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September 29, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON
M4P 1E4

Dear Ms. Long,

**RE: EB-2020-0048 Oshawa PUCN 2021 Rates Application
Interrogatories of Energy Probe**

Attached are the interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2020-0048 proceeding, the application by Oshawa PUC Networks Inc. to the Ontario Energy Board for the approval of its 2021 rates.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.
Consultant representing Energy Probe

cc. Margaret Boland (Oshawa PUC Networks Inc.)
John Vellone (Borden Ladner Gervais LLP)
Patricia Adams (Energy Probe Research Foundation)
Roger Higgin (Sustainable Planning Associates Inc.)

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ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, being Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Oshawa PUC Networks Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other charges for the distribution of electricity effective January 1, 2021.

Oshawa PUC Networks Inc. 2021 Rates

Energy Probe Research Foundation Interrogatories

September 29, 2020

Oshawa PUC Networks 2021 Rates

Energy Probe Research Foundation Interrogatories

1-EP-1

References: Exhibit 1, Pages 14 and 75, Tables *1-5 and 1-34: Summary of Performance Measures and Targets*

- a) Please populate Tables 1-5/1-34 with the remaining targets for 2021, e.g. System Reliability.
- b) Please provide a narrower liquidity ratio target based on prior years.

1-EP-2

Reference: Exhibit 1, Page *Table 1-35 Customer Focus Historical Results*

- a) Please confirm the data are without MEDs and LOS.
- b) Provide the average SAIDI and SAIFI without MEDS and LOS.
- c) Provide the 2020 estimates and 2021 Targets.

1-EP-3

References: Exhibit 1, Pages 21 and 24; Exhibit 4, Page 9, Proposed Unit-based Performance measures

- a) Please add columns and populate to show most recent 5 year metrics.
- b) Please add column to show 2021 Targets.
- c) Please provide a comparison with the top utilities using the OEB Yearbook data.

1-EP-4

Reference: Exhibit 1, Financial Statements, Page 25, Related Party Transactions

Preamble: “The Corporation leases its premises under a net operating lease with the Corporation of the City of Oshawa. The Corporation entered into a new lease in 2017, which expires May 31, 2021. The Corporation has a contractual agreement to lease office equipment over a period of 74 months. The lease begins June 1, 2017 and expires July 31, 2023.”

- a) Please indicate where the lease payments are indicated in 2021 operating expenses e.g. intercorporate shared services. Please provide references.
- b) Please provide the 2021 amounts for each category -buildings, IT and Office Equipment.
- c) Please provide evidence that the leases are at market rates,

1-EP-5

Reference: Exhibit 1, Financial Statements - Changes in Shareholders Equity

- a) Please confirm the Dividends paid 2015-2019.
- b) Please provide a copy of the Oshawa PUC Dividend Policy.

1-EP-6

References: Exhibit 1 Page 46; Exhibit 2, DSP, Pages 29-31, page 62, System Reliability

- a) Please provide the System Reliability metrics SAIDI, SAIFI, MAIFI 2015-2019 (without MEDs and LOS).
- b) Please provide the 5-year averages for SAIDI, SAIFI and MAIFI.
- c) Please provide OPUCN Rank among distributors for SAIDI and SAIFI.
- d) Please provide the Cause Codes (averages 2015-2019).
- e) In regard to cause codes, please compare the OPCUN 55% scheduled outage to other Ontario Utilities.
- f) Specifically provide the annual and average outages and hours of interruption due to scheduled work and defective equipment.
- g) Please provide the SAIDI SAIFI and MAIFI targets for 2021.
- h) Please provide the Defective Equipment Target for 2021.

1-EP-7

References: Exhibit 1, Appendix 1.2, Customer Engagement; Exhibit 2, DSP Page 14, Customer Self-Serve Online Portal (Green Button Dashboard)

Preamble: “OPUCN will implement an enhanced self-service tool that will allow customers the ability to log into a secure portal to view balances, due dates, bills as well as smart meter activity and predicted bill statistics.”

- a) Please confirm that only 30% of customers supported self-service options.
- b) Please provide the annual budgets (capital and operating) for the Green Button Dashboard.
- c) Please confirm these are a General Plant Cost.
- d) How much has been spent to date?

2-EP-8

Reference: Exhibit 2, DSP Page 20, Appendix 5-A Performance Metrics

- a) Please provide a more detailed explanation of why in 2019, Total Cost /customer, Capex /customer and per km of line are much higher than the historic 5-year average.
- b) Please show the rank of OPUCN for 2019 among Ontario Utilities, using OEB Yearbook data, including the average metrics of the top 10 utilities.
- c) Please indicate how this poor performance has been reflected in the 2019 performance scores for executives and management by showing the average % performance incentive for 2015-2018 compared to 2019.
- d) Please provide the 2021 Targets for these metrics.

2-EP-9

Reference: Exhibit 2, Page 40, Table 2-22

Preamble: The 2020 CAPEX is forecast as \$6.5 million-60% lower than plan and is to ramp up to \$14.5 million in 2021.

- a) Please confirm and provide a breakdown of additional 2019 System Access spending attributable to the construction of MS9, Hydro One contribution to build Enfield TS, and the required feeder expansion projects.

- b) Please provide the expected/updated 2020 total In-Service additions.
- c) Please provide detailed reasons for the 2020 60% shortfall linked to each category of investment.
- d) Please provide more details on how is OPUCN going to ramp up (more than double) its Capex in 2021. (list projects and indicate if deferred from 2020).

2-EP-10

References: Exhibit 2, DSP, Table 2-22, Figure 22, and Page 79

Preamble: In the System Renewal Investment Category forecast net expenditure is expected to increase by 51% from historical net actual expenditure to support the renewal of assets that are at or near, or at the end of Typical Useful Life as per the ACA (Asset Condition Assessment)’’.

- a) Please confirm the budget for System Renewal was \$4.5m-\$5m under the prior IRM Plan.
- b) Please explain in detail what has changed to necessitate a 51% increase in SR expenditures starting in 2021.

2-EP-11

References: Exhibit 2, DSP, Table 2-22

Preamble: General Plant capital expenditures are significantly higher in 2020/2021.

- a) Please provide the average annual General Plant investment for 2015-2019.
- b) Please compute the percentage increases relative to the 2015-2019 average for 2020 and 2021.
- c) Please provide more detail on the drivers for the 2020/21 GP increases.

2-EP-12

Reference: Exhibit 2 – DSP, Appendix A, Page 2, Table and Figure 1

- a) Please provide a copy of the table which shows for each year, the percentage contributions for third party relocations.
- b) Please list the primary partners for each year.

- c) Please explain why the 2021 budget is significantly higher (i.e. more than double) than the annual budgets for the rest of years (2022-2025).

2-EP-13

References: Exhibit 2, DSP, Appendix B, Table 0-1: Asset Condition Assessment overall results; Exhibit 2, DSP, Page 75

Preamble: METSCO states that “The majority of OPUCN’s system is in *Fair or better condition*, which suggests OPUCN’s past renewal investments were effective in maintaining the system health. However, there are some assets that can benefit from an increase in asset renewal to improve the age distribution and the condition of the asset class.”

OPCN States at second reference “Since a large part of OPUCN’s infrastructure assets have been determined to be in “*poor*” or “*very poor*” condition, prioritization of investments in the System Renewal category, required a comprehensive risk assessment approach, which is described in Section 5.3.3 in detail”.

- a) Please reconcile the above statements. Specifically, how does it affect the DSP?
- b) Please confirm that U/G cable, Cut-out Arrestors and Switchgear have high percentages in Poor condition.
- c) What steps is OPUCN taking to address the poor condition of these assets?
- d) Why are the concrete poles in poor condition? Has OPUCN inspected these and how many will be replaced under the 5-year DSP?
- e) The Building is assessed as only Fair condition. What are OPUCN plans in this regard?
- f) Please provide a table showing historic and planned frequency of testing assets please add explanatory notes.
- g) Please discuss how the testing has affected the 2020-2025 DSP? Please provide examples

2-EP-14

Reference: Exhibit 2, DSP, Appendix B, Section 5, Asset replacement plan

Preamble: The METSCO Report provides an asset replacement plan 2019-2025 for 13 asset categories.

- a) Please provide a Table with both

- the historic annual asset replacements during the 2015-2019 IRM plan, and
 - the forward-looking recommended asset replacement plan for 2019-2025.
- b) Please discuss the material changes historic vs future for each asset category.
- c) Please provide an annual capital cost estimate using unit cost estimates for the period 2015-2025.
- d) Compare the cost estimate to the historic and projected Capital Plans.

2-EP-15

References: Exhibit 2, DSP Page 77; Exhibit 2, DSP Appendix A Page 31, Figures 16 and 17

Preamble: “OPUCN will be investing in replacing end of life smart meters with improved technology smart meters. This will provide more reliable smart meter data and would provide near real-time data access to customers. In addition, new smart meter technology would aid the utility’s situational awareness of customer outages.”

- a) Please provide a current age profile for the OPUCN meter Fleet (residential and commercial meters).
- b) Based on the second references, please provide more details on the Alternative scenarios/pacing for the meter replacement program(s).
- c) Please provide the annual numbers and costs for the program(s).
- d) Please provide the unit costs (procurement and installation for meter replacement for each type of meter.
- e) Please position this cost to the functionality/costs range for meters.
- f) Is OPUCN part of a utility consortium for meter procurement? If so indicate the member utilities.

2-EP-16

Reference: Exhibit 2, DSP, Appendix L, Pinchin Building Condition Report; Appendix1 Table 1 Summary of Anticipated Expenditures Replacement Reserve Costs

- a) Please provide the name of the owner of the Buildings at 100-102 Simcoe Street South.
- b) Does OPUCN lease the buildings? If the answer is yes, is the lease cost is included in Rate Base or as an Operating Expense. If the answer is no, please explain your answer.

- c) Please explain the reasons for the accounting treatment of the lease.
- d) Is OPUCN responsible for the referenced estimated Capital upgrades and the Replacement Reserve Costs totalling \$933,077 over the next 10 years?
- e) Please provide information on increased security costs associated with security of station buildings and head office in response to increased levels of attempted theft and vandalism.

2-EP-17

Reference: Exhibit 2, DSP, Appendix R, Fleet Management Policy, Appendix A, Fleet Inventory.

- a) Please provide the Fleet Replacement Plan 2020-2025.
- b) Please provide annual cost estimates.
- c) Please compare the estimated total 6 year cost and average per year to the historic 5 year total and average 2015-2019.

3-EP-18

Load Forecast

Reference: Exhibit 3, Table 3-2

Preamble: From 2015-2019 predicted kWh purchases exceeded actual purchases, and in 2019 the difference was 4.1%.

- a) Is OPUCN satisfied that there is no systematic error in the regression models.
- b) Please comment specifically on the 2021 forecast that is higher than the 20 year trend?

4-EP-19

Operating Expenses

Reference: Exhibit 4, Table 4-1

Preamble: OM&A levels totalled \$63.414 million 2015-2019 and are proposed to increase significantly in 2020 and 2021.

- a) Please provide the annual percentage increases 2015-2019 and the 5 year CAGR.

- b) Please provide the annual percentage increases in 2020 and 2021 and the average.

4-EP-20

References: Exhibit 4 Table 4-2, Table 4-4 Table 4-12

Preamble: OPUCN estimates its projected 1 2021 OM&A per customer of \$231 would rank in the top ten of lowest OM&A per customer expense. In addition, OPUCN projected 2021 OM&A per customer is the same as it was in 2018.

Please provide the following metrics for 2015-2021:

- a) OM&A/Connection
- b) OM&A per kWh
- c) OM&A per FTE

4-EP-21

References: Exhibit 4, Page 21, and Table 4-15

Preamble: EP would like to understand the cost/benefit behind the transfer of the CEO to the utility and the related changes in Management Fees.

- a) How much of the CEO's time was allocated to the utility in the year prior to the transfer.
- b) How much time is allocated to the utility in 2021?
- c) Please provide the 2019 Total Compensation for the CEO (assuming the transfer in 2019)
- d) Provide any other related costs such as office and staff.
- e) Provide the Management Fees related to the office/function of the CEO prior to and after the transfer.
- f) Please discuss if/how the transfer is financially beneficial to OPUCN customers.
- g) What other non-monetary collateral benefits result for customers?

4-EP-22

Total Compensation

Reference: Exhibit 1, Page 53, *Table 1-16: Total Wages and Benefits 2015 – 2021*

Preamble: Total Compensation for Management has increased materially based on the addition of 7 positions in 2018. EP wishes to understand why these positions were required.

- a) Please provide the ratio of management to operating employees from 2015 -2020 (i.e. Management FTE/ employee FTE).
- b) Please provide the basis of the increment in Management positions/per employee in 2019/2020.
- c) Please provide specifics on the management positions added.
- d) Did OPUCN undertake an organizational study to support the reorganization and need for added positions? If so please provide a copy?
- e) Please provide a copy of the Request to the Board of Directors for the addition of 7 management positions.

4-EP-23

Regulatory Costs

Reference: Chapter 2, Appendices, Tab 2-M – Regulatory Costs

Preamble: The incremental costs of \$687,786 in respect of this application, including \$344k are for legal and consultants, and \$105k for intervenors.

- (a) Please provide a breakdown of the legal and consultants that make up the \$344k cost and the amount spent to date.
- (b) Please provide the number of intervenors in each case and compare the \$105k 2021 amount to the 2014 Application.

5-EP-24

Long Term Debt

References: Exhibit 5, Page 4; Appendix 5-1; Appendix 2-OB; Exhibit 1, Financial Statements

Preamble: Oshawa PUC Networks states: “Funded Debt represents Notes Payable of \$60.064 million to the parent company, Oshawa Power and Utilities Corporation (“OPUC”). The effective interest rate on the Note is 3.65%. The Note is due on demand to the parent company. The rate used for this loan in calculation of the weighted average is the actual rate of 3.65%, *which is the effective rate payable by OPUC to the Toronto Dominion Bank on a loan of a similar amount.* “

- a) Please confirm that OPUCN borrowed ~\$60 million from the TD bank to buy a note of similar value from the Parent Holding Company.
- b) Please file a copy of the Note(s) Payable between Oshawa PUC Networks and OPUC.

c) Please provide the term(s) of the Note(s) Payable between Oshawa PUC Networks and OPUC.

d) Please confirm the annual interest and effective rate(s) paid to OPUC from 2015-2020.

5-EP-25

References: Exhibit 5, Pages 4-5: Appendix 2-OB- New Long-term Debt in 2020 and 2021

Preamble: OPUCN plans to issue approximately \$10.0 million new Long-term Debt in 2020, and \$5.0 million in 2021.

- a) Please confirm that OPUCN will procure this debt from the TD Bank.
- b) If the answer to (a) is yes, please indicate the term(s) and expected interest rates.
- c) Please confirm that OPUCN will exchange this debt with a note from the Parent Company and if so, the projected term and interest rate(s).

9-EP-26

Deferral and Variance Accounts

References: Exhibit 1, Page 60; Exhibit 9, Table 9-12

Preamble: OPUCN is requesting the disposition of Group 2 Deferral and Variance Account (“DVA”), 1568, and LRAM Variance Account in this Application.

- a) Please provide more detail on the LRAM calculation, including IESO verified results and the persistence assumptions.
- b) Please provide details of the System Renewal Capital Variance Account.

Submitted on Behalf of Energy Probe Research Foundation by its consultants

**Roger Higgin
SPA Inc.**

**Tom Ladanyi
TL Regulatory Consultants Inc.**