



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

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Michael Janigan
Counsel for VECC

September 09, 2014

VIA 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-2014-0073 - Festival Hydro Inc. – 2015 Rates

Please find enclosed the questions/issues VECC seeks to address with Festival Hydro in the above-noted proceeding's Technical Conference. We continue to review the evidence and may have further questions at the time of the conference.

VECC has retained two different consultants for this application. Therefore to we are better able to minimize the overlap of consultant time and costs if the technical conference were organized to address issues with respect to Exhibit 3 (Revenues) Exhibit 7 (Cost Allocation) and Exhibit 8 (Rate Design) by all parties at one time and sequentially.

Yours truly,

A handwritten signature in black ink, appearing to be 'Michael Janigan', written in a cursive style.

Michael Janigan
Counsel for VECC

cc: Festival – Debbie Reece – dreece@festivalhysro.com

**FESTIVAL HYDRO INC. (FESTIVAL)
2015 DISTRIBUTION RATE APPLICATION
VECC'S TECHNICAL CONFERENCE QUESTIONS**

Questions begin at last VECC IRR (i.e. No.42)

1.0 ADMINISTRATION (EXHIBIT 1)

TBD

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC - 43

Reference: 2-Staff-13/14

- a) Please confirm that the Table from page 235 shown in the Staff interrogatory response is showing annual capital additions whereas Appendix 2-AA is showing annual capital expenditures.
- b) The evidence appears to show 3 variations of capital budget numbers: Page 25 of the DSP/Appendix 2-AA/ Et/T2/S1 Appendix 4 page 2. Each appears to show a different figure for a given year. For example for 2011: \$3,010,362 / 3,058,814 / 3,063,507 respectively. The explanation of the variance between Appendix 2-AA and Appendix 4 at 2-Staff-14 relies on the response to 2-Staff-13, and therefore does not explain the 3 different figures. Please explain.

2.0 – VECC - 44

Reference: 2-Staff-24

- a) The response to the interrogatory indicates that in 2011 104 meters were installed at a cost of \$40,725. Table above from Appendix 2-AA shows 2011 spending as \$147,080. Please explain the discrepancy.
- b) Given the inordinately high expected failure rate (26%) what legal or other action has/is/will FHI take to recover ongoing costs of equipment and labour.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -45

Reference: 3-Staff 29
3-VECC 17 b)

- a) Please confirm that Festival is now proposing to use Model 2 as set out in response to Staff 29 (c) to forecast the NSLS load. If not what model is Festival proposing use?
- b) Please confirm that VECC-17 b) provide the updated forecast for 2015 NSLS load based on the currently proposed model. If not, please provide the updated forecast.
- c) Please provide a breakdown by customer class (prior to CDM adjustments) of the updated NSLS forecast for 2015, including updates to Tables 2.8 through 2.11 from the Elenchus Load Forecast Report.

3.0 –VECC -46

Reference: 3-Staff – 28 a)
3-VECC – 13 a) – c)

- a) Please confirm that Festival first started initiating CDM programs in 2005.
- b) Please confirm that the impact of the trend variable (per the forecast models submitted with the original application) on the total predicted usage in 2013 is 3.1 GWh (i.e., 340,446 x 9)?
- c) Please provide a schedule that sets out the impact on 2013 load of the CDM programs implemented in each year from 2005 to 2013.
- d) Please re-calculate the value for part (b) based on the forecast models (and associated trend variable coefficients) Festival is now proposing to use to forecast 2015 load.

3.0 –VECC -47

Reference: 3-Staff-30

- a) Please provide any materials received from the OPA documenting Festival's 2015-2020 CDM target.

- b) Please provide any materials that will confirm that the 36.5 GWh target is based on “incremental” CDM impacts through to 2020 as opposed to “cumulative impacts”, as was the case for the 2011-2014 CDM targets.
- c) With respect to the revised CDM adjustments set out in Staff 30 b):
 - Please explain why the proposed adjustments differ from those set out in the revised Appendix 2-I filed with the interrogatory responses and indicate which source reflects the currently proposed adjustment.
 - Please provide the basis for the proposed split Residential (19.8%) and Non-Residential (80.2%).
- d) Please provide a revised version of Staff 30 b) which incorporates both the updated load forecast and the updated 2015 CDM adjustment, along with any corrections required as a result of responding to part (c).

3.0 –VECC -48

Reference: 3-ENERGY PROBE – 18 b)
3-VECC – 9 d)

- a) Please confirm that both Table 3.6 and 3.7 from the Elenchus Load Forecast Report include the kWh usage for all the large users that existed during 2011 and earlier but are now classified as GS>50. If not, please explain how these customers are treated for both tables.
- b) According to both responses Table 3.7 includes all GS>50 customers whereas Table 3.6 just includes the GS>50 interval metered customers. This would suggest that the values in Table 3.7 should exceed those in Table 3.6. However, this is not the case. Please provide an explanation and a schedule that reconciles the differences between the actual kWh reported in the two tables.

3.0 –VECC -49

Reference: 3-ENERGY PROBE - 19

- a) What is the status of the draft final report from the OPA regarding 2013 CDM activity?

3.0 –VECC -50

Reference: 3-VECC – 9 b)

Preamble: The response to VECC b) indicates that the NSLS load includes GS>50 customers that are not on interval meters. However, the breakout of the forecast NSLS load for 2014 and 2015 by customer class (as presented in Tables 2.8 through 2.11 of the Elenchus Report) does not include either historical or forecast 2014 and 2015 kWh values for this group of customers.

- a) Please provide a table that sets out the GS>50 (non-interval metered) customers in a similar format to Tables 2.8 through 2.11:
 - Actual kWh for 2005 to 2013
 - Normalized Actual kWh for 2015-2013
 - Forecast kWh for 2014 and 2015 using the same methodology as employed for the other customer classes.
- b) Please explain how the 2014 and 2015 forecast load for these customers is incorporated into the forecast GS>50 (total) load as set out in Table 3.7.
- c) Please provide a revised version of the response to part (a) based on Festival Hydro's updated NSLS forecast model.

3.0 –VECC -51

Reference: 3-VECC – 11 a)
3-VECC – 18 a)

- a) The response to VECC 11 a) suggests that Table 3.7 is based on metered energy values whereas the response to VECC 18 a) suggests that Table 3.7 has been adjusted for losses and reflects purchased energy requirements. Please reconcile.

3.0 –VECC -52

Reference: 3-VECC – 18 c)

Preamble: VECC 18 c) requested that Festival provide a schedule showing how the 2015 forecast kWh values for GS>50 in Table 3.7 were derived from the forecast for Interval Metered customer load set out in Table 3.6. The data file referenced in the response only provides only historical

data and shows the derivation of the historical NSLS values.

- a) Please provide as schedule that sets out how the forecast for all GS>50 customers (per Table 3.7) was derived from the forecast for GS>50 Interval metered customers set out in Table 3.6. In doing so, please specifically indicate how the forecast 2014 and 2015 load for GS>50 (non-interval metered customers) were established and incorporated into Table 3.7. Please do so using the initial Application's forecast.
- b) If different, please provide a revised response to part (a) based on Festival's updated and currently proposed load forecast models.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -53

Reference: 4-Staff-33 / 2-AMPCO-8

- a) At 4-Staff-33 it states that "*Festival would note that customers will see improved reliability as a result of the new TS*". At FHI shows outage by cause. Please provide FHI's measure/target/metric or other quantitative indicator (SAIDI etc.) which it expects to improve due to the new TS.

4.0 -VECC -54

Reference: 4-Staff-34 / 1-VECC-1

- a) At 1-VECC-1 it states that FHI used a labour inflation estimate of 2.5%. At 4-Staff—34 it states that the overall wage increase for all employees was 2.02%. What is the cost difference between the 2015 estimated and actual labour escalator?

4.0 -VECC -55

Reference: 4-AMPCO-11

- a) The response to this interrogatory implies there may be a difference as between FTEs and Full time employees. If this is correct please provide a revised Appendix 2-K (1st 3 rows) showing (1) permanent employees by category (i.e. management, non-management) and separately part-time employees by category.

4.0 -VECC -56

Reference: 4-VECC-22/ 4-Staff-38

- a) The response to 4-VECC-22 implies an incremental smart meter cost in 2015 of \$135,938. The response to 4-Staff-38 states the smart billing costs are \$120k in 2015. What response best represents FHI's net incremental cost of operating smart meters in 2015 as compared to its last cost of service rate approval.

4.0 -VECC -57

Reference: 4-VECC-29

- a) What is the incremental cost to FHI of creating different bills for the City of Stratford and the other municipalities in which it serves?
- b) How is this cost captured in the charges to the City?
- c) Has Festival approached these other municipalities to provide a similar comprehensive utility bill? If not why not?

4.0 -VECC -58

Reference: 4-VECC-30

- a) Festival's insurance costs have increased 38% as between 2015 and 2010. Please explain why?
- b) Was the MEARIE group insurance sole sourced or purchased as part of a competitive tender.

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

TBD

6.0 CALCULATION OF REVENUE DEFICIENCY OR SURPLUS

TBD

7.0 COST ALLOCATION

7.0 – VECC –59

Reference: 7-Staff-49

- a) The last sentence of the response to Staff 49 a) suggests that Festival is now proposing a Billing and Collecting weighting factor for GS>50 of 1.25 as opposed to 1.5. However, the response to part (c) suggests that the change is being made to the GS<50 class. Please reconcile.
- b) Please outline more clearly the rationale for now proposing a billing and collecting weighting factor for GS<50 (GS>50?) of 1.25 as opposed to the originally proposed 1.5 value.

7.0 – VECC –60

Reference: 7-VECC -34

- a) The response to part (c) suggests that weighting factors for USL, Sentinel Lights and Street Lights were established by looking at the incremental impact of making connections for these customers assuming the distribution system already exists to serve other customers. Please confirm that this was the perspective used.
- b) Please explain why such a perspective is appropriate as compared to one that makes no such pre-judgments as to for which classes the distribution system was primarily constructed and treats all customer classes equally.

7.0 –VECC -61

Reference: 7-VECC-35 c)

- a) What are the incremental costs that are recorded in the Retailer Services RSVA accounts (in terms of both types of costs and quantum)?

7.0 –VECC -62

Reference: 7-VECC-36

Cost Allocation Model – Tabs I7.1 and I7.2

Preamble: The response to VECC 36 (cross referenced to 1-AMPCO - 2) suggests that all GS<50 customers have

smart meters and that all GS>50 customers have interval meters. Tab 17.2 suggests the same. However, the Elenchus Load Forecast report specifically notes that certain GS>50 customers are not interval metered. Similarly, Tab 17.1 indicates that not all GS<50 customers have smart meters and that not all GS>50 customer have interval meters.

- a) How does Festival obtain meter reading for GS<50 customers without smart meters and for GS>50 customer that are not interval metered?
- b) What is the forecast 2015 cost per bill for the 3rd party service referred to AMPCO – 2?
- c) Please reconcile the meter types used to establish the meter reading weighting factors used Tab 17.1 with the types of meters reported by customer class in Tab 17.2. Are any revisions required to either Tab?
- d) How do the billing and collecting weighting factors proposed by Festival account for the fact that not all GS<50 customers have smart meters and that not all GS>50 customers have interval meters?

3.0 –VECC -63

Reference: 3-VECC – 37 and 38

- a) Please confirm that in establishing the NCP demand allocator for the combined Residential class Festival simply added the NCP values for the two Residential classes and made no allowance for possible diversity between the two in terms of the timing of their NCP values.

8.0 RATE DESIGN

8.0 –VECC -64

Reference: 8-VECC - 40

- a) If the purchases from the generator are already grossed-up by the Supply Facilities Loss Factor, doesn't applying the value again in the loss factor calculation result in a double counting of these losses?

9.0 DEFERRAL AND VARIANCE ACCOUNTS

9.0 –VECC -65

Reference: E9/T3/S10, Attachment 1

- a) Please confirm that the 2011-2013 kW savings values reported for the Demand Response 3 program are contracted values and not actual demand reductions in each year.
- b) Does Festival have any record as to how much actual demand reduction was achieved in each year due to the Demand Response 3 program? If so, how much was the actual demand reduction in each year and was the demand reduction coincident with the peak interval used to establish the customers' billing demands?

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