenues by class based solely on the distribution rates for each year or do they also include revenues from rate riders and/or adders? If the latter, please restate the table such that it reflects only revenues from the distribution service charges and volumetric rates for each class.
- b) With respect to Table 3-3.12, are the 2012 values actual (as suggested by the title) for forecast (as suggested by the column heading)?

### **OTHER OPERATING REVENUE (Exhibit 3)**

#### **3 – VECC - 18**

**Reference: Exhibit 3, Tab 3, Schedule 3**

- k) Please explain the basis for the difference in 2013 revenues from “Gain on Disposition of Utility and Other Property” as between CGAAP and MCGAAP. Please also update which is applicable to Thunder Bay for purposes of the Application.
- l) Please explain the decrease in Other Electric Revenues as between 2011 and 2013.
- c) Please provide the 2012 year-to-date Other Revenue broken down according to Table 3.3-13 and provide the 2011 year-to-date values for the comparable month.

### **4. OPERATING COSTS (Exhibit 4)**

#### **4.0 - VECC- 19**

**Reference: Exhibit 4, Tab 2, pg. 3**

- a) Please identify the other regulatory agencies which comprise line 9 of Table 4-2.1 “Regulatory Cost Schedule”.

#### **4.0 - VECC- 20**

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

- a) Please show the calculation for the LEAP amount of \$24,200.

#### **4.0 - VECC- 21**

**Reference: Exhibit 4, Tab 2, Schedule 3, pg. 5**

- a) Please provide the training and professional development costs for each of 2009 through 2013.

#### **4.0 - VECC- 22**

**Reference: Exhibit 4, Tab 2, Schedule 3, pg. 8**

- a) Please provide the breakdown of costs in account 5310 Meter Reading Expense 2009 vs. 2013 and so as to compare the reduction in meter reading costs and offsetting increase in smart meter related costs.



#### **4.0 - VECC- 23**

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

- a) Please describe/show the methodology used to estimate the bad debt of \$400,000.

#### **4.0 - VECC- 24**

**Reference: Exhibit 4, Tab 2, Schedule 4, pgs. 5-6**

- a) The row of Table 4-2.11 under “Number of Employees” is labeled as “including Part-Time). However, Table 4-2.9 appears to show that this is not what is shown in this section of Table 4-2.11 (or Appendix 2-K) Please confirm that the actual number of TBH employees forecast for 2013 and shown in Appendix 2-K is the sum of the Number of Employees (137.81) and the Number of Part-Time Employees (19).
- b) Please clarify whether Table 4-2.11(Appendix 2-K) includes the additional staff shown in Table 4.2-10 and any pending retirements or temporary staff which are forecast to be compensated in 2013.

#### **4.0 - VECC- 25**

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

- a) Please provide the number of vacant FTE’s (the churn rate) that is included or removed from the calculation of compensation costs.

#### **4.0 - VECC- 26**

**Reference: Exhibit 4, Tab 6, Table 4-6.2 - LRAM**

- a) Please modify Table 4-6.2 to show the number of participants/number of units, the measure life, free ridership and assumption source for each program.

### **5. COST OF CAPITAL (Exhibit 5)**

#### **4.0 - VECC- 27**

**Reference: Exhibit 5, Tab 1, Schedule 1**

- a) Does TBH intend to update the Infrastructure Ontario Financing for actual negotiated rates? If so please provide the current estimate of these rates.

## **6.REVENUE DEFICIENCY/SUPRLUS (Exhibit 6)**

**No Questions**

## **COST ALLOCATION (Exhibit 7)**

### **7 – VECC - 28**

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

- a) Please explain why the Service Weighting Factors for Street Lighting, Sentinel Lighting and USL are all zero.
- b) Please explain why the Billing Weighting Factor for GS<50 is less than 1.0.
- c) Why are the proposed Billing Weighting Factors for Sentinel and USL less than 1.0?
- d) Does Thunder Bay undertake periodic audits to determine the number of Sentinel Lighting and USL connections on its system? If yes, how do the proposed Billing factors for these classes recognize this additional effort?
- e) Please explain why the metering reading factor for GS >1000 is less than that for Residential and GS<50.

### **7 – VECC - 29**

**Reference: Exhibit 7, Appendix 7-A, Sheet I6.2**

- a) Sheet I6.2 uses 2,349 connections for Street Lighting whereas Exhibit 3, Table 3-2.15 reports 13,180. Please reconcile.
- b) The Cost Allocation model filed with Thunder Bay's 2009 Rate Application reported 12,769 Street Lighting connections. Please reconcile this value with the one used in the current Cost Allocation.

### **7 – VECC - 30**

**Reference: Exhibit 7, Appendix 7-A, Sheet I6.1  
Exhibit 8, Tab 1, Appendix 8-A  
OEB Staff #35**

- a) Please provide a corrected version the CA that for Sheet I6.1 uses the approved 2012 distribution rates.

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

### **8 – VECC - 31**

**Reference: Exhibit 8, Tab 1, Schedule 1, page 2**

- a) Please provide a schedule that sets out the rates and volumes used to determine the values in Table 8-1.3.
- b) If the rates used in part (a) are not the approved distribution service charges and volumetric rates for 2012 (excluding any rate riders/adders) please provide a revised version of Table 8-1.3 calculated using these rates.

### **8 – VECC - 32**

**Reference: Exhibit 8, Tab 1, Schedule 1, page 3**

- a) With what other distributors in Northwestern Region is Thunder Bay comparing itself?
- b) Please provide a schedule that compares the 2012 Residential Distribution bills (based solely on distribution service and volumetric charges) for these distributors and Thunder Bay based on 800 kWh / month usage.

## **9. DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)**

### **9.0-VECC- 33**

**Reference: Exhibit 9, Tab 2, Schedule 1, pg. 5**

- a) In light of the decision to defer adoption of (M)IFRS until 2014 or later please explain why TBH is proposing to dispose of the 2011 year-end balance in account 1508.
- b) Please provide the most recent estimate of the 2012 year-end balance in account 1508.
- c) Please provide the cost estimate for the remaining work that will be required to adopt (M)IFRS.

## 9.0 – VECC – 34

**Reference: Exhibit 9, Tab 2, Schedule 5, pg. 1**

- a) Given that in 2013 TBH is adopting IFRS compliant capitalization and depreciation policies, please explain why it is proposing a deferral account to track *“amounts that arise due to the change in capitalization policy in anticipation of changes required in accounting principles due to IFRS..”*
- b) Is TBH aware of any other utility which has a variance account to track changes in PP&E due to storm damage?
- c) Is TBH seeking approval of 1 deferral/variance account for the three items noted (IFRS, Storm Damage, PREB Liabilities) or one account for all items. When and how does TBH anticipate disposing of the account(s).

## 9.0 – VECC – 46

**Reference: Exhibit 9, Tab 3, Schedule 1, pg. 3**

- a) Please provide the average cost of an installed smart meter for the residential class and (separately) for the GS <50 class.
- b) Please confirm that TBH accounted for mechanical meters separately for each class. If this was not done please explain how TBH calculated the net book value of the residential stranded meters as separate from general service meters.

-End of Document-