May 5, 2010

VIA EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2009-0387 Five Nations Energy Inc.
2010 Transmission Rates Application
Energy Probe – Interrogatories

Pursuant to Procedural Order No. 1, issued on April 27, 2010, please find attached two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2009-0387 proceeding. An electronic version of this communication will be filed in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Joe Gaboury, Five Nations Energy Inc. (By email)
Richard King, Ogilvy Renault LLP (By email)
John Beauchamp, Ogilvy Renault LLP (By email)
Olena Loskutova, Consultant to Energy Probe (By email)
Peter T. Faye, Counsel to Energy Probe (By email)

EB-2009-0387

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 Five Nations Energy Inc. for an Order or Orders pursuant to section 78 of the *Ontario Energy Board Act,* 1998 for 2010 transmission rates and related matters.

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

May 5, 2010

FIVE NATIONS ENERGY INC.
TRANSMISSION RATES APPLICATION
EB-2009-0387

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

Interrogatory # 1

Ref: Exhibit 1, Tab 1, Schedule 10, Page 1 of 1

The Evidence at Lines 17-19 refers to assets that "are owned by De Beers Canada, but will be transferred to FNEI once certain permits to be issued under the Indian Act (Canada) are obtained."

a) Please advise when FNEI expects to receive the permits referred to above.

b) How long would it take to transfer the assets after the permits are issued to FNEI?

c) Will transferring those assets from De Beers Canada to FNEI cause any new operating expenses for FNEI?

Interrogatory # 2

Ref: Exhibit 1, Tab 1, Schedule 13, page 3

This page refers to the Insurance Reserve fund.

a) Please explain how FNEI's bankers arrived at the figure of $4 M as an appropriate insurance reserve.

b) Line 2 states that the amount of the insurance reserve was "driven *in part* (emphasis added) by the requirements of FNEI's lenders" Please describe what other factors were considered in arriving at the $4 M amount.

Interrogatory # 3

Ref: Exhibit 1, Tab 1, Schedule 13, page 5

Lines 6-9 of this page refer to using funds from the insurance reserve to "repair damaged system components"

a) Does FNEI have a materiality limit that must be exceeded before repairs to damaged system components is considered to be an insurance matter rather than routine OM&A costs? If yes, please describe the materiality policy as it applies to use of insurance funds. If no, please explain how the insurance fund differs from ordinary operations and maintenance budgets?

b) Has FNEI made use of the Insurance fund since it's inception to repair damaged system components? If yes, please describe the circumstances under which funds were used?

Interrogatory # 4

Ref: Exhibit 1, Tab 1, Schedule 13, page 5

Lines 8-10 of this page suggest that FNEI might use funds in its Operating Fund and Capital Reserve to achieve corporate objectives not necessarily related to the transmission of electricity.

a) Please explain what other types of projects might be financed from these funds and under what circumstances.

b) Have any such projects been funded by FNEI since its last rate application? If so please provide details.

c) If FNEI is able to determine an appropriate amount of operating and capital reserve that would be prudent to ensure the continuing viability of its system and service to its customers, why should those caps not be reached prior to any funds being used for other activities?

d) Notwithstanding that its Letters Patent authorize FNEI to expend funds on activities unrelated to its electricity transmission business, why does FNEI think that its ratepayers should fund these unrelated activities?

Interrogatory # 5

Ref: Exhibit 1, Tab 1, Schedule 13, page 8

Lines 8-10 of this page suggest that FNEI concedes the Board's jurisdiction to ensure that that FNEI does not compromise the operation of its transmission system or service to its customers by using funds in the operating and capital reserves for other purposes.

If that interpretation is correct, please explain how the Board should determine what level of funds is necessary in the operating and capital reserves to ensure that those objectives are met?

Interrogatory # 6

Ref: Exhibit 1, Tab 1, Schedule 13, page 10

Lines 5-6 refer to expenditures made since FNEI's last rate application.

Please provide a summary of "unanticipated operating matters" that have arisen since the last rate application including their cost and how they were funded.

Interrogatory # 7

Ref: Exhibit 1, Tab 1, Schedule 13, page 12

Lines 8-12 set out the rationale for FNEI not adopting the TIER mechanism for rate setting.

a) Why does regulation by the OEB have an impact on whether or not the TIER mechanism is appropriate?

b) Why does the source of debt financing have an impact on whether the TIER mechanism is appropriate?

c) What funding other than debt does FNEI have? What other utilities is it comparing itself to in the statement on lines 10-11?

Interrogatory # 8

Ref: Exhibit 1, Tab 2, Schedule 2, page 2

The Evidence, beginning at Line 2 of page 2, refers to the FNEI using a conservative forecasting model "to protect against unforeseen reductions in revenues."

Please provide details and a description of your conservative forecasting model.

Interrogatory # 9

Ref: Exhibit 2, Tab 1, Schedule 1, page 3

This page describes the transformer moving project undertaken in 2003 at Fort Albany substation:

a) Did FNEI consider installing the spare transformer on its own foundation in the station yard so that it could be rolled into place if needed? If not, please explain why this would not be an alternative that could reduce the outage time required to change out a faulted transformer.

b) Has FNEI identified contract resources that can undertake the moving of a transformer if it is needed? If not, how will this be managed in the short time frame available for replacing the transformer if it fails?

c) Lines 5-8 on page 4 suggest that the contract for this storage and moving system was awarded without competitive bidding. Please explain FNEI's purchasing policy in regard to sole source suppliers.

Interrogatory # 10

Ref: Exhibit 2, Tab 1, Schedule 1, page 5

This page describes the Attawapiskat garage project undertaken in 2004. Reference is made at lines15-16 to the possibility of renting space from Attawapiskat First Nation Technical Services. This option was rejected as unsuitable to "FNEI's short term and long term requirements.

a) Please describe the short and long term requirements that could not be satisfied by rental space.

b) What was the rental price offered by Attawapiskat First Nation Technical Services for space?

c) Lines 10-12 reference heated space in the garage. Does this mean that the entire garage is heated or just a small portion where crews can work?

d) If the entire garage is heated what is the annual cost for this? Why does the line truck require a heated space when a block heater would be sufficient to ensure that it would start in cold weather?

e) Was this project competitively tendered? If yes, how were bids solicited, how many bids were received, how was the successful bidder chosen and who was the successful bidder? If not, please explain why FNEI did not use a competitive process to award the contract.

f) Please describe the "unique challenges of constructing a building such as this in a remote First Nation community" referred to in lines 2-3.

Interrogatory # 11

Ref: Exhibit 2, Tab 1, Schedule 1, page 7

This page describes the addition of a second feeder position at the Attawapiskat station in 2004.

a) What is the secondary voltage at this station? What is the normal feeder capacity?

b) What was APC's peak load at the time it was decided to provide a second feeder position?

c) Does FNEI have a policy regarding feeder loading and the supply of additional feeder positions? If yes, please describe the policy. If not, please explain how FNEI decides whether or not a distributor request for an additional feeder position is reasonable.

d) Was this project competitively tendered? If yes, how were bids solicited, how many bids were received and how was the successful bidder chosen? If not, please explain why FNEI did not use a competitive process to award the contract and how did it satisfy itself that the price was competitive.

e) Please break down the $280,613.08 cost of this project into the original fixed price contract value, any extra work claims by the contractor, any other outside costs such as engineering, material procurement, project supervision etc., and any overheads applied by FNEI.

f) At the time of this project, FNEI appears to have had very limited staff. Who provided supervision of design, supply and construction mentioned in lines 14-16?

Interrogatory # 12

Ref: Exhibit 2, Tab 1, Schedule 1, page 13

This page describes the second transformer installation project at Attawapiskat station in 2007.

a) Lines 5-6 state that electricity supply to Attawapiskat at the time was "entirely dependent on the existing transformer". Later on page 14 at lines 9-10, reference is made to using the diesel generators for electricity supply during outages. Please explain why the diesel backup option would not have been acceptable during the time required to replace a faulted transformer at the station.

b) Line 3 makes the statement that having spare transformers is "standard practice for utilities in Ontario". Reference is then made to Hydro One's pool of spare transformers. Is FNEI aware of any other utilities in Ontario more comparable in size and complexity to itself that also have spare transformers? If yes, please provide details.

c) Was the contract to SNC competitively bid? If yes, how were bids solicited, how many bids were received and how was the successful bidder chosen? If not, please explain why FNEI did not use a competitive process to award the contract and how it satisfied itself that the price received was competitive.

d) Was the other work listed for metering, control room and civil costs also provided by contractors? If so, were the contracts competitively bid? If not, why not?

e) Who owns, operates and maintains the diesel generators? Has this project now eliminated the need for the diesel generators? If yes, have they been decommissioned? If not, please explain why they are still needed.

Interrogatory # 13

Ref: Exhibit 2, Tab 1, Schedule 1, page 16

This page describes the Ice Protection Berm Wall project undertaken in 2008.

a) Lines 12-13 note that under ice breakup conditions water levels in the Albany River can rise 20-30 feet. The picture provided on page 18 shows a berm that appears to be less than 10 feet high protecting structure 909. Please explain how berm height was determined for this location.

b) The same picture appears to show the steel facing terminating in loose fill at the left side rather than encircling the pole structure. What prevents water and ice from eroding the fill on the unprotected sides and exposing the poles?

c) Please describe how FNEI arrived at the berm design used for this project. Were any alternatives to the chosen construction method considered?

d) Was this project competitively tendered? If yes, how were bids solicited, how many bids were received, how was the successful bidder chosen and who was the successful bidder? If not, please explain why FNEI did not use a competitive process to award the contracts.

Interrogatory # 14

Ref: Exhibit 2, Tab 1, Schedule 1, page 21

This page describes the purchase of two ARGO all terrain vehicles in 2008.

a) Are the two machines pictured in Exhibit 2-1-1 page 41, the ARGOs referred to?

b) Line 15 on page 21 to line 4 on page 22 describe the complications of shipping the ARGOs to and from the desired patrol location. Where are the vehicles stored between the end of the fall patrol and the time when winter road access allows them to be trailered out of the patrol area? How are they protected from theft and vandalism in the meantime?

Interrogatory # 15

Ref: Exhibit 2, Tab 1, Schedule 1, page 26

This page describes the second transformer installation project at Fort Albany station in 2008.

a) Lines 5-6 state that electricity supply to Fort Albany at the time was "entirely dependent on the existing transformer". Later on page 25 at lines 7-8 reference is made to the community relying on diesel generators for electricity supply during outages. Please explain why the diesel backup option would not have been acceptable during the time required to replace a faulted transformer at the station.

b) Was the contract to SNC for this project competitively tendered? If yes, how were bids solicited, how many bids were received and how was the successful bidder chosen? If not, please explain why FNEI did not use a competitive process to award the contract and how it satisfied itself that the price received was competitive.

c) Was the other work listed for metering, control room and civil costs also provided by contractors? If so, were the contracts competitively bid? If not, why not?

d) Who owns, operates and maintains the diesel generators? Has this project now eliminated the need for the diesel generators? If yes, have they been decommissioned? If not, please explain why they are still needed.

Interrogatory # 16

Ref: Exhibit 2, Tab 1, Schedule 1, page 27

This page describes the structure 908 erosion control undertaken in 2008.

a) Engineering and contracting costs are noted as $73,872.59. Was this project competitively tendered? If yes, how were bids solicited, how many bids were received, how was the successful bidder chosen and who was the successful bidder? If not, please explain why FNEI did not use a competitive process to award the contracts.

b) Net capital expenditure is noted on page 27 as $153,516.61 whereas project costs at the bottom of page 28 total only $106,517.81. Please explain the difference.

c) The project appears to have consisted of digging a trench around the structure to permit melt water to run off without eroding the river bank in the vicinity of the structure. Please describe the extent of the trench work that would account for the high cost of the project.

Interrogatory # 17

Ref: Exhibit 2, Tab 1, Schedule 1, page 29

This page describes the Fort Albany Garage project undertaken in 2009.

a) Total cost of this garage is noted as $117,349.93. The similarly sized garage constructed at Kashechewan in 2006 cost $64,177.61 according to the evidence on page 11 of the exhibit. Please explain why the Fort Albany garage cost so much more.

b) The Fort Albany garage start date is noted as January 2, 2008 and the in-service date is September 2009 giving a construction period of about 21 months. By contrast the Kashechewan garage took only about 9 months. Please explain why the Fort Albany project took so much longer.

c) Was this project competitively tendered? If yes, how were bids solicited, how many bids were received, how was the successful bidder chosen and who was the successful bidder? If not, please explain why FNEI did not use a competitive process to award the contracts.

Interrogatory # 18

Ref: Exhibit 2, Tab 1, Schedule 1, page 31

This page describes Station Civil Upgrades undertaken in 2009.

a) Reference is made to a child being seriously injured as a result of gaining access to the station interior. Was this an electrical contact accident?

b) Was the civil work at these stations competitively tendered? If yes, how were bids solicited, how many bids were received, how was the successful bidder chosen and who was the successful bidder? If not, please explain why FNEI did not use a competitive process to award the contracts.

Interrogatory # 19

Ref: Exhibit 2, Tab 1, Schedule 1, page 33

This page describes the second transformer project at Kashechewan.

a) The cost of this project is noted as $3,840,470.98. Similar projects at Attawapiskat and Fort Albany were undertaken at approximately half that cost. Please explain why the Kashechewan project was so much more costly.

b) Was the contract to SNC for this project competitively tendered? If yes, how were bids solicited, how many bids were received and how was the successful bidder chosen? If not, please explain why FNEI did not use a competitive process to award the contract and how it satisfied itself that the price received was competitive.

Interrogatory # 20

Ref: Exhibit 2, Tab 13, Schedule 1, page 8

Lines 2-4 refer to FNEI's plans to build a second feeder in Kashechewan in 2011 "to provide redundancy and better load shedding". The term "feeder" usually applies to distribution voltage lines.

a) If this is a distribution line, please explain why FNEI would be involved with it.

b) If it is a transmission line please elaborate on the specifics of the project and how it will improve redundancy and load shedding capability.

c) Is FNEI seeking Board approval for the project in this rate Application?

Interrogatory # 21

Ref: Exhibit 1, Tab 2, Schedule 1, page 1
Exhibit 2, Tab 13, Schedule 1, page 9

Lines 10-11 of the first reference refer to FNEI's head office in Moose Factory and main operations center in Timmins. Lines 2-4 of the second reference refer to the prospect of FNEI establishing its own operating and control centre "...to reduce costs and maximize efficiency"

a) Please identify which FNEI staff are located at its Head Office and at its operations centre.

b) Where would this control center, identified in the second reference, be located?

c) How would owning its own control center reduce costs and maximize efficiency considering that operation of the system is contracted to Hydro One?

d) Is FNEI requesting Board approval for this project in this rate Application?

Interrogatory # 22

Ref: Exhibit 4, Tab 2, Schedule 1, page 13

Line 10 refers to auditor fees amounting to $40,000 annually. Since FNEI is a non share capital, not for profit corporation, this seems unusually high for auditing costs.

a) Please explain why these fees should be so high.

b) How long has FNEI used the same auditors?

c) How often does FNEI seek other quotations for auditing services to check that it is getting competitive pricing?

Interrogatory # 23

Ref: Exhibit 4, Tab 2, Schedule 1, page 14

Lines 1-3 refer to "transmission consulting services" costing $120,000 per year and "transmission project coordination services" costing $80,000 per year.

a) Please identify the contractors providing these services.

b) What do the services consist of in each contract?

c) How long have the contracts been running and when do they expire?

d) Were the contracts competitively tendered? If yes, how were bids solicited, how many bids were received and how was the successful bidder chosen? If not, what process did FNEI follow to acquire this consulting help?

Interrogatory #24

Ref: Exhibit 4, Tab 2, Schedule 2, page 2

The Evidence beginning at Line 1, states:

> "In addition, as mentioned in Exhibit 4, Tab 2, Schedule 1, as FNEI now moves from a capital expansion phase to more of a maintenance phase, FNEI expects to move some costs normally done by external consultants and workers to an internal employee position (which is reflected in an increase in Accounts 5605 and 5610, and a decrease in Account 5630."

Please identify what work presently done by external consultants will be taken over by internal employees, what the expected cost savings will be and when this is expected to take place.

Interrogatory # 25

Ref: Exhibit 4, Tab 2, Schedule 2, page 3

Lines 15-17 describe a position hired in 2007 of Operations Technician. Elsewhere in the evidence reference is made to only 3 employees which appears to include a CEO, Operations Manager and Administrative Assistant. The Operations Technician would then be a 4th employee.

Please explain the apparent discrepancy.

Interrogatory # 26

Ref: Exhibit 4, Tab 2, Schedule 2, page 8

Starting at Line 7, Account 5415 - Energy Conservation, the Evidence refers to conservation initiative involving compact fluorescent light bulbs and pamphlets being distributed to every household within the territory of its customer LDCs.

Does the Applicant plan for any other future conservation measures in the upcoming years? If yes, please provide an outline of your plan.

Interrogatory # 27

Ref: Exhibit 4, Tab 2, Schedule 2, page 12

Lines 15-19 refer to the Operations Manager leaving on long term sick leave.

Is this the same individual referred to in Exhibit 4-2-1 page 12 lines 14-15 as the Transmission Manager who left on long term disability in 2008?