

**INTERROGATORIES FROM THE CONSUMERS COUNCIL OF CANADA**

**TO POWERSTREAM INC.**

**RE: 2013 RATE APPLICATION - EB-2012-0161**

**GENERAL**

**1.1 Are PowerStream's economic and business planning assumptions appropriate?**

1. (A3/T1/S1/p. 4) Please provide all materials provided to PowerStream's Board of Directors related to the following:

- a) the 2013 rate application;
- b) the detailed budgets for 2012 and 2013.

Please explain the process undertaken to obtain approval from the Board of Directors for the 2013 rate application.

2. (A3/T1/S1/p. 4) Please provide all materials provided to PowerStream's Executive Management Team ("EMT") related to the following:

- a) the 2013 rate application;
- b) the detailed budgets for 2012 and 2013.

Please explain the process undertaken to obtain approval from the EMT for the 2013 rate application.

3. (A2/T1/S1/p. 1) The evidence indicates that, subject to OEB approval, PowerStream will purchase a half interest in Collingwood Utility Services Corp., the holding company for Collus Power. Please explain why PowerStream is seeking approval to acquire a half interest in Collingwood Utility Services Corp. Please provide copies of all materials provided to the Board of Directors and the EMT related to the purchase of a half interest in Collingwood Utility Services Corp. How will the purchase impact the operations of PowerStream? Is the acquisition impacting the 2013 revenue requirement in any way? Please explain. What benefits will the acquisition provide to PowerStream's customers?

4. (A3/T1/S1/p. 3) Please explain what activities are captured by the comment, "Pursue Business Growth Opportunities." Please indicate where in the 2013 revenue requirement the costs of these activities are set out.

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

**1.3 Are the proposals to align the rate year with PowerStream's fiscal year, and for rates effective January 1, 2013 appropriate?**

5. (A3/T1/S8) What is the cost to ratepayers of advancing the rate increase from May 1, 2013 to January 1, 2013.

**1.4 Is the proposed Green Energy Act Plan appropriate?**

6. (B2/T1/S1/p. 5) Please explain how the \$1.422 million was calculated.

**1.5 Has PowerStream responded appropriately to all relevant Board Directions from previous proceedings?**

**RATE BASE**

**2.1 Is the proposed Rate Base for Test Year 2013 appropriate?**

7. (B1/T1/S3) What would be the impact on the 2013 revenue requirement if PowerStream's proposal to include a full year of amortization expense is rejected by the Board?

**2.2 Is the Working Capital Allowance for Test Year 2013 appropriate?**

**2.3 Is the proposed Capital Expenditures forecast for Test Year 2013 appropriate?**

8. (A3/T1/S1/p. 6) The evidence indicates that, with respect to the capital budgeting process, a five-year plan is completed at the beginning of the year. Please explain to what extent, if at all, PowerStream's request for full depreciation has impacted that plan. If the Board rejects PowerStream's request for approval of a full year of depreciation how will this impact the five year plan?

9. (B1/T1/S1/p. 3) Please provide the Five Year Capital plans prepared in each year for 2009-2011.

10. (B1/T1/S1/p. 5) The evidence states that, in preparing the capital budget, the Finance department uses the output from the Corporate Five Year Plan in a financial model to determine affordability and impact on financial soundness and customers. Please explain this process and how it was applied to the 2013 budget. What is meant by "affordability" in this context?

11. (B1/T1/S1/p. 6) Please provide all materials provided to the EMT and the Board of Directors when seeking approval of the 2012 and 2013 capital budget/capital plans.

12. (B1/T1/S1/p. 18) Please provide the KPMG study relating to the Information Services Strategic Plan.

13. (B1/T1/S4) Please re-cast Table 1 Capital Expenditures to include 2009 Board-approved numbers.

14. (B1/T1/S4) Please explain what is meant by the comment, "Additional increases in funds for 2012 and 2013 can be attributed to costing changes. Changes were made in the economic model to adopt best practices between the former Barrie Hydro and former PowerStream impacting 2012 and 2013"? What changes were made and how do they result in additional increases in funds?

15. (B1/T1/S4/p. 4) Please provide a complete business case for the rehabilitation of underground cable. Please set out the projected spending levels for each year beginning in 2009.

16. (B1/T1/S4) Please provide detailed budgets for each the following categories of capital expenditures for each year 2009-2013:

- Sustainment Driven Lines Projects

- Subdivision/Services
- Road Authority Projects
- Additional Capacity
- Growth Driven Lines Projects
- Information/ Communication Systems

17. (B1/T1/S4/p. 11) Please provide detailed calculations to support the NPV analyses.
18. (B1/T1/S5/p. 12) Please provide evidence to support the lease rates negotiated with Bloorguard. How were the rates derived?
19. (B1/T1/S5/p. 15) Given the new CIS system is planned to be in-service by the end of Q2 2014 what is the impact, if any, on the 2013 revenue requirement?
20. (B1/T1/S6/p. 26) Please provide an estimate of the impact on the 2013 revenue requirement assuming the capital budget was reduced by \$10 million and the impact assuming the capital budget was reduced by \$20 million. Please include all assumptions
21. (B1/T1/S6/p. 28) Please provide a schedule setting out all of the costs for cable rehabilitation program for the years 2009 and beyond. Please include all operating and capital costs of the program and how the costs are treated in the 2013 revenue requirement (O&M vs capital).
22. (B1/T1/S6/p. 27) Please provide a schedule setting out all of the costs for the pole replacement program and the switch gear replacement program for the years 2009 and beyond. Please explain how PowerStream decides on the pace of replacement for each of these programs.

## **OPERATING REVENUE**

### **3.1 Is the proposed forecast of 2013 test year Throughput Revenue appropriate?**

### **3.2 Are the proposed customers/connections and class-specific load forecasts (both kWh and kW) for test year 2013 appropriate, including the impact of CDM and weather normalization?**

23. (C1/T1) What has been the annual customer growth rate for each of the years 2008-2013(forecast)?

### **3.3 Is the proposed test year forecast of other revenues appropriate?**

24. (C2/T1/S1/pp. 3-4) Please explain how the proposed changes to the Specific Service Charges impact the 2013 forecast. What is the forecast for the revenue associated with the install/remove load control devices?
25. (C2/T1/S1/p. 4) What is PowerStream's policy regarding pole attachments? What is the 2013 revenue forecast associated with pole attachments?

## **OPERATING COSTS**

### **4.1 Is the overall Test Year 2013 OM&A forecast appropriate?**

26. (A2/T1/S1/p. 6) In the document entitled Summary of the Application it states that PowerStream's OM&A expenses are forecast to increase by \$32.5 million relative to 2009. Please explain how this number was derived. What is the impact on OM&A of moving to MIFRS for 2012 and 2013?
27. (A2/T1/S1/p. 6) Please provide a table setting out PowerStream's OM&A per customer, for the years 2009 to 2012 inclusive, compared to utilities which PowerStream regards as of comparable size and circumstances.
28. (D1/T1/S1/p. 10) Please provide a schedule setting out detailed OM&A costs in the same format as Table 1. Please include the most recent forecast for 2012 having regard to actual spending to date.
29. (D1/T1/S2/ p. 2) Please indicate why the OM&A per customer has increased significantly since 2009. Please indicate to what extent the increase is specifically related to the transition to MIFRS.
30. (D1/T1/S1/p. 1) Please provide the year to date OM&A spending for 2012.
31. (D1/T1/S1/p. 3) Of the total OM&A increase since 2009 of \$32.640 million how much is related to Regulatory Requirements and/or Legislative Requirements? Please include all assumptions.
32. (D1/S1/p. 9) The evidence indicates that training costs have increased by \$544,000 corporate wide. What is the proposed training budget for 2013? Please provide a detailed breakdown of that budget.
33. (D1/t1/S3/p. 1) The evidence indicates that PowerStream's corporate strategy includes an initiative to grow through mergers and acquisitions. Please provide any internal documentation/ reports/ presentations related to this strategy. Are there costs included in the 2013 revenue requirement related to mergers and acquisitions activities? If so, please identify those costs. How many employees spend time on this initiative? How are the costs allocated between the distribution company and the shareholders?
34. (D1/T3/s1/p. 2) Please provide the expected savings related to the introduction of e-billing? Have these savings been reflected in the 2013 revenue requirement? If not, why not? If so, where are they reflected?
35. (D1/T3/S1/p. 3) Please provide a detailed budget for the rates and Regulatory Affairs Department for the years 2009-2013. Please break out the costs both, internal and external, specifically related to this rate application and explain how they are to be recovered.
36. (D1/T3/S1/p. 7) Please provide a detailed budget for the Information Services Department for the years 2009-2013. Please include capital and OM&A costs.
37. (D1/T3/S1/p. 8) Please provide a detailed budget for the Legal Department for the years 2009-2013. Please include all expenses related to the use of outside legal counsel.

38. (D1/T3/S1/p. 9) Please provide a detailed budget for Fleet Services for the years 2009-2013. Please include both capital and OM&A costs. What is PowerStream's policy regarding vehicles for senior management? Please file any written policies regarding company vehicles.

39. (D1/T3/S1/p. 10) Please provide a detailed budget for the Corporate Communications department for the years 2009-2013. Are any of these costs allocated to the shareholders? If not, why not?

40. (D1/T3/S2/p. 1) What is the current forecast for 2012 Bad Debt Expense given year to date actuals?

41. (D1/T3/S2) Please provide the Property Tax amounts for 2009-2013. Where are property taxes accounted for in the calculation of the revenue requirement?

42. (D1/T3/S2/p. 2) Please provide all of the cost categories included in "Other Distribution Expenses". Please provide a detailed budget for the years 2009-2013 for Other Distribution Expenses.

43. (D1/T5/S3/p. 1) Please explain why Charitable Contributions are included in the revenue requirement for 2013.

**4.2 Is the proposed level of the Depreciation/Amortization expense for 2013 appropriate?**

**4.3 Is the Test Year 2013 forecast of PILs appropriate?**

**4.4 Is the proposed allocation of shared services and corporate costs appropriate?**

44. (A4/T1/S1/p. 1) The evidence states that although none of the shareholders owns more than 50% of PowerStream and are therefore not affiliates as contemplated by the ARC, PowerStream follows the intent of the ARC by ensuring that there are no cross-subsidies. Please explain how PowerStream "follows the intent of the ARC".

45. (A4/T1/S1/p. 1) Please explain how PowerStream allocates the costs between it and the City of Vaughan for the JD Edwards Enterprise Software.

46. (A4/T1/S1/p. 3) Please explain how the payments made to PowerStream by the City of Vaughan for Water and Sewer, Payroll and Cashier Services were all determined. How does PowerStream fairly negotiate these amounts with its shareholders? How are these revenues accounted for in the revenue requirement?

47. (A4/T1/S1.p. 5) Please explain how the payments made to PowerStream by the Town of Markham for Water and Sewer and Street Lighting Services were determined. How does PowerStream fairly negotiate these amounts with its shareholders? How are these revenues accounted for in the revenue requirement?

48. (A4/T1/S1/p. 5) What is the impact on the 2013 revenue requirement of eliminating the services PowerStream used to provide to the City of Barrie and Barrie Hydro Energy Services? Does Barrie Hydro Energy Services still exist? If so, what is its relationship with PowerStream?

49. (A4/T1/S1/p. 6) Please explain how the payments made to PowerStream by the Town of Bradford West Gwillimbury for water and sewer services are determined.

50. (A4/T1/S1) Has PowerStream ever obtained an independent assessment or audit of its shared services and corporate costs. If so, please provide copies of the independent assessment or audit. If not, why not? If not, how can ratepayers be assured that the payments are justified?

51. (C2/T1/S4/p. 1) Please list all of the functions performed within the distribution company for CDM, and the costs of those activities. Please provide evidence to support the statement that these activities are not included in the revenue requirement. What is the methodology used to attribute and track these costs in the non-distribution accounts?

52. (D3/T1/S1/p. 3) Please provide the SLA between PowerStream and PowerStream solar applicable to the test year.

#### **4.5 Are the 2013 compensation costs and employee levels appropriate?**

53. (A3/T1/S1) Please provide the impact on the 2013 revenue requirement of reducing the annual increase for union staff to 2.5%. Please provide the impact on the 2013 revenue requirement of reducing the annual increase for non-union staff to 2.5%.

54. (D1/T1/S1/p. 3) PowerStream has identified that one of the cost drivers in its OM&A since 2009 has been \$4.275 million in Compensation costs. Please provide a detailed break-down of that amount (wage increases , benefits increases etc.) In addition, PowerStream has identified \$2.62 million related to additional Staff. Please provide the basis for that calculation and a detailed break-down of that amount.

55. (D1/T5/S1/p. 5) The evidence states that, in its efforts to improve organizational efficiency and ensure that good governance practices are in place, PowerStream created the PMO office, Enterprise Risk and Internal Audit and the Legal Department. PowerStream has also developed a business-driven technology strategy to support growing business needs and enable better customer service and efficiency in the future. Eighteen additional staff were hired in this period to implement these initiatives. Please identify the 18 roles added and the annual cost of those roles in 2013. Please explain how adding these 18 roles has provided incremental benefits to PowerStream customers.

56. (D1/T5/S4/p. 3) Please provide a list of the net 37.2 positions added since 2009.

57. (D1/T5/S4/p. 4) Please provide a list of the individuals that comprise the Senior Management Team and their respective responsibilities.

58. (D1/T5/S4/pp.4- 6) Has PowerStream included any assumptions regarding vacancies in the derivation of the 2013 revenue requirement? What is the current staff level in 2012?

#### **4.6 Have the savings due to the merger with Barrie Hydro been properly reflected in the test year?**

### **DEFERRAL AND VARIANCE ACCOUNTS**

#### **5.1 Is the proposed clearance of deferral variance account balances appropriate?**

59. (I/T1/S2/p. 1) Please provide a detailed breakdown of the \$13.030 in smart meter costs. What has been the total spent on smart meters to date - total program costs, both operating and capital costs and the amounts already recovered from ratepayers?

60. (I/T1/S8) How are the smart meter costs recovered from each of the customer classes?

**5.2 Are the proposed new and existing deferral accounts for the test year appropriate?**

**5.3 Is the proposal related to the recovery of stranded meter costs appropriate?**

#### **COST OF CAPITAL**

**6.1 Are the proposed Test Year cost of capital parameters appropriate?**

61. (E/T1) Please provide the actual ROE achieved by PowerStream in each year 2009-2011. Please provide the most current forecast for 2012.

62. (E/T1/S1/p. 3) What is the current status of the EDFIN refinancing, expected in August 2012. What steps does PowerStream take to ensure that its debt costs are in the best interests of its ratepayers?

63. (E/T1/S1/p. 4) Please provide a copy of the Financing Plan approved by the Board of Directors on January 25, 2012. Please include all material presented to the Board of Directors.

64. (E/T1/S1/p. 6) Please provide a copy of the current dividend policy.

#### **COST ALLOCATION**

**7.1 Is PowerStream's proposed cost allocation methodology for 2013 appropriate?**

**7.2 Are the revenue to cost ratios in the cost allocation for Test year 2013 appropriate?**

#### **MODIFIED INTERNATIONAL FINANCIAL REPORTING SYSTEM**

**8.1 Is the proposed service revenue requirement calculated using modified IFRS appropriate?**

65. (A3/T1/S5) In the move from CGAAP to MIFRS what are the most significant changes impacting the 2013 revenue requirement relative to 2008. Please quantify those changes. Of the \$7.5 million revenue deficiency, how much of that is attributable to the move from CGAAP to MIFRS?

#### **RATE DESIGN**

**9.1 Is the full Tariff of Rates and Charges as proposed appropriate?**

66. (A2/T1/S1/p. 9) Please indicate whether Table 4 includes the impacts of all of the clearances of the deferral and variance accounts included in the application.

67. (A2/T1/S2/p. 1) Please indicate how the \$7.443 million deficiency is being recovered from each rate class. How was that allocation determined?

68. (A2/T1/S3/p. 1) Please provide the impact on the revenue deficiency related to PowerStream's request for full depreciation in 2013.

69. (A2/T1/S3/p. 1) For each of the line items in Table 1 please explain how they were calculated.

**9.2 Is the derivation of the proposed base distribution rates appropriate?**

**9.3 Are the proposed changes to the LV rates appropriate?**

**9.4 Are the proposed Total Loss Factors appropriate?**

**9.5 Is PowerStream's proposed rate harmonization appropriate?**

70. (H/T2/S1) Please identify all alternatives PowerStream considered with respect to rate harmonization. If alternatives were considered why were they rejected?