



January 18, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor/ P.O. Box 2319
2300 Yonge St.
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: 2016 Cost of Service Rate Application – Interrogatory Request Responses
Halton Hills Hydro Inc.,
OEB Proceeding: EB-2015-0074**

Halton Hills Hydro Inc. (“HHHI”) hereby submits its Interrogatory Request Responses as per Procedural Order 1 dated November 23, 2015.

HHHI has submitted the following files through RESS:

1. Halton_IRR_EB-2015-0074_20160118 (pdf)
2. Halton_IRR_2016_EDDVAR_EB-2015-0074_20160118 (Excel)
3. Halton_IRR_2016_Cost_Allocation_Model_20160118 (Excel)
4. Halton_IRR_Rev_Reqt_Work_Form_20160118 (Excel)
5. Halton_IRR_2016_Test_year_Income_Tax_PILs_Workform_20160118 (Excel)
6. Halton_IRR_2016_Load Forecast_20160118 (Excel)
7. Halton_IRR_2006-2010 Final OPA CDM Results_20160118 (Excel)
8. Halton_Board_Appendix_2-PA_20160118 (Excel)

HHHI has couriered two (2) hardcopies of the pdf document to the Board offices and one (1) hardcopy each to Mr. Shepherd and Mr. Aiken as requested in their intervenor requests.

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
Intervenors of Record in EB-2015-0074

**Interrogatory Responses
Halton Hills Hydro Inc. (HHHI)
2016 Cost of Service - EB-2015-0074
January 18, 2016**

GENERAL

1-Staff-1

Updated Revenue Requirement Work Form

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that HHHI wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 10 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

Response:

HHHI has updated the RRWF as requested, including Sheet 10 – Tracking Sheet. The revised Excel document has been filed through RESS.

1-Staff-2

Updated Appendix 2-W, Bill Impacts

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.).

The bill impacts should reflect the regulatory charges set out in the Decision on Regulatory Charges for 2016, EB-2015-0294, issued on November 19, 2015.

Response:

HHHI has completed the Bill Impacts as requested. HHHI has made the following revisions:

1. Updated the Wholesale Market Charge from \$0.0044 current to \$0.0036 in 2016; and
2. Added the Ontario Energy Support Plan Charge of \$0.0011; and
3. Updated the Monthly Service Charge based on Interrogatory responses; and
4. Updated the Distribution Volumetric Rate based on Interrogatory responses; and
5. Updated the Low-Voltage Service Charge based on Interrogatory responses;
6. Updated the Deferral and Variance Account Rate Riders (include the Ice Storm Recovery) based on Interrogatory responses.

HHHI did not update the RTSR or the Commodity prices, nor did HHHI change the exclusion of the OCEB and DRC.

The Bill Impacts are show as Tables IRR - 1 to IRR - 7.

1-Energy Probe-1

Ref: Exhibit 1, Tab 1, Schedule 1, page 5

- a) Does HHHI propose to file a lead lag study in support of a WCA percentage different than 7.5%?
- b) If yes, when will this study be filed as part of this application?

Response:

- a) Please refer to 2-Staff-1.
- b) Please refer to 2-Staff-1.

1-Energy Probe-2

Ref: Exhibit 1, Tab 2, Schedule 1, pages 16-17

- a) Please update the status of the transformer station build, including any expenditures incurred in 2015 and forecast for 2016, 2017 and 2018 based on the latest information available.
- b) The evidence states that HHHI reviewed several options and have chosen the most cost effective solution. Please provide all business cases and analysis for the chosen option and all other options considered.

Response:

- a) Land acquired and detailed design RFP issued in 2015. Expenditures in 2015 are estimated at \$1M
Forecast Expenditures:
2016: \$6.4M
2017: \$8.3M
2018: \$3.3M
- b) Please refer to the IESO NWGTA Region IRRP Report shown in Appendix B of HHHI's DSP (Exhibit 2, Appendix A)

1-Energy Probe-3

Ref: Exhibit 1, Tab 2, Schedule 1, page 18

Please confirm that HHHI has not included any CDM related costs or incentives in the calculation of the revenue requirement or deficiency. If this cannot be confirmed, please quantify any costs or incentives included in this application.

Response:

HHHI confirms that no CDM related costs or incentives are included in the calculation of the 2016 revenue requirement or deficiency.

1-Energy Probe-4

Ref: Exhibit 1, Tab 2, Schedule 2

- a) Please confirm that HHHI's achieved rate of return was more than 300 basis points above the allowed return on equity in each of 2012, 2013 and 2014 based on the information shown in Table 1-2.
- b) Please expand Table 1-2 to include current/preliminary results for 2015.
- c) Did HHHI advise the OEB that it had exceeded the 300 basis point threshold in 2012, 2013 and/or 2014?
- d) Did the OEB request any information from HHHI to explain why it exceeded the 300 basis point threshold in 2012, 2013 and/or 2014? If yes, please provide the letters(s) from the OEB and any response from HHHI.
- e) Please explain the tax result that resulted in the over earning by more than 300 basis points, including an explanation of the changes. In particular, please explain what is meant by "expense amounts capitalized under MIFRS requirements".
- f) Please quantify, by year, the amounts capitalized under MIFRS requirements that were subsequently expensed for PILs purposes. Are the amounts capitalized under MIFRS requirements still included in rate base? Please explain fully.
- g) Please provide a version of Table 1-2 that reflects the achieved return on equity, excluding the result of the tax recovered by HHHI.

Response:

- a) Please refer to 4-Staff-36.
- b) Not available at this time.
- c) No.
- d) Please refer to EB-2014-0211 and EB-2014-0079.
- e) Please refer to:
 - i. HHHI response to OEB IR 4-Staff-37
 - ii. EB-2014-0211
 - iii. EB-2014-0079
- f) Table IRR - 8 below quantifies by year, the amounts capitalized under MIFRS requirements that were expensed for PILs purposes. The amounts capitalized under MIFRS requirements remain in rate base.

Table IRR - 8 : As per Schedule 1 of the Corporate tax returns

Taxation Year	Capitalized under MIFRS; Expensed for PILs
2010	\$ 126,118
2011	377,303
2012	2,036,092
2013	2,164,901
2014	2,393,443
	\$ 7,097,857

Table IRR - 9 : HHHI's Achieved Return on Equity, Excluding the Result of Tax Recovered by HHHI

Return on Equity	2010	2011	2012	2013	2014
Deemed	8.57%	8.57%	8.82%	8.82%	8.82%
Achieved - Exh 1 page 41	7.59%	9.14%	13.30%	14.97%	12.91%
Achieved - Exh 1 App 1-K		9.14%	13.30%	14.97%	12.91%
LRAM - EB-2011-0271			\$ 384,800		
Tax recovered				\$ 977,797	\$ 452,226
Achieved Return on Equity, Excluding the result of tax recovered by HHHI	7.59%	9.14%	11.03%	9.97%	10.85%

1-Energy Probe-5

Ref: Exhibit 1, Appendix 1-J

Please explain and quantify any costs associated with HHCEC that are included in the revenue requirement of HHHI, such as Board of Director expenses, etc. For each cost included in the test year revenue requirement, please provide the historical cost included in the OM&A for each of 2012 through 2014 and the forecast or 2015.

Response:

Please refer to evidence filed in Exhibit 4, Tab 3, Schedule 3 pages 71 through 73.

1-SEC-1

Attached as Attachment 1 to these interrogatories is a table (provided in both .pdf and Excel formats) comparing the most recent (2014 RRR, and 2014 benchmarking) results of twenty-four Ontario distributors similar to the Applicant, including the Applicant. With respect to these comparison tables:

- a. Please identify any distributors on the list that the Applicant feels are not appropriate comparators, and provide reasons for that conclusion. Please identify any distributors that the Applicant feels should be on the list, and are not, and provide reasons for that conclusion.
- b. With respect to the OEB efficiency assessment:
 - i. Please confirm that the Applicant regularly keeps its overall cost performance at least 25% below predicted costs using the PEG model. Please provide any studies, reports or other documents the Applicant has in its possession discussing the reasons for that consistent performance.
 - ii. Please confirm that, even with a 24.4% rate increase in 2016 based on forecast increases in cost of service, the Applicant plans to remain at a level at least 25% below predicted costs in 2016. Please provide a forecast, if possible, of the Applicant's 2016 actual costs as a percentage of predicted costs using the PEG model.
- c. With respect to cost per customer, please confirm that nineteen of the comparator distributors had 2014 costs per customer lower than the Applicant, and the Applicant's cost per customer was 13.6% higher than the average of all of the comparators. Please provide any exogenous reasons (for example, customer mix) that should be taken into account in analyzing this metric.
- d. With respect to OM&A per customer and Distribution Revenue per customer:
 - i. Please explain why the OM&A per customer figure is higher than the OM&A per customer for 2014 as reported in the Application.
 - ii. Please confirm that the Applicant's OM&A per customer is 10th best of the comparator distributors, and the Applicant's Distribution Revenue per customer is also 10th best of the comparator distributors. Please provide details of any data inconsistencies or other anomalies known to the Applicant that would make these comparisons incorrect.
- e. Please provide any studies, reports or other materials in the possession of the Applicant analyzing the impact of the Applicant's customer growth on its cost structure and/or any specific cost performance metrics. By way of example, and without intending to limit the scope of the question, has Halton Hills Hydro investigated the extent, if any, to which the newness of its distribution assets impacts its operating and maintenance costs, or the extent, if any, to which its customer demographics impact its billing and collection costs (including such things as e-billing uptake, etc.)?

Response:

- a) HHHI proposes inserting the last column “PEG Report – Assignment by Group”. Referring to “Table 5” of the PEG Report – July 2015; and has arranged the table in order of efficiency by Stretch Factor Assignment by Group. The revised Table is shown as Table IRR - 10.

HHHI is the only distributor in the comparator list assigned to Group I; considered to be a better cost performer in accordance with the PEG Report.

Table IRR - 10 : Revised SEC Comparator’s Table (1)

Company	# of Customers	OM&A/ Customer	DX. Rev/ Customer	Gross PPE/ Customer	Net PPE/ Customer	Aging Ratio	Efficiency Assessment						Cost per Customer	Cost per km of Line	PEG Report - Assignment by Group
							2010	2011	2012	2013	2014	3 Year			
HALTON HILLS HYDRO INC.	21,534	\$246.30	\$475.89	\$2,682.71	\$2,424.87	90.39%	-27.2%	-24.9%	-27.5%	-35.7%	-31.3%	-31.5%	701	9,886	Group I
WELLAND HYDRO-ELECTRIC SYSTEM CORP.	22,470	\$277.20	\$412.69	\$2,485.05	\$1,209.00	48.65%	-19.6%	-16.2%	-10.4%	-15.2%	-17.3%	-14.3%	483	23,278	Group II
OSHAWA PUC NETWORKS INC.	54,731	\$204.78	\$361.92	\$3,105.41	\$1,558.90	50.20%	-21.7%	-18.0%	-14.5%	-17.4%	-18.1%	-16.7%	519	29,881	Group II
ESSEX POWERLINES CORPORATION	28,640	\$235.64	\$406.15	\$2,401.82	\$1,545.55	64.35%	-17.0%	-17.1%	-12.6%	-17.2%	-12.7%	-14.2%	524	32,562	Group II
ENTEGRUS	40,503	\$230.35	\$492.53	\$3,281.01	\$1,778.28	54.20%	-13.1%	-13.4%	-10.9%	-12.5%	-16.7%	-13.4%	533	22,585	Group II
NEWMARKET-TAY	34,871	\$231.48	\$504.72	\$3,060.63	\$1,581.13	51.66%	-14.6%	-21.0%	-19.5%	-19.5%	-18.6%	-19.2%	566	23,340	Group II
MILTON HYDRO DISTRIBUTION INC.	35,111	\$243.34	\$460.29	\$3,776.17	\$2,058.51	54.51%	-4.1%	-3.0%	-37.6%	-4.5%	-4.0%	-15.4%	679	23,629	Group II
HALDIMAND COUNTRY HYDRO INC.	21,323	\$352.62	\$620.61	\$3,737.07	\$2,238.68	59.90%	-27.6%	-24.1%	-18.7%	-23.7%	-23.6%	-22.0%	711	8,762	Group II
KINGSTON HYDRO CORPORATION	27,356	\$236.44	\$468.79	\$2,385.37	\$1,461.64	61.27%	0.1%	2.2%	2.4%	3.7%	-3.6%	0.8%	501	38,384	Group III
BRANTFORD POWER INC.	38,789	\$235.71	\$445.98	\$2,625.12	\$1,631.01	62.13%	3.8%	-2.5%	4.7%	0.7%	-3.6%	0.6%	503	39,047	Group III
WESTARIO POWER INC.	22,822	\$230.83	\$439.14	\$2,760.53	\$1,765.65	63.96%	-3.1%	-0.2%	-1.4%	2.2%	-4.2%	-1.1%	540	23,829	Group III
GUELPH HYDRO ELECTRIC SYSTEMS INC.	52,963	\$271.51	\$552.15	\$2,872.28	\$2,374.91	82.68%	12.4%	14.7%	-2.0%	0.8%	-4.8%	-2.0%	601	28,683	Group III
THUNDER BAY HYDRO	50,482	\$273.13	\$404.65	\$3,843.00	\$1,805.57	46.98%	9.6%	8.0%	-2.8%	8.2%	7.4%	4.2%	606	26,864	Group III
WHITBY HYDRO ELECTRIC CORPORATION	41,488	\$255.33	\$542.70	\$3,694.88	\$1,707.55	46.21%	0.4%	-3.0%	-7.0%	-0.9%	-6.8%	-6.5%	628	24,275	Group III
CAMBRIDGE and NORTH DUMFRIES HYDRO INC.	52,684	\$274.29	\$525.45	\$4,067.29	\$2,090.55	51.40%	-10.1%	-7.8%	-3.3%	0.5%	-1.9%	-1.6%	634	29,241	Group III
BLUEWATER POWER DISTRIBUTION CORPORATION	36,115	\$336.47	\$596.97	\$2,715.63	\$1,441.75	53.09%	-3.2%	1.7%	6.4%	5.9%	0.3%	4.2%	637	29,216	Group III
NORTH BAY HYDRO DISTRIBUTION INC.	23,975	\$273.36	\$598.12	\$4,542.57	\$2,197.31	48.37%	3.6%	5.5%	5.8%	5.4%	8.2%	6.5%	659	27,926	Group III
NIAGARA PENINSULA ENERGY INC.	51,824	\$329.23	\$624.45	\$4,653.17	\$2,319.69	49.85%	5.4%	5.2%	10.2%	1.1%	7.7%	6.4%	742	19,458	Group III
WATERLOO NORTH HYDRO INC.	54,674	\$259.20	\$626.65	\$5,866.41	\$3,415.97	58.23%	-3.1%	6.4%	4.3%	10.6%	11.0%	8.6%	760	26,299	Group III
PETERBOROUGH DISTRIBUTION INCORPORATED	36,058	\$241.81	\$430.11	\$2,828.61	\$1,605.72	56.77%	14.0%	15.6%	13.2%	14.5%	14.5%	14.1%	585	37,415	Group IV
FESTIVAL HYDRO INC.	20,362	\$322.01	\$558.73	\$3,818.56	\$1,914.97	50.15%	20.5%	18.0%	20.2%	19.6%	16.6%	18.8%	634	50,028	Group IV
GREATER SUDBURY HYDRO INC.	47,187	\$328.46	\$505.18	\$4,129.28	\$1,650.06	39.96%	-2.4%	14.1%	16.7%	4.8%	14.9%	12.2%	648	30,698	Group IV
PUC DISTRIBUTION INC.	33,487	\$329.60	\$557.07	\$4,269.92	\$2,525.27	59.14%	-8.5%	-5.2%	13.4%	22.7%	14.6%	16.9%	664	29,886	Group IV
CANADIAN NIAGARA POWER	28,627	\$329.51	\$653.78	\$4,829.35	\$2,944.46	60.97%	16.4%	15.6%	10.0%	13.8%	12.9%	12.2%	749	21,202	Group IV
Averages of 24 Distributors	36,587	\$272.86	\$511.03	\$3,517.99	\$1,968.62	55.96%	-3.7%	-2.1%	-2.5%	-1.3%	-2.5%	-2.2%	617	27,349	

- b)
- i. HHHI is unable to confirm, due to the fact HHHI does not have access to the specific business conditions and assumptions used in the PEG Report calculation for HHHI. However, with reference to Table 3 (A) and Table 3 (B) of the PEG Report – July 2015, HHHI is consistent in the summary of cost performance results.
 - ii. HHHI is unable to confirm, due to the fact HHHI does not have access to the specific business conditions and assumptions used in the PEG Report calculation for HHHI.
- c) When comparing LDC to LDC in the table below, it is important to understand that the PEG Econometric Model takes into consideration company specific business parameters. The PEG Report is based on the results of a statistical cost benchmarking study designed to make inferences on individual distributors’ cost efficiency. An econometric model is used to predict the level of cost associated with each distributor’s operating conditions. The model used to determine the cost efficiency of distributors is based on econometrics. Distributor cost in the PEG model is estimated as a function of business conditions faced by each distributor. These business conditions include the number of customers served and the price of inputs such as labour and capital. The Distributor’s actual cost is then compared to that

predicted by the model. The percentage difference between actual and predicted cost is the measure of cost performance. Distributor's with larger negative differences between actual and predicted costs are considered to be better cost performers. With reference to the table below HHHI's 3 Year Efficiency Assessment is -31.5%

The PEG Report – Assignment by Group is very important to understanding the overall efficiency of a distributor. There are five (5) possible Group Assignments, with Group I being the most efficient through to Group V being the least efficient. HHHI is one of six distributors in Group I and the only distributor in Group I within the comparator table below.

HHHI's 2014 Total Cost per Customer was \$701 derived from ((\$5,200,809 OM&A + \$9,894,897 CapEx) / 21,534 Customers). HHHI's 2013 Total Cost per Customer was \$642. This increase, in part, is a reflection of the increase in CapEx as HHHI rebuilds and invests in infrastructure in preparation to accommodate customer growth. This is also supported by the fact HHHI has a 90.39% "Aging Ratio".

This interrogatory is written in a way that encourages the reader to reach a false conclusion. It is important to clarify that this interrogatory is referring to "Total Cost" per Customer versus Total OM&A per Customer. There are other benchmarking measures in the comparative table that are conveniently ignored; such as "Cost per km of Line". HHHI, with 89.6% rural territory, is 2nd with Cost per km of line at \$9,886.

Table IRR - 11 : Revised SEC Comparator's Table (2)

Company	# of Customers	OM&A/ Customer	DX. Rev/ Customer	Gross PPE/ Customer	Net PPE/ Customer	Aging Ratio	Efficiency Assessment						Cost per Customer	Cost per km of Line	PEG Report - Assignment by Group
							2010	2011	2012	2013	2014	3 Year			
WELLAND HYDRO-ELECTRIC SYSTEM CORP.	22,470	\$277.20	\$412.69	\$2,485.05	\$1,209.00	48.65%	-19.6%	-16.2%	-10.4%	-15.2%	-17.3%	-14.3%	483	23,278	Group II
KINGSTON HYDRO CORPORATION	27,356	\$236.44	\$468.79	\$2,385.37	\$1,461.64	61.27%	0.1%	2.2%	2.4%	3.7%	-3.6%	0.8%	501	38,384	Group III
BRANTFORD POWER INC.	38,789	\$235.71	\$445.98	\$2,625.12	\$1,631.01	62.13%	3.8%	-2.5%	4.7%	0.7%	-3.6%	0.6%	503	39,047	Group III
OSHAWA PUC NETWORKS INC.	54,731	\$204.78	\$361.92	\$3,105.41	\$1,558.90	50.20%	-21.7%	-18.0%	-14.5%	-17.4%	-18.1%	-16.7%	519	29,881	Group II
ESSEX POWERLINES CORPORATION	28,640	\$235.64	\$406.15	\$2,401.82	\$1,545.55	64.35%	-17.0%	-17.1%	-12.6%	-17.2%	-12.7%	-14.2%	524	32,562	Group II
ENTEGRUS	40,503	\$230.35	\$492.53	\$3,281.01	\$1,778.28	54.20%	-13.1%	-13.4%	-10.9%	-12.5%	-16.7%	-13.4%	533	22,585	Group II
WESTARIO POWER INC.	22,822	\$230.83	\$439.14	\$2,760.53	\$1,765.65	63.96%	-3.1%	-0.2%	-1.4%	2.2%	-4.2%	-1.1%	540	23,829	Group III
NEWMARKET-TAY	34,871	\$231.48	\$504.72	\$3,060.63	\$1,581.13	51.66%	-14.6%	-21.0%	-19.5%	-19.5%	-18.6%	-19.2%	566	23,340	Group II
PETERBOROUGH DISTRIBUTION INCORPORATED	36,058	\$241.81	\$430.11	\$2,828.61	\$1,605.72	56.77%	14.0%	15.6%	13.2%	14.5%	14.5%	14.1%	585	37,415	Group IV
GUELPH HYDRO ELECTRIC SYSTEMS INC.	52,963	\$271.51	\$552.15	\$2,872.28	\$2,374.91	82.68%	12.4%	14.7%	-2.0%	0.8%	-4.8%	-2.0%	601	28,683	Group III
THUNDER BAY HYDRO	50,482	\$273.13	\$404.65	\$3,843.00	\$1,805.57	46.98%	9.6%	8.0%	-2.8%	8.2%	7.4%	4.2%	606	26,864	Group III
WHITBY HYDRO ELECTRIC CORPORATION	41,488	\$255.33	\$542.70	\$3,694.88	\$1,707.55	46.21%	0.4%	-3.0%	-7.0%	-0.9%	-6.8%	-6.5%	628	24,275	Group III
FESTIVAL HYDRO INC.	20,362	\$322.01	\$558.73	\$3,818.56	\$1,914.97	50.15%	20.5%	18.0%	20.2%	19.6%	16.6%	18.8%	634	50,028	Group IV
CAMBRIDGE and NORTH DUMFRIES HYDRO INC.	52,684	\$274.29	\$525.45	\$4,067.29	\$2,090.55	51.40%	-10.1%	-7.8%	-3.3%	0.5%	-1.9%	-1.6%	634	29,241	Group III
BLUEWATER POWER DISTRIBUTION CORPORATION	36,115	\$336.47	\$596.97	\$2,715.63	\$1,441.75	53.09%	-3.2%	1.7%	6.4%	5.9%	0.3%	4.2%	637	29,216	Group III
GREATER SUDBURY HYDRO INC.	47,187	\$328.46	\$505.18	\$4,129.28	\$1,650.06	39.96%	-2.4%	14.1%	16.7%	4.8%	14.9%	12.2%	648	30,698	Group IV
NORTH BAY HYDRO DISTRIBUTION INC.	23,975	\$273.36	\$598.12	\$4,542.57	\$2,197.31	48.37%	3.6%	5.5%	5.8%	5.4%	8.2%	6.5%	659	27,926	Group III
PUC DISTRIBUTION INC.	33,487	\$329.60	\$557.07	\$4,269.92	\$2,525.27	59.14%	-8.5%	-5.2%	13.4%	22.7%	14.6%	16.9%	664	29,886	Group IV
MILTON HYDRO DISTRIBUTION INC.	35,111	\$243.34	\$460.29	\$3,776.17	\$2,058.51	54.51%	-4.1%	-3.0%	-37.6%	-4.5%	-4.0%	-15.4%	679	23,629	Group II
HALTON HILLS HYDRO INC.	21,534	\$246.30	\$475.89	\$2,682.71	\$2,424.87	90.39%	-27.2%	-24.9%	-27.5%	-35.7%	-31.3%	-31.5%	701	9,886	Group I
HALDIMAND COUNTRY HYDRO INC.	21,323	\$352.62	\$620.61	\$3,737.07	\$2,238.68	59.90%	-27.6%	-24.1%	-18.7%	-23.7%	-23.6%	-22.0%	711	8,762	Group II
NIAGARA PENINSULA ENERGY INC.	51,824	\$329.23	\$624.45	\$4,653.17	\$2,319.69	49.85%	5.4%	5.2%	10.2%	1.1%	7.7%	6.4%	742	19,458	Group III
CANADIAN NIAGARA POWER	28,627	\$329.51	\$653.78	\$4,829.35	\$2,944.46	60.97%	16.4%	15.6%	10.0%	13.8%	12.9%	12.2%	749	21,202	Group IV
WATERLOO NORTH HYDRO INC.	54,674	\$259.20	\$626.65	\$5,866.41	\$3,415.97	58.23%	-3.1%	6.4%	4.3%	10.6%	11.0%	8.6%	760	26,299	Group III
Averages of 24 Distributors	36,587	\$272.86	\$511.03	\$3,517.99	\$1,968.62	55.96%	-3.7%	-2.1%	-2.5%	-1.3%	-2.5%	-2.2%	617	27,349	

- d) i. The difference in OM&A per customer is explained in Table IRR - 12.

Table IRR - 12 : OM&A per Customer – RRR vs. Rate Application

	OEB Year Book RRR		Rate Application - Table 4-15	
OM&A per Customer	\$ 246.30	B/A	\$ 197.03	D/C
Number of Customers				
Residential	19,623		19,623	
GS<50	1,701		1,701	
GS>50	210		211	
Sentinel			170	
Street Lighting			4,477	
USML			147	
	21,534	A	26,329	
Average ((end of previous year+end of current year)/2)			26,285	C
OM&A				
Operations	791,622		791,622	
Maintenance	615,219		615,219	
Administration	3,896,954		3,772,100	
	5,303,795	B	5,178,941	D
LEAP	included above		24,054	
Property Tax	included above		100,799	
	5,303,795		5,303,794	

- ii. HHHI confirms that its OM&A per customer and its Distribution Revenue per customer, as presented in the comparator table, is 10th best of the 24 comparator distributors. HHHI is not aware of any known anomalies that would make comparisons incorrect.

- e) HHHI's Distribution System Plan (DSP), Appendix 'A' of Exhibit 2, provides extensive detail and a comprehensive strategy for asset management as well as prudent, cost effective guidance for capital expenditures. In addition, the PEG Report – July 2015 also supports the fact that HHHI is a very cost efficient distributor.

HHHI currently does not have any other reports, studies or other materials in its possession that would support otherwise any other specific cost performance metric(s).

1-SEC-2

Ref: Ex. 1/2/1 p. 17, 31

Please provide details of the “knowledge mapping exercise” referred to, and provide the most recently updated document detailing that initiative and its status.

Response:

The Knowledge Mapping exercise is designed to capture the knowledge and insights of individual employees and to build a HHHI information database that serves to mitigate the following risks:

- Effective Succession Planning – the collection of information and practices that employees use to perform their roles enables for a smoother and more consistent transition between personnel.
- Gap analysis – the information collected through the exercise is used to analyze current levels of proficiency and the potential requirement of additional knowledge and skills among individuals and groups.
- In-depth understanding of job functions within HHHI – with an in-depth understanding of job functions, increased opportunities exist for job design and organizational structure.

1-SEC-3

Ref: [1/2/1 p. 18]

Please provide full details of all costs, if any, included in the 2016 revenue requirement associated with training of the customer care staff relating to the CDM framework. If those costs are not included in the revenue requirement, please advise how they are funded.

Response:

There are no incremental training costs for customer care staff relating to the CDM framework.

1-SEC-4

Ref: [1/2/1 p. 19]

Please provide details of the Applicant's plan to promote electronic billing and payment options, including any internal planning documents or presentations relating to that plan.

Response:

Please refer to 4-Staff-35 parts (e) and (f).

1-SEC-5

Ref: [1/2/1, p. 20, 29]

Please describe how the Applicant intends to respond to the transfer tax exemption referred to, and the evolving policies of the provincial government relating to LDC consolidation. Please include in the response details of the Applicant's M&A strategy, if any. Please describe how the possibility of merger with other LDCs is affected, if at all, by the Applicant's strong focus on the local community.

Response:

There is no formal "M&A Strategy" at this time and/or there is no further information to provide than what is stated in section 3.2.4 on page 29 of 1/2/1.

1-SEC-6

Ref: [1/2/1, p. 21, and Appendix 2-AC]

Prior to the RRFE, what were the primary methods used by the Applicant to get feedback from its customers, and to learn their preferences? Please advise what changes in customer engagement strategy were implemented as a result of RRFE, the cost of those changes, and the incremental knowledge of customer preferences, concerns, and input that have arisen as a result of those changes. Please provide a list of customer preferences and feedback that the Applicant heard in the customer engagement relating to this Application, and were not previously known to the Applicant.

Response:

Examples of customer engagement prior to October 2012 include:

- 2009 Town Hall meetings with customers regarding smart metering implementation, also meetings with various community groups and rate payers associations
- Annual participation in community events – approximately 20 events annually – fall fairs, etc. to engage with customers about conservation, smart meters, Time-of-Use billing and discuss customer preferences
- 2011 Customer Service Survey
- 2011 TOU implementation
 - Web portal focus group
 - Public meetings
- 2012 Community Open House of Halton Hills Hydro office
- 2012 launched Halton Hills Hydro Facebook page & LinkedIn page
- 2013 Launched Twitter account

Customer engagement strategy has continued to be refined based on customer preference and technology changes. Changes in direct response to the RRFE were:

- Implementation of First Contact Resolution – internal processes only – no additional cost
- Increased customer survey requirements: New requirements for two surveys every two years – Public Safety Survey and Customer Satisfaction Survey. Prior to RRFE we conducted one Customer Satisfaction Survey every three years.
 - Prior to RRFE, Survey costs annualized were @\$7,700
 - Since RRFE, Survey costs annualized will be @\$19,000 – a substantial increase.

Key customer preferences and feedback relating to this Application:

- Customers did not know that HHH portion of the residential bill was only ~20%. They thought it was much higher.
- Customers were surprised to learn that HHH only has 52 employees, they thought we had a significantly larger staff
- 19% of our customers feel that zero outages are acceptable in a year
- 62% of customers prefer pro-active replacement over run-to-failure even if it costs more
- 53% of customers were willing to pay more for increased tree trimming.

1-SEC-7

Ref: [1/2/2 p. 25]

Please provide details of the last ten “new ideas and emerging trends in the industry”, identified by the Applicant’s research, that the Applicant has adopted or plans to adopt.

Response:

The statement referred to is in the Safety section of the application:

Adopted Trends:

- Mutual Aid Orientation
- Enhanced Site Security
- Return to Work Program
- Risk Assessment for all HHHI tasks
- Basic H&S Safety Training to all HHHI staff
- Working @ Heights Training
- Training Resource Sharing with Regional Utilities (i.e. Oakville Hydro Electricity Distribution Inc. and Milton Hydro Distribution Inc.)
- Ergonomic Training for Inside Staff
- Provide JHSC Basic Certification to staff

Researched Trends:

- Employee Wellness Training
- Digital MSDS documents w/ automated updates

1-SEC-8

Ref: [1/2/2, p. 28]

Aside from the benchmarking work done by the Board, what benchmarking has the Applicant done of its rates and the costs underlying its rates? Please provide any studies, reports or other documents benchmarking the Applicant's costs and/or rates to other LDCs or other businesses.

Response:

The PEG benchmarking report was created to provide a provincial level insight using an econometric model that normalizes operating efficiencies, thus removing the necessity of any specific cohort comparisons.

1-SEC-9

Ref: [1/3/1, p. 43]

Please confirm that the reduced working capital allowance from 15% to 7.5% reduced the deficiency by about \$350,000. Please confirm that increased depreciation increased the deficiency by \$970,000. Please advise why those cost drivers are not included in Table 1-4. Please reconcile Table 1-4 with Table 6-5.

Response:

Reducing working capital allowance from 15% to 7.5% in 2016 reduced the revenue deficiency by \$333,000 and this impact is captured in the rate of return amount in Table 1- 4. Table 6 - 5 shows the revenue deficiency between the 2015 revenue at exiting rates and the proposed 2016 revenue requirement. Table 1 – 4 shows the main cost drivers for 2016.

1-SEC-10

Ref: [1/3/2, p. 44]

Please describe the “top-down approach” used to control OM&A. Please provide details of any external benchmarks or other sources of information used to establish a reasonable overall OM&A level, independent of bottom-up budget asks.

Response:

The annual budget process is initiated by the Executive Team, supported by the HHHI Board of Directors, setting out the budget guidelines, assumptions and expected outcomes. The guidelines will include target and benchmark ratios such as:

- Operating margin ($\text{EBIT} \div \text{total electricity revenue}$)
- Net margin ($\text{net income} \div \text{total electricity revenue}$)
- Return on equity ($\text{net income} \div \text{total equity}$)
- Return on Total Assets ($\text{net income} \div \text{total assets}$)
- Operating ratio ($\text{total OM\&A} \div \text{total revenue}$)
- Construction Capital based on the Distribution System Plan (DSP)
- Current year inflation trend based on the consumer price index – Ontario; an average of the current year CPI and compared with the prior year CPI

1-SEC-11

Ref: [1/4/1, p. 65]

Please how responses to an online survey can be included in the calculation of the margin of error. Please confirm that online surveys cannot be considered statistically valid samples.

Response:

Online survey responses came from our customer list. 4365 residential and commercial customers were e-mailed with a link to the online survey. 930 or 21.3% of those customers who received the e-mail completed the survey. These responses represent a valid sample of the 4365 customers polled. The goal of our survey was to seek customer input. Online responses were consistent with telephone and focus group responses. Given current trends in the research industry, the Margin of Error for online and telephone surveys is not typically combined. The margin of error for the telephone survey alone was +/- 4.6%, 19 times out of 20.

1-SEC-12

Ref: [1/5/1, p. 74]

Please provide the most recent consolidated financial statements of Halton Hills Community Energy Corporation.

Response:

The request for consolidated financial statements of Halton Hills Community Energy Corporation is outside the scope of this application and proceeding.

1-SEC-13

Ref: [1/8/1, p. 80]

With respect to SouthWestern Energy Inc.:

- a) Please describe the business of the affiliate.
- b) Please file the most recent financial statement of the affiliate.
- c) Please confirm that the affiliate has only one employee, and 2014 revenues of less than \$700,000.
- d) Please describe the role of the affiliate in the \$1.8 million LED conversion project for the Town of Halton Hills, as set out in more detail in Attachment 2 to these interrogatories. Please provide a detailed budget for the project, showing all services to be provided by the Applicant, or performed by the employees of the Applicant, related to the project, and how each of those services will be costed. Please show where each cost to be incurred by the Applicant related to this project is included in the Application, and where recovery of that cost from a third party, whether the affiliate or some other party, is also included in the Application.

Response:

- a) SouthWestern Energy Inc. (the Affiliate) is a privately owned corporation, incorporated under the laws of the Province of Ontario. The principal activities of the Affiliate are to provide water meter reading and billing services for residents in the municipality of Halton Hills, as well as energy related services such as sentinel light rentals, streetlight and traffic light maintenance.
- b) The Affiliate is a private corporation; the financial statements are not available for distribution.
- c) The Affiliate has more than one employee and revenue greater than \$700,000.
- d) The \$1.8 million LED conversion project is a business transaction between the Affiliate and the Town of Halton Hills. The Affiliate's fulfilment obligation for this project does not involve the utilization of resources from HHHI and has no impact on HHHI ratepayers.

1-SEC-14

Ref: [1/8/1, p. 82]

Please provide the full text of the current Shareholder Direction of the Applicant, the current Shareholder Direction of the Applicant's parent company, and any prior Shareholder Direction of the Applicant or the parent company dated after January 1, 2012.

Response:

The full text of the current Shareholder Direction of the Applicant, the current Shareholder Direction of the Applicant's parent company, and any prior Shareholder Direction of the Applicant or the parent company dated after January 1, 2012 are the properties of the Town of Halton Hills and to the knowledge of HHHI, have not been made public.

1-SEC-15

Ref: [1/8/1, p. 84]

Please provide any budget or rate application presentation given to the Board of Directors at its November, 2015 Board meeting.

Response:

There was no presentation made to the Board of Directors at its November 2015 Board meeting. The Cost of Service Rate Application, including the 2016 budget, was reviewed and approved by HHHI's Board of Directors prior to its submission on August 28, 2015.

1-SEC-16

Ref: [1/App. 1-D/2014, p. 5]

Please file the OEB PP&E Review dated January 14, 2014.

Response:

The OEB PP&E Review dated January 14, 2014 is actually in reference to the OEB PP&E Review dated January 14, 2013, which is shown in Appendix IRR - A.

1-SEC-17

Ref: [1/App. 1-D/2014, p. 5]

Please confirm that, for each of the Term Loans listed, the Applicant is subject to interest rate changes annually.

Response:

Confirmed.

1-SEC-18

Ref: [1/App. 1-H]

Please identify all references in the Code of Conduct to promoting the best interests of the customers.

Response:

Section 2 - Core Principles

Integrity

- never disclose confidential or sensitive information inappropriately;
- treat fellow employees, customers and all others with respect, honesty, courtesy and dignity. Any form of harassment or violence including behaviours that demean, threaten or humiliate others will not be tolerated;
- be honest, trustworthy, reliable and dependable in fulfilling all of your duties.

Performance Excellence

- take accountability for their work and for their results. Be committed to giving their full efforts in everything they do and recognize that they must continue to seek new ways to be more effective and efficient;

Citizenship

It is the expectation of HHCEC and its affiliates that all employees, directors and agents will:

- act in a way that protects the health and safety of the public, our contractors, fellow employees and themselves;
- act in an environmentally responsible manner; and
- respect and support the social and cultural diversities of the communities where they live, work and serve.

Section 7 – Confidentiality

HHCEC and its affiliates will make all reasonable efforts to protect confidential information with respect to its customers, its employees, its business partners and Shareholder. No employee, director or agent will take action that knowingly violates any disclosure of information legislation. Information will be provided, as required, to regulatory and government agencies

Section 8 – Proprietary Information

As a provider of services to the public, HHCEC and its affiliates have available certain customer related information. This information is and must be strictly controlled, and no employee, director or agent should use such information in any manner which is not authorized by HHCEC or its affiliates or the customer. Proprietary information must be protected from unauthorized access or disclosure during and after employment with HHCEC and/or its affiliates. All documents and records belonging to HHCEC and/or its affiliates must be returned when an employee leaves employment.

Section 12 – Our Community and Environment

HHCEC and its affiliates are committed to being socially and environmentally responsible, recognizing that the competitive pressures for economic growth and cost efficiency must be integrated with environmental stewardship. The implementation of creative ideas for waste management and reduction, recycling and re-use

programs is encouraged. The HHCEC and its affiliates are committed to responsibly managing all aspects of its business to meet or exceed recognized environmental, health and safety standards and legal requirements.

1-VECC-1

Reference: E1/T4/pg.63

a) Please provide the most recent telephone survey report.

Response:

a) The HHHI 2014 Customer Satisfaction Survey report can be found in Exhibit 2, DSP Appendix H. As part of Customer Engagement, HHHI also had a telephone survey conducted. The Customer Engagement report can be found in Exhibit 2, DSP Appendix I.