

**Board Staff Interrogatories**  
**Haldimand County Hydro Inc.**  
**EB-2013-0134**

**1 Foundation**

- 1.1** *Does the planning (regional, infrastructure investment, asset management, etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?*

**1.1 Staff 1. REG Plan**

**Reference:** *Exhibit 2 Appendix "A"; Consolidated Distribution Plan, November 4, 2013, p. 11 of 66*

It appears that neither HONI nor the OPA have commenced regional planning that would affect HCHI. However, HCHI indicates that on the topic of Regional Infrastructure Planning it responded to Hydro One's request of September 11, 2013 regarding future transmission connections. Please provide a copy of the October 17, 2013 email response by HCHI.

**1.1 Staff 2. REG Plan**

**Reference:** *Appendix "D" to Exhibit 2 Appendix "A" – OPA Letter of Comment*

In the OPA Letter of comment, the OPA states that it has received and offered 214 microFIT contracts and 11 FIT contracts, of which 17 have not yet been connected. Does HCHI foresee the need for additional transmission capacity for the additional projects not yet connected?

**1.1 Staff 3. Capital Expenditure Plan Prioritizations**

**Reference:** *Exhibit 2 Appendix "A"; Consolidated Distribution Plan, November 4, 2013, p. 17 of 66*

HCHI states that its Discretionary Capital Projects Prioritization Model calculates a delta risk score which is used to compare projects on a dollar cost per unit value of delta risk. The delta risk is determined by comparing a series of Business Values on a before and after basis for each project. Each business value is associated with a Business Value Attribute. Table 5 – 1 shows weights for each of the business values. From the table:

- a. Please explain the factors considered in each of the Business Value Attributes.
- b. Please explain the establishment of the weight assigned to each Business Value.
- c. Does HCHI strictly adhere to the priorities established by the model, or is there additional prioritization after the model is applied?
- d. If there is additional prioritization, please explain these additional actions and why they are necessary
- e. Please explain the linkages between HCHI's selected business value attributes and customer value, customer preferences, operational effectiveness, financial performance and delivery on public policy objectives.

### **1.1 Staff 4. REG Plan**

**Reference:** *Exhibit 2 Appendix "A"; Consolidated Distribution Plan, November 4, 2013, p15 of 66–Transmission Connected Generation Facilities*

HCHI lists four Transmission-Connected Renewable Energy Projects that require temporary and permanent distribution connection and relocation work. One project has been granted a leave to construct (EB-2011-0063). However, HCHI states that these projects have not been included in this DS Plan.

- a. Please update the DS Plan so that these projects are included in the CAPEX planned for 2014 – 2018.
- b. Please state the estimated capital costs for the distribution portions of the projects, the generator customer's capital contributions toward them and the portion that would be considered a provincial benefit.
- c. Please state the expected in-service date for the completion of the projects.

## 1.1 Staff 5. RRFE Deliverable

**Reference:** *Exhibit 2 Appendix “A”; Consolidated Distribution Plan, November 4, 2013, p44 of 66 – Life Cycle Activities*

HCHI has provided a table identifying four types of capital expenditures, including costs associated with retirements. Board staff is interested in how the categories relate to the categories required by Chapter 5 and found in Appendix 2-AB.

- a. Please indicate in the following table whether and how the two different views of asset investments overlap or coincide. Please provide an explanation for each alignment.

	System Access	System Renewal	System Service	General Plant
Sustainment				
Betterment				
Extension				
Retirement				

- b. HCHI states that in the category Extension, Non customer-related activities are non-discretionary. Please explain Non customer-related activities and why they are considered to be non-discretionary.
- c. Please clarify the difference between customer and non-customer activities. As an example, does HCHI consider safety, government policy delivery, or billing and associated overheads as customer related activity?
- d. From the perspective of establishing a scorecard for executive and regulatory oversight, how would HCHI tie their asset management goals in each lifecycle category to a scorecard?

## 1.1 Staff 6. Distribution Asset Management Plan

**Reference:** *Appendix H to Exhibit 2 Appendix “A”; Consolidated Distribution Plan, November 4, 2013, – Distribution System Maintenance and Inspection Plan*

On page 3 of the Distribution Asset Management Plan, in the second paragraph, it states that Kinectrics Inc.’s conclusions in the 2009 study “are based on available information, expert opinion and one-day field observations.”

- a. Was there a series of one day visits?

- b. Please describe field verification involvement for the 2013 report. In particular please indicate the extent of field examinations for verifications, and compare with the one day inspection that is reflected in the 2009 report.

### **1.1 Staff 7. Distribution Asset Condition Assessment**

**Reference:** *Appendix G to Exhibit 2 Appendix “A”; Consolidated Distribution Plan, November 4, 2013 – Distribution Asset Condition Assessment*

Table 3 in Appendix G at page xix is the Year 1 Condition-Based “Flagged for Action” Plan. Board staff would like some clarifications.

- a. Condition-Based “Flagged for Action Plan” (Executive Summary, Table 3 on page xix) shows that no distribution substation transformers are flagged for action for year 1, and Figure 1-5 on page 47 shows that a transformer is targeted for replacement in 3 years. However, Board staff noted that:
- Distribution transformers have the lowest health index of all assets listed
  - Table 1-9 on page 46 of the report shows that a spare transformer (Jarvis) is flagged for action in zero years and another (Selkirk South) is flagged for year 3.
  - Conclusions and Recommendation #4 (on page xxi) advises that distribution transformers be addressed in an expedient manner because, although only spares are affected, this is a crucial item with major consequences of failure.

Please clarify if a distribution transformer is planned for immediate refurbishment or replacement, and if year 0 been omitted from Figure 1-5?

- b. Please explain why porcelain insulators have not been designated as an asset for which action is required to be taken on a high priority basis, given the concerns expressed in the Porcelain Arrestor Replacement Program Section 2.10 (p27)?
- c. Figure 3-6 (page 65) suggests that a number of pole top transformers should be “flagged for action”. Please explain the program for replacement of pole top transformers and show the distribution of the replacements for 2014 – 2018.

### **1.2 Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?**

### **1.2 Staff 8. Evolution of Customer Engagement**

Chapter 2 of the Filing Requirements states, “The RRFE Report contemplates **enhanced** engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations.” (Emphasis added)

- a. Please describe the differences, if any, between customer engagement conducted in preparation for the current application and previous customer engagement.

- b. Please explain how customer engagement has been enhanced.
- c. If HCHI serves any reserves for First Nations communities, has HCHI reached out to engage this group specifically?

## 2 Performance Measures

**2.1** *Does the applicant's performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?*

### 2.1 Staff 9. Service Reliability Indices

**Reference:** *Appendix F to Exhibit 2 Appendix "A"; Consolidated Distribution Plan, November 4, 201 – Feeder Performance Indices*

HCHI has provided Service Reliability Indices ("SRI") by all circuits excluding loss of supply for 2011 – 2013.

- a. For each of the years for which there are records, please describe the causes of the incidents:
  - i. Highest SAIDI
  - ii. Highest SAIFI
- b. Describe work that is currently underway or was previously completed to remediate the situation of these worst performing circuits, and mitigate any future occurrences.
- c. What target has HCHI set for the service Reliability Indices?
- d. How frequently are the SRIs monitored by the executive?

### 2.1 Staff 10. Service Quality Requirements

**Reference:** *Exhibit 2 Tab 8 Schedule 1*

Table 31 includes the Service Quality Requirements (SQR) for 2008 – 2012.

- a. Please update the table for 2013.
- b. In the period 2009 – 2011, HCHI did not meet the 100% standard for rescheduling a missed appointment. However in 2012, HCHI performed at the 100% standard. If HCHI took corrective action, what was it?
- c. Has HCHI its own performance standards for any indicator that is greater than the OEB Standard?
- d. Have any of the indicators been a subject of customer consultations, and if so, what was the outcome?

- e. How frequently are the SQR monitored by the executive?

### 3 Customer Focus

- 3.1** *Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?*

#### **3.1 Staff 11. Staffing Levels**

**Reference:** *Exhibit 4 Tab 1 Schedule 2*

On page 8, HCHI application shows that by the end of 2014, it will have hired 6 FTEs since 2010, its last cost of service application.

- a. Please identify any improvements in services and outcomes the applicant's customers will experience in 2014 and during the subsequent IRM term as a result of increasing the FTE count.
- b. How has the applicant communicated these benefits to its customers, and how did customers respond? Please provide some examples, including any customer feedback. If no communications took place, please explain why not.

### 4 Operational Effectiveness

- 4.1** *Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the level of associated revenue requirement requested by the applicant?*

#### **4.1 Staff 12. Benchmarking**

**References:** *Third Generation Incentive Regulation Stretch Factor Updates for 2013, November 27, 2012 – Power Systems Engineering;*

*Report of the Board Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors, Issued on November 21, 2013 and as corrected on December 4, 2013;*

*Appendix 2-L*

Appendix 2-L shows that the OM&A cost per customer is expected to rise from \$303 per customer based on the board approved OM&A in 2010 to \$350 per customer in the test year. While Board staff is aware that HCHI's stretch factor assignment demonstrates its relatively high level of cost performance among Ontario distributors that the Board has identified in its RRFE that continuous cost performance is a criterion of operational effectiveness.

- a. Please outline the outcomes and improvements to service that customers will receive as a result of these increases.
- b. Please identify any customer engagement that supports the further increases proposed in this application.
- c. Please provide details on any initiatives undertaken to reduce the rate of increase in cost per customer.
- d. Please provide details on initiatives to improve the applicant's assignment for IRM stretch factors in future years.

#### **4.1 Staff 13. Continuous Improvement**

**Reference:** *Exhibit 2 Appendix "A"; Consolidated Distribution Plan, November 4, 2013, p43 of 66 – Distribution System Maintenance and Inspection Program*

HCHI states in the second paragraph that that "the strategy behind the program was based on the fact that for the most part minimal maintenance had been performed or documented for the majority of distribution assets." In so doing HCHI developed the Distribution System Maintenance and Inspection Program in 2006, and updated it in 2013.

- a. Please provide any statistics that indicate continuous improvement by HCHI.
- b. Has HCHI considered industry specific benchmarks in setting operating and maintenance budgets?
- c. If the answer to b. is yes, please provide any trends in HCHI's performance.
- d. HCHI has indicated that it has advanced timing of the engineering design work and consolidating purchasing as sustainable improvement. Has HCHI found or is it planning other measurable and proven improvements for asset management and OM&A?

#### **4.2 *Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives, and do they show continuous improvement in cost performance?***

#### **4.2 Staff 14. Cost Performance**

**Reference:** *Exhibit 2 Appendix "A" "; Consolidated Distribution Plan, November 4:*

- *Appendix J: Capital Expenditures Historical Years*
- *Appendix K: Capital Expenditures Forecast Years*

Historically and on a forecast basis, HCHI installs buried plant. While Board staff understands the impact on reliability, it is also cognizant of the greater installation costs for underground installations vs. overhead.

- a. What is HCHI's policy guideline regarding the installation of underground systems?
- a. What cost / benefit analysis is conducted to assist in underground/overhead decisions?
- b. Are any costs (customer's or HCHI's) related to reliability used in the decision process ? If so what are they and how were they determined?
- c. Has HCHI undertaken any customer engagements or studies to understand how customers value service reliability (including both frequency and duration of outages) relative to cost on projects where underground vs. overhead options were being considered?

#### **4.2 Staff 15. OM&A Outcomes**

***Reference: Exhibit 4***

HCHI has aligned and explained its OM&A along traditional grounds by explaining why the expenses are necessary from an operational point of view. Board staff is interested in the outcomes of these expenditures. Please describe programmes or items and their related costs and benefits which are included to enhance customer engagement, improve customer service and provide continuous innovation and cost improvement.

#### **4.2 Staff 16. Billing Frequencies**

***Reference Exhibit 4***

Board staff is interested in the current and any planned changes to billing frequencies

- a. Please identify the billing frequency that the applicant is planning on using for the test period and beyond.
- b. If the applicant is planning to implement monthly billing, please refer to parts c) through g) below. If not, please explain why not.
- c. Please identify any impacts that the implementation of monthly billing has had on billing and collection expenses or any other OM&A category.
- d. Please identify the percentage of customers on e-billing as of December 31, 2013.
- e. Please describe the Applicant's efforts to promote e-billing to its customers.
- f. Please describe other initiatives that the Applicant has undertaken, or intends to undertake, to manage the costs of monthly billing for all customers.
- g. As part of the decision making process, has the applicant determined the impact of the change to monthly billing on its working capital? If so, how is the working capital impacted by this change? If not, why not?

## 4.2 Staff 17. Staffing Levels

*Reference Appendix 2-K*

The applicant has proposed an 11% increase in headcount and 26% in employee compensation for the Test year relative to the 2012 actual levels.

- a. What objectives has the applicant established for its operations?
- b. Please provide specific information on why the proposed cost increases are necessary for the applicant to achieve the objectives that the applicant has targeted in the capital and operating expenditure sections of its application, and the alternative methods for achieving these objectives that were considered and rejected in favour of the proposed headcount and compensation increases.

## 4.3 *Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rates for customers, or is any additional rate mitigation required?*

## 4.3 Staff 18. Distribution Rate Impacts

*Reference: Exhibit 2 Appendix "A"; Consolidated Distribution Plan, November 4, 2013: 5.4 Capital Expenditure Plan*

HCHI's capital expenditure plan is based on a Distribution Asset Management Plan ("DAMP") that was developed in 2009 with the assistance of Kinectrics Inc. The Plan was approved in HCHI's 2010 Cost of Service application and updated in 2013.

- a. In its annual capital planning and implementation for the years 2009 to 2014 did the HCHI take into account the cumulative impact its capital expenditures would have on rates in 2014?
- b. If HCHI did consider 2014 rate impacts, what changes ensued from these considerations?

## 4.3 Staff 19. Prioritization Model

*Reference: Exhibit 2 Appendix "A"; Consolidated Distribution Plan, November 4, 2013, p47 of 66 – Prioritization Model*

In the second paragraph under system service, HCHI states that it is replacing the Prioritization Model with a new approach based on the DS Plan and Chapter 5 Filing Requirements investment criteria and drivers to prioritize projects.

- a. Please state the investment criteria and drivers HCHI is referring to and how they affected prioritization.

- b. What are the consequences of the reprioritization as they pertain to service, safety and reliability? How has HCHI adjusted its approach to risk management to account for any changes?
- c. Please state any projects that have been reprioritized and the driver that caused the reprioritization.
- d. What risks to the system would such a re-prioritization create?
- e. Please confirm that all re-prioritizations have been included in the 2014 – 2018 plans?

#### **4.3 Staff 20. Capital Expenditures**

**Reference:**    *Exhibit 2 Appendix “A”; Consolidated Distribution Plan, November 4, 2013:*  
                      *P 59 – Capital Investment Expenditure Level;*  
                      *p. 60 – Five Year Forecast;*  
                      *p. 63 – Shifts in Forecast vs. Historical Budgets by Category;*

*Chapter 2 Filing Requirements Appendix 2 AB – Capital Expenditure  
Summary from Chapter 5*

In explaining its capital expenditure level, HCHI lists 10 factors that affect the level of Capital Expenditures over the five years commencing with 2014. The first factor relates to System Renewal and relies on the two Asset Condition Assessments performed in 2009 and 2013 by Kinectrics Inc. HCHI states that the latter study suggested an average annual investment of \$3.1 million. However, in Appendix 2 AB, for System renewal, it appears that HCHI has not budgeted \$3.1 million.

- a. Please comment on the difference between Appendix 2-AB and the 2013 Asset Condition Assessment recommendations.
- b. Please identify the sources for Kinectrics’ cost estimates and the year the costs were developed, and comment on their applicability to the projects being assessed.

HCHI states that due to the projects being in “the most preliminary stages of planning”, costs are uncertain, and so an allowance is forecast to bridge the gap between the forecast levels and the project costs.

- c. Is there any risk that high priority projects result in total annual costs above the forecast levels? If so, what recourse would HCHI take?
- d. Has HCHI now performed its prioritization? In what way do these priorities reflect customer interests?
- e. Has HCHI more formalized forecasted costs?
- f. If the answers to d. and e. are yes, please update forecasts.

- g. What performance factors will HCHI be monitoring to ensure that the capital expenditures meet the reliability and quality of service at a reasonable cost?

HCHI states in Forecast vs. Historical Budgets by Category, System Access that there are increases in developer rebates over previous years.

- h. Please explain developer rebates with reference to the applicable sections of the Distribution System Code.
- i. Please describe how increases in developer rebates affect the revenue requirement, if at all.

HCHI states in the last paragraph on page 64, for System Service, expenditures are included for rear-lot or difficult to access infrastructure.

- j. Will HCHI be replacing this infrastructure with above ground or below ground plant?
- k. Please provide a justification for any plans that are not a least cost option, with reference to customer engagement, expectations and productivity.

#### **4.3 Staff 21. REG System Access**

**Reference:** *Appendix “D” to Exhibit 2 Appendix “A”; Consolidated Distribution Plan, November 4, 2013, -Renewable Energy Generation Plan*

HCHI has projected a Capital Cost for REG in 2014 at \$1,523,383, at page 5 and on page 3 states that it is preliminary “as the location and quantity of renewable generation project is, for the most part, unknown at this time.”

- a. Has HCHI any more firm indication as to timing and estimated costs for REG System Access investments?
- b. What will be the priority once REG developers indicate their timing? For example, will System Renewal, and System Service work be delayed, or will the developer have to wait until HCHI can schedule the System Access work for them? Please explain, with reference to any applicable timelines and the DSC.
- c. Is acquisition of the SCADA to commence regardless of the actual commitment of the renewable generation projects?
- d. Based on the above, if required, please update Appendix 2-AB

## 5 Public Policy Responsiveness

### 5.1 *Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?*

#### 5.1 Staff 22. REG Plan

**Reference:** *Appendix "D" to Exhibit 2 Appendix "A"; Consolidated Distribution Plan, November 4, 2013, - OPA's Letter of Comment dated September 11, 2013 Re: Haldimand County Hydro Inc. Renewable Energy Generation (REG) Plan*

Regarding Renewable Energy Generation ("REG"), in the OPA's letter of comment it is apparent that there is a difference in HCHI and the OPA's accounting of the FIT and microFIT projects involved. Board staff have developed the following table from the application: In the following table developed by Board staff, the number of OPA contracts offered is compared to the number of projects claimed by HCHI.

	<b>OPA - HCHI REG Projects Comparison</b>			
	<b>OPA Contracts</b>	<b>Total kW</b>	<b>HCHI Plan</b>	<b>Total kW</b>
microFIT	214	2,050	190	1,818
FIT	28	5,715		
RESOP	4	30,500	4	30,500

- The OPA letter states that the discrepancy from the number of projects is because 17 have not been connected. However, that does not account for all of the discrepancies. Please provide a fuller explanation of the discrepancies.
- In what years will all the applications for which the OPA offered contracts for microFIT and FIT be completed?
- Please indicate the estimated amount of the connection costs and in which year they occur. Please identify the parties responsible for bearing these costs.
- Are these costs included in Appendix 2-AB? If not please include in the update to Appendix 2-AB that arises from the interrogatories.

### 5.1 Staff 23. System Service/REG Plan

**Reference:** *Exhibit 2 Appendix “A”; Consolidated Distribution Plan, November 4, 2013:*  
*p. 48 REG Investments;*  
*p. 53 Table 5-19 Capital Expenditure Summary;*  
*p. 50 Smart Grid Activities;*

*Distribution System Code (“DSC”), section 3.2.*

In describing the REG investments, HCHI states that a SCADA system and a new breaker for the Dunnville TS will be acquired as REG investments. In Smart Grid Activities HCHI states that the SCADA will not be used only for control of REG facilities, but that it will interact also with other data gathering information systems.

- a. Please confirm that the SCADA system is included in the item “REG Expansion Cost Cap (HCHI 17% Direct Benefit share)” in Table 5-19 Capital Expenditure Summary, or if not, state where it is included.
- b. Please explain the rationale for including the SCADA system as a REG investment in General Plant.
- c. Please provide a comprehensive description of the inter-relationship/integration of the information and control facilities which are planned. This should include the Information Technology investments (GIS, AMI ODS etc.) the Smart Grid activities Investments (Grid Sense Line Trackers, Data Pac concentrator, IESO smart meter events), and the REG investments (SCADA).
- d. SCADA could also be considered a System Service expenditure. Please explain the rationale behind classifying SCADA as System Access.
- e. Please provide justification for considering investments in the SCADA system and the breaker installation as qualifying for Provincial Benefits.
- f. HCHI states that the SCADA costs are distributed 50/50 to the REG Plan and the Capital Expenditure Plan. Please provide substantiation for this distribution.

### 5.1 Staff 24. Smart Grid

**Reference:** *Exhibit 2 Appendix “A”; Consolidated Distribution Plan, November 4, 2013 p. 54 of 66 – Conservation and Demand Management*

HCHI state that they have plans to utilize a smart meter communication protocol for Zigbee communication devices. However, there have been delays.

- a. Please provide an overview of the “Zigbee communication based solution” and its function, and describe whether and how it will be integrated with the proposed SCADA.

- b. Please state the causes for the delay in the Zigbee solution.
- c. Was there any customer engagement involved in deciding to use ZigBee?
- d. Please state any outcomes that would benefit the customers.
- e. Is HCHI aware there is a smart grid working committee that is looking into standards for smart grid communications?
- f. Please state any authorization that HCHI has to proceed with expenditures to implement ZigBee.

Has HCHI reviewed the Board's findings in Guelph Hydro Inc. (EB-2011-0123) in which it disallowed a Zigbee-based proposal? If so, please state any differences in HCHI's ZigBee proposal from that of Guelph Hydro Inc.'s, and why HCHI's proposal should not be disallowed.

HCHI states that over 4% of its customers have participated in the peaksaver programme:

- g. What is HCHI's estimate of the capital costs of not reducing peak demand as planned?
- h. From a planning and cost perspective, what are the benefits of an avoided peak if HCHI's customers participated in the program at average provincial rates?

## **7 Revenue Requirement**

### **7.2 *Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board's accounting policies?***

#### **7.2 Staff 25. Depreciation**

***Reference:*** *Appendix 2-CU*

HCHI has established depreciation rates based on individual asset type expected lives. However, some assets form asset groups. In Asset groups, all assets collectively provide a unique distribution function. As such, they generally will all be retired at the same time. As an example of Board staff's view, Poles, towers & fixtures ("Poles"), overhead conductors and devices ("Conductors") are being planned to be replaced at the same time. Poles support conductors. While physically poles may last longer than conductors, as a group, they only have value to the customer over their economic or useful life. HCHI is proposing 60 year asset lives for concrete poles, 45 years for line switches, 40 years for reclosers and 50 years for conductors. Board staff is interested in HCHI's view on depreciation of those assets which are installed and retired as a group at the same time.

- a. Please provide an explanation for the proposed depreciation of the individual assets that form groups,
- b. Please review asset lives and remaining lives and set group rates where HCHI feels it is appropriate.
- c. If HCHI feels that assets should not be grouped, please explain whether or how this is optimal from the perspective of financial performance.

**7.5     *Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?***

**7.5 Staff 26. Cost of Capital**

*Reference:     Board Letter, November 25, 2013: Cost of Capital Parameter Updates for 2014 Cost of Service Applications*

On November 25, 2013, the Board updated the cost of capital parameters for 2014 cost of service applications. Please update the application accordingly to incorporate these new parameters.

**7.7     *Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?***

**7.7 Staff 27. Updates**

*References     Various specified Exhibits.*

Upon completing all interrogatories from Board staff and intervenors, please provide the following updates and in live excel format as required:

- RRWF;
- PILS
- Appendix 2-AA; Capital Projects Table
- Appendix 2-AB; Capital Expenditure
- Appendix 2-CT; 2013 Depreciation & Amortization Expense (CGAAP)
- Appendix 2-CU; 2014 Depreciation & Amortization Expense (CGAAP)
- Appendix 2-EE; Account 1576 Accounting Change Under CGAAP
- Appendix 2-P; Cost Allocation
- Appendix 2-W; Rate Impacts
- Appendix 2-YB; Accounting Change Under CGAAP Summary Impacts
- Appendix 2-Z; Tariff & Schedules
- Cost Allocation Model; and
- Tariff of Rates and Charges

## **8 Load Forecast, Cost Allocation and Rate Design**

### **8.1 *Is the proposed load forecast, including billing determinants, an appropriate reflection of the energy and demand requirements of the applicant?***

#### **8.1 Staff 28. Embedded Rate Class**

*Reference: Exhibit 3 Tab 2 Schedule 2*

On page 6 HCHI states that HONI did not develop a forecast for its embedded class but rather relied upon HCHI's supplied forecast for 2013 and 2014. Did HCHI undertake any tests for reasonableness of the forecast?

#### **8.1 Staff 29. CDM Programme Net Savings**

*Reference: Exhibit 3 Tab 2 Schedule 2*

On pages 23 & 24 HCHI states that the 2013 and 2014 net energy savings have been allocated based on "Program-to-Date Verified Progress to Target" 2011 to 2014 net cumulative energy savings (kWh) by program as detailed in the 2012 OPA 21 Annual CDM Report 2012 – Draft Verified Results.

- a. Has this report been finalized?
- b. If it has been finalized, please update the forecast.

HCHI also states that some initiatives apply to more than one customer rate class, such as the Retrofit initiative under the Business programs. In such cases, HCHI estimated the customer rate class allocation by utilizing participant-specific information and provided the example that its Retrofit initiative was split 50 /50 between the two General Service customer rate classes.

- c. Please provide the total percentage split that resulted from utilizing participant-specific information between the general service classes for all OPA initiatives in the 2013 & 2014 OPA programmes.

#### **8.1 Staff 30. Customer/Connection Forecast**

*Reference: Exhibit 3 Tab 2 Schedule 2 Table 21*

HCHI states that the geometric mean of the annual growth rates by class was used to establish the customer/connection estimates for the bridge and forecast years. Table 21 on page 17 calculates each of the geometric means. Board staff would like HCHI's comments on the following observations:

- a. HCHI is estimating an average growth rate for GS<50 kW of 0.3%, but over the 2010 – 2012 period there has been a net loss of customers.

- b. HCHI is estimating an average decline for GS< 50 – 4,999 kW of -0.5%, but over the 2010 – 2012 period there has been a net increase of customers.
- c. How has HCHI determined the street lighting growth rate to be reasonable? Has it compared its forecast to municipal plans?
- d. The decrease in USL connections has been greater in the 2010 – 2012 period than the HCHI's forecast of -2.1% for bridge and forecast years.
- e. If HCHI feels that any change to the forecast are needed as a result of the above, please make the change and provide reasons for the new customer/connection estimates.

**8.2**     *Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?*

**8.2 Staff 31. Cost Allocation Model**

**Reference:**     *Cost Allocation Model Sheet O2*

Board staff notes that there are errors in Excel row 163. Please review and correct.

**8.2 Staff 32. Load Profiles**

**Reference:**     *Exhibit 7 Tab 1 Schedule 3 Cost Allocation Updates*  
                      *Exhibit 3 Tab 2 Schedule 2 Adjustments to Classes*

In describing the cost allocation updates, HCHI state that it has scaled the load profile previously generated by HONI on behalf of HCHI using scaling factors that it calculates in Table 5. In describing the adjustments to the class data for developing the load forecast in Exhibit 3 Tab 2 Schedule 2, HCHI state that it made manual adjustments to the Residential, General Service Less Than 50 kW, and General Service 50 to 4,999 kW rate classes for services removed in 2011 and 2012 and for reclassifications between the two General Service classes.

- a. Were there any similar adjustments made to the load profiles for the purposes of cost allocation?
- b. If there were no adjustments, please revise the load profiles accordingly.

## 8.2 Staff 33. Embedded Class

**Reference:** *Exhibit 7 Tab 1 Schedule 3 Embedded Distributor – Hydro One Networks Inc. Cost Allocation Model*

The allocation of costs to the Embedded Class is explained as a combination of energy consumption (kWh) and length (km). All other classes are based on allocations using peak and minimum plant.

- a. When HCHI says “allocated”, does it mean that these factors were used to develop the directly assigned costs on tab I3 Trial Balance Data of the Cost Allocation Model?
- b. Please explain the theoretical reason for this deviation from the Board’s model of using specifically defined peak demand allocators based on coincident and non-coincident peaks rather than kWh and km.
- c. Is the peak data available to use in developing the costs for the Embedded Class?
- d. If the peak data is available, please directly assign costs using peak data as it is used in the model. The allocation should be based on any updates from the interrogatories of related data that have an effect on inputs to the model, such as forecast demand and load profiles.

## 8.2 Staff 34. Street Lighting

**Reference:** *Cost Allocation Model Sheet I6.2 Customer Data Worksheet*

On Sheet I6.2 for street lighting, there are 2,979 Devices and 1,469 connections. This suggests that one connection serves two devices. If this observation of 2:1 fixture: connection ratio is incorrect please explain the wiring configurations and how they relate to the factors.

## 8.2 Staff 35. Revenue to Cost Ratios (“R:C ratio”)

**Reference:** *Appendix 2-P*

HCHI is proposing to move GS 50 – 4,999 kW class to a R:C ratio to 106% from 113%. HCHI is also proposing to set the residential class R:C ratio to 100%.

- a. What factors did HCHI consider in its decision to propose to use these R:C ratios?
- b. What steps did HCHI take to solicit customer feedback for these proposals?

**8.5** *Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?*

**8.5 Staff 36. Retail Transmission Sales Rates**

**Reference:** *Exhibit 8 Tab 1 Schedule 3 Low Voltage Charges*  
*Exhibit 8 Tab 1 Appendix A – RTSR Work Form*

On December 19, 2013, the Board issued its decision in EB-2013-0141 approving new HONI Sub-transmission rates ("ST rates"). On January 9, 2014, the Board issued its decision in EB-2012-0031 approving new Uniform Transmission Rates (UTRs)

- a. Please update the Low Voltage charges based on the new ST rates.
- b. Please update the Retail Transmission Service Rates based on the new UTRs.

**8.5 Staff 37. RTSR Harmonization**

**Reference:** *Exhibit 8 Tab 1 Schedule 3 Harmonization of GS 50 – 4,999 RTSR*

HCHI is proposing to harmonize its RTSR for those GS>50kW customers with and those without interval meters. Please demonstrate and explain the development of the harmonized rates using the new EB-2012-0031 UTRs issued on January 9, 2014.

## **9 Accounting**

**9.1** *Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?*

**9.1 Staff 38. Account 1530**

**Reference:** *Exhibit 9 Tab 2 Schedule 1 Table 5 Retail Service Charge Variance (1518)*  
*Account 1530 Retail Settlement Services balance*

HCHI shows in Table 5 that the costs related to Retail Services are approximately four times the revenues from Retail Service Charges for 2012 Actual, 2013 Bridge year, and 2014 Test year.

- a. What portion of the expenses shown on Table 5 is related to non-retailer customers of Haldimand?
- b. Account 5340 Retail Settlement Services shows an expense of \$78,601 for 2012. The account balance reported to the Board under RRR 2.1.7 for this account for 2012 was \$65,506.
  - i. Please explain the discrepancy from RRR 2.1.7 for 2012 for this account.
  - ii. Please provide a description and breakdown of the types of expenses recorded in this account.

- c. Given that the expenses are material and are approximately four times the revenues for Retail Services, why are the charges not included in OM&A?

### **9.1 Staff 39. Accounts 1531 and 1532**

**Reference:** *Exhibit 9 Tab 2 Schedule 1 Accounts 1531 and 1532*

HCHI states that “With this Application, HCHI is requesting approval to record **forecast** capital renewable connection investments for the period 2015 to 2018 into this account...” [emphasis added].

- a. Please clarify and confirm that only actual expenditures will be recorded in the deferral account requested for Renewable Connection Capital Deferral Account.
- b. Please describe how the underlying capital and OM&A amounts would be tracked and calculated.

### **9.1 Staff 40. Account 1576**

**Reference** *Exhibit 9 Tab 2 Schedule 4 Table 15*

Haldimand has not allocated disposition of account 1576 to its embedded distributor.

- a. Please provide the rationale for excluding Hydro One, the embedded distributor from disposition of account 1576.
- b. Provide an alternative calculation for the rate rider including allocation to the embedded distributor rate class.

### **9.1 Staff 41. LRAMVA**

**Reference** *Exhibit 9 Tab 6 Schedule 2 LRAMVA*

HCHI has requested to dispose of its LRAMVA balance of \$83,818 (including \$1,611 in carrying charges) as a debit to customers from Account 1568. The lost revenues are the result of CDM savings from programs delivered in 2011 and 2012.

- a. Please discuss how HCHI allocated its verified 2011 program savings in Table 25 to the GS<50 kW and GS 50-4,999 kW rate classes from the following programs:
  - Business Program – Efficiency: Equipment Replacement
  - Business Program – New Construction and Major Renovation Incentive
  - Pre-2011 Programs completed in 2011 – Electricity Retrofit Incentive Program
  - Pre-2011 Programs completed in 2011 – High Performance New Construction
- b. Please discuss how HCHI calculated the 2011 peak demand (kW) savings attributable to its Business, Industrial and Pre-2011 Programs. Within your response, discuss how

HCHI determined what multiplier it would use to translate the monthly peak demand savings it received from the OPA.

- c. Please discuss how HCHI allocated its verified 2012 program savings in Table 26 to the GS<50 kW and GS 50-4,999 kW rate classes from the following programs:
  - Business Program – Efficiency: Equipment Replacement
  - Business Program – New Construction and Major Renovation Incentive
- d. Please discuss how HCHI calculated the 2012 peak demand (kW) savings attributable to its Business and Industrial programs. Within your response, discuss how HCHI determined what multiplier it would use to translate the monthly peak demand savings it received from the OPA.
- e. Please discuss why HCHI does not feel that Demand Response 3 Program results contribute to lost revenues. If available, please provide any supporting documentation it has received from the OPA confirming this position.