

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 Cambridge and
North Dumfries Hydro Inc. for an Order or Orders approving or
fixing just and reasonable rates and other services charges for the
distribution of electricity as of May 1, 2014.

INTERROGATORIES
ON BEHALF 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. Foundation

1.1 Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.1-SEC-1

Please provide a copy of all documents that were provided to the Applicant's Board of Directors in approving this application and the associated Test Year budget.

1.1-SEC-2

[Ex. 1/4/1, p. 2]

Please explain why the Strategic Imperatives do not include reducing the cost of distribution to customers, but do include "delivering optimal financial returns to shareholders".

1.1-SEC-3

[Ex. 1/4/1, p. 4 and Ex. 1, Appendix 1-6, p. 6]

Please provide the "corporate risk assessment developed by the Leadership Team", together with any presentations, memos or other materials related to that risk assessment and provided to the Board of Directors as part of its review. Please also provide the "comprehensive SWOT analysis", if it is not included in the above documents.

1.1-SEC-4

[Ex. 1, Appendix 1-6, p.]

Please confirm that the “greatest weakness revealed in the research – the need for adequate resources”, means higher revenue requirement and therefore higher rates. If it is not intended to mean more money from ratepayers, please explain the intended meaning.

1.1-SEC-5

[Ex. 2, Appendix 2-AB]

With respect to the Distribution System Plan:

- (a) p. 1. Please provide a list of the material differences in strategy or focus between this Distribution System Plan and the Asset Management Strategy filed in the 2010 rate case.
- (b) p. 1, 13. Please confirm that this Distribution System Plan was prepared for the primary purpose of supporting this Application. Please describe how this DSP is used operationally.
- (c) p. 14. Please provide quantitative details of the “cost savings to be achieved over the forecast period”, and identify where they appear in the Application.
- (d) p. 25. Please provide details of all benchmarking the Applicant has done to determine the “increase in staff levels” necessary over the course of the Distribution System Plan, and the numbers of staff, by area, such benchmarking suggests is optimal for the Applicant in the future.
- (e) p. 25. Please provide details of the “discussions within the industry around the tradeoffs between maintaining or improving reliability, and the cost to do so”. Please provide evidence supporting the statement “even the current reliability standards are insufficient”.
- (f) p. 31. Please provide the first, and the most recent, “detailed regular report[s] of feeder performance”.
- (g) p. 32. Based on the “priority ranking”, please provide two lists: one list of the top three capital projects not approved for 2014, and the second the bottom three capital projects approved for 2014. Please provide any explanation available that will show why the three approved were prioritized to proceed, and the three not approved were given the lesser priority.
- (h) p. 47. Please provide any written inspection protocols or manuals for the overhead distribution system.
- (i) p. 52. Please provide a small number of samples of recent Trouble Reports.
- (j) p. 65. Please provide any recent reports, studies, or other documents relating the growth in the Applicant’s service area since 2008 to the referenced Spring 2008 government report.

- (k) p. 69. Please provide the document or study supporting the statement “Primary cable failures have increased and are tracked annually”.
- (l) p. 89. Please provide a status report on the Preston Feeders project. Please identify which of the other projects listed in this plan are related to, or dependent upon, the Preston Feeders project.
- (m) p. 87+. Please advise which of the 2013 capital projects listed on these pages were completed and in service in 2013, and the final amount added to rate base. For each of the 2013 capital projects included in the Distribution System Plan, please advise whether it was included in the Bridge Year capital additions in the Application, or whether it was included in the Test Year capital additions in the Application, or neither.
- (n) p. 102. Please provide any report or study detailing the “previous lengthy outages” on the Shellard Road line.
- (o) p. 107. Please provide details on the existing PMUs, including age and condition. Please provide any available analysis on the failures to date, and any summary of the replacement program.
- (p) P. 146. Please explain why it is appropriate to rebuild the underground primary cable at Welsh Dr./Trussler Rd. if there have been no problems with this subdivision. Please advise why this was prioritized to 2014 either ahead of other projects, or as an incremental capital spend over prior years.

1.2 Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

1.2-SEC-6

[Ex. 1/4/1, p. 1 and 1/5/1, p. 1]

Please provide a comparison of the applicant’s formal vs. informal customer engagement activities both in the past year, and planned for the coming year, and the respective value of formal vs. informal activities in light of the size of the utility and its community. Without limiting the generality of the question, please specifically address “interactions with the company’s valued customers”, both formal and informal. Please provide a copy of the most recent document or documents that set out the “corporate procedure” for a “formal process” for customer feedback.

1.2-SEC-7

[Ex. 1/4/1]

Please provide an estimate of the incremental annual cost, if any, of complying with the Board’s new customer engagement requirements.

1.2-SEC-8

[Ex. 1/5/1, p. 1 and 1/5/2, p. 5 and Ex. 1, Appendix 1-1B, p. 17]

Please confirm that the #1 priority of customers identified by each of the Applicant's customer engagement activities residential or otherwise - is low cost. Please explain how the customers' low cost objective is achieved by the responses set out in the last paragraph on page 5. Please show how the Strategic Plan makes cost reduction a priority. Please describe the Applicant's action plan to address the finding that 45% of customers feel the Applicant has fallen short of expectations in the criteria "works with customers like you to help keep your electricity costs affordable".

1.2-SEC-9

[Ex. 1/5/1, p. 3]

Please provide the job description for the Communications Manager position, together with a copy of any advertising used to seek candidates for that position.

1.2-SEC-10

[Ex. 1/5/1, p. 5]

Please provide a copy of the "Cost of Service Tactical Communication Plan".

1.2-SEC-11

[Ex. 1/5/2, p. 11]

Please provide a list of the last five "meetings initiated by the President and CEO with key customers". Please provide the agenda and list of attendees for the last three "monthly breakfast workshops".

2. Performance Measures

2.1 Does the applicant's performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?

2.1-SEC-12

Please provide details and copies of all performance efficiency benchmarking undertaken by the Applicant.

2.1-SEC-13

[Ex. 1/4/1, p.4]

Please provide the three most recent completed versions of the quarterly "corporate Balanced Scorecard and Key Performance Indicator ("KPI") Report".

2.1-SEC-14

[Ex. 1/4/1, p.7]

Please add two columns to Table 1-1, showing 2013 Actual (or estimated actual, if actual is not yet available), and 2014 Forecast for each line.

2.1-SEC-15

[Ex. 1/4/1, p.8]

Please expand Table 1-2 to include GS>50 customers at 250 kW of demand.

3. Customer Focus

3.1 Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

3.1-SEC-16

[Ex.1/4/1/p.1]

Please confirm that the Applicant serves 62 schools belonging to three school boards. Please advise how many schools are in each of the GS<50 and GS>50 rate classes. Please advise how many schools have more than one account associated with a single school (e.g. for portables, etc.).

3.1-SEC-17

[Ex.1/4/1/p.1]

Please provide details of all customer feedback and preferences received, by customer class, with respect to the Applicant's Test Year, relating to each of:

- a) Capital expenditures
- b) OM&A expenses

4. Operational Effectiveness

4.1 Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the level of associated revenue requirement requested by the applicant?

4.1-SEC-18

[Ex. 1/4/1, p. 19]

Please provide any study, report, or other empirical evidence of the "increasing number of failures" of underground distribution system plant.

4.1-SEC-19

[Ex. 1, Appendix 1-2, pages unnumbered]

Please provide the most recent report, presentation or other document setting out the status of each of the "Tactics" referred to on the tables for "Stakeholder Value" and "On-line E-Service Solutions".

4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?

4.2-SEC-20

[Ex. 4/2/1, p. 3]

Please reconcile the figure of \$823,000 with the increases set out in the Form 2-JB.

4.2-SEC-21

[Ex. 4/2/1, p. 4]

Please confirm that the increases in Table 4-4 for 2010 are included in the 2010 Board-approved rates, and that the increase since rebasing is in fact 11.75% Union and 11.8% Non-Union.

4.2-SEC-22

[Ex. 4/2/1, p. 4]

Please confirm that all 7 new positions were filled before the end of 2013. If any were not filled at that time, please advise the 2014 budget impact of delaying those hires.

4.2-SEC-23

[Ex. 4/2/1, p. 7]

Please advise what “eligible to retire in 5 years” means, i.e. is it years plus service, or age 55, or age 65, or some other criteria? Please advise whether the Applicant has any forecasts of the actual numbers of people who will retire in each category and in each year.

4.2-SEC-24

[Ex. 4/2/1, p. 16]

Please provide a copy of any cost/benefit analysis or other forecast of costs and benefits relating to each and any of the ERP, Bill Connect, OMS, and DMS.

4.2-SEC-25

[Ex. 4, Appendix 4-2]

Please restate Appendix 2-JA with all smart meter costs allocated to the year originally incurred, without the change in capitalization policies, and excluding any material one-time costs in 2013 or 2014 (such as one-time studies).

4.2-SEC-26

[Ex. 4/3/1, p. 9]

Please reconcile the explanations for the variance with the total variance, as the explanations appear to far exceed the total.

4.2-SEC-27

[Ex. 4/4/2, p. 1]

Please advise what assumptions were used in the Test Year budget with respect to incentive pay, and what amounts were included in that budget relative to incentive pay.

4.2-SEC-28

[Ex. 4/4/2, p. 2]

Please add a row to Schedule 2K with the amount of the total compensation capitalized each year.

4.2-SEC-29

[Ex. 4/4/4, p. 2]

Please restate Table 4-27 a) adding a column for 2010 Board approved, and b) replacing the 2013 figures with actuals.

4.2-SEC-30

Please detail the objectives has the Applicant set for its OM&A activities.

4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rates for customers, or is any additional rate mitigation required?

4.3-SEC-31

[Ex.1, Appendix 1-6B]

With respect to the IT Strategic Plan:

- (a) p. 5. Please provide the Appendices.
- (b) p. 6. Please provide the most recent “programme/project matrix”, and advise how and to whom it was published.
- (c) p. 6. Please provide the most recent “IT Strategy Tactical Plan”.
- (d) p. 7, 10. Please describe the status of each of the following:
 - a. The “predictive maintenance” “integration” project.
 - b. The “comprehensive field asset management program”.
 - c. The most recent “change management mechanisms” provided to other parts of the business.
 - d. The “automated management of information” project.
 - e. The “transition to self-management of departmental IT budgets”.
 - f. The development of “business-wide reporting and analysis capability”.
- (e) p. 10. Please provide a copy of the “sweeping review of current reporting capabilities”.
- (f) p. 11. Please provide details of the last three instances where the IT departments has “reach[ed] out to other LDCs with the objective of offering, or taking advantage of, a shared service.
- (g) p. 13. Please provide a copy of the “partner management strategy”.

- (h) p. 17. Please provide details of the “significantly reduce[d] expenses” to be obtained from the two new positions, and show where those reductions are set out in the Application.
- (i) p. 19+. Please confirm that, for all Enterprise Solutions, ITS provides only second level support, and all primary support is contracted out or vendor supplied. Please provide the details of the total cost to be incurred in the Test Year for each of in-house support and external support.

4.3-SEC-32

[Ex.2/1/2, p. 1]

Please confirm that gross assets are projected to increase more than 38% in the six years 2008 to 2014, while the total of inflation and customer growth for the same period is less than 23%. Please confirm that, if gross assets had increased at the total of inflation plus growth for that period, the Applicant’s rate base would be more than \$20 million lower, and revenue requirement would be reduced by at least \$2 million. Please provide any methods, techniques, practices, procedures or other tactics used by the Applicant to apply top-down limits to capital spending and/or rate base growth.

4.3-SEC-33

[Ex. 2/2/1, p. 5]

Please provide the current Board of Directors approved budget for the Applicant for the calendar year 2014.

4.3-SEC-34

[Ex. 2/2/1, p. 6]

Please provide the three most recent sets of monthly departmental variance reports.

4.3-SEC-35

[Ex. 2/2/1, p. 7]

Please explain why the Applicant’s increased focus on capital renewal as expressed in the Distribution System Plan results in a peak in capital spending in the Bridge and Test Years, but a drop in capital spending thereafter. Please explain the thinking behind the pattern of annual spending from 2008 to 2018 (excluding the transformer station in 2018).

4.3-SEC-36

[Ex. 2/2/4, p. 4]

Please advise how much was included in the Board-approved 2010 revenue requirement, and in the applied-for 2014 revenue requirement, for the delayed IVR Software.

4.3-SEC-37

[Ex. 2/3/1, p. 11]

Please advise which of the listed Reliability Initiatives are similar to or the same as programs in place in other LDCs. If the Applicant has any studies, reports, or other documents on which of these are Ontario LDC best practices, please provide them.

4.3-SEC-38

[Ex.2/2/1, p. 4]

Please provide a list of all categories of capital assets that are operated on a “run to failure” basis.

5. Public Policy Responsiveness

5.1 Do the applicant’s proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

6. Financial Performance

6.1 Do the applicant’s proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

6.1-SEC-39

Please provide the current Shareholders Agreement or Shareholders Declaration. If the current information on the desired rate of return on its investment of the Shareholders is not completely contained within the Shareholders Agreement or Shareholders Declaration, please provide any additional documents in which the Shareholder’s expected return is set out.

6.2 Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

7. Revenue Requirement

7.1 Is the proposed Test year rate base including the working capital allowance reasonable?

7.1-SEC-40

[Ex. 1, Appendix 1-3, p. 16]

With respect to the Applicant’s 2012 financial statements:

- (a) Please provide the 2013 financial statements as soon as they are available.
- (b) p. 16. Please explain why “Transformer Station Equipment” as no accumulated amortization.
- (c) p. 16. Please explain the \$1.1 million drop in “Buildings” from 2011 to 2012.
- (d) p. 23. Please provide the most recent financial statements for Cambridge and North Dumfries Energy Solutions Inc. and Cambridge and North Dumfries Energy Plus Inc.

7.1-SEC-41

[Ex. 1, Appendix 1-6, p. 30]

Please provide the “long term plan for facilities/space” targeted for completion in Q3 2013. Please provide a status report on its implementation.

7.2 Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board's accounting policies?

7.3 Are the proposed levels of taxes appropriate?

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

7.5 Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.5-SEC-42

[Ex.1/2/1]

Please provide an updated Revenue Requirement Work Form with the new ROE and debt rates.

7.6 Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.7 Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

8. Load Forecast, Cost Allocation and Rate Design

8.1 Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?

8.2 Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.3 Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?

8.4 Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?

8.5 Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.6 Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

9. Accounting

9.1 Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.2 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?

9.2-SEC-43

Please provide a list of all ways in which the Application is inconsistent with the Filing Requirements.

Submitted by the School Energy Coalition on this 9th day of February, 2014

Original signed by

Jay Shepherd
Counsel for the School Energy Coalition