November 8, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms Marconi:

EB-2022-0059 – PUC Distribution Inc. – 2023 Electricity Distribution Rates

Please find, attached, interrogatories for PUC Distribution Inc. from the Consumers Council of Canada pursuant to the above-referenced proceeding.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All parties

INTERROGATORIES FOR PUC DISTRIBUTION INC.

FROM THE CONSUMERS COUNCIL OF CANADA

RE: EB-2022-0059 – 2023 RATES

CCC-1
RE: Exhibit 1
Please provide the allowed and actual ROE achieved for each year 2018-2021.

CCC-2
Re: Exhibit 1/p. 11
Please provide all materials provided to PUC's Board of Directors regarding this Application. Please provide all materials provided to PUC's Board of Directors when seeking approval of the current 2023-2027 Business Plan.

CCC-3
Re: Exhibit 1/p. 12
The evidence states that PUC continues to build on partnerships with other LDCs and organizations to strengthen the utility. Please provide a complete list of the partnerships with other LDCs. Please provide the nature of the proposed partnerships and provide any contractual arrangements with these LDCs. Does PUC currently intend to enter into any partnerships during the 2023-2027 period? If so, please explain the nature of those relationships

CCC-4
Re: Exhibit 1/p. 15
Why has PUC not included the ICM application for Sub-station 16 and the Sault Smart Grid project in its calculation of the revenue deficiency? If they are excluded why are they identified as one of the "main drivers of the 2023 revenue requirement"? Please explain how the $5,863,234 increase in revenue was derived. Please explain how the $3,918,555 revenue deficiency was calculated.

CCC-5
Re: Exhibit 1/p. 21
Please recast Table 1-5 – OEB Approved vs 2023 Test year Capital Expenditures to include 2018-2021 actual numbers.

CCC-6
Re: Exhibit 1/p. 22
Please recast Table 1-6 – Board approved vs 2023 Test Year OM&A to include 2018-2021 actual numbers.

CCC-7
Re: Exhibit 1/p. 25
Please update the application to reflect the OEB's updated cost of capital parameters.

CCC-8
Exhibit 1/p. 38
PUC has committed to publishing annual updates on its website showing the actual benefits of the SSG project, broken down by customer class. When is the first report expected? Please provide the format of that report.

CCC-9
Re: Exhibit 1/p. 39
Please provide a list of all of the changes made to PUC's Conditions of Service.

CCC-10
Re: Exhibit 1/p. 40
Please explain the difference between PUC Distribution Inc. and Sault Ste. Marie Electric Distribution System and provide the rationale for this corporate structure.

CCC-11
Re: Exhibit 1/p. 42 and Exhibit 4/p. 33
The Executive Team at PUC Services Inc. is comprised of the CEO, CFO. Executive Lead Operations & Engineering, VP of Electrical Operations and Engineering, VP Corporate Services and the VP of Special Projects:

a) Please provide the results of the MEARIE Group Management Salary Survey administered by Korn Ferry hay Group.
b) What are the relative responsibilities of the Executive Lead Operations and Engineering and VP of Electrical Operations;
c) What is the total compensation cost for the Executive Team for 2023? How much of the cost is allocated to PUC Distribution Inc.?

CCC-12
Re: Exhibit 1/p. 58
Over 25% of customers are currently enrolled in e-billing. What is the expected take up over the 2023-2027 period?

CCC-13
Re: Exhibit 2/p.8
Please provide forecast compared to actual depreciation amounts for the years 2018 to 2022.

CCC-14
Re: Exhibit 2/p.11
Voltage conversion costs for Laronde Avenue were higher than approved.

a) Please provide the forecast capital and in-service amounts compared to actuals by year.

b) Please provide the original in-service date compared to actual.

c) Please provide the cost drivers for the higher cost.

CCC-15
Re: Exhibit 2/p.43
PUC follows the Kinetrics Report for all assets categories except accounts 1730 Transmission Overhead Conductors, and 1808 Buildings and Fixtures.

For each exception, please identify whether PUC's useful life is above or below Kinectrics' useful life values.

CCC-16
Re: Exhibit 2/p.58
With respect to the ICM for Substation 16, PUC indicates the project has a revised total cost of $6,020,119, a variance of $1,291,890 from the ICM submission.

a) The lowest bidder's price was $608k higher than the estimated construction cost that was part of the OEB ICM submission. Please provide a detailed breakdown of the construction cost components in the OEB ICM submission compared to actuals and explain the increases.

b) During demolition of the original substation transformer oil was found in the ground that needed remediation. The associated costs for this unforeseen environmental cleanup were $160,000. Please provide PUC's risk assessment for the project.

c) The actual design of the distribution lines near Sub 16, which also includes two road crossings, verified riser cable locations and resulted in additional road, driveway, and Hub Trail restoration costs than anticipated. The station riser cable duct bank costs were $327,000 higher than what was estimated as part of the ICM submission. Please provide a breakdown of the cost components of the two designs (ICM submission compared to final).

d) The project was delayed one year due to COVID-19, which resulted in additional costs of $176,000 for labour and material cost increases, as well as unanticipated equipment storage and handling expenditures. Please explain the unanticipated equipment storage and handling expenditures and the associated costs.

e) Please provide a breakdown of the contingency used for the project.

CCC-17
Re: Exhibit 2/p. 66
The amount of NRCan grant available was reduced by $754,115 in 2022 due to a delay in timing of project approval from the resubmission of the application to, and approval from, the OEB. The amount of Federal NRCan funding available was reduced and therefore the amount allocated to PUC ended up being slightly under the original estimate of 25.00%. This resulted in PUC adjusting the Gross project spend to $31,903,718, a reduction of $1,034,495. The net project spend in 2022 is now $21,357,909.

a) Please provide details on how timing impacted the NRCan funding available.

b) Please explain the adjustments made to reduce the Gross project spend and the impact on the overall cost and benefits of the project.

c) What is the impact on the projected benefits resulting from the reduction in the NRCan funding.

CCC-18
Re: Exhibit 2/App. C/p. 11
PUC indicates it has also purchased electric vehicles to reduce its carbon footprint.

a) Please provide details on the electric vehicles purchased to date including timing and costs.

b) Please discuss PUC's plans to purchase electric vehicles over the period 2023 to 2027 and the proposed budget.

CCC-19
Re: Exhibit 2/App.C/p.27/Table 5.2-12

a) Please provide a breakdown of Scheduled Outages for the years 2018 to 2021 by sub cause codes.

b) Please provide a breakdown of Defective Equipment for the years 2018 to 2021 by asset type sub cause codes.

CCC-20
Re: Exhibit 2/App.C/p.29/Table 5.2-13
Please provide a breakdown of Defective Equipment for the years 2018 to 2021 by asset type sub cause codes.

CCC-21
Re: Exhibit 2/App.C/p.30/Table 5.2-14
Please provide a breakdown of Defective Equipment for the years 2018 to 2021 by asset type sub cause codes.

CCC-22
Re: Exhibit 2/p.39
PUC states "Since PUC leases its motor vehicle assets rather than owning them, PUC's fleet-related investment needs are relatively small. General plant investments are discretionary in nature."

a) Please provide PUC's motor vehicle leasing costs for the years 2018 to 2027.

b) Please explain any significant variation in costs year over year.

CCC-23
Re: Exhibit 2/App. C
PUC engaged the consulting services of METSCO to assist with the completion of its DSP for the 2023-2027 period. METSCO previously completed PUC's 2018 DSP.

a) Please provide a copy of the previous DSP in EB-2017-0071.

b) Please discuss any significant changes in methodology between Metsco's 2021 Asset Condition Assessment (ACA) and the previous ACA in EB-2017-0071.

CCC-24
Re: Exhibit 2/App. C/p. 42
Due to the absence of test results, the health index formulation of underground cables only involved using the service age of the cable as well as the circuit's historical failures during the last five years. Please provide the historical failure data referred to above for the years 2018 to 2021.

CCC-25
Re: Exhibit 2/App. C/p. 10

Please provide the historical failure data for the years 2018 to 2021 for wood poles, overhead primary conductors, polemount transformers, padmount transformers, submersible transformers and distribution switchgear.

CCC-26
Re: Exhibit 2/App. C/App. A Material Investment Narratives/
OH Renewal – Transformers (PCBs)/p.2

Table 1 Historical and Forecast Capital expenditures indicates no spending for the years 2018 to 2022.

a) Please confirm PUC has not replaced any overhead pole mounted transformers with PCB concentrations greater than 50 ppm replaced to date.

b) If yes to part a) please explain why these replacements weren't scheduled to take place in prior years to smooth out the cost impact.

CCC-27
Re: Exhibit 2/App. C/App. A Material Investment Narratives/
OH Renewal -Voltage Conversion/p.3

In 2023, PUC proposes to retire the remaining network equipment operating at 4.16 kV from the grid, upgrade all the remaining line sections to 12.47 kV, and replace Substation 4 with a 34.5 kV switch point. The spending in 2023 is greater than the average spend in the previous 5 years.

Please explain why this work could not span more than one year.

CCC-28
Re: Exhibit 2/App. C/App. A Material Investment Narratives/
OH Renewal - Restricted Conductor/p.3

a) Please provide the replacement quantities of #6 copper overhead primary conductor for the years 2018 to 2026.

b) Please explain the increase in costs in 2022, 2024 and 2026.

CCC-29
Re: Exhibit 2/App. C/App. A Material Investment Narratives/
OH Renewal – Poles/p.1
As of 2021, 4.7% (590) wood poles are in poor condition and 4.6% (574) wood poles are in very poor condition. PUC plans to replace approximately 60 wood poles per year.

a) Please provide the number of wood poles replaced for the years 2018 to 2022.

b) Please discuss if PUC has considered a pole refurbishment program. If not, why not.

CCC-30
Re: Exhibit 2/App. C/App. A Material Investment Narratives/
Stations Renewal - Switchgear, Protection & Control Renewals/p.1

PUC is proposing to replace two breakers per year for the forecast period with new vacuum style breakers that meet the latest standards and industry accepted technology type. For the test year, 2023, the two replacement breakers will be installed at Substation 1. For the years 2024-2027, two breakers per year will be replaced at other stations which are selected prior to each year.

a) Please provide the scope of work for 2022.

b) Please discuss any delays in completing the work in 2022.

c) Please provide the spending year to date for 2022.

CCC-31
Re: Exhibit 2/App. C/App. A Material Investment Narratives/
UG Renewal – Vaults/p.3
PUC proposes to spend $401,000 in 2023 compared to an average of approximately $90,000 for the years 2024 to 2027.

Please explain the scope of work and increase in spending in 2023.

CCC-32
Re: Exhibit 2/App. C/App. A Material Investment Narratives/
Stations Renewal - Building & Fence Repairs/p.1

a) Please explain the increase in spending over the period 2023 to 2027 compared to 2018 to 2022.

b) Please explain the increase in the level of spending in 2023 compared to future years 2024 to 2027.

CCC-33
Re: Exhibit 2/App. C/App. A Material Investment Narratives/
Tools & Equipment/p.1

Please provide the cost of the Omicron Injection Tester in 2023.

CCC-34
Re: Exhibit 2/App. C/App. A Material Investment Narratives:
OH Renewal - General Asset

The general asset renewal tasks included under this program represent small projects over the forecast period that are not considered emergency repairs, do fit within the existing program categories and do not warrant additional program categories. This includes: Removal, cleanup and disposal of pole butts General Overhead Tasks:

a) Please explain the increase in spending for 2023 to 2027 compared to 2018 to 2021.

b) Please provide the spending to date for 2022.

CCC-35
Re: Exhibit 2/App. C/App. A
Re: Appendix 2-AA
The capital projects in Appendix 2-AA do not reflect the breakdown in Appendix A Material Investment Narratives.

Please map the Material Investment Narratives to the projects in Appendix 2-AA.

CCC-36
Re: Exhibit 2/App. C/App. A
Re: Appendix 2-AA

a) Please add a column for 2018 Board Approved to Appendix 2-AA.

b) Please add a column for 2022 year to date Actuals.

c) Please provide an excel version of Appendix 2-AA including parts a) and b).

d) Please provide a breakdown of the projects included in Overhead Renewal.

e) Please provide a breakdown of the projects included in Underground Renewal.

CCC-37
Appendix 2-BA

a) Please explain the increase in O&M between 2021 actuals and 2023 forecast.

b) The average spend on System Renewal over the 2023 to 2027 period is $3.7 million. The forecast spend for 2023 is $4.6 million. Please summarize the drivers of the increase in spending in 2023 compared to the average.

CCC-38
Re: Exhibit 2/App. C/App. H/p.13

Table 0-2 provides the overall Asset Condition Assessment results by asset class based on Health Index Distribution (%).

Please recast Table 0-2 with the data expressed as Health Index Distribution asset quantities, and provide an excel version of the table.

CCC-39
Re: Exhibit 2/App. C/App. H/p.9/Table 0-1
With respect to poor condition assets with a Health Index Score of 0-30%, Metsco indicates the implications are the asset has reached its end-of-life; immediately assess risk and replace or refurbish based on assessment.

a) Please explain how PUC uses this information to decide which assets to potentially replace and/or repair.

b) Please explain how PUC's proposed plans reflect the decision to refurbish the asset and the corresponding budget.

CCC-40
Re: Exhibit 2/App. C/App. H/p. 90-95

Metsco provides several recommendations for PUC. Please provide PUC's response to each recommendation including timelines.

CCC-41
Re: Exhibit 2/App. C/App. H

Please discuss any changes in project prioritization in the proposed capital plan due to the results of the ACA.

CCC-42
Re: Exhibit 4
Please indicate whether the 2023 OM&A amounts include any costs related to COVID-19. If so, please set out those costs.

CCC-43
Re: Exhibit 4
Please provide a complete list of all productivity initiatives and associated savings included in the 2023 OM&A amounts.

CCC-44
Re: Exhibit 4/p. 6
Please provide all budget directives provided to employees for the 2023 Rate Application. To what extent are employees required to embed productivity in the budgets?

CCC-45
Re: Exhibit 4/p. 23

Please break out the $430,634 in Consultants Costs setting out the cost of each consultant/legal contract. Were these subject to an RFP process? If not, why not. Please indicate the nature of the costs identified as "Incremental operating expenses associated with staff resources related to this application". Why are these costs separately identified?

CCC-46
Re: Exhibit 4/p. 28
PUC has added a System Operations Engineer position in support of the SSG Project. Are the costs of this employee included in the overall SSG cost/benefit analysis? If not, why not?

CCC-47
Re: Exhibit 4/pp. 23 and 28
The approved regulatory costs for the previous application were $397,894. What were the actual costs? Please explain the significant increase in regulatory costs for 2023.

CCC-48
Exhibit 4/p. 34
Please explain the rationale for the 5% increase in Management Salaries in 2022. What is the increase in 2023? Does it relate to salaries alone or benefits as well?