ECONALYSIS CONSULTING SERVICES

34 KING STREET EAST, SUITE 630, TORONTO, ONTARIO M5C 2X8

www.econalysis.ca

Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

June 4, 2018

Dear Ms. Walli:

Re: EB-2018-0082 – Erie Thames Powerlines and West Coast Huron Energy MAAD Application
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

In response to Procedural Order No. 1 please find enclosed the interrogatories of VECC with respect to the above Application.

Yours truly,

Bill Harper

Consultant for VECC

Mr. Chris White
Mr. Larry McCabe
Intervenors to the Proceeding

REQUESTOR NAME	**VECC**
TO:	**Erie Thames Powerlines Corporation (ETPL)**
	West Coast Huron Energy Inc. (WCHE)
DATE:	**June 4, 2018**
CASE NO:	**EB-2018-0082**
APPLICATION NAME	**EPTL/WCHE MAAD Application**

VECC- 01

Reference: Exhibit B/Tab 2/Schedule 1, page 2 (last bullet)

a) Please provide listing of all the operating, maintenance and administrative services provided by EPTL, ERTH and its competitive affiliates to WCHE in 2016 and the total value of the services provided in each of the three categories.
b) Please provide a listing of the capitalized items provided by EPTL, ERTH and its competitive affiliates to WCHE in 2016 and the total value of the items provided.

VECC-02

Reference: Exhibit B/Tab 2/Schedule 1, page 3
Exhibit B/Tab 3/Schedule 4, page 1

a) The customer counts set out in the above references do not reconcile with those in the OEB's 2016 Yearbook of Electricity Distributors. What is the basis for the customer counts set out in the Application?

VECC-03

Reference: Exhibit B/Tab 2/Schedule 1, page 5 (last paragraph)

a) What was the 2016 regulatory net income and resulting ROE for each of EPTL and WCHE?
b) If available, what was the 2017 regulatory net income and resulting ROE for each of EPTL and WCHE?

VECC-04

Reference: Exhibit B/Tab 2/Schedule 1, page 6 (second and fourth paragraphs)
Attachment 12

a) Please provide a schedule setting out the regulatory asset accounts currently approved by the Board for each of EPTL and WCHE.
b) The Application states that certain of the current rate riders for EPTL and WCHE "will be in place until the next rebasing". It is not evident from Attachment 12 which rate riders these are. Please identify.

VECC-05

Reference: Exhibit B/Tab 3/Schedule 3, page 1
Exhibit B/Tab 5/Schedule 5, page 3
Attachment 11, WCHE 2016 Financial Statements (Note 27)

a) With respect to WCHE, is the current office space in the same location as the operations centre?
b) With respect to WCHE, how are "call centre" services for addressing customer queries regarding billing, outages, etc. currently provided and where are they located?
c) With respect to WCHE, where is the control room/centre currently located?
d) With respect to EPTL, are the planned call centre, control room and office locations for after the consolidation (per Schedule 5) the same as those currently used by EPTL? If not, what changes are planned?

VECC-06

Reference: Exhibit B/Tab 3/Schedule 5, page 1
Exhibit B/Tab 3/Schedule 3, page 1
Exhibit B/Tab 5/Schedule 1, pages 2-3
Attachment 4

a) How many staff and vehicles are currently located in each of: i) WCHE's operations centre at 240 Huckins Street and ii) EPTL's northern regional service centre west of Mitchell?
b) The Application states that "ETPL intends to move ETPL's operations centre in Mitchell to Goderich" (Tab 5, Schedule 1, page 2). The Application also states that "staffing levels will not be changing" (Tab 5, Schedule 1, page 3). Does the current operations centre in Goderich have sufficient space to also accommodate the staff/vehicles from the Mitchell

centre? If not, what changes are required and are the associated costs provided for in the Transition costs shown in Figures 5 and 6.

c) Please provide a schedule setting out which of the existing three EPTL regional service centres typically currently service each of the 14 communities in ETPL's service area and indicate, for each, the associated distance and travel time (i.e., comparable to Attachment 4).
d) Tab 5, Schedule 1, page 2 claims that "the expected response times for customers in Mitchell will not change". Please explain how this is the case when the Application indicates that the current regional service centre west of Mitchell will eliminated.

VECC-07

Reference: Exhibit B/Tab 5/Schedule 1, page 1 (last paragraph)
Exhibit B/Tab 6/Schedule 1, page 2

a) With respect to Tab 6, Figure 9, please provide a schedule setting out the calculation of the "merged revenue requirement" for each of EPTL and WCHE. Please provide all supporting assumptions used in the calculations, in particular what customer count and load growth assumptions were used for each?
b) Please describe how, under the "status quo revenue requirement", the revenue requirements for each of EPTL and WCHE were determined for their respective rebasing years (i.e., 2023 and 2019). Please provide all supporting assumptions used in the calculations.
c) Please indicate how, under the "status quo revenue requirement", the revenue requirements for each of EPTL and WCHE were determined for the years following their respective rebasing years (i.e., 2023 and 2019). Please provide all supporting assumptions used in the calculations.
d) Given the nine-year rebasing deferral what will be the rebasing year for the merged utility?

VECC-08

Reference: Exhibit B/Tab 5/Schedule 1, page 2 (Customer Value Creation)

a) Please provide examples as to where/how the merger will “improve productivity through better utilization of existing assets”.
b) Do the services currently provided to WCHE by EPTL include any asset management-related services? If so, what are these services?
c) Please explain why the same “best practices in asset management” could not be leveraged individually by both EPTL and WCHE if the merger did not occur.
d) Please provide a schedule that compares:
    i. The CDM achievements for each of WCHE and ETPL for the period 2011-2014 versus their assigned targets.
    ii. The CDM achievements for each of WCHE and ETPL for the period 2015-2016 (or 2017 if available) versus their assigned targets.
e) What was the annual level of LEAP funding available in 2016 and 2017 for each of WCHE and ETPL?
f) Were either WCHE’s or ETPL’s LEAP funds fully utilized in either 2016 or 2017 such that funds were not available to assist potentially eligible customers? If yes, please indicate for which years and when (during the year) funds were depleted.

VECC-09

Reference: Exhibit B/Tab 5/Schedule 1, page 2 (last paragraph)
Exhibit B/Tab 5/Schedule 1, page 4 (first paragraph)

a) Will the merged EPTL be in a better position to maintain/improve service levels “through the implementation of new technologies and adoption of best work practices” than its two predecessor utilities, if the merger did not proceed? If so, why?

VECC-10

Reference: Exhibit B/Tab 5/Schedule 1, page 3

a) With respect to the first paragraph, it is readily understandable why, with the merged utility, harmonization of engineering standards is necessary to allow for efficient and effective inventory management and provision of spare equipment. However, please explain why such harmonization will lead to more efficient and effective inventory management and higher reliability than if the merger had not proceeded and each of the predecessor companies individually adopts “best engineering standards”.

b) With respect to the second paragraph, please indicate:
   i. Specifically what the “greater resources” being referred to are and
   ii. In what ways these greater resources of the “larger utility” will allow it to expand its ability to monitor, report on and improve system reliability over what each of the individual utilities could be expected to achieve.

c) With respect to the third paragraph, are there currently major differences between the policies and practices for system expansion between ETPL and WCHE?

d) With respect to the third paragraph, given the non-contiguous nature of the merged utility’s service area, please explain how standardization of policies and practices for expansion of the distribution system will facilitate economic growth.

VECC-11

Reference: Exhibit B/Tab 5/Schedule 1, pages 3-4

a) With respect to Figure 4, if available, please provide the 2017 values and updated five-year average.

b) With respect to Figure 4, the 2013 results for WCHE are significantly different than those for the other years. Please explain why and, if the difference is due to “extreme events”, please restate the 2013 values excluding the impact of these events.

c) With respect to Figure 4 and the response to part (a), please provide the contribution to the 2012-2016 (and 2017 if available) reliability metrics for ETPL and WCHE for the following cause codes:
   i. Scheduled Outages
   ii. Tree Contacts
   iii. Defective Equipment

VECC-12

Reference: Exhibit B/Tab 5/Schedule 1, page 4
Exhibit B/Tab 5/Schedule 5, page 5

a) Please provide a table similar to Figure 4 but that contrasts the performance of the two utilities with respect to the Service Quality metrics as reported in accordance with the Electricity RRR, Section 2.1.4.1.

b) At Schedule 5/page 5 the Application outlines ETPL’s objectives and plans for the merged utility with respect to customer service stating that “adopting best practices and finding efficiencies while maintaining or improving customer service will be a key priority”.

a. Do the customer service principles and objective for the merged EPTL differ from the current customer service principles and objectives of each of the two utilities? If yes, how?
b. In what specific ways will be merged utility be better able to implement measures that will meet these principles and objectives?

VECC-13

Reference: Exhibit B/Tab 5/Schedule 1, page 3 (fourth paragraph)
Exhibit B/Tab 5/Schedule 2, page 1 (Figure 5)
Exhibit B/Tab 6/Schedule 1, page 1 (Figure 8 and fourth paragraph)

a) With respect to Figure 5, please provide the actual 2016 and 2017 OM&A values for ETPL and WCHE.
b) Please explain the basis for the forecast status quo OM&A costs for each of ETPL and WCHE for the years 2018-2028 as set out in Figure 5 (i.e., how were they determined?).
c) Please explain why the OM&A cost savings shown in Figure 5 for the years 2018-2028 don’t equal the Gross Synergies-Operating as set out in Figure 8 for the same years. Please provide revised figures if required.
d) What portion of the assumed operational (OM&A) savings in each year 2018-2028 is due to lower staff levels (per Tab 6/Schedule 1, page 1)?
e) What is the associated reduction in EFTs for each year?
f) In what functional areas will this reduction occur – given that (per Tab 5, Schedule 1, page 3) there will be no reductions in Operations staff?
g) What are the other sources of OM&A savings shown in each year 2018-2028?
h) With respect to Figure 8, what is the reason for the material increase in operating savings in 2024 and subsequent years?

VECC-14

Reference: Exhibit B/Tab 5/Schedule 2, page 2 (Figure 6)
Exhibit B/Tab 6/Schedule 1, page 1 (Figure 8)

a) With respect to Figure 8, please provide the basis for the forecast status quo capital spend for each of ETPL and WCHE for the years 2018 to 2028.
b) With respect to Figure 8, please provide a breakdown of the capital savings

in each year 2018-2028 to the capital savings from: i) the avoided WCHE financial system conversion, ii) avoidance of the new service centre in Mitchell, iii) consolidation of fleet and redundancy of vehicles, iv) IT infrastructure savings, and v) other.

c) Please describe why, absent the merger, the WCHE financial system conversion is required, when it would occur, what it would cost and how it is avoided as a result of the merger.
d) Was the need for a new Mitchell service center identified in the Distribution System plan filed with ETPL's 2018 COS application (EB-2017-0038)? If yes, please provide the relevant reference(s).
e) If the need for/business case for the new Mitchell service center was not identified in the EB-2017-0038 Application, please indicate why not and outline why/when the new centre would be required.
f) Please indicate why there are redundant vehicles as a result of the merger if, as noted per Tab 5, Schedule 1, page 3, there will be no reductions in Operations staff.

VECC-15

Reference: Exhibit B/Tab 5/Schedule 3, page 1 (Figure 7)
Exhibit B/Tab 6/Schedule 1, pages 3 and 5

a) If available, please update Figure 7 for 2017 actual results.
b) With respect to Tab 6/Schedule 1/page 5, please clarify whether the 7.4% or $753,000 per year referenced annual savings following the rebasing deferral period refers to: i) overall distribution cost savings – including capital related costs (per page 4) or ii) OM&A savings.
c) Please confirm that with the expected annual reduction in the merged utility's OM&A per customer (after the rebasing period) of 7.4% (per Tab 6/Schedule 1/page 3) the current merged utility's current OM&A per customer of $351.63 (per Figure 7) would decline to $325.61 which would still be more than the current OM&A cost per customer for ETPL ($322.22 - per Figure 7).
d) If the proposition in part (c) is not confirmed please explain why.
e) If different from the comparison outlined in part (c), please provide the Applicants' assessment of the how the OM&A cost per customer after the rebasing period for the merged utility compares with that for EPTL assuming no merger took place.

VECC-16

Reference: Exhibit B/Tab 6/Schedule 1, page 2
Exhibit B/Tab 5/Schedule 1, page 1
OEB Handbook to Electricity Distributor and Transmitter Consolidations, pages 6-7

a) For the period shown in Figure 9, are the merged utility revenue requirements for 2019 and beyond based on annual IRM adjustments to the previous year's rates as opposed to being "cost-based"?
b) Given the Board's stated interest in the impact of a proposed transaction on underlying cost structures and the Application's claim that "ratepayers are also expected to experience greater savings in comparison to the status quo from the time of the first anticipated rebasing" (per Tab 5/Schedule 1, page 1), please extend Figure 9 to include the rebasing year for the merged utility. Please provide all supporting assumptions used in the calculations, in particular what customer count and load growth assumptions were used for each.
c) Will there be benefits from the merger accruing to the current customers of EPTL after the rebasing period in terms of a lower cost structure? If so, please demonstrate how such benefits will arise from the costs and savings presented in the Application.

End of document