EB-2020-0249

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by PUC Distribution Inc. for an Order of Orders approving or fixing just and reasonable distribution rates and other changes, effective May 1, 2021

INTERROGATORIES

FROM THE

SCHOOL ENERGY COALITION

1. [General] SEC is interested in better understanding the rate impacts of the proposed SSG project. For a typical school in the GS>50 kW class with 100kW of monthly demand, please confirm:

   a. The annual total of monthly fixed charges and volumetric charges at proposed 2021 rates, excluding the ICM riders, is $9,861.00 ($119.45 monthly fixed charge plus $7.023/kW demand charge).

   b. At that level, for a customer with those characteristics, only four other distributors would have higher rates in 2021.

   c. The Applicant is proposing to increase the charges for that customer for the SSG project by $432.72 in 2022 ($5.24 monthly fixed plus $0.3082/kW demand), a 4.39% incremental increase. This is in addition to any IRM increase for 2022.

   d. When the Applicant rebases, and in addition to any other cost of service increases, it expects to increase the charges for that customer for the SSG project, when the half year rule is removed and the incremental OM&A is added, by a further amount of approximately $606.00 in 2020 ($8.00 monthly fixed plus $0.425/kW demand, bringing the total two year increase – not including the normal IRM increase – to 10.53%. If these estimates are not correct, please provide your best estimates of the incremental impact on distribution rates of the Smart Grid project at the time of rebasing.

2. [ICM Application, p. 12, 15, 60] The SSG project involves a significant change in the operation, performance, and configuration of the Applicant's distribution system, modernizing the grid, improving reliability, reducing system losses, and reducing effective energy usage. However, it comes at a net cost of $25 million (assuming all of the government funding is received), increasing the Applicant's net fixed assets by more than 25% in one shot, and increasing the Applicant's OM&A by about 2% at the same time. Please file a Distribution System Plan for the next five years showing how those additional expenditures fit into the overall plan for the design, operation, and management of the Applicant's distribution system. If the Applicant does not have such a DSP, please explain why, and please explain how the Board can consider this Application and carry out its statutory mandate absent the context of an applicable DSP.

3. [App. p. 12, 15] Please provide a description of all changes to the operational and organizational changes the Applicant expects to make as a result of the implementation of the SSG project, and provide an expected timeline for those changes.

4. [App. p. 60] Please provide a detailed list of projects in the current DSP that will have to be modified in any way because of the SSG Project, and describe such modifications expected. Please provide a list of all assets that the Applicant expects to take out of service prior to the end of their useful life as a result of the SSG Project, and the forecast net book value of each at that time. Please provide details on the accounting treatment of those assets when they are taken out of service.

5. [App. p. 16] Please provide the full agreement with IE under which the Applicant "acquired the rights to the studies and preliminary engineering works", including without limitation all attachments, appendices, and side letters or agreements.

6. [App. p. 17] Please confirm that, if the cost to implement one part of the Smart Grid project exceeds the component of the fixed price originally planned for that part, the open-to-closed book process means that either a) savings must be achieved in another part of the project, b) the scope of another part of the project must be reduced, or c) the project will go over budget and the Applicant will seek to collect those cost overruns in rates. In the event that (a) or (c) are not possible or are rejected as options, please explain how the Applicant will deliver the full project benefits to the customers if the scope of any part of the project has been reduced.

7. [App. p. 18] Please provide a comparison table showing the percentage of renewable energy generation connected to each LDC in Ontario, in order to demonstrate that the percentage connection to the Applicant's system is "one of the largest".

8. [App. p. 19] SEC is concerned that, while innovation is an important goal with potentially significant benefits for customers, it also implies significant risk. In this case, the Applicant makes clear that no-one else has proceeded with "the implementation of these distribution system improvements in a coordinated manner across the entire distribution system". Please provide details of the due diligence the Applicant has undergone into the reasons why this kind of project has not been done before. Please include in those details a) the major sources used by the Applicant in that due diligence investigation, b) examples of distributors that have considered and rejected this kind of project, if any, c) the actual reasons why distributors have not implemented such a project, i.e. the barriers they have perceived, and d) the steps the Applicant is proposing to take to ensure that the risks associated with those barriers will not arise in this case.

9. [App. p. 20, and throughout] With respect to the benefits of the project:

   a. Please confirm that the Applicant is forecasting the following annual benefits to customers for the SSG Project:

i.	Customer Energy savings	-	$2,227,842
ii.	Reduced system losses	-	$ 105,111
iii.	Reduced annual capex	-	$ 304,390
iv.	Reduced annual opex	-	$ 30,816
v.	Reliability benefits	-	$2,017,000

   b. For each of those benefits, please provide a detailed explanation of how the Applicant proposes to measure, test, report, and be held accountable for those benefits as they unfold. By way of example, if the VVM component is expected to deliver a 2.7% reduction in throughput due to voltage control, please show a) how the actual reduction in throughput resulting from the VVM

will be isolated, tested and measured, b) how and when the Applicant will report to its customers and the Board on those results, and c) what consequences the Applicant is proposing – whether to the shareholders, the customers, or others - if the results fall short of projections.

c. For each of the proposed methods of measuring, testing and reporting, please estimate the annual cost of those activities, and describe how the Applicant proposes to recover those costs from customers.

d. Please confirm that the net annual benefits to customers of $2,633,897 are the forecast result of the five categories of savings set out above, less $1,754,862 of annual ICM charges to customers (of which only $875,610 is proposed to be implemented in this Application), and less $296,400 of annual OM&A increases to be implemented at the time of the next rebasing.

10. [App. p. 20, and throughout, also Appendix AA13] Please provide a table allocating the dollars in the five categories of benefits to the various major parts of the SSG Project, i.e. VVM, DA, AMI integration, and ancillary components. In the case of AMI integration, please further break down those benefits between OMS, IVR, CSR Toolset, voltage reading module, and analytics platform. For each allocation, please identify any interdependencies with other parts of the project. Where the cost/benefit ratios of the different parts of the project are materially different, please explain why the Applicant is not proposing to proceed with the parts that are the most cost-effective, and not those that are less so.

11. [App. p. 20, and throughout] Please show a side by side calculation of the impact of the additional capital on rates in the ICM period, and the impact of that additional capital on rates when the capital is added to rate base at the time of rebasing. Please confirm that the addition of that $33 million of capital to fixed assets at the time of rebasing is expected to increase revenue requirement (through depreciation, cost of debt, return on equity, and PILs, but excluding incremental OM&A) of approximately $2.6 million per year, or provide a full calculation showing a corrected impact on rebasing.

12. [App. p. 20, 21, 50] The Applicant notes that certain of the benefits of the SSG Project are estimated over a very long term and averaged or present valued, such as reliability and avoided capital spending. Certain of the costs and benefits will also have specific patterns of application, such as PILs (lower at the beginning, higher later on) and cost of capital (higher at the beginning, but declining as rate base declines). Please provide a continuity schedule showing, for each of the costs and benefits in Table 1, the forecast annual impact on customers from 2022 to 2041, i.e. showing and aggregating the pattern of each of the costs and benefits over time.

13. [App. p. 22] Please restate Table 2 including the Capex benefit, the operating efficiency benefits, and the additional O&M expenses. Please provide the full calculations for all components of the table, in Excel format.

14. [App. p. 26] Please provide a detailed breakdown of the scope adjustments between the 2014 report and the current SSG project.

15. [App. p. 31] Please describe how an "open-to-close book process" is different from a cost plus materials contract. Please provide references that give independent definitions of the concept of "open-to-close book process".

16. [App. p. 34] With respect to the description of the VVO scope, please identify which costs described in that description are included in the contract price, and which are not, if any. For

example, is the Survalent software included, and is the cellular communication system included, etc.

17. [App. p. 30, 36] The Applicant notes on p. 36 that the analytics has been removed from the project, but it is included on p. 30. Please reconcile. Please provide details of the nature and cost of all data analytics that has been removed from the project, and provide a forecast of when and at what cost those analytics will be added in the future.

18. [App. p. 41] Please recalculate Table 5 using the accelerated depreciation rules.

19. [App. p. 53] Please provide evidence to show that all project costs that are going to the Applicant or any affiliates are incremental to costs currently included in rates. Please include details of additional FTEs expected, overtime and third party payments, etc.

20. [Appendix AA2-1, p. 4] Please provide a full list of the documents and materials that were at any time included on the secured project website.

21. [Appendix AA2-1, p. 21] Please file in confidence the MS Excel spreadsheet template included by the winning bidder in their proposal.

22. [Appendix AA2-1, p. 26] Please provide the ten year warranty service proposal of the successful bidder, and a comparison of that proposal to the final warranty service to be provided as per the final agreement.

23. [Appendix AA$, Schedule B] Please provide an update of this schedule with the expected final figures.

24. [Appendix AA5, U/T JTC2.8] Please provide details of what happened with each of the proposed projects listed in this response, e.g. full system implementation over ten years, or business case approved but not implemented, etc.

25. [Appendix AA12-1] Please add a column to this summary showing the amount of each cost line that is expected to be paid to the Applicant or any of its affiliates.

26. Please explain why, if this project is in part intended to enhance economic development opportunities in Sault Ste. Marie, the Applicant is not forecasting new customers or load growth as a result of the SSG Project.

Respectfully submitted on behalf of the School Energy Coalition this December 18, 2020.

Jay Shepherd
Counsel for the School Energy Coalition