



BY EMAIL and RESS

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Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

February 9, 2018
Our File: EB20170039

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2017-0039 – Essex Powerlines Corporation – SEC Interrogatories

We are counsel to the School Energy Coalition (“SEC”). Pursuant to Procedural Order No.1, please find SEC’s interrogatories.

Yours very truly,
Shepherd Rubenstein P.C.

Original signed by

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
Applicant and Intervenors (by email)

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Essex Powerlines Corporation 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 1st, 2018.

INTERROGATORIES

ON BEHALF OF THE

SCHOOL ENERGY COALITION

1-SEC-1

[Ex.1] Please provide a copy of all documents provided to the Applicant's Board of Directors for the purposes of approving the application and the underlying budget.

1-SEC-2

[Ex.1] Please provide a copy of the Applicant's most recent business plan and/or strategic plan.

1-SEC-3

[Ex.1] Please provide copies of all benchmarking studies, reports, and analysis that the Applicant has undertaken or participated in since 2010, and are not already included in the application.

1-SEC-4

[Ex.1] Please provide a list of measurable outcomes that ratepayers can expect the Applicant to achieve during the test year. Please explain how those outcomes are incremental and commensurate with the rate increase the Applicant is seeking in this application.

1-SEC-5

[Ex.1, p.35] Please provide a step-by-step explanation of the Applicant's budgeting process.

1-SEC-6

Does the Applicant have a corporate scorecard? If so, please provide copies of each of the 2010 to 2017 versions. If not, please explain what metrics the management and Board of Directors use to measure and monitor the Applicant's activities.

1-SEC-7

[Ex.1, p.62] Please explain what activities or investments the Applicant is undertaking, or not undertaking, based on its customer engagement activities.

1-SEC-8

[Ex.1, p.15] With respect to the Applicant’s Key Performance Metrics:

- a. Please revise the tables for each metric to include 2017 performance.
- b. [p.18] Please define a ‘Cyber Security incident’.
- c. [p.22] Please explain what the Applicant considers “reasonable year over year increases” in OM&A per customer.
- d. [p.26] The Applicant states “[t]he majority of EPLC’s historical turnover presented above is directly related to retirements.” Please revise the Retention & Turnover table to show turnover not related to retirements. Please include 2017 information as requested in part (a).
- e. [p.28] The Applicant states that “EPLC’s target is to maintain just and reasonable rates for its customers that, where possible, are aligned with the rate of inflation.” Please confirm the Applicant’s proposed distribution rates for residential, GS<50 and GS>50 rate classes is above the inflation rate.
- f. [p.31] Please provide the Applicant’s regulated ROE since 2010.

1-SEC-9

[Ex.1, p.34, Figure 6] Please confirm the figure shows total bill impacts, not “EPLC Loss Factor Bill Impacts”.

1-SEC-10

[Ex. 1, p.42] Please provide a copy of the most recent version of the presentation and/or documents provided for the:

- a. Yearly council presentation at each of its shareholder Municipalities
- b. Annual General Meeting

1-SEC-11

[Ex.1, 1-G] Please provide a copy of all responses to the open ended questions provided on pages 9, 24, 25 and 27 of the workbook

1-SEC-12

Please revise all Chapter 2 appendices to include 2017 actual information and any resulting changes (if any) to the 2018 test year forecast.

2-SEC-13

[Appendix 2-AB] Please revise Appendix 2-AB to include, under the ‘plan’ columns, the annual internally budgeted amounts, and provide basis for the budgeted number. Please explain all material variances between actuals and budgeted amounts.

2-SEC-14

[Ex., p.25] With respect to the Leamington TS:

- a. Please provide the Applicant's most recent forecast for the capital contribution it will be required to pay for the Leamington TS.
- b. When is the Leamington TS expected to go in-service?
- c. Please explain how the Applicant has adjusted its capital budget during the DSP period to account for the fact it will be required to pay a capital contribution to Hydro One for the Leamington TS.

2-SEC-15

[Ex.2, DSP, p.39] Please provide a table that shows the number of customer interruptions by cause code for each year between 2013 and 2017.

2-SEC-16

[Ex.2, DSP, p.54-55] With respect to the Applicant's 7 Strategic Objectives:

- a. Using multiple examples of actual projects, please break down the calculations for each objective including detailed explanations for those with qualitative scores.
- b. Please explain how the Applicant determined the weights to be given to each Strategic Business Objective.

2-SEC-17

[Ex.2, DSP, p.60, Table 3-3] Please provide a table showing for each of the listed asset types, the number that the Applicant has replaced or is forecast to be replaced, in each year between 2010 and 2022.

2-SEC-18

[Ex.2, DSP, p.108, Table 4-14] For the 2018 projects prioritization:

- a. Please provide a breakdown of the risk/strategic score into its 7 specific strategic business objectives.
- b. Please provide on a similar basis to Table 4-14, as well as part (a), the next 5 highest score projects for 2018 that were ultimately not selected to be completed in the year.
- c. Please provide on a similar basis to Table 4-14, as well as part (a), the 2017 material capital projects.

2-SEC-19

[Ex.2, DSP, p.116] Please explain the significant reduction in 2017 O&M costs.

2-SEC-20

[Ex.2, DSP, p. Appendix A] With respect to capital projects in-service between 2011 and 2017:

- a. Please provide a similar project narrative for all material capital projects between 2011 and 2017.

- b. For all material capital projects, please provide the annual budgeted amounts and the final actual amount. Please explain any variances over +/-10%.

2-SEC-21

[Ex.2, DSP, Appendix A, p.1] With respect to New Residential Sub-Divisions:

- a. The Applicant states, “New subdivision plans for the 2018 Test Year are not known at this time.” Please provide an update on the new subdivisions plans for 2018.
- b. Please provide the forecast capital contributions for new residential sub-divisions.

2-SEC-22

[Ex.2, DSP, Appendix A, p.7] Please provide an update to planned Municipal Request projects for 2018, and the impact on forecast costs.

2-SEC-23

[Ex.2, DSP, Appendix A, p.69] With respect to Computer Hardware:

- a. Please provide a breakdown of planned 2018 spending.
- b. Please explain the significant 2017 spending in this category.

2-SEC-24

[Appendix 2-AA] Please provide a table showing the annual capital contributions received by the Applicant from 2011 to 2017, and the forecast amount in 2018. Please explain where the Applicant has included these amounts in its Appendix 2-AA.

2-SEC-25

[Ex. 2] For each year between 2011 and 2018, please provide the percentage of work (measured in percentage of capital expenditures) being undertaken by third-part contractors.

2-SEC-26

[Ex.4, p.6] Please provide a revised version of Figure 2, including additional columns for each year between 2011 and 2017 showing annual budgeted amounts. Please also provide the basis for the budgeted number.

3-SEC-27

[Ex.3, Appendix 2-H] Please explain the -\$799,973 for ‘Other Income and Deductions’ in 2016.

4-SEC-28

Ex.4, p.7] With respect to the 3rd party control room support:

- a. Please provide a copy of the “preliminary analysis” the Applicant undertook.
- b. Has a formal business case been undertaken? If so, please provide a copy.
- c. What is the basis for the 2018 test year budget of \$186,000? Please provide supporting documentation.

4-SEC-29

[Ex.4, p.12] Please explain what the Applicant means by “Regulatory Re-Alignment”. Please provide a breakdown of those incremental costs.

4-SEC-30

[Ex.4, p.12, p.21] Please provide a detailed breakdown of the ‘Outside Services/Cybersecurity’ costs in 2017 and 2018.

4-SEC-31

[Appendix 2M; Ex.4, p.16] Please confirm that the Applicant has included certain on-time regulatory costs related to this application in the 2017 OM&A and then is seeking to recover the same amount amortized over 5 years including 2018. If this is correct, please remove the one-time costs in 2017 from the various OM&A Appendices.

4-SEC-32

[Ex.4, p.22] The Applicant states: “EPLC is currently evaluating the cost structure of its Customer Service & Billing department to ensure optimization of cost and customer benefit.”

- a. Please provide further details of this evaluation and When does the Applicant expect this evaluation to be completed.
- b. Please provide preliminary findings and/or evaluations that the Applicant undertaken so far.

4-SEC-33

[Ex.4, p.30] With respect to affiliate allocations, please explain the decrease in 2016 and 2017.

4-SEC-34

[Ex.4, p.30] Please explain the significant increase in 2016 (10.53%) and 2017 (5.73%) in total management salaries and wages per employee.

4-SEC-35

[Ex.4, p.30] The Applicant states: “Since the labour dispute in 2011, EPLC has been able to effectively re-structure its staffing requirements for both management and non-management positions to operate more efficiently.” Please provide details regarding the labour dispute and explain what the Applicant means by it has re-structured its staffing requirements to operate more efficiently.

4-SEC-36

[Ex.4, p.39] Please provide a copy of any shared service agreements between the Applicant and its affiliates.

4-SEC-37

[Ex.4, p.46] Please revise Figure 28 to include 2017 actual information.

5-SEC-38

[Ex.5, Attach 5-C, p.2] The Applicant has a debt instrument from TD Bank that has a principle of \$2,784,658 at a rate of 5.03% and will be due in November 2018. What are the Applicant's plans with respect to replacing that debt instrument in November 2018, and what is the forecast interest rate for that replacement?

5-SEC-39

[EB-2014-0072 Decision and Order, June 9 2015, p.15-16] In its EB-2014-0072 Decision and Order, the Board sated:

The OEB is very concerned with the apparent risks assumed by Essex Powerlines in structuring its debt arrangements and the subsequent, thin margin of risk it can absorb. Even normal business risks associated with changes in weather and customer demand could represent a high risk to Essex Powerlines and expose it to risk of default.

.....

As a result, consistent with the OEB's statutory objective, the OEB recommends that at its next cost of service application, Essex Powerlines file sufficient information to enable the OEB to fully review the inherent risks of its financing arrangements.

- a. Please provide such evidence to address the concerns of intervenors and the Board in the EB-2014-0072 proceeding.
- b. What is the largest annual loss (in dollars and return on equity) that the Applicant can handle without it being in a risk of default under any of its debt agreements? Please include citations to specific provisions of its debt instruments.

5-SEC-40

[Ex.5, Attach 5-C] Please provide a copies of the Applicant's current debt instruments not already included in the application.

7-SEC-41

[Ex.7, p.9-10] Please explain in detail how it determined the service and billing & collecting weighting factors.

9-SEC-42

[Ex.9, p.5; EB-2014-0072 Decision and Order, June 9 2015, p.13] With respect to the Applicant's deferral and variance accounts:

- a. Please provide a copy of the audit ordered by Board in its EB-2014-0072 Decision and Order.
- b. Please provide details regarding the implementation of any recommendations made in the audit.

Respectfully submitted on behalf of the School Energy Coalition this February 9th, 2018.

Original signed by

Mark Rubenstein
Counsel for the School Energy
Coalition