



***PUBLIC INTEREST ADVOCACY CENTRE***  
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February 07, 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-2013-0116 Cambridge and North Dumfries Inc.**

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

Yours truly,

Michael Janigan  
Counsel for VECC

Attachment

cc: Mr. Grant Brooker, Cambridge and North Dumfries Inc.  
e-mail: [gbrooker@camhydro.com](mailto:gbrooker@camhydro.com)

<b>REQUESTOR NAME</b>	<b>VECC</b>
<b>INFORMATION REQUEST ROUND NO:</b>	<b># 1</b>
<b>TO:</b>	<b>Cambridge and North Dumfries Hydro Inc. (CND)</b>
<b>DATE:</b>	<b>February 7, 2014</b>
<b>CASE NO:</b>	<b>EB-2013-0116</b>
<b>APPLICATION NAME</b>	<b>2014 Cost of Service Electricity Distribution Rate Application</b>

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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?**

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

1.2 - VECC - 1      Reference: E1/T2/S2

In respect to consumer surveys please provide the following:

- a) What other customer survey(s), if any, had CND undertaken prior to 2013? Please provide the results of these surveys.
- b) Does CND undertake transactional surveys (i.e. after engagement with a customer)? If so please provide a summary of these. If not, please explain why such surveys are not undertaken.

1.2 - VECC - 2      Reference: Exhibit 1, Tab 2

Please explain how CND communicates the availability of LEAP assistance.

1.2 - VECC - 3      Reference: Exhibit 1, Tab 2, Schedule 1

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

## **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 - 4      Reference: E2/T3/S1/pgs.7-11  
Please provide the SAIDI and SAIFI figures for 2013

2.1 - VECC - 5      E2/T3/S1/pgs.7-11  
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.

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 - 6      Reference: E2/Appendix 2-AB; Distribution System Plan

Please explain what metrics (reliability targets etc.) or other objectives that CND is using to assess the success of its business plan. Specifically, please discuss the separate metrics used to judge, (1) the success of the plan itself (e.g. in achieving any 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 - 7      Reference: E4 Appendix 4-2

Please revise Appendix 2-JA to:

- a) Show 2013 actuals (unaudited).
- b) Add columns for 2013 and 2014 showing the adjustment for each OM&A category, necessary for the change in capitalization policy.

4.2 - VECC - 8      Reference: E4/T3/S1/pg.2

Please update Appendix 2-JC for 2013 actuals (unaudited)

4.2 - VECC - 9      Reference: E4/T1

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 - 10      Reference: E4/T2

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

4.2 - VECC - 11      Reference: E4/T2/S1

Regulatory Costs:

- a) Of the \$287,000 forecast to be spent on this Application please provide the amount spent to date for: 1) expert witness; 2) legal; 3) consultants; 4) other.

4.2 - VECC - 12      Reference: E4/T2/S1/pg.22

Please explain why CDN has calculated the LEAP contribution (Table 4-13) on a Distribution Revenue Requirement of \$25 million rather than the \$29,265,424 applied for.

4.2 - VECC - 13      Reference: E4/T6/S1pg.1

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

- a) EDA Fees
- b) MEARIE Group
- c) GridSmartCity LDC Membership (please include separately, if applicable, all company allocations).

4.2 - VECC - 14      Reference: E4/T1

MEARIE Purchases:

- a) Does CND purchase any services from MEARIE Actuarial Services?
- b) In Table 4-35 it states that the \$616,019 in services purchased from the MEARIE Group was the result of a tender. When was this tendered done and how many parties responded?

**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?**

4.3 - VECC - 15      Reference: E2/T2/S1pg.13

For each of the 6 IT projects listed (BCP/DMS/OMS/IVR/EDM/Storage Upgrade) please provide the following:

- a) The 4 year capital budget

- b) The 4 year OM&A budget
- c) The approved business plan
- d) The cost-benefit analysis for each project.

4.3 - VECC - 16      Reference: E2/T2/S1/pg.7

Please provide a description of how the capital contribution forecast for 2014 is calculated.

4.3 - VECC - 17      Reference: E2/T2/S1/pg.11

Please provide an update as to the estimated start of the Franklin Boulevard roundabouts.

4.3 - VECC - 18      Reference: E2/Appendix 2-8A Distribution System Plan

At page 8 of the Plan (and at E2/T2/S1/pg.7) CDN shows accelerated capital growth in the 2 years leading up to, and including the test year. Similarly, the current plan sees a large increase in 2018 for a planned transformer station.

- a) Please explain why CND was unable to plan its capital expenditures more evenly through the 2010 to 2014 period.
- b) Please explain what plans CND has considered to address the “lumpiness” of the forecast 2018 transformer station investment.

## 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 - 19      Reference: ALL

Please provide CND’s estimate of the ongoing cost in 2014 of meeting all new government and OEB obligations established since 2010. Please categorize each requirement.

5.1 - VECC - 20      Reference: E1

Please provide the OM&A and capital costs included in the calculation of 2014 rates for implementation of its GEA Plan.

## 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?**

6.1 - VECC - 21      Reference: E1/T1/S1

Please provide the following inflation information for the period 2010 through 2013:

- a) CPI (Statistics Canada);
- b) GDPI;
- c) CND's IRM productivity factor, and
- d) CND's Stretch Factor.

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

6.2 - VECC - 22      Reference: All

Please identify all "operational effectiveness initiatives" undertaken since 2010 and the annual savings each initiative has and will result in in 2014.

6.2 - VECC - 23      Reference: E4/T2/S1/p.16

Please explain what measures CDN has taken to reduce its IT hardware and Software Licence Fees.

6.2 - VECC - 24      Reference: E4/T1/S1/pg.7

Please provide the cost allocation evidence provided in EB-2009-0260 which shows what resources of CND were allocated for the \$603,000 in costs related to shared billing.

6.2 - VECC - 25      Reference: E4/T1/S2

Were any customer care positions reduced as part of the loss of the contact for municipal billing? If not please explain why not.

6.2 - VECC - 26      Reference: E4/T2/S1/pg.22

Please explain why the proposed hiring of a credit and collections supervisor does not have an impact on the 2014

bad debt forecast (which is calculated on a 3 year average).

6.2 - VECC - 27      Reference: E4/T2/S1/pg.7

Please provide the number of positions that are currently employed for the purpose replacing an expected retirement. Please also provide the year of the associated expected retirement.

6.2 - VECC - 28      Reference: E4/T2/S1/pg.15

Please clarify the evidence with respect to the impact of the change in capitalization policy. Specifically, please confirm that the effect of the policy change is that in 2014 OM&A costs are higher by \$243,558 than they would have been had the previous policy been in place.

6.2 - VECC - 29      Reference: E4/T2/S1/pg.4

CND states that 7 positions remain to be hired in 2013 and 4 in 2014. How many of these 11 positions are currently unfilled?

6.2 - VECC - 30      Reference: E4/T4/S2/pgs.2-7

The purpose of this interrogatory is to try to match incremental Utility responsibilities to the incremental increase in FTEs (note Appendix 2-K Excel appears to be a rounded version of Table 4-19 Schedule 2K) .

a) Please separate the 2012 to 2014 incremental staff increase of 26 FTEs into the following categories:

- i)            Related to incremental Smart Meter/TOU activities;
- ii)          Related to incremental regulatory and government mandated policy requirements (except CDM)
- iii)        CDM related with costs recovered through OPA funding;
- iv)         Primarily related to customer growth (e.g. customer service, line crew);
- v)          Primarily related to enhanced system maintenance, reliability or safety (e.g. GIS, SCADA, etc.);
- vi)         Primarily related to governance (e.g. finance,

- HR, planning, etc.);
- vii) Primarily related to special projects (e.g. smart grid etc.);
- viii) Temporary backfilled position / training for an expected retirement;

b) Please provide a dollar estimate for each category.

## **7. Revenue Requirement**

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

7.1 - VECC - 31      Reference: E2/T2/S4/pgs.3-4

Based on the actual in-service date of the IT projects listed on page 3, please calculate the amount of over collection for IT assets built into 2010 rates but not placed into service until after 2010.

### **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 - 32      Reference: E4/T5/S1

Please explain the purpose of CND's membership in GridSmartClty. Please be specific as the financial benefits (if any) for ratepayers of this membership.

7.4 - VECC - 33      Reference: E4/T5/S1

In respect to street light maintenance to CND Energy Solutions

- a) Please explain the significant increase in cost/price for that service which began in 2012.
- b) Please explain why no markup or margin is added to the price of the service provided.

- c) Has CND explored the competitiveness of its service with third party providers of streetlight maintenance? If so what were the results.

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

7.5 - VECC - 34      Reference: E5/T1/S1/pg.

Please explain the difference between the amount of deemed equity (\$52.3 million) and the amount of actual equity issued (\$38.2 million).

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

7.6 - VECC - 35

Reference: E3/T4/S1, page 4  
Energy Probe-32 a)

- a) When responding to Energy Probe-32 a) please also show how the increase in SSS administration charges takes into account the decline in the number of customers expected to be enrolled with Retailers.

**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 - 36**

Reference: E3/T3/S2, pages 1-8

- a) Are the customer/connection counts in Table 3-8 average annual or year-end values?
- b) Is the (one) Direct Market Participant shown in Table 3-8 a Large User?
  - i) If not, please reconcile Table 3-8 with Sheet I6.2 from the Cost Allocation model
- c) Please confirm that, in total, CND serves two market participants, one a Large User and the second an Embedded Distributor.
- d) Please confirm that, as market participants, these two customers' loads are not reflected in the IESO purchase data used to estimate the regression equation on page 2 and are not reflected in the actual/predicted total system purchases set out in Table 3-7.

#### **8.1 - VECC - 37**

Reference: E3/T3/S2, page 6

- a) What are the actual 2013 kWh IESO Purchases?
- b) Please provide a schedule that sets out:
  - i) The actual 2013 purchases.
  - 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 194,644
  - v) The difference between the Normal and Actual HDD values multiplied by 21,728
  - vi) The addition of items (i), (iv) and (v)

8.1 - VECC - 38

Reference: E3/T3/S2, pages 3- 4 and page 16  
Excel Load Forecast Model, CDM Activity 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 provide a copy of the OPA's final CDM report for 2012 and indicate whether the results differ from those used in the Application's load forecast.
- c) Please provide copies of any progress reports prepared by the OPA regarding CDM savings for 2013.

8.1 - VECC - 39

Reference: E3/T3/S2, pages 1-3  
2013 Ontario Budget  
(<http://www.fin.gov.on.ca/en/budget/ontariobudgets/2013/> )

- a) Please provide a revised forecast (per Table 3-7) using the employment and unemployment forecast from the 2013 Ontario Budget. Please also provide a copy of the supporting excel worksheet.

8.1 - VECC - 40

Reference: E3/T3/S2, page 7  
E2/T1/S3, page 4

- a) What was the average loss factor for the period 1996-2012 (i.e., the period used to estimate the regression model)?
- b) Exhibit 3 indicates that the forecast billed load associated with IESO purchases is 1,487.6 GWh. However, Exhibit 2 indicates that the value is 1,434 GWh after CDM or 1,441.4 GWh with the CDM adjustment (per Table 3-18) added back in again. Please explain the 46.2 GWh discrepancy.

8.1 - VECC - 41

Reference: E3/T3/S2, page 3 and pages 13-18

- a) Please provide the actual billed energy by class for 2013.
- b) If not available for all classes, at a minimum, please provide the actual 2013 kWh for the Market Participant and for each of the two embedded distributors.
- c) The discussion on page 13 regarding loads not included in the energy purchases from the IESO mentions Waterloo North but does not account for the Large User Market Participant. Please confirm that for purposes of adjustments set out in Table 3-18 CND inadvertently included the Large User Market Participant in the load served by IESO purchases.
  - i) If confirmed, please provide revised version of Table 3-18.
  - ii) If not confirmed, please explain why the determination of the weather adjustment factor on page 15 (lines 1-5) only includes an adjustment for Waterloo North's 30.8 GWh.

8.1 - VECC - 42

Reference: E3/T3/S2, pages 15-17

- a) Please confirm that the CDM variable used to forecast 2014 purchases included the full annual savings in 2014 from 2012 CDM programs.
- b) If this is the case, why is it necessary to further adjust the 2014 forecast for  $\frac{1}{2}$  of the 2012 program savings persisting in

2014 attributable to projected purchases for provide the actual billed energy by class for 2013.

- c) Please reconcile CND's proposal to include ½ of the 2012 program savings in its manual CDM adjustment with the Board's Decision regarding Sioux Lookout's 2013 Rates (EB-2012-0165, page 7) that it should be excluded

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

**8.2 - VECC - 43**

Reference: E7/T1/S1, pages 2-4

- a) Does CND require any of its customers to be responsible for the construction and maintenance of their "Services" assets?  
If so, for which customers/customer classes does this apply?
- b) Where have the Smart Meter Entity Charges been included in the Cost Allocation (i.e. what account) and what is the dollar amount for 2014?

**8.2 - VECC - 44**

Reference: E7, Appendix 7-2  
E8/T1/S2, pages 7-8

- a) Please confirm that revenue to cost ratios for the two embedded distributors are set so as to recover the costs identified in Tables 8-11 and 8-12.
- b) Please confirm that the costs attributed to the embedded distributors in Tables 8-11 and 8-12 do not include any allowance for the following:
  - i) Any of the costs included in the 5300, 5400 or 5600 series of accounts
  - ii) Any capital costs related to either Meters or General Plant
- c) Please provide revised versions of Table 8-11 and 8-12 that also include allocations of the above costs and, in each case, indicate how the allocation was performed.

**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/T1/S2, page 2

- a) Please provide an expanded version of Table 8-5 that also includes the relevant energy charges.

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

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

8.5 - VECC - 46

Reference: E8/T1/S3, page 1

- a) Please update the proposed RSTRs to reflect the Board approved 2014 UTRs and Sub-Transmission Rate for HONI. Please also include a revised version of the RTSR Adjustment Work Form.

8.5 - VECC - 47

Reference: E8/T1/S8, page 3

- a) Please update Tables 8-18 and 8-19 to reflect:
  - i) CND's 2013 LV loads
  - ii) 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?**

## **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?**

End of document