

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B;

**AND IN THE MATTER OF** an Application by Erie Thames Powerlines Limited for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2018.

**INTERROGATORIES ON BEHALF OF THE  
SCHOOL ENERGY COALITION**

**SEC-1**

[General] The following table lists annual general service distribution bills for 2017 for LDCs with 10,000 to 30,000 customers.

**Annual Distribution Bill Comparison - 2017 General Service  
(monthly charge and volumetric rate)**

	<i>Utility</i>	<i>Residential</i>		<i>GS&lt;50</i>		<i>GS&gt;50</i>		<i>Overall</i>	<i>Number of</i>
		<i>750 kwh</i>	<i>% of Avg</i>	<i>2000 kwh</i>	<i>% of Avg</i>	<i>250 KW</i>	<i>% of Avg</i>	<i>Ranking</i>	<i>Customers</i>
<b>1</b>	E.L.K.	\$219.84	67.1%	\$314.16	49.0%	\$7,083.90	61.6%	59.23%	12,398
<b>2</b>	Kingston	\$296.28	90.4%	\$537.48	83.9%	\$10,592.88	92.1%	88.79%	27,356
<b>3</b>	Westario	\$314.52	96.0%	\$572.88	89.4%	\$9,324.54	81.0%	88.82%	22,822
<b>4</b>	Orangeville	\$314.10	95.8%	\$632.52	98.8%	\$8,763.78	76.2%	90.25%	11,685
<b>5</b>	Ottawa River	\$286.74	87.5%	\$573.24	89.5%	\$11,469.66	99.7%	92.22%	10,820
<b>6</b>	COLLUS (Applied)	\$304.74	93.0%	\$588.60	91.9%	\$11,073.12	96.2%	93.71%	16,426
<b>7</b>	Essex	\$313.92	95.8%	\$709.56	110.8%	\$9,422.58	81.9%	96.15%	28,640
<b>8</b>	Halton Hills	\$304.56	92.9%	\$578.76	90.4%	\$12,466.50	108.3%	97.21%	21,534
<b>9</b>	Erie Thames	\$363.24	110.8%	\$615.48	96.1%	\$10,842.12	94.2%	100.38%	18,265

<b>10</b>	Welland	\$333.72	101.8%	\$589.32	92.0%	\$12,480.54	108.5%	100.77%	22,470
<b>11</b>	St.Thomas	\$323.04	98.6%	\$681.60	106.4%	\$11,638.38	101.2%	102.04%	16,918
<b>12</b>	Wasaga	\$283.62	86.5%	\$545.28	85.1%	\$15,990.24	139.0%	103.55%	12,985
<b>13</b>	Festival	\$342.00	104.3%	\$756.24	118.1%	\$10,416.24	90.5%	104.32%	20,362
<b>14</b>	North Bay	\$331.74	101.2%	\$732.84	114.4%	\$11,263.50	97.9%	104.51%	23,975
<b>15</b>	Grimsby	\$329.70	100.6%	\$753.00	117.6%	\$11,544.66	100.3%	106.17%	11,038
<b>16</b>	Lakeland	\$394.20	120.3%	\$764.64	119.4%	\$12,441.18	108.1%	115.93%	13,264
<b>17</b>	Orillia	\$329.34	100.5%	\$845.04	131.9%	\$14,834.70	128.9%	120.45%	13,340
<b>18</b>	Innpower	\$514.08	156.9%	\$738.36	115.3%	\$15,460.26	134.4%	135.50%	15,790
	<b>AVERAGE</b>	\$327.74		\$640.50		\$11,506.04			

With respect to this comparison:

- a) Please confirm that the calculations are accurate. (The full Excel spreadsheet is also attached.)

**Response to SEC-1(a)**

***The Applicant confirms that the calculations are accurate.***

- b) Please confirm that the Applicant's existing rates result in:
- 1) Distribution bills for residential customers that are 10.8% higher than the average for similar sized LDCs.
  - 2) Distribution bills for GS<50 customers that are 3.9% lower than the average for similar sized LDCs.
  - 3) Distribution bills for GS>50 customers that are 5.8% lower than the average for similar sized LDCs.
  - 4) Distribution bills that are on average almost identical similar sized LDCs.
  - 5) Distribution bills that are on average higher than two of the other comparable southwestern LDCs, E.L.K and Essex but lower than the other two, St. Thomas and Festival.
  - 6) Please confirm that, compared with all of the LDCs in the province, the Applicant's overall distribution bills are 7.43% lower than the provincial average.

Please describe what actions the Applicant has taken, or plans to take, to benchmark its rates to other LDCs that are of a similar size and/or similar geographic area. In particular,

please describe the extent, if any, to which the Applicant's management reports rate comparisons to its Board of Directors, and if so which comparator LDCs are used, and what comparison basis is used.

**Response to SEC-1(b)**

***The Applicant confirms that the Applicant's existing rates result in the rate differences set out above.***

***The Applicant submits that the Applicant's management regularly reports rate comparisons to its Board of Directors at board meetings. Commencing in 2018, the Applicant's Board of Directors met six times per year (previously they met quarterly.) In addition, the Applicant's management and Board of Directors annually report rate comparisons to its municipal shareholders.***

***For the purposes of comparison, the Applicant uses comparable LDCs that have similar size (i.e. customer count and asset base), similar geographic location (i.e. southwestern Ontario) and/or similar geographic characteristics (i.e. non-contiguous service territory). These LDCs typically include Festival Hydro, Essex Power, Entegrus Power (and former St. Thomas Energy Inc.), Westario and London Hydro and their residential, GS<50 and GS>50 rates are compared to those of the Applicant.***

**SEC-2**

[General] With respect to management and governance of the Applicant:

- a) Please provide the Shareholders Agreement or Shareholders Declaration with respect to the Applicant, and any Shareholders Agreement or Declaration with respect to its parent company, EARTH Corporation.

**Response to SEC-2(a)**

***A new version of the Shareholder Declaration with respect to the Applicant (the "Shareholder Declaration") has been drafted to reflect the increased Board meeting frequency referenced in response to SEC-1(b) above and other governance changes and improvements. The Shareholder Declaration is in the process of being approved by the Applicant's shareholder, and a copy of the approved Shareholder Declaration will be filed as evidence in this proceeding shortly.***

***The Applicant respectfully submits the governance of the Applicant's parent company, EARTH Corporation and its Shareholder Agreement is beyond the scope of this proceeding. Accordingly, the Applicant respectfully declines to provide further evidence in response to this interrogatory.***

- b) Please describe in detail the reporting relationships between management and boards of directors. In particular, and without limiting the generality of the foregoing:
  - 1) Please describe which decisions affecting the Applicant are made by the EARTH Corporation Board vs. the Applicant's Board vs. the Boards of the other affiliates. Where decisions are made by the Applicant's Board, please describe in detail the involvement if any of the parent

company board members in discussions about those decisions, either before, during, or after the decision by the Applicant's Board.

- 2) Please describe the formal and informal reporting structure for management, with particular attention to reporting by management to their direct employer, and the Board of their employer, vs. reporting to their services customer, the Applicant, to the Board of the Applicant, to the Board of the Applicant's parent, and to the shareholders or employees of the shareholders.
- 3) Please provide any legal opinions or other legal analyses, of the fiduciary duties of those individuals that have management or decision-making roles with respect to the Applicant, and those individuals who sit on the Board of the Applicant and related entities. In addition, if there are any codes of conduct, conflict of interest protocols, or other policies or documents intended to ensure that the Board and management of the Applicant act in the best interests of the Applicant, please provide those documents.

**Response to SEC-2(b)**

**Reporting & Decision-Making**

*The Applicant's management is responsible for the operations and day-to-day management of the LDC. Where possible, the Applicant's management may call upon the expertise of individuals working at the Applicant's affiliates; however, all decisions related to the Applicant are made by the Applicant's management, board and shareholder, as detailed below. When engaging affiliate employees, the Applicant complies with the confidentiality and other requirements in the OEB's Affiliate Relationships Code (ARC).*

*The Board of Directors for the Applicant consists of five members, including two independent directors (one of whom is the Chair). The Applicant's Board of Directors meet six times per year, at which time management updates the Board on LDC operations, the financial condition of the LDC, and industry, strategic and other matters. The Applicant's Board of Directors also approves material decisions on behalf of the LDC which include, for example, making commitments over a certain dollar amount. No members of other boards (including the Applicant's parent company board) are involved in the meetings or decisions of the Applicant's Board of Directors.*

*A report summarizing the most recent meeting of the Applicant's Board of Directors is presented to the board of directors of the Applicant's parent company, EARTH Corporation (the "ERTH Board") at their subsequent meeting. In addition, the EARTH Board is asked to approve certain special shareholder approval items that require approvals over and above the Applicant's Board of Directors. A list of these special shareholder approval items (the "Special Approval Items") are set out in the Shareholder Declaration described in response to SEC-2(a) above. The above reports from the Applicant's Board of Directors and other information relayed to the EARTH Board comply with the confidentiality and other requirements in the ARC.*

*Annually, management and the Board of Directors of the Applicant hold an annual general meeting ("AGM") to update its shareholder parent company and the*

**representatives of its eight municipal shareholders on the operations and financial results of the LDC. The Applicant's auditors also attend the AGM and present the audited financial statements. In addition to the regular AGM resolutions that must be passed pursuant to the Ontario Business Corporations Act ("OBCA"), any outstanding Special Approval Items will be approved at the AGM.**

#### **Fiduciary Duties**

**The fiduciary duties of the Applicant's management (i.e. the duty to act honestly and in good faith with a view to the best interests of the Applicant and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances) are clearly communicated to those individuals and they are reflected in their respective employment agreements. In addition, members of management that are also officers of the Applicant are educated on the standards of care, etc. set out in section 134 of the OBCA and their legal obligations thereunder. The fiduciary duties and standard of care set out in section 134 of the OBCA are clearly and regularly communicated to new and existing members of the Applicant's Board of Directors via board orientation packages and on going board education sessions. For example, the Applicant retained John T. Dinner Board Governance Services in 2016 to provide a half-day education session to directors regarding to standards of care and the handling of potential conflicts of interest.**

**The fiduciary duties of the Applicant's management and Board of Directors are also set out in a code of conduct and other relevant corporate policies, copies of which are submitted with the Applicant's interrogatory responses.**

#### **SEC-3**

[General] For each of the productivity initiatives for which the Applicant prepared, or caused to be prepared, a cost-benefit analysis, either before or after the fact, or an alternative form of analysis of the success of the initiative, please provide that analysis document.

#### **Response to SEC-3**

**ETPL does not have documented cost benefit analyses for productivity initiatives as requested by this question. ETPL is a relatively small organization and senior managers are intimately involved in the day to day process of payments for all projects and as such are constantly mindful of ensuring cost containment and operational efficiencies.**

**However, ETPL has restructured the organization in an effort to drive efficiencies most notably it President elevating to EARTH Corp CEO and not replacing the ETPL President function with additional incremental resources. ETPL's new corporate structure allowed for the cost savings of ETPL's President to be passed onto the customer.**

#### **SEC-4**

[Ex. 1/3, p. 1] Please confirm that, in seeking "approval of the DSP", the Applicant is not seeking direct or indirect approval by the Board of the cost consequences of the DSP, except to the extent that those cost consequences relate to the Test Year and are detailed in the Application.

**Response to SEC-4**

***Confirmed. In seeking approval of its DSP, the Applicant is only seeking cost consequences as it relates to the Test Year and, as detailed in the Application, through rate base and associated calculations. The spending in subsequent years will not be reflected in rates until the Applicant applies to the OEB for its next rebasing.***

**SEC-5**

[Ex. 1/3, p. 8] Please provide the most recent financial statements for each of the listed affiliates that provides goods or services to, or receives goods or services from, or participates in shared services with, the Applicant.

***Response to SEC-5***

***The Applicant respectfully submits that the financial statements of the Applicant's affiliates is beyond the scope of this proceeding. Moreover, the financial statements of the Applicant's affiliates constitute and contain the confidential information of those entities and, as such, the Applicant is not in a position to disclose those statements. Accordingly, the Applicant respectfully declines to provide further evidence in response to this interrogatory.***

**SEC-6**

[Ex. 1/5/1, p. 2] Please provide the current operating and capital budgets approved by the Applicant's Board of Directors for 2018, together with the materials provided to the Board of Directors in support of that approval, and any variance, tracking, or similar reports on operating and capital results in 2018 to date.

***Response to SEC-6***

***The 2018 budget and business plan (including capital and operating budgets) for the Applicant (the "2018 Budget and Business Plan") and the resolution of the Applicant's Board of Directors approving the same will be submitted with and attached to the Applicant's interrogatory responses.***

***With respect to the 2018 Budget and Business Plan, the Applicant notes that:***

- The Application for new rates was submitted on September 15th, 2017 with the expectation that new rates would be implemented on May 1, 2018. At that time, the Applicant did not have executed legal agreements with the Town of Goderich to merge the Applicant with West Coast Huron Energy Inc. (the "Goderich Merger"). Accordingly, the capital and operating budgets submitted with Application were developed and approved based on the assumption that there would be no Goderich Merger and the Applicant would continue as a stand-alone entity.***
- In late 2017, the Applicant executed legal agreements with the Town of Goderich to effect the Goderich Merger, subject to OEB approval. Given the Applicant's intention***

***to submit a MAADs application to the OEB in early January 2018, the 2018 Budget and Plan was developed and approved with the assumption that the Goderich Merger would be approved by the OEB in June 2018.***

***Based on the above, the Applicant submits that the capital and operating budgets submitted with Application are not comparable to the 2018 Budget and Business Plan. Irrespective of this, the Applicant reiterates that the Application relates to a stand-alone entity and, as such, the information set out in the 2018 Budget and Business Plan are not indicative of the costs that should underpin the Applicant's rates.***

#### **SEC-7**

[Ex. 1/6/1, p. 2] Please provide an update of the current percentage of customers enrolled in MyAccount.

##### **Response to SEC-7**

***The Applicant submits that 30.3% of the Applicant's customers are currently enrolled in MyAccount.***

#### **SEC-8**

[Ex. 1/6/1] Please provide details – including timing and dollar amounts – of the changes to the DSP resulting from feedback from customers. Please quantify the impact of those changes on rates in the Test Year. Please also provide details on reductions, if any, to the Test Year OM&A budget from the initial budget prepared by management, to the final budget proposed in the Application, arising out of feedback from customers. Please identify those changes that are permanent changes, vs. those that defer but do not reduce spending.

##### **Response to SEC-8**

***The Applicant submits that the feedback received from customer engagement activities indicated that customers are primarily concerned about the balance between total price and reliability, with the majority of respondents indicating that the existing level of reliability is acceptable. With that in mind, the DSP establishes a prudent capital investment plan seeking to maintain a balance between cost reliability levels.***

***This is most evident with the forecasted level of capital investment in system renewal. The ACA/AMP recommends a system renewal spend of \$2,529,288 to keep up with the expected end of life of the Applicant's major assets. This level of investment is considerably higher than the \$1,694,990 that was spent by the Applicant over the historical five-year period. The Applicant took customer feedback into consideration when deciding on a system renewal spend of \$2,080,011 for the forecast period; this amount has been increased from historical levels to ensure that asset condition and in turn reliability are not being compromised moving forward however is noticeably lower than the levels set out in the ACA/AMP based on asset data.***

## SEC-9

[Ex. 1/7/1] Please provide the 2017 Scorecard or draft, if it is not finalized.

### **Response to SEC-9**

***The Applicant's draft 2017 Scorecard is submitted with and attached to the Applicant's interrogatory responses.***

## SEC-10

[Ex. 1/11/1] Please provide the 2017 financial statements for the Applicant, and those of its parent company EARTH Corporation.

### **Response to SEC-10**

***The 2017 financial statements for the Applicant will be submitted with and attached to the Applicant's interrogatory responses.***

***As stated in response to SEC-5, the Applicant respectfully submits that the financial statements of the Applicant's affiliates, including its parent company, are beyond the scope of this proceeding. Accordingly, the Applicant respectfully declines to provide further evidence in response to this interrogatory.***

## SEC-11

[Ex. 1/11/1] Please provide the 2018 Business Plan for the Applicant, and the most recent Business Plan or Strategic Plan, as the case may be, of EARTH Corporation, and the resolutions of the respective Boards of Directors approving those business plans.

### **Response to SEC-10**

***Please see the response to SEC-6 above with respect to the Applicant's 2018 Business Plan.***

***The Applicant respectfully submits that the 2018 business plans of the Applicant's affiliates, including its parent company, are beyond the scope of this proceeding. Accordingly, the Applicant respectfully declines to provide further evidence in response to this interrogatory.***

## SEC-12

[Ex. 8/1/3] Please reconcile the fixed and variable rates proposed for 2018 as set forth in Table 8-7 with the rates set forth in Section 1.5.7 of the Application.

### **Response to SEC-12**

***Section 1.5.7 was inadvertently not updated with the most recent filing of the application to reflect the information in Table 8-7, which are fixed and variable rates proposed for 2018.***

## SEC-13



[Ex. 9/1/5, p. 2] Please provide details of the \$205,000 of Financial Consulting Services in Table 9-8.

**Response to SEC-13**

**The Applicant submits that the \$205,000 of Financial Consulting Services in Table 9-8 was related to the implementation of a new compliant financial system and external consulting related to the IFRS conversion.**

Respectfully submitted on behalf of the School Energy Coalition this August 15<sup>th</sup>, 2018.

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Jay Shepherd  
Counsel for the School Energy Coalition