

Ontario Energy Board

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

AND IN THE MATTER OF Greater Sudbury Hydro Inc.
Application for electricity distribution rates beginning May 1, 2020.

**Interrogatories
Energy Probe Research Foundation**

February 10, 2020

Greater Sudbury Hydro Inc 2020 Rebasing

Energy Probe Interrogatories

EP-1

Reference: Exhibit 1, Tab 2, Schedule 1, Page 6

Preamble: “While GSHi remains focused on offering consistent value to its customers, the need for significant system renewal to preserve reliability of service, phased-in over a five-year period, along with the additional cost drivers cited in this Application, will lead to an increase to customer bills.”

- a) What has been the average residential distribution bill increase under the 2013-2018 IRM Plan?
- b) What was the Revenue Requirement Growth rate from 2013-2019 and what is the rate 2019-2020?
- c) What has been GSHi’s return on equity for each year of the IRM period? Please update Figure 6, Page 34, to include 2018 and 2019 data.
- d) Why is GSHi proposing a 6.9% increase in Residential Distribution Bills and a Total Bill increase of 23.7% in 2020? Explain why this is reasonable and discuss if were this level of increase was put to residential customers?
- e) Please provide a copy of the Resolution of the Board of Directors approving the increase.
- f) Why did GSHi not advance key System Renewal capital projects using allowed ICM/ACM during the last IRM period?
- g) What specific attempts has GSHi made to mitigate these rate increases, such as smoothing or phasing System Renewal capital or deferring other Capital Costs? Please discuss in detail.

EP-2

Reference: Exhibit 1, Tab 2, Schedule 1, Attachment 1, Business Plan, 5.1 Governance, Page 39

Please provide the following:

- i. Shareholder Declaration
- ii. Current Board of Directors and Terms
- iii. If the CEO a voting member or ex-officio
- iv. List of Directors that are Shareholder-Appointed and which are independent Directors
- v. List of BOD Vacancies
- vi. Quorum(s) and rules for voting
- vii. The recorded vote on the Resolution for the 2020 rate increase
- viii. Remuneration for Directors.

EP-3

Reference: Exhibit 1, Tab 2, Schedule 1, Attachment 1, Business Plan, Appendix 1, Customer Satisfaction Survey, Page 7, Q4

Preamble: There has been a continuing decrease in the percentage of customers that are dissatisfied with the cost of electricity in relation to other services

Please confirm whether this assertion is correct by comparing 2013 (last COS year) and 2018.

EP-4

Reference: Exhibit 1, Tab 2, Schedule 1, Attachment 1, Business Plan, Appendix 1, Customer Satisfaction Survey, Page 10, Rating Performance and Page 11, Q7

Preamble: “The highest rated performance indicator remains the one related to the reliability of the power supply at 82%, although this number dropped over 2017 by -7%. Next best scored was the area of promptly responding to outages at 80% – which also fell in relation to 2017 by -6%.”

- a) Does GSHi agree/disagree that customers are discerning a drop in reliability? Please discuss.
- b) How does this customer response inform the DSP for 2020-2024? Please be specific regarding the measures, investments and maintenance that will improve both frequency and duration of outages (for example dealing with X worst performing feeders) and provide references to components of the DSP.
- c) Compare the specific Targets for SAIDI, SAIDI5, SAIFI and SAIFI5 for 2024 with the historic 5-year averages.
- d) Were customers told
 - i. that outages had increased over the past 5 years, and
 - ii. that in 2020 distribution rates were going to increase by 7% ?
- e) Does GSHi agree/disagree that the balance between the level of outages and higher rates would more correspond to #4 high rates few(er) outages not #3?

EP-5

Reference: Exhibit 1, Tab 2, Schedule 1, Attachment 1, Business Plan, Appendix 1 Customer Satisfaction Survey, Page 22, Q14 and Page 41, Q34

- a) Does GSHi agree/disagree that residential customers indicated lower rates as being most important? Please Discuss how this relates to the proposed 2020 rate increase.
- b) Does GSHi agree/disagree that Business customers indicate lower rates as being most important? Please Discuss how this relates to the proposed 2020 rate increase.

EP-6

Reference: Exhibit 1, Tab 2, Schedule 1, Business Plan, Appendix 1, Attachment 2

- a) Please clarify when GSHi knew about the 2020 rate increase and proposed System Renewal capital program?
- b) Please clarify if the material in Attachment 2 was put to customers and if the results are/ or are not the survey results in Attachment 1.
- c) If the survey did use Schedule 2, material please explain how this reconciles with the responses in Attachment 1 regarding lower or no rate increases? Please explain this disconnect.
- d) Is GSHI indicating to the OEB that residential customers are comfortable with a 2020 increase of 6.9% in rates? If so, please point to the appropriate survey responses that support this.

EP-7

Reference: Exhibit 1, Tab 2, Schedule 1, Attachment 1, Business Plan, Appendix 2, OEB Regulatory Scorecard

Please provide either an updated/revised Scorecard or a Table with the Operational Effectiveness measures for 2019 (Estimate) and 2020-2024 Forecast.

EP-8

Reference: Exhibit 2, Tab 1, Schedule 2, Table 9, and Pages 19 and 20

Preamble: “In 2018, much of the variance (in distribution plant) occurred as a result of:

b) Substation Renewal: Municipal substation Kathleen MS2 was renewed at a cost of \$3,324,676.”

- a) Please confirm that the 2018 Distribution Plant capital investments were part of normal System Renewal capital.
- b) Please explain why these projects were not considered “above normal capital”, particularly Kathleen MS2 and an ICM/ACM was not requested.

EP-9

Reference: Exhibit 2, Tab 1, Schedule 2, Table 11, and Page 26

Preamble: “In 2020, much of the variance (in distribution plant) occurred as a result of:

b) Substation Renewal: Gemmell MS11 is budgeted to be renewed at an estimated cost of \$2,333,837. Along with this project, several supportive System Service related feeder investments are planned to occur.”

- a) Please confirm that the 2020 Distribution Plant capital investments are part of normal System Renewal capital.
- b) Please explain why these projects were not considered “above normal capital”, particularly Gemmell MS11 and an ACM is not requested.

EP-10

Reference: Exhibit 2, Rate Base, Tab 2, Schedule 1, Attachment 1, DSP Table 11 and Page 71

Preamble: LOS appears to be major contributor to System Reliability.

- a) Please break down the LOS Cause code data into host transmitter/distributor (external cause) and Scheduled Outages (internal cause).
- b) Please list the host transmitter/distributor Connection points and peak capacity of each.
- c) Clarify if the supply is from Hydro One Transmission or Hydro One Distribution.
- d) Who owns the transformers at the Connection Points?
- e) What discussions have been held with Hydro One to improve reliability of the Connection points and what is the action plan?
- f) What is the plan and what are the targets to reduce Scheduled Outages?

EP-11

Reference: Exhibit 2, Rate Base, Tab 2, Schedule 1, Attachment 1, DSP, Table 11, and Page 71

Preamble: “GSHi has had some success in recent years to reduce the number of confirmed “Tree Contact”-related outages through the implementation of four-year vegetation management cycles throughout the service territory.”

- a) Please confirm the statement relative the cause code data in Table 11, or provide additional data to confirm the effect of a four-year vegetation management cycle.
- b) Why is a four-year cycle optimum? Does this include both brush and tree trimming? Please clarify.
- c) Please provide the annual and total costs O&M and capital for the historic 5 years.

- d) What comments does Kinectrics have on GSHi's vegetation management cycle and program?

EP-12

Reference: Exhibit 2, Rate Base, Tab 2, Schedule 1, Attachment 1, DSP, Table 15, and Figure 35

- a) Please Provide the 2019 Estimate and 2020 Forecast values for each metric.
- b) Please provide the Capital Spend for 2019 Estimate and 2020 Forecast and update Figure 35

EP-13

Reference: Exhibit 2, Rate Base, Tab 2, Schedule 1, Attachment 1, DSP, Table 27 and 31

- a) Please provide the complete list of the worst feeders.
- b) Please indicate on the worst performing feeder list, which are to be replaced under the 2020 capital plan and indicate if the replacement includes voltage conversion and/or transformer upgrade.
- c) What is the annual and Total Capital Cost? Indicate if this is System Renewal or another category?
- d) What is the predicted improvement in outage frequency in 2024?

EP-14

Reference: Exhibit 2, Rate Base, Tab 2, Schedule 1, Attachment 1, DSP, Table 45, Page 130 & Kinectrics Report, Table3-2.

- a) Indicate which Table corresponds to the 2020-2024 Capital Investment Plan
- b) Please provide a version of Table 45 corresponding to the proposed Capital Plan with data for
 - i. Inventory #units,
 - ii. Units replaced per year,
 - iii. Replacement Percentage of population,
 - iv. Average Units/year,
 - v. Number of units replaced 2020-2024, and
 - vi. Total Capital cost 2020-2024.

EP-15

Reference: Exhibit 2, Tab 2, Schedule 2, DSP, Page 190, Figure 66

- a) Please provide a version of Figure 66 Capital Expenditures by Investment Category (Percentage) 2013-2024, showing for System Renewal Plan and Actual capital expenditures lines.
- b) Please discuss the reasons for the jagged line showing material deviations, including the 2018 deviation of \$833,000.
- c) Why cannot GSHi bring Plan and Actual annual capital expenditures closer?
- d) Please explain the rationale for the DSP projection that System Service capital expenditures will drop to almost zero in 2024.

EP-16

Reference: Exhibit 2, Tab 2, Schedule 2, DSP, Appendix B, Kinectrics Report, Table 16, Fleet Replacement Capital Plan

Please provide the following:

- i. Estimates for the cost of each replacement vehicle in Table 16,
- ii. Estimates for other routine replacements in 2020-2024 (Other),
- iii. Vehicle maintenance Budgets for each year and how much is capitalized, and
- iv. Total Fleet Capital and Total Maintenance costs for 2020-2024 and compare it to the Fleet Replacement Capital and Maintenance Costs for 2013-2018.

EP-17

References: Exhibit 2, Tab 2, Schedule 2, Table 62; Exhibit 2, Tab 2, Schedule 6, Table 1, ACM Projects, and Page 2, List of ACM projects

Preamble: “GSHi is requesting ACM approval for four discrete capital projects that are expected to come into service during the 2021-2024 Price Cap IR term. GSHi has populated the OEB’s Capital Module ACM Module, and the live Excel model accompanies this Application. Table 1 below, which is an excerpt from Sheet 9A of the ACM model, shows that the projects meet the threshold criteria for ACM treatment”.

- a) Please provide a list and capital expenditures for all historic System Renewal projects (2013-2019) that exceeded the materiality threshold.
- b) Why have System Renewal capital expenditures decreased from \$ 7.5 million in 2018 to \$5.7 million in 2020 and will then increase to \$9 million in 2021?
- c) Does GSHi have a plan to smooth the impacts of such large swings in System Renewal capital expenditures on rates?
- d) What is the general GSHi Materiality Threshold for Capital Projects?

- e) Please provide for 2020-2024 a list and capex for all projects (including the ICM/ACM projects that individually exceed the Materiality Threshold.
- f) Please discuss the criteria GSHi used for selecting the four proposed ICM/ACM projects, including why not other projects, or a smaller or larger number of projects. of the same or similar capital cost.

EP-18

References: Exhibit 2, Tab 3, Schedule 1, Table 15; Exhibit 1, Tab 5, Schedule 9, Table 1

Preamble: The second reference shows a 23.7% increase for 2020, the first shows a one year \$2.8 Million increase in Residential Revenue (\$16,613,711-13,884,976) or 19.65%.

- a) Please reconcile these two referenced Tables.
- b) Does GSHi agree that the proposed increase for the Residential Class is not appropriate or tenable?
- c) Specifically discuss what is the utility proposing to deal with this? In the explanation please expand on the statement at Page 1, Lines 19-23 of the first referenced Exhibit.

OM&A

EP-19

Reference: Exhibit 4, Tab 2, Schedule 1

Preamble: “Costs Allocated from Affiliates: This fluctuation of cost represents increased costs allocated from Greater Sudbury Hydro Plus (“GSHP”) to GSHi. GSHP has added 12 positions and eliminated 2. Burden costs related to OPEBs for GSHP FTEs allocated to GSHi also impact this fluctuation, which is discussed in detail in Exhibit 4, Tab 2, Schedule 1.”

- a) Please reconcile Table 2, Page 3 to OEB Appendix 2D.
- b) For the Increased costs allocated from GSHP please provide a breakdown by Staff/positions:
 - i. Compensation for positions directly allocated to GSHi distribution operations, and
 - ii. Compensation for GSHP staff/positions indirectly allocated to GSHi.
- c) Please list Other allocated Costs (detail).
- d) Please Reconcile the above costs to the 2020 Affiliate cost allocations from GSHP to GSHi.

EP-20

References: Exhibit 4, Tab 2, Schedule 1, Page 8

Preamble: “As BPI/SI was winding down, GSHi began to focus on industry-specific organizational development with the assistance of Siemens. The result of this partnership was the Siemens Compass Study.”

- a) What was the cost of each of BPI/SI and Siemens Compass Study?
- b) Please provide a copy of the Siemens Compass Study.
- c) Please provide a list of productivity gains and estimated OM&A cost reductions resulting from the BP/SI and Siemens Compass Study.
- d) Please reconcile this to the actual compound OM&A growth rate from 2013 to 2018 and specifically whether/how the growth rate was reduced due to the above initiatives.

EP-21

Reference: Exhibit 4, Tab 2, Schedule 1, Page 18, Monthly Billing

Please provide a profile of GSHi billing for 2013 and 2020 including

- i. Number of e-bills
- ii. Number of paper bills
- iii. Number of Joint Bills for both water and electricity, and
- iv. Cost per bill.

EP-22

Reference: Exhibit 4, Tab 2, Schedule 1, Table 1, and Appendix 2-K

- a) Please confirm the Total compensation in Table 1 and Appendix 2-K relates to all *directly assigned positions* and indirect compensation costs from GSHP are designated Affiliate Transactions.
- b) Please provide a version of Appendix 2K in Excel format showing year to year and Total changes 2013-2020 for all Staffing and Compensation Cost categories.

EP-23

Reference: Exhibit 4, Tab 4, Schedule 2, Page 14, Table 1, Overtime

- a) Please updated Table 1 to show the 2019 actual and 2020 Overtime projection.
- b) Please provide the Actual Overtime costs corresponding to the hours listed for 2013-2019.

- c) Please provide the average hourly rate for Union staff and the average cost/hr of overtime.
- d) What is the Split between hours at 1.5x and hours at 2x?

EP-24

References: Exhibit 4, Tab 5, Schedule 1, Tables 1-9, and Attachment 2, BDR Report

Preamble: The BDR Report contains no data on costs for the Affiliate Transactions reviewed.

- a) Please provide a Copy of Figure 1 (page 10) -Corporate Organization Chart with labels corresponding to the designations/abbreviations used in the BDR Report.
- b) Please file the Service Schedules provided to BDR.
- c) Please provide a version of Table ES2 with each of the affiliates and transaction costs shown, using data provided to BDR.
- d) Please provide a cost breakdown of the following Corporate Services for 2020:
 - i. Executive and Board of Directors
 - ii. Communications
 - iii. Insurance and risk management
 - iv. General financial services and regulatory services
 - v. Procurement, inventory and stores services
 - vi. Human resources
 - vii. Information technology and telephone services.
- e) Please provide a copy of the BDR Working Papers related to Corporate Services, Street lighting Services and the three Buildings, including Total Costs, Allocation factor and basis, Specific allocations to each affiliate.

EP-25

Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2, BDR Report, Table 4.1

Preamble: “These components have been allocated based on the number of bills, the number of telephone calls, number of printed characters on the shared bill, or a combination of factors as Applicable.”

- a) Please confirm the allocations shown are the 2012 allocations.
- b) If each allocation has been reviewed in the current study, why are the allocations not designated as 2019/20 allocations? If the allocations have not been reviewed in detail, please provide the reasons.
- c) Please clarify the following:

- i. Postage allocator- why not equal to number of bills
- ii. How Training is related to call volumes
- iii. Software support OEB order in 2013 COS decision. Why is this relevant in 2020?

EP-26

Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2, BDR Report Page 25 - 500 Regent Street

- a) Please provide the Building Market Rate Information from 2012.
- b) Please update the square footage and the updated costs and allocations for 2020.

EP-27

Reference: Exhibit 4, Tab 5, Schedule 1, Attachment 2, BDR Report, Page 25 – Street lighting

- a) Please provide a breakdown of the 2012 Street lighting costs and the number of hours billed to the Plus Company for the SL services.
- b) Please provide the same breakdown for the 2020 forecast.
- c) Who is responsible for Capital costs related to Street lighting—standards, luminaires, etc.?
- d) How much capital was billed in each of the above years?
- e) Please provide a copy of the Fully Allocated service rate calculations for 2013 and 2020 forecast.

EP-28

Reference: Exhibit 4, Tab 6, Schedule 3, Attachment 1, OEB Appendix 2-M
Please provide more detail regarding 2020 One Time costs, specifically Expert Witness costs, Consultants Costs and Intervenor costs compared to 2013 Rebasing.

EP-29

Reference: Exhibit 5 Tab 1 Schedule 1 Attachment 2 OEB Appendix 2-OB 2020 Debt Instruments, Rows 4 and 5

- a) Please provide the basis and details of the additional \$497,462 from TD Equipment Financing Canada Inc related to 500 Regent Street.
- b) Specifically indicate the reason why GSHi, rather than GSHP is servicing debt related to upgrades to the infrastructure of the 500 Regent Street property when GSHi is a tenant (as opposed to normal freehold improvements).

- c) Please provide the basis and details for the additional \$3,250,000 in Affiliated Debt.
- d) Please provide an update and details of the Third Party \$3,000,000 in additional debt.
- e) Provide the Debt to Equity Ratio for each of 2013 and 2020 forecast.

EP-30

Reference: Exhibit 7, Tab 1 Schedule 1, Tables 1 and 5

Preamble: GSHi is proposing to rebalance Residential and Sentinel classes upwards as they are the only other classes below 100%. GSHi notes that applying the revenue change to classes above 100% would result in them moving further away from 100%.

- a) Please confirm that the 2020 residential R/C ratio based on the CA model is 93.07 and the GSHi 2020 proposed R/C ratio is 93.72 after revenue is reallocated.
- b) What are the total and distribution residential bill impacts with/without the increase in the R/C ratio?
- c) Please discuss why GSHi is not delaying the change in R/C ratio to mitigate rate impacts?

EP-31

Reference: Exhibit 7, Tab 1, Schedule 1, Table 6

Preamble: “GSHi is proposing to rebalance Residential and Sentinel classes upwards as they are the only other classes below 100%. GSHi notes that applying the revenue change to classes above 100% would result in them moving further away from 100%. Table 6 below provides GSHi’s proposed rebalancing over three years.”

- a) Assuming annual 2021-2024 Revenue Requirement increases based on the OEB inflator, please provide for the Residential Class the annual and 5-year bill impacts (distribution and total) for 2020-2024 using
 - i. Status quo R/C ratios and
 - ii. Proposed R/C ratios.
- b) Discuss why rate mitigation is/is not appropriate.

Respectfully submitted on behalf of Energy Probe by its consultants:

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SPA Inc.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.