

**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 Kingston Hydro Corporation for an Order or Orders approving just and reasonable distribution rates and other service charges for the distribution of electricity, effective January 1, 2016.

## **INTERROGATORIES**

### **FROM THE**

### **SCHOOL ENERGY COALITION**

*[All questions that refer to anything known to or in the possession of the Applicant should be interpreted as including the knowledge or possession of Utilities Kingston.]*

#### **Exhibit 1 - Administration**

##### **1-SEC-1**

Attached is a table, in both pdf. and Excel formats, comparing the most recent (2014 RRR, and 2013 benchmarking) results of twenty-four Ontario distributors similar to the Applicant, including the Applicant. With respect to these comparison tables:

- a. Please identify any distributors on the list that the Applicant feels are not appropriate comparators, and provide reasons for that conclusion. Please identify any distributors that the Applicant feels should be on the list, and are not, and provide reasons for that conclusion.
- b. With respect to the OEB efficiency assessment:
  - i. Please confirm that the Applicant is 15<sup>th</sup> ranked out of the 24 LDCs listed in 2013, and 13<sup>th</sup> of the 24 LDCs listed for the three-year average.
  - ii. Please confirm that on average, the LDCs in the comparator group have had costs below expected costs every year, but that the Applicant has had costs above expected costs every year. Please provide details of the Applicant's strategy to move its total benchmarked costs below the expected costs, including its forecast of when that crossover will occur.

- iii. Please provide reasons why the Applicant's efficiency assessment has become less favourable year over year for each of the four years it has been calculated.
- c. With respect to cost per customer and cost per km. of line:
- i. Please confirm that only four of the comparator distributors had 2013 costs per customer lower than the Applicant. Please provide any exogenous reasons (for example, customer mix) that should be taken into account in analyzing this metric.
  - ii. Please confirm that only two of the comparator distributors had 2013 costs per km. of line higher than the Applicant. Please provide any exogenous reasons (for example, terrain, vegetation or density) that should be taken into account in analyzing this metric.
- d. With respect to OM&A per customer and Distribution Revenue per customer:
- i. Please confirm that the Applicant's OM&A per customer is 7<sup>th</sup> best of the comparator distributors, and the Applicant's Distribution Revenue per customer is 9<sup>th</sup> best of the comparator distributors. Please provide details of any data inconsistencies or other anomalies known to the Applicant that would make these comparisons incorrect.
  - ii. Please confirm that the Applicant's growth in Distribution Revenue per customer, at 46.1% since 2005 (\$320.87 to \$468.79), is almost twice the industry increase of 23.3% since 2005 (\$412.57 to \$508.64, excluding Hydro One and Toronto Hydro). Please explain the factors unique to Kingston Hydro that are the cause of this unfavourable variance.
- e. Please confirm that the Applicant's ratio of net PP&E to gross PP&E, at 61.27%, is substantially above the comparator average of 54.18% (excluding Guelph and Halton Hills, which reset their gross for IFRS purposes), and is the 4<sup>th</sup> highest of the comparator group. Please confirm that, in general, this indicates that, on a weighted average basis, the Applicant's PP&E assets are likely to be newer than those of other LDCs. If confirmed, please describe any aspects of the Applicant's capital spending strategy that caused this result.
- f. Please provide any information known to the Applicant that explains the fact that the Applicant's gross PP&E per customer is the lowest of the 24 distributor comparator group.
- g. Please explain the connection, if any, between the Applicant's multi-utility operational model and any of the favourable or unfavourable comparisons to the comparator distributors.

**1-SEC-2**

[Ex. 1/2/1, p. 3] Please provide vintage tables for the assets of the Applicant, as well as the assets of each of the other utilities managed by Utilities Kingston. Please provide any documents in the possession of the Applicant comparing the vintage of its assets against other LDCs either in Ontario or elsewhere.

**1-SEC-3**

[Ex. 1/2/1, p. 10] Please provide details of the “much-needed capital infrastructure investments” that, in 1999, had been “previously identified”, including any contemporaneous documents listing those needed investments.

**1-SEC-4**

[Ex. 1/2/1, p. 11] Please provide detailed, segmented 2016 budgets for each of the utilities managed by Utilities Kingston with the same level of detail, and if possible in the same format, as the Board’s Revenue Requirement Work Form. If the Applicant has in its possession segment-specific financial statements for any of the utilities managed by Utilities Kingston for 2014, please provide those financial statements.

**1-SEC-5**

[Ex. 1/2/1, p. 12] Please provide each of the “status reports” referred to in the quoted motion.

**1-SEC-6**

[Ex. 1/2/1, p. 13] Please provide a detailed table, similar to Table 5, for each of the utilities managed by Utilities Kingston.

**1-SEC-7**

[Ex. 1/2/1, p. 21] Please provide a list of customer preferences and feedback that the Applicant heard in the customer engagement relating to this Application, and were not previously known to the Applicant.

**1-SEC-8**

[Ex. 1/2/1, p. 23 and Ex. 1/2/1, Attach. 2, p. 5] Please explain why Utilities Kingston stopped doing ten year financial and strategic plans after the 2013-2022 plan. Please file the most recent ten year plan, if it is not already filed.

**1-SEC-9**

[Ex. 1/2/1, p. 29 and Ex. 1/2/1, attach 2, p. 15] Please provide a table showing the actual and forecast capital spending for each of the utilities managed by Utilities Kingston for the period 2011-2020.

**1-SEC-10**

[Ex. 1/2/1, Attach. 1] With respect to the Kingston Hydro 2012-2017 plan:

- a. p. 15. Please provide the Report on growth opportunities.
- b. p. 16 (and Ex. 1/2/1, attach 2, p. 18). Please provide the corporate risk profile.

- c. p. 17. Please provide the most recent Kingston Hydro ten year financial plan approved by the Board of Directors.

### **1-SEC-11**

[Ex. 1/2/1, Attach. 2] With respect to the Utilities Kingston 2013-2022 plan:

- a. p. 17. Please explain why fuel-switching from electricity to gas results in “increased revenue generation for the organization”.
- b. p. 20. Please provide the “asset management plans for the ...gas, water, wastewater and fibre utilities”.
- c. p. 22. Please provide the “plan to foster innovation”.

### **1-SEC-12**

[Ex. 1/2/2, p. 6] Please confirm that, without the savings from the shared services model, the Applicant believes that its 2014 OM&A per customer would have been almost \$300, and would have been 17<sup>th</sup> out of the 24 comparator distributors listed in question 1-SEC-1, and would have been more than 15% above the 2014 industry average (excluding Toronto Hydro and Hydro One).

### **1-SEC-13**

[Ex. 1/3/1, p. 13] Please confirm that the Applicant serves 41 elementary and secondary schools. Please confirm that, under this Application, the Applicant is proposing to increase their annual distribution bill (monthly charge plus volumetric rate) from about \$225,000 to about \$275,000 over five years, an increase of about 22% or \$50,000 per year.

### **1-SEC-14**

[Ex. 1/5/1, Attach. 4 p. 1 and 19] Please provide a table showing the monthly average, high, and low balances Due from the City of Kingston for each month in 2014. In the same table, for each month please provide the average, high and low balances owing by the Applicant to the City of Kingston. Please provide a full calculation of the interest paid by the City of Kingston on the amounts Due from City of Kingston in 2014, and a full calculation of the interest paid by the Applicant on the amounts owing to the City of Kingston.

### **1-SEC-15**

[Ex. 1/7/17, p. 1] Please provide the Shareholder Agreement for Utilities Kingston.

### **1-SEC-16**

[Ex. 1/7/17, Attach. 2, s. 3.0(b)] Please provide the most recent “annual capital and operating financial plan” approved by the Applicant pursuant to this agreement.

## **Exhibit 4 – Operating Costs**

### **4-SEC-17**

[Ex. 4/2/1, p. 8] Please confirm that general and administrative costs are expected to increase by 59.7% from 2011 to 2016, a compound average of more than 9.8% per year. Please restate these numbers, adjusting for all items that are re-allocations to/from G&A from/to other OM&A categories. Please provide amounts and explanations of all adjustments.

### **4-SEC-18**

[Ex. 4/3/2, p. 1] Please provide details of all Utilities Kingston employees, in the same form as the Board's Appendix 2-K, for all years and categories provided for Kingston Hydro in its 2-K.

### **4-SEC-19**

[Ex. 4/3/3, Attach. 1] Please expand these tables to show:

a. For each City of Kingston cost allocated to Utilities Kingston, the total cost incurred by the City of Kingston in that category in that year.

b. For each Utilities Kingston cost allocated to Kingston Hydro, the amounts for that category in that year allocated to each of the other four utilities managed by Utilities Kingston.

Submitted by the School Energy Coalition August 22, 2015.

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Jay Shepherd  
Counsel for School Energy Coalition

Company	# of Customers	OM&A/ Customer	DX. Rev/ Customer	Gross PPE/ Customer	Net PPE/ Customer	Aging Ratio	Efficiency Assessment					Cost per Customer	Cost per km of Line
							2010	2011	2012	2013	3 Year		
BLUEWATER POWER DISTRIBUTION CORPORATION	36,115	\$336.47	\$596.97	\$2,715.63	\$1,441.75	53.09%	-3.2%	1.7%	6.4%	5.9%	4.6%	646	29,017
BRANTFORD POWER INC.	38,789	\$235.71	\$445.98	\$2,625.12	\$1,631.01	62.13%	3.8%	-2.5%	4.7%	0.7%	0.9%	507	39,373
CAMBRIDGE and NORTH DUMFRIES HYDRO INC.	52,684	\$274.29	\$525.45	\$4,067.29	\$2,090.55	51.40%	-10.1%	-7.8%	-3.3%	0.5%	-3.7%	624	28,714
CANADIAN NIAGARA POWER	28,627	\$329.51	\$653.78	\$4,829.35	\$2,944.46	60.97%	16.4%	15.6%	10.0%	13.8%	13.2%	726	20,275
ENTEGRUS	40,503	\$230.35	\$492.53	\$3,281.01	\$1,778.28	54.20%	-13.1%	-13.4%	-10.9%	-12.5%	-12.3%	531	22,407
ESSEX POWERLINES CORPORATION	28,640	\$235.64	\$406.15	\$2,401.82	\$1,545.55	64.35%	-17.0%	-17.1%	-12.6%	-17.2%	-15.7%	482	29,323
FESTIVAL HYDRO INC.	20,362	\$322.01	\$558.73	\$3,818.56	\$1,914.97	50.15%	20.5%	18.0%	20.2%	19.6%	19.2%	627	49,466
GREATER SUDBURY HYDRO INC.	47,187	\$328.46	\$505.18	\$4,129.28	\$1,650.06	39.96%	-2.4%	14.1%	16.7%	4.8%	11.9%	560	26,887
GUELPH HYDRO ELECTRIC SYSTEMS INC.	52,963	\$271.51	\$552.15	\$2,872.28	\$2,374.91	82.68%	12.4%	14.7%	-2.0%	0.8%	4.2%	608	28,952
HALDIMAND COUNTRY HYDRO INC.	21,323	\$352.62	\$620.61	\$3,737.07	\$2,238.68	59.90%	-27.6%	-24.1%	-18.7%	-23.7%	-22.2%	681	8,310
HALTON HILLS HYDRO INC.	21,534	\$246.30	\$475.89	\$2,682.71	\$2,424.87	90.39%	-27.2%	-24.9%	-27.5%	-35.7%	-29.5%	642	9,034
KINGSTON HYDRO CORPORATION	27,356	\$236.44	\$468.79	\$2,385.37	\$1,461.64	61.27%	0.1%	2.2%	2.4%	3.7%	2.8%	517	38,667
MILTON HYDRO DISTRIBUTION INC.	35,111	\$243.34	\$460.29	\$3,776.17	\$2,058.51	54.51%	-4.1%	-3.0%	-37.6%	-4.5%	-15.7%	654	22,402
NEWMARKET-TAY	34,871	\$231.48	\$504.72	\$3,060.63	\$1,581.13	51.66%	-14.6%	-21.0%	-19.5%	-19.5%	-20.1%	543	22,272
NIAGARA PENINSULA ENERGY INC.	51,824	\$329.23	\$624.45	\$4,653.17	\$2,319.69	49.85%	5.4%	5.2%	10.2%	1.1%	5.4%	672	17,408
NORTH BAY HYDRO DISTRIBUTION INC.	23,975	\$273.36	\$598.12	\$4,542.57	\$2,197.31	48.37%	3.6%	5.5%	5.8%	5.4%	5.5%	614	25,228
OSHAWA PUC NETWORKS INC.	54,731	\$204.78	\$361.92	\$3,105.41	\$1,558.90	50.20%	-21.7%	-18.0%	-14.5%	-17.4%	-16.7%	505	27,050
PETERBOROUGH DISTRIBUTION INCORPORATED	36,058	\$241.81	\$430.11	\$2,828.61	\$1,605.72	56.77%	14.0%	15.6%	13.2%	14.5%	14.4%	562	35,731
PUC DISTRIBUTION INC.	33,487	\$329.60	\$557.07	\$4,269.92	\$2,525.27	59.14%	-8.5%	-5.2%	13.4%	22.7%	10.2%	687	30,950
THUNDER BAY HYDRO	50,482	\$273.13	\$404.65	\$3,843.00	\$1,805.57	46.98%	9.6%	8.0%	-2.8%	8.2%	4.4%	585	25,631
WATERLOO NORTH HYDRO INC.	54,674	\$259.20	\$626.65	\$5,866.41	\$3,415.97	58.23%	-3.1%	6.4%	4.3%	10.6%	7.0%	728	25,066
WELLAND HYDRO-ELECTRIC SYSTEM CORP.	22,470	\$277.20	\$412.69	\$2,485.05	\$1,209.00	48.65%	-19.6%	-16.2%	-10.4%	-15.2%	-14.0%	472	23,533
WESTARIO POWER INC.	22,822	\$230.83	\$439.14	\$2,760.53	\$1,765.65	63.96%	-3.1%	-0.2%	-1.4%	2.2%	0.2%	550	24,220
WHITBY HYDRO ELECTRIC CORPORATION	41,488	\$255.33	\$542.70	\$3,694.88	\$1,707.55	46.21%	0.4%	-3.0%	-7.0%	-0.9%	-4.1%	642	24,806
<b>Averages of 24 Distributors</b>	<b>36,587</b>	<b>\$272.86</b>	<b>\$511.03</b>	<b>\$3,517.99</b>	<b>\$1,968.62</b>	<b>55.96%</b>	<b>-3.7%</b>	<b>-2.1%</b>	<b>-2.5%</b>	<b>-1.3%</b>	<b>-2.1%</b>	<b>598</b>	<b>26,447</b>

54.18%