EB-2022-0016

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 Bluewater Power Distribution Corporation ("Bluewater" or the "Company") under Section 78 of the OEB Act to the Ontario Energy Board ("OEB") 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, Table 1 and Attachment 1 Business Plan]
One of Bluewater's Objectives under Operational Effectiveness is to improve cost efficiency, targeting an incremental $100k reduction in spending each year through identifiable and sustainable savings, accumulating to $500,000 annual savings in year 5 of the Business Plan.

a. How has Bluewater incorporated this objective in its forecasted 2023 OM&A amount of $15,763,833?
b. If Bluewater intends to be saving $500,000 by 2027, please confirm that the total cumulative savings at the end of 2027 will be $1,500,000. Please provide a table of the savings each year, and cumulative.
c. Please confirm that these projected savings are above Bluewater's Cohort 3 productivity factor of 0.3%.

1-SEC-2 [Ex. 1, Attachment 1 Business Plan]

a. Please provide Bluewater's previous Business Plans that cover the years 2013 to 2022, if available.
b. In these previous Business Plans was Bluewater's Objective under Financial Performance also to 'Earn the approved ROE to provide a stable dividend to shareholders and sufficient reinvestment of capital for distribution system needs'? If not, what were Bluewater's objectives under Financial Performance?
c. In these previous Business Plans was Bluewater's Objective under Reliability also to 'Improve SAIDI and SAIFI results over the 5 year DSP timeframe' or something similar? If not, what was the Objective under Reliability?
d. Section 4.0 of the Business Plan compares 2023 without this rate application and with. Please explain why the Lost Revenue Recovery would be $415k less for no application, than if the rate application is filed.

1-SEC-3 [Ex. 1, Table 5 Scorecard]
With respect to Return on Equity, Bluewater states 'Bluewater has successfully achieved a rate of return higher than the deemed rate'.

a. Please file on the record Bluewater's Scorecard which covers the years 2013 to 2017.
b. For every year between 2013 to 2021 that Bluewater earned greater than its deemed ROE, please provide a calculation of the excess net revenue received by Bluewater compared to what it would have been had it achieved its deemed ROE.

1-SEC-4 [Ex. 1, Section 1.3.9]
Bluewater states that it has updated the amortization rate for contributed capital from 25 years to 50 years to better reflect the matching of the amortization period to the related underlying capital assets.

a. Please provide a breakdown of assets for which capital contributions are received and their service lives.
b. What was the basis for choosing 50 years for the amortization period for all contributed capital?
c. Did Bluewater consider breaking out contributed capital into its component parts and amortizing them according to the service life of each asset? If so, please provide the calculation including the difference in depreciation and in-service additions. If not, please do so and provide the revised depreciation and in-service additions.

1-SEC-5 [Ex. 1, Table 12 and Attachment 1-4]
In the presentation given to Commercial/Industrial/Institutional Customers on March 23rd, slide 23 notes 'We expect bill increases to be less than 1% on a total bill basis'.

a. Is there anywhere else in the customer engagement materials/surveys in which bill impacts based on Bluewater's plans for 2023 were outlined?
b. In this application, the total bill impacts for some commercial customers are higher than 1%, i.e. Table 12 shows a total bill impact for GS 50-999 kW – RPP of 5.6% and 3% for GS 50-999 kW – Non-RPP; was this information communicated to customers when asking for their input?
c. Please provide updated Bill Impacts based on updates done as a result of all interrogatories.

1-SEC-6 [Ex. 1, p. 47]
With respect to e-billing, Bluewater states that 'it was determined that there would be internal costs to configure the billing system in order for it to determine eligibility (such as tracking the switch between e-billing and paper billing) as well as the administrative burden to monitor the implementation (for example, customers joining e-billing and then switching back to paper billing). It was determined that there were no clear savings in postage that would not otherwise be offset by administrative costs'.

a. Please provide a copy of Bluewater's analysis.
b. Exhibit 4, p. 27 notes under areas of savings that 'e-billing rates have reached an incredible 35% of customers which drives further savings'. Please reconcile the two statements.

2-SEC-7 [Ex. 2, Appendices 2-AA, 2-B and 2-BA]
Please update the bridge year 2022 with the most recent actuals and the 2023 forecast as required.

2-SEC-8 [Ex. 2, p. 88 Working Capital]
Please update the Cost of Power and Working Capital to reflect the OEB's most recent Regulated Price Plan Report.

2-SEC-9 [Ex. 1, p. 31, Appendices 2-AA, 2-G and Distribution System Plan (DSP), p. 45]
Bluewater states '…capital expenditures have increased in 2023 by 91% since the last rebasing application. As indicated in Table 7 below, the largest increase is in the System Renewal category. The increase in system renewal has been driven by the deteriorating condition of Bluewater's distribution system. Over the past 10 years, Bluewater has increased its spending to ensure it was replacing assets at a rate that maintained the overall condition of assets and health of its system, while targeting assets most critical in order to improve reliability'.

a. Based on data in Appendix 2-AA, planned spending on System Renewal was $35,185k for the 2013 to 2021 period and actual was $31,848k, a variance of ($3,337k). Please explain why planned budget during this period was not fully spent.
b. Section 5.2.32 of the DSP notes that Bluewater did not meet its SAIDI target of 1.66 or SAIFI target of 1.51. Why did Bluewater underspend its System Renewal budget when reliability was not improving?

2-SEC-10 [Ex. 2, Appendix A Kinectrics' 2021 Asset Condition Assessment Report]
In this application, Bluewater states that in 2014, it started retaining Kinectrics to complete its Asset Condition Assessment (ACA), which flags for action poles that require attention and further inspection and as a result spending was increased as shown below:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
$000	193	181	785	1,151	1,911	1,706	2,041	2,316	1,563	1,900	1,957
# poles replaced under UT15											190
# poles replaced under other programs											

a. Please complete the above table for each year 2013-2022 with the number of poles which were replaced as part of UT15 and under other programs.
b. Please provide information from Kinectrics' 2014 ACA indicating the number of poles flagged for action or poor and very poor. Did Bluewater replace all the poles that were flagged for action in the 2014 ACA? If not, how many of them have been replaced?
c. Bluewater plans to replace approximately 190 wood poles in 2023 and notes that this quantity is in addition to wood poles installed under other programs. Approximately how many wood poles will be replaced under other programs in 2023?

d. Please confirm that Figure 6.4 in Kinectrics' 2021 ACA, Condition-Based Flagged-for-Action Plan of Wood Poles, shows number of wood poles that are forecast to be flagged for action (inspected and/or replaced) each year based on the # of poles Bluewater replaces each year reactively.
    i. Are all the poles replaced under UT15 considered 'proactively' replaced therefore not included in this forecast?
    ii. If so, please provide a version of the Figure which includes poles that are replaced both reactively and proactively.

2-SEC-11 [DSP, pp. 95 & 101]
On page 95, 5 Bluewater states that it 'does not have the capability to directly track pole top transformer health and therefore does not have the data needed to take a proactive approach', and on page 101'age data is only available for 46% of the population, and inspection data collected is typically based on an overall, full pole assembly, rather than solely the wood pole'. Please provide Bluewater's plan to correct these two gaps in its data and any others it has for other assets.

2-SEC-12 [DSP, Appendix F Capital Project Sheets, p. 73]
Bluewater has provided a Project Sheet for Telecommunications – Operations at a budget of $370,000. This project is to replace 4kV radios that are obsolete and no longer supported. Under Alternatives, Bluewater states 'Market alternatives will be considered such as dark fibre and cellular communication'.

a. Why is Bluewater only doing this project in the test year when they should have known that these radios would become obsolete and no longer supported? Why was the work not done earlier?
b. How has Bluewater determined the budget of $375k when it has not fully explored the alternatives?

2-SEC-13 [Ex. 2, Appendix 2-AA]
For 2013-2021 contributed capital averaged $33k. For 2022 to 2027 Bluewater has forecast $1,000k. Please explain:

a. How Bluewater forecasts its contributed capital.
b. What were Bluewater's 2022 System Access expenditures and the corresponding contributions.
c. Why Bluewater has assumed capital contributions will increase in the 2022-2027 period.

2-SEC-14 [Ex. 2, DSP, Appendix E Fleet Management Plan, Section 5.1 Forecasted Fleet Asset Replacements]

a. Please provide the status of delivery of vehicles forecasted for 2022.
b. The Plan states 'We will meet later this year and discuss vehicle replacement for 2023 depending on findings of the ACA's this year.' Please provide an update.

3-SEC-15 [Ex. 3, Appendix 2-IB]
Please update the load forecast and customer numbers for the Bridge Year 2022 with actuals and revise the 2023 load forecast as required.

3-SEC-16 [Ex. 3, p. 13]
Bluewater states that for 2022 'Intermediate demand is forecast to decline by 7.5%, primarily due to a post-CFF PSUP project.'

a. Please explain what is meant by 'post-CRR PSUP project' and its effect on demand.
b. What was the actual intermediate demand in 2022 compared to forecast?

4-SEC-17 [Appendices 2-JA, JB JC, K and L]

a. Please update Appendixes 2-JA, JB, JC, K and L for actuals for 2022 and adjust the 2023 forecast as required.

4-SEC-18 [Appendices 2-JA, 2-K]
SEC is seeking to understand better the Applicant's approach to the pacing of spending. Please confirm:

a. Please confirm that OM&A increased annually from 2013 to 2021 by a compound annual rate of 0.87% per year.
b. Please confirm that OM&A is expected to increase from 2021 to 2023 by a compound annual rate of 9.4% per year.
c. Please provide details of the pacing principles that have been applied to cause this result.
d. Please confirm that FTE's increased over the eight years 2013-2021 by 6.1, but are proposed to increase over the two years 2022-2023 by 14.7.
e. Please provide details of the pacing principles or other factors that justify this pattern of employee growth.

4-SEC-19 [Ex. 4, p. 11]
Bluewater indicates it has assumed an average inflation factor of 6.6% for 2023 based on the following:

- For union employees 2%
- For non-union employees 4.1%
- For materials, fuel, etc. 10%
- For other 4%

a. Please provide how Bluewater calculated its 6.6%.
b. Why does Bluewater feel it is appropriate to use 6.6% inflation when the OEB's approved number is 3.7%?

4-SEC-20 [Ex. 4, Table 7, p. 16, 23 & 54, Appendices 2-JB & 2-JC]
Based on data in J-2B (note that vegetation management #s in Appendix 2-JB in Excel do not match Table 7 in Exhibit 4), Bluewater reduced its tree trimming each year 2018 to 2020 for a cumulative total of $146k, In 2021 Bluewater spent $187k, stating that 'the Vegetation Management budget for 2021 was at an unsustainable level representing an underspend of the budget by approximately $80,000 in the year.' Also Bluewater notes that 2020 and 2021 spending were affected by COVID.

a. Bluewater explained that the reduction in 2020 was due to the contractor having issues with COVID; please explain why spending was reduced in 2018 and 2019 when tree contacts were still responsible for outages.
b. What was the total underspending in 2020 due to COVID?

c. Please provide an update on actual spend on vegetation management for 2022 and break it down between regular cycle spend, catch up from previous years and demand work.
d. Please breakdown the forecast for 2023 between regular cycle spend, catch up from previous years and demand work.
e. Why is Bluewater forecasting an increase in demand work in 2023?
f. Was Bluewater operating under the new contract through all of 2022?

4-SEC-21 [Ex. 4, p. 17 & 118]
One of Bluewater's strategies for reducing OM&A costs is to achieve Economies of Scope by sharing employees and assets with affiliates. Bluewater states 'Under this model, costs are shared from the distribution company to affiliates that would otherwise form part of the operating cost to be recovered through rates from ratepayers.' Bluewater has excluded $1,184,190 of costs that might otherwise form part of the OM&A claimed from ratepayers during the 2023 Test Year.

a. Please confirm that this $1.2M represents wages, etc., of Bluewater staff who do work for affiliates and expenses related to assets that are used by affiliates.
b. Are these staff shared with affiliates or do they work solely for the affiliate?
c. If these staff were not doing work for the affiliates, would they be working for Bluewater and if so, what work would they be doing?

4-SEC-22 [Ex. 4, p. 20]
Bluewater refers to the Oversized Load Corridor Project (OLC) in 2020 and 2021 as a large billable work project that affected OM&A in those years.

a. What work was done by Bluewater and how much of the $4.1M was capital and how much OM&A?
b. Is Bluewater stating that without the OLC project it would have spent those dollars on other projects which would not have been recoverable?
c. If so, what would Bluewater have spent the dollars on?

4-SEC-23 [Ex. 4, pp. 47 & 108, Table 24]
Table 24 shows a gross increase in FTEs of 1.8 (116.2 to 118) and net increase of 2.7 (74.5 to 77.2).
With respect to the 2023 over 2022 variance, page 108 states 'Bluewater is expecting there will be movements within the current complement of staffing levels but the overall total headcount should be reduce[d] by one'. Page 47 states '2023 has no increase in headcount'.

a. Please explain the discrepancies in the statements.
b. Does Bluewater budget based on FTEs or headcount?
c. If by headcount, please provide a table similar to Table 24. If by FTEs please provide variances by FTEs.

4-SEC-24 [Ex. 4, p. 68]
Page 68 states 'Bluewater has forecast succession planning costs of approximately $95,000 to account for two potential retirements.' Dollars for succession planning and training are also included under Regulatory.

a. Please explain what succession costs include and how are they calculated.
b. How has Bluewater accounted for the decrease in labour costs associated with a potentially younger and/or less experienced employee replacing a retiring employee?

4-SEC-25 [Ex. 4, p. 69 & 88, Appendix 2-K]
For 2023 compensation, Incentive Pay for 2023 Test Year has been included in OEB Appendix 2-K as 90% of the gross amount paid to employees.

a. What is the total amount of Incentive Pay forecasted in Bluewater's 2023 OM&A? What percentage level of possible pay does this represent?
b. What amounts were paid out in Incentive Pay historically for each year? What percentage level of the total possible pay out did these represent?
c. Bluewater indicates the Incentive Pay is based on Corporate Performance indicators. Please provide a list of these indicators and their values related to Incentive Pay, e.g. how do you determine if Incentive Pay will include the full 20% for Customer Focus.

4-SEC-26 [Ex. 4, p. 140, Appendix 2-M]
Ongoing Regulatory costs have increased by $102k from 2022 to 2023, partially attributable to an increase in staff and other resources allocated to regulator matters and legal and consulting costs. What additional work in regulatory is Bluewater anticipating above and beyond the rate application?

5-SEC-27 [Ex. 5]

a. Please update Bluewater's cost of capital parameter, as required, to reflect the OEB's October 20, 2022 letter.
b. What is Bluewater's update to the current interest rate of 3.4% for its Term Loan #1?
c. Please provide an update on the status of Bluewater's Term Loan #2 and forecasted interest rate.
d. Term Loan #2 appears to be $14,250,000 for ten years at 6.373%. Please provide all documents, reports, memoranda, communications and other written materials in which the Applicant sought or obtained advice on the risks and benefits of obtaining a large term loan at a time of high market interest levels.

6-SEC-28 [Ex. 6, Appendix 2-H]

a. Please provide an update to Other Revenue for 2022 year to actuals.
b. Please update the Other Revenue as per the OEB's November 3, 2022 letter.
c. Please provide actuals/forecast for 4375 and 4380 in 2022 and 2023.

7-SEC-29 [Ex. 7, Table 12]
Please provide the revenue changes resulting from the adjustments to the proposed 2023 R/C ratios, e.g. how much additional revenue added to Residential Class, how much deducted from the GS < 50kW Class**.**

8-SEC-30 [General]
SEC is seeking to understand why the cost to deliver electricity to schools and similar customers in the Applicant's service territory is higher than in other comparable LDC franchise areas. The table set out below contains the 2022 distribution charges for a GS>50 customer with a 100kW monthly demand for the Applicant and ten other LDCs, and the proposed 2023 distribution charges for the Applicant. The ten LDCs are those to which the Applicant was compared in EB-2012-0107, less those that have been the subject of acquisitions in the meantime.

With respect to this table:

a. Please confirm that the figures in the table correctly set out the rates from the final rate orders of each LDC for 2022, and for the Applicant the proposed rates for 2023 from this Application.
b. If the Applicant believes that any of the comparators should not be included, please prepare a similar table without them, and provide an explanation for why they should be excluded.
c. If the Applicant believes that any other comparators should be included, please prepare a similar table with them, and provide an explanation for why they should be included.
d. Please confirm that the Applicant's 2022 bill for this typical customer is 35% higher than the average of the comparators listed below, 95% higher than the lowest of the comparators, and the highest of the 11 LDCs listed. Please provide the same response for any revised table prepared by the Applicant.
e. Please confirm that the Applicant proposes in this Application to increase the distribution bills for these typical customers by more than 20% in 2023.
f. Please provide a detailed explanation of the reasons why customers in Sarnia, such as schools, are being asked to pay distribution costs materially higher than customers in Welland, Niagara Falls, Chatham, Stratford and Wasaga, plus other such towns.
g. Please provide a detailed description of the Applicant's strategy, if any, to bring costs for these customers down to the range of similar towns and cities in Ontario. Please provide all internal memoranda, presentations, reports, and other documents dealing with improving the relative cost performance of the Applicant compared to other LDCs.

Bill Comparisons for Schools

Monthly Demand 100 kW

GS>50

LDC	Fixed	Variable	LRAM	Other	Total	Annual
Bluewater	$163.49	$475.08	$50.73		$689.30	$8,271.60
E.L.K	$179.82	$160.95	$12.31		$353.08	$4,236.96
Entegrus	$81.99	$392.53	$22.45		$496.97	$5,963.64
ERTH Power	$133.52	$322.93			$456.45	$5,477.40
Essex	$252.83	$244.50			$497.33	$5,967.96
Festival	$254.64	$274.91	$16.84		$546.39	$6,556.68
Kingston	$117.69	$357.86			$475.55	$5,706.60
Niagara Peninsula	$134.34	$373.98			$508.32	$6,099.84
Wasaga	$38.07	$574.34			$612.41	$7,348.92
Welland	$309.45	$333.68			$643.13	$7,717.56
Westario	$250.14	$263.98	-$10.03		$504.09	$6,049.08
Average w/o BPDC	$175.25	$329.97	$10.39		$509.37	$6,112.46
Bluewater Proposed	$163.49	$550.68	$113.55		$827.72	$9,932.64
Increase over 2022						20.08%
Excess to Average						62.50%

Respectfully, submitted on behalf of the School Energy Coalition on January 24, 2023.

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Jane Scott
Consultant for the School Energy Coalition