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BY EMAIL and RESS

November 8, 2022
Our File: EB20220059

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

<u>Attn: Nancy Marconi, Registrar</u>

Dear Ms. Marconi:

Re: EB-2022-0059 – PUC Distribution Inc. 2022 – SEC Interrogatories

We are counsel to the School Energy Coalition ("SEC"). Attached, please find a copy of SEC's interrogatories in the above-captioned matter.

Yours very truly,
Shepherd Rubenstein P.C.

Mark
Rubenstein
2022.11.08 09:
58:22-05'00'

Mark Rubenstein

cc: Brian McKay, SEC (by email)
Applicant and intervenors (by email)

EB-2022-0059

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, 3 Schedule B, as amended (the "OEB Act");

AND IN THE MATTER OF an Application by PUC Distribution Inc. under Section 78 of the OEB Act to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2023.

INTERROGATORIES

ON BEHALF OF THE

SCHOOL ENERGY COALITION

1-SEC-1
[Ex.1] Please provide a revised version of the RRWF to reflect the OEB's 2023 cost of capital parameters.

1-SEC-2
[Ex.1] Please provide copies of all benchmarking studies, reports, and analyses that the Applicant has undertaken or participated in since its last rebasing application, that are not already included in the application.

1-SEC-3
[Ex.1] Please provide a copy of all documents that were provided to the Board of Directors in approving the underlying budgets contained in this application.

1-SEC-4
[Ex.1] Please provide details of all productivity and efficiency measures the Applicant has undertaken since its last rebasing application in 2018. Please quantify the savings and explain how they were calculated.

1-SEC-5
[Ex.1] Please provide details of all productivity and efficiency measures the Applicant plans to undertake in the test year. Please quantify the savings and explain how they were calculated.

1-SEC-6
[Ex.1] Does the Applicant have a corporate scorecard or similar document? If so, please provide a copy for each year beginning in 2018. If the Applicant does not, please explain how its Board of Directors measures the company and management's performance.

1-SEC-7
[Ex.1, p.95] The Applicant states: "In 2023, PUC is projecting higher actual costs due to the reporting required for Sub-16 ICM and SSG ICM. Both ICM's are reported as capital expenditure in 2023 as per the RRR filing requirements and therefore inflate PUC's actual costs for that year. PUC expects its actual costs to stabilize in 2024, thus bringing back down its efficiency percentage. Additionally, it should be noted that PUC has additional costs and savings that are not accounted for in the PEG model.":

a) Please confirm that if the ICM costs that are reported as capital expenditures in 2023 were recorded in the year they were incurred, the Applicant's actual costs for those years would be higher, and its cost efficiency assessment (actual costs as compared to predicted costs) would have been higher.
b) Please explain, and quantify, the additional costs and savings the Applicant believes are not accounted for in the PEG model.
c) The Applicant has provided a 'revised cost efficiency percentage' removing a number of cost items from the actual cost calculation. Please provide a detailed breakdown of the adjustment made to actual costs and the rationale for each.

1-SEC-8
[Ex.1, Appendix B, p.14] With respect to Applicant's financial budget and projections contained in its Business Plan, please explain why the Applicant is forecasting an ROE for each year between 2023 and 2027, below the deemed ROE amount. Please provide the underlying calculations for the projected ROE amount.

2-SEC-9
[Ex.2, p.60] Please explain why the Applicant's Sub 16 true-up reconciliation is not the difference between the projected revenue collected versus an actual revenue requirement calculation, including half-year ruled applied to the year the project went in-service (2021). Regardless of your answer, please provide a calculation that provides such a reconciliation.

2-SEC-10
[Ex.2, p.65] With respect to the Sault Smart Grid project:

a. Please provide an update on the project, including a copy of the most recent internal project update or similar document.
b. Please explain the relationship between the reduction in the NRCAN grant and the reduction on the gross project spending.

2-SEC-11
[Ex.2] Please provide a revised version of Appendix 2-AB on an in-service addition basis.

2-SEC-12
[Ex.2, DSP, p.14-15] Please detail which actions listed in Table 5.2-3 are being undertaken by the Applicant.

2-SEC-13
[Ex.2, DSP, p.29-30] Please explain the significant increase in unknown/other CI and CHI numbers in 2021.

2-SEC-14
[Ex.2, DSP, p.72-75] The Applicant has reproduced data collection recommendation tables from the METSO Asset Condition Assessment. Please explain, which recommendations the Applicant plans to implement and the timeline to do so. If there are recommendations the Applicant does not intend to implement, please explain why not.

2-SEC-16
[E.2, DSP, p.92-96] With respect to the VVO Linkage to ROE proposal:

a. [p.96] With respect the table:
    i. Please update the table for the OEB's 2023 approved ROE.
    ii. Please recast the '2023 VVO linked ROE' and Reduction in ROE line to show the impact, not compared to the Applicant's overall ROE, but ROE associated with the Sault Smart Grid project only.
b. [p.95] The Applicant states that "PUC will measure VVO consumption (kWh) savings on an annual basis. The methodology for calculating VVO savings is being developed in collaboration with PUC's SSG contractor which will be used as an input. The very top line of Table 5.3-29 shows assumption of what that input might be for the purposes of this calculation and the VVO linkage to ROE." Please confirm that the Applicant is not seeking approval for a specific methodology for calculating VVO savings. If confirmed, please explain when the OEB will assess the methodology.
c. [p.95] Please provide potential methodologies being considered for calculating the VVO consumption savings.
d. [p.95] Please provide a breakdown of the calculation of each aspect of the change in revenue requirement amounts in the table.
e. [p.95] Please confirm the proposal would operate annually until at least the Applicant's next rebasing application. If confirmed, please explain what numbers in the table would change in each year after 2023, and on what basis.

2-SEC-17
[E.2, DSP, p.101] With respect to the 2018 system access variance:

a. Please include the variance between the two major projects that discussed (i.e. Black Road widening, and make-ready FTTH work).
b. Please explain why the make-ready FTTH work was not covered by capital contributions from Bell.

2-SEC-18
[Ex.2, DSP, p.109] Please provide a table that shows for each major asset category, the number of assets replaced (or planned to be replaced) each year between 2018 and 2027.

2-SEC-19
[Ex.2, DSP] Please provide a revised version of Appendix 2-AB that includes additional columns to show year-to-date actuals for 2022, and year-to-date actuals at the same point in time in 2020 and 2021. These additional columns should exclude the impact of spending on the SSG Project.

2-SEC-20
[Ex.2, DSP, Appendix A] The Applicant has provided 'Material investment Narratives' documents for material 2023 projects. Please provide similar documents for all material projects undertaken between 2019 and 2022.

2-SEC-21
[Ex.2, DSP, Appendix A, OH-Renewal Poles] For each year between 2018 and 2027, how many poles did the Applicant replace (or plan to be replaced) as part of the 'OH Renewal – Poles' program.

3-SEC-22
[Ex.3] For each rate class, please provide the 2022 year-to-date number of actual customers.

4-SEC-23
[Ex. 4, Appendix 2-JC] Please provide a revised version of Appendix 2-JC that includes additional columns to show year-to-date actuals for 2022, and year-to-date actuals at the same point in time in 2020 and 2021.

4-SEC-24
[Ex.4, p.12] The Applicant notes that it has recorded costs related to the Green Button implementation in its 2023 OM&A budget. Please confirm that as a result as of January 1, 2023, it will no longer be eligible to record any incremental costs related to Green Button in the relevant generic 1508 sub-account.

4-SEC-25
[Ex.4, p.20-21] With respect to COVID costs:

a. Please confirm, that for accounting purposes, the Applicant recognized a decrease in OM&A costs related to COVID costs of $805,463 (as the amounts were originally booked to a deferral account) in 2020, and an equal increase of OM&A costs in 2021 (when the accounting entry was reversed), a more accurate reflection of actual OM&A costs incurred (as compared to those reflected in the evidence) would result in an increase of OM&A costs of $805,463 in 2020 and decrease of OM&A costs of $805,463 in 2021.
b. If the above is confirmed, is this accounting also reflected in Appendix 2-K? If so, please provide a version of Appendix 2-K that shows costs by year they were actually incurred, not the accounting treatment of those costs.

4-SEC-26
[Ex.4, p.23] Please provide a breakdown of consultant costs related to the Applicant's cost of service application.

4-SEC-27
[Ex.4, p.23] Please provide a breakdown of the 'general inflation and items below the materiality' category of costs into each of 'general inflation' and 'items below the materiality'. Please provide an explanation of all assumptions used in forecasting the 'general inflation' costs.

4-SEC-28
[Ex.2, p.95; 2-JC] The Applicant notes that there is an additional O&M expense of $296,400 related to the SSG implementation. Please provide the incremental O&M expenses related to the SSG project in each of 2022 and 2023, and provide a breakdown of those costs by 2-JC category.

4-SEC-29
[Ex.4, p.64-65] With respect to management salaries:

a. When was the last salary structure review undertaken and when is the next one scheduled to be undertaken?
b. What is the management salary increase forecast for 2023 and was it included in the test year budget?
c. Please quantify the total impact of any forecast increase in the 2023 management salaries.
d. Are non-union and non-management (as categorized by Appendix 2-K) salaries determined in the same way as management salaries? If not, please explain how they are determined and what increase is forecast for 2023.

4-SEC-30
[Ex.4, p.31-36, Appendix 2-K] With respect to non-management salaries, based on the information in Appendix 2-K, the Applicant is forecasting an increase in per FTE costs between 2022 and 2023, which are 16.5% (total salary and wages) and total compensation of 14.2%. Based on the information in the evidence provided regarding compensation, it is unclear why these increases are so high. Please provide a detailed explanation of the basis of these increases.

5-SEC-31
[Ex.5, p.4] With respect to the promissory note payable to PUC Inc., the Applicant states "In this application, the interest rate on this note will be based on the Board's cost of capital parameter for long term debt for 2023 cost of service rate applications issued October 28, 2021 which is 3.49%". Is the proposal to set the interest rate at 3.49% or to update it to reflect to the issuance of the OEB's most recent cost of capital parameters in October, 2022?

5-SEC-32
[Ex.5, p.6] Please provide further details regarding the expected interest rate on the credit facility with OILC (referenced as loan number 6).

5-SEC-33
[Ex. 5, p.10] Please provide the Applicant's forecast 2022 regulatory return on equity.

6-SEC-34
[Ex.6, p.17] With respect to Accelerated CCA:

a. The Applicant states "PUC used the 2018 actual additions as the basis of its CCA calculation and entry for 2018-2022." Please explain what is meant by this.
b. In so far as the Applicant has not done so, please provide a revised version of Table 6-14 that provides the impact of accelerated CCA based on actual additions in each year. Please provide the CCA continuity schedules for each of the old rules and AIIP scenarios used to calculate the increase in CCA.

6-SEC-35
[Ex. 6, Appendix 2-H] Please provide a revised version of Appendix 2-H that includes additional columns to show year-to-date actuals for 2022, and year-to-date actuals at the same point in time in 2020 and 2021.

9-SEC-36
[Ex.9, p.31] Please provide the basis for the calculation of the incremental labour amount of $250,166.

Respectfully, submitted on behalf of the School Energy Coalition this November 8, 2022.

Mark Rubenstein 2022.11.08 09:58:44-05'00'

Mark Rubenstein
Counsel for the School Energy Coalition