



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. <http://www.piac.ca>

Michael Janigan
Counsel for VECC
613-562-4002

February 12, 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-2013-0134 Haldimand County Hydro Inc.

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

Yours truly,

Michael Janigan
Counsel for VECC

Attachment
R. Jane Albert, President & CEO
e-mail: jalbert@hchydro.ca

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND NO:	# 1
TO:	Haldimand County Hydro Inc. (HCHI or Haldimand)
DATE:	February 12, 2014
CASE NO:	EB-2013-01134
APPLICATION NAME	2014 Cost of Service Electricity Distribution Rate Application

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/S1

Has HCHI undertaken any consumer surveys in the past 4 years?
If so please provide these.

1.2 - VECC - 2 Reference: E1/T2/S1

Does HCHI 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 used.

1.2 - VECC - 3 Reference: E1/T2

Please explain how HCHI communicates the availability of LEAP assistance.

1.2 - VECC - 4 Reference: E1/T2/S1/pg.3

Does HCHI track and categorize customer enquiries and complaints? If so please provide a summary of the annual results for 2010 through 2013. If not please explain how HCHI gains an understanding of customer concerns.

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 - 5 Reference: E2/T8/S1/pg.2

Please explain the significant increase in SAIDI and SAIFI figures (excluding loss of supply) in 2011.

2.1 - VECC - 6 E2/T8/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?

3.1 - VECC - 7 Reference: E4/T2/S9/pg.1

Please recalculate the LEAP contribution based on the 2014 proposed revenue requirement (before revenue offsets).

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 - 8 Reference: E2/T5/S3/pg.2

Please explain what metrics (reliability targets etc.) or other objectives that HCHI is using to assess the success of its Distribution System 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 - 9 Reference: E4/T2/S2

Please update Table 6 for 2013 actuals (unaudited)

4.2 - VECC - 10 Reference: E4/T1/S2/pgs.10-11 & Table 6

Re: Bad Debt

- a) Please explain how the 2014 bad debt forecast is calculated.
- b) Please provide the amount of the "large MAR from 2010" and clarify whether HCHI proposes to collect this amount in 2014 rates.

4.2 - VECC - 11 Reference: E4/T2/S1/pgs. 7-12

Re: 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.
- c) Please provide a breakdown of the incremental smart meter related OM&A costs forecast to be incurred in 2014 (as compared to the 2010 actual year).

4.2 - VECC - 12 Reference: E4/T1/S2/pg.11

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

4.2 - VECC - 13 Reference: E4/T2/S6

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

- a) EDA Fees;
- b) MEARIE Insurance Premiums;
- c) GridSmartCity LDC Membership (if any);
- d) Other LDC memberships (please describe).

4.2 - VECC - 14 Reference: E4/T2/S6

MEARIE Purchases:

- a) HCHI purchase services from MEARIE Management Inc. and MEARIE Insurance. The evidence states that the procurement method was an RFQ. Please explain when last RFQs for these purchases were undertaken. Describe how they were advertised and how many offers were tendered.
- b) Does HCHI purchase any services from any other MEARIE/EDA related companies (other than for insurance and benefit provisions)? If yes please provide the annual amount and procurement method.

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/S1/pg.2 Table 4 / E2/T2/S3/pg.1-3

HCHI had Gross Fixed Assets in 2010 which were \$719,253 less than forecast and notwithstanding that its capital expenditures in that year were only \$43,235 (\$3.3m – 3.256m). This variance is explained at Schedule 3. However, we are unable to reconcile either the gross fixed asset variance or the capital expenditure variance with the figures given at pages 1 to 5 of Schedule 3. The explanation appears to show a comingling of capital expenditure variances and asset variances (e.g. Account 1820 and 1930)

- a) Please provide a reconciliation which shows the capital expenditure variance of \$43,235.
- b) Please provide a reconciliation of the gross fixed asset variance of \$719k.

4.3 - VECC - 16 Reference: E2/T2/S3/pg.1

Please explain if the Nanticoke Distribution Station removal was identified in the last cost of service application (2010). If not, please explain the omission.

4.3 - VECC - 17 Reference: E2/T2/S3/pg.3

Please explain when the Asset Management Software was purchased and for how much.

4.3 - VECC - 18 Reference: E2/T2/S1/pg.7

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

4.3 - VECC - 19 Reference: E2/T5/S2

Please update Table 22 to include 2013 actual capital expenditures and if necessary any fallout revision to 2014 expenditures.

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 - 20 Reference: ALL

Please provide HCHI's estimate of the ongoing cost in 2014 of meeting all new government and OEB obligations established since 2010. Please categorize each 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?

6.1 - 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) HCHI's 2010-2014 IRM productivity factor, and
- d) HCHI's 2010 – 2014 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/S4/Table 7

How many of the 2014 forecast 60 FTEs positions are currently unfilled?

6.2 - VECC - 24 Reference: E4/T4/S2/Table 7

The purpose of this interrogatory is to try to match incremental Utility responsibilities to the incremental increase in FTEs

- a) Please separate the 2012 to 2014 incremental staff increase of 6 FTEs into the following categories:
 - i) Related to incremental Smart Meter/TOU billing activities;
 - ii) Related to incremental regulatory and government mandated policy requirements (except CDM)
 - iii) Primarily related to customer growth (e.g. customer service, line crew);
 - iv) Primarily related to enhanced system maintenance, reliability or safety (e.g. GIS, SCADA, etc.);
 - v) Primarily related to governance (e.g. finance,

- HR, planning, etc.);
- vi) 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 - 25 Reference: E2/T3/S1 & E4/T2/S1

Are all customer classes billed on a monthly cycle? Has there been any change in billing cycles to any class since 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?

7.2 - VECC - 26 Reference: E4/T3/S3

Please provide an estimate of the 2014 revenue requirement impact of HCHI's departure from the Kinectric's recommended TUL for Poles, Overhead Conductors and Smart Meters.

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 - 27 Reference: E4/T2/S5

Re: Shared Billing.

- a) Please explain why there has been only a 2.5% increase in the charge for billing services (365k to 374k) and no increase since 2012 whereas in Table 6 HCHI shows an increase in Customer Billing of approximately 15%.
- b) Please provide all the USoA accounts related to the shared billing costs for HCHI for each year 2010 through 2014 and show the associated allocation of those costs to the Affiliate.

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, pages 61-2

- a) Please provide versions of Tables 37 and 38 with the actual 2013 values.
- b) Please explain why there is no forecast revenue from short-term load transfers for either 2013 or 2014.
- c) What is the basis for the projected 2013 and 2014 values for Account #4325?
- d) Please explain the decline in pole rental revenue in 2012.

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 - 29

Reference: E3/T2/S2, page 4

- a) Are the historical customer counts shown in Table 14 year end or average annual values?

8.1 - VECC - 30

Reference: E3/T2/S2, page 4 and page 26
E8/T1/S4, pages 2-3

- a) Please describe the supply arrangements for the eight HONI delivery points prior to 2009. In particular were the loads for any of these supply points included in HCHI's purchases from the IESO?
- b) Please confirm that for part of 2009 and thereafter, supply to the eight HONI delivery points was reflected in HCHI's purchases from the IESO.
- c) Please confirm that for purposes of developing its "billed energy" forecast HCHI assumed that the supply to the eight HONI delivery points was not included in the purchases from the IESO.
- d) If the historical IESO purchases used in the regression model estimation include deliveries to the eight HONI supply points – please re-do the regression model excluding these values (and any associate losses). Please provide the resulting excel worksheet and the forecast purchase values for 2013 and 2014.

8.1 - VECC - 31

Reference: E3/T2/S2, pages 7-8

- a) Please explain more fully the "manual adjustments" described starting at page 7, line 21. In doing so please provide a schedule setting out the specific adjustments and why they were required.

8.1 - VECC - 32

Reference: E3/T2/S2, page 10
2013 Ontario Budget

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

- a) Please confirm that for purposes of forecasting 2013 and 2014 purchases HCHI held the “Employment” variable constant at the December 2012 value.
- b) Please provide the actual employment values for 2013 for the months that the data is available (in metrics comparable to those used for 2003-2012 in the regression model).
- c) Please revise the forecast for 2013 and 2014 using the forecast employment increases from the 2013 Ontario Budget.

8.1 - VECC - 33

Reference: E3/T2/S2, pages 11-12

- a) Please provide copies of any reports the OPA has produced regarding HCHI's 2013 CDM program results.
- b) 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							

8.1 - VECC - 34

Reference: E3/T2/S2, page 14

- a) What are the actual 2013 kWh IESO Purchases (netting out purchases related to the HONI supply points as required)?
- 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 69,221
 - v) The difference between the Normal and Actual HDD values multiplied by 11,430
 - vi) The addition of items (i), (iv) and (v)

8.1 - VECC - 35

Reference: E3/T2/S2, page 15

- a) What was the average total loss factor over the years 2003-2012 used to estimate the regression equation?
- b) Please explain why this value was not used to convert the forecast purchases to billed energy.

8.1 - VECC - 36

Reference: E3/T2/S2, page 23

- 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 HCHI's proposal to include $\frac{1}{2}$ 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 - 37

Reference: E7/T1/S3, page 2
Cost Allocation Model, Sheet I9

- a) Are any General Plant costs directly assigned to the Embedded Distributor class?
 - i) If yes, how were the costs to be assigned determined?
 - ii) If no, 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) Are any General and Administration costs directly assigned to the Embedded Distributor class?
 - i) If yes, what accounts' costs were directly allocated and which ones were not? Also, how were the costs to be assigned determined?
 - ii) If no, 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.
- c) Were any Services costs either directly assigned or allocated to the Embedded Distributor class?

8.2 - VECC - 38

Reference: E7/T1/S4, page 2

- a) Please explain why the ratios for Street Lighting and USL – which are currently less than Residential's – are both held constant whereas the ratio for Residential is increased?
- b) Why is it appropriate to increase the ratio for the Embedded Distributor from below to above 100%?

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 - 39

Reference: E8/T1/S2, page 3

- a) Why is it appropriate to increase the fixed charge for USL when it is already above the Board's ceiling value?

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 - 40

Reference: E8/T1/S3, pages 1-2

- a) Please indicate what the measurement interval is for determining billing kW for the interval metered and non-interval metered customers respectively (i.e. is it 15 minutes, 20 minutes, 60 minutes or some other value)?
- b) If the measurement intervals are not the same, then – if the rates are harmonized - won't the customer's class with the shorter interval be paying relatively more for Retail Transmissions service even if their loads are exactly the same as those customers in the other class?

8.5 - VECC - 41

Reference: E8/T1/S3, page 3

- a) Please update the proposed RTSRs for the 2014 approved UTRs and approved HON ST rates.

8.5 - VECC - 42

Reference: E8/T1/S3, page 6

- a) Please update Table 11 to reflect HONI's approved 2014 rates and actual demand from January to December 2013.

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?

9.1 - VECC - 43 Reference: E1/T1/S10 & E9/T5/S1

Renewable Energy Generation Deferral Account

- a) Please explain why HCHI is proposing to record the direct benefits of its REG capital for 2013 and 2014 to regular capital program, but believes it appropriate to record the direct benefits subsequent to 2014 in the deferral account.
- b) Please provide the basis for the 17% and 6% direct benefit allocations.

9.1 - VECC - 44 Reference: E2/T4/S1/pg.2 & E9/T3/S1/pg.2

Stranded Meters

- a) Please explain why there was an increase in the gross asset value of stranded meters between 2009 and 2012. Specifically, it appears that HCHI was installing (or adding to) standard meters during the period it was installing smart meters.
- b) Please explain the methodology used to track meters to the individual rate class, specifically address what costs were tracked for each individual customer.
- c) Prior to the smart meter program did HCHI install the same meters for both residential and GS<50 customers?

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