Board Staff Interrogatories
2013 Electricity Distribution Rates
Peterborough Distribution Inc. (“PDI”)
EB-2012-0173

<u>Exhibit 2: Rate Base</u>

Capital Expenditures

2-Staff-1. Ref: Exhibit 2,Tab 3, Schedule 2, Capital Expenditures
Ref: Exhibit 2, Tab 3, Schedule 3, Asset Management Plan Summary
Ref: Appendix C, s 2.4.2 Operation and Maintenance Strategy
Ref: Exhibit 4, Tab 2, Schedule 2, OM&A Detailed Cost Tables

Board staff notes that while capital expenditures have increased significantly in 2012, OM&A has increased steadily and is projected to remain on an upward trend.

Regarding its Asset Management Plan, PDI states in part that:

> The main tenants (*sic*) of the Asset Management Plan are the ongoing renewal programs for first generation underground high voltage cables and transformers, systematic replacement of poles based on the annual testing program and other renewal projects both overhead and underground that can be bundled with other customer driven work or are identified as priorities through annual operational inspection programs.

a) With respect to the management of PDI’s assets, please discuss the trade-off between capital and OM&A expenditures.
b) Please provide percentage figures for capital and OM&A expenditures linked to the following categories:

		% of Total Annual Expenditures						
		2007	2008	2009	2010	2011	2012	2013
CAPITAL								
Planned/Internal	Sustainment							
	Development							
OM&A								
Planned/Internal	Sustainment							
	Development							

		% of Total Annual Expenditures						
		2007	2008	2009	2010	2011	2012	2013
CAPITAL								
Unplanned/ Customer-driven	Sustainment							
	Development							
OM&A								
Unplanned/ Customer-driven	Sustainment							
	Development							

c) Where applicable, please identify all significant instances of life-extending maintenance expenditures.

2-Staff-2. Ref: Exhibit 2, Tab 3, Schedule 2, Table 2-17

Table 2-17 provides a breakdown of PDI's capital projects from 2007 to 2013. Board staff notes that for 2012 PDI has categorized certain amounts in each of the programs as "Other" as follows:

Program	**Total Program Cost**	**Categorized as "Other"**	**% of Total Program**
Overhead Distribution Renewal	1,390,507	515,983	37%
Substations	217,075	217,075	100%
Underground Distribution Renewal	1,313,920	699,190	53%
OH Distribution Lines – Customer Demand	351,099	351,099	100%
Relocations requested by Municipality	308,795	221,620	72%

a) Please provide a breakdown of the category of "Other" for each of the programs listed above.
b) Please identify capital expenses in the "Other" entries that are one-time costs and those that are recurring or cyclical.

2-Staff-3. Ref: Exhibit 2, Tab 3, Schedule 2, Table 2-17

Table 2-17 provides a breakdown of PDI's capital projects from 2007 to 2013. Board staff notes that for 2013 PDI has categorized certain amounts in each of the programs as "Other" as follows:

Program	Total Program Cost	Categorized as "Other"	% of Total Program
Substations	245,000	115,000	47%
Underground Distribution Renewal	645,000	570,000	88%
OH Distribution Lines – Customer Demand	225,000	225,000	100%

a) Please provide a breakdown of the category of "Other" for each of the programs listed above.
b) Please identify capital expenses in the "Other" entries that are one-time costs and those that are recurring or cyclical.

2-Staff-4. Ref: Exhibit 2, Tab 3, Schedule 2, Capital Expenditures - 2012

For 2012, the totals shown at table 2-17 for "Overhead Distribution Renewal" and "44 kV Switches Upgrades/SCADA" do not coincide with the amounts provided at the reference above.

a) Please reconcile and/or explain the discrepancy described above.

2-Staff-5. Ref: Exhibit 2, Tab 3, Schedule 2, Table 2-17

Board staff notes that PDI has accounted for certain costs in the "Miscellaneous" category in the 2007-2011 period while no additional costs are recorded in 2012 or 2013.

a) Has the "Miscellaneous" category been integrated into the "Other" entries?

b) What did “Miscellaneous” encompass in the 2007-2011 period?

2-Staff-6. Ref: EB-2008-0247, Exhibit 2, Tab 3, Schedule 2, Table 2-17

PDI has provided total Contributions and Grants for 2012 and 2013 of $1,319,000 and $1,180,000, respectively.

a) Please provide actual contributions for 2012.
b) Please provide a breakdown of contributions by project for each of 2012 and 2013.

Green Energy Plan

2-Staff-7. Ref: Exhibit 2, Appendix D
Ref: Report of the Board, *Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09*
Ref*: Filing Requirements*: Distribution System Plans – Filing under Deemed Condition of Licence, revised May 17, 2012

PDI’s Green Energy Plan discusses current and future projects associated with the connection of renewables.

a) Please provide a schedule of capital and initial OM&A expenditures associated with the Green Energy projects to 2017 as discussed in the Green Energy Plan.
b) Please break out the expenditures as renewable enabling improvements or expansion costs in accordance with the DSC classification.
c) In accordance with the Direct Benefits methodology outlined in the *Framework*, please provide an estimate of the direct benefits accruing to PDI’s ratepayers.
d) Please provide the amount of Green Energy Plan capital expenditures which have been included in PDI’s rate base.

2-Staff-8. Ref: Exhibit 2, Appendix D, s. 3.0
Ref: Filing Requirements: Distribution System Plans – Filing under Deemed Condition of Licence, revised May 17, 2012, s. 2.4.1

PDI indicates that it is conducting educational activities in connection with the smart grid.

a) Please indicate what these educational costs amount to and whether they have been assigned to the appropriate deferral accounts as described in section 7.0 of the *Filing Requirements*.

Exhibit 3: Operating Revenue

3-Staff-9. Ref: Exhibit 3,Tab 1,Schedule 2
Ref: Exhibit 3/Tab 1/Schedule 3

Tables 3-2 through 3-6 show the year over year changes in distribution revenues by customer class. On page 3-7, PDI states:

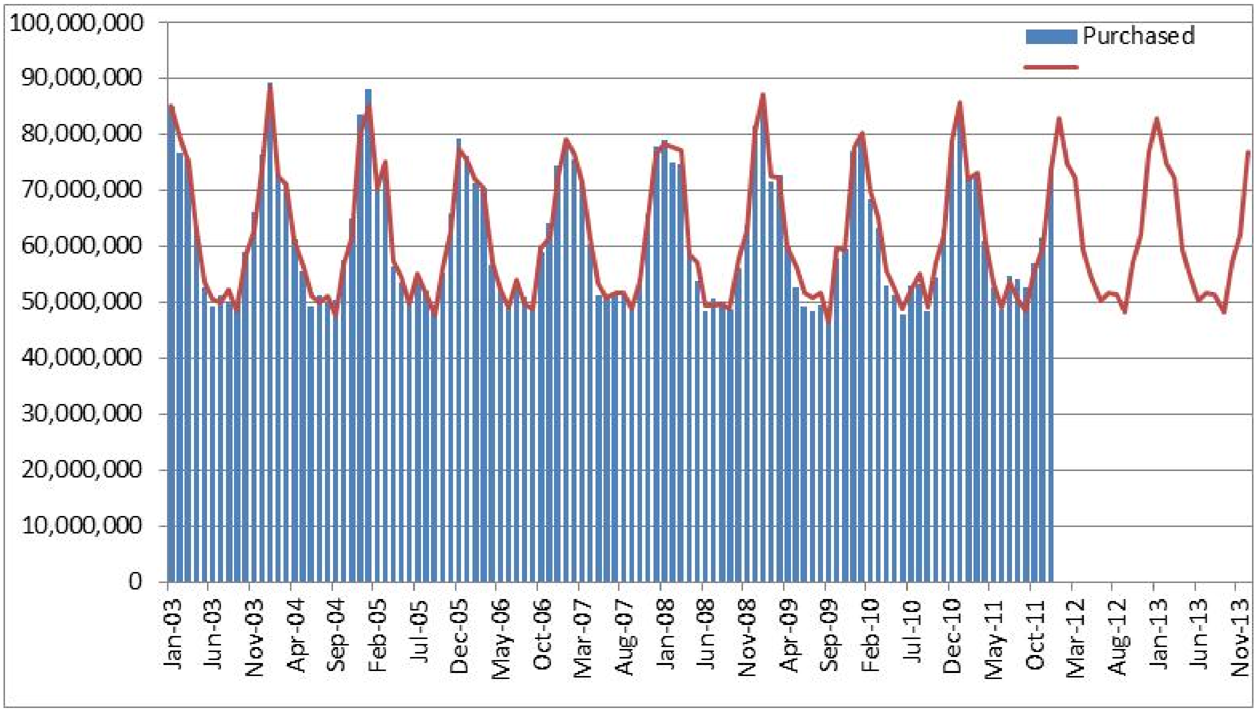
> The decline in revenues for the sentinel lighting and unmetered scattered load classes from 2012 1 to 2013 is due to fewer connections in the 2013 updated cost allocation model compared to the 2009 cost allocation model.

Table 3-8 shows that the number of sentinel light connections has decreased over time, however the number of unmetered scattered load connections has remained largely unchanged since 2006 (383 increasing to 384 in 2011). This would appear to indicate that a decline in USL connections, and the impact on the cost allocation model, would not explain the change in USL forecasted revenues.

a) Please clarify and provide further explanation of the drivers for the decline in forecasted USL revenues.

3-Staff-10. Ref: Exhibit 3,Tab 1, Schedule 3, Table 3-1

a) Please provide Table 3-1 on the basis of the monthly actuals and forecasted amounts per the following (example) format. Please include forecasted values for 2012 and 2013 and actual values for 2012. If PDI has updated its load forecast, the provided chart should reflect the update.



3-Staff-11. Ref: Exhibit 3,Tab 1,Schedule 3,Table 3-15

a) Please explain the decrease in the average consumption per streetlighting connection from over 750 kWh per annum prior to 2008 to about 690 kWh per annum for 2008 and later.

3-Staff-12. Ref: Exhibit 3, Tab 1,Schedule 3, Table 3-21

PDI has proposed an approach for the CDM adjustment for the 2013 load forecast amount of 14,971,700 kWh, calculated as 2 X 4,694,830 kWh X 1.594.

An alternative approach is to take into account the 2011 results and their persistence, as measured and reported by the OPA for PDI, and then to assume an equal increment for each of 2012, 2013, and 2014 so as to achieve PDI's CDM target of 47,380,000 kWh.

Based on the final 2011 OPA results provided in Table 3-21, Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

Load Forecast CDM Adjustment Work Form (2013)

Peterborough Distribution Inc.

EB-2012-0160

4 Year (2011-2014) kWh Target:					
38,450,000					
	2011	2012	2013	2014	Total
%					
2011 CDM Programs	6.70%	6.70%	6.70%	6.63%	26.74%
2012 CDM Programs		12.21%	12.21%	12.21%	36.63%
2013 CDM Programs			12.21%	12.21%	24.42%
2014 CDM Programs				12.21%	12.21%
Total in Year	**6.70%**	**18.91%**	**31.12%**	**43.26%**	**100.00%**
kWh					
2011 CDM Programs	2,577,808	2,577,808	2,577,438	2,547,967	10,281,021
2012 CDM Programs		4,694,830	4,694,830	4,694,830	14,084,490
2013 CDM Programs			4,694,830	4,694,830	9,389,660
2014 CDM Programs				4,694,830	4,694,830
Total in Year	**2,577,808**	**7,272,638**	**11,967,098**	**16,632,457**	**38,450,000**
				Check	38,450,000

	Net-to-Gross Conversion "Gross"	"Net"	Difference	"Net-to-Gross" Conversion Factor ('g')
2006 to 2011 OPA CDM programs: Persistence to 2013	1	1	-	0.00%

	2011	2012	2013	2014	Total for 2013
Amount used for CDM threshold for LRAMVA	2,577,438	4,694,830	4,694,830		11,967,098
Manual Adjustment for 2013 Load Forecast	2,577,438	4,694,830	2,347,415		9,619,683
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 of “1” in the absence of other information, these should be populated with the measured “gross” and “net” CDM savings for the persistence of all CDM programs from 2006 to 2011 on 2013, as reported in the final OPA reports for the 2006 to 2010 and 2011 CDM programs.

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 input the “net” and “gross” CDM savings from 2006 to 2011 as reported in the OPA-issued 2006-2010 and 2011 CDM reports for PDI into cells E26 and D26 respectively of the model provided.
c) Please derive the class CDM kWh and kW savings that would correspond with the “net” CDM savings above.
d) Please provide PDI’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? In particular, should the 2011 amount be also adjusted by 50% for the load forecast CDM adjustment to reflect the fact that 2011 CDM impacts are also reflected in the 2011 data as a “first year” basis, and hence influence the regression results that underlie the base forecast before the CDM adjustment?

3-Staff-13. Ref: March 26, 2013 Additional Information
Ref: Exhibit 9, Appendix P

a) Please provide the full final 2011 CDM result report for PDI issued by the OPA in Excel format.
b) Please provide the final 2006-2011 CDM results report for PDI issued by the OPA in Excel format.

Exhibit 4: Operating Costs

4-Staff-14. Ref: Exhibit 4, Tab 2, Schedule 2, Table 4-12

Board staff notes that PDI has not recorded Meter Reading Expense for 2009 to 2013 in Account 5310.

a) Please explain where this expense has been recorded.
b) Please provide actual Meter Reading Expense for 2009 to 2012, and the amount budgeted for 2013.
c) Please verify the impact of this accounting treatment on the Cost Allocation model and make any adjustments required.

4-Staff-15. Ref: Exhibit 4, Tab 2, Schedule 2, Table 4-13
Ref: Exhibit 4, Tab 2, Schedule 4, Table 4-19

Board staff notes that PDI has not recorded pension expense for 2009 to 2013 in either Account 5645 or Account 5646, although pension expenses are shown in Table 4-19.

a) Please explain where this expense has been recorded.
b) Please verify the impact of this accounting treatment on the Cost Allocation model and make any adjustments required.

4-Staff-16. Ref: Exhibit 4, Tab 2, Schedule 2, Table 4-11

Board staff notes that PDI has not recorded costs for 2009 to 2013 in certain Maintenance accounts in Table 4-19, which would appear to be applicable to PDI's system. Specifically, PDI has not recorded costs in the following accounts:

- Account 5114 – Maintenance of Distribution Station Equipment
- Account 5120 – Maintenance of Poles, Towers and Fixtures
- Account 5165 – Maintenance of Street Lighting and Signal Systems
- Account 5170 – Sentinel Lights – Labour
- Account 5172 – Sentinel Lights – Materials and expenses

a) Please explain where these expenses have been recorded.
b) Please verify the impact of this accounting treatment on the Cost Allocation model and make any adjustments required.

4-Staff-17. Ref: Exhibit 4, Tab 2, Schedule 5

The above referenced exhibit describes the cost allocation methodology by which PDI receives services from its affiliates.

a) How often is the cost allocation methodology reviewed?
b) What, if any, changes have taken place since 2009 as a result of reviews of the methodology?

4-Staff-18. Ref: Exhibit 4, Tab 1, Schedule 1, page 4-7

The above referenced exhibit describes the OM&A budget process as being prepared by PUSI Managers and approved by the Board of Directors. Board staff notes that the budget is prepared by "department".

a) Does PDI represent a separate department? If not, how many separate departments encompass PDI?
b) If PDI is represented by more than one departmental budget within the PUSI budget process, please describe the process by which the overall PDI budget is reviewed for reasonableness and approved.

4-Staff-19. Ref: Exhibit 4/Tab 1/Schedule 1, page 4-9
Ref: Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, issued June 28, 2012, s. 2.1.7

PDI states that it has not applied a basic inflation rate to all accounts in preparing its 2012 and 2013 forecasts. Rather, it has used existing prices and increases "if known".

Section 2.7.1 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications states that if the applicant proposes to use an inflation rate other than the GDP-IPI rate determined by the Board, appropriate justification should be provided (such as studies and/or sources).

a) Please identify where PDI has applied increases, for the 2013 test year, for non-labour components of OM&A expenses and where it has not. Where PDI has applied a non-labour expense increase, please explain the increase and its supporting rationale.

4-Staff-20. Ref: Exhibit 4, Tab 2, Schedule 4

PDI states that there is only one employee in the LDC and that employee costs are allocated to affiliates by PUSI.

a) Please describe the decision-making process in determining the requirement for additional headcount, including:
   (i) Which entity determines the need for additional headcount;
   (ii) Who approves the request;
   (iii) What support documentation is required by the decision-maker?
b) Please describe the relationship between PDI's capital budget and its headcount budget. Specifically, is the capital plan determined based on the resources available, or are the resources acquired and assigned to support the capital plan?
c) Similar to b), above, please describe the budget process relationship between non-recurring OM&A projects and resource availability. Specifically, are large or non-recurring projects undertaken in years where resources are available, or are resources acquired and assigned to complete these projects?

4-Staff-21. Ref: Exhibit 4, Tab 2, Schedule 4

a) Please provide the total actual overtime pay charged to PDI by PUSI for unionized employees for 2009, 2010, 2011 and 2012, as well as budgeted overtime pay for 2013.
b) Please provide the percentage amount of total PUSI overtime pay for unionized employees that has been allocated to PDI in each of the years outlined in part a), above.
c) Please provide the number of non-union employees eligible for overtime.
d) Please provide the total actual overtime pay for non-union employees for 2009, 2010, 2011 and 2012, as well as budgeted overtime pay for 2013.
e) Please provide the percentage amount of total PUSI overtime pay for non-union employees that has been allocated to PDI in each of the years outlined in part d), above.

4-Staff-22. Ref: Exhibit 4, Tab 2, Schedule 4, page 4-29

PDI states that PUSI non-union staff increases are based on performance and an inflationary adjustment.

a) What inflationary adjustments were applied in 2010, 2011, 2012 and 2013?

4-Staff-23. Ref: Exhibit 4, Tab 2, Schedule 4, page 4-29

PDI states that it has an incentive plan for unionized employees, as well as for Executive, Management and Supervisory employees.

a) Please provide the total actual incentive payouts for unionized employees for 2009, 2010, 2011 and 2012, as well as the amount budgeted for 2013, which have been allocated to PDI by PUSI.
b) Please provide the percentage of total PUSI incentive payouts for unionized employees that has been allocated to PDI.
c) Please provide the total actual incentive payouts for each of the Executive, Management and Supervisory employee categories for 2009, 2010, 2011 and 2012, as well as the amount budgeted for 2013, which have been allocated to PDI by PUSI.
d) Please provide the percentage of total PUSI incentive payouts for each of the Executive, Management and Supervisory employee categories that has been allocated to PDI.

4-Staff-24. Ref: Exhibit 4, Tab 2, Schedule 4, pages 4-42, 4-43
Ref: Exhibit 4, Tab 2, Schedule 4, Tables 4-25 to 4-29

PDI describes the Electrical Operations department as responsible for the operation, construction and maintenance of PDI's distribution system and the Field Technical Operations department as responsible for the maintenance of the wholesale and retail meters, transformers and substations. Board staff notes that PDI has been allocated between 98% and 100% of total costs of the Field Technical Operations department between 2009 and 2013. Board staff also notes that the allocation percentage for the Electrical Operations department is between 86% and 91% over the same period.

a) Please describe the services provided to PUSI's other affiliates by the Electrical Operations and Field Technical Operations departments.

4-Staff-25. Ref: Exhibit 4, Tab 2, Schedule 4, pages 4-48, 4-49
Ref: Exhibit 4, Tab 2, Schedule 4, Tables 4-25 to 4-29

PDI states that it receives services from PUI for settlement, MDM/A and MSP. Board staff notes that the actual charges from PUI to PDI over the period from 2009 to 2013 remain constant.

a) When did PDI implement time of use billing?
b) Please explain why there has been no change in service levels from PUI as a result of PDI's implementation of smart meters and transition to time of use billing over the period.

4-Staff-26. Ref: Exhibit 4, Tab 2, Schedule 4, pages 4-48, 4-49
Ref: Exhibit 4, Tab 2, Schedule 4, Tables 4-25 to 4-29

Board staff notes that the Customer Service department, which includes call centre services, allocates its costs on the basis of directly attributable charges; number of customers; and number of billed line items.

a) Does PUSI track the number and length of calls as an allocator?
b) Has there been any increase in call centre activity as a result of implementing smart meters and transitioning to time of use billing?

4-Staff-27. Ref: Exhibit 4, Tab 2, Schedule 5, page 4-44

Board staff notes that costs for the Administration department are allocated to the companies based partially on the following basis:

> *Labour hours from support departments allocated to the associated companies using the specific cost drivers for each support department.*

a) Please explain the above statement and provide an example.

4-Staff-28. Ref: Exhibit 4, Tab 2, Schedule 5, page 4-44

Board staff notes that Software and Equipment Rental is allocated partially on the following basis:

> *Remaining costs are allocated using the percentage allocations derived for the Administrative Department.*

a) Please explain the rationale for using the same percentage allocations for software and equipment as are used for the Administration Department.

<u>Exhibit 9: Variance Accounts</u>

9-Staff-29. Ref: Exhibit 9, Tab 2, Schedule 3
Ref: Additional Information filed March 13, 2013

PDI has submitted two requests associated with lost revenues that are the result of successful CDM programs.

PDI has requested to recover an LRAM amount for a total of $132,578 for lost revenues incurred from January 1, 2011 to April 31, 2012 based on the persisting effects of CDM programs implemented between 2005 and 2010.

PDI has also requested recovery of an LRAMVA amount for a total of $14,848 for lost revenues incurred in 2011 based on the effects of successful CDM programs implemented in 2011.

PDI has requested recovery of the total LRAM and LRAMVA amounts over a one-year period beginning May 1, 2013.

LRAM claim for persisting effects of 2005-2010 CDM programs from January 1, 2011 to April 31, 2012

a) Please provide a table similar to the one below that shows the LRAM amounts requested in this application by the year they are associated with and the year the lost revenues took place. Provide separate tables for each rate class.

Program Years (Divided by rate class)	Years that lost revenues took place	
	2011	2012
2005	$xxx	$xxx
2006	$xxx	$xxx
2007	$xxx	$xxx
2008	$xxx	$xxx
2009	$xxx	$xxx
2010	$xxx	$xxx

b) Please discuss why PDI is not seeking to recover the persisting lost revenues in 2012 from 2005-2010 CDM programs at this time. Please reconcile your response with section 13.6 of the Board's CDM Guidelines (EB-2012-0003), which states that "LRAM for pre-2011 CDM activities should be completed with the 2012 rate applications, outside of persisting historical CDM impacts realized after 2010 for those distributors whose load forecast has not been updated as part of a cost of service application."
c) Please provide complete LRAM calculations for 2012 persisting lost revenues that are the result of 2005-2010 CDM programs.
d) Please provide LRAM specific rate riders, separate of any LRAMVA amounts claimed in relation to the effects of 2011 CDM programs in 2011.

LRAMVA claim for effects of 2011 CDM programs in 2011:

e) Please provide LRAMVA specific rate riders, separate of any LRAM amounts claimed in relation to the persisting effects of 2005-2010 CDM programs.

9-Staff-30. Ref: Deferral/Variance Account (DVA) Workform for 2013 Filers Ref: S. 2.12 of Chapter 2 of the Filing Requirements for Electricity Transmission and Distribution Applications, June 28, 2012

The 2013 COS filing requirements provided the DVA Workform as a template for electricity distributors to use, showing the information required for the DVA balances from 2005.

Board staff notes that PDI's DVA Workform starts from PDI's January 1, 2011 balances with no cost flows prior to January 1, 2011.

a) Please provide an updated DVA Work Form reflecting the account balances (principal and interest) information for all the DVAs for all required years.

9-Staff-31. Ref: Exhibit 9, Tab 1, Schedule 3, page 9-7

PDI states that it has not recorded any costs in Account 1508, Other Regulatory Assets, Sub-Account IFRS Transition Costs as of December 31, 2011.

a) Please confirm that PDI has not recorded any IFRS transition costs in its 2013 capital expenditures or OM&A expenses. In addition, please state the amounts, the nature of the expenditures, and the reasons for inclusion of any IFRS transition costs in the 2013 capital expenditures and OM&A expenses.

9-Staff-32. Ref: Exhibit 9, Tab 2, Schedule 1

PDI is proposing stranded meter rate riders of $0.35/month for Residential customers and $5.12/month for GS < 50 kW customers, with a recovery period of 4 years.

a) How has PDI allocated the costs of the stranded meters between Residential and GS < 50 kW customers? Please explain your response and show all calculations. If available, spreadsheets showing the calculations in Microsoft Excel format should be provided.

b) Why has PDI proposed a 4 year recovery period for Residential customers?
c) Would PDI’s CIS and billing system be able to accommodate a different recovery period for Residential and GS < 50 kW customers?