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April 12, 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-2012-0153 Northern Ontario Wires Inc.

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

Yours truly,

Michael Janigan
Counsel for VECC

Encl.

cc. Northern Ontario Wires Inc.

Attn: Mr. Geoffrey Sutton, CA

geoffs@nowinc.ca

| | |
|-------------------------------|--|
| REQUESTOR NAME | VECC |
| INFORMATION REQUEST ROUND NO: | # 2 |
| TO: | Northern Ontario Wires Inc. (NOW) |
| DATE: | April 12, 2013 |
| CASE NO: | EB-2012-0153 |
| APPLICATION NAME | 2013 Cost of Service Electricity Distribution Rate Application |

NB: Continues from last VECC IR # 41

1.0 GENERAL (Exhibit 1)

1.0-VECC- 42.0 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.).
- b) Please update the RRWF Excel Live spread sheet for these adjustments.

2.0 RATE BASE (Exhibit 2)

2.0-VECC- 43.0 Reference: 2.0-Staff-6

- a) Please provide the cost of pole replacements in 2005 through 2008.
- b) Please provide the number of poles replaced in 2005 through 2012.
- c) Please update the 2012 pole replacement figure for actual spending.

2-VECC- 44.0 Reference: 2-VECC-3.0

- a) The Kinectric recommended asset lives for 'Overhead Services' is not provided in the response. There is an explanation in the response which appears to indicate that there may be a significant difference between the Kinectric and NOW asset lives for this item. Please expand on the response and provide the difference (if any) in asset lives for overhead services and the associated difference in depreciation for 2013 if the Kinectrics average live had been used.

2.0-VECC- 45.0**Reference: Exhibit 2, Tab 4, Schedule 2, pg.1**

- a) Please provide the actual capital contributions (grants) in 2009 through 2012 and that forecast for 2013.

2.0-VECC- 46.0**Reference: 2.0-VECC-6.0/ 2.0-SEC-2.0/ 2.0-SEC-3.0/ Exhibit 2, Tab 4, Schedule 3**

- a) The response shown at Attachment 1 appears to show no change in the 2012 actual (unaudited) capital budget (dollar values) from the forecast capital budget (i.e. \$957,867 in both cases). Please provide the actual 2012 capital spending (unaudited).
- b) Please revise the Table shown at Exhibit 2, Tab 2, Schedule 3, Attachment 1 of 1 to show the actual 2012 and revised 2013 capital budget.
- c) Please revise the table to show the actual and forecast capital contributions separately for each year.

3.0 OTHER REVENUE (Exhibit 3)**3.0-VECC – 47.0****Reference: 3.0 – VECC – 14 a)****3.0 – VECC – 15 a)****3.0 – Staff – 12 b)**

- a) With respect to VECC #15 a), please explain why this equation was not used for purposes of preparing the GS<50 forecast.
- b) If part of the rationale in response to part (a) is that the coefficient for the employment variable is not statistically significant, please explain fully why it is appropriate to exclude the employment variable on this basis for the GS<50 class when the same variable is used in the Residential equation, although it is also not statistically significant there too (see VECC 14 a))..
- c) Please provide a projection for the GS<50 class for 2013 using the equation estimated in response to VECC 15 a).

3.0 – VECC –48.0

Reference: 3.0 – Staff 13 b)

3.0 – VECC 17 a)

- a) Prior to late 2010, how many shifts was True North operating?
- b) With respect to Staff 13 b) and True North, which “October” was as the basis for applying the 33% factor (i.e., was it October 2010)?
- c) For the last full year when True North was operating, please discuss how representative this October usage was of the average monthly usage over the full year period and indicate what percentage of these 12 months usage is accounted for by the October usage.
- d) With respect to VECC #17 a), please indicate when True North restarted operation and how many shifts it has operated each month since then.
- e) With respect to VECC #17 a), is there any further update on the status of True North’s expected production levels for 2013?
- f) What is NOW’s current forecast as to the number of shifts True North will operate over the balance of 2013 (i.e., the months not addressed in part (d))?
- g) Based on the foregoing, is there any need to change the GS>50 forecast to account for revised expectations regarding True North? If yes, please provide the necessary revisions and explain how there were calculated.

3.0 – VECC –49.0

Reference: 3.0 – Staff 13 b)

3.0 – VECC 17 b)

- a) How does Ontario Northland’s actual usage for the last 12 months for which actual data is available compare with that for 2011?
- b) Would it be appropriate to the actual usage for the most recent 12 months as the basis for the 2013 forecast? If not, please explain why not?

3.0 – VECC – 50.0

Reference: 3.0 – Staff 15

- a) The approach to determining the CDM load forecast adjustment set out in Staff 15 is materially different from that set out in NOW’s Application. It is unclear from the response to Staff 15 c) if NOW is proposing to change its CDM adjustment and use the approach set out Staff 15 or

not. Please clarify. In doing so, please specifically indicate whether or not NOW is proposing to adopt each of the following changes as represented by Staff's proposed approach:

- i. Update the required net savings in 2013 (from 2011-2013 programs) to 30.89% of Target (from the 30% used in the Application).
- ii. Apply the estimated gross savings (as opposed to net CDM savings) for purposes of the CDM adjustment.
- iii. Apply a ½ year rule to the assumed savings in 2013 from 2013 CDM programs.

3.0 – VECC – 51.0

Reference: 3.0 – Staff 15

- a) Please confirm that the difference between the gross and net CDM savings represents those savings that would have occurred even if there were no CDM programs. If not, please explain why not.
- b) Please confirm that, for any given year, the difference between gross and net OPA reported savings does not reflect all of the CDM activity that will take place without any incentives being provided. If not confirmed, please explain why.
- c) Does NOW agree that the historical consumption values for each customer class will have been impacted by the total CDM activity that has occurred each year without any incentive being provided (and not just that associated with OPA CDM programs)?
- d) Can NOW provide any estimates of the total savings in each year 2008-2011 from CDM activity that has would have taken place in its service area without any incentive (as opposed to just that associated with OPA programs)? If so, please do so and indicate how the savings amounts were determined.

3.0 – VECC – 52.0

Reference: 3.0 – VECC 19 b)

- a) Consistent with the approach outlined in Staff 15, would it be reasonable to also apply a ½ year rule to the 2011 CDM program savings in 2011 and assume that this is the amount of CDM already captured in the initial load forecast? If not, why not?

3.0 – VECC – 53.0

Reference: 3.0 – VECC - 20

- a) Please explain the basis for the formula (i.e. $((13+5) \times \$5.40)$) used to determine 2013 MicroFit service charge revenue for 2013.

3.0 – VECC – 54.0

Reference: 3.0 – VECC - 21

- a) Is NOW still planning to adopt MIFRS for 2013? If based on CGAAP, are any changes required to the forecast of Other Revenues for 2013?
- b) With respect to Appendix 2-F, please explain why for Specific Service Charges the amounts shown in the detailed portion of the Table differ from those shown in the summary at the bottom of the table for 2011-2013 (e.g., for 2011 the values are \$74,958 versus \$80,317).
- c) Please explain the increase in 2012 Actual Utility Other Operating Income (i.e. \$28,151 actual vs. \$2,500 forecast). Also, please explain whether this increase should be assumed to continue for 2013.

4.0 OM&A (Exhibit 4)

4.0-VECC – 55.0

Reference: 4.0-VECC-23

- a) Please explain the reason for the significant overspending in Administrative and General spending in 2012 as compared to the year's original budget.

2.0-VECC-56.0

Reference: 4.0-VECC-24.0

- a) In respect to the tables provided on account 5310, please explain why "Reading outside services" has not declined since 2009 and given the installation of smart meters (33.8k vs. 38k).

2.0-VECC-57.0

Reference: 4.0-VECC-27.0 LEAP

- a) Does NOW intend to update and apply for a LEAP contribution based on the proposed 2013 revenue requirement?
- b) Please calculate the 2013 LEAP contribution based on the updated revenue requirement before revenue offsets (line 8, sheet 9 of RRWF).

5.0 COST OF CAPITAL

4.0-VECC – 58.0

Reference: 5.0-Staff-24 Long-term Debt

- a) Please explain why the debt of \$4.853,336 and interest costs of \$182,000 shown in Appendix 2-OB are different than long-term debt and interest costs shown in Appendix 2-OA (\$4,227,219 and \$158,521 respectively).

4.0-VECC – 59.0

Reference: 4.0-VECC-34.0

- a) Please provide the interest rates offered by Infrastructure Ontario at the time the \$4.8 million was renegotiated with the Cassie Populaire.

6.0 COST ALLOCATION (Exhibit 7)

7.0-VECC – 60.0

Reference: 7.0 – AMPCO - 13

- a) Are Street Lighting and USL customers required to own and maintain their service assets?
- b) If no, where is the capital costs incurred by NOW for these assets recorded?

7.0 DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)

9.0-VECC – 61.0

Reference: 9.0-Staff-39.0 IFRS

- a) Please explain if NOW is still seeking a PP&E adjustment given it is not moving to (M) IFRS in 2013?
- b) If yes, please explain why
- c) Please explain if account 1576 or 1575 is being used to record any adjustments.

- d) Is NOW seeking disposition of account 1508 IFRS transition costs prior to the change to (M)IFRS?
- e) Has NOW reviewed the Decision/Settlement agreements of other utilities who have deferred moving to (M)IFRS (e.g. Welland Hydro-Electric System EB-2012-0173 or Sudbury EB-2012-0126?).

-End of Document-