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Ontario

BY E-MAIL

October 18, 2017

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Hydro Hawkesbury Inc. (Hydro Hawkesbury)
2018 Distribution Rate Application
OEB Staff Interrogatories
OEB File No.: EB-2017-0048

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Hydro Hawkesbury and all intervenors have been copied on this filing.

Hydro Hawkesbury's responses to interrogatories are due by November 13, 2017.

Yours truly,

Original Signed By

Birgit Armstrong
Project Advisor – Major Applications

Attach.

OEB Staff Interrogatories
2018 Cost of Service Rate Application
Hydro Hawkesbury Inc. (Hydro Hawkesbury)
EB-2017-0048
October 18, 2017

Exhibit 1 – Administration

1-Staff-1

Updated RRWF

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF (version 7.02, issued July 14, 2017) in working Microsoft Excel format with any corrections or adjustments that the Applicant 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. Sheets 10 (Load Forecast), 11 (Cost Allocation), 12 (Residential Rate Design) and 13 (Rate Design) should be updated, as necessary. 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 14 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

1-Staff-2

Updated Bill Impacts

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption / demand levels (e.g. 750 kWh for residential, 2,000 kWh for GS<50, etc.).

1-Staff-3
Ref: Exhibit 1/ 2017 Business Plan/ page 3 – revenue requirement at current rates

On page 3 Hydro Hawkesbury states that the utility "currently operates with revenue of $1,576,210". The revenue requirement work form (RRWF), on tab 8 shows a revenue requirement at current rates of $1,611,356.

a) Please reconcile these two amounts and explain the difference.
b) Please confirm that the revenue deficiency is $180,736.

1-Staff-4

Ref: Exhibit 1/ Administrative Documents/ s 1.3.15/ page 20 – Corporate Organization

Please provide all the communication between Hydro Hawkesbury, its Board of Directors and its shareholder from 2014 to 2017, including presentations from Hydro Hawkesbury to its Board regarding capital investments and OM&A. Please explain how spending priorities were arrived at.

1-Staff-5

Ref: Exhibit 1/ 2017 Business Plan/ S. 1.2.2/page 36 – Financial Results and Exhibit 4/S.4.2.2/page 10

Return on Equity

	2014			
	BA	**2014**	**2015**	**2016**
Deemed	9.36%	9.36%	9.36%	9.36%
Actual	9.36%	12.48%	19.72%	17.63%

OEB staff notes that in the years 2014, 2015 and 2016 Hydro Hawkesbury underspend on OM&A expenses by $156,132 on average at the same time the 110kV capital project was delayed. As a result, Hydro Hawkesbury reported ROE of 12.48% in 2014, 19.72% in 2015 and 17.63% in 2016 as shown in the table above.

On page 36 of the Business Plan, Hydro Hawkesbury stated that its overearning was due to "financial pressures as a result of having to fund the 110KV project without drawing down on IO funds until late in the project cycle. This caused the ROE to show overearnings as the utility adopted a more conservative attitude towards its spending.

Hydro Hawkesbury further stated that "by the end of 2017, Hydro Hawkesbury will be under-earning due mainly to the increase in capital spending related to the 44Kv substation**…**The rate of return for 2018 is expected to be 8.78% as prescribed by the OEB."

In the OM&A variance analysis on page 10, section 4.2.2., Exhibit 4, Hydro Hawkesbury states that the overspending in 2014 actual vs. 2014 OEB approved was due to an overestimation of various expenses like meter expenses, transformer testing, operations cost on underground distribution transformers as well as maintenance related costs and billing and collection cost.

a) Please explain why Hydro Hawkesbury reduced needed operational expenditures due to capital spending.

i) Please provide a detailed comparison in what operational spending was cut to facilitate capital spending prior to the loan from Infrastructure Ontario.
ii) Please state what other alternatives where discussed.
iii) Please provide a more detailed explanation as to the overestimate in the various OM&A categories as discussed in the OM&A variance analysis.

b) Please elaborate on the statement that the ROE for 2018 is expected to be 8.78%.

1-Staff-6

Ref: Exhibit 1/ 2017 Business Plan/ S. 1.2.2/page 15

Table 2 - Summary of Cost Performance Results

	2014	2015	2016
Cost Benchmarking Summary	**(History)**	**(History)**	**(History)**
Actual Total Cost		1,436,164	1,604,174
Predicted Total Cost		2,837,771	2,806,621
Difference		(1,401,607)	(1,202,447)
Percentage Difference (Cost Performance)		-68.1%	-55.9%
Stretch Factor Cohort - Annual Result		1	1

On page 15 of the Business Plan, Hydro Hawkesbury states that its "historical capital additions have also been historically stable which has been achieved using a solid well tracked budget process."

In 2011 Hydro Hawkesbury filed an IRM application that included an ICM as well as a Z-factor requesting funding for assets that had reached the end of their useful lives and were showing signs of rapid deterioration according to the ICM application in 2011.

a) Please explain why Hydro Hawkesbury considers its historical capital additions stable given that in 2011 three distribution transformers were thought to be in critical condition.
b) Please state if and how Hydro Hawkesbury is prioritizing its capital spending. Please provide any communications between Hydro Hawkesbury and its Board of Directors to that effect.

1-Staff-7

Ref: Exhibit 1/s.1.5/page 30/table 8 – LEAP funding

Table 8 – Working Capital Allowance, as well as Hydro Hawkesbury's financial statements show LEAP funding for the 2014 rate year only. Exhibit 4 shows annual LEAP contributions of $2000.

a) Please confirm that LEAP funding was included in all relevant calculations

1-Staff-8

Chapter 2 of the Filing Requirements states: "Distributors should specifically discuss in the application how they informed their customers on the proposals being considered for inclusion in the application, and the value of those proposals to customers (i.e. costs, benefits and the impact on rates). The application should discuss any feedback provided by customers and how this feedback shaped the final application".

What forms of outreach were employed to explain how the current application serves the needs and expectations of customers? If none were employed, please explain why.

1-Staff-9

Ref: Exhibit 1/ Business Plan/ page 4

In its application Hydro Hawkesbury states: "Hydro Hawkesbury plans on achieving its strategic goals by setting and meeting the following objectives:

- Improve reliability.
- Create a service-based utility whose primary goal is to exceed customers' expectations at a reasonable cost.
- Promote the long-term, efficient provision of utility services consistent with OEB policy.
- Work with other utilities in the promotion of both efficient and sustainable environment.
- Operate effectively with the staff currently in place.
- Reduce operational costs where and when possible.
- Develop and adopt an actionable plan to improve customer experience."

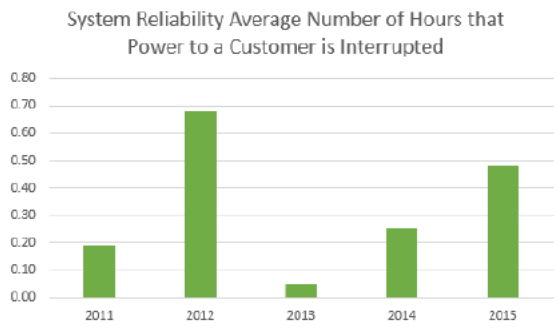
a) For each objective, please describe the work/projects/initiatives that Hydro Hawkesbury will undertake to achieve it.
b) Please identify any projects/initiatives described in this application that support the achievement of any of the objectives above.

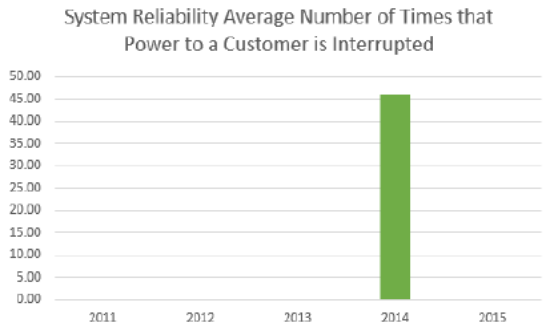
1-Staff-10

Ref: Exhibit 1/ Business Plan/ pages 4 and 26

Ref: Exhibit 1, section 1.7.1 p 46

The graphs below show Hydro Hawkesbury's system reliability metrics as included on page 26 of the Business Plan filed with its application:





The table below shows Hydro Hawkesbury's system reliability metrics as available on the OEB's website (using its build custom reports feature):

Custom Performance Report

Hydro Hawkesbury Inc.

Performance Year	Average Number of Hours Power to Customer is Interrupted	Average Number of Times Power to Customer is Interrupted
2015	1.11	0.48
2014	0.13	0.25
2013	1.09	0.47

Hydro Hawkesbury has set an objective to improve reliability. On page 46 Hydro Hawkesbury states "Among the three major drivers of customer satisfaction, reliability, given its already high levels, offers little incremental room for improvement . . ."

a) Please explain the discrepancy in the data above and confirm which numbers are accurate. Please also confirm Hydro Hawkesbury's ranking against other LDCs with respect to reliability.
b) Please explain whether Hydro Hawkesbury's objective is to generally improve system wide reliability; or whether Hydro Hawkesbury has identified certain customers or areas of the system where reliability levels fall below Hydro Hawkesbury's average with a view to making targeted improvements?
c) What projects will be undertaken to improve reliability, either on a system wide, or targeted basis, as applicable? Please identify any projects/initiatives described in this application that support the achievement of this objective.
d) Has Hydro Hawkesbury received complaints or other feedback indicating that reliability is a concern for its customers?

1-Staff-11

Ref: Exhibit 1/ Business Plan/ page 4

Hydro Hawkesbury has set an objective to work with other utilities to promote an efficient / sustainable environment.

a) Please describe the activities and/or collaboration with other utilities that Hydro Hawkesbury has, or plans to, engage in to promote an efficient and sustainable environment.
b) Please identify any projects/initiatives described in this application that support the achievement of this objective.

1-Staff-12

Ref: Exhibit 1/ Business Plan/ pages 4 and 8

Ref: Exhibit 1/ section 1.7.1/ page 48, Table 19

Hydro Hawkesbury has set an objective to exceed customers' expectations at a reasonable cost. On page 8 of its Business Plan Hydro Hawkesbury also notes that it "has tried several customer engagement activities which resulted in little feedback from its customers" and the table below indicates that limited feedback has been received.

Table 19 - OEB Appendix 2-AC – Customer Engagement Activities[45]

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
Newsletter	No comments received	No action required
Information posted on the Website	No comments on proposed capital budget.	No action required
Customer Satisfaction Survey	List of comments is presented at Appendix D of this Exhibits	Comments were address on the utility's website and notice posted on social media.

a) How will Hydro Hawkesbury ascertain and define customer expectations for the purpose of achieving its objective to exceed those expectations at a reasonable cost?
b) Has Hydro Hawkesbury tried any customer engagement approaches other than those identified in the table above?
c) For each approach taken, please provide reasons why it was unsuccessful at soliciting feedback.
d) Has Hydro Hawkesbury obtained external assistance to design and execute engagement activities?
e) Please describe lessons learned from past customer engagement activities and how these experiences will inform future engagement strategies.
f) Please identify any work/projects/initiatives described in this application that support the achievement of this objective.

1-Staff-13

Ref: Exhibit 1/ Business Plan/ page 3 and 9

Ref: Exhibit 2/ section 5.2.2a/ page 17 of 128

On page 3 of its Business Plan Hydro Hawkesbury notes that it plans to use the incremental funds requested in this application to, among other things, "revamp its website to improve communication with customers in accordance with the objectives of the RRFE." On page 9 of its Business Plan Hydro Hawkesbury notes that its website now includes information about current and upcoming capital projects so that customers may understand and comment on the utility's planning decisions. On page 17 of its Distribution System Plan Hydro Hawkesbury states:

"Hydro Hawkesbury has launched a new user friendly website at the end of 2016. Relative to the previous website it will be easier to read, feature greater emphasis on conservation, demand management and how to reduce their energy costs, and provide information about Hydro Hawkesbury, and responds to customers' questions and concerns. Hydro Hawkesbury's customers can already access their accounts 24/7 to view energy consumption which is updated nightly via smart meters, and check their account balance and payment history."

a) Please confirm that the website redesign was completed in 2016.
b) Please provide the costs of the new website and, if applicable, identify where they are included in the application.
c) Information about Hydro Hawkesbury's capital projects appears to be posted as '2017/2018 Budget' under the 'Information' tab, please confirm if this is the information Hydro Hawkesbury was referring to on page 9 of its Business Plan. Please also confirm if this information is presented anywhere else on Hydro Hawkesbury's website.
d) In Hydro Hawkesbury's opinion, why have customers not provided feedback in response to the information about capital projects posted on the website?
e) Please provide a link or screenshot showing where customers are able to log into an account and see their energy consumption data.

1-Staff-14

Ref: Exhibit 1 Business Plan p 10, 33, and 34

On page 10, 33, and 34 of its Business Plan Hydro Hawkesbury notes that it intends to develop an actionable plan to improve communication with customers during outages because "customers accept the occasional power outage, but confidence is eroded when they cannot get access to timely information on the nature of the incident and an estimate of restoration times." Hydro Hawkesbury notes that in an outage Hydro Hawkesbury "updates its social media and attempts to give as much details as possible to its customers regarding the location, area affected and timing of the restoration of power."

a) What is the timeline for developing the plan to improve communication about outages?

b) What is the timeline for executing the plan and having improved communications capabilities and processes in place?
c) Has Hydro Hawkesbury identified the cost associated with this project? If yes, what are they?
d) Are these costs included in Hydro Hawkesbury's application? If yes, where? If no, why not?
e) What effect, if any, does Hydro Hawkesbury expect improved communication with customers to have on operations costs?

1-Staff-15

Ref: Exhibit 1, Section 1.3.11, p 12

Hydro Hawkesbury notes that it is in the process of updating its conditions of service.

a) Please describe the changes that have/will be made to Hydro Hawkesbury's conditions of service.
b) Please confirm that the 2011 conditions of service remain in effect until the new conditions of service have been finalized and posted on Hydro Hawkesbury's website.

1-Staff-16

Ref: Exhibit 1/ Business Plan/ page 14

Hydro Hawkesbury notes that it has been ranked first in the province for the past nine years and has "expended considerable effort to understand drivers of efficiency ranking and undertaken initiatives to improve its score"

a) What analysis has Hydro Hawkesbury done to understand the drivers of its ranking?
b) What drivers has Hydro Hawkesbury identified and how does each one contribute to Hydro Hawkesbury's efficiency score / ranking?
c) What initiatives has Hydro Hawkesbury undertaken to improve its score? For each initiative, describe how it is anticipated to improve the score.

Exhibit 2 – Rate Base

2-Staff-17

Ref: Exhibit 2/Section 2.1.2/page 14/Table 2 – Rate Base Trend

Exhibit 1/Business Plan/Table 17

Appendix 2-AB/ Continuity Schedule

Hydro Hawkesbury shows the following gross fixed assets in table 17 of the Business Plan:

Table 17 - Table of Rate Base and Revenue Deficiency

	Board Approved	Actual	Actual	Actual	Projected	Projected
	2014	2014	2015	2016	2017	2018
Utility Income	239,099	-372,868	-423,304	-467,871	360,556	302,155
Gross Fixed Assets (year end)	7,129,008	6,956,532	7,483,103	7,328,320	7,112,824	7,007,776
Capital Expenditures (additions)	1,560,990	845,104	519,213	1,496,257	905,096	175,830

Exhibit 2, table 2 rate base trends shows the following:

Table 2 - Rate Base Trend

	CGAAP	*NEWGAAP*	*MIFRS*	*MIFRS*	*MIFRS*	*MIFRS*
Particulars	**Last Board Approved**	**2014**	**2015**	**2016**	**2017**	**2018**
Net Capital Assets in Service:						
Opening Balance	3,320,570	3,288,222	4,799,922	5,116,512	6,412,494	7,112,824
Ending Balance	4,867,995	4,799,922	5,116,512	6,412,494	7,112,824	7,007,776
Average Balance	4,094,282	4,044,072	4,958,217	5,764,503	6,762,659	7,060,300
Working Capital Allowance	2,291,918	1,610,643	1,519,271	1,534,703	2,908,677	1,554,729
Total Rate Base	**6,386,201**	**5,654,714**	**6,477,488**	7,299,206	9,671,336	8,615,028

OEB staff cannot reconcile either table with the continuity schedules filed in Appendix 2-AB. Please reconcile and provide an explanation as to the difference.

2-Staff-18

Ref: Exhibit 2/Section 2.3.3/Page 31 – Calculation of Cost of Power

Please update the Cost of Power forecast to reflect the most recent RPP prices from the OEB's Report issued on June 22, 2017 (effective July 1, 2017) for the period from January 1, 2018 to April 1, 2018.

2-Staff-19

Ref: Exhibit 2/section 2.1.4/page 26

Hydro Hawkesbury stated that asset retirement obligations occurred in 2014, 2015 and 2016 related mainly to the disposal of meters and poles. Please confirm that these are normal disposals as a part of regular operations and not asset retirement obligations that were required to be set up upon the initial recording of the related assets as would be required for financial reporting purposes. If not confirmed, please explain how the asset retirement obligations were treated in the application.

2-Staff-20

Ref: Chapter 2 Appendices, Tab 2-AA – Capital Projects

a) Please update tab 2-AA by adding a column to show to include 2017 actuals to date using the table provide as 2-AA as a starting point.
b) Please explain any significant variances from the 2017 budget to actuals.

2-Staff-21

Ref: Exhibit 2/Section 2.1/ Appendix A and Appendix B

a) Please provide copies of the original RFP documentation and original contractual agreements with BPR/Tetra Tech, General Electric, and Eptcon, along with any appendices, addendums or revisions of terms that have taken place since.
b) Please confirm that the Net Present Value (NPV) calculation for 110KV and 44KV projects has not been performed. If the NPV analysis was omitted as a decision support tool for both projects, please elaborate why it was not used. If NPV analysis was performed:
    i. Please provide the results of the analysis using the cost estimates submitted to the OEB as a part of the EB-2011-0173 application, and the latest estimates of the project's final costs. Please state all the relevant assumptions underlying the NPV calculations, including the discount rate chosen.
    ii. Please provide all the relevant equipment maintenance costs for the first 20 years for both Alternative #0 and Alternative #3 for 110KV project and for both Do-Nothing option and Selected Alternative for 44KV project as planned in the original project estimate in EB-2011-0173 application. If these costs were not considered, please use the best guess to estimate the maintenance costs.
    iii. Please provide all the relevant equipment maintenance costs for the first 20 year as planned based on "as-built" stations for both projects. If these costs were not considered, please use the best guess to estimate the maintenance costs.
    iv. Please provide quantitative risk assessment results for both Alternative #0 and Alternative #3 for 110KV project and for both Do-Nothing option and Selected Alternative for 44KV project as planned in the original project estimate in EB-2011-0173 application. Please include assumptions for failure probability for each of the original transformers. Please include impact cost analysis in case of transformer failure considering all the potential options to restore the power to the customers. Please state all the relevant assumptions underlying the risk assessment.
    v. Please provide Customer Interruption Cost assumption, if any was used.
c) Given the issues and the ensuing cost increases encountered due to reliance on the external contractors for the purposes of developing plans and overseeing the completion of critical system upgrade projects, has Hydro Hawkesbury performed any ex-post analysis of its policies and procedures for the development, procurement and management of external engineering services? If so, what were the outcomes of this analysis?
d) Please provide details regarding the changes that have been made by Hydro Hawkesbury to its policies and procedures in order to mitigate the financial risk of similar delays, cost overruns and other related engineering and project management issues affecting their financial position and

operating capabilities in the future. Please provide any support documentation that clarifies the changes made by Hydro Hawkesbury.

e) Are there consequences for poor performance for Hydro Hawkesbury contractors? How are these sub-par performances measured and what are the consequences for poor performance?

2-Staff-22

Ref: Exhibit 2/ Section 2.1.2/ page 4 lines 4-26/ page 6. lines 23-25/ Appendix A/ Appendix B

a) Section 2.1.2, p. 4, line 4 says: "In 2014, Hydro Hawkesbury hired General Electric to assist with the commissioning of the new transformer." Usually, commissioning is the last stage of a project and is done when the design is completed and the station is built. Please provide a scope of GE involvement in 2014.

b) Please elaborate on the reasons why the additional scope and nature of work identified by General Electric was not captured in the report(s) produced by BPR and used for the purposes of securing the OEB's ICM approval and the Infrastructure Ontario loan.

c) Section 9 of the Appendix B (BPR original proposal) states that BPR is covered by a civil and professional responsibility insurance policies, which appear to include the coverage for instances of error and omission. Given that the Stantec Report (Appendix A) appears to suggest that several instances of the project cost estimates changing due to BPR's errors and omissions, please describe the actions (if any) taken by Hydro Hawkesbury to seek any forms of financial recourse from BPR for any of the cost items that can be characterized as the contractor's oversights.

d) Section 2.1.2, p.4, lines 23-26 states: "Revised design and specifications were submitted to Hydro One. Hydro One required changes to the design of the proposed circuit switcher in order to meet the requirements of the Transmission System Code. The proposed changes were made and a revised proposal was sent."

    i. Please clarify whether the original design documentation prepared by BPR/Tetra Tech was shared with Hydro One for comment ahead of, or in the course of the OEB's review of the ICM application for the project funding.

    ii. If Hydro One was consulted ahead of General Electric's involvement, please provide the original documentation containing Hydro One's comments on the proposed design, including any documents providing approval or any other form of instructions to Hydro Hawkesbury.

    iii. If Hydro One was not consulted on the basis of the original design prepared by BPR, please explain why such consultation did not occur.

e) Section 2.1.2, p.6, lines 23-25 states: "Hydro One had partially reviewed the drawing and specification of the proposed load breaker switch designed by BPR only to find that it did not meet the requirements of the Transmission System Code." The referenced passages describe the second instance of Hydro One identifying deficiencies in the successive iterations of the

design documents with respect to a need for the Load Break Switch, respectively, to meet the requirements of the Transmission System Code (TSC).

i. Please explain whether the successive modifications to Hydro One's requirements were driven by the underlying changes in project design specifications between the two iterations of project documents, additional information that only became available at a later date, changes to regulatory requirements, or any other factors (e.g. an oversight on the part of Hydro One, Hydro Hawkesbury, or any of its contractors).
ii. Was compliance with Ontario's regulatory requirements among the explicit terms / scope of work for which BPR and/or General Electric were engaged by Hydro Hawkesbury?
iii. If compliance in part e(ii) was explicitly referenced, please describe the actions taken by Hydro Hawkesbury to explore the reasons underlying the fact that the produced designs did not appear to conform to the TSC requirements, and seek financial recourse from the contractors (if any).
iv. Please provide all original correspondence between Hydro Hawkesbury, BPR, and General Electric related to part e(iii) of this question.
v. Ahead of submitting the successive iterations of project designs for Hydro One's review, what steps did Hydro Hawkesbury staff take internally to verify whether the project designs meet the requirements of the TSC, and publicly available Hydro One documentation related to transmission connection procedures.

2-Staff-23

Ref: Exhibit 2/ Section 2.1.2/ page 10/ Appendix H/ page 2 of the letter from Tetra Tech to Hydro Hawkesbury.

a) Please confirm that Hydro Hawkesbury and its contractors did not update the estimate for the project's contingency budget after the preparation of the Class 2 estimate, as can be inferred from the Table on p.10 of section 2.1.2.If the above inference is correct, please describe Hydro Hawkesbury's rationale for not proactively updating the project contingency budget when it became first clear that material modifications would be required.
b) Please describe the considerations behind selecting the value of 15% as a project contingency budget at the time of the original budget preparation by BPR/Tetra Tech, particularly since the April 15, 2015 letter from Tetra Tech to Hydro Hawkesbury states that the typical project cost variance for estimates of this precision is between -25% to +75%.
c) Please confirm whether the information regarding the typical project cost variances at the "Order of Magnitude" stage was known to Hydro Hawkesbury, or the matter of selecting an appropriate value based on industry best practices at early stages of work estimation discussed with BPR? If it was known, please elaborate how the precision of the cost estimates and sensitivity analysis was used in the decision-making process.

2-Staff-24

Ref: Exhibit 2/ Section 2.1.2/ page 10/ Appendix H/ Table 1

Based on the examination of the Table on p.10 of section 2.1.2 and the Appendices, it can be inferred that Hydro Hawkesbury did not anticipate retaining external consultants for the types of services ultimately provided by Stantec Ottawa, Stantec Montreal, and General Electric. While the submission explains that the services provided by Stantec Ottawa were retained at the request of Infrastructure Ontario (IO), it is less clear whether the services of other engineering and construction management companies, were originally expected to be performed by BPR/Tetra Tech, or were generally outside of the scope of work.

a) Please explain whether Hydro Hawkesbury's original agreement with BPR/Tetra Tech, contemplated that the original contractor would provide the Construction Management and Engineering Project Management Support services ultimately performed by Stantec Montreal and General Electric, respectively.
b) If the original agreement contemplated BPR/Tetra Tech performing these services, please explain why other contractors were ultimately retained to perform these tasks.
c) If BPR/Tetra Tech was not expected to provide these services at the time of the original agreement, please describe Hydro Hawkesbury's plans and budgetary allocations for these services at the time of seeking the OEB's approval during the EB-2011-0173 proceeding.
d) Please confirm whether the $273,442-revision to BPR/Tetra Tech's fees budget between the original and the Class 2 estimate was expected to capture the cost of some or all activities ultimately performed by Stantec Montreal and General Electric.
e) Please reproduce Table 1 in the Appendix H by adding a third column, to capture the latest available information on actual costs for each cost category identified by BPR/Tetra Tech. Where additional cost categories have been added since the time of the Class 2 estimate reparation, please clearly identify them as such and provide the latest available cost estimates.

2-Staff-25

Ref: Exhibit 2/ Section 2.2.2

Hydro Hawkesbury states:

"Hydro Hawkesbury has adopted depreciation rates based on the Kinectrics Asset Depreciation Study which can be found at this link. https://www.oeb.ca/oeb/_Documents/EB-2010-0178/Kinetrics-418033-OEB%20Asset%20Amortization-%20Final%20Rep.pdf."

Please elaborate on a logic used by Hydro Hawkesbury to adopt specific values for each asset class while Kinectrics study identified a range of values for the useful lives as well as described a number of factors to be considered in order to define the useful lives.

2-Staff-26

Ref: Exhibit 2/ Section 2.5.2 (DSP)/ page 9 and 86 of 128

Hydro Hawkesbury notes on p. 9 that its only two internal linemen are set to retire in 2018 and the utility does not plan to replace them, relying on the externally contracted services for the Operation, Maintenance and capital construction work instead.

a) Please provide a rationale underlying Hydro Hawkesbury's decision not to replace their internal line personnel and instead rely on contracted services.
b) Please quantify cost savings, if any, assumed by Hydro Hawkesbury with the work performed by two linesmen to be contracted out.
c) Please elaborate how the potential risk of potential service delays and significant increase in one-time costs during the major weather events and other emergencies will be managed while exclusively relying on the external contractors.
d) What is the impact of the planned retirement of the two linemen on Hydro Hawkesbury's equipment procurement and inventory management practices? Will Hydro Hawkesbury continue maintaining its own inventory of equipment, or will the transition to contracted construction and maintenance services also involve transferring the inventory management responsibilities to a third party? Please describe and quantify the anticipated impact on cost and service quality, as appropriate.
e) Given Hydro Hawkesbury's recent issues that arose out of reliance on outside technical expertise, has Hydro Hawkesbury considered the risk of further reducing its in-house technical expertise in its decision not to replace the retiring linemen? Please discuss whether and how the utility plans to manage this risk going forward.
f) Please provide specific documentation on processes and procedures on how Hydro Hawkesbury ensures that the services provided by external contractors are cost-effective, and are improving year over year. Please provide specific examples.
g) On p. 86 Hydro Hawkesbury states that it purchased the pole testing devices jointly with Cooperative Embrun to manage its equipment costs. Please elaborate how the testing device will be utilized in post-retirement period.

2-Staff-27

Ref: Exhibit 2/ Section 2.5.2 (DSP) – General

a) Please describe Hydro Hawkesbury's emergency response policies and protocols regarding major weather events and other low-probability high-impact events that may result in widespread and prolonged interruptions of service to a material portion of the utility's customer base.
b) Please describe the utility's inventory management policies related to ensuring availability of optimal quantity of materials and equipment that may be required in short order during a major contingency event.

2-Staff-28

Ref: Exhibit 2/ Section 2.5.2 (DSP)/ pages 10, 14, 32, 34 and 36 of 128.

Hydro Hawkesbury states on p. 10:

"Hydro Hawkesbury's DS Plan is designed to present a fully integrated approach to capital expenditure planning. This includes comprehensive documentation of its asset management process to support its future five-year capital expenditure plan and detailing the history of its past five years' activities."

Hydro Hawkesbury states on p. 14:

"A capital investment prioritization process, aligned with corporate and asset management objectives, has been developed to prioritize discretionary capital investments. This occurs during the budgeting part of the planning process. During the budget process, capital investments are identified and investment justifications are put together for each one that identifies the cost of the project and its expected benefits. A value and risk deferral assessment of the investment is performed. Investment scores determine priority of the investment for current or future budget periods."

Hydro Hawkesbury states on p. 32:

"The goals and objectives are used throughout Hydro Hawkesbury's asset management approach and are embedded within the asset management policy, strategies, and plan."

Hydro Hawkesbury states on p. 34:

"In KPMG's March 10, 2009 report to the Board, titled Review of Asset Management Practices in the Ontario Electricity Distribution Sector (the "KPMG Report"), …

Four to six key practices for each process describe an ideal asset management approach, referred to as the "maturity model".

Hydro Hawkesbury's approach to asset planning covers the five key processes identified in the KPMG Report and meets the requirements of the OEB. Hydro Hawkesbury's review begins with a review of system performance and whether that performance meets management objectives."

Hydro Hawkesbury states on p. 36:

"Over the last four years, Hydro Hawkesbury's adapted Capital Investment Process (CIP) has been used to effectively manage its assets and capital expenditures"

a) Please provide comprehensive documentation of the asset management process, if any, in addition to what is described in the current DSP.
b) Please provide asset management policy, strategies and plan.
c) Please provide investment scores based on the value and risk deferral assessment for each of the projects included in the DPS. Please provide detailed breakdown of the total investment score for each project.
d) Please elaborate how Hydro Hawkesbury identified whether Hydro Hawkesbury's approach to asset planning covers the five key processes identified by KPMG. Please provide Hydro Hawkesbury's response to the Questionnaire in the KPMG Report, if available.
e) Please provide Capital Investment Process description and process map.

2-Staff-29

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.2.1 b) Sources of Cost Savings/ pages 14-15 of 128.

Please quantify the cost savings expected to be achieved throughout the Distribution System Plan.

2-Staff-30

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.2.3b) Summary of Performance Trends, Service Reliability/ pages 22-24 of 128

Hydro Hawkesbury provides historical SAIDI/SAIFI overall trend and Customer Hours breakdown by cause codes.

a) Please provide a definition of a sustained outage used for SAIDI/SAIFI data.
b) Please provide a detailed breakdown for Customers Interrupted similar to Figure 5 Table.
c) Please provide annual 2013-2016 SAIDI/SAIFI data, broken down by the cause codes, excluding Major Event Days. If there is no MED definition adopted, please use IEEE Standard 1366-2003-2.5 Beta Methodology.

Based on the outage cause code breakdown provided for the 2013-2016 period, it appears that Loss of Supply (LoS) accounts for between 58% and 99% of total customer hours interrupted experienced by the utility, with an average of 80%.

d) Does utility possess the data to compare the contribution of LoS events to total customer hours interrupted for other comparable distributors embedded in the Hydro One system? If so, please provide this information.
e) Given the significant proportion of outages experienced due to Loss of Supply, has Hydro Hawkesbury discussed the potential means of addressing this issue with its host distributor? If so, what were the outcomes of these discussions?
f) Has Hydro Hawkesbury performed any forward-looking forecasting of its reliability levels for the period covered in the DSP, based on the planned capital and maintenance work? If so, please provide the forecast, or any commentary on the utility's expectation of its reliability levels, along with the source of assumptions supporting the utility's reasoning.

2-Staff-31

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.2.3) Performance Measurement for Continuous Improvement

Hydro Hawkesbury noted that based on Chapter 5 of the Filing Requirements for Electricity Transmission and Distribution Application, a distributor shall identify and define the methods and measures (metrics) used to monitor distribution system planning process performance, providing for each a brief description of its purpose, form (e.g. formula if quantitative metric) and motivation (e.g. consumer, legislative, regulatory, corporate). These measures and metrics are expected to address, but need not be limited to:

• customer oriented performance (e.g. consumer bill impacts; reliability; power quality);

• cost efficiency and effectiveness with respect to planning quality and DS Plan implementation (e.g. physical and financial progress vs. plan; actual vs. planned cost of work completed); and

• asset and/or system operations performance."

a) Please confirm that there are no other metrics to monitor DS Planning Performance that are in use or suggested for implementation by Hydro Hawkesbury rather than the metrics identified in the ESQR; OEB Performance Scorecard, and Annual Distribution Rate Adjustment Impacts. If there are other metrics, please provide the definitions, historical performance and impact of the historical performance of such metrics on the DSP.

On p. 27 of the DSP, while discussing its Operational Effectiveness performance, Hydro Hawkesbury states:

"Going forward Hydro Hawkesbury will continue to implement productivity and efficiency improvements to maintain this record while maintaining the reliability and quality of its distribution system."

b) Please describe the referenced planned productivity and efficiency initiatives, along with their anticipated financial impact.

2-Staff-32

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.2.3) Performance Measurement for Continuous Improvement/ page 33 of 128

Hydro Hawkesbury states the following in Table 10:

a) AM Objective Target targets Customer Care, Company Image and Mgmt Operations areas in the Customer survey. Please explain how it is linked to AM Objective to "Align asset investments with customer expectations of cost".
b) Is there an intention to perform the Customer Survey on an annual basis?

In Table 10, Hydro Hawkesbury shows the following AM Objective Target: OM&A expenditure +/- 15% to estimate; Capital expenditures +/- 15% to estimate. Hydro Hawkesbury also seeks to complete >80% annual projects/programs on time.

c) Please explain how both targets are linked to AM Objective to "Manage the pace and magnitude of asset investments over the long term, to level customer rate impacts, while … continuing to deliver economically reliable power to customers."
d) Please explain a rationale to choose 15% as a threshold for Investment spending and 80% for projects/programs completion.
e) Please elaborate on a definition of OM&A expenditures in the context of Asset Management objectives.
f) Please elaborate whether Hydro Hawkesbury has considered cost and productivity related AM-specific targets.

2-Staff-33

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.3.1) Asset Management Process Overview/ page 33 of 128/ Table 10

a) Please provide a definition of Distribution System Plan Implementation Progress metric.
b) Please provide 2015 actuals for Distribution System Plan Implementation Progress metric.

2-Staff-34

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.3.1b) Asset Management Components/ pages 34 and 38.

Hydro Hawkesbury states on p. 34:

"The conditions of assets are assessed based on field inspections, life expectancy, fault frequency, maintenance costs and customer service impacts. Assets are replaced when required to maintain distribution service and system reliability (non-discretionary expenditures) or when replacement is determined to be more economic from a ratepayer perspective than asset refurbishment and/or ongoing maintenance (discretionary sustainment capital)."

a) Please explain in detail the criteria used by Hydro Hawkesbury to decide to replace the asset when it is determined to be more economic from a ratepayer perspective than asset refurbishment and/or ongoing maintenance. Please provide a specific example.

Hydro Hawkesbury states on p. 38:

"An asset condition assessment process (ACA) is used which involves the collection and interpretation of condition and performance data of key assets, evaluates the condition of the asset, detects and quantifies long-term degradation of the asset, serves as an aid in prioritizing and allocating sustainment resources in order to be able to make informed capital investment decisions. The ACA model receives inputs from a variety of sources in the asset management lifecycle. The result of the ACA is an optimized lifecycle plan based on asset sustainability."

b) Please describe in detail the ACA model utilized by Hydro Hawkesbury in the ACA process.
c) Please provide any results, in the form of a word document, excel spreadsheet or any other form, completed internally or by the external consultant, of the Asset Condition Assessment Process/Model or a study to each of the major asset class.
d) Please explain how "the results of the ACA is" considered to be "an optimized lifecycle plan based on asset sustainability".

2-Staff-35

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.3.2c) Description of System Profile and Condition/ pages 42-45 of 128

a) Please provide Age Distribution and Count of other asset classes noted in the section: UG cables by installation type (in km), Conductors (in km), Reclosers, Overhead switches, UG switchgears.
b) Please provide the following specific information for Poles:
    i. Please provide a detailed description of activities comprising the pole testing at the five-year mark, specifying whether activities take place at the above and/or below-ground level.

ii. Please provide in a condensed table format the results of the company's tests to poles at the five-year before end of useful life mark over the last five years of tests conducted. Please clearly indicate the total number of poles tested in each year, along with the number deemed as requiring replacement.
iii. Please provide the number of poles that Hydro Hawkesbury replaced in the last five years due to failure, or poor condition identified through visual maintenance that have not reached the five-year pre-end of life threshold.

2-Staff-36

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.3.3a) Asset Lifecycle Optimization Policies and Practices

Please describe a plan, if any, developed by Hydro Hawkesbury to comply with PCB Regulations (SOR/2008-273).

2-Staff-37

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.4.2d) Customer Engagement/ Exhibit 1/ Appendix D - Survey 1 Results (English) and (French)

The most recent customer survey results show that customers are highly satisfied with the reliability of power provided by Hydro Hawkesbury. Question 5 on service restoration has 87% of Excellent and Good responses, while Question 7 on overall reliability has 94% of Excellent and Good response.

In light of these results, has Hydro Hawkesbury considered to lower or postpone investments planned in 2018-2022 with a major focus to improve power reliability, such as pole replacement program, main feeder conductor upgrade, and specifically, 44kV station alterations.

2-Staff-38

Ref: Exhibit 2/ Section 2.5.2 (DSP), (5.4.4) Capital Expenditure Summary/ Figure 1/ Exhibit 4/ Section 4.3.1 PROGRAM DESCRIPTIONS/ pages 22-24

Figure 1 provides System O&M expenditures. Section 4.3.1 in Exhibit 4 describes the O&M program. There is a limited detail on the cost estimating process for the O&M expenditure level. It is also not clear, how the retirement of two linesmen will impact OM&A spending level.

a) Please provide all the assumption that were used by Hydro Hawkesbury to estimate 2018-2022 System O&M spending, including number of units of work and cost per unit.
b) Please state the sources of rates assumed for external contractor services, and provide any supporting documentation, including quotes from potential contractors surveyed, etc.

c) Please provide historical number of units of work in system O&M category and average cost per unit for the 2013-2017 period.
d) Please describe whether the contractors are engaged on time and material basis to perform the maintenance services, or fix price per unit.

2-Staff-39

Ref: Exhibit 2/ Section 2.5.2 (DSP)/ APPENDIX A Historical Capital Projects 2013 to 2017 and APPENDIX B Forecast Capital Projects 2018 to 2022/ pages 76-105.

a) Please provide in a table format the number of units replaced in the last five years, and number of units planned for replacement in each of the plan years for the following asset classes:

- Wood poles
- Overhead transformers
- Porcelain insulators
- Lightning arrestors
- Overhead conductor (km)
- Underground cables
- Residential smart meters
- Commercial smart meters

b) Please provide an average historical unit cost per each of the asset classes in part a, for each of 2013-2017 years, and an estimated future unit cost per each of the asset classes for each of 2018-2022 years.

2-Staff-40

Ref: Exhibit 2/ Section 2.5.2 (DSP)/ APPENDIX A Historical Capital Projects 2013 to 2017 and APPENDIX B Forecast Capital Projects 2018 to 2022/ pages 76-105, System Access/

Ref: Exhibit 2/ Section 2.2.1 GROSS ASSET VARIANCE ANALYSIS/ Table 9 – OEB Appendix 2-AA System Access Project Table/ page 34

a) Hydro Hawkesbury has historical new service connections spending in the range of $241 - $1,095 in 2013-2016. Please provide all the assumption used by Hydro Hawkesbury to estimate the spending in new service connections in the range of $2,500 - $3,700 in 2017-2022.

b) Please explain a reason to capitalize $9,000 in each of 2017-2022 year for "Transformers – inventory".
c) Please provide all the assumptions used to estimate New Subdivision spending ($10,000 annually) in 2017-2022. Please provide details on subdivisions to be connected in 2017, 2018 and 2019.
d) Please provide an estimation of Customer capital contributions within the System Access category for 2017-2022.
e) Please provide all the assumptions used by Hydro Hawkesbury to estimate $11,000 Smart Meter testing in 2018.
f) Please provide a justification to spend $56,000 on Smart Meter replacement in 2019. Please elaborate how the Smart Meter testing results performed in 2018 may impact the 2019 replacement project.

2-Staff-41

Ref: Exhibit 2/ Section 2.5.2 (DSP)/ APPENDIX A Historical Capital Projects 2013 to 2017 and APPENDIX B Forecast Capital Projects 2018 to 2022/ pages 76-105 - System Renewal Category

Hydro Hawkesbury identifies a project to replace 3/0 ACSR with 336 MCM cable. The program continues till 2022. The original case was identified by Stantec in the report "Utility Load Flow and Evaluation Study" prepared in 2007 and filed in EB-2011-0173. Appendix 5 of the report stated Stantec's opinion of costs required to replace 3/0 ACSR cable by 336 MCM cable in order to reduce losses, improve voltage support, and provide capacity in the event of emergency switching. The estimated costs of the replacement were approximately $70,000. Total amount of 2013-2022 spending has been made and planned to be made by Hydro Hawkesbury to replace 3/0 ACSR by 336 MCM is exceeding $200K

a) Please explain the reasons that the program exceeds the original estimate by almost 300%. Please elaborate if there has been additional scope considered under the program in addition to the replacement of cable segments identified by Stantec. Please compare unit cost assumptions made by Stantec and the actual and planned unit costs experienced by Hydro Hawkesbury.
b) The original report by Stantec identified a need to replace the cable as to reduce losses, improve voltage support and to provide capacity in the event of emergency switching. Please explain a reason to categorize this project as System Renewal, rather than System Service.

2-Staff-42

Ref: Exhibit 2/ Section 2.5.2 (DSP)/ APPENDIX C

On p. 115, Appendix C, Hydro Hawkesbury states that the purpose of the project to Rebuild MS 43 Bus Structure is:

"This project creates the infrastructure to allow each transformer to supply one feeder and to allow the feeders to be transferred to one transformer without the need for interruptions. This will improve the outage performance of the connected customers and will improve the utilization of both transformers."

a) Please explain a reason to categorize this project as System Renewal, rather than System Service.
b) Please describe the alternatives considered in this project, including status-quo and other options to achieve the project goals.
c) Please provide NPV analysis for this project. If the NPV analysis was omitted as a decision support tool for this project, please elaborate why it was not used. If NPV analysis was performed:
    i. Please provide the results of the analysis. Please state all the relevant assumptions underlying the NPV calculations, including the discount rate chosen.
    ii. Please provide all the relevant equipment maintenance costs for the first 20 years for all the alternatives. If these costs were not considered, please use the best guess to estimate the maintenance costs.
    iii. Please provide quantitative risk assessment results for all the alternatives. Please include assumptions for failure probability and impact cost analysis in case of transformer failure considering all the potential options to restore the power to the customers. Please state all the relevant assumptions underlying the risk assessment.

2-Staff-43

Ref: Exhibit 2/ Section 2.5.2 (DSP)/ page 113 of 128.

In reference to the July 2013 failure of a recently installed 43T2 transformer, Hydro Hawkesbury states that following the detailed failure analysis performed by the manufacturer, litigation was launched between the manufacturer and its sub-assembly supplier.

a) Please provide the latest status update on the litigation and specify whether the ultimate resolution in favour of the manufacturer (Pioneer) would entitle Hydro Hawkesbury to any financial compensation.
b) If financial compensation may be forthcoming, please describe the manner in which Hydro Hawkesbury would apportion the incoming funds.
c) Please explain a reason Hydro Hawkesbury decided not to pursue the extended warranty on the transformer (e.g. five years), but rather continued with the one year warranty.

Exhibit 3 – Operating Revenues

3-Staff-44

Ref: Exhibit 3/ pages 18-20

Hydro Hawkesbury has noted that during the process of testing the regression analysis, many different variables and time periods are tested to arrive at the best R-squared. The utility's rational behind selecting or dropping certain variables involves a "no worst" rational. In other words, if a variable is justified and does not worsen the results, it is generally kept as one of the regression variables. The utility tested the regression analysis using Average Daylight Hours and Minutes/Day but did not include it in the final regression model as it did not improve the results.

a) What other independent variables were considered in the regression analysis and why were they dropped?
b) Please explain why customer count and/or number of holidays in a month were not included in the model.
c) Hydro Hawkesbury has noted that it has not used Average Daylight Hours in the regression analysis and dropped it from the study. However, it has used a "Days per Month" variable that slightly improved the R-square of the regression equation. The regression results on page 20 of the evidence indicates that Daylight Hours was included in the regression model while Days per Month was not. Please clarify the discrepancy in the description of the independent variables that were discussed in the evidence (page 18) and the variables that were used in the regression analysis (page 20).
d) The P value of Daylight Hours is very high (21.00%). A high P value suggests that changes in the predictor are not associated with changes in the response. In other words, the variable "Daylight Hours" does not explain the change in the dependent variable. Please explain why this variable was included in the analysis.
e) Please provide the residual plot of the regression model provided in the pre-filed evidence.

3-Staff-45

Ref: Exhibit 3/ pages 17-19 of 78

Hydro Hawkesbury has used data for the period 2007 to 2016 in the regression analysis. The regression result has been used to prepare the load forecast.

a) Please confirm whether Hydro Hawkesbury tested the accuracy of its forecast and if yes, please explain how the accuracy was tested.
b) Please use the same independent variables as that in the evidence for the years 2006 to 2014 and prepare a load forecast for 2015 and 2016. Please compare the forecasted consumption with the actuals for 2015 and 2016.

3-Staff-46

Ref: Exhibit 3/ page 20

Hydro Hawkesbury has provided the regression results used to determine the load forecast. Please re-run the regression results using the following independent variables.

a) The variables included in the evidence with the exception of "Daylight Hours".
b) The variable included in the evidence and customer count.
c) The variables included in the evidence excluding "Daylight Hours" and including customer count.
d) If any of the results under the above scenarios show an improved R squared compared to that provided in the evidence, please provide a revised load forecast on that basis.
e) Please provide the output and model in Excel and PDF formats.

3-Staff-47

Ref: Exhibit 3/ 2018 TESI Load Forecasting Model

The Excel spreadsheet of the Load Forecasting Model provides consumption data for the years 2007 to 2016. The data can be found in the worksheet titled "Input Customer Data". The input data for Residential – Retail Consumption is significantly lower for some of the months (February, April, June, July and October of 2008, February, April, June, August and October of 2009, February, April and June of 2016). Please explain the reason for the variation.

3-Staff-48

Ref: Exhibit 3/ page 19

Hydro Hawkesbury has noted that using a combination of wholesale purchases and the selected independent variables, a multiple regression analysis was used to develop an equation describing the relationship between monthly actual wholesale kWh and the explanatory variables.

a) Please update the load forecast to include the most recent data (up to September 30, 2017) and indicate how the load and customer forecast for 2017 and 2018 may be affected.
b) If Hydro Hawkesbury has prepared a revised load forecast as per Staff 3(d), please indicate how the load and customer forecast for 2017 and 2018 will be impacted using the most recent data of wholesale purchases.

3-Staff-49

Ref: Exhibit 3/ pages 47-51

Hydro Hawkesbury has used a simple 10-year (2007 to 2016) geometric mean function to determine the forecasted number of customers for 2017 and 2018.

a) Please update the forecast of 2017 and 2018 for the different customer classes using the most recent 2017 customer count data.

3-Staff-50 Other Revenue

Ref: Exhibit 2/ pages 27 to 31/ Appendix 2-BA

Ref: Exhibit 3/ pages 63 to 64/ Appendix 2-H

Per the Accounting Procedures Handbook Article 430, for regulatory purposes the deferred revenue arising from customer contributions is to be included as an offset to rate base and amortized to income (i.e. Account 4245) over the useful life of the PP&E to which it relates. Hydro Hawkesbury shows capital contributions in Appendix 2-BA and accumulated depreciation for the capital contributions. There is $0 shown in Account 4245 in Appendix 2-H. Please confirm that the amortization of deferred revenues relating to capital contributions has been shown as depreciation expense.

Exhibit 4 – Operating Expenses

4-Staff-51

a) Please refile Appendices 2-JA, 2-JB, 2-JC, and 2-L using 2017 actuals to-date and compare to the equivalent time period in 2016.
b) Please provide a forecasted amount for the remainder of the year explain any discrepancy to the filed 2017 forecasted amounts.

4-Staff-52 Benefits from OM&A Increases

Ref: Chapter 2 Appendices/ Tab 2-JA

The proposed OM&A costs in 2018 of $1,210,114 represents an increase of $239,446 or 24.70% over the 2014 actual OM&A.

a) Please identify any customer engagement relating specifically to the increase in OM&A that supports the increases proposed in this application.
b) Please identify what if any improvements in services and outcomes the applicant's customers will experience in 2018 and during the subsequent IRM term as a result of increasing the provision for OM&A at the rate indicated.
c) Please identify any initiatives considered and/or undertaken by Hydro Hawkesbury, including any analysis conducted, to optimize plans and activities from a cost perspective.

4-Staff-53

Ref: Exhibit 4/ Section 4.2.2/ page 14

Cost per Customer

OEB Appendix 2-L Employee Costs at Table 10 below shows an OM&A cost per customer of $208 in 2018 in comparison to 172 in the 2014 Board Approved.

Table 10 – OEB Appendix 2-L Recoverable OM&A Cost per Customer and FTE[8]

	2014 Board Approved	2014	2015	2016	2017	2018
OM&A Costs						
O&M	$302,250.00	$232,855.01	$235,939.54	$236,870.72	$308,375.92	$300,107.00
Admin Expenses	$397,976.00	$342,177.17	$299,046.38	$341,082.01	$422,353.85	$433,375.07
Total Recoverable OM&A from Appendix 2-JB[5]	$700,226.00	$575,032.18	$534,985.92	$577,952.73	$730,729.76	$733,482.07
Number of Customers[2,4]	5682	5624	5526	5511	5520	5542
Number of FTEs[3,4]	7	7	7	7	7	7
Customers/FTEs	811.71	803.39	789.48	787.27	788.62	791.76
OM&A cost per customer						
O&M per customer	53	41	43	43	56	54
Admin per customer	70	61	54	62	77	78
Total OM&A per customer	123	102	97	105	132	132
OM&A cost per FTE						
O&M per FTE	43,179	33,265	33,706	33,839	44,054	42,872
Admin per FTE	56,854	48,882	42,721	48,726	60,336	61,911
Total OM&A per FTE	100,032	82,147	76,427	82,565	104,390	104,783

[2]Customers do not include connections

a) Please reconcile the differences in the evidence, highlighted above.

4-Staff-54

Ref: Exhibit 4/ Section 4.1.1/ page 2 & 4, Table 3

Ref: Exhibit 2/ Section 2.1.2

Table 3 – OEB Appendix 2-JA – Summary of Recoverable OM&A Expenses[5]

Reporting Basis	NEWGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS
	Board Approved	2014	2015	2016	2017	2018
Operations	$96,550	$51,300	$55,990	$68,472	$113,406	$95,593
Maintenance	$205,700	$181,555	$179,949	$168,399	$194,970	$204,514
SubTotal	$302,250	$232,855	$235,940	$236,871	$308,376	$300,107
%Change (year over year)		-23.0%	1.3%	0.4%	30.2%	-2.7%
%Change (Test Year vs Last Rebasing Year - Actual)						28.9%
Billing and Collecting	$426,315	$395,636	$409,354	$418,864	$462,696	$476,632
Community Relations	$200	$0	$0	$0	$0	$0
Administrative and General+LEAP	$397,976	$342,177	$299,046	$341,082	$422,354	$433,375
SubTotal	$824,491	$737,813	$708,401	$759,946	$885,050	$910,007
%Change (year over year)		-10.5%	-4.0%	7.3%	16.5%	2.8%
%Change (Test Year vs Last Rebasing Year - Actual)						10.4%
Total	$1,126,741	$970,668	$944,340	$996,817	$1,193,426	$1,210,114
%Change (year over year)		-13.9%	-2.7%	5.6%	19.7%	1.4%

As shown in the table above, in 2014, 2015 and 2016 Hydro Hawkesbury spent approximately $65,000-$70,000 less than its 2014 OEB-approved amount on Operations and Maintenance. In the Administration and General category, Hydro Hawkesbury spent about $50,000 less than its 2014 OEB-Approved in 2014, about $100,000 less in 2015, and about $50,000 less in 2016.

Hydro Hawkesbury cites two reasons for this underspending: the delay in building the 110KV TS caused cashflow issues that required Hydro Hawkesbury to spend less than planned to ensure that it could pay its suppliers and creditors; and the absence of the Assistant Manager/VP of Finance from August 2015 to January 2017, when the position was filled through an internal promotion.

a) For each of "Operations and Maintenance" and "Administrative and General Costs" please describe how Hydro Hawkesbury decreased spending for the purpose of ensuring sufficient cash was available to pay suppliers and creditors. Please provide specific examples and breakdown avoided spending by year.
b) Please describe the rationale or strategy for reducing spending in each of the areas where this occurred.
c) Please describe the impacts of the decreased spending described in response to a).
d) Hydro Hawkesbury has an objective to reduce operational costs where possible. Please explain why the decreased spending described in response to a) cannot be sustained into the test year and beyond, with specific reference to the reasons why prior strategies are no longer feasible or in the interest of customers. Please be specific.

In section 2.1.2 of Exhibit 2 Hydro Hawkesbury notes that it secured a loan of $2,300,000 from Infrastructure Ontario for the 110KV TS however the funds were not provided to Hydro Hawkesbury until July 2016. Hydro Hawkesbury stated that it had disbursed $700,000 out of its own cashflow on the 110 KV project by the end of 2014.

e) Please provide the amount of money Hydro Hawkesbury disbursed out of its own cash flow in relation to the 110 KV between January 2015 and July 2016, when the funds from Infrastructure Ontario were received.

f) Please provide the total amount spent in relation to the 110 KV between January 2014 and July 2016 (i.e. is it $700,000 + amount disbursed between January 2015 and July 2016?).

g) Staff calculated the combined amount Hydro Hawkesbury underspent against Board approved for Operations, Maintenance, and Administration & General. In 2014, the combined amount underspent was $125,194. In 2015 it was $165,241. In 2016 it was $122,273.

   i. Please confirm that these amounts were diverted to pay costs associated with the 110 KV.

   ii. Please explain where the remaining funds came from to cover costs associated with the 110KV between 2014 and 2016.

   iii. Please explain what happened to the $2,300,000 received from Infrastructure Ontario in July 2016.

4-Staff-55

Ref: Exhibit 1/ Business Plan/ page 35

Ref: Exhibit 1/ Section 1.3.15/ page 19

Ref: Exhibit 4/ Section 4.1.1/ page 3

The Business Plan states "Hydro Hawkesbury currently employs one General Manager, and Accountant, two customer service representatives and a Billing Clerk. Hydro Hawkesbury also currently employs two linesmen who are both scheduled to retire in 2018." The table below is also included in the Business Plan and shows a total of five (5) employees.

Table 11 - FTE Employment

Trades & Technical Positions	Current #'s	Minimum #'s	2017 Projection	2018 Projections
General Manager	1	1	1	1
Customer Service Rep	2	2	2	2
Billing Clerk	1	1	1	1
Accountant	1	1	1	1

Exhibit 1, section 1.3.15 notes "Hydro Hawkesbury employs a workforce of 8 people.

- A General Manager
- An Accountant
- Two customer service representatives
- One billing clerk
- Two linemen (until the mid-2018)"

Exhibit 4, section 4.1.1 notes “Hydro Hawkesbury employs five unionized employees and two non-unionized employees.”

a) Please confirm that Hydro Hawkesbury currently has seven (7) employees.
b) Please confirm that after 2018, once the two (2) lineman have retired, Hydro Hawkesbury expects to have five (5) employees.

4-Staff-56

Ref: Exhibit 1/ Business Plan/ pages 4, 34 & 35

Ref: Exhibit 4/ Section 4.4/ page 28

One of Hydro Hawkesbury’s strategic objectives is to “operate effectively with the staff currently in place.”

Hydro Hawkesbury notes that, since the General Manager will be eligible to retire in 8 years, the utility has started cross training employees and documenting processes in order to support effective succession planning. The utility’s succession planning strategy focuses on enhancing knowledge and capabilities of existing staff because there is a “shortage of proficiently skilled labour. . .” and “. . . finding a candidate with industry specific competencies in smaller rural LDCs is tough.”

Hydro Hawkesbury also notes that investing in existing employees has advantages over hiring external skilled labour because the company is familiar with the employee and their work ethic and the learning curve is reduced because the employee is already familiar with the company and the sector.

a) Has Hydro Hawkesbury attempted to recruit skilled labour within the past 4 years?
b) If yes, please describe the recruitment process, the number of candidates considered, and the reasons no candidate was deemed appropriate.
c) If no, please explain why.
d) Please describe Hydro Hawkesbury’s long term hiring strategy.

4-Staff-57

Ref: Exhibit 2/ Section 2.5.2 (DSP)/ pages 9 and 86 of 128

Ref: Exhibit 4/ Section 4.1.1/ page 4

Hydro Hawkesbury notes on p. 9 that its only two internal linemen are set to retire in 2018 and the utility does not plan to replace them, relying on the externally contracted services for the Operation, Maintenance and capital construction work instead.

a) Please provide a rationale underlying Hydro Hawkesbury's decision not to replace their internal line personnel and instead rely on contracted services.
b) Please quantify cost savings, if any, assumed by Hydro Hawkesbury with the work performed by two linesmen to be contracted out.
c) Please provide the forecasted annual cost of outsourcing the work previously performed by Hydro Hawkesbury's linemen.
d) Please elaborate how the potential risk of potential service delays and significant increase in one-time costs during the major weather events and other emergencies will be managed while exclusively relying on the external contractors.
e) What is the impact of the planned retirement of the two linemen on Hydro Hawkesbury's equipment procurement and inventory management practices? Will Hydro Hawkesbury continue maintaining its own inventory of equipment, or will the transition to contracted construction and maintenance services also involve transferring the inventory management responsibilities to a third party? Please describe and quantify the anticipated impact on cost and service quality, as appropriate.
f) Given Hydro Hawkesbury's recent issues that arose out of reliance on outside technical expertise, has Hydro Hawkesbury considered the risk of further reducing its in-house technical expertise in its decision not to replace the retiring linemen? Please discuss whether and how the utility plans to manage this risk going forward.
g) Please provide specific documentation on processes and procedures on how Hydro Hawkesbury ensures that the services provided by external contractors are cost-effective, and are improving year over year. Please provide specific examples.
h) On p. 86 of Exhibit 2 (section 2.5.2) Hydro Hawkesbury states that it purchased the pole testing devices jointly with Cooperative Hydro Embrun to manage its equipment costs. Please elaborate how the testing device will be utilized in post-retirement period.

4-Staff-58

Ref: Exhibit 4/ Sections 4.2.1 and 4.2.2

a) For 2015, 2016, and 2017 please provide the quantum of saved wages associated with the absence of the Assistant Manager.
b) For 2015, 2016, and 2017 please provide the quantum paid to outsourced labour required as a result of the Assistant Manager's absence.
c) Hydro Hawkesbury noted that ERTH provided billing services while a customer service representative was on leave.
    i. Please describe the billing services typically performed by Hydro Hawkesbury staff.
    ii. Please describe the billing services typically performed by ERTH.
    iii. Please describe the additional billing services provided by ERTH while the customer service representative was on leave.

iv. Please provide the difference between the amount paid to ERTH for billing services provided while the customer service representative was on leave and the cost of performing these activities in-house (including salary, office supplies etc.).
v. Has Hydro Hawkesbury performed a cost-benefit analysis of outsourcing its billing function? If yes, what was the result?

4-Staff-59

Ref: Exhibit 4/ section 4.2.2/ page 12

Ref: Exhibit 1/ section 1.4.1/ page 23

Hydro Hawkesbury's Billing and Collections costs are projected to increase by $35,000 over 2014 OEB-approved amounts in 2017 and by $50,000 in 2018. On page 12, Hydro Hawkesbury notes that the increase in Billing and Collections costs is largely due to the new province-wide moratorium on winter disconnections, as well as an increase in postage costs.

Staff notes that based on the median family income noted on page 23 of Exhibit 1 a substantial portion of Hydro Hawkesbury's customers may be eligible for the Ontario Electricity Support Program. Staff also notes that, based on the IESO's latest report to the OEB, Hydro Hawkesbury has approximately 300 out of about 4,800 residential customers enrolled in OESP.

a) Please provide Hydro Hawkesbury's bad debt expenses (actuals and forecast) for each year from 2014-2018.
b) Please provide Hydro Hawkesbury's collections costs (actuals and forecast) for each year from 2014-2018.
c) Please describe the methodology used to forecast the increase in collections costs associated with the moratorium on winter disconnections.
d) Please describe Hydro Hawkesburys approach to mitigating collections costs and bad debt.
e) Has Hydro Hawkesbury considered referring customers to OESP as a means of offsetting increased collections costs?
f) Does Hydro Hawkesbury refer customers to OESP and promote awareness of OESP in the community?
g) Has Hydro Hawkesbury identified any barriers to OESP enrollment in its service area?
h) Have OESP, LEAP, and CDM programs targeted at low-income customers impacted Hydro Hawkesbury's approach to credit and collections activities? If yes, how? If no, why not?
i) Please provide the percentage of Hydro Hawkesbury customers on E-Billing.
j) Please describe whether and how Hydro Hawkesbury promotes E-Billing to its customers.

4-Staff-60

Ref: Exhibit 4/ section 4.6.1/ page 35-43/ Table 19 – Supplier List

In 2014, $141,553 was paid to "Occasional Labour." In 2015, $27,341 was paid to "Occasional." In 2016, $1,153,925 was paid to "Occasional."

a) Please explain what service is provided by "Occasional Labour"/"Occasional"
b) Please explain the magnitude of the 2016 expenditure.

4-Staff-61

Ref: Exhibit 4/ Section 4.6.1/ page 35-43/ Table 19 – Supplier List

In 2014, Hydro Hawkesbury paid $203,285 to Sproule Powerline; whereas in 2015 $70,047 was paid, and in 2016 $123,989.

a) Please explain the fluctuation in costs incurred through outsourcing work to Sproule.

4-Staff-62

Ref: Exhibit 4/ section 4.9.1/ page 62

Hydro Hawkesbury indicated that there are no other taxes other than PILS and there has been no property taxes included in the RRWF. Please confirm that Hydro Hawkesbury does not incur property taxes and has not included any recovery for property taxes in the application. If there is a recovery of property taxes, please quantify the amount, explain how the amount is derived and where it has been included in the application.

Exhibit 5 – Cost of Capital

5-Staff-63

Ref: Exhibit 5/ section 5.4/ Appendix 2-OB Cost of Debt Instruments/ Table 3

Hydro Hawkesbury provided a promissory note for a loan of $1,550,000 dated June 28, 2017 as well as a credit facility agreement, dated May 16, 2016.

Table 3 under section 5.4 show Hydro Hawkesbury the terms and dates of its long-debt instruments as following:

Year 2018 Long Term

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal ($)	Rate (%) (Note 2)	Interest ($) (Note 1)
Term facility - SUB 44KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	July 16, 2012	25	$619,432	0.0394	$24,405.62
Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	January 1, 2018	25	$1,480,000	0.0352	$52,096.00
Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	January 1, 2018	25	$1,550,000	0.0352	$54,560.00
								$-
						$3,649,432	0.035912882	$131,061.62

a) Please confirm that the two long-term debt instruments associated with the 110kV projects were put in place in 2017.
b) If so, please update Appendix 2-OB for the actual start dates of these debt instruments.
c) Please provide the final debt instrument (i.e. promissory note) for the loan of $1,480,000.
d) In Appendix 2-OB Hydro Hawkesbury shows an interest rate of 3.52% for the $1,550,000, while the promissory note shows a rate of 3.29%. Please confirm the correct interest rate and update appendix 2-OB accordingly.
e) Please confirm that the rate of 3.29% was used to calculate the weighted long-term debt rate of 3.59%.

Exhibit 7 – Cost Allocation

7-Staff-64 Asset Functionalization

Ref: Exhibit 7/ Cost Allocation Model/ Sheet I4 BO Assets

Hydro Hawkesbury has recorded all contributed capital as being applicable to Account 1845 - Underground Conductors and Devices – Secondary. As a result, there is a negative asset value, net of Accumulated Depreciation and Contributed Capital for this asset type.

a) Please review the gross asset, accumulated amortization, contributed capital, and amortization of contributed capital for all asset categories, and update as required.

7-Staff-65 Asset Functionalization

Ref: Exhibit 7/ Cost Allocation Model/ Sheet I4 BO Assets

Account 1830 – Poles, Towers and Fixtures is broken out as 65% primary, 35% secondary. Account 1835 – Overhead Conductors and Devices is entered as 100% secondary.

a) Please explain the apparent inconsistency or revise.

7-Staff-66 Weighting Factors

Ref: Exhibit 7/ Cost Allocation Model/ Sheet I5.2 – Weighting Factors

Hydro Hawkesbury has used the same weighting factor for Billing and Collecting for all rate classes. The Services weighting factor for GS < 50 is greater than the weighting factor for GS > 50.

a) Please provide a derivation of the Billing and Collecting weighting factors.
b) Please provide a derivation of the Services weighting factors – indicating what proportion of customers in each rate class, if any, are responsible for providing their own service drop.

7-Staff-67 Customer Data

Ref: Exhibit 7/ Cost Allocation Model/ Sheet I6.2 – Customer Data

The Street Light rate class does not have the Number of Devices field populated at cell J18. As a result, the Street Lighting Adjustment Factors calculation at the bottom of this sheet is unable to calculate an adjustment factor, and it is not possible for the model to accurately allocate costs to the Street Light rate class.

a) Please review the device count and connection count, and update as necessary.

7-Staff-68 Customer Data

Ref: Exhibit 7/ Cost Allocation Model/ Sheet I6.2 – Customer Data

The Late Payment Historical Average is apportioned between Residential and GS < 50 using customer counts. In this apportionment, it appears that the cell references were reversed and the Residential share was assigned to GS < 50 and the GS < 50 share was assigned to Residential.

a) Has Hydro Hawkesbury considered using a measure like class revenue which scales with both customer count and average bill size?
b) If the answer to a) is yes, why was customer count selected?
c) If the answer to b) is no, why not?
d) Please review the cell references and explain how the customer count based implementation is correct, or provide a revision.

7-Staff-69 Meter Capital

Ref: Exhibit 7/ Cost Allocation Model/ Sheet I7.1 Meter Capital

The 4,836 residential customers use smart meters costing an average of $80 each, while the 618 GS < 50 customers use Smart Meters costing an average of $366 each. Please explain the relatively low cost of the Residential meters.

7-Staff-70 Demand Allocators

Ref: Exhibit 7/ Cost Allocation Model/ Sheet I6.1 Revenue/ Sheet I6.2 Customer Data/ Sheet I8 Demand Data

On Sheet I6.2 Customer Data, all 89 GS > 50 customers are included as receiving Line Transformer and Secondary Distribution service. On Sheet I8 Demand Data, all GS > 50 Demand is included in the Line Transformer and Secondary NCP values. This indicates that all demand associate with all GS > 50 customers is served with utility owned Line Transformers from the Secondary Distribution system. However, on Sheet I6.1 Revenue, 189MW out of a total 211MW of Billing Demand is subject to a Transformer Ownership Allowance. Please explain or correct the apparent inconsistency.

7-Staff-71 Demand Allocators

Ref: Exhibit 7/ Cost Allocation Model/ Sheet I8 Demand Data

The load profiles produced by Hydro One for use in the 2006 CAIF are based on 2004 usage, weather normalized. LDCs are now expected to update this information using recent historical smart meter and interval meter data, if possible.

a) Has Hydro Hawkesbury produced its demand allocators based on updated load profiles?
b) If the answer to part a) is yes, please describe the method used for weather normalization.
c) If the answer to part a) is no, will Hydro Hawkesbury confirm that it intends to produce updated load profiles as part of its next rebasing application.

7-Staff-72 Demand Allocators

Ref: Exhibit 7/ Cost Allocation Model/ Sheet I8 Demand Data

In the Residential, Sentinel, and USL rate classes, the 4 NCP reflecting the sum of the peaks of the 4 highest peaking months is more than 4 times the 1 NCP reflecting the single highest peaking month. Please review the 1 NCP and 4 NCP calculation and revise as required.

7-Staff-73 Customer Engagement

LDCs are expected to communicate with their Street Lighting customers. Has Hydro Hawkesbury communicated the rate impacts of its current application with all of its Street Lighting Customers?

Exhibit 8 – Rate Design

8-Staff-74 Low Voltage Charges

Ref: Exhibit 8/ s. 8.1.10/ page 21-22/ Table 15

Hydro Hawkesbury provided the table below to show the projected balances in Accounts 4075 Billed-LV and 4750 Charges-LV.

	2014	2015	2016	2017	2018
4075-Billed - LV	($51,804)	($51,300)	($90,976)	($90,976)	($90,976)
4750-Charges - LV	$85,933	$89,485	$211,136	$211,136	$211,136

On page 21 of s. 8.1.10, Hydro Hawkesbury noted that its proposed LV charges are based on 2016 actuals, which results in the following LV service charges.

Low Voltage Charges to be added to power supply expense for bridge and test year.

Customer		Revenue	Expense	2017			2018		
Class Name		USA #	USA #	Volume	Rate	Amount	Volume	Rate	Amount
Residential	kWh	4075	4750	50,145,146	$0.0007	$35,102	48,228,553	$0.0015	$72,343
General Service < 50 kW	kWh	4075	4750	18,864,553	$0.0006	$11,319	18,143,532	$0.0013	$23,587
General Service > 50 to 4999 kW	kW	4075	4750	188,567	$0.2419	$45,614	211,046	$0.5400	$113,965
Unmetered Scattered Load	kWh	4075	4750	293,553	$0.0006	$176	429,307	$0.0013	$558
Sentinel Lighting	kW	4075	4750	265	$0.3818	$101	238	$0.8523	$203
Street Lighting	kW	4075	4750	1,849	$0.1870	$346	1,844	$0.4174	$770
TOTAL		**0**	**0**	**69,493,936**		**$92,658**	**67,014,523**		**$211,425**

Please explain why the projected account balances, as shown above, remain at status quo although LV charges are increasing in 2018 over 2017 and update table 15 if necessary.

8-Staff-75

Ref: Exhibit 8/ Section 8.1.3/ page 8

The numbers highlighted in the table below do not match the numbers provided in Tab 13 (Rate Design) of the Revenue Requirement Work Form:

Table 7 - 2018 Rates at F/V split[6]

	Proposed Fixed Charge			Resulting Variable		
Customer Class Name	Fixed Rate	Fixed %	Variable %	Variable	Rate	per
Residential	$15.39	86.89%	13.11%	134,736	$0.0028	kWh
General Service < 50 kW	$15.47	46.25%	53.75%	133,249	$0.0073	kWh
General Service > 50 to 4999 kW	$100.99	22.85%	77.15%	476,999	$2.2602	kW
Unmetered Scattered Load	$7.29	31.28%	68.72%	1,840	$0.0043	kWh
Sentinel Lighting	$1.83	59.01%	40.99%	863	$3.6222	kW
Street Lighting	$0.67	42.09%	57.91%	13,344	$7.2372	kW

Please reconcile the evidence noted above.

8-Staff-76

Ref: Exhibit 3/Section 3.4.3/page 69 – Proposed Specific Service Charges

Hydro Hawkesbury is proposing a change to the microFIT service charge. Hydro Hawkesbury incurs a $10.00 monthly fee per microFIT meter point from its vendor Utilismart and would like to pass this charge onto its microFIT customers.

a) Please confirm if Hydro Hawkesbury has provided for this increase in revenue in its 2018 revenue offsets. If not, please make the applicable corrections.
b) How many customers would be impacted by this change?
c) How much revenue would the change in the microFIT rate equate to on an annual basis?

Exhibit 9 – Deferral and Variance Accounts

9-Staff-77

Ref: Exhibit 1/ page 15

Ref: Exhibit 4/ page 26

In Exhibit 1, Hydro Hawkesbury indicates that it does not have any employee future benefits and has not recorded costs in Account 5645 OMERS Pensions and Benefits. In Exhibit 4, Hydro Hawkesbury indicates that its employees participate in the OMERS retirement plan. Please reconcile the above statements and explain where pension costs have been recorded, if applicable.

9-Staff-78

Ref: Exhibit 1/ Appendix B/ 2015 Financial Statements

Ref: Exhibit 2/section 2.1.1/page 1

In Exhibit 2, Hydro Hawkesbury states that there is no difference between the utility's net book values in New CGAAP and MIFRS. However, per page 39, note 27ai of the 2015 financial statements, Hydro Hawkesbury took inventory of the majority of its capital assets and the costs were established and depreciation for every item was recalculated. This resulted in an increase of $108k in PP&E as at December 31, 2014.

a) Per the audit report, the December 31, 2014 balances in the financial statements are unaudited. Please confirm that the $108k increase in PP&E has not been audited.
b) Please explain whether this increase in PP&E has been reflected in rate base for regulatory purposes. If yes, please quantify the net increase in 2018 rate base as a result of the $108k increase in 2014.

9-Staff-79

Ref: Exhibit 1/pages 75 to 78/Appendix C/ 2016 Reconciliation for RRR to FS

Ref: Exhibit 1/section 1.10.2/page 65

On page 65, Hydro Hawkesbury indicated that all variances between financial statements and RRR filings are the result of the audit of Account 1595. However, on page 75, there are adjustments between IFRS (financial statements) and OEB's RRR in PP&E excluding the adjustment for capital contributions totalling ($51k), and intangibles for ($29k). Please explain what these adjustments are for and how they relate to Account 1595.

9-Staff-80

Ref: Exhibit 4/ section 4.1.1/ page 4

Hydro Hawkesbury indicated that it does not capitalize overhead. Therefore, there are no increases in OM&A as a result of the adoption of IFRS and Appendix 2-D is not applicable. Appendix 2-D is to show the portion of OM&A that is capitalized, as well as the effects of IFRS on capitalization.

a) Please confirm that Hydro Hawkesbury does not capitalize any OM&A and explain why.
b) If this is not the case, please complete Appendix 2-D.

9-Staff-81

Ref: Exhibit 9/ section 9.2.1/ pages

Ref: Exhibit 9/ section 9.9.1/ page 32

Ref: DVA Continuity Schedule

Hydro Hawkesbury indicated that Account 1595 is currently undergoing an audit by the OEB and therefore, is not requesting the account for disposition in this application.

a) Please clarify which Account 1595 sub-accounts are being audited and provide further details regarding the reason for the audit and expected completion date of the audit.
b) In the DVA Continuity Schedule, Accounts 1595 (2013), (2014) and (2015) are included in the Total Claims column for disposition. Please clarify whether disposition for these sub-accounts is requested or not. Please revise the DVA Continuity Schedule as necessary.

9-Staff-82

Ref: DVA Continuity Schedule

In the DVA Continuity Schedule, for Accounts 1595:

a) Under 2015, Accounts 1595 (2011) and (2012) show OEB Approved Disposition during 2015 for principal of ($14k) and $27k, respectively and for interest of $55k and ($24k), respectively. From Hydro Hawkesbury 2015 IRM decision, these accounts were not disposed (only sub-accounts for 2009 and 2010 were disposed). Please explain the difference, including where these amounts were approved for disposition, whether Hydro Hawkesbury is requesting these sub-accounts for disposition in this application and revise the DVA Continuity Schedule as needed.
b) For Accounts 1595 (2014) and 1595 (2015), there are transactions in 2015 and 2016, respectively. However, per the 2014 decision and 2015 decision, the rate rider for 1595 (2014) is only effective until December 31, 2014 and the rate rider for 1595 (2015) is only effective until December 31, 2015. Please explain the additional transactions in the year following the expiry of the rate riders and revise the DVA Continuity Schedule as needed.

9-Staff-83

Ref: Exhibit 9/ section 9.3.6/ page 18

Ref: DVA Continuity Schedule

Hydro Hawkesbury has proposed allocation of Account 1595 to be based on kWh. Per the Report of the Board on Electricity Distributor's Deferral and Variance Account Review Initiative (EDDVAR), dated July 31, 2009, the allocation to rate classes for Account 1595 should be in proportion to the recovery share as established when the rate riders were implemented. Please explain why this allocation factor is not used and revise the DVA Continuity Schedule as necessary.

9-Staff-84

Ref: Exhibit 9/ section 9.9.1/ page 31

Ref: Exhibit 8/ Appendix B/ Proposed Tariff Sheets

Ref: DVA Continuity Schedule

Hydro Hawkesbury indicated that it does not have any market participants and therefore does not need to establish separate rate riders for Accounts 1580 and 1588. However, in the DVA Continuity Schedule and Proposed Tariff Sheets, separate rate riders were calculated for Accounts 1580 and 1588. Please revise the DVA Continuity Schedule and tariff sheets to show one combined rate rider for Group 1 DVAs excluding Global Adjustment.

9-Staff-85

Ref: Exhibit 9/ section 9.10.2/ pages 38 & 39

Hydro Hawkesbury indicated that it did not have any customers that switched from Class B to Class A during 2016. Please confirm whether there were any transition customers that switched from Class B to Class A or vice versa during the period where the Global Adjustment balance was last disposed (i.e. from 2014) to 2016. Please also confirm whether Hydro Hawkesbury had any Class A customers in 2015 or 2016. If yes, please revise the DVA Continuity Schedule and use the 2018 DVA Continuity Schedule, which allocates a portion of Account 1589 Global Adjustment and Account 1580, Sub-account CBR Class B to transition customers and calculates the CBR Class B rate rider accordingly.

9-Staff-86

Ref: DVA Continuity Schedule

Account 1580, sub-account CBR Class B is expected to have accumulated a balance starting in April 2015. However, there are no amounts inputted in the DVA Continuity Schedule in 2015. Please confirm whether the balance requested for disposition as at Dec. 31, 2016 is accurate or not, given the missing input in the DVA Continuity Schedule. If not, please revise the DVA Continuity Schedule.

9-Staff-87

Ref: Exhibit 9

As Hydro Hawkesbury filed its application prior to the issuance of the Filing Requirements for 2018 rate applications,

a) Please complete the GA Analysis Workform as per section 2.9.5.1 of the Filing Requirements
b) Please provide the certification of Accounts 1588 and 1589 as per section 2.9.5 of the Filing Requirements

9-Staff-88

Ref: DVA Continuity Schedule

In booking expense journal entries for Charge Type 1142 (formerly 142), and Charge Type 148 from the IESO invoice, please confirm which of the following approaches is used:

a) Charge Type 1142 is booked into Account 1588. Charge Type 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively

b) Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equalling GA RPP is credited into Account 1589.
c) Another approach. Please explain this approach in detail.

9-Staff-89

Ref: DVA Continuity Schedule

With regards to the Dec. 31, balance in Account 1589, from 2014 to 2016

a) Please indicate whether the below items (b) i, ii, iii) that flow into the account are based on estimates or actuals at year end.
b) If there are reconciling items #1a, 1b in the GA Analysis Workform for the true up impacts, please quantify the adjustment that relate to each of the following items.
    i) Revenues (i.e. is unbilled revenues trued up)
    ii) Expenses - GA non-RPP (Charge Type 148) with respect to the quantum dollar amount and RPP/non-RPP pro-ration percentages
    iii) Credit of GA RPP (Charge Type 142) if the approach under IR xx part b is used

9-Staff-90

Ref: DVA Continuity Schedule

With regards to the Dec. 31, balance in Account 1588 from 2014 to 2016, please indicate whether the following items that flow into the account are based on estimates or actuals at year end.

i) Revenues (i.e. is unbilled revenues trued up)
ii) Expenses - Commodity (Charge Type 101)
iii) Expenses - GA RPP (Charge Type 148) with respect to the quantum dollar amount and RPP/non-RPP pro-ration percentages
iv) RPP Settlement (Charge Type 1142 - including any data used for determining the RPP/HOEP/RPP GA components of the charge type)

9-Staff-91

Ref: Exhibit 9, Page 39

Ref: DVA Continuity Schedule

In its RPP settlement process, Hydro Hawkesbury indicated that the difference between estimates and actuals is settled in the following month.

a) There are no adjustments to Accounts 1588 and 1589 in the DVA Continuity Schedule, please explain whether RPP settlement true ups and any impacts to Accounts 1588 and 1589 are recorded in the year in which it relates or in the subsequent year. If in the subsequent year,

please explain why there is no adjustment to these accounts in the DVA Continuity Schedule as per the guidance issued in the letter Guidance on the Disposition of Accounts 1588 and 1589, issued May 23, 2017.

b) Please indicate if the actual GA rate is used to bill any entire non-RPP Class B customer classes. If yes, please propose to exclude these customer classes from the allocations of the Account 1589 balance and the calculation of the resulting rate riders.

9-Staff-92

Ref: Exhibit 2/ section 2.1.2/ pages 12-13

In its application, Hydro Hawkesbury proposes to refund the revenue requirement equivalent in the amount of $304,488 due to a delay of the in-service date of two transformers as part of a 110kV TS upgrade. Hydro Hawkesbury noted that the asset went into service on May 1, 2017.

OEB staff notes that the assets were included in rate base from effective March 1, 2014.

a) Please explain why Hydro Hawkesbury chose to calculate the refund the period from May 1, 2017 to December 31, 2017 given that the asset were in service and update the calculation if necessary.

9-Staff-93

Hydro Hawkesbury is proposing to refund this amount through class specific volumetric rate riders. The refund for the residential rate class amounts to a revenue requirement equivalent of $103,553.

As per the OEB's policy on residential rate design[1] distributors are expected to establish new rates for the residential rate class through a fully fixed rate design.

a) Please calculate the 110kV refund rate rider for the residential customer class using a fully fixed rate design to refund.

[1] EB-2012-0410, Board Policy: A New Distribution Rate Design for Residential Electricity Customers