EB-2023-0033

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by InnPower Corporation (InnPower) for an Order or Orders approving or fixing just and reasonable distribution rates effective January 1, 2024.

INTERROGATORIES

ON BEHALF OF THE

SCHOOL ENERGY COALITION

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

1-SEC-2
[Ex.1] Please provide a copy of all documents that were provided to InnPower's Board of Directors in approving the underlying budgets contained in this Application.

1-SEC-3
[1-1-5, Table 1.5] Please redo Table 1.5 starting from 2017 <u>approved</u> Operation, Maintenance &Administration (OM&A), instead of actual 2017.

1-SEC-4
[1-1-5, p. 42 & Appendix 2-JB] InnPower notes that it has changed its approach to vegetation management in 2021, which has added an additional $50k annually from 2020 to 2023.

a. Please reconcile this additional $50k annually with the $324k shown as an increase in 2021 for Vegetation Management in Appendix 2-JB.
b. What additional work or changes are being made in each of 2022, 2023 and 2024 for the additional $50k?
c. What has been the impact on reliability of this increased spending on vegetation management?
d. How many tree contacts has InnPower experienced to date in 2023?

1-SEC-5
[1-1-5, p. 42 & Distribution System Plan (DSP) Appendix A] InnPower refers to moving to Software as a Service (SaaS) and the effect this has on OM&A costs.

a. Is InnPower moving from purchasing its own software to a SaaS model? If so,
    i. Please explain the increased capital spending shown in the Material Investment Narratives for IPCGP02 – IT Software and IPCGP01 – IT Hardware.
    ii. What investments in hardware/software have been or will be avoided as a result of this corporate decision, i.e., what is the avoided cost?
    iii. What has been and is forecasted to be the resulting dollar impact on OM&A?

1-SEC-6
[1-1-5 Appendix (B) Scorecard]

a. Please file on the record InnPower's preliminary Scorecard for 2022, if the data is available.
b. If the Scorecard is not available, provide a preliminary Return on Equity for 2022.

1-SEC-7
[1-1-5 Appendix C] InnPower has provided a copy of its 2022 internal scorecard. Please provide a copy of each internal scorecard since 2017. Also, if available, please provide a preliminary copy of the 2023 internal scorecard.

1-SEC-8
[1-1-5 Appendix (D), Appendix 2-IB] Please explain the differences in forecasted customer #s (i.e., higher) between the 2024 Outlook Customer Growth and Appendix 2-IB, e.g., 86 vs. 80 for the GS > 50 kW class.

1-SEC-9
[1-1-9, Table 1-25] InnPower is proposing a new Embedded Distributor rate class for a current GS > 50 kW customer.

a. How did InnPower determine the costs allocated to this new class in Table 1-25?
b. InnPower states that 'by creating an Embedded Distributor rate, HONI customers will see a decrease of $31.57 in monthly fixed charges and $0.6174 in monthly variable charges.' What is the impact of this proposal on the remaining customers in the GS > 50 kW class? I.e., please calculate the rates for the GS > 50 kW class if the Embedded Distributor rate class is not created.
c. Were the customers in the GS > 50 kW class informed of this proposal? If so, what feedback was received?

1-SEC-10
[1-1-11, p. 126-153) Please provide the underlying spreadsheet (with formulas intact) used to undertake the calculations on pages 126-153.

1-SEC-11
[1-1-11, p. 160; IPC_2024_Benchmarking_Model_1-1-11_20230512] Please reconcile the 2024 test year cost efficiency information contained in Table 1-47, which shows a cost performance of -5.1% (-5.6 three-year average), with that shown in the filed benchmarking model of 25.6% (14.08% three-year average):

1-SEC-12
[1-1-12, p. 181] Please provide a copy of the referenced Meyers, Norris, Penny LLP business process review and discuss any recommendations that InnPower did not implement.

1-SEC-13
[1-1-12, p.190] InnPower states that it "will conduct a detailed review of all department processes and procedures with a goal of reducing redundancy, improving department efficiency and ensuring that proper technology is deployed." Please explain how, if at all, that the expected outcome of this detailed review has been incorporated into the test year budget.

1-SEC-14
[1-2-1, p. 320 & 2-5-3, DSP, p. 14] InnPower delivered a Cost-of-Service Customer Priorities Survey in order to establish what is most important to its customers.

a. Please provide a copy of the survey.
b. What information were the respondents given with respect to the cost of the various options when answering the survey?
c. Was InnPower's 2022 Customer Priority Survey developed in-house or by an external third party? If externally, what was the cost?
d. How did InnPower determine that the survey was statistically significant?
e. How did InnPower change its plans, subsequent to the results of the Customer Priority Survey?

2-SEC-15
[2-5-2, p. 72] InnPower planned to introduce a new Enterprise Resource Planning system in 2023 with completion in 2024.

a. What is the total forecasted cost of the new system, for each year?
b. What is the status of implementation?

2-SEC-16
[2-5-2 Appendix (A), Appendix 2-AA] In Exhibit 1, InnPower states that the 'philosophy of growth will pay for growth has guided InnPower in the development of its business plan, the DSP, and this entire Application.'The average net capital expenditures for System Access have increased from $1,130k (2017 to 2022) to $1,853k (2023 to 2028) or 64% and total net capital expenditures from $4,365k (2017 to 2022) to $14,194k (2023 to 2028) or 225%. Please explain how this is in keeping with InnPower's growth pays for growth philosophy.

2-SEC-17
[2-5-2 Appendix (B), Appendix 2-AB] With respect to Appendix 2-AB:

a. Please provide the basis for the 2017 to 2022 'plan amounts'.
b. Please provide the internal budgeted amounts for 2022 as determined at the beginning of 2022.

2-SEC-18
[2-5-2 Appendix (B), Appendix 2-AB] Appendix 2-AB shows planned capital versus actual/forecast capital spent over the period of 2017 to 2024. Please provide the following:

a. The actual spend to date for 2023.
b. The actual spend to date for the same period as provided for 2023 in part (a), for 2021 and 2022.

2-SEC-19
[2-5-2 Appendix (B), Appendix 2-AB] InnPower has over forecasted the gross capital expenditures and the contributed contributions for each year 2017 to 2021 resulting in an over forecasting of net capital expenditures in all years, except 2021.

a. How does InnPower forecast capital contributions for each of the four investment categories?
b. In 1-1-5 Appendix (D), InnPower lists each of its 2023 projects and the associated contribution. Please provide similar information for the 2024 capital budget.

2-SEC-20
[2-5-3, DSP, Table 5.2.14] Defective equipment accounted for 24.2% of the total outages experienced by InnPower over the historical period. Please provide a breakdown of the Defective Equipment numbers in Table 5.2.15 by equipment type.

2-SEC-21
[Appendix 2-5-3 DSP] For each major asset type, please provide the number of assets replaced each year between 2017 and 2022, and forecast to be replaced in 2023 and 2024.

2-SEC-22
[Appendix 2-5-3 DSP, p. 9 & Appendix 2-BA]

a. Please confirm the following information related to Construction Work in Progress (CWIP) obtained from Appendix 2-BA

$000	2017	2018	2019	2020	2021	2022	2023	2024
CWIP opening	725	1,155	1,267	3,737	5,121	3,807	6,008	-
Change in CWIP	430	112	2,470	1,384	(1,314)	2,201	(6,008)	
CWIP closing	1,155	1,267	3,737	5,121	3,807	6,008	-	-

b. Please confirm that the capital expenditure numbers shown in Appendix 2-AB are actually capital in-service additions and include the above additions of CWIP to rate base.

If this is correct, please provide a copy of Appendix 2-AB with capital expenditures. If not correct, please provide a copy of Appendix 2-AB with capital in-service additions.

c. At the end of 2023 the balance for CWIP is shown as zero in Appendix 2-BA. Page 9 of the DSP states 'The TS Project capital spending over the bridge and five-year forecast period will remain in Work in Progress (WIP) and will be addressed in InnPower's next rebasing application once the TS is energized.' $1,350k is shown in the bridge year as the budget for the TS Project. Please explain and adjust as necessary.
d. Are there any other projects which should be removed from in-service capital additions, as they will be CWIP?

2-SEC-23
[Appendix 2-5-3 DSP, p.65] With respect to the METSCO Asset Condition Assessment:

a. Please provide a copy of the final report and/or deliverable provided by MESTCO.
b. Please explain how, if at all, METSCO uses age in the calculation of an assets Health Index.
c. Please provide in a single table, for each asset class/category, the number of assets by Health Index category, total number of assets, number of known assets with a Heath Index, number of assets where the Health Index was extrapolated, and Data Availability Indicator (DAI). Please also provide a copy of the table in Excel.

2-SEC-24
[2-5-7, p. 93] With respect to the proposal for a BATU Instalment Deferral Account:

a. Please confirm that under the OEB rate-setting policies, the only mechanism for additional capital funding for a utility on Price Cap IR is through the ACM or ICM.
b. Please confirm that the Applicant will have its rates set through Price Cap IR in each year of 2025, 2026 and 2027.
c. Please explain why under these circumstances, the Applicant believes that it should be granted a new rate-setting mechanism, as it has proposed, for each year of 2025, 2026, and 2027.

2-SEC-25
[2-5-7, p. 93] The Applicant states "As more fully detailed in Table 2-47 below, the result of the OEB's ACM mechanism results in a material deficiency in revenue requirement due to the application of the maximum eligible incremental capital, driven in part due to the impact of high inflation and high growth rates on the arithmetic in the ACM model."

a. Please provide the Applicant's forecast revenue requirement for each year of 2025, 2026, and 2027, including all calculations and assumptions.
b. Please provide the Applicant's forecast base distribution and ACM rate rider revenue for each year of 2025, 2026, and 2027, including all calculations and assumptions.

3-SEC-26
[3-1-1, Table 3-17 & Appendix 2-IB] Please update the load forecast and customer numbers for the Bridge Year 2023 with actuals to date and revise the 2024 load forecast as required.

3-SEC-27
[3-1-1, p. 7] InnPower states 'The regression analysis has been updated to include actual data to the end of 2022 and uses the same variables as those in InnPower's 2017 COS application.'

a. Please confirm that InnPower has not introduced a variable to adjust for any impacts due to COVID.
b. Why did InnPower not consider such a variable necessary?

4-SEC-28
[4-1-1, Table 4-1] Exhibit 1-1-5 page 99, InnPower states '2024 Test Year Operating Costs are $13.7M as shown in Table 4-1 above. The 2024 Test Year requested recovery is $0.1M greater than InnPower's 2017 approved levels.' Table 4-1 shows 2017 approved Operating Costs to be $8,289k. Please explain InnPower's statement quoted above.

4-SEC-29
[4-1-3, Table 4-7 & p. 49] The OM&A associated with Distribution Meters has increased by $345k since 2017. The explanation for the increase provided on page 49 relates to the purchase of meters.

a. Is the acquisition of Distribution Meters considered an OM&A expense or a capital expense?
b. If OM&A, please explain why InnPower does not treat meters as a capital expense.
c. If capital, please provide an explanation of why Distribution Meters OM&A is increasing.

4-SEC-30
[4-1-3, Table 4-7 & p. 50] The OM&A associated with Other has increased by $618k since 2017. InnPower's explanation states 'The 'Other' category represents misc. changes in costs that allow the table to balance. These amounts are generally not material.' The total increase is material, so please provide more details of what makes up the increase in the Other category.

4-SEC- 31
[4-1-4 Appendix (A), Appendix 2-JA] Please provide year to date actuals for 2023, as per Appendix 2-JA and equivalent year to date OM&A numbers for 2021 and 2022.

4-SEC-32
[4-1-6, p. 109] InnPower notes that 'Beginning in 2024, InnPower, InnServices and InnTerprises will begin streamlining Human Resources under one department, leading to economies of scale for employees and a more efficient department.' What reductions in costs has InnPower forecasted that will result from this streamlining, and point to where we can see this in the application?

4-SEC-33
[4-1-6, Table 4-34 & p. 127] InnPower plans to add 10.13 and 6.41 new FTEs in 2023 and 2024 respectively.

a. What is the status of the hiring for 2023?
b. InnPower lists the BATU as one of the drivers for these new positions. InnPower will be providing a capital contribution to Hydro One for this work. What work will be required by InnPower specifically?
c. On page 138, InnPower states that it has experienced several high-profile retirements in key areas over the past few years. How is this related to the incremental addition of 16.54 FTEs?
d. InnPower states that 'Three of these staff (Human Resources, Information Technology, Stockkeeper) will be fully cost shared with InnPower's non-regulated Affiliate (InnServices)'. Please indicate where on Appendix 2-N, this increase in allocations can be seen.

4-SEC-34
[4-2-1, p187; 9-1-1, p. 14-15] With respect to the audit of affiliate services:

a. Please provide a copy of the audit report.
b. Please provide a copy of the Assurance of Voluntary Compliance (AVC) that was issued on April 26, 2019.
c. Please provide a detailed list of changes made as a result of the findings and recommendations in the audit and the AVC.

4-SEC-35
[4-2-1, p.190] Please provide a copy of the shared services agreements with each of InnPower's affiliates.

4-SEC-36
[4-2-4, Table 4-61] InnPower has included $314k of one-time costs related to this application in its Regulatory Costs. This includes $44k in 2021, which is composed of $5k for an OEB penalty and $39k for consultants.

a. InnPower has stated that it 'will also not be seeking recovery of these AVC expenses in 2024 rates.' Please explain why the $5k was included.
b. Please provide details of what the $39k for consultants entails.

5-SEC-37
[5-1-1, p. 10] InnPower has provided reasons why its actual ROE in 2022 has exceeded the deemed ROE built into its rates. Please explain how the <u>increases</u> in OM&A costs outlined and the increases in PP&E, which are not yet built into rate base, have contributed to this over-earning.

5-SEC-38
[5-1-1, p. 14] InnPower anticipates an additional CAPEX Loan with TD Bank in the 2023 Bridge Year in the amount of $2,189,040 and the 2024 Test year in the amount of $5,284,649.

a. Has InnPower finalized the 2023 loan? If so, please provide the details.

b. Did InnPower explore sourcing the 2024 loan through Infrastructure Ontario? If not, why not? If so, what were the results?

6-SEC-39
[6-3-1, Table 6-10] Please provide year to date Other Revenue in the same format as Table 6-10 and provide the same information for the same period for 2021 and 2022.

9-SEC-40
[9-1-3, p. 29] With respect to Account 1508 –Vegetation Management:

a. Please forecast amounts that would be invoiced to pole attachers for 2023.
b. For 2024, where would vegetation management revenue appear in the calculation of the revenue requirement?

9-SEC-41
[9-1-4, p. 39] With respect to Account 1592:

a. Please provide similar Appendices that show the CCA for each year between 2018 and 2024 using the 'Prior Rules' (non-AII CCA rules).
b. Please provide the forecast balance of the account through to the end of 2023.
c. The Applicant has included in Table 9-11, the 2024 forecast balance of the account which includes a debit entry. Please explain what the 2024 calculation reflects.

Respectfully, submitted on behalf of the School Energy Coalition on July 18, 2023.

Jane Scott
Consultant for the School Energy Coalition