



PUBLIC INTEREST ADVOCACY CENTRE

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April 20, 2015

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-2014-0101
Oshawa PUC Networks Inc.**

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

Yours truly,

A handwritten signature in black ink, appearing to be 'Michael Janigan'.

Michael Janigan
Counsel for VECC

Cc: Oshawa - Phil Martin - pmartin@opuc.on.ca

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND NO:	# 1
TO:	Oshawa PUC Networks Inc. (OPUCN)
DATE:	April 20, 2015
CASE NO:	EB-2014-0101
APPLICATION NAME	2015 Electricity Distribution Rate Application

1.0 ADMINISTRATION (EXHIBIT 1)

1.0 – VECC - 1

Reference: E1/TC/pg.9

- a) Please provide a list of the potential events outside of OPUCN's control which could delay or reduce the expected growth in the community and/or the schedule for asset relocation.

1.0 – VECC - 2

Reference: E1/TC/pg.13

- a) Please provide the cost of the rate smoothing plan.

1.0 – VECC - 3

Reference: E1/TC/pg.32, 45

- a) Please provide the Statistic Canada CPI inflation rates (change from previous year) for 2012 through 2014.
- b) Please identify the Conference Board of Canada report from which table 14 is drawn.
- c) Please explain what other CPI forecasts have been reviewed by OPUCN.

1.0 – VECC - 4

Reference: E1/TD/Schedule 1, page 28

- a) Please provide the actual number of residential customers that had a power outage during the December 2013 ice-storm.
- b) Please compare the percentage of customers under each category of length of outage with OPUCN's actual number of customers affected (e.g. survey reports 10% of affected customers stating their outage was 1-1.5 days – how many customers were actually without power for that many days).
- c) Please explain why the response to the length of outage only adds to 95%.

1.0 – VECC - 5

Reference: E1/TD/Utility Pulse Survey/p. 125

- a) The evidence states that the response rate was 38%. Please explain how authors addressed selection bias. Please provide any additional evidence that the population surveyed was representative of the customer population of OPUCN.
- b) What survey methods, other than telephone interviews were used?
- c) What was the cost of the survey?

1.0 – VECC - 6

Reference: E1/TD/Schedule 1, pg.24/43Utility Pulse Survey

- a) Please explain how the “Priority investments” figure is to be read. For example, since the figures do not add to 100% clarify what it means to show that 62% of customers prioritized “bury overhead wires” whereas 86% prioritized “maintaining and upgrading equipment”.
- b) Is the reported figure of 87% of Ontario LDCs homes with access to the internet the result of a Utility Pulse survey questions or from another source? If the latter please provide that source.
- c) With respect to the Satisfaction with Customer Service table shown on page 43, please explain why the columns do not add to 100%

1.0 – VECC - 7

Reference: E1/TD/Schedule 1, pg.24/43Utility Pulse Survey

- a) Please provide all the questions asked, the OPUCN customer responses to those questions and the derivation/components of the Customer Experience Performance rating.
- b) Please provide the sample size for the survey questions for this measure and the survey refusal rate if they are different from the other parts of the survey.

1.0 – VECC - 8

Reference: E1/TD/Schedule 1, pg.76

- a) Please explain the meaning of the responses shown on page 76 in the table entitled “*Important attributes which shape perceptions about customer affinity*” and explain why the results do not add to 100 (e.g. how can a response be, for example, 95% “secure” and at the same time 49% “at risk”).
- b) Do the rows in the referenced table represent the actual question asked? If so please provide the responses.

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC - 9

Reference: E2/TA/pg.16

- a) Please a category breakdown (e.g. transformer, poles etc.) of the annual total of unplanned emergency replacements for each year in the period 2012 to 2014.
- b) Is the budgeting for unplanned replacements indicative of a “run to fail” philosophy (as opposed to proactive replacement). If not, please explain how the distribution system plan addresses how to reduce this category of spending.

2.0 – VECC - 10

Reference: E2/TA/pg.84

- a) Please update Appendix 2AA for 2014 actuals.

2.0 – VECC -11

Reference: E2/TA/pg.84

- a) Please provide the policy governing the capital contributions for the 407 East Project, and that from Durham Region and the City of Oshawa.

2.0 – VECC -12

Reference: E2/TA/pg.84

- a) Between 2012 and 2013 the Service/Expansion contributions as a percentage of subdivision expansion has consistently exceeded 70%. For the forecast for 2015 through 2019 the equivalent figure is approximately 60%. Please explain why the forecast amount of contributions as a percentage of subdivision expansion is forecast to decline.

2.0 – VECC - 13

Reference: E2/TA/pg.146

- a) Please update Table 2-53 to include 2014 data.

2.0 – VECC - 14

Reference: E2/TA/pg.84 & E4/pg.37

- a) Between 2011 and 2012 OPUCN spent \$2.023 million on fleet purchases. Please provide the vehicle inventory (with make year) at the end of 2012.
- b) Please provide a current list of vehicles including the year of make of each vehicle.
- c) For comparison please provide the forecast list of vehicles at the end of 2017 along with the forecast year of make of each vehicle.

2.0 – VECC -15

Reference: E2/TB/pg.66

- a) Please update Figure 7 to show 2014 results and the period 2012 through 2014.
- b) Please update Table 29 to include 2014 number of interruptions

2.0 – VECC -16

Reference: E2/TA/pg.145 /TB/pg.65

- a) Please explain what reliability metrics are used (and how) to assess the success of the distribution system plan.
- a) At page 65 of the Asset it states that “[T]he two predominant causes of OPUCN’s historical power interruptions were foreign interference and defective equipment.” Please explain the DSP programs and their costs that address these two causes of interruptions.

2.0 – VECC - 17

Reference: E2/TB/S4

- a) Please provide a list of the programs and their cost for each of the years 2015 through 2020 that are used to execute the Smart Grid Roadmap and Financial Analysis Plan.
- b) Please identify those programs recommended by the Utiliworks study that OPUCN is opting not to implement.
- c) The Utiliworks study identifies outage minute reductions and a number of other benefits that would measure the success of implementing their recommendations. Are any of these measures being adopted. If yes please explain how. If no, please explain why not.

2.0 – VECC - 18

Reference: E2/TA/S1

- a) Please provide the name(s) of the principle author of the EY Lead-Lag Study.
- b) Please provide a list of prior lead-lag studies undertaken by this author.
- c) Please provide an existing study which shows for a monthly billing

electricity utility that used a service lag greater than 16 day.

- d) The following is taken from the testimony of Mr. Paul Normand before the Public Utilities Commission of the State of New Hampshire, the definition is, in our experience, typical of other lead-lag studies: *“The service lag is the average time span between the mid-point of the customer’s consumption interval, also known as the usage period, and the time that such usage is recorded by the Company for billing purposes. This service period determines the average length of time over which the billed services are provided and establishes a common point in time from which to measure (1) the time of reimbursement for the billed services, and (2) the time at which the accrued costs for the service period are actually paid. **For virtually all utilities, the service lag is one-half of an average month or 15.21 days** . – emphasis added (Northern Utilities, Inc. Docket No. DG 11-069). Please explain why OPUCN believes it should depart from the standard practice of other monthly billing utilities in North America. Specifically show how the 20.41 days is calculated indicating what customers and class make up the variation from 15.21 days.*

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -19

Reference: E3/pg. 9

- a) What were the “weather normal” values for HDD and CDD that were used in preparing the 2012 Board approved load forecast?
- b) What were the actual HDD and CDD values for 2012?

3.0 –VECC -20

Reference: E3/pg. 10-11

- a) At page 10, Table 3-9 is titled “Forecast 2014 and Actual 2013 Billing Determinants” (emphasis added). However the heading in the table columns reads “2014 Actual Results”. Please clarify whether the 2014 values set out in the table are actual 2014 results or a forecast for 2014.
- b) Similarly, in Table 3-10 please clarify whether the table’s values for 2014 are forecast or actual values and confirm that the column for 2015 should read “2015 Forecast Results”.

3.0 –VECC -21

Reference: E3/pg. 13

- a) Do the allowed depreciation expense values set out in the table for 2013-2015 also take into account load growth that has occurred since 2012? If not, please re-do the table to also incorporate the impact of load growth.

3.0 –VECC -22

Reference: E3/pg. 20

- a) At the bottom of the page is a table comparing annual capital expenditures to depreciation expense for the forecast years. Please provide a similar table for the years 2012-2014.

3.0 –VECC -23

Reference: E3/pg. 25

Excel Load Forecast Model, Economic Indices Tab

- a) What are the sources for both the actual and forecast quarterly increases in the City of Oshawa population values set out in the Economic Indices Tab of OPUCN's Excel Load Forecast Model? Please also indicate which values are actual and which are forecast.
- b) Please provide the absolute historical and forecast population values over the 2003-2019 period used to determine the quarterly increases. Please also explain what these values represent (i.e. are they the population level at the beginning, the mid-point or the end of the quarter?).
- c) If there is an official City of Oshawa population forecast, please provide a copy of the document.
- d) Please provide the most recent Regional Municipality of Durham short-term Household Estimates for 2014-2019.

3.0 –VECC -24

Reference: E3/pg. 25-26

Excel Load Forecast Model, City Expansion Tab

- a) The text on page 25 (1st paragraph) suggests the 3% growth rate for

customer connections was the result calculated after the incremental customer connections were established. However, in the City Expansion Tab, a 3% growth rate is used to determine the number of new connections per year during the forecast period. Please clarify whether the 3% was an input to or a result of the determination of new connections over the forecast period.

- b) If the 3% was an “input”, please explain how the 3% was derived from the forecast population growth.
- c) If the 3% was a “result”, please explain how the incremental customer connection forecast on page 25 was determined.
- d) Please provide a schedule that sets out for both the historical and the forecast period (2003-2019) the following :
 - The average annual population of the City of Oshawa
 - The average number of connections (inclusive of the incremental connections) for the Residential, GS<50, GS 50-999, GS >1000 and Streetlight classes for each year.
 - For the Residential, GS<50, GS 50-999, GS >1000 and Streetlight classes, the ratio of the average number of connection/average annual population for each year.

3.0 –VECC -25

Reference: E3/pg. 26

- a) How was the 4.86% loss factor established?
- b) What was the average annual loss factor over the years 2003-2013?

3.0 –VECC -26

Reference: E3/pg. 27

- a) Has OPUCN submitted its CDM plan to the IESO (OPA)? If yes, please provide a copy.

3.0 –VECC -27

Reference: E3/pg. 28

- a) Please provide a copy of the OPA/IESO's report on OPUCN's actual 2013 CDM results.
- b) Please reconcile any differences between the results for 2011-2013 as set out in the OPA/IESO Report and those shown in Table 3-15

- for the period 2011-2014?
- c) Please confirm that Table 3-15 is based on billed energy and not purchased energy.
 - d) The CDM results obtained from 2011-2013 programs all show 100% persistence through to 2019. What is the basis for this assumption?
 - e) Please provide the full document that the second table on page 28 is taken from.
 - f) With respect to the second table on page 28, the totals shown for 2011, 2012 and 2014 all reconcile with the full annualize savings from CDM programs implemented in the respective years (per Table 3-15). However, the value for 2013 does not. Please reconcile.
 - g) The last paragraph on page 28 suggests that details regarding the updated CDM target for OPUCN are provided “below”. However, supporting details have not been provided. Please provide the referenced material.

3.0 –VECC -28

Reference: E3/pg. 29

- a) What is the current status of the City of Oshawa’s plan to replace 100% of its street lights in 2015? Is it still anticipated that all the replacements will be finished by year end?
- b) In the first table on page 29, the last three columns are all titled as being related to purchases. However, Table 3-15 and the 2nd Table on page 29 both suggest the values are for billed energy and kW (e.g. for 2,420,722 kWh shown in Table 3-15 for 2015 is used in the calculating the 12,757,278 kWh residual CDM which in the 2nd page 29 table is marked up for losses to obtain a power purchased value). Please reconcile
- c) For each of the two tables on page 29, what loss factor was used to convert the billed energy to purchased energy?

3.0 –VECC -29

Reference: E3/pg. 30-33

- a) With respect to Table 3-18, please provide a schedule that for each forecast year (2014-2019) shows the contribution to the total billed energy from: i) the purchased power regression model, ii) the city expansion assumptions, iii) CDM, and iv) the loss factor assumptions.

3.0 –VECC -30

Reference: E3/pg. 35-38

- a) In developing its multifactor regression model did OPUCN test any other economic variables besides unemployment? If yes, what were they and what were the results (in terms of coefficients, t-stats and Adjusted R Square values)?
- b) Did OPUCN test “population” as a potential independent variable?
 - i. If yes, what were the results (in terms of coefficients, t-stats and Adjusted R Square values)?
 - ii. If no, please do so by rerunning the existing model but also including population and provide the results
 - iii. If the results from either (i) or (ii) show population to be statistically significant please use the “model” to forecast purchases for 2014-2019.
- c) With respect to the unemployment rate variable (per page 36), when was the Conference Board of Canada forecast for 2014-2019 developed and what was the associated economic forecast (GDP and unemployment) for the Province of Ontario overall/

3.0 –VECC -31

Reference: E3/pg. 39-40

- a) Please provide a schedule that sets out the actual and weather normal HDD and CDD values for 2011-2013.
- b) With respect to Table 3-21 please provide the predicted purchases for 2011 - 2013 using the weather normal values for HDD and CDD as opposed to the actual values for each year.
- c) Were the linear trend lines for either the 10 year or 20 year period statistically significant? Note: If the trend analysis undertaken by OPUCN does not provide this data please provide, for both the 10 and 20 year periods, the results of regression analyses that relate the annual HDD and CDD values to time in each case.

3.0 –VECC -32

Reference: Filing Requirements, Appendix 2-I LF_CDM_WF

<http://www.ontarioenergyboard.ca/oeb/Industry/Regulatory%20Proceedings/Applications%20Before%20the%20Board/Electricity%20Distribution%20Rates/2015%20Electricity%20Distribution%20Rate%20Applicati>

[ons](#)

- a) Please provide an updated version of Appendix 2-I, based on the August 2014 update posted on the Board's web-site.
- b) Please provide the total kWh LRAMVA CDM threshold values for each of 2015-2019 and explain how they were established.
- c) For each of the years, 2015-2019 please provide a breakdown of the total kWh LRAMVA CDM threshold value by customer class and, for those classes that are demand billed, also provide the kW values for each year. Again, please explain how the values were determined.

3.0 –VECC -33

Reference: E3/pg. 64

- a) With respect to Table 3-36, please provide the actual results for 2014.
- b) It is noted that for the actual years 2012 and 2013 the difference between revenues and expenses for Non-Utility Operations is in excess of \$200,000 but that for the forecast years the differences are less than \$10,000. Please explain this significant reduction in margin of revenue over expenses.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -34

Reference: E4/pgs.23,29

- a) Please update Tables 4-11 and 4-15 for 2014 actuals.
- b) Please explain what activities are included in Table 4-15 under the line entitled "*Smart Meter Program Incremental Costs.*"

4.0 -VECC -35

Reference: E4/pg. 35, 46

- a) Please provide the succession plan for 2015 -2019 showing the expected date of retirements, the expected date of hiring of replacement, cost of training, and any other relevant costs.
- b) Please identify the number of retirements where notice has already

been given and the number in which no notice has yet been received.

- c) Please provide the number of retirements between 2012 and year end 2014.
- d) Please provide the annual number of voluntary and involuntary employee separations positions during the period 2012 – 2014.

4.0 -VECC -36

Reference: E4/pgs.23,29

- a) For each year beginning in 2012, please list all new (incremental) positions and provide the salary band for the position.
- b) Please explain why it is necessary to add an FTE for community relations and regulatory affairs when presumably under the 5 year plan the Utility will be having less, not more regulatory interactions.

4.0 -VECC -37

Reference: E4/pg. 32

- a) Please provide a list of services and positons that are provided for under the Management Fees.
- b) Please explain why these fees are forecast to increase over the period of the plan.

4.0 -VECC -38

Reference: E4/pg. 32

- a) Please provide the EDA fees for each year in the period 2012 - 2014.
- b) Please provide the forecast EDA fees for the 2015 through 2019 period.

4.0 -VECC -39

Reference: E4/pg. 32

- a) Please explain why OPUCN does not tender for its insurance but rather purchases via quote from the EDA affiliate, the MEARIE Group.

- b) Please explain what steps OPUCN has taken to ensure that the MEARIE insurance it has purchased is competitive with alternative offerings.

4.0 -VECC -40

Reference: E4/pg. 61

- a) With respect to the cost of this application please provide the legal and (separately) the consultant costs incurred to date.

4.0-VECC-41

Reference: E4/pg.29, Table 4-15

- a) Please provide the name of OPUCN's LEAP partner.

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

5.0 – VECC -42

Reference: E5/

- a) Please explain the rationale for including a cost of capital adjustment given that overall market return is exogenous to the utility. That is why under an incentive based RRFE rate plan should the calculation of rates be determined on the basis of what other, unrelated companies are achieving in the market?
- b) Please describe what OPUCN means by the “fair return standard.” Specifically address the question of why not adjusting the cost of capital component of a cost of service rate formula would violate this standard.

5.0 – VECC -43

Reference: E5/

- a) Please provide the actual and regulated rates of return for each year 2012 through 2014.

5.0 – VECC -44

Reference: E5/

- a) OPUCN appears to be significantly underleveraged as compared to the Board allowed capital structure. For example, in 2015 it is forecasting to have outstanding \$37.9 million in long-term debt of an allowed structure of \$58.8 million. Please explain the reason for this.
- b) Please explain why during a period of historically low interest rates OPUCN is not seeking to raise the entire forecasted capital program debt in 2015.

5.0 – VECC -45

Reference: E5/pg.11

- a) Please explain why the rates for all the TD bank loans shown in Table 5-13 are at a rate of 4.77% (also coincidentally the Board's current long-term debt default rate) whereas in the accompanying documents these loans appear to be set at different rates (\$7 million @ 3.565%; 21 million @ 4.495% etc.).

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC – 46

Reference: Cost Allocation Models

- a) With respect to Tab I6.2, for each of the years 2015-2019 what is the ratio of Streetlight connections to Streetlight devices?
- b) With respect to Tab I7.1, how were the meter costs by type established and do the costs used for smart meters reconcile to OPUCN's actual smart meter investments?

7.0 – VECC –47

Reference: E7/ pg.7-11

- a) With respect to the 2016 R/C ratios, why is the Proposed Ratio for Residential (95.7%) farther from 100% than the Status Quo Ratio (96.7%)?
- b) With respect to the 2017 R/C ratios, why are the Proposed Ratios for GS>1000 and Streetlighting both farther from 100% than the Status Quo Ratios?

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC -48

Reference: E8/ pg. 4-8

- a) Please provide a set of schedules that for each of the years 2015-2019 sets out the fixed-variable for each customer class based on the 2014 approved rates and the proposed load forecast for the year.
- b) Contrary to the text preceding it, Table 8-3 does not compare OPUCN's fixed/variable ratios for Residential and GS<50 with those of its neighbouring LDCs. Please provide such a table.
- c) In the materials presented at the April 2nd Technical Conference (Slide 20) OPUCN compared itself to a number of similar sized LDCs. Please provide a table comparing OPUCN's fixed-variable ratio for Residential and GS<50 with the ratios for each of these LDCs.
- d) One of the reasons given for increasing the fixed charges (page 4) is to reduce the risk of revenue shortfall attributable to weather sensitive rate classes. Is OPUCN proposing to reduce its requested ROE in recognition of this reduced risk? If yes, by how much? If no, why not?
- e) The text indicates OPUCN's plan to increase the fixed portion of the rate design for Residential and GS<50. How were the proposed fixed-variable ratios for the other customer classes, as set out in Table 8-4, established?
- f) With respect to Table 8-12, can OPUCN explain why the floor and ceiling values for the GS>1000 class are both negative?
- g) With respect to Table 8-13, please provide a schedule that for the GS 50-999 class compares the proposed fixed charges for 2016-

2019 with the floor and ceiling values for that class per the CA model.

8.0 –VECC -49

Reference: E8/ pg. 11

- a) Please update the proposed 2015 RTSR's to reflect the approved UTRs for 2015.

8.0 –VECC -50

Reference: E8/ pg. 30

- a) Please confirm that OPUCN's rate mitigation rate riders will all be volumetric and explain why this is the case, particularly for the Residential and GS<50 classes where the emphasis on the fixed charge is proposed to increase.

8.0 –VECC -51

Reference: E8/ pg. 101 and pg. 103-106

- a) Based on OPUCN's most recent 12 months of actual billing data please indicate what percentage of its residential customers fall into each of the following averages monthly consumption ranges:
- 0-250 kWh
 - >250-500 kWh
 - >500-800 kWh
 - >800-1000 kWh
 - >1000-1500 kWh
 - >1500-2000 kWh
 - >2000 kWh
- b) Please provide schedules similar to 8-49 and 8-50 for a Residential customer using:
- 250 kWh monthly
 - 500 kWh monthly
 - 1000 kWh monthly
 - 1500 kWh monthly
 - 2000 kWh monthly

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -52

Reference: E9/pg. 2 / 9-Energy Probe-64

- a) Please calculate the applicable rate rider for Group 1 deferral and variance accounts using the 2014 year-end balances as requested in 9-EP-64.

9.0-VECC-53

Reference: E9/pg.8

- a) Please provide a description and cost for all costs incurred and booked into account 1508 after the Board's approval to dispose of \$170,428. Specifically address the costs of \$37,588 incurred in 2013, a year after implementation of IFRS.
- b) Please If OPUCN is required to dispose of Group 1 accounts will it still seek to defer disposition of the remaining balance of 1508?

10.0 CUSTOM IR SUPPORTING EVIDENCE

10 –VECC -54

Reference: E10

- a) The application does not appear to contain a comprehensive (complete) proposal of the rate adjustment formula. If a reference to a comprehensive rate formula description cannot be given, please provide a full description of the rate adjustment formula as it would be applied in subsequent years to the 2015 approved rate. For clarification provide an example table of the rate adjustments in each of 2016-2019 using OPUCN forecast of any exogenous variables.

10-VECC-55

Reference: E10/TC

- b) Please identify any benchmarks that are used to adjust the rate that is calculated in years 2016 and onward.
- c) Please show any productivity or stretch factors to be applied to the

rate adjustment formula.

- d) Please show any incentive adjustments that would be applied to the formula.
- e) Please describe how this plan differs from a 5 years cost of service rate setting methodology.
- f) Please explain in light of the Board's decision in EB-2013-0416 how OPUCN's proposal for setting rates in each year differs conceptually from that of Hydro One Distribution.

10-VECC -56

Reference: E10/TD/pg.7

- a) Please list all variance or deferral accounts being sought in this application as part of the rate adjustment proposal. For each account please describe how the account mitigates Utility or ratepayer risk in each year of the formula.

10-VECC -57

Reference: E10/TDpg.15

- a) For clarity please provide a numeric example of how the TCECM would be applied over the 2015- 2019 rate year.

10-VECC -58

Reference: E10/TC/pg.15

- a) For the CCIEIM program please provide:
 - The forecast costs for each of 2015 through 2019 costs for each of the system renewal program and the municipal substation program.
 - Provide the amount to be booked as a reference amount to be spent in each year of the program

End of document