



October 2, 2015

Mr. John Pickernell
Acting Manager
Ontario Energy Board
27th Floor/ P.O. Box 2319
2300 Yonge St.
Toronto, ON M4P 1E4

Dear Mr. Pickernell:

**Re: 2016 Cost of Service Rate Application – Reply to Incomplete Application Letter
Halton Hills Hydro Inc.,
OEB Proceeding: EB-2015-0074**

Halton Hills Hydro Inc. (“HHHI”) hereby submits its response to your letter dated September 18, 2015.

Chapter 2 Filing Requirement Reference - page #9

Description:

Management Discussion and Analysis: The application should ... describe whether and how a distributor’s objectives have changed, and how the plan to deliver on certain goals reflects customer feedback.

Response:

HHHI’s Management Discussion and Analysis (MD&A), along with the Distribution System Plan (DSP) does in fact describe whether and how HHHI’s objectives have been prioritized and how the DSP will deliver on certain goals reflecting customer feedback. The following references address the information that is identified as missing:

Description	Exhibit	Tab	Schedule	Page
Distribution System Plan	1	2	1	18
Customer Billing	1	2	1	19
Customer Satisfaction Survey	1	2	1	21
System Integration in support of Smart Grid	1	2	1	22
GIS Base Mapping	1	2	1	22
System Automation	1	2	1	22
Data Convergence and Outage Management	1	2	1	23
RRFE Annual Review and Implementation	1	2	2	24
Customer Engagement - Feedback	1	4	1	63

HHHI's Distribution System Plan (DSP) is fundamental to the evaluation of this application. HHHI's DSP describes HHHI's objectives and explains how the plan will deliver on certain goals reflecting customer feedback. HHHI's DSP was filed in its entirety under:

“Halton_Appl_Exhibit 2_revised_EB-2015-0074_APP A_DSP_20151002”

HHHI's DSP describes both the company's goals and its plans to meet them. Each of these is fundamental to evaluating whether HHHI's objectives are appropriately aligned with the preferences of its customers and positioned to deliver on its goals. For details of the Customer Engagement Survey, please refer to:

“Halton_Appl_Exhibit 2_revised_EB-2015-0074_APP A_DSP_20151002”, Appendix I, page 369

This information will allow the OEB to understand the impacts of the business plan on key areas of the application such as customer service, system reliability, costs and bill impacts.

Chapter 2 Filing Requirement Reference - page #11

Description:

Deferral and Variance Accounts - Total disposition (\$) including split between RPP and non-RPP customers.

Response:

As outlined in Exhibit 9, HHHI is requesting approval for the disposition of Group 1 (excluding Global Adjustment) in the amount of (\$565,956), Global Adjustment \$664,050, Group 2 Accounts \$ 733,239, LRAMVA (\$44,770) and Extraordinary Event Costs (Residual) \$18,637 for a total of \$805,202 owed to HHHI. Of the total amount owed to HHHI, \$141,152 is applicable to RPP customers and \$664,050 applicable to non-RPP customers only. HHHI is requesting a two year disposition period for all Deferral and Variance Accounts with the exception of the Extraordinary Event Costs (Residual) where HHHI is requesting a six month disposition to align the sunset date with that of the original rate rider.

Chapter 2 Filing Requirement Reference - page #15 & 16

Description:

A description of whether the distributor is a host distributor (i.e. distributing electricity to another distributor's network at distribution-level voltages) and/or an embedded distributor (i.e. receiving electricity at distribution-level voltages from any host distributor(s)).

Response:

The following references address the information that is identified as missing:

- **“Halton_Appl_Exhibit 1_revised_EB-2015-0074_20151002”, Tab 7, Schedule 1, page 77** - Identification of Embedded or Host Utilities
- **“Halton_Appl_Exhibit 2_revised_EB-2015-0074_APP A_DSP_20151002”, page 16 of the DSP document**

HHHI is embedded to HONI at three points. HONI feeds HHHI through the following points:

- one feeder at Fergus TS to the west of HHHI and located outside the boundaries of HHHI;
- three feeders at Pleasant TS to the east of HHHI and located outside the boundaries of HHHI; and
- three feeders at Halton TS to the south of HHHI and located outside the boundaries of HHHI.

Additionally, HHHI is a host distributor to HONI at one meter point that is not a wholesale meter point. HHHI bills HONI rates for the General Service 1,000 to 4,999 kW class and not a separate Embedded Distributor class. HHHI provides further rate class details in Exhibit 7.

Chapter 2 Filing Requirement Reference - page #24

Description:

Applicants must also provide a complete Appendix 2-AA along with the following information about capital expenditures on a project- specific basis. (HHHI has filed Table 2-43 in lieu of Appendix 2-AA, however, Table 2-43, filed as PDF only, is not legible.)

Response:

HHHI will refile a legible Table 2-43.

Chapter 2 Filing Requirement Reference - page #29, 30, 33

Description:

2.3.1.1 - Multivariate Regression Model: Data and regression model and statistics used in the customer and load forecast must be provided in working Microsoft Excel format.

2.3.2 - All data used to determine the customer, demand and load forecasts must be presented and filed in live Microsoft Excel spreadsheet format, as also discussed under section 2.3.1.1 above.

Response:

HHHI will file the Multivariate Regression Model in working Microsoft Excel format through RESS.

Chapter 2 Filing Requirement Reference - page #32

Description:

Schedule of volumes (in kWh and in kW for those rate classes that use this charge determinant), revenues, customer/connections count by rate class and total system load in kWh for: historical 5 years, historical OEB approved, bridge year, test year.

Response:

A summary of HHHI's distribution operating revenues is presented in Table 3-21A below.

Table 3-21A: Summary of Operating Revenue

Summary of Operating Revenue	2012 Board Approved	2012 Actual	2013 Actual	2014 Actual	2015 Bridge Year	2016 Test Year at Current Rates	2016 Test Year at Proposed Rates
Distribution Revenue							
Residential	\$ 5,280,540	\$ 6,760,849	\$ 5,603,199	\$ 5,792,177	\$ 5,978,319	\$ 5,388,045	\$ 6,909,172
General Service less than 50 kW	\$ 991,335	\$ 1,100,955	\$ 993,032	\$ 1,066,520	\$ 1,157,088	\$ 968,266	\$ 1,195,410
General Service 50 to 999 kW	\$ 1,193,153	\$ 1,358,115	\$ 1,348,983	\$ 1,436,736	\$ 1,385,536	\$ 1,523,065	\$ 1,894,825
General Service 1,000 to 4,999 kW	\$ 772,817	\$ 827,662	\$ 803,312	\$ 836,852	\$ 911,867	\$ 889,538	\$ 1,063,690
Sentinel Lighting	\$ 25,175	\$ 19,412	\$ 23,970	\$ 24,683	\$ 22,357	\$ 22,842	\$ 29,451
Street Lighting	\$ 341,198	\$ 344,174	\$ 338,192	\$ 345,390	\$ 368,219	\$ 244,386	\$ 149,193
Unmetered Scattered Load	\$ 17,268	\$ 19,289	\$ 14,205	\$ 15,836	\$ 16,236	\$ 16,330	\$ 20,314
MicroFIT	\$ -	\$ 4,180	\$ 4,924	\$ 6,457	\$ 7,549	\$ -	\$ -
Total Distribution	\$ 8,621,486	\$ 10,434,636	\$ 9,129,817	\$ 9,524,651	\$ 9,847,171	\$ 9,052,472	\$ 11,262,055
%of Total Revenue	88%	90%	90%	89%	89%	88%	90%
Other Revenue							
Late Payment	\$ 271,607	\$ 98,211	\$ 107,188	\$ 107,919	\$ 120,000	\$ 120,000	\$ 120,000
Specific Service Charge	\$ 172,792	\$ 395,740	\$ 343,977	\$ 336,651	\$ 375,470	\$ 375,470	\$ 375,470
Other Distribution Revenue	\$ 253,646	\$ 170,039	\$ 164,833	\$ 192,623	\$ 171,914	\$ 171,914	\$ 171,914
Other Income & Expenses	\$ 461,000	\$ 522,599	\$ 455,090	\$ 595,395	\$ 543,297	\$ 543,297	\$ 543,297
Total Revenue Offset	\$ 1,159,045	\$ 1,186,589	\$ 1,071,088	\$ 1,232,588	\$ 1,210,681	\$ 1,210,681	\$ 1,210,681
%of Total Revenue	12%	10%	10%	11%	11%	12%	10%
Grand Total	\$ 9,780,531	\$ 11,621,225	\$ 10,200,905	\$ 10,757,239	\$ 11,057,852	\$ 10,263,153	\$ 12,472,736

Chapter 2 Filing Requirement Reference - page #33

Description:

The applicant must provide the following variance analyses and relevant discussion for volumes, revenues, customer/connections count and total system load:

- Historical OEB-approved vs. Historical Actual
- Historical OEB-approved vs. Historical Actual – weather normalized
- Historical Actual – weather-normalized vs. preceding year's Historical

Actual – weather-normalized (for the necessary number of years)

- Historical Actual – weather normalized vs. Bridge Year – weather-normalized
- Bridge Year – weather-normalized vs. Test Year – weather-normalized.

Response:

Operating Revenue Variances are shown below in Table 3-21B.

Table 3-21B: Operating Revenue Variance

Summary of Operating Revenue	2012 Board Approved to 2012 Actual	2013 Actual to 2012 Actual	2014 Actual to 2013 Actual	2015 Bridge Year to 2014 Actual	2016 Test Year to 2015 Bridge Year
Distribution Revenue					
Residential	1,480,309	(1,157,650)	188,978	186,142	930,853
General Service less than 50 kW	109,620	(107,923)	73,488	90,568	38,322
General Service 50 to 999 kW	164,962	(9,132)	87,753	(51,200)	509,289
General Service 1,000 to 4,999 kW	54,845	(24,350)	33,540	75,015	151,823
Sentinel Lighting	(5,763)	4,558	713	(2,326)	7,094
Street Lighting	2,976	(5,982)	7,198	22,829	(219,026)
Unmetered Scattered Load	2,021	(5,084)	1,631	400	4,078
MicroFIT	4,180	744	1,533	1,092	(7,549)
Total Distribution	1,813,150	(1,304,819)	394,834	322,520	1,414,884
Other Revenue					
Late Payment	(173,396)	8,977	731	12,081	-
Specific Service Charge	222,948	(51,763)	(7,326)	38,819	-
Other Distribution Revenue	(83,607)	(5,206)	27,790	(20,709)	-
Other Income & Expenses	61,599	(67,509)	140,305	(52,098)	-
Total Revenue Offset	27,544	(115,501)	161,500	(21,907)	-
Grand Total	1,840,694	(1,420,320)	556,334	300,613	1,414,884

2012 Board Approved

HHHI's 2012 Board Approved operating revenue was forecast to be \$9,780,531 as shown in Table 3-1, consisting of Distribution revenue \$8,621,486 and other operating revenue (net), accounts the remaining revenue of \$1,159,045.

2012 Actual

HHHI's operating revenue in fiscal 2012 was \$11,621,225. Distribution revenue totaled \$10,434,636 or 90% of total revenues and other operating revenue (net) was \$1,186,589.

2012 Actual vs. 2012 Board Approved

The total 2012 actual operating revenue was **\$1,840,694** higher than the 2012 Board Approved.

The distribution revenue variance was \$1,813,150. Contributing to the distribution revenue variance is the transfer of Smart Meter funding adder amounts of \$1,086,313 from Deferral and Variance Account 1555 into distribution revenue and \$238,416 related to the Rate Rider for Disposition of Residual Historical Smart Meter Costs as approved in the 2012 Cost of Service Rate Application (EB-2011-0271). Also approved in the 2012 Cost of Service, HHHI recognized an LRAM amount of \$384,800 in distribution revenue. This one-time recognition of the LRAM also contributed to the variance.

The Other Revenue variance of \$27,544 is below the materiality threshold.

2013 Actual

HHHP's operating revenue in fiscal 2013 was \$10,200,905. Distribution Revenue totaled \$9,129,817 or 90% of total revenues and Other Operating Revenue (net) accounted for the remaining revenue of \$1,071,088.

2013 Actual vs. 2012 Actual

The total 2013 Actual operating revenue was **\$1,420,320** lower than 2012 Actual. This variance is the result of the additional revenue that was recognized in 2012 for LRAM/SSM amounts and the transfer of Smart Meter funding adder amounts.

2014 Actual

HHHP's 2014 Actual operating revenue was \$10,757,239. Distribution Revenue totaled \$9,524,651 or 89% of total revenues and Other Operating Revenue (net), accounted for the remaining revenue of \$1,232,588.

2014 Actual vs. 2013 Actual

The total 2014 Actual operating revenue was **\$556,334** higher than 2013 Actual.

2015 Bridge Year

HHHP's 2015 Bridge Year operating revenue is forecasted to be \$11,057,852. Distribution Revenue is forecasted to total \$9,847,171 or 89% of total revenues and Other Operating Revenue is forecasted to account for the remaining revenue of \$1,210,681. HHHP's 2015 Bridge Year distribution revenue has been calculated using HHHP's Board-Approved 2015 Tariff of Rates and Charges (EB 2014-0079).

2015 Bridge Year vs. 2014 Actual

The 2015 Bridge Year total operating revenue is forecasted to be **\$300,613** higher than 2014 Actual.

2016 Test Year

HHHP's 2016 Test Year operating revenue is forecasted to be \$12,472,736. Distribution Revenue is forecasted to total \$11,262,055 or 90% of total revenue and Other Operating Revenue is forecasted to account for the remaining \$1,210,681. HHHP's 2016 Test Year distribution revenue show in **Exhibit 3, Tab 3, Schedule 1, page 26** has been calculated using the proposed rates set out in the 2016 Proposed Tariff of Rates and Charges shown in **Exhibit 8, Appendix C**.

2016 Test Year vs. 2015 Bridge Year

The total forecasted 2016 Test Year operating revenue is expected to be \$1,414,884 above the 2015 Bridge Year. The increase is the result of the forecasted revenue requirement increase in 2016. Please see Exhibit 6, Tab 1, Schedule 1, for further revenue deficiency details in the 2016 Test Year.

Transformer Allowance

HHHI currently provides a Transformer Ownership Allowance Credit of \$0.50 per kW of demand per month for all customers who own their own transformer facilities. HHHI is proposing to maintain the rate of (\$0.50) per kW of demand per month for the 2016 Test Year for eligible customers.

Chapter 2 Filing Requirement Reference - page #35

Description:

[A]pplicants must complete the revised Appendix 2-JC: OM&A Programs Table, making best efforts to identify OM&A costs by program, and, if not, by major functions. (HHHI has filed a checklist stating that it does not maintain OM&A details by “program delivery”. However, page 57 of Exhibit 4 refers to Appendix 2-JC and states that “HHHI has identified its programs and major functions on a comparative basis from 2012 Actual to 2016 Test Year.”)

Response:

HHHI confirms that it does not track OM&A Costs by programs. HHHI tracks OM&A costs utilizing the Uniform System of Accounts (USoA) as detailed in **Exhibit 4, Tab 2, Schedule 1 pages 33 and 34.**

OM&A costs and variances, year over year, and arranged by USoA account, are provided in:

- Exhibit 4, Tab 2, Schedule 1 page 36 Table 4-7 (2012 Actual versus 2012 Board Approved),
- Exhibit 4, Tab 2, Schedule 1 page 39 Table 4-8 (2013 Actual versus 2012 Actual),
- Exhibit 4, Tab 2, Schedule 1 page 42 Table 4-9 (2014 Actual versus 2013 Actual),
- Exhibit 4, Tab 2, Schedule 1 page 45 Table 4-10 (2015 Bridge Year versus 2014 Actual), and
- Exhibit 4, Tab 2, Schedule 1 page 48 Table 4-11 (2016 Test Year versus 2015 Bridge Year).

Chapter 2 Filing Requirement Reference - page #37

Description:

Basis for performance pay, eligible employee groups, goals, measures, and review processes for any pay-for-performance plans.

Response:

Executive and Management compensation plans consist of salaries, benefits, and performance pay compensation.

Performance pay compensation is based on exceeding pre-determined quantifiable targets, approved by the CEO and Compensation Committee (a committee of the Board of Directors):

Corporate goals, Team achievements, Safety & Individual targets

- Creative and Critical Thinking resulting in efficiency improvement(s)
- Alignment with corporate strategy and goals
- Risk management and mitigation
- Safety record

The range for performance pay compensation is 0% to 15% of the employee's base salary.

Chapter 2 Filing Requirement Reference - page #38

Description:

Shared Services and Corporate Cost Allocation: Variance analyses, with explanations, are required for the following:

- Test Year vs. Last OEB-approved
- Test Year vs. Most Recent Actuals.

Response:

The following references address the information that is identified as missing:

- **Exhibit 4, Tab 3, Schedule 3, page 71 thru page 74 – Shared Services and Corporate Cost Allocation**
- **Exhibit 4, Tab 3, Schedule 3, page 71 – Table 4-27**

Chapter 2 Filing Requirement Reference - page #39

Description:

A distributor must also state whether or not any amounts have been included in its test year revenue requirement for legacy programs, such as Winter Warmth. If this is the case, the programs and amounts must be identified and a brief description of each of the programs must be provided.

Response:

HHHI does not have any legacy low-income energy assistance programs, with the exception of those funds set out in the Report of the Board: Low Income Energy Assistance Program (LEAP). Therefore, HHHI has not included in its test year revenue requirement, any amounts for legacy programs.

Chapter 2 Filing Requirement Reference - page #47

Description:

Forecasts of new debt anticipated in the bridge and test years, including estimates of the applicable rate and any pertinent information on each new debt instrument (e.g. whether the debt will be affiliated or with a third party, expected term/maturity, any specific capital project(s) that the debt funding is for, etc.).

HHHI responded “yes” in the checklist regarding new debt, however no information is filed. Please clarify.

Response:

The following references address the information that is identified as missing:

- **Exhibit 5, Tab 3, Schedule 4, page 10 – Table 5-7** Capital Loan 2015 \$4,200,000 and
- **Exhibit 5, Tab 3, Schedule 4, page 11 – Table 5-8** Capital Loan 2016 \$5,195,000

The lender will be a “Third Party” unrelated to HHHI.

Chapter 2 Filing Requirement Reference - page #60

Description:

Actual LV costs for the last three historical years, along with bridge and test year forecasts. The distributor must also provide the year-over- year variances, and explanations for substantive changes in the costs over time, up to and including the test Year forecast

Response:

The Table below shows the actual Low Voltage costs for the last three historical years and the forecasted bridge year and test year costs. HHHI has used 2014 volumes at current 2015 rates to forecast the Low Voltage costs for 2015 and 2016.

2013 Actual versus 2012 Actual – the \$8,956 variance between 2013 Actual and 2012 Actual is immaterial and related to slightly higher demand.

2014 Actual versus 2013 Actual – the (\$37,972) variance between 2014 Actual and 2013 Actual is immaterial and related to lower demand.

2015 Forecast versus 2014 Actual – HHHI is forecasting a low voltage expense of \$1,373,936. The LV forecast has been estimated by applying the current approved 2015 LV to the 2014 actual billed demand. The variance of \$759,184 is attributable entirely to increases in the Sub Transmission rates. Disregarding rate riders that may or may not be billed from year to year, the two charges that remain constant are:

- Facility Charge for connection to Common ST Lines (44kV to 13.8kV)
- Service Charge

The HONI Facility for connection to Common ST Lines and Service Charges increased over 49% between 2014 and 2015.

2015 Forecast versus 2016 Forecast- HHHI is forecasting a low voltage expense of \$1,373,936. The LV forecast has been estimated by applying the current approved 2015 LV to the 2014 actual billed demand. HHHI is not expecting any further significant changes between 2015 and 2016 forecasted demands or rates.

Year	Billed Demand (kW)	Low Voltage Invoicing from HONI (\$)	Variance from Previous Year (kW)	Variance from Previous Year (\$)
2012	963,565	643,768		
2013	966,804	652,723	3,239	8,956
2014	901,396	614,752	(65,408)	(37,972)
2015 forecast	901,396	1,373,936	-	759,184
2016 forecast	901,396	1,373,936	-	-

Bill Impacts

The bill impacts will be refiled in Appendix 2-W format, Exhibit 8, Appendix 8-D

In the event of any additional information, questions or concerns, please contact David Smelsky, Chief Financial Officer, at dsmelsky@haltonhillshydro.com or (519) 853-3700 extension 208, or Tracy Rehberg-Rawlingson, Regulatory Affairs Officer, at tracyr@haltonhillshydro.com or (519) 853-3700 extension 257.

Sincerely,

(Original signed)

David J. Smelsky, CPA, CMA
Chief Financial Officer

Cc: Arthur A. Skidmore, CPA, CMA, President & CEO
Richard King, Counsel, HHHI
Violet Binette, Project Advisor, OEB