

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

INTERROGATORIES

FROM THE

SCHOOL ENERGY COALITION

[Note: All questions have been assigned to Exhibits for ease of reference. 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 and exhibits, but all have been asked only once to avoid duplication.]

Exhibit 1 – Administrative Documents

SEC - 1 [General] Please confirm that there are 50 schools in the Applicant's service area. Please provide a breakdown of the rate classes of those schools between GS<50 and GS>50.

SEC - 2 [General] With respect to the table marked "2011 Comparisons of Distributor Data" attached to these interrogatories:

- a. Please confirm that the data in the table correctly transposes the data from the 2008 through 2011 Electricity Yearbooks relative to the Applicant, and the data from the Applicant's current rates, and performs correct calculations on that data. Please advise if any of the data related to other distributors is, to the knowledge of the Applicant, incorrect. If any of the data for the Applicant or the other distributors is incorrect, please provide the correct information if available.
- b. Please explain all reasons known to the Applicant why its FTEs for its distribution business are so much higher than any other similar-sized distributors.
- c. Please explain all reasons known to the Applicant why the Applicant's OM&A per customer is 15.3% higher than the average of the similar-sized distributors. Please reconcile this disparity with the proposed increases in OM&A for 2012

and 2013.

- d. Please explain why the Applicant has the lowest residential rates of the comparator group, 18.1% below the average, but the third highest GS>50 rates of the comparator group, 37.4% above the average.

SEC - 3 Please provide, with respect to each of the Applicant, its parent company, and PUC Services Inc.:

- a. Any current Shareholders' Agreement or Direction, and any previous Shareholders' Agreement or Direction dated after 2000.
- b. Any current Business Plan or Strategic Plan. If the current Business Plan or Strategic Plan is dated after January 1, 2012, please provide the previous version as well.

SEC - 4 [Ex. 1/1/2, p. 2] Please confirm that, for a school in the GS>50 kW class with a 100 kW load, the Applicant is proposing to increase its basic charges (monthly fixed charge plus volumetric rate) from \$7,068.96 per year to \$8,514.36 per year, totaling \$1,445.40 per year, an increase of 20.45% from existing rates. Please reconcile this proposed increase with the comparison above of existing GS>50 kW rates for other similar-sized distributors.

SEC - 5 [1/1/13, p. 1] Please provide the most recent financial statements for PUC Services Inc., including any auditor's report and any notes to those financial statements. If an annual report is prepared for PUC Services Inc., or an MD&A, please provide that as well.

SEC - 6 [1/1/18] Please provide a full description of each business carried on by any affiliate of the Applicant.

SEC - 7 [1/2/1, p. 2] With respect to the decision to convert to IFRS as of January 1, 2014:

- a. Please advise which of the IFRS accounting changes (useful lives, overhead capitalization, pooling of assets, asset retirement obligations, early retirements, etc.) are being implemented for accounting purposes for 2013 under CGAAP.
- b. Please confirm that changes are being made to useful lives, overhead capitalization, pooling of assets and early retirements in 2012 for comparative purposes. Please confirm that those changes to 2012 are not required for IFRS conversion purposes.
- c. Please advise what additional accounting changes will be required in 2014 to complete the conversion to IFRS.

SEC - 8 [1/2/4, p.2] Please confirm that the weighted average rate increase proposed in the

Application is 21.50% (\$3,174,855/\$14,769,598). Please confirm that, but for the accounting-based reduction in revenue requirement of \$533,293 [1/1/20], the weighted average rate increase proposed in the Application would be 25.11% (\$3,708,148 /\$14,769,568).

SEC - 9 [1/3/1, App. A] With respect to the 2011 financial statements:

- a. Please provide the 2012 financial statements of the Applicant and parent company. If they are not yet available, please advise when they will be available. In the interim, until they are available, please provide the actual figures for Property, Plant and Equipment, and Accumulated Depreciation, as well as the Note 2 breakdown, as of December 31, 2012.
- b. P. 30. Please explain why there is a receivable each year from PUC Services Inc. Please provide a detailed explanation of cash flows (revenues and expenses) between PUC Services Inc. and the Applicant. Please provide the average monthly balance owing to the Applicant by PUC Services Inc. for each month in 2012. Please provide details of all interest payments made by PUC Services Inc. to the Applicant with respect to those balances, and provide any agreement or other document setting out the terms with respect to those balances.
- c. P. 42. Please advise the rates on the debentures for the two Infrastructure Ontario loans. If they are not yet available, please advise when they will be available.
- d. P.42. Please provide a copy of the construction agreement referred to in Note 5.
- e. P. 43. Please confirm that the purchaser of the telecom assets continues to pay pole rental charges to the Applicant.
- f. P. 44. Please provide a detailed explanation of the allocation of tax credits and similar benefits relating to operating expenses of the Applicant that are incurred by PUC Services Inc. on the Applicant's behalf.

SEC - 10 [1/3/4/App. D] With respect to the Annual Report:

- a. P.10. Please provide details of the transaction January 1, 2011 that transferred PUC Services Inc. from the holding company to the City. Please provide all reports, memos, presentations or other documents dealing in whole or in part with the regulatory implications of that transaction.
- b. P. 16. Please provide the missing wording between the first and second columns.
- c. P. 16. Please provide any report, memo, presentation or other documents provided to the Board of Directors dealing with the succession plan referred to. If the succession plan is not in the evidence, please provide it.

SEC - 11 [1/3/5, p. 10] Please provide information with respect to PUC Energies Inc.

Exhibit 2 – Rate Base

SEC - 12 [2/1/2, Tables 2-1 and 2-2] Please confirm that the 2012 and 2013 columns in these tables are based on MIFRS.

SEC - 13 [2/2/3] Please provide any report, memo, presentation or other documents, other than the Board's Kinectrics Study, dealing with the Applicant's decisions on componentization and useful lives.

SEC - 14 [2/2/7] Please provide, for each of the "multi-year capital programs" referred to in this Exhibit, the planning or other document that set out, in advance, the details of the program, any periodic variance reports or amendments to the program, and any reports, memos, presentations or other documents provided to the Board of Directors or senior management, as the case may be, at the time approval for the program was being sought.

SEC - 15 [2/2/7, p. 11-13] Please explain why the amounts for 2012 projects (c), (g), (j), and (m) are identical.

SEC - 16 [2/2/7, p. 16 et. seq.] With respect to the new building:

- a. Please provide detailed schematics of the original three buildings, including square footage and floor plans.
- b. Please provide details of the ownership and use of the original three buildings, as well as the original cost, the depreciated values and undepreciated capital cost for tax purposes. Please provide details of the sales or planned sales of those buildings and/or land, and explain how the proceeds will be accounted for relative to the Applicant.
- c. Please provide details of the numbers of employees that will be using the new building, by category, including the number with offices or workstations. Please advise how many of those employees (on an FTE basis) will be working for the distribution company, and how many for each of the other affiliated business activities. Please provide details of the financial arrangements between the Applicant and the other entities in the affiliated group, including the City, with respect to the use of the building. Please provide all calculations, and reconcile the result to Ex. 3/3/1. Please confirm that the Applicant proposes to calculate depreciation, cost of debt, ROE, and PILs relative to the full value of the building and contents, and include the total in rates.
- d. Please provide a detailed schematic of the new building, including square footage and floor plan.
- e. Please provide any business case, economic analysis, planning document, report,

memo, presentation, or other document prepared by the Applicant in the course making the decision to proceed with the new building.

- f. Please provide all reports, memos or presentations provided to the Board of Directors, or the City, dealing with the decision to proceed with the new building. If any such documents were prepared by or on behalf of the holding company or the City, please provide those documents as well.
- g. Please provide a detailed breakdown of all additional capital costs associated with the contents of the building, including furniture, equipment, interior improvements, etc.
- h. P. 16. Please provide a copy of the tender call.
- i. P. 17. Please provide any reports available dealing with the “lost time accidents due to strains resulting from awkward working positions”.
- j. P. 18. Please identify where in the Application the savings from inspections and servicing are included, and the amounts of those savings. Please provide a cost comparison between contracting out vs. in-house, including additional hires and additional equipment to be purchased, if any.
- k. P. 19. Please provide any reports available dealing with the “high level of exhaust fumes in the parking garage”.
- l. P. 22. Please advise the cost of the 2007 renovations to the Trbovich Building. Please confirm that those costs are now fully depreciated.
- m. P. 22. Please provide the basis for the estimate of five more engineering staff in the next five years.
- n. P. 23. Please provide the full present value analysis of all options considered. Please include, for example, all of the assumed renovations to the existing buildings over 20 years.
- o. P. 25. Please advise where savings in operating costs from the new building are included in the evaluation.

Exhibit 3 – Operating Revenue

SEC - 17 [3/2/1, Tables 3-12 and 3-14] Please provide whatever information is available to the Applicant to explain why GS>50 is projected to drop from 426 customers in 2008 to 399 in 2013, particularly in the context of both residential and GS<50 increasing over the same period.

SEC - 18 [3/2/1, Tables 3-15 and 3-21] Please reconcile the GS>50 figures in these two

tables.

Exhibit 4 – Operating Costs

SEC - 19 [4/1/1, Table 4-1] Please provide actual OM&A for each category in 2012 for as many months as are currently available, and the comparable totals for the same period for each category in 2011.

SEC - 20 [4/2/1] With respect to budgeting:

- a. Please confirm that budgeting is done by PUC Services Inc. for the entire enterprise, and then allocations are done to the distribution business. Assuming that is the case, for each of the following parts of this question, please provide the overall budget information as originally prepared.
- b. P. 1. Please provide, for the 2013 budgets, all materials in which “significant variances in spending from prior years” have been “explained and documented”.
- c. P. 2. Please provide the total labour budgets for each department.
- d. P. 2. Please provide a list of asset categories that the Applicants operates on a “run to failure” basis.
- e. P. 3. Please provide details of all adjustments to the Applicant’s “capital spending priorities” that actually took place in 2011 and 2012, as referred to in line 3.

SEC - 21 [4/2/2, p.4] With respect to the OM&A Cost Driver Table:

- a. Please provide, with respect to each of the new FTEs approved by the Board in the last rebasing, the date the position was filled, and for each year from 2008 to 2013 the amount that was actually spent with respect to that position.
- b. Please explain why “reduced capital expenditures over prior year” resulted in an increase in OM&A in 2012, and further explain why that increase would continue in 2013 and beyond.

SEC - 22 [4/2/2, p.6] Please explain why the “new enterprise software” is owned by the affiliate. Please provide details of the charges to the Applicant for the use of that software each year since its implementation, and how those charges were calculated. Please provide the actual calculations. Please provide details of the costs to the affiliate for that software, including all tax impacts, for each year since its implementation, and the amounts charged for its use to each of the other entities in the affiliated group.

SEC - 23 [4/2/2, Table 4-9] With respect to the variance analysis:

- a. Please identify and quantify any material changes in accounting treatment or practices (other than IFRS) that impact the comparability of line items between 2008 and 2013.
- b. Please explain the 72% increase in #5085, and provide a breakdown.
- c. Please describe all new Community Relationship Programs developed, and explain the 30% increase in the Test Year.
- d. Please explain the 176% increase in Outside Services Employed.
- e. Please explain the 126% increase in #5675, and provide a breakdown.
- f. Please explain the almost \$500,000 increase in executive and management salaries and expenses.

SEC - 24 [4/2/2, p.20] Please explain why the Applicant thinks an increase in OM&A per customer of \$103.81, 47% over five years, is reasonable.

SEC - 25 [4/2/2, p. 21] Please advise the cost of the Asset Management Plan. Please confirm that it was incurred in 2012. Please advise why it is included as a regulatory cost, rather than as an operating cost.

SEC - 26 [4/2/3] With respect to compensation costs:

- a. P. 1. Please provide a full breakdown of all employees of PUC Services Inc., in the form of the Board's Form 2-K, for all of the same years so that the Applicant's 2-K and the total 2-K can be compared directly.
- b. P.1. Please provide a full org chart for PUC Services Inc. as a whole, and then a full org chart for PUC Services Inc. including only the FTEs allocated to the Applicant.
- c. Please provide the basis on which FTEs were allocated to the Applicant or to the other affiliate activities.
- d. P.2. Please provide the most recent actuarial report for PUC Services Inc.
- e. P.3. Please provide a full breakdown of FTEs and compensation, including components, into the categories required.
- f. P.3. Please provide a detailed list of the FTEs/positions added since the 66 FTE actual in 2008, and for each position advise:
 - i. The basis for its approval (e.g. existed prior to 2008, approved in last rebasing, requested for approval in this rebasing, added since 2008 in

addition to those approved, etc.)

- ii. When the position was first filled, and any vacancies subsequent to it first being filled.

SEC - 27 [4/2/4] With respect to affiliate charges and shared services:

- a. P.1 Please provide all current service agreements with any affiliated entity to which the Applicant is a party. If any of those agreements is dated after January 1, 2011, please provide the immediately preceding agreement as well.
- b. P. 1. Please provide a full breakdown of all costs of PUC Services Inc., by category (in at least as much detail as Tables 4-3 to 4-7, but including all costs, not just allocated OM&A costs), and show how each of those costs is allocated, by dollar, between the members of the affiliated group. Please provide this breakdown for each of 2011, 2012, and 2013. For each of the lines, please identify the cost driver used. If there are any differences between these allocations and the figures of the Applicant in this Application, please provide explanations of those differences. Please ensure that the breakdown includes a table that shows, for each cost:
 - i. The nature of the cost being shared, allocated or charged,
 - ii. The total amount of the cost before sharing, allocations, or charges,
 - iii. The amounts allocated to, shared by, or charged to each of the other affiliated entities, and the basis for the allocation, sharing or charge, and
 - iv. An explanation of any unusual increases or decreases in any of these amounts from the prior year.
- c. P. 1. Please provide copies of all invoices (with supporting documentation) to the Applicant from any affiliate for the period from January 1, 2011 to date.
- d. P. 1. Please provide copies of all receivables reports and payables reports exchanged between the Applicant and any of its affiliates in 2012.
- e. P. 1. Please provide a full breakdown, by source and by type, of all revenues of PUC Services Inc. for each of 2011, 2012, and 2013.
- f. P. 3. Please re-file the RDI Consulting Inc. report in this proceeding, and provide any updates or changes to that reports that have taken place since it was first filed with the Board.
- g. P. 8. For each of the new positions referred to in this variance analysis, please provide any reports, memos, presentations, or other documents dealing in whole or in part with the justification for the new position.

SEC - 28 [4/2/5] Please provide details of the roles of PUC Services Inc. and the Applicant

in procurement.

Exhibit 5 – Cost of Capital and Rate of Return

SEC - 29 [5/1/4, p.3] Please describe all actions, investigations, and other steps that have been taken by the Applicant to determine what cost savings would be possible by borrowing from third parties and utilizing the repayment right in the promissory note.

Exhibit 6 – Calculation of Revenue Deficiency or Sufficiency

Exhibit 7 – Cost Allocation

Exhibit 8 – Rate Design

SEC - 30 [8/1/3, p. 2] Please recalculate the volumetric rate for GS>50 on the basis that the monthly fixed charge is set at 120% of Minimum system with PLCC, i.e. \$34.61.

Exhibit 9 – Deferral and Variance Accounts

SEC - 31 [9/2/1, p. 3] Please explain why \$368,378 of meters used to serve GS>50 customers are being stranded by the introduction of smart meters. Please reconcile this with the allocation of only about 5% of smart meter costs to GS>50 class in the cost allocation model.

Exhibit 10 – MIFRS Transition

Respectfully submitted on behalf of the School Energy Coalition this 8th day of February, 2013

Jay Shepherd

2011 Comparisons of Distributor Data - PUC Distribution

#	Metric	PUC Distribution	AVERAGES	Brantford	Chatham- Kent	Essex Powerlines	Haldimand County	Halton Hills	Kingston	Milton	Newmarket	North Bay	Peterborough	Westario	Welland
1	Number of Customers	32,998	27,859	37,964	32,132	28,094	21,070	21,232	26,844	30,485	33,338	23,850	35,270	22,257	21,768
2	Density (customers/km.)	44.77	45.81	58.50	39.62	60.42	12.15	14.50	74.15	32.09	40.17	38.59	63.78	43.22	72.56
3	Residential Revenue %	53.20	57.51	54.95	52.83	66.06	64.27	56.15	54.43	60.72	53.93	52.37	51.29	59.34	63.82
4	OM&A/Customer	\$261.86	\$227.17	\$176.65	\$268.60	\$205.78	\$349.23	\$225.95	\$242.86	\$209.83	\$202.18	\$178.41	\$212.07	\$209.58	\$244.88
5	Net Fixed Assets/Customer	\$1,471	\$1,494	\$1,645	\$1,540	\$1,391	\$1,741	\$1,485	\$1,135	\$1,770	\$1,549	\$1,811	\$1,400	\$1,425	\$1,035
6	Cap. Adds as % of Dep'n	385.6%	195.8%	117.3%	141.5%	236.9%	166.3%	198.6%	288.0%	268.3%	141.0%	253.1%	181.1%	215.3%	141.9%
7	FTEs	82	48	65	43	44	50	49		46	57	46		33	42
8	Res. Typical 2012 Dx. Bill	\$251.64	\$307.33	\$270.00	\$301.20	\$295.20	\$471.36	\$302.40	\$289.08	\$312.60	\$313.80	\$294.96	\$254.28	\$272.40	\$310.68
9	GS<50 Typical 2012 Dx. Bill	\$612.00	\$614.07	\$453.72	\$674.28	\$669.48	\$836.40	\$578.88	\$550.20	\$596.28	\$809.76	\$648.60	\$574.80	\$470.04	\$506.40
10	GS>50 Typical 2012 Dx. Bill	\$15,031.08	\$10,937.45	\$11,337.42	\$11,494.38	\$8,690.94	\$15,659.22	\$13,366.08	\$9,088.56	\$8,446.80	\$15,333.24	\$9,616.50	\$10,276.08	\$9,593.70	\$8,346.48

Sources: Lines 1-7 - 2011 OEB Electricity Distributors' Yearbook (except PUC line 7, from this Application)

Lines 8-10 - Final Rate Orders for all LDCs (Res. = 800 kwhr; GS<50 = 2000 kwhr; GS>50 = 250 kW)