PUBLIC INTEREST ADVOCACY CENTRE
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October 28, 2016

**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-2016-0166 Renfrew Hydro Inc. 2017 Rates**
**Interrogatories of Vulnerable Energy Consumers Coalition (VECC)**

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

Yours truly,

Michael Janigan
Counsel for VECC

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|---|---|
| **REQUESTOR NAME** | **VECC** |
| **TO:** | **Renfrew Hydro Inc.** |
| **DATE:** | **October 27, 2016** |
| **CASE NO:** | **EB-2016-0166** |
| **APPLICATION NAME** | **2017 COS Application** |

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## 1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1
Reference: E1/T3/S2/Customer Survey

a) Please confirm (or correct) that the survey was not a random sample of customers.
b) Please explain how customers were contacted to participate in the survey.
c) Please provide the participation rate.
d) The survey states that 29% of the respondents had contacted the Customer Care Center in the last 12 months. What was the actual number of customers who contacted Renfrew over the 12 months before the survey was undertaken?

1.0-VECC-2
Reference: E1/T3/S5

a) How many people attended the two open houses held by Renfrew Power?
b) The capital budget amounts provided at the open house (PDF pg.62) do not correspond to the application proposal for capital expenditures. Please explain the difference and why these changes were made after the town house meetings.
c) In April of what year were the town hall meetings held?

1.0-VECC-3
Reference: E1/T9/S1

a) Please explain why Renfrew undertook two surveys – The Electrical Safety Authority Public Awareness Survey 2016 (CHEC) and the 2014 In-House Survey.
b) In what ways do the results of these surveys differ?
c) Does the “ESA Public Awareness Survey 2016” have any relationship to

the Electrical Safety Authority and or its requirements?
d) What are the specific Board requirements for these surveys?

## 2.0 RATE BASE (EXHIBIT 2)

2.0 -VECC - 4
Reference: E2/T1/S3/pg.15

a) Please quantify the depreciation adjustment in 2013 due to the changes asset useful lives.
b) Please explain what, if any, accounting changes were made in 2015 (MIFRS) as compared to 2014 (NEWGAAP).

2.0-VECC-5
Reference: E2/T1/S3/pg.18

a) The explanation of the 2010 actual vs. 2010 Board approved does not explain the variances from the capital budget that was the basis for the 2010 Board approval. Please provide a variance from the 2010 capital budget presented in the last cost of service application as compared to what was actually spent/completed in 2010.

2.0-VECC-6
Reference: E2/T1/S4

a) Please explain why the closing balance for 2016 (Appendix 2-BA) of $15,242,665 does not match the opening balance for 2017 ($15,243,851).

2.0-VECC-7
Reference: E2/T1/S4

a) Please explain the difference between the Schedules labelled 2014 and 2015 CGAAP at pages 28 and 29 and the Continuity Schedules which appear to be labelled the same at pages 24 and 25.
b) Please provide the 2013 Continuity Schedule under New CGAAP
c) Please provide the depreciation adjustment in the Continuity Schedules for:
    i. 2013 (CGAAP to New CGAAP)
    ii. 2015 (New CGAAP to MIFRS)

2.0-VECC-8
Reference: E2/T3/S1/ Working Capital

a) Please explain the -$21,765 shown in Table 2.15 under the column labelled "Last Board Approved".

2.0-VECC-9
Reference: E2/T4/S2/

a) Please explain the difference between the Gross Asset value and Accumulated Amortization shown in Table 2.30a) and that shown in the Continuity Schedule for 2010 shown at E2/T1/S4 and the residual value of $36,653 (5,616) shown in the 2017 MIFRS Continuity Schedule.
b) Please explain the addition of $10,000 in 2017 for account 1860 Meters
c) Given the condition assessment of poles shown in Figure 13 of the DSP, please explain why are there no pole replacements forecast for 2017?

2.0-VECC-10
Reference: E2/T5/S2/Distribution System Plan

a) For the major asset classes (poles, transformers etc.) does Renfrew undertake individual asset assessments or does it rely on age or sampling as its proxy for asset condition?
b) If assets are specifically assessed then please provide a table showing the condition of these assets (good, fair, poor etc.).
c) Please explain the basis for the plan to replace 40 poles per year. Was this project undertaken based on actual asset condition or age of assets?

2.0-VECC-11
Reference: E2/T5/S2/Distribution System Plan/pg.68

a) Please explain the approximately $100k increase in 2016 as compared to the prior 3 year average in system renewal capital costs. Specifically, please provide the basis upon which Renfrew decided it required to significantly increase spending in this area.

2.0-VCC-12
Reference: Benchmarking Supplementary Evidence
a) Please explain what specific programs are being undertaken to improve RHI's productivity performance.

2.0-VECC-13
Reference: E2/T5/S2/Distribution System Plan/pg.68

a) The average capital expenditure for the 2012 to 2015 period was approximately 400k. For the four year period 2016 to 2019 it is approximately 650k. Please explain what changes have been made in asset assessment since 2012 which supports this increase in spending.
b) The DSP states that "*RHI has planned for the replacement of 15 pole-mounted transformers per year and one to two pad-mounted transformers per year each year for the entire forecast period*' (pg.75). What is the basis for this plan – specifically how are the transformers identified to be replaced? Are these assets replaced as part of the street refurbishments (e.g. Argyle, Raglan Street North, Lisgar Street etc.)? If yes please explain how these streets (as opposed to others) were selected.

2.0-VECC-14
Reference: E2/T5/S2/Distribution System Plan/pg.83

a) Please provide an update on the Hunter Gate Phase 4 project and specifically provide the current in-service date.
b) Please provide an update on the Argyle Street project and specifically provide the current in-service date

2.0-VECC – 15
Reference: Capital Projects Table Appendix 2-AA / Benchmarking Study Results

a) Please update Appendix 2-AA to show the actuals spent to date and, adding another column, the remainder forecast to be spent in 2016.
b) Please explain why the 2016 capital projects are expected to $180,000 less than budgeted.

2.0-VECC-16
Reference: Distribution System Plan/pg.54

a) Please provide any studies supporting the $300k investment in MS-1.

2.0-VECC-17
Reference: E2/T5/S8

a) Please explain in the increase in outage duration and frequency in 2012 and 2014.

## 3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -18
Reference: E3, pages 5 & 27

a) Are the historic customer/connection counts for 2006-2015 year-end or average annual values?
b) Please provide the actual customer/connection count by customer class as of June 30, 2015 and June 30, 2016.
c) Do the GS>50 customer count values in Table 3.15 include the one customer "lost" in 2011?

3.0 –VECC -19
Reference: E3, pages 14-15
Load Forecast Excel Model, Tab 6

a) The Application states that the GS>50 customer "eventually shut down operations in early 2011" but then goes to state that load was removed for the period January 2006 up to December 2015. Please reconcile and explain why the actual purchase values were adjusted after early 2011.
b) The Application indicates that the purchase power values were adjusted to account for the loss of one GS>50 customer. However, in the Load Forecast Model, adjustments appear to be made for the loss of two customers. Please explain.

3.0 –VECC -20
Reference: E3, page 18
Preamble: The Application states that inclusion of the Daylight Hours variable slightly improved the R-Square statistic.

a) Please provide the regression results (e.g. equation coefficients and regression statistics) for the wholesale purchase power model where the Daylight Hours variable is excluded.

b) Does the inclusion of the Daylight Hours variable improve the value for the adjusted R-squared statistic?
c) Using the equation from part (a) and the same forecast values for the independent variables as in the Application what would be the forecast power purchases for 2016 and 2017 (prior to any CDM adjustment)?

3.0 –VECC -21

Reference: E3, pages 10-13 and 17-18

Preamble: The Application (page 18) states that "the model uses for the most part a simple average of the last 10 years data" to projected the wholesale power purchases.

a) Please indicate which for which independent variables the values for 2015 and 2016 were not based on a simple average of the last 10 years.
b) For those variable identified in part (a), please explain how the projections for 2015 and 2016 were developed.
c) The Economic Outlooks provided at pages 10-13 include economic projections for 2016 and 2017 for: i) the Kingston Pembroke Economic Region and ii) the Kingston Census Metropolitan Area. Which of these more closely represents Statistics Canada's the Renfrew Economic Region for RHI used the full-time employment values in its regression model?
d) Based on the response to part (c) and the purchase power model developed by RHI, please provide a revised projection of 2016 and 2017 power purchases using the appropriate employment growth rate forecast from pages 10-13.

3.0 –VECC -22

Reference: E3, page 21

a) Please confirm that in Table 3.10 the values in the "Adjusted" column are the models predictions for each year using the actual values for each of the explanatory variables.
b) Please provide a revised Table which includes a "Weather Adjusted" column where each year's predicted values are based on the actual values for all explanatory variables except HDD and CDD, which are to be based on the 10-year weather normal values.

3.0 –VECC -23

Reference: E3, pages 24-25 and 29

a) Please explain why the 2016 and 2017 values from Table 3.14 (based on 20 year weather normalization) are the same as the values used in Table 3.17, which is based on 10 year weather normalization.

3.0 –VECC -24

Reference: E3, pages 29-32

a) In Tables 3.17, 3.18 and 3.19a, please confirm that the values in the "Weather Normalized" column for 2006-2015 are not "weather normalized" but rather predicted values for each year based on the actual weather in that year.
b) Based on the response to part (a), please confirm that the values set out in the "Weather Normal" column of each of these tables do not represent an estimate of the weather normal use for the customer class for the years 2006-2015. If RHI is of the view that it does, please explain why.
c) Do the Metered kWh in Table 3.19a for the years 2006-2015 include the load for the "lost" GS>50 customer whose load was removed from the purchase power? If yes, why is this appropriate or does the Table need to be revised?
d) Please provide a Schedule that for each year 2006-2017 sets out the metered sales by customer class, the total metered sales and the total power purchases. Note – for 2016 and 2017 the values should be those prior to any adjustments for CDM.
e) Based on the results for part (d), please contrast the losses implicit in the projections for 2015 and 2016 versus the actual losses (e.g. purchases less metered kWh) for the 2006-2015 period and comment if there are material differences or anomalies.

3.0 –VECC -25

Reference: E3, page 34

a) Please confirm that the forecast presented in the previous section assumes not only some level of embedded natural conservation but also reflects the impact of CDM programs implemented by RHI over the 2006-2015 period.

3.0 –VECC -26

Reference: E3, pages 35-40

IESO 2011-2014 Final Results Report (Excel File)

a) The values set out in Table 3.23 do not reconcile with the IESO 2011-2014 Final Results Report. For example, i) the adjustment to 2011 saving set out in the Table is 90,000 whereas the adjustment in the IESO Report is only 9.158 kWh, ii) similar issues appear to exist regarding the adjustment for 2012 and iii) the value reported in the Table for 2014 appears to include the adjustment for 2013 – which was already accounted for in the 2013 value. Please review and provide a corrected version of Table 3.23.
b) Please provide any reports available from the IESO regarding the persistence of the savings from 2011-2014 programs over the 2012-2017 period.
c) Please provide a copy of RHI's approved 2015-2020 CDM Plan as referenced at page 40.
d) With respect to page 39, please explain why the manual CDM adjustment includes the years 2014-2016? Shouldn't the adjustment be based on program savings for 2015-2017 and reflect 50% of 2015 plus 100% of 2016 plus 50% of 2017? If not, why not?
e) With respect to page 39, please confirm that the LRAMVA threshold for 2017 should be based on 100% of planned savings in 2016 and 2017 (not 2015 and 2016).
f) Has the IESO produced any reports regarding RHI's actual CDM results for 2015? If so, please provide.

3.0 –VECC -27

Reference: E3, pages 41-42

a) Does RHI's approved 2015-2020 CDM Plan include a breakdown of savings by sector? If so, please provide revised versions of Tables 3.24 and 4.20 that reflect this breakdown by customer class.

3.0 –VECC -28

Reference: E3, pages 55, 61 and 63

a) With respect to Account #4375, do the values shown in Appendix 2-H (page 55) include any revenues other than those related to RHI's CDM activity? If so, please indicate what the other activities are and provide a schedule setting out the annual values for 2010-2017.

b) With respect to page 63, what is the status of the old building sale and is it still expected to be completed in 2016?
c) Does the sale also involve the sale of any land and, if so, what is the book value of the land being sold?

## 4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -29
Reference: E4/Appendix 2-N

a) Please update Appendix 2-N to show 2016 actuals to date.

4.0 -VECC -30
Reference: E4/T2/S2/pg.15/pg.31
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a) Please explain what the “LPP penalty” refers to.

4.0 -VECC -31
Reference: E4/T2/S1/Table 4.8

a) Please show how the 62k reference on line 3 is derived from Table 4.8 below.

4.0 -VECC -32
Reference: E4/T2

a) Please provide a comparison of 2010 office and building rental costs as compared to the equivalent 2017 forecast costs.

4.0 -VECC -33
Reference: E4/T2/S1/pg.19 & E4/T3/S2/pg.36

a) RHI notes that ongoing smart meter costs were not included in the 2010 OM&A. At page 38 Renfrew describes 50k and 28k of associated smart meter costs. If these are not all the incremental smart meter costs then please provide a table listing all the incremental requirements for smart meter billing and their associated costs.

b) Does Renfrew currently bill monthly? If the costs for moving to monthly billing are greater than the 28k identified on page 36 then please provide a table showing all the incremental costs of moving to monthly billing.
c) If monthly billing is not currently being used then please explain when RHI will complete the transition to monthly billing.

4.0 -VECC -34
Reference: E4/T3/S1

a) Please explain how the bad debt forecast of $33,672 for 2017 was derived.

4.0-VECC-35
Reference: E4/T6/S1

a) Please provide the annual EDA fees for 2010 through 2017.
b) Please provide the annual CHEC fees for 2010 through 2017.
c) Please explain what billing services are provided by Ottawa River Power Corporation and at what annual cost.

4.0-VECC-36
Reference: E4/T6/S2

a) Using Table 4.20 please provide the actual cost of service application costs spent to date.
b) Please explain what services are provided by AESI.

4.0-VECC-37
Reference: E4/T7/S1

a) Is the 5k LEAP donation included in the revenue requirement for 2017 or the default 0.12% of $2500?

4.0-VECC-38
Reference: E4/T8/S5

a) At the above reference RHI explains that RHI uses a PILs rate of 26.5% instead of the small business rate of 15%. Please provide the dollar difference in using the higher rate for the 2017 PILs revenue requirement.
b) Please explain the reasons RHI must use the higher rate – that is explain

what "association" with Renfrew Power Generation is and why it requires the use of the higher tax rate.

c) Please provide the actual PILs paid in each of 2010 through 2015 (or confirm the amounts in Table 4.24 are the entire actual PILs payment for each year)

4.0 -VECC -39

Reference: E4, pages 91-95
LRAMVA Model

a) It is noted that RHI has included in its claim savings from pre-2011 programs. Please provide the justification for doing so.
b) The savings values used in the LRAMVA model do not appear to match those in the IESO CDM Report for 2011-2014. For example:
    i. For 2011
        i. The savings from the industrial retrofit programs do not appear to be accounted for.
        ii. The subsequent adjustment (9,158 kWh) is all valued at the Residential rate while in the IESO report some of the adjustment is associated with the Business programs. to the Residential
    ii. For 2013:
        i. The subsequent adjustment included in the LRAMVA model does not match that in the IESO Report (per OEB Staff IR #58).
        ii. The subsequent adjustment in the LRAMVA model (183,377 kWh) is all valued at the Residential rate while in the IESO report most of the adjustment is associated with the Business programs.

   Please review and revise the LRMVA model as required.

4.0 -VECC -40

Reference: E4, pages 91-95
EDDVAR Continuity Schedule, Tab 5 – Allocation of Balances

a) Please provide a schedule that indicates how the results set out on pages 93-95 were allocated to customer classes – particularly the Adjustments to Verified Results.

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

5.0-VECC-41
Reference: E5/T2/S2

a) Please confirm that the long-term debt for Renfrew is calculated solely at the Board affiliate default rate.
b) Renfrew has noted that its affiliate debt is callable. Please explain why Renfrew has not replaced this debt with a lower cost instrument.
c) What discussion has Renfrew had with lenders to understand what the current market rate is for long-term debt?
d) Please explain why Renfrew believes it is prudent to have long-term debt above the current market rate if this debt is callable.
e) Please provide the current Infrastructure Ontario 30 year serial and amortizer rates available to distribution utilities.

5.0-VECC-42

a) Please update the cost of capital inputs for the Board cost of capital parameters issued October 27, 2016.

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## 6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

None

## 7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –43
Reference: E7, page 5-6

a) Is it RHI's intent that no costs for Collecting (Account 5320) be allocated to Street Lighting and USL? If so, please indicate where in the Cost Allocation model this has been implemented.
b) Please reconcile the customer count values used in the Meter Capital and Meter Reading tabs of the Cost Allocation model with the customer/connection count forecast in Exhibit 3.

7.0 – VECC –44
Reference: E7, pages 16-17

a) With respect to page 17, please indicate what class or classes R/C ratios will be adjusted in 2018 and 2019 in order to maintain revenue neutrality and what the resulting R/C ratios will be.

## 8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 45
Reference: E8, pages 9-11

a) The Application states that the monthly charge for USL is being set to maintain the existing fixed/variable split. However, the proposed rate in Table 8.4c differs from that based on the current fixed/variable split per Table 8.4a. Please reconcile.

8.0 –VECC - 46
Reference: E8, pages 24-25

a) In Table 9.16 the billed and charged values are the same. What were the annual amounts that RHI was charged in 2010-2015 for LV service?

## 9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0-VECC-47
Reference: E9/T1/S5

a) Please provide the notes associated with Table 9.2
b) Please provide the derivation of the return on rate base for account 1576 of $174,741.

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