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. http://www.piac.ca

Michael Buonaguro
Counsel for VECC
(416) 767-1666

April 14, 2011

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)
Notice of Intervention: EB-2010-0141
St. Thomas Energy Inc. – 2011 Distribution Rate Application

Please find enclosed the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

ST. THOMAS ENERGY INC. (STEI)

2011 RATE APPLICATION (EB-2010-0141)

VECC'S INTERROGATORIES – ROUND #1

LOAD FORECAST

QUESTION #1

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

a) For purposes of the record of this proceeding please provide a copy of STEI's 4-year CDM Plan.

QUESTION #2

Reference: i) Exhibit 3/Tab 1/Schedule 1, Attachment 1, page 2
ii) Exhibit 3/Tab 1/Schedule 2, Attachment 1, page 8
iii) STEI's 4-Year CDM Plan

a) Please confirm that the difference between the 296.9 GWh forecast for 2011 reported in Reference (ii) and the 292.9 GWh forecast for 2011 reported in Reference (i) is the adjustment for CDM based on STEI's 4-year Plan.

b) Please confirm that STEI's approved CDM energy target is 3.94 GWh of reduced electricity consumption accumulated over the four year period (2011-2014).

c) Please clarify STEI's interpretation of its approved "Cumulative Net Savings Energy Target"? Specifically, please indicate whether it is viewed as:

- The GWh of CDM savings reported for 2014 as result of programs offered over the 2011-2014 period (i.e, savings achieved in 2014 plus savings persisting in 2014 from programs implemented in 2011-2013), or

- The sum of the savings reported in each of the four years from programs in that year, plus savings persisting from previous years' programs implemented in during the period.

d) Please provide any correspondence or direction received from either the OPA or OEB supporting this interpretation.

QUESTION #3

Reference: i) Exhibit 3/Tab 1/Schedule 1, pages 1-2 & Attachment 1, pages 1-2
ii) Exhibit 3/Tab 1/Schedule 1, Attachment 1, pages 6-8

a) Please provide a copy of the Spring Housing Market Outlook noted in Reference (ii).

b) Please provide a schedule that compares the 2010 average customer count forecast for each class with the actual 2010 average customer count forecast.

c) Please provide a table that:

- Calculates the average growth rate in number of customers for each customer class as between 2004 and 2010.

- Calculates the 2011 customer count based on 2010 actual values and the historic growth rate.

d) Please confirm that the 2010 and 2011 forecasts for the GS>50 class are based on the forecast customer count and 2009 average use.

- If not, explain how the forecast was developed.

- If yes, why is 2009 average use appropriate when both 2010 and 2011 are expected to be years of positive economic growth?

e) Please provide the actual 2010 sales by customer class.

QUESTION #4

Reference: i) Exhibit 3/Tab 1/Schedule 1, Attachment 1, page 4

a) Please provide the regression model (including supporting statistics) discussed in the second paragraph and also provide the associated load forecast for 2011, including the basis for the values used for the 2010 and 2011 explanatory variables.

QUESTION #5

Reference: i) Exhibit 3/Tab 1/Schedule 3, Attachment 1, page 5
ii) Exhibit 1/Tab 2/Schedule 2, page 1

a) Please describe STEI's supply points. In doing so, please clarify whether STEI receives delivery of power from (i.e., is embedded within) any other distributor. (Note – According to Reference (i) STEI is not embedded within another electricity distributor)

QUESTION #6

Reference: i) Exhibit 3/Tab 3/Schedule 1, Attachment 1, pages 2-3

ii) Exhibit 3/Tab 3/Schedule 2, Attachment 1, page 1

ii) Exhibit 3/Tab 3/Schedule 3, Attachment 2, pages 4-5

a) 'With respect to reference (i), please explain the distinction between the columns titles "Service Projection" and "Other".

b) Please reconcile the differences between the 2011 values reported in reference (i) for Accounts 3050, 3100, 3150 and 3200 and the 2011 values reported for the same accounts in reference (ii).

c) Please explain why reference (i) includes Retail Services Revenues and STR Revenues as opposed to these revenues being recorded and tracked in the appropriate deferral/variance accounts.

d) Please explain where the revenues associated with the Collection of Account Charge (reference (iii), USOA #5330) are captured in the total revenue offsets of $802.798 reported in reference (i).

e) Please provide a schedule that sets out for the years 2006-2011 the revenues for each of the account listed in reference (i).

f) Please provide a schedule that summarizes the total 2011 revenues by USOA account as shown in reference (iii) and reconcile the totals with the values shown in reference (i).

g) Do the forecast 2011 revenues include any revenues/gains from the disposal of assets? If yes, please describe the assets disposed of and the basis for determining the revenue received.

COST ALLOCATION

QUESTION #7

Reference: i) Exhibit 7/Tab 1/Scheduele 1, Attachment 1
ii) Exhibit 7/Tab 1/Schedule 2, Attachment 2

a) With respect to page 11, please explain why the 2009 rates were used to determine distribution revenues as opposed to currently approved 2010 rates.

b) With respect to page 13, explain how the 2011 ratios totalling 100% were derived as the 2011 ratios reported in reference (i) total 89.59%.

QUESTION #8

Reference: Exhibit 7/Tab 2/Schedule 2, page 2

a) Please confirm that the any additional revenues generated by the proposed 2012 and 2013 adjustments to the revenue to cost ratios for Street Lighting and Sentinel Lighting will be used to reduce the ratio for the Residential class (the only class with a ratio above 100%).

QUESTION #9

Reference: i) Exhibit 7/Tab 2/Schedule 2, Attachment 2, page 3
ii) Exhibit 7/Tab 2/Schedule 2, page 2 and Attachment 1, page 1

a) Please reconcile the proposed 2011 revenue to cost ratios reported in the two references (.e.g. for Residential one has the 2011 ratio as 101% and another has it as 105%).

RATE DESIGN

QUESTION #10

Reference: Exhibit 8/Tab 2/Schedule 1, pages 1-2 and Attachment 1

a) Please confirm that STEI is proposing to increase the fixed portion of the fixed variable split for the GS<50, Street Lighting and Sentinel Light classes and, if so, provide the rationale for the increase in each case.

b) Please confirm that STEI is proposing to increase the MSC for the GS>50 class to a value that exceeds the maximum value calculated by the Cost Allocation and, if so, provide the rationale for this increase.

QUESTION #11

Reference: Exhibit 8/Tab 3/Schedule 1

a) Please provide a schedule that sets out STEI's actual 2010 billing quantities for Network Service, Line Connection Service and Transformation Connection Service as billed by the IESO.

b) Please provide the Network and Connection costs assuming these 2010 quantities were billed at the 2011 UTRs.

QUESTION #12

Reference: Exhibit 8/Tab 3/Schedule 2

a) Please explain why STEI used the last three years (2007-2009) to calculate the average as opposed to the last five years.

b) Can STEI explain the unusually high loss factor (1.0415) experienced in 2009?

c) Please update Attachment 1 for 2010 actual results if they are available.

SMART METER RATE ADDER - 2011

QUESTION #13

Reference: i) OEB Guideline G-2008-0002:
ii) OEB Filing Requirements for Smart Meter Investment Plans, October 26, 2006
iii) Exhibit 9Tab 3 Schedule 2

a) Confirm that Guideline G-2008-0002 has not superseded the Filing Requirements for Smart Meter Investment Plans, October 26, 2006

b) Confirm that paragraph 7 of the Filing Requirements specifies that

7. Specifically, and in as much detail as possible, please provide the following information for your planned implementation of the SMIP:

• the number of meters installed by class and by year, both in absolute terms and as a percentage of the class;

• the capital expenditures and amortization by class and by year;

• the operating expenses by class and by year;

- *the effect of the SMIP on the level of the allowance for PILs.*

c) Did STEI File its SMIP for the Combined SM proceeding in accordance with the Filing Guidelines? Please elaborate.

d) Has STEI kept records by class as required by the Filing Guidelines and are accounts 1556 and 1555 segregated by rate class? Please elaborate.

QUESTION #14

Reference: Exhibit 9 Tab 3 Schedule 2 Attachment 1.

Preamble: In its EB-2010-0209 Decision the Board stated:
" the Board finds that PowerStream's original cost allocation methodology is reasonable and based on the principle of cost causality"

a) Provide the average unit capital costs (procurement and installation) and total capital costs for each of residential and GS<50kw meters to the end of 2010

b) Provide an estimate of the SM rate adder revenue collected from each of the Residential and GS<50kw classes to the end of 2010. (average #customers * SM adder rate/metered customer/month). Prorate the carrying costs and reconcile to Exhibit 9 Tab 3 Schedule 2 Attachment 1.

c) Provide the estimated 2011/12 total capital costs (procurement and installation) for each of the Residential and GS<50 kw classes.

d) Calculate class-specific proxy 2011/12 rate adders using capital cost as the cost driver for allocating the 2011/12 Revenue Requirement as class specific rate adders . This should add to the same total 2011/2012 SM revenue as that projected from the aggregate utility specific SM rate adder of $3.29

LRAM/SSM

QUESTION #15

Reference: Exhibit 10Tab 1Schedule 1Attachment 1BECG Report Attachments A& B and E(missing)

a) For LRAM the Guidelines and Policy Letter of January 27, 2009 Specify that

> **LRAM**
>
> The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment referred to in section 7.5.
>
> For example, if any input assumptions change in 2007, those changes should apply for LRAM purposes from the beginning of 2007 onwards until changed again

Confirm that the Third Tranche and Rate Funded LRAM Claims used only input assumptions from the OPA 2010 Prescriptive Measures and Assumptions Lists. If not, then list all exceptions and the sources of the inputs.

b) Provide a copy of BECGI Report Attachment E (input Assumptions)

c) Provide/confirm details of the Earth Day 2007 campaign:

- # units
- unit kwh savings,
- operating hours,
- lifetime and
- free ridership

for each year 2007-2009

d) Confirm the Calculations fir the kWh savings for Earth Day 2007. Reconcile to 681,683 kWh shown in Attachment A.

e) Confirm the lifetime and free-ridership assumption for CFLs 2006-2009 (third tranche and OPA).

QUESTION #16

Reference: Exhibit 10Tab 1Schedule 1Attachment 1BECG Report Appendix A& B

a) Provide details for the 3rd tranche General Service Measures from 2006-2009 that add to the data shown in Attachments A&B and Summary -Attachment D

- # units
- unit and total kwh savings,
- operating hours,
- lifetime and
- free ridership

for each year 2006-2009

b) Reconcile to the savings and revenue for each year and the Total Revenue as reported in Attachments A&B

- LED Christmas Lighting - City Hall 2006 183,105 kWh net
- Retrofit Program for Small Business - 4L T8 Fixture 2007 6,221 kWh / 1.33 kW net
- Traffic Light Replacements 2007 771,266 kWh 88.04 kW net
- Energy Audit (B4) - 4L T8 fixture 2008 27,734 kWh 5.93 kW net
- LED Holiday Light Sponsorship 27,075 kWh

QUESTION #17

Reference: Exhibit 10Tab 1Schedule 1Page 2 line 9

Preamble: STEI is relying upon Burman Energy's verification of CDM program related electricity savings as evidence of third party verification for its LRAM/SSM claim.

a) Confirm that Burman is relying on OPA verification of STEI OPA- funded programs.

b) Provide a Copy of the Final OPA results (to end 2009) Extract for STEI.

c) Indicate whether Burman used the preliminary or final OPA results. If the preliminary then provide any update required in the form of a Table that shows the as filed and final results.

d) Amend the LRAM and rate riders as necessary.

e) For CFLs installed in 2005 and 2006 what unit savings and lifetime is included in the OPA results.

f) Do the OPA results indicate a 4 year life or 8 year life for CFLs installed in 2005/2006?

QUESTION #18

Reference: Exhibit 1/Tab 1/Schedule 4, page 2

a) Please identify any amounts included in STEI's revenue requirement in respect of the Board of Directors of STHI, City of St. Thomas, or of any other affiliated entity.

b) Please provide the amount included in STEI's revenue requirement for the utility's Board of Directors.

QUESTION #19

Reference: Exhibit 1/Tab 1/Schedule 4, page 3

Preamble: The evidence states that "*STEI and STESI put in place an incentive based fixed cost services arrangement that provided and continues to provide significant savings and benefits to STEI's customers.*"

a) Please provide details with respect to the estimated annual cost savings for STEI's customers that can be attributed to the incentive arrangements.

QUESTION #20

Reference: Exhibit 1/Tab 2/Schedule 3, page 1

Preamble: The evidence states that *"STESI was set up initially to provide services to STEI and to provide additional services to the Shareholder and other third parties."*

a) Was STESI initially set up in November 2000?

b) When did STESI begin providing services to other entities?

c) Does STESI currently provide services to any unaffiliated third parties?

QUESTION #21

Reference: Exhibit 1/Tab 2/Schedule 3, page 3 and Attachment 2

a) Please provide the cvs of the members of STEI's independent Board of Directors.

b) Are any of the members of STEI's Board also members of Boards of affiliated entities? If so, please provide full details, including the compensation received from each Board.

c) With respect to the claim that "*any deemed inefficiency in service delivery to the rate payer will not be allowed to be charged to the rate payer,*" please indicate how the utility and its Board detects deemed inefficiencies and ensures that ratepayers are not responsible for any such inefficiencies.

d) Have there been any cases in which inefficiencies were deemed and their financial impacts were removed from ratepayers by reversing charges? Please provide details.

e) Are there any circumstances particular to STEI's Board, its mandate, protocols, controls, etc., which would ensure a superior level of governance as compared to other utilities in St. Thomas' cohort?

QUESTION #22

Reference: Exhibit 1/Tab 4/Schedule 5, page 1

Preamble: The pre-filed evidence states that "*A one year capital and operating budget is prepared by Management and approved by STEI's Board of Directors before the start of each fiscal year.*"

a) Please provide a copy of each of the operating and capital budgets approved by STEI's Board of Directors for each fiscal year 2006-2011 inclusive. For each, please provide the date that the budget was approved.

QUESTION #23

Reference: Exhibit 1/Tab 4/Schedule 6, page 1

a) Please discuss all financing alternatives that the utility considered or explored with respect to the refinancing of the promissory note from the City.

b) Please explain fully why five-year debt at an effective rate of 9.43%was prudent in the economic circumstances prevailing in November 2010.

QUESTION #24

Reference: Exhibit 2/Tab 1/Schedule 1, page 3, Table 2-1-1 A

a) Please explain why sustainment spending was decreasing in each successive year beginning in 2007 and continuing through 2010.

QUESTION #25

Reference: Exhibit 2/Tab 1/Schedule 1, pages 18-19

a) Please identify the contractor hired in 2006 and 2007 to inspect and test all wooden poles installed prior to 1990.

b) Please indicate whether the selected contractor inspected and tested all wooden poles that had been installed prior to 1990.

c) Please provide a copy of the terms of reference or RFP that was issued for the 2006-07 inspection and testing project.

d) Please provide a copy of the detailed summary of the pole testing results that was issued to STEI subsequent to the 2006-07 inspection and testing.

e) Please provide a copy of the pole replacement initiative that was introduced by STEI for the years 2006-10.

QUESTION #26

Reference: Exhibit 2/Tab 1/Schedule 1, page 24 and
Exhibit 2/Tab 4/Schedule 5, Attachment 1, page viii (Executive Summary)

Preamble: The pre-filed evidence states that *“The ACA Report concluded that nearly $3,000,000 should be spent to replace poles and transformers over the next 5 years to address age and deterioration issues.”*

a) Page viii of the ACA Report estimates that over the next 5 years, $733K for transformer replacement and $1.7M for pole investment are required. Are these figures the source of STEI’s claim that nearly $3M needs to be spent on these items over the next 5 years?

b) Has the competitive process commenced to find a 3rd party service provider to “inspect approximately 1,000 poles?” If so, please provide copies of any documentation issues or received by STEI in this respect.

QUESTION #27

Reference: Exhibit 2/Tab 1/Schedule 1, page 24 and
Exhibit 2/Tab 4/Schedule 5, Attachment 1, pages 43-50

Preamble: The pre-filed evidence states that “*In conjunction with the ACA, some gaps in data integrity surrounding the 2006-2007 Pole Inspection Program were identified. It was concluded that 1,000 additional poles should have been inspected. As such, pole replacement plans for 2011 include engagement of a 3rd party service provider through a competitive bidding process to inspect approximately 1,000 poles. Based on experience, it is anticipated that 10%, or roughly 100 poles, will require immediate attention.*”

a) Please provide details with respect to the conclusion that 1,000 additional poles should have been inspected in 2006-2007, including the detailed reasons underpinning this conclusion and the reasons and responsibility for not initially inspecting these additional poles in 2006-2007.

b) Is it STEI's experience that 10% of poles inspected generally require replacement? Please elaborate with respect this estimate.

QUESTION #28

Reference: Exhibit 2/Tab 1/Schedule 1, Attachment 2

a) Please explain how the Contributions and Grants amount of $251K was estimated for 2011.

b) Please confirm that the estimated Contributions and Grants for 2011 is smaller than the corresponding credits for each year starting in 2005. If unable to so confirm, please explain.

QUESTION #29

Reference: Exhibit 2/Tab 4/Schedule 5, Attachment 2, page 17, Table 5.1

a) For each row in the referenced table, please indicate how long the maintenance cycle has been in effect and also provide the maintenance cycle that was in effect prior to the current standard.

QUESTION #30

Reference: Exhibit 4/Tab 1/Schedule 1, page 2

a) Regarding the incremental costs of $60,357 associated with the return of one employee from the Smart Meter project to normal customer service activities for the full year in 2011, please (i) explain who was performing the tasks associated with the returning employee in her absence, (ii) explain why these costs are incremental, (III) the length of time this employee spent in 2010 – and in any prior year – on the Smart Meter project and (iii) indicate how many months of a year the $60,357 in compensation and benefits refers to.

b) Regarding the $76,014 primarily attributed to corporate governance training for STEI's Board of Directors, please (i) provide a comprehensive breakdown of this amount, (II) explain why ratepayers should be responsible for the costs of training the utility's Board of Directors, and (iii) provide the total costs included in the 2011 revenue requirement associated with the utility's Board of Directors.

QUESTION #31

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

a) Please provide details with respect to the following cost estimates: (i) the $62,400 claimed in deferred 2010 costs, and (ii) the $100,000 claimed for legal services. In particular, please provide evidence that these costs were incremental, have been accurately estimated and prudently incurred, and contain no overlap with respect to any other costs already claimed including internal and external costs such as the 3rd party consulting expenses also claimed for recovery in this application.

QUESTION #32

Reference: Exhibit 4/Tab 2/Schedule 7, page 1

a) Please explain how the utility determined that the compensation for the Director, Regulatory Affairs – proposed for recovery in the 2011 revenue requirement – is prudent and appropriate.

b) Please provide full details as to how the successful applicant for this position was recruited by the utility.

c) Please provide the cv of the successful applicant for this position.

d) Please explain why this position was not required for previous rebasing applications.

QUESTION #33

Reference: Exhibit 4/Tab 2/Schedule 7, page 2

a) Please provide specifics with respect to the 40% allocation of the costs of the Financial Analyst to the utility.

b) Please indicate the allocation of the costs of the Financial Analyst to all other entities to which these costs were allocated.

c) Will this position of Financial Analyst be required after the conversion to IFRS is completed?

QUESTION #34

Reference: Exhibit 1/Tab 2/Schedule 3 & Attachments 1 and 2

a) Please provide a list of actual 2010 projected 2011 and 2012 services and payments to St Thomas Holdings Inc.

b) Please provide a list of STEI directors and note whether they are City or STHI appointed or independent and the aggregate reimbursement paid by STEI to Directors in 2010-2012

c) Please provide an indication of the affilations and reimbursement of the Executive staff shown in attachment 2 (2010 actual and projected 2011 and 2012

d) Please list all 2010 actual 2011 and 2012 projected costs/expenses (high level of granularity)

   i. Payments to STHI under the MSA
   ii. Payments to/from affiliates not under MSA (include STHI)
   iii. Payment to third parties

e) Regarding the statement that *"Overall it is believed that STEI has benefitted fro the current organizational structure and the relationship it has with STESI* ," please list all reasons and if possible tangible benefits to ratepayers, from the current Corporate Structure.

QUESTION #35

Reference: i) Exhibit 1/Tab 2/Schedule 3, Attachment 1
ii) Exhibit 1/Tab 2/Schedule 4

Preamble: STEI does not have any material transactions with any other affiliated company controlled by STHI.

a) Please provide a summary of all costs incurred by STHI in 2010(actual) 2011 and 2012 projected and how (method) these ("common"?) costs are allocated to affiliates, including specifically those shown on attachment shown in Attachment 1 E1T2S3

b) Please provide details of all costs (2010-2012) related to water services for the City of St Thomas

c) Given the growth of affiliates (2008+) provide details of how the following costs are/will be allocated and the results (2010-2012)

    i. Shared Employees
    ii. Shared Assets
    iii. Shared A&G costs

   Provide a full description of the method(s) of allocation (time studies cost drivers direct allocation etc.

d) How are priorities for use of common equipment and personnel determined on a day to day basis (i.e., describe system in some detail).

QUESTION #36

Reference: Exhibit 1/Tab 2/Schedule 4, Attachment 1 (Master Service Agreement)

a) Provide a schedule listing the costs charged to STEI for the 19 services listed in Article 3 Section 3.01 of the MSA

b) Is a Service schedule executed each year in accordance with ARC requirements? If not why not?

c) Provide the authorities required for activities under Section 3.02 Capital Construction and indicate whether these persons are employees of STEI ot STHI

d) Provide historic bridge year and test year capital budgets for STEI.

e) Provide summary information of procurement (tender etc) and transfer pricing, including any/all markups by STHI)

f) Provide a list of the (main)applicable standards of performance and Serveco's performance/achievement as set out in section 3.03.

g) Provide the historic and projected Base Financial Consideration as set out in Article 5 (1999-2012) provide the associated cutomer count and show how changes in the Base amount has changed due to customer count and in total

h) List all non-rate regulated activities performed by STHI either on behalf of STEI or its affiliates. Provide the costs for 2010-2012. Include water heater sales, rentals, water meter reads and all related billing activities.

i) Provide details of the ownership and operation of the CIS used to provide services to STEI and other affiliates

j) List all direct costs as per section 5.01 for 2010 actual and projected 2011-2012

QUESTION #37

Reference: Exhibit 1/Tab 2/Schedule 4 and Attachment 2

a) Provide copies of all correspondence between STHI STESI and STEI and The Office of the OEB Chief Compliance Officer.

b) Provide a detailed status report on the status of STHI STESI and STEI compliance with the ARC