**EB-2014-0101**

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act*, *1998*, S.O. 1998, c.15, Schedule B;

**AND IN THE MATTER OF** an Application by Oshawa PUC Networks Inc. for an Order approving rates and other service charges for the distribution of electricity for the years 2015 through 2019.

**INTERROGATORIES**

**ON BEHALF OF THE**

**SCHOOL ENERGY COALITION**

**1-SEC-1**

Please confirm that all 2014 amounts included in the application are based on unaudited year-end results. If this is not confirmed, please provide the basis for the 2014 amounts.

**1-SEC-2**

Please provide a table showing, for each, between 2015-2019:

1. The proposed distribution revenue to be collected under the plan.
2. The distribution revenue the Applicant would expect to receive under 4th Generation IRM using 2015 proposed rates as the base.

**1-SEC-3**

[Ex.1] Please provide a copy of all materials provided to the Board of Directors in approving this application, and the underlying test period budgets. Please also provide a copy of the Applicant’s most recent Business Plan.

**1-SEC-4**

Does the Applicant have a corporate scorecard? If so, please provide the 2014 and 2015 version.

**1-SEC-5**

Please explain why the Applicant filed its application late and why it is appropriate for rates to be effective January 1, 2015.

**1-SEC-6**

Please explain the Applicant’s budgeting process. Please provide any internal budget guidance documents that were issued.

**1-SEC-7**

[Ex.1-D] Has the Applicant previously undertaken customer surveys? If so, please provide all copies of surveys conducted since 2012?

**1-SEC-8**

[Ex.1-D] Did the Applicant do any customer engagement specific to this Custom IR application? If so, please provide details. Did any of those activities result in a chance in the application?

**1-SEC-9**

[Ex.1-E] Please provide a copy of the Applicant’s 2014 audited financial statements.

**1-SEC-10**

Please provide copies of all benchmarking studies, reports and analysis, that the Applicant has undertaken or participated in, since 2012, that are not already included in this application.

**1-SEC-11**

Please provide details of all efficiency and productivity measures the Applicant has undertaken since 2012.

**2-SEC-12**

[Ex. 2-A, p.39] Please update Appendix 2-BA (2014 and 2015) to show actual audited year-end amounts for 2014.

**2-SEC-13**

[Ex.2-A, p.84] Please provide a version of Appendix 2-AA on an in-service additions basis.

**2-SEC-14**

[Ex.2-A, p.112] Please explain how the Applicant has estimated the allocation of capital contributions between itself, Hydro One Distribution and Hydro One Transmission, for the upgrades to the Thornton TS Capacity Upgrades. If the methodology proposed by Hydro One Transmission that is the subject of the EB-2013-0421 Phase 2 proceeding is accepted, how would it change the amount the Applicant would be required to contribute?

**2-SEC-15**

[Ex.2-A, p.112-113] With respect to the MS9 Distribution Station:

1. When is the Applicant forecasting the Station to go into-service?
2. When did the Applicant purchase the land for the station and at what cost?
3. Is the land currently in rate base? Is the Applicant proposing to put the land in rate base?

**2-SEC-16**

[Ex.2-A, p.6, Ex.2-A-1, p.4] Please explain why the Applicant is proposing to use a working capital percentage of 13% instead of 12.74% as proposed by Ernst & Young LLP.

**2-SEC-17**

[Ex.2-B] Please describe how the Applicant forecasted the costs for its individual capital projects between 2015-2019.

**2-SEC-18**

[Ex.2-B, p.12] Please explain why ‘Reactive/emergency Plant Replacement’ does not decrease through the test period in light of the considerable capital program the Applicant proposes to undertake.

**2-SEC-19**

[Ex.2-B-3] With respect to the Asset Condition Assessment:

1. Please explain why age is a relevant factor in assessing the condition of an asset.
2. Please re-run the results of the Asset Condition Assessment removing age as a factor.
3. Please provide METSCO’s experience conducting an electricity distribution system asset condition assessment.
4. Have the conclusions changed since the Applicant’s previous Asset Condition Assessment filed in EB-2011-0073? If so, please explain.

**2-SEC-20**

[Ex.2-B-3] What percentage of the Applicant’s current assets are, i) beyond useful life, and ii) are projected to be beyond useful life by 2019?

**2-SEC-21**

[Ex.2, Ex.4] With respect to contract labour:

1. Please explain how the Applicant utilizes contractors and/or external services for its capital and OM&A programs.
2. For the period 2012-2019, please provide the annual OM&A expenditures for all external contract services. Also provide the percentage this represents of total annual OM&A expenditures.
3. For the period 2012-2019, please provide the annual capital expenditures for all external contract services. Also provide the percentage this represents of total annual capital expenditures.

**2-SEC-22**

[Ex.2-B-3, Ex.4, Appendix 4-3] Please explain the interrelationship, if any, between the METSCO Asset Condition Study and Asset Depreciation Study.

**2-SEC-23**

[Ex.2-B-5, p.1] Please explain the methodology for determining the risk probability and risk consequences. Please provide all supporting calculations.

**2-SEC-24**

[Ex. 2-A, p.145] Please provide a forecast of the Applicant’s reliability metrics for 2015-2019.

**3-SEC-25**

[Ex.3, p.21] Please provide the underlying calculation for the ‘Forecast Net Income Under IRM’ amount in Table 3-14 for each year of the plan.

**3-SEC-26**

[Ex.3, X] Please provide copies (or hyperlinks if available online) to any documents used by the Applicant to forecast customer growth in its service territory.

**3-SEC-27**

[Ex.3, p.32] Please provide actual 2014 average customer connections.

**4-SEC-28**

[Ex.4, p.8] Please revise Table 4-3 to show OM&A index at IRM for 2015-2019, using the proposed OM&A expenditures for 2015 as the base.

**4-SEC-29**

[Ex.4, p.41] For the purpose of forecasting costs for 2018 and 2019, what assumptions has the Applicant made regarding unionized wage increases after the expiry of the current collective agreement with the IBEW?

**4-SEC-30**

[Ex.4, p.43] Over the past 10 years, what is the average time when an employee becomes eligible for retirement, and their actual retirement? Does this differ from what the Applicant is projecting for the test period? If so, please explain.

**4-SEC-31**

[Ex.4, p.43] For each new position the Applicant is forecasting adding during the test period, please provide a description and rationale.

**4-SEC-32**

[Ex.4, p.43] With respect to Appendix 2-K (Table 4-20):

1. Please add rows showing the total compensation capitalized, and total charged to OM&A.
2. Please provide a version of the Appendix 2-K for showing a split between union and non-union employees.

**4-SEC-33**

[Ex.4, p.43] How does the Applicant determine the reasonableness of its management, both executive and non-executive, compensation costs? Please provide copies of any compensation studies that the Applicant has undertaken since 2012.

**4-SEC-34**

[Ex.4, p.47] With respect to the management fee:

1. What services does the Applicant receive in return for a management fee of $480,000 in 2015?
2. What is the methodology in determining the management fee between OPUC and the Applicant?
3. How should the Board determine if the amount is reasonable?

**5-SEC-35**

[Ex.5, p.5-11] With respect to new long-term debt issued within the test period:

1. To date, has the Applicant issued any new debt in 2015? If so, please provide details. If not, please provide details of when it expects to do so.
2. For the purposes of setting 2015 rates, what is the forecasted long-debt rate for new issuances in 2015?
3. For the purposes of Appendix 2-OB, the Applicant has forecasted using TD Bank loans for new long-term debt insurances for 2015-2019. Does this reflect the expectation that the source of debt will be TD Bank?
4. Please describe how the Applicant chooses new source of long-term debt.

**5-SEC-36**

[Ex.5] Please provide the Applicant’s regulated actual ROE, including supporting calculations, for each year between 2012-2014.

**6-SEC-37**

[Ex.6, p.3] Please revise Table 6-1 to include a line to show Revenue with forecasted load (for year) at previous year’s rates.

**8-SEC-38**

[Ex.8] Please confirm that the following table correctly calculates the current and proposed distribution charges for a school in the GS>50-999 class with a 100 kW monthly demand. If not confirmed, please provide corrected calculations. Please confirm that the same school is being asked to pay an additional $6,055.20 over the five year test period, subject to any adjustments in the Applicant’s annual filings.



**10-SEC-39**

[Ex.10-A] With respect to the PEG *Benchmarking the Forecasted Cost of Oshawa PUC Networks* report:

1. Please provide the price forecasts from the Conference Board of Canada used in this Report. (p.4)
2. Please reconcile the OM&A, Capital Costs and Customer Level used in the study (Table 2), and the OM&A (Ex.4, p.5) and Capital Costs (Ex.2-A, p.12), and Customer Level (Ex.3, p.32) with what is set out in the rest of the application.
3. Please revise Tables 2-6 as appropriate.

**10-SEC-40**

[Ex.10-B] With respect to the NBM *Capital Project Cost Estimates 2015-2019*:

1. Please provide the “criteria for high budgetary costing” that was provided by the Applicant to NBM..
2. Please provide the basis for a 25% contingency for underground rebuilds.
3. For each material capital project, please provide a breakdown of the project estimate.

**10-SEC-41**

[Ex.10-C, p.2] Please provide details of specific efficiencies and productivity initiatives and measures the Applicant plans to undertake during the test period.

**10-SEC-42**

[Ex.10-C, Table 5] Please explain the variances in the cost estimates between the Applicant and NBM.

**10-SEC-44**

[Ex. 10-C, p.8] Is the inflation built into the Applicant’s OM&A cost forecasts based on the Conference Board of Canada CPI for Oshawa? Please explain why CPI is appropriate considering the Board uses GDP-IPI for inflation.

**10-SEC-45**

[Ex.10-C, p.12-19] Please provide copies of the documents referenced at:

1. Alberta Utility Commission, Rate Regulation Initiative, Distribution Performance Based Regulation, September 12, 2012 (Footnote 8)
2. Ofgem, Revenue *Using Incentives to Deliver Innovation and Outputs Model* (RIIO Model).(p.17)
3. ET1 Price Control Finance Handbook (footnote 13,15)

**10-SEC-46**

[Ex.10-C-p.12] With respect to the proposed Total Cost Efficiency Carryover Mechanism (TCECM):

1. Please explain how the proposed TCECM incents sustainable efficiencies.
2. Why is the proposed carry-over mechanism not symmetrical so as to penalize the Applicant if it is not efficient?
3. Please confirm that in the AUC PBR Decision cited by the Applicant as a model, the efficiency carryover mechanism approved was in the context of a traditional price-cap performance-based regulation model.
4. Since the Applicant has proposed to remove capital expenditures that are part of the Controllable Capital Investment Efficiency Incentive Mechanism, what percentage of the annual revenue requirement for each year of the plan will be covered by the TCECM.
5. Does the proposed ROE rate rider for the first 2 years following the end of the Custom IR plan, apply to the entire rate base?
6. Please explain what the Applicant means by the statement that it “intends its TCECM mechanism to apply within the framework of the Board’s “off ramp” policy for electricity distributors…” (p.14)
7. Please provide a detailed numerical example to illustrate the TCECM.

**10-SEC-47**

[Ex.10-C, p.14] With respect to the proposed Controllable Capital Investment Efficiency Incentive Mechanism (CCIEIM):

1. What percentage of the total proposed capital budget is covered by the CCIEIM in each year of the plan?
2. Why has the Applicant not included all of its controllable capital expenses?
3. Please confirm that the CCIEIM will be calculated on project by project basis, not a total eligible capital budget basis.
4. It would be expected that over the test period, some proposed capital projects will be substituted completely for others as needed. Please explain how this will affect the calculation of the CCIEIM.
5. It would be expected that over the test period, some proposed capital projects’ scope will change. Please explain how this will affect the calculation of the CCIEIM.
6. Please provide a detailed numerical example to illustrate the CCIEIM.

Respectfully submitted on behalf of the School Energy Coalition this 17th day of April, 2015.

Mark Rubenstein

Counsel for the School Energy Coalition