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July 22, 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-2014-0002 Algoma Power Inc.

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

Yours truly,

Michael Janigan
Counsel for VECC

Attachment

email: Mr. Douglas R. Bradbury, Director Regulatory Affairs
regulatoryaffairs@fortisontario.com
Mr. R. Scott Hawkes, VP Corporate Services and Counsel
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REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND NO:	**# 1**
TO:	**Algoma Power Inc. (API)**
DATE:	**July 22, 2014**
CASE NO:	**EB-2014-0055**
APPLICATION NAME	**2015 Electricity Distribution Rate Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0 – VECC - 1
Reference: E1/T2/S6/pg.1

a) Please provide the CPI and GDPI assumptions used by API for the years 2011 through 2015. Please provide the source of these assumptions.

1.0-VECC-2
Reference: E1/T3/S1/pg.2

a) Please provide the most recent customer survey and the detailed results?

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC - 3
Reference: E2/T1/S5/pg.1

a) Does API monthly or bi-monthly bill its customers? If the former has API reviewed the result of lead/lag studies undertaken by Utilities in Ontario that do monthly billing?

2.0-VECC-4
Reference: E2/T2/S1

a) Please explain why it is appropriate to recover the undepreciated value of the net book value of the conventional meters that were disposed of in 2009.

b) What was the value of conventional meters in storage in 2009 and what was the salvage revenue from these meters?
c) Please confirm that API did not install smart meters in any classes other than residential R1 and Seasonal.

2.0 – VECC - 5
Reference: 2/T1/S5/pg.1

a) Does API monthly or bi-monthly bill its customers? If the former has API reviewed the result of lead/lag studies undertaken by Utilities in Ontario that do monthly billing?

2.0-VECC-6
Reference: 2/T3/S1/pg.6

a) API explains that since its acquisition by CN Rail, API has been unable to obtain access to service corridors on the former ACR line. What is the incremental cost that API forecasts for this change? What steps has API taken to get approval to use the corridor and what is API's understanding of the impediment to getting access approval.
b) API explains that in 1997 20 year agreements replaced the general right-of-way agreements with ACR. Are these agreements up for renewal in 2017? What are the current annual costs of the agreements?

2.0-VECC-7
Reference: 2/T3/Appendix A/Distribution System Plan/pg.62/72

a) Please provide the actual new customer and service upgrade costs for 2008 through 2013. Please explain how the 2015 through 2019 cost of $907,000 was derived.
b) Please provide the actual line rebuild costs for 2008 through 2013. Please explain how the $3,400,000 in estimated costs for this program for 2016 through 2019 was derived.

2.0-VECC-8

Reference: 2/T8/S1/pg.1

a) Please explain what metrics, service quality indicators or other benchmarks are being used to evaluate the success of the distribution system plan.
b) API's service reliability indicators (excluding loss of supply) do not show any improvement since 2009. Please explain how the plan presented in this application will rectify this.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC - 9

Reference: E3/T1/S2/pg.3
E1/T2/S4/pg.2

Table 3.1.2.2 reports customer and connection counts for 2009 through 2015.

a) Are the customer and connection counts shown average annual or year-end values?

3.0 –VECC - 10

Reference: E3/T1/S2/Appendix A/Schedule 1/pg.1
E3/T1/S2/Appendix A/Schedule 2/pg.2

a) The first reference notes that the R2 class includes large users (i.e. customers over 5 MW). Are the five customers who are excluded from the WSL kWh all large users? If not, what is the average load for each of those who are not?
b) Does API have any additional large users (i.e. customers with average monthly peak loads greater than 5 MW) that are not included in the five customers excluded from the WSL kWh? If so, why were these customers not also excluded?
c) How did Elenchus establish which customers should be excluded from the WSL kWh?
d) Were alternative model specifications tested where either more/fewer customers were excluded and, if so, what were the results?

3.0 –VECC - 11
Reference: E3/T1/S2/Appendix A/Schedule 2/pg.2

a) Why was the time trend variable included when the coefficient is statistically insignificant?

3.0 –VECC - 12
Reference: E3/T1/S2/Appendix A/Schedule 2/pg.4

a) Please confirm that the reference at line 7 should be to API and not STEI.

3.0 –VECC - 13
Reference: E3/T1/S2/Appendix A/Schedule 3/pg.1

a) Please confirm that the average use for Seasonal customers is roughly 3,000 kWh per year.
b) Please confirm that API has verified that all Seasonal customers transferred to the R1 class meet the eligibility requirements (i.e., occupy the premises as a residence for at least eight months of the year).
c) Would it be reasonable to expect that Seasonal customers who qualify as R1 customer would use more than the Seasonal class' annual average kWh? If not, why not?
d) Has API reviewed the average annual use for those Seasonal customers who have recently (e.g. in the last 3 year) transferred to the R1 class? If so, what was the average use?
e) If not, please undertake such an analysis - provided the required data are readily available.

3.0 –VECC - 14
Reference: E3/T1/S2/Appendix A/Schedule 3/pg.3

a) The forecast change in number of Seasonal customers for 2014 and 2015 appears to be based on the change observed for 2013. Please explain why this is a better basis for forecasting than using an average over the last say 3-4 years.

3.0 –VECC - 15
Reference: E3/T1/S2/Appendix A/Schedule 4/pg.2

a) It is noted that the kWh forecast for R2 customers increases over the 2013-3015 period (per Table 4-2). However the forecast kW (per Table 4-3) remains unchanged. Please reconcile.

3.0 –VECC - 16
Reference: E3/T1/S2/Appendix A/Schedule 6/pg.2-4

a) Please provide any reports from the OPA regarding API's CDM results for 2013.
b) What is the basis for the 500,000 kWh forecast for 2015 of the savings continuing to persist from 2014 CDM programs (Tables 6.2 and 6.3?
c) What is the basis for the 250,000 kWh CDM savings forecast for 2015 from 2015 CDM programs (Tables 6.2 and 6.3)?
d) Why is there no ½ year adjustment include for the impact of 2013 programs in 2015?

3.0 –VECC - 17
Reference: E3/T4/S1/pg.1

a) Why are there no revenues forecast for accounts 4082 and 4084 for either 2014 or 2015?
b) Please explain the higher than normal level of Rent from Electric Property (Acct. 4210) for 2012.
c) Please explain the Regulatory Debits (Acct. 4305) shown for 2013 and 2014.
d) Please explain the positive $94,130 value for Interest and Dividend Income in 2013 and why the values for 2014 and 2015 are materially lower than those for 2011 and 2013.
e) Where are the revenues from MicroFit charges included and how much are they for each of 2012-2015?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC - 18
Reference: E4/T2/S1/pg.1 Appendix 2-JA / 4/T3/S1/pg.2/Table 4.3.1.1
Preamble: The OEB requires distributors adopting IFRS to present one year of comparative information in its first IFRS financial statements for financial reporting purposes. The equivalent change for API is the adoption of ASPE in 2011, changes to deprecation and capitalization policies as of January 1, 2013, and the adoption of ASPE 3462 as of January 1, 2014. However API has not presented any comparative information with respect to OM&A for 2014.

a) Please provide an amended Appendix 2-JA which shows for 2014 separately the adjustments for the change in depreciation and capitalization policies.
b) Please provide the same for Table 4.3.1.1

4.0-VECC-19
Reference: E4/T1/S1/Appendix A

a) Please provide the cost-benefit analysis that was undertaken in support of the expanded vegetation program.
b) Please provide the estimated reduced outage cost savings for the program for the years 2015 through 2019.
c) Please explain the consequence of a 20% reduction in the 2015 vegetation management program. Please provide the evidentiary support or analysis for any purported degradation in service due to a reduction in vegetation management to traditional levels.

4.0-VECC-20
Reference E4/T1/S1/Appendix B

a) At page 12 of Appendix B it lists $178k in estimated savings as part of the SCADA program. Are these savings incorporated into the 2015 OM&A forecast?
b) Please provide the cost-benefit analysis that was undertaken in support of the SCADA project.

4.0-VECC-21
Reference E4/T3/S1/pg.5

a) Please provide the actual bad debt in 2009 through 2013 and 2014 to-date. Please provide the forecast bad debt in 2014 and 2015.
b) For the year 2014 please provide the spending on "customer services" to date.

4.0 - VECC - 22
Reference: E4/T4/S1/Appendix B

a) API's FTE count has increase by 8.71 FTE's from the last Board approved in 2011. Please provide a job description list of each new position added to API since 2011.
b) Please assign each new position to one of the categories below:
    - Required for smart meter/TOU;
    - Required for incremental regulatory or government requirements;
    - Customer growth driven;
    - Required for enhanced maintenance programs (vegetation management, SCADA etc.);
    - Backfill for expected retirement
    - Other – please describe

4-VECC - 23
Reference: E4/

For each of the years 2011 through 2015 please provide:
a) EDA membership fees
b) All other corporate membership fees

4-VECC-24
Reference: E4/

a) Please provide all training and conference costs for the 2011-2019 period broken down into the following categories
    i. Training – operations/maintenance
    ii. Training – other
    iii. Conferences

4-VECC-25
Reference: E4/T5/S1/pg.4

a) Please provide a description and breakdown of the services provided by CNPI for to API of $1,418,934 in 2015. Please compare this to the service provided in 2011 for $134,000.
b) Please show the reduction in costs at API due to the incremental services provided by CNPI since 2011

4-VECC-26
Reference: E4/T6/S1

a) Does API/Fortis purchase insurance from the MEARIE Group?
b) If please provide the 2015 insurance costs for API and the name of its carrier(s).

4-VECC-27
Reference: E4/T6/S1

a) Please provide the operating name of the Vegetation Management Company operating under 2210652 Ontario.
b) Please confirm that API/Fortis has no interests (including minority interests) in any of the following companies: 2210652 Ontario; 1687921-Ontario and 2181437 Ontario
c) Please describe the services provided the Glenn R. Taylor and 2181437 and listed as “contractor monitoring’.

4-VECC-28
Reference E4/T12/S2/pg.1

a) Please explain why the actual tax paid for the years 2011 ($106,324) and 2012 (0) do not match the amounts shown as actual income tax at the above reference.
b) We are unable to locate API’s 2013 tax return. Please provide or direct to where it can be found in the evidence.
c) Please provide the actual provincial and federal tax paid by API for the years 2009 through 2013.

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

5.0 – VECC - 29
Reference: E5/T1

a) Please provide API's actual return on equity for each of 2010 through 2013.

5.0 – VECC - 30
Reference: E5/T1

a) Who are the current registered note holders issued under the Trust Indenture?

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

No Questions

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC – 31
Reference: E7/T1/S2/ pg.1-3

a) Please provide a schedule that compares the weighting factors used for Services, Billing & Collecting, Metering Capital and Meter Reading in this Application with those used in API's last Cost Allocation Review (EB-2009-0278).

7.0 – VECC - 32
Reference: E7/T1/S2/pg.2

a) Please clarify the paragraph at lines 5-8. If all customers provide their own "service assets":
   - Why are there any costs recorded in Acct. #1855?
   - What are the "API connection assets" referred to in the paragraph?
b) Please explain why the Seasonal class' weighting factor for meter capital is less than that for the R1 class.

7.0 – VECC - 33

Reference: Cost Allocation Model, Tabs I6.1 and O1
E6/T1/S4/Appendix A (RRWF)/Revenue
Deficiency/Sufficiency Worksheet

a) Please explain why the revenue at existing rates used in the CA Model ($20,356,651) does not match the revenue at existing rates in the RRWF ($20,640,736).
b) Please explain why, for those classes not receiving RRRP (i.e. Seasonal and Street Lighting) the existing rates used in Tab I6.1 aren't the approved rates for 2014.
c) Please correct the models as necessary.

7.0 – VECC - 34

Reference: E7/T1/S1/pg.1 and 6-11
Cost Allocation Model, Tab E1 - Categorization

a) Please confirm that in EB-2009-0278 the revenue to cost ratio for Seasonal was reduced from a Status Quo value of 149.94% to 115.0%.
b) Please provide a schedule that for the R1 and R2 classes sets out the annual rate increase approved for 2012, 2013 and 2014.
c) Please confirm that the use of the density factor (per Tab I5.1) in the cost allocation model is used solely to establish the minimum system parameters per Tab E1, lines 16-26 and that the cut off for establishing low density is <30 customers per km.
d) With respect to page 7 (lines 16-17), are API and Hydro One the only distributors with a density of less than 30 customers/km?
e) Page 7 (lines 22-23) notes that in API's 2010 CA model the density data was not input. Please re-do the 2010 CA model using the density data per the current application and provide the resulting model run.
f) How much of the difference in the all in cost of electricity for Seasonal versus R1 customers noted on page 11 is due to the R1 customers receiving RRRP?

7.0 – VECC -35

Reference: E7/T1/S2/Appendix A (Elenchus Study)/pg.4
Cost Allocation Model, Tab I6.2 – Customer Data

a) Please reconcile the Street Lighting connection count forecast per Exhibit 3, Table 3.1.2.2 (1,018) with the device/connection values used in the Cost Allocation model (1,032/835).

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 36
Reference: E8/T1/S1/pg.7-9

a) Please reconcile the 2011 R1 and Seasonal customer counts used in tables on pages 7 – 9 with the 2011 customer counts reported in Exhibit 3, Table 3.1.2.2.
b) Please provide corrected tables as required.
c) With respect to the first table on page 7, please explain why for those classes not receiving RRRP (i.e., Seasonal and Street Lighting), the approved 2011 rates are not used as the starting point.

8.0 –VECC - 37
Reference: E8/T2/S1/pg.2-5

a) Please reconcile the R1 and Seasonal 2011 customer counts used in Table 8.2.1.2 with those reported in Exhibit 3, Table 3.1.2.2.
b) Please reconcile the R1 and Seasonal 2015 customer counts used in Tables 8.2.1.3, 8.2.1.4, 8.2.1.5 and 8.2.1.6 with the 2015 forecast shown in Exhibit 3, Table 3.1.2.2.
c) Please provide revised/corrected versions of the tables in Exhibit 8 as required.
d) With respect to Tables 8.2.1.2 and 8.2.1.3, please explain why for those classes not receiving RRRP, the approved 2014 rates are not used as the starting point.
e) For both the Seasonal and Street Lighting classes please provide a schedule that calculates the fixed/variable split based on the forecast customer count and load for 2015 and the approved 2014 rates.
f) Using the fixed/variable percentages from part (e) and the requirement proposed to be recovered from each of these classes in 2015 what would be the resulting fixed and variable rates for 2015 for the Seasonal and Street Lighting classes?

8.0 –VECC - 38
Reference: E8/T2/S2/pg.1-2

a) What is the measurement interval used to determine demand for: i) the interval metered R2 customers over 1000 kVA and ii) the non-interval metered customers? For example, is the measurement period 15 minutes, 20 minutes, 60 minutes or some other interval length?
b) If the intervals used are not the same for both types of customers, please comment on the appropriateness of applying the same RTSR rates to each.

8.0 –VECC - 39
Reference: E8/T2/S8/pg.1-2

a) With respect to Table 8.2.8.1, why is there no consumption shown for API's large use customers (i.e. customers over 5 MW)?

8.0 –VECC - 40
Reference: E8/T2/S8/pg.1-2
Preamble: On page 1 API notes that distributed generation embedded in its service territory is included in the determination of the loss adjustment factors.

a) How much distributed generation is included in line C for each of the five years?
b) The calculation of the Total Loss Factor assumes that the Supply Facilities Loss Factor is applicable to all wholesale deliveries. Please explain why this is appropriate if distributed generation is included in the wholesale deliveries.

8.0 –VECC - 41
Reference: E8/T2/S11/pg.1 and pg. 5-6

a) Please explain why, when the revenue to cost ratios for both customer classes are being maintained at the Status Quo value, the bill impacts (e.g. Sub-Total A) for the Seasonal class are materially less than those for Street Lighting.
b) With respect to page 6, please explain the basis for the volume value of 438 as applied to the Monthly Service Charge.

c) Please explain why the 2014 Street Lighting rates used for page 6 do not include the $0.0003/kWh Rate Rider for Foregone Revenue Recovery (2013) – per Exhibit 8, Tab 2, Schedule 9 – Current Tariffs, page 4.
d) Please provide a schedule equivalent to that on page 6 but based on 150 kWh/1 kW.

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC - 42
Reference: E9/Appendix 2-EE

a) Please explain the reason for a 5 year disposition of Account 1576 (PP&E Adjustment).
b) Please recalculate the rate rider based on a 2 year disposition.

9.0-VECC- 43
Reference: E9/T8/S1/pg.8

a) Please confirm that API is seeking to recover amounts which was over-refunded to customers. Please confirm that API (or its predecessor) was only to refund to eligible customers the fixed amount of $2,333,808 on an annual (pro-rated) basis. Did API (or its predecessor) err in providing a larger refund than was contemplated under the RRRP funding model?
b) Please explain why API is only now seeking to recover a variance that originates in 2002 and ended in 2007?
c) Please provide the Board variance account order which authorized the recording of this variance.

End of document