



**PUBLIC INTEREST ADVOCACY CENTRE**  
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613-562-4002

February 22, 2013

**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: EB-2012-0153 Northern Ontario Wires Inc.**

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

Yours truly,

Michael Janigan  
Counsel for VECC

Encl.

cc. Northern Ontario Wires Inc.  
Attn: Mr. Geoffrey Sutton, CA  
[geoffs@nowinc.ca](mailto:geoffs@nowinc.ca)

<b>REQUESTOR NAME</b>	<b>VECC</b>
<b>INFORMATION REQUEST ROUND NO:</b>	<b># 1</b>
<b>TO:</b>	<b>Northern Ontario Wires Inc. (NOW)</b>
<b>DATE:</b>	<b>February 22, 2013</b>
<b>CASE NO:</b>	<b>EB-2012-0153</b>
<b>APPLICATION NAME</b>	<b>2013 Cost of Service Electricity Distribution Rate Application</b>

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### **GENERAL (Exhibit 1)**

#### **1-VECC- 1.0 Reference: Exhibits All**

- a) Please provide a tracking sheet (table) showing all adjustments arising from the interrogatories (include Reference IR #.; Item description; area of change, i.e. return on capital/rate base/working capital allowance/amortization/PILS/OM&A/ etc.).
- b) Please update the RRWF Excel Live spreadsheet for these adjustments.

### **RATE BASE (Exhibit 2)**

#### **2-VECC-2.0 Reference: Exhibit 2, Tab 1, Schedule 1**

- a) The 2009 actual opening and closing balance of Net Assets in Service differ significantly from the Board approved values. The average balance varied by \$210k. Please explain the reasons for this variance. Specifically identify and discuss the capital projects which were projected to be completed in 2008 and 2009 but which were not completed as anticipated. Please indicate when or if these projects were completed and in which year.

#### **2-VECC-3.0 Reference: Exhibit 2, Tab 2, Schedule 2, pg.2.**

- a) Please provide a table showing the GCAAP asset lives, NOW's chosen MIFRS asset lives and the Kenectric OEB Asset Depreciation Study high and low range for the asset class.
- b) For any chosen asset lives that are outside the Kinectrics range please explain how the new asset life was determined.

**2-VECC-4.0 Reference: Exhibit 2, Tab 4, Schedule 2, pg.1**

- a) Please provide the capital budgets for each year 2009 (Board approved and actual) through 2013 on a CGAAP basis. Please show these by the categories described at page 1 (Sustainment, Development, Operations). Please provide a separate row showing the capital contributions.

**2-VECC-5.0 Reference: Exhibit 2, Tab 4, Schedule 3**

- a) Please identify the last row in the Capital Projects Table (i.e. 2011 Actual \$235,217 etc.)

**2-VECC-6.0 Reference: Exhibit 2, Tab 2, Schedule 4, pgs. 1, 4**

- a) Please update the table “2012 Bridge Year Capital Projects” to show actual amounts spent and to indicate whether the project was 100% completed by year-end.
- b) Please confirm the 2013 capital projects of \$1,799,961 remain the current forecast for 2013.

**2-VECC-7.0 Reference: Exhibit 2, Tab 4**

- a) Please provide a transportation equipment capital budget (2009 Board approved included) for 2009 through 2013.
- b) Please provide a list of all vehicles similar to that shown at Exhibit 2, Tab 4, Schedule 4, Attachment 1 which shows all vehicles owned at year end 2009.

**2-VECC-8.0 Reference: Exhibit 2, Tab 4, Schedule 6**

- a) Why is NOW not seeking approval for the prudence of its smart meter assets at the time it is proposing to transfer the assets to rate base? Specifically, why does NOW believe the assets should be in rate base if they are not yet determined to be prudently incurred?

**2-VECC-9.0 Reference: Exhibit 2, Tab 4, Schedule 5, Attachment 1, Asset Management Plan, pg. 12/ Tab 6, Schedule 1**

- a) Please provide a breakdown of outages based on the following (or similar) categories.

Description	2009 Totals	2010 Totals	2011 Totals
Scheduled			
Supply Loss			
Tree Contact			
Lightning			
Def. Equip.(other than pole)			
Pole Failure			
Weather			
Human Element			
Animals, Vehicle			
Environment			
Unknown			
Total			

**2-VECC-10 Reference: Exhibit 2, Tab 5, Schedule 1, pg.1**

- a) Does NOW bill on a monthly or bi-monthly basis? If NOW bills on a monthly basis please explain how this impacts the working capital allowance.

**2-VECC-11 Reference: Exhibit 2, Tab 7, Schedule 1**

- a) Please provide the OM&A and capital budgets (separately) associated with the Green Energy Plan for the years 2012 through 2016.

**LOAD FORECAST (Exhibit 3)**

**3.0-VECC – 12**

**Reference: Exhibit 3, Tab 1, Schedule 1, page 1  
 Exhibit 3, Tab 3, Schedule 1, Attachment 1 (Appendix 2-F)  
 Exhibit 3, Tab 3, Schedule 1, page 1  
 Exhibit 3, Tab 3, Schedule 3, page 5**

- a) With respect to Exhibit 3, Tab 1, Schedule 1, page 1 – please reconcile the net distribution revenue and revenue offset values referred to at lines 11-12 (i.e. \$2,998 k and \$241 k respectively) with the values shown in Table 3-1 (i.e. \$3,018.6 k and 201.6 k)
- b) Please reconcile the 2013 total revenue offset values reported in the following references and indicate which value is applicable for the 2013 Application:
  - I. Exhibit 3, Tab 1, Schedule 1, page 1 - \$238,998
  - II. Exhibit 3, Tab 3, Schedule 1, Attachment 1 - \$240,798
  - III. Exhibit 3, Tab 3, Schedule 3, page 5 - \$233,050

### **3.0-VECC – 13**

#### **Reference: Exhibit 3, Tab 1, Schedule 3, Attachment 1, page 2**

- a) Please explain NOW's meter reading cycles and what the billing data reported for each month represents.
- b) Based on the response to part (a), please explain why it is reasonable to move billed consumption back one month for purposes of the load forecast analysis.

### **3.0-VECC – 14**

#### **Reference: Exhibit 3, Tab 1, Schedule 3, Attachment 1, page 3**

- a) Please explain why the unemployment variable was retained in the Residential load forecast equation when the t-ratio is not statistically significant.
- b) Please provide a revised Residential regression which excludes unemployment as an explanatory variable including the resulting equation, related statistics and forecast for 2013.

### **3.0- VECC – 15**

#### **Reference: Exhibit 3, Tab 1, Schedule 3, Attachment 1, page 4**

- a) Did Elenchus test a GS<50 regression model that included unemployment as an explanatory variable.
- b) If no, please do so and provide the results as requested in part (a).

### **3.0- VECC – 16**

**Reference: Exhibit 3, Tab 1, Schedule 3, Attachment 1, page 6**

- a) Are there more recent Bank forecasts available for 2012 and 2013 employment? If so, please update Table 6.

### **3.0- VECC – 17**

**Reference: Exhibit 3, Tab 1, Schedule 3, Attachment 1, pages 7 - 8**

- a) Please provide an update as to the status of the new product line at True North and the assumptions regarding one shift starting in October 2012 and a second late in 2013.
- b) Please indicate the actual change in Ontario Northland's usage in 2012 versus 2011.
- c) Based on the responses to parts (a) and (b), are any revisions required to the GS>50 usage forecast for 2013?

### **3.0- VECC – 18**

**Reference: Exhibit 3, Tab 1, Schedule 3, Attachment 1, page 10**

- a) Please explain how the "2011 Normalized" values in Table 11 were determined for Residential and GS<50.
- b) Please explain how the 2012 and 2013 GS>50 billing kW were determined.

### **3.0- VECC – 19**

**Reference: Exhibit 3, Tab 1, Schedule 4, page 2**

- a) Please confirm that the "30% of Target" values are meant to reflect the impact in 2013 of CDM programs introduced in 2011, 2012 and 2013. If not, please explain what it represents.
- b) Please confirm that the regression analysis used to prepare the 2013 forecasts for Residential and GS<50 included 2011 data and that the results will therefore reflect the impact of CDM programs implemented in 2011.
- c) Based on the responses to parts (a) and (b), please explain why the use of 30% of Target doesn't double count the impact of 2011 CDM programs.
- d) Please provide the OPA's final report on NOW's 2011 CDM programs.

- e) Please explain why none of the CDM kWh target is associated with the GS>50 class.
- f) Please confirm that NOW's 2014 kW target is not a cumulative target – but rather a target for 2014 savings.
- g) Please provide a schedule that assigns the 1,764,000 kWh of CDM savings to the Residential, GS<50 and GS>50 classes based on % of forecast kWh. Then, estimate the billing demand associated with the GS>50 kWh savings using the same methodology as employed to convert the GS>50 2013 kWh forecast to billing kW.

### **OTHER REVENUE (Exhibit 3)**

#### **3.0-VECC – 20**

**Reference: Exhibit 3, Tab 3, Schedule 1**

- a) Does NOW currently have any MicroFit customers and are any new MicroFit customers expected in 2013?
- b) If yes, where (i.e., USOA account) are the revenues from the MicroFit Service Charges recorded and what are the forecast revenues for 2013?

#### **3.0-VECC – 21**

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

- a) Please provide the 2012 actual revenue offsets in the same format as Appendix 2-F.
- b) Please provide the reason for the forecasted decrease in revenues between 2011 and 2012 for the following accounts:
  - I. Account #4235
  - II. Account #4225
  - III. Account #4215

## **OM&A (Exhibit 4)**

### **4.0-VECC – 22**

**Reference: Exhibit 4, Tab 1, Schedule 2, pg.3**

- a) Please provide the source of the inflationary factors shown in the Table at line 22.

### **4.0-VECC – 23**

**Reference: Exhibit 4, Tab 1, Appendix 2-I**

- a) Please clarify whether the OM&A Expenses shown in Appendix 2-I (Summary OM&A Expenses) are shown in CGAAP or MIFRS format.
- b) Please update Appendix 2-I for the most recent 2012 actuals (estimates if final are not available).

### **4.0-VECC – 24**

**Reference: Exhibit 4, Tab 2, Schedule 1, Appendix 2-G**

- a) Please provide a breakdown of account 5310 Meter Reading Expenses in 2009 as compared to 2013.
- b) Please provide the same for account 5315 Customer Billing.

### **4.0-VECC – 26**

**Reference: Exhibit 4, Tab 2, Schedule 1, Appendix 2-G**

- a) Please explain why there was significantly less spent on Maintenance in 2009 and 2010 as compared to 2012 and 2013?
- b) What was the Board approved amount in 2009 for Maintenance?

### **4.0-VECC – 27**

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

- a) Please show the calculation for the \$3,172 LEAP contribution.



#### **4.0-VECC – 28**

**Reference: Exhibit 4, Tab 4, Schedule 1, pgs. 1-5**

- a) NOW appears to have increased its permanent FTE by 2.5 FTEs between 2009 and 2013. The evidence states that two linemen and a purchasing manager were hired in 2011. Please reconcile these hires with the 2.5 increase. Specifically please explain what incremental positions were hired (or provided for from affiliate) since 2009.
- b) Please provide the cost of the incremental 2.5 FTEs.
- c) For 2009 actual and 2013 forecast please provide the number of FTES employed by NOW and those allocated from affiliates. Please breakdown this figure by Management, Union, Non-Union.

#### **4.0-VECC – 29**

**Reference: Exhibit 4, Tab 4, Schedule 1, pg. 3**

- a) Please explain why it is necessary for NOW to have sufficient Lineman to comply with qualification requirements for streetlight maintenance?

#### **4.0-VECC – 30**

**Reference: Exhibit 4, Tab 2, Schedule 1, Appendix 2-L**

- a) NOW has a much higher OM&A customer per than similar utilities (see for example Lakeland, Kenora, Espanola and Hearst). Please explain why NOW believes its costs per customer are so much higher than the provincial average.

#### **4.0-VECC – 31**

**Reference: Exhibit 4, Tab 5, Schedule 1, Appendix 2-L**

- a) Please explain what services are provided by affiliates that are in addition to the services provided under Wages and Benefits NOW receives from CTS?
- b) Please list the positions providing management services to NOW. Please provide the total compensation for these positions and separately the amount paid for these positions under “Wages and Benefits” in Appendix 2-L. The dollar amounts may be provided in aggregate for confidentiality reasons.

- c) Please explain how the 12% management fee was determined. Has this fee been reviewed by an outside party to determine its reasonableness?

#### **4.0-VECC – 32**

**Reference: Exhibit 4, Tab 8, Schedule 1, pg. 1**

- a) What were NOW's actual income and capital tax (PILS and capital tax) in 2009 through 2012.

### **COST OF CAPITAL**

#### **4.0-VECC – 33**

**Reference: Exhibit 5, Tab 1, Schedule 1**

- a) Please update the cost of capital Appendices 2-O and 2-OB for the revised Board issued cost of capital parameters of February 15, 2013.

#### **4.0-VECC – 34**

**Reference: Exhibit 5, Tab 1, Schedule 1, pg. 1**

- a) NOW explains it consolidated its outstanding debt in 2012 to an amount of \$4.8 million. Appendix 2-OB shows that in 2012 the Utility had a third party debt of \$3,982,170. This indicates that NOW not just consolidated its loan but took out a new loan. Please confirm this is correct. Please explain why NOW did not use facilities offered by Infrastructure Ontario?

### **RATE DESIGN (Exhibit 8)**

#### **8.0-VECC – 35**

**Reference: Exhibit 8, Tab 3, Schedule 1**

- a) Please update the proposed 2013 RTSR's to reflect the approved 2013 Uniform Transmission rates and Hydro One's 2013 approved Sub-Transmission rates.

### **8.0-VECC – 36**

**Reference: Exhibit 8, Tab 3, Schedule 4**

- a) Please provide a schedule that sets out the 2010, 2011 and 2012 actual revenues and costs associated with Retailer Services.

### **8.0-VECC – 37**

**Reference: Exhibit 8, Tab 3, Schedule 5**

- a) Please provide a schedule that sets out for actual LV rates charged by Hydro One in 2011, 2012 and (approved) 2013.
- b) What are NOW's actual total purchased energy in 2012 and the forecast value for 2013?
- c) What were NOW's actual LV charges from Hydro One in 2011 and 2012?

### **8.0-VECC – 38**

**Reference: Exhibit 8, Tab 4, Schedule 4**

- a) Please update the bill impact summary based on the revised RTSR's using 2013 approved rates.
- b) Please provide a schedule that sets out the number of residential customers whose average monthly use falls into each of the following ranges:
  - i. <500 kWh per month
  - ii. 500 - <1,000 kWh per month
  - iii. 1,000 kWh or greater per month

## **DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)**

### **9.0-VECC – 39**

**Reference: Exhibit 9, Tab 3, Schedule 1, pg.1**

- a) NOW states that it has not completed its IFRS transition and will be taking the one-year IFRS deferral and adopting IFRS on January 1, 2013. Please confirm that NOW is in fact adopting IFRS for January 1, 2013.

## **9.0-VECC – 40**

### **Reference: Exhibit 9, Tab 4, Schedule 1**

- a) The stranded meter rate rider derivation does not appear to be on the basis of class cost causality. Is it NOW's position that residential and GS<50 installed meters have the same average cost?
- b) Please provide the average cost of an installed smart meter for the residential and gs<50 rate classes.
- c) Does NOW record separately residential and gs<50 metering costs?

## **9.0-VECC – 41**

### **Reference: Exhibit 9, Tab 4, Schedule 1**

Preamble: In the absence of class based cost data, Utilities recently filing for cost of service rates have use a number of proxy methods, including:

- i. allocation based on revenue requirement;
  - ii. allocation based on smart meter costs
  - iii. allocation based on weighting of customer numbers and smart meter class costs.
- a) If class specific data is not available please recalculate the stranded meter rider based on NOW's smart meter class based cost data.

-End of Document-