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October 11, 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-2013-0139 Hydro Hawkesbury Inc.

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

Yours truly,

Michael Janigan
Counsel for VECC

Attachment -15pgs
cc. cc: Mr. Michel Poulin, General Manager
michelpoulin@hydrohawkesbury.ca
Manuela Ris-Schofield
manuela@tandemenergyservices.ca

REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND NO:	**# 1**
TO:	**Hydro Hawkesbury Inc. (HHI)**
DATE:	**October 11, 2013**
CASE NO:	**EB-2013-0139**
APPLICATION NAME	**2014 Cost of Service Electricity Distribution Rate Application**

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1. GENERAL

1.0 – VECC – 1

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

a) Please provide the causes of interruptions by the following categories (see sample table below or use similar categories which HHI tracks).

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 – 2

Reference: Exhibit 2, Tab 1, Schedule 5 / (E2.T1.S4)

a) The continuity schedule at Apprendices_rev20130613 (schedule 5) shows that in 201, $601,817 was added into account 1860 - smart meters. It also shows an additional $17,082 added to rate base under this category. Please explain the additional $17,082 in smart meter asset acquisition. Is the 17k part of the 601k?

b) Please explain why $254,843 in stranded meters is in the opening balance for 2014. Please provide the rate base and revenue requirement adjustment assuming the 2014 opening balances for stranded meters (asset and depreciation) are removed.

2.0-VECC – 3

Reference: Exhibit 2, Tab 1 (E2.T1.S4)

a) Please provide a breakdown by USoA account of the $2,230,722 in ICM spending, showing the adjustment to rate base in 2014. In doing this please also show how the collected ICM rate rider revenue is used (or not) to offset the adjustment to rate base for the assets in question.

2.0-VECC – 4

Reference: Exhibit 2, Tab 1 (E2.T1.S6) / Table 13 (E4.T5.S3)

a) Are any of the adopted depreciation rates shown in Table 8 (Table 13) outside the range proposed in the Kinectrics report? If so please detail this exceptions and explain the materiality (in revenue requirement adjustment terms) of any deviations.

2.0-VECC –5

Reference: Exhibit 2, Tab 1 (E2.T1.S7)

a) Does HHI now bimonthly bill all its customers? When did the billing cycle change.

b) What is the reduction to the need for actual working capital now that HHI bills on a monthly basis?

2.0-VECC – 6

Reference: Exhibit 2, Tab 2 (E2.T1.S9)

a) As shown in the 2011 Fixed Asset Continuity Schedule, the difference in the estimated and actual stranded meter amount appears to be related to $7,797 in meter additions made in 2011. Please explain why this investment was made if it was to be stranded in the next year – that is why were mechanical meters installed instead of smart meters?

2.0-VECC – 7

Reference: Exhibit 2, Tab 2 (see also 2.0-Staff-3)

a) Please explain the underinvestment in poles and associated hardware in 2008 through 2011 as compared to the 2012 and onward budgets.

2.0-VECC – 8

Reference: Exhibit 2, Tab 2

a) Please provide a description of all the buildings owned or leased by HHI, including garages and administrative offices.
b) HHI notes that its current building was built in 1962. What plans, if any, does HHI have to replace its existing building(s)?

2.0- VECC - 9
Reference: Exhibit 2, Tab 2, pg.52

a) Please update the 2013 capital budget to show (3 columns) the amount spent to-date on each project, the forecast remaining to be spent on the project and the project's expected or actual in-service date.

2.0-VECC – 10

Reference: Exhibit 2, Tab 2, pg. 70

a) HHI has budgeted $12,500 for transformers related to an expected subdivision. The evidence notes that a capital contribution will be required related to this expenditure. Please provide the estimated contribution.

b) What were the capital contributions in 2010 through 2014 (forecast).

2.0-VECC – 11

Reference: Exhibit 2, Tab 2, pg. 82 (E2.T2.S8)

a) Had HHI completed an Asset Management Plan prior to the 2013 Plan filed in the evidence?

b) Please provide the forecast capital expenditures included in the last cost of service filing of HHI.

c) Please provide the forecast capital budget for period covering the current Asset Management Plan. If no such budget was completed please explain why not.

3. LOAD FORECAST/ OPERATING REVENUE (Exhibit 3)

3.0-VECC – 12

Reference: Exhibit 3, Tab 1, Schedule 2

a) Are the customer numbers shown in Table 1 year end values or average annual values?

b) What is the customer count for each class as of June 30, 2013?

c) The pages in the Application are not numbered. At page 347 of the July PDF version HHI states: "The company shut down completely in the month of January (2009) and has resumed production in February with only of one out of three production lines". The Application subsequently states: "*The company permanently ceased it operation at the end of 2009*". Please confirm that it was February 2009 that the company resumed production and that it is currently permanently shut down.

3.0 – VECC –13

Reference: Exhibit 3, Tab 1, Schedule 4
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.

3.0-VECC – 14

Reference: Exhibit 3, Tab 1, Schedule 4, Table 13
Staff Interrogatory 3.0-Staff-12

Preamble: Immediately after Table 16, HHI states: "An increase in inhabitants usually results in an increase in commercial or municipal services"

a) Please re-do the regression analysis, excluding the employment variable but including residential customer count by month as an explanatory variable. Please provide the resulting regression statistics and the purchase power forecast for 2013 and 2014.

3.0-VECC – 15

Reference: Exhibit 3, Tab 1, Schedule 4

a) Please explain how the weather adjusted purchases set out in Table 14 were derived.

b) The paragraph preceding Table 14 states: "HHI has also provided a 2013 forecast assuming twenty-year normal weather conditions". Please indicate where in the Application this information is provided and whether HHI has also provided a 2014 forecast based on 20-year normal weather conditions. If either the 2013 or 2014 forecasts based on 20-year normal weather conditions have not been provided, please do so.

3.0 – VECC –16

Reference: Exhibit 3, Tab 1, Schedule 4, Tables 19 and 20

a) Adjustments were made to the Residential and GS<50 consumption forecasts for 2013 and 2014 to account for new customers but no similar adjustment was made to the GS>50 consumption forecasts. Please explain why.

3.0 – VECC –17

Reference: Exhibit 3, Tab 1, Schedule 5
Staff Interrogatory 3.0-Staff-15

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) With respect to Table 24, the total percentages reported for the rows and columns do not reconcile with the sums of the individual entries. Please reconcile and correct.
b) With respect to Tables 24 and 25 the 430,000 kWh reported in Table 24 as the annual savings from 2012 CDM programs does not reconcile with the total CDM savings from 2012 programs of 490,000 kWh shown in Table 25 (i.e. 0.19+0.19+0.03+0.06). Please reconcile this difference and correct the tables in the Application as necessary.
c) Please confirm that HHI's proposed 6,782,178 kWh adjustment for CDM includes 2,011,585 kWh associated with CDM savings achieved in 2011 and 2012.
d) 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.
e) 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”. If not already done in response to Staff-15:

- 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.

3.0 – VECC –18

Reference: Exhibit 3, Tab 2, Schedule 2, Table 29
Cost Allocation Model, Sheet I6.1

a) Please reconcile the 2014 revenue at current rates reported in Table 29 ($1,329,732) with that reported in the Cost Allocation Model Sheet I6.1 ($1,443,257).
b) Please also reconcile these values with the Distribution Revenue at Current Rates reported in the Revenue Requirement Workform (Exhibit 6, Tab 2 Schedule 2).

3.0 – VECC –19

Reference: Exhibit 3

a) Please confirm what changes, if any, HHI is proposing to its 2014 load forecast based on 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.

3.0 – VECC –20

Reference: Exhibit 3, Tab 3, Schedule 2

a) Please confirm where the revenues received from SSS Admin charges are included in Appendix 2-F and what the values are for 2012, 2013 and 2014.
b) Does the 2014 forecast of Interest and Dividend Income (Account 4405) include carrying charges in RSVA accounts? If so, please confirm that this should be excluded.

3.0 – VECC –21

Reference: Exhibit 3, Tab 3, Schedule 5

a) What is the impact on HHI's Other Revenues of the four proposed changes in Specific Service Charges for 2014?

4. OPERATING COSTS (Exhibit 4)

4.0 - VECC- 22

Reference: Exhibit 4, Tab 1, Schedule 3/ Appendix 2-H OM&A Detailed

a) The Excel Spreadsheet column for 2010 appears to have reference errors. Please correct and re-file this table.

4.0 - VECC- 23

Reference: Exhibit 4, Tab 1, Schedule 3, Appendix 2-G

a) Please update the 2013 Bridge year OM&A budget to show (3 columns): original budget; year-to-date actuals and the remaining forecast to-year-end spending.

4.0 - VECC- 24

Reference: Exhibit 4, Tab 1 (E4.T1.S1)

a) Table 2b) appears to show the incremental on-going costs of smart meter operations is $96,921. This amount includes to charges from Utilismart and amounts for manual reads. Please explain these two charges and confirm the on-going costs for the operation of smart meters in 2014 and beyond.

4.0 - VECC- 25

Reference: Exhibit 4, Tab 1 (E4.T1.S4), Appendix 2-G

a) Account 5335. Please explain how the 2014 Bad Debt expense ($30k) was calculated.

b) Please provide the 2013 Bad Debt expense to-date.

4.0 - VECC- 26

Reference: Exhibit 4, Tab 1 (E4.T1.S4), Appendix 2-G

a) Account 5065. HHI states that Meter Expenses increases are due to the installation of smart meters. Please explain why HHI does not anticipate the costs captured in this account declining now that the initial installation of smart meters has been completed.

4.0 - VECC- 27

Reference: Exhibit 4, Tab 1

a) Account 5310. The evidence states that the cost associated with conversion to monthly billing was $10,500. Please clarify whether this was a one-time cost or an ongoing cost. If the former please provide the ongoing increase in costs in going from bimonthly to monthly billing.

4.0 - VECC- 28

Reference: Exhibit 4, Tab 1

a) HHI notes that it forecasts an increase in property insurance premiums of $4,300. Does HHI purchase its insurance from the MEARIE Group? If yes please explain if HHI tenders for this product and if not how it satisfies itself that it is receiving a competitive rate.

4.0 - VECC- 29

Reference: Exhibit 4, Tab 1

a) HHI states office supplies costs for 2014 increased due to the upgrade of the telephone service. Of the $3,000 increase noted in the evidence how much is due to this upgrade? Is this an ongoing or one-time cost?

4.0 - VECC- 30

Reference: Exhibit 4, Tab 1 (E4.T1.S5) Table 11a)

a) Please confirm the first row labeled "Number of Customers" shows customer numbers and not dollars as indicated by the format.

b) For the most recent Board published year please provide the comparable Table 11a) OM&A per customers and Customers/FTEE for the following cohort utilities: Cooperative Hydro Embrun, Hydro 2000; Ottawa River Power Corporation; Renfrew Hydro Inc. Please comment on the comparability of these utilities to HHI.

4.0-VECC – 31

Reference: Exhibit 4, Tab 1 (E4.T1.S7)

a) Please show by account the amortization of the 2014 costs for the evaluation of the 10 MVA transformer. That is, explain how many years the cost is amortized over and show which account(s) contain these figures for 2014.

4.0-VECC – 32

Reference: Exhibit 4, Tab 1 (E4.T1.S8)

a) Please provide a breakdown description of the $138,000 HHI is forecasting for 2013 regulatory costs.

b) The 2014 forecast regulatory costs are $65,400. Table 13 (shown below) appears to show annual costs of $63,900. Please reconcile the difference.

OEB Assessment fee	$8,900/year
Intervener (2014COS)	$25,000 ($5,000 over 5 years)
Intervener (on-going)	$5,000/year (IRM etc.)
TESI (on-going)	$30,000/year
Deloitte (2014COS)	$25,000 ($5000 over 5 years)
Deloitte (on-going)	$10,000/year (IRM and other filings)

4.0-VECC – 33

Reference: Exhibit 4, Tab 1 (E4.T2.S1)

Preamble: HHI makes the following statement:

> Revised June 12, 2013. HHI does not use specific benchmarking studies to determine salary ranges. However HHI and its shareholder are well aware of the salary ranges in neighbouring utilities and use the neighbouring salaries as a guideline. HHI is also aware of recently published surveys and attests that current salaries are well below those suggested salary range.
>
> 8% Salary Increase in 2013 & 2014 over 2012 for Management Salaries: Management intends to negotiate its salaries in 2013 & 2014 to be more in-line with its peers in the industry. Therefore, HHI augmented its salary expense of 8% in view of an accepted demand.

a) Please explain what is meant by the phrase "*in view of an accepted demand*".

b) HHI's proposal gives management a 17% increase from 2012 to 2014, while unionized staff compensation increases by 6% during the same period. What evidence is HHI relying on to support the larger increase in management compensation levels.

4.0 - VECC- 34

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- 35

Reference: Exhibit 4, Tab 6 (E4.T6.S1)

a) Please provide the PILs payments made in each of the years 2009 through 2012

COST OF CAPITAL (Exhibit 5)

5.0 - VECC- 36

Reference: Exhibit 5, Tab 2

a) Please reconcile Table 4 (reproduced below) with Appendix 2-OB for 2013 and 2014.

Table 4 below summarizes HHI's debt position.

Debt Holder	Particulars	Balance as of December 31 2012
Town of Hawkesbury	Shareholder Note	$253,366
Infrastructure Ontario	Capital funding for the 44KV	$741,098
Total		$994,464

5 – VECC –37

Reference: Exhibit 5, Tab 2

a) Please show the derivation of the 4.12% long-term debt rate shown in Appendix 2-OA. Specifically, reconcile this rate with the fixed rate loans of 3.94% shown in Appendix 2-OA.

5-VECC- 38

Reference: Exhibit 5, Tab 2

a) For 2014 is HHI forecasting any debt to be held by:

(1) Infrastructure Ontario - if yes please show amount and rate

(2) Town of Hawkesbury – if yes show amount and rate.

(3) Any other party – if yes show amount and rate.

b) Please answer same for all short-term debt.

c) For both a) and b) please indicate the date(s) of expected drawdown of the loan (e.g. if HHI expects to draw a portion of the loan in June 2014 indicate the date and amount).

COST ALLOCATION (Exhibit 7)

7.0-VECC – 39

Reference: Exhibit 7, Tab 1, Schedule 1

a) Please explain why service weighting factors are not applicable to the Street Lighting class.

b) The Application states that "HHI has deemed it appropriate to use the coincident and non-coincident peaks from the 2010 Application". Please confirm whether HHI used i) the actual data from the 2010 Application or ii) the coincident/non-coincident kW to kWh relationships for each class from the 2010 Application in establishing the demand data for the current application.

c) Please confirm that the demand data used in the 2010 Application was based on analysis done using 2004 data.

7.0-VECC – 40

Reference: Cost Allocation Model, Sheets I7.1 and I7.2

a) Please show that the smart meter capital costs as shown in Sheet I7.1 were derived from the smart meter costs by customer class reported in Exhibit 2.

b) Please explain why there are not meter reading weighting factors attributed to Residential or GS<50 in Sheet I7.2.

c) Please also explain how, despite the fact there are no meter reading weighting factors for these classes, they are assigned a portion of the meter reading expense as shown in Sheet O5.

7.0-VECC – 41

Reference: Cost Allocation Model, Sheet O1
Exhibit 7, Tab 1, Schedule 1, Table 3

a) The revenue at current rates reported in Table 3 does not match that in Sheet O1 of the Cost Allocation model. Please reconcile and provide any revised tables/models as necessary.

7.0-VECC – 42

Reference: Cost Allocation Model, Sheet O1
Appendix 2-P
Exhibit 7, Tables 5-7

a) The Revenue to Cost ratios reported in Table 5 of Exhibit 7 do not match those in the Cost Allocation model. Please reconcile.

b) The Base Revenue Requirement by class reported in Table 6 at existing rates does not match that shown in the Cost Allocation model (e.g. for Residential the values are $958,758 versus $883,344). The same observation applies for the Service Revenue Requirement by class at existing rates. Please reconcile.

c) As necessary, please provide corrected versions of the Tables 5 and 6 as well as the Cost Allocation model.

d) The values input into part (B) of Appendix 2-P appear to be incorrect. In particular, as stated in the notes, the totals for columns 7C and 7D should reconcile with the Base Revenue Requirement (whereas those filed match the Service Revenue Requirement). Also, neither the status quo ratios nor the resulting proposed revenue to cost ratios in part (C) match those in the main Application. Please provide a corrected version and ensure that the values reconcile with the Cost Allocation model and Exhibit 7, Tables 5-7 (corrected per part (c) where necessary).

7.0-VECC – 43

Reference: Exhibit 7, Tab 1, Schedule 1, Table 7

a) Please confirm that the status quo revenue to cost ratios for GS<50 and GS>50 are both with the Board’s policy guidelines.

b) Please indicate what improvements have been made to the cost allocation and, in particular regarding the customer class load profiles, that would justify moving these ratios closer to 100%, as proposed by HHI.

RATE DESIGN (Exhibit 8)

8.0-VECC – 44

Reference: Exhibit 8, Tab 1, pages 10 and 15

a) Please explain why HHI believes the fixed-variable splits for USL and Street Lighting should be set "so as to get as close as possible to a 50% fixed 50% variable split" and the split for Sentinel Lights should also get closer to 50%/50%.

b) The Minimum Fixed Rates and Maximum Fixed Rates reported in Table 5 (page 15) do not match those from the Cost Allocation model (Sheet O2). Please reconcile and provide revised tables as necessary.

c) Please explain why the fixed portion of the rate design for the GS<50 class is being increased (i.e. $15 versus $14.10 based on current split).

8.0-VECC – 45

Reference: Exhibit 8, Tab 5, Schedule 1

a) Please provide a schedule setting out the calculation of total 2014 LV charges as described in the first paragraph.

End of document