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February 06, 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-2012-0162 - PUC Distribution Inc.

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

Yours truly,

Michael Janigan
Counsel for VECC

PUC Distribution - Jennifer Uchmanowicz - Jennifer.Uchmanowicz@ssmpuc.com

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND NO:	# 1
TO:	PUC Distribution Inc. (PUC)
DATE:	Feb 6, 2012
CASE NO:	EB-2012-0162
APPLICATION NAME	2013Cost of Service Electricity Distribution Rate Application

GENERAL (Exhibit 1)

1.0-VECC – 1

Reference: Exhibit 1, Appendix D, pg. 10

- a) Did PUC contribute any of the \$250k noted as being required to upgrade the fibre network prior to its sale?

1.0-VECC – 2

Reference: Exhibit 1, Appendix D, pg. 10

- a) Please provide PUC's actual and regulated return on capital and shareholder equity for each year in the period 2008 through 2012.
- b) What were the reasons for delaying a cost of service filing?

RATE BASE (Exhibit 2)

2.0-VECC – 3

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

- a) Table 2-1 shows that PUC underspend on Fixed Assets by approximately 820k as compared to 2008 Board approved. Please provide a listing (and their forecast cost) of the deferred or eliminated 2008 capital projects. If a project was later completed please indicate when it went into service.

2.0-VECC – 3

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

- a) Please breakdown the outage metrics for 2009 through 2012 into the following categories:

Description	2009 Totals	2010 Totals	2011 Totals
Scheduled			
Supply Loss			
Tree Contact			
Lightning			
Def.Equip.(other than pole)			
Pole Failure			
Weather			
Human Element			
Animals,Vehicle			
Environment			
Unknown			
Total			

2.0-VECC – 4

Reference: Exhibit 2, Tab 2, Schedule 3

- a) For each asset class for which PUC is proposing a useful life which is outside the minimum or maximum of the Kinectrics Study (e.g. Switches and Reclosers) please explain why and the basis for the proposed alternative life.

2.0-VECC – 5

Reference: Exhibit 2, Tab 2, Schedule 3, pg. 15.

- a) What are the intangible assets included in PP&E referred to at this part of the evidence?

2.0-VECC – 6

Reference: Exhibit 2, Tab 2, Schedule 6, pg. 5/ Schedule 7, pg. 10

- a) Please explain why the extension to Starwood plant was built underground? What was the incremental cost in comparison to above ground plant?
- b) What, if any, amount of capital contribution was associated with this project?

2.0-VECC – 7

Reference: Exhibit 2, Tab 2, Schedule 3, pg. 15.

- a) Please provide an update/status of the Reconstruction of Sub-station 10 including any changes in the final costs and the expected in-service date.

2.0-VECC – 8

Reference: Exhibit 2, Tab 2 .

- a) Please provide the total capital contributions for the years 2008 through 2013 in CGAAP format and for 2012 and 2013 in MIFRS format.
- b) Please provide a table showing the capital expenditures in 2008 through 2013 (forecast) for new services and show the associated capital contributions (again in CGAAP and MIFRS formats).
- c) Please update the 2012 expenditures for year-end actuals (estimates if necessary).
- d) Please provide any updates to the 2013 capital budget forecast due to changes in 2012.

2.0-VECC – 9

Reference: Exhibit 2, Tab 2, Schedule 7

- a) Please modify Appendix 2-A to show 2012 and 2013 in CGAAP and to include the 2008 Board approved capital budget. Please update the life Excel spreadsheet for the same information.

2.0-VECC – 10

Reference: Exhibit 2, Tab 2, Schedule 7 – New Building.

- a) Please provide an inventory of all PUC vehicles, age and net book value?
- b) What was the cost of the 2007 Trbovich building renovation?
- c) At page 24 of the evidence it states that Shareholder resolutions were passed September 8, 2003 and September 27 2010. Please confirm the dates of these resolutions (i.e. 7 years apart).
- d) What is the current status of the sale of the old property? How many building lots are for sale? What was the basis for an estimated \$4.75 million sale value for these buildings.
- e) Please explain what items were added to the building to bring it up to LEEDs standards?
- f) Aside from garage space what was the square footage of the combined old buildings and what is the square footage of the new building.
- g) Please provide the study which was used in support of the proposal to build a new building and the presentation that was provided to PUC's Board of Directors for approval.
- h) Please provide photographs of the exterior of each of the old buildings and the new building.

2.0-VECC – 11

Reference: Exhibit 2, Tab 3, Schedule 1- Asset Management Plan pg. 75-78.

- a) There appears to be considerable differences as between the capital budget for 2013 and the suggested investments shown in section 5 of the Asset Management Plan. Please reconcile the two and explain why PUC is proposing to under or over spend (as the case may be) from what is suggested in the Asset Plan.
- b) Please provide PUC's Asset Management Plan capital expenditure forecast for 2014 through 2017.

2.0-VECC – 12

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

- a) What was the salvage value of recovered copper wiring in 2012? What amount is forecast for 2013?

2.0-VECC – 13

Reference: Exhibit 2, Tab 3, Schedule 5, pg. 11.

- a) The GEA plan notes that at part of the SCADA “*will need to be replaced soon in view of the high penetration rates of distributed generation.*” What portion of the SCADA capital costs in 2013 of \$266,389 are being allocated to the benefit of the provincial ratepayers?

2.0-VECC – 14

Reference: Exhibit 2, Tab 2, Schedule 5.

- a) What are the capital and OM&A costs (separate) of the GEA plan for 2012 through 2017? What is the proposal for allocation of these costs to PUC and the provincial ratepayers (IESO)?

2.0-VECC – 15

Reference: Exhibit 2, Tab 4, Schedule 1

- a) Does PUC monthly or bi-monthly bill its customers?

LOAD FORECAST (Exhibit 3)

3.0-VECC – 16

Reference: Exhibit 3, Tab 2, Schedule1, page 4

- a) Are the values shown for number of customers/connections year end values or average annual values?

3.0-VECC – 17

Reference: Exhibit 3, Tab 2, Schedule 1, pages 7-8

- a) Please provide the regression analysis results (i.e., equation and statistics) for the equations tested with GDP.
- b) Did PUC test any regressions using a measure of local employment as an explanatory variable? If yes, what were the results? If not, why not?

3.0-VECC – 18

**Reference: Exhibit 3, Tab 2, Schedule 1, page 9
Exhibit 3, Appendix A, page 5**

- a) With respect to Table 3-7, are the three normalized results shown for 2013 all prior to any adjustment for CDM? If not, please restate the values such that they are all on a comparable basis – i.e., prior to any CDM adjustments.

3.0-VECC – 19

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

- a) Please confirm that the 30% factor (page 10, lines 3-10) is meant to reflect the net impact in 2013 of CDM programs implemented in 2011, 2012 and 2013. If this is not the case, please explain what the 30% factor is meant to represent and how it was calculated.
- b) Please confirm that the 2011 purchased energy data used in the regression analysis will already reflect the impact in 2011 of CDM programs implemented in 2011.
- c) If parts (a) and (b) are confirmed, doesn't the proposed 9,249,000 CDM adjustment result in a double counting of the impact of 2011 CDM programs? If not, why not?
- d) Please confirm that the 11,387,369 kWh referenced on page 10 (line 19) is the estimated gross impact (i.e., including free riders) in 2013 of the 2012 and 2013 CDM program results – per Table 3-10.

3.0-VECC – 20

Reference: Exhibit 3, Tab 2, Schedule 1, page 11

- a) With respect to Table 3-9, should the heading for second and third columns read “2006-2010” and not “2006-2009”.
- b) Please provide a copy of the OPA's final 2006-2010 CDM report for PUC.
- c) Please provide a copy of the OPA's final 2011 CDM report for PUC.

3.0-VECC – 21

Reference: Exhibit 3, Tab 2, Schedule 1, pages 12-13

- a) Does the 8,813,663 kWh (per page 12) or the 9,249,000 kWh (per page 10) represent a better estimate of the impact in 2013 of CDM programs implemented in 2011, 2012 and 2013? Please explain your response.
- b) Please explain why the response to part (a) isn't the appropriate value to use for the LRAM variance account (per Table 3-11).
- c) Please provide a schedule that for 2013 sets out the results of the regression model prediction and the adjustments made for losses and CDM in order to derive the total billed energy.
- d) Please confirm whether the 2013 total billed energy forecast is 700,522,503 (per Table 3-24) or 709,771,503 kWh (per Table 3-20).
Note – While the totals in the two tables are different the individual customer class values are the same.

OTHER DISTRIBUTION REVENUE (Exhibit 3)

3.0-VECC – 22

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

- a) Please provide the 2012 year to date values for each of the accounts in Table 3-25. If the year to date does not include December 2012, please also provide the year to date values for 2011 for each account up to and including the same month.
- b) How many microFit connections did PUC have at the end of 2012 and where are the revenues from microFit service charges recorded?
- c) Where are the SSS Admin charge revenues recorded?
- d) Please confirm that the Interest and Dividend Income (Account 4405) does not include any interest debits/credits related to deferral/variance accounts.

OM&A (Exhibit 4)

4.0-VECC – 23

Reference: Exhibit 4, Tab 1, Schedule1, pg. 1

- a) Please provide an update to Appendix 2-G (and 2-I) to show 2012 and 2013 OM&A in GCAAP.
- b) Please also update the tables to show year-end 2012 actuals (estimates) and any proposed changes to 2013 OM&A?

4.0-VECC – 24

Reference: Exhibit 4, Tab 1, Schedule1, pg. 1 / Tab 2/Schedule 2/pg. 13

- a) Please provide the GDP-IPI inflation factors assumed by PUC for the years 2008 through 2012.
- b) Please provide the annual inflation rate and the source for the 13% and 5.5% projection for inflation for the five year period 2008-13 and two year period 2011-2013.

4.0-VECC – 25

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

- a) Please provide details as to the “Railway crossing fees.”What are the amount of these fees in 2008 and what fess were ultimately negotiated and built into the 2013 application.

4.0-VECC – 26

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 11 / Appendix 2-G

- a) The difference between 2008 Board Approved OM&A and 2013 OM&A (MIFRS) is \$3,584,532 (\$10,878,870-\$7,294,338). Please provide a breakdown of the increase into the following components:
 - i. MIFRS accounting adjustments (capitalization/asset life);
 - ii. Incremental smart meter costs (show incremental FTEs);
 - iii. Incremental regulatory costs (show incremental FTEs);
 - iv. Inflation (please provide inflation estimate and source);
 - v. Other (please provide a general description).

4.0-VECC – 27

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 18

- b) Please provide in tabular form a breakdown of account 5310 “Meter Reading Expenses” for 2008 (actuals) and 2013 forecast.

4.0-VECC – 28

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 17, 21

- a) Please provide cost of each of the studies for (i) Smart Grid Plan; (ii) Renewable Energy Plan; (iii) Electric Distribution System Coordination Study.

4.0-VECC – 29

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 20

- a) Please provide a table similar to Table 4-10, which for 2011 compares PUC to the following cohort of similar utilities: North Bay Hydro Distribution; Greater Sudbury Hydro and Thunder Bay Hydro.

4.0-VECC – 30

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 11

- a) Please provide a breakdown of the 2013 rate application costs into the following components:
 - i. Consultants;
 - ii. Legal;
 - iii. Intervenor costs; and
 - iv. Other hearing and publication costs (please describe).

4.0-VECC – 31

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 22

- a) Please explain why PUC is not proposing to include in the application the full amount of the LEAP calculation of 0.12% of the revenue requirement?
- b) Please explain why PUC calculated the LEAP amount based on Based Revenue Requirement rather than the Service Revenue Requirement?

4.0-VECC – 32

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 11

- a) Please complete Table 4-13 Appendix 2-K to show the number of employees (FTEs) in each of the categories.
- b) Between 2008 and 2013 PUC has increased the number of FTEs it employs (from affiliates or otherwise). Please provide a list showing the incremental FTEs since 2008 in each of the following categories:
 - i. Engineering, Line workers, plant
 - ii. Billing, call center
 - iii. Finance and general administration
 - iv. Executive
- c) Please explain for each category the drivers for the increase FTE.
- d) Please provide the number of FTEs who are employed for electrical work only (e.g. engineers, lineman, line supervisors etc.).

4.0-VECC – 33

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

- a) Are there any direct employees of PUC?
- b) Since PUC uses a service agreement with PUC Services how are increases to FTEs requirements, capital budgets and other matters determined and approved by the Utility?
- c) What due diligence has PUC Board of Directors undertaken to ensure the service agreement with PUC Services is competitive and in the best interest of shareholders and ratepayers?
- d) What due diligence does PUC Board of Directors undertake to ensure that incremental staff employed by PUC Services on PUC's behalf are reasonable and prudent?

4.0-VECC – 34

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 11

- a) Please explain the change in the percentage of costs allocated from accounts 5605 to 5635, 5665 from approximately 30% prior to 2012 to nearly 41% since 2012.

COST OF CAPTIAL (Exhibit 5)

4.0-VECC – 35

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

- a) When does PUC expect to fix the rate for the 25 year debentures?
Please clarify if the debenture is to be with OIPC or another party.
What s PUC's current estimate for the rate of the debenture?

COST ALLOCATION (Exhibit 7)

7.0-VECC – 36

**Reference: Exhibit 7, Tab 1, Schedule 1
Cost Allocation Model**

- a) CA Model Sheets I6.2 and I7.2 do not include any weighting factors for meter reading. How were meter reading costs allocated to customer classes?
- b) What is the basis for the smart meter costs by customer class shown in Sheet I7.1?
- c) How is the meter data for GS>50 customers with smart meters processed (i.e. does PUC do it or is it processed by the IESO/SME's MDM/R)?

7.0-VECC – 37

Reference: Exhibit 7, Tab 1, Schedule 2, page 3

- a) Why is PUC proposing to increase the R/C ratio for Residential but not change the one for the Street Lighting class which has a lower "status quo" ratio?
- b) Please provide the R/C ratios that would result if the GS>50 ratio was reduced as proposed and then the following steps were implemented to the extent required to offset the revenue shortfall:
 - The Sentinel ratio was increased to 80%, followed by
 - The Sentinel and Street Lighting ratios are increased to 93.21% as necessary and,
 - If necessary, the ratios for Residential, Sentinel and Street Lighting were all increased.

RATE DESIGN (Exhibit 8)

8.0-VECC – 38

Reference: Exhibit 8, Tab 1, Schedule 4

- a) Please update the proposed RTSRs to reflect the UTRs approved by the Board for 2013 (EB-2012-0031).

DEFERRAL AND VARIANCE ACCOUNTS / LRAM (Exhibit 9)

9.0-VECC – 39

Reference: Exhibit 9, Tab 1, Schedule 4, pg. 8

- a) Has PUC incurred any IFRS transition costs? If so why is the Utility not seeking recovery of these costs?

9.0-VECC – 40

Reference: Exhibit 8, Tab 1, Schedule 4

- a) Did PUC record residential mechanical meters separately from GS<50 meters? If so please provide the net book value for the classes separately.
- b) What was the average installed cost of residential smart meter vs. gs < 50 meters.

9-VECC-41

Reference: Additional Information, pgs. 7, 56, 88

- a) Please reconcile the LRAM total claim of \$178,871 with the amounts shown at Table 4 (LRAM total \$102,281) and Table 13 (LRAMVA total \$37,753) and both with Table 14 (total \$178,871).

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