EB-2014-0113

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 St. Thomas Energy Inc. for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2015.

TECHNICAL CONFERENCE QUESTIONS

ON BEHALF OF THE

SCHOOL ENERGY COALITION

<u>STEI RESPONSES</u>

2-SEC-27
[2-Staff-8] Please provide details of the discussion with management and the consultant regarding the scope and pricing of the proposed building renovations. Please provide any written reports (formal or informal) provided by the consultant.

Response:
Management staff met with a Design firm (Terence Webster Design) to review the STEI facilities. STEI will tender the construction work and materials to obtain competitive pricing. The plan is to start with Front Office (customer facing and glass out front which is for security) and Board room (mold). Next priority is ergonomics as staff using 20 year old furniture; upgrades will help reduce repetitive strain injuries and comfort of workstations. The following work deals with physical wear on building such carpets, window treatments etc. There were a number of issues identified in Exhibit 2 section 3.5.2 and project write-ups 2015-5 and 2016-3 such as leaks, mold, lighting and ergonomics.

What STEI received from the designer was a work plan (demolition, flooring, paint and wall coverings, construction, plumbing, electrical, furniture installation, millwork, window treatments and miscellaneous) and cost estimates. Overall work plan, and phase 1 work plan, attached.

2-SEC-28
[1-SEC-1-Attach 1-Slide 1] Please explain what is meant by: "Status quo is no longer acceptable."

Response:
The electricity industry in Ontario is undergoing fundamental change:

- The Electricity Sector Panel Report has suggested the optimum size of a utility should be 400,000 customers.
- The Ontario Power Authority is formalizing regional plan to guide infrastructure and resource procurement decisions as well as incorporating LDC collaboration into the 2015 – 2020 conservation framework.
- The Ontario Energy Board has introduced the Balanced Scorecard and new measurement metrics.
- The Cost of Service Application has the DS Plan.

STEI recognizes that it must embrace the changing environment and in order to provide cost effective services to its customers, that STEI needs to be open to new ideas and working collaboratively with other utilities that are not necessarily contiguous, such as the CustomerFirst initiative. STEI must also be open to and engaging in discussions with neighboring LDCs to determine if there are real merger and/or investment opportunities.

2-SEC-29
[2-SEC-7] Please provide the forecasted in-service dates for its 2014 and 2015 material projects by month.

Response:
The in-service dates have been updated below

2014 material Capital Projects, per Appendix 2-AA

- Voltage conversion, item 37 is complete
- Voltage conversion, item 38 is complete
- Voltage conversion, item 39 is complete
- Voltage conversion, item 40 is complete
- Voltage conversion, item 41 is now projected to be complete Dec 2014
- System upgrade, item 42 now projected to be 50% complete in Dec 2014 and the other 50% by Mar 2015
- Voltage conversion, item 43 is complete
- Voltage conversion, item 44 will be completed by Nov 2014
- Voltage conversion, item 45 will be completed by Dec 2014

2015 material Capital Projects, per Appendix 2-AA

- Voltage conversion, item 46, target completion by Sep 2015
- Voltage conversion, item 47, target completion 25% by Dec 2015 and the remaining work by Jun 2016
- Voltage conversion, item 48, target completion by Dec 2015
- New power line, item 49, target completion is 25% by Dec 2015 and the remaining work by Jun 2016

2-SEC-30
[2-SEC-7] Has the forecasted in-service dates changed for any proposed material capital projects in 2014 and 2015 since the filing of this application? If so, please provide details.

Response:
For the 2014BY only 50% of item 42 is expected to move into 2015, which is a small variance for the 2014 work program.

2-SEC-31
[2-SEC-10] Does the Applicant run any of its asset categories on a run-to-failure basis? If so, please provide details.

Response
As provided in the original response, STEI will run assets beyond its anticipated financial useful life. STEI has a capital program that targets older distribution assets that may be deemed at “near end of life” or near “failure”.

In addition there are inspection programs that look at the distribution system equipment, for example using visual, infrared and other equipment tests. These inspections will identify equipment that exhibit defects like hot spots and this equipment will then be replaced.

There are pieces of equipment like lightning arrestors and insulators where defects are difficult to find. These types of equipment will often run to failure in spite of our inspection programs.

4-SEC-32
[4-Energy Probe-24] If postage costs were allocated on a fully allocated basis instead of an incremental cost basis, what would the reduction in the revenue requirement for the Test Year be?

Response:
If postage costs were fully allocated the reduction in the revenue requirement for the Test year would be approximately $49,600.

STEI notes that within the miscellaneous service charges revenue water and sewer accounts have a specific collection stream which has been generating approximately $60,000 a year in additional collection charges (forecast as a revenue offset to the benefit of ratepayers) that flow outside the terms of the current SLA with the City. These additional revenue offsets more than compensate for the difference between incremental and fully allocated costing with respect to postage.

4-SEC-33
[4-SEC-20] What was negotiated wage increase that is included in the Applicant's new collective agreement? How does that amount differ from any forecasted amount that underlies the Test Year budget?

Response:
STEI negotiated a 1.75% wage increase for lines, engineering, and stores staff for each year of the agreement. For all others a 1.25% wage increases plus a 0.5% lump sum payment for each year of the agreement. STEI estimates the new agreement results in an additional $5,540 in costs as compared to what is included in the 2015TY.

During the collective agreement, all employees will be eligible to participate in the Profit Sharing Plan. This could add an additional $32,000 to $40,000 in costs.

Submitted by the School Energy Coalition on this 17th day of September, 2014.

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Energy Coalition