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

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

Capital Expenditures

2-Staff-33s. Ref: 2-Energy Probe-9
Ref: 2-VECC-6

Interrogatory 2-Energy Probe-9 asks PDI to provide an updated Table 2-17 to provide actual data for 2012 and any impact to 2013 arising from differences between 2012 forecast and actual. The updated Table 2-17 shows no changes to the 2013 Test Year column. In the above noted interrogatory responses, PDI has indicated certain adjustments to its 2013 capital budget, namely:

- Cumberland 27.6 kV will not proceed
- Parkhill Road 27.6 kV will not proceed
- Aylmer Street Reconstruction not listed, will proceed
- Charlotte Street U/G, may proceed pending confirmation
- Parkhill Road W relocation project doubled in scope
- Chemong Road relocation delayed
- Trent University GS connection extension will be higher than forecast
- One underground replacement project under discussion with the City for 2013

a) Please confirm that no projects were delayed from 2012 to 2013. Otherwise, please indicate which projects have been delayed.
b) Please provide a status update on the Charlotte Street U/G project.
c) Please describe the process and timing through which PDI is made aware of City requests and developer requirements.
d) Please provide a status update for the underground replacement project referred to in the response to 2-VECC-6. Has this project been included in the original list of 2013 projects in Table 2-17?
e) Please provide an update to the 2013 Test Year column in Table 2-17 to incorporate actual costs to date and forecast capital expenditures to December 31, 2013. Please incorporate any known changes to capital projects, including those listed above.
f) Please indicate which (if any) projects will not be in service in 2013.

2-Staff-34s. Ref: 2-Staff-7

Ref: *Filing Requirements*: Distribution System Plans – Filing under Deemed Condition of Licence, revised May 17, 2012 [EB-2009- 0397], § 2.4.1 Investments to which the Direct Benefits Calculation Applies; § 2.4.2 Direct Benefits

Ref: Report of the Board, *Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09*, § 1.1

In response to interrogatory 2-Staff-7, PDI has provided a schedule of capital and OM&A expenditures for the period 2013-2017 associated with enabling and expansion works. PDI indicated that capital expenditures amount to $382,000 and OM&A to $60,000.

The Filing Requirements for Distribution System Plans and the Framework for Determining Direct Benefits outline a prescriptive treatment of certain costs associated with the connection of renewable generation so as to socialize a portion of those among provincial ratepayers. Specifically, section 2.4.2.1 of the Framework for Determining Direct Benefits states in part that:

> For expansions and REIs, a quantification or calculation of the direct benefits is required. For distributors that file a Basic GEA Plan, in accordance with the *Framework on Determining Direct Benefits* the distributor is permitted to use a standardized approach. Currently, that approach calls for the use of the direct benefits allocation approved by the Board in the EB-2009-0096 proceeding pertaining to Hydro One Networks Inc., as follows: for expansions, 17% of the cost constitutes the direct benefits, and for REIs the direct benefits percentage is 6% of the costs.

a) Please indicate whether any GEA Plan capital expenditures were incurred in 2012.
b) Please confirm that all costs incurred or planned for 2012 and 2013 which are eligible for provincial recovery are excluded from PDI's rate base.
c) Please revise the table provided in response to interrogatory 2-Staff-7 (c) to incorporate the standardized approach to direct benefits allocation and include any 2012 GEA Plan capital and initial OM&A expenditures if applicable.

Exhibit 3: Operating Revenue

3-Staff-35s. Ref: 3-Energy Probe-17

Question e) in the above referenced interrogatory asks PDI to comment on the decrease in late payment charges in 2012 and 2013 relative to 2011, given that bad debt expense is increasing. PDI's response provides the actual 2012 and forecast late payment expense, but does not comment on the decrease relative to 2011 or the relationship to bad debt expense.

a) Please comment on the decrease in 2012 and 2013 late payment charges relative to 2011 and the relationship to bad debt expense.

3-Staff-36s. Ref: 3-Energy Probe-17

In its response to the above noted interrogatory, PDI indicates that it has not reflected certain factors in its forecast of 2013 Other Operating Revenue, specifically:

- Movement of customers away from retailers
- Growth in number of customers
- Microfit revenues

a) Please update the 2013 forecast of Other Operating Revenues to reflect these and any other known factors.

3-Staff-37s. Ref: 3-Preliminary-4
Ref: 3-EP-16
Ref: 3-VECC-14

In response to the above noted interrogatories, PDI has provided forecast kWh purchases of 818,754,942 kWh, 825,395,678 kWh and 816,056,242 kWh, respectively.

a) Please indicate which load forecast underpins the Revenue Requirement Workform as updated and filed with PDI's interrogatory responses?

3-Staff-38s. Ref: Exhibit 3, Tab 1, Schedule 3
Ref: 3-Staff-12
Ref: 3-VECC-16

In its response to 3-Staff-12 d), PDI provided its views with respect to what should be the CDM adjustment to the load forecast to account for the impact,

including persistence, of CDM programs from 2011 to 2013 beyond what is already factored into the base forecast derived from its regression model.
In the regression model of purchased system kWh documented in Exhibit 3, Tab 1, Schedule 3, PDI has indicated that no CDM variable was retained. Therefore, any CDM impacts would be those implicitly reflected in the historical data, which impact may be captured by the other regressor variables and estimated coefficients.

On May 28, 2013, the Board issued its Decision and Order EB-2012-0113 with respect to Centre Wellington Hydro's 2013 cost of service rates application, which accepted, as the Board has in other cases, the concept that the CDM amount used in the LRAMVA and the CDM adjustment in the load forecast are separate but related numbers.

According to that Decision and Order, net results should be used and the half-year rule should pertain to the CDM savings in the first year of a program with respect to the CDM adjustment for the load forecast. For the savings in the LRAMVA, as for the licence CDM targets, the OPA-reported annualized numbers are to be used. In all cases, the numbers are based on the 'net' savings as reported by the OPA.
Since PDI does not have a CDM variable in the regression model used to derive the base load forecast, this should imply that only the first year impact of 2011 CDM programs would be in the 2011 actual data. However, the persistence of 2011 CDM programs on the 2013 load forecast should be on a full year basis, as the programs were implemented prior to 2013. This suggests that the CDM adjustment also needs to reflect the additional half-year impact of the 2011 CDM programs to get the full year (annualized) persistence in 2013. In other words, Board staff suggests that the CDM adjustment should be:

> (0.5 X (2011 CDM persistence on 2013)) + (2012 CDM persistence on 2013) + (0.5 X 2013 CDM impact on 2013).

Based on the Load Forecast CDM Adjustment Work Form, which data inputs PDI confirmed in its response to 3-Staff-12 a), this would be:

> (0.5 X 2,577,438 kWh) + 4,694,830 kWh + (0.5 X 4,694,830 kWh) = 8,330,964 kWh.

Board staff also suggests that, if the adjustment is being made to the base forecast for the system purchased model, this amount should also be grossed up to reflect the loss factor. The adjusted system purchased forecast would then be converted to a system bill kWh 2013 test year forecast by backing out the losses, and then allocated to all customer classes and also converted into the kW demand for demand-billed classes.

The amount used for the LRAMVA would be 11,967,098 as shown on the Load Forecast CDM Adjustment Work Form.

a) Please provide PDI's views on the above, including the calculation of the CDM adjustment to the load forecast.
b) Please provide an update summarizing the kWh and kW on a system purchased, system billed, and on the allocated billed kWh and kW for every customer class reflecting PDI's proposed regression-based load forecast and the above CDM adjustment.

Exhibit 4: Operating Costs

4-Staff-39s. Ref: 4-Staff-14
Ref: 4-Staff-16
Ref: Updated Cost Allocation model

Board staff noted in the above referenced interrogatories that PDI had not recorded specific expense types in the appropriate accounts, which have an impact on the costs allocated to PDI's rate classes. These accounts include meter reading expense, pension expense and certain maintenance expenses. PDI has filed an updated cost allocation model to incorporate the separation of meter reading expense.

a) Please confirm that the updated cost allocation model does not contain the revisions to the other expense types included in PDI's response to 4-Staff-16.
b) If this is the case, please provide an updated cost allocation model that incorporates these adjustments.

4-Staff-40s. Ref: 4-SEC-19

In response to the above noted interrogatory PDI has provided, as requested, the total PUSI labour budget by department.

a) Please provide a comparable table showing PDI's labour budget by department.

Exhibit 5: Cost of Capital

5-Staff-41s. Ref: 5-VECC-28

In its response to 5-VECC-28, PDI states that it has recently obtained financing from the Toronto-Dominion Bank for a loan amount of $21,657,680. The loan is currently short-term, but can be converted to a longer-term financing and PDI was exploring this option.

a) Please confirm the financing, the date that the loan commenced and the interest rate of the loan.
b) Has PDI updated its weighted-average long-term debt and its cost of capital to reflect the changes to its debt instruments? If not, please provide updated Appendices 2-OA and 2-OB for the 2013 test year to reflect these changes. These should also be reflected in any updated RRWF, if not already done.

Exhibit 8: Rate Design

8-Staff-42s. Ref: 8-VECC-32
Ref: RTSR Model updated April 29, 2013

PDI's response to part a) of the above noted interrogatory indicates that the LV forecast was determined based on 2011 volumes and 2012 pricing. On December 20, 2012, the Board approved new rates for Hydro One Sub-Transmission class RTSRs effective January 1, 2013. PDI has incorporated these new rates in its updated RTSR model.

a) Please update the LV forecast using 2012 volumes and the approved 2013 rates.

Exhibit 9: Rate Design

9-Staff-43s. Ref: 9-Staff-30
Ref: Updated DVA Work Form
Ref: APH, Article 220

Board staff notes that PDI did not reflect interest for Account 1595, Disposition of Regulatory Balances (2010) from January 1, 2012 to December 31, 2012 and from January 1, 2013 to April 30, 2013 in its updated DVA Workform. Article 220 of the APH indicates that Account 1595 (Disposition and Recovery/Refund of Regulatory Balances) attracts carrying charges.

a) Please provide the detailed calculation of interest for Account 1595 from January 1, 2012 to December 31, 2012 and from January 1, 2013 to April

30, 2013 and reflect the interest in an updated DVA Work Form and update all related evidence including Table 9-8 and Table 9-9.

9-Staff-44s. Ref: 9-Staff-32
Ref: 9-Energy Probe-26

In the response to 9-Staff-32, PDI has provided the derivation of the net book value of stranded meters by Residential and GS < 50 kW customer classes, including depreciation to December 31, 2012.

In its response to 9-Energy Probe-26, PDI states:

> The estimated net book value of the stranded meters for each of the residential and GS<50 rate classes were calculated as:
>
> > The net book value of the meters at the time they were removed from service and transferred to Account 1555 Sub-account Stranded Meter Costs, less contributed capital (net of accumulated amortization), less net proceeds from sales
> >
> > less
> >
> > The depreciation expense that would have been applicable from the time the stranded meters were transferred to Account 1555 until December 31, 2012
> >
> > less
> >
> > The amount of depreciation that would have been recorded from the date of removal until April 30, 2013.

The revenue requirement and rate base are based on the fiscal calendar year, and the stranded meters are, for rate regulatory purposes, removed from the 2013 test year rate base effective January 1, 2013.

a) Please explain why PDI has included depreciation that would have been recorded until April 30, 2013 in its calculation of net book value?
b) Please reconcile the response to 9-Energy Probe-26 with the calculations provided in the response to 9-Staff-32.