



***PUBLIC INTEREST ADVOCACY CENTRE  
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November 13, 2008

**VIA MAIL and 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: Vulnerable Energy Consumers Coalition (VECC)  
EB-2008-0238  
Northern Ontario Wires Inc. – 2009 Electricity Distribution Rate Application**

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro  
Counsel for VECC

cc: Ms. Monica Malherbe  
Northern Ontario Wires Inc.

**Northern Ontario Wires (NOW)**  
**2009 Electricity Rate Application**  
**Board File No. EB-2008-0238**

**VECC's Interrogatories**

**Question #1**

**Reference:** i) Exhibit 1/Tab 1/Schedule 5

- a) Please confirm that NOW is not requesting any new deferral or variance accounts as part of this Application.

**Question #2**

**Reference:** i) Exhibit 1/Tab 1/Schedule 13

- a) Please describe NOW's corporate organizational structure (i.e., it parent and affiliates).

**Question #3**

**Reference:** i) Exhibit 1/Tab 1/Schedule 15

- a) Please provide copies of all prior Board decisions regarding NOW's rates.

**Question #4**

**Reference:** i) Exhibit 1/ Tab 2/ Schedule 1, page 2

- a) Please indicate the average monthly consumption used to illustrate the bill impacts for the "typical customer" in each customer class.
- b) If the 2009 rates do not include a smart meter rate adder, please recalculate the impacts assuming the current smart meter rate adder is continued.

### **Question #5**

**Reference:** i) Exhibit 2/Tab 2/Schedule 1  
ii) Exhibit 2/Tab 3/Schedule 1

- a) Please provide a schedule that for 2006, 2007, 2008 and 2009 sets out the capital additions by account.
- b) Please explain why there are no capital contributions recorded (per page 4 of reference (i)). Does NOW apply the economic evaluation methodology as outlined in the Distribution System Code (Section 3.2.1) to proposed system expansions?

### **Question #6**

**Reference:** i) Exhibit 2/Tab 2/Schedule 3, page 4  
ii) Exhibit 2/Tab 3/Schedule 2, page 2

- a) Reference (i) indicates 2008 spending on transportation equipment of \$267,500; while reference (ii) suggests the spending level is \$240,000. Please reconcile and provide a full listing of the equipment purchases planned and their costs.
- b) Is the transportation equipment that is being replaced fully depreciated? If not, have the remaining asset balances been removed from rate base?
- c) Do the capital expenditures listed account for the salvage/resale value of the existing equipment?
- d) What options were considered in the replacement of NOW's customer billing system? On what basis was the North Star system determined to be the best match? Please provide the business case supporting North Star's selection.

### **Question #7**

**Reference:** i) Exhibit 2/Tab 2/Schedule 2, page 1  
ii) Exhibit 2/Tab 2/Schedule 3, page 3

- a) Capital spending on poles and wires increases from \$51,500 in 2008 to \$80,000 in 2009. Please describe the difference in program activity between the two years that leads to this increase and why the increased activity is required.

### **Question #8**

**Reference:** i) Exhibit 3/Tab 3/Schedule 1, page 1

- a) Where is the revenue from the SSS Admin Fee reported in this table?

### **Question #9**

**Reference:** i) Exhibit 3/Tab 1/Schedule 1, page 1  
ii) OEB Staff IR #26

- a) Please provide a schedule that shows the derivation of 2009 revenues by customer class (i.e., rates and volumes).

### **Question #10**

**Reference:** i) Exhibit 3/Tab 2/Schedule 1, page 1  
ii) OEB Staff IR #24

- a) Please provide a schedule that sets out:
- the kWh per customer for the Residential, GS<50 and GS>50 customer classes based on the Hydro One Weather Normalized data (per page 2, lines 29-30).
  - The kWh per customer class for the Residential, GS<50 and GS>50 customer classes (for the same year) using NOW's weather normalization methodology.
- b) The IESO weather normalization methodology captures the weather impacts across the entire province and, in doing so, reflects not only the weather across the entire province and reflects the amount of weather sensitive load (e.g., space heating and space cooling) in each customer class. It appears that NOW's weather normalization methodology attempts to allow for this fact by applying a "NOW Adjustment Factor" to the IESO factor.
- If not addressed in response to the Board Staff IR, please explain how the NOW Adjustment Factor is calculated and why it is the appropriate way to adjust for the differences between the province overall and NOW's weather sensitivity.
  - Why is it reasonable to assume that, for weather sensitive loads, the NOW adjustment factor is the same for each customer class?

## **Question #11**

**Reference:** i) Exhibit 3/Tab 2/Schedule 2

- a) With respect to the Residential customer count how much of the annual change for 2007 and 2008 was due to the conversion of individually metered apartments to bulk metering?
- b) For the GS<50 class please indicate how much of the change in customer count for 2007 and 2008 is due to:
  - Reclassification of accounts to GS>50
  - Introduction of bulk metering for apartments.
- c) Under GS<50 there is reference to multi unit individually metered buildings converting to one meter.
  - Does this refer to the residential accounts discussed earlier (which would increase the GS<50 customer count), or
  - Is this individually metered GS<50 customers converting to bulk metering (which would decrease the GS<50 customer count).
- d) The use of 2002-2007 data includes a number of year prior to the conversion of various apartments to bulk metering. The elimination of individual metering of certain multi unit apartments will impact the average use per residential customer. This does not appear to have been taken into account in the calculation. Please comment.
- e) Using the data on page 4 please provide a schedule setting out the annual weather normalized use per residential customers for 2002 through 2007. If the values are generally trending upwards, why is it appropriate to use a simple average for the period in order to forecast 2008 and 2009?
- f) What is the current customer count (by customer class) based on the most recent month for which actual 2008 data is available?

### **Question #12**

**Reference:** i) Exhibit 4/Tab 1/Schedule 1

- a) Please provide further details as to prioritization and risk-based decision making processes NOW used in developing its proposed OM&A expenses for 2008 and 2009.
- b) What are the key risks and priorities identified by the process and how do the planned expenditures address them.

### **Question #13**

**Reference:** i) Exhibit 4/Tab 2/Schedule 2, page 1

- a) Please provide a schedule that sets out the main cost drivers (e.g. new/reduced requirements, annual inflation adjustments, etc.) for the year over year variance in total OM&A (excluding taxes and amortization) between the 2006 actuals and the 2009 forecast. In doing so, please separate out recurring from non-recurring factors.

### **Question #14**

**Reference:** i) Exhibit 4/Tab 2/Schedule 4, page 1

- a) Does NOW own all of the assets (including tools, transportation equipment, computer hardware/software) used by the distribution business? If some assets are owned by Cochrane Telecom Services (or any other affiliate) please describe the basis on which any charges made to NOW for the use of such assets are determined. In particular, what cost of capital is attributed to the assets?

### **Question #15**

**Reference:** i) Exhibit 4/Tab 3/Schedule 3

- a) Given NOW's projected 2008 and 2009 spending on computer software, why are there no entries under class #12?

### **Question #16**

**Reference:** i) Exhibit 6/Tab 1/Schedule 1, page 1  
ii) Exhibit 6/Tab 1/Schedule 4

- a) NOW is proposing an ROE of 8.68%. Does NOW accept that this value will be updated (using the OEB formula) based on the January 2009 Consensus Forecasts?

### **Question #17**

**Reference:** i) Exhibit 7/Tab1/Schedule 1, page 2

- a) The Schedule reports \$50,217 in Property and Capital Taxes. Please provide a cross-reference as to the where in Exhibit 4 this expense is described. Is it something other than the income tax value which is addressed elsewhere in the Schedule?
- b) Please explain the basis for the \$42,218 values included for Income Taxes in the Schedule. It does not match the calculation provided in Exhibit 4.
- c) Please explain the basis for the Interest expense value (\$105,262) included in the Schedule. It does not appear to be based on the deemed debt and proposed cost of debt per Exhibit 6.
- d) Based on the responses to the foregoing and any other issues identified in responding to other parties interrogatories please provide an updated version of Exhibit 7/Schedule 1/Tab 1. In the update, please provide cross references for all changes.

### **Question #18**

**Reference:** i) Exhibit 8/Tab 1/Schedule 2, page 1  
ii) Exhibit 10/Tab 1/Schedule 1

- a) Please confirm that 2006 rates, costs and load data were used in NOW's Cost Allocation run. If not, please explain what data was used.
- b) Please confirm that NOW is using the allocation of costs by customer class from its Cost Allocation run to determine the "2008 Distribution Revenue Requirement" (per Reference (i)) by customer class that reflects revenue to cost ratios of 100%.
- c) Please complete the following schedules:

- kWh by Customer Class (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total

- Customer/Connection Count

Customer Class (all)	Updated Cost Allocation Filing		2009 Application	
	# Customers/ Connections	% of Total	# Customers/ Connections	% of Total

- d) Based on the results from part (c), please comment on the appropriateness of assuming that the revenue requirement proportions from the Cost Allocation run results are appropriate to utilize for setting 2009 rates.

### **Question #19**

**Reference:** i) Exhibit 10/Tab 1/Schedule 1, page 1

- a) Please confirm that for purposes of NOW's Cost Allocation run:
- The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)
  - The Costs include the cost of the Transformer Ownership Allowance
  - The cost of the Transformer Ownership Allowance is allocated to all customer classes
- b) Please provide the results of an alternative cost allocation run where:
- The Revenues by class are based the rates reduced by the transformer ownership allowance where applicable
  - The Costs allocated exclude the "cost" of the Transformer Ownership Allowance.
- (Note: For purposes of the response please just file the revised Output Sheet O1)



## **Question #20**

**Reference:** i) Exhibit 8/Tab 1/Schedule 2, page 2  
ii) OEB Decision re: Wellington North's 2008 Rates (EB-2007-0693)

**Preamble:** On page 29 of the Board's EB-2007-0693 Decision the Board's Findings state:

An important element in the Board's report on cost allocation was its express reservation about the quality of the data underpinning cost allocation work to date. The report frankly indicated that the Board did not consider all of the data underpinning the report to be so reliable as to justify the application of the report's findings directly into rate cases. For this reason, among others, the Board established the ranges depicted above and mandated the migration of revenue to cost ratios currently outside the ranges to points within the ranges, but not to unity. In short, the ranges reflect a margin of confidence with the data underpinning the report. No point within any of the ranges should be considered to be any more reliable than any other point within the range. Accordingly, there is no particular significance to the unity point in any of the ranges.

- a) Given the Board's findings (as quoted above), why is it appropriate to propose that the Residential revenue to cost ratios be moved from 97.92% to more than 100% (i.e., 102.76%)?
- b) Please provide the supporting schedules that show the derivation of Revenue Allocation %'s in step 3 (e.g., how was it determined that allocating 63.23 % of revenues to the Residential class would yield a revenue to cost ratio of 102.76%).
- c) Please provide a schedule that sets out the derivation of the \$2,890,753 value for the 2008 Distribution Revenue Requirement. Exhibit 7/Tab 1/Schedule 1 suggests a Distribution Revenue Requirement of \$2,822,363.
- d) If the explanation to part (c) is the "cost" transformer ownership allowance credit then please undertake the following:
  - Explain why the distribution revenue for 2009 reported in Exhibit 3 are also \$2,890,753.
  - Develop an alternative cost allocation and rate design where the cost of the transformer ownership allowance is only recovered from the GS>50 class (as part of the variable rate).

- e) Please provide the revenue allocation and revenue to cost ratios by customer class for an alternative Step #3 where:
- The revenue to cost ratios for Residential and GS<50 are maintained at 97.92% and 107.25% respectively.
  - Street Lighting has a revenue to cost ratio of 50%.
  - Unmetered/Scatter Load has a revenue to cost ratio of 120%
  - The GS>50 ratio is reduced so the total revenue requirement is maintained.

### **Question #21**

**Reference:** i) Exhibit 9/Tab 1/Schedule 6

- a) Please reconcile the \$445,367 revenue deficiency referenced on page 1 with the \$362,937 value calculated in Exhibit 7.
- b) For all of the customer classes, there is a significant difference between the increases NOW is proposing for the fixed versus variable charges. Please provide additional rationale regarding the basis/derivation of the service charge and variable rate increases proposed for each customer class.
- c) Please provide a schedule that sets out the 2009 fixed and variable billing determinants and revenues (dollar and %) by customer class based on current (approved 2008) rates. For purpose of the schedule please use:
- a) the monthly service charges excluding the smart meter rate adder. Also, if there are adders for the LV cost recovery in the variable rates, exclude them as well.

### **Question #22**

**Reference:** i) Exhibit 9/Tab 1/Schedule 8

- a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
- Consume less than 100 kWh per month
  - Consume 100 -> 250 kWh per month
  - Consume 250 -> 500 kWh per month
  - Consume 500 -> 750 kWh per month
  - Consume 750 -> 1000 kWh per month
  - Consume 1000 -> 1500 kWh