**EB-2011-0073**

**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 Oshawa PUC Networks Inc. for an order or orders approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2012.

**INTERROGATORIES**

## FROM THE

# SCHOOL ENERGY COALITION

*[Note: All interrogatories have been assigned to issues. However, please provide answers that respond to each question in full, without being restricted by the issue or category. Many interrogatories have application to multiple issues, but all have been asked only once to avoid duplication.]*

**1 GENERAL**

**Issue 1.1: Are the Applicant’s overall economic and business planning assumptions for the Test Year appropriate?**

1. [Ex. 1, p. 26] Please provide a copy of any shareholders’ agreement, shareholder’s direction, or other such document relating directly or indirectly to the Applicant, including but not limited to any agreement or direction relating to the parent company that indirectly affects the Applicant.

1. [Ex. 1, p. 28] Please confirm that Simul Corporation is primarily in the business of providing training programs. Please provide further information on Simul Corporation, including size of the company, professional qualifications of those providing survey services, and other clients for survey work. Please provide the source and basis of the “National” and “Ontario`` comparisons in the Simul report.

1. [Ex. 1, p. 31] Please explain the relevance of questions such as whether a customer will continue to do business with the utility, or whether the customer will recommend the utility to friends, in the context of customers that have no choice in whether to do business with the utility.
2. Ex. 1, p. 47 Please confirm that the primary conclusion of the Simul study is that customers overwhelmingly see `Better Prices` as the most important change they would like to see at their electricity distributor. Please advise why this is not listed amongst the `core concerns` on page 49.

**Issue 1.2: Is service quality, based on the Board specified performance indicators, acceptable?**

**Issue 1.3: Is the proposed revenue requirement appropriate?**

1. [Ex. 1, p. 143 and Ex. 4, p. 12] Please provide the “preliminary budgets” presented by the Finance Department to the Executive Committee for the Test Year, and provide explanations for any material variations between those preliminary budgets and the final budget approved by the Board of Directors. Please confirm that the budget present to, and approved by, the Board of Directors is identical to the budget being presented in this Application. Please provide the document presented to the Board of Directors in which “significant variances in spending from prior years [were]…documented for presentation to the Board of Directors”.

1. [Ex. 1, p. 146] Please add columns for 2008 Board approved, 2008 actual, and 2009 actual to Table 3.

1. [Ex. 1, p. 147] Please provide a detailed table showing the drivers of the deficiency. Please advise why reductions in load are not listed in this exhibit as one of the primary reasons for the deficiency.

**Issue 1.4: What is the appropriate effective date for any new rates flowing from this Application? If that effective date is prior to the date new rates are actually implemented, what adjustments should be implemented to reflect the sufficiency or deficiency during the period from effective date to implementation date?**

1. [Ex. 1, p. 6] Please provide the legal basis proposed by the Applicant on which the Board could establish new rates without completing its review of the evidence.

**Issue 1.5: Is the proposal to align the rate year with its next fiscal year, which starts January 1, 2012, appropriate?**

1. [Ex. 1, p. 140] Please identify the “third party lenders” who are affected by the Applicant’s proposal to align the rate year with the fiscal year.

**2. RATE BASE**

**Issue 2.1: Are the Applicant’s asset planning assumptions (e.g. asset condition, economic conditions, etc.) appropriate?**

1. [Ex. 1, p. 221] Please provide a table for 2004 through 2010, similar to this page, showing the balance sheet figures for each year.

**Issue 2.2: Is the Applicant’s capitalization and depreciation policy appropriate?**

**Issue 2.3: Are the capital expenditures appropriate?**

1. [Ex. 1, p. 144] Please provide the original document or documents listing and prioritizing the capital projects for 2011 and 2012, including those capital projects proposed but not ultimately included in the capital budget.

1. [Ex. 2, p. 5] Please provide the capital investment figures for the last ten years, to show the average of “approximately $5 million per year”, and break those figures down annually in the manner set out in Table 3 on page 21.

1. [Ex. 2, p. 5] Please provide a table showing the number of power transformers replaced annually for each of the last ten years, and forecast into the future for each of the next ten years. If there is a significant difference between the replacement rates, please provide an explanation.
2. [Ex. 2, p. 10] Please identify all projects and spending in the Test Year driven in whole or in part by the UOIT forecast. Please provide a copy of the document on which the forecast of a new UOIT campus is based.
3. [Ex. 2, Appendix A] Please provide a copy of the agreement between the Applicant and METSCO for the completion of the Asset Management Plan. If there was a previous RFP, proposal, Letter of Intent, Memorandum of Understanding, or other such document, please provide a copy of that document. Please confirm that this work was done as a result of a competitive tendering process, and provide the dates and details with respect to that process, including number of invited bidders and number of actual bidders.
4. [Ex. 2, p. 19] Please provide a copy of each Asset Condition Assessment from 2033 through 2010, prior to the METSCO document. If there are any material differences in the conclusions between those prior documents and the METSCO document, please provide an explanation for those differences.
5. [Ex. 2, p. 22] Please provide a detailed breakdown supporting the figures in the table at the bottom of this page.
6. [Ex. 2, p. 23] Please provide a copy of the “plan to replace each of these seven transformers”, if a separate document, report, presentation, or memo of that plan exists.
7. [Ex. 2, p. 24] Please advise the total number of high-risk poles identified in the field testing from 2004 to 2007, and the number of those high-risk poles that have been replaced prior to the end of 2010.
8. [Ex. 2, p. 48] Please provide a copy of the “previous assessment on all existing OPUN’s 401 crossings”.

**Issue 2.4: Are the in-service dates accurate for projects closed prior to the Test Year and are they appropriate for proposed projects?**

**Issue 2.5: Is the working capital allowance for the test year appropriate?**

1. [Ex. 2, p. 4] Please provide the basis on which the Applicant believes that the 15% working capital allowance is “reasonable”. Please provide all internal memos, presentations, and other documents dealing with the Applicant’s working capital requirements.

1. [Ex. 2, p. 6] Please explain why “an increase in the post-retirement accrual” would affect the Applicant’s working capital requirements.

**Issue 2.6: Is the proposed rate base for the test year appropriate?**

**Issue 2.7: Is the accounting for smart meters in rate base appropriate?**

**Issue 2.8: Is the accounting for stranded meters appropriate?**

**Issue 2.9: Is the basic Green Energy Plan appropriate?**

**3. LOADS, CUSTOMERS - THROUGHPUT REVENUE**

**Issue 3.1: Is the load forecast methodology including weather normalization appropriate?**

1. [Ex. 3, p. 5] Please confirm that over the period 2003 through 2010 the Applicant lost 137 GWh of load from the loss of two large users, and gained 53 GWh of load from all other classes, the latter being a 4.6% increase over six years.

1. [Ex. 3, p. 8] Please advise whether the 2011 revenue forecast referred to on line 27 is actual or forecast, and if actual how many moneys of the data is actual.

**Issue 3.2: Are the proposed customers/connections and load forecasts (both kWh and kW) for the test year appropriate?**

1. [Ex. 3, p. 23] Please complete Table 15 by including, for each class in which kW is the billing determinant, the 2008 Board approved figure for kW.

**Issue 3.3: Is CDM appropriately reflected in the load forecast?**

1. [Ex. 3, p. 14] Please confirm that the results for CDM delivered prior to 2011 are included in the historical data, and therefore the adjustments in 2011 and 2012 do not include the 25 million kWh per year referred to on page 6.

**Issue 3.4: Are the revenues from the microFIT customers appropriate?**

**Issue 3.5: Are the proposed revenue offsets appropriate?**

1. [Ex. 3, p. 30/31] Please explain why the Applicant is no longer forecasting any net margin between accounts 4325 and 4330.

**4. OPERATING COSTS**

**Issue 4.1: Is the overall OM&A forecast for the test year appropriate?**

1. [Ex. 1, p. 144] Please provide the most recent “year to date results” for 2011, together with the “expected changes” for the forecast period ending December 31, 2011.

1. [Ex.4, p. 7] Please confirm that the Applicant proposes the following two-year increases in OM&A spending between 2010 and 2012:

|  |  |
| --- | --- |
| Operations | 156.2% |
| Maintenance | 44.0% |
| Billing & Collecting | 16.7% |
| Community Relations | 24.3% |
| Admin & General | 23.1% |
| TOTAL OM&A | 32.2% |

1. [Ex. 4, p. 14] Please provide the cost/benefit analysis that shows the move to a three year tree trimming cycle is “less costly”.
2. [Ex. 4, pages 22-24] Please provide details of the annual dollar impacts on Tables 11 through 15 of all changes in accounting methodology or allocation of costs between departments or functions.

**Issue 4.2: Are the methodologies used to allocate shared services and other costs appropriate?**

1. [Ex. 1, p. 24] Please confirm that all of the individuals shown on the chart at the bottom of the page are employees or officers of the Applicant, and not employees or officers of any affiliate including the parent company and/or the City. Please provide details of any exceptions.

1. [Ex. 4, p. 40] Please provide the basis on which the management fee was changed to percentage of revenue and fixed assets. Please advise the allocation of management costs if based on percentage of net income.

1. [Ex. 4, p. 48] Please confirm that the proposed increases in Average Yearly Base Wages from 2008 to the Test Year are 54.1% for Management, 28.9% for non-Union, and 15.7% for Union. Please explain why the increases show such a great disparity.
2. [Ex. 4, p. 50] Please advise how many of the 9 hires scheduled for 2011 as listed in Table 24 have been hired so far, and the start dates for each.

**Issue 4.3: Is the proposed level of depreciation/amortization expense for the test year appropriate?**

1. [Ex. 4, p. 63-68] Please recalculated Tables 27 through 32 on the basis that the half-year rule commences in 2012, and is not applied to 2011.

**Issue 4.4: Are the 2012 compensation costs and employee levels appropriate?**

1. [Ex.4 p.25 Table 16] Please reconcile the increase in salary and wage inflation in light of the drop in number of employees in 2009 and 2010.
2. [Ex. 4 p.52] Please reconcile the headcount change of 5.5 in FTE with those reported as part of the hiring plan in 2012 including a mix of 3 union, 5 non-union and 4 positions included in the deferred accounts related to smart meters.
3. [Ex. 4 p.52] Please provide the detail of the responsibilities of the 4 new positions related to smart meters.
4. [Ex. 4 p.24 Table 15 and Ex. 4 p. 39] Please reconcile the Employee Pensions and Benefits expenses with the higher required provisions to meet updated actuarial valuations of the post retirement non pension benefit liability.
5. [Ex. 4, p. 26] Please file “OPUCN’s plan to retool the staffing needs”.
6. [Ex. 4, p. 27] Please provide the document that formed the basis for the approval of the 2008 reorganization.

**Issue 4.5: Has the Applicant demonstrated improvements in efficiency and value for dollar associated with its costs of operations?**

1. [Ex. 1, p. 143 and Ex. 4, p. 11] Please provide the final budget approved by the Board of Directors for 2010, together with each report to the Board of Directors or the Executive Committee in which “actual results are evaluated”. Please provide an explanation of any material changes in spending, up or down, between the final budget and actuals. To the extent that the Applicant received revenues lower than forecast in the final approved budget, please identify the spending changes implemented by the Applicant to respond to the lower revenues. If there were any revisions to the 2010 budget after it was approved, please provide details of the “material change” and how the budget was revised to reflect that change.

1. [Ex. 2, p. 7] Please provide a list of all “processes, system reviews, and enhancements to gain further productivity and efficiencies in its work place” that the Applicant has implemented since the beginning of 2008, including a brief explanation of each. Please provide a copy of any report, presentation or other documentation assessing or reporting on the productivity and efficiencies that have resulted from any of those items.

**Issue 4.6: Is the test year forecast of property taxes appropriate?**

**Issue 4.7: Is the test year forecast of PILs appropriate?**

**5. COST OF CAPITAL AND RATE OF RETURN**

**Issue 5.1: Is the proposed capital structure appropriate?**

**Issue 5.2: Is the cost of debt appropriate?**

1. [Ex. 1, p. 237] Please provide a copy of the note payable to the shareholder, and any related note payable by the parent company to the City, together with all supporting documents including loan agreements, amendments, security documents, covenants (positive and negative) etc. Please provide all documentation supporting the statement that “The Corporation does not anticipate that the note will be called upon within one year”.

1. [Ex. 1, p. 20] Please provide the basis for the rate of 4.5% used to determine the fair value of the Applicant’s long term debt.

1. [Ex. 5, p. 3] Please provide a detailed calculation of the cost of long term debt of 5.21%.

**Issue 5.3: Is the proposed return on equity appropriate?**

**6. CALCULATION OF REVENUE DEFICIENCY OR SURPLUS**

**Issue 6.1: Is the calculation of Revenue Deficiency accurate?**

**7. COST ALLOCATION**

**Issue 7.1: Is the Applicant’s cost allocation appropriate?**

**Issue 7.2: Are the proposed revenue-to-cost ratios appropriate?**

**8. RATE DESIGN**

**Issue 8.1: Are the customer charges and the fixed-variable splits for each class appropriate?**

1. [Ex. 8, p. 7] Please recalculate the rates for GS>50 on the basis that the fixed charge is $71.13 per month.

**Issue 8.2: Are the proposed Retail Transmission Service Rates appropriate?**

**Issue 8.3: Are the proposed loss factors appropriate?**

**Issue 8.4: Is the Applicant’s proposed Tariff of Rates and Charges appropriate?**

**9. DEFERRAL AND VARIANCE ACCOUNTS**

**Issue 9.1: Are the account balances, cost allocation methodology and disposition period appropriate?**

**Issue 9.2: Are the proposed rate riders to dispose of the account balances appropriate?**

**10. LRAM/SSM**

**Issue 10.1: Did Oshawa PUC follow the Guidelines for Electricity Distributor Conservation and Demand Management issued on March 28, 2008?**

**Issue 10.2: Are the input assumptions used by Oshawa PUC appropriate?**

**Issue 10.3: Is the period for disposition of the LRAM / SSM amounts reasonable and appropriate?**

**11. Modified International Financial Reporting Standards**

**Issue 11.1: Does Oshawa meet the Board’s requirements for modified IFRS applications as set out in Report of the Board Transition to International Financial Reporting Standards, July 28, 2009 [EB-2008-0408], the Addendum to Report of the Board, June 13, 2011 [EB-2008-0408] and related documents?**

1. [Ex. 1, p. 14] Please provide a detailed breakdown of all impacts of IFRS on the Test Year revenue requirement (as compared to CGAAP), including but not limited to differences in depreciation rates or methods, inclusion of asset retirement obligations, differences in pension and OPEB accounting, and changes in amounts capitalized. Please provide details of all changes in capitalization policy resulting from the change to IFRS on January 1, 2012.

1. [Ex. 1, p. 246] Please restate Table 4 so that all figures use CGAAP. If all figures already use CGAAP, please restate the Bridge Year and Test Year columns in IFRS.

1. [Ex. 1, p. 230] Please provide a summary of all actions taken with respect to IFRS between the April 21, 2011 date of the financial statements, and the current date. Please provide copies of all consultants’ reports, including but not limited to those from the Applicant’s audit firm, and whether before or after the date of the financial statements, dealing with the impact of IFRS on the Applicant.
2. [Ex. 4, p. 62] Please describe the effect, if any, of IFRS on the use of the “pooling of assets” method of depreciation of fixed assets.
3. [Ex. 8, p. 41] Please confirm that the Applicant has revised its systems so that its accounting is now able to be done in IFRS starting in 2011 and going forward. If that is not the case, please describe the status of the conversion, and explain why it is not complete yet.

Submitted by the School Energy Coalition on this 23rd day of August, 2011.

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Jay Shepherd