



PUBLIC INTEREST ADVOCACY CENTRE

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September 18, 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-2013-0122 - Cooperative Hydro Embrun Inc.
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)**

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

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

cc: Cooperative Hydro Embrun - Benoit Lamarche - embrunhydro@magma.ca
Manuela Ris-Schofield - manuela@tandemenergyservices.ca

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND NO:	# 1
TO:	Cooperative Hydro Embrun Inc. (Embrun)
DATE:	September 18, 2013
CASE NO:	EB-2013-0122
APPLICATION NAME	2014 Cost of Service Electricity Distribution Rate Application

1. GENERAL

1.0 – VECC – 1

Reference: Exhibit 1, Tab 1 (E1.T1.S6) / Exhibit 4, Tab 9

- a) Please provide the total number of cooperative memberships in 2012 and the total number of accounts eligible for membership in 2012.
- b) Please explain how non-members are recruited or informed of their right to become a member.
- c) For membership disbursement paid in 2012, please provide the lowest and highest membership dividend and the average residential account dividend.
- d) If any town or township is a member please provide the disbursement made to that entity in 2012.

1.0 – VECC – 2

Reference: Exhibit 2, Tab 3 (E2.T3.S1)

- a) Please provide the causes of interruptions by the following categories (see sample table below).
- b) Please confirm that there were no service interruptions in 2010 other than those caused by loss of supply.

Description	2009 Totals	2010 Totals	2011 Totals	2012 Totals
Scheduled				
Supply Loss				
Tree Contact				
Lightning				
Def. Equip.(other than pole)				
Pole Failure				
Weather				
Animals, Vehicle				
Unknown				
Total				

2. RATE BASE (Exhibit 2)

2.0-VECC – 3

Reference: Exhibit 2, Tab 2

- a) Was an Asset Management Plan undertaken prior to the 2013 Plan? If yes please provide the forecast capital expenditures that were recommended in that plan.
- b) If no previous plan was undertaken please provide the forecast capital expenditures for 2010 through 2013 that were included in the last cost of service application.

2.0-VECC – 4

Reference: Exhibit 2, Tab 1, pg.9 (E2.T1.S3)

- a) Please provide a description of the Intangible Plant (account 1300) and the reasons for its growth from \$0 in 2009 to \$146,427 (forecast) in 2014.

2.0-VECC – 5

Reference: Exhibit 2, Tab 2. Schedule 2 – Appendix 2-A

- a) Please explain the reasons for the inordinately low capital spending in 2012 as compared to the previous and post period.

2.0-VECC – 6

Reference: Exhibit 2, Tab 2 (E2.T2.S3)

- a) Please provide the capital budgets for all connection projects (actual and forecast) for the years 2009 through 2014.

2.0-VECC – 7

Reference: Exhibit 2, Tab 1 (E2.T1.S6)

- a) Does Embrun monthly or bimonthly bill all its customers? Is the current billing cycle practice different, and how, from that used in 2009.
- b) Please calculate the reduction in revenue requirement that would be associated with a 12% working capital allowance.

2.0-VECC – 8

Reference: Exhibit 2, Tab 2, pg.23, Table 2013 Capital Budget

- a) Please update the 2013 capital budget table by adding three new columns showing actual spent –to-date, estimated remaining to be spent to year-end, and estimated or actual in-service date.

2.0-VECC – 9

Reference: Exhibit 2, Tab 2, pg. 30,37

Preamble *The utility anticipates load growth in the next few years due to the building of several subdivisions. At the time of this application only one subdivision is planned. (pg.37)*

- a) Please provide the status of subdivision projects: Patenaue Subdivision (100 units), Brisson Project Oligo (50 units), Domain Versaille (50 units), and Maurice Lemiux (50 units). In this update please indicate when (or if) service has been laid out in the subdivision, when (or if) building construction has started and the actual or expected construction completion date.
- b) Please indicate for each project whether service is overhead or underground.
- c) Please provide the current estimated cost to serve each subdivision and the expected contribution in aid-of construction for each sub-vision and the current expected occupancy date for the subdivision.

2.0- VECC - 10

Reference: Exhibit 2, Tab 3, Appendix C – System Load-Flow and Optimization Study

- a) Beginning at page 14 of the Study there is a discussion of the need for substation redundancy and capacity and which includes 3 options to address the risks identified. Please explain which option Embrun is pursuing and the capital budget (year and amount) for addressing the issue.

3. LOAD FORECAST/ OPERATING REVENUE (Exhibit 3)

3.0-VECC – 11

Reference: Exhibit 3

Preamble: *Embrun filed a revised Application in July 2013 and then filed a further revised version on September 12, 2013*

- a) Please confirm that there were no changes to Exhibit 3 in the September filing. If there were, please indicate what they are.

3.0-VECC – 12

Reference: Exhibit 3, Tab 1, page 5-7 (July 2013)

**Load Forecast Worksheet, Input Customer Growth Tab
Load Forecast Worksheet. Final Load Forecast Tab**

- a) Are the customer count values reported in Table 1 year end or average annual values?
- b) The Application (page 7) states that the USL customer count is increasing as a result of the new subdivision. However, the 2014 forecast customer count is the same as for 2013. Please reconcile.
- c) What was the actual customer count by class for most recent month where data is available?

3.0 – VECC – 13

Reference: Exhibit 3, Tab 1, page 13 (July 2013)

Preamble: The Board's Filing Guidelines issued July 2013 (Chapter 2, page 23) require that distributors file test year load forecasts based on: "a) 10-year average and b) 20-year trend HDD and CDD".

- a) Please provide a schedule that compares the forecast 2014 purchases (prior to any CDM adjustment) based on i) the 10-year average CDD and HDD values with ii) the 20-year trend HDD and CDD.

3.0 – VECC – 14

Reference: Exhibit 3, Tab 1, page 14 (July 2013)

**Load Forecast Worksheet, Input WS Regression Analysis Tab
2013 Ontario Budget**

(<http://www.fin.gov.on.ca/en/budget/ontariobudgets/2013/>)

- a) What is the basis for the employment level forecast used for 2013 and 2014?
- b) The employment levels forecast for 2013 and 2014 are lower than those for 2012. However, the 2013 Ontario Budget (Table 2.6) calls for provincial employment increases in 2013 and 2014 of 1.2% and 1.4% respectively. Please reconcile.
- c) Please provide a revised forecast using the same equation but where the actual 2012 monthly employment levels are increased by the percentage amounts in the 2013 Budget. Please also provide the revised Load Forecast Worksheet.

3.0 – VECC – 15

Reference: Exhibit 3, Tab 1, pages 21-27 (July 2013)

- a) With respect to Table 19, what is the total kWh for all customer classes expressed as a percentage of weather adjusted purchases for each year from 2010-2014?

3.0 – VECC – 16

Reference: Exhibit 3, Tab 1, pages 28-31 (July 2013)

Board Decision and Order re: Centre Wellington Hydro's 2013 Rates (EB-2012-0113), pages 6-7

Preamble: The Board's Filing Guidelines issued July 2013 (Chapter 2, pages 24-25) state:

Further, the actual results for 2011 and 2012 historical years, which will, in all likelihood, be used to develop the base forecast, includes the impacts of 2011 and 2012 CDM programs. The CDM adjustment to the load forecast should also take into account the historical CDM results factored into the base load forecast before the CDM adjustment, in order to avoid double counting of the impacts. ”.

- a) Please confirm that Embrun's proposed 710,140 kWh adjustment for CDM includes 537,910 kWh associated with CDM savings achieved in 2011 and 2012.
- b) In accordance with the Board's Guidelines, please confirm that these savings should be removed as part of the “manual adjustment” since they are already reflected in the actual purchased power values used to develop the initial load forecast.
- c) In its Decision regarding Wellington Hydro's 2013 rates the Board rejected the use of a net-to-gross adjustment factor and required that the CDM adjustment be done on a “net” basis. The Board also directed that the impact in the first year of a CDM program be adjusted using the “half-year rule”.
- Please recalculate the manual adjustment for 2014 so as to exclude the impact of 2011 and 2012 CDM programs and so as to be consistent with the Board's direction in the Centre Wellington Decision.
 - Please confirm that the resulting value should be 58,322 kWh (i.e. $38,881 + (0.5 * 38,881)$).

3.0 – VECC – 17

Reference: Exhibit 3

- a) Please confirm what changes, if any, Embrun is proposing to its 2014 load forecast based its responses to both Board Staff's and VECC's interrogatories and provide a schedule setting out the revised proposed load forecast (customer count, kWh and kW (where applicable) by customer class and the supporting Load Forecast Worksheet.

4. OPERATING COSTS (Exhibit 4)

4.0 - VECC- 18

Reference: Exhibit 4, Tab 1, Schedule 3/ Appendix 2-H CHEI 2014 OEB Appendics_2013014

- a) Please reconcile the 2010 OM&A from these two sources (\$469,199 in the Excel spreadsheet vs. \$497,227 in the test source)

4.0 - VECC- 19

Reference: Exhibit 4, Tab 1, pg.6

- a) Please provide the derivation of the incremental \$34,500 identified as on-going incremental costs for smart metering. In this analysis please identify the cost of meter reading pre and post installation of smart meters.

4.0 - VECC- 20

Reference: Exhibit 4, Tab 1, pg. 21

- a) Embrun has significantly increased its allowance for bad debt and collection charge expense in 2014 (e.g. \$2,314 in 2012 vs. 8,200 in 2014). Embrun explains that changes to OEB rules have resulted in the Utility discontinuing security deposits. Please explain the basis for the assumption that the lack of security deposits will increase bad debt and collection costs (for example, in the last year security deposits were held what amount was drawn against them for non-payment).

4.0 - VECC- 21

Reference: Exhibit 4, Tab 1

- a) Please provide association fees paid to the EDA for each of the years 2010 through 2014 (forecast).
- b) Separately provide and describe the cost of all other association memberships.

4.0 - VECC- 22

Reference: Exhibit 4, Tab 1

- a) Account 5605 – Executive Salaries and Expenses has increase 47% since 2010 as compared to 2014 forecast. Please explain the reasons for this. Specifically please address the increase in total salaries from \$166,172 to \$176,106 (6%) between 2013 and 2014.
- b) Similarly Account 5615 – General Administrative Salaries has increased by 76% since 2010. Please provide the reasons for this large increase.

4.0 - VECC- 23

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

- a) At Exhibit 4, Tab 1, pg. 20 it appears to show that Embrun's billing costs have increased by \$46,200 due to a move to monthly billing. Please provide a breakdown of this and the other elements of customer billing in Account 5315 which shows the elements of the increase as between 2010 and 2014.

4.0 - VECC- 24

Reference: Exhibit 4, Tab 1, pg. 17

- a) Please provide details as to the deferred profit share plan referred to at the above reference. Please indicate the current assets in the plan are in the plan, who benefits from the plan and under what conditions and how the plan is funded.
- b) What is the total amount to be recovered for the deferred profit plan in 2014 OM&A.

4.0 - VECC- 25

Reference: Exhibit 4, Tab 2, Schedule 4

- a) Please provide the productivity offset and stretch factors that were used by the Board for Embrun during the previous IRM period.

4.0 - VECC- 26

Reference: Exhibit 4, Tab 1

- a) Please provide the training and staff development budgets in each year 2009 through 2013.

4.0-VECC – 27

Reference: Exhibit 4, Tab 6

- a) As a cooperative is Embrun entitle to any special (i.e. different from corporate) tax treatment? If so please explain.

4.0-VECC – 28

Reference: Exhibit 4, Tab 6

- a) If available, please provide the 2013 OM&A spending to-date (ending August) in detailed format showing in three columns: the 2013 forecast; year-to-date; expected to-year end.

COST OF CAPITAL (Exhibit 5)

5.0 - VECC- 29

Reference: Exhibit 5, Tab 1

- a) Does Embrun hold any short-term bank debt (for example working capital reasons). If yes please describe the amount and terms.

COST ALLOCATION (Exhibit 7)

7.0-VECC – 30

Reference: Exhibit 7, Tab 1, pages 5-6 (September 2013)

- a) Please explain why service weighting factors are not applicable to the Streetlighting and USL classes.
- b) The Application states that the weighting factor for GS>50 is “2” as the time and cost of the installations require additional planning and preparation time due to the complexity of the metering equipment. The Application also states that, in the case of GS<50, requires slightly more planning and monitoring. Given this context, please explain why the GS<50 class has also been assigned a service weighting factor of “2” (per Cost Allocation model, Tab I5.2).

7.0-VECC – 31

**Reference: Cost Allocation Model, Sheet I7.1 (July 2013)
Exhibit 7, Tab 1, page 6 (September Filing)
Exhibit 2, Tab 2, Appendix B**

- a) Which categories of meters in Sheet I7.1 are “smart meters” per the recent smart meter program?
- b) Please show how the relative smart meter capital costs for the different customer classes as shown in Sheet I7.1 were derived from the smart meter costs by customer class reported in Exhibit 2.

7.0-VECC – 32

**Reference: Cost Allocation Model, Sheets I3 and I7.2 (July 2013)
Exhibit 7, Tab 1, page 6**

- a) Why are there no meter reading expenses in the Operating Expenses?

7.0-VECC – 33

Reference: Cost Allocation Model, Sheet I8 (July 2013)

- a) What is the basis for the load profiles used to create the demand allocators in Sheet I8?

7.0-VECC – 34

**Reference: Exhibit 6, Tab 1, Schedule 2, page 7 (September 2013 Filing)
Exhibit 7, page 10 and Cost Allocation Model, Sheet I6.1 (from
September 2013 Filing)**

- a) The revenue at existing rates set out in Exhibit 7 at page 10 (\$839,063) does not agree with the value from Sheet I6.1 of the CA Model also provided in that Exhibit (\$837,749). Furthermore, both of these values differ from the value use in Exhibit 6 (\$781,348). Please indicate which value is correct and provide the necessary revisions to the evidence.

7.0-VECC – 35

**Reference: Exhibit 3, Tab 1, page 31 (September 2013 Filing)
Exhibit 7, Tab 1, Cost Allocation Model Sheet I6.2 (September
2013)**

- a) The 2014 kWh by rate class used in the Cost Allocation Model do not reconcile with those set out in Exhibit 3 (e.g. the totals are 30,803 MWh and 30,899 MWh respectively). Please indicate which values are correct and provide the necessary revisions.

7.0-VECC – 36

**Reference: Exhibit 6, Tab 1, Schedule 2 (September 2013 Filing)
Exhibit 7, page 12 (September 2013 Filing)
Exhibit 8, page 11 - TESI-12 (September 2013 Filing)**

- a) The Total Proposed Service and Base Revenue Requirements differ across the three references as follows:

	Service Revenue Requirement	Base Revenue Requirement
Exhibit 6 (RRWF, p. 8)	\$869,078	\$838,797
Exhibit 7	\$868,892	\$838,611
Exhibit 8	-	\$869,079

Please indicate which values are correct and provide the necessary revisions to the evidence filed.

7.0-VECC – 37

Reference: Exhibit 7, Tab 1, page 12 (September 2013 Filing)
Exhibit 7, Tab 1, pages 14-15 (July 2013 Filing)

Preamble: *In its initial filing, Embrun had proposed to move the revenue to cost ratios for those classes outside the Board's policy range so as to be at the range limits and to adjust the ratios for the other classes so as to maintain revenue neutrality. However, in the July 2013 revision Embrun proposed to move all of the ratios to 100%. In the September 2013 filing Embrun appears to have reverted to its original proposal.*

- a) Please confirm what Embrun's proposal is with respect to the customer class revenue to cost ratios for 2014 and, if not already in evidence, provide a version of Appendix 2-P consistent with the proposed ratios and revenue requirement..
- b) If Embrun is now proposing to move all of the customer class revenue to cost ratios to 100% as of 2014, please indicate what improvements have been made to the cost allocation and, in particular regarding the customer class load profiles, that would justify this proposal?

RATE DESIGN (Exhibit 8)

8.0-VECC – 38

Reference: Exhibit 8, Tab 1, page 9 (September 2013 Filing)

- a) Please explain why a 50/50 fixed-variable split is considered by Embrun to be "fair and equitable".

8.0-VECC – 39

Reference: Exhibit 8, Tab 1, page 11 - Table TESI-12 (September 2013 Filing)

- a) Please confirm that fixed variable split percentages calculated at existing rates used the 2014 load forecast quantities for each customer class. If not please revise the table to show the percentages calculated on this basis.

8.0-VECC – 40

Reference: Exhibit 8, Tab 5, pages 21-22 (September 2013 Filing)

- a) Please provide a schedule setting out the calculation described on page 21 (first paragraph) that results in the proposed \$56,434 in LV costs.

8.0-VECC – 41

Reference: Exhibit 8, Tab 6, Appendix 2-R (September 2013 Filing)

- a) Please explain the significant increase in annual loss factor experienced in 2011. If this is truly an anomaly, should it be excluded from the calculation?

STRANDED METERS

8.0-VECC – 42

Reference: Exhibit 8, Tab 7, pg. 28, Table 9 / 2014 Appendices_20130614

- a) Table 9 shows the total stranded meter for recovery at \$42,924. The continuity schedule for 2012 shows account 1860 asset disposals of \$79,072 and accumulated depreciation of \$32,985 for a difference of 46,087. Please confirm the difference, \$3,163 is the amount depreciated in 2013.

8.0-VECC – 43

Reference: Exhibit 8, Tab 7, pg. 28, Table 9

- b) Please provide a detailed calculation showing the derivation of the stranded meter weighting factor.
- c) Did Embrun maintain separate accounting records for meters in the two classes?
- d) Generally, stranded meters costs have been allocated on one of three methods: (1) actual class specific where available; (b) last Board approved cost allocation methodology; (c) smart meter cost allocation proxy. Please indicate what method is being used by Embrun.
- e) Please recalculate the stranded meter using the last Board approved cost allocation.

DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)

9.0-VECC – 44

Reference: Exhibit 9, Tab 1, Letter of August 22

- a) Embrun notes in this updated evidence that the amounts in account 1576 are unaudited and therefore disposition is contrary to Board policy. Please advise as to whether Embrun is seeking disposition of account 1576 in this proceeding.

*****End of document*****