

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 London Hydro Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2017.

**INTERROGATORIES FROM THE
SCHOOL ENERGY COALITION**

1.0-SEC-1

Please confirm that, based on the revised Revenue Requirement Work Form, the Applicant is now seeking a weighted average rate increase for 2017 of 4.8%.

1.0-SEC-2

Please file the Powerpoint presentation given by London Hydro management at the OEB Community Day on November 15, 2016.

1.0-SEC-3

Multiple letters of comment, and many customers at the Community Day, expressed concern about the impact of the increases in the residential fixed charge on lower volume and lower income residential customers in London. In view of this customer feedback, why is London Hydro seeking in this Application to increase the percentage of its revenue requirement for residential customers that it collects by way of the fixed charge, and reduce the percentage it collects from the higher volume residential customers by way of the volumetric charge?

1.0-SEC-4

[Ex.1/2/1, p. 17] Please provide a copy of the new London Hydro Strategic Plan. If it is not yet available, please advise when it will be available, and file it at that time.

1.0-SEC-5

[1/3/16 p. 7] The Applicant's Board of Directors appears to provide extensive reporting to the public.

- (a) Are any of the documents on this disclosure list made available to the public only in redacted, summary, or other restricted form? Please provide details.
- (b) Please provide any comparisons the Applicant or its board has made of its public disclosure practices to those of other utilities, whether in Ontario or elsewhere.
- (c) What was the impetus for the disclosure practices described?
- (d) Please provide any information the Applicant has available on the positive or negative impacts on operations, employees, or customer satisfaction, of extensive public disclosure by utilities.

1.0-SEC-6

[1/5/1 p. 2] London Hydro is reporting a deficiency of \$3,113,099 in its most recent Revenue Requirement Work Form. However, it also reports a drop in the working capital rate from 11.75% to 8.67%, or \$13,491,526 in the test year, with a revenue requirement impact of approximately \$1.2 million including PILs. It also reports a drop in the interest rate on its long term debt by 1.87%, with a revenue requirement impact of more than \$2.8 million in the test year.

- (a) Please explain why these two reductions in costs do not more than offset the deficiency otherwise arising of \$3.1 million.
- (b) Please explain why the Board should not treat the request for rate increase as, effectively, 11.4% rather than 4.8%.

1.0-SEC-7

[1/6/1 p. 4] The Applicant has developed two innovative products, Event Assist and IDC, that provide significant benefits to commercial, institutional and industrial customers, including members of the School Energy Coalition.

- (a) Please advise what steps the Applicant is taking or plans to take to offer these products outside of the service territory of London Hydro, for example by licensing them to other LDCs or providing them as commercial products to customers of other LDCs.
- (b) Please advise what plans, if any, the Applicant has to charge its own customers for the use of these and other such products. If it has no such plans, please explain the rationale. If it does have those plans, please provide details.

1.0-SEC-8

[1/7/1 p. 12] London Hydro appears to compare its rates to similar sized LDCs.

- (a) Please explain why London Hydro compares its rates to similar sized LDCs, as opposed to any other comparator group.
- (b) Below is a comparison of 2016 bills for typical customers of several LDCs. Please confirm that these LDCs, being the LDCs closest in size to London Hydro, are the ones that the Applicant believes are the appropriate comparator group. If there are additions or deletions that should be made, please describe them, and provide an explanation for each.

Annual Distribution Bill Comparison - 2016 Rates - London Comparator Group
(monthly charge and volumetric rate)

<i>Utility</i>	<i>Residential</i>		<i>GS<50</i>		<i>GS>50</i>		<i>Overall</i>	<i>Number of Customers</i>
	<i>800 kwh</i>	<i>% of Avg</i>	<i>2000 kwh</i>	<i>% of Avg</i>	<i>250 KW</i>	<i>% of Avg</i>	<i>Ranking</i>	
Powerstream (DRO)	\$292.08	94.3%	\$659.40	95.7%	\$11,854.74	92.7%	94.2%	353,284
Hydro Ottawa	\$340.80	110.1%	\$725.16	105.2%	\$14,611.80	114.3%	109.9%	319,536
Horizon	\$341.76	110.4%	\$748.92	108.6%	\$12,147.66	95.0%	104.7%	240,076
Enersource	\$286.92	92.7%	\$788.04	114.3%	\$14,064.18	110.0%	105.7%	201,359
London	\$313.20	101.2%	\$636.60	92.4%	\$9,780.00	76.5%	90.0%	152,544
Hydro One Brampton	\$285.12	92.1%	\$690.84	100.2%	\$9,862.32	77.1%	89.8%	149,618
Veridian	\$313.68	101.3%	\$600.36	87.1%	\$11,112.06	86.9%	91.8%	117,494
Kitchener-Wilmot	\$283.32	91.5%	\$626.88	90.9%	\$15,819.06	123.7%	102.1%	91,143
EnWin	\$329.28	106.4%	\$727.68	105.6%	\$15,800.34	123.6%	111.8%	86,662
AVERAGE	\$309.57		\$689.32		\$12,783.57			

1.0-SEC-9

[1/7/1, p. 14] For the “customer-focused initiatives”, few of them appear to be driven by cost containment, but many of them appear to have the potential for cost savings. Please describe how each of the initiatives in that category are motivated by, and/or produce, cost savings.

1.0-SEC-10

[1/7/1, p. 18] Please confirm that, after the cost increases expected in 2016, the Applicant expects to move from an Efficiency Cohort rating of 2 to a rating of 3, and stay in that cohort in the test year and indefinitely into the future. Please provide details of the Applicant’s plan, if any, to return to cohort 2, and when that target is expected to be achieved.

1.0-SEC-11

[1/8/1 Attach 1.3] With respect to the 2015 Financial Statements:

- (a) p. 10. Please confirm that, in the Applicant’s forecasts, no part of any PP&E asset is being written off as a loss, and replaced, in the test year.
- (b) p. 21 and Ex.4/1/5, p. 403. Please confirm that the Applicant expects the effective tax rate (that is, the tax net of timing differences, divided by the accounting income) to continue to decline during the period 2017 to 2021, as the company’s deferred tax liability increases because of new capital spending.
- (c) p. 28. Please provide a side by side comparison of the most current actuarial assumptions for OPEBs with the equivalent assumptions used by OMERs for the pension plan.

1.0-SEC-12

[1/8/1 Attach 4] S&P states that one of the key variables that could increase the company's credit rating is a shareholders agreement that locks in the current debt/equity split, which is more favourable than the OEB standard ratio. Please advise what plans London Hydro has to either lock in its debt/equity ratio, or change it.

2.0-SEC-13

[1/7/1, p. 5] Please describe how, if at all, the Applicant's policies or approaches with respect to operational and capital expenses changed as a result of the survey answers. In particular, and without limiting the generality of the question, please include how if at all the Applicant's plan for undergrounding has changed as a result of the opposition to undergrounding disclosed in the survey?

2.0-SEC-14

[2/2/9, p. 171] Please provide a table showing the calculation of the forecast revenue requirement impact of the claimed ACM projects for each of 2018, 2019, 2020, and 2021. Please identify in the table how the impact of any accelerated CCA for tax purposes is to be included in the calculations.

4.0-SEC-15

[4/1/5, p. 16] Please confirm that the Applicant is proposing an increase in O&M per customer of 12.5% from 2013 to 2017, representing a compound annual growth rate of 3.0% per year, and an increase in Admin per customer of 25.7%, representing a CAGR of 5.9% per year.

4.0-SEC-16

[4/1/5, p. 28] Please confirm that the right hand column of tables 4-13 and 4-14 is the four year increase, and not the CAGR.

4.0-SEC-17

[4/1/5, p. 33] With respect to the asset management costs:

- (a) Please disaggregate the \$1.1 million annual increase in asset management costs into increases required for better planning and optimizing of capital programs, and increases required for more documentation and monitoring to provide enhanced levels of information to the Board.
- (b) Please estimate the reduction in annual asset management costs in the test year as a result of increased or improved use of technology.
- (c) What studies, analyses or other work, if any, has London Hydro done as part of its asset management activities to compare its levels of capital spending with other utilities, or to identify empirical metrics that can be used to calculate the optimum level of capital spending in any given period? Please provide details.

4.0-SEC-18

[4/1/5, p. 84] Please provide a list of the major functions of the new Environmental Coordinator, divided into functions that were already being performed prior to the creation of the position, and new functions that were not being performed. For each of the existing functions, please explain how the shift to a new person has changed the workload and costs of others. For each of the new functions, please explain why they were not being done, and what changed to make it appropriate to add this cost now.

4.0-SEC-19

[4/1/5, p. 333] Please provide a comprehensive list of all changes to accounting approaches and allocations that had an impact of more than \$100,000 on any of the figures in Table 4-60, including the nature and timing of each such change. Please provide sufficient detail that we can compare 2013 Board approved and actual on a consistent basis with 2017 Proposed.

4.0-SEC-20

[4/1/5, p. 419] In light of recent announcements that London Hydro is seeking to merge with other LDCs, how will that impact the Applicant's succession planning in next five years? What steps has the Applicant taken to assess the impact of electricity distribution industry consolidation on its ability to hire management level employees?

8.0-SEC-21

[8/1/1, p. 5] With respect to the proposed change to the microFIT and FIT distribution rates classes and charges:

- (a) Please advise how many of the affected customers in each of microFIT and FIT are also distribution customers receiving power from the Applicant.
- (b) Please explain why the Applicant is proposing a change in rate classification that has an impact that is less than its materiality threshold.
- (c) Please provide details on all customer engagement that has taken place with respect to this proposed change.
- (d) Please provide further details of the change to boilerplate capacity for microFIT and FIT customers, including the expected impact on those customers of this part of the proposal.

8.0-SEC-22

[8/7/2, p. 4] Rather than add an additional OEB-approved charge, why does London Hydro not simply require the customer that wants to choose the second option to make cellular arrangements with the authorized APN (or another cellular provider that can adhere to London Hydro's specs) and pay them directly? What part of this option makes it necessary, or advantageous to the customer, that London Hydro act as a middleman?

9.0-SEC-23

[9/1/10, p. 3] With respect to the proposed new Cap and Trade Deferral Account:

- (a) Please demonstrate that the proposed new account will meet the requirement of materiality.
- (b) Please provide a draft accounting order for the new account, specifying in detail the costs to be included in the account.

All of which is respectfully submitted this December 13, 2016.