



PUBLIC INTEREST ADVOCACY CENTRE

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September 19, 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-2014-0113 St. Thomas Energy Inc. – 2015 Rates

Please find enclosed the questions/issues VECC seeks to address with St. Thomas Energy Inc. in the above-noted proceeding's Technical Conference. As we continue to review the evidence we may have further questions at the time of technical conference.

As this application is being reviewed by two separate consultants we would be assisted at the time of the conference if questions were dealt with by issue and questions regarding Exhibits 3, 7 and 8 were dealt with sequentially.

Yours truly,

Michael Janigan
Counsel for VECC

cc: St. Thomas - Robert Kent - rkent@sttenergy.com
Counsel - Andrew Taylor - ataylor@energyboutique.ca

STEI RESPONSE

ST. THOMAS ENERGY INC. (STEI)
2015 DISTRIBUTION RATE APPLICATION
VECC'S TECHNICAL CONFERENCE QUESTIONS

NB: Interrogatories resume at last VECC IR – i.e. #39

1.0 ADMINISTRATION (EXHIBIT 1)

1.0 – VECC - 39

Reference: 1.0-VECC-2

- a) Please provide the IRM productivity factor and stretch factors that were used during each year of the past IRM rate plan.

Response:

- a) Please see the following price cap adjustment table for the years 2012 to 2014.

IRM	2012	2013	2014
Price Escalator	2.00%	1.60%	1.70%
Productivity Factor	-0.72%	-0.72%	0.00%
Stretch factor	-0.40%	-0.40%	-0.30%
Price Cap Adjustment	0.88%	0.48%	1.40%

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC - 40

Reference: 2-VECC-7

- a) Please provide an update as to when STEI expects to have a resolution on the 8 phase subdivision in the contested Hydro One service area.

Response:

- a) At the request of the developer, SAA EB-2014-0137 was filed for the entire subdivision, but it was closed in June because Hydro One would

not provide an Offer to Connect on this basis. We expect to file new SAA's for each phase of this development.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC - 41

Reference: 3-Energy Probe 15
3-VECC – 18 c)

- a) Please explain the basis for the “achievable potential” value for 2015 of 2,734,000 kWh referenced in these responses. Note: If the table in VECC 18 c) is taken from a particular document, please provide the reference document.
- b) VECC 18 c) states that the 2.734 GWh value is “a more reasonable number”. Is STEI changing its proposed manual CDM adjustment to the load forecast? If so, please confirm so and indicate what the new adjustment is for each customer class.

Response:

- a) The 2,734,000 “achievable potential” value is an extract from the OPA “Draft” LDC Historical Performance Report and Draft Target Budget, that has been included in this response.
- b) STEI is not proposing to change the CDM adjusted load forecast.

3.0 –VECC - 42 –

Reference: 3-Energy Probe 16 c)
3-VECC-20 a)

- a) What is the rationale for changing the basis for the billing of the SSS Admin fee from per connection to per customer for street lighting?
- b) Is STEI aware of any other Ontario distributors who bill their street lighting class for SSS Admin on this basis? If so, please indicate who.

Response:

- a) STEI has been in discussion with the City over the last couple of years

with regard to the billing of the SSS admin fee and the validity of charging on a per connection basis versus a per customer basis.

STEI was forwarded the following email, that NOTL has provided permission to reproduce, that asked the OEB this question.

OEB response:

Subject: RE: SSS Administration Charge & Streetlights [OEB Ref# MPE-2010-0828]

Ms. Doherty:

Ted Antonopoulos forwarded your inquiry to me a couple of weeks ago. I apologize for the delay in my reply.

According to the Standard Supply Service Code and the Distribution Rate Handbook the RPP Administrative Charge should be invoiced on a per customer, or per account, basis.

Therefore, the method that NOTL Hydro was using is correct – a single \$0.25 charge on an invoice for 1907 streetlights operated by the municipality.

Russell Chute
Special Policy Advisor
Regulatory Policy

b) NOTL is billing the SSS fee on a per customer basis as did PDI prior to the City moving off of RPP.

3.0 –VECC - 43

Reference: 3-ENERGY PROBE – 17 a)

a) For each of the historical years the difference between actual revenues (#4375) and costs (#4380) for Non Rate Regulated Utility Operations have been well in excess of \$100,000. However, for 2014 and 2015 the difference is forecast to be less than \$30,000. Please explain why.

Response:

a) The following table was provided in response to 3-Energy Probe-47TC

Account 4375 and 4380 Reconciliation

Account	2011 Actual	2012 Actual	2013 Actual	2014 BY	2015 TY	July 2014
4375	17,059	528,084	759,055	342,000	329,000	338,272
4380	-	423,691	492,116	292,256	299,351	299,351
Total	17,059	104,393	266,939	49,744	29,649	38,921
CDM						
4375	326,027	536,372	699,184	-	-	370,966
4380	200,025	514,874	632,254	-	-	370,966
Total	126,002	21,498	66,930	-	-	-
Total						
4375	343,086	1,064,456	1,458,239	342,000	329,000	709,238
4380	200,025	938,565	1,124,370	292,256	299,351	670,317
Total	143,061	125,891	333,869	49,744	29,649	38,921

As evident in the above table, the 2011 to 2013 amounts were positively impacted by CDM recoveries.

The 2012 account 4375 included \$30,000 related to a SR&ED credit and \$42,000 of scrap inventory recovery.

The 2013 4375 recoveries included \$130,000 of recoverable work performed in 2011 under (AESI), \$63,000 for the recovery of HST and debt retirement charges related to bad debt write-offs for the years 2009 to 2012 and approximately \$54,000 in scrap inventory recovery.

For the 2014BY and 2015TY, STEI is not anticipating CDM recoveries. STEI has recently been advised by the OPA that STEI may have to repay approximately \$27,000 related to the 2010 Peak saver program. The other reduction is related to scrap inventory recovery, STEI has been consciously reducing its scrap inventory and material throughout the 2011 to 2013 period and STEI does not anticipate a material amount of recoveries for 2014BY and 2015TY.

However, in follow-up conversations with Engineering and Stores, and as part of the conversion program from overhead to underground, STEI

can expect an average of \$15,000 per year over the COS period for scrap material recoveries.

3.0 –VECC - 44

Reference: 3-VECC 18 b)

- a) The original question asked about the persistence of savings through to 2015 of CDM programs implemented in 2011-2014. Please address the original question as posed.

Response:

- a) For 2014, 1,590,057kWh of CDM savings are forecasted, and 100% of that is expected to persist into 2015. This is reflected in both the initial Appendix 2-I as well as the updated Appendix 2-I as per 3.0-VECC-45.

The persistence of 2011 to 2013 programs is not material in deriving the forecast for 2015 as savings from 2011 to 2013 is implicitly captured by the use of actual data up to 2013 in the traditional load forecast. However, Based on the life of the OPA programs, 100% of 2012 and 2013 is expected to persist into 2015

3.0 –VECC - 45

Reference: 3-VECC – 19

- a) Please provide a copy of Appendix 2-I as revised and posted on the Board's web-site August 1, 2014 consistent with STEI's current proposal for the 2015 manual CDM load forecast adjustment and LRAMVA
- b) Please provide a schedule setting out STEI's proposed LRAMVA kWh values by customer class for 2015. Note: Please also include in the table the kWh values for those customer classes that are billed on the basis of demand,
- c) For those customer classes that are demand billed, please provide the LRAMVA 2015 kW values.

Response:

- a) Please see the attached worksheet from Appendix 2-I

b) Please see the following table

kWh	Weather Normalized 2015F (Elenchus)		LRAMVA (kWh)
	A	$C = A / B$	$E = D * C$
Residential	122,104,397	43%	1,854,404
GS < 50	41,245,470	14%	626,396
GS > 50	118,183,915	42%	1,794,863
Street Lights	3,163,332	1%	48,042
Sentinel	23,170	0%	352
Total	284,720,284	100%	4,324,057
	<u>B</u>		<u>D</u>

c) Please see the following table

kW	Weather Normalized 2015F (Elenchus)		LRAMVA (kWh)
	F	$H = F / G$	$I = F / A * E$
Residential			
GS < 50			
GS > 50	301,426	97%	4,578
Street Lights	8,754	3%	133
Sentinel	177	0%	2
Total		100%	4,713
	<u>G</u>		<u>D</u>

3.0 –VECC - 46

Reference: 3-Energy Probe - 16 a)
3-Energy Probe – 17
3-VECC -

a) Please confirm that the 2015 Other Revenue of \$456,044 needs to be increased for each of the following:

- Interest and Dividend Income - \$35,000 (Energy Probe 16 a))

- Revenue from Non Rate Regulated Utility Operations - \$5,000 (Energy Probe 17: Up from \$324,000 to \$329,000)
- MicroFit Charges (Acct. #4325) - Approximately \$5,000 (VECC 20 b).

Response

- a) As confirmed in 3-Energy Probe-47TC and included in the RRWF revenue offsets are \$496,044. This is the the sum of \$35,000, shown for account 4405 in 3-Energy Probe-16, and \$461,044, shown in the response to 4-Energy Probe-17.

STEI has not included the \$5,000 for the MicroFit Charges. The \$5,000 amount is incorrect; STEI has 39 MicroFit customers that generate approximately \$2,530. STEI will recognize this revenue but will also increase the customer service expense by \$4,680 to recognize the on-gong cost of automating the billing process for these customers. The cost for this activity is \$10 per MicroFit customer per month.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -47

Reference: 4-VECC-25

- a) Please explain the increase in property insurance fees as compared to 2011 costs.

Response:

- a) The 2011 property insurance fees were internally allocated whereas the current property and equipment insurance costs are STEI specific based upon a greater asset base, ie inventory, computers, equipment.

4.0 -VECC -48

Reference: 4-VECC-30

Please provide the adjustment to 2012 OM&A that was due to the change in capitalization policies.

Response

- a) STEI estimates that the OM&A increase for 2012 was approximately \$661,071.

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

TBD

6.0 CALCULATION OF REVENUE DEFICIENCY OR SURPLUS

7.0 COST ALLOCATION

TBD

8.0 RATE DESIGN

8.0 –VECC -49

Reference: 8-VECC – 36

- a) Please confirm that the number of street light devices for 2015 should be 8,852 (i.e. $(4,918 \times 0.6) + (4,918 \times 0.4 \times 3)$). If not, please explain why.

Response:

- a) The number of connections was determined by working backwards from the number of devices. The calculation is provided in the following table.

Number of Devices		4,918			divided by
					connections
Connections	1	0.6	2950.8	2,951	
Connections	3	0.4	1967.2	656	
Total Connections					3,607

9.0 DEFERRAL AND VARIANCE ACCOUNTS

TBD

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