November 13, 2017
Ontario Energy Board P.O.
Box 2319 27th Floor
2300 Yonge Street Toronto,
Ontario M4P 1E4

**Attention: Ms. Kirsten Walli, Board Secretary**
**Regarding: EB-2017-0048 2018 Cost of Service Application**

Dear Ms. Walli,

Please find attached Hydro Hawkesbury Inc's responses to VECC, SEC and Board Staff's interrogatories. This application is being filed pursuant to the Board's e-Filing Services.

Please be advised that HHI was unable to provide complete responses to 2-Staff-23 and 2-Staff-24 for November 13. HHI commits to providing written response to those two specific interrogatories no later than November 20, 2017.

Yours truly,

Michel Poulin, General Manager
Hydro Hawkesbury Inc.
850 Tupper Street
Hawkesbury, ON
K6A 3S7

# Response to Interrogatories
# 2018 Cost of Service Rate Application
# Hydro Hawkesbury Inc.
# EB-2017-0048
# November 13, 2017

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## Updates to the models

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| 2. | RateModel: | 8-Staff-76 | Update to Revenue Offsets MicroFit |
| 3. | RateModel | 8-VECC-37 | Update SFLF with weighted average |
| 4. | RateModel | 4-Staff-62 | Add 17,768 to model for Property taxes |
| 5. | RateModel | 5-Staff-63 | Update Cost of Capital |
| 6. | RTSR: | 8-VECC-36 | Update model to 2018 |
| 7. | Load Fcast | 3-VECC-16 | Correct average of HDD/CDD. |
| 8. | Load Fcast | 3-VECC-22 | Add verified 2016 results |
| 9. | LRAMVA. | 4-VECC-31 | New model and update threshold 388,471 |
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| 12. | CA: | 7-Staff-64 | BO of Assets – capital contribution |
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| 14. | CA: | 7-Staff-67 | 6.2 add number of devices |
| 15. | DVA CS: | 9-Staff-83 | per class allocation of account 1595 |
| 16. | DVA CS: | 9-Staff-86 | CBR split 1580 |

## Updated Models & Documents filed.

1. HHI 2018 LRAMVA Work Form
2. HHI DVA Continuity Schedule
3. HHI Update of Demand Data
4. HHI Load Forecast model
5. HHI Tariff Schedule and Bill Impacts
6. HHI RTSR Workform
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9. HHI Cost Allocation
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11. 2011-2014 Verified Results
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13. CDM Approved Plan
14. HHI Ch2 Appendices

# Preamble – 2017 Budgeted vs. 2017 Actual (9mon Actual+3mon Budgeted)

As a May 1 filer (application filed on July 7,2017) , HHI used 12 months of budgets in its application filed on May 1, 2017. As requested in the IRs, HHI has provided in the table below a comparison of its 2017 budgeted as per submitted on May 1, to its "To date" as of the end of September 2017 and its year-end budgets using January – September as actuals and October to December as budgeted.

## CAPITAL

| Description | As filed | Actual up to end of 09/2017 | Budgeted Oct-Dec 2017 | Revised budgeted for 2017 | Variance | Explanation |
|---|---|---|---|---|---|---|
| System Access | | | | | | |
| New Subdivision | $10,000 | $135 | $0 | $135 | -$9,865 | No Subdivision In 2017 |
| New Customer Connections | $2,500 | $487 | $500 | $987 | -$1,513 | Less New Services |
| Meters - Commercial Change To Smart Meters, New Customer Meters And Defective Meter Replacement | $19,403 | $32,713 | $0 | $32,713 | $13,310 | Changing Meter G>50 To Sm |
| Residential | $10,766 | $5,653 | $2,200 | $7,853 | -$2,914 | Less New Services So Less Meters Required. |
| Transformers - Inventory (Subdivision) | $9,000 | $6,405 | $4,500 | $10,905 | $1,905 | More Than Anticipated. Depends On Kva Size ( Price Differs) |
| Category Total | $51,669 | $45,392 | $7,200 | $52,592 | $923 | Total Category Variance |

| Description | As filed | Actual up to end of 09/2017 | Budgeted Oct-Dec 2017 | Revised budgeted for 2017 | Variance | Explanation |
|---|---|---|---|---|---|---|
| | | | | | | |
| System Renewal | | | | | | |
| 115 Kv Mts Upgrade | $3,525,000 | $0 | $3,525,000 | $3,525,000 | $0 | Will Capitalize At Year End. |
| 44Kv Ms 44Kv Insulator Replacement/ Postponed Due To Tap Changer Leaks | $5,000 | $0 | $3,400 | $3,400 | -$1,600 | Tap Changer Required Immediate Assistance So Insulators In Future Years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Pole Replacement Program (15) | $60,000 | $59,883 | $4,300 | $64,183 | $4,183 | Last 2 Poles On Our Program Were More Costly ( Rocky Soils) |
| Porcelain Insulator Replacement | $21,720 | $15,658 | $4,000 | $19,658 | -$2,062 | Project 2017 Completed. |
| Porcelain Air Gap Lightning Arrestor Replacement | $7,864 | $1,875 | | $1,875 | -$5,989 | Arrestors Purchased. Installation In 2018 |
| | | | | $0 | $0 | |
| Category Total | $3,619,584 | $77,416 | $3,536,700 | $3,614,116 | -$5,468 | Total Category Variance |

| Description | As filed | **Actual up to end of 09/2017** | **Budgeted Oct-Dec 2017** | **Revised budgeted for 2017** | Variance | Explanation |
|---|---|---|---|---|---|---|
| System Service | | | | | | |
| | | | | | | |
| Category Total | | | | | | Total Category Variance |
| General Plant | | | | | | |
| Building | $2,000 | $1,500 | $0 | $1,500 | -$500 | Less Than Budgeted |
| Office Equipment | $3,500 | $0 | $3,845 | $3,845 | $345 | Slightly More . Fireproof Cabinet More That Expected. |
| Computer Hardware | $2,600 | $2,077 | $0 | $2,077 | -$523 | Needs Fulfil At Lesser Price |
| Software North Star Upgrade | $31,000 | $1,399 | $31,000 | $32,399 | $1,399 | Slightly More Than Expected |
| Hand Tools Line Crew | $1,000 | $0 | $0 | $0 | -$1,000 | No Need |
| Power Tools Line Crew | $1,000 | $0 | $670 | $670 | -$330 | Only (Pole) Drill Required In 2017 |
| Category Total | $41,100 | $4,976 | $35,515 | $40,491 | -$609 | Just Under Budget |
| 2017 Total Capital | $3,712,353 | $127,784 | $3,579,415 | $3,707,199 | -$5,154 | Under Overall Budget By 0.13885% |

## OM&A

| Reporting Basis | | 2016 | 2017As filed | Actual up to end of 09/2017 | Budgeted Oct-Dec 2017 | Revised budgeted for 2017 | As filed - revised budgeted (9+3) | 2017-2016 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Account | Description | | | | | | | | |
| Operations | | | | | | | | | |
| | 5005-Operation Supervision and Engineering | $0 | $0 | | | $0 | | | $0 |
| | 5010-Load Dispatching | $0 | $0 | | | $0 | | | $0 |
| | 5012-Station Buildings and Fixtures Expense | $0 | $0 | | | $0 | | | $0 |
| | 5014-Transformer Station Equipment - Operation Labour | $14,449 | $50,580 | $43,147 | $3,834 | $46,981 | -$3,599 | $32,533 | $30,044 |
| | 5015-Transformer Station Equipment - Operation Supplies and Expenses | $7,567 | $7,719 | $6,088 | $2,451 | $8,539 | $820 | $971 | $8,105 |
| | 5016-Distribution Station Equipment - Operation Labour | $5,536 | $12,647 | $10,257 | $2,215 | $12,471 | -$176 | $6,935 | $12,900 |
| | 5017-Distribution Station Equipment - Operation Supplies and Expenses | $1,270 | $1,296 | $968 | $307 | $1,275 | -$21 | $5 | $1,322 |
| | 5020-Overhead Distribution Lines and Feeders - Operation Labour | $16,979 | $17,319 | $7,460 | $9,043 | $16,503 | -$816 | -$476 | $18,185 |
| | 5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses | $970 | $989 | $983 | $0 | $983 | -$6 | $13 | $1,038 |
| | 5030-Overhead Subtransmission Feeders - Operation | $0 | $0 | | $0 | $0 | $0 | $0 | $0 |
| | 5035-Overhead Distribution Transformers-Operation | $6,999 | $7,139 | $4,765 | $1,656 | $6,422 | -$717 | -$577 | $7,496 |
| | 5040-Underground Distribution Lines and Feeders - Operation Labour | $2,761 | $2,816 | $724 | $3,180 | $3,904 | $1,088 | $1,144 | $2,957 |
| | 5045-Underground Distribution Lines and Feeders - Operation Supplies and Expenses | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | 5050-Underground Subtransmission Feeders - Operation | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | 5055-Underground Distribution Transformers - Operation | $1,080 | $1,823 | $861 | $222 | $1,083 | -$740 | $3 | $1,914 |
| | 5060-Street Lighting and Signal System Expense | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | 5065-Meter Expense | $9,408 | $9,596 | $7,945 | $2,735 | $10,680 | $1,084 | $1,273 | $10,076 |
| | 5070-Customer Premises - Operation Labour | $0 | $0 | | $0 | $0 | $0 | $0 | $0 |
| | 5075-Customer Premises - Materials and Expenses | $0 | $0 | | $0 | $0 | $0 | $0 | $0 |
| | 5085-Miscellaneous Distribution Expense | $0 | $0 | | $0 | $0 | $0 | $0 | $0 |
| | 5090-Underground Distribution Lines and Feeders - Rental Paid | $0 | $0 | | $0 | $0 | $0 | $0 | $0 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 5095-Overhead Distribution Lines and Feeders - Rental Paid | $1,453 | $1,482 | $1,468 | $0 | $1,468 | -$14 | $14 | $1,556 |
| | 5096-Other Rent | $0 | $0 | | $0 | $0 | $0 | $0 | $0 |
| **Total - Operations** | | **$68,472** | **$113,406** | **$84,665** | **$25,644** | **$110,309** | **-$3,097** | **$41,837** | **$95,593** |
| Account | Description | | | | | | | | |
| Maintenance | | | | | | | | | |
| | 5105-Maintenance Supervision and Engineering | $6,684 | $6,818 | $0 | $6,818 | $6,818 | $0 | $6,818 | $6,954 |
| | 5110-Maintenance of Buildings and Fixtures - Distribution Stations | $0 | $0 | $0 | | $0 | $0 | $0 | $0 |
| | 5112-Maintenance of Transformer Station Equipment | $0 | $0 | $0 | | $0 | $0 | $0 | $0 |
| | 5114-Maintenance of Distribution Station Equipment | $0 | $0 | $0 | | $0 | $0 | $0 | $0 |
| | 5120-Maintenance of Poles, Towers and Fixtures | $14,590 | $14,882 | $9,609 | $7,313 | $16,922 | $2,040 | $7,313 | $15,626 |
| | 5125-Maintenance of Overhead Conductors and Devices | $44,312 | $45,198 | $11,263 | $29,723 | $40,986 | -$4,212 | $29,723 | $47,458 |
| | 5130-Maintenance of Overhead Services | $35,276 | $47,528 | $5,127 | $37,751 | $42,877 | -$4,651 | $37,751 | $49,904 |
| | 5135-Overhead Distribution Lines and Feeders - Right of Way | $50,484 | $60,583 | $15,855 | $46,753 | $62,608 | $2,025 | $46,753 | $63,612 |
| | 5145-Maintenance of Underground Conduit | $130 | $374 | $387 | $0 | $387 | $13 | $0 | $393 |
| | 5150-Maintenance of Underground Conductors and Devices | $6,695 | $8,240 | $6,266 | $2,632 | $8,898 | $658 | $2,632 | $8,652 |
| | 5155-Maintenance of Underground Services | $6,408 | $7,451 | $4,379 | $2,553 | $6,932 | -$519 | $2,553 | $7,824 |
| | 5160-Maintenance of Line Transformers | $2,552 | $2,603 | $5,342 | $2,820 | $8,162 | $5,559 | $2,820 | $2,733 |
| | 5165-Maintenance of Street Lighting and Signal Systems | $0 | $0 | | | $0 | $0 | $0 | $0 |
| | 5170-Sentinel Lights - Labour | $0 | $0 | | | $0 | $0 | $0 | $0 |
| | 5172-Sentinel Lights - Materials and Expenses | $0 | $0 | | | $0 | $0 | $0 | $0 |
| | 5175-Maintenance of Meters | $1,268 | $1,293 | $2,172 | $2,074 | $4,246 | $2,953 | $2,074 | $1,358 |
| | 5178-Customer Installations Expenses-Leased Property | $0 | $0 | | | $0 | $0 | $0 | $0 |
| | 5185-Water Heater Rentals - Labour | $0 | $0 | | | $0 | $0 | $0 | $0 |
| | 5186-Water Heater Rentals - Materials and Expenses | $0 | $0 | | | $0 | $0 | $0 | $0 |
| | 5190-Water Heater Controls - Labour | $0 | $0 | | | $0 | $0 | $0 | $0 |
| | 5192-Water Heater Controls - Materials and Expenses | $0 | $0 | | | $0 | $0 | $0 | $0 |
| | 5195-Maintenance of Other Installations on Customer Premises | $0 | $0 | | | $0 | $0 | $0 | $0 |
| **Total - Maintenance** | | **$168,399** | **$194,970** | **$60,401** | **$138,436** | **$198,837** | **$3,867** | **$138,436** | **$204,514** |
| Account | Description | | | | | | | | |
| Billing and Collecting | | | | | | | | | |
| | 5305-Supervision | $0 | $0 | | | $0 | $0 | | $0 |
| | 5310-Meter Reading Expense | $30,817 | $31,433 | $22,883 | $8,498 | $31,380 | -$53 | | $33,005 |
| | 5315-Customer Billing | $257,683 | $265,414 | $177,880 | $57,787 | $235,667 | -$29,747 | | $273,376 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 5320-Collecting | $105,460 | $109,739 | $72,189 | $33,750 | $105,938 | -$3,801 | | $113,014 |
| | 5325-Collecting- Cash Over and Short | -$69 | $12 | $0 | $12 | $12 | $0 | | $12 |
| | 5330-Collection Charges | $0 | $0 | | | $0 | $0 | | $0 |
| | 5335-Bad Debt Expense | $24,973 | $56,098 | $0 | $68,489 | $68,489 | $12,391 | | $57,225 |
| | 5340-Miscellaneous Customer Accounts Expenses | $0 | $0 | | | $0 | $0 | | $0 |
| **Total - Billing and Collecting** | | **$418,864** | **$462,696** | **$272,952** | **$168,536** | **$441,487** | **-$21,209** | **$0** | **$476,632** |
| Account | Description | | | | | | | | |
| Administrative | | | | | | | | | |
| | 5605-Executive Salaries and Expenses | $107,567 | $110,794 | $84,667 | $31,757 | $116,424 | $5,630 | | $114,119 |
| | 5610-Management Salaries and Expenses | $23,783 | $57,620 | $48,239 | $12,685 | $60,925 | $3,305 | | $59,349 |
| | 5615-General Administrative Salaries and Expenses | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5620-Office Supplies and Expenses | $21,907 | $22,345 | $15,408 | $6,261 | $21,669 | -$676 | | $22,792 |
| | 5625-Administrative Expense Transferred/Credit | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5630-Outside Services Employed | $65,549 | $65,549 | $57,781 | $6,500 | $64,281 | -$1,268 | | $67,011 |
| | 5635-Property Insurance | $4,200 | $4,284 | $3,150 | $1,050 | $4,200 | -$84 | | $4,370 |
| | 5640-Injuries and Damages | $8,523 | $10,194 | $6,488 | $2,163 | $8,651 | -$1,543 | | $10,398 |
| | 5645-Employee Pensions and Benefits | $9,883 | $10,080 | $7,520 | $2,485 | $10,005 | -$75 | | $10,282 |
| | 5646 Employee Pensions and OPEB | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5647 Employee Sick Leave | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5650-Franchise Requirements | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5655-Regulatory Expenses | $53,426 | $94,067 | $50,253 | $43,814 | $94,067 | $0 | | $95,527 |
| | 5660-General Advertising Expenses | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5665-Miscellaneous General Expenses | $16,700 | $17,034 | $13,187 | $4,225 | $17,412 | $378 | | $17,886 |
| | 5670-Rent | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5672 Lease Payment Expense | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5675-Maintenance of General Plant | $22,432 | $22,881 | $15,848 | $4,806 | $20,654 | -$2,227 | | $24,025 |
| | 5680-Electrical Safety Authority Fees | $5,112 | $5,506 | $5,140 | $0 | $5,140 | -$366 | | $5,616 |
| | 5681-Special Purpose Charge Expense | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5685-Independent Market Operator Fees and Penalties | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 5695-OM&A Contra | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 6205-Donations | $0 | $0 | $0 | | $0 | $0 | | $0 |
| | 6205-Sub-account LEAP Funding | $2,000 | $2,000 | $2,000 | $0 | $2,000 | $0 | | $2,000 |
| | 6210-Life Insurance | $0 | $0 | | | $0 | $0 | | $0 |
| | 6215-Penalties | $0 | $0 | | | $0 | $0 | | $0 |
| | 6225-Other Deductions | $0 | $0 | | | $0 | $0 | | $0 |
| | 6305-Extraordinary Income | $0 | $0 | | | $0 | $0 | | $0 |
| | 6310-Extraordinary Deductions | $0 | $0 | | | $0 | $0 | | $0 |
| | 6315-Income Taxes: Extraordinary Item | $0 | $0 | | | $0 | $0 | | $0 |
| | 6405-Discontinued Operations - Income/ Gains | $0 | $0 | | | $0 | $0 | | $0 |
| | 6410-Discontinued Operations - Deductions/ Losses | $0 | $0 | | | $0 | $0 | | $0 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 6415-Income Taxes, Discontinued Operations | $0 | $0 | | | $0 | $0 | | $0 |
| **Total - Admin** | | **$341,082.01** | **$341,082** | **$422,354** | **$309,681** | **$115,747** | **$425,428** | **$3,074** | **$0** |
| Total | | $996,817 | $1,193,426 | $727,699 | $448,363 | $1,176,062 | -$17,364 | $180,274 | $1,210,114 |

# 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.

Response:

An updated RRWF model has been filed in conjunction with these IR responses.

# 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.).

Response:

A Tariff Schedule and Bill Impact model has been filed in conjunction with these IR responses.

## 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.

Response:

a) HHI confirms that the distribution revenues as shown on tab 8 of the Revenue Requirement Workform are correct, and are the result of subsequent revisions to the application subsequent to the preparation of the Business Plan.
b) HHI confirms that the revenue deficiency of $180,736 as shown in the Revenue Requirement Workform is correct.

## 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.

Response:

HHI updates its Board of Directors regarding its OM&A and capital expenditures on a monthly basis. A monthly Manager's Summary provides the Board of Directors with an overview of spending and highlights extraordinary items for review. Capital and OM&A budgets for 2017 to 2018 were discusssed with the Board of Directors at Meetings between January 24, February 21st, March 27th, April 25th and May 30th 2017, based on the document entitled 2017 Manager's Report to the Board filed with these responses.

HHI's prioritization process is described at page 62 of the Distribution Plan, as follows:

> *Non-discretionary projects are automatically selected and prioritized based on externally driven schedules and needs. System Access projects fall into this category and may involve multi-year investments to meet customer or developer requirements. A system of project prioritization is applied that takes into account growth rates, safety, reliability and performance, condition and age, and other drivers internal or external to HHI. Other projects are selected and prioritized based on value and risk assessments for each project. System renewal projects are prioritized based on the selection criteria identified through the asset management system. System service and general plant projects are prioritized based on safety, reliability, customer preferences and internal optimization. In determining reliability priorities, HHI considers the following characteristics of its distribution system:*
>
> *• Overhead lines take hours to repair while underground cables may take days, and*
>
> *• The current arrangement at the 44kV MS requires the interruption of power to about 1200 customers or about 1/5 of its total number of customers to transfer load to the transformer on potential.*
>
> *Project pace for System Access projects is generally determined by external schedules and needs. Although System Renewal, System Service and General*

*Plant projects tend to be lumpy in nature and most are paced to begin and be completed within a particular budget year, HHI takes efforts to smooth the effect on the budget within a given fiscal year. These three investment types are paced with regard to available resources and managing the program cost impacts on the customer's bill.*

# 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%.

Response:

a) The requested information is as follows:
   i. As described in Exhibit 4, page 11, with respect to Administrative Costs, the utility put on hold needed maintenance to the building and needed office supply and expenses to focus its efforts on the issues related to the 110KV substation. The resulting decrease in spending in 2014 was approximately $56,000. HHI's OM&A variance analysis for the subsequent years shows that this planned spending was not reinstated in 2015 or 2016, and was in fact exacerbated by a decrease in management salaries and expenses due to illness. Tables showing the detailed comparison in what operational spending was cut to facilitate capital spending prior to the loan from Infrastructure Ontario is shown at 4-Staff-54 .
   ii. After all other alternatives were considered, HHI's management and Board of Directors determined that the reduction in administrative costs represented a prudent approach to address its capital spending needs prior to the availability of the IO funds.
   iii. As discussed in Exhibit 4, page 11, the 2014 budget was based on the average of the four prior years spending plus inflation of 4%. In certain cases, the prior four years represented years of higher than normal activity, resulting in overestimations of ongoing costs. HHI has listed certain categories in its evidence, such as smart meter implementation, where the costs had been overestimated. HHI notes that all of these overestimations are significantly below the materiality threshold of $50,000.
b) HHI has developed its 2018 proposed rates specifically to recover its budget and the OEB-prescribed ROE, and therefore expects that the resulting ROE will 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 (History) | 2015 (History) | 2016 (History) |
|---|---|---|---|
| **Cost Benchmarking Summary Actual** | | 1,436,164 | 1,604,174 |
| **Total Cost Predicted** | | 2,837,771 | 2,806,621 |
| **Total Cost 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.

Response:

a) HHI notes that the historical period referred to in the Business Plan is 2014 to 2016, while the interrogatory refers to events occurring in 2011.

   HHI considers the events surrounding the station work approved in EB-2011-0173 to be exceptional. As noted in the DSP at page 13, in completing the first station work unexpected site issues caused the cost to escalate. In addition, after the station transformer was in service for about a year (just beyond the warranty period), the new transformer failed, and the old transformer needed to be put

back in service. This caused delays and added costs. Appendix C of the DSP provides the details about the stations and the costs.

The table below shows HHI's actual and budget capital expenditures from 2012 to 2018, excluding exceptional spending for substations and 2012 smart meter spending of $600 thousand. Reduced spending in 2014 and 2015 is the result of the withdrawal by Infrastructure Ontario from the substation loan agreement, requiring HHI to access approximately $700 thousand from its own funds. Planned spending in 2017 is somewhat lower due to anticipated savings in monitoring and maintenance for the new substations. Average "normalized spending" (excluding 2014 and 2015) is approximately $202,000..

**Normalized Capital Spending**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| **Total capital expenditures** | **237,337** | **190,346** | **40,966** | **48,638** | **221,263** | **187,353** | **175,830** |

b) With the development of its first Distribution System Plan for 2018, HHI has presented 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. The prioritization process is described in the DSP at page 62. The DSP was presented to and discussed with the Board of Directors at January 24, February 21st, March 27th, April 25th and May 30th 2017. No further presentation material was provided.

## 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.

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

Response:

a) HHI confirms the LEAP funding has been included in Administrative and General expenses for 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.

Response:

HHI’s general customer engagement activities are described in Exhibit 1, page 45. In addition, HHI is one of the few electric utilities to still operate a full-service customer counter with daily customer interaction. Customers who want to start a new account or move, pay bills or have concerns or comments can come to the office and interact directly with Customer Service Reps.

To engage customers specifically with regard to this application, the utility sent out a 2-page summary of its 2017 and 2018 proposed capital budgets and posted the information on its website. The 2-page newsletter was sent via email to 750 customers, and as a bill insert to all customers. The newsletter is presented in Appendix E of Exhibit 1. HHI’s discussion of the letters of comment received and its responses are provided at Exhibit 1, page 52.

## 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.

Response:

a) Specific examples of initiatives to achieve the objectives are listed below:

- Improve reliability.
    i. 3/0 Conductor upgrade
    ii. Porcelain insulator replacement
    iii. Porcelain Lightning Arrestor Replacement
    iv. Pole replacement

  (Exhibit 2, page 24 and DSP page 92)

- Create a service-based utility whose primary goal is to exceed customers' expectations at a reasonable cost.
    i. Improved Communication with the Customers during calls: Taking advantage of identified customer contact touchpoints to drive specific, measurable outcomes such as improved satisfaction, obtain feedback and recommendations from customers and enhanced cross-promotion

of new services, all of which align with fundamental objectives of customer engagement. (Exhibit 1, page 45)

ii. Continue to operate full-service customer counter for daily customer interaction. (DSP page 63)

- Promote the long-term, efficient provision of utility services consistent with OEB policy.
  i. Prioritization of HHI's legislated/mandatory requirements; for example:
     - System access including the obligation to connect customers – mostly Residential, but Commercial as well.
     - Accommodate City, Region, Ministry, etc. mandatory project requirements.
     - Meet the OEB's – and other regulatory bodies' – quality, reliability, health, safety, environmental, etc. performance standards.
  ii. Safeguard the significant investments already made in its critical assets and continue to maintain and upgrade as necessary.
  iii. Continue to invest prudently in modern information technology to provide customers with clear, meaningful bills that can assist them in managing their electricity usage.
  iv. Optimal life extension, for example: Intensify condition monitoring to minimize uncertainty regarding decisions relating to equipment maintenance, renewal, and replacement; Where economically viable, refurbish cables and equipment to extend their reliable, useful lives. (Exhibit 2, page 52)
- Work with other utilities in the promotion of both efficient and sustainable environment.
  i. Participation in integrated regional planning process for Greater Ottawa Region, and participation as part of the working group for the Outer Ottawa Sub-Region. No specific initiatives identified for 2018. (DSP page 18)
  ii. In addition to the visual inspections, poles that are within five years of their depreciated end of life are inspected and tested. HHI has purchased a new pole testing device together with Cooperative Hydro Embrun and this device is used to provide a better assessment of the condition of the pole and the need for replacement. (DSP page 39)
- Operate effectively with the staff currently in place.
  i. HHI currently employs one General Manager, an Accountant, two customer service representatives and a Billing Clerk. HHI also currently employs two linesmen who are both scheduled to retire in 2018. HHI does not plan to hire additional staff in 2017 and 2018 and

instead, will outsource the linesmen's functions to a third-party contract company. (Business Plan page 35)

ii. Numerous contributing factors are impacting workforce planning, including a shortage of proficiently skilled labour, and increased work demands, therefore, HHI has opted to invest instead in its current staff members on the various aspects of running a utility. (Business Plan page 35)

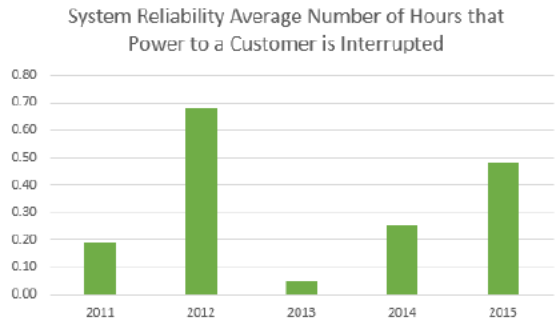
- Reduce operational costs where and when possible.
    i. Pole condition inspections and comprehensive data collection provides a better understanding of each asset's stage in its lifecycle which will lead to more cost-effective decisions with respect to maintenance, refurbishment and replacement decisions. Particularly with the new pole testing equipment more accurate objective assessments of pole condition are expected.
    ii. Proactive maintenance and replacement of plant reduces reactive maintenance costs and improves service to the customer resulting in fewer and shorter duration outages, which in turn has a beneficial impact on the cost of outages to customers. A structured program of maintenance and renewal with planned rate increases will avoid disruptive rate spikes when addressing the volume of plant reaching end of life. (DSP page 15)
- Develop and adopt an actionable plan to improve customer experience."
    i. Some of HHI's current and future initiatives include:
        - Improved Communication with Customers during calls.
        - Customer satisfaction survey.
        - Use of Bill Insert to communicate various newsletter and promote e-billing.
        - Outage Notification – Planned and unplanned.
        - Increase Use of Social Media, contests, promotions, etc.
        - Overhaul of the utility's website to accommodate new educational section, major projects, promotion of Conservation and Demand Management programs.(Exhibit 1, page 45)

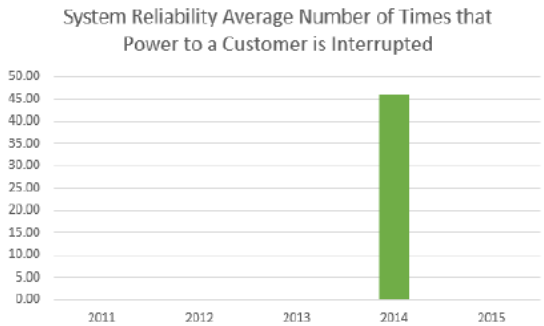
# 1-Staff-10

**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 |

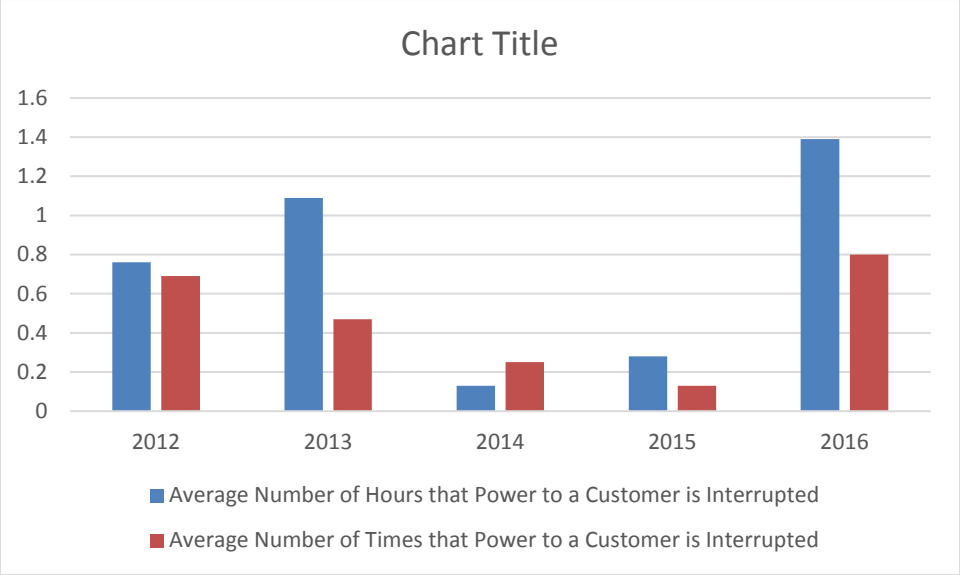
Hydro Hawkesbury has set an objective to improve reliability. On page 46 Hydro Hawkesbury states "Among the three major drivers of customer satisfaction, reliability, given its already high levels, offers little incremental room for improvement . . ."

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?

Response:

a) The table below shows the intended chart which comes from the Scorecard as reported in the OEB's website.




b) HHI's objective is normally to improve system wide reliability. As described in HHI's DSP:

> HHI is putting emphasis on its station configuration and backup capability so that it can supply its customers in the failure of one of its station transformers with a minimum of customer interruption time. Since 2013 HHI has two transformers in good condition at its 44kV supplied MS. However only one transformer is supplying power to customers and the other is on potential only and not connected to the 12.4kV system. In 2020 HHI plans to make alterations to this configuration to allow both transformers to supply load and to allow either transformer to supply the entire load without customer outages being required. Similarly, the 115kV sourced MTS is being rebuilt and one new larger capacity transformer is being installed with one old transformer being retained for back-up. The two stations are out of phase because of the different source voltages,

namely 115kV and 44kV, therefore each station needs to have its own backup capability. Any load transfers between the MS and the MTS needs to be “open before close” and will involve a power interruption to some customers. (DSP page 40)

c) Please see the response to b), above. In addition, other identified projects to improve reliability include: 3/0 Conductor upgrade, Porcelain insulator replacement, Porcelain Lightning Arrestor Replacement and Pole replacement.
d) HHI’s customer satisfaction results and findings based on discussions with its customers support the valid hypothesis that good service—i.e., high levels of reliability, or low SAIDI— combined with reasonable prices are essential to satisfying customers. In other words, all customers expect reliable service at the lowest prices possible. The investments contained in the DSP have been identified to ensure that customers continue to be satisfied with the reliability of service, and that it does not become a “concern”.

## 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.

Response:

a) HHI continuously seeks collaborative opportunities with neighbouring utilities to promote an efficient/sustainable environment. Past examples of such collaborations include the group development of an in-house customer survey (Exhibit 1, page 49) and the joint purchase of pole-testing equipment with Cooperative Hydro Embrun (DSP page 39).
b) No specific new initiatives have been identified in this application. HHI continues to seek collaborative opportunities as they arise.

## 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.

Response:

a) HHI will ascertain and define customer expectations through its customer satisfaction survey as well as through feedback received informally through personal customer contact. As noted in the Business Plan,

*While the values of top management have a significant impact on the performance of businesses of all sizes, in small businesses, social performance is more directly and personally shaped by management. A smaller town with a smaller utility such as HHI is more socially and economically embedded within the community in which they operate than are managers of big utilities. Managers of a small utility are more likely to live in the city or town where they conduct business. They are long term residents. Their children attend local schools and play in local parks. Their families personally benefit from safe streets and vital community. The absence of an infrastructure that exists in larger cities increases the business 'motivation to work for general community betterment. Long-term residence in a town is associated with knowing a greater number of other residents, interacting with them in multiple venues (as church members, employees, neighbours, and friends), and knowing more residents beyond the acquaintanceship level. Each relationship represents a potential personal invitation to get involved in a community organization and to engage with customers. If the community has a pattern of residents working together to promote community betterment, the more people a business owner knows, the greater the likelihood he or she will be personally invited to get involved in community projects or this case, have a voice and an opinion that is sure to be heard. In smaller towns such as Hawkesbury, customer engagement is not always done at the utility's head office; it is often done at while waiting in line at the grocery store, bank or the gas pump. (Business Plan, page 31)*

b) HHI employs the informal feedback opportunities noted in part a) above. As well, as noted in the DSP, HHI is one of the few electric utilities to still operate a full-service customer counter with daily customer interaction. Customers who want to start a new account or move, pay bills, or have concerns or comments can come to the office and interact directly with Customer Service Reps (DSP page 63). HHI has also committed to an initiative of improved communication with customers during calls by taking advantage of identified customer contact touchpoints to drive specific, measurable outcomes such as improved satisfaction, obtain feedback and recommendations from customers and enhanced cross-promotion of new services, all of which align with fundamental objectives of customer engagement. (Exhibit 1, page 45)

c) HHI notes that, as described in Exhibit 1, page 52, some comments were received in response to the outreach undertaken to inform customers of the capital plans included in this application. As noted in the evidence, some of this feedback was either positive toward the utility or related to electricity prices in general. One letter requested further detail on the proposed capital costs. HHI interprets the lack of feedback received as being indicative of general approval of the utility's proposals and performance, particularly in light of the high satisfaction ratings contained in its customer surveys.
d) HHI has not sought external assistance in this regard. HHI notes that the cost of such initiatives can be prohibitive for a small utility attempting to limit its customers' bill impacts while making necessary investments to maintain and/or improve reliable service in a cost-effective manner. HHI has chosen its current customer engagement strategy to maximize the reach to its customers (newsletters are distributed to all customers; website information is universally available to all customers with internet access) at minimal cost.
e) While HHI relies on its informal channels for important feedback from its customers, this feedback is not documented in a systematic manner for reporting purposes. Future engagement initiatives could investigate the possibility of documenting this feedback and utility response.
f) Please see the response to interrogatory 1-Staff-9 above.

## 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.

Response:

a) HHI confirms that the website was completed in 2016.
b) The total cost to develop the website was $ 3,900 and is included in 2016 and $1,300 early 2017 in Account 1611, Computer Software. As this cost is immaterial, it has not been individually highlighted in the variance analysis.
c) HHI confirms that this is the information referred to in the Business Plan.

d) Please see the response to 1-Staff-12, above.
e) http://myaccount.hydrohawkesbury.ca/manage your account /login.asp

## 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?

Response:

a) This is already available through HHI's website with a Pop-up window and through its dispatch (fire department of Hawkesbury). The information is provided when available through these avenues as well as on its Twitter account. As soon as HHI is aware of an outage detailed information is provided on the website, fire department and Twitter. Outcome and time of restoration can also be updated in a timely manner when the information is available.

   Planned outages are posted in the Pop-up and under Power Outages on the site. Planned outages are always published in the local newspaper. HHI also uses Twitter and Mail chimp for those customers who provided permission to send them e-mails.
b) Please see the response to a), above.
c) The cost of this project was minimal, as the website was revamped considering these approaches.

d) As noted above, these costs are incorporated into the website work. Please see the response to 1-Staff-13, above.

e) General communication between HHI and the customer may provide valuable information to identify areas where maintenance efforts should be deployed and provide important information for future business plans. As for outages, it will improve the ability to identify the location of the outages when unknown and shorten response times.

   The primary consideration in implementing this initiative is improved customer service at a minimal incremental cost, rather than decreased operation costs. Some marginal decrease in administrative costs may possibly be achieved through a reduction telephone calls during outages.

## 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.

Response:

a) Please see response to 1.0-VECC-4
b) HHI confirms that the 2011 Conditions of Service will remain in effect until the new document comes into effect. The current document is posted on HHI's website at http://www.hydrohawkesbury.ca/en/information/conditions-of-service

## 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.

Response:

a) HHI has identified through analysis of the electricity scorecards that its employee numbers and overall costs are lower than those for other utilities, noting that its 2016 average OM&A cost per customer at $183 is significantly below the provincial average of $317.
b) Key factors are effective business planning, a continuous focus on operational efficiency, and managing expenditures to make sure that they are in line with budgets when possible. The Business Plan and Distribution System Plan will serve a major role in providing the future direction of financial investment and performance. HHI considers that rigorous planning will create the conditions for HHI to continue its cost-efficient performance.
c) HHI's planning, prioritization and investment processes follow good utility practices that are executed through the DSP. Good utility practices have inherent cost savings through sound decision making, thoughtful compromises, right timing and optimum expenditure levels. Some specific HHI Distribution System Plan cost savings are expected to be achieved using the following:
    - Pole condition inspections and comprehensive data collection provides a better understanding of each asset's stage in its lifecycle which will lead to more cost effective decisions with respect to maintenance, refurbishment and replacement decisions. Particularly with the new

pole testing equipment more accurate objective assessments of pole condition are expected.

- Proactive maintenance and replacement of plant reduces reactive maintenance costs and improves service to the customer resulting in fewer and shorter duration outages, which in turn has a beneficial impact on the cost of outages to customers. A structured program of maintenance and renewal with planned rate increases will avoid disruptive rate spikes when addressing the volume of plant reaching end of life. (DSP page 14)

## 1.0-VECC-1

Reference: Exhibit 1. Page 18

a) HHI states that poles are tested when they are within 5 years of the forecast depreciation end of life. Please describe the type of testing that is carried out.

Response:

a) Please see the response to 1-Staff-16, above.

## 1.0-VECC-2

Reference: Exhibit 1, page 34

a) HHI lists expansion of natural gas under the “HHI Threats” portion of its business plan. Is natural gas service available in any part of Hawkesbury's service territory?

Response:

a) HHI confirms that natural gas is available in its service territory. HHI also notes that earlier this year, Ontario announced that it was providing $100 million for the new Natural Gas Grant Program, part of the province’s Moving Ontario Forward plan. The program is meant to expand access to natural gas for communities that do not currently have service, including those in rural and Northern Ontario and First Nations communities.

   Given that natural gas is the dominant heating source in Ontario and continues to be consistently less expensive than electricity, heating oil or propane, it is realistic and prudent that HHI would flag Natural Gas as future threat.

## 1.0-VECC-3

Reference: Exhibit 1, page 41, Table 17

a) Please confirm that in Table 17 the 2017 and 2018 figures are based on proposed rates (not current). If this is not confirmed, please explain the variance between this table and the revenue deficiency of $180,736 shown in the RRWF forms.

Response:

HHI confirms that the 2017 and 2018 figures at Table 17 are based on proposed rates, resulting in a revenue deficiency of zero.

## 1.0-VECC-4

Reference: Exhibit 1, page 12.

a) Please provide a list of the proposed changes to the Conditions of Service.

Response:

The proposed changes are presented at the next page.

HHI notes that the update to the conditions of service was originally a joint project between Embrun, Hydro 2000 and Hawkesbury. While HHI went ahead with the update, HHI was forced to postpone the project when the VP went on sick leave.

## Record of Change - Summary of Changes to the Conditions of Service

| Section | CoS page | Description | | Notes |
|---|---|---|---|---|
| | | | | |
| Cover page | | | | New cover page |
| recommended new section | | Preface | | New introductory page to discuss conditions of service. |
| | | | | |
| **SECTION 1 - INTRODUCTION** | | | | |
| **1.1** | **6** | Identification of Distributor and Service Area | | Expanded entire paragraph to add specifics regarding the utility's licence and operating paramaters. Includes link to distribution licence. |
| 1.1.1 | **7** | Distribution Overview | | New section with overview of utility's equipment, voltage and the utility's embedment in Hydro One territory |
| **1.2** | **9** | Related Codes and Governing Laws | | Section was modified to inlcuded references to all codes and policies since 2007. |
| **1.3** | **10** | Interpretation | | Section was modified to inlcude reference to "Offer to Connect". Added details about the hierarchy of the document. |
| **1.4** | **11** | Amendments and Changes | | |
| **1.5** | **12** | Contact Information | | Added clarification to the contact info. |
| **1.6** | **13** | Customer Rights/Responsibilities | | Rewording of service connection. |
| **1.6.1** | **13** | Customer Rights to access meter information | | Added wording on meter obligations (new subsection) |
| **1.7** | **14** | Distributor Rights/Responsibilities | | |
| 1.7.1 | **14** | Access to Customer Property | | New section detailing Access to Customer Property |
| 1.7.2 | **15** | Safety and Reliability of Equipment | | |
| 1.7.3 | **15** | Tree and Vegetation Management and Removal of Obstructions | | new section detailing HHI clearning and maintance of its rights of way on a continued and cyclical basis. |
| 1.7.4 | **16** | Operating Control | | New section detailing the maintaining and operating HHI's equipment |
| 1.7.5 | **17** | Repairs of Customer's Physical Structures | | New section detailing the responsibility of the Customer to repair equipment which is owned by the customer. |
| **1.8** | **17** | Disputes | | The Dispute section was enhanced to add details and timing of the process. |
| **1.9** | **18** | Liabilities | | New section detailing the utility's non-liability for the loss of revenues, contracts and damages. |
| **1.10** | **18** | Force Majeur | | New section detailing liabilities related to Force Majeure and Acts of God. |
| **SECTION 2 - DISTRIBUTION ACTIVITIES (GENERAL)** | | | | |
| **2.1** | **19** | Connections | | The entire section was reworded and enhanced to add more specfics detailing the utility's obligations with respect to "Connections". |
| 2.1.1 | **20** | Building that Lies Along | | The entire section was reworded and enhanced to add more specfics detailing the utility's obligations with respect to "Building that lies along". |
| 2.1.2 | **21** | Expansions / Offer to Connect | | The entire section was reworded and enhanced to add more specfics detailing the utility's obligations with respect to "Expansion and Offer to Connec |
| 2.1.2.1 | **21** | Expansions | | Rewording of the entire section. (no significant changes in process) |
| 2.1.2.2 | **22** | Offer to Connect | | Rewording of the entire section. (no significant changes in process) |
| 2.1.2.3 | **23** | Alternate Bid | | Rewording of the entire section. (no significant changes in process) |
| 2.1.3 | **24** | Connection Denial | | The entire section was reworded and enhanced to add more specfics detailing the utility's obligations with respect to "Connection Denial". |
| 2.1.4 | **25** | Inspections before Connection | | The entire section was reworded and enhanced to add more specfics detailing the utility's obligations with respect to "Inspections before Connection |
| 2.1.5 | **26** | Relocation of Plant | | The entire section was reworded and enhanced to add more specfics detailing the utility's obligations with respect to "Relocation of Plant". |
| 2.1.6 | **26** | Easements | | The entire section was reworded and enhanced to add more specfics detailing the utility's obligations with respect to "Easments". |
| 2.1.7 | **26** | Contracts | | The entire section was reworded and enhanced to add more specfics detailing the utility's obligations with respect to "Contracts". |
| | | | | |
| **2.2** | **31** | Disconnection | | Rights listed under the "Disconnection were updated to reflect HHI, industry process and OEB rules and regulations. |
| 2.2.1 | **31** | Disconnection | | |
| 2.2.1 | **31** | Disconnection & Reconnection - Process and Charges | | Change section from "Disconnection for Non-Payment of Overdue Accounts" "Disconnection & Reconnection - Process and Charges". The entire sec reworded and enhanced to reflect actual HHI (and industry) processes and OEB rules and regulations. |
| 2.2.2 | **33** | Reconnection | | Rewording of the entire section. (no significant changes in process) |
| 2.2.3 | **33** | Disconnection and Reconnection Related Charges | | Rewording of the entire section. (no significant changes in process) |
| 2.2.4 | **33** | Unauthorized Energy Use | | Rewording of the entire section. (no significant changes in process) |
| **2.3** | **35** | Conveyance of Electricity | | Rewording of the entire section. (no significant changes in process) |
| 2.3.1 | **35** | Limitations on the Guarantee of Supply | | Rewording of the entire section. (no significant changes in process) |
| 2.3.1.1 | **35** | Idemnity and Liability | | New section which details the liability of the utility |
| 2.3.2 | **36** | Power Quality | | Rewording of the entire section. (no significant changes in process) |
| 2.3.2.1 | **36** | Power Quality Power Quality Testing | | New section which outlines the specifics of the Power Quality Power Quality Testing |
| 2.3.2.2 | **37** | Prevention of Voltage Distortion on Distribution | | New section which outlines the liability of the utility Power Quality Power Quality Testing |
| 2.3.2.3 | **37** | Obligation to Help in the Investigation | | New section which outlines the Obligation to Help in the Investigation |
| 2.3.2.4 | **37** | Timely Correction of Deficiencies | | New section which outlines the Timely Correction of Deficiencies |

## Record of Change - Summary of Changes to the Conditions of Service

| Section | CoS page | Description | | Notes |
|---|---|---|---|---|
| 2.3.2.5 | **38** | Notification for Interruptions | | New section which outlines the Notification for Interruptions |
| 2.3.2.6 | **38** | Emergency Interruptions for Safety | | New section whichoutlines the Emergency Interruptions for Safety |
| 2.3.2.7 | **38** | Emergency Service (Trouble Calls) | | New section which outlines the Emergency Service (Trouble Calls) |
| 2.3.2.8 | **38** | Outage Reporting | | New section which outlines the Outage Reporting |
| 2.3.3 | **39** | Electrical Disturbances | | Rewording of the entire section. (no significant changes in process) |
| 2.3.4 | **39** | Standard Voltage Offerings | | Rewording of the entire section. (no significant changes in process) |
| 2.3.5 | **39** | Voltage Guidelines | | Rewording of the entire section. (no significant changes in process) |
| 2.3.6 | **40** | Back-up Generators | | Rewording of the entire section. (no significant changes in process) |
| 2.3.7 | **40** | Meter Installation and Meter Reading | | Rewording of the entire section. (no significant changes in process) |
| 2.3.7.1 | **40** | General | | Rewording of the entire section. (no significant changes in process) |
| 2.3.7.2 | **44** | Current Transformer Boxes | | Rewording of the entire section. (no significant changes in process) |
| 2.3.7.3 | **45** | Interval Metering | | Rewording of the entire section. (no significant changes in process) |
| 2.3.7.4 | **45** | Meter Reading | | Rewording of the entire section. (no significant changes in process) |
| 2.3.7.5 | **45** | Final Meter Reading | | Rewording of the entire section. (no significant changes in process) |
| 2.3.7.6 | **46** | Faulty Registration of Meters | | Rewording of the entire section. (no significant changes in process) |
| 2.3.7.7 | **46** | Crossed Meters or Billing Errors | | Rewording of the entire section. (no significant changes in process) |
| 2.3.7.8 | **47** | Meter Dispute | | Rewording of the entire section. (no significant changes in process) |
| **2.4** | **48** | Tariffs and Charges | | Rewording of the entire section. (no significant changes in process) |
| 2.4.1 | **48** | Service Connection | | Rewording of the entire section. (no significant changes in process) |
| 2.4.1.1 | **48** | Customers Switching to Retailer | | Rewording of the entire section. (no significant changes in process) |
| 2.4.2 | **48** | Energy (Electricity) Supply | | Rewording of the entire section. (no significant changes in process) |
| 2.4.2.1 | **48** | Standard Supply Service (SSS) | | Rewording of the entire section. (no significant changes in process) |
| 2.4.2.2 | **48** | Retailer Supply | | Rewording of the entire section. (no significant changes in process) |
| 2.4.2.3 | **48** | Wheeling of Energy | | Rewording of the entire section. (no significant changes in process) |
| 2.4.3 | **48** | Deposits | | Rewording of the entire section. (no significant changes in process) |
| 2.4.3.1 | **49** | Residential Customer Security Deposit | | Rewording of the entire section. (no significant changes in process) |
| 2.4.3.2 | **50** | Non Residential Customers Security Deposits | | Rewording of the entire section. (no significant changes in process) |
| 2.4.4 | **53** | Billing | | Rewording of the entire section. (no significant changes in process) |
| 2.4.4.1 | **53** | Account Set-up Charges | | Rewording of the entire section. (no significant changes in process) |
| 2.4.4.2 | **54** | Use of Estimates | | Rewording of the entire section. (no significant changes in process) |
| 2.4.4.3 | **54** | Arrears Certificate | | Rewording of the entire section. (no significant changes in process) |
| 2.4.4.4 | **54** | Power Factor Adjustment | | Rewording of the entire section. (no significant changes in process) |
| 2.4.4.5 | **54** | Measurement and Overdue Account Interest Charges | | Rewording of the entire section. (no significant changes in process) |
| 2.4.5 | **54** | Payments and Overdue Account Interest Charges | | Rewording of the entire section. (no significant changes in process) |
| 2.4.5.1 | **54** | Payment Options | | Rewording of the entire section. (no significant changes in process) |
| 2.4.5.2 | **54** | Late Payment Charges | | Rewording of the entire section. (no significant changes in process) |
| 2.4.5.3 | **55** | Arrears Payment | | Rewording of the entire section. (no significant changes in process) |
| 2.4.5.4 | **55** | Collection of Account Charge | | Rewording of the entire section. (no significant changes in process) |
| 2.4.5.5 | **55** | Unprocessed Payment Charge | | Rewording of the entire section. (no significant changes in process) |
| 2.4.5.6 | **55** | Reconnection Charge | | Rewording of the entire section. (no significant changes in process) |
| 2.4.6 | **55** | Generation Payment | | Rewording of the entire section. (no significant changes in process) |
| 2.4.7 | **56** | Eligible Low Income Customers | | Rewording of the entire section. (no significant changes in process) |
| **2.5** | **57** | Customer Information | | Rewording of the entire section. (no significant changes in process) |
| 2.5.1 | **57** | Current Usage Data | | New section which outlines the Current Usage Data |
| 2.5.2 | **58** | Disclosure of Historical Information | | New section which outlines the Disclosure of Historical Information |
| 2.5.3 | **58** | Usage Data Generated by Smart Meters | | New section which outlines the Usage Data Generated by Smart Meters |
| 2.5.4 | **58** | Aggregated Information | | New section which outlines the Aggregated Information |
| 2.5.5 | **58** | List o f Retailers | | New section which outlines the List o f Retailers |
| **SECTION 3 CUSTOMER SPECIFIC** | | | | |
| **3.0** | **59** | Customer Class Specific | | This section originally in the previous version was removed and details incorporated in each section below. |
| **3.1** | **59** | Residential Service | | Rewording of the entire section. (no significant changes in process) |
| 3.1.1 | **59** | Residential Point of Demarcation | | Rewording of the entire section. (no significant changes in process) |
| 3.1.2 | **59** | Residential Underground Subdivisions | | Rewording of the entire section. (no significant changes in process) |
| 3.1.3 | **61** | Residential Single Family Homes | | Rewording of the entire section. (no significant changes in process) |
| 3.1.4 | **63** | Residential Townhouses | | Rewording of the entire section. (no significant changes in process) |
| **3.2** | **65** | General (Non-Residential) Service | | Rewording of the entire section. (no significant changes in process) |
| 3.2.1 | **65** | General Service Point of Demarcation | | Rewording of the entire section. (no significant changes in process) |
| 3.2.2 | **65** | General Service Service Requirement | | Rewording of the entire section. (no significant changes in process) |
| 3.2.3 | **65** | General Service Site Information | | Rewording of the entire section. (no significant changes in process) |
| 3.2.4 | **66** | General Service Service Metering | | Rewording of the entire section. (no significant changes in process) |
| 3.2.5 | **66** | General Service Service Inspection | | Rewording of the entire section. (no significant changes in process) |
| **3.3** | **67** | Commercial and Industrial Developments | | Rewording of the entire section. (no significant changes in process) |
| 3.3.1 | **67** | Commercial and Industrial Developments Point of Demarcation | | Rewording of the entire section. (no significant changes in process) |
| 3.3.2 | **67** | Commercial and Industrial Developments Service Requirement | | Rewording of the entire section. (no significant changes in process) |
| 3.3.3 | **68** | Commercial and Industrial Developments Site Information | | Rewording of the entire section. (no significant changes in process) |
| 3.3.4 | **69** | Commercial and Industrial Developments  Metering | | Rewording of the entire section. (no significant changes in process) |

## Record of Change - Summary of Changes to the Conditions of Service

| Section | CoS page | Description | | Notes |
|---|---|---|---|---|
| 3.3.5 | **69** | Commercial and Industrial Developments Inspection | | Rewording of the entire section. (no significant changes in process) |
| **3.4** | **69** | General Service above 1000kW (same as 3.3) | | Rewording of the entire section. (no significant changes in process) |
| **3.5** | **70** | Embedded Generation Facility | | Rewording of the entire section. (no significant changes in process) |
| 3.5.1 | **70** | Net Metering | | Rewording of the entire section. (no significant changes in process) |
| **3.6** | **70** | Embedded Market Participant | | Rewording of the entire section. (no significant changes in process) |
| **3.7** | **70** | Embedded Distributor | | Rewording of the entire section. (no significant changes in process) |
| **3.8** | **71** | Unmetered Connections | | Rewording of the entire section. (no significant changes in process) |
| **3.9** | **71** | Temporary Services | | Rewording of the entire section. (no significant changes in process) |
| 3.3.1 | **72** | Service Requirements | | Rewording of the entire section. (no significant changes in process) |
| 3.3.2 | **75** | Service Information | | Rewording of the entire section. (no significant changes in process) |
| 3.3.3 | **75** | Supply from Pole Line (where permitted by bylaw) | | Rewording of the entire section. (no significant changes in process) |
| 3.3.4 | **75** | Supply from Underground Distribution System | | Rewording of the entire section. (no significant changes in process) |
| 3.3.5 | **75** | Site Information | | Rewording of the entire section. (no significant changes in process) |
| 3.3.6 | **74** | Metering | | Rewording of the entire section. (no significant changes in process) |
| 3.3.7 | **74** | Servicing Cosots | | Rewording of the entire section. (no significant changes in process) |
| **SECTION 4 GLOSSARY OF TERMS** | | | | |
| Appendix A | | Utility Voltage | | |
| Appendix B | | Economic Evaluation Model for Distribution System Expansion/Enhancement | | Same |
| Appendix C.1 | | Installation and Service Agreement / Application for Electric Service and Energy | | Newly added |
| Appendix C.2 | | Installation and Service Agreement / Customer Service Layout | | Newly added |
| Appendix C.3 | | Installation and Service Agreement / Load Calculation Sheet | | Newly added |
| Appendix D | | Process and Technical Requirements - for Connecting / Embedded Generation Facilities | | Newly added |
| Appendix E | | MicroFit Connection Agreement | | Newly added |
| Appendix F | | Latest Rate Schedule | | Newly added |
| Appendix G | | Privacy Policy | | Newly added |
| Appendix H | | Underground 120/240 Standard Service Lay Out Location | | Same |
| Appendix I | | Information Sheet for Development | | Same |
| Appendix J | | Cure Periods For Non-Financial Default Events | | Same |
| Appendix K | | Primary Service Supply – Overhead Primary line – Transformation – Table A | | Same |
| Appendix L | | Primary Service Supply – Underground Feeder – Transformation – Table B | | Same |

## 1.0-VECC-5

Reference: Exhibit 1, page 50 – Customer Engagement

a) Does the survey completed by HHI use a random sample?

Response:

The survey was sent to all residential customers therefore the responses received are considered “self-selecting or voluntary”.

## 1.0-VECC-6

Reference: Exhibit 1, page 69

a) Please provide HHI's 2016 Scorecard.

Response:

The 2016 Scorecard can be found at the following link.
http://www.hydrohawkesbury.ca/en/information/score-card

## 1-SEC-1

[Ex.1, BP, p.7] With respect to the 2017 Business Plan:

a. Please provide details regarding the process the Applicant undertook in developing the plan, including what external assistance, templates and resources it utilized.
b. [p.32] The Applicant states that one of its weaknesses is "[d]ependency on third party assistance to meet its regulatory requirements". Please provide details regarding the third-parties the Applicant utilizes to meet its regulatory requirement. Specifically, please explain what third-parties the applicant utilizes and for what services.
c. [p.33] Please explain what initiatives the Applicant is undertaking to meet each of its 'Opportunities'.
d. [p.36] Please extend table 12 to show the 2016 actual and 2017 forecast financial ratios.

Response:

a) Putting together the Business Plan was a joint effort between Hydro Hawkesbury, Cooperative Hydro Embrun and the regulatory consultant Tandem Energy Services (TESI). TESI used a traditional business plan format and customized it to be industry specific. TESI then worked with each utility to develop its own plans going forward and incorporate the OEB's expectations from the Rates Handbook into the draft business plan to ensure compliance with the requirements.
b) HHI is in a 4-year contract with TESI for regulatory services assisting the utility in creating a work environment that facilitates the understanding and support of change. Examples of services include but are not limited to;
    - Turnkey of IRM and Cost of Service application including response to IRs
    - Representing the utility in settlement conference, oral hearings.
    - Financial analysis reporting (Tracking of Benchmarking, ROE, projected income, budget review)
    - Update to Conditions of Service.
    - Assistance with RRR Annual filing and ROE calculations
    - Creation of utility-specific models to facilitate RRR reporting or Financial Reporting
    - Creation and update of Business Plan.
    - Developing regulatory material for website.

HHI also employs Deloitte for regulatory accounting services. This includes regular review of the DVA continuity schedules, tracking of Global Adjustment (new), audited FS and reconciliation to trial balances. Deloitte also assists the utility in its Cost of Service application with Exhibit 9 and calculations of PILs.

In preparation for the Cost of Service application, the utility hired the services of AESI (3rd party engineering firm) to assist in the preparation of its DSP.

c)

i. To form strategic alliances with like-minded LDCs to realize greater efficiencies and integrate new ideas that improve operations and ensure sustainability in an evolving energy sector.
    - To continue to reach out and work with neighbouring to achieve efficiencies wherever possible and explore cost-sharing.
ii. To drive down operating costs as much as possible.
    - To continue to negotiate contracts and find more cost-effective solutions wherever possible.
iii. To meet and monitor the utility's allocated Conservation targets as closely as possible.
    - To continue promoting conservation programs to not only meet but hopefully exceed its targets.
iv. To position the utility as, reliable and customer-focused LDC, with high levels of trust.
    - To continue to use its social media and customer engagement to promote the utilities success and advertise the fact that it has had the lowest rates in the province for over a decade.
v. To disaffirm negative perceptions that prevail, particularly in respect to energy increases.
    - To continue educating its customers on regulation and also continue to explain that the controllable portion of the bill attributed to HHI is less than 20%
vi. To build a stronger presence within the community.
    - To use customer engagement and advertisement of its conservation programs in order to increase the presence of HHI in the community.
vii. To engage current and prospective employees and partnerships; inspire them, build trust and position HHI as a great place to work or as a great partner.

- To provide its current employees with comparable training and pay in order to retain them and also to promote the utility's great working environment.

d) Table 12 is shown below. HHI notes that the table 12 in the Business Plan only included office employees. HHI has added the operation staff in the table below.

| Trades & Technical Positions | 2016 Actual | 2017 To Date | 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 |
| Operations | 2 | 2 | 2 | |

## 1-SEC-2

[Ex.1] Insofar as these documents are not included as part of the Applicant's response to 1-Staff-4, please provide a copy of all documents provided to the Applicant's Board of Directors for the purposes of approving the application and the underlying Test Year budget.

Response:

Please see response to interrogatory 1-Staff-4.

## 1-SEC-3

[Ex.1] Please provide copies of all benchmarking studies, reports, and analysis that the Applicant has undertaken or participated in since 2014, and are not already included in the application.

Response:

HHI Confirms that it has not engaged in any independent benchmarking studies, reports, and analysis since 2014. HHI continues to participate in OEB-led initiatives, such as the PEG analysis, scorecards and yearbooks.

## 1-SEC-4

[Ex.1] Please provide a list of measurable outcomes that ratepayers can expect the Applicant to achieve during the test year. Please explain how those outcomes are incremental and commensurate with the rate increase the Applicant is seeking in this application.

Response

- The Annual Scorecard provides and displays measurable outcomes that HHI achieves.
    - Improve SAIFI/SAIDI results as much as possible.
    - Monitor and maintain its ROE as close as possible to its approved ROE.
    - Maintain its Service Quality and Customer Satisfaction results to its highest levels.
    - Improve its System Reliability when it does not relate to loss of supply.
    - Improve its cost control measures (cost per customer & cost per km) by looking for cost-sharing and cost-efficiencies opportunities.
- Conservation results provide measurable savings from conservation programs.
- Customer satisfaction Survey providing statistically valid feedback.
- Although less measurable, HHI will continue its investments in Capital projects ensure continuity of service and reliability.

HHI considers the list of measurable outcomes to be part of its day to day operation and does not particularly attribute any of the outcomes a rate increase. HHI considers striving to improve its service and relationships with its customer and finding cost-efficiencies as an important part of its day to day operations. The rate increase sought in the application are meant to cover events that are deemed non-discretionary such as work in order to “keep the lights on” and keep servicing its customers.

## 1-SEC-5

[Ex.1, p.35] Please provide a step-by-step explanation of the Applicant's capital planning process.
SEC-5

Response:

Please see the DSP, section 5.3 for a description of HHI's capital planning process. The budgeting process was also discussed at Section 1.5-Application Summary of Exhibit 1 and Section 2.5.1-Planning of Exhibit 2.

## 1-SEC-6

Does the Applicant have a corporate scorecard? If so, please provide copies of each of the 2014 to 2017 versions. If not, please explain what metrics the management and Board of Directors use to measure and monitor the Applicant's activities.

Response:

HHI does not have, nor has it ever had, corporate scorecards. The utility uses a set of internal tools to monitor and analyse its performances including financial ratios. The utility plans on continuing to enhance its practice to monitor its activities and performances on a more frequent basis. HHI also notes that it reviews its capital and OM&A spending on a regular basis to ensure that they are in line with its approved budgets.

## 1-SEC-7

[Ex.1, p.45] Please explain what activities or investments the Applicant is undertaking, or not undertaking, based on its customer engagement activities.

Response

As noted in the Business Plan, (page 4), HHI's customer satisfaction results and findings based on discussions with its customers supports the valid hypothesis that good service—i.e., high levels of reliability, or low SAIDI— combined with reasonable prices are essential to satisfying customers. In other words, all customers expect reliable service at the lowest prices possible.

HHI has established its objectives for 2018 based on this premise. Please see the response to 1-Staff-9 for a list of initiatives identified to meet HHI's objectives.

# 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.

Response:

Table 17 uses actual balances as reported in the utility's financial statement and Trial Balance. HHI notes that the rest of the table which is not included in Board Staff's snapshot explains and reconciles the balances.

## Reconciliation to Rate Base

| | Board Approved | Actual | Actual | Projected | Projected | Projected |
|---|---|---|---|---|---|---|
| | 2014 | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Utility Income** | **239,099** | **-372,868** | **-423,304** | **-467,871** | **362,095** | **302,560** |
| | | | | | | |
| 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** |
| | | | | | | |
| Accumulated Depreciation | -2,261,013 | -2,257,966 | -2,454,157 | -599,499 | -782,929 | -1,063,807 |
| Remove Non-Distribution Assets (2180) / WIP (2055) | | 1,511,809 | 1,653,353 | 2,807,257 | 0 | 0 |
| Net Fixed Assets | 4,867,996 | 3,186,758 | 3,375,593 | 3,605,238 | 7,112,824 | 7,007,776 |
| Average Net Fixed Assets | 4,094,283 | 4,500,475 | 4,958,217 | 5,764,503 | 6,762,659 | 7,060,300 |
| Utility Rate Base | 6,386,211 | 6,111,377 | 6,477,488 | 7,299,206 | 9,671,336 | 8,615,028 |
| Deemed Equity Portion of Rate Base | 2,554,484 | 2,444,551 | 2,590,995 | 2,919,682 | 3,868,534 | 3,446,011 |
| Income/(Equity Portion of Rate Base) | 9.36% | -15.25% | -16.34% | -16.02% | 9.36% | 8.78% |
| Indicated Rate of Return | 6.03% | 6.21% | 6.64% | 6.34% | 6.03% | 5.59% |
| Approved Rate of Return | 6.03% | 6.03% | 6.03% | 6.03% | 6.03% | 5.59% |
| Sufficiency / (Deficiency) in Return | (0.00%) | 0.17% | 0.61% | 0.31% | 0.00% | 0.00% |
| | | | | | | |
| Equity | 40% | 40% | 40% | 40% | 40% | 40% |
| Short Term Debt | 4% | 4% | 4% | 4% | 4% | 4% |
| Long Term Debt | 56% | 56% | 56% | 56% | 56% | 56% |
| Equity Return | 9.36% | 9.36% | 9.36% | 9.36% | 9.36% | 8.78% |
| Short Debt Return | 2.11% | 2.11% | 2.11% | 2.11% | 2.11% | 1.76% |
| Long Debt Return | 3.94% | 3.94% | 3.94% | 3.94% | 3.94% | 3.72% |
| Tax Rate | 15.50% | 15.50% | 15.50% | 15.50% | 15.50% | 15.50% |
| | | | | | | |
| **Net Revenue Sufficiency / (Deficiency)** | **-1** | **10,511** | **39,511** | **22,416** | **0** | **0** |

## Reconciliation to Appendix 2-AB

| | | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| A | Capital Additions from Fixed Asset Continuity Schedules (from Table 17) | 845,104 | 519,213 | 1,496,257 | 905,096 | 175,830 |
| | | | | | | |
| B | Total Spending explained at Appendix 2-AB (including Disposals) | 83,716 | 368,826 | 334,608 | 3,712,353 | 175,830 |
| C | Disposals | -54,357 | -8,843 | -7,746 | 0 | 0 |
| D | Work in Progress | 707,031 | 141,544 | 1,153,904 | -2,807,257 | 0 |
| | B-C+D = A | 845,104 | 519,213 | 1,496,257 | 905,096 | 175,830 |

## 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.

Response:

HHI confirms that Cost of Power has been updated 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.

Response:

HHI misunderstood meaning of the asset retirement obligations in the context of the filing requirements. HHI confirms that it does not have any asset retirement obligations in relation to the future decommissioning of its nuclear facilities.

## 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.

Response:

a) b) HHI's update 2-AA and variance explanation is presented in the Preamble section of the responses.

## 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?

Response:

a) These are the documents HHI has provided (attached):

- BPR Engineering Proposal-2012.pdf
- BPR Engineering Proposal-Jan2015.pdf
- GE Proposal - Nov2013.pdf
- Eptcon - CCDC2 Contract.pdf
- EPTCON CHANGE ORDER CCR #1-Fence.pdf

b) Net Present Value (NPV) was not used to evaluate the 110kV substation upgrades project because investment in new transformation for the substation was necessary to mitigate the risk of prolonged service interruption to Hawkesbury Hydro customers. The existing station transformers were manufactured in 1965, approaching the end of their service lives, and the system loading had exceeded the rated capacity of one transformer, i.e. in the event of a failure of one transformer, the remaining transformer could not support the load. At least one new transformer was required to restore redundancy within the station and mitigate the likelihood and the consequences of a failure.

i. HHI does not have the information requested
ii. HHI does not have the information requested
iii. HHI does not have the information requested
iv. HHI does not have the information requested
v. HHI does not have the information requested

c) HHI has not yet conducted any ex-post analysis of its policies and procedures for the development, procurement and management of external engineering services. These policies and procedures will be reviewed and revised as necessary prior to undertaking any further project of this size and scope.

d) HHI has not yet made any changes to its policies and procedures to mitigate such financial risks. These policies and procedures will be reviewed and revised as necessary prior to undertaking any further project of this size and scope.

## 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.

Response:

a) Major equipment was to be received in the summer/fall of 2013 and testing/commissioning was originally scheduled for November 2013 as per schedule within project status report prepared by Tetra Tech August 15, 2013. GE performed additional work in 2014 related Engineering/Project Management Support/Supply and installation of auxiliary and a protection system in new control building as well as technical support for metering panel signal.

Aug 12, 2013

- Receive circuit switchers

Sept 2013

- Construction new shed and demolish existing shed where transformer would eventually be installed
- Foundation construction
- Oil containment installation
- Steel structure installation
- Hydro One feed adjustment

Oct 2013

- Install circuit switchers, power transformer and relocate existing transformer

Nov 2013

- Testing and commissioning

Dec 2013

- Complete connection new equipment

June 2014 – Sept 2014

- Engineering/Project Management Support/Supply and installation of auxiliary and a protection system in new control building.
- Technical support for metering panel signal

b) HHI cannot comment 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.

c) No action has been taken by HHI against BPR.

d)

i. BPR first sent single-line diagram and additional design documentation to Hydro One by email on April 22, 2013.

ii. BPR sent the following by email to Hydro One on April 22, 2013:

- CBR00350-Tx Application-Hydro Hawkesbury.pdf
- Single Line Diagram.pdf
- Hydro Hawkesbury Project Description

See email from Hydro One dated November 5, 2014 “H1 concerns with circuit switcher” outlining issues with the proposed design.

iii. As per above, Hydro One was consulted, sent documents for review in April 2013. Circuit switchers were received on site and invoiced by Siemens August 2013.

e)

i. It was only the originally proposed circuit switcher that did not meet the requirements of the TSC. Adding the load break switch in series solved the problem to the satisfaction of Hydro One, as per Feb. 10, 2015 letter: “Hydro Hawkesbury 115kV Modification COVER February 2015.pdf””

ii. N/A – there was only one major modification required (the addition of the load break switches ahead of the circuit switchers)

iii. Coordination with Hydro One for transformer addition and station modifications was included in BPR’s original mandate – refer to 2012 proposal.

iv. Hydro One approval of the proposed station modifications should have been secured prior to the purchase of major equipment such as the circuit switchers. This was BPR’s responsibility.

v. See above. (email provided)

vi. HHI did not review the project design internally as it does not have the internal expertise to do so. Without a P-Eng. on staff, HHI relies on the expertise of 3rd party engineering firms to assist in managing project of such magnitude as the replacement of substation.

## 2-Staff-23 Incomplete

**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.

Response:

a) Response pending
b) A ROM (rough order of magnitude) estimate is defined to be within -25% to +75%. This type of estimate is typically done during the preliminary stages of a project to verify the concept, confirm feasibility, etc. Once the design is completed in sufficient detail, a more precise cost estimate based on specified equipment/materials and labour is possible, such as a Class 2. The purpose of such an estimate is generally to predict what tender bids. A 15% contingency is typical for a Class 2 cost estimate.
c) Response pending

## 2-Staff-24 Incomplete

**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.

Response:

a) Hydro Hawkesbury expected that the project would be managed by Tetra Tech, as per their 2012 fee proposal. Construction activities would be managed and coordinated by a qualified general contractor selected through a competitive tender/bid process.

b) Response pending
c) HHI confirms that BPR was hired to provide these services as indicated in HHI's 2012 IRM+ICM application EB-2011-0173.
d) Response pending

## 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.

Response:

HHI notes that page 38 of Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service states that "*The applicant must provide a list detailing all asset service lives and tie this list to the Uniform System of Accounts as appropriate. The applicant must detail differences of its asset service lives from the Typical Useful Lives (emphasis added) and provide a detailed explanation for using a service life that is outside the minimum and maximum TULs in the Kinectrics Report".*

HHI has applied specific values that are within the ranges identified for each rate class in order to calculate its depreciation expense.

## 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.

Response:

a) HHI determined that contracted services represented a cost-effective solution which minimizes administrative burden for a small utility, as training costs, certain overheads and regulatory burden are borne by the contractor.
b) The only savings that can be quantified are the absence of costs related to having internal operation staff. Examples include; (Jan-Sept Actuals + Oct-Dec budgeted). HHI believes that these costs will be built back into the new hourly rate charged by Sproule Powerlines.
    - Vehicle insurance $2,989
    - Salary and benefits $139,069
    - Fuel $5,317.89
    - Clothing $1,800
    - WSIB $1,300
    - CRA remittance $2,341
    - CPP $5,128
    - OMERS $13,051
    - EHT $2,177.37

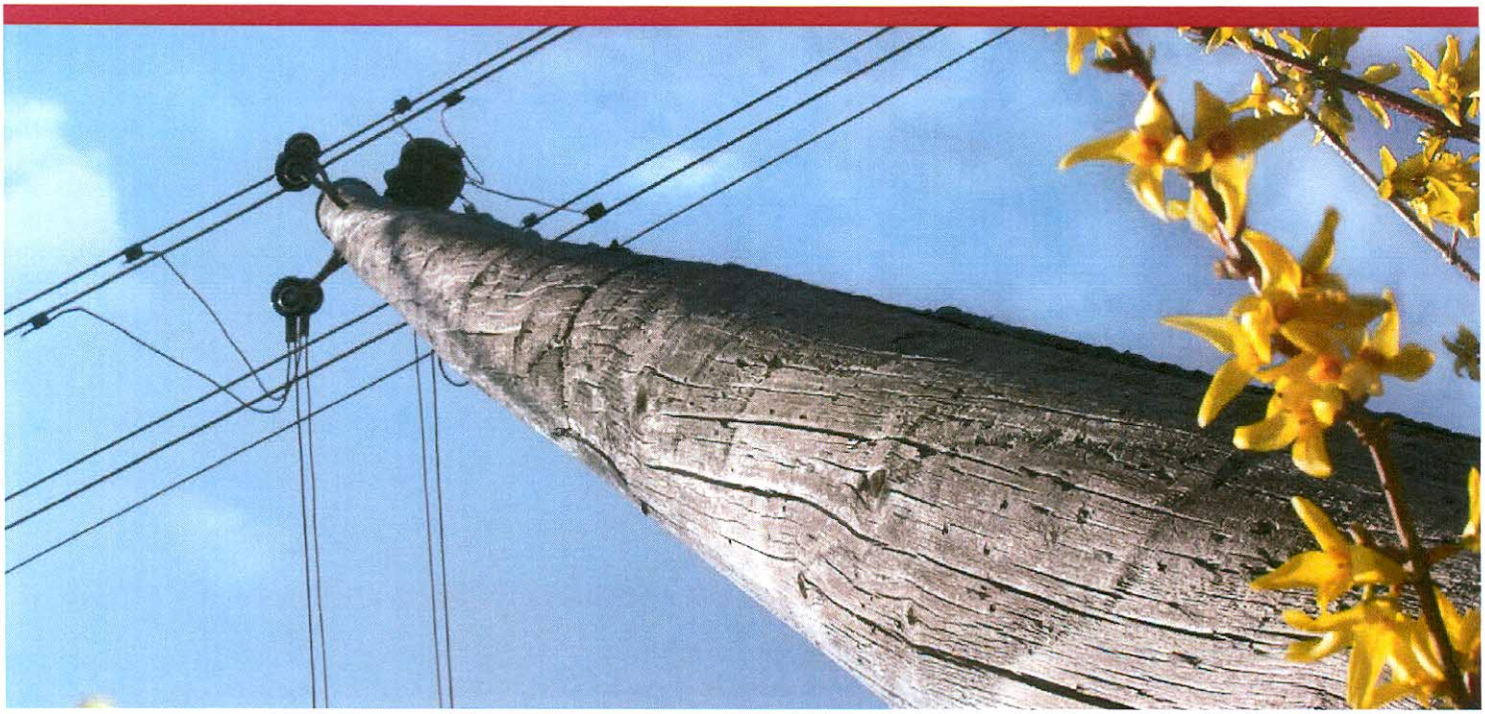
c) At the present time, HHI hires contractors on a regular basis in order to provide assistance to the existing crew of two line staff. Safety rules normally ask for three qualified staff on the job site. With a regular crew of two (sometimes only one due to vacation or illness), HHI utilizes Sproule Powerline on a regular basis. Delays are not a factor, as SPL is located only 10 minutes away from Hawkesbury.
d) HHI will not retain any equipment (truck) and will simply use the inventory on hand until removed unless purchased by a third party. There should be no impact to service quality, as SPL maintains its own equipment. This will reduce future capital expense, as trucks will not be replaced. Approximate annual savings for fuel, maintenance and repair will be approximately $8,500. As indicated above, HHI believes that these costs will be built back into the new hourly rate charged by Sproule Powerlines
e) HHI does not keep a P.Eng on staff, rather, has retained this expertise on an as-needed basis in the past. The contractors HHI will utilise are more than qualified and are already used by utilities like Hydro 2000, Cooperative Hydro Embrun and Ottawa Hydro.
f) Anticipated cost savings are discussed in part b), above. To date, contractors have been used to supplement the existing workforce. HHI plans to increase this reliance in the future, as its existing staff retires. At that time, HHI will monitor the performance of fully contracted line staff compared to the use of in-house staff

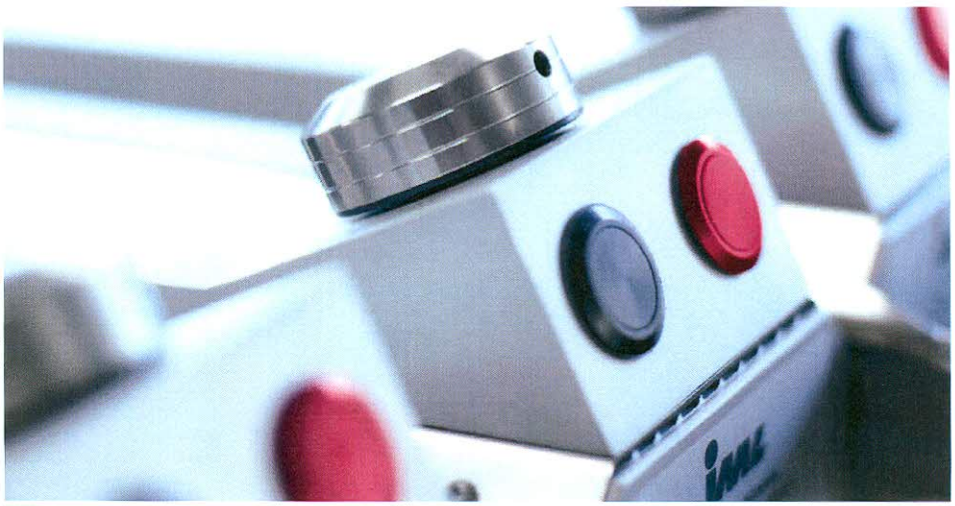
and make adjustments to its workforce if required. Similar to the existing monitoring of in-house staff, HHI will monitor the performance of the contractor with regard to service quality and reliability, as well as cost effectiveness to determine if this is the best strategy to meet customers' needs.

g) As described in the DSP at page 124:

> HHI has approximately 1400 poles. HHI tests the poles when they are 5 years from being depreciated. They also test poles that appear deteriorated on the three-year visual inspection. The poles are tested using a pole testing machine HHI purchased last year together with Cooperative Hydro Embrun. This test equipment gives objective values concerning the condition of the tested pole. If the reading indicates that pole strength degradation warrants replacement it is scheduled for replacement. Otherwise it is scheduled for a retest in 5 years. Each year poles are tested and the defective poles are scheduled for replacement.

Please see the attached brochure for a description of the pole testing procedure.





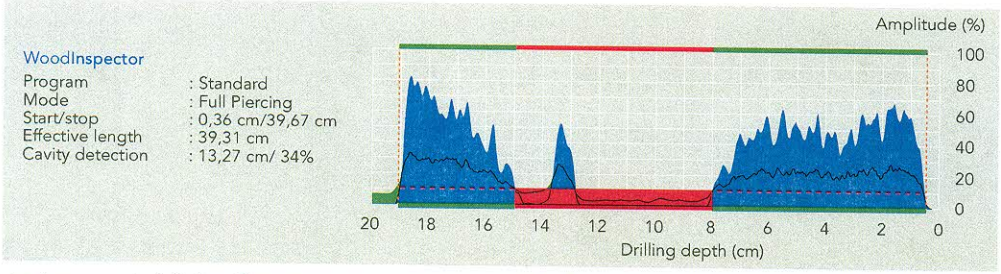
# WoodInspector for quality identification of wood

# IML WoodInspector

IML WoodInspector is an add-on module for the PD-Tools PRO Software package. The comprehensive evaluation and analysis features of PD-Tools PRO are further enhanced by technical innovations that significantly improve the traceability and efficiency of wood testing.

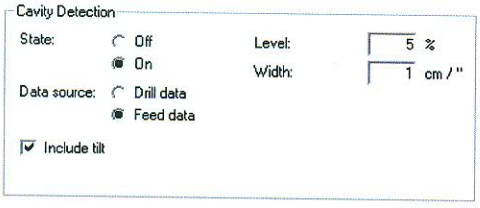
## Standard Program

WoodInspector adds a significant feature to the standard program through its automated cavity detection. This feature is particularly valuable when used to test items such as wooden utility poles, wood for construction and split poles. WoodInspector offers both graphical and numerical displays of the cavities. The program can be adapted to the user's individual requirements and operating conditions by setting cavity parameters based on the particular application (see charts and examples).




pic. shows numerical display of the cavities

pic. shows graphical display of the cavities

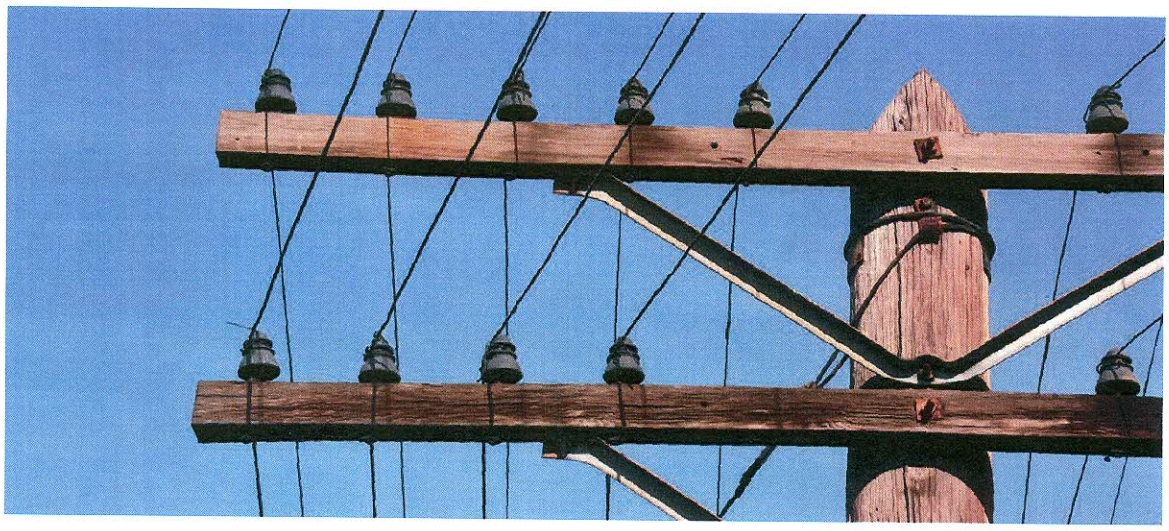



## Examples

Inspector A wants to detect cavities that are wider than 1 cm. In this case, the parameters do not need to be changed because the default setting is 1 cm (see illustration above).

Inspector B wants to only detect cavities that are wider than 2 cm, but also wants to know when the extent of decay is above 10%. Here the amplitude (parameter level) can be set to 10% and the width to 2 cm.

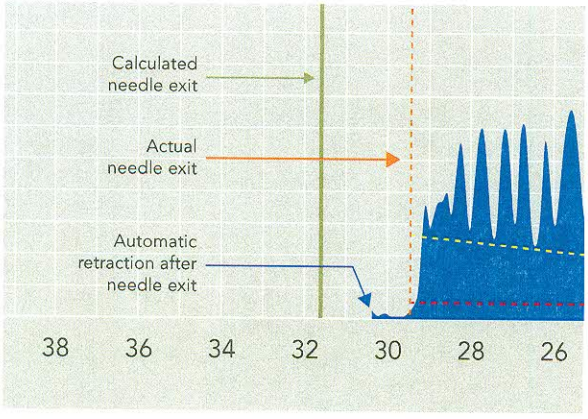
In addition to the drilling data, the measurement feed data can now be evaluated. This helps to almost completely eliminate shaft friction as a "disturbance variable" because it only has a minimal effect on the feed rate.



## Pole Program

The pole program was specifically designed to meet the requirements of utility pole maintenance. The pole program has two key functions: controlling the drilling device and evaluating measurement data.

The newly developed software for the drilling device has automatic diameter recognition and controls the device so that it drills all the way through the pole and automatically retracts the needle when it exits on the other side. This information is then used to compare the calculated and the actual exit of the needle. In addition, the needle is protected from excessive wear and tear.




pic. shows graphical display by exit of the needle

# Detecting Decay

Downstream analysis of the measurement is used to detect advanced decay (cavities). Now for the first time adaptive decay detection can automatically detect the early stages of decay. This means the wood can be treated at an early stage, which significantly extends its useful life.

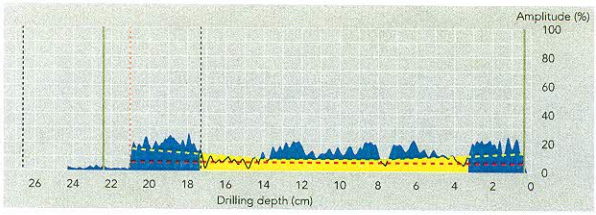
## Detecting Early Decay

Detecting early signs of decay uses a unique system of autonomous detection of different densities in the wood.

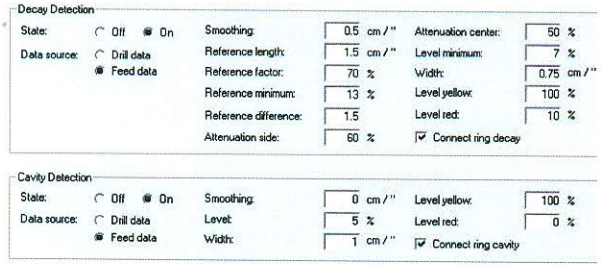
The level of decay (broken yellow curve in the graph) is automatically adjusted, depending on the density of the wood. A hardwood pole would be set at a higher level and a softer pole at a lower level.

The specifications for decay and cavity detection can also be flexibly adapted to customer specifications.

For example, one can set the levels of decay and porosity that require a pole to be marked as being in poor condition. Alternatively, one can set a range for which only a warning is displayed.




pic. shows graphically level of decay



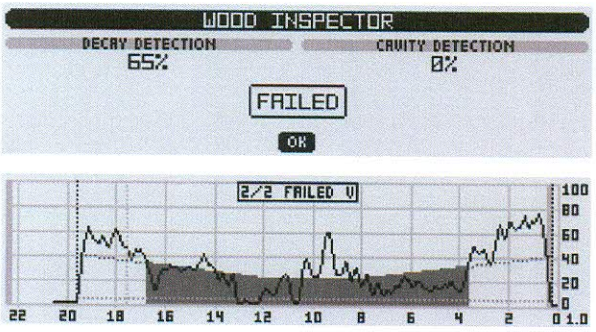

pic. shows specifications for decay and cavity detection

## Displaying Test Results

The test results can be displayed as good or poor immediately after the drilling process. This eliminates the subjective aspect, not only accelerating the process, but also making it objective and verifiable.

Of course, there is also the option of later evaluating or adjusting the measurements with PD-Tools PRO on a PC or laptop.

Ultimately, the advanced functions of Wood**Inspector** make checking wood as easy, safe and economical as possible and contribute significantly to optimising the quality of the data collected.

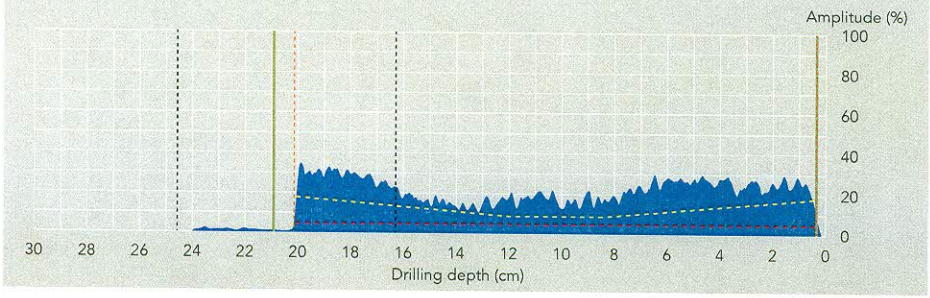



pic. shows displayed results after the drilling process

## Pole in good condition

**Measuring/object data**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Measurement no. | : 6 | Needle speed | : 3000 r/min | Diameter | : 18 cm | **WoodInspector** | |
| ID-number | : | Needle state | : ok | Level | : | Program | : Pole (IML 1.00F) |
| Drilling depth | : 23.97 cm | Tilt | : -29° | Direction | : | Start/stop | : 0.37 cm/20.25 cm |
| Date | : 18.09.2012 | Offset | : 167/233 | Species | : | Effective length | : 19.88 cm |
| Time | : 09:50:14 | Avg. curve | : off | Location | : | Decay detection | : 0.00 cm/0 % |
| Feed speed | : 200 cm/min | | | Name | : | Cavity detection | : 0.00 cm/0 % |
| | | | | | | Result | : PASS |

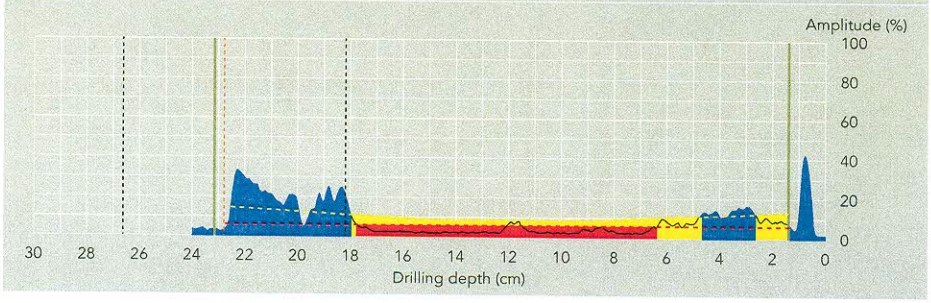



pic. shows pole in good condition

## Pole in poor condition

**Measuring/object data**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Measurement no. | : 91 | Needle speed | : 3000 r/min | Diameter | : 19 cm | **WoodInspector** | |
| ID-number | : | Needle state | : ok | Level | : | Program | : Pole (IML 1.00F) |
| Drilling depth | : 23.97 cm | Tilt | : -29° | Direction | : | Start/stop | : 1.33 cm/22.78 cm |
| Date | : 18.09.2012 | Offset | : 119/163 | Species | : | Effective length | : 21.45 cm |
| Time | : 16:39:50 | Avg. curve | : off | Location | : | Decay detection | : 14.62 cm/68 % |
| Feed speed | : 200 cm/min | | | Name | : | Cavity detection | : 11.49 cm/54 % |
| | | | | | | Result | : FAIL |

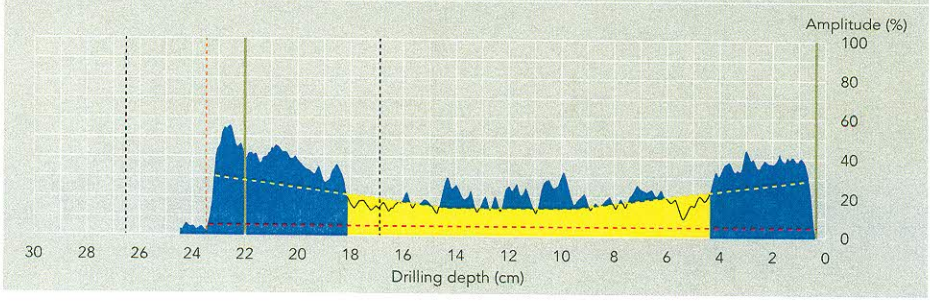



pic. shows pole in poor condition

## Pole with early signs of decay

**Measuring/object data**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Measurement no. | : 260 | Needle speed | : 3000 r/min | Diameter | : 18.5 cm | **WoodInspector** | |
| ID-number | : | Needle state | : ok | Level | : | Program | : Pole (IML 1.00F) |
| Drilling depth | : 24.42 cm | Tilt | : -31° | Direction | : | Start/stop | : 0.38 cm/23.42 cm |
| Date | : 19.09.2012 | Offset | : 160/183 | Species | : | Effective length | : 23.04 cm |
| Time | : 09:47:09 | Avg. curve | : off | Location | : | Decay detection | : 13.63 cm/59 % |
| Feed speed | : 200 cm/min | | | Name | : | Cavity detection | : 0.00 cm/0 % |
| | | | | | | Result | : FAIL |




pic. shows early signs of decay

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## 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.

Response:

a) After hours, all calls are transferred to the Hawkesbury fire department. On-call staff, whether HHI or SPL, are then called upon with the information pertaining to the outage. Further information may be obtained from dispatch and/or customers and the staff immediately go on site to evaluate and assess needed repairs. For major events, as mentioned above, with two line staff HHI often uses SPL for trouble calls, either on their own or as assistants to HHI crew. On major events, SPL is actively involved and provides fleets and workforce as required.
b) At the present time HHI uses its own inventory. In case of shortage, HHI relies on SPL, as they have much more equipment than HHI. If SPL answers the call on its own they supply the required equipment. Furthermore if other equipment is required, SPL has many options to obtain such materials. The solutions with SPL involved are much broader than HHI alone.

## 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.

Response:

a) HHI's asset management process is described beginning at page 34 in the DSP. There is no further documentation. HHI considers the DSP to be a "living" document which will be updated and enhanced year over year. In this first year of the DSP, HHI has focussed primarily on meeting filing and regulatory requirements.
b) Please see the response to a), above.
c) The utility does not yet assign scores based on value and risk deferral therefore this information is not available. This is something HHI hopes to implement and use in future years.
d) (Pg 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. HHI's approach to the five key processes identified by KPMG begins on page 34. HHI has not responded to a KPMG Questionnaire.
e) These aspects of the DSP will be considered in future iterations of the DSP. HHI considers the DSP to be a "living" document which will be updated and enhanced year over year. In this first year of the DSP, HHI has focussed primarily on meeting filing and regulatory requirements.

## 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.

Response:

Costs savings are not quantified, but needs are better identified and therefore future expenses should be better managed. Future planning is more rigorous, facilitating greater control of the cost of specific projects.

## 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.

Response:

a) HHI defines a sustained outage as any outage occurring over a few seconds (Flash).
b) HHI interprets this question to be a request for the number of customers affected by cause code. Please see Exhibit 2, pages 60-61 for a breakdown of historical outages by cause code, hours and number of affected customers.
c) HHI has tested and contemplated adopting a Major Event Day Calculation (MED) however in testing its methodology, the results only produced "Loss of Supply" as

major events. The utility at this point is unsure whether the methodology of MED will be useful for an embedded utility. SAIDI/SAIFI data, broken down by the cause codes are presented at the next page.

d) HHI does not have this information in order to compare with other embedded utilities.

e) HHI is usually informed of the causes of loss of supply. Hydro One is proactive in minimizing the outages, but equipment does fail without notice. HHI understands that not all circumstances can be controlled by Hydro One. They have a large territory and unpredictable situations do occur. Some examples of causes if loss of supply outages in 2014 include:

- Stolen copper in a station
- Auto reclosed at a transmission station
- Lost of 110 KV (twice)
- H1 planned connection of a new line on Hwy 17
- X-Bracket broken on 110 KV line
- Planned work by H1 at our station (110KV)

HHI has not prepared a forecast of SAIDI and SAIFI for the DSP period, however it has identified projects which are expected to improve reliability over the period, including insulator replacement and lightning arrestors. These longer term projects will replace aging equipment before failure.

**2014**

| Causes of interruptions | | | |
|---|---|---|---|
| Code | Description | Total customer affected | Total customer hours |
| 0 | Unknown/other | 0 | 0 |
| 1 | Scheduled outage | 1073 | 453.33 |
| 2 | Loss of supply | 27216 | 63243.61 |
| 3 | Tree contact | 0 | 0 |
| 4 | Lightning | 0 | 0 |
| 5 | Deffective equipment | 302 | 252.98 |
| 6 | Adverse/weather | 0 | 0 |
| 7 | Adverse environment | 1 | 0.4 |
| 8 | Human element | 0 | 0 |
| 9 | Foreign inteference | 60 | 46.82 |
| | | 28652 | 63997.1 |

**Explanatory notes on interruptions**

1) HHI minus loss of supply = 1436 customer affected, 753.49 Cust hours
2) out of 1436 customers affected 1073 were caused by planned maintenance outages for 453.33 Cust hours.
3) Deffective equipment were mainly fuses and cutouts and hot taps. Also in 2014, we lost 2 transformers. One was back yard causing a longer outage to customers. Overall 302 customers affected and 252.98 Customer hours. The b/y transformer caused 42.25 Customer hours while the hottap caused 161.25 Customer hours. These 2 instances total 203.5 Customer hours on the total reported of 252.98

**2015**

| Causes of interruptions | | | |
|---|---|---|---|
| Code | Description | Total customer affected | Total customer hours |
| 0 | Unknown/other | 0 | 0 |
| 1 | Scheduled outage | 541 | 1473.15 |
| 2 | Loss of supply | 5316 | 8461.3 |
| 3 | Tree contact | 1329 | 3322.5 |
| 4 | Lightning | 0 | 0 |
| 5 | Deffective equipment | 138 | 45.88 |
| 6 | Adverse/weather | 617 | 1234 |
| 7 | Adverse environment | 19 | 30.25 |
| 8 | Human element | 0 | 0 |
| 9 | Foreign inteference | 27 | 26.12 |
| | | 7987 | 14593.2 |

**Explanatory notes on interruptions**

1) HHI minus loss of supply = 2671 customer affected, 6131.9 Cust hours
2) out of 2671 customers affected 541 were caused by planned maintenance outages for 1473.15 Cust hours
3) one major outage in October where high winds caused a healthy tree to fall on the 44kv and 12.4Kv in Hawkesbury. The tree was on private property some 45' away from the distribution lines. 1329 Customers affected and 3322.5 Customer hours
4) May 30 high winds and lightning caused 1 outage on a full circuit affecting some 617 customers and 1234 cust hours.
5) Defective equipment mainly faulty fuses that needed to be replaced and 1 defectuive cut-out caused 138 customer interruption representing 45.88 Cust hours.
6) Foreign interference by birds and/or squirrels caused 27 customers to be without power for 26.12 Cust hours. One instance affected 1 customer when a truck ripped a customers triplex

**2016** Excluding loss of supply

| Causes of interruptions | | | |
|---|---|---|---|
| Code | Description | Total customer affected | Total customer hours |
| 0 | Unknown/other | 0 | 0 |
| 1 | Scheduled outage | 60 | 60.49 |
| 2 | Loss of supply | 6751 | 34654.73 |
| 3 | Tree contact | 0 | 0 |
| 4 | Lightning | 0 | 0 |
| 5 | Deffective equipment | 1641 | 4077.32 |
| 6 | Adverse/weather | 1083 | 2870.33 |
| 7 | Adverse environment | 78 | 58.22 |
| 8 | Human element | 0 | 0 |
| 9 | Foreign inteference | 479 | 645.16 |

**Explanatory notes on interruptions**

1) HHI minus loss of supply = 3341 customer affected, 7711 cust hours
2) out of 3341 customers affected 60 were caused by planned maintenance outages for 60.50 Cust hours
3) major equipment failure at sub 115kv caused 1083 customer affected for a total 3519 cust hrs on april 15
4) defective equipment other that item 3 affected 478 customers for a total of 468 cust hrs.
5) Foreign interference (birds/squirrels) caused 12 customers to be without power for 5.98 Cust hours.

| Index | Includes outages caused by loss of supply | | | | | Excludes outages caused by loss of supply | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Saidi | 0.777 | 4.606 | 11.331 | 2.638 | 7.653 | 0.758 | 1.090 | 0.133 | 1.109 | 1.393 |
| Saifi | 0.889 | 1.673 | 5.073 | 1.444 | 1.823 | 0.693 | 0.472 | 0.254 | 0.483 | 0.603 |

**5 year historical average**

| | | | | |
|---|---|---|---|---|
| Saidi | | 5.401 | | 0.896 |
| Saifi | | 2.180 | | 0.501 |

## 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.

Response:

a) HHI confirms that, at this time, it proposes to use the identified metrics, as well as its performance against its own target of maintaining capital spending to within 15% of budget and >80% completion of capital projects and programs on time. (DSP, page 10)

b) HHI has not yet identified specific future productivity initiatives. HHI continues to identify opportunities to achieve greater productivity and efficiency as these opportunities arise.

## 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.

Response:

a) HHI strives to inform its customers about its operations and expenditures. Maintenance and capital betterments are part of the avenue to help reduce outages and improve reliability. HHI intends to use survey data and other customer feedback in order to try and gather information. This communication will improve customer care, management of various operations, budgeting and identify areas of needs.
b) HHI conducts its survey bi-annually.
c) HHI maintains that managing its spending relative to budget will ensure steady, predictable growth in rate base over time and manage customer rate impacts.
d) HHI notes that variations from forecast in capital and O&M spending are common and often beyond the utility's control. The identified thresholds were determined to be reasonable targets based on past results, while still allowing for a stretch in

performance. These targets will be re-examined over time to determine their impact on performance.

e) All asset investments involve an element of O&M expense for construction, installation, maintenance etc. Although this expense is generally capitalized, O&M expense forms a portion of the cost of the asset and must be budgeted and controlled.

f) HHI has not established cost or productivity A-M specific targets, but would be prepared to consider these in the future.

## 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.

Response:

a) HHI notes that the scorecard category and thus the definition for Distribution System Plan Implementation Progress was developed by the OEB. As HHI is presenting its first DSP for approval for 2018, historical results shown in the table represent HHI's performance against its capital budget in any given year. Future results will be based on its DSP.
b) The 2015 actual scorecard shows 46% completion in 2014 and "in-progress" for 2015. The DSP was completed in the spring of 2016 in advance of the Cost of Service. Current actual results indicate 100% completion.

## 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".

Response:

a) When performing annual inspections HHI identifies what and where assets must be replaced and/or maintained. An example would be pole replacement. If a pole

top is rotten and coming to end of life, HHI will replace the pole rather than add a pole extension. While performing this replacement HHI will also evaluate the hardware on the pole. In many cases the hardware is as old as the pole and just re-using this equipment will not meet HHI's goal to make its system more reliable. In cases like this HHI will revamp the whole pole and hardware to eliminate the need to come back in a near future to change old equipment that should have been replaced initially.

b) HHI inspects the condition of our assets annually. For example poles: HHI initially identifies poles by age and inspect visually the poles and perform tests in order to identify the condition of the pole (pole tester purchased with Embrun.). HHI also look for cracked insulators and other anomalies HHI can identify on the distribution system.
c) HHI's spreadsheet is filed along with these responses.
d) These aspects of the DSP will be considered in future iterations of the DSP. HHI considers the DSP to be a "living" document which will be updated and enhanced year over year. In this first year of the DSP and the utility fully expects that the document will evolve and improve over in future years.

## 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.

Response:

a) HHI keeps track of poles and transformers but does not have data on the age of the requested equipment. HHI inspects and evaluates this equipment on an annual basis:
    - The age and count of poles and transformers are tracked in a spreadsheet.
    - For underground and overhead cable the number of km is available, and a visual inspection is performed each year.
    - HHI only has 6 reclosers, so it is easy to stay well informed of each of their conditions.
    - Overhead switches are visually reviewed as part of the annual inspection.
    - HHI has no UG switchgear to maintain.

i. Please see the response to interrogatory 2-Staff-25.
ii. HHI's records do not segregate pole replacements in the manner requested. However, the total pole replacements are shown below:

| | Pole Replacement |
|---|---|
| 2013 | 20 |
| 2014 | 7 |
| 2015 | 19 |
| 2016 | 16 |
| 2017 | 15 |

## 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).

Response:

HHI does not have any PCBs over the minimum of 50ppm.

## 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.

Response:

HHI considers that regular inspection, maintenance and investments must be maintained in order to ensure that its system remains safe and reliable and continues to meet customer expectations. HHI considers that its approach to system renewal expenditures to improve reliability is consistent with its objectives as described in its Business Plan, in particular:

- 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.

With regard to its pole replacement program, HHI has prioritized and effectively focused its efforts on the poles in worst condition. HHI has formally instituted a replacement program allocating a significant portion of its system renewal budget to the replacement of 15-20 poles per year in poor condition before they cause an outage. Planned expenditures over the forecast period are stable and consistent with past expenditure levels.

The planned alterations to HHI's 44kV station will result in improved utilization of the two existing transformers at the station, resulting in greater cost efficiency as well as improved reliability for customers. The investment required is not easily spread out over time.

Remaining investments to improve reliability, such as lightning arrestors, insulator replacements and the conductor upgrade are relatively modest investments whose combined total expenditures in 2018 are less than the materiality threshold.

## 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.

a) HHI will be using their own linemen for part of 2018. One will retire in March and one in July 2018. The assumption used was similar to the past assumptions. Across the board 3% as per the union contract. HHI has assumed that the fact that HHI is already using Sproule Powerline on a regular basis will not impact the total cost for 2018. With the savings anticipated in other areas, HHI feels it will reach similar expenditures in 2018 VS 2017.
b) The rates assumed for System O&M for the 2018-22 period are based on Sproule Powerline's 2018 price list. As this information could competitively disadvantage Sproule if publicly disclosed, HHI will provide the information on a confidential basis.
c) See response to b) above
d) Contractors are engaged on a time and materials basis.

## 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.

Response: Please see tables at the next page

a)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Wood poles | 20 | 7 | 19 | 16 | 15 |
| Overhead transformers | 3 | 0 | 3 | 1 | 3 |
| Porcelain insulators | 0 | 0 | 0 | 54 | 130 |
| Lightning arrestors | 0 | 0 | 0 | 0 | 50 |
| Overhead conductor (km) | 0.5 | 1.5 | 1.25 | 2.5 | 0 |
| Underground cables KM | 0 | 0 | 0 | 0.5 | 0 |
| Residential smart meters | | 30 | 57 | 80 | 50 |
| Commercial smart meters | 7 | 13 | 1 | 31 | 27 |
| | | | | | |
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Wood poles | 19 | 20 | 20 | 20 | 20 |
| Overhead transformers | 2 | 2 | 2 | 2 | 2 |
| Porcelain insulators | 100 | 72 | 150 | 150 | 75 |
| Lightning arrestors | 50 | 95 | 100 | 100 | 100 |
| Overhead conductor (km) | 0.5 | 0.75 | 0.75 | 0.75 | 0.75 |
| Underground cables km | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Residential smart meters | 100 | 500 | 50 | 50 | 50 |
| Commercial smart meters | 4 | 6 | 3 | 3 | 3 |

b)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Wood poles | $ 4,287.50 | $ 3,472.90 | $ 4,661.03 | $ 4,275.75 | $ 4,343.19 |
| Overhead transformers | $ 7,198.33 | $ - | $ 3,703.33 | $ 5,695.75 | $ 2,759.94 |
| Porcelain insulators | $ - | $ - | $ - | $ 175.68 | $ 167.08 |
| Lightning arrestors | $ - | $ - | $ - | $ - | $ 157.28 |
| Overhead conductor (km) | $11,840.60 | $29,222.00 | $22,085.60 | $27,601.19 | $ - |
| Underground cables KM | $ - | $ - | $ - | $22,026.00 | $ - |
| Residential smart meters | | $ 92.21 | $ 104.60 | $ 111.39 | $ 113.05 |
| Commercial smart meters | $ 564.14 | $ 530.72 | $ 643.44 | $ 669.21 | $ 680.00 |
| | | | | | |
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Wood poles | $ 4,289.47 | $ 4,385.00 | $ 4,405.00 | $ 4,405.00 | $ 4,500.00 |
| Overhead transformers | $ 4,500.00 | $ 4,500.00 | $ 4,500.00 | $ 4,500.00 | $ 4,500.00 |
| Porcelain insulators | $ 179.30 | $ 182.29 | $ 185.00 | $ 185.00 | $ 186.67 |
| Lightning arrestors | $ 167.00 | $ 168.42 | $ 175.00 | $ 175.00 | $ 175.00 |
| Overhead conductor (km) | $20,000.00 | $20,000.00 | $20,000.00 | $21,140.00 | $24,000.00 |
| Underground cables km | $20,000.00 | $20,000.00 | $20,000.00 | $21,000.00 | $21,000.00 |
| Residential smart meters | $ 115.80 | $ 119.20 | $ 120.00 | $ 120.00 | $ 120.00 |
| Commercial smart meters | $ 680.00 | $ 1,382.50 | $ 770.00 | $ 770.00 | $ 770.00 |

## 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.

Response:

a) HHI estimated the new service connections based on discussions with the town and developers. HHI meets with the town on a regular basis and meets with developers an annual basis.
b) HHI expects to purchase of 2-3 new transformers for the year depending on the type of transformer and KVA size. These purchases ensure that end-use customers will receive the proper voltage when and if required. This is part of the transformer capital program.
c) Based on current discussions with developers, HHI anticipates no new subdivisions in 2017. HHI expects that the decrease in spending in this area will be offset by an increase in meter spending.
d) HHI is unable to provide this estimate due to current uncertainty regarding development.

e) HHI's smart meters are coming due starting in 2020. There are approximately 3700 SM to change starting in 2020. HHI will start removing these SM in 2018 in order to have them tested and re-installed. This will levelize the workload and spending required and avoid the need to purchase and install some 3,000 SM at approximately $330,000 in one year. The $11,000 budgeted amount represents approximately 100 meters.
f) Please see the response to e), above. HHI expects to be able to change and test these meters through the years and be in a position to change all meters due for testing as it is an obligation for LDCs. HHI has budgeted to replace approximately 500 meters in 2019.

## 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.

Response:

a) The original cost estimate did not include labour costs and was based on a cost structure reflecting 2007 costs. Given the amount of time passing between the original quote and the completion of work, a certain amount of cost escalation could be expected. In addition, the scope of work involved more than just changing the conductor, as contemplated in the original quote. HHI also evaluated the condition of the poles and hardware, and upon inspection, made necessary replacements to minimize customer interruptions and ensure safety and reliability.

b) Based on the above, HHI feels that the categorization of system renewal is more appropriate.

## 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.

Response:

a) By undertaking this project, HHI will spilt the total station load on 2 transformers. This will prolong the life span of the transformers since less load would be applied on each. This is consistent with the definition of System Renewal, as follows:

> System renewal— investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and thereby

maintain the ability of HHI's distribution system to provide customers with electricity services.

b) HHI considered the status quo option. With the status quo, one transformer has the total load while the second one acts as redundancy. In the event of maintenance, customer interruptions would be in the length of 30 minutes to 60 minutes approximately, compared to the proposed project, in which a minor interruption to customers would be required (5 minutes) in order to switch the total station load to either transformer with a switching option within the MS 43 structure. The status quo option also does not address the issue of extending the asset's life.

c)
   i) No NPV analysis was performed.
   ii) Other alternatives were not considered. Ongoing maintenance costs for the proposed project will be minimal, as the switches to facilitate splitting the load to the two transformers will be manual, with no electronic operation.
   iii) A quantitative risk assessment was not performed. The status quo will not cause a considerable risk. The second transformer acting as redundancy will be available in case of failure or maintenance on the live transformer.

## 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.

Response:

a) All costs were covered by the insurer. HHI's insurer is trying to recuperate costs from Pioneer. HHI does not expect any financial impact from this procedure.
b) Because all expenses were covered by the insurer, the only potential compensation is the $25,000 deductible applied by the insurer as part of the insurance contract. The $25,000 was expensed in 2012. Under these circumstances, HHI does not propose to distribute any refund received to ratepayers.
c) An extended warranty was not offered. Throughout this process, HHI has followed the recommendations of its insurer, which provided only for the option of repairs.

## 2.0-VECC-7

Reference: Exhibit 2, page 10

a) Please define the term “ROM”

Response:

ROM: Acronym for Rough Order of Magnitude (estimate)

## 2.0-VECC-8

Reference: Exhibit 2, Section 2.1.2, page 13

a) Please explain the interest rates used to calculate the over-collection for the 110kv station. Specifically address why HHI used the interest rates provided rather than the Utility's weighted cost of capital for the calculated interest rate to be applied to the over collection balances.
b) Please also explain why no interest rate is shown for 2017.
c) Please recalculate the over-collection using the last Board approved weighted cost of capital for HHI and including 2017.

Response:

a) The calculations shown at page 13 have been prepared to be consistent with the calculations provided and discussed in the EB-2016-0079 Decision. HHI notes that the calculation prepared at Exhibit 2, page 13 is not based on interest rates, but rather is adjusted for years subsequent to the last cost of service by the approved IRM escalator in each year.
b) Please see the response to part a), above. At the time of preparing the 2018 application, the 2017 IRM factor was not available.
c) The calculation provided at Exhibit 2, page 13 is based on the last Board approved weighted cost of capital. Please see the table below for an updated calculation which includes the 2017 IRM escalator.

| ***Total credit for over-collection of revenues associated with the 110kV substation.*** | | | | | |
|---|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2017** | **Total** |
| *Diff in Revenue Requirement* | -$74,565 | -$74,565 | -$75,833 | -$77,046 | |
| *Price Cap Approved in IRM* | 100.00% | 1.70% | 1.60% | 1.90% | |
| | -$74,565 | -$75,833 | -$77,046 | -$78,510 | -$305,953 |

## 2.0- VECC-9

Reference: Exhibit 2, Section 2.1.2, page 13

a) Please calculate the adjustment to the revenue requirement and rate base if, rather than refunding the ICM over collection, the funds (with interest) were used as a contribution-in-aid of construction to the station.

Response:

a) The requested scenario is presented below. HHI applied $305,953 in capital contribution and an associated $7,815 in depreciation expense in 2018. (note that the PILs have not been recalculated as a result of this exercise)

| | As filed | Refund applied as Cap Contribution | Diff |
|---|---|---|---|
| Particulars | | | |
| Net Capital Assets in Service: | | | |
| Opening Balance | $7,112,824 | $7,112,824 | $0 |
| Ending Balance | $6,709,638 | $7,007,776 | $298,138 |
| Average Balance | $6,911,231 | $7,060,300 | $149,069 |
| Working Capital Allowance | $1,554,729 | $1,554,729 | $0 |
| Total Rate Base | $8,465,959 | $8,615,028 | $149,069 |

| | As filed | Refund applied as Cap Contribution | Diff |
|---|---|---|---|
| Particular | | | |
| OM&A Expenses | $1,210,114 | $1,210,114 | $0 |
| Depreciation Expense | $280,878 | $273,063 | -$7,815 |
| Property Taxes | $0 | $0 | $0 |
| | | | |
| Total Distribution Expenses | $1,490,993 | $1,483,178 | -$7,815 |
| | | | |
| Regulated Return On Capital | $481,883 | $473,545 | -$8,338 |
| | | | |
| Grossed up PILs | $9,717 | $9,717 | $0 |
| Service Revenue Requirement | $1,982,593 | $1,966,440 | -$16,153 |
| | | | |
| Less: Revenue Offsets | -$207,894 | -$207,894 | $0 |
| | | | |
| Base Revenue Requirement | $1,774,699 | $1,758,546 | -$16,153 |

## 2.0-VECC-10

Reference: Exhibit 2, Section 2.1.2, page 15 / Distribution System Plan Appendix C, page 114

a) Do the tables on page 114 show combined spending on both HHI stations? If so, please provide a table which shows separately the actual and proposed spending on the two station sites station 55 (115kV?) and station 43 ( 44kV?) for each year 2013 through 2022. Please provide one column which briefly describes each year's annual investment at each site.

HHI Response: Page 114-115 of DSP is for the 44 KV station

Regarding the 115 KV sub, HHI experienced two instances in 2011-2012 where these two transformers (7.5MEG) showed very high levels of combustible explosive gases. Twice major repairs were performed in order to repair these anomalies. The fact that these twin transformers were approaching 50 years of age and the ongoing maintenance was the major factor in HHI'S Board of Directors' decision to correct the situation and provide reliable power to its customers. A comprehensive station assessment report performed by GE (part of the last cost of service) confirmed the Board of Directors' intention to make this major investment.

| SUB 44KV | | | |
|---|---|---|---|
| 2013 | | 2014 | |
| $841,977.00 | Cost associated with the revamp of the 44KV station. New 10 MVA transformer, switch, oil containment | $42,750.00 | Dismantle old 10 MVA transformer ready to ship to Stoney Creek. Following the failure of the new Pioneer, the utility opted for the repair of the old Ferranti transformer for redundancy and reliability. |
| | | | |
| 2015 | | 2016 | |
| $320,188.00 | Cost to repair (rewind the Ferrante transformer. Inspection and testing $20,000. dismantle all coils $35,000 / winding, complete coil and core assembly (copper) $265,188 | $52,971.25 | Shipping to HHI site, assembly, commissioning |

| | | | |
|---|---|---|---|
| | | $1,130.00 | tap changer counter (replacement) |
| | | | |
| 2017 | | 2018 | |
| $0.00 | As of September 2017, No expenditures. | $0.00 | n/a |
| | | | |
| 2019 | | 2020 | |
| $0.00 | | $340,000.00 | 44kV -cut the 44KV structure in 2 and feed both side of structure with both transformers plus structure and wires to reclosers |
| | | | |
| 2021 | | 2022 | |
| $0.00 | n/a | $0.00 | n/a |
| | | | |

| **SUB 115KV** | | | |
|---|---|---|---|
| 2013 | | 2014 | |
| $0.00 | N/A | $0.00 | N/A |
| | | | |
| 2015 | | 2016 | |
| $0.00 | N/A | $59,243.61 | New switch and circuit switcher controls |
| | | | |
| 2017 | | 2018 | |

| | | | |
|---|---|---|---|
| $3,525,000.00 | Total revamp of station. To meet TSC, Hydro One and IESO requirement, a circuit switcher, load break switch, was added. With respect to the new 15 MVA transformer, a new control room with all required panel and apparatus for the operations of all protective equipment. The second transformer 55 years old was repaired to use as the second transformer and provide redundancy. All equipment to add eventually a second 15 MVS transformer is in place all work in done and complete. The only thing that could be done in the future is add the second transformer (15 MVA). New fence and Telemetry to answer Hydro One needs is also included in the total cost. Telemetry planning is ongoing with Hydro One | $0.00 | N/A |
| | | | |
| **2019** | | **2020** | |
| $0.00 | N/A | $0.00 | N/A |
| | | | |
| **2021** | | **2022** | |
| $0.00 | N/A | $0.00 | N/A |
| | | | |

## 2.0-VECC-11

Reference: Exhibit 2, Distribution System Plan, page 111

*After some preliminary examination on site, it was determined that 43T2 needed to be sent to the manufacturers' facility for further evaluation and a status report. The unit was shipped to Pioneer and cause analysis was carried out. There currently is litigation outstanding between Pioneer and a sub-assembly supplier.*

a) What financial remedies have been offered by Pioneer to HHI for the defective transformer?

b) Please identify the rate base adjustments (disposals) made due to the failure of the transformer?

c) If these adjustments were made in 2013 please file the 2013 Continuity Schedule.

### Response

a) When the fault occurred, HHI advised its insurer. Following test reports, the insurer evaluated all cost to be incurred to repair the transformer and all those costs except the deductible was paid to HHI and/or Pioneer to perform the required repairs. It is HHI's understanding that the insurer has subrogated HHI's claim to recuperate all the costs including the $25,000 deductible.
b) No rate base adjustments were made, since the transformer was repaired and not disposed of. This transformer is live at the present time.
c) N/A.

## 2.0-VECC-12

Reference: Exhibit 2, Appendix A, Stantec Ottawa Report (April 6, 2017)

a) Please update the cost table shown at page 12 of the Stantec Report

### Response

a) Please see table below.

| Item | Budget (2015) | Current Budget | Costs to Date | Under/(Over) Budget | Costs to Complete |
|---|---|---|---|---|---|
| **Construction Costs** | | | | | |
| Civil and Structural | $607,030.00 | $985,512.00 | $996,510.53 | ($10,998.53) | $0.00 |
| Electrical | $1,404,420.00 | $1,718,317.00 | $1,718,317.00 | $0.00 | $0.00 |
| Decontamination (if required) | $99,470.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| **Sub-total** | **$2,110,920.00** | **$2,703,829.00** | **$2,714,827.53** | **($10,998.53)** | **$0.00** |
| | | | | | |
| **Indirect Costs** | | | | | |
| Engineering and Services | $373,442.00 | $364,792.00 | $352,616.95 | $12,175.05 | $0.00 |
| Hydro One Fees | $60,000.00 | $60,000.00 | $60,000.00 | $0.00 | $0.00 |
| IESO Fees | $1,450.00 | $1,450.00 | $1,450.00 | $0.00 | $0.00 |
| Pre-op Commissioning | $94,445.00 | $76,886.00 | $79,885.50 | ($2,999.50) | $0.00 |
| Construction Admin/Mgmt | $65,000.00 | $75,600.00 | $54,267.30 | $21,332.70 | $0.00 |
| 3rd party review & IE reporting | $50,000.00 | $70,222.00 | $67,100.24 | $3,121.76 | $0.00 |
| **Sub-total** | **$644,337.00** | **$648,950.00** | **$615,319.99** | **$33,630.01** | **$0.00** |
| Contingency | $275,543.00 | $375,200.00 | $0.00 | $0.00 | $0.00 |
| **Total** | **$3,030,800.00** | **$3,727,979.00** | **$3,330,147.52** | **$22,631.48** | **$0.00** |

## 2.0-VECC-14

Reference: Exhibit 2, Distribution System Plan, page 87 2017 Capital Projects.

a) Please update the 2017 capital projects table to show the amount of expenditures to date and the work in progress.

Response: See table below. HHI notes that all costs have been communicated to the utility however, some costs have yet to be capitalized which generally occurs at year end.

| 2017 | | | | | |
|---|---|---|---|---|---|
| **Category** | **Description** | **Forecast Y/E** | **actual as of 2017_09_30** | **ESTIMATED TILL DEC 31, 2017** | **TOTAL ESTIMATED EXPENDITURES** |
| **System Access** | | | | | |
| | New Subdivision | $10,000 | $134.76 | $ - | $134.76 |
| | New Customer Connections | $2,500 | $486.57 | $ 500.00 | $986.57 |
| | Meters - Commercial change to Smart Meters, new customer meters and defective meter replacement | $19,403 | $32,713.11 | $ - | $32,713.11 |
| | RESIDENTIAL | $10,766 | $5,652.50 | $ 2,200.00 | $7,852.50 |
| | Transformers - inventory (subdivision) | $9,000 | $6,404.82 | $ 4,500.00 | $10,904.82 |
| | **Category Total** | **$51,669** | **$45,391.76** | **$7,200.00** | **$52,591.76** |
| **System Renewal** | | | | | |
| | 115 kV MTS upgrade | $3,525,000 | $0.00 | $ 3,525,000.00 | $3,525,000.00 |
| | 44kV MS 44kV Insulator replacement/ POSTPONED DUE TO TAP CHANGER LEAKS | $5,000 | $0.00 | $ 3,400.00 | $3,400.00 |
| | Pole replacement program | $60,000 | $59,882.82 | $ 4,300.00 | $64,182.82 |
| | Porcelain insulator replacement | $21,720 | $15,657.87 | $ 4,000.00 | $19,657.87 |
| | Porcelain air gap lightning arrestor replacement | $7,864 | $1,875.00 | | $1,875.00 |
| | | | | | $0.00 |
| | **Category Total** | **$3,619,584** | **$77,416** | **$3,536,700** | **$3,614,116** |
| **System Service** | | | | | $0.00 |
| | | | | | $0.00 |
| | **Category Total** | | | | $0.00 |
| **General Plant** | | | | | $0.00 |
| | | | | | |
| | Building | $2,000 | $1,500.00 | $ - | $1,500.00 |
| | Office equipment | $3,500 | $0.00 | $ 3,845.00 | $3,845.00 |
| | Computer hardware | $2,600 | $2,077.06 | $ - | $2,077.06 |
| | Software North Star upgrade | $31,000 | $1,399.00 | $ 31,000.00 | $32,399.00 |
| | Hand tools line crew | $1,000 | $0.00 | $ - | $0.00 |
| | Power tools line crew | $1,000 | $ - | $ 670.00 | $670.00 |
| | **Category Total** | **$41,100** | **$4,976** | **$35,515** | **$40,491** |
| | **2017 Total Capital** | **$3,712,353** | **$127,784** | **$3,579,415** | **$3,707,199** |

## 2.0-VECC-13

Reference: Exhibit 2, Section 2.1.4, Table 9, page 34

a) Please explain why HHI has negative capital investment amounts for smart meters in 2014 (-$44,691) and 2015 (-$827).

b) Please explain why there are no capital contributions associated with the new subdivision work in 2017 and 2018.

a) The -$44,691 in capital investment is the addition of $9,666 in smart meters and the disposal of conventional meters of -$54,357. HHI should have identified them separately in the table of projects.

| | | | Cost | | | | |
|---|---|---|---|---|---|---|---|
| CCA Class | OEB | Description | Opening Balance | CGAAP to IFRS Adjustments | Additions | Disposals | Closing Balance |
| 47 | 1860 | Meters | $254,843 | -$193,343 | $0 | -$54,357 | $7,143 |
| 47 | 1860 | Smart Meters | $622,999 | -$135,346 | $9,666 | $0 | $497,319 |

b) Please see the response to 2-Staff-40

## 2-SEC-8

[Ex.2, p.33] Please explain the source of the ‘plan’ amounts in Appendix 2-AB.

Response: HHI has populated the table in accordance with the instructions below the table which state;

*1. Historical “previous plan” data is not required unless a plan has previously been filed. However, use the last Board-approved, at least on a Total (Capital) Expenditure basis for the last cost of service rebasing year, and the applicant should include their planned budget in each subsequent historical year up to and including the Bridge Year.*

## 2-SEC-9

[Ex.2, p. 34, Table 9] Please explain why there is no contributed capital for new subdivision work?

### Response

Please see the response to 2-Staff-40

## 2-SEC-10

[Ex.2, p. 34, Table 9] Please explain the negative values for smart meter work in 2014 and 2015.

Response

Please see the response to 2-VECC-13.

## 2-SEC-11

[Ex.2, DSP p.22-24] Please revise the SAIDI and SAIFI charts to remove the impact of loss of supply.

**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

### Response

The figures above do not include impact of loss of supply.

## 2-SEC-12

[Ex.2, DSP, p.31] The Applicant says “This is the first DS Plan to be filed by HHI, and as such, there are no important changes to the asset management process identified from a previously filed DS Plan.” Please detail the changes to the Applicant’s asset management process since its last cost of service application.

Response:

HHI has not prepared a comparison between the current DSP and its previous plans. To date, there have been no significant changes to HHI’s operations processes with regard to asset management, with the exception of more rigorous testing of pole condition through its new pole testing technology. Going forward, HHI expects to benefit from more comprehensive future planning through the current DSP, by way of improved identification of needs and greater control of the cost of specific projects.

## 2-SEC-13

[Ex.2, DSP, p.48-51] The Applicant references various activities it has undertaken to determine the condition of its major assets categories. Please provide a summary, with accompanying data, that shows the condition of its major asset categories.

Response

Please see the response to 2-Staff-34 .

## 2-SEC-14

[Ex.2, DSP, p.88] For each year between 2014 and 2020, please provide the amount the Applicant spent or forecasts to spend each year on pole replacements, and the number of poles it has or plans to replace.

HHI'S response:

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Wood poles | 20 | 7 | 19 | 16 | 15 |
| $ SPENT | $85,060.55 | $24,310.27 | $88,559.57 | $65,573.00 | $64,182.82 |
| | | | | | |
| | | | | | |
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Wood poles | 19 | 20 | 20 | 20 | 20 |
| BUDGET | $81,500.00 | $87,700.00 | $88,100.00 | $88,100.00 | $90,000.00 |
| | | | | | |
| | | | | | |

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Wood poles (unit cost) | $ 4,287.50 | $ 3,472.90 | $ 4,661.03 | $ 4,275.75 | $ 4,343.19 |
| | | | | | |
| | | | | | |
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Wood poles (unit cost) | $ 4,289.47 | $ 4,385.00 | $ 4,405.00 | $ 4,405.00 | $ 4,500.00 |
| | | | | | |

HHI notes that the type of poles (single phase vs 3 phase) can impact the yearly investment. HHI also notes that the fewer poles were replaced in 2014 than other years.

## 2-SEC-15

[Ex.2, DSP p.88] Please provide the latest update on the 115kv MTS upgrade project.

Response:

The station was put in service in June of 2017. The telemetry at the station is due to be completed by end of 2017. At the present time HHI is negotiating with Hydro One to find the most cost effective solution for the telemetry as per Hydro One requirements.

## 2-SEC-16

[Ex.2, DSP, Appendix A] With respect to the Stantec Report:

a. Please provide the cost increase that is attributable to the delays in the project that were caused by the Town of Hawkesbury and/or the Applicant. Please provide the basis for the calculation.

b. [p.22] Please provide a copy of the referenced 'February 2017 report.

Response:

a) The costs incurred to develop the emergency report required by the town was for $14,100 and the report required for the environment approval was in the amount of $5,200. HHI cannot easily quantify other costs associated with the delay caused by the need for the emergency report.

b) The report is filed along with these responses.

# 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.

Response:

a) As part of its exercise to arrive to the best possible R-Square, the utility goes through the process of trying a dozen different variables for example Customer#, CPI & Employment variables, wind, rain, temperature to name a few.
b) As explained at Exhibit 3, pages 21 and 22, the utility picks and chooses the best possible variables and discards variables that did not produce favorable results.

If the number of holidays or number of customers were not included in the final regression analysis, it is because they did not improve results. variable did not worsen the results therefore in accordance with the statement at Exhibit 3, pages 21 and 22, the utility opted to keep the variable.

c) HHI confirms that both the Daylight Hours and days per month were used in the regression analysis. This is supported by the Regression at Table 7 page 20 of the evidence.
d) HHI is aware of the high P-Value and its significance however, the inclusion of this variable helped increase the R-Square
e) The only information available at this time is a Scatter plot. See table below.

## 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.

Response:

a) The load forecasting information filed in its application is accurate to the best of the utility's knowledge. HHI also notes that it used the OEB approved method of determining its Load Forecast.
b) The specific request cannot be completed in a reasonable time and produces results that go against the OEB's policies which dictate that the regression should be run on a 10-year average. CWH maintains that it has followed the Chapter 3 Filing Requirements to the best of its knowledge and based on the availability of information. For these reasons the information requested will not be generated.

# 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.

## Response:

a)

| Equation Parameters | | | 95% Confidence/Autocorrelation | |
|---|---|---|---|---|
| R Squared | 0.8100 | 80.34% of the change in WS can be explained by | 0.832 | Durbin-Watson Statistic |
| Adjusted R Squared | 0.8034 | the change in the 4 independent variables | 1.65 - 1.75 | Positive autocorrelation detected |
| Standard Error | 870057.1250 | to +/- on result of Regression Equation | 2.448 | Critical F-Statistic - 95% Confidence |
| F - Statistic | 122.5740 | Therefore analysis IS Significant | 86.12% | Confidence to which analysis holds |

| Multiple Regression Equation | | | | | Independent Analysis | | | Auto Correlation | Multicollinearity | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Coefficients | Standard Error | t Stat | p Value | R Squared | Coefficient | Intercept | Dl=1.69 Du=1.72 DW-Stat | Adjusted R-Squared against other Indep | Variables With RSQ at > 90% |
| Intercept | 23,395,511.744 | 4,544,461.003 | 5.148 | 0.00% | | | | | | |
| HDD | 6,069.264 | 338.215 | 17.945 | 0.00% | 73.43% | 5519.09 | 11151760.00 | 0.35 | 38.54% | |
| CDD | 9,795.912 | 2,422.512 | 4.044 | 0.01% | 19.38% | -19898.82 | 13613033.00 | 0.63 | 41.00% | |
| NoD in Month | 264,977.820 | 99,272.993 | 2.669 | 0.87% | 0.79% | -210887.50 | 19512298.00 | 2.96 | 3.27% | |
| Unemployment | -30,482.412 | 5,351.828 | -5.696 | 0.00% | 18.52% | -52348.43 | 48740820.00 | 0.23 | 12.44% | |

b)

| Multiple Regression Equation | | | | | Independent Analysis | | | Auto Correlation | Multicollinearity | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Coefficients | Standard Error | t Stat | p Value | R Squared | Coefficient | Intercept | Dl=1.69 Du=1.72 DW-Stat | Adjusted R-Squared against other Indep | Variables With RSQ at > 90% |
| Intercept | 37,824,764.164 | 6,421,162.196 | 5.891 | 0.00% | | | | | | |
| HDD | 7,050.872 | 500.597 | 14.085 | 0.00% | 73.43% | 5519.09 | 11151760.00 | 0.35 | 74.84% | |
| CDD | 6,362.236 | 2,423.231 | 2.626 | 0.98% | 19.38% | -19898.82 | 13613033.00 | 0.63 | 47.13% | |
| NoD in Month | 254,576.470 | 93,885.823 | 2.712 | 0.77% | 0.79% | -210887.50 | 19512298.00 | 2.96 | 3.02% | |
| Unemployment | 92.570 | 8,927.512 | 0.010 | 99.17% | 18.52% | -52348.43 | 48740820.00 | 0.23 | 71.78% | |
| Daylight hours | 129,346.145 | 59,857.965 | 2.161 | 3.28% | 41.45% | -530876.55 | 19450208.00 | 0.28 | 71.16% | |
| #Cust | -6,669.625 | 1,683.253 | -3.962 | 0.01% | 7.27% | -6911.13 | 51161748.00 | 0.07 | 64.77% | |

c)

| Equation Parameters | | | 95% Confidence/Autocorrelation | |
|---|---|---|---|---|
| R Squared | 0.8287 | 82.12% of the change in WS can be explained by | 0.854 | Durbin-Watson Statistic |
| Adjusted R Squared | 0.8212 | the change in the 5 independent variables | 1.63 - 1.77 | Positive autocorrelation detected |
| Standard Error | 829813.1875 | to +/- on result of Regression Equation | 2.290 | Critical F-Statistic - 95% Confidence |
| F - Statistic | 110.2861 | Therefore analysis IS Significant | 89.62% | Confidence to which analysis holds |

| Multiple Regression Equation | | | | | Independent Analysis | | | Auto Correlation | Multicollinearity | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Coefficients | Standard Error | t Stat | p Value | R Squared | Coefficient | Intercept | DI=1.69 Du=1.72 DW-Stat | Adjusted R-Squared against other Indep | Variables With RSQ at > 90% |
| Intercept | 40,145,912.355 | 6,431,757.333 | 6.242 | 0.00% | | | | | | |
| HDD | 6,219.476 | 325.374 | 19.115 | 0.00% | 73.43% | 5519.09 | 11151760.00 | 0.35 | 39.07% | |
| CDD | 7,579.059 | 2,394.526 | 3.165 | 0.20% | 19.38% | -19898.82 | 13613033.00 | 0.63 | 44.59% | |
| NoD in Month | 236,801.072 | 95,018.023 | 2.492 | 1.41% | 0.79% | -210887.50 | 19512298.00 | 2.96 | 3.12% | |
| Unemployment | -6,196.964 | 8,574.463 | -0.723 | 47.13% | 18.52% | -52348.43 | 48740820.00 | 0.23 | 68.70% | |
| #Cust | -5,886.755 | 1,670.048 | -3.525 | 0.06% | 7.27% | -6911.13 | 51161748.00 | 0.07 | 63.38% | |

d) HHI will not update its Load Forecast based on the above results even if the R-Square is improved. HHI submits that even if the R-Square is higher, in many of the cases, the coefficient shows counter-intuitive results which indicate that the variable suggested should be removed. In this particular case, HHI could not explain why the load would lower as the number of customer increases. HHI maintains that its proposed results are statistically better than the ones suggested by Board Staff and therefore, proposes to keep the R-Square as presented in its application.

e) The above scenarios are for hypothetical purposes only. The model has not been updated to reflect these results as HHI still stand by the results it proposed as part of its original application.

## 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.

Response:

The low consumption represents monthly billing adjustments. The total for 2008, 2009, 2010 and 2011 used in determining the load forecast show accurate total consumption.

2007: 53,035,556 kwh
2008: 53,471,410 kwh
2009: 52,558,954 kwh
2010: 50,277,839 kwh

## 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.

Response:

a) This specific request cannot be completed in a reasonable time. For this reason, the information requested will not be submitted in the manner asked for; however, the utility has provided January to July data in the table below.
b) N/A

| | | **Wholesale** |
|---|---|---|
| | | **Wholesale Purchases** |
| Year | Month | |
| | | |
| **2017** | January | 14409591 |
| **2017** | February | 12880390 |
| **2017** | March | 14189547 |
| **2017** | April | 11006101 |
| **2017** | May | 10695175 |
| **2017** | June | 10730356 |
| **2017** | July | 11308244 |
| **2017** | August | 11399916 |
| **2017** | September | 10779409 |
| **2017** | October | |
| **2017** | November | |
| **2017** | December | |

| | | Residential | |
|---|---|---|---|
| | | kWh | Number of Customer/ Connection |
| Year | Month | | |
| | | | |
| **2017** | January | 5471696 | 4836 |
| **2017** | February | 4764431 | 4836 |
| **2017** | March | 5168947 | 4828 |
| **2017** | April | 3506271 | 4831 |
| **2017** | May | 3034971 | 4826 |
| **2017** | June | 2879629 | 4826 |
| **2017** | July | 3218878 | 4829 |
| **2017** | August | 3065760 | 4826 |
| **2017** | September | 2829990 | 4828 |
| **2017** | October | | |
| **2017** | November | | |
| **2017** | December | | |

| | | General Service < 50 kW | |
|---|---|---|---|
| | | kWh | Number of Customer/ Connection |
| Year | Month | | |
| | | | |
| **2017** | January | 1696424 | 609 |
| **2017** | February | 1519666 | 609 |
| **2017** | March | 1661504 | 608 |
| **2017** | April | 1311000 | 607 |
| **2017** | May | 1319737 | 607 |
| **2017** | June | 1379377 | 607 |
| **2017** | July | 1485163 | 610 |
| **2017** | August | 1497176 | 611 |
| **2017** | September | 1369770 | 612 |
| **2017** | October | | |
| **2017** | November | | |
| **2017** | December | | |

| | | General Service > 50 to 4999 kW | | |
|---|---|---|---|---|
| | | kWh | kW | Number of Customer/ Connection |
| Year | Month | | | |
| | | | | |
| **2017** | January | 6616081 | 15580 | 87 |
| **2017** | February | 6058924 | 15583 | 87 |
| **2017** | March | 6994950 | 14336 | 87 |
| **2017** | April | 5412818 | 15171 | 87 |
| **2017** | May | 5829269 | 15749 | 87 |
| **2017** | June | 5969383 | 16266 | 87 |
| **2017** | July | 5638787 | 15037 | 86 |
| **2017** | August | 6823295 | 17044 | 86 |
| **2017** | September | 6068854 | 16759 | 83 |
| **2017** | October | | | |
| **2017** | November | | | |
| **2017** | December | | | |

| | | Unmetered Scattered Load | |
|---|---|---|---|
| | | kWh | Number of Customer/ Connection |
| Year | Month | | |
| | | | |
| **2017** | January | 25189 | 9 |
| **2017** | February | 25189 | 9 |
| **2017** | March | 25189 | 9 |
| **2017** | April | 25189 | 9 |
| **2017** | May | 25189 | 9 |
| **2017** | June | 25189 | 9 |
| **2017** | July | 25189 | 9 |
| **2017** | August | 25189 | 9 |
| **2017** | September | 25189 | 9 |
| **2017** | October | | |
| **2017** | November | | |
| **2017** | December | | |

| | | Sentinel | | |
|---|---|---|---|---|
| | | kWh | kW | Customer/ Connection |
| Year | Month | | | |
| | | | | |
| **2017** | January | 5806 | 18 | 47 |
| **2017** | February | 5806 | 18 | 47 |
| **2017** | March | 5806 | 18 | 47 |
| **2017** | April | 5806 | 18 | 47 |
| **2017** | May | 5806 | 18 | 47 |
| **2017** | June | 5806 | 18 | 47 |
| **2017** | July | 5559 | 18 | 47 |
| **2017** | August | 5532 | 17 | 46 |
| **2017** | September | 5532 | 17 | 46 |
| **2017** | October | | | |
| **2017** | November | | | |
| **2017** | December | | | |

| | | Street Lighting | | |
|---|---|---|---|---|
| | | kWh | Number of Customer/ Connection | kW |
| Year | Montth | | | |
| | | | | |
| **2017** | January | 52457 | 115 | 1197 |
| **2017** | February | 44399 | 115 | 1197 |
| **2017** | March | 43796 | 115 | 1197 |
| **2017** | April | 36026 | 115 | 1197 |
| **2017** | May | 32717 | 115 | 1197 |
| **2017** | June | 30214 | 115 | 1197 |
| **2017** | July | 31681 | 115 | 1197 |
| **2017** | August | 35134 | 115 | 1197 |
| **2017** | September | 39709 | 115 | 1197 |
| **2017** | October | | | |
| **2017** | November | | | |
| **2017** | December | | | |

## 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.

Response:

a) The January to June information in presented in the response to 3-Staff-48. However, Since HHI has updated its forecast to incorporate a partial 2017 year, HHI also does not commit to updating the Load Forecast model using a customer forecast that incorporates partial year information for 2017.

## 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.

Response:

The Depreciation has been recorded in account 5740 which was not included in the determination of rates.

## 3.0 –VECC -15

Reference: Exhibit 3, page 13, Table 4
Load Forecast Model, Tab: Input – Adjustments and Variables

a) It is noted that the wholesale purchases set out in the Load Forecast model do not have any adjustments for Fit and MicroFIT. Please confirm that monthly wholesale purchases set out in Table 4 include purchases from embedded generation as well as Hydro One and the IESO.

Response:

a) HHI confirms that monthly wholesale purchases set out in Table 4 include purchases from embedded generation as well as Hydro One and the IESO.

## 3.0 –VECC -16

Reference: Exhibit 3, pages 17 and 19
Load Forecast Excel Model, Forecast Tab

a) The Application states that "To project the adjusted wholesale purchases for the bridge and test year, the model uses, for the most part, a simple average of the last ten years of historical data. HHI has applied this method of prediction to all variables". However, in the Load Forecast model the HDD and CDD value used for 2018 appear not be based on the average for the years 2007-2016 as the Application states (page 15), but rather on an average of the values for 2008-2017 plus the 10 year average (2007-2016) average. Please explain why.
b) Please re-do the wholesale power purchase forecast for 2018 using the average of the HDD and CDD values for the 2007-2016 period.
c) The 2018 employment values used in the model are "hard coded" such that it is not clear how they were determined. Please explain how the values were calculated and why the approach used is appropriate.
d) Please define what is considered the HHI economic region (per page 17)
e) Is HHI aware of any independent forecasts that are prepared for employment in the HHI economic region? If so, please provide.

Response:

a) Correct. The utility uses a 10-year historical average counting backwards from the year in question. Therefore, for 2018, HHI used 2008-forecasted 2017. Using 2007-2016 would yield the same results as 2017 which in HHI's view would be incorrect as the forecast for 2018 should reflect exponential trend.
b) As requested

| | Predicted | HDD | CDD | Days/mon | Employ | Daylight hours |
|---|---|---|---|---|---|---|
| 2017-January | 15441695.77 | 840.32 | 0.00 | 31.00 | 700.07 | 9.09 |
| 2017-February | 14158621.95 | 751.67 | 0.00 | 28.33 | 700.39 | 10.19 |
| 2017-March | 14109383.68 | 611.16 | 0.00 | 31.00 | 700.71 | 11.51 |
| 2017-April | 12142365.19 | 332.97 | 0.72 | 30.00 | 701.03 | 13.28 |
| 2017-May | 11334351.82 | 130.63 | 17.34 | 31.00 | 701.35 | 14.52 |
| 2017-June | 10704007.29 | 30.88 | 44.00 | 30.00 | 701.68 | 15.35 |
| 2017-July | 11274523.34 | 5.88 | 96.11 | 31.00 | 702.00 | 15.15 |
| 2017-August | 11182880.78 | 13.20 | 91.48 | 31.00 | 702.32 | 14.03 |
| 2017-September | 10913522.29 | 91.04 | 52.88 | 30.00 | 702.64 | 12.29 |
| 2017-October | 11848222.16 | 274.01 | 10.11 | 31.00 | 702.96 | 10.51 |
| 2017-November | 12674137.53 | 472.33 | 0.19 | 30.00 | 703.28 | 9.28 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2017-December | 14171224.04 | 669.49 | 0.00 | 31.00 | 703.60 | 8.47 |
| 2018-January | 15417416.12 | 840.32 | 0.00 | 31.00 | 703.92 | 9.09 |
| 2018-February | 14151567.90 | 751.67 | 0.00 | 28.26 | 704.25 | 10.19 |
| 2018-March | 14137563.52 | 611.16 | 0.00 | 31.00 | 704.57 | 11.51 |
| 2018-April | 12129047.32 | 332.97 | 0.72 | 30.00 | 704.89 | 13.28 |
| 2018-May | 11288931.82 | 130.63 | 17.34 | 31.00 | 705.21 | 14.52 |
| 2018-June | 10577940.57 | 30.88 | 44.00 | 30.00 | 705.53 | 15.35 |
| 2018-July | 11076422.76 | 5.88 | 96.11 | 31.00 | 705.85 | 15.15 |
| 2018-August | 10936235.62 | 13.20 | 91.48 | 31.00 | 706.17 | 14.03 |
| 2018-September | 10663745.22 | 91.04 | 52.88 | 30.00 | 706.50 | 12.29 |
| 2018-October | 11641508.79 | 274.01 | 10.11 | 31.00 | 706.82 | 10.51 |
| 2018-November | 12768249.60 | 472.33 | 0.19 | 30.00 | 707.14 | 9.28 |
| 2018-December | 14328679.72 | 669.49 | 0.00 | 31.00 | 707.46 | 8.47 |

| Summary | As field | VECC IR | Diff. |
|---|---|---|---|
| 2018-January | 15410207.93 | 15417416.12 | -7208.19 |
| 2018-February | 15104434.25 | 14151567.90 | 952866.35 |
| 2018-March | 14334201.75 | 14137563.52 | 196638.23 |
| 2018-April | 12435161.57 | 12129047.32 | 306114.25 |
| 2018-May | 11192905.28 | 11288931.82 | -96026.54 |
| 2018-June | 10629441.11 | 10577940.57 | 51500.54 |
| 2018-July | 10866703.86 | 11076422.76 | -209718.9 |
| 2018-August | 10802498.50 | 10936235.62 | -133737.12 |
| 2018-September | 10939215.53 | 10663745.22 | 275470.31 |
| 2018-October | 11701262.60 | 11641508.79 | 59753.81 |
| 2018-November | 12799207.68 | 12768249.60 | 30958.08 |
| 2018-December | 14072255.99 | 14328679.72 | -256423.73 |
| | | | **1170187.09** |

c) The hard-coded data (exercise to determine the 20-year average) has been rectified in the model filed in support of these responses.

d) For all variables except “employment”, the utility used an average. For the employment, the utility uses a linear forecasting method as an average would yield incorrect projections for 2017-2018.

e) HHI is not aware of any forecasts of employment for the Hawkesbury region that could be of use to the determination of its load forecast.

## 3.0 –VECC -17

Reference: Exhibit 3, page 21

a) In Table 8 the actual and predicted wholesale values are exactly the same – please review and correct as necessary.

### Response

The corrected table is shown below.

**Table 1 - Wholesale vs. Adjusted using the coefficients from the regression results**

| Year | Wholesale | year over year | Predicted | year over year |
|---|---|---|---|---|
| | | | | |
| 2007 | 168,514,536 | | 167,452,064 | |
| 2008 | 167,375,788 | -0.68% | 159,143,846 | |
| 2009 | 167,014,596 | -0.22% | 162,860,706 | 2.34% |
| 2010 | 159,288,613 | -4.63% | 157,138,901 | -3.51% |
| 2011 | 161,859,215 | 1.61% | 155,080,556 | -1.31% |
| 2012 | 155,160,223 | -4.14% | 151,645,786 | -2.21% |
| 2013 | 154,796,479 | -0.23% | 156,370,293 | 3.12% |
| 2014 | 148,208,227 | -4.26% | 153,211,546 | -2.02% |
| 2015 | 145,328,620 | -1.94% | 154,667,603 | 0.95% |
| 2016 | 143,768,237 | -1.07% | 153,743,233 | -0.60% |

## 3.0 –VECC -18

Reference: Exhibit 3, page 24

a) In Table 11 the 10 year an 20 year values are exactly the same – please review and correct as necessary.

### Response

(a) HHI's intention was to show only 2018 normalized load using the 10year average vs 20year average as rate are determined on the basis of the 2018 load forecast. Table 11 with 2017 removed is shown below.

| Date | Weather Normalized 10Year | Yearly Total 10Year | Weather Normalized 20Year | Yearly Total 210Year |
|---|---|---|---|---|
| 2018-January | 15240061.31 | | 15500301.11 | |
| 2018-February | 14861560.08 | | 14703911.50 | |
| 2018-March | 14010853.79 | | 13914082.33 | |
| 2018-April | 12306996.85 | | 12018215.45 | |
| 2018-May | 11064118.44 | | 10930080.69 | |
| 2018-June | 10534774.07 | | 10625439.55 | |
| 2018-July | 10706507.97 | | 10854871.72 | |
| 2018-August | 10819132.93 | | 10697664.94 | |
| 2018-September | 10928631.98 | | 10651330.63 | |
| 2018-October | 11676391.29 | | 11729898.86 | |
| 2018-November | 12699292.71 | | 12889727.33 | |
| 2018-December | 14069857.13 | 148918178 | 14402614.04 | 148918138 |

## 3.0 –VECC -19

Reference: Exhibit 3, page 25
Load Forecast Model, Tab: Input – Customer Data

a) In the discussion regarding the determination of the customer forecast HHI states “in HHI’s case the MicroFit related consumption was removed from the Wholesale Purchases”. Please explain what the associated adjustments were and how they relate to the determination of the forecast customer/connection count.

Response

a) The statement was incorrect, the consumption related to MicroFits was not removed from the wholesale used for the regression.

## 3.0 –VECC -20

Reference: Exhibit 3, page 26

a) Are the customer/connection counts shown in Table 12 year-end or average annual values?
b) Please provide the actual customer/connection count by class as of June 30, 2017.
c) Please provide the customer/connection counts by class for the most recent month available.

Response

a) The customer counts are averages as per the filing requirements.
b) & c) Please see responses to 3-Staff-48

## 3.0 –VECC -21

Reference: Exhibit 3, pages 28-
Load Forecast Excel Model, Tab: Bridge and Test Year Class Forecast and Tab: CDM Allocation

a) With respect to the Residential Class, Table 13 suggests the 2018 forecast is reduced by the average use attributed to six customers. Please confirm that the forecast proposed by HHI does not actually incorporate this Residential adjustment. If it does, explain why.
b) With respect to the GS<50 Class, Table 14 suggests the 2018 forecast is reduced by the average use attributed to four customers. Please confirm that the forecast proposed by HHI does not actually incorporate this GS<50 adjustment. If it does, explain why.
c) With respect to the GS>50 Class, Table 15 suggests the 2018 forecast is reduced by the average use attributed to one customer. Please confirm that the forecast proposed by HHI does not actually incorporate this GS>50 adjustment. If it does, explain why.

Response

a) HHI confirms that the forecast does not incorporate the adjustments for Residential, GS<50kW and GS>50kW.
b) See response to a)
c) See response to a)

## 3.0 –VECC -22

Reference: Exhibit 3, pages 36-40

a) Please provide a copy of HHI's approved CDM Plan.
b) Please confirm that, based on HHI's approved CDM Plan the expected energy savings from 2016, 2017 and 2018 CDM programs are 1,439 MWh, 1,434 MWh and 1,362 MWh respectively.
c) Please provide a copy of HHI's verified 2016 CDM Results (the excel version).
d) Please confirm that the verified results from 2016 CDM programs persisting in 2018 is 1,339,758 kWh.
e) Please reconcile the preceding values with the 2018 CDM adjustment proposed in the Application

Response:

a) The CDM plan is filed along with these responses.
b) Confirmed (as per 2016 verified results).
c) The 2016 verified results are being filed along with these responses.
d) Confirmed.
e) The CDM adjustments in the Load Forecast model have been updated to reflect the 2016 verified results where were not available at the time of the filing.

## 3.0 –VECC -23

Reference: Exhibit 3, pages 63 and 69
Cost Allocation Model, Tab O3.6

a) With respect to page 63, in what account are the revenues from the microFIT service charges recorded and what were the revenues for 2016?
b) What are the incremental revenues for 2018 attributable to the proposed increase in the MicroFIT service charge?
c) What services does Utilismart provide and do they replace all of the activities and costs set out in Tab O3.6?
d) If there are remaining costs that HHI occurs and that are attributable to MicroFIT customers why shouldn't they be added to the $10.

Response

a) Those revenues are recorded in account 4080. Revenues in 2016 were in the amount of $388.80.
b) The increase would represent an incremental $332/year.
c) With respect to MicroFit, Utilismart, as the utility's settlement provider, reads the meters. HHI's request is based on the fact that the utility is charged a $10/month monthly fee to have the meters read. The utility should be able to recover those costs. The utility cannot confirm the information at O-3.6 as there is not clear explanation as to how the numbers are calculated. Furthermore, the OEB's note in the instruction tab of the model indicates that worksheet O-3.6 will not likely be considered relevant for approval of a non-uniform charge.
d) HHI confirms that there are no charges other than the $10 from Utilismart.

# 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.

Response:

a) HHI notes that the information requested cannot be prepared in the time allowed to provide a response. Instead, HHI has provided the request on a per account basis in the Preamble section of the responses.
b) See table below. The -$29,747 variance in account 5315-Customer Billing can be explained by the fact that HHI has a new billing clerk in place and no longer needs the services of ERTH. ERTH provided services while the VP was on sick leave and later while her succession was being planned. All other variances are considered immaterial.

| | | 2017As filed | Revised budgeted for 2017 | Variance |
|---|---|---|---|---|
| Account | Description | | | |
| | | | | |
| Operations | | | | |
| | 5014-Transformer Station Equipment - Operation Labour | $50,580 | $46,981 | -$3,599 |
| | 5015-Transformer Station Equipment - Operation Supplies and Expenses | $7,719 | $8,539 | $820 |
| | 5016-Distribution Station Equipment - Operation Labour | $12,647 | $12,471 | -$176 |
| | 5017-Distribution Station Equipment - Operation Supplies and Expenses | $1,296 | $1,275 | -$21 |
| | 5020-Overhead Distribution Lines and Feeders - Operation Labour | $17,319 | $16,503 | -$816 |
| | 5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses | $989 | $983 | -$6 |
| | 5035-Overhead Distribution Transformers- Operation | $7,139 | $6,422 | -$717 |
| | 5040-Underground Distribution Lines and Feeders - Operation Labour | $2,816 | $3,904 | $1,088 |
| | 5055-Underground Distribution Transformers - Operation | $1,823 | $1,083 | -$740 |
| | 5065-Meter Expense | $9,596 | $10,680 | $1,084 |
| | 5095-Overhead Distribution Lines and Feeders - Rental Paid | $1,482 | $1,468 | -$14 |
| Total - Operations | | $113,406 | $110,309 | -$3,097 |
| Account | Description | | | |
| Maintenance | | | | |
| | 5105-Maintenance Supervision and Engineering | $6,818 | $6,818 | $0 |
| | 5120-Maintenance of Poles, Towers and Fixtures | $14,882 | $16,922 | $2,040 |
| | 5125-Maintenance of Overhead Conductors and Devices | $45,198 | $40,986 | -$4,212 |
| | 5130-Maintenance of Overhead Services | $47,528 | $42,877 | -$4,651 |
| | 5135-Overhead Distribution Lines and Feeders - Right of Way | $60,583 | $62,608 | $2,025 |
| | 5145-Maintenance of Underground Conduit | $374 | $387 | $13 |
| | 5150-Maintenance of Underground Conductors and Devices | $8,240 | $8,898 | $658 |

| | | | | |
|---|---|---|---|---|
| | 5155-Maintenance of Underground Services | $7,451 | $6,932 | -$519 |
| | 5160-Maintenance of Line Transformers | $2,603 | $8,162 | $5,559 |
| | 5175-Maintenance of Meters | $1,293 | $4,246 | $2,953 |
| Total - Maintenance | | $194,970 | $198,837 | $3,867 |
| Account | Description | | | |
| Billing and Collecting | | | | |
| | 5305-Supervision | $0 | $0 | $0 |
| | 5310-Meter Reading Expense | $31,433 | $31,380 | -$53 |
| | 5315-Customer Billing | $265,414 | $235,667 | -$29,747 |
| | 5320-Collecting | $109,739 | $105,938 | -$3,801 |
| | 5325-Collecting- Cash Over and Short | $12 | $12 | $0 |
| | 5335-Bad Debt Expense | $56,098 | $68,489 | $12,391 |
| | 5340-Miscellaneous Customer Accounts Expenses | $0 | $0 | $0 |
| Total - Billing and Collecting | | $462,696 | $441,487 | -$21,209 |
| Account | Description | | | |
| Administrative | | | | |
| | 5605-Executive Salaries and Expenses | $110,794 | $116,424 | $5,630 |
| | 5610-Management Salaries and Expenses | $57,620 | $60,925 | $3,305 |
| | 5620-Office Supplies and Expenses | $22,345 | $21,669 | -$676 |
| | 5630-Outside Services Employed | $65,549 | $64,281 | -$1,268 |
| | 5635-Property Insurance | $4,284 | $4,200 | -$84 |
| | 5640-Injuries and Damages | $10,194 | $8,651 | -$1,543 |
| | 5645-Employee Pensions and Benefits | $10,080 | $10,005 | -$75 |
| | 5655-Regulatory Expenses | $94,067 | $94,067 | $0 |
| | 5665-Miscellaneous General Expenses | $17,034 | $17,412 | $378 |
| | 5675-Maintenance of General Plant | $22,881 | $20,654 | -$2,227 |
| | 5680-Electrical Safety Authority Fees | $5,506 | $5,140 | -$366 |
| | 6205-Sub-account LEAP Funding | $2,000 | $2,000 | $0 |
| Total - Admin | | $341,082 | $115,747 | $425,428 |
| Total | | $1,193,426 | $1,176,062 | -$17,364 |

## 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.

Response:

(a) Please see HHI's response to 1-Staff-8, 1-Staff-9, 1-Staff-11and 1-Staff-12.
(b) The costs included in the Test Year are the minimum costs required to operate the utility in the most cost-efficient manner possible. HHI cannot specifically identify examples of increased OMA spending in 2018 where the sole purpose of the spending is to specifically and materially improve service or outcomes; spending is included because it is required to maintain and operate the system, with some areas of spending incrementally improving service's and outcomes as a by-product of proper management of the system.

As explained in Section 1.3 of the Business Plan, HHI plans to achieve its strategic goals by setting and meeting the following objectives:

- Improve grid 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.

HHI also notes that many of its costs are non-discretionary and out of the utility's control. i.e. increase in locates, new underground service, increase in bad debt, regulatory costs etc.

(c) HHI PEG results indicate that it has reached the optimal results from a cost perspective. As indicated in the response to 1-Staff-16, some of the key factors that the utility will continue to monitor are; effective business planning, a continuous focus on operational efficiency, and managing expenditures to make sure that they are in line with budgets when possible.

# 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.

Response:

HHI confirms that the statement at Section 4.2.2 page 14 was based on outdated information and should have reflected the $123 in 2014BA vs 132 in the 2018 Test Year.

# 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.

Response:

a) The two main areas of spending which HHI can, on a temporary basis, reduce when resources are constrained are Tree Trimming and Office Expenses. (highlighted in yellow below). HHI has provided a account by account explanation of reductions that occurred as a result of other factors. Please see the table below:

| | 2014 Board Approved | 2014 actuals | variance | notes |
|---|---|---|---|---|
| | | | | |
| 5014-Transformer Station Equipment - Operation Labour | $ 10,000.00 | $ 6,522.36 | -$ 3,477.64 | reduction in general maintenance due to revamp of stations |
| 5015-Transformer Station Equipment - Operation Supplies and Expenses | $ 9,000.00 | $ 8,425.78 | -$ 574.22 | reduction in general maintenance due to revamp of stations |
| 5016-Distribution Station Equipment - Operation Labour | $ 12,000.00 | $ 259.96 | -$ 11,740.04 | reduction in general maintenance due to revamp of stations finalized. Extra expenses reduced without impact. |
| 5017-Distribution Station Equipment - Operation Supplies and Expenses | $ 6,500.00 | $ 3,068.67 | -$ 3,431.33 | reduction in general maintenance due to revamp of stations finalized. Extra expenses reduced without impact. |
| 5020-Overhead Distribution Lines and Feeders - Operation Labour | $ 13,500.00 | $ 10,897.01 | -$ 2,602.99 | generally, less trouble calls than expected. |
| 5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses | $ 1,600.00 | $ 311.00 | -$ 1,289.00 | generally, less trouble calls than expected. |
| 5035-Overhead Distribution Transformers- Operation | $ 10,000.00 | $ 6,773.48 | -$ 3,226.52 | Pcb Testing less than expected. Also les trouble calls related to transformers |
| 5040-Underground Distribution Lines and Feeders - Operation Labour | $ 2,500.00 | $ 1,652.26 | -$ 847.74 | generally, less trouble calls that expected. |
| 5045-Underground Distribution Lines and Feeders - Operation Supplies and Expenses | $ 50.00 | $ - | -$ 50.00 | generally, less trouble calls that expected. |
| 5055-Underground Distribution Transformers - Operation | $ 3,500.00 | $ 2,105.01 | -$ 1,394.99 | some pad mount transformers not inspected due to cashflow. Postponed in future years |
| 5065-Meter Expense | $ 26,300.00 | $ 10,397.10 | -$ 15,902.90 | Over estimated due to activities in previous years. |

| | | | | |
|---|---|---|---|---|
| 5095-Overhead Distribution Lines and Feeders - Rental Paid | $ 1,600.00 | $ 886.91 | -$ 713.09 | 2014 BA from average of prior years. 2014 and on lower that BA |
| **Sub-Total** | $ 96,550.00 | $ 51,299.54 | -$ 45,250.46 | |

| | 2014 Board Approved | 2014 actuals | variance | notes |
|---|---|---|---|---|
| 5105-Maintenanc Supervision and Engineering | $ 1,100.00 | $ 6,035.00 | $ 4,935.00 | increase from after hours call center |
| 5120-Maintenance of Poles, Towers and Fixtures | $ 11,000.00 | $ 7,526.62 | -$ 3,473.38 | reduced pole replacement due to cashflow (see capital expenditures. So other pole activities were reduced also (ex: removal poles etc.) |
| 5125-Maintenance of Overhead Conductors and Devices | $ 35,000.00 | $ 25,533.49 | -$ 9,466.51 | over budget from average in previous years… but in line after 2014 |
| 5130-Maintenance of Overhead Services | $ 50,000.00 | $ 54,612.33 | $ 4,612.33 | more HHI salary applied to more minor jobs |
| 5135-Overhead Distribution Lines and Feeders - Right of Way | $ 70,000.00 | $ 60,313.51 | -$ 9,686.49 | reduced due to cashflow |
| 5145-Maintenance of Underground Conduit | $ 1,500.00 | $ 387.48 | -$ 1,112.52 | over budget from average in previous years |
| 5150-Maintenance of Underground Conductors and Devices | $ 10,300.00 | $ 6,868.10 | -$ 3,431.90 | over budget from average in previous years |
| 5155-Maintenance of Underground Services | $ 9,900.00 | $ 8,270.09 | -$ 1,629.91 | Budget OK just less TC than expected |
| 5160-Maintenance of Line Transformers | $ 15,000.00 | $ 7,119.37 | -$ 7,880.63 | regular maintenance through 2014. no TC associated with transformers |
| 5175-Maintenance of Meters | $ 1,900.00 | $ 4,889.48 | $ 2,989.48 | more HHI salary that average of 4 years |
| Sub-Total | $ 205,700.00 | $ 181,555.47 | -$ 24,144.53 | |

| | 2014 Board Approved | 2014 actuals | variance | notes |
|---|---|---|---|---|
| 5310-Meter Reading Expense | $ 45,000.00 | $ 34,423.89 | -$ 10,576.11 | 2014BA based on previous years average. Over budget in 2014 and seems more in line with future years |
| 5315-Customer Billing | $ 245,000.00 | $ 243,056.54 | -$ 1,943.46 | in line |
| 5320-Collecting | $ 106,250.00 | $ 103,101.41 | -$ 3,148.59 | in line |
| 5325-Collecting- Cash Over and Short | $ 65.00 | $ 8.65 | -$ 56.35 | in line |
| 5335-Bad Debt Expense | $ 30,000.00 | $ 15,045.75 | -$ 14,954.25 | less than expected |
| Total | $ 426,315.00 | $ 395,636.24 | -$ 30,678.76 | |

| | 2014 Board Approved | 2014 actuals | variance | notes |
|---|---|---|---|---|
| 5605-Executive Salaries and Expenses | $ 112,000.00 | $ 107,369.18 | -$ 4,630.82 | varied from previous average for 2014 BA. Explanation could be simple as a Toronto meeting (assist or absent) |
| 5610-Management Salaries and Expenses | $ 78,000.00 | $ 76,479.35 | -$ 1,520.65 | in line |
| 5620-Office Supplies and Expenses | $ 30,000.00 | $ 17,385.36 | -$ 12,614.64 | reduced expenses cash flow |
| 5630-Outside Services Employed | $ 20,600.00 | $ 15,315.02 | -$ 5,284.98 | |
| 5635-Property Insurance | $ 12,000.00 | $ 4,078.70 | -$ 7,921.30 | 2014 BA based on previous 4-year average. Clearly over estimated |
| 5640-Injuries and Damages | $ 8,000.00 | $ 7,866.72 | -$ 133.28 | Based on MEARIE liability rates and annual premium |
| 5645-Employee Pensions and Benefits | $ 3,900.00 | $ 6,422.57 | $ 2,522.57 | under estimated in 2014 BA average |
| 5655-Regulatory Expenses | $ 65,400.00 | $ 57,229.87 | -$ 8,170.13 | less that 2014 BA average (IRM only) |
| 5665-Miscellaneous General Expenses | $ 15,700.00 | $ 15,999.46 | $ 299.46 | in line with 2014 BA |
| 5675-Maintenance of General Plant | $ 45,000.00 | $ 25,620.92 | -$ 19,379.08 | 2014 BA over estimated. |
| 5680-Electrical Safety Authority Fees | $ 5,300.00 | $ 6,410.02 | $ 1,110.02 | 2014 BA underestimated. As per ESA rates |
| 6205-Sub-account LEAP Funding | $ 2,076.00 | $ 2,000.00 | -$ 76.00 | |
| | $ 397,976.00 | $ 342,177.17 | -$ 55,798.83 | |

| | 2015 actuals | 2015 Actuals-2014Actuals | notes |
|---|---|---|---|
| 5014-Transformer Station Equipment - Operation Labour | $ 2,435.28 | -$ 4,087.08 | reduction in general maintenance due to revamp of stations |
| 5015-Transformer Station Equipment - Operation Supplies and Expenses | $ 17,915.53 | $ 9,489.75 | The main activity was due to work performed by our MSP (metering) |
| 5016-Distribution Station Equipment - Operation Labour | $ 2,135.65 | $ 1,875.69 | |
| 5017-Distribution Station Equipment - Operation Supplies and Expenses | $ 2,553.50 | -$ 515.17 | |
| 5020-Overhead Distribution Lines and Feeders - Operation Labour | $ 14,779.38 | $ 3,882.37 | more TC that anticipated $3371 |
| 5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses | $ 723.90 | $ 412.90 | |
| 5035-Overhead Distribution Transformers-Operation | $ 2,116.17 | -$ 4,657.31 | less trouble calls than estimated. |
| 5040-Underground Distribution Lines and | $ 2,847.60 | $ 1,195.34 | |

| | | | |
|---|---|---|---|
| Feeders - Operation Labour | | | |
| 5055-Underground Distribution Transformers - Operation | $ 2,119.94 | $ 14.93 | |
| 5065-Meter Expense | $ 7,476.26 | -$ 2,920.84 | Less expenses due to previous years activities with SM. |
| 5095-Overhead Distribution Lines and Feeders - Rental Paid | $ 886.91 | $ - | |
| 5096-Other Rent | $ - | $ - | |
| **Sub-Total** | $ 55,990.12 | $ 4,690.58 | |

| | 2015 actuals | 2015 Actuals-2014Actuals | notes |
|---|---|---|---|
| 5105-Maintenanc Supervision and Engineering | $ 6,560.00 | $ 525.00 | |
| 5120-Maintenance of Poles, Towers and Fixtures | $ 8,772.17 | $ 1,245.55 | on line with 2014 expectations with minor variance (remove old poles not capitalized) |
| 5125-Maintenance of Overhead Conductors and Devices | $ 36,494.41 | $ 10,960.92 | More in line with OEB 2014 approved- picked up work from 2014. SPL implied in work where HHI short in men |
| 5130-Maintenance of Overhead Services | $ 53,204.39 | -$ 1,407.94 | still in line with 2014 BA |
| 5135-Overhead Distribution Lines and Feeders - Right of Way | $ 56,039.18 | -$ 4,274.33 | reduced due to cashflow |
| 5145-Maintenance of Underground Conduit | $ 342.72 | -$ 44.76 | |
| 5150-Maintenance of Underground Conductors and Devices | $ 2,699.10 | -$ 4,169.00 | over budget from average in previous years |
| 5155-Maintenance of Underground Services | $ 7,065.48 | -$ 1,204.61 | Budget OK just less TC than expected |
| 5160-Maintenance of Line Transformers | $ 8,771.97 | $ 1,652.60 | similar situation to 2014 actuals |
| 5175-Maintenance of Meters | $ - | -$ 4,889.48 | none required in 2015 |
| Sub-Total | $ 179,949.42 | -$ 1,606.05 | |

| | 2015 actuals | 2015 Actuals-2014Actuals | notes |
|---|---|---|---|
| 5310-Meter Reading Expense | $ 34,817.28 | $ 393.39 | |
| 5315-Customer Billing | $ 233,513.81 | -$ 9,542.73 | Absent to Harris conference, Absent to Enercon conference. |
| 5320-Collecting | $ 106,676.27 | $ 3,574.86 | in line |
| 5325-Collecting- Cash Over and Short | $ 7.85 | -$ 0.80 | |
| 5330-Collection Charges | $ - | $ - | |

| | | | |
|---|---|---|---|
| 5335-Bad Debt Expense | $ 34,339.11 | $ 19,293.36 | in line with 2014 BA bad debt from 2014 carried over |
| 5340-Miscellaneous Customer Accounts Expenses | $ - | $ - | |
| | $ 409,354.32 | $ 13,718.08 | |

| | 2015 actuals | 2015 Actuals-2014Actuals | notes |
|---|---|---|---|
| 5605-Executive Salaries and Expenses | $ 101,804.32 | -$ 5,564.86 | mainly caused by redistribution of salary to CDM expenses |
| 5610-Management Salaries and Expenses | $ 39,465.20 | -$ 37,014.15 | Administrative assistant on major sick leave (cancer). Her absence alone cause $32K less salary |
| 5620-Office Supplies and Expenses | $ 22,542.75 | $ 5,157.39 | more than 2014 but still under 2014 BA for cashflow |
| 5630-Outside Services Employed | $ 32,579.31 | $ 17,264.29 | some outsource required due to the illness of Admin assistant. accounting services Deloitte |
| 5635-Property Insurance | $ 4,194.44 | $ 115.74 | in line with 2014 actuals |
| 5640-Injuries and Damages | $ 3,517.56 | -$ 4,349.16 | 2016 MEARIE Rate reduction |
| 5645-Employee Pensions and Benefits | $ 10,055.07 | $ 3,632.50 | MEARIE benefits as per rates charged |
| 5655-Regulatory Expenses | $ 40,927.41 | -$ 16,302.46 | less that 2014 BA average (IRM only) |
| 5665-Miscellaneous General Expenses | $ 17,503.15 | $ 1,503.69 | in line with 2015 |
| 5675-Maintenance of General Plant | $ 19,348.43 | -$ 6,272.49 | 2014 BA over estimated. |
| 5680-Electrical Safety Authority Fees | $ 5,108.74 | -$ 1,301.28 | 2015/2016 in line |
| 6205-Sub-account LEAP Funding | $ 2,000.00 | $ - | |
| | $ 299,046.38 | -$ 43,130.79 | |

| | 2016 Actuals | 2016 Actuals- 2015 Actuals | notes |
|---|---|---|---|
| 5014-Transformer Station Equipment - Operation Labour | 14448.62 | $ 12,013.34 | faulty fuse at sub 110 Kv, oil tests (ongoing station revamp, and infrared scanning, IO approval processes, Galvanized post drawings, more implication from HHI as revamping of station continues |
| 5015-Transformer Station Equipment - Operation Supplies and Expenses | 7567.43 | -$ 10,348.10 | in line with 2015 less MSP |

| | | | |
|---|---|---|---|
| 5016-Distribution Station Equipment - Operation Labour | 5536.28 | $ 3,400.63 | oil testing and infrared and more minor HHI maintenance (salary) |
| 5017-Distribution Station Equipment - Operation Supplies and Expenses | 1270.22 | -$ 1,283.28 | |
| 5020-Overhead Distribution Lines and Feeders - Operation Labour | 16979.29 | $ 2,199.91 | More Maintenance labour HHI, minor ice storm Dec 2016 |
| 5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses | 969.65 | $ 245.75 | |
| 5035-Overhead Distribution Transformers-Operation | 6998.8 | $ 4,882.63 | 2 transformer failures back yard distribution line. More expensive. More maint work from 2015 |
| 5040-Underground Distribution Lines and Feeders - Operation Labour | 2760.95 | -$ 86.65 | |
| 5055-Underground Distribution Transformers - Operation | 1079.81 | -$ 1,040.13 | |
| 5065-Meter Expense | 9407.74 | $ 1,931.48 | smart meter stops and error. |
| 5095-Overhead Distribution Lines and Feeders - Rental Paid | 1453.28 | $ 566.37 | |
| **Sub-Total** | 68472.07 | 12481.95 | |

| | 2016 Actuals | 2016 Actuals- 2015 Actuals | notes |
|---|---|---|---|
| 5105-Maintenanc Supervision and Engineering | $ 6,684.00 | $ 124.00 | |
| 5120-Maintenance of Poles, Towers and Fixtures | $ 14,590.44 | $ 5,818.27 | poles testing/ Mary street betterment, HHI salary for maintenance |
| 5125-Maintenance of Overhead Conductors and Devices | $ 44,311.51 | $ 7,817.10 | TC and regular maintenance from HHI |
| 5130-Maintenance of Overhead Services | $ 35,275.63 | -$ 17,928.76 | reduced due to cashflow and compensate 5125 |
| 5135-Overhead Distribution Lines and Feeders - Right of Way | $ 50,484.49 | -$ 5,554.69 | reduced due to cashflow |
| 5145-Maintenance of Underground Conduit | $ 129.56 | -$ 213.16 | |
| 5150-Maintenance of Underground Conductors and Devices | $ 6,695.22 | $ 3,996.12 | HHI salary and more fees from Ontario One call (Locates) |
| 5155-Maintenance of Underground Services | $ 6,408.06 | -$ 657.42 | in line with 2015 |
| 5160-Maintenance of Line Transformers | $ 2,551.97 | -$ 6,220.00 | Just HHI labour. 2016 good year |
| 5175-Maintenance of Meters | $ 1,267.77 | $ 1,267.77 | |

| | | | |
|---|---|---|---|
| Sub-Total | $ 168,398.65 | -$ 11,550.77 | |
| | 2016 Actuals | 2016 Actuals- 2015 Actuals | notes |
| 5310-Meter Reading Expense | $ 30,816.54 | -$ 4,000.74 | |
| 5315-Customer Billing | $ 257,683.45 | $ 24,169.64 | ERTH |
| 5320-Collecting | $ 105,460.11 | -$ 1,216.16 | in line |
| 5325-Collecting- Cash Over and Short | -$ 69.10 | -$ 76.95 | in line |
| 5330-Collection Charges | $ - | $ - | |
| 5335-Bad Debt Expense | $ 24,973.38 | -$ 9,365.73 | less than 2015 |
| | $ 418,864.38 | $ 9,510.06 | |
| | 2016 Actuals | 2016 Actuals- 2015 Actuals | notes |
| 5605-Executive Salaries and Expenses | $ 107,566.94 | $ 5,762.62 | mainly caused by redistribution of salary to CDM expenses (less than 2015) |
| 5610-Management Salaries and Expenses | $ 23,782.58 | -$ 15,682.62 | Administrative assistant came along early in 2016 (remission) and left in March (cancer). She passed away in July and Her position was vacant until October 31 2016 |
| 5620-Office Supplies and Expenses | $ 21,907.16 | -$ 635.59 | |
| 5630-Outside Services Employed | $ 65,549.30 | $ 32,969.99 | 1) Deloitte conversion to IFRS and 1 less employee battling cancer. Outsourcing was required for this vacant position until we could hire a new accountant. Also note that our biller then was on a maternity leave from March till November. |
| 5635-Property Insurance | $ 4,200.00 | $ 5.56 | in line 2015 |
| 5640-Injuries and Damages | 8523.36 | 5005.8 | more in line with normal yearly charges |
| 5645-Employee Pensions and Benefits | $ 9,882.51 | -$ 172.56 | in line 2015 |
| 5655-Regulatory Expenses | $ 53,425.91 | $ 12,498.50 | work for 2018 COS started in 2016 |
| 5665-Miscellaneous General Expenses | $ 16,700.00 | -$ 803.15 | |
| 5675-Maintenance of General Plant | $ 22,431.87 | $ 3,083.44 | 2014 BA over estimated. |
| 5680-Electrical Safety Authority Fees | $ 5,112.38 | $ 3.64 | 2015/2016 in line |
| 6205-Sub-account LEAP Funding | $ 2,000.00 | $ - | |
| | $ 341,082.01 | $ 42,035.63 | |

b) HHI analysed the urgent needs and postponed spending in areas where doing so would not immediately affect operations.

c) The reductions in spending had limited, if any operational impact. Decreased spending was confined to issues that did not affect reliability or safety, such as office supplies. HHI established that some of the tree trimming could be postpone for another year in order to alleviate some of the financial pressures at the time. Some of the reduction (i.e. compensation) are simply as a result of having one less employee in the absence of the administration assistant.
d) While limiting the impact to operations in the short term, the spending reductions are not sustainable. For example, with a very small staff, HHI could motivate its existing staff to temporarily cover extra responsibilities in the event of a colleague's illness. However, this is only sustainable for a short period, eventually the utility must replace this staff member. Office supply spending can be postpone but it's an expense that is eventually required to operate properly.
e) $104,770.75 was spent on 110kV substation project costs between January 2015 and July 2016.
f) $813K.
g)
    i. Confirmed
    ii. For the most part, HHI used its existing cashflow and line of credit.
    iii. Of the $2.3M loan amount under the first financing agreement with Infrastructure Ontario (I.O.), only $1.55M of the total funding was allocated for the 110kV substation project. $723,794.91 of the $1.55M had been previously provided to cover the project expenses incurred in 2013. With the additional $708,738.19 spent on the project in 2014, only $117,466.90 of the $1.55M remained to fund the 110kV substation project when the funds were provided by I.O. 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.

Response:

a) HHI has 7 employees.
b) Following the expected retirement of 2 lineman HHI will have 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.

Response:

a) HHI successfully recruited one billing clerk in the past four years.
b) HHI advertised in the newspaper and also uses a recruiting agency. Approximately 12 candidates responded. The successful candidate was selected due to past experience with a gas utility.
c) n/a.
HHI hires on an as-needed basis. As a small, remote utility it is difficult to attract candidates from larger centres (such as Montreal or Ottawa) with utility specific experience. HHI will also evaluate an employees skills and an take advantage of cross training opportunities to develop the required knowledge in-house wherever possible.

## 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 HHI
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.

Response:

Please refer to HHI's response to 2-Staff-26 and all its subsections.

## 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?

Response:

a) Please see the response to 4-Staff-54
b) Please see the response to 4-Staff-54
c)
    i.

Operational Activities (EBT, MDM/R and Settlement)

- Daily EBT Processing
- Daily MDM/R Sync
- Daily MDM/R Reports / Review / Exception
- Monthly Market Participant Invoice Processing
- Monthly Invoice Settlement Journal Processing

Monthly Billing Operations

- Residential / General Service Billing/Sentinels/Unmetered

- Interval Billing
- MicroFit Billing
- Settlement Processing
- Billing Adjustments
- Meter Changes (Installs, Removals, etc.)
- New Service creation
- Final accounts billing and collection.

ii. See below

- Operational Activities (EBT, MDM/R and Settlement)
- Daily EBT Processing
- Daily MDM/R Sync
- Daily MDM/R Reports / Review / Exception
- If an exception would occur, ERTH would advise Hydro Hawkesbury via email and we would create the service order to solve the issue on our end.
- Monthly Market Participant Invoice Processing
- Monthly Invoice Settlement Journal Processing
- Monthly Billing Operations
- Residential / General Service Billing/Sentinels/Unmetered (Prepare billing batches & verify/solve exceptions)
- CYCLE 1, 2 & SENTINEL LIGHTS (Route 88)
    - -Send the export file
    - -Load reading (always the 1st)
    - -Import readings with EIS
    - -Send billing quantity requests
    - -Import the billing quantity response
    - -Verify the code 02…. And fixed them
    - -Transfer readings in billing batch (schedule??) (SSS and retailer SEPARATELY)
    - -Fixed the variances with the program in EIS (TOU billing update)
    - -Send usage to retailers
    - -Calculate the batch

- Interval Billing (Includes streetlights (1)) (Prepare billing batches, verify/solve exceptions & verify with Utilismart)

- MicroFit Billing (Prepare billing batches, verify/solve exceptions & verify with Utilismart)
- Settlement Processing
- Billing Adjustments
- Meter Changes (Installs, Removals, etc.)
- Please note that Hydro Hawkesbury will provide ERTH with a template comprising of all the required information.
- New Service creation
-

iii. ERTH act as support if needed only. Typically, they do not participate in billing activities.

iv. Monthly ERTH costs $4,625 as per the service agreement while the CSR represents $3,252.HHI notes that billing is done in-house so there were no difference in office supplies.

v. The outsourcing was only done temporarily to cover a maternity leave. HHI has no intentions of permanently outsourcing its billing function.

## 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 Hawkesbury's 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.

Response:

a) See yearly costs below
b) See yearly costs below

| | 2014 FORECAST | 2014 ACTUALS | 2015 FORECAST | 2015 ACTUALS | 2016 FORECAST | 2016 ACTUALS | 2017 FORECAST | 2017 ACTUALS AS OF SEPT 30,2017 AND FORECAST TILL YEAR END | 2018 FORECAST |
|---|---|---|---|---|---|---|---|---|---|
| 5320 | $106,139 | $103,101 | $109,323 | $106,676 | $113,149 | $105,460 | $109,739 | $105,938 | $113,014 |
| | | | | | | | | | |
| 5335 | $14,152 | $15,046 | $14,576 | $34,339 | $15,087 | $24,973 | $56,098 | $68,489 | $57,225 |

c) HHI has prepared its forecast based on its actual collection costs.
d) Our CSR communicate and offer payment arrangements with all customers in accordance with the existing OEB rules. In HHI's experience, past due accounts (under payment arrangements) are unlikely to be paid since current accounts remain unpaid.
e) HHI's CSR habitually directs customers to OESP or other programs available.
f) Please see the response to e), above.
g) HHI has not identified any barriers.
h) Yes. Hydro Hawkesbury follow the OEB's rules. The OESP credit applied on the customer account lowers the invoice amount (collection)however waiving the deposit does increase HHI exposure to bad debts. HHI also offers a budget plan and payment arrangements.
i) 14.3%.
j) Bill inserts and Mail chimp.

## 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.

Response

a) The "occasional" vendor is used for vendors that usually do not have a profile created in HHI's accounting software.
b) The large increase in 2016 is largely due to Eptcon Ltd costs related to the substation. Other explanations for the variance are provided below (colour-coded)

| Vendor Name | Service | Amount – Tax In |
|---|---|---|
| Fondation Valoris | CDM | 2,278.08 |
| Banque Cibc | CDM | 1,366.01 |
| Tec Trade Ex Canada Inc | CDM | 569.52 |
| Ami De La Santé | CDM | 2,486.00 |
| Centre De Services A L'emploi De Prescott-Russell | Recruiting services | 1,682.93 |
| Ameublement Lucien Malaket | CDM | 5,121.16 |
| Iko Industries Ltd | CDM | 48,680.29 |
| Les Entreprises M.L. Seguin | CDM | 291.54 |
| Lysanne St-Pierre | Cleaning – Juillet | 276.80 |
| Lysanne St-Pierre | Cleaning – Aout | 198.40 |
| Gestion Deloitte S.E.C. | Accounting | 3,385.48 |
| Lysanne St-Pierre | Cleaning – Septembre | 272.05 |
| Coatall Inc. | Restoration Metal Roof | 59,325.00 |
| Eptcon Ltd | Sub 110kv Progress Draw #1 | 401,814.67 |
| Lysanne St-Pierre | Cleaning - October | 272.05 |
| Mindcore Technologies | Vertical Break Switch for Sub 110kv | 78,508.47 |
| Eptcon Ltd | Sub 110kv Progress Draw #2 | 512,494.14 |
| Charities Registry Association Communautaire | Cdm | 881.40 |
| Regular Occasional l | | 34,021.27 |
| | Total | 1,153,925.26 |

- CDM (incentives given to customers from actual framework)
- Regular occasional

- Should not have appeared in occasional because they already have a profile vendor.
- Since November 2016 this vendor has a vendor profile.
- Large invoices that occurred a few times and were marked as occasional

## 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.

Responses:

a) Costs paid to Sproule Power line in 2014 were related to work on the substation. HHI notes that the amounts listed on the supplier list includes material. In this case, HHI 157K was capitalized.

   In 2016 (compared to 2015), Sproule performed additional capital work such as;

   - Replace 3/0 primary for 336 mcm $ 35K
   - Issues related to Tree Trimming $ 28K
   - New pole for capital project $ 17K

## 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.

### Response:

HHI confirms that it does incur property taxes and that they were inadvertently omitted from the RRWF. For 2014, 2015 and 2016, the property taxes were $15,264, $15,126 and $14,843 respectively. 2017 actuals are $17,420 (2,577 higher). HHI has projected 2018 to be $17,768.

| TAX, WATER, SEWER AND GARBAGE | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2016 | | | | 2017 | | | |
| DESCRIPTION | VALUE | TAX RATE % | AMOUNT $ | DESCRIPTION | VALUE | TAX RATE % | AMOUNT $ |
| Tax interim 2016 - sub 44kv | 2,351 | 0.5 | $1,175.58 | Tax interim 2017 - sub 44kv | 2,420 | 0.5 | $1,209.82 |
| Tax interim 2016 - sub 115kv | 825 | 0.5 | $412.42 | Tax interim 2017 - sub 115kv | 813 | 0.5 | $406.26 |
| Tax interim 2016 - 850 tupper st | 10,691 | 0.5 | $5,345.61 | Tax interim 2017 - 850 tupper st | 10,424 | 0.5 | $5,212.03 |
| - interim payment - sub 44kv | | | -$1,175.58 | - interim payment - sub 44kv | | | -$1,209.82 |
| - interim payment - sub 115kv | | | -$412.42 | - interim payment - sub 115kv | | | -$406.26 |
| - interim payment - 850 tupper st | | | -$5,345.61 | - interim payment - 850 tupper st | | | -$5,212.03 |
| Tax final 2016 - sub 44kv - municipal | 40,500 | 0.03246795 | $1,314.95 | Tax final 2017 - sub 44kv - municipal | 35,000 | 0.03218271 | $1,126.39 |
| Tax final 2016 - sub 44kv - county | 40,500 | 0.01227595 | $497.18 | Tax final 2017 - sub 44kv - county | 35,000 | 0.01194483 | $418.07 |
| Tax final 2016 - sub 44kv - scolaire | 40,500 | 0.015 | $607.50 | Tax final 2017 - sub 44kv - scolaire | 35,000 | 0.0139 | $486.50 |
| Tax final 2016 - sub 115kv - municipal | 13,600 | 0.03246795 | $441.56 | Tax final 2017 - sub 115kv - municipal | 18,575 | 0.03218271 | $597.79 |
| Tax final 2016 - sub 115kv - county | 13,600 | 0.01227595 | $166.95 | Tax final 2017 - sub 115kv - county | 18,575 | 0.01194483 | $221.88 |
| Tax final 2016 - sub 115kv - scolaire | 13,600 | 0.015 | $204.00 | Tax final 2017 - sub 115kv - scolaire | 18,575 | 0.0139 | $258.19 |
| Tax final 2016 - 850 tupper st - municipal | 317,000 | 0.01531576 | $4,855.10 | Tax final 2017 - 850 tupper st - municipal | 408,750 | 0.01550659 | $6,338.32 |
| Tax final 2016 - 850 tupper st - county | 317,000 | 0.00576768 | $1,828.35 | Tax final 2017 - 850 tupper st - county | 408,750 | 0.00581241 | $2,375.82 |
| Tax final 2016 - 850 tupper st - scolaire | 317,000 | 0.0118 | $3,740.60 | Tax final 2017 - 850 tupper st - scolaire | 408,750 | 0.0114 | $4,659.75 |
| Water/sewer/garbage 2016-01-01 to 2016-03-31 | | | $277.75 | Water/sewer/garbage 2017-01-01 to 2017-03-31 | | | $202.77 |
| Water/sewer/garbage 2016-04-01 to 2016-06-30 | | | $267.95 | Water/sewer/garbage 2017-04-01 to 2017-06-30 | | | $205.84 |
| Water/sewer/garbage 2016-07-01 to 2016-09-30 | | | $354.00 | Water/sewer/garbage 2017-07-01 to 2017-09-30 | | | $221.58 |
| Water/sewer/garbage 2016-10-01 to 2016-12-31 | | | $282.75 | Water/sewer/garbage 2017-10-01 to 2017-12-31 | | ESTIMATE | $282.75 |
| | | | | Work performed for munical drain | | | $24.41 |
| CANPAR - DELIVERY | | | $4.42 | | | | |
| Total for 2016 | | | $14,843.06 | Total for 2017 (with the estimate of water/sewer/garbage 2017-10-01 to 2017-12-31) | | | $17,420.05 |

## 4.0-VECC-24

Reference: Section 4.2.1, page 8

a) Please provide the actual bad debt expense for 2017 to date.
b) Please explain how the estimate of bad debt expense for 2018 was calculated.

### Response

a) With new legislation restricting the ability of utilities to disconnect residential customers that are delinquent in their payments for electricity, HHI has forecast an increase in the number of customers who will be sent to the Collection agency due to customers not paying their bills during the winter months. To date, the utility's bad debt is in the amount o $68,489.

| | 2017 |
|---|---|
| BANKRUPTCIES & DEATH | $ 50,375.13 |
| Bad Debts | $ 29,703.16 |
| WRITE-OFFS | **$ 80,078.29** |
| Recovery of the HST on bad debts | $ (10,234.01) |
| Recovery of bad debt claims during the year - WRITE-INS | $ (1,355.13) |
| BAD DEBTS - TOTAL | **$ 68,489.15** |

b) The estimate for the bad debt was based on a hybrid of an analysis of historical trend and a forecast based on knowledge and understanding of its customer's approach towards their unpaid bills.

## 4.0-VECC-25

Reference Exhibit 4, Section 4.6.3, Appendix 2-JC & Appendix 2-M, pages 44-

a) Please explain the increase in regulatory expenses in 2017 and 2018 ($159.6k and $162.5k respectively)
b) Please reconcile the total amounts shown for regulatory costs in Table 21 (Appendix 2-M) with those shown in Appendix 2-JC

### Response

a) HHI is unable to find Board Staff's reference to regulatory expenses in 2017 and 2018 of $159.6k and $162.5k respectively. The difference of $36,700 between 2017 and 2018 is attributable to costs related to the application. Costs are detailed at Table 20 of Exhibit 4.

| | Regulatory Cost Category | USoA Account | USoA Account Balance | Ongoing or One-time Cost? [2] | Last Rebasing Year (2014 Board Approved) | Most Current Actuals Year 2016 | 2017 Bridge Year | Annual % Change | 2018 Test Year | Annual % Change |
|---|---|---|---|---|---|---|---|---|---|---|
| (A) | | (B) | (C) | (D) | (E) | (F) | (G) | (H) = [(G)-(F)]/(F) | (I) | (J) = [(I)-(G)]/(G) |
| 1 | OEB Annual Assessment | 5655 | See line 30 | On-Going | $8,900 | $21,958 | $23,056 | 5.00% | $24,209 | 5.00% |
| 2 | OEB Section 30 Costs (Applicant-originated) | 5655 | See line 30 | On-Going | | | | | | |
| 3 | OEB Section 30 Costs (OEB-initiated) | 5655 | See line 30 | On-Going | $1,500 | $1,468 | $1,541 | 5.00% | $1,618 | 5.00% |
| 4 | Expert Witness costs for regulatory matters | 5655 | See line 30 | On-Going | | | | | | |
| 5 | Legal costs for regulatory matters | 5655 | See line 30 | On-Going | | | | | | |
| 6 | Consultants' costs for regulatory matters | 5655 | See line 30 | On-Going | $45,000 | $30,000 | $ 33,000 | 10.00% | $33,000 | 0.00% |
| 7 | Operating expenses associated with staff resources allocated to regulatory matters | 5655 | See line 30 | | | | | | | |
| 8 | Operating expenses associated with other resources allocated to regulatory matters [1] | 5655 | See line 30 | | | | | | | |
| 9 | Other regulatory agency fees or assessments | 5655 | See line 30 | | | | | | | |
| 10 | Any other costs for regulatory matters (please define) | 5655 | See line 30 | On-Going | | | $500 | | | -100.00% |
| 11 | Intervenor costs | 5655 | See line 30 | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 11 | Cost of Service Amortized over 5 years | 5655 | See line 30 | One-Time | | | | | $36,700 | |
| 12 | Sub-total - Ongoing Costs [3] | | | | $55,400 | $53,426 | $58,097 | 8.74% | $58,827 | 1.26% |
| 13 | Sub-total - One-time Costs [4] | | | | | | | | $ 36,700 | |
| 14 | Total | | | | $55,400 | $53,426 | $58,097 | 8.74% | $95,527 | 64.43% |

b) Please HHI's response to 4-SEC-22 for details.

## 4.0-VECC-26

Reference: Exhibit 4, Section Table 14

a) Please revise Table 14 to show OM&A program spending by USoA accounts.

Response

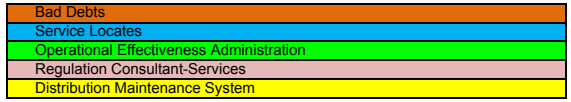
a) The table is presented at the next page.

## OM&A Detailed Variance Analysis
### (excluding Depreciation and Amortization)

| Reporting Basis | | Board Appr. | CGAAP | CGAAP | CGAAP | NEWGAAP | NEWGAAP | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Test Year Versus Last Rebasing | | Test Year Versus Most Current Actuals | |
| Account | Description | 2014 | 2014 | 2015 | 2016 | 2017 | 2018 | Variance ($) | Percentage Change (%) | Variance ($) | Percentage Change (%) |
| ***Operations*** | | | | | | | | | | | |
| | 5005-Operation Supervision and Engineering | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5010-Load Dispatching | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5012-Station Buildings and Fixtures Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5014-Transformer Station Equipment - Operation Labour | $ 10,000 | $ 6,522 | $ 2,435 | $ 14,449 | $ 50,580 | $ 30,044 | $ 23,522 | 360.63% | -$ 20,536 | -40.60% |
| | 5015-Transformer Station Equipment - Operation Supplies and Expenses | $ 9,000 | $ 8,426 | $ 17,916 | $ 7,567 | $ 7,719 | $ 8,105 | -$ 321 | -3.81% | $ 386 | 5.00% |
| | 5016-Distribution Station Equipment - Operation Labour | $ 12,000 | $ 260 | $ 2,136 | $ 5,536 | $ 12,647 | $ 12,900 | $ 12,640 | 4862.30% | $ 253 | 2.00% |
| | 5017-Distribution Station Equipment - Operation Supplies and Expenses | $ 6,500 | $ 3,069 | $ 2,554 | $ 1,270 | $ 1,296 | $ 1,322 | -$ 1,747 | -56.92% | $ 26 | 2.01% |
| | 5020-Overhead Distribution Lines and Feeders - Operation Labour | $ 13,500 | $ 10,897 | $ 14,779 | $ 16,979 | $ 17,319 | $ 18,185 | $ 7,288 | 66.88% | $ 866 | 5.00% |
| | 5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses | $ 1,600 | $ 311 | $ 724 | $ 970 | $ 989 | $ 1,038 | $ 727 | 233.76% | $ 49 | 4.95% |
| | 5030-Overhead Subtransmission Feeders - Operation | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5035-Overhead Distribution Transformers- Operation | $ 10,000 | $ 6,773 | $ 2,116 | $ 6,999 | $ 7,139 | $ 7,496 | $ 723 | 10.67% | $ 357 | 5.00% |
| | 5040-Underground Distribution Lines and Feeders - Operation Labour | $ 2,500 | $ 1,652 | $ 2,848 | $ 2,761 | $ 2,816 | $ 2,957 | $ 1,305 | 78.97% | $ 141 | 5.01% |
| | 5045-Underground Distribution Lines and Feeders - Operation Supplies and Expens | $ 50 | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5050-Underground Subtransmission Feeders - Operation | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5055-Underground Distribution Transformers - Operation | $ 3,500 | $ 2,105 | $ 2,120 | $ 1,080 | $ 1,823 | $ 1,914 | -$ 191 | -9.07% | $ 91 | 4.99% |
| | 5060-Street Lighting and Signal System Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5065-Meter Expense | $ 26,300 | $ 10,397 | $ 7,476 | $ 9,408 | $ 9,596 | $ 10,076 | -$ 321 | -3.09% | $ 480 | 5.00% |
| | 5070-Customer Premises - Operation Labour | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5075-Customer Premises - Materials and Expenses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5085-Miscellaneous Distribution Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5090-Underground Distribution Lines and Feeders - Rental Paid | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5095-Overhead Distribution Lines and Feeders - Rental Paid | $ 1,600 | $ 887 | $ 887 | $ 1,453 | $ 1,482 | $ 1,556 | $ 669 | 75.44% | $ 74 | 4.99% |
| | 5096-Other Rent | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| **Total - Operations** | | $ 96,550 | $ 51,300 | $ 55,990 | $ 68,472 | $ 113,406 | $ 95,593 | $ 44,293 | 86.34% | -$ 17,813 | -15.71% |
| **Account** | **Description** | | | | | | | | | | |
| ***Maintenance*** | | | | | | | | | | | |
| | 5105-Maintenance Supervision and Engineering | $ 1,100 | $ 6,035 | $ 6,560 | $ 6,684 | $ 6,818 | $ 6,954 | $ 919 | 15.23% | $ 136 | 1.99% |
| | 5110-Maintenance of Buildings and Fixtures - Distribution Stations | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5112-Maintenance of Transformer Station Equipment | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5114-Maintenance of Distribution Station Equipment | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5120-Maintenance of Poles, Towers and Fixtures | $ 11,000 | $ 7,527 | $ 8,772 | $ 14,590 | $ 14,882 | $ 15,626 | $ 8,099 | 107.61% | $ 744 | 5.00% |
| | 5125-Maintenance of Overhead Conductors and Devices | $ 35,000 | $ 25,533 | $ 36,494 | $ 44,312 | $ 45,198 | $ 47,458 | $ 21,925 | 85.87% | $ 2,260 | 5.00% |
| | 5130-Maintenance of Overhead Services | $ 50,000 | $ 54,612 | $ 53,204 | $ 35,276 | $ 47,528 | $ 49,904 | -$ 4,708 | -8.62% | $ 2,376 | 5.00% |
| | 5135-Overhead Distribution Lines and Feeders - Right of Way | $ 70,000 | $ 60,314 | $ 56,039 | $ 50,484 | $ 60,583 | $ 63,612 | $ 3,298 | 5.47% | $ 3,029 | 5.00% |
| | 5145-Maintenance of Underground Conduit | $ 1,500 | $ 387 | $ 343 | $ 130 | $ 374 | $ 393 | $ 6 | 1.42% | $ 19 | 5.08% |
| | 5150-Maintenance of Underground Conductors and Devices | $ 10,300 | $ 6,868 | $ 2,699 | $ 6,695 | $ 8,240 | $ 8,652 | $ 1,784 | 25.97% | $ 412 | 5.00% |
| | 5155-Maintenance of Underground Services | $ 9,900 | $ 8,270 | $ 7,065 | $ 6,408 | $ 7,451 | $ 7,824 | -$ 446 | -5.39% | $ 373 | 5.01% |
| | 5160-Maintenance of Line Transformers | $ 15,000 | $ 7,119 | $ 8,772 | $ 2,552 | $ 2,603 | $ 2,733 | -$ 4,386 | -61.61% | $ 130 | 4.99% |
| | 5165-Maintenance of Street Lighting and Signal Systems | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5170-Sentinel Lights - Labour | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5172-Sentinel Lights - Materials and Expenses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5175-Maintenance of Meters | $ 1,900 | $ 4,889 | $ - | $ 1,268 | $ 1,293 | $ 1,358 | -$ 3,531 | -72.23% | $ 65 | 5.03% |
| | 5178-Customer Installations Expenses- Leased Property | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5185-Water Heater Rentals - Labour | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5186-Water Heater Rentals - Materials and Expenses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5190-Water Heater Controls - Labour | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5192-Water Heater Controls - Materials and Expenses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5195-Maintenance of Other Installations on Customer Premises | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| **Total - Maintenance** | | $ 205,700 | $ 181,555 | $ 179,949 | $ 168,399 | $ 194,970 | $ 204,514 | $ 22,959 | 12.65% | $ 9,544 | 4.90% |
| **Account** | **Description** | | | | | | | | | | |
| ***Billing and Collecting*** | | | | | | | | | | | |
| | 5305-Supervision | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5310-Meter Reading Expense | $ 45,000 | $ 34,424 | $ 34,817 | $ 30,817 | $ 31,433 | $ 33,005 | -$ 1,419 | -4.12% | $ 1,572 | 5.00% |
| | 5315-Customer Billing | $ 245,000 | $ 243,057 | $ 233,514 | $ 257,683 | $ 265,414 | $ 273,376 | $ 30,320 | 12.47% | $ 7,962 | 3.00% |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 5320-Collecting | $ 106,250 | $ 103,101 | $ 106,676 | $ 105,460 | $ 109,739 | $ 113,014 | $ 9,913 | 9.61% | $ 3,275 | 2.98% |
| | 5325-Collecting- Cash Over and Short | $ 65 | $ 9 | $ 8 | -$ 69 | $ 12 | $ 12 | $ 3 | 38.73% | $ - | 0.00% |
| | 5330-Collection Charges | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5335-Bad Debt Expense | $ 30,000 | $ 15,046 | $ 34,339 | $ 24,973 | $ 56,098 | $ 57,225 | $ 42,179 | 280.34% | $ 1,127 | 2.01% |
| | 5340-Miscellaneous Customer Accounts Expenses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| **Total - Billing and Collecting** | | $ 426,315 | $ 395,636 | $ 409,354 | $ 418,864 | $ 462,696 | $ 476,632 | $ 80,996 | 20.47% | $ 13,936 | 3.01% |
| **Account** | **Description** | | | | | | | | | | |
| ***Community Relations*** | | | | | | | | | | | |
| | 5405-Supervision | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5410-Community Relations - Sundry | $ 200 | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5415-Energy Conservation | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5420-Community Safety Program | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5425-Miscellaneous Customer Service and Informational Expenses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5505-Supervision | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5510-Demonstrating and Selling Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5515-Advertising Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5520-Miscellaneous Sales Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| **Total - Community Relations** | | $ 200 | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| **Account** | **Description** | | | | | | | | | | |
| ***Administrative and General Expenses*** | | | | | | | | | | | |
| | 5605-Executive Salaries and Expenses | $ 112,000 | $ 107,369 | $ 101,804 | $ 107,567 | $ 110,794 | $ 114,119 | $ 6,750 | 6.29% | $ 3,325 | 3.00% |
| | 5610-Management Salaries and Expenses | $ 78,000 | $ 76,479 | $ 39,465 | $ 23,783 | $ 57,620 | $ 59,349 | -$ 17,130 | -22.40% | $ 1,729 | 3.00% |
| | 5615-General Administrative Salaries and Expenses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5620-Office Supplies and Expenses | $ 30,000 | $ 17,385 | $ 22,543 | $ 21,907 | $ 22,345 | $ 22,792 | $ 5,407 | 31.10% | $ 447 | 2.00% |
| | 5625-Administrative Expense Transferred/Credit | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5630-Outside Services Employed | $ 20,600 | $ 15,315 | $ 32,579 | $ 65,549 | $ 65,549 | $ 67,011 | $ 51,696 | 337.55% | $ 1,462 | 2.23% |
| | 5635-Property Insurance | $ 12,000 | $ 4,079 | $ 4,194 | $ 4,200 | $ 4,284 | $ 4,370 | $ 291 | 7.14% | $ 86 | 2.01% |
| | 5640-Injuries and Damages | $ 8,000 | $ 7,867 | $ 3,518 | $ 8,523 | $ 10,194 | $ 10,398 | $ 2,531 | 32.18% | $ 204 | 2.00% |
| | 5645-Employee Pensions and Benefits | $ 3,900 | $ 6,423 | $ 10,055 | $ 9,883 | $ 10,080 | $ 10,282 | $ 3,859 | 60.09% | $ 202 | 2.00% |
| | 5646 Employee Pensions and OPEB | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5647 Employee Sick Leave | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5650-Franchise Requirements | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5655-Regulatory Expenses | $ 65,400 | $ 57,230 | $ 40,927 | $ 53,426 | $ 94,067 | $ 95,527 | $ 38,297 | 66.92% | $ 1,460 | 1.55% |
| | 5660-General Advertising Expenses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5665-Miscellaneous General Expenses | $ 15,700 | $ 15,999 | $ 17,503 | $ 16,700 | $ 17,034 | $ 17,886 | $ 1,887 | 11.79% | $ 852 | 5.00% |
| | 5670-Rent | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5672 Lease Payment Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5675-Maintenance of General Plant | $ 45,000 | $ 25,621 | $ 19,348 | $ 22,432 | $ 22,881 | $ 24,025 | -$ 1,596 | -6.23% | $ 1,144 | 5.00% |
| | 5680-Electrical Safety Authority Fees | $ 5,300 | $ 6,410 | $ 5,109 | $ 5,112 | $ 5,506 | $ 5,616 | -$ 794 | -12.39% | $ 110 | 2.00% |
| | 5681-Special Purpose Charge Expense | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5685-Independent Market Operator Fees and Penalties | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 5695-OM&A Contra | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6205-Donations | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6205-Sub-account LEAP Funding | $ 2,076 | $ 2,000 | $ 2,000 | $ 2,000 | $ 2,000 | $ 2,000 | $ - | 0.00% | $ - | 0.00% |
| | 6210-Life Insurance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6215-Penalties | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6225-Other Deductions | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6305-Extraordinary Income | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6310-Extraordinary Deductions | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6315-Income Taxes: Extraordinary Item | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6405-Discontinued Operations - Income/ Gains | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6410-Discontinued Operations - Deductions/ Losses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| | 6415-Income Taxes, Discontinued Operations | $ - | $ - | $ - | $ - | $ - | $ - | $ - | | $ - | |
| **Total - Administrative and General Expenses** | | $ 397,976 | $ 342,177 | $ 299,046 | $ 341,082 | $ 422,354 | $ 433,375 | $ 91,198 | 26.65% | $ 11,021 | 2.61% |
| **Total OM&A** | | $ 1,126,741 | $ 970,668 | $ 944,340 | $ 996,817 | $ 1,193,426 | $ 1,210,114 | $ 239,446 | 24.67% | $ 16,689 | 1.40% |
| **Adjustments for non-recoverable items** | | | | | | | | | | | |
| | | | | | | | | $ - | | $ - | |
| | | | | | | | | $ - | | $ - | |
| | | | | | | | | $ - | | $ - | |
| | | | | | | | | $ - | | $ - | |
| | | | | | | | | $ - | | $ - | |
| **Total Recoverable OM&A** | | $ 1,126,741 | $ 970,668 | $ 944,340 | $ 996,817 | $ 1,193,426 | $ 1,210,114 | $ 239,446 | 24.67% | $ 16,689 | 1.40% |

Customer Service, Mailing Costs, Billing and Collections


Bad Debts
Service Locates
Operational Effectiveness Administration
Regulation Consultant-Services
Distribution Maintenance System

## 4.0-VECC-27

Reference: Exhibit 4

a) Please provide the annual cost of HHI's vegetation management programs for the 2013 through 2018 period.

Response:

| VEGETATION PROGRAM | ANNUAL COST |
|---|---|
| | |
| 2013 | $ 51,133.60 |
| 2014 | $ 60,313.51 |
| 2015 | $ 56,039.18 |
| 2016 | $ 50,484.49 |
| 2017 | $ 62,100.00 |
| 2018 | $ 63,615.00 |
| | $ 343,685.78 |

## 4.0-VECC-28

Reference: Exhibit 4, Section 4.6.1

a) Pease provide the annual fees paid by HHI to the EDA for the period 2012-2017.

Response:

| | | |
|---|---|---|
| 100652-2017 | 1 | 19,097.00 |
| 100652-2016 | 1 | 18,871.00 |
| DUES 2015 - INV 100652 | 1 | 18,645.00 |
| DUES 2014 / INV 100652 | 1 | 18,080.00 |
| DUES 2013 / INV 396 | 1 | 17,289.00 |
| DUES 2012 / LDC-12-032 | 1 | 16,498.00 |

## 4.0-VECC-29

Reference: Exhibit 4, Section 4.1.1, page 4

a) HHI states that it expects its two linemen to retire in 2008 and to be replaced by contractors (Sproule Inc.). What is the estimated cost of the replacement contracting?
b) Is the amount estimated for replacement contracting significantly more of less than the current full loaded costs of the two employees?

Please see the response to 2-Staff-26 .

## 4.0 -VECC -30

Reference: Exhibit 4, Appendix A

a) Please provide a copy of the IESO's Report regarding HHI's Verified 2011-2014 savings (in Excel format). Please also provide any reports from the IESO regarding the persistence of these savings through to 2015.
b) The 2015 CDM report is not on the Board's web site. Please provide a copy in Excel format.

Response

a) The 2011-2014 Verified Results has been filed along with these responses.
b) The 2015 Approved CDM plan has been filed along with these responses.

## 4.0 -VECC -31

Reference: Exhibit 4, LRAMVA Work Form, LRAMVA Summary and CDM Allocation Tabs

a) With respect to the CDM Allocation Tab (Cell C28), please explain the basis for the 480,217 kWh in forecast Residential CDM savings used in the model.
b) With respect to the CDM Allocation Tab, please explain why the forecast savings were entered as negative values (Cells C29 to I32) as this results in the LRAMVA Summary Tab adding the forecast revenues from CDM savings as opposed to subtracting them. Please correct as necessary.

Response

a) This issue was corrected when HHI populated the new LRAMVA model which is filed along with these responses.
b) Please see the response to a).

## 4.0 -VECC-32

Reference: Exhibit 4, LRAMVA Work Form, 2011-14 LRAM
Exhibit 4, Appendix A

a) With respect to Residential savings from 2013 CDM programs, please review and confirm the Home Assistance Program savings of 18,172 kWh used.

Response

a) This issue was corrected when HHI populated the new LRAMVA model which is filed along with these responses.

## 4-SEC-17

[Ex.4, p.26] Please provide a copy of the current collective agreement between the Applicant and the union.

### Response

The current collective agreement is presented at the next page

# COLLECTIVE AGREEMENT

between

HAWKESBURY HYDRO INC.
(herein called “The Employer”)

and

CANADIAN UNION OF PUBLIC EMPLOYEES
Local 1026
(herein called "The Union")

Duration: May 1, 2013 – April 30, 2018

# INDEX

## Article 1 – Recognition

1.01 Hawkesbury Hydro Inc. hereby recognizes the Canadian Union of Public Employees as the sole collective bargaining agent for all employees of the Employer save and except foreman and office supervisor, persons above the rank of foreman and office supervisor, and persons regularly employed for not more than twenty-four (24) hours per week, and students employed during school break

1.02 As a condition of employment, employees who are presently members of the Union shall remain members, and employees hired subsequent to the signing of this agreement shall become and remain members of the Union following thirty (30) days of employment.

1.03 All present and future employees of the Employer shall, as a condition of employment, sign an authorization card for deduction of union dues within thirty (30) days of employment. The Employer agrees to deduct regular monthly membership dues from each employee and remit same each month to an appropriate union official designated by the Union.

1.04 In consideration of this deduction and forwarding service provided by the Employer, the Union agrees to indemnify and save the Employer harmless against any claim or liability arising out of or resulting from the collection and forwarding of these dues.

## Article 2 - Management's Rights

2.01 The Union acknowledges that except as specifically restricted by the term of this agreement or by government statute, the Employer has the exclusive right to manage its' business and direct the working force, make, amend and enforce such rules and regulations as shall from time to time be required. Discipline and discharge of regular employees will, in all cases, be for just cause and subject to the grievance\arbitration procedure.

## Article 3 – Discrimination

The Employer and the Union agree that there will be no discrimination, interference, restriction or coercion exercised or practised by any of its' representatives because of an employee's membership or non-membership in the Union.

The Employer and the Union agree to promote awareness of the provisions of the *Ontario Human Rights Code.* The parties agree that in accordance with the *Ontario Human Rights Code* neither party will discriminate against an employee or subject an employee to harassment because of race, ancestry, place of origin, citizenship, creed, sex, sexual orientation, age, record of offence, marital status or handicap.

## Article 4 – Employer Service Credit

4.01 Employer service credit is defined as the length of service in the bargaining unit from the date of hiring of probationary and\or regular employees. Employer service credit will be applied on a bargaining unit wide basis.

4.02 An employee shall only lose his service credit and his name will be removed from the Employer if he/she:

(i) terminates voluntarily;

(ii) is discharged and not reinstated;

(iii) retires or reaches age 65;

(iv) is laid off for a period exceeding twelve (12) calendar months;

(v) fails to report for work after a layoff within five (5) working days of recall, notice of which has been mailed by registered mail to the last address the employee has reported to the Employer;

(vi) is absent from work for three (3) working days or more without permission unless the employee provides Management with documented evidence of sickness or other unavoidable reasons for not reporting to work;

(vi) after twenty-four (24) months absence is permanently disabled and/or unable to do any available work.

4.03 Employees in the bargaining unit with the lowest service credit shall be laid off first provided that employees with higher service credit are capable of performing the required work. Recall will be on the reverse order of layoff.

4.04 The Employer agrees to furnish the Union with a list of employees on January 1st of each year showing their relative service credit.

## Article 5 - Employee Categories

5.01 Temporary
Temporary employees are persons hired for periods of not longer than seventeen (17) weeks duration in positions which are not likely to become part of the Employer's continuing organization. Temporary employees shall be paid at the start rate for Clerk as in Schedule "A". They shall not accumulate Employer service credit. Temporary employees may be hired to relieve employees on pregnancy leave for periods up to six months. Unless specifically noted otherwise, "employees" in this agreement shall mean probationary and regular employees.

5.02 Probationary
Probationary employees are persons hired on trial to determine their suitability for continuing employment in regular positions. An employee shall be considered probationary for a nine calendar month period. At the end of his probationary period, his date of hiring will be established as nine (9) calendar months prior to the date he attains nine calendar months' service. A probationary employee will be entitled to all the benefits of this agreement with the exception of the grievance\arbitration procedure with respect to discharge.

5.03 Regular
Regular employees are persons who have satisfactorily served a probationary period.

## Article 6 – Strikes/Lockouts

During the term of this agreement, the Employer agrees not to lock out its’ employees, and the union agrees that no cessation or slowdown of production will occur.

## Article 7 - Grievance and Arbitration Procedure

7.01 Grievance Definition

For the purposes of this Agreement, a dispute, claim or complaint which involves the interpretation or application of this Agreement shall be considered a fit matter for grievance and shall be dealt with promptly and as specified below.

7.02 Grievance Procedure

Time limits set out for the processing of grievances shall be rigidly adhered to, except in the case of mutual agreement to alter the time limits.

Step 1

(a) An employee believing he has a grievance shall, within five (5) working days of the alleged grievous occurrence present said grievance in writing to his immediate supervisor.

(b) Within five (5) working days of receipt of the grievance the supervisor will discuss the matter with the aggrieved employee who may be accompanied by his steward. A disposition will be given by the supervisor in writing within five (5) working days of such discussion.

Step 2

If the grievor is not satisfied with the reply at Step 1, he may, within five (5) working days of the reply at Step 1, submit the grievance to the Manager or his designated representative who shall, within five (5) working days of the receipt of the grievance at this step, convene a meeting of the Joint Grievance Committee comprised of the manager or his delegate and a duly-formed union committee. The Manager shall give his disposition in writing within five (5) working days of the Joint Grievance meeting.

7.03 A union or management grievance or grievance concerning discharge may be brought directly to Step 2. It is expressly understood that this clause may not be used to institute a complaint or grievance directly affecting an employee which such employee could himself institute. Such grievance shall commence at Step 1.

7.04 Arbitration Procedure
Failing settlement at Step 2, the aggrieved party shall, within five (5) working days of the receipt of the disposition at Step 2, notify the other party in writing of its' intention to submit the grievance to arbitration.

7.05 The decision of the arbitrator shall be final and binding and enforceable on all parties, but in no event shall the arbitrator have the power to change this agreement or to alter, modify or amend any of its provision or to provide a decision which is inconsistent with any term or provision of this agreement. However, the arbitrator shall have the power to dispose of any discharge or a discipline grievance by any arrangement which in his opinion he deems just and equitable.

7.06 Should the parties disagree as to the meaning of the decision, either party may apply to the arbitrator to clarify his decision, which he shall do within thirty (30) days.

7.07 Each party shall pay one-half of the arbitrator's fees and expenses.

7.08 For purposes of dealing with grievances and subsequent negotiations, the Employer will recognize a union committee of two employees who may have assistance from the Union National representative for grievance and arbitration proceedings and in negotiations.

7.09 Discharge, Suspension and Discipline

Warnings:
Whenever the Employer deems it necessary to censure an employee in a manner indicating that dismissal may follow any repetition of the act complained of or omission referred to, or may follow if such employee fails to bring his work up to a required standard by a given date, the Employer shall give written particulars of such censure to the employee involved with a copy to the Secretary of the Union.

Written warnings to be withdrawn from the personal file after twelve (12) months provided that no further disciplinary action has been recorded during that period.

Where a Supervisor intends to interview an employee for disciplinary purposes, the Supervisor shall notify the employee in advance of the purpose of the interview, in order that the employee may contact a Union representative to be present at the interview and the Steward or Union representative shall have the right to be present.

Discharge Procedure:
An employee who has completed his probationary period may be dismissed but only for just cause and only upon the authority of the Manager. When an employee is discharged or suspended he shall be given the reason in the presence of his Steward. Such employee and the Union shall be advised promptly in writing by the Manager of the reason of such discharge or suspension.

May Omit Grievance Steps:
An employee considered by the Union to be wrongfully or unjustly discharged or suspended shall be entitled to a hearing under Article 7, Grievance and Arbitration Procedure. Steps 1 and 2 of the Grievance Procedure shall be omitted in such cases.

Unjust Suspension or Discharge:
Should it be found upon investigation that an employee has been unjustly suspended or discharged, such employee shall be immediately reinstated in his former position, without loss of seniority, and shall be compensated for all time lost in an amount equal to his normal earnings during the pay period next preceding such discharge or suspension, or by any other arrangement as to compensation which is just and equitable in the opinion of the Parties or in the opinion of a Board of Arbitration, if the matter is referred to such a Board.

7.10 Personnel Records
Upon giving a five (5) working day notice, the CUPE National Representative shall have the right to have access to and review the personnel records of the employees for grievance and arbitration purposes only.

Any disagreement as to the accuracy of the information contained in the file may be subject to the Grievance Procedure and the eventual resolution thereof shall become part of the employee’s record.

No evidence from the employee's record may be introduced as evidence in any hearing of which the employee was not aware at the time it was placed in his personnel record.

The CUPE National Representative shall have the right to list any and/or all material contained in the employee's personnel record and to obtain copies.

Any notation of a reprimand or other disciplinary action placed on an employee's record shall be removed after an elapsed period of eighteen (18) months.

## Article 8 - Hours of Work and Overtime

8.01 This section provides the basis for establishing work schedules and for the calculation and payment of overtime, but shall not be read or construed as a guarantee of hours of work per day or week or a guarantee of days of work per week.

8.02 The normal work week of employees covered by this agreement shall be (a) thirty-seven and one-half (37.5) hours per week consisting of five (5) days of seven and one-half (7.5) hours each for outside employees between the hours of 8:00 am and 5:00 pm from Monday to Friday inclusive with one (1) hour for lunch; (b) thirty-five (35) hours per week consisting of five (5) days of seven (7) hours each for office employees between the hours of 8:00 am to 5:00 pm from Monday to Friday inclusive with one (1) hour for lunch.

Summer Hours
Summer hours shall begin on the first Monday of June and end on the last Sunday of August of each year. Outside employees working hours are from 7:30 am to 4:00 pm. Office employees working hours are from 8:00 am to 4:00 pm.

8.03 Work performed in excess of the normal daily or weekly hours shall be paid at the rate of one and one-half(1½) times the employee's normal rate of pay.

8.04 Work performed from 20:00 hours to 07:00 hours Monday to Friday and on Saturdays, Sundays and on the holidays specified in Article 9 shall be paid at the rate of double the employee's normal rate of pay.

8.05 For planned work for up to one (1) hour before normal starting time Monday through Friday, Management will notify the employees by noon-hour of the previous day. Payment for such work will be straight time rates. Failure to give the foregoing notice will result in premium rates being paid.

Emergency Plan Work is excluded from this clause.

In the case of Emergency Plan Work, Management may notify the employee by 4:30 p.m. of the previous day.

8.06 Employees required for on-call duty will receive $26.00 (to be paid with retroactive cheque) effective May 1, 2013 to April 30, 2014; $27.00 effective May 1, 2014 to April 30, 2015; and $28.00 effective May 1, 2015 to April 30, 2016, and $29.00 effective May 1, 2016 to April 30, 2017 and $30.00 effective May 1, 2017 to April 30, 2018 per day Monday through Sunday and through Recognized Holidays in addition to normal wages for such purposes. The roster of on-call personnel will consist of Line Department employees during the term of this agreement. "On-Call Duty” is defined as that duty performed by employees who are required by the Employer to hold themselves readily available and able to respond to calls (refer to Article 16.01) during all hours."

8.07 Employees required for on-call duty will be scheduled on a weekly basis and may request and receive permission for a competent substitute where required by 13:00 hours of the day in question. Such substitution will be made on an equitable basis among competent employees.

8.08 Employees called out for duty following normal working hours will receive time off in lieu for a minimum time of four (4) hours at single-time rate or the appropriate overtime rate for actual hours worked, whichever is greater. The paid time off will be taken, in minimum half-day blocks to be approved by the Employer upon receiving notice of two (2) working days from the employee, subject to management’s approval, which shall be dealt with within two (2) working days of the request being made, within three (3) months of the work week in which the overtime was earned, or, with the mutual agreement within twelve (12) months of that week.

Employees will be paid for only one (1) call within the four hour time frame (limited to one per location).

8.09 Call-outs which occur within two hours of normal starting time shall not qualify for the minimum call-out payment, but will qualify for the appropriate overtime rate.

8.10 It is acknowledged that from time to time it will be necessary for employees to perform work outside of the normal schedules at all hours of the day or night, and Management has the right to authorize such work as required.

## Article 9 - Recognized Holidays

9.01 The following holidays shall be recognized by the Employer:

| | |
|---|---|
| New Year's Day | Civic Holiday |
| Day after New Year's | Labour Day |
| Family Day | Thanksgiving Day |
| Good Friday | ½ day before Christmas Day |
| Easter Monday | Christmas Day |
| Victoria Day | Boxing Day |
| Canada Day | ½ day before New Year's Day |

9.02 A fourteenth (14th) paid holiday will be recognized by the Employer and will be made available to employees on an individual basis providing that the employee gives five (5) working days' notice of his intention to take said holiday on a day to be mutually agreed to by the Employer and employee. The Employer agrees to answer such requests within two (2) days.

In accordance with the practice of vacation entitlement the vacation accumulation year is from January 1st to December 31st of the preceding year and in order to be eligible for the floater holiday, the employee must have worked 90% of the working days in the accumulation year. Time absent while on vacation, on paid sick leave or on holidays shall be considered as time worked for the above calculations.

9.03 Regular and probationary employees of the Employer will be entitled to payment of normal basic wages for such holidays as occur on their normal scheduled days of work provided they have worked the full scheduled day of work

which immediately precedes such a holiday and the full scheduled day of work which immediately follows such a holiday unless absent with pay from the Employer.

9.04 Regular and probationary employees required to work on such a holiday shall be paid for time worked at the premium rate specified in Article 7 of this agreement in addition to payment for the recognized holiday.

9.05 When the Day after New Year's Day or the ½ day before Christmas Day or the ½ day before New Year's Day fall on a Saturday or Sunday, they will be replaced by an additional floater day as outlined in Article 9.02 above. When any of the other above-noted holidays fall on a Saturday or Sunday, they will be observed on the preceding Friday or following Monday at the discretion of management. When two of the holidays fall on Saturday and Sunday, on consecutive days, they will be observed on Monday and Tuesday.

9.06 Should a recognized holiday occur during an employee's annual vacation, he will be entitled to a day with pay in lieu of such holiday on a day to be mutually agreed to, by the Employer and the employees.

## Article 10 - Vacations

10.01 Vacation pay shall mean the normal basic earnings of the employee immediately prior to the date on which vacation monies become payable. In any event, and in cases of temporary and probationary employees, vacation payment will be made in accordance with current legislation.

10.02 Vacation will, as far as it is practical, be granted at the times most desired by the employees. For the restricted period defined in article 10.03, an employee, to ensure consideration of his request and his relative Employer service credit standing, must notify management of his preferred vacation period by May 1st in any given year. However, management reserves the authority to designate vacation periods for all employees in a manner consistent with the efficient operation of the Company. In cases of dispute, the employee with the highest service credit will be given preference. Management will post vacation schedules on the bulletin board on or before May 15th of each year. Vacation requests not scheduled as above will require a minimum of ten (10)

working days' notice and shall be dealt with within five (5) working days of the request being made.

For requests less than three (3) days a minimum notice of five (5) working days shall be given for such requests. All vacation days must be taken in half days (1/2) or more.

The Employer shall respond within three (3) days.

Management may, at its' discretion, give leave with fewer days' notice for requests less than three (3) days.

10.03 A maximum of two (2) weeks vacation may be taken by an employee between June 1st and August 31st, unless the employee under special circumstances requests of management a longer period. An employee may take, if so entitled, three (3) consecutive weeks if the three (3) weeks are taken during the winter months (September 1st to May 31st).

Additional vacation entitlements may be provided depending on staffing levels and at Management's discretion.

10.04 Normal vacations shall not be accumulative and shall be taken in the calendar year in which they become due, unless otherwise mutually agreed to by the employee and management.

10.05 An employee with one (1) year or more of continuous service will be entitled annually to ten (10) working days vacation with pay.

10.06 Upon completion of three (3) years of continuous service and annually thereafter, a regular employee will be entitled to fifteen (15) working days vacation with pay.

10.07 Upon completion of nine (9) years of continuous service and annually thereafter, a regular employee will be entitled to twenty (20) working days vacation with pay.

10.08 Upon completion of nineteen (19) years of continuous service, a regular employee shall be entitled to twenty-five (25) working days vacation with pay.

Upon completion of twenty-six (26) years of continuous service, a regular employee shall be entitled to thirty (30) working days vacation with pay.

10.09 Vacation entitlement is based on time worked during the accumulation period from January 1st to December 31st of the preceding year. An employee who has worked less than 90% of the available days for work (this does not include earned vacation or holidays or a paid absence up to a maximum of two (2) years which is compensable under the Workplace Safety & Insurance Board or one (1) year covered under Article 10 – Sick Leave) will have his vacation entitlement reduced in direct proportion of the number of days in attendance at work.

10.10 The clerk may take his\her vacation in an unbroken period provided the office operation of Hawkesbury Hydro is not compromised and staff coverage is available at all times. The office supervisor will have the right to make final assignments of vacation.

## Article 11 - Sick Leave

11.01 The Employer's sick leave plan for regular and probationary employees was created by the Employer to reduce the financial hardship that bona fide illness or non-compensable accident can create so far as inability to work and the consequent loss of normal wages are concerned.

11.02 To qualify for payment of sick leave, an employee must:

(a) have an established credit for sick pay;

(b) ensure that his illness is reported to management as soon as possible but not later than one half (½) hour after starting time;

(c) be suffering from a bona fide illness which prevents his useful employment and is not compensable under the Workplace Safety & Insurance Act;

(d) submit written verification of his illness signed by a qualified doctor of medicine if requested or if absent for three (3) days or more;

(e) submit to medical examination by a doctor of medicine designated by management upon request and at management's expense;

(f) return to work as soon as possible following recovery from illness.

11.03 Starting January 1, 1998, pay for absence due to illness or non-compensable accident will be made on the following basis:

One (1) day of sick leave will be granted for each full calendar month of service to a maximum of one hundred and forty two (142) days. Such accumulation of sick leave credits will accrue provided the employee has worked fifty per cent (50%) of the working days in the month for which credit is granted. Vacation and holiday time off or time off on any approved leave of absence to be considered time worked for purposes of this clause. The excess of 130 days will be paid at the rate of fifty percent (50%) annually during the week of January 15.

11.04 Upon retirement, an employee will receive an allowance equal of 50% of his sick leave entitlement in accordance with the provisions of the Municipal Act, to a maximum of 65 days.

11.05 Upon resignation, layoff or death, an employee with ten (10) or more years of continuous service or his estate will receive an allowance equal of 50% of his sick leave entitlement in accordance with the provision of the *Municipal Act*, to a maximum of 65 days.

11.06 Foreseeable absences for medical treatment will be reported one week in advance of the appointment, unless due to unavoidable reasons.

11.07 No injuries or accidents suffered by an employee while performing other paid employment will be covered by this sick leave plan.

## Article 12 - Health Plan

12.01 Effective at date of signing, the Employer will pay 100% of the cost of the premiums of the Employer Health Tax and 100% of the MEA Extended Health Care Plan.

The Employer will pay ninety per cent (90%) of the cost of the Municipal Electric Association (MEA) Dental Plan F, 1 year behind the ODA Fee Schedule.

The Employer will pay ninety per cent (90%) of the cost of a $275.00/24 months Family Vision Care Plan.

The premium paid by the Employer will be continued for all regular and probationary employees in receipt of normal base wages from the Employer.

12.02 Long Term Disability

A long term disability will be implemented to provide the employee with a revenue of 66 2/3% of salary after a six (6) months' elimination period. All the costs of the plan will be shared on a 50% - 50% basis between the Employer and the employees.

## Article 13 - Pension and Insurance

The Employer and its' employees agree to contribute to the Ontario Municipal Employees Retirement System Plan (OMERS) in accordance with the OMERS regulations and the Employer agrees to pay 100% of the cost of the current Life Insurance Plan or provide an equivalent or better plan, should it become available. Premiums paid by the Employer will be continued for all regular and probationary employees in receipt of normal base wages from the Employer.

## Article 14 - Job Posting and Selection

14.01 The Employer agrees to post any position within the bargaining unit for a period of ten (10) working days in order to give employees an opportunity to make applications for the position: employees with the highest service credit whose ability and qualifications are suitable for the position will be given first preference for the position. Employees may refuse promotion to positions outside the bargaining unit. Any new classification created by the Employer shall be discussed with the Union in order to determine the working conditions.

14.02 Pay on Transfer, Lower Rated Job

When an employee is assigned to a position paying a lower rate, his\her rate shall be red circled.

## Article 15 – Leave of Absence

15.01 In the event of the death of a member of the immediate family of a regular employee, he/she will be granted a five (5) consecutive day leave of absence with pay in order that he/she may arrange for and attend the funeral of a spouse or child.

In the event of the death of a member of the immediate family of a regular employee, he/she will be granted a four (4) consecutive days leave of absence with pay in order that he/she may arrange for and attend the funeral of a parent, brother, sister.

In the event of the death of a member of the immediate family of a regular employee, he/she will be granted a three (3) consecutive days leave of absence with pay in order that he/she may arrange for and attend the funeral of a father-in-law, mother-in-law, step-brother and step-sister.

In the event of the death of a member of the immediate family of a regular employee, he/she will be granted two (2) consecutive days leave of absence with pay in order that he/she may arrange for and attend the funeral of a grand-parent.

In the event of the death of a member of the immediate family of a regular employee, he/she will be granted a one (1) day’s leave of absence with pay in order that he/she may arrange for and attend the funeral of a brother-in-law, sister-in-law, son-in-law, daughter-in-law, uncle, and aunt if it falls on a normal working day.

It is further agreed that the above article is for blood relatives of the employee.

15.02 Employees serving on jury duty or as a court witness will be paid the difference between normal earnings and the payment received for such service, excluding payment for travelling, meals or related expenses. The employee will furnish proof of payments received.

15.03 Employees requiring leave of absence for Union business will receive a maximum of ten (10) days without pay, provided that the Employer's schedules are not disrupted.

Requests for such leave shall be made at least one week in advance of the requested absence.

15.04 Leave of absence without pay shall be granted to members of the Union Negotiating Committee, such committee not to exceed two (2) employees, when required to meet for negotiations during working hours.

15.05 Leave of absence without pay will only be granted in cases of emergency.

15.06 Maternity Leave
Maternity leave shall be granted in accordance with the *Employment Standards Act*.

15.07 Personal Leave of Absence
An employee shall be entitled to leave of absence for a maximum of three (3) non-consecutive days per year. The personal leave of absence may not be combined with a personal or statutory holiday. The wages shall be paid as normal by the Employer using the employee's accumulated sick leave credit.

## Article 16 - Allowance

16.01 When an employee is on call, he shall remain ready such that he can respond to the beeper by telephone in ten (10) minutes and report to the Utility headquarters within sixty (60) minutes from the initial call. The employee scheduled for on-call duty shall wear the pager at all times including regular hours.

16.02 Workers Safety and Insurance Board benefits shall be granted in accordance with the current legislation.

16.03 Employees required to perform temporary duties of a supervisory nature will receive their regular rates plus eight percent (8%) additional allowance.

16.04 Whenever regularly scheduled work cannot be continued during regular working hours by reason of inclement weather conditions, management will make every reasonable effort to provide alternative work.

16.05 Line personnel are required to wear safety footwear and specified uniforms at all time. The Employer will contribute nine hundred ($900.00) dollars annually toward the cost of RF safety clothing and approved safety

footwear for those employees required to wear them. The Employer will contribute two hundred and twenty-five ($225.00) dollars annually to office employees to off-set clothing costs. Payment will be paid upon remittance of the original receipt.

Employees shall be reimbursed for garments and footwear within fifteen (15) calendar days following the remittance of a receipt two times (2x) per year.

16.06 When work starts at least four (4) hours earlier than regular starting time or goes four (4) hours beyond regular finishing time, the Employer shall provide a meal allowance of six dollars and fifty cents ($6.50) to affected employees.

**Article 17 - General**

17.01 The Employer agrees not to contract out any work presently being performed that will cause a lay-off of employees.

17.02 The Employer will make payment of wages by cheque on Thursday on or before 4:30 p.m. of the week following the week in which wages were earned.

17.03 The wage schedule attached hereto becomes part of this agreement for purposes of payment of wages only.

17.04 Retirement
For those employees retiring between the ages of 55 and 65 years of age, the employee shall be entitled to participate in all benefits available under the Plan and the Employer shall be solely responsible to pay one hundred percent (100%) towards the cost of said benefits, up to a maximum of $600.00 monthly per employee. Any additional cost shall be reimbursed by the employees to the Employer.

**Article 18 – Bulletin Board**

The Union shall provide its' bulletin board which shall be placed so that all employees will have access to it and upon which the Union shall have the right to post notices of meetings and such other notices as may be of interest to the employees.

**Article 19 – Labour Management Committee**

A Labour-Management Co-Operation Committee shall be established and enjoy the full support of both parties. The Committee shall consist of two (2) representatives of the Union and two (2) representatives of the Employer, which Committee shall always include the CUPE National Representative and the CEO of the Employer.

Function of the Committee

~ considering constructive criticism of all activities so that better relations shall exist between the Employer and the employees;
~ increasing operating efficiency;
~ improving services to consumers;
~ promoting safety and sanitary practices;
~ reviewing suggestions from employees and the Employer, questions of working conditions and service;
~ making recommendations;
~ addressing any other matter of mutual interest or concern.

Meetings of the Committee

The Committee shall meet on a needed basis, unless the majority of the Committee members agree otherwise, at a mutually agreeable time and place. Members shall receive a notice and Agenda of the meeting at least forty-eight (48) hours in advance of the meeting. Employees shall not suffer any loss of pay while attending the Committee meetings if held during regular working hours.

**Article 20 - Duration**

This agreement shall remain in force for a period of five (5) years, from May 1, 2013 to April 30, 2018 and shall continue in force from year to year thereafter unless, in any year not more than ninety (90) days and not less than thirty (30) days before the date of its termination, either party shall furnish the other with notice of a desire to terminate or amend this agreement. Notice of desire to revise this agreement must include a written presentation of the proposed revision.

**Article 21 - Wage Rates and Progressing Schedules**

21.01 The establishment of new classifications is the prerogative of management.

21.02 The wage rates, progression schedules and classifications of employees covered by this agreement shall be those

shown in Appendix "A" attached hereto and forming an integral part of this agreement for pay purposes only.

21.03 Employees on progression shall normally be progressed in accordance with the schedule. However, if any employee fails to make satisfactory progress, his advancement may be withheld. When progression is withheld, management shall give one (1) month's notice to the employee and the Union, giving the reason for withholding the progression. After three (3) months, his general performance will be reviewed and if found satisfactory, he shall be granted routine progression.

| For the Union: | For the Company: |
|---|---|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Signed this _____ day of _____, 2013 at Hawkesbury, Ontario.

| APPENDIX A | | | | | |
|---|---|---|---|---|---|
| **WAGE RATES & PROGRESSION SCHEDULE** | | | | | |
| | **MAY 1/2013** | **MAY 1/2014** | **MAY 1/2015** | **MAY 1/2016** | **MAY 1/2017** |
| | **2%** | **2.50%** | **2.50%** | **3%** | **3%** |
| | | | | | |
| **Journeyman Lineman** | **$30.22** | **$30.98** | **$31.75** | **$32.71** | **$33.69** |
| **Lineman A - after 5 years** | **$28.69** | **$29.41** | **$30.15** | **$31.05** | **$31.98** |
| **Lineman B - after 4 years** | **$26.52** | **$27.18** | **$27.86** | **$28.70** | **$29.56** |
| **Lineman C - after 3 years** | **$25.63** | **$26.27** | **$26.93** | **$27.74** | **$28.57** |
| **Lineman D - after 2 years** | **$24.18** | **$24.79** | **$25.41** | **$26.17** | **$26.96** |
| **Lineman E - after 1 year** | **$22.66** | **$23.23** | **$23.81** | **$24.53** | **$25.26** |
| **Lineman F – after 6 mths** | **$21.90** | **$22.45** | **$23.01** | **$23.70** | **$24.41** |
| **Lineman G - start** | **$21.12** | **$21.65** | **$22.19** | **$22.86** | **$23.55** |
| | | | | | |
| **Clerk** | | | | | |
| **After 2 years** | **$22.11** | **$22.67** | **$23.23** | **$23.93** | **$24.65** |
| **After 1 year** | **$21.01** | **$21.54** | **$22.08** | **$22.74** | **$23.42** |
| **After 6 months** | **$19.91** | **$20.41** | **$20.92** | **$21.55** | **$22.19** |
| **Start** | **$19.24** | **$19.72** | **$20.21** | **$20.82** | **$21.44** |

Retroactive pay to May 1st, 2013 shall be paid on a separate cheque including the retro-activity of “on-call duty” premium.

Progressions are not automatic to the Journeyman Lineman rate but are based on the successful completion of the 8000 working hours Municipal Electric Association (MEA) Training Program.

## LETTER OF UNDERSTANDING

In the event that Management reintroduces the positions of Truck Driver, Labourer or Meter Reader, the Company agrees to negotiate an appropriate rate for these positions with Local 1026 of the Canadian Union of Public Employees (CUPE). In the event no agreement is reached, either party may submit the matter to arbitration.

| Management | Union |
|---|---|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Dated this _____ day of _____, 2013 at Hawkesbury, Ontario.

# LETTER OF UNDERSTANDING

First Aid Courses

Management agrees to reimburse employees for taking CPR and First Aid Training. Such compensation to be limited to tuition fees, books and materials and would only be paid subject to successful completion of the course.

| Management | Union |
| --- | --- |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Dated this _____ day of _____, 2013 at Hawkesbury, Ontario.

## 4-SEC-18

[Ex.4, p.27, 30] Please reconcile the 7 FTEs in 2018 shown in the Appendix 2-K with the 5 employees (by headcount) shown for 2018 in Table 18.

Response:

On January 1, 2018, HHI will employ 7 FTEs. Two linesmen are scheduled to retire in 2018. The first retirement will occur on March 31, 2018 and the second on July 31, 2018. At year end, HHI will have 5 FTEs in place. On an average basis, the utility will account for 5.7 FTE equivalents in 2018.

## 4-SEC-19

[Ex.4; Ex.1, BP, p.35; Ex.4, p.30] The Applicant states in its Business Plan that “HHI also currently employs two linesmen who are both scheduled to retire in 2018.” Table 18, shows that one ‘line work’ and ‘customer service’ employee are forecast to retire in 2018. Please reconcile.

Response:

There was an error in the table. HHI confirms that 2 linesmen will retire in 2018.

## 4-SEC-20

[Ex.4, 30] For the purpose of the test year OM&A budget, when specifically in the year does the Applicant forecast the employees retire?

Response:

Please see the response to 4-SEC-18. HHI adds that the compensation component included in the Test Year OM&A reflects the actual retirement dates for these two employees.

## 4-SEC-21

[Ex.4; Ex.1, BP, p.35] [p.35] The Applicant states in its Business Plan: "HHI also currently employs two linesmen who are both scheduled to retire in 2018. HHI does not plan to hire additional staff in 2017 and 2018 and instead, will outsource the linesmen's functions to a third-party contract company."

a. Please explain the rationale for not hiring a replacement linesman.
b. Please confirm that this means that the Applicant will no longer employ any construction, operations, and maintenance employees.
c. Please explain the nature of the third-party contract company and the costs of that contract in the test year. Please provide a copy of the contract, if it has been entered into.
d. Please provide the cost for replacing the lineman with third party contractors, and how does it compare with the cost of employed lineman directly.
e. Please reconcile the statement with the reduction in costs for Outside Services Employed (5630) of $24,100 in the Test Year as set out in Appendix 2-JB.

Response:

a) Replacing linesmen is a long and expensive exercise (4 years for a line apprentice). Finding quality talent can also be difficult in smaller cities. Most of the top talent may already be employed. HHI, like many other LDCs its size, will outsource these services and avoid all costs incurred by different regulations.
b) Confirmed
c) HHI has hired Sproule Powerline Construction in the past for specific capital projects. They are an experienced, reputable firm who also does work for neighbouring utilities such as Cooperative Hydro Embrun, Hydro 2000 Hydro Ottawa. HHI is unable to provide the hourly rates for Sproule as this is confidential information. Please see the response to 2-Staff-38.2-Staff-38 .
d) Please see the response to 2-Staff-26
e) HHI notes that there was an error in the table at Appendix 2-JB. Costs associated with hiring AESI to assist with the DSP were originally recored in 5630 but were subsequently moved to Regulatory (5655) creating a false cost driver.

## 4-SEC-22

[Ex.4, p.46] With respect to Appendix 2-M:

a. Please reconcile the $30,000 annual 'Consultants' cost for regulatory matters' with the specifics amounts for Tandem Energy set out in Table 18.
b. Appendix 2-M (table 21) is different than the version contained in the Chapter 2 Filing Requirements Appendices excel file. Please reconcile.

Response:

a) The contract of 30K/year, as shown in Table 18, was for the period ending in 2016. The four-year contract was renewed on January 1, 2017 at 33K/year until 2020.
b) The table filed as part of Chapter 2 appendices is correct (replicated below).

| | Regulatory Cost Category | USoA Account | USoA Account Balance | Ongoing or One-time Cost? [2] | Last Rebasing Year (2014 Board Approved) | Most Current Actuals Year 2016 | 2017 Bridge Year | Annual % Change | 2018 Test Year | Annual % Change |
|---|---|---|---|---|---|---|---|---|---|---|
| | (A) | (B) | (C ) | (D) | (E) | (F) | (G) | (H) = [(G)-(F)]/(F) | (I) | (J) = [(I)-(G)]/(G) |
| 1 | OEB Annual Assessment | 5655 | See line 30 | On-Going | $8,900 | $21,958 | $23,056 | 5.00% | $24,209 | 5.00% |
| 2 | OEB Section 30 Costs (Applicant-originated) | 5655 | See line 30 | On-Going | | | | | | |
| 3 | OEB Section 30 Costs (OEB-initiated) | 5655 | See line 30 | On-Going | $1,500 | $1,468 | $1,541 | 5.00% | $1,618 | 5.00% |
| 4 | Expert Witness costs for regulatory matters | 5655 | See line 30 | On-Going | | | | | | |
| 5 | Legal costs for regulatory matters | 5655 | See line 30 | On-Going | | | | | | |
| 6 | Consultants' costs for regulatory matters | 5655 | See line 30 | On-Going | $45,000 | $30,000 | $33,000 | 10.00% | $33,000 | 0.00% |
| 7 | Operating expenses associated with staff resources allocated to regulatory matters | 5655 | See line 30 | | | | | | | |
| 8 | Operating expenses associated with other resources allocated to regulatory matters [1] | 5655 | See line 30 | | | | | | | |
| 9 | Other regulatory agency fees or assessments | 5655 | See line 30 | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 10 | Any other costs for regulatory matters (please define) | 5655 | See line 30 | On-Going | | | $500 | | | -100.00% |
| 11 | Intervenor costs | 5655 | See line 30 | | | | | | | |
| 11 | Cost of Service Amortized over 5 years | 5655 | See line 30 | One-Time | | | | | $36,700 | |
| 12 | Sub-total - Ongoing Costs [3] | | $ - | | $55,400 | $53,426 | $58,097 | 8.74% | $58,827 | 1.26% |
| 13 | Sub-total - One-time Costs [4] | | $ - | | $0 | $0 | $0 | | $36,700 | |
| 14 | Total | | $ - | | $55,400 | $53,426 | $58,097 | 8.74% | $95,527 | 64.43% |

## 4-SEC-23

[Ex.4, Appendix 2-JB] Please provide the Applicant's expectations regarding the effect of the Fair Hydro Plan on Test Year bad debt expenses.

Response:

HHI cannot effectively predict future consumer behaviour based on the OEB introducing the Fair Hydro Plan, however, intuitively, lower electricity bill should alleviate pressure on the customers to pay their bills and in turn reduce the bad debt expenses. In its budget, HHI has reduced its 2018 budgets by 16% to account for the effects of the Fair Hydro Plan.

| | |
|---|---|
| 18,735 | % Var. |
| 21,987 | 17% |
| 47,680 | 117% |
| 68,489 | 44% |
| 57,225 | -16% |

# 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%.

### Response:

a) The only long-term debt instrument has been issued is for the $1,550,000. The 2nd one for $1,480,000 has not been issued yet. HHI expects the issuance to happen within a couple of months.
b) The updated table is presented below.

c) The promissory note for the $1,480,000 is not available yet. It will be available once the long-term debt instrument is about to be issued. HHI used the rate of 3.53% debt rate as per the Infrastructure Ontario website. (11/13)
d) The updated table is presented below.
e) HHI has updated the weighted long-term debt rate to reflect the rates as shown below. The weighted long-term debt rate is calculated to be 3.50%

## Debt Instruments

This table must be completed for all required historical years, the bridge year and the test year.

Year: 2018 — Long Term

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal ($) | Rate (%) (Note 2) | Interest ($) (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Term facility - SUB 44KV Loan | Infrastructure Ontario | Third-Party | Fixed Rate | July 16, 2012 | 25 | $619,432 | 0.0394 | $24,406 |
| 2 | Term facility - SUB 110KV Loan | Infrastructure Ontario | Third-Party | Fixed Rate | January 1, 2018 | 25 | $1,480,000 | 0.0353 | $52,244 |
| 3 | Term facility - SUB 110KV Loan | Infrastructure Ontario | Third-Party | Fixed Rate | June 28, 2017 | 25 | $1,550,000 | 0.0329 | $50,995 |
| Total | | | | | | | $3,649,432 | 0.034976572 | $127,645 |

Year: 2018 — Short Term

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal ($) | Rate (%) (Note 2) | Interest ($) (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Capital expenditures 2014-2015 | Infrastructure Ontario | Third-Party | Fixed Rate | July 1, 2017 | 5 | $450,000 | 0.0199 | $8,955 |
| Total | | | | | | | $450,000 | 0.0199 | $8,955 |

Year: 2017

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal ($) | Rate (%) (Note 2) | Interest ($) (Note 1) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Term facility - SUB 44KV Loan | Infrastructure Ontario | Third-Party | Fixed Rate | July 16, 2012 | 25 | $641,755 | 0.0394 | $25,285 |
| 2 | Temporary construction loan - SUB 110KV Loan | Infrastructure Ontario | Third-Party | Variable Rate | November 6, 2013 | | $723,795 | 0.0162 | $11,725 |
| 3 | Temporary construction loan - SUB 110KV Loan | Infrastructure Ontario | Third-Party | Variable Rate | August 2, 2016 | | $708,738 | 0.0162 | $11,482 |
| 4 | Capital expenditures 2014-2015 | Infrastructure Ontario | Third-Party | Fixed Rate | July 1, 2017 | 5 | $450,000 | 0.0199 | $4,478 |
| 5 | Term facility - SUB 110KV Loan | Infrastructure Ontario | Third-Party | Variable Rate | June 28, 2017 | | $1,550,000 | 0.0329 | $25,986 |
| Total | | | | | | | $4,074,288 | 0.019379133 | $78,956 |

## 5.0-VECC-33

Reference: E5/Appendix A

a) The construction loan (negotiated May 16, 2016) does not appear to include a specific fixed interest rate – rather under the Standard Terms and Conditions it establishes a per annum floating rates (page 41 of PDF) until loan conversion. Please provide the loan conversion documentation which shows the long-term interest rates for the $1,480,000 loan.

Response

The loan is not finalized, and the loan interest rate has not been provided by IO yet. See 5-Sec- 24

## 5-SEC-24

[Ex.5, Appendix A] With respect to the May 16th 2017 loan instrument with Infrastructure Ontario ("IO"), please explain how the interest rate is derived, and specifically provide any documentation from IO setting out specific components that make up that rate.

Response: Below is an excerpt from the May 16 financing agreement

| | |
|---|---|
| 7. Interest Rates & Repayment: | a) Construction Loan: Floating interest rate as posted on the Lender's website (www.infrastructureontario.ca) with interest rates subject to change without notice.<br>i. Interest only monthly payment;<br>ii. The Construction Loan is a non-revolving facility and no amounts repaid under the Construction Loan may be re-borrowed.<br>b) Term Loan: Fixed interest rate as confirmed by the Lender to the Borrower under the Term Loan Advance and/or at the time of conversion of the Construction Loan to the Term Loan #1. Such interest rate shall be based on the Lender's cost of funds plus the Lender's prevailing spread assigned to the Borrower's sector for program delivery costs and risks.<br>i. Blended payments of principal and interest to be paid monthly up to a 25-year amortization with a 25-year term under Term Loan #1;<br>ii. Blended payments of principal and interest to be paid monthly up to a 5 year amortization with a 5-year term under Term Loan #2;<br>iii. The Term Loans are non-revolving facilities and no amounts repaid under the Term Loans may be re-borrowed. |

Response: excerpt below from i/o website

# Lending Rates

Our online lending rates are updated frequently as we track the movement of our cost of borrowing in the capital markets. Rates on debentures are fixed for the entire life of the loan once the debenture is issued. Rates on construction loans float throughout the term of the loan until they are replaced by a debenture.

For applications submitted prior to April 1, 2008, please contact an Infrastructure Ontario representative for current rate information. Call 1-800-230-0937.

Use the drop down menu to select your client type. Once selected, you will be directed to the lending rates page for your sector.

Municipal Corporations | Get Rates

**Serial and Amortizer Debentures**

Interest rates on our serial and amortizer debenture loans are all-in blended rates (sometimes referred to as Annual Percentage Rate or Internal Rate of Return). In this respect they differ from serial debentures that some borrowers may have sold in the past through banks or investment dealers; such serial debentures may have had lower interest rates attached to principal that paid out in the early years and higher rates attached to the longer maturity portions of the debenture.

Our rates are based on the same concept, but we take the process one step further and determine the single interest rate that equates to the rates across the whole term of the loan.

**Sector Pricing**

Infrastructure Ontario's loan pricing recognizes the unique fundamental credit character of each eligible client sector and continues to provide equitable access to affordable financing rates. Pricing is based on the relative long term credit strengths of each eligible client sector, recognizing the varying degrees of government involvement and the security afforded to Infrastructure Ontario.

This pricing approach ensures that Infrastructure Ontario can support all eligible clients in an equitable and non-discriminatory manner. All eligible clients within each sector share the same affordable rates, and same benefits of the loan program.

Indicative rates are based on Infrastructure Ontario's cost of funds plus a charge to cover program delivery costs.

# Lending Rates: Power Generation Providers

Indicative Lending Rates as of 03/11/2017

| Term | Construction | Serial | Amortizer |
|---|---|---|---|
| 1 Month | 2.34% | - | - |
| 5 Year | - | 2.84% | 2.85% |
| 10 Year | - | 3.29% | 3.31% |
| 15 Year | - | 3.57% | 3.61% |
| 20 Year | - | 3.75% | 3.79% |
| 25 Year | - | 3.85% | 3.90% |
| 30 Year | - | 3.91% | 3.96% |

## About Our Lending Rates

Our online lending rates are updated frequently as we track the movement of our cost of borrowing in the capital markets.

**Debentures** - rates on debentures are fixed for the entire life of the loan once the debenture is purchased by Infrastructure Ontario.

**Construction Loans** - for construction loans, rates float throughout the term of the loan until they are replaced by a debenture. Construction loan requests over $75 million are subject to funding availability and interest rates may vary from those posted.

**These interest rates are the all-in cost for loans of the term and type selected.

# 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.

Response:

HHI has rectified the allocation in the model filed along with these responses.

# 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.

Response:

HHI has used the proposed breakout of assets since the inception of the cost allocation model back in 2006. The supporting documentation for the split is no longer available therefore in reviewing the current use of these particular assets, HHI proposes to use the 65% primary, 35% secondary split for Account 1835. The model filed in conjunction with these responses reflect the corrected breakout of assets.

# 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.

Response:

a) HHI is of the opinion that there is no need to calculate Billing and Collecting weighting factors as the amount of time, resource and effort to bill a residential customer is identical to all of the other classes
b) HHI notes that the because the relatively low balance of $30,022 in account 1855, HHI used it own consideration of costs included in “Services” to determined that the GS<50 should be allocated double the costs in comparison to the residential class.

## 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.

Response:

a) The model has been corrected to reflect the number of devices in cell J18. HHI note that one device is equal to one connection. In other words, HHI does not have any daisy chains Street Lighting where one device can have connections.

# 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.

Response:

a) & b) &c) Costs related to Late Payment charges are static across all classes therefore the utility has not considered the methodology suggested by Staff. HHI notes that there is no specific OEB requirement to allocate the Late Payment charge in the suggested methodology therefore HHI maintains that the customer count is the most fitting methodology for the utility.

.

## 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.

Response:

Residential meters are for the most part 200 amps 120/240 volts meters and as such, are fairly inexpensive in comparison to commercial meters. Commercial meters for the General Service classes vary from 120v to 208 volts, 600volts and are more expensive.

# 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.

Response:

As explained at page 6 of Exhibit 7, the data entered on sheet I8 reflects the findings of the 2004 hour by hour load data being scaled to be consistent with the 2018 load forecast and the inspection of the scaled data to identify the system peaks and class specific peaks.

If the Board requests updates to the Demand Data, it needs to provide HHI with clear, concise and detailed instructions on how original study conducted by Hydro One in 2004-2005 was determined and also sets out clear instructions on how it expects utilities to update their profiles for all new parameters including the introduction of smart meters reads.

# 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.

Response:

a) As explained at page 6 of Exhibit 7, the data entered on sheet I8 reflects the findings of the 2004 hour by hour load data being scaled to be consistent with the 2018 load forecast and the inspection of the scaled data to identify the system peaks and class specific peaks.
b) See response to a). In addition, the model detailing the update was filed in the original application.
c) HHI will not commit to producing updated load profiles until the OEB publishes concise details/instructions on how original study conducted by Hydro One in 2004 was determined. HHI also expects the OEB to sets out clear instructions on how it expects utilities to update their profiles given the introduction of smart meters.

## 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.

Response:

Please see CWH's response to 7-Staff-71

## 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?

Response:

The only street light customer HHI has is the Town of Hawkesbury and the utility confirms that the Town was informed of the proposed bill impact and will also be kept up to date on the changes to the bill impact as a result of the IRs, Settlement Agreement and Decision.

## 7.0-VECC-34

Reference: Exhibit 7, page 3
Preamble: HHI proposes a higher Services weighting factor for GS<50 (i.e., 2.0 vs. 1.0) due to the "more planning and monitoring for general service class than the residential class". HHI explains the use of a 1.0 weighting factor for GS>50 on the basis that, per the ESA, it is not allowed to "service" the equipment of this class.

a) Does the planning for the Service equipment required to connect GS>50 customers require more time/effort than that for the Residential class?

b) Please clarify whether the "service" being referred to by the ESA is the planning and installation of the GS>50 customer's service drop or the ongoing "servicing" (e.g., maintenance, etc.) of such facilities.

HHI responses:

a) HHI is of the opinion that the planning required to connect GS>50 customers require more time/effort than that for the Residential class however, cost related to account 1855 (costs installed of overhead and underground conductors leading from a point where wires leave the last pole of the overhead system to the point of connection with the customer's electrical panel) do not.

b) ESA is responsible for the installation of GS>50 services. See response to a) above to details on planning.

## 7.0-VECC-35

Reference: Exhibit 7, page 17

a) Pease explain why HHI is proposing to increase the GS>50 ratio from 95% to 96%.
b) Why shouldn't all ratios remain the same except for Street Lighting (increase - in order to bring it up to the lower end of the Board's policy range) and GS<50 (decrease since it is the highest – in order to offset the additional revenue from Street Lighting)?

Response:

d) & b) It is evident by the variance column in Table 15 at page 17 which shows 0.00, that this is a simple rounding issue. The intent is to follow Board Policy and keep the R/C ratio the same.

HHI notes that the R/C ratios have been updated as a result of the changes agreed to as part of theses response.

## 7-SEC-25

[Ex.7, CA Model] Please explain the basis of the smart meter costs for both residential and GS< 50.

Response

Residential meters are in general 200 amps 120/240 volts meters and are generally inexpensive in comparison to General Service meters, A residential meter is currently worth at market value approximately CAD $105

GS<50 service for the most part require commercial meters which can require a 120v, 208 volts, 600volts mete. As such, costs for GS<50 can vary from $105 to $600 depending on the service and type of SM required.

# 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.

Response: The table at page 21 should have shown the projected Billed LV (as opposed to show balances at current rates). HHI confirms that the revision does not affect the cost of power calculations.

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| | | | | | |
| 4075-Billed - LV | ($51,804) | ($51,300) | $90,976 | $92,658 | $211,245 |
| 4750-Charges - LV | $85,933 | $89,485 | $211,136 | $211,136 | $211,136 |

# 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.

Response:

The table above shows the correct information and reconciles with the proposed revenue requirement as seen below. HHI can only assume that the difference of $449.97 over a revenue requirement of 1,774,699 (or -0.025%) is due to a rounding difference between HHI's calculation and the calculations in the RRWF.

| | Customers/ Connections | | Test Year Consumption | | Proposed Rates | | | Revenues at Proposed Fixed Rates | Revenues at Proposed Var Rates | Total | Class Specific Revenue Requirement | Transformer Allowance Credit | Total | Difference |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Average | kWh | kW | Monthly Service Charge | Volumetric | | | | | | | | |
| | | | | | | kWh | kW | | | | | | | |
| Residential | kWh | 4,836 | 48,228,553 | - | $15.39 | $0.0028 | | $893,102.99 | $134,735.85 | $1,027,838.84 | $1,027,838.84 | $0.00 | $1,027,838.84 | $0.00 |
| General Service < 50 kW | kWh | 618 | 18,143,532 | - | $15.47 | $0.0073 | | $114,640.36 | $133,248.77 | $247,889.13 | $247,889.13 | $0.00 | $247,889.13 | $0.00 |
| General Service > 50 to 4999 kW | kW | 89 | 81,021,489 | 211,046 | $100.99 | | $2.2602 | $107,667.89 | $476,998.51 | $584,666.40 | $471,143.40 | $113,523.00 | $584,666.40 | $0.00 |
| Unmetered Scattered Load | kWh | 10 | 429,307 | - | $7.29 | $0.0043 | | $837.58 | $1,839.70 | $2,677.27 | $2,677.27 | $0.00 | $2,677.27 | $0.00 |
| Sentinel Lighting | kW | 57 | 84,029 | 238 | $1.83 | | $3.6222 | $1,242.67 | $863.20 | $2,105.87 | $2,105.87 | $0.00 | $2,105.87 | $0.00 |
| Street Lighting | kW | 1,211 | 641,942 | 1,844 | $0.67 | | $7.2372 | $9,700.00 | $13,344.36 | $23,044.36 | $23,044.36 | $0.00 | $23,044.36 | $0.00 |
| | | | | | | | | | | | | | | |
| Total | | | | | | | | $ 1,127,191 | $ 761,030 | $ 1,888,222 | $ 1,774,699 | $ 113,523 | $ 1,888,222 | $0.00 |

## 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?

Response:

a) HHI did not include this proposed change in its revenue offsets. The issue was corrected in the set of models filed with these responses.
b) 6 customers would be impacted by the change
c) The increase in revenues would be $332/year (from $388 to $720)

## 8.0 –VECC-36

Reference: Exhibit 8, pages 10

a) Please update the RTSR Work Form to incorporate Hydro One's 2017 UTRs and Sub-Transmission RSTRs.

Response

a) The utility has updated the RTSR model to use the 2018 version which contains up to date rates.

## 8.0 –VECC-37

Reference: Exhibit 8, pages 23-24
Chapter 2 Appendices, Appendix 2-R (Loss Factors)

a) On page 23 HHI makes reference to being embedded in HONI and using a SFLF of 1.0034 which it does in Table 16 when calculating its proposed loss factor. Please explain how the 1.0034 was derived given that HHI is only partially embedded in HONI and Appendix 2-R indicates that the SFLF for distributors embedded in HONI is 1.034.

Response:

a) HHI has updated its SFLF to reflect the weighted average of the IESO's 1.0045 and H1's 1.0034, the utility revised SFLF is 1.0039.

| | Transmission units billed (RTSR) | Weight | Loss Factor | |
|---|---|---|---|---|
| IESO | 142,099 | 0.46 | 1.0045 | 0.4584 |
| H1 | 169,290 | 0.54 | 1.0034 | 0.5455 |
| Total | 311,389 | | 2.0079 | 1.0039 |

| | | Historical Years | | | | | 5-Year Average |
|---|---|---|---|---|---|---|---|
| | | 2012 | 2013 | 2014 | 2015 | 2016 | |
| | ***Losses Within Distributor's System*** | | | | | | |
| **A(1)** | "Wholesale" kWh delivered to distributor (higher value) | 155,160,223 | 155,629,379 | 148,998,899 | 146,116,338 | 144,486,097 | 150,078,187 |
| **A(2)** | "Wholesale" kWh delivered to distributor (lower value) | 154,311,135 | 154,796,479 | 148,208,227 | 145,328,620 | 143,768,238 | 149,282,540 |
| **B** | Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s) | | | | | | - |
| **C** | Net "Wholesale" kWh delivered to distributor = **A(2) - B** | 154,311,135 | 154,796,479 | 148,208,227 | 145,328,620 | 143,768,238 | 149,282,540 |
| **D** | "Retail" kWh delivered by distributor | 149,212,312 | 150,131,144 | 143,606,220 | 140,355,207 | 141,525,042 | 144,965,985 |
| **E** | Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s) | - | - | - | - | - | - |
| **F** | Net "Retail" kWh delivered by distributor = **D - E** | 149,212,312 | 150,131,144 | 143,606,220 | 140,355,207 | 141,525,042 | 144,965,985 |
| **G** | Loss Factor in Distributor's system = **C / F** | 1.0342 | 1.0311 | 1.0320 | 1.0354 | 1.0159 | 1.0298 |
| | ***Losses Upstream of Distributor's System*** | | | | | | |
| **H** | Supply Facilities Loss Factor | 1.0039 | 1.0039 | 1.0039 | 1.0039 | 1.0039 | 1.0039 |
| | ***Total Losses*** | | | | | | |
| I | Total Loss Factor = **G x H** | 1.0382 | 1.0351 | 1.0361 | 1.0395 | 1.0198 | 1.0338 |

# 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.

### Response:

HHI does contribute to OMERS for its employees. The employer's share is included in the various accounts where salaries are imputed.

## 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.

Response:

a) The 2014 financial statements prepared with CGAAP were verified. The IFRS adjustments (including the adjustment to PP&E) to the 2014 financial statements were audited. The 2014 IFRS financial statements were not been audited.
b) HHI and their auditors confirm that the increase in PP&E were reflected in the Rate Base for regulatory purposes. The balance included in the 2018 Rate Base would be $79,965.

## 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.

Response:

The first adjustment in PP&E is the amount discussed in question 9-Staff-78. The other adjustments were for capital contributions and intangibles.

## 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.

Response:

HHI doesn't capitalize any OM&A expenses. The large projects are all done by contractors

## 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.

c) 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.
d) 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.

Response:

HHI is not undergoing an audit for accounts 1595. This statement was made by mistake. HHI is requesting disposal for accounts 1595 (2013), (2014) and (2015).

## 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.

Response:

a) When HHI had to replace its CFO, they realized that some amounts in accounts 1595 were not in the proper sub-accounts. In 2009, no deferral and variance accounts were approved for disposition. Corrections were made to put the amounts in the proper years. The total disposed in 2015 matches the total approved in the 2015 decision ($43,995). The total approved was respected but the years and the mix between principal and interest are different.

b) When HHI records its unbilled revenues, they don't consider the amounts collected or remitted in accounts 1595. The amounts are recorded when the clients are actually billed. Therefore, amounts collected and/or remitted based on December's consumption are recorded in January in the books of HHI. The amounts shown in the subsequent year are amounts for the previous year's consumption billed in the subsequent year.

## 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.

Response:

The DVA filed in conjunctions with these response were revised to include the approved allocation per rate class that were established when the rate rider were implemented.

## 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.

Response:

HHI notes that rate riders are calculated in background of the OEB's model. HHI has no control over the OEB's models and its mechanics. However, HHI does confirms that it does not have any market participant as indicated in Tab 4.Billing Determinants columns J/K. HHI trusts that the OEB will make the appropriate correction to its models if need be.

## 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.

Response:

HHI does not nor has it ever had any Class A customers. HHI only has Class B customers.

## 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.

Response:

HHI has revised its DVA Continuity Schedule to reflect the correct amounts from 2015 and 2016

## 9-Staff-87

**Ref: Exhibit 9**

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

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

Response:

a) HHI has completed the GA Analysis Workform. HHI has also obtained a certification of accounts 1588 and 1589.
b) HHI has a letter from its auditors asserting that accounts 1588 and 1589 are consistent with the most current audited financial statements.

## 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.

Response:

HHI uses the following method: 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.

## 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

Response:

Revenues are based on 1st estimates and expenses are based on actuals. Assuming the last question is referring to charge type 1142 and to the second option in IR 88, the actuals are used for charge type 1142.

## 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)

Response:

All transactions are recorded based on actuals except for revenues GA RPP which is based on 1st estimates.

## 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.

Response:

HHI settles the RPP in the following month but journal entries are recorded in the current month.

All RPP clients are charged with the 1st estimates.

Exhibit 9, page 39 line 11 should mention 1st estimate rate, not 2nd estimate rate.

## 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.

Response:

HHI has replicated the excerpt in question below;

*Since the 110-kV project was not in service until May of 2017, HHI is proposing to refund the ICM rate rider amount collected from March 1, 2014, to December 31, 2017 (emphasis added), essentially refunding the entire amount associated with the 110-kV project (the "110 kV rate rider refund amount") back to its customers.*

As indicated in the excerpt above, HHI is requesting to refund from March 1, 2014 (rates in effect in HHI's 2014 Cost of Service) to December 31, 2017 (sunset date of existing rates)

## 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.

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

Response:

The rate rider under a fully fixed rate in effect over 12 months would be $1.79/mon ($105,553/4,836/12).

a)

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

## 9-Staff-94

**Ref: Tab 1 of LRAMVA Work Form**

**Tab 2 of LRAMVA Work Form; 2014 COS Load Forecast Worksheet (CDM Calculations tab)**

Hydro Hawkesbury applied for a debit balance of $39,039.24 for lost revenues associated with new CDM programs savings between 2013 and 2015, including persisting savings from 2013 and 2014 in 2015, and carrying charges. As noted in LDC's 2018 COS application, the LRAMVA request pertains to disposing of balances related to 2013-2015.

In the LRAMVA work form, Hydro Hawkesbury included the following amounts for forecast CDM savings used for comparison against actual program results: 1,451,129 kWh in 2013, and 1,451,129 kWh in 2014, and 1,271,383 kWh in 2015.

a) Please confirm the LRAMVA threshold approved in the 2010 COS application.
b) Please also provide the rate class specific breakdown of the 2010 LRAMVA threshold, as it appears the 2010 LRAMVA threshold amount was not reflected in Tab 2.
c) Please update your application using the approved LRAMVA threshold from the 2010 cost of service application in the calculation of 2013 LRAMVA amounts.
d) Please confirm the LRAMVA threshold approved in the 2014 COS application and the rate class specific breakdown of the 2014 LRAMVA threshold.
e) Please discuss why LDC has used the following

LRAMVA thresholds: 2014 – 1,451,129 kWh

2015 – 1,451,129 kWh

f) Please update your application using the approved LRAMVA threshold in the 2014 COS application in the calculation of 2014 and 2015 LRAMVA amounts. Please ensure that the rate class breakdown of forecast CDM savings

corresponds with the approved 2014 LRAMVA threshold.

g) In making the corrections to e) above, please correct the forecast lost revenue amounts in Table 3-a so they are expressed as positive amounts (i.e., the values in rows 29 and 30). Note that the forecast lost revenues for 2014 and 2015 will be converted to negative amounts in Tab 1, which will be used to offset actual savings in the summary table.

## Response

a) HHI's 2010 CoS application did not include an LRAMVA threshold.
b) Same as a)
c) Same as a)
d) HHI is not seeking to dispose of 2013 balances. Only 2014-2016
e) HHI originally used the individual threshold for each year as calculated in the Board Appendix in 2014. The utility has since then updated the new 2018 LRAMVA model to reflect the total threshold of 4,305,223.
f) This issue was corrected when HHI populated the new LRAMVA model which is filed along with these responses.
g) HHI believes that this issue was corrected when HHI populated the new LRAMVA model which is filed along with these responses.

# 9-Staff-95

**Ref: Tab 3 of LRAMVA Work Form**

It appears that the number of months in period 1 (row 18) have not been entered correctly. In order to convert rates to a January to December year equivalent, the number of months should capture the amount of time from January to the start of Hydro Hawkesbury's rate year. If rates were implemented in May, four months should be entered in row 18 to reflect the rate effective for the first four months of the year.

a) Please confirm accuracy of the entries in row 18, in particular cells H18 and I19.
b) As shown in Tab 2, it appears that Hydro Hawkesbury previously allocated CDM savings to the streetlights, sentinel lights and unmetered scattered loads customer classes.
c) Please confirm whether the distribution rates pertaining to streetlights, sentinel lights and unmetered scattered loads should be filled out in Table 5.
d) If yes, please provide the missing distribution rates related to other customer classes that were previously allocated forecast CDM savings amounts.

## Response

a) This issue was corrected when HHI populated the new LRAMVA model which is filed along with these responses.
b) No IR to respond to
c) Same as a)
d) Same as a)

# 9-Staff-96

**Ref: Tab 4 of LRAMVA Work Form**

a) Please confirm that the distributor has relied on the IESO's savings results in completing the savings work forms in Tab 4 and 5.
b) Please submit an excel copy of Hydro Hawkesbury's Verified Results Report issued to the distributor from the IESO.
c) Please provide the rate class allocation factors for 2014 (Table 10). By doing so, Table 10 will auto-populate values for the persistence of 2014 savings into 2015.

## Response

a) Confirmed
b) The 2016 verified results are filed along with these responses.
c) HHI believes that this issue was corrected when HHI populated the new LRAMVA model which is filed along with these responses. HHI notes that it has not applied persistence from its 2014 results as the programs have been replaced by the 2015-2020 framework.

## 9-Staff-97

**Ref: Tab 6 of LRAMVA Work Form**

a) Please confirm whether you have relied on the persistence rates confirmed by the IESO.
b) Please discuss the appropriateness of including persistence rates of 1 into future years from 2013 to 2015 for both energy and demand related savings.
c) Please adjust the persistence tables, as appropriate, to include more detailed persistence rates (more than 1 decimal place).

Response

a) HHI confirms that it has used the 2016 verified report and its persistence results as inputs to the new LRAMVA model.
b) HHI has not included persistence from its legacy programs (2011-2014) in the newly populated model.
c) The persistence was copy/pasted with the information provided in the IESO 2016 verified results.The report does not include decimals.

# 9-Staff-98

**Ref: Tab 7 of LRAMVA Work Form**

As part of the LRAMVA disposition, Hydro Hawkesbury indicated that it would collect carrying charges up to April 30, 2015. Based on Tab 7 of the work form, it should amount to $147.68 in carrying charges collected up to the period ending April 30, 2015. However, Hydro Hawkesbury has collected $362.99 in carrying charges up to the period ending December 30, 2015, which was the amount confirmed in the LRAMVA application and work form.

a) Please confirm the period of the carrying charges to be included in the disposition.
b) Please confirm the updated carrying charges amount, taking into consideration updates to Tab 1 that affect the carrying charges calculation in Tab 7.
c) Please re-file an updated LRAMVA work form with all changes noted above.

Response

a) Carrying charges are determined in the OEB's LRAMVA model and are calculated up to December 2016.
b) See response to a)
c) HHI confirms that it has used the 2016 verified report and its persistence results as inputs to the new LRAMVA model.

## 9.0-VECC-38

Reference: Exhibit 9, Section 9.8.1, page 29

a) Please confirm that in HHI's last cost of service application, EB-2013-0139, the Utility sought to defer implementation of IFRS.
b) Please provide the EB- 2013-0139 application reference supporting the statement: "[A]*s was presented in HHI's 2014 Cost of Service, the difference in depreciation due to the adoption of new useful lives was recorded in account 1575 and amortized over four years*."

### Response

a) Confirmed. In its last Cost of Service HHI opted to defer IFRS until the province and OEB mandated it. (implemented globally on January 1 2015).That said, HHI notes that it adopted the new MIFRS depreciation rates on January 1, 2013 as per mandated by the OEB. The last cost of service application was approved on the basis of the new rates.
b) HHI confirms that the difference in depreciation due to the adoption of new useful lives was recorded in account 1576 not 1575 as indicated in the evidence and was recovered over 1 year. (screenshot from model filed as part of the draft rate order).

**Appendix 2-EE**
**Account 1576 - Accounting Changes under CGAAP**
**2013 Changes in Accounting Policies under CGAAP**

**Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2013**

| | 2010 Rebasing Year | 2011 | 2012 | 2013 | 2014 Rebasing Year | 2015 | 2016 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| **Reporting Basis** | CGAAP | IRM | IRM | IRM | CGAAP - ASPE | IRM | IRM | IRM | IRM |
| **Forecast vs. Actual Used in Rebasing Year** | Forecast | Actual | Actual | Forecast | Forecast | | | | |
| | | | | $ | $ | $ | $ | $ | $ |
| **PP&E Values under former CGAAP** | | | | | | | | | |
| Opening net PP&E - Note 1 | | | | 5,334,479 | | | | | |
| Net Additions - Note 4 | | | | 235,087 | | | | | |
| Net Depreciation (amounts should be negative) - Note 4 | | | | -226,834 | | | | | |
| **Closing net PP&E (1)** | | | | 5,342,732 | | | | | |
| **PP&E Values under revised CGAAP (Starts from 2013)** | | | | | | | | | |
| Opening net PP&E - Note 1 | | | | 5,334,479 | | | | | |
| Net Additions - Note 4 | | | | 235,087 | | | | | |
| Net Depreciation (amounts should be negative) - Note 4 | | | | -195,337 | | | | | |
| **Closing net PP&E (2)** | | | | 5,374,229 | | | | | |
| **Difference in Closing net PP&E, former CGAAP vs. revised CGAAP** | | | | -31,497 | | | | | |

| **Effect on Deferral and Variance Account Rate Riders** | | | | |
|---|---|---|---|---|
| Closing balance in Account 1576 | - | 31,497 | **WACC** | 5.98% |
| Return on Rate Base Associated with Account 1576 balance at WACC - Note 2 | - | 1,884 | **# of years of rate rider disposition period** | 1 |
| **Amount included in Deferral and Variance Account Rate Rider Calculation** | - | 33,381 | | |

## 9-SEC-26

[Ex.9, p.29] With respect to the transition to MIFRS:

a. [EB-2013-0139, Ex. A, p.11] Please confirm that the Applicant sought a deferral to transition to IFRS in its last cost of service application.
b. Please provide a reference to the Board's approval of the Applicant's transition to IFRS.
c. Please provide a reference to where in the Applicant last cost of service application (EB-2013-0139) it sought to recorded the difference in depreciation due to new useful lives in account 1575 and amortized them over 4 years.

### Response

a) See response to 9.0-VECC-38