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August 17, 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-2014-0080 – Hearst Power Distribution Company Ld. - 2015 Distribution Rates
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)

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

Yours truly,

M. Garner/for M.Janigan

Michael Janigan
Counsel for VECC

Jessy Richard, Directeur Général/General Manager
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Manuela Ris-Schofield, Principal Tandem Energy Services
Manuela@tandemenergyserivces.ca

REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND NO:	**# 1**
TO:	**Hearst Power Distribution Company Ltd. (HPDCL)**
DATE:	**August xx, 2015**
CASE NO:	**EB-2014-0080**
APPLICATION NAME	**2015 Electricity Distribution Rate Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1
Reference: E1/T2/S2

a) Please provide details as to who carried out the customer satisfaction survey (the cooperative of Utilities or Tandem Energy Services).
b) What was the cost of the survey?
c) Hearst sent the survey out to all 2,274 customers. How many customers responded?
d) Were any of the survey questions asked unique to Hearst Power? If so please identify these questions.
e) In responding to questions of system reliability, were customers made aware of the distinction between outages due to the loss of supply and outages within the Hearst service territory? If so how was this information conveyed?
f) Please explain who and how the Section 11 Recommendations were compiled (e.g. were these comments of customers, or conclusions derived by Hearst from the study results)?

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC -2
Reference: E2/T2/S1

a) Please clarify whether Tables 2-8 through 2-11 show additions to rate base or capital expenditures (or whether both are the same).

2.0 – VECC - 3
Reference: E2/T1/S3

a) In explaining the 2010 actual/ to Board approved rate base variances Hearst explains that "*HPDC, like many others, tend to put capital investments on hold until the cost of service application is approved. This caused delays in HPDC investing time in maintaining and upgrading its system*." Please explain whether Hearst Power is deferring 2015 capital expenditures until it receives Board approval of this application.
b) Please provide the 2015 capital expenditures (by Board category) to date.

2.0 – VECC - 4
Reference: E2/T2/S3/Continuity Schedule 2015 / E2/T4/S1Table 2.20

a) It appears from the 2015 Continuity Schedule that $146,999 (net book value of $28,913) related to the mechanical meters that were removed as part of the smart meter initiative (i.e. stranded meters) remain in rate base in 2015. Please confirm that Hearst's 2015 rate base does not include any assets/costs related to stranded meters.
b) Please explain the difference between the net book value shown in 2015 for meters of $28,913 (Account 1860) and the amount shown in Table 2.20 of $45,081 and Table# of $6,006 ($51,087).

2.0-VECC-5
Reference: E2/T4/S1
a) Please explain the difference between the $669,539 shown for 2015 closing balance smart meter additions and the $663,877 shown in Table 2.16 Summary of Cost Claim.
b) Please show the derivation (calculation) of the rate riders shown in Table 2.17.

2.0-VECC-6
Reference: E2/T6/S1/DSP
a) Is the author of the DSP (J. Richard) an employee of Hearst Power or an outside consultant?
b) Please provide the qualifications of Mr. Richard.

2.0-VECC-7
Reference: E2/T6/S1/DSP/pg. 8 /Table 1

a) Please clarify the units of measurement used in Table 1: Customer – Hours by Cause (which appears to show for 2010 outages as large as 16,689 hours).

2.0-VECC-8
Reference: E2/T6/S1/DSP/pg. 32

a) Please clarify what is meant by the following statement made in the DSP "*As noted in section 2.1.3 [5.3.3] the historical period was overseen by a previous General Manager. These expenditures do not represent the real needs of the HPDC power system nor are these expenditures consistent with a long term, sustainable, economical, well-functioning distribution system*." Please note we are unable to locate any material at section 2.1.3 or 5.3.3 that would be material to this statement.

2.0-VECC-9
Reference: E2/T6/S1/DSP/pg.16

a) Table 9 demonstrates that in the past Hearst Power has struggled to meet its planned expenditures. The Utility also notes it employs only one 2-Person line crew. Based on these facts what comfort can Hearst provide the Board that it will be able to complete its proposed 2015-2017 pole replacement program?

2.0-VECC-10
Reference: E2/T6/S1/DSP/pg.64

a) Is the entire 2015 System Renewal budget of $86,448 related to the 20 pole replacements? If not please provide the entire budget for each of the 20 poles to be replaced (including any pole dressing).
b) Please explain if the replacement of the porcelain surge arrestors of $13k is related to the pole replacement program.
c) What is the unit cost for each pole replacement? Please clarify if this is includes just the pole or a fully dressed pole.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -11
Reference: E3, pg. 3

a) It is noted that HPDCL has no Unmetered & Scattered Load (USL) class. Does HPDCL have any unmetered customers (e.g., cable companies, billboard owners, etc.) other than Street Lights and Sentinel Lights that are not metered?
    - If yes, in what customer classes are they included and how are their volumetric billing determinants established?
    - If no, are all customers such as cable companies (who are typically unmetered in other utilities) metered in HPDCL's case?

3.0 –VECC -12
Reference: E3, pg. 6 and 31-32

a) Given that actual purchase data was available up to December 2014 (per pages 31-232), why wasn't 2014 actual data also used in the multiple regression model?

3.0 –VECC -13
Reference: E3, pg. 10

a) Are the customer counts set out in Table 3.2 year end or average annual values?
b) Please provide a schedule that set out the 2015 count by customer class as of June 30, 2014 and June 30, 2015.

3.0 –VECC -14
Reference: E3, pg. 16

a) The last paragraph states that HPDCL "removed" the kWh associated with Fit and MicroFit generation. Please clarify whether these kWhs were removed or "added" to the power purchases from the IESO and Hydro One.
b) The second last paragraph states that the customer eventually shut down in early 2011 but then goes on to state that usage data was only removed for the period up to October 2008. Please reconcile these two statements.

3.0 –VECC -15

Reference: E3, pg. 17 and 28
OEB's Chapter 2 Cost of Service Rate Application Filing Guidelines, July 19, 2014, page 28

a) Please explain why it is necessary to have 20 years of data for all the variables used in the regression model in order to base "weather normal" on 20 years of HDD and CDD values (per page 28, lines 1-3).
b) It is noted that the Filing Guidelines for 2015 Cost of Service Based Rate Applications require that the Applicant provide "the load forecasts based on a) 10-year average and b) 20-year trends in HDD and CDD". Please provide a schedule that compares the purchase power forecast (as produced using the regression model based on: a) a definition of weather normal using a 10 year average, as proposed by HPDCL, and b) a 20-year trend in the HDD and CDD values.

3.0 –VECC -16

Reference: E3, pg. 18 - 20 and 24

a) Please explain why a Winter Flag is required when the regression model already in includes the HDD variable to account for the winter heating requirements.
b) Please confirm that:
    - The winter flag variable is set at zero in the winter months and 1 in the non-winter months.
    - The fact that the coefficient resulting from the regression analysis is positive (per page 24), means that the flag will increase forecasted purchases in the summer months relative to the winter months.
    - Please discuss whether or not this result is counter intuitive to HPDCL's claim that the variable is meant to reflect the heavy dependence on electric heat in the winter..
c) Did HPDCL test whether a Spring/Fall flag would improve the regression model? If so, please provide the results.
d) What do the revised Wholesale numbers set out in Table 3.12 b) represent?

3.0 –VECC -17
Reference: E3, pg. 24

a) Please confirm whether the R-Squared values set out in Table 3.17 are: i) R Squared values or b) Adjusted R-Squared values. If the former, please provide the later for each variable tested.
b) It is noted that the Winter Flag and ShutDWN variables are not statistically significant. Please explain why they were retained in the regression model.
c) Please provide an alternative regression analysis just using HDD and CDD and provide tables equivalent to Table 3.14 and Table 3.15 based on the results.
d) Please provide a schedule that compares the purchase power forecast that results from the model as proposed by HPDCL with the 2015 forecast using the equation developed in part c).

3.0 –VECC -18
Reference: E3, pg. 33

a) Please clarify for which years the data is based on forecast vs. actual values.
b) Please confirm that third customer class shown in the table is GS>50-1499 and not GS>50-4999.
c) Please confirm that for the years where actual values are involved:
   - The values for the Street Lighting, Sentinel Lights and Intermediate classes are based on actual sales.
   - The values for Residential, GS<50, and GS 50>50-1499 are were derived multiplying i) the average historical ratio of the actual class' sales to the actual (adjusted) purchases by ii) the predicted purchases for the year using the actual value for all the independent variables (including HDD and CDD)..

   If this is not the case, please explain how the values for each customer class were derived.
d) If the basis for the determination of the predicted wholesale purchase values did not use weather normal values for HDD and CDD, how can the resulting calculation of the customer class sales result in weather adjusted "actual" values as the title to Table 3-24 states?
e) Please confirm that the forecast 2015 kWh sales for Street Lighting, Sentinel Lights and Intermediate are not linked in any way to the 2015 forecast for purchases power.

3.0 –VECC -19
Reference: E3, pg. 34-35

a) The tables on pages 34 and 35 set out different CDM savings by year for the 2011-2014 period. Please confirm that it is the savings profile on page 35 that HPDCL is relying on for purposes of its load forecast and indicate if the schedule on page 34 has any relevance or role in the application..
b) Are there any reports (preliminary or final) from the OPA/IESO on 2014 full year CDM results? If so, please provide
c) With respect to page 35, please reconcile the reported savings in 2014 from just 2014 CDM programs (1,287,131 kWh) with results reported in the OPA's 2014 Q3 Report which shows the CDM savings in 2014 from 2011, 2012, 2014 and 2014 programs as 1,300,000 kWh.
d) Please explain how the 566,363 kWh/6,500 kW manual adjustment for Street Lighting CDM was determined.
e) Base on any corrections or revisions to the Application arising from the preceding responses please revise Table 3.25 as required.

3.0 –VECC -20
Reference: E3, pg. 36-37

a) Please provide copies of any plans HPDCL has submitted to the OPA/IESO regarding how it intends to achieve its 2015-2020 CDM Target.
b) Please confirm that for future purposes of the calculating the LRAMVA for 2015 HPDCL is proposing that the amount of CDM deemed to be included in the load forecast is 533,333.33 kWh? If not, what is the amount and how was it determined.
c) Please provide a breakdown, by customer class, of this amount, including related kW values for demand billed classes.
d) The proposed LRAMVA amount for 2015 as discussed in part (b) does not appear to include either i) the impact of 2014 CDM programs in 2015 or ii) the impact of the Street Lighting CDM adjustment. Please explain why.

3.0 –VECC -21
Reference: E3, pg. 39

a) The two columns reporting the 2015 load forecast before and after CDM have different customer counts for some of the classes. Please explain.

3.0 –VECC -22
Reference: E3, pg. 46-47

a) Please add two more rows to the table showing:
   - The actual purchases for each year including purchases of embedded generation.
   - The losses for each year in kWh and as a ratio of total sales.

3.0 –VECC -23
Reference: E3, pg. 53

a) Please explain why there are no values for USOA #4330 (Expenses for Merchandise Jobbing, etc.) to compliment USOA #4325.
b) Please provide a schedule similar to Appendix 2-F that sets out the Other Operating Revenues for the first six months of 2014 and the first six months of 2015.

3.0 –VECC -24
Reference: E3, pg. 56-59

a) Page 56 explains that there was an accounting change as of 2012 to record full expenses and revenues for Merchandise Jobbing. However, there is no account for the years 2012 and after showing the expenses side. Please reconcile.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -25
Reference: E4/T3

a) Is Hearst Power a member of the EDA? If yes, please provide the annual dues paid for each of 2010 through 2014 and the forecast 2015 amounts.

4.0 -VECC -26
Reference: E4/T3

a) Does Hearst Power bill all customers monthly?
b) What was the billing practice (cycle) for customers in 2010.

c) If the billing cycle has changed since the last cost of service application please provide a table showing the incremental costs for monthly billing.

4.0 -VECC -27
Reference: E4/T3/S2

a) Please restate Appendix 2-JC on a consistent accounting basis (CGAAP) and show the any accounting adjustments (for NewCGAAP and IFRS separately).
b) Please identify an changes to 2015 OM&A which are due solely to accounting changes (e.g. capitalization/IFRS changes).

4.0 -VECC -28
Reference: E4/T3/S3 Employee Compensation Appendix 2-K

a) Please amend Appendix 2-K to show Total Compensation capitalized in each of 2010 through 2015.

4.0-VECC-29
Reference: E4/

a) Please provide the vegetation management budget for each of 2010 through 2015.

4-VECC-30
Reference: E4/

a) Since its last rebasing in 2010 Hearst Power has implemented smart meters for all its customers. This interrogatory is seeking to find the **net** incremental costs in delivering this service. Please identify all incremental costs (2010 as compared to 2015) related to this new requirement. Please also show the savings from meter reading reduction costs

4-VECC-31
Reference: E4/T3/S5/Table 4.5 and 4.6

a) Please clarify whether Hearst Power does any meter reading for the Town and if so what the total 2015 fees for this service are.
b) Please provide the total amount of revenues received for water billing services from the Town in 2015

c) Please provide the amount that annual postal costs have increased in 2015 as compared to 2010.

4-VECC-32
Reference: E4/T3/S9

a) Please provide the annual amount of LEAP funding utilized by customers in each year since 2010.

4-VECC-33
Reference: E4/T5/S1

a) Please provide a table showing the actual amount of taxes (PILS) paid in each year since 2010 and forecast for 2015.

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

5.0-VECC-34
Reference: E5

a) Please provide the principal repayment schedule for the $1.8 million affiliated debt. Please reconcile (if necessary) this schedule with the principal amounts shown in Appendix 2-OB for years 2013 through 2015.

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

No Questions

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –35
Reference: E7, pg. 2-4 / HPDCL's Cost Allocation model

a) Please explain why the 2015 customer count numbers in the Cost Allocation model (see Tabs I6.2, I7.1 and I7.2) do not match those in the Load Forecast (E3, Table 3-24).
b) Please explain why the 2015 revenue at current rates by customer class (and in total) as set out in the Cost Allocation model (Tab I6.1) does not equal the 2015 revenue at current rates as shown in E3, page 3.
c) With respect to page 3 (lines 19-21), are all Sentinel connections owned by the City of Hearst? If not, are the owners of the other connections also responsible for providing their own "services"?
d) With respect to billing and collecting weighting factors, the low weightings assigned to Intermediate Street Lighting and Sentinel Lighting is explained in part by the low volume of bills issued in each case. However, the purpose of this factor is to determine a relative cost per bill (which is then multiplied by the number of bills). As a result, please explain why volume of bills is a relevant factor in determining the weights.
e) With respect to Tab I6.2 of the Cost Allocation model, HPDCL has only input the number of Street Light connections and not provided a value for the number of Street Light devices. What is the number of Street Light devices that corresponds with the 943 connections?

7.0 – VECC –36
Reference: E7, Appendix 2-P

a) With respect to Table B, please confirm that column 7B is meant to be 2015 revenues as current rates and, if so, why it does not equal the values set out at E3, page 3.
b) With respect to Table B, please explain why the revenues at proposed rates set out in column 7D do not equal the revenue by customer class as set out in the revenue reconciliation schedule at E8, page 25.
c) With respect to Table B, Column 7C, please explain why the values show for each customer class do not equal those from the Cost Allocation Model, Tab O1, Row 23.
d) With respect to Table C, please correct to show the status quo ratios per the Cost Allocation model (Note: The values currently shown are all 100%).

7.0 – VECC –37
Reference: E7, pg. 19

a) Please explain why HPDCL is proposing to move the ratios for the Intermediate and Street Lighting classes further away from 1.0.
b) Please explain why HPDCL is increasing the ratio for Residential from 91% to 93%, as opposed to increasing further the ratios for the Intermediate ad Sentinel classes, both of which are only at 80% (as proposed).
c) Under HPDCL's proposal for 2016, which customer classes' ratios will be increased to offset the revenue loss of moving the GS>50-1,499 class ratio from 1.40 to 1.20?
d) Please calculate what the (common) 2015 revenue to cost ratio for the Intermediate and Sentinel classes would be if:
    - The ratios for Residential, Sentinel and GS<50 were held at their status quo levels, and
    - The ratio for GS>50-1,499 was set at 1.40 as proposed.

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 38
Reference: E8, pg. 5

a) Please explain why HPDCL is initiating the move to 100% fixed charge for Residential starting with its proposed 2015 rates when the Board's policy (EB-2012-0410, page 24) states that "the rate changes will begin in 2016".

8.0 –VECC - 39
Reference: E8, pg. 8

a) With respect to the GS<50 class, please clarify whether HPDCL's rate design proposal is to maintain the existing fixed/variable split or maintain the existing monthly service charge.
b) With respect to the Sentinel and Street Lighting classes, please explain why HPDCL is proposing to maintain the existing monthly service charges for 2015 when, in each case, the current service charge is well below the maximum value calculated by the Cost Allocation Model.

8.0 –VECC - 40
Reference: E8, pg. 10-11

a) With respect to the RTSRs, the Application states (page 10) that the current rates are over-collecting in the case of the Connection Service and the proposal is to offset this inequity. However, the proposal calls for an increase in Connection Service rates (see page 11). Please reconcile.

8.0 –VECC - 41
Reference: E8, pg. 21

a) How were the forecast 2015 LV charges of $55,936 derived?

8.0 –VECC - 42
Reference: E8, pg. 23

a) How was the Supply Facilities Loss Factor of 1.0034 determined?

8.0 –VECC - 43
Reference: E8, pg. 30-31

a) Please explain the basis for the statement that the Application was filed 6 months late when the required filing date was August 1, 2014 and the Application is dated June 8, 2015.
b) Please confirm that HPDCL is requesting that its approved 2015 rates be both implemented and effective in November 2015.
c) If part (b) is confirmed, please explain why a foregone revenue rate rider is required.
d) Please explain why the text on page 30 states the Application is 6 months late but the calculations on page 31 state it was 5 months late.
e) Please explain why the new rates set out on page 31 don't equal the proposed rates per E8, page 9.
f) Based on the most recent 12 months of billing data please indicate how many Residential customers fall into each of the following average monthly use categories:
   - 0-100 kWh
   - >100-250 kWh
   - >250-500 kWh
   - >500-800 kWh
   - >800-1,000 kWh

- >1,000-1,500 kWh
- >1,500-2,000 kWh
- >2,000 kWh

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -44
Reference: E9/Appendix 2-U & Table 9.0

a) Please reconcile the account 1508 amount of $36,358 shown in Table 9.0 with the amount of $35,936 ($35,500 + 436 carrying charges) shown in Appendix 2-U.
b) Please confirm that Hearst Power's IFRS consultants reviewed the account 1575/1576 proposal in this Application.

End of document