EB-2022-0028

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 EPCOR Electricity Distribution Ontario Inc. (EEDO) for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2023;

INTERROGATORIES

ON BEHALF OF THE

SCHOOL ENERGY COALITION

1-SEC-1
Please place on the record in this proceeding all evidence from EB-2017-0373/374. (Note: It is sufficient for the Applicant to simply agree to deem its evidence in that proceeding on the record for this proceeding and provide a link to the OEB's RESS, as opposed to re-filing all the material).

1-SEC-2
[Ex.1, p. 3, EB-2017-0373/0374 Decision and Order August 30, 2018] In the Decision and Order, it was noted that the premium to be paid by EPCOR for the purchase of Collus is $17.1M and the transaction costs were estimated to be $760k. The cost to provide the 1% decrease to residential customers would be $250k:

a) Please confirm the final amounts paid as a premium and for transaction costs.
b) Has EPCOR recovered these costs? If so, when was that completed?
c) Please confirm that the premium, transaction costs and the rate reduction were recovered through savings and efficiencies, and not from ratepayers.
d) Please itemize the savings that were used to recover these costs and explain the nature of these savings (e.g., whether one time, ongoing, sustainable).

1-SEC-3
[Ex.1] Please provide all material provided to the EPCOR Utilities Inc.'s (EUI) Board of Directors regarding its approval of this application, and the underlying budgets.

1-SEC-4
[Ex.1] Please provide copies of all benchmarking studies, reports, and analyses that the Applicant has undertaken or participated in since the filing of its last rebasing application in 2013, that are not already included in the application.

1-SEC-5
[Ex.1] The Applicant has not identified any productivity initiatives it has undertaken over the last five years or that it plans to undertake in the test year and subsequent four years. Please provide details of all productivity and efficiency measures the Applicant has undertaken in the last five years and those planned for future years. Please quantify the savings and explain how the savings were calculated.

1-SEC-6
[Ex.1, Table 1.2-10] The table shows a 1% decrease in total billing from May 2022 to May 2023 for the typical customer in the GS > 50 kW class (250 kW and 86,000 kWh). Please confirm that the impact on Subtotal A only is a 40% increase from May 2022 to May 2023.

1-SEC-7
[Ex.1, p.19] Please provide a copy of the Business Plan referred to on page 19.

1-SEC-8
[Ex.1, p.21] Please provide a copy of EEDO's 2022 operational plan referred to on page 21, or point to where it is located in the evidence filed.

1-SEC-9
[Figure 1.3-2] Please explain in which company the various positions shown in the Figure reside.

1-SEC-10
[Ex.1, p.33] The application states 'EEDO has structured its business operations to reasonably and prudently take advantage of economies of scale and scope through the appropriate use of corporate and affiliate services.' Please provide more details on the savings resulting from EEDO having access to and leveraging the expertise of EPCOR's entities, including an estimation of quantum.

1-SEC-11
[Ex., p.52, Table 1.6.3] For the Activities and Program Benchmarking: 2020 Results, please explain the following:

a) Why EEDO's Stations O&M is so much lower than the Ontario Average?
b) Why there is no value for Stations CAPEX?
c) Why Lines Transformers CAPEX is lower than the Ontario Average?

1-SEC-12
[Ex. 1, p.55] The application states 'EEDO has recently been selected as a delivery organization for NRCan grant funding towards electric vehicle charging infrastructure. This is expected to result in an investment in EV infrastructure into our operating areas.' Has EEDO included any capital spending in its forecasts to reflect this work?

2-SEC-13
[Ex.2, pp. 24 & 40, Table 2.3.2] In comparing 2013 approved to actual capital, EEDO underspent by approx. 39%. Ex.2, p. 24 states that $500k of the reduced amount is due to two projects (the 10th Line – Poplar to Mountain Road Rebuild and Hurontario Street South in Collingwood) not being completed and carried over to 2014. Table 2.3.2 shows $28.5k in the WIP account for 2013. Please explain the discrepancy.

2-SEC-14
[Ex.2, p. 24] The application states, that 'An additional planned project on the 10th line was delayed completely due to being short staffed.':

a) What was the cost of this project?
b) What is the status of this project?

2-SEC-15

[Ex.2, p. 53; 2-AB] As part of the merger application, EB-2017-0373/0374 EPCOR provided a forecast of capital and Appendix 2-AB includes plan and actual $ for capital as follows:

$000	2019	2020	2021	2022	2023	2024
Status Quo Forecast EB-2017-0373/0374 Application p. 30	3,256	3,312	3,303	3,246	3,303	3,361
EPCOR Forecast EB-2017-0373/0374 Application p. 10	3,256	3,312	3,303	3,246	3,303	3,361
Appendix AB (net of contributed capital) Plan	3,299	3,670	3,743	3,457	4,296	4,491
Appendix AB (net of contributed capital) Actual	4,134	3,277	3,775	4,038	4,296	4,491

a) Please confirm the numbers in the above table and that they are all based on capital expenditures net of contributed capital. If not, please provide a similar table that is on a comparable basis.
b) What was the basis for the Plan numbers included in Appendix 2-AB?
c) Please explain the variances between:
   i. The EPCOR forecast and Plan
   ii. Plan and Actual
d) When the EPCOR forecast was made for EB-2017-0373/0374 had the full assessment of the assets been done and the cost for any upgrades incorporated into the forecast?
   i. If not, then why not?
   ii. If yes, then please explain the statement, ‘ In addition there were increased contractor costs for substation maintenance primarily due to addressing issues identified upon acquisition to align safety and operating standards with EPCOR’s’ (Ex. 4-1-1, p.4).
e) How many months of actuals are included for the bridge year 2022?
f) How do 2022 year to date actuals compare to the Plan?
g) If there are material differences please update the appropriate tables in Appendix 2.

2-SEC-16

[Ex.2, 2-AB and 2-BA] In the past (2017 to 2021) EEDO has only been able to complete and put in service approx. $3000k (average of in service line) of work. Please explain why EEDO has forecasted completing $4,296k of work in 2023, i.e. forecasting no WIP.

2-SEC-17

[Ex.2, 2-AB and 2-BA] As per the footnote on page 13 of the Filing Requirements: Capital in service additions in year X = Capital expenditures in year X + Construction Work in Progress (CWIP) in year X-1 - CWIP in year X. Please provide a table as follows showing this information which reconciles to the information provided in Appendices 2-AB and 2-BA:

	$000	2017	2018	2019	2020	2021	2022	2023
A	Capital Expenditures net of contributed capital							
B	CWIP in previous year							
C	CWIP in current year							
D	In service additions in current year as per formula above							

2-SEC-18

[Ex.2, 2-AB] EEDO has under forecasted its capital contributions by 100% ($472k vs $944k) between 2015 and 2021. Please explain the basis for EEDO's forecast of $731k for 2023 contributed capital and why it shouldn't be higher.

2-SEC-19
[Ex.2, DSP] In Exhibit 4-1-1, p. 13, EEDO states 'The capital budgets are prepared with the Distribution System Plan used as a starting point and adjustments made based on a review of project prioritization and resource availability.' Please provide a list of adjustments made to the capital budget from the DSP and reasons for the adjustments.

2-SEC-20
[Ex.2, DSP p.8] Under Regional Planning as part of the IESO SGB/M 2020 Scoping Assessment an IRRP & RIP is expected in 2022. Please provide an update on the status of this document and if it has been completed, does it affect the current DSP?

2-SEC-21
[Ex.2, DSP p.13] The DSP states 'When given the option to reduce costs with slight risk to service, maintain status quo or invest slightly more than today for slight improvement, 94% would maintain status quo or higher, with 61% definitively support investing in future improvements.' As part of the Stone Olafson survey, were customers informed of the 20% average distribution rate increase? (Ref: Bill Impacts average of subtotal A impacts).

2-SEC-22
[Ex.2, DSP] In the MAADs application EB-2017-0373/0374, the Applicant committed "to meet or exceed current reliability standards for the next five years" [Application, p. 13]. Table 14 of the 2019-2023 DSP shows the average SAIDI (excluding loss of supply (LOS) and major event days (MED) as 1.24 and SAIFI as 0.68 for the years 2014-2018. These values are carried forward in Table 9 as targets for 2019-2023. In the 2023-2027 DSP on page 18, EEDO has set the same targets. Page 20 shows an average SAIDI of 1.55 and SAIFI of 0.83 for the period 2017-2021.

	Average 2014-2018	Target 2019-2023	Average 2017-2021	Target 2023-2027
SAIDI	1.24	1.24	1.55	1.24
SAIFI	0.68	0.68	0.83	0.68

a) Please explain why EPCOR and EEDO were unable to fulfill the commitment it made in the MAADs application to meet or exceed the current reliability standards.
b) Given that EEDO was unable to meet its targeted reliability standards for 2019 to 2023, why does it believe it can meet the same targets for 2023-2027?

2-SEC-23
[Ex.2, DSP, Appendix 2-AB] Appendix 2-AB shows that for 2013 to 2021 EEDO underspent on System Renewal by $4.1M ($18.3M Plan versus $14.2M Actual). On page 20 of the DSP the average SAIFI of 0.83 and SAIDI of 1.55 are above the targets shown on page 18. Please explain the reasons for the under spending and how it has been a factor in EEDO not meeting its target.

2-SEC-24
[Ex.2, DPS pp. 51 & 57] The DSP lists one of 3 key drivers of its capital investment as 'planned system renewal spending to proactively replace plant <u>at end of life</u> in order to meet EEDO's commitment to maintain a safe and reliable supply of electricity to its customers.' (Emphasis added). Please reconcile this

with the plan to proactively replace poles based on a health condition assessment, not simply by age (page 51).

2-SEC-25
[Ex.2, 2-BA, DSP p. 54] Based on information from 2-BA USoA 2055:

$000	2018	2019	2020	2021	2022	2023
Opening Balance	293	387	1,500	1,608	2,739	977
Additions	94	1,114	108	1,131	(1,763)	0
Closing Balance	387	1,500	1,608	2,739	977	977

From this table it appears that EEDO's WIP increased over the years 2017 to 2021, and as of the end of 2021 per 2-BA the balance in the WIP account was $2,739k. In the bridge year 2022, EEDO is forecasting that it intends to be able to complete and put into service $1,763k of that WIP work in addition to spending and putting in service $4,038k of assets:

a) Please provide an update on whether EEDO is on schedule to accomplish this.
b) If this forecast has changed, please provide an update.
c) On page 54 of the DSP EEDO states, re: System Renewal, 'The main driver of variance from plan to actual during this period was driven by carry over projects from previous years that were not completed … [i]n 2021, EEDO reset the capital budget and set it based on actual resource capacity rather than trying to include carry over projects'. Please explain what is meant by 'rather than include carry over projects'. How are carry over projects budgeted for?

2-SEC-26
[Ex.2, DSP p. 91, 2-AA] EEDO has proposed migrating to ArcGIS Pro and replacing the underlying data model with Esri's Utility Network (UN) in 2023 at a cost of $509k. Is it feasible for EEDO to do this work over two years, i.e. migration to ArcGIS Pro in 2023 and replacing the underlying data model with UN in 2024?

2-SEC-27
[Ex.2, DSP p. 97, 2-AA] In the 10 years between 2013 to 2022, EEDO has spent $0 on substation upgrades. The forecast for 2023 for Substation Upgrades is $689k. Please explain why EEDO has decided to start upgrading substations as of 2023 when no work was done for the last 10 years.

2-SEC-28
[Ex.2, DSP p. 124, Appendix A METSCO Fleet Vehicle Condition Assessment 2021, 2-AA] EEDO has forecasted to spend $2.1M over 2023 to 2027 for Vehicle Replacement and has spent $1.8M over the last five years. METSCO has provided an assessment of 18 vehicles for EEDO:

a) Did METSCO do a condition assessment on all vehicles within EEDO's fleet?
b) If not, please provide a complete listing of all vehicles within the fleet, including year of acquisition, EEDO's assessment score and planned year for replacement.
c) Please update the table below to show if any of CW16-11, CW31-14 or CW32-14, which had a 'to be replaced' assessment, have been replaced.
d) If they have not been replaced, please explain.

Vehicle	METSCO Assessment Score	METSCO year of assessment	Plan for Replacement
CW11-15	33	2025	2025
CW12-19	18	End of DSP	
CW13-17	29	2026	2026
CW14-04	29	2023	2023
CW15-14	27	End of DSP	
CW16-11	33	No year provided	
CW18-15	30	2021	?
CW22-11	24	End of DSP	
CW29-18	32	2025	2025
CW30-10	29	2027	2027
CW31-14	35	No year provided	
CW32-14	30	No year provided	
CW33-12	34	2024	2024
CW34-19	35	2026	2026
CW36-19	19	End of DSP	
CW37-17	30	2023	2023
CW39-19	19	End of DSP	
CW40-18	16	End of DSP	

2-SEC-29
[Ex.2, 2-D] Appendix 2-D explains the changes in overhead capitalized as follows "Change in capitalized overhead policy on EPCOR Acquisition, for the increase in capitalized burden, administration and other general overhead costs.":

a) Please provide details on how the EPCOR capitalized overhead policy is different than that used before the acquisition.
b) If EEDO's approved capital is less than requested, what would be the effect on EEDO's OM&A?

3-SEC-30
[Ex.3, Table 3.1-3] Is the Economic Forecast information provided for Ontario or for a narrower area more specific to the EEDO service areas?

3-SEC-31
[Ex.3, Table 3.1-28] Table 3.1-28 Proposed CDM Adjustments appears to be a duplicate of Table 3.1-26. Please provide the correct version of the table.

4-SEC-32
[Ex.4, 2-JA] As part of the merger application EB-2017-0373/0374, EPCOR provided a forecast of OM&A and Appendix 2-JA includes actual $ for OM&A as follows:

$000	2019	2020	2021	2022	2023	Total
Status Quo Forecast EB-2017-0373/0374 Application p. 30	5,331	5,425	5,520	5,616	5,752	
EPCOR Forecast EB-2017-0373/0374 Application p. 10	5,872	5,191	5,110	5,189	5,306	
Appendix 2-JA Actual	5,594	6,111	5,512	6,166	6,530	
Variance Actual to EPCOR Forecast	(278)	920	402	977	1,224	3,245

Variance Actual to Status Quo	263	686	(8)	550	778	2,269

a) Please explain the reasons for the variance of $3,245k between actuals and the EPCOR Forecast upon which the OEB approved the acquisition of EEDO.
b) Please explain the reasons for the variance of $2,269k between actuals and the EEDO Status quo Forecast.

4-SEC-33
[Ex.4, p.4 & p.10, 2-JA] EEDO states '2019 General & Administrative costs increased relative to 2018 due to having a full year of shared services being provided by EPCOR affiliates' (p.4) and 'However some services were noted that were required to be added to provide safe and reliable services (including for example adding HSE resources) and to complete capital and operating work required for the growing utility system' (p.10). 2-JA shows an increase of approx. 62% in 2019 ($2,119k) over 2018 ($1,312k):

a) Please provide a breakdown of what made up that increase, i.e. how much was increased costs for EPCOR providing the same services as was previous provided by others, versus how much was for new services provided by EPCOR.
b) Were there any savings as a result of EPCOR affiliates now providing services that were previously provided by other affiliates?

4-SEC-34
[Ex.4, Tables 4.4.2-1 & 15] Shared Services - The table below combines information from Tables 4.4.2-1 and 4.4.2-15:

a) Please complete the requested information, approved amounts for 2013 and actuals for 2014 to 2018.
b) As noted in the next question, $216k of the payment to the Collingwood PUC was moved from OM&A to rate base. Please explain any other material changes which occurred in the Shared Services payment between 2013 and 2018.

$000	2013 appr.	2013 actual	2014 actual	2015 actual	2016 actual	2017 actual	2018 actual	2019 actual	2020 actual	2021 actual	2022 bridge	2023 test year
Collus PowerStream Solutions		975										
Service Fee		132										
Town of Collingwood		22										
Collingwood PUC		310										
Affiliate Shared Services								365	557	511	758	790
Corporate Shared Services								740	682	660	792	875
Total		1,439						1,105	1,239	1,171	1,550	1,665

4-SEC-35
[Ex.4, pp. 17 & 89] The application states on page 17 that 'EEDO's lease with the Town of Collingwood has been included as a capital lease and amortization of the Lease Asset is included in USofA account 6045'. Page 89 states, 'The 2013 Actual Collingwood Public Utilities Service Board includes $216,000

for building charges. When EEDO was acquired by EPCOR in October 2018, the Town of Collingwood entered into a new lease agreement with EEDO. This lease is now treated as a Right of Use Asset and included in rate base.':

a) Please indicate on which Tab in Appendix 2 one can find reference to USofA 6045.
b) Please indicate in which USoA in Appendix 2-BA one can find the lease with the Town of Collingwood.

4-SEC-36
[Ex.4, p. 60] Please explain exactly what the function is of each of the following entities: EWSI, EDTI, EOOMI, EUI and EOUI.

4-SEC-37
[Ex.4, p. 71 &Table 4.4.2-7] Please explain why the customers of EEDO should be responsible for the increases shown on the table between 2021 and 2023, which are a result of 'various changes in the businesses/operations which EOUI/EOOMI were servicing' and not directly benefitting customers of EEDO?

4-SEC-38
[Ex.4, Table 4.4.2-9] Please explain how the services provided by EUI in the areas of Supply Chain Management, HR, Public & Government Affairs and Health, Safety & Environment are different from those same services provided by EWSI and EOOMI/EOUI.

4-SEC-39
[Ex.4, Table 4.4.2-1] Please add a line to Table 4.4.2-1 estimating the savings in each year as a result of EEDO no longer receiving Shared Services from Collus PowerStream Solutions Corp, or doing the service internally and indicate what those savings are a result , e.g cost of procurement services or HR.

4-SEC-40
[Ex.4, p.53] Please provide the non-financial performance measures and related targets that make up the Short Term Incentive Program.

4-SEC-41
[Ex 4, p. 94, Appendix 2-M] With respect to Regulatory Costs:

a) Please confirm the amounts that were included in the approved revenue requirement for 2013 were $112,206 for on-going regulatory costs and one-time costs of 1/5 of $254,395 = $112,206 + $50,879 = $163,085.
b) Please confirm that EEDO had recovered its one-time costs of $254,395 by the end of 2017.

4-SEC-42
[Ex.4, 2-JD] Please explain the significant jump in USoA 5605 Executive Salaries and Expenses from $208k in 2018 to $1,114k in 2019.

4-SEC-43
[Ex.4, 2-K] Please complete Appendix 2-K for all years back to EEDO's rebasing in 2013.

5-SEC-44
[Ex.5, pp. 8 &9] The table on page 8 shows that EEDO will have five affiliate Promissory Notes with EPCOR Utilities Inc. as follows:

Fixed Rate 3-Dec-18 30 $ 8,100,000 4.30%
Fixed Rate 1-Dec-20 30 $ 2,020,000 2.88%
Fixed Rate 15-Dec-21 30 $ 2,000,000 3.41%
Fixed Rate 31-Dec-22 30 $ 1,200,000 5.25%
Fixed Rate 31-Dec-23 30 $ 1,200,000 5.03%

On page 9 EEDO states 'For the 2022 Bridge Year and 2023 Test Year the OEB deemed long-term debt rate which were effective January 1, 2022 is not appropriate for the expected 2022 Bridge Year long-term debt issuance nor the expected 2023 long-term debt issuance. Debt markets have moved substantially since the 2022 OEB deemed long-term debt rates were established, using data from the fall of 2021.'

Please explain why EEDO feels that is unique and should not abide by the requirements as set out on page 53 of the 2009 Report of the Board on the Cost of Capital for Ontario's Utilities, which states that for affiliate fixed term debt the deemed long-term debt rate at the time of issuance will be used as a ceiling on the rate.

6-SEC-45
[Ex.6, p. 16, 2-H] EEDO has forecasted $715k in expenses for Municipal Services in 2023 and $600k in revenue:

a) Confirm that this expense and revenue is related to water & wastewater billing services on behalf of the Town of Collingwood.
b) If not, what service(s) are included?
c) Please explain why the revenue does not cover the expenses.

8-SEC-46
[Ex.8, pg. 17 and Table 8.10.1] EEDO's loss factor, based on a five-year average of actuals, has been reduced from 1.0710 to 1.0602 and EEDO states 'as this is a reduction, the Applicant is not proposing an action plan to reduce losses going forward'. Section 2.8.8 of the Filing Requirements states 'If the proposed distribution loss factor is greater than 5%, an explanation for the level of the loss factor, details of actions taken to reduce losses in the previous five years, and actions planned to reduce losses going forward'. Please explain why EEDO has not proposed any actions with respect to its loss factor given that it is greater than 5% and that it has increased in 2020 and 2021 from 2019.

9-SEC-47
[Ex.9, p. 24] EEDO has requested a new deferral and variance account, Non-Utility Billing Variance Account, which will be used if the City of Collingwood no longer contracts EEDO to doing their billing:

a) Please provide details of the contract with the City of Collingwood, e.g. terms for renegotiation, expiry date, pricing methodology etc.
b) Has EEDO investigated with the outside vendors the impact on their costs charged to EEDO should the billing for the City of Collingwood no longer be included in the services to be provided?

9-SEC-48
[Ex.9, p. 24 and Table 6.2.2] EEDO has also requested a new deferral and variance account, Recovery of Income Taxes Deferral Account, to cover income taxes once the loss carry-forward is depleted:

a) Please provide information on EEDO's forecast of its taxable income for 2024 to 2027 and when EEDO estimates that the loss carry-forward will have been used up.

b) Table 6.2.2 shows an amount of $ 1,266,169 for ‘Judicial Inquiry costs incurred in 2018 to 2021’ being deducted from the available loss carry-forward balances for regulatory purposes. Please explain why it is appropriate to reduce the loss carry-forward available for rate payer’s using a cost which is to be borne by the shareholder.
c) What was the provision for income taxes approved in the 2013 application and what income taxes were paid in each of 2013 to 2021?
d) If the amount paid in those years was less than that approved in 2013, did EEDO return the excess to customers?

9-SEC-49
[Ex.9, DVA Continuity Schedule, OEB letter of July 25, 2019 Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance] EEDO has nothing recorded in Account 1592 – CCA Subaccount:

a) Did EEDO apply the accelerated CCA as referenced in the OEB’s letter of July 25, 2019?
b) If so, why is nothing recorded in this account?
c) If not, please explain why?

Respectfully, submitted on behalf of the School Energy Coalition on August 5, 2022.

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Jane Scott
Consultant for the School Energy Coalition