

**Subject:**

FW: Hydro Hawkesbury supplemental IRs

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**From:** [manuela@tandemenergyservices.ca](mailto:manuela@tandemenergyservices.ca) [<mailto:manuela@tandemenergyservices.ca>]

**Sent:** November-04-16 11:03 AM

**To:** Christiane Wong

**Cc:** Martha McOuat

**Subject:** FW: Hydro Hawkesbury supplemental IRs

Hi Christine,

Please find below the revised response to your supplemental IRs regarding HHI's Substation project including a total refund the period of 2014-2017.

Thanks

**Manuela Ris-Schofield**

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**From:** Christiane Wong

**Sent:** November-01-16 9:59 AM

**To:** 'manuela@tandemenergyservices.ca'

**Cc:** Martha McOuat

**Subject:** Hydro Hawkesbury supplemental IRs

Hi Manuela,

I have some follow-up questions regarding Hydro Hawkesbury:

1. Please provide a status update for the substation project; and

#### **Description of the Project**

- Hawkesbury Hydro initially engaged the services of BPR (Tetrattech) in 2012 to provide project management, electrical and civil/structural engineering design and construction supervision services for the upgrades to their 110kV existing substation. Most of the major equipment which was to be installed had been pre-purchased, and some construction had been carried out, including the installation of a new control building within the substation.
- Between 2012-2014, the utility realized that the initial estimated costs quoted by BPR were incorrect. In discussions with Infrastructure regarding the financing of the project, IO required that HHI hire an independent Eng. study to verify BPR's findings and estimated cost.
- In January, 2015, Stantec Ottawa was approached by Hawkesbury Hydro to provide technical assistance with the 110kV substation project and to satisfy Infrastructure Ontario's Independent Engineer reporting requirements.
- In April 2016, Stantec Montreal was enlisted to act as Hawkesbury Hydro's technical consultant, providing review and project administration services to help assemble a complete package for tendering the outstanding construction work

and overseeing the project through completion. Over the previous few months, Stantec Montreal and Tetra-Tech have been working collaboratively, and have managed to secure the two remaining approvals required for the substation project to go forward, from the Ministry of the Environment, and Hydro One.

- Following a bid process, the construction phase was awarded to Eptcon Ltd.
- Construction started on September 26, 2016 as planned and is expected to be completed by 2017-01-20

### Project Milestones

1. Project Kick off with all parties
2. Site visit
3. Review of Stantec Ottawa comments
4. Revised package submittal from Tetrattech
5. Stantec Montreal Power review
6. Integration of final comments
7. Completion of Design package
8. Final review of Design package
9. Tender package preparation
10. Call for tenders and award to contractor
11. Construction and construction support expected start date /end

2. Please provide Hydro Hawkesbury's proposed treatment of the over-collection in rates for this project.

In its 2014 Cost of Service HHI included cost of the 110kV to its proposed 2014 Rate Base fully expecting for the substation to be in service by the end of 2014. Unfortunately, the utility ran into some unexpected engineering issues which caused the project to be further delayed. HHI is aware that the Board's policy is that an asset has to be in service before revenues can be collected from HHIs customers and because the substation will only be in service by 2017-0-20, the utility proposes to return the over-collection as part of its 2018 Cost of Service due to be filed in April of 2017. The revised costs for the 110kV would be added to the utility's proposed 2018 Cost of Service and will be supported by evidence presented in its DSP. HHI has calculated the yearly credit to be in the amount of \$74,565 and the total credit back to the customer to be in the amount of \$300,720. Details are shown below.

### Distribution Revenue Requirement comparison

	Test Year Rev Req incl. 110kV	Test Year Rev Req excl. 110kV	Diff. to be refunded back to customer
OM&A Expenses	\$1,126,665	\$1,126,665	\$0

Amortization Expense	\$206,119	\$178,643	-\$27,476
			\$0
Total Distribution Expenses	\$1,332,784	\$1,305,308	-\$27,476
			\$0
Regulated Return On Capital	\$385,394	\$338,306	-\$47,089
<i>IFRS Adjustment</i>			\$0
Grossed up PILs	\$12,526	\$7,167	-\$5,359
<b>Service Revenue Requirement</b>	<b>\$1,718,178</b>	<b>\$1,643,614</b>	<b>-\$74,565</b>
			\$0
Less: Revenue Offsets	\$140,139	\$140,139	\$0
			\$0
<b>Base Revenue Requirement</b>	<b>\$1,578,039</b>	<b>\$1,503,474</b>	<b>-\$74,565</b>

**Total credit for over-collection of revenues associated with the 110kV substation.**

	2014	2015	2016	2017	Total
Diff in Revenue Requirement	-\$74,565	-\$74,565	-\$74,565	-\$74,565	
Price Cap Approved in IRM	0	1.70%	1.60%	0	
	<u>-\$74,565</u>	<u>-\$75,832</u>	<u>-\$75,758</u>	<u>-\$74,565</u>	<u><b>-\$300,720</b></u>

The credit to be refunded to the customer is in the amount of \$300,720

Please be advised that these number have yet to be audited and as such could be subject to small variances.

Please respond at your earliest convenience.

Thanks,  
Christiane

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