

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

AND IN THE MATTER OF an Application by Clinton Power Corporation for an Order or Orders approving just and reasonable rates and other service charges for the distribution of electricity, effective on July 1, 2010.

INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION

1. Please advise how many schools in the Applicant's franchise area are in each of the GS<50 and GS>50 classes. Please advise if any schools are Sentinel lights customers.
 - **There are five schools in the Town of Clinton of which 4 are GS>50 and one is GS<50. Two are high schools, two are elementary schools and one is a private school.**
2. [Ex. 1/1/13] Please confirm that ERTH is Erie Thames Power Corporation.
 - **ERTH Corporation is the parent corporation for Clinton Power and also owns Erie Thames Powerlines Corporation and West Perth Power.**
3. [Ex. 1/2/1] Please confirm that the test year is 2010, not 2009.
 - **Confirmed that the test year is 2010.**
4. [Ex. 1/2/4] Please confirm that the Applicant is seeking an increase in OM&A of 76.8% over four years (15.3% per year, compounded) and an increase in revenue requirement of 72.9% over four years (14.6% per year, compounded). Please list the main ways in which the Applicant differs from other Ontario utilities in its OM&A and revenue requirement increases over that period.
 - ***For the last 10 years little or no capital was spent on the electrical infrastructure. This inactivity has resulted in the system requiring more capital on a percentage increase that other LDC's, however the rate increase brings the charge per residential customer in line with other LDC's. LDC staff also worked for the water/sewer (PUC) and the major push was to install watermains and waste systems. This left the hydro equipment to be handled on a break-fix basis. The municipal sub-station is using 1920 equipment which puts us at risk of having to replace a legacy system if we do not move to update the system. Recently 50% of the town lost power due to one pole being***

struck by a truck. If we don't move forward we could face a catastrophic failure resulting in the town being without power for a prolonged time.

- **The OM&A costs increase is in large part due to two items:**
 - **Day to day regulatory requirements were not being met and a more diligent approach is required.(as opposed to the rate application)**
 - **As mentioned previously the staff were utilized in the water/sewer areas leaving ongoing day to day maintenance deficient. With only two line staff additional resources are required on an as needed basis from a safety aspect when work needs to be completed while one staff member is absent (e.g. vacation, sick, training, etc)**

5. [Ex. 1/3/1] With respect to the Financial Statements:

- Please file a copy of the audited statements for the period ended December 31, 2009.
- **The audit is in the final stages of completion with Clinton Power's external auditors and will be provided as it is available.**
- 2007, p. 2. Please confirm that the \$8,500 per month for software payable to ERTTH is still being paid. If so, please provide a copy of the agreement under which it is being paid.
- **This amount was in reference to Erie Thames Services Corporation which has been renamed to Ecaliber. The amount specified relates to billing and collection services and the software costs included in providing these services. As mentioned in Board Staff interrogatories this agreement is ongoing.**
- 2007 and 2008, Notes 11. Please confirm that the transaction has proceeded or is still proceeding. Please provide a copy of the agreement with all supporting schedules.
- **The transaction has proceeded and a copy of the agreement is provided electronically as Clinton Share Purchase Agreement.pdf.**

6. [Ex. 2/1/1] Please provide the actual rate base for 2009, together with all calculations and breakdowns, and the rate base for 2010 based on actual spending and closeouts to June 30, 2010 and forecast for the balance of the year.

- **Provided in Board Staff responses.**

7. [Ex. 2/2/3] Please provide the most recent Five Year Plan, together with all supporting schedules and any presentation to the Board of Directors or the shareholder supporting any request for approval.

- **To date a Five Year Plans has been done at a cursory level. Prior to ERTTH Corporation acquiring CPC assets an assessment of the distribution system noted a potential risk with the distribution system. Quoted from the report was the condition of the MS#2 substation "MS#2 is a 3MVA substation, the transformers are 1929 vintage purchased from Goderich**

Hydro and installed in 1960. Oil testing has not been conducted in almost 10 years. Budgetary numbers for a new substation would be around \$400,000-\$500,000". Given the location, age and the vintage of the transformers at the station it would be necessary to relocate and build a new station on lands adjacent to the existing station. The report was done back in 2007 and land acquisition costs were not factored into the initial budgetary costs. Factoring in land costs and the significant increase in metal costs over the last three years, a new station has been estimated to cost around \$850,000 - \$950,000.

- **Also noted in the initial assessment and subsequent reassessments was the lack of investment in the distribution assets over the last nine years prior to the EARTH acquisition. The area to which MS#2 supplies has been identified as an area requiring investment on the overhead distribution system given the age and condition of the assets. As a result it was determined that the best approach for the town of Clinton would be to do a staged approach in upgrading the overhead distribution system (poles, wires, transformers and associated equipment) at the same time converting to 27.6kv distribution voltage. With this approach we would applying the costs for a new substation towards the necessary upgrades to the distribution system, thereby eliminating the need for a new station. The five year plan would see investments that will improve the condition of the assets, bringing them up to date with today's standards. The plan will lower safety risks for both the public and employees, take the MS#2 substation out of service which has exceeded its maximum useful life and eliminate the need to have the rate payers absorb the onetime extraordinary cost to replace MS#2.**
- **Attached is a comprehensive report done at the MS#2 substation which has been reviewed and supports the fact that the station has reached its end of life. CPC's plan will include annual maintenance inspections and repairs for the MS#2 station to ensure the liability is maintained until such time it can be taken out of service.**

8. [Ex. 2/2/3, p. 6] Please confirm that the Applicant is planning to convert all of its 4 kV system to 27.6 kV over time. Please advise the characteristics of the Applicant that make this appropriate when many other distributors continue to rely on voltages under 27.6 kV.

- **Question 8 is supported and answered in question 7 response. Yes CPC is planning to convert all of its 4kv system to 27.6kv over time.**

9. [Ex. 4/2/2, p. 4] Please explain the increases from 2006 to 2010 in Account 5605.

- **Historically no internal employee costs were associated with this account it was simply an allocation of municipal staff time. Staff have been added directly to Clinton Power to manage the utility and those costs are posted to these accounts on a go forward.**

[NB. There appear to be two Exhibits numbered 4/2/2, the first a chart of accounts with variances, and the second a narrative.]

10. [Ex. 4.2.2, p. 3] Please provide a comprehensive table showing all charges from Erie Thames Power Line or affiliates in the Test Year, together with the basis for such charges, the costs underlying such charges, and the service level agreement supporting such charges.

- ***Erie Thames Powerlines provided services on a “when and if required basis”. Clinton Power is charged on a cost base fee for service. ETPL provides services in the Smart Metering and system design areas. Most system design work is on charged to clients on a project base thus reducing costs to CPC. The smart metering costs are shared with a group of LDC’s who currently use ETPL’s expertise in this area.***

11. [Ex. 4.2.2, p. 4 and elsewhere] Please provide a comprehensive table showing all charges from Excaliber Inc. or affiliates in the Test Year, together with the basis for such charges, the costs underlying such charges if Excaliber Inc. is an affiliate of the Applicant or any of its officers or directors, and the agreement supporting such charges. Please provide a description of Excaliber Inc. (which does not appear to have a website or other public presence), including but not limited to its officers, directors, and principals (i.e. owners, shareholders, or other controlling minds).

- ***Ecaliber provided billing, collections and call center for ClintonPower. This contract was negotiated with the Municipality of Central Huron two years ago, and the contract has been extended for an additional year. All pricing and service levels are as per the original contact. “Ecaliber” has its own web site www.ecaliberinc.com . Ecaliber is an affiliated company and became so on January 1st, 2010.***

12. [Ex. 4/2/2, p. 5] Please confirm that all titles listed under “Financial/Regulatory Services” do not represent separate employees of the Applicant. With reference to Ex. 4/2/3, please identify which titles represent employees of the Applicant, and which represent functions supplied by third parties, and in the latter case the costs associated with those functions.

- ***There is no one in the Financial/Regulatory Services who are Clinton Power employees.***

13. [Ex. 4/2/3] Please provide a detailed explanation of how the retainer of E360 Inc. for executive management provided a “lower cost” to the Applicant. Please provide a copy of the agreement for those services. Please provide any RFP, comparative analysis, or other documentation dealing with the Applicant’s options and their respective costs.

- ***Clinton Power had an existing contact with E360 Inc which was in place prior to the merger. This contact was for part time Management and accounting services. The addition of CPC to this contact enabled both LDC’s to have a Full time President who is shared between both Utilities. The cost breakdown is on a 60 40 split with WPPI taking the larger costs. This split was based on size of operations. The advantage of having one full time person is that it facilitates the day to day operations. Due to the***

- ***limited resources, manpower and equipment, one person could make the decision on job prioritization and effective utilization of plant and equipment. As stated in our response to Ex. 1/2/4 staff may be required in either location. All intercompany costs are tracked and billed on a cost basis.***
14. [Ex. 4/2/4, p. 2] Please provide details of the last five products or services in respect of which the Board of Directors authorized Sole Source procurement.
15. [Ex. 7/1/1, p. 6] Please provide the Rate Design table with the resulting revenue to cost ratios in the final row.
- ***Provided Electronically.***
16. [Ex. 8.1.1, p. 1] Please provide details of the harmonization plan between West Perth and Clinton. Please provide all documents relating to this plan. Please indicate what aspects of the harmonization plan have received Board approval. Please advise what rate classes are being harmonized, and on what basis. Please advise what other ERTH utilities, if any, are included in the harmonization plan.
- ***Currently there are no specific details to provide with respect to the harmonization plan between West Perth and Clinton Power and as such no Board approval has been received. ETPL is the only other ERTH utility and deliberations are ongoing with respect to its inclusion in the harmonization plan.***
17. [Ex. 9/1/2, p. 3] Please confirm that the forecast total cost of preparing, filing and pursuing to completion this cost of service application is \$160,000, and the proposal of the Applicant is to spread it over four years at \$40,000 per year.
- ***The total cost for Clinton is \$140,000 spread over 4 years at \$35,000 per year.***

Respectfully submitted on behalf of the School Energy Coalition this 24th day of August, 2010

Jay Shepherd
Counsel for the School Energy Coalition