



**PUBLIC INTEREST ADVOCACY CENTRE**  
**LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC**

**ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7**

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: [piac@piac.ca](mailto:piac@piac.ca). <http://www.piac.ca>

Michael Buonaguro  
Counsel for VECC  
(416) 767-1666

November 21, 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)**  
**Interrogatories: EB-2008-0250**  
**Westario Power Inc. – 2009 Electricity Distribution Rate Application**

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

**Westario Power Inc. (WPI)**  
**2009 Electricity Rate Application**  
**Board File No. EB-2008-0250**

**VECC's Interrogatories**

**Question #1**

**Reference:** Exhibit 1/Tab 1/Schedule 3, page 4, Lines 10-14

- a) What was the rationale or basis for WPI adopting a three-year cycle for tree trimming?
- b) Does the reference to a three year schedule for substation maintenance mean that sub-station maintenance is performed once every three years or that WPI has established a three year forward schedule as to when maintenance on its substations will occur? If the former, what was the basis for selecting 3 years as the appropriate maintenance cycle? If the latter, on what basis is the frequency maintenance of sub-stations determined?

**Question #2**

**Reference:** i) Exhibit 1/Tab 1/Schedule 8, lines 23-27  
ii) OEB Guideline G-2008-0002 (Smart Meter Funding and Cost Recovery)

- a) Specifically what OEB Decisions is WPI using as precedent in reference (i)?
- b) Is WPI's request for \$1.00 Smart Meter Rate adder consistent with the Board's Guidelines (per reference (ii))? In particular, please indicate where WPI's application addresses each of the issues raised on page 10 of the Guideline.
- c) Has WPI been "authorized" to install smart meters? If yes, what is the status of WPI's implementation plans? If no, what is WPI's understanding as to when it will be authorized?

**Question #3**

**Reference:** Exhibit 1/Tab 1/Schedule 9, page 1

- a) Please provide a schedule that sets out the calculation of 2009 Net Revenues at current rates (\$8,472,147) showing:
  - Rates, loads and revenues by customer class
  - Other Distribution Revenues
- b) Please confirm whether the rates used to determine Net Revenues included:
  - The existing smart meter rate adder
  - The existing LV rate adder
  - The reduced revenue due to transformer ownership allowance discounts

#### **Question #4**

**Reference:** Exhibit 1/Tab 2/Schedule 1  
OEB Staff IR #17

- a) When were the distribution rates for the various pre-merger service areas harmonized?
- b) Can WPI provide of examples of other utilities with #6 Copper Conductor that have initiated replacement programs (per page 12)?
- c) Are there still any surplus facilities/equipment/land as result of the 2007 centralization (per page 13)? If so, what is their net book value and what are WPI's plans with respect to disposition?

#### **Question #5**

**Reference:** Exhibit 2/Tab 2/Schedule 1, Attachment  
Exhibit 2/Tab 3/Schedule 1, page 8 (Table 1)

- a) Are the capital expenditure values reported in Table 1 of Reference (ii), net of capital contributions?
- b) Please reconcile the following differences between the capital additions prior to capital contributions reported in reference (i) and the capital spending reported in reference (ii):
  - 2006 - \$7,411,633 (additions) vs.\$3,946,600 (spending)
  - 2007 - \$5,467,906 (additions) vs. \$3,024,100 (spending)
  - 2008 - \$2,925,250 (additions) vs.\$2,634,200 (spending)
  - 2009 - \$3,064,400 (additions) vs. \$2,7779,700 (spending)

## **Question #6**

### **Reference:**

- i) Exhibit 2/Tab 3/Schedule 1
  - ii) Exhibit 1/Tab 2/Schedule 1, page 15
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- a) With respect to Commercial and Industrial Services (page 10), line 15 indicates the total cost is \$351,000 and line 20 indicates the capital contributions are \$351,000. Please confirm if these services are fully paid for by capital contributions.
  - b) In total, what is the capital spending on new services in 2008 and 2009 and how many new services will be installed in each year?
  - c) With respect to the Copper Conductor Replacement (pages 15-17), is WPI targeting its program to address (as a priority) those areas where copper wire is in areas with a high public presence (e.g., schools, residential areas, high traffic areas, etc.)? If not, why not?
  - c) With respect to pole replacement (pages 19-20), how frequently does WPI visually inspect each of its poles?
  - d) Per Table 1 (page 8), there is a significant decline in spending on the Reliability category in 2009 versus the 2006-2008 period. Please explain the reason for the drop in spending in this area. How much of it is related to the butyl rubber cable replacement program being put on hold in 2009 (reference (ii))?
  - e) Reference (i) states that the Copper Conductor Replacement program is more heavily weighted than the Butyl Rubber Cable Replacement program. Presumably this is with respect to WPI Asset Management Policy (Exhibit 2/Tab 3/Schedule 1, Attachment)
    - Please provide the supporting analysis.
    - Are all of the capital projects proposed for 2009 more heavily weighted than the Butyl Rubber Cable Replacement program (i.e. why was it put “on hold” as opposed to “scaled back”)?
  - f) The schedule describes WPI’s capital program activities for 2009. Please provide a discussion of WPI’s 2008 capital program.

## **Question #7**

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

- a) At lines 7-9 WPI states that it does not use the half year rule for determining depreciation related to capital spending for accounting purposes. Has WPI applied the ½ rule in determining the 2009 depreciation associated with the 2009 capital additions?
- b) With respect to reference (ii), please provide a schedule that sets out the calculation of the amortization associated with the following accounts using the depreciation rates from reference (ii):
- Account #1835 – Overhead Conductors and Devices
  - Account #1845 – Underground Conductors and Devices
  - Account #1850 – Transformers

In these cases and others, the annual amortization is higher than what results from applying the depreciation rate to the gross book value – please reconcile.

## **Question #8**

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

- a) With respect to reference (i), please confirm whether the rates used in each year to determine the revenues shown on page 1 Include/exclude the smart meter rate adder.
- b) Please provide a schedule for 2009 that sets out the rates, volumes and revenue for each customer class with the following adjustments:
- Exclude the smart meter rate adder (if required)
  - Recognize the lower revenue due to the transformer ownership allowance discount (as required).
  - Exclude the LV charge cost adders

## **Question #9**

**Reference:** Exhibit 3/Tab 2/Schedule 1 – ERA Load Forecast  
**Attachment**

- a) Pages 2-6 describe the methodology used to weather normalize WPI's total sales. Please confirm that it was a lack of customer class data (per footnote #1) that led to ERA not developing a weather normalization methodology for each customer class.
  - If this was the case, why were 3 years data insufficient?
  - If this was not the case, please explain why individual customer classes were not weather normalized, as per ERA analyses for other Ontario LDCs.
  - Did ERA undertake any weather normalization analyses using class specific data and, if so, please provide the results and the forecasts for 2008 and 2009 using these results.
- b) Per pages 6-7, please provide a revised version of Table #7 using a 30-year definition of weather normal.
- c) Page 8 states that for those classes that have weather sensitive load historic class specific kWh consumption is allocated based on each class' share in wholesale kWh.
  - Please indicate how ERA determined which customer classes are "weather sensitive".
  - Please confirm that the ERA's proportional adjustment approach assumes that all weather sensitive classes are equally weather sensitive. What evidence is there that this is the case?
- d) Please provide a schedule that sets out the average (per customer) weather normalized usage for the Residential, GS<50 and GS>50 classes for the years 2004, 2005, 2006, and 2007 based on the ERA weather normalization results. In the same schedule please include the average (per customer) usage forecast for 2008 and 2009.
- e) Please provide the average (per customer) weather normalized usage for each customer class as determined and used for WPI's Cost Allocation informational filing. Please confirm which year the data represents and provide the actual usage data and number of customers consistent with these weather normalization results.
- f) With respect to page 11, how has ERA assured that the customer count forecast presented in Table 12 is consistent with the energy forecasts presented earlier?

- g) With respect to page 7, please explain how the BMO forecast (Table 6) can have been prepared in the winter of 2008.
- h) If more recent forecasts are available, please update Table 6.
- i) Do the values in Table 12 represent year-end customer counts or yearly average customer counts?

### **Question #10**

**Reference:** Exhibit 3/Tab 5/Schedule 1

- a) Please provide a schedule that sets out the underlying rates and billing quantities that support WPI's 2007 LV costs.

### **Question #11**

**Reference:** Exhibit 4/Tab 2/Schedule 2

- a) With respect to page 1, please substantiate the forecast increase in costs for Account #5114 for 2008 and 2009. The values projected are materially higher than the 2006 actual value or the 2007 "normalized value" (per Exhibit 4/Tab 2/Schedule 3, page 9).
- b) Page 4 states that WPI plans on contracting out cable locating operations in 2009. How much of the 2009 in OM&A in Accounts #5040 & 5045 is associated with this contracting out? What additional activities will the WPI staff that previously did these cable locates be doing in 2009?
- c) With respect to page 9, please explain why the Account #5135 costs are significantly higher than in any of the previous years.
- d) With respect to pages 12-13, please provide more information on the recent trends in collections and bad debts to support the 50% increase in bad debt expense and the 8% increase in collection costs for 2009.
- e) For a number of accounts the amalgamation of the three prior affiliates is offered as the explanation for the variances between 2007 and 2008 as certain costs (e.g., Outside Services, Office Supplies, Property Insurance, Management Salaries and Expenses) were split between the affiliates but are now all WPI's.
  - Would the "amalgamation" reduce the costs reported in some accounts where services were previously provided by WP Services

Inc. and included burdens that are no longer included in the direct costs. If yes, please indicate which accounts would be impacted.

- Please prepare a schedule that for each the O&M accounts sets out the increase (or decrease) in 2008 costs attributable to the amalgamation relative to 2007.

- f) With respect to Regulatory costs (page 19), please provide a breakdown of the \$240,000 cost for the 2009 Rate Application.

### **Question #12**

**Reference:** Exhibit 4/Tab 2/Schedule 3

- a) With respect to page 3, is the entire 45.7% increase in 2008 for Account 5040 due a higher volume of cable locates? If not, what else is contributing to the increase? What is the volume increase assumed and what is the basis for this forecast?

### **Question #13**

**Reference:** Exhibit 4/Tab 2/Schedule 6

- a) In a number of cases the vendor provided the service to an affiliate company in 2006 and 2007. Please provide the 3<sup>rd</sup> party costs to the affiliate in these years.

### **Question #14**

**Reference:** Exhibit 4/Tab 2/Schedule 7

- a) Please explain the 6% increase in average base wages for management in 2008.

### **Question #15**

**Reference:** Exhibit 4/Tab 2/Schedule 8

- a) Why are there volumes for Large Use customers reported in this schedule when WPI has no large use customers (per Exhibit 9/Tab 1/Schedule 5)?
- b) Why don't the Retail kWh reported here (line D) agree with the totals reported in Exhibit 4/Tab 2/Schedule 9, Attachment 1?

**Question #16**

**Reference:** Exhibit 4/Tab 2/Schedule 10

- a) Does WPI plan to file for an adjustment to its retail transmission rates as directed in OEB Guideline G-2008-0001? If yes, when?

**Question #17**

**Reference:** Exhibit 4/Tab 2/Schedule 11

- a) What portion of WPI's sales volume for 2009 is associated with RPP customers?
- b) For RPP customers, is WPI invoiced monthly by the IESO for all of the elements set out in Table ES-1? If not, for which ones?
- c) For non-RPP customers, is WPI invoiced monthly by the IESO for all of the elements set out in Table ES-1? If not, for which ones?

**Question #18**

**Reference:** Exhibit 4/Tab 3/Schedule 1, Attachment 1

- a) The schedule does not include the new CCA classes introduced in the 2007 Federal Budget. Please revise as required.

**Question #19**

**Reference:** Exhibit 4/Tab 3/Schedule 1, Attachment 6

- a) Please provide cross-references to the where in the application the \$1,248,914 (2009 Income before PILs) is determined. Alternatively, please provide the derivation.
- b) What are the Deferred and Pre-paid expenses that are added to taxable income (\$763,316 in 2009)?

**Question #20**

**Reference:** Exhibit 5/Tab 1/Schedule 3, Attachment 1

- a) Please provide a schedule that sets out the calculation of the allocation factors (i.e., the retail Transmission Connection revenue by customer class) used for Account #1550.
- b) Why is a two year recovery period considered appropriate?

### **Question #21**

**Reference:** Exhibit 8/Tab 1/Schedule 2

- a) Please confirm that for purposes of the 2006 Updated Cost Allocation Informational Filing:
  - 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 confirm that (per Exhibit 9, Tab 1, Schedule 3), WPI is proposing to allocate the cost of the Transformer Ownership Allowance to just the GS>50 class.
- c) Please provide the results of an alternative cost allocation run which is consistent with WPI's proposed treatment of the Transformer Ownership Allowance 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 revise Output Sheet O1)

### **Question #22**

**Reference:** Exhibit 8/Tab 1/Schedule 2, page 2

- a) How were costs allocated to classes in the "Allocated Costs" column of the table?
- b) Please confirm that for the "Cost Allocation" column, the revenue value use in the Revenue to Cost ratios includes both distribution service and miscellaneous revenues.

- c) Please confirm that the allocated revenues used in the first column are net of miscellaneous revenues and that, as a result, the calculation of Revenue to Cost ratios for 2009 is not done on an equivalent basis to that in the Cost Allocation run.
- d) How would WPI reconcile these differences?

### **Question #23**

**Reference:** Exhibit 9/Tab 1/Schedule 1, page 3

- a) 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 and b) variable charges excluding any charges for LV cost recovery.
- b) If necessary, please reconcile the results from part a) with Table 3 (page 3).
- c) For those customer classes where WPI is proposing to maintain the current fixed/variable split, please provide a schedule that sets out the derivation of the proposed monthly fixed charge (per Table 4).

### **Question #24**

**Reference:** Exhibit 9/Tab 1/Schedule 9, page 1

- 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