EB-2012-0147

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 Midland Power Utility Corporation for an Order or Orders approving just and reasonable rates and other service charges for the distribution of electricity effective May 1, 2013.

INTERROGATORIES

FROM THE

SCHOOL ENERGY COALITION

1. Please confirm that there are 19 schools in the Applicant's franchise area. Please advise the number of schools in each of the GS<50 and GS>50 classes.

2. [Ex. 1/2/1, p. 1] Please confirm that, for the four year period 2008 through 2011, the Applicant earned $4,237,331 in net income on its audited financial statements. Please confirm that the average shareholders' equity during this period was $8,960,604, and that the average actual equity thickness was 58.73%. Please confirm that the average financial ROE for this period was 11.82% per year. Please confirm further that, if the equity thickness were adjusted to 40%, the average financial ROE for this period, adjusting for higher interest costs and lower PILs, would have been 15.41% per year. Please explain the main factors causing the high returns during these four years.

3. [Ex. 1/2/2, p 1] Please advise the rate class of the manufacturer referred to, and the estimated impact on rates in that class of the reduction in load.

4. [Ex. 1/2/2, p. 3] Please advise the primary utilities or other companies with whom the Applicant competes for personnel, and against whom the wage comparison is made. Please provide a representative comparison of wages of the Applicant against the wages of those competitors.

5. [Ex. 1/2/2, p. 10] With respect to the following comparisons of the Applicant to other LDCs (all data from 2011 Yearbook except OM&A/Customer 2010):

    a. Please comment on whether the comparison group is appropriate. If any of the utilities in the comparison group (selected by number of customers and revenue) are not appropriate, please explain why. If any other utilities should be included, please list them and explain why.

b. Please confirm that the data accurately reflects the data from the Yearbook.

c. Please explain any factors known to the Applicant that caused the Applicant's average revenue per customer to be 23% higher than the average of this comparator group, and higher than all but one of the other similarly-sized utilities.

d. Please explain the primary reasons why the Applicant's OM&A per customer declined from 2010 to 2011. If any of those reasons were productivity or efficiency initiatives, please provide details of those initiatives.

e. Please explain any factors known to the Applicant that caused the Applicant's net fix assets per customer to be 32% higher than the average of this comparator group, and higher than all but two of the other similarly-sized utilities. If any part of that is the substation replacement program, please quantify that impact to the best extent possible.

f. Please explain why capital additions in 2011 were 122% of depreciation, well below the average of the comparator group, but in 2013 the Applicant is proposing capital additions of 263% of depreciation [Table 4.2.32] including the substation, and 136% of depreciation without the substation.

Comparisons of Distributor Data - Midland Power

	Dx Rev per Cust	*Rank*	*OM&A/ Cust 2011*	*Rank*	*OM&A/ Cust 2010*	*Rank*	*NFA/ Cust.*	*Rank*	*CapAds / Depr.*	*Rank*
Centre Wellington	$464.05	9	$305.98	10	$285.14	9	$992	6	127%	8
E.L.K.	$321.14	1	$217.48	3	$188.76	3	$959	5	57%	12
Grimsby	$349.07	3	$204.87	2	$177.89	1	$1,118	8	129%	7
Lakefront	$440.53	6	$222.64	4	$224.26	6	$1,126	9	146%	5
Lakeland	$499.27	10	$294.39	9	$312.58	10	$1,561	11	245%	2
Middlesex	$417.63	5	$272.20	8	$217.46	4	$1,108	7	187%	3
Midland	$527.65	11	$265.05	7	$271.67	8	$1,551	10	122%	9
Niagara on the lake	$636.47	12	$244.68	5	$228.52	7	$2,509	12	147%	4
North. Ont. Wires	$450.99	7	$353.54	12	$341.29	12	$744	2	518%	1
Ottawa River	$393.61	4	$252.83	6	$221.99	5	$776	3	116%	10
Tilsonburg	$458.08	8	$330.30	11	$330.22	11	$887	4	138%	6
Wasaga	$326.15	2	$183.71	1	$182.89	2	$727	1	102%	11
Averages	$428.25		$262.31		$248.56		$1,171		169%	
Midland/Average	123%		101%		109%		132%		72%	

6. [Ex. 1/2/2, p. 11] Please provide a copy of the business case or economic justification for the substation replacement program, or any other document that quantifies the costs and benefits annually from the investment in replacements over the period 2007 through 2013. If no such document exists, please estimate the annual OM&A and other savings expected in the future resulting from this capital investment.

7. [Ex. 1/2/5] Please confirm that the OM&A spending for 2013, as forecast, is 40.7% higher than actual OM&A spending in 2009, and that represents a compound annual rate of increase of 8.9% per year. Please re-do Table 1.2.2 with 2009 Actual as the base case, rather than 2009 COS approved.

8. [Ex. 1/3/1, App. D, p. 5] Please provide a copy of the current approved dividend policy of the Applicant, and any communication from the shareholder requesting, directing, or approving that policy.

9. [Ex. 2/1/1, p. 4] Please provide the "defined criteria" referred to. Please provide the 2013 list of recommended projects, "listed in order from highest to lowest priority", and indicate thereon which projects were not included in the 2013 capital spending plan. For those that were not included, please indicate when they are currently scheduled to be completed.

10. [Ex. 2/1/1, p. 4] Please provide a copy of the substation study.

11. [Ex. 2/1/1, p. 5] Please provide a copy of the 2013 prioritization list for maintenance.

12. [Ex. 2/5/3, p. 1 and Ex. 4/2/7, pp. 6,9] Please reconcile the amount proposed for the PP&E deferral account of $235,465 with the different in depreciation between MIFRS and CGAAP of $311,034.

13. [Ex. 4/2/1, p. 1] Please provide details of all asset categories that are operated on a run-to-failure basis. For each such category, please explain the rationale for that decision.

14. [Ex. 4/2/1, p. 2] Please provide the business case or other economic evaluation of the SCADA upgrade project. If there is no formal business case, please provide an estimate of future benefits relative to the capital investment.

15. [Ex. 4/2/1, p. 8] Please provide the expected dues payable by the Applicant for each of the EDA and CHEC in 2013.

16. [Ex. 4/2/4, p. 3] Please advise whether the data in this table is average annual FTE, year end headcount, or prepared on some other basis. Please advise whether job vacancies are treated as filled or not-filled for each of the years reported. Please advise the number of job vacancies for each year, whether or not they are included in the FTE/headcount figures. Please confirm that the compensation information for 2009-2011 actuals do not include dollars for vacant positions. Please advise whether 2009 Board-approved, 2012 forecast, and 2013 forecast, include dollars for vacant positions.

17. [Ex. 4/2/4. P. 5] Please provide the most recent report to the Board of Directors dealing with salary structure, including any comparative data made available to the BofD.

18. [Ex. 4/2/7, p. 9] Please confirm that the Applicant is no longer recording the original cost of PP&E in its gross fixed assets, but only the net book value as of the changeover to MIFRS. Please comment on the consistency of this approach with other LDCs, and with the Board's accounting procedures.

19. [Ex. 4/4/3, p. 2] Please confirm that the new useful lives and componentization will be applied to 2012 as well, as the restated prior year for the audited financials in the first IFRS year.

20. [Ex. 6/1/1, p. 2] Please confirm that, if calculated on a CGAAP basis, the deficiency would be approximately $650,000, or 18.2%. Please confirm that the primary reason the proposed deficiency is only 6.4% is the substantial reduction in depreciation due to the shift to MIFRS.

21. [Ex.7/1/2, p. 10] Please provide a rate schedule for the Test year on the assumption that Streetlighting and USL are brought to a revenue to cost ratio of 120%, but all other rate classes are left at the status quo ratios.

22. [Ex. 8, App. A, p. 2] Please restate this table on the basis that the revenue to cost ratio for residential is not reduced as proposed, and the fixed and variable charges are increased by the identical percentage to produce the required revenue. Please confirm that, in that scenario, the monthly fixed charge would be $14.15, and the variable charge would be $0.0235 per kwhr.

23. Please provide the Applicant's current long term or strategic plan that includes the Test Year.

Submitted by the School Energy Coalition October 26, 2012.

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Jay Shepherd
Counsel for School Energy Coalition