EB-2012-0161

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 Powerstream Inc. for an Order or Orders approving just and reasonable rates and other service charges for the sale and distribution of electricity, effective on January 1, 2013.

INTERROGATORIES

OF 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

1. [A1/2/1, p. 2] Please provide a mathematical demonstration that the Board's use of the half year rule in setting rates on rebasing provides insufficient funding for depreciation during the initial IRM period. Please ensure that the calculations show the dollar impact of the Board's current practice taking all material variables into account.

2. [A2/1/1, p. 1] Please provide a full list of all ways in which the Application varies from the OEB Filing Requirements, and the dollar impact, if any, of each.

3. [A2/1/1, p. 4] Please file all documents, including in particular documents filed in confidence, previously filed in the EB-2008-0335 proceeding that refer directly or indirectly to the forecast savings, efficiencies, or productivity from the merger.

4. [A3/1/1, p. 1 and 4] Please provide

    a. the full current corporate strategy (i.e. not only the strategy map);
    b. the most recent Two Year Budget;
    c. the most recent Five Year Budget outlook; and
    d. all presentations to executive management and the Board of Directors supporting approval of those documents.

5. [A3/1/1, p. 1 and 3] Please provide an explanation of where keeping rates as low as reasonably possible is included in the “four perspectives” and the “strategy map”.

6. [A3/1/1, p. 5] Please advise what components of the corporate budgeting process require, promote or deal with reduction to headcount.

7. [A3/1/6, p. 4] Please provide a description of how projects of this type were managed differently prior to the introduction of the PMO. Please provide the internal business case for the establishment of the PMO.

2. Rate Base

Issue 2.1 – Is the proposed rate base for Test Year 2013 appropriate?

8. [A2/1/1/p.6] Please explain any material growth in rate base in any year from 2008 – 2014 that exceeds the combination of inflation and customer growth.

9. [A3/1/3, p. 6] Please provide a table showing a breakdown of the engineering burden under the old methodology, and for each component of that breakdown how much continues to be allocated to capital projects by direct allocation, how much is now allocated to capital through the Direct Labour Capitalization burden, and how much is now expensed. If it is possible to provide this information for the Test Year, please do. If not, please provide this calculation comparing the old and new methodology for the last CGAAP year.

10. [A3/1/4, p. 1] Please provide the dollar impact of moving from the OEB prescribed interest rate to weighted average cost of capital for interest on funds for construction, including the underlying calculations supporting that impact.

11. [A3/1/4, p. 7] Please provide the vintage tables for existing assets prepared with respect to the change from CGAAP to MIFRS.

12. [A3/1/5, p. 16] Please provide the full calculations underlying the figure of $939,000 PP&E impact from MIFRS.

13. [B1/1/5/p.1] Please provide the internal business case for the acquisition of the new distribution operations Centre in Markham.

14. [D1/4/1, p. 1] Please restate opening rate base for the Test Year on the assumption that the half year rule had been applied in 2010 and 2011.

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

15. [A2/1/1, p. 7] Please explain why Powerstream did not carry out a lead/lag study.

16. [B3/1/1/p.2] Please provide the same comparison to actual WCA for all years to date.

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

17. [B4/1/1/p.1] Please provide a table showing the number and value of assets reaching the end of their useful life over each of the last ten years, and over each of the following ten years, to the extent that this can be done by category.

18. [B1/1/5/p.13] Please provide details on the procurement process that led to Oracle Customer Care and Billing CIS acquiring the contract to replace the existing system.

19. [B1/1/5/p.13] Please provide more detailed information on the CIS transition project and detailed capital expenditures for the project.

20. [B1/1/5/p.18] Please provide an update on the expected installation date for the new CIS system.

21. [B1/1/3/p.1] Please provide the calculations of PP&E per customer.

22. [B1/1/8/p.30] Please provide an update on the expected 2012 road authority projects.

3. Operating Revenues

4. Operating Costs

Issue 4.1 – Is the overall Test Year 2013 OM&A forecast appropriate?

23. [A3/1/1, p. 5 and D1/2/1, p. 3] Please provide any internal document that provides a summary or table of the "cyclic maintenance requirements" referred to.

24. [A3/1/1, p. 5] Please explain the sentence that begins "The Operating and Maintenance budget is done at a work order level…"

25. [D1/1/1, p. 3] Please confirm that Table 2 shows OM&A increases for the four years 2009 to 2013 which, if you exclude IFRS impacts, total 38.1%, or a compound rate of about 8.5% per year. Please indicate where on Table 2 the Applicant has reflected:

    a. Productivity savings, and
    b. Savings arising out of the merger,

    and for each provide the dollar figures included in each category.

26. [D1/1/1, p. 6] Please provide data for the period 2008 – 2011 showing the annual increases in incidents of vandalism and motor vehicle accidents in the Applicant's service territory.

27. [D1/1/1, p. 6] Please explain why the increased efficiency from the OMS does not result in a reduction in the cost of emergency and reactive maintenance.

28. [D1/1/1, p. 7] Please provide the five year technology strategy referred to, together with any supporting business case, and any presentations to executive management or the Board of Directors showing the costs and benefits of the strategy.

29. [D1/1/2, p. 2] Please confirm that the 2013 OM&A per customer on a CGAAP basis is proposed to be $211.30. Please confirm that this represents a 26.5% increase of $44.30 per customer from the weighted average of the Board-approved OM&A per customer for the two merging companies. Please explain the appropriateness of a 6.1% per year increase in OM&A per customer when inflation was less than 2% per year. Please confirm that, after accounting for merger savings of $6.2 million, the overall increase in OM&A on a CGAAP basis is from $147.55 per customer to $211.30 per customer, a $63.75 increase that is 43.2% or about 9.4% per year.

30. [D1/2/2/p.1] Please provide updated year-to-date expenses for 2012 as shown in the O&M Expense table.

31. [D1/2/2, p. 4] Please provide an explanation of the harmonization of the burden methodology, and its impacts.

32. [D1/3/2/p.1] Please provide updated year-to-date expenses for 2012 as shown in the Administration Expenses table.

33. [D1/3/1, p. 8] Please provide details of the savings that have resulted from the creation of the Legal Department.

34. [D1/3/2, pp. 3 and 5] Please reconcile the figure of $1,600,000 on page 3 with the figure of $1,000,000 on page 5.

35. [D1/3/2, p. 8] Please provide the business case or other supporting document for the establishment of the Organizational Effectiveness business unit. Please provide the report of the external consultants relating to strategic management.

36. [D1/3/2, p. 8] Please provide the consultant's report on the technology strategy and Governance/Enterprise Model.

37. [D1/5/2/App.2-H] Please provide a copy of this table with the footnotes.

Issue 4.2 – Is the proposed level of depreciation/amortization expense for 2013 appropriate?

38. [D1/4/1, p. 2 and 3] Please provide a table, in the format of Table 1, showing each difference in depreciation rate for an asset category or sub-category between

    a. the existing Powerstream useful lives,

b. the proposed Powerstream useful lives,
c. the useful lives recommended in the study done by Kinectrics for Powerstream, and
d. the lives in the 2010 OEB study,

and an explanation of each material difference.

39. [D1/4/1, p. 4] With respect to Table 2:

    a. Please restate the column labelled "2011 Actual MIFRS" without including the cost of assets taken out of service.
    b. Please explain the drop in annual depreciation for each of accounts 1815, 1820, and 1855.

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

40. [A2/1/1/p.7] Please outline the costs related to the 'increased asset inspections and testing'.

41. [A4/1/1/p.5] Please explain the reduction in services provided to the Town of Markham as shown in Table 4.

42. [D1/1/1/p.3] Please advise if the costs related to the new Outage Management System/SCADA are included in Table 2.

Issue 4.5 - Are the 2013 compensation costs and employee levels appropriate?

43. [D1/1/1, p. 4] Please describe the Applicant's succession plan prior to the development of its current apprentice program, and identify the major differences between the former practice and the current practice.

44. [D1/3/2, p. 5] Please provide the annual cost of:

    a. Extending "limited employee post-employment benefits" to union employees; and
    b. Extending the post-employment benefit plan to management employees.

45. [D1/5/4, p. 1] Please advise whether the term "FTE" refers to positions or people, i.e. whether vacancies are deducted or not.

46. [D1/5/4, p. 2] Please explain the phrase "excluding new position requirements".

47. [D1/5/4, p. 3 and 4] Please restate Tables 1 and 2 deducting vacancies (actual and forecast) from each of the figures.

48. [D1/5/4, p. 3] Please advise how many actual co-op and summer students are included in the 41 FTEs.

49. [D1/5/4/p.6] For each of the past 5 years, please provide the percentage of newly eligible employees that did retire in their first year of eligibility.

50. [D1/5/4, p. 7] Please explain why, while unionized compensation is increasing about 25% from 2009 to 2013, Senior Management is increasing 40%, Management is increasing 45%, and Non-Union is increasing 70%.

5. Deferral and Variance Accounts

Issue 5.1 – Is the proposed clearance of deferral and variance account balances appropriate?

51. [A3/1/5, p. 21] Please provide a detailed breakdown of the costs included in the IFRS Transition Costs Deferral Account.

52. [A3/1/5, p. 22] Please confirm that opening balances as at January 1, 2011 and December 31, 2011 year end information were previously audited by your auditors. Please describe the incremental work required to apply those audit results to the MIFRS adjustments.

Issue 5.2 – Are the proposed new and existing deferral and variance accounts for the Test Year appropriate?

53. [Ex. A3/1/5, p. 27] Please explain why the Applicant is proposing to clear the proposed Post Retirement Employee Benefit Expense Variance Account periodically, rather than using it as a method of achieving a result akin to the corridor method over the remaining service lives of the employees. Please discuss the pros and cons of each approach, and the impact of volatility differences on both the Applicant and the ratepayers.

6. Cost of Capital

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

54. [E1/1/1, p. 4] Please provide a copy of the most current Financing Plan.

55. [E1/1/1, p. 5] Please provide full details of all dividends, if any, paid in the period 2006 through 2012 to date.

7. Cost Allocation

8. Modified International Financial Reporting Standards

9. Rate Design

Respectfully submitted on behalf of the School Energy Coalition this 10th day of August, 2012

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Jay Shepherd