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BY EMAIL

April 29, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: PUC Distribution Inc.
Application for Rates
Board File Number EB-2012-0162

In accordance with Procedural Order No. 4 issued on April 19, 2013, please find attached the Board Staff Supplemental Interrogatories on the cost of service rate application filed by PUC Distribution Inc.

Yours truly,

Marc Abramovitz
Advisor, Applications & Regulatory Audit

Board Staff Supplemental Interrogatories
2013 Electricity Distribution Rates
PUC Distribution Inc. ("PUC")
EB-2012-0162
April 29, 2013

Exhibit 1 – Revenue Deficiency/Sufficiency

1-Staff-61s

Ref: 1-Staff-5
Ref: Revenue Requirement Work Form (RRWF)
PUC Distribution_IRR_Rev_Reqt_Work_Form_20130404.xlsm

On Sheet 8 of the update RRWF, cell L52, PUC is showing a revenue sufficiency of $2,184. Please correctly update the RRWF to ensure that this equals zero.

Exhibit 2 - IFRS

2-Staff-62s

Ref: 2-Staff-9

Board Staff IR 2-Staff-9 asked PUC whether its external auditors have agreed with its proposed changes in accounting policies. The IR asked PUC to provide the plan for consultation with its auditors if PUC had not obtained the agreement with its external auditors.

In the response to the IR, PUC stated that "PUC is deferring implementation of IFRS for financial reporting; therefore, the external auditors have not confirmed agreement with the policies." PUC did not comment on its external auditors' viewpoint on the change PUC made in 2012 of its capitalization and depreciation expense policies under CGAAP.

a) Please state whether PUC's external auditors have agreed with the changes in capitalization and depreciation expense policies PUC made in 2012 under CGAAP. Please provide a confirmation note from PUC's external auditors, if available.

b) If PUC's external auditors did not agree with the changes:
   i. Please provide the reasons for disagreement.
   ii. Please provide the plan for consultation with PUC's external auditors to obtain agreement.
   iii. If applicable, please quantify the impact of the difference between PUC's approach and that of the o external auditors on PUC's proposed revenue requirement.

2-Staff-63s
Ref: 2-Staff-12

In response to the above referenced interrogatory, PUC noted that the replacement cost of a pole was estimated to be $4,500.

Please provide a further breakdown of the costs included to replace a pole.

Exhibit 3 – Load Forecasting and CDM Adjustments

3-Staff-64s
Ref: 3-Staff-24, 3-Staff-23

PUC has proposed an approach for the CDM adjustment for the 2013 load forecast amount based on an assumed savings of 30% of its four-year (2011 to 2014) CDM target.

An alternative approach is to take into account the 2011 results and their persistence, as measured and reported by the OPA for PUC, and then to assume an equal increment for each of 2012, 2013, and 2014 so as to achieve PUC's CDM target of 47,380,000 kWh. Board staff views this approach as being preferable as there are actual results on what the utility has achieved to date, which can then take into account what more will be needed to achieve the cumulative four-year target. In using the measured and reported results from the 2011 programs, including the persistence into 2013, Board staff views that an improved estimate of the CDM impact of 2011-2013 programs on the LRAMVA threshold for 2013 (and 2014) would result, along with the corresponding adjustment to the 2013 test year load forecast.

Based on the final 2011 OPA results provided in response to 3-Staff-23, Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

Load Forecast CDM Adjustment Work Form (2013)

PUC Distribution Inc. ***EB-2012-0162***

4 Year (2011-2014) kWh Target:					
47,380,000					
	2011	2012	2013	2014	Total
%					
2011 CDM Programs	4.55%	4.55%	4.55%	4.29%	17.95%
2012 CDM Programs		13.68%	13.68%	13.68%	41.03%
2013 CDM Programs			13.68%	13.68%	27.35%
2014 CDM Programs				13.68%	13.68%
Total in Year	**4.55%**	**18.23%**	**31.90%**	**45.31%**	**100.00%**
kWh					
2011 CDM Programs	2,157,479	2,157,479	2,157,479	2,031,020	8,503,457
2012 CDM Programs		6,479,424	6,479,424	6,479,424	19,438,272
2013 CDM Programs			6,479,424	6,479,424	12,958,848
2014 CDM Programs				6,479,424	6,479,424
Total in Year	**2,157,479**	**8,636,903**	**15,116,327**	**21,469,292**	**47,380,000**
				Check	47,380,000

	Net-to-Gross Conversion "Gross"	"Net"	Difference	"Net-to-Gross" Conversion Factor ('g')
2006 to 2011 OPA CDM programs: Persistence to 2013	92963819	55770492	37193327	66.69%

	2011	**2012**	**2013**	**2014**	**Total for 2013**
Amount used for CDM threshold for LRAMVA	2,157,479	6,479,424	6,479,424		15,116,327
Manual Adjustment for 2013 Load Forecast	3,596,301	10,800,550	5,400,275		19,797,126
Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g)			*Only 50% of 2013 CDM impact is used based on a half year rule*		

The methodology for this is as follows:

For the top table

- The 2011-2014 CDM target is input into cell B6;
- Measured results for 2011 CDM programs for each of the years 2011 and persistence into 2012, 2013 and 2014 are input into cells C15 to F15;
- Based on these inputs, the residual kWh to achieve the 4 year CDM target is allocated so that there is an equal incremental increase in each of the years 2012, 2013 and 2014.

The second table is to calculate the conversion from “net” to “gross” results. While the LRAMVA is based on the “net” OPA-reported results, the load forecast is impacted also by CDM savings of “free riders” and “free drivers”. While Board staff has input values from the response to 3-Staff-23 into each of cells D26 and E26, in the absence of other information, these should be populated with the measured “gross” and “net” CDM savings respectively, for the persistence of all CDM programs from 2006 to 2011 on 2013, as reported in the final OPA reports.

For the last table, two numbers are calculated:

- The “Amount used for CDM threshold for LRAMVA” is the sum of the persistence of 2011 and 2012 CDM programs and the annualized impact of 2013 CDM programs on 2013; and
- “Manual Adjustment for 2013 Load Forecast” represents the amount to be reflected in the 2013 load forecast. This amount uses the “gross” impact, which is calculated by multiplying each year’s CDM program impact or persistence by (1 + g) from the second table. In addition, the impact of the 2013 CDM programs on 2013 “actual” consumption is divided by 2 to reflect a “half year” rule. Since the 2013 CDM programs are not in effect at midnight on January 1, 2013, the “annualized” results reported in the OPA report will overstate the “actual” impact. In the absence of information on the timing and uptake of CDM programs in their initial year, a “half-year” rule may proxy the impact.

a) Please verify the inputs and results of the model.
b) Please derive the class-specific CDM kWh and kW savings that would correspond with the “net” CDM savings above.
c) Please provide PUC’s comments on the methodology above to develop the CDM savings that will underlie the 2013 CDM amount for the LRAMVA and the corresponding CDM adjustment for the 2013 test year load forecast. What refinements to this approach should be considered?

3-Staff-65s
Ref: 3-Staff-25

In its response to part b) of 3-Staff-25, PUC states:

> Assuming the “half-year” rule is used to account for 2013 CDM programs not being in place for a full year, the adjustment for 2012 and 2013 CDM programs on 2013 demand would be estimated as 3,327,448 kWh X 1.5

(reflecting full year impact of 2012 CDM and half-year impact of 2013 CDM on 2013) X 1.6750 = 8,360,213 kWh. However, **PUC is concerned with using the "half-year" rule since it is PUC's understanding that there should be consistent treatment on how the load forecast is adjusted and how the LRAMVA threshold is determined. [Emphasis added]**

a) What is PUC's understanding of the consistent treatment for the load forecast adjustment and LRAMVA?
b) In the above example, the 2013 CDM program savings in 2013 are estimated to be 3,327,448 kWh, but this is assuming that the 2013 CDM programs were in effect the full year, from January 1 to December 31. In reality, the programs will be implemented and there will be uptake by customers at various points in the year. Thus the impact actually realized in 2013, the initial year of 2013 programs, will be different from and much less, all else being equal, than the annualized savings. Please provide, with explanation, PUC's perspective on whether the 2013 annualized savings of 2013 CDM programs will overstate the actual savings.

Exhibit 4 – OM&A Costs

4-Staff-66s
Ref: Appendix 2-M

a) Please complete columns labeled (B) and (C) in the above referenced appendix.
b) Please confirm that "consultant costs for regulatory matters" is a one-time cost by selecting the appropriate value in column (D).
c) Please provide an explanation as to why OEB Section 30 Costs (Applicant-originated), intervenor costs and operating expenses associated with other resources allocated to regulatory matters have not been entered for the 2013 test year. If applicable, update Appendix 2-M.

4-Staff-67s
Ref: 4-VECC-31

On October 20, 2010, the Board issued a letter regarding LEAP Emergency Financial Assistance. The letter stated that "the LEAP amount should be calculated based on total distribution revenues" and further stated that "for greater clarity, Board-approved total distribution revenue means a distributor's forecasted service revenue requirement as approved by the Board".

Please recalculate the LEAP amount using the service revenue requirement.

4-Staff-68s
Ref: 4-Staff-28

a) Please identify the source and the definition of the CPI annual increases for 2009 to 2012 used in the response. Please explain why this source of CPI is used by PUC.
b) Please identify whether the 2012 CPI measure is an actual or forecast.
c) Board staff understands that the 2013 CPI shown is a forecast. Please identify the source of this number, if different from that for the historical data.

4-Staff-69s
Ref: 4-Staff-43

In the table provided in the response to 4-Staff-43 a), please provide descriptions of the following items:

a) Meter Reading Contractor $30,000;
b) Meter Reading Exp Phone $4,400;
c) Meter Reading Labour $16,683;
d) Meter Reading Truck $2,040;
e) Asset Charge $25,209.

Exhibit 7 – Revenue to Cost Ratios

7-Staff-70s
Ref: 7-Staff-45 (b)

In response to the above referenced interrogatory, please provide a copy of appendix 2-W for the sentinel and street lighting classes showing bill impacts of 17.44% and 19.70% respectively.

Exhibit 9 – Account 1576

9-Staff-71s
Ref: 9-Staff-58
Ref: Chapter 2 Appendices, Revenue Requirement Work Form (RRWF)

In the response to 9-Staff-58, PUC is proposing to clear the credit balance of Account 1576 of $335,332 by amortizing the balance over 4 years. The annual adjustment to depreciation expense is calculated to be ($83,833).

In App.2-CH-Depr Exp 2013 CGAAP of the Chapter 2 Appendices, PUC has calculated the 2013 Depreciation Expense to be $3,407,501. This amount of depreciation expense is input into cell M37 of Sheet 3 Data_Input_Sheet of the RRWF. However, this balance of depreciation expense has not been reduced by $83,833 on cell F56 of App.2-CH-Depr Exp 2013 CGAAP of the Chapter 2 Appendices.

The net depreciation expense is the gross PP&E depreciation expense of $3,407,501 less the amount calculated to be the annual amortization of Account 1576 – a credit amount of $83,833. This net depreciation expense of $3,323,668 is not flowing to cell E37 of Sheet 3 Data_Input_Sheet of the RRWF. Instead, the gross PP&E depreciation expense of $3,407,501 appears in cell E37. The $83,833 credit balance that should be used to reduce depreciation expense erroneously appears as an adjustment to the return on rate base in cell M67 of Sheet 3 Data_Input_Sheet of the RRWF.

a) Please update App.2-CH-Depr Exp 2013 CGAAP of the Chapter 2 Appendices to show the annual amortization of Account 1576 in cell F56 of this schedule. Please calculate the net depreciation expense on this appendix and input the net amount on cell M37 of Sheet 3. Data_Input_Sheet of the RRWF.

b) Please update cell M67 of Sheet 3 Data_Input_Sheet of the RRWF to show a zero adjustment to the return on rate base calculation. A zero adjustment to return on rate base is consistent with the Board's policy of clearing Account 1576.