



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL

November 14, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: EB-2024-0046 Application for 2025 Rates

In accordance with Procedural Order No. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Northern Ontario Wires Inc.'s responses to interrogatories are due by December 2, 2024.

Any questions relating to this letter should be directed to Vithooshan Ganesanathan at Vithooshan.Ganesanathan@oeb.ca or at 416-440-7691. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Vithooshan Ganesanathan
Advisor, Distribution Rates

Encl.

**OEB Staff Interrogatories
Northern Ontario Wires Inc.
EB-2024-0046**

Please note, Northern Ontario Wires Inc. (Northern Ontario Wires) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

1. Capital Spending and Rate Base

1.1 Are the proposed capital expenditures and in-service additions appropriate?

1-Staff-1

Asset Condition Assessment Report

Ref 1: Exhibit 2, page 368

Preamble:

The asset condition assessment report in the application identifies opportunities for Northern Ontario Wires to enhance data collection and availability while continuously improving the Asset Condition Assessment framework.

The asset condition report outlines additional condition parameters that could be implemented to achieve best practice Health Index formulations for each asset class.

At reference 1, the asset condition assessment report rates the health indices of the thirteen power transformers using the following ratings: good, fair, poor and very poor.

Question(s):

- a) Please explain the progress Northern Ontario Wires has made with implementing the recommendations from the asset condition assessment report.
- b) For each power transformer being proposed for replacement/removal through one of the capital projects in this application, please confirm which capital project this corresponds to, and the health index of the transformer being replaced/removed.

1-Staff-2

Pole Replacement in Capital Projects

Ref 1: Exhibit 2, page 96

Preamble:

The application states that there are three pole replacement programs – one for each Town – to replace poles that have reached the end of their service life, which is budgeted each year.

The voltage conversion projects included in the application include planned pole replacements within the scope of work.

Question(s):

- a) From 2017-2024, please quantify the total number of poles replaced through the pole replacement programs, and the total number of poles replaced through all other capital programs.
- b) Please complete the same analysis as part a) above for the planned pole replacements for the forecast period, 2025-2029.

1-Staff-3

General Plant – Transportation

Ref 1: Exhibit 2, page 55

Ref 2: Exhibit 2, page 66

Ref 3: Exhibit 2, page 79

Ref 4: Exhibit 2, pages 552-553

Preamble:

The application states that the following expenditures for transportation equipment:

- 2024 - \$410,754, costs driven by the purchase of a bucket truck
- 2026 - \$641,717, costs driven by the purchase of a bucket truck
- 2029 - \$582,315, costs driven by the for the purchase of a derrick digger

The application states that redundancies are necessary due to common winter road closures, and that expenditures on transportation equipment are needed to replace the aging fleet and ensure timely outage responses in all communities.

The application includes a fleet replacement schedule based on a fleet evaluation matrix that considers age, mileage, type of service, reliability, maintenance costs, and condition.

- a) Please confirm if the transportation investments in years 2024, 2026 and 2029 will replace older fleet upon in-service or if they will be a new addition to the fleet. If the new vehicles will be replacing older units, please identify the ID number of the equipment from the fleet replacement schedule that is being replaced.
- b)
- c) In the fleet replacement schedule, for 2024, the in-service additions total to \$457,655 while the total 2024 capital budget for transportation equipment is \$410,754. Please explain the discrepancy.
- d) Please breakdown the transportation costs for 2026 and 2029 by the specific transportation equipment being purchased in each year.
- e) Please explain why the transportation budget for 2026 is 56% higher than the one proposed for 2024.

1-Staff-4

General Plant – Computer Software

Ref 1: Exhibit 2, page 55

Preamble:

Northern Ontario Wires stated that the Go360 platform offers numerous applications including reporting tools, asset management tools, service order systems, outage management maps (available to the public), data gathering of all assets, GIS mapping initiatives and asset assessments. Northern Ontario Wires forecasted a budget of \$719,993 for 2024.

- a) Please explain the progress on the Go360 implementation to date. Please confirm that the project is on schedule to complete the work that was planned for 2024.
- b) Is the project still forecasted to cost \$719,993 for 2024? If not, please provide an updated budget.
- c) Please explain the work that is planned for the Go360 implementation for the forecast years.

1-Staff-5

Service Quality and Reliability Performance

Ref 1: Exhibit 2, page 109

Ref 2: Exhibit 2, page 120, Table 5.2-1.0

Ref 3: [2021 OEB Scorecard Northern Ontario Wires](#)

Preamble:

At reference 1, the application states that one specific incident led to an 8.25-hour outage for 1,200 customers, resulting from the top part of a pole breaking at the communication attachment.

At reference 2, the application states that the number of customer outages due to foreign interference was 2,387 in 2017, decreased sharply to 95 in 2018 and has increased to 2,330 by 2023 – see the table below. The application states that much of the foreign interference in past years is mainly due to birds.

Table 1: Number of Customer Interruptions due to Foreign Interference

Customer Interruptions	2017	2018	2019	2020	2021	2022	2023
Foreign Interference	2,387	95	139	126	466	135	2,330

In Northern Ontario Wires' scorecard for the year 2021, Northern Ontario Wires was found to need improvement with Ontario Regulation 22/04 (Electrical Distribution Safety), resulting in a "Needs Improvement" for the metric.

Question(s):

- Please explain the pole failure from reference 1. Who owned the pole? What year did the pole incident occur? Was it identified as being in poor condition? What SAIDI/SAIFI code did this fall under?
- Please explain the reason for incidents of foreign interference trending upward from 2018.
- Please explain the reason why Northern Ontario Wires received a "Needs Improvement" score in Northern Ontario Wires' 2021 scorecard and how Northern Ontario Wires is addressing this in the current application.

1-Staff-6

NWS/CDM in Distribution System Planning

Ref 1: EB-2024-0118, Non-Wires Solutions Guidelines for Electricity Distributors

Ref 2: EB-2024-0046, Exhibit 2, Distribution System Plan, Tab 2, Schedule 1, page 73, Table 5.4-13a

Preamble:

Per the OEB's Non-Wires Solutions Guidelines for Electricity Distributors (NWS Guidelines), electricity distributors are required to include consideration of non-wires solutions (NWSs) in their distribution system planning process. This involves evaluating whether a distribution rate-funded NWS may be a preferred approach to meeting a system need, thereby avoiding or deferring spending on traditional infrastructure. According to the NWS Guidelines, traditional Conservation and Demand Management (CDM) is a potential NWS that distributors may consider. Distributors must document their consideration of NWS when making investment decisions on electricity system needs with an expected capital cost of \$2 million or more as part of distribution system planning, excluding general plant investments. Distributors filing rate applications in 2024 or 2025 are also strongly encouraged (but not required) to use the Benefit-Cost Analysis (BCA) Framework to determine whether a NWS or traditional poles-and-wires infrastructure solution is the more economically feasible approach to meeting an electricity system need. The OEB expects all rate applications filed in 2026 to be fully consistent with the BCA Framework.

Northern Ontario Wires indicated in Table 5.4-13a in Ref 2 that it intends to spend \$5.1 million, \$3.2 million, and \$3.8 million in 2025, 2026, and 2027, respectively, on the construction of a new Cochrane Municipal Station to address current capacity constraints and future load growth.

Question(s):

- a) How has Northern Ontario Wires addressed, or how does it plan to address, the requirement (found in the OEB's NWS Guidelines) for distributors to incorporate NWSs into their distribution system planning process?

2. OM&A

2.1 Are the proposed OM&A expenditures appropriate?

2-Staff-7

Vegetation Management

Ref 1: Exhibit 4, page 44

Ref 2: Exhibit 4, page 180

Ref 3: Chapter 2 Appendices, Tab 2AB – Capital Expenditures

Preamble:

At reference 1, the application states that tree trimming is a seasonal activity occurring primarily in the summer with a three-year cycle. Northern Ontario Wires states that it plans to have some maintenance in every community each year and more significant areas every three years. This work program typically is performed in-house.

The application states that demand for vegetation management has increased in recent years. Northern Ontario Wires operates in a large service area with challenging terrain and frequent extreme weather events. To enhance reliability and build a more resilient system, Northern Ontario Wires states that it plans to expand the vegetation management efforts. The expenditure planned for 2024 and 2025 is expected start the process of bringing Northern Ontario Wires' program back to a 'steady state'.

Northern Ontario Wires states that due to staffing issues up until very recently all vegetation management activities have been done in house.

At reference 2, the application includes a five-year action plan from ArborWorks Tree Services.

At reference 3, the application proposes the following budget for Operating and Maintenance (O&M) costs:

Table 2: Forecast O&M Costs

\$1,000's	2025	2026	2027	2028	2029
O&M Costs	2,578	2,668	2,748	2,830	2,915

Question(s):

- a) Please confirm Northern Ontario Wires' current practice for vegetation clearance distance for primary and secondary conductors prior to implementing the five-year action plan.
- b) Please confirm the standard which Northern Ontario Wires uses for establishing its clearance distance for tree trimming.
- c) Has Northern Ontario Wires implemented the five-year vegetation action plan? If yes, please explain the progress made with the implementation to date.
- d) What impact will implementing the five-year vegetation action plan have on future spending? Please explain.
- e) Please explain what it means to bring the vegetation program back to "steady state". What year does Northern Ontario Wires expect to get the program back to steady state?
- f) The first year of the vegetation action plan only includes assessment and planning and does not specify work for tree trimming. Similarly, the fifth year only reviews the vegetation management plan. Is Northern Ontario Wires still trimming as per its tree trimming during the first and fifth years of the action plan? If not, please explain.
- g) Please confirm which years Northern Ontario Wires contracted out the vegetation management services and the amounts spent in each of those years.
- h) The O&M costs listed in Appendix 2AB – Capital Expenditures are relatively flat during the forecast period. What other programs were adjusted to account for higher spend on tree trimming in 2025?

2-Staff-8

Employee Compensation - Management

Ref 1: Exhibit 4, page 234

Preamble:

The application includes the annual management salary increases from 2017 to 2024.

During the Issues Meeting held on October 30, 2024, Northern Ontario Wires committed to providing information on the annual management salary increases used to budget for 2025 management salaries.

The application states that a recent MEARIE study indicates that Northern Ontario Wires' management salaries are below the industry average for similar roles. Northern

Ontario Wires states that it plans to adjust 2025 management salaries and benefits to align with the industry average.

Question(s):

- a) Please confirm if the annual management salary increases for 2017-2024 are on an average per employee basis. If not, please provide this information on an annual average per employee basis for each year from 2017 to 2024.
- b) Please explain the methodology used to determine the annual percentage increase for management salaries in 2024 and 2025, including any supporting calculations and the rationale for why this method is appropriate.
- c) Based on the list of local distribution companies (LDCs) in the sample data used in the MEARIE compensation study, please calculate the number of LDCs that are similar to Northern Ontario Wires in terms of gross revenue (+/- 20%).
- d) Please complete the same analysis as c) in terms of employee count (+/- 20%).
- e) Please complete the same analysis as c) in terms of customer count (+/- 20%).

2-Staff-9

Employee Compensation – Non-Management

Ref 1: Exhibit 4, page 253

Preamble:

The application states that from 2017 to 2025 Northern Ontario Wires is projected to increase its staff by 3.9 full-time equivalents (FTEs), with 3.5 FTEs added since 2023. Northern Ontario Wires states that it has faced challenges in attracting and retaining employees, particularly between 2020 and 2023. The new positions created in recent years include two powerline technicians (one in Kapuskasing and one in Cochrane) and a billing/general Clerk.

Northern Ontario Wires states that the new billing/general clerk supplements the two existing billing clerk positions that are overworked and unable to keep up with work demands.

Question(s):

- a) For each year from 2017-2023 and projected for 2024 and 2025, please provide the total number of powerline technician FTE employed, turnovers, and retired. Please provide the information in the following table format.

Powerline Technicians (FTEs)	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Employed									
Turnovers									
Retired									
Added									

- b) For each year from 2017-2025, please provide the annual overtime hours worked for powerline technicians.
- c) Will hiring new powerline technicians reduce costs for contracting work out to third parties? If yes, please quantify the savings for the 2025 Test Year.
- d) For each year from 2017-2025, please provide the annual overtime hours worked for the billing clerks.

2-Staff-10

Activity and Program-based Benchmarking (APB)

Ref 1: Exhibit 1, pages 13-21

Preamble:

The application states that it relies on third-party meter reading services as well as meter testing and reverifications. Any maintenance and work on the meters in the service territory is performed by powerline technicians at a higher rate than a meter technician. Northern Ontario Wires states that it does not have an increasing customer base which would help with economies of scale.

The application states that the direction of vegetation management is changing as the system has hit a critical point and the current practice is unsustainable.

The application states that for poles and towers CAPEX unit cost index, Northern Ontario Wires has used in-house powerline technicians to perform capital pole replacements, with some pole conversions being performed by contractors. Northern Ontario Wires states that it is also part of the North East District Buying Consortium which allows for savings on the cost of poles. Northern Ontario Wires states that the crew wages were stagnant between June 2019 to July 2022, which reduced labour costs.

Question(s):

- a) For Metering O&M does Northern Ontario Wires expect to change the meter maintenance workforce type from Powerline Technicians to Meter Technicians? What initiatives, if any, is Northern Ontario Wires taking to drive down these costs?
- b) For Vegetation Management O&M what is the expected cost impacts of using a third-party contractor versus inhouse powerline technicians? Please further explain what “critical point” has been hit and why the current system is unsustainable.
- c) For poles and towers CAPEX please elaborate on the increase in unit costs for 2022 in comparison to 2021. Please explain why the increase for Northern Ontario Wires was substantially higher than its peers.

2-Staff-11

OPEB

Ref 1: Exhibit 4, page 244, Table 6b

Ref 2: Actuarial Report

Preamble:

In reference 1, Northern Ontario Wires has provided Employee Benefit Details, in which OPEB has been included in the health care benefits amount.

Question(s):

- a) Please provide a separate breakdown of OPEB amount for years 2017 through 2025.
- b) Please provide a breakdown of the OPEB amount into the amount capitalized and the amount included in OM&A by year from 2017 to 2025.
- c) Please confirm the forecast OPEB does not include actuarial gain/loss. Please explain and provide the necessary details.
- d) Please confirm that the defined benefit cost (i.e., service and interest cost) of the actuarial valuation tie to the OPEB amount accrued to OM&A for 2023. If not, please explain the difference.

7. Other

7.3 Is Northern Ontario Wires' proposal to adjust base distribution rates for residential customers appropriate in the circumstances when the New Cochrane Municipal Transformer Station is placed in service, rather than establish a rate rider in accordance with the Advanced Capital Module policy?

7-Staff-12

ACM Request, Special Rate Treatment for Residential Class

Ref 1: Exhibit 2, page 578

Preamble:

Northern Ontario Wires is seeking special rate consideration for the residential customer portion of the revenue requirement for the New Cochrane Municipal Transformer Station project. Instead of establishing a separate rate rider for residential customers, Northern Ontario Wires proposes that this portion of the revenue requirement be included in the base rates once the project is placed in service. Northern Ontario Wire states that this approach would allow for recovery through the Distribution Rate Protection mechanism.

Question(s):

- a) In the situation the special rate treatment for the residential class is not approved in this application, please explain the potential impact, if any, with regard to initiating construction on the project.