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.

TECHNICAL CONFERENCE QUESTIONS

FROM THE

SCHOOL ENERGY COALITION

[Note: All questions 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 questions have application to multiple issues, but all have been asked only once to avoid duplication.]

1 GENERAL

1. [Staff #1, p. 2] Please advise the name and position of the Applicant's Project Advisor.

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

2. [SEC #2, p. 11] Please advise whether the Applicant:

    a. Gives "advice or referrals to energy contractors or equipment"

    b. Provides its "opinion regarding energy management advice, equipment or technologies".

    and if so, provide details.

3. [SEC #2, p. 12] Please provide copies of the last ten "testimonials about positive experiences with the utility" that have been received by the Applicant.

4. [SEC #4, p. 14] Please answer the original question, i.e. whether 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 also answer the second part of the original question, i.e. why this is not listed among the “core concerns” on page 49.

5. [App. A] With respect to the original Shareholder Declaration:

    a. P. 3. Please provide any and all “statement of principles” documents issued by the Shareholder.

    b. P. 10. Please provide the last three reports from the Holdco Board to Council that report “materially significant… adverse results” related to the Applicant.

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

6. [EP #2, p. 18] Please advise the amount the Applicant saved in each of 2009 and 2010 by being below the OEB Minimum Standard.

7. [EP #2, p. 20] Please advise what benchmarking metrics or other standards, other than the OEB Minimum Standards, are being used by the Applicant to assess its customer service spending, e.g. customers per CSR, $ per customer, etc.

Issue 1.3: Is the proposed revenue requirement appropriate?

8. [SEC #5, p. 37-8] Please confirm that, contrary to the pre-filed evidence, “significant variances in spending from prior years” were <u>not</u> “documented for presentation to the Board of Directors. If they were so documented, please provide that documentation.

9. [SEC #7, p. 41] Please provide an answer to the question asked, i.e. relating to the drivers of the deficiency rather than the cost drivers for OM&A increases.

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?

10. [SEC #8, p. 44] Please provide the legal basis for the Applicant’s proposal, as requested.

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

11. [SEC #9, p. 46] Please confirm that the Applicant has agreed with its third party lenders to financial targets that assume an alignment of the rate year and the fiscal year. Please

provide a copy of the agreement, loan commitment, or similar document setting out that covenant.

2. RATE BASE

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

12. [EP #7, p. 51] Please advise whether the energy savings calculations that form the basis of the Applicant's calculation of its LRAM claim are equally "hypothetical".

13. [Staff #5, p. 56] Please provide a reference in the pre-filed evidence to the "risk impact assessments" referred to, or file those documents.

14. [Staff #6, p. 58] Please provide a copy or summary of the "Group of Five Emergency Mutual Assistance Plan".

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

15. [EP #8, p. 72] Please advise the amount by which the sufficiency in each of 2008, 2009 and 2010 would have been greater had the half year rule been used in those years.

Issue 2.3: Are the capital expenditures appropriate?

16. [EP #10, p. 75] Please review the following comparative data with respect to existing capital per customer (from the 2010 Electricity Distributors Yearbook), and advise:

    a. The primary reasons that the Applicant has such a low capital base relative to its peers.

    b. All actions, if any, that have been taken in the period 2000 through 2010 that affected the level of investment by the Applicant in its infrastructure? Please include any restrictions on capital spending at any time in that period caused by shareholder limitations or decisions, financial or liquidity problems, credit issues, operational decisions, or any other material causes.

    c. The cumulative impact on PP&E in each year of the Applicant's decision not to capitalize overheads.

    d. The relevance, if any, of the estimate, in Appendix E, p. v (i.e. the Applicant's 2006 Kinectrics Report) that the value of the assets of the Applicant as of the end of 2005 was approximately 145% of book value.

Comparison of Existing Capital per Customer

Distributor	Net PPE	Customers	PPE/Customer
Oshawa PUC Networks Inc.	52,096,264	52,709	$988
Kingston Hydro Corporation	28,726,589	26,941	$1,066
Burlington Hydro Inc.	85,120,183	64,329	$1,323
Peterborough Distribution Incorporated	48,005,934	35,010	$1,371
Halton Hills Hydro Inc.	30,104,605	20,790	$1,448
Newmarket - Tay Power Distribution Ltd.	51,028,490	32,911	$1,550
Whitby Hydro Electric Corporation	62,868,699	39,669	$1,585
Cambridge and North Dumfries Hydro Inc.	83,359,928	50,888	$1,638
Kitchener-Wilmot Hydro Inc.	147,146,504	86,610	$1,699
Milton Hydro Distribution Inc.	49,987,009	29,140	$1,715
Guelph Hydro Electric Systems Inc.	89,608,048	50,246	$1,783
Oakville Hydro Electricity Distribution Inc.	125,216,468	62,674	$1,998
Waterloo North Hydro Inc.	127,786,291	51,913	$2,462

Source: 2010 Electricity Distributors' Yearbook

17. [EP #10, p. 75] Please explain why the Applicant's capital spending, relative to depreciation, as set out in the annual Electricity Distributors' Yearbooks for 2006 through 2010, was 185.3% in 2007, 143.6% in 2008, 122.8% in 2009, and 101.0% in 2010. Please explain this apparent trend of reductions in infrastructure renewal by the LDC. [To clarify the calculation, capex is current year Gross PPE less prior year Gross PPE, and depreciation is the total amount of amortization on the income statement for the current year.]

18. [Staff #9, p. 88] Please confirm that no cost-benefit analyses were ever done.

19. [Staff #12, p. 94] Please provide the basis for the contributions estimated for 2011 and forecast for 2012.

20. [VECC #2, p. 98-100] With respect to this response:

    a. Please provide details of the "increased maintenance and operational activity", and show where those spending increases can be found in the evidence.

    b. For each of the "Planned 2008 capital enhancements not 100% completed", please advise:

        i. Amount spent (or to be spent, if applicable) in each of 2008 and each subsequent year until closed to rate base;

        ii. The original amount budgeted;

        iii. The reasons for any material variance between budget and actual; and

    iv. The year the asset was (or if not yet, is expected to be) brought into service.

  c. Please advise the impact on revenue requirement in each of 2009, 2010 and 2011 of the failure to complete these projects in 2008.

21. [SEC #11, p. 101] Please provide the “original document or documents” as requested.

22. [SEC #16, p. 108, and App. E, p. 1, p. 19] Please reconcile the conclusion of the consultant in 2006 “Over the next twenty years the budget it predicted to increase by three million dollars”, and the Table of future spending (Fig. 2) at page 19, with the Applicant’s proposed increase in capital spending for the Test Year.

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

23. [EP #16, p. 117] Please clarify or correct the table provided.

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

24. [SEC #21, p. 127] Please advise whether the Applicant believes that the 15% working capital allowance is “reasonable”.

25. [SEC #22, p. 128] Please confirm that an increase in the post-retirement accrual does not increase in fact 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?

26. [SEC #24, p. 214] Please provide a further explanation with respect to the columns 2011 Budget, 2011 Forecast, and 2011 Bridge. Please reconcile with Table 4 Updated on page 219.

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

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

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

Issue 3.5: Are the proposed revenue offsets appropriate?

4. OPERATING COSTS

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

27. [EP #41, p. 258] Please reconcile the figure of $488,980 year to date for Operations with the figure of $548,159 for all of 2010 in Exhibit 4, page 7, Table 1.

28. [EP #45, p. 265] Please explain why each of the affiliates "requires a minimum amount of focus from the Parent Company's staff" when "neither affiliate has any direct employees". Please explain how an affiliate with no employees can have "mature management and control processes".

29. [Staff #33(c), p. 273] Please confirm that no amounts are being forecast in the test year for legacy programmes.

30. [VECC #21, p. 287] Please provide a comparison of the cost to operate the MAS through internal staff versus the cost to outsource the function, as was done in 2011 to Utilismart.

31. [VECC #22, p. 291] Please confirm:

    d. Changes to the Operations budget from 2008 to 2012 were the following:

        i. $39,000 shifted from Maintenance;

        ii. $75,000 shifted from Billing and Collecting;

        iii. $624,000 shifted from Capital Projects;

        iv. $55,216 net reduction due to 0.5 net lower FTEs.

        v. $448,550 (275.9%) of additional increases.

    e. Changes to the Maintenance budget from 2008 to 2012 were the following:

        i. $39,000 shifted to Operations;

   ii. $126,000 increase due to 1.0 net higher FTEs.

   iii. $383,984 (38.0%) of additional increases.

f. Changes to the Billing and Collecting budget from 2008 to 2012 were the following:

   i. $75,000 shifted to Operations;

   ii. $51,600 net increase due to 1.0 net higher FTEs.

   iii. $418,892 (18.5%) of additional increases.

For each of the subcomponents listed above, please provide an explanation of the increase, decrease, or shift, or if it is already in the evidence, please provide the evidence reference.

32. [VECC #23, p. 293] Please provide the Applicant's multi-year maintenance plan detailing the upcoming projects described in the response.

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

33. [SEC #32, p. 311] Please answer the question as asked. If it is more convenient, please provide a table showing, for each of the companies in the group, which of the named persons are employees or officers, and in what capacity.

34. [SEC #35, p. 317] Please reconcile the number of hires on SEC #35 with the specific hires referred to in SEC #38.

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

35. [EP #50 p. 318 and Exhibit 10, p. 10, Table 3] Please confirm that the values in the column "IFRS Useful Life" are the useful lives proposed by the Applicant for the Test Year. Please confirm that in every case those lives are the Minimum Lives from the EB-2010-0178 Kinectrics Report.

36. [Exhibit 10]. Please restate Tables 4 through 12 inclusive of Exhibit 10 using the Typical Useful Lives from the EB-2010-0178 Kinectrics Report. Please provide a new Revenue Requirement Work Form based on those revised depreciation and rate base numbers.

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

37. [SEC #38, p. 334] Please advise, for each person scheduled to start January 2012, the current status of the hiring process.

38. [SEC #43, p.345] Please explain why labour and benefits expenses were $532,000 (6.57%) below budget in 2010.

39. [App. M] Please describe the purpose of the early departure program, and the response received. Please provide any estimates of dollars saved as a result of the program.

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

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?

40. [Staff #45, p. 360] Please provide details of all efforts made by the Applicant to borrow the $23 million at a lower rate than that being claimed in this Application.

41. [EP #59, p. 364] Please advise the terms and conditions on which the Applicant believes it is able to borrow $23 million to finance capital expenditures, and identify the lender or lenders the Applicant would use in those circumstances.

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?

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?

42. [SEC #51, p. 464] Please provide a response to the question as asked, i.e.:

    "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."

43. [Exhibit 10, p 16] Please provide the full calculation of the "cumulative actuarial losses" of $2.6 million referred to, together with all reports from external or internal sources dealing with that calculation.

44. [Exhibit 10, p. 21, Table 9] With respect to this Table:

g. Please explain the Accumulated Depreciation on Additions in account 1940 of $599,773.

h. Please provide full details on the adjustments made to the Opening Balance of each line to reflect the netting out of the pre-2011 Contributions and Grants.

Submitted by the School Energy Coalition on this 28th day of September, 2011.

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Jay Shepherd