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January 31, 2014

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-2013-0159 Oakville Hydro Electricity Distribution Inc.

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

Yours truly,

Michael Janigan
Counsel for VECC

Encl.
cc: Ms. Mary Caputi
e-mail: mcaputi@oakvillehydro.com
All Parties

REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND NO:	**# 1**
TO:	**Oakville Hydro Electricity Distribution Inc.**
DATE:	**January 29, 2014**
CASE NO:	**EB-2013-0159**
APPLICATION NAME	**2014 Cost of Service Electricity Distribution Rate Application**

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1. Foundation

1.1. Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.1 - VECC - 1 Reference: E1/T3/Schedule 3

With respect to the pilot project to install photovoltaic devices on pole tops ($38,000):

a) Please provide the business case for this project and the pilot project results.

b) Are there any plans to expand this project? If yes, please describe.

1.2. Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

1.2 - VECC - 2 Reference: E1/T1/S1/pg.6

a) Does Oakville Hydro carry out any transactional surveys (e.g. after outage or a customer service contact)? If so, please provide a summary of the results of these surveys.

1.2 - VECC - 3 Reference: E1/T1/S1

Does Oakville Hydro track and categorize customer enquiries and complaints? If so please provide a summary of the annual results for 2010 through 2013.

1.2 - VECC - 4 Reference: E1/T3/S3/pg.50 & E4/T3/S9

Please explain how Oakville Hydro communicates the availability of LEAF bill assistance?

1.2 - VECC - 5 Reference: E1/Appendix A/ & E4/Appendix 3 Customer Survey.

In respect to the Customer Satisfaction Survey:

a) No data is provided in the Survey for 2010, 2011, 2012 or 2013. When was the last survey completed?
b) What questions were asked in respect to whether customers believe that they were receiving value for money for the services provided by Oakville Hydro? Specifically what questions (and results) were asked to determine the B+ score for Price and Value?
c) With respect the question of whether paying for electricity is a worry or problem, the survey reports better results (i.e. less worried) than the Ontario average. How was the variable of household income (as compared to other Ontario service areas)?

2. Performance Measures

2.1. Does the applicant's performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?

2.1 - VECC - 6 E 2/T5/S7

Please provide a breakdown of the service reliability performance metrics into the different category of reasons for the outage (excluding supply loss Code 2 outages). The table below provides an example format.

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Description	2010 Totals	2011 Totals	2012 Totals	2013 Totals
Scheduled				
Supply Loss				
Tree Contact				
Lightning				
Def. Equip.(other than pole)				
Pole Failure				
Weather				
Animals, Vehicle				
Unknown				
Total				

3. Customer Focus

3.1. Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

4. Operational Effectiveness

4.1. Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the associated level of revenue requirement requested by the applicant?

4.1 - VECC - 7 Reference: E2/Appendix A

Please explain what metrics (reliability targets etc.) or other objectives that Oakville is using to assess the success of the Distribution System Plan? Specifically discuss the separate metrics used to judge; (1) the success of the plan itself (e.g. in achieving stated goals) and (2) the success of the plan's implementation.

4.2. Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?

4.2 - VECC - 8 Reference: E4/T2/S1/p.11

Please provide the following statistics for 2010 through 2013

a) CPI;
b) GDP-IPI;
c) Oakville Hydro's IRM Stretch Factor;
d) Oakville Hydro's IRM Productivity Factor.

4.2 - VECC - 9 Reference: E4/Appendix 2-JC

Please file the Detailed OM&A for 2010 through 2014 in the USoA format showing accounts 5005 through 6205 and including the 2013 actual year-end (unaudited).

4.2 - VECC - 10 Reference: E4/T2/S2/pg.6

Smart Meter Incremental Costs (the purpose of this interrogatory is to understand the elements which have caused billing and collection to increase from 2010 to 2014.

a) Please compare the cost components of Billing and Collection accounts 5305, 5310, 5315, 5320,5325, 5335, 5340 for 2010 for Board approved 2010, 2010 actuals and 2014 forecast.
b) Please compare and contrast the components of actuals 5315 Billing for 2010 actuals as compared to 2014 forecast costs.

4.2 - VECC - 11 Reference: E4/T2/S2/pg.3

Please provide a breakdown of the incremental OM&A costs associated with the maintenance of the Glenorchy Municipal Transformer Station.

4.2 - VECC - 12 Reference: E4/T2

Please provide all training, conference and travel costs for each year 2010 through 2014.

4.2 - VECC - 13 Reference: E4/T3/S6

For each year in the period 2010 through 2014 please provide the amounts for:

a) EDA Fees;
b) MEARIE insurance premiums;
c) MEARIE Actuarial Services.

4.2 - VECC - 14 Reference: E4/Appendix A, pg.5 7
Monthly Billing Report & Appendix 2
Util-Assist: Billing Frequency Report

a) Please explain how the savings in moving to monthly billing were estimated.
b) The study does not identify any savings related to lower working capital requirements arising from the more frequent billing (i.e. increased cash flow). Please explain why this was not included in the study.
c) The associated Util-assist Report states "*In addition to the benefits associated with improved cash flow which can be easily quantified through analysis of the impact of changing the frequency of invoicing, there are some "anecdotal" improvements to the cash flow which are well understood but perhaps difficult to quantify*". It then goes on to describe a number of cost saving measures. Please explain how these measures were imputed in the cost saving analysis of the study on moving to monthly billing.

4.2 - VECC - 15 Reference: E4/T2/S2/pg.6 & S3/pg.7

From Appendix J-C Oakville Hydro's Bad debt costs for the years 2010 through 2013 are shown as:

2010	2011	2012	2013	2014
167,480	256,873	327,847	300,001	300,000

a) What steps has Oakville taken since 2010 to reduce these costs?
b) Please explain why, if Oakville is moving to monthly billing and has identified 20k in bad debt reductions as a result

(E4/Appendix A, pg.5), it still expects to have bad debt costs at the second highest level in 5 years?

c) Please describe the methodology for estimating the 2014 bad debt amount.
d) Please provide the actual 2013 bad debt amount.

4.2 - VECC - 16 Reference: E4/T2/S2/pg.8

Please provide a breakdown of the 2010 community relations expenses and compare and contrast these to the 2014 proposed expenses.

4.2 - VECC - 17 Reference: E4/T2/S3/pg.4 / T3/S4/pg.19

Please provide the average annual wage/salary increase (without progression and benefits) for each year 2012 through 2016 for:

a) Management and Executive
b) Non-Union
c) Union

4.2 - VECC - 18 Reference: E4/T2/S4 & Appendix 2-L

Why does the "normalized" OM&A per customer in Table 4-9 differ from the amount in Appendix 2-L for the 2010 Board approved year?

4.2 - VECC - 19: Reference: E4/T3/S4/pg.25

Oakville Hydro's FTE count has increase from 111 Board approved in 2010 to 120 or 9 incremental FTEs (positions). Please allocate these 9 positions into one of the following categories:

a) Primarily driven by smart meter/TOU requirements
b) Primarily driven by incremental regulatory or government requirements;
c) Customer growth driven;
d) Enhanced services (Transformer station related, new billing cycle, Web presentation etc.); or
e) Enhanced maintenance programs.

For each category please provide an estimate of the annual compensation increase related to the category.

4.2 - VECC - 20 Reference: E4/T2/S4 & Appendix 2-L

Please breakdown Oakville Hydro's "normalized" OM&A per customer increase from 2010 ($164 per customer) to 2014 ($228 per customer) into the following components:

a) % due to increase in capital programs/maintenance
b) % due to incremental regulatory/government responsibilities
c) % due to inflation
d) % due to enhanced services

Please provide an explanation of how the percentage was calculated.

4.2 - VECC - 21 Reference: E4/T3/S

With respect to Appendix 2-M

a) Please confirm that the regulatory costs associated with this application are $533,047.
b) Please provide the actual regulatory costs to-date. Include separately any amounts unbilled but estimated based on work completed.
c) Please explain the $43,047 in historical costs and identify the year of this spending.

4.3. Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rate increases for customers, or is any additional rate mitigation required?

5. Public Policy Responsiveness

5.1. Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

5.1 - VECC - 22 Reference: E4/T1/S2/pg.10

Please provide Oakville's estimate of the cost in 2014 of meeting all new government and OEB obligations established since 2010. Please categorize by requirement.

6. Financial Performance

6.1. Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

6.2. Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

7. Revenue Requirement

7.1. Is the proposed Test year rate base including the working capital allowance reasonable?

7.1 - VECC - 23 Reference: E2/T1/S5/pg.1 & T5/S2/pg.9

Redwood Square

a) When did the negotiations for the Redwood Square Lease occur? When was the lease signed? What were the reasons for the approximate 10% reduction in lease costs from the 2010 forecast value?

b) At page 9 it appears that Oakville contributed $851,368 for renovations to the Redwood Square property, including re-roofing. Please explain why Oakville Hydro pays for these leasehold improvements.

c) Does Oakville Hydro pay property tax on this building? If so please provide the amount forecast for 2014.

7.1 - VECC - 24 Reference: E2/T4/S1/pg.4

Please provide the total number of residential meters installed and the installed cost, for each year 2006 through 2010. Please also provide the number of installed meters for each year that were subject to contribution policies and the total amount of related contributions in each year.

7.1 - VECC - 23 Reference E4/T2/S1/pg.11

Has Oakville Hydro changed its billing cycle since 2010?

7.1 - VECC - 24 Reference: E2/T5/S2/pg.9

How many customers does Oakville Hydro suite meter?

7.1 - VECC - 25 Reference: E2/T5/S1-5

Please provide a table which shows the capital contributions for each year 2010 through 2014 and the total capital expenditures associated with those contributions. Please show the percentage of contributions to capital.

7.2. Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board`s accounting policies?

7.3. Are the proposed levels of taxes appropriate?

7.4. Is the proposed allocation of shared services and corporate costs appropriate?

7.4 - VECC - 26 Reference: E4/T3/S5/pg.8, Table 4-16

Please expand Table 4-16 to include the actuals for 2011 and 2013.

7.4 - VECC - 27 Reference: E4/T3/S5/pg.

Please provide the forecast amount to be paid in 2014 to El-Con Construction for locate services. Please also explain if this contract was tendered. If not please explain if the contracting meets Oakville Hydro's purchasing policies.

7.5. Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.6. Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.6 - VECC - 28

Reference: E3/T3/S1, page 2

a) What is Burlington Hydro's alternative to renting the two distribution lines from Oakville Hydro?

7.6 - VECC - 29

Reference: E3/T3/S1, page 9

a) To what types of customer-requested special or extra services will these charges apply? Please provide examples.

7.7. Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

8. Load Forecast, Cost Allocation and Rate Design

8.1. Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?

8.1 - VECC - 30

Reference: E3/T1/S1,page 4
Excel Load Forecast Model, CDM Tab

a) Please provide a matrix that shows for each year from 2006-2012 the OPA reported in impact of CDM programs in each year, by program year.

Prog. Year	CDM Reported Results (Annualized)						
	2006	2007	2008	2009	2010	2011	2012
2006							
2007							
2008							
2009							
2010							
2011							
2012							
Total							

b) Please explain any differences between the annual totals reported above and the annual CDM value shown in the CDM Tab, C3-C9.

8.1 - VECC - 31

Reference: E3/T1/S2, page 2 (lines 18-19)

a) To what does Oakville attribute its fast load growth over the historical period?

8.1 - VECC - 32

Reference: E3/T1/S2. Page 4

a) What customers/customer classes are included in the "Number of Customers" variable?

b) Were any alternative specifications tested using economic variables such as GDP or Employment? If no, why not? If yes, what were the results and why were these models rejected?

8.1 - VECC - 33 Reference: E3/T1/S2, page 7

a) What are the actual 2013 kWh Purchases excluding the embedded distributor?

b) Please provide a schedule that sets out:

i) The actual 2013 purchases, excluding the embedded distributor.

ii) The actual CDD and HDD values for 2013

iii) The assumed weather normal CDD and HDD values

iv) The difference between the Normal and Actual CDD values multiplied by 252,726

v) The difference between the Normal and Actual HDD values multiplied by 19,073

vi) The addition of items (i), (iv) and (v)

8.1 - VECC - 34

Reference: E3/T1/S2, page 9

a) Please provide the actual year-end 2013 customer/connection count by class.

8.1 - VECC - 35

Reference: E3/T1/S3, page 2

a) Please provide copies of the OPA's final reports for 2011 and 2012.

b) Please provide any preliminary or part-year OPA CDM reports for 2013.

8.1 - VECC - 36

Reference: E3/T1/S3, pages 3-4

a) Please confirm that Oakville's proposed LRAMVA for 2014 is based on 46,159 MWh of CDM savings. If not confirmed what is the total kWh value used to determine the LRAMVA and how was it determined?
b) Please provide the basis for the 18,957 MWh value for pre-2011 program savings.
c) The text at page 3, lines 6-8 indicates that the LRAM is to be based on program savings in 2014 from 2011-2014 programs. However the proposed MWh value includes savings from pre-2011 programs. Please reconcile.
d) Please confirm that the OPA reports used for LRAM purposes report "annualized" savings. If so why is it appropriate to establish the LRAMVA value for 2014 using the ½ year rule for 2014 program savings?
e) .Please explain how the 46,159 MWh was allocated to customer classes for both load forecast and LRAMVA purposes.
f) Was Milton Hydro a customer of Oakville prior to August 2013? If not, what changed as of this date that it became a customer?

8.1 - VECC - 37

Reference: E3/T1/S3, page 5

a) Please explain how the use of LED lights changes the load profile of the Street Light class.
b) Does the use of LED lights also change the total kWh used by the class and, if so, is this reflected in 3 MWh reduction shown in Table 3-18?

8.1 - VECC - 38

Reference: E3/T2/S1, page 2

a) Table 3-22 shows10,404 connections for street lights in 2014 whereas Table 3-23 shows 6,120 and Table 3-7 shows 17,688. Please reconcile.
b) If Oakville Hydro has re-evaluated the number of street light connections for purposes of its 2014 rate application, please provide the supporting analysis for the change.

8.2. Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.2 - VECC - 39

Reference: E7/T1/S1, page 2
Cost Allocation Model, Sheet I5.2

a) Please confirm that the customers in classes other than Residential are responsible for the installation, maintenance, repair and replacement of their service assets.
b) If not confirmed, why are the weighting factors for these classes zero?

8.2 - VECC - 40

Reference: E3/T2/S1, Tables 3-22 and 3-23
Cost Allocation Model, Sheet I6.2

a) Please explain why the customer counts forecast for 2014 in Exhibit 3 do not match the values use in the Cost Allocation model.

8.2 - VECC - 41

Reference: E7/T1/S2, page 1

a) What was the average (total) monthly peak load on Glenorchy Municipal Transformer Station in each of 2012 and 2013.
b) Why is it appropriate to allocate Milton Hydro costs based on its usage as a percentage of the station's peak capacity as opposed to based on Milton's share of the station's (total) average load?
c) Please confirm that Milton Hydro owns the two feeders that serve it from the station.
d) Is Milton Hydro a registered market participant for this point of delivery?

8.2 - VECC - 42

Reference: E7/T1/T2, page 2

a) Please confirm that directly allocated asset costs are not included in the allocation factor used in the Board's CA Model to assign General Plant (i.e., generally the 1900 series accounts) costs. This can be seen from an examination of Sheet O5.

b) Please confirm that Oakville has not included the capital cost of any General Plant in its direct allocation (per Table 7-5).
c) Is it Oakville’s view that the Embedded Distributor should not be accountable for a share of any of the General Plant costs? If yes, please list the individual accounts and provide an explanation for each.
d) Please confirm that directly allocated expenses are not included in the allocation factor used in the Board’s CA model to allocate Administrative and General Expenses (i.e. generally the 5600 series accounts). This can also be seen by inspecting Sheet O5.
e) Is it Oakville’s view that the Embedded Distributor should not be accountable for a share of any of the other Administrative and General Costs? If yes, please list the individual accounts and provide an explanation for each.
f) Please explain how the direct allocation was established for each of the Expense items listed in Table 7-6 (excluding depreciation).
g) Please calculate revised allocators for General Plant and Administrative & General Expenses that include the relevant costs directly assigned to the Embedded Distributor.
h) Per Table 7-5, why are there no customer service/accounts related costs attributable to Milton?
i) Please explain the basis for the following annual costs related to Milton:
    - Customer Billing - $113
    - Meter Reading - $80

8.2 - VECC - 43

Reference: E7/T1/S2, page 1
OEB Cost Allocation Review Report
(RP-2005-0317), page 30

a) Please confirm that the OEB’s Report generally limited the use of direct allocation to situations where facilities were used 100% by one customer class.
b) Does Milton Hydro’s use of the Glenorchy Municipal Transformer Station meet this test? If not, why is direct allocation appropriate in this circumstance?
c) Please provide an alternative version of the Cost Allocation for 2014 with no direct allocation to Milton.

8.2 - VECC - 44

Reference: E7/T1/S3, page 3
Cost Allocation Model, Sheet O1

a) The status quo ratios shown in Appendix 2-P do not match those in the Cost Allocation model. Please reconcile and file an updated/corrected version of Appendix 2-P.
b) In the current version of Appendix 2-P most of the proposed ratios are moving farther away from 100%. Please clarify Oakville's proposal regarding the revenue to cost ratios for 2014 and provide a rationale for the proposal.

8.3. Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?

8.3 - VECC - 45

Reference: E8/T2/S1, page 2

a) Why is it appropriate to increase the Residential monthly service charge from $13.11to $15.81 when the current value is already above the "ceiling value" as calculated by the Cost Allocation Model?

8.4. Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?

8.4 - VECC - 46

Reference: E8/T9/S1, page 3

a) Can Oakville explain the material reduction in the Distribution Loss Factor experienced in 2012?

8.5. Is the proposed forecast of other regulated rates and charges including the proposed RTSR Service Rates appropriate?

8.5 - VECC - 47

Reference: E8/T8/S12, page 2

a) Are the forecast LV costs for 2014 based on HONI's 2013 or 2014 approved rates? If the former, please update the forecast costs and the proposed LV rates using HONI`s approved 2014 rates.

8.6. Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

8.6 - VECC - 48

Reference: E8/T6/S2, page 2

a) The text (lines 3-4) indicates that the bill impacts for the existing Gravenhurst classes of Residential Suburban and GS 50-2999 are greater than 10%. However, Table 1 suggests that this is not the case. Please clarify.

9. Accounting

9.1. Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.2. Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?

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