ECONALYSIS CONSULTING SERVICES
34 KING STREET EAST, SUITE 630, TORONTO,
ONTARIO M5C 2X8
www.econalysis.ca

Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

October 4, 2017

Dear Ms. Walli:

Re: EB-2017-0035 – Cooperative Hydro Embrun Inc. 2018 Rates
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Please find enclosed the Notice of Intervention of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark Garner

Consultant for VECC

Cooperative Hydro Embrun Inc.
Mr. Benoit Lamarche – benoit@hydroembrun.ca
Tandem Energy Services
Ms. Manuela Ris-Schofield – tandemenergyservices.ca

REQUESTOR NAME	**VECC**
TO:	**Cooperative Hydro Embrun Inc. (Embrun)**
DATE:	**October 4, 2017**
CASE NO:	**EB-2017-0035**
APPLICATION NAME	**2018 COS Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1
Reference: Exhibit 1/pg.62

a) Please provide Embrun's 2016 scorecard results.

1.0-VECC-2
Reference: Exhibit 1/Appendix D

a) Please identify the author of the customer survey at Appendix D.
b) What was the cost of this survey?

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC -3
Reference: Exhibit 2/pgs. 13-15

a) Please provide the capital contributions associated with each of the following projects (capital expenditures listed in bracket):
   - Faubourg Ste-Marie ($1,001,927);
   - Oligo Project Quatre Saison ($239,868)
   - Versaille III Subdivision ($119,200)

2.0-VECC-4
Reference: Exhibit 2/pg.15 & DSP pg.14

a) Please provide the current status (expected in-service date and cost) of the new substation.
b) What will be remaining undepreciated value of the existing municipal station (original 1988) at year-end 2017?

2.0-VECC-5

Reference: Exhibit 2/pg.22 & DSP/pg.2 & Appendix G Stantec Study section 5.1.1

a) At the above reference the following statement is made: "*A new feeder was also required to supply the new subdivisions and provide security of supply since Hydro One is no longer able to provide any backup power to CHEI*." Please explain what backup supply was withdrawn by Hydro One and why.
b) Specifically address the reasons why Hydro One is dismantling their Embrun Distribution Station.
c) Please provide the notification received from Hydro One regarding this station.
d) At section 5.1.1 of the Stantec Study the authors make this observation:

The current method of providing the required redundancy is by using a feeder from each of the Hydro-One substations located to the east and west of Embrun. Each of the two feeders could provide support for 3.6 MVA of loading on an 'as required' basis. Using this method as a temporary way to provide the required redundancy means that the purchase of a second transformer or construction of another substation could be deferred until required for capacity reasons. It is our belief that Embrun Hydro is still covered by this Hydro-One program and Hydro-One is contractually obligated to provide 2 years notice to Embrun Hydro before the removal of the emergency supplies. While formal notice has not been provided, Hydro One has indicated that they may be decommissioning the station to the east of Embrun in the near future.

Does Embrun agree with Stantec's conclusion that Hydro One is obligated to provide 2 years notice and which is has not yet formally done? Or is the letter dated October 17, 2016 at Appendix I the formal notification by Hydro One?

2.0-VECC-6

Reference: Exhibit 2/DSP pgs. 8 &11

a) If available please provide SAIDI and SAFI by cause code. If not available, please explain when Embrun will begin collecting data to provide losses by cause code.
b) Please explain the high SAIDI/SAIFI (both with and without loss of supply) in 2016.

2.0-VECC-7
Reference: Exhibit 2/DSP/pgs.10,15, 18

a) For the major asset categories (e.g. breakers, wood poles, distribution transformers, underground cables, underground switches, overhead conduit etc.) please describe the asset condition assessment methods used by Embrun.

2.0-VECC-8
Reference: Exhibit 2/DSP/pg. 140 PDF

Pre-amble: At the above reference Embrun makes the following statement:

CHEI considered the possibility of operating with the current equipment and then, in the event of a failure, responding by making an emergency purchase of a transformer and work required to install it and put it into service. This would put all the customers out of service for as long as it takes to purchase, transport, install and commission the equipment. There is no assurance that the appropriate capacity and voltage ratios transformer will be available, nor assurance of the age, condition and delivery time of the unit. Further, costs for the unit, transportation and the installation will likely be at a premium. This solution was not considered further. This was also the only alternative since Hydro One had already indicated that it could no longer provide a backup feeder supply nor could it provide a mobile unit substation.

a) Please explain if the option of purchasing an emergency transformer and keeping it on site was considered for backup service.

2.0-VECC-9
Reference: Exhibit 2/DSP/Appendix G Stantec Study, section 3.3 (PDF pg.170)

a) At section 3.3 of its Report Stantec recommends system upgrades to reduce losses. Has Embrun undertaken this recommendation, if not does it intent to and when?

2.0-VECC-10
Reference: Exhibit 2/DSP/Appendix G Stantec Study/section 5.1.2

a) At the above reference the authors of the study state that: "[T]*he construction for the new substation has been awarded as a design-build project to K-Line Maintenance & Construction Ltd. for approximately $1.5M plus taxes*." Was the substation the project approved and tendered before the Stantec Study was complete? Please clarify the timing of the Stantec Study and the awarding of the contract to build the substation.

2.0-VECC-11
Reference: Exhibit 2/DSP/Appendix G Stantec Study/section 5.2 & 5.3

a) Please indicate which of the recommendations set out in the Stantec Study are being addressed by Embrun in 2017 and 2018 and which recommendations are being addressed post 2018.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -12
Reference: Exhibit 3, page 13, Table 3

a) Please confirm that "net of Microfit" means that the table represents the sum of purchases from Hydro On plus purchases from MicroFit and Fit installations.

3.0 –VECC -13
Reference: Exhibit 3, page 18
Load Forecast Excel Model, Input Tab

a) It is noted that Customer Count is one of the possible inputs listed in the Input Tab of the model but there is no discussion in the Application as to whether or not Embrun tested this variable. Was customer count tested as a potential explanatory variable? If yes, what were the results and why was it excluded? If not, why not?
b) Please provide the results of two additional regression analyses (i.e., equation and supporting regression statistics):
   i. Include customer count as an additional independent variable, along with those already proposed.

ii. Include customer count as an additional independent variable along with those already proposed, with the exception of employment which should be excluded.

3.0 –VECC -14
Reference: Exhibit 3, page 18
Load Forecast Excel Model, Forecast Tab

a) Please confirm that for the 2017 purchase power forecast the employment variable used in each month was based on the average value for the years 2007-2016. If not, how were the values determined? (Note: The values in the Load Forecast Model are simply numerical inputs)
b) Please confirm that for the 2018 purchase power forecast the employment variable used in each month was based on the average value for the years 2008-2017. If not, how were the values determined? (Note: The values in the Load Forecast Model are simply numerical inputs)
c) Please provide the rationale for the approach used in parts (a) and (b).
d) Using the data in Table 5 and trend analysis please project the employment levels in each month for 2017 and 2018 and compare the results with the values used in Embrun's forecast.
e) Is Embrun aware of any forecasts of employment for the Ottawa Region? If so, please provide.

3.0 –VECC -15
Reference: Exhibit 3, pages 15-16
Load Forecast Excel Model, Forecast Tab

a) The HDD values used for 2017 appear to be based on an average of 2007-2016. However, the values used for 2018 are different (and hard coded inputs). Please explain the basis for the 2018 values used.
b) The CDD values used for 2018 appear not be based on the average for the years 2007-2016 as the Application states (page 15), but rather on an average of the values for 2008-2017 plus the 10 year average (2007-2016) average. Please explain why.

3.0 –VECC -16
Reference: Exhibit 3, page 23

a) In Table 10 the ten year values and 20 year values are exactly the same – please review and correct as necessary.

3.0 –VECC -17
Reference: Exhibit 3, pages 24-25

a) Are the customer/connection counts shown in Table 11 year-end or average annual values?
b) Please provide the actual customer/connection count by class as of June 30, 2017.
c) Please provide the customer/connection counts by class for the most recent month available.

3.0 –VECC -18
Reference: Exhibit 3, pages 24-25
Load Forecast Excel Model, Input-Customer Data Tab

a) Please explain the following statement “in CHEI’s case the MicroFit related consumption was removed from the Wholesale Purchases” and indicate exactly what the related adjustments were and where they are reflected in the Load Forecast model.
b) In the Load Forecast model it appears that, for the Residential, GS<50 and GS>50 classes, the geomean growth rate was applied to the 2015 customer count (as opposed to the 2016 value) in order to project 2017. Please review and correct the 2017 and 2018 values as required.
c) Please explain the basis for the subsequent adjustments made to the forecast customer counts for each of the Residential, GS<50 and GS>50 classes.

3.0 –VECC -19
Reference: Exhibit 3, page 27

a) In Table 12, please confirm that the column titled “Weather Normalized” is the ratio of actual Residential sales over actual Wholesale Purchases and does not involve any “weather normalization”.
b) In Table 12, please confirm that the column “Weather Normal” is the result of multiply the ratio (per part (a)) by the predicted Wholesale Purchases based on actual HDD and CDD values and, as a result, does not involve any “weather normalization”.
c) Using Residential as an example, please explain the revisions to the forecast made due to the “Load corrected based on utility input” (i.e., the second table on the page).

3.0 –VECC -20

Reference: Exhibit 3, page 29
Load Forecast Model, Bridge&Test Year Class Forecast Tab

a) In Table 14, please explain why the GS>50 forecast for 2018 is significantly less than that for 2017 when the customer count is the same in both years. In reviewing the Load Forecast Model it appears that the customer loss in 2017 has been double counted in 2018.

3.0 –VECC -21

Reference: Exhibit 3, pages 34-39

a) Please provide a copy of Embrun's approved CDM Plan.
b) Please confirm that, based on Embrun's approved CDM Plan the expected energy savings from 2016, 2017 and 2018 CDM programs are 254 MWh, 278 MWh and 434 MWh respectively.
c) Please provide a copy of Embrun's verified 2016 CDM Results (the excel version).
d) Please confirm that the verified results from 2016 CDM programs persisting in 2018 is 730,807 kWh.
e) Please reconcile the preceding values with the 2018 CDM adjustment proposed in the Application

3.0 –VECC -22

Reference: Exhibit 3, page 40

a) Please explain how the total LRAMVA baseline value of 2,084,706 kWh was derived.

3.0 –VECC -23

Reference: Exhibit 3, page 57

a) In what account are the revenues from the microFit service charges recorded and what were the revenues for 2016?
b) In what account are the revenues from SSS Admin Fees recorded and what were the revenues in 2016?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0-VECC-24
Reference:

a) Embrun's Appendix 2-JC appears to be filed in a non-standard format. The format seen by VECC in other similar applications is shown below:

Programs Under Appendix 2-JC
Reporting Basis
Operations
Meter Operations
System Control Operations
Overhead\Underground Operations
Operations Supervisory
Station Operations
Sub-Total
Maintenance
Meter Maintenance
Maintenance Supervisory
Overhead\Underground Maintenance
Station Maintenance
Transformer Maintenance
Tree Trimming
Sub-Total
Community Relations
LEAP
Community Relations
Sub-Total
Customer Service
Bad Debt
Customer Billing
Customer Collection
Sub-Total
Administration
Insurance
Office Supplies
General Building
Safety Training
Regulatory Affairs
Audit, Legal & Consulting
Administrative and Human Resource
Sub-Total
Miscellaneous
Total

Is the format provided by Embrun's Appendix 2-JC (see Excel Chapter 2 Appendices) the greatest detail available for the Utility's OM&A programs? If not please provide the greater detail as shown in the sample table above.

VECC-25
Reference: Exhibit 4, pg. 15

a) Please describe the steps and customer charges (i.e. policies) Embrun has for customers who do not pay their bill by the due date (for example, how many days after the bill is sent does a late payment charge apply, how many days past when a disconnection notice is sent, charge for notice – if any, etc.
b) How many disconnection notices did Embrun send out in 2016?
c) Please provide the actual bad costs to date for 2017
d) Please explain how the bad debt forecast of $10,000 for 2018 was estimated.

4.0-VECC-26
Reference: Exhibit 2/DSP/pg. 6 & Exhibit 4, page 27 & Table 19, pg. 40

a) Please provide the names of any firms other than Sproule Powerline Construction Ltd. (SPL) that carry out Embrun's operation and maintenance work?
b) Please provide the annual amount paid to SPL in 2014 forecast to be paid in 2017 and 2018 (forecast).
c) The amounts paid to SPL for operation and maintenance do not appear to match those amounts shown in the summary OM&A tables. For example, in 2016 the amount paid to SPL is $433,829. However the amounts shown for 2016 in Table 13 (pg. 19) for Operations ($22,179) and Maintenance ($43,622) are significantly less. Please explain why.
d) Furthermore, in 2016 the amount paid to SPL added to amount paid in the same year for employee compensation (see Table 16, pg.34) exceeds the total of OM&A for 2016 as shown in Table 13 -(i.e. $433,829 + $260,768 is > $601,025). Please explain this apparent discrepancy.

4.0-VECC-27
Reference: Exhibit 4, page 45.

a) Please provide the legal costs to-date for this application.
b) In addition to the amortized cost of $32,800 for this application Embrun has included $33,000 of annual consultant costs for regulatory matters in each year of the term of the proposed rate plan. Please explain what these costs are for.

4.0-VECC-28
Reference: Exhibit 4, page 48

a) In any of the years 2014 through 2017 has Embrun's LEAP partner had more request for assistance that funds available. If yes please provide the number of unfulfilled requests in each year.

4.0-VECC-29
Reference: Exhibit 4, page

a) Please confirm that Embrun sought a deferment of the adoption of IFRS accounting standards in its last application EB-2013-0122.
b) Please confirm that Embrun adopted IFRS accounting standards as of January 1, 2015.
c) Please provide the BDO analysis that was completed for the $21,571Embrun is now seeking to recover.

4.0-VECC-30
Reference: Exhibit 4, page 58

a) Please provide the actuals PILS paid in each of 2014 through 2016.

4.0 -VECC -31
Reference: Exhibit 4, LRAMVA Work Form
EB-2013-0122 DRO – Load Forecast File

a) Please confirm that the CDM adjustment included in the approved load forecast for 2014 Rates (EB-2013-0122) was 58,321 kWh which was

based on 50% of 2014 expected CDM savings of 38,880.76 kWh plus 100% of 2013 expected CDM savings of 38,880.76 kWh. If not, what were the values included?

b) Please confirm that these savings were allocated to the customer classes as follows: i) Residential – 69.45%, ii) GS<50 – 15.75%, iii) GS>50 – 13.32%, Iv) Streetlighting – 1.19% and v) USL – 0.28%. If not, what was the class allocation?

c) Since the LRAMVA is based on 100% savings in all years, please explain why the total CDM adjustment used to calculate the forecast lost revenue in 2014 and 2015 should not be 77,661.52 kWh in each year (i.e., 100% of 2014 and 2015 expected savings) versus the 38,800 kWh and 0 kWh values for 2014 and 2015 respectively used by Embrun (per LRAMVA Work Form, Tab 2).

d) Please explain why Embrun assumes there were 38,800 kWh of CDM adjustment embedded in the load forecast used to set 2013 rates (per LRAMVA Work Form, Tab 2)

4.0 -VECC -32

Reference: Exhibit 4, LRAMVA Work Form
Exhibit 4,

a) Please provide a copy of the IESO's Report regarding Embrun's Verified 2011-2014 savings (in Excel format). Please also provide any reports from the IESO regarding the persistence of these savings through to 2015.

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

5.0-VECC-33

Reference: E5. 63

a) Please explain the difference between the $1 million noted as the long-term debt and the $1,680,757 noted in the agreement with the Desjardins as being the maximum lending capacity under the agreement.

b) Why is the $680,757.48 listed as a down payment (Mise de fonds) in the agreement?

c) After the expiry of the 5 year term does the loan contain a formula for calculating a renewal interest rate?

5.0-VECC-34
Reference: E5 & EA/Appendix A Financial Statements (PDF pg. 124)

a) According to Embrun's 2016 financial statements the Utility has a term deposit of $1 million maturing July 7, 2017 of this year. Was this asset reinvested and if so at what interest rate and with what institution?
b) Was the $1 million loan contingent in any fashion on renewal of the How was the term deposit.

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

None

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –35
Reference: Exhibit 7, page 16
Cost Allocation Excel Model, Tab O1

a) In Tables10 and 12 the amounts by customer class shown under "Existing Rates" do not align with the Cost Allocation model results. Please reconcile.

7.0 – VECC –36
Reference: Exhibit 7, pages 17 - 20
Cost Allocation Excel Model, Tab O1
RRWF, Tab 11 (Cost Allocation)

a) The Status Quo Ratios in Table 13 don't match those in Table 14. Please reconcile.
b) In Table 14, part D, please confirm that the first column of Proposed Ratios is for 2018 (and not 2017).
c) In Table 14 part D there is no indication which customer classes' revenue to cost ratios will be increased in the second year in order to offset the revenue shortfall from moving the ratio for GS>50 from 150% to 120%. Please indicate which classes' ratios will be adjusted in order to maintain revenue neutrality.
d) The Calculated R/C Ratios in Table 15 don't match those from the Cost Allocation model. Please reconcile.

e) With respect to the discussion on page 20 regarding the proposed changes in the ratios the starting points referred to do not match the Status Quo ratios for the various classes. Please provide an explanation of the change proposed for each class relative to its status quo value. In responding, please specifically address the following:
   i. Why the Residential ratio is being increased from 94% to 99% when the Streetlight ratio is only being increased to 80%. (per RRWF, Tab 11)
   ii. Why is the GS<50 ratio is being decreased from 119% to 90% (per RRWF, Tab 11).

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 37
Reference: Exhibit 8, pages 5 and

a) On page 5 Embrun indicates that it is proposing to implement the Board's fixed rate policy for Residential customers over a total of 4 years, with 2 years remaining. However, at page 15, Table 19 indicates a 5 year transition period. Please reconcile.

8.0 –VECC - 38
Reference: Exhibit 8, page 24
Exhibit 8, Appendix B (Proposed Tariffs)

a) With respect to Table 15, the LV rates for GS>50 and Steetlighting appear to have been calculated by dividing the allocated LV costs by each class' forecast kWh. However, the rates are expressed on a per kW basis in the proposed tariff sheets. Please review and reconcile.

8.0 –VECC - 39
Reference: Exhibit 8, pages 25-26
Chapter 2 Appendices, Appendix 2-R (Loss Factors)

b) On page 25 Embrun makes reference to being embedded in HONI and using a SFLF of 1.0034 which it does in Table 16 when calculating its proposed loss factor. However, Appendix 2-R indicates that the SFLF for distributors embedded in HONI is 1.034. Please review and reconcile.

8.0 –VECC - 40

Reference: DVA Continuity Schedule (Excel Model)., Tab 12 (Rate Rider Calculations)
Exhibit 8, Appendix B (Proposed Tariff)
Exhibit 8, Appendix C (Bill Impacts)

a) Please provide a schedule that, for the Residential class, reconciles the rate rider calculation results as set out in the DVA Continuity Schedule with the Rate Riders set out in the Proposed Tariffs and Bill Impacts appendices.

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

None

End of document