

October 20, 2023

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

Dear Ms Marconi:

**EB-2023-0052 – Synergy North Corporation - 2024 Electricity Distribution Rates – Interrogatories**

Please find, attached, interrogatories for Synergy North Corporation 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 SYNERGY NORTH CORPORATION**

**FROM THE CONSUMERS COUNCIL OF CANADA**

**RE: EB-2023-0052 – 2024 COST OF SERVICE REBASING  
OCTOBER 20, 2023**

**ADMINISTRATION**

**CCC-1**

**Ex. 1**

Please provide copies of all documents that were provided to the Board of Directors related to the Application, Business Plan and the underlying budgets.

**CCC-2**

**Ex. 1/p. 27**

Was there any rate harmonization evidence discussed/addressed during the amalgamation proceeding? If so, what were the nature of that evidence? If not, why not? Please provide all internal studies produced regarding SNC's rate harmonization proposals. What rate harmonization proposals were considered and rejected. Is it SNC's position that rate harmonization is required at this time?

**CCC-3**

**Ex. 1/p. 36**

Please provide a complete description of the activities undertaken by Thunder Bay Hydro Utility Services. Does it provide services to SNC? Are the employees part of SNC? What other utilities does it provide services to?

**CCC-4**

**Ex. 1/p. 39 Figure 1.2**

Please explain the roles and responsibilities of the Customer & Renewable Energy Coordinator.

**CCC-5**

**Ex. 1/pp. 50-51**

Please explain the extent to which adverse weather events have impacted the 2024 OM&A Capital and distribution revenue in 2024.

**CCC-6**

**Ex. 1/p. 52**

Please explain the extent to which the electrification of transportation has impacted the 2024 revenue requirement.

**CCC-7**

**Ex. 1/p. 54**

Please provide a detailed breakdown of the \$33.3 million in cost savings related to the conversion of the 4kV and subsequent decommissioning of the remaining substations. What is the impact on the 2024 revenue requirement.

**CCC-8**

**Ex. 1/p. 55**

The evidence states that SNC has achieved productivity and cost efficiencies with its fleet since the last COS through using fleet utilization data to make more efficient decisions regarding fleet purchases etc. What is the impact on the 2024 revenue requirement of SNC's fleet strategy?

**CCC-9**

**Ex. 1/p. 58**

For each year, 2024-2028 what is the expected percentage of customers on e-billing. What are the expected cost savings in each year?

**CCC-10**

**Ex. 1/p. 64**

Did SNC discuss with its customers the proposed distribution rate increases set out in the application? Did SNC, as part of its customer engagement, indicate that its proposed Return on Equity embedded in 2024 rates would be approximately 9%? If not, why not?

**CCC-11**

**Ex. 1/p. 83**

Please explain, in detail, why SNC's cost per customer has increased significantly since 2017. Why has the cost per customer not decreased since the merger?

**CCC-12**

**Ex. 1/p. 83**

Please explain, in detail, why the cost per Km of line has increased since 2017 significantly. What steps is SNC taking to improve this metric?

**CCC-13**

**Ex. 1/pp. 101-103**

**Re: Amalgamation Decision (EB-2018-0124/0233) pp. 7-8**

In the Decision that approved the amalgamation there are references to expected cost savings;

- The Applicants provided a comparison of Operating, Maintenance and Administration (O&M) costs for a scenario where there is no amalgamation (i.e. the status quo) versus the post amalgamation scenario over the proposed five year deferred rebasing period (2019 to 2023 inclusive). The comparison provided by the Applicants demonstrated that the amalgamated entity when compared to the status quo costs of both Thunder Bay Hydro and Kenora Hydro;
- The Applicants noted negligible capital savings arising from the proposed amalgamation. As a result capital savings were not included in the cost comparison between status quo

and post-amalgamation scenarios. When the Applicants were asked by OEB Staff to describe any capital savings anticipated from the proposed amalgamation following the deferred rebasing period, the Applicants stated that capital expenditures or savings could not be predicted. The Applicants noted that LDC Mergeco will need to review and work on incorporating the Kenora Hydro distribution assets into the existing Thunder Bay Distribution System Plan. Until this thorough review is undertaken, capital expenditures or savings cannot be predicted;

- The Applicants estimate OM&A synergies over the 5-year deferral period to total \$3.8 million with transaction costs totalling \$1.4 million;
  - The Applicants submit that OM&A savings, as identified in the application are expected to result in lower cost structures for LDC Mergeco at the time of first rebasing relative to the status quo and the savings – approximately \$900,000 per year – will continue in perpetuity.
- a) Please provide the comparison referred to in the first point;
  - b) Please provide the review referred to in the second point;
  - c) Please provide a breakdown of the \$3.8 million in projected synergies. Please provide the actual synergies on the same basis;
  - d) Please provide a breakdown of the \$1.4 million in transition and transaction costs. Please provide the actual transition and transaction costs on the same basis;
  - e) Please provide a breakdown of the \$900,000 in annual savings projected in the amalgamation proceeding. Please provide a breakdown of the \$884,000 of sustained savings on the same basis.
  - f) Did SNC achieved capital savings? If so, please identify those savings.

#### **OPERATING, MAINTENANCE & ADMINISTRATION:**

##### **CCC-14**

##### **Ex. 4/pp. 8-9**

Please provide all directives and budget guidelines provided to staff with respect to the 2024 budget.

##### **CCC-15**

##### **Ex. 4/p. 16**

Figure 4.2 sets out OM&A Expenditures 2017-2014. Tree trimming costs are driving increases in 2022, 2023 and 2024. Please explain why “Normal OM&A Expenses” in 2022 are not more aligned with OM&A costs in 2019, the year in which merger savings were achieved.

##### **CCC-16**

##### **Ex. 4/p. 23**

The evidence refers to the fact that resources to address regulatory processes and proceedings continue to be an issue for SNC. In addition, there has been significant turnover in regulatory roles and jobs remain unfilled due to the inability to find and recruit qualified people. How many regulatory roles are unfilled? For 2024 is it assumed those roles will be filled?

**CCC-17**

**Ex. 4/p. 24/ Table 4-9 Summary of Recoverable OM&A Expenses (Appendix 2-JA)**

Please provide an updated version of Appendix 2-JA which includes 2023 year to date actuals.

**CCC-18**

**Ex. 4/p. 24 Table 4-9 Summary of Recoverable OM&A Expenses (Appendix 2-JA)**

Please explain what activities are captured within Community Relations. Please explain why this component of the budget has almost doubled since 2017.

**CCC-19**

**Ex. 4/p. 25**

Administrative Costs include IT Department costs, bank charges, general plant maintenance, liability and property insurance costs, supplies etc. Please explain why these costs were not reduced as a result of the merger.

**CCC-20**

**Ex. 4/p. 88**

The Executive Team became eligible to receive incentive compensation to a maximum of 15% of base salary in 2021. Please explain how this incentive program is structured. What incentive compensation is included in the 2024 revenue requirement?

**CCC-21**

**Ex. 4/p. 93 – Table 4-19: FTE & Employee Costs**

Please provide 2023 FTEs year to date actuals. How many vacancies are included in the 2023 FTE numbers?

**CCC-22**

**Ex. 4/p. 117**

The total regulatory costs of the Application are \$697,780. Please provide an explanation as to how these numbers were derived. Please include all assumptions. What are the actual costs incurred to date? The overall amount includes \$382,500 in rates consulting fees. Please provide a detailed breakdown of this amount.

**CUSTOMER AND LOAD FORECAST:**

**CCC-23**

**Ex. 3/p. 9**

Please explain the extent to which SNC has incorporated any assumptions regarding energy transition/electrification/net zero into its customer or load forecasts for 2024.

**RATE DESIGN:**

**CCC-24**

**Ex. 8/p. 25**

The average distribution rate increase for Thunder Bay Rate Zone customers is 28.83%. This is 2.7% higher than what SNC has calculated to be the status quo increase. This is not consistent with the evidence provided during the MADDs proceeding. Why should residential consumers be subjected to such significant rate increases?

**CCC-25**

**Ex. 8/p. 25**

Has SNC drafted any customer communication materials relate to the proposed rate increases? If so, please provide copies of those materials.

**CCC-26**

**Ex. 8/p. 15**

SNC is proposing to change the Specific Service Charge for Easement letters for \$15.00 to \$26.75. Please explain the purpose of easement letters. To what extent did SNC consult with its customers regarding this change? What do other LDCs charge for this service