

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the Ontario Energy Board Act, 1998, 5.0. 1998, c.15, 3 Schedule B, as amended (the “OEB Act”);

**AND IN THE MATTER OF** an Application by Welland Hydro-Electric System Corp. under Section 78 of the OEB Act 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.

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**INTERROGATORIES OF  
ENERGY PROBE RESEARCH FOUNDATION  
 (“ENERGY PROBE”)**

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**March 1, 2017**

**EB-2016-0110**  
**WELLAND HYDRO ENERGY SERVICES COS APPLICATION 2017 RATES**  
**INTERROGATORIES OF**  
**ENERGY PROBE RESEARCH FOUNDATION**

**General**

**1.0-Energy Probe-1**

**Preamble: WHESC (WH) has filed this COS Application for Rate Year 2017. Energy Probe would like to understand WH's proposal(s) for setting rates in 2018-2021.**

- a) Please provide a summary of WH plans for 2018-2021, specifically the form of COS/IRM WH expects to use for setting rates in 2018-2021. Reference the RRFE and Filing Guidelines.**
- b) If the proposed IRM involves either a Capital Module, or Custom form with Capital forecasts please provide more details in this regard.**
- c) Will the Distribution System Plan as filed (once approved) apply to the future rate years or will it be updated?**

**Bill Impacts**

**1.0-Energy Probe-2**

**Reference: Revised Exhibit 1, Page 26**

- a) Confirm based on the requested 2017 Revenue Requirement, the Bill Impacts for low, average and high consumption Residential customers.**
- b) How much of the Residential Bill Impact for the above consumption level customers relates to the change in the fixed charge? Please provide a summary table and notes for this change relative to 2016 (\$ and Percent)**

**Rate Base & In-Service Additions**

**1.0-Energy Probe-3**

**References Revised Exhibit 1, Page 46, Table 1-6, Exhibit 2, Page 52**

**Preamble: WHESC's accounting policy is to include projects in fixed assets when they are placed into service. Capital projects which are not yet completed are included in WIP. Capital projects with a life cycle greater than one year will be carried over from one year to the next in WIP.**

- a) Please provide a Continuity Table Based in Exhibit 1-6 showing for 2015 and 2016 Capex the In-service additions entering Rate Base in 2017.
- b) For 2017 based on in-service date information, show Capex that will come in service and flowing into later years.
- c) Please provide the net in-service additions to Rate Base in 2017 and Total Rate Base. Adjust the Return on Capital component of the 2017 Revenue Requirement.

## **System Reliability**

### **1.0-Energy Probe-4**

**References: Revised Exhibit 1, Page 59 and Page 74, Table 1-22**

**Preamble: Many customers didn't experience any outages (36%) in the last 12 months. The rest were most likely to experience either one (19%) or two (15%) recent outages. Of those impacted, most experienced an outage of one hour or less with 29% who recall it as less than 15 minutes.**

- a) Please Update Table 1-22 to include 2016 System Reliability Indicators.
- b) Does WH track other Reliability Indicators, for example MAIFI and Worst Performing Circuits? If so, please provide historic Data and Targets for 2017-2021 for these.
- c) Does WH track Outage Cause Codes? If so, please provide historic data.

**Please provide for 2013-2016, details regarding how many WH outages (SAIDI/SAIFI) were related to Transmission/Hydro One and how many//duration were WH Distribution Outages.**

### **1.0-Energy Probe-5**

**References: Revised Exhibit 1Page 59; Appendix 1-G Innovative Survey Report**

**Preamble: Survey respondents were informed of Welland Hydro's proposed capital investment required to maintain system reliability and then asked to think about reliability in terms of bill impact. Almost 7 out of every 10 (69%) of residential customers and 80% of general service customers feel Welland Hydro should spend what is needed to maintain system reliability from the telephone survey.**

- a) Confirm SAIDI and SAIFI are lagging System Reliability (SR) indicators.
- b) Has WH determined/modelled the link between Capital Investment in 2017-21 and changes in Reliability Indicators (SAIDI and SAIFI)? If so, please provide complete details.

- c) What specific value proposition(s) was/were put to customers regarding the WH System Reliability Indicator Baseline and Investment levels to increase SR, maintain SR and allow SR to decline to Industry averages? Be specific to each group of ratepayers/respondents.
- d) What guarantees did/will WH give customers regarding its SR Targets for SR in 2017-2011 and what penalties/rewards will be provided for WH and its Senior Management?
- e) Please explain how Major Events will be addressed in relation to Targets and Rewards/Penalties.
- f) Please explain why is the Proposed Investment plan appropriate? Did WH perform Sensitivity Analyses? If so please provide these.
- g) Please provide a profile of WH major assets by major category and indicate for each how WH defines aging assets and end of life assets.

### **Operations, Maintenance, and Administrative Expense -Compensation**

#### **1.0-Energy Probe-6**

**References: Revised Exhibit 1, Table 1-10; Table 4-9, Form 2K; Revised Exhibit 4, Page 28**

**Preamble: WHESC is currently reviewing the management employee compensation evaluation process for the 2017 Test Year to better align with “RRFE” performance metrics. The structure is updated annually with salary increases based upon market Hay All Industrial with one year lagging for management staff using the P50 line, and ability to pay.**

- a) For the Executive/Management Positions please provide for 2013-2017:
  - A List of Positions and Titles, distinguishing Executive and Management.
  - The Average Salaries and Total Compensation for each of Executive and Management (aggregate).
- b) Please provide a summary of the latest Hay and MEARIE Compensation Benchmarking Studies related to these positions, including the Peer Group(s).
- c) For the Executive and Management positions, please provide a summary of the management employee compensation evaluation process for the 2017 Test Year related to Performance Pay (Short Term Incentive Pay-STIP), including sample scorecard(s).
- d) For 2013-2016, please indicate if WH paid performance pay and the average awards as a percentage of Base Pay.

- e) Based on the response to part a) please explain why Executive/Management Salaries and Incentives has increased for 14 positions from \$1,385,904 in 2013 to \$1,528,126 in 2017.
- f) After operating with 12 Executive/Management positions in 2014-2016 why is another senior position required in 2017?

### **Performance Standards**

#### **1.0-Energy Probe-7**

**Reference: Revised Exhibit 1, Pages 76-78, Tables 1-23, 1-24**

**Preamble: WHESC has consistently showed year over year improvements in its three year efficiency performance metric since 2013.**

- a) Please explain why WH has not targeted an Efficiency Assessment performance Target in Group 1. Specifically, why it cannot “up its game” to move into Group 1.
- b) Please explain why the performance targets for cost per customer (\$518) and Cost/km of line (\$24,917) are set above recent averages.
- c) Please explain why with customer growth averaging about 1%/year, total cost/customer should not match/mirror growth.
- d) Please provide the projected Targets for 2017-2021 if these differ from those in Table 1-23.
- e) Also, please explain why forward 2017-2021 targets are not in the Business Plan Pages 3 and 4.

### **Financial**

#### **1.0-Energy Probe-8**

**Reference: Revised Exhibit 1, Page 81, Table 1-26**

- a) Please discuss why WH Liquidity and Leverage ratios are declining and not forecast to improve.
- b) Specifically, provide an exhibit and explanatory notes that shows/discusses the impact of WH dividend policy on the ratios using pre and post Net Income data.

- c) Please provide in tabular form the allowed and actual ROE for the period 2011-2016.
- d) Please Explain how the interest on the \$5.6 million in Notional debt held by the City Of Welland is dealt with e.g. as a Component of the annual Shareholder Dividend?

#### **Customer Consultation.**

#### **1.0-Energy Probe-9**

**Reference: Appendix 1-G Innovative Research Group Inc. Survey Report Pages 12-13 and 38-40**

- a) Please explain why the Residential Customer Participation surveys /targeting numbers were so low (Telephone and Focus Groups).
- b) Please compare the demographic profiles of the actual participants with those of the general WH customer base.
- c) Please provide the Survey Sample Statistics.
- d) Specifically, explain why random sampling was used and why were Vulnerable customers (Seniors Low Income and Renters) not Targeted.

#### **1.0-Energy Probe-10**

**References: Appendix 1-G Innovative Research Group Inc. Survey Report Page 43, Figure 3 and Page 100**

**Preamble: Welland Hydro's proposed plan will see it spend an estimated \$36.4 million on on-going maintenance and the operation of the distribution system; and invest an estimated \$12.1 million in new equipment and infrastructure priorities that will help ensure system reliability. To fund this plan, Welland Hydro is proposing the average general service customer's rates increase by approximately \$1.77 per month on the distribution portion of their bill over the next five years. So, in five years, by 2021, the average general service organization will be paying an estimated \$8.87 more per month on the distribution portion of its electricity bill.**

- a) Please explain, in more detail why, given the overwhelming desire for lower bills, the trade-offs between lower bills/lower investment and vice-versa in the context of the proposed 2017 revenue requirement increase, was not tested in more detail by proposing alternative Scenarios.
- b) Did Innovative propose such customer value questions/scenarios be presented and what was the utility response?