Halton Hills
HYDRO

February 20, 2018

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

Dear Ms. Walli:

Re: 2018 IRM Electricity Distribution Rate Application, Interrogatory Responses - Halton Hills Hydro Inc., Board File no. EB-2017-0045

Halton Hills Hydro Inc. ("HHHI") hereby submits its Interrogatory Request Responses as per Procedural Order 1 dated January 18, 2018.

HHHI has submitted the following files through RESS:

1. Halton_IRR_EB-2017-0045_20180220 (pdf)
2. Halton_IRR_Rev_Reqt_Work_Form_Depreciation_20180220 (Excel)
3. Halton_IRR_SupportingExcel_EB-2017-0045_20180220 (Excel)
4. Halton_IRR_GA_Analysis_Workform_EB-2017-0045_20180220 (Excel)
5. Halton_IRR_TableA1Excel_EB-2017-0045_20180220 (Excel)
6. Halton_Rev_Reqt_Work_Form_EB-2015-0074_20160229 (Excel)

HHHI has couriered two (2) hardcopies of the pdf document to the Board offices and one (1) hardcopy to Mr. Rubenstein as requested in the intervenor request.

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

Sincerely,

(Original signed)

David J. Smelsky, CPA, CMA
Chief Financial Officer, HHHI

Cc: Arthur A. Skidmore, President & CEO, HHHI
R. King, Osler, Hoskin & Harcourt LLP
Intervenors on record in proceeding EB-2017-0045

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ONTARIO ENERGY BOARD
IN THE MATTER OF AN APPLICATION BY

HALTON HILLS HYDRO INC. ("HHHI")

2018 IRM APPLICATION
INTERROGATORY RESPONSES FROM HALTON HILLS HYDRO INC.

OEB Staff Question #1

References: GA Analysis Workform – Reconciliation items 1a and 1b
2018 Rate Generator Model – Tab 3 Continuity Schedule
(Years 2015 and 2016)

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[1].
b) Charge Type 1142 is booked into Account 1588. In relation to Charge Type 148, the non-RPP quantities multiplied by the GA rate is booked to account 1589 and the remainder of Charge Type 148 is booked to account 1588.
c) Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equaling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equaling GA RPP is credited into Account 1589.
d) If another approach is used, please explain in detail.

Response:

HHHI confirms that it uses approach (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[1] to post monthly expenses from the IESO invoice.

[1] Note, the following in all references in OEB Staff questions relating to amounts booked to accounts 1588 and 1589. Amounts are not booked directly to accounts USoA 1588 and 1589 relating to power purchase and sale transactions, but are rather booked to the cost of power USoA 4705 Power Purchased/4707 Charges - Global Adjustment and the respective Energy Sales USoA accounts, respectively. However, accounts 1588 and 1589 are impacted the same way as accounts 4705/4707 are for cost of power transactions, and the same way as the Energy Sales accounts are for revenue transactions.

OEB Staff Question #2

References: GA Analysis Workform – Reconciliation items 1a and 1b
2018 Rate Generator Model – Tab 3 Continuity Schedule
(Years 2015 and 2016)

With regards to the amount being requested for disposition of USoA 1589 account balance as at Dec. 31, 2016, all components that flow into Account 1589 (i to iv in table below) should be based on actuals in the 2018 Rate Generator Model – Tab 3 Continuity. Please complete the following table to:

a) Indicate whether each of the components are based on estimates or actuals at year end, and

b) Quantify the adjustment amount pertaining to each component that is trued- up from estimate to actual.

	Component	Estimate or Actual	Notes/Comments	Quantify True Up Adjustment $ Amount
i	Revenue (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)	Actual		
ii	Expenses - GA non- RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)			
iii	Expenses - GA non- RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.			
iv	Credit of GA RPP: Charge Type 142 if the approach under Staff Question 1c is used			

c) For each item in the table above, please confirm that the GA Analysis Workform for 2016 and the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 have been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

Response:

a) See **Table IRR – 1** below.

b) See **Table IRR – 1** below.

c) Confirmed.

Table IRR – 1 – OEB Staff Question #2 (a) & (b) Responses

	Component	Estimate or Actual	Notes/ Comments	Quantify True Up / Adjustment $ Amount
i	Revenue (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)	Actual	No True-up needed	$0.00
ii	Expenses - GA non- RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)	Actual	No True-up needed	$0.00
iii	Expenses - GA non- RPP: Charge Type 148 with respect to the RPP/non-RPP kWh volume proportions.	Actual	No True-up needed	$0.00
iv	Credit of GA RPP: Charge Type 142 if the approach under Staff Question 1c is used	Not Applicable	Not Applicable	Not Applicable

OEB Staff Question #3

References: 2018 Rate Generator Model – Tab 3 Continuity Schedule

With regards to the amount being requested for disposition of USoA 1588 account balance as at Dec. 31, 2016, all components that flow into Account 1588 (i to iv in table below) should be all based on actuals at year end. Please complete the following table to:

a) Indicate whether the component is based on estimates or actuals at year end, and
b) Quantify the adjustment pertaining to each component that is trued-up from estimate to actual

	Component	**Estimate or Actual?**	**Notes/Comments**	**Quantify True Up Adjustment $ Amount**
i	Revenues (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)			
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)			
iii	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year			
iv	Expenses - GA RPP: Charge Type 148 with respect to the RPP/non- RPP kWh volume proportions.			
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/ HOEP/RPP GA components of the charge type			

c) For each item in the table above, please confirm that the 2018 Rate Generator Model Tab 3 Continuity Schedule for 2016 has been adjusted for settlement true-ups where settlement was originally based on estimate and trued up to actuals subsequent to 2016.

Response:

a) See **Table IRR – 2** below.

b) See **Table IRR – 2** below.

c) Confirmed.

Table IRR – 2 – OEB Staff Question #3 (a) & (b) Responses

	Component	Estimate or Actual	Notes/ Comments	Quantify True Up / Adjustment $ Amount
i	Revenues (i.e. is an unbilled revenue true-up adjustment reflected in the balances being requested for disposition?)	Actual	No True-up needed	$0.00
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)	Actual	No True-up needed	$0.00
iii	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)	Actual	No True-up needed	$0.00
iv	Expenses - GA RPP: Charge Type 148 with respect to the RPP/non- RPP kWh volume proportions.	Actual	No True-up needed	$0.00
v	RPP Settlement: Charge Type 142 including any data used for determining the RPP/ HOEP/RPP GA components of the charge type	Actual	No True-up needed	$0.00

OEB Staff Question #4

Reference: GA Analysis Workform – Consumption Data Excluding for Loss Factor – Box E
GA Analysis Workform – Analysis of Expected GA Amount

a) The calculated value from the GA Analysis Tab (2015 year) for "F59/D26" = 1.00975 and Halton Hills Hydro's OEB approved total loss factor is 1.0560. Please reconcile this difference.

b) The calculated value from the GA Analysis Tab (2016 year) for "F59/D26" = 1.0223 and Halton Hills Hydro's, OEB approved total loss factor is 1.0560. Please reconcile this difference

Response:

a) HHHI reviewed the GA Analysis Workform and determined that a class of Retailer customers was not included in Cells C47 to C58 (Non-RPP Class B including Loss Factor Billed Consumption (kWh)). The revised GA Analysis Workform is shown in **Appendix IRR – A**. The total loss factor calculated value in the GA Analysis Workform for 2015 is 1.047. Please be aware that a portion of the non-RPP billed consumptions are billed at the primary loss factor.

b) HHHI reviewed the GA Analysis Workform and determined that a class of Retailer customers was not included in Cells C47 to C58 (Non-RPP Class B including Loss Factor Billed Consumption (kWh)). The revised GA Analysis Workform is shown in **Appendix IRR – A**. The total loss factor calculated value in the GA Analysis Workform for 2016 is 1.054. Please be aware that a portion of the non-RPP billed consumptions are billed at the primary loss factor.

OEB Staff Question #5

Reference: 2015 GA Analysis Workform – Reconciling Items

The net change in principal balance in the GL of $319,559 does not match the transaction recorded in the continuity schedule for account 1589 for the 2015 year.

Please reconcile the difference and update the GA workform if necessary.

Response:

The principal balance in GL has been updated in the GA Analysis Workform. The revised GA Workform is shown in **Appendix IRR- A**.

OEB Staff Question #6

Reference: GA Analysis Workform – Reconciling Items

a) For 2015, please provide an explanation for reconciling items 1b and 3b.
b) For 2016, please provide an explanation for reconciling items 1a, 1b, 3a and 3b.

Response:

a) The following are the explanations for the reconciling items from 2015:
   - **1b** – This amount is related to IESO Global Adjustment invoice adjustments in relation to 2015 consumptions.
   - **3b** – This amount is the net Global Adjustment payment from Long Term Load Transfer settlements in 2015.

b) The following are the explanations for the reconciling items from 2016:
   - **1a** – This amount is the removal of IESO Global Adjustment invoice adjustments in relation to 2015 consumptions that were booked in 2016.
   - **1b** - This amount is related to IESO Global Adjustment invoice adjustments in relation to 2016 consumptions.
   - **3a** – This amount is the removal of net Global Adjustment payment from Long Term Load Transfer settlements in 2015 that were booked in 2016.
   - **3b** - This amount is the net Global Adjustment payment from Long Term Load Transfer settlements in 2016.

Pay Equity Z-Factor Application

OEB Staff Question #7

Reference: Z-factor Rate Rider Application/Appendix E

In reference to the table provided in Appendix E, Halton Hills Hydro documents amounts related to the z-factor claim for calendar years 2012 to March 31, 2021. It appears to OEB staff that the matters related to pay equity were only settled in 2017.

a) For which periods have the costs been audited by an external auditor?
b) Please provide all external audit reports.
c) Halton Hills Hydro filed its application on December 1, 2017. It appears to OEB staff that forecasted estimates would be for the period December 1, 2017 to March 31, 2021.
   i. Clearly identify the period for forecasted estimates.
   ii. Please provide the methodology used to forecast the amounts in Appendix E. Indicate all parameters used (e.g.: annual inflation rate) and identify all external sources used for such parameters.

Response:

a) With reference to Table PE2 – Management's estimated $107,000 for the period ending December 31, 2016 has been audited by an external auditor. In accordance with the terms of engagement, the external auditor made the necessary inquiries considered necessary for the purpose of appropriately informing themselves that the measurement methods and significant assumptions used by Management are reasonable.

b) Please refer to **Appendix IRR - B** for a copy of the 'Independent Auditors' Report' that accompanies the December 31, 2016 financial statements of Halton Hills Hydro Inc., signed by the external auditor April 20, 2017.

c) Forecasted estimates

   i. The period of forecasted estimates is from December 1, 2017 to March 31, 2021 as indicated by Board Staff with actual 2017 amounts updated in response to VECC-7.
   ii. The forecasted amounts in Appendix E of the Z-Factor Pay Equity application were calculated by taking the hourly wage in the Collective Agreement after the Pay Equity Agreement and subtracting the hourly wage in the Collective Agreement before the Pay Equity Agreement. This amount was then multiplied by the standard work hours in the work week (either 35 or 40 hours dependent on position) and further multiplied by the fifty-two (52) weeks.

OEB Staff Question #8

Reference: Z-factor Rate Rider Application/pages 5, 6 and 12

2018 IRM Application/page 4

On page 6 of the Z-factor application, Halton Hills Hydro states that it filed a Notice of Intent to file a Z-factor application with the OEB on June 29, 2017. On page 12, Halton Hills Hydro requests that the Z-factor application be heard jointly with the 2018 IRM application and the separate depreciation-related DVA application. Through Procedural Order #1, the OEB has combined the applications.

On page 4 of its 2018 IRM application, Halton Hills Hydro states that it was not applying for Z-factor approval in the IRM application.

Halton Hills Hydro indicates that the pay equity adjustments were finalized by February 2017.

a) Please file a copy of the June 29, 2017 Notice of Intent.
b) Please explain why Halton Hills Hydro was unable to file the Z-factor application as part of the 2018 IRM application filed on September 25, 2017 or provide any indication that it would file the Z-factor application, in particular with reference to the request for the OEB to hear the IRM, depreciation expense DVA and Z-factor applications together.

Response:

a) The June 29, 2017 Notice of Intent is shown in **Appendix IRR- C**.

b) Halton Hills Hydro Inc. ("HHHI") originally intended to file a stand-alone Z-factor application. After consultation with Board Staff and following Board Staff's recommendation, HHHI Management combined the Z-factor application with the 2018 IRM application. Please refer to **Appendix IRR – D** for email correspondence with Board Staff.

OEB Staff Question #9

Reference: EB-2015-0074/Exhibit 4/Tab 1/Schedule 1/pages 18-19

a) On pages 18-19 of Exhibit 4/1/1 of its 2016 CoS application, Halton Hills Hydro documents various Government policies that influence its operating resource allocation and the associated costs. OEB staff notes that the *Pay Equity Act* (PEA) is not mentioned. In Appendix C of its Z-factor application, Halton Hills Hydro documents its Pay Equity Agreement from 1990. In Appendix D it provides the Terms of Reference for the 2012 Joint Pay Equity Committee.
Since the formation of the Pay Equity Committee in late 2012 and 2013, when was the OEB informed about this matter? Please provide all copies of documents that indicate communication between Halton Hills Hydro and the OEB on the pay equity issue.

b) Please explain why Halton Hills Hydro considers the pay equity matter to be an extraordinary factor outside of normal business that should qualify for Z-factor treatment?

c) Does Halton Hills Hydro consider compliance with the PEA a factor that influences business decisions on resource allocation and associated costs?

Response:

a) HHHI wishes to note that on page 17 of Exhibit 4 / 1 / 1 of the 2016 CoS (EB-2015-0074), HHHI states "HHHI has been required to support a number of provincial policy initiatives, including, **but not limited to** [*emphasis added*]:". The provincial policies that are listed on page 18 are incremental policies and changes that occurred since the previous 2012 Cost of Service Application (EB-2011-0271). The *Pay Equity Act* became law in 1988.

HHHI's Pay Equity Committee was formed prior to 1990 and has been in place, performing regular job evaluations and maintenance, since that time as required in the *Pay Equity Act*. Please refer to VECC-3(c). The reference in HHHI's 2016 Cost of Service Application was meant to highlight <u>recent</u> policy initiatives.

b) As noted, HHHI had worked on pay equity since 1988, as a routine, on-going business issue. HHHI had expected the pay equity review to be completed quickly in 2012 as it had been prior to 2012. However, as described on pages 4 and 5 of the application, Power Worker's Union, CUPE Local 1000 (the "Union") requested that the negotiations include adjustments retroactive to 1997 and then:

> *"[t]hrough negotiations and arbitration, HHHI's Pay Equity Committee and the Union agreed to complete pay equity maintenance adjustments starting in 2012, coinciding with the removal of certain vacant male positions within the collective agreement. Specifically, the position of Custodian, vacant since 2002, whose relevance was that as a male comparator for purposes of pay equity maintenance, was removed. The immediate effect of the removal of the Custodian job class is the removal for 2012, 2013, 2014, 2015 and beyond of the direct job-to-job comparator for the Clerk Cashier job class. The Clerk Cashier job class is the sole female job class in Band C and is in fact the only job class assigned to Band C."*

This represented a fundamental change to the routine pay equity process that had been in existence, resulting in protracted, difficult negotiations. HHHI was unable to foresee that the Union would seek to re-negotiate comparators, thus preventing an easy and quick process and resulting in five (5) years of retroactive pay.

c) HHHI considers compliance with the PEA a factor that influences business decisions on resource allocation and associated costs and negotiates wages accordingly through collective bargaining with the expectant result of little to no pay equity adjustments.

OEB Staff Question #10

Reference: Z-factor Rate Rider Application/page 9/Table PE2
Cost of Service Application EB-2015-0074/Ex 4/Tab 2/Sch 1/pg 45

a) In Table PE2, Halton Hills Hydro shows an amount of $35,957 in January 2017 for Pay Equity Advisory Expense. Please provide further explanation of this expense, including the account that this expense is recorded in.

b) In its 2016 CoS application, Halton Hills Hydro noted the following with respect to Account 5630 – Outside Services Employed:

"USofA 5630- The $121,942 variance reflects the additional audit fees incurred in relation to the ERP system conversion. In addition, legal fees increased reflective of labour related issues i.e. Pay Equity"

Please explain how the $35,957 differs in nature from expenses related to pay equity-related outside services previously recorded in Account 5630.

Response:

a) The Pay Equity Advisory Expense in the amount of $35,957 consists of:

i.	Gallagher McDowall Associates	
	Pay equity expertise advisory	$27,780
ii.	Norton Rose Fulbright	
	Pay equity legislation and settlement review	8,177
		$35,957

The costs are included in USoA Account Number 1572 – Extraordinary Event Costs.

b)

	2014	2013		Variance
USoA				
5630	194,759	72,818		121,941

$8,707 Pay Equity advisory fees are included in the 2014 cost of $194,759; at which time Management's Pay Equity Settlement Offer (July 04, 2014) to the PWU was $8,535. Please refer to **Appendix IRR – E**.

The PWU never responded to Management's offer dated July 4, 2014. Pay equity discussions continued well into 2015, 2016 and 2017 during which a number of possible outcomes scenarios were played out. The union's position on how the Pay Equity plan should be maintained was significantly different from the position held by Management.

Pay Equity Advisory Expenses in the amount of $35,957 (detailed above) differ in nature than the prior year of 2014 expense in Account 5630 to the fact they are a direct expense that resulted in achieving the final settlement in 2017.

OEB Staff Question #11

Reference: Decision and Order EB-2011-0271/pages 17-18

2016 Scorecard for Halton Hills Hydro Inc.

Z-factor Rate Rider Application/Appendix E

The OEB, on pages 17-18 of Decision and Order EB-2011-0271 stated as its findings on OM&A:

> **Board Findings**
>
> Intervenors have submitted that HHH should be allowed (based on CGAAP valuation) an OM&A figure for the test year in the range of $5,124,500 to $5,309,510, based either on comparisons with other proceedings or taking into account decrements to the 4 main cost drivers. The Board considers the comparisons to other proceedings to be useful to consider as a general approach. However, the Board must base its determinations on the record before it in this proceeding. The Board finds that HHH has provided adequate rationale for most of its spending requirements. However, the Board also notes that HHH's actual OM&A spending in 2008 to 2010 was significantly lower than 2008 Board approved spending. Such a pattern followed by a significant increase in the test year is a potential cause for concern.
>
> The Board will approve OM&A spending using an envelope approach. The Board accepts that tree trimming has been under funded and notes that HHH will amortize the program and costs over 4 years. The Board accepts the need and the costs that have been validated by a 3rd party whose findings have not been disputed by intervenors. However, the Board agrees with intervenors that ratepayers should not be required to pay for the entire deferred incremental tree trimming costs necessary to remedy the under-funded budget during the IRM term, particularly when overall OM&A spending during the IRM period has been lower than the 2008 Board approved level.
>
> HHH submitted that its wages and benefits have also been under funded for the past few years and must be increased. The Board notes that HHH held off on hiring additional staff; however, the evidence indicates that some of the 2008 approved budget could have funded those additions.
>
> Given the adjustments outlined above and accounting for growth in the customer forecast, the Board has determined that the forecast OM&A envelope will be $5.9 M. This is based on a sharing of 2.5% year over year escalation of 2008 approved levels notwithstanding the lower actual expenditures levels during the IRM period. This figure also includes the provision for $286k in MIFRS transition costs which the Board finds is beyond HHH's control and was uncontested.
>
> The Board will not direct specific spending cuts, as these are matters for HHH to manage within the spending envelope approved by the Board. The Board expects that HHH will be able to prioritize its business activities and implement planned spending within the envelope approved.

For every year, the amount related to the pay equity adjustment for both salary and OMERs is below Halton Hills Hydro's materiality threshold of $50,000. The maximum would be for 2015, with $24,125 incremental wages plus $3,128 OMERs expense, for a total of $27,253.

Halton Hill Hydro's 2016 Scorecard is publicly available on the OEB's website. Net Income and dividend payments to Halton Hills Hydro's shareholder are documented in the annual Audited Financial Statements. OEB staff has prepared the following table summarizing key financial statistics:

Year		2012	2013	2014	2015	2016
Regulatory Return on Equity [1]	Approved (in Rates)	9.12%	9.12%	8.82%	8.82%	9.19%
	Achieved	13.30%	14.97%	12.91%	6.70%	6.76%
Net Income, net movement in regulatory balances, total comprehensive income [2]	Actual	$2,490,960	$3,623,607	$3,419,317	$3,067,551	$1,350,087
Dividends [2]	Actual	$1,077,592	$1,295,344	$1,296,560	$1,297,000	$1,297,000

[1] Source: 2016 Scorecard

[2] Sources: Audited Financial Statements

a) Please confirm or correct the data provided in the table.
b) Halton Hills Hydro documents an approved ROE of 8.82% for 2014 and 2015. This does not correspond with the issued ROE for any year under the OEB's current methodology, under EB-2009-0084, for calculating and updating the cost of capital parameters. Please explain the source or derivation of this number.
c) If possible, please provide a calculation based on 2017 year-end data. Please identify the factors contributing to material over- or under-earnings for these years.
d) For 2012 - 2015, please explain why Halton Hills Hydro believes that the pay equity amounts for each year should be treated outside of the envelope of OM&A expenses recovered through approved distribution rates, as expected by the OEB in its Decision and Order. Please demonstrate how the costs for which recovery is sought in this Z-factor application are incremental to those already being recovered in rates as part of ongoing business exposure risk.
e) Halton Hills Hydro over-earned relative to its approved ROE for the period 2012 to 2014. Please explain why Halton Hills Hydro believes that incremental pay equity expenses for these years should be borne by ratepayers given the utility's over-earnings in these years.

Response:

a) The data provided in the table is not correct in reference to the Approved (in Rates) ROE for the years 2012 and 2013. The 2012 and 2013 Approved ROE should be 8.82%; the same as 2014 and 2015. Please see the explanation in OEB Staff Question #11 (b).

   Additionally, HHHI has added an additional row that indicates the adjusted Regulatory Income on which the achieved ROE is calculated. Please see **Table IRR – 3** below.

b) The deemed ROE on the Scorecard had been incorrectly reported as determined during the 2014 OEB RRR filings. HHHI inquired with Board Staff about revising the past years and Board Staff declined to have HHHI revise the data as it would not change the achieved ROE and would not change the result of HHHI exceeding the dead-band threshold in any of the previous years. The revised numbers are included in **Table IRR – 3**.

c) HHHI has not calculated the 2017 regulatory ROE at this time as the year-end audit process is still underway. Recovery of Pay Equity amounts will not have an impact on ROE.

d) The Pay Equity settlement costs are outside the 'envelope' approach of OM&A. The settlement includes 'one-time' back payment(s) to former employees and or retirees that occupied the female job class positions. These one-time payouts are not being recovered in existing rates.

e) In August 05, 2014 OEB Staff completed a detail review of HHHI's perceived over earning relative to its approved ROE for the period 2012 to 2014. The drivers for the over earnings were:
   - 2012 – HHHI recognized LRAM of $384,800 as approved in the 2012 Cost of Service (EB-2011-0271); and
   - 2013 – HHHI recognized 'One-Time' tax refund of $977,797 relating to the prior years of 2010, 2011, and 2012.

   The premise of the question is inappropriate when considered from a principled rate-making perspective. The determination of whether the pay equity settlement amount should be recoverable should not turn on HHHI's actual ROE in a year; particularly given the anomalous and unrelated drivers for these ROE figures.

Table IRR – 3 Revised Table for OEB Staff Question #11

Year		2012	2013	2014	2015	2016
Regulated Return on Equity [1]	Approved ROE (in rates)	8.82%	8.82%	8.82%	8.82%	9.19%
	Achieved	13.30%	14.97%	12.91%	6.70%	6.76%
Adjusted **Regulated** Income	Actual	$2,249,417	$2,930,821	$2,836,462	$1,651,916	$1,678,443
Net Income, Net Movement in Regulatory Balances, Total Comprehensive Income [2]	Actual	$2,490,960	$3,623,607	$3,419,317	$3,067,551	$1,350,087
Dividends	Actual	$1,077,592	$1,295,344	$1,296,560	$1,297,000	$1,297,000

(1) Source: 2016 Scorecard

(2) Source: Audited Financial Statements

OEB Staff Question #12

Reference: 2012 – 2016 Audited Financial Statements

In its 2016 CoS application (EB-2015-0074), Halton Hills Hydro filed its Audited Financial Statements (AFS) for the fiscal calendar years 2012, 2013 and 2014. These were provided in Exhibit 1/Appendix 1-D.

Halton Hills Hydro also files its AFS annually in accordance with section 2.1.6 of the Electricity Reporting and Record Keeping Requirements. A review of the AFS, including the Notes, for these years does not identify any potential financial risk related to pay equity documented in the AFS from 2012 to 2016.

a) Has Halton Hills Hydro' external auditor been apprised of any potential liability with respect to the pay equity issue since the Pay Equity Committee was formed in late 2012?
b) If yes to a), please indicate the external auditor's views on the risk.
c) In the Notes to the 2016 AFS, on page 27 the following is documented:

17. Commitments and contingencies:

General

> From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

Does the pay equity issue fall under this matter? Please explain.

Response:

a) For the record, the Pay Equity Committee was not formed in late 2012. The Pay Equity Committee was established prior to 1990.

HHHI's external auditors were kept appraised of the pay equity progress and were aware of the critical issues where management and the union differed. Critical issues that impaired any calculation of a potential contingency include:

- How to interpret the Terms of Reference
- How to identify jobs representative for the purpose of determining a male payline in order to compare with certain female job class.
- Options for identifying direct-job-to-job male comparators.

The complexity of pay equity negotiations and the number of possible outcome scenarios, management's control over the Pay Equity process was limited and precise planning or costing for possible outcomes was not possible.

For the year ended December 31, 2016, HHHI accrued $107,000 for an estimated possible outcome in the settlement of pay equity. Management considered the pay equity as an extraordinary event, allocating costs to USoA 1572.

b) The external Auditors are in agreement with Management.

c) As at December 31, 2016 the Pay Equity issue does not fall under this matter for the following reasons:

   i. Pay Equity negotiation was never a 'litigation matter' but rather an ongoing process that HHHI manages on a day-to-day basis, but which can, in infrequent circumstances, result in irregular, one-time amounts payable that can be beyond the control of the utility.
   ii. An accrual in the amount of $107,000 was recorded as an estimated settlement and considered by Management to meet the definition supporting a Z-Factor Application.

OEB Staff Question #13

Reference: Chapter 3 Filing Requirements for Electricity Distributors

Section 3.2.8 of Chapter 3 of the Filing Requirements states:

3.2.8 Z-factor Claims

Price Cap IR applicants have the ability to include in their application a request to recover costs associated with unforeseen events that are outside the control of a distributor's ability to manage. The cost to a distributor must be material and its causation clear. Costs are to be recorded in Account 1572, Extraordinary Events Costs. To recover these amounts, a distributor must follow the guidelines discussed in section
2.6 of the Board's Report on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors – July 14, 2008. The materiality thresholds, described in the OEB's Policy Manual, must be met on an individual event basis in order for the distributor to apply for recovery of the relevant costs.

3.2.8.1 Z-factor Filing Guidelines

A distributor must submit evidence that the costs incurred meet the three eligibility criteria.

A distributor must also:

- ☐ Notify the OEB promptly by letter to the Board Secretary of all Z-factor events. Failure to notify the OEB within six months of the event may result in disallowance of the claim.
- ☐ Apply to the OEB for any cost recovery of amounts recorded in the OEB-approved deferral account claimed under Z-factor treatment. This will allow the OEB and any affected distributor the flexibility to address extraordinary events in a timely manner. Subsequently, the OEB may review and prospectively adjust the amounts for which Z-factor treatment is claimed.
- ☐ Provide a clear demonstration that the management of the distributor could not have been able to plan and budget for the event and that the harm caused by extraordinary events is genuinely incremental to their experience or reasonable expectations.
- ☐ Demonstrate that the costs are incremental to those already being recovered in rates as part of ongoing business exposure risk.

a) Halton Hills Hydro notes that management representatives participated on the Pay Equity Committee from 2012 to 2017 and, thus, provided input in the process. Please explain how Halton Hills Hydro considers the pay equity issue to be exogenous and outside the control of a distributor's ability to manage.

b) Given the time frame involved from 2012 to 2017 and management's active role on the Pay Equity Committee, please explain:

i. Why Halton Hills Hydro would not have been able to plan and budget for the event (i.e., final resolution of any pay equity issue resulting from the findings of the Pay Equity Committee)

ii. Why is the pay equity matter an extraordinary event and genuinely incremental to Halton Hills' experience or reasonable expectations (given that compliance with applicable legislation, including the PEA, is expected for any incorporated and licensed distributor).

Response:

a) Please see **Appendix IRR – F** for response from HHHI's Pay Equity Experts Gallagher McDowall Associates.

b) Please see **Appendix IRR – F** for response from HHHI's Pay Equity Experts Gallagher McDowall Associates. As shown, the adjustment is an extraordinary one-time event (i.e., there has not been such an event in the twenty-seven year history of HHHI's experience with pay equity). Given that, it is not an amount that was foreseen or could have been budgeted for. For instance, it would not have been prudent or justified, in HHHI's view, to seek rate recovery in past years for possible future pay equity adjustments.

OEB Staff Question #14

Reference: Z-factor Application/page 9/Table PE2

In Table PE2, Halton Hills Hydro shows an opening principle balance of $107,000 for December 2016. The footnote states that this is the "December 31, 2016 USoA 1572 estimated accrual". In January 2017, the amount is reversed and an amount of $107,713 for 2012-2016 Pay Equity Adjustments ha[s] been entered.

When did Halton Hills Hydro begin accruing a balance in Account 1572 related to the pay equity matter?

Response:

HHHI began accruing a balance in USofA 1572, related to the pay equity matter, beginning in December 2016 as an entry related to HHHI's year-end audit.

VECC-1

a) Page 4: Please provide the actual number of hours for each of the years 2012 to 2017 and budgeted hours for each of the years 2018 to 2020 and January 1, 2021 to April 30, 2021, used to determine costs.

b) Page 10 Table PE3: Please provide the 2017 year-end customer count by customer class.

c) Page 11 Table PE4: Please provide the bill impacts of the Pay Equity Adjustments by customer class separately.

d) Page 11 Table PE4: Please add the Distribution only bill impacts of the Pay Equity Adjustments to the table by customer class.

e) Page 11 Table PE4: Please add the Distribution only bill impacts to the table by customer class for Depreciation and Pay Equity Adjustments.

Response:

a) The actual number of hours for each of the years 2012 to 2017 and budgeted hours for each of the years 2018 to 2020 and January 1, 2021 to April 30, 2021, used to determine costs is shown in **Table IRR – 4**.

Table IRR – 4 – Actual and Forecasted Hours of Work

POSITION	Actual Hours (2012-2017) and Forecasted Hours (2018-2021)										
	Actual						Forecast				Total
	2012	2013	2014	2015	2016	2017	2018	2019	2020	January 1 to March 31 , 2021	
CSR											
Employee 1	1,820	1,855	1,905								**5,580**
Employee 2	1,820	1,855	1,820	1,827	1,827						**9,149**
Employee 3	1,820	1,853	1,834	1,827	1,827	456					**9,617**
Employee 4	1,244	1,272	1,258	1,272	1,258	1,296	1,248	1,248	1,248	312	**11,655**
Employee 5	1,820	1,855	1,833	1,820	1,820	1,856	1,820	1,820	1,820	455	**16,919**
Employee 6	987	1,058	888	951	810	998	780	780	780	195	**8,227**
Employee 7	1,820	1,853	1,827	1,510							**7,010**
Employee 8	1,334	473	1,832	1,792	1,820	1,855	1,820	1,820	1,820	455	**15,021**
Employee 9						490	1,820	1,820	1,820	455	**6,405**
Employee 10						1,050	1,820	1,820	1,820	455	**6,965**
Employee 11						1,036	1,820	1,820	1,820	455	**6,951**
Employee 12				735	1,810	1,402					**3,947**
Total CSR	**12,665**	**12,074**	**13,195**	**11,734**	**11,172**	**10,439**	**11,128**	**11,128**	**11,128**	**2,782**	**107,445**
Cashier											
Employee 1	1,858	1,862	1,934	1,089							**6,743**
Employee 2			530	1,582	175						**2,287**
Employee 3					1,358						**1,358**
Employee 4						749					**749**
Employee 5						703					**703**
Employee 6						273	1,820	1,820	1,820	455	**6,188**
Engineering Clerk											
Employee 1	2,080	2,120	2,137	2,080	2,094	2,080	2,080	2,080	2,080	520	**19,351**
Dispatch Clerk											
Employee 1	2,080	2,157	2,117	2,088	174	-					**8,616**
Grand Total	**18,683**	**18,213**	**19,913**	**18,572**	**14,973**	**14,244**	**15,028**	**15,028**	**15,028**	**3,757**	**153,439**

b) The 2017 year-end customer count by customer class is shown below in **Table IRR – 5**.

Table IRR – 5 – Customer Count at December 31, 2017

Customer Class	Number of Customers / Connections @ December 31, 2017
Residential	20,188
General Service less than 50 kW	1,810
General Service 50 to 999 kW	186
General Service 1,000 to 4,999 kW	11
Un-metered Scattered Load	152
Sentinel Lighting	173
Street Lighting	4,674
TOTAL	27,194

c) See **Table IRR – 6**. Please note that HHHI has updated the rate riders for customer numbers at December 31, 2017, actual 2017 hours and adjusted carrying charges. The bill impacts reflect the updated customer numbers, actual hours and adjusted carrying charges.

d) See **Table IRR – 6**. Please note that HHHI has updated the rate riders for customer numbers at December 31, 2017 and adjusted carrying charges. The distribution impacts reflect the updated customer numbers and adjusted carrying charges.

e) See **Table IRR – 6**. Please note that HHHI has updated the rate riders for customer numbers at December 31, 2017, actual 2017 pay equity hours and adjusted carrying charges. The distribution impacts reflect the updated customer numbers, actual pay equity hours and adjusted carrying charges.

Table IRR – 6 – Total Bill Impacts and Distribution Bill Impacts by Class – revised

Rate Class	Volumes		Total Bill Impact of Original 2018 IRM Application	Distribution Impact of Original 2018 IRM Application	Total Bill Impact with Depreciation Adjustment	Distribution Impact with Depreciation Adjustment	Total Bill Impact with Pay Equity Adjustment	Distribution Impact with Pay Equity Adjustment	Total Bill Impact with Depreciation and Pay Equity Adjustment	Distribution Impact with Depreciation and Pay Equity Adjustment
	kWhs	kWs								
Residential - Time of Use	750	-	-0.08%	-0.51%	0.84%	2.59%	0.13%	0.19%	1.06%	3.32%
General Service Less Than 50 kW	2,000	-	-0.61%	-2.98%	0.34%	1.16%	-0.43%	-2.19%	0.54%	1.99%
General Service 50 to 999 kW	328,500	500	-2.08%	-35.04%	-2.41%	-26.99%	-2.07%	-34.84%	-1.58%	-26.79%
General Service 1,000 to 4,999 kW	1,600,000	2,500	-2.41%	-40.98%	-1.81%	-30.88%	-2.38%	-40.53%	-1.79%	-30.42%
Unmetered Scattered Load	150	-	0.06%	0.00%	0.82%	2.01%	0.40%	0.88%	1.16%	2.92%
Sentinel Lighting	650	1.00	-0.05%	-0.18%	0.38%	0.81%	0.10%	0.17%	0.53%	1.16%
Street Lighting	152,750	252	0.88%	2.47%	1.26%	3.57%	1.18%	3.35%	1.56%	4.45%

VECC-2

Ref 1: Application Page 4
Ref 2: Appendix E

Reference 1 indicates that forecasted costs are until April 30, 2021. At Reference 2, costs are calculated to March 31, 2021. Please reconcile.

Response:

The forecasted costs were calculated until March 31 which corresponds with the effective date of the Collective Bargaining agreement. The incremental amount for the month of April (that is not included) is $1,663 and would not have any material impact on the rate rider. HHHI will true-up all costs at the time of final disposition.

VECC-3

Ref 1: Application Page 4
Ref 2: Appendix C

Preamble: HHHI first established a Pay Equity Plan in 1990 and subsequently a Pay-Equity pay-out was achieved through settlement on August 10, 1990 in the amount of $58,291.60 for union and $8,972.60 for management with monies to be paid out over a five-year period. HHHI's Pay Equity Committee conducted annual reviews of the Pay Equity Plan each year commencing 1991.

a) Please provide the driver for HHHI's 1990 Pay Equity Plan.

b) Has HHHI's Pay Equity Committee, in place since the 1990 Pay Equity Plan, determined that any pay equity adjustments beyond 1990 were needed before this application. Has HHHI made any Pay-Equity pay-outs since 1990? If yes, provide details.

c) Given HHHI has had a Pay-Equity policy in place since 1990, please explain HHHI's adherence to the policy and why further pay equity adjustments are now required.

Response:

a) The driver for the 1990 Plan was the 1988 *Pay Equity Act*.

b) Please see **Appendix IRR – F** for response from HHHI's Pay Equity Experts Gallagher McDowall Associates.

c) Please see **Appendix IRR – F** for response from HHHI's Pay Equity Experts Gallagher McDowall Associates.

VECC-4

Ref: Application Page 5

Preamble: The Settlement Agreement states that the positions that were to be adjusted included Customer Service Representatives, the Dispatch Clerk, the Engineering Clerk and the Clerk Cashier.

a) Please provide the male comparators identified and the compensable difference for each of the above positions.

b) Please identify and explain the System of Comparison used and how it is similar and different from the Stevenson Kellogg Ernst and Whirrey job evaluation system used in 1990.

Response:

a) Please see **Appendix IRR – F** for response from HHHI's Pay Equity Experts Gallagher McDowall Associates.

b) Please see **Appendix IRR – F** for response from HHHI's Pay Equity Experts Gallagher McDowall Associates.

VECC-5

Ref: Application Page 7

Preamble: The evidence indicates that in October 2014, the Government of Ontario issued a mandate to Ontario employers requiring each employer to develop a strategy to further close the wage gap.

Please provide a copy of the above Government of Ontario mandate issued to Ontario employers.

Response:

The mandate is in reference to a letter from the Premier of Ontario to the Minister of Labour (dated September 25, 2014) and in particular, the section titled "Developing a Wage Gap Strategy" that states:

> *"Leading the development of a wage gap strategy. Women make up an integral part of our economy and society, but on average still do not earn as much as men. You will work with the Minister Responsible for Women's Issues and other ministers to develop a wage gap strategy that will close the gap between men and women in the context of the 21st century economy."*

The full letter is shown in **Appendix IRR – G**. Please also see:

https://www.ontario.ca/page/september-2016-mandate-letter-labour

VECC-6

Ref: Appendix D Terms of Reference

a) Please provide the original Terms of Reference for the Pay Equity Committee.

b) Please explain how the Terms of Reference dated September 17, 2012 for the Pay Equity Committee differ from the original Terms of Reference.

Response:

a) Please see **Appendix IRR – F** for response from HHHI's Pay Equity Experts Gallagher McDowall Associates.

b) Please see **Appendix IRR – F** for response from HHHI's Pay Equity Experts Gallagher McDowall Associates.

VECC-7

Ref: Appendix E Detailed Pay Equity Adjustment Calculations by Position

Please update Appendix E for 2017 year-end actuals.

Response:

Appendix E has been updated to reflect 2017 year-end actuals. Please see **Appendix IRR – H** for the updated Table.

SEC-5

[p.4] Please provide a copy of the referenced October 2014 Government of Ontario issued mandate.

Response:

Please see HHHI's Interrogatory response to VECC-5.

SEC-6

[p.4] Please provide a copy of the originating processes for the settlement and arbitration process (i.e. notice of arbitration, grievance, etc.).

Response:

Please see **Appendix IRR – F** for description of process from HHHI's Pay Equity Experts Gallagher McDowall Associates.

SEC-7

[p.5] Please provide a copy of the Agreement.

Response:

Filed in Confidence.

SEC-8

[p.5] Please provide references to the EB-2015-0074 record where the Applicant referenced the outstanding/on-going pay equity process.

Response:

HHHI briefly references the on-going pay equity expertise costs associated with the pay equity issue in Exhibit 4, Tab 2, Schedule 1, page 44 of application in proceeding EB-2015-0074. The reference is in regards to increased cost in USofA 5630 comparison between 2014 actuals and 2013 actuals. Please see HHHI's response to OEB Staff #10 (b) for additional details.

SEC-9

[p.8] Please confirm that Agreement was reached as a remedy to the Applicant not meeting its obligations under the *Pay Equity Act*.

Response:

Not confirmed.

SEC-10

[p.9] Please explain why it is appropriate for the Board to approve the following:

a. Forecast costs in 2018
b. Forecast costs in future rate years (2019-2021)
c. Disposition of those costs for future rate years

Response:

a) On page 26 of the 2018 Filing Requirements, , the Ontario Energy Board writes:

> "*A rate adder (or funding adder) is a tool designed to provide advance funding on an interim basis to distributors for certain investments or expenses as prescribed by the OEB and to mitigate or smooth the anticipated rate impact when recovery of these costs are approved by the OEB. Approval of a rate adder does not constitute regulatory approval of any costs actually incurred. The prudence of incurring such costs is examined, and the costs may be approved in whole or in part, at the time at which the distributor brings the matter forward for regulatory review.*"

In the case of the forecasted costs for 2018 and future rate years 2019 and 2020 (effective until the end of the 2020 rate year, April 30, 2021), an approved Tariff of Rates and charges would indicate a Rate Adder versus a Rate Rider as the recovery at that time would be for advanced funding to "mitigate or smooth the anticipated rate impact" that would occur at the time of rebasing (anticipated for May 1, 2021).

b) Please see the response to SEC-10 (a). Also, please note that forecasted costs are only calculated to March 31, 2021 and not for the full 2021 year.

c) HHHI would expect that all costs would be trued-up and final disposition would be requested once the incremental costs related to Pay Equity were accurately included in rates through inclusion in OM&A costs as presented in a full Cost of Service (rebasing) application (anticipated for rates effective May 1, 2021). Such a method has been used in other funding adder requests, most prolifically, the Smart Meter funding adders across the province. The disposition of the trued-up amounts would be requested as part of the 2023 IRM process and would be based on audited amounts after the conclusion of the sunset date of the rate adder (April 30, 2021).

SEC-11

[p.9] With respect to Table PE1:

a. Is the table intended to reflect amounts incurred or forecast to be incurred for the given years? If not, please explain what the table is intended to demonstrate, and provide a separate table showing, for each year between 2012 and 2021, the amount actually to be incurred by the Applicant.
b. Please breakdown the 2012-2014 year into each individual year.
c. Please confirm that the costs would be classified as an OM&A cost.
d. Which individual years has the Applicant incurred or forecast to incur these incremental costs above its materiality threshold of $50,000?

Response:

a) Table PE1 reflects the amounts calculated, as per the agreement, for the given years. The years 2012-2014 are aggregated as these years were in the first Tranche of retroactive payments issued March 2017. The years 2015 and 2016 are based on actual hours worked. The amount shown for 2017 is based on actuals up to November 30, 2017 and forecasted December 2017. All amounts for the years 2018 to April 30, 2021 are based on expected budgeted hours and do not include any overtime allowances.

b) The details are shown in Appendix E of the application. The years 2012 to 2014 have been reproduced below in **Table IRR – 7** for convenience.

Table IRR – 7 – Detailed Pay Equity Calculations by Position and Year (2012-2014)

POSITION	Incremental Wages				OMERs		Grand Total
	Actual			Total	Actual	Total	
	2012	2013	2014		2012 to 2014		
CSR							
Employee 1	34	1,357	-	**1,391**	203	**203**	**1,594**
Employee 2	2,156	2,281	2,309	**6,746**	925	**925**	**7,671**
Employee 3	2,159	2,295	2,452	**6,907**	949	**949**	**7,856**
Employee 4	1,472	1,564	1,609	**4,645**	660	**660**	**5,304**
Employee 5	2,183	2,297	2,329	**6,809**	994	**994**	**7,803**
Employee 6	959	1,200	1,105	**3,264**	483	**483**	**3,748**
Employee 7	2,155	2,278	2,311	**6,744**	925	**925**	**7,669**
Employee 8	1,289	489	2,108	**3,886**	567	**567**	**4,453**
Employee 9				**-**		**-**	**-**
Employee 10				**-**		**-**	**-**
Employee 11				**-**		**-**	**-**
Employee 12				**-**		**-**	**-**
Total CSR	**12,407**	**13,760**	**14,224**	**40,392**	**5,707**	**5,707**	**46,099**
Cashier							
Employee 1	2,210	2,432	2,643	**7,285**	1,067	**1,067**	**8,352**
Employee 2			598	**598**	146	**146**	**745**
Employee 3				**-**		**-**	**-**
Employee 4				**-**		**-**	**-**
Employee 5				**-**		**-**	**-**
Employee 6				**-**		**-**	**-**
Engineering Clerk							
Employee 1	2,465	2,606	2,760	**7,831**	1,145	**1,145**	**8,977**
Dispatch Clerk							
Employee 1	2,466	2,698	2,732	**7,896**	1,521	**1,521**	**9,417**
Grand Total	**19,548**	**21,497**	**22,958**	**64,003**	**9,586**	**9,586**	**73,589**

c) Confirmed.

d) The Z-Factor application has been submitted in totality under the principles indicated in the 2018 Filing Requirement, those being causation, prudence and materiality.

Depreciation Expense DVA Application

OEB Staff Question #15

Reference: EB-2015-0074 – 2016 Cost of Service Application

In the depreciation DVA application, Halton Hills Hydro is applying for a DVA and recovery back to May 1, 2016 for a variance in the depreciation expense.

Page 12 of the Settlement Proposal in EB-2015-0074 states:

> (e) Depreciation: Subject to the adjustments to rate base as noted herein, the Parties accept the evidence of HHHI that its forecast depreciation/amortization expenses are appropriate and reflect the useful lives of the assets and have been correctly determined in accordance with Board accounting policies and practices.

The Settlement Proposal was accepted by the OEB in its Decision and Rate Order EB-2015-0074 on the basis of the record.

Examination of the record of Halton Hills Hydro's 2016 application indicates that the application was filed on August 28, 2015. Revised application evidence was filed on September 9, 2015 and again on October 2, 2015. Interrogatory responses were filed on January 18, 2016. The Settlement Proposal was filed on March 1, 2016. Table 1 from the Settlement Proposal documents the changes in the revenue requirement and key components during the processing of the Application, and is reproduced below.

Table 1 – Revenue Requirement

Revenue Requirement	Application (A)	Interrogatories (B)	Variance (C) = (B) - (A)	Settlement (D)	Variance (E) = (D) - (B)
OM&A Expenses	6,754,806	6,789,289	34,483	6,007,592	- 781,697
Property Taxes	104,440	104,440	-	104,440	-
Amortization Expenses	2,356,442	1,528,052	- 828,390	1,508,054	- 19,998
Regulated Return On Capital	3,477,714	3,388,753	- 88,961	3,293,050	- 95,703
PILs	- 220,666	-	220,666	-	-
Service Revenue Requirement	**12,472,736**	**11,810,534**	**- 662,202**	**10,913,135**	**- 897,398**
Less: Revenue Offsets	1,210,681	1,282,841	72,160	959,144	- 323,697
Base Revenue Requirement	**11,262,055**	**10,527,693**	**- 734,362**	**9,953,991**	**- 573,702**
Revenue at Existing Rates	9,052,472	8,993,676	- 58,796	9,162,101	168,425
Revenue Deficiency	**2,209,583**	**1,534,017**	**- 675,566**	**791,890**	**- 742,127**

Depreciation expense forecasted for 2016 in the original application was $2,356,442. As a result of interrogatory responses, this was reduced to $1,528,052 related to computer hardware and software. There was a further adjustment per the Proposed Settlement for an amount of $1,508,054. This corresponds with the net depreciation under 2016 Board-approved in Table A1.

Depreciation expense documented in Halton Hills Hydro's 2016 AFS, filed per section 2.1.6 of the Electricity Reporting and Record Keeping Requirements, documents a depreciation expense for the year of $2,045,279. This is different than either the original OEB-approved amount of $1,508,054 or the proposed corrected amount of $1,847,446.

a) The settlement proposal referenced above was accepted by the OEB and was signed by Halton Hills Hydro, SEC, VECC and Energy Probe. The OEB relied on the accuracy and compliance with OEB accounting policies and practices per page 12 of the Settlement Proposal. Please explain why Halton Hills Hydro believes that they should be able to recover the incremental adjustment retroactive to May 1, 2016.

b) The record suggests that the error in Halton Hills Hydro's depreciation model dates back to the preparation of the 2016 application in the summer of 2015. Halton Hills Hydro documents that the error was discovered in 2017 (between January and April), when Halton Hills Hydro was closing its books for 2016. This would mean that the error was in place for approximately 18 months before it was discovered. Please confirm or correct OEB staff's understanding above.

c) From when the error was discovered, did Halton Hills Hydro communicate this error with the other signatories to the Settlement Proposal in EB-2015-0074? If yes, please provide copies of any correspondence. Otherwise, please explain why not.

d) From when the error was discovered, did Halton Hills Hydro communicate this error with the OEB or OEB staff prior to filing of the Depreciation Expense DVA Application on October 24, 2017? If yes, please provide copies of any correspondence.

Response:

a) HHHI brought the depreciation application to the OEB to remedy a *bona fide* error in the depreciation amount that was approved in its 2016 Cost of Service application with rates effective May 1, 2016. The error is the result of inadvertent mistake in Excel modelling and administrative in nature. HHHI believes that the error should be corrected retroactive to May 1, 2016 as it would reflect the correct depreciation amount that should have been reflected in rates effective on May 1, 2016. In the absence of such an adjustment, the rates failed to produce a fair return to the utility, to the benefit of ratepayers.

b) The error was discovered in early Q2 of 2017 as HHHI was comparing its 2016 audited depreciation expenses to the amount that was approved in the 2016 Cost of Service application. HHHI could not have discovered the error until all of the 2016 asset additions were completed and HHHI calculated the 2016 depreciation expenses.

c) HHHI did not communicate the error with the other signatories to the Settlement Proposal EB-2015-0074. HHHI deemed the best course of action to remedy this error was to bring forward an application to the OEB and through this process all the signatories will have the opportunity to review the issue.

d) HHHI did not communicate the error with the OEB or OEB staff prior to filing the Depreciation Expense DVA Application on October 24, 2017. HHHI did, however, state in its original May 1, 2017 2.1.5.6 Return on Equity filing for the 2016 year (revised filing was submitted July 24, 2017) that the part of the under-earning was a result of an unfavourable variance in depreciation. Please see **Appendix IRR – I** for an excerpt from the May 1, 2017 2.1.5.6 ROE filing.

OEB Staff Question #16

In the Depreciation Expense DVA Application, Halton Hills Hydro is requesting approval of an accounting order to authorize Halton Hills Hydro to establish a new deferral and variance account (the "**Depreciation DVA**")".

Please provide the draft Accounting Order that Halton Hills Hydro is seeking approval for.

Response:

Draft Accounting Order for Halton Hills Hydro Inc. (2018) – Depreciation Expense Deferral Account

Halton Hills Hydro Inc. ("HHHI") shall establish the following deferral accounts effective May 1, 2018:

1508 Other Regulatory Assets, Sub-account Depreciation Expense Deferral Account

HHHI shall establish the Depreciation Expense Deferral Account to record the understated depreciation expense amounts that was omitted from HHHI's 2016 Cost of Service Application (EB-2015-0074) Revenue Requirement calculation and resulting Tariff of Rates and Charges. The understated annual expense of $330,260 will be posted monthly in the amount of $27,522, beginning January 31, 2018, and with a one-time retroactive amount of $660,519 to be posted January 1, 2018 to reflect the depreciation expenses for the years 2016 and 2017. This sub-account will not attract carrying charges.

Sample Journal Entry to post retroactive amount

USofA	Account Description	Debit	Credit
1508	Other Regulatory Assets, Sub-account Foregone Depreciation Expense Deferral Account	660,519	
4080	Distribution Services Revenue		660,519

Sample Journal Entry to post monthly amount

USofA	Account Description	Debit	Credit
1508	Other Regulatory Assets, Sub-account Foregone Depreciation Expense Deferral Account	27,522	
4080	Distribution Services Revenue		27,522

1508 Other Regulatory Assets, Sub-account Recovery of Depreciation Expense Deferral Account

HHHI shall establish the Recovery of Depreciation Expense Deferral Account to record the recovery of understated depreciation expense amounts that was omitted from HHHI's 2016 Cost of Service Application (EB-2015-0074) Revenue Requirement calculation and resulting Tariff of Rates and Charges. All recoveries will be through a class specific rate rider. This sub-account will not attract carrying charges.

Sample Journal Entries to post monthly recovery amounts

USofA	Account Description	Debit	Credit
1100	Customer Accounts Receivable	27,522	
4080	Distribution Services Revenue		27,522

USofA	Account Description	Debit	Credit
4080	Distribution Services Revenue	27,522	
1508	Other Regulatory Assets, Sub-account Recovery of Foregone Depreciation Expense Deferral Account		27,522

OEB Staff Question #17

Please provide detailed calculations showing the derivation of the numbers shown in Table A1. If available, please provide a Microsoft Excel spreadsheet showing the data and calculations.

Response:

The Excel spreadsheet with the detailed calculations is filed through RESS with the title "**Halton_IRR_TableA1Excel_EB-2017-0045_20180220**". The revised depreciation amount shown in the model is the 2016 actual depreciation for additions up to 2015 based on the HHHI ERP system plus depreciation for the 2016 capital additions that is reflected in HHHI 2016 Settlement proposal.

OEB Staff Question #18

Reference: October 23, 2017 Depreciation DVA Evidence, page 1
Filing Requirements For Electricity Distribution Rate Applications - 2015 Edition for 2016 Rate Applications, July 16, 2015, Chapter 1, page 3

Halton Hills Hydro has requested approval from the OEB to establish a depreciation deferral and variance account (the Depreciation DVA). Halton Hills Hydro is proposing to account for and remedy an error made in the calculation of depreciation expense in its most recent cost-of-service re-basing application, which established the rates that took effect on May 1, 2016[2] (the 2016 Rate Year Application).

OEB staff notes that the onus is on the applicant to ensure that the evidence it files in support of its application is complete and accurate. This is clearly stated in the 2016 Filing Requirements for Electricity Distribution Rate Applications, as follows:

> The OEB's examination of an application and its subsequent decision are based on the evidence filed in that case… A complete and accurate evidentiary record is essential.[3]
> And Applications must be accurate, and information and data presented must be consistent across all exhibits, appendices and models.[4]

OEB staff notes that it is therefore Halton Hills Hydro's responsibility to present accurate evidence based on which the OEB will make its decision.

a) Please state whether or not Halton Hills Hydro agrees that it is the distributor's responsibility to present accurate evidence based on which the OEB will make its decision.

b) If Halton Hills Hydro does not agree, please explain.

c) Please describe in more detail why Halton Hills Hydro did not take the necessary steps to ensure accurate evidence was presented in its most recent cost-of- service rebasing application.

[2] EB-2015-0074

[3] Filing Requirements For Electricity Distribution Rate Applications - 2015 Edition for 2016 Rate Applications, July 16, 2015, Chapter 1, page 3

[4] Ibid

Response:

a) HHHI, much like the OEB, has an inherent interest in ensuring that all of the evidence filed is correct and free of errors. HHHI also believes that it is prudent to bring forward any error subsequently identified and make corrections as soon as possible. The error is a result of an inadvertent mistake in Excel modelling and administrative in nature.

b) Not applicable.

c) HHHI took all the known steps available at the time of the filing to ensure accurate evidence. The Excel model that was used had been used by other Distributors and HHHI had not heard of any issues occurring as a result. HHHI believes that due diligence was done. Intervenors and Board Staff also reviewed the evidence and did not find any reason to determine the evidence was not accurate. It was only after a comparison between the Excel model and the ERP system (that is designed to calculate depreciation) during the year-end process that the error was noticed.

OEB Staff Question #19

Reference: EB-2012-0130 April 4, 2013 IRM Decision and Order, page 7 & 8

In the 2013 Incentive Rate Mechanism (IRM) Decision and Order[5], it was noted that with respect to the OEB's decision for Halton Hills Hydro's 2012 cost of service application[6], the OEB required the OEB's Regulatory Audit and Accounting group to conduct an audit review of an audit filed by KPMG LLP (KPMG) in the Fall of 2012 of Halton Hills Hydro's Account 1575 PP&E deferral account balance. The OEB voiced concerns that numerous updates were made to the Account 1575 balance during the 2012 cost of service proceeding. For example, one of these updates reflected the results of Halton Hills Hydro finalizing its 2011 capital expenditures and depreciation during its 2011 year-end audit process with KPMG. In particular, this update involved Halton Hills Hydro reducing its CGAAP depreciation from an amount of $2,741,106 to an amount of $2,115,000, generating a material difference of $626,106.

OEB staff is unclear why Halton Hills Hydro had not provided for more rigorous controls, review, and diligence of depreciation numbers reported to the OEB, when the OEB had ordered an audit of the Account 1575 balance in its 2012 cost of service decision. The audit of Account 1575 balance would have included a review of Halton Hills Hydro's deprecation values.

a) OEB staff notes that the OEB requested an OEB audit of Account 1575 in a prior proceeding, with the scope of the audit likely including deprecation values. Please provide a detailed explanation as to why Halton Hills Hydro has not put in place more rigorous controls, review, and diligence regarding the recording of its regulatory depreciation values reported to the OEB, considering the prior OEB direction.

b) Please explain why the OEB should approved revised regulatory depreciation values in this application, when the OEB had noted concerns in the past regarding Halton Hills Hydro's deprecation values reported to the OEB.

Response:

a) The depreciation expenses in HHHI 2012 and 2016 Cost of Service Rate Application were calculated using Excel models. Despite HHHI's best efforts, the error occurred in the 2016 depreciation calculations given the nature, volume of transactions and the different scenarios that had to be run as part of the intervenor and settlement process.

HHHI recognized the implications of the 2012 Cost of Service issue and embarked on a process to replace the aging ERP system that was not designed to calculate depreciation expenses under MIRFS. The new system was not fully implemented in time to provide the depreciation calculations for the 2016 Cost of Service Application and HHHI relied on Excel modelling spreadsheets where the error occurred. The OEB can appreciate the complexities of

[5] EB-2012-0130

[6] EB-2011-0271

Excel modelling from their own experiences in maintaining annual IRM and Cost of Service models. Going forward with the new ERP system in place, depreciation expenses will be accurately presented to the OEB.

b) HHHI was cognizant of the OEB's concerns after the 2012 Cost of Service application. HHHI invested in a new ERP system that had a fixed assets and depreciation module that would be capable of the necessary required depreciation calculations under MIFRS, thus reducing the reliance on Excel spreadsheets for accurate numbers. HHHI performed its due diligence and put in place the necessary tools to ensure the accuracy of the numbers. It was through this due diligence that the controls that were put in place determined that an error had occurred in the 2016 Cost of Service application. The OEB should approve the revised regulatory depreciation because of the Fair Return Standard which is a legal obligation for OEB in setting just and reasonable rates. The requirement to approve rates must also produce a fair return.

OEB Staff Question #20

Reference: October 23, 2017 Depreciation DVA Evidence, page 1 & 2

Relating to the proposed Depreciation DVA, Halton Hills Hydro is requesting approval as follows:

(a) an accounting order to authorize Halton Hills Hydro to establish the Depreciation DVA

(b) the annual allocation of $330,259 for correctly calculated depreciation amounts (as described below) for the years 2016 to 2021 (or the next Cost of Service year, whichever comes first)

(c) the clearance of the Depreciation DVA balance in the amount of $660,519 for the years 2016 and 2017 commencing May 1, 2018 for a twelve month period; and

(d) the annual clearance of the account from 2019 up to and including the next Cost of Service year.

Halton Hills Hydro also proposes that the Depreciation DVA have an effective date of May 1, 2016. However, OEB staff notes that Halton Hills Hydro is requesting an annual allocation (12 months instead of 8 months) of $330,259 for the depreciation amounts to be recorded in the Depreciation DVA for the 2016 fiscal year.

a) Please provide an explanation as to why the OEB should approve a full 12 months of depreciation adjustments to be recorded in the Depreciation DVA for the 2016 fiscal year, instead of 8 months, when Halton Hills Hydro stated on page 2 of its application that it "proposes that the Depreciation DVA have an effective date of May 1, 2016"?

Response:

a) HHHI has requested a full twelve (12) months of depreciation expenses in order to match its fiscal year. The Cost of Service modelling is based on a twelve (12) month forward test year with an understanding that rates are effective May 1. Please see **Table IRR – 8** below.

Table IRR – 8 Recovery periods for Depreciation Expense

Year of Depreciation	Depreciation Amount	Recovery / DVA Disposition Period	
		Start Date	End Date
2016	330,259	May 1, 2018	April 30, 2019
2017	330,259	May 1, 2018	April 30, 2019
2018	330,259	May 1, 2019	April 30, 2020
2019	330,259	May 1, 2020	April 30, 2021
2020	330,259	May 1, 2021	April 30, 2022

OEB Staff Question #21

Reference: October 23, 2017 Depreciation DVA Evidence, Tables A1, A2, A3, B1, B2

OEB staff notes that Halton Hills Hydro has not provided the underlying Excel spreadsheets that support Tables A1, A2, A3, B1, B2.

a) Please provide the underlying Excel spreadsheets that support Tables A1, A2, A3, B1, B2.

b) If Halton Hills Hydro also includes revised tables and new tables in its interrogatory responses, please provide the underlying Excel spreadsheets that support these tables.

Response:

a) The excel spreadsheets that support Table A1, A2, A3, B1, and B2 are filed through RESS with the title "**Halton_IRR_SupportingExcel_EB-2017-0045_20180220**".

b) No tables need to be revised as a result of Depreciation interrogatory responses.

OEB Staff Question #22

Reference: October 23, 2017 Depreciation DVA Evidence, page 1
2016 Rate Year Application, Exhibit 2, Tab 1, Schedule 1, and Page 2 of 92, Filed: August 28, 2015, Revised: October 2, 2015
2016 Filing Requirements for Electricity Distribution Rate Applications
2016 Chapter 2 Appendices

Regarding the depreciation error that occurred in the 2016 Rate Year Application, Halton Hills Hydro stated that errors were made, particularly with respect to the impact of the transition to Modified International Financial Reporting Standards (MIFRS).

OEB staff notes that Section 2.0.4.2 of the *2016 Filing Requirements for Electricity Distribution Rate Applications* referenced the OEB's July 17, 2012 letter. This letter required distributors electing to remain on CGAAP in 2012 to implement regulatory accounting changes for depreciation expense and capitalization policies by January 1, 2013.

Halton Hills Hydro stated that in 2012 it completed a review of the useful lives of its assets, and componentized the assets for the transition to MIFRS. This review resulted in the extension of the useful lives for several asset classes, causing an adjustment to the remaining useful lives for some assets.

Halton Hills Hydro outlined that an error was made in preparing the 2016 Rate Year Application. In particular, its depreciation expense excel model assumed that the opening 2015 undepreciated cost reflected the total revised extended useful lives, rather than the revised extended useful lives that were remaining as at January 1, 2015.

Halton Hills Hydro indicated that this error resulted in an understatement of depreciation in the 2016 Rate Year Application. Halton Hills Hydro discovered this error in 2017 when finalizing the 2016 year-end and compared the 2016 year-end results with the 2016 Rate Year Application.

OEB staff notes that the following was stated in the 2016 Rate Year Application[7] and this quote also references the 2012 cost of service rate year application[8] (the 2012 Rate Year Application)

> In its 2012 Cost of Service Rate Application (EB-2011-0271), HHHI adopted the Revised CGAAP basis of reporting beginning January 1, 2012. As part of the change-over to Revised CGAAP in 2012, HHHI changed its depreciation rates and capitalization policy. HHHI also adjusted the CGAAP book value of its assets based on new useful lives provided in the HHHI specific Kinectrics report. The book value variance of assets between original

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[7] Exhibit 2, Tab 1, Schedule 1, Page 2 of 92, Filed: August 28, 2015, Revised: October 2, 2015
[8] EB-2011-0271

CGAAP and Revised CGAAP was recorded in Deferral and Variance account 1575 and amortized from 2012 to 2016. The implementation of Revised CGAAP, the new useful lives of assets and capitalization policy were approved by the Board in HHHI's 2012 Cost of Service Rate Application (EB-2011-0271).

OEB staff also notes that the 2016 Chapter 2 Appendices filed by Halton Hills Hydro in the 2016 Rate Year Application indicate that Halton Hills Hydro made the required change to the capitalization and depreciation policy changes effective January 1, 2012. OEB staff also notes that the Chapter 2 Appendices specifically alert applicants to incorporate changes impacting remaining useful lives from adopting MIFRS when calculating depreciation amounts. Specifically tab App.2-CB_NewCGAAP_DepExp_2012, line 62 of the 2016 Chapter 2 Appendices spreadsheet states:

> A recalculation should be performed to determine the average remaining life of opening balance of assets (i.e. excluding 2012 additions) under the change in policies under CGAAP. For example, Asset A had a useful life of 20 years under CGAAP without the change in policies. On January 1, 2012, the effective date of the changes in policies, Asset A was 3 years depreciated. As a result, Asset A would have a remaining service life of 17 years (20 years less 3 years) as of January 1, 2012. Due to making the change in policies under CGAAP, management re-assessed the asset useful lives and concluded that the revised useful life of Asset A is now 30 years. Therefore, the average remaining useful life of the opening balance of Asset A is determined to be 27 years (30 years less 3 years) under the revised CGAAP as of January 1, 2012.

OEB staff is also unclear what changed in the 2016 Rate Year Application to make such an error, when as noted by Halton Hills Hydro in its 2016 Rate Year Application, the distributor had already adjusted the book value of its assets based on new useful lives provided in the Halton Hills Hydro specific Kinectrics report in its 2012 Rate Year Application.

OEB staff is uncertain if any further changes were made to the useful lives in the 2016 Rate Year Application versus the changes made to reflect the new useful lives in the 2012 Rate Year Application.

OEB staff is also uncertain if there were any errors made by Halton Hills Hydro in the 2016 Rate Year Application related to capitalization of costs.

OEB staff is also unclear of the impact of incorrect 2015 and 2016 depreciation values that were incorporated into the 2016 OEB approved rate base.

a) The Chapter 2 Appendices alert applicants to specifically incorporate changes impacting remaining useful lives from adopting MIFRS in the calculation of depreciation values. Please provide an explanation as to why Halton Hills Hydro did not take action to capture the correct changes when calculating depreciation amounts due to these alerts.

b) Please provide an explanation regarding what changed in the 2016 Rate Year Application to make the deprecation error, when as noted by Halton Hills Hydro in its 2016 Rate Year Application, the distributor had already adjusted the book value of its assets based on new useful lives provided in the Halton Hills Hydro specific Kinectrics report in its 2012 Rate Year Application.

c) Please provide an explanation and quantify the impact if any further changes were made to the useful lives in the 2016 Rate Year Application versus the changes made to reflect the new useful lives in the 2012 Rate Year Application.

d) Please provide an explanation and quantify the impact if there were any errors made by Halton Hills Hydro in the 2016 Rate Year Application related to capitalization of costs. If the impact on the revenue requirement is material, please update Tables A1, A2, A3, B1 and B2.

e) Please provide an explanation and quantify the impact relating to incorrect 2015 and 2016 depreciation values that were incorporated into the 2016 OEB approved rate base. If the impact on the revenue requirement is material, please update Tables A1, A2, A3, B1 and B2.

Response:

a) This was an oversight by HHHI. HHHI assumed this was not applicable since it had made the transition to MIFRS in the 2012 Cost of Service Rate Application.

b) The error that occurred in the 2016 Rate Application is a result of a calculation error. The open 2015 undepreciated cost was depreciated over the total revised extended life rather than the remaining revised extended useful lives at January 1, 2016. An example is given in the original application and replicated below:

> *"In 2012, HHHI completed a review of the useful lives of its assets, and componentized the assets for the transition to MIFRS. This review resulted in HHHI extending the useful lives for several asset classes. As a result, the remaining useful lives for some assets had to be adjusted. An example of this adjustment is USoA#1830 (Poles, Towers and Fixtures) which under CGAAP was depreciated over 25 years, but after the review for MIFRS would be depreciated over 50 years. To demonstrate this example, at the end of 2011, a pole that was installed in 2005 would have depreciated seven of the 25 years (i.e., a remaining useful life of 18 years). In 2012, with the transition to MIFRS, the useful life of that pole was extended to 50 years resulting in a remaining useful life of 43 years.*
>
> *In preparing the 2016 Application, HHHI's depreciation expense excel model assumed the opening 2015 Un-depreciated Cost had a useful life of 50 years when in fact (referring to our pole example above) the opening 2015 Un-depreciated Cost for the same pole should have had a remaining useful life of 40 years (2012 useful life – 43 years, 2015 useful life – 40 years). This resulted in an understatement for depreciation. This understatement in the 2016*

Application depreciation expense calculation was discovered in 2017 as HHHI was finalizing the 2016 year end (when HHHI compared the 2016 year end results with the 2016 Application)."

c) HHHI did not make any further changes to the useful lives in the 2016 Rate Application versus the changes made to reflect the new useful lives in the 2012 Rate Application.

d) There were no errors made by HHHI in the 2016 Rate Application related to capitalization of costs.

e) The 2015 depreciation values that were incorporated into the 2016 OEB approved rate base are correct. The 2016 depreciation values have been explained and quantified in the application. The impact on the revenue requirement is quantified and already reflected in Tables A1, A2, A3, B1 and B2, thus no updated Tables are required.

OEB Staff Question #23

Reference: October 23, 2017 Depreciation DVA Evidence, page 7 & 8
2016 Rate Year Application Settlement Proposal

Although Halton Hills Hydro has provided some numbers (credit of $6,262 and debit of $340,520) in Table A2 – Revenue Deficiency related to tax or PILs adjustments on the proposed depreciation changes, OEB staff is unclear on the calculations supporting these adjustments.

As per Table 1 of the 2016 Rate Year Application Settlement Proposal, OEB staff notes that $0 PILs was included in the 2016 OEB approved revenue requirement. However, OEB staff is unclear whether or not there would be a tax impact if depreciation amounts that were incorporated into the 2016 PILs proxy were understated. As the deprecation amounts are to be included as an addition to the "book-to-tax" adjustments to taxable income in determining the PILs proxy, the tax impact of the proposed changes to depreciation amounts may also need to be considered.

OEB staff is also unclear if there were errors made to the Capital Cost Allowance (CCA) amounts that were included as a deduction to the "book-to-tax" adjustments to taxable income in determining the PILs proxy.

a) Please provide an updated RRWF relating to the 2016 Rate Year Application with detailed corrections made regarding the following items, if applicable. Please provide a detailed explanation of the differences between the updated RRWF and the RRWF filed[9] with the Settlement Proposal in the 2016 Rate Year application, including explanations and references to source documents. These documents should reflect Halton Hills Hydro's proposed corrections for depreciation expense for 2015 and 2016, rate base, return on capital, taxes/ PILs (including any CCA impacts), on service and base revenue requirements and on base distribution rates for 2016.

b) If the above adjustments need to be made to the proposed amounts to be included in the Deprecation DVA, please provide the dollar impact with supporting explanation, calculations and documentation. Please also provide the impact on Table A2 – Revenue Deficiency and Table A3 – Revenue Requirement

[9] EB-2015-0074 - Filename "Settlement Proposal_Halton_Rev_Reqt_Work_Form_20160222V2.xls"

Response:

a) HHHI is submitting the RRWF filed with the Settlement Proposal in the 2016 Rate Application and an updated RRWF reflecting the changes related to the revised depreciation calculation. The file names are "**Halton_Rev_Reqt_Work_Form_EB-2015-0074_20160229**" and "**Halton_IRR_Rev_Reqt_Work_Form_Depreciation_20180220**" respectively. The revised depreciation amount did not result in any changes to Capital Cost Allowance as there were no changes to capital additions. The changes are shown in **Appendix IRR – J** and are as follows:

   i. Rate Base, Working Capital Allowance and Return on Capital
   ii. The Tax adjustment to Accounting Income
   iii. Distribution Revenue

b) The adjustments in part (a) above do not impact the Table A2 – Revenue Deficiency and Table A3 – Revenue Requirement as HHHI is only updating the RRWF to reflect the changes related to the revised depreciation.

OEB Staff Question #24

Reference: October 23, 2017 Depreciation DVA Evidence, page 9

OEB staff notes that Table B1 - 2018 IRM Revised Rate Rider Calculation shows the DVA rate rider calculations for all DVAs, including the proposed Depreciation DVA. OEB staff is unclear of the Depreciation DVA specific rate rider calculation and its separate impact.

a) Please provide a separate Depreciation DVA specific rate rider and supporting calculations, including the underlying Excel spreadsheets.

Response:

a) Please see **Table IRR – 9** for the DVA specific rate riders and supporting calculations. The Excel spreadsheet is filed through RESS with the title "Halton_IRR_SupportingExcel_EB-2017-0045_20180220".

Table IRR – 9 – Depreciation Specific Rate Riders

Rate Class	Unit	Total Metered kWh	Total Metered kW	Allocation of Requested Amounts (%)	Allocation of Requested Amounts ($)	Proposed Rate Rider
Residential - Time of Use	$/kWh	204,439,774	-	40.6%	$ 268,329	$ 0.0013
General Service Less Than 50 kW	$/kWh	51,296,823	-	10.2%	$ 67,328	$ 0.0013
General Service 50 to 999 kW	$/kW	137,289,389	390,924	27.3%	$ 180,194	$ 0.4609
General Service 1,000 to 4,999 kW	$/kW	107,193,041	273,610	21.3%	$ 140,692	$ 0.5142
Unmetered Scattered Load	$/kWh	924,057	-	0.2%	$ 1,213	$ 0.0013
Sentinel Lighting	$/kW	273,180	739	0.1%	$ 359	$ 0.4852
Street Lighting	$/kW	1,832,979	5,129	0.4%	$ 2,406	$ 0.4691
Sub-Totals		**503,249,243**	**670,402**	**100%**	**$ 660,519**	

OEB Staff Question #25

Reference: October 23, 2017 Depreciation DVA Evidence, page 9

OEB staff notes that Table B2 – 2018 IRM Revised Bill Impacts[10] shows impact of all items, including the proposed Depreciation DVA. OEB staff is unclear of the specific bill impact relating to the Depreciation DVA rate rider.

a) Please provide a separate bill impact table that relates to the Depreciation DVA rate rider.

Response:

a) Please see **Table IRR – 6** shown in VECC – 1.

[10] EB-2017-0045

SEC-1

Please explain on what regulatory basis (e.g. z-factor) the Applicant is seeking approval to establish a new deferral and variance account for the purpose of recovering amounts related to its depreciation expense, and how the request meets the applicable regulatory criteria.

Response:

In setting "just and reasonable rates" the OEB's discretion is constrained by the fair return standard. In the December 11, 2009 *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities* (the "2009 Report"), the OEB consulted a range of stakeholders and reviewed the case law (as it was at that time) relating to the Fair Return Standard ("FRS") to establish the Board's approach to cost of capital, and more particularly the deemed rate of return on equity ("ROE") that is permitted in rates to meet the FRS. In the 2009 Report, the OEB confirmed that:

> "*The Board is of the view that the FRS frames the discretion of a regulator, by setting out three requirements that must be satisfied by the cost of capital determinations of the tribunal. <u>Meeting the standard is not optional; it is a legal requirement.</u>*"[1]

The requirement that approved rates must produce a fair return was described by the Supreme Court of Canada as an absolute obligation.[2] The OEB summarizes the three legal requirements to ensure a fair return on capital in the 2009 Report by citing the National Energy Board's RH-2-2004 Phase II Decisions:

> "*A fair or reasonable return on capital should:*
> - *be comparable to the return available from the application of invested capital to other enterprises of like risk (the comparable investment standard);*
> - *enable the financial integrity of the regulated enterprise to be maintained (the financial integrity standard); and*
> - *permit incremental capital to be attracted to the enterprise on reasonable terms and conditions (the capital attraction standard).*"[3]

The estimated depreciation impact of $330,000 per year over the five (5) year IRM period would be approximately $1.6 Million.

As described in OEB Staff #19, HHHI was cognizant of the OEB's concerns after the 2012 Cost of Service application in relation to the depreciation calculations under MIFRS. As a result of the concern, HHHI investigated new ERP systems that had fixed assets and depreciation modules that

1 2009 Report at pg. 18.

2 *British Columbia Electric Railway Co. Ltd. v. Public Utilities Commission of British Columbia et al [1960] S.C.R. 837*, at p. 848.

3 National Energy Board. RH-2-2004, Phase II Reasons for Decision, TransCanada PipeLines Limited Cost of Capital. April 2005. p. 17.

would be capable of the necessary required depreciation calculations under MIFRS, thus reducing the reliance on Excel spreadsheets for accurate numbers. HHHI performed its due diligence and put in place the necessary tool to ensure the accuracy of the numbers. It was through this due diligence that the controls that were put in place determined that an Excel error had occurred in the 2016 Cost of Service application. Unfortunately, the new system was not fully commissioned in time for the submission of the 2016 Cost of Service Application.

HHHI, like the OEB, has an inherent interest in ensuring that all work is correct and free of errors. Unfortunately, any business that is composed of human staff may face errors occasionally, despite the best efforts to prevent them. It is, however, imperative that the LDC learn from the mistakes and put in place controls that will limit, and hopefully eliminate, such errors in the future. The inadvertent and *bona fide* error was administrative in nature. HHHI believes that the new ERP system will, in fact, limit any errors going forward.

In approving the request for recovery of the understated depreciation expenses, the OEB would be following its own mandate of ensuring "just and reasonable" rates while also ensuring a fair and reasonable return on capital as required.

In the absence of bringing a new re-basing application to correct the depreciation expenses (which would, in HHHI's view, not be in the interest of either HHHI or intervenors), the tracking of amounts in a deferral and variance account is the most appropriate and efficient way of dealing with the matter.

SEC-2

[p.1] Please confirm that the error was made by the Applicant or those working for it (e.g. auditors, regulatory consultants, etc.) and was entirely within its control.

Response:

Please see HHHI's Interrogatory response to OEB Staff Question #18.

SEC-3

[p.1] Please confirm that the Applicant's last cost of service application (EB-2015-0074) was resolved by way of an approved Settlement Proposal with intervenors on all issues.

Response:

Confirmed.

SEC-4

Please provide the Applicant's 2016 and 2017 regulatory ROE, including the full calculations as would be provided to the Board in its RRR filings. Please provide a similar calculation regarding its forecast ROE for 2018 if this request for a deferral and variance account is not approved.

Response:

HHHI's 2016 regulatory ROE, including the full calculations as provided to the Board in the RRR filings is shown in **Appendix IRR – K**.

HHHI has not calculated the 2017 regulatory ROE at this time as the year-end audit process is still underway.

HHHI does not forecast ROE and as such, does not provide a forecast ROE for 2018.

VECC-8

Ref: Application Page 1

a) Is HHHI aware of any other LDC applications before the OEB where the applicant requested approval to remedy a prior error in rates related to an understatement in the calculation of depreciation expense. If yes, please provide.

b) Please provide forecast and actual ROE for each of the years 2012 to 2017 and the forecast for 2018.

Response:

a) HHHI is not aware of other LDC applications before the OEB where the applicant requested approval to remedy a prior error in rates related to an understatement in the calculation of depreciation expense.

b) HHHI does not forecast ROE as a rule, thus does not have the forecasted ROE for the years 2012 to 2018. The actual ROE for the years 2012 to 2016 are shown below in **Table IRR - 10**. As stated in HHHI's response to SEC-4, HHHI has not calculated the 2017 regulatory ROE at this time as the year-end audit process is still underway.

Table IRR – 10 – Return on Equity (2012-2016)

Year	ROE
2012	13.30%
2013	14.97%
2014	12.91%
2015	6.70%
2016	6.76%

Appendix IRR – A

2018 GA Analysis Workform – revised 20180220

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Ontario Energy Board

GA Analysis Workform

Update from July 20th Workform version:
-Cells C87,D87,E87, H87 - name of cells updated for cell reference
-Cells F88 to F91 and G88 to G91 - formula of cells updated

Account 1589 Global Adjustment (GA) Analysis Workform

Input cells	
Drop down cells	

Note 1 **Year(s) Requested for Disposition** **2016**

Note 2 **Consumption Data Excluding for Loss Factor (Data to agree with RRR as applicable)**

Year		**2016**		
Total Metered excluding WMP	C = A+B	499,114,960	kWh	100%
RPP	A	254,257,373	kWh	50.9%
Non RPP	B = D+E	244,857,587	kWh	49.1%
Non-RPP Class A	D	11,953,174	kWh	2.4%
Non-RPP Class B*	E	232,904,413	kWh	46.7%

*Non-RPP Class B consumption reported in this table is not expected to directly agree with the Non-RPP Class B Including Loss Adjusted Billed Consumption in the GA Analysis of Expected Balance table below. The difference should be equal to the loss factor.

Note 3 **GA Billing Rate**

GA is billed on the 1st Estimate

GA Billing Rate Description

HHHI utilizes only the 1st estimate for all GA calculations including customer bills and unbilled accruals.
HHHI's billing system records the Daily Consumption and Daily rate for each day. The Daily Cost is calculated multiplying the Daily Consumption by the Daily Rate . When billing, the system calculates an aveARAGE GA charge using the following formula:
Average ((A - B) / (C - D))
where:
A = Cumulative cost from end read date
B = Cumulative cost from start read date
C = Cumulative consumption from end read date

Note 4 **Analysis of Expected GA Amount**

Year

Calendar Month	**Non-RPP Class B Including Loss Factor Billed Consumption (kWh)**	**Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)**	**Add Current Month Unbilled Loss Adjusted Consumption (kWh)**	**Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)**	**GA Rate Billed ($/kWh)**	**$ Consumption at GA Rate Billed**	**GA Actual Rate Paid ($/kWh)**	**$ Consumption at Actual Rate Paid**	**Expected GA Variance ($)**
	F	**G**	**H**	**I = F-G+H**	**J**	**K = I*J**	**L**	**M = I*L**	**=M-K**
January	18,808,536	23,874,381	21,854,027	16,788,182	0.08423	$ 1,414,069	0.09179	$ 1,540,987	$ 126,919
February	21,537,741	21,854,027	24,045,148	23,728,862	0.10384	$ 2,464,005	0.09851	$ 2,337,530	-$ 126,475
March	19,700,757	24,045,148	21,241,509	16,897,118	0.09022	$ 1,524,458	0.10610	$ 1,792,784	$ 268,326
April	19,802,554	21,241,509	22,013,059	20,574,104	0.12115	$ 2,492,553	0.11132	$ 2,290,309	-$ 202,243
May	19,908,195	22,013,059	24,092,407	21,987,543	0.10405	$ 2,287,804	0.10749	$ 2,363,441	$ 75,637
June	21,248,144	24,092,407	24,286,295	21,442,032	0.11650	$ 2,497,997	0.09545	$ 2,046,642	-$ 451,355
July	19,238,604	24,286,295	22,515,704	17,468,013	0.07667	$ 1,339,273	0.08306	$ 1,450,893	$ 111,621
August	23,974,736	22,515,704	27,037,418	28,496,450	0.08569	$ 2,441,861	0.07103	$ 2,024,103	-$ 417,758
September	20,319,582	27,037,418	23,217,332	16,499,496	0.07060	$ 1,164,864	0.09531	$ 1,572,567	$ 407,703
October	22,179,196	23,217,332	25,077,985	24,039,849	0.09720	$ 2,336,673	0.11226	$ 2,698,713	$ 362,040
November	20,113,567	25,077,985	22,849,035	17,884,617	0.12271	$ 2,194,621	0.11109	$ 1,986,802	-$ 207,819
December	19,656,476	22,849,035	22,939,519	19,746,960	0.10594	$ 2,091,993	0.08708	$ 1,719,565	-$ 372,428
Net Change in Expected GA Balance in the Year (i.e. Transactions in the Year)	**246,488,088**	**282,104,300**	**281,169,438**	**245,553,226**		**$ 24,250,170**		**$ 23,824,338**	**-$ 425,833**

Note 5 **Reconciling Items**

	Item	Applicability of Reconciling Item (Y/N)	Amount (Quantify if it is a significant reconciling item)	Explanation
Net Change in Principal Balance in the GL (i.e. Transactions in the Year)			**-$ 547,036**	
1a	Remove impacts to GA from prior year RPP Settlement true up process that are booked in current year	Y	$ 8,314	
1b	Add impacts to GA from current year RPP Settlement true up process that are booked in subsequent year	Y	-$ 14,541	
2a	Remove prior year end unbilled to actual revenue differences	N		End of year Unbilled based on actuals
2b	Add current year end unbilled to actual revenue differences	N		End of year Unbilled based on actuals
3a	Remove difference between prior year accrual to forecast from long term load transfers	Y	$ 16,453	
3b	Add difference between current year accrual to forecast from long term load transfers	Y	-$ 30,202	
4	Remove GA balances pertaining to Class A customers	N		Included in actual unbilled revenues
5	Significant prior period billing adjustments included in current year GL balance but would not be included in the billing consumption used in the GA Analysis	N		
6	Differences in GA IESO posted rate and rate charged on IESO invoice	N		
7				
8				
9				
10				

Note 6	**Adjusted Net Change in Principal Balance in the GL**	-$ 567,012
	Net Change in Expected GA Balance in the Year Per Analysis	-$ 425,833
	Unresolved Difference	-$ 141,179
	Unresolved Difference as % of Expected GA Payments to IESO	-0.6%

Note 7 **Summary of GA (if multiple years requested for disposition)**

Year	Annual Net Change in Expected GA Balance from GA Analysis (cell K59)	Net Change in Principal Balance in the GL (cell D65)	Reconciling Items (sum of cells D66 to D78)	Adjusted Net Change in Principal Balance in the GL	Unresolved Difference	Payments to IESO (cell J59)	Unresolved Difference as % of Expected GA Payments to IESO
2015	$ 288,461	$ 323,623	-$ 24,767	$ 298,856	$ 10,396	$ 20,331,175	0.1%
2016	-$ 425,833	-$ 547,036	-$ 19,976	-$ 567,012	-$ 141,179	$ 23,824,338	-0.6%
				$ -	$ -		0.0%
				$ -	$ -		0.0%
Cumulative Balance	**-$ 137,372**	**-$ 223,413**	**-$ 44,743**	**-$ 268,156**	**-$ 130,784**	**$ 44,155,512.22**	**N/A**

Additional Notes and Comments

GA Analysis Workform

Update from July 20th Workform version:
-Cells C87,D87,E87, H87 - name of cells updated for cell reference
-Cells F88 to F91 and G88 to G91 - formula of cells updated

Account 1589 Global Adjustment (GA) Analysis Workform

Input cells	
Drop down cells	

Note 1 **Year(s) Requested for Disposition** **2015**

Note 2 **Consumption Data Excluding for Loss Factor (Data to agree with RRR as applicable)**

Year		2015		
Total Metered excluding WMP	C = A+B	505,936,613	kWh	100%
RPP	A	251,255,643	kWh	49.7%
Non RPP	B = D+E	254,680,970	kWh	50.3%
Non-RPP Class A	D	7,012,274	kWh	1.4%
Non-RPP Class B*	E	247,668,696	kWh	49.0%

*Non-RPP Class B consumption reported in this table is not expected to directly agree with the Non-RPP Class B Including Loss Adjusted Billed Consumption in the GA Analysis of Expected Balance table below. The difference should be equal to the loss factor.

Note 3 **GA Billing Rate**

GA is billed on the 1st Estimate

GA Billing Rate Description

HHHI utilizes only the 1st estimate for all GA calculations including customer bills and unbilled accruals.
HHHI's billing system records the Daily Consumption and Daily rate for each day. The Daily Cost is calculated multiplying the Daily Consumption by the Daily Rate . When billing, the system calculates an avearage GA charge using the following formula:
Average ((A - B) / (C - D))
where:
A = Cumulative cost from end read date
B = Cumulative cost from start read date
C = Cumulative consumption from end read date

Note 4 **Analysis of Expected GA Amount**

Year

Calendar Month	Non-RPP Class B Including Loss Factor Billed Consumption (kWh)	Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)	Add Current Month Unbilled Loss Adjusted Consumption (kWh)	Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)	GA Rate Billed ($/kWh)	$ Consumption at GA Rate Billed	GA Actual Rate Paid ($/kWh)	$ Consumption at Actual Rate Paid	Expected GA Variance ($)
	F	G	H	I = F-G+H	J	K = I*J	L	M = I*L	=M-K
January	22,834,417	26,616,216	25,454,557	21,672,758	0.05549	$ 1,202,621	0.05068	$ 1,098,375	-$ 104,246
February	23,490,153	25,454,557	25,454,557	23,490,153	0.06981	$ 1,639,848	0.03961	$ 930,445	-$ 709,403
March	21,516,827	25,454,557	23,288,231	19,350,501	0.03604	$ 697,392	0.06290	$ 1,217,147	$ 519,754
April	23,293,697	23,288,231	24,143,556	24,149,022	0.06705	$ 1,619,192	0.09559	$ 2,308,405	$ 689,213
May	21,159,177	24,143,556	22,640,929	19,656,550	0.09416	$ 1,850,861	0.09668	$ 1,900,395	$ 49,535
June	22,361,775	22,640,929	23,745,808	23,466,654	0.09228	$ 2,165,503	0.09540	$ 2,238,719	$ 73,216
July	23,056,488	23,745,808	24,235,781	23,546,461	0.08888	$ 2,092,809	0.07883	$ 1,856,168	-$ 236,642
August	21,049,079	24,235,781	24,306,987	21,120,285	0.08805	$ 1,859,641	0.08010	$ 1,691,735	-$ 167,906
September	22,134,925	24,306,987	24,520,873	22,348,811	0.08270	$ 1,848,247	0.06703	$ 1,498,041	-$ 350,206
October	22,776,826	24,520,873	25,445,847	23,701,800	0.06371	$ 1,510,042	0.07544	$ 1,788,064	$ 278,022
November	19,786,186	25,445,847	22,885,063	17,225,402	0.07623	$ 1,313,092	0.11320	$ 1,949,916	$ 636,823
December	18,583,760	22,885,063	23,874,381	19,573,078	0.11462	$ 2,243,466	0.09471	$ 1,853,766	-$ 389,700
Net Change in Expected GA Balance in the Year (i.e. Transactions in the Year)	**262,043,310**	**292,738,405**	**289,996,570**	**259,301,475**		**$ 20,042,714**		**$ 20,331,175**	**$ 288,461**

Note 5 **Reconciling Items**

	Item	Applicability of Reconciling Item (Y/N)	Amount (Quantify if it is a significant reconciling item)	Explanation
Net Change in Principal Balance in the GL (i.e. Transactions in the Year)			**$ 323,623**	
1a	Remove impacts to GA from prior year RPP Settlement true up process that are booked in current year	N		
1b	Add impacts to GA from current year RPP Settlement true up process that are booked in subsequent year	Y	-$ 8,314	
2a	Remove prior year end unbilled to actual revenue differences	N		End of year Unbilled based on actuals
2b	Add current year end unbilled to actual revenue differences	N		End of year Unbilled based on actuals
3a	Remove difference between prior year accrual to forecast from long term load transfers	N		
3b	Add difference between current year accrual to forecast from long term load transfers	Y	-$ 16,453	
4	Remove GA balances pertaining to Class A customers	N		Included in actual unbilled revenues
5	Significant prior period billing adjustments included in current year GL balance but would not be included in the billing consumption used in the GA Analysis	N		
6	Differences in GA IESO posted rate and rate charged on IESO invoice	N		
7				
8				
9				
10				

Note 6	**Adjusted Net Change in Principal Balance in the GL**	$ 298,856
	Net Change in Expected GA Balance in the Year Per Analysis	$ 288,461
	Unresolved Difference	$ 10,396
	Unresolved Difference as % of Expected GA Payments to IESO	0.1%

Note 7 **Summary of GA (if multiple years requested for disposition)**

Year	Annual Net Change in Expected GA Balance from GA Analysis (cell K59)	Net Change in Principal Balance in the GL (cell D65)	Reconciling Items (sum of cells D66 to D78)	Adjusted Net Change in Principal Balance in the GL	Unresolved Difference	Payments to IESO (cell J59)	Unresolved Difference as % of Expected GA Payments to IESO
				$ -	$ -		0.0%
				$ -	$ -		0.0%
				$ -	$ -		0.0%
				$ -	$ -		0.0%
Cumulative Balance	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**N/A**

Additional Notes and Comments

APPENDIX IRR – B

Independent Auditor's Report

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KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Halton Hills Hydro Inc.

We have audited the accompanying financial statements of Halton Hills Hydro Inc. (the "Entity") which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Halton Hills Hydro Inc. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 20, 2017
Hamilton, Canada

APPENDIX IRR – C

Letter of Intent dated June 29, 2017

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June 29, 2017

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

Dear Ms. Walli:

**Re: Halton Hills Hydro Inc., Distribution Licence ED-2002-0552
Notice of Intent to File a Z-Factor Application in relation to Pay Equity Settlement Agreement between Halton Hills Hydro Inc. and Power Worker's Union, CUPE Local 1000**

Halton Hills Hydro Inc. ("HHHI") is writing to advise the Ontario Energy Board that HHHI intends to file a Z-Factor Application for recovery of costs incurred as a result of a Pay Equity Settlement Agreement between HHHI and Power Worker's Union, CUPE Local 1000 ("the Union").

HHHI and the Union began discussions concerning a company-wide pay equity review of all union positions in 2012. The process was finalized in February 2017.

HHHI submits that the Pay Equity Settlement Agreement between Halton Hills Hydro Inc. and Power Worker's Union, CUPE Local meets the Z-Factor Eligibility Criteria for causation, materiality and prudence as set in Section 2.6 of the July 14, 2008 Board Report on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors and Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications, Section 3.2.2, dated July 17, 2013.

At the time of HHHI's 2016 Cost of Service Application, HHHI and the Union were still in discussions about the retroactivity adjustment window and male comparitors to be used for adjustment calculations. As HHHI did not know how long the negotiations would continue nor any certainty of financial impact, a decision was made to not include an estimated pay equity amount in OM&A costs. As such, no pay equity retroactive adjustments, nor any continuing OM&A costs related to a settlement were included in the application and thus, not included in rate base.

The first materiality threshold is a revenue requirement under $10,000,000. The last Cost of Service (EB-2015-0074) (Distribution) Revenue Requirement amount for Halton Hills Hydro Inc. ("HHHI") was $9,953,991 (net of revenue offsets). HHHI has a revenue requirement under $10,000,000 and thus, a materiality of $50,000 in incremental costs must be met. The first tranche of the pay equity retroactivity exceeds the $50,000 threshold and thus, materiality has been met.

43 Alice St. Acton, ON L7J 2A9 519-853-3700 905-453-2222

HHHI and the Union agree to the vision of creating a work environment that promotes equality and fairness for all jobs, with sensitivity to issues around gender bias and the undervaluing of female job classes, through policy and administration that is seen as necessary, effective and fair and, in accordance with the required Pay Equity Legislation. As per the *Pay Equity Act*, HHHI and the Union began discussions in 2012 to evaluate positions and come to an agreement on a Terms of Reference, eligible positions, position data collection, adjustment window and male comparitors. This process developed into a five (5) year project that only concluded in February 2017 (seventeen (17) months after HHHI's 2016 Cost of Service was filed). The prudence criteria state that the distributor's decision to incur the amount must represent the most cost-effective option for ratepayers. HHHI did not believe it fair to its ratepayers to include an estimated amount into OM&A for the possible projected impact of pay equity as the parties were still very far apart on an agreement and the impact could not be reasonable determined. HHHI decided that customers should not incur a cost for the pay equity settlement until such time as an agreement was in place and the full impact could be determined accurately. As such, a decision to use USofA 1572 – Extraordinary Event Costs was determined to be the best option to ensure the financial viability of the company and most fair to customers in regards to rates.

HHHI has met the three (3) criteria for a Z-Factor application: causation, materiality and prudence. HHHI is currently finalizing all retroactive costs associated with the pay equity settlement and upon the conclusion of the final determination, will submit the Z-factor application.

Sincerely,

(*Original signed*)

David J. Smelsky, CPA, CMA
Chief Financial Officer
Halton Hills Hydro Inc.

Cc: Arthur Skidmore, President & CEO
Tracy Rehberg-Rawlingson, Regulatory Affairs

Appendix IRR – D

Email Correspondence with Board Staff

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From:	David Smelsky
To:	Tracy Rehberg-Rawlingson
Subject:	FW: Halton Hills Hydro
Date:	February-13-18 10:33:51 AM
Attachments:	image001.png image002.png image003.jpg image004.jpg

David J. Smelsky, CPA, CMA
Chief Financial Officer | Halton Hills Hydro Inc.
dsmelsky@haltonhillshydro.com | 519-853-3700 x208
www.haltonhillshydro.com | Follow Us:

From: Marc Abramovitz [mailto:Marc.Abramovitz@oeb.ca]
Sent: November-07-17 2:48 PM
To: David Smelsky
Cc: Tracy Rehberg-Rawlingson
Subject: RE: Halton Hills Hydro

Hi David,

Thank you for your confirmation.

Please call me upon your return to discuss next steps.

Marc Abramovitz | Rates Advisor | Applications Division | Ontario Energy Board
2300 Yonge Street, 27th Floor | Toronto, Ontario | M4P 1E4 | T: 416.440.7690 | E: marc.abramovitz@oeb.ca.

Please note my email address has changed to marc.abramovitz@oeb.ca . Please update your address book accordingly.

From: David Smelsky [mailto:dsmelsky@haltonhillshydro.com]
Sent: Friday, October 27, 2017 4:45 PM
To: Marc Abramovitz <Marc.Abramovitz@oeb.ca>
Cc: Tracy Rehberg-Rawlingson <TracyR@haltonhillshydro.com>
Subject: Halton Hills Hydro

Hi Marc:
As per our telephone conversation, Halton Hills Hydro wish to submit the Z-Factor – Pay Equity application. We will have this application submitted on or before December 01, 2017.

Please confirm this submission will not delay the current IRM application (EB-2017-0045) before the Board.
Thank you for your assistance.
Regards,
David

David J. Smelsky, CPA, CMA
Chief Financial Officer | Halton Hills Hydro Inc.
dsmelsky@haltonhillshydro.com | 519-853-3700 x208
www.haltonhillshydro.com | Follow Us:

Appendix IRR – E

Pay Equity Maintenance

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Halton Hills
HYDRO

Date: July 4, 2014

To: Halton Hills Hydro Pay Equity Committee

From: Art Skidmore, President & CEO

Subject: **Pay Equity Maintenance**

As part of its ongoing maintenance of its pay equity plan, Halton Hills Hydro has reviewed the pay of male and female job classes in the bargaining unit collective agreement (Establishment) to determine if any pay equity adjustments need to be administered.

As per the September 17, 2012 Terms of Reference (signed on February 13, 2013) it was agreed by the Job Evaluation Committee that the male job class of Custodian should be removed from consideration for purposes of pay equity maintenance. The immediate effect of the removal of the Custodian job class is removal for 2012 and 2013 of the direct job-to-job comparator for the Clerk Cashier job class. The Clerk Cashier job class is the sole female job class in Band C, and is, in fact, the only job class currently assigned to Band C.

In the absence of a male job class in the bargaining unit or outside of the bargaining unit that would be of similar value to the Clerk Cashier job class, and could serve as a direct job-to-job comparator for the Clerk Cashier, we have applied a proportional value methodology to test for pay equity. For purposes of consistent maintenance of the bargaining unit pay equity plan, we have identified the male job classes within the Collective Agreement in 1997 as representative male job classes in order to conduct the proportional value test. Prior to 1997 it appears that many of the job classes that currently are found within the Collective Agreement did not exist or else had different duties and scopes of responsibilities, and so, for purposes of pay equity maintenance, the male job classes within the Collective Agreement in 1997 have been identified to anchor the proportional value analysis for pay equity testing and maintenance.

43 Alice St. Acton, ON L7J 2A9 519-853-3700 905-453-2222

The 1997 male job classes that have been included in the male payline for proportional value testing are:

Job Class (Male)	Band
Line - Sub-Foreperson	L
Lines Journeyperson	I
Mechanic	I
Information Systems Analyst	H
Meter Technician	H
Engineering Technician	G
Stores/Buyer	E
Custodian*	C

**Note: Removed for Pay Equity Purposes 2012 & 2013*

The following is a summary of the 2012 and 2013 job evaluation point scores and job rates for the representative male job classes (i.e., the 1997 male job classes) that have been identified for purposes of proportional value testing (see Appendix A for a graphical representation of the male pay scale supporting the proportional value analysis):

Job Class (Male)	Band	JE Points	2013 Job Rate	2012 Job Rate
Line - Sub-Foreperson	L	332.5	$40.04	$39.01
Lines Journeyperson	I	277.5	$37.78	$36.80
Mechanic	I	265	$33.77	$32.90
Information Systems Analyst	H	250	$36.95	$36.00
Meter Technician	H	247.5	$37.78	$36.80
Engineering Technician	G	232.5	$33.77	$32.90
Stores/Buyer	E	192.5	$29.92	$29.15
			Rsq:	*Rsq:*
			0.7191	0.7196
			Slope	*Slope*
			0.0673	0.0656
			Intercept	*Intercept*
			18.4218	17.9465
			Count	*Count*
			7	7

Based on our proportional value testing, the following pay equity adjustments have been identified for the female Clerk Cashier job class in 2012 and 2013:

Year	**Male PV Job Rate**	**Clerk Cashier Job Rate**	**Pay Equity Adjustment Hourly**	**Pay Equity Adjustment Annual (1820 Standard Hours)**
2012	$27.62	$25.31	$2.31	$4,211
2013	$28.36	$25.98	$2.38	$4,324
Total				**$8,535**

We have referred to the memorandum of December 16, 1998 from the Chairperson of the Job Evaluation Committee (copy attached) that identifies the Collections Readings job class as the direct job-to-job male comparator for the female job class of Dispatch / Switchboard, which was assigned to Band D. While the Collections Readings job class is currently vacant at Halton Hills Hydro, it does represent the historical male comparator job class for female job classes in Band D in the Collective Agreement. Since the same job rate would apply for the Collections Reading job class, and for the female job classes in Band D, no pay equity adjustments have been identified in Band D.

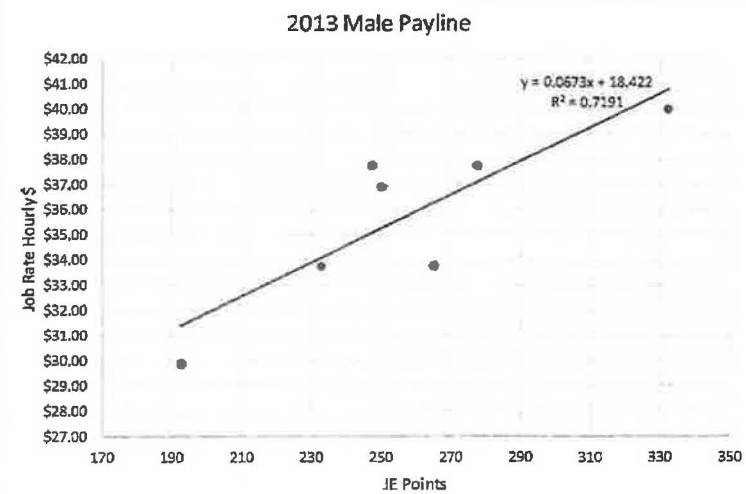
Aside from the adjustments identified in Band C for the Clerk Cashier job class (utilizing the proportional value methodology), direct job-to-job male comparators have been identified in all other wage Bands in the Collective Agreement , and no pay equity adjustments have been identified.

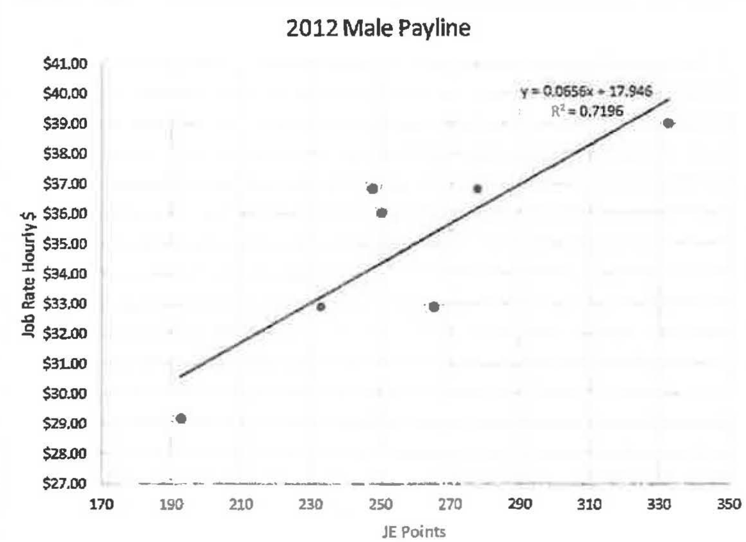
Appendix B reports the female, male and neutral job classes in the Establishment in 2013.

I look forward to receiving your comments by July, 18, 2014.

Appendix A - Proportional Value Male Paylines 2012 & 2013

Job Class (Male)	Band	JE Points	2013 Job Rate	2012 Job Rate
Line - Sub-Foreperson	L	332.5	$40.04	$39.01
Lines Journeyperson	I	277.5	$37.78	$36.80
Mechanic	I	265	$33.77	$32.90
Information Systems Analyst	H	250	$36.95	$36.00
Meter Technician	H	247.5	$37.78	$36.80
Engineering Technician	G	232.5	$33.77	$32.90
Stores/Buyer	E	192.5	$29.92	$29.15
			Rsq:	*Rsq:*
			0.7191	0.7196
			Slope	*Slope*
			0.0673	0.0656
			Intercept	*Intercept*
			18.4218	17.9465
			Count	*Count*
			7	7





Appendix B – Female, Male and Neutral Job Classes in the Establishment in 2013

Female Job Classes	Band
Clerk Cashier	C
Customer Service Rep	D
Dispatch Clerk	D
Engineering Clerk	D
Accounting/Payroll Clerk	E
Billing Rep	E
AMI Coordinator	G
Billing Coordinator	G

Neutral Job Classes	Band
Service Layout/Locates	F

**Collections / Readings is the historical Male Comparator job class in Band D*

Male Job Classes	Band
Collections / Readings*	D
Stores/Buyer	E
Engineering Technician	G
Information Systems Analyst	H
Meter Technician	H
Substation Electrician	H
Lines Journeyperson	I
Mechanic	I
SWE Electrician	I
Sr. Engineer Tech/Technician	J
Metering Sub-Foreperson	K
SWE Sub-Foreperson	K
Line - Sub-Foreperson	L
Lines - Working Foreperson	M
SWE Master Electrician	M

TO: D. Guatto, General Manager

FROM: M. Lane, Chairperson, Job Evaluation Committee

RE: Job Evaluation Review

DATE: December 16, 1998

Please be advised that the committee has reviewed all the job descriptions received to date. The Committee has concluded that the following jobs have moved out of their previous banding up to the next band.

Payroll Clerk New Male Comparator Stores Buyer

Dispatch/Switchboard New Male Comparator Coll/Readings

Sincerely,

M. Lane

M.Lane,
Chairperson, Job Evaluation Committee

cc. S.Keir, Power Workers Union

Appendix IRR - F

Responses from Pay Equity Experts Gallagher McDowall

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Halton Hills Hydro Inc.

43 Alice Street
Acton, Ontario

Report on OEB / SEC/ VECC Interrogatories relating to Pay Equity Maintenance

February 9, 2018

BENEFITS | COMPENSATION | RETIREMENT | RISK MANAGEMENT

Gallagher McDowall Associates
ARTHUR J. GALLAGHER

Larry Moate
Managing Director
larry_moate@ajg.com

Gallagher Benefit Services (Canada) Group Inc.
Human Resources & Compensation Consulting
141 Adelaide Street West, Suite 905 |
Toronto, ON | M5H 3L5
www.mcdowallassociates.com

February 9, 2018

PRIVATE AND CONFIDENTIAL

Mr. Art Skidmore
President and CEO
Halton Hills Hydro
43 Alice Street
Acton, ON L7J 2A9

Re: OEB / SEC / VECC Interrogatories – Pay Equity Maintenance

Dear Art,

As your Pay Equity expert, below are responses regarding the Interrogatories pertaining to Halton Hills Hydro's Pay Equity program:

OEB Staff Question #13:

A & B)

Halton Hills Hydro participated in a JOINT Employer / Union Pay Equity Committee for purposes of maintaining the Halton Hills Hydro Pay Equity plan for its bargaining unit employees. Any process that is a joint process where both management and a bargaining agent (in this case Power Workers' Union / PWU) are involved is inherently unpredictable, and in this case the Union's position on how the Pay Equity plan should be maintained in the Halton Hills Hydro bargaining unit Establishment differed markedly from the position held by management, and previous positions of the PWU.

While there was general consensus on how the job evaluation plan should be applied to determine job evaluation point scores for the bargaining unit job classes, management and the union had different positions on critical issues like:

- How to interpret the Terms of Reference document governing the Pay Equity maintenance process. The Terms of Reference identified job classes in the Establishment. Both management and the Union had different interpretations as to what male comparator job classes would apply in different time periods.
- How to identify jobs that should be considered as representative jobs for purposes of determining a male payline in order to compare with the pay of certain female job classes in the Establishment. Depending on the mix of male job classes that could have been considered as representative, significantly different Pay Equity outcomes would have resulted. (Note: the Pay Equity Act itself does not define what is meant by a "representative" male job class, and so the concept is open for discussion and interpretation).
- The gender dominance of some jobs was also considered in joint management / union discussions, and options for identifying direct-job-to-job male comparators were discussed.

Given the myriad number of "moving parts" in the Pay Equity negotiations, and the number of possible outcome scenarios, management's control over the Pay Equity process was necessarily limited, and precise planning / budgeting for possible outcomes was not possible.

Pay Equity legislation applies to all employers in Ontario with 10 or more employees, and the legislation has applied since 1988. Employers have an obligation to both develop and maintain Pay Equity plans in their Establishments. Periodic testing for Pay Equity is part of an employer's ongoing maintenance obligations, and embarking on a Pay Equity maintenance jointly with a bargaining agent, and having that maintenance process identify Pay Equity adjustments is not indicative of non-compliance, and it would be a mistake to characterize interpret the identification of a Pay Equity adjustment during a maintenance process as indicating systematic non-compliance with the Pay Equity Act. In this case, the identification of Pay Equity adjustments in the Halton Hills Hydro bargaining Unit Establishment is indicative of a Pay Equity maintenance process that was correctly undertaken and that employers must undertake periodically as job duties change and evolve and as the organization itself evolves. Many employers do not undertake such maintenance exercises, and may therefore be unaware of the need for Pay Equity adjustments.

In addition, in a utility such as Halton Hills Hydro, the elimination of a single comparator job class can have material changes in the Pay Equity outcome. As discussed above, the Pay Equity outcomes themselves would be considered extraordinary and could not have been predicted.

VECC-3

b) Pay Equity adjustments were identified in Halton Hills Hydro's 1990 Pay Equity plan and were administered at that time. We are not aware of any material Pay Equity adjustments being administered prior to 1990 or in the interval between 1990 and the 2013-2017 joint management / union Pay Equity maintenance process. Periodically, in this intervening period, the joint management / union Job Evaluation Committee would meet to review the Pay Equity plan. For example, the joint Job Evaluation Committee met on December 16, 1998 to identify and confirm the Collections Readings job class as a male comparator in the Establishment (for female job classes in Band D).
c) Employers (including Halton Hills Hydro) have an obligation to both develop and maintain Pay Equity plans in their Establishments. Adherence is more a matter of ongoing review and negotiation, rather than compliance with a strict, specific, requirement. Periodic testing for Pay Equity is part of an employer's ongoing maintenance obligations, and embarking on a Pay Equity jointly with a bargaining agent, and having that process identify Pay Equity adjustments is not indicative of non-compliance with any policy or legislation. It is rather indicative of a Pay Equity maintenance process that is working and that employers must undertake periodically as job duties change and evolve and as the organization itself evolves. Halton Hills Hydro has approached its Pay Equity plan maintenance in the typical manner. Unfortunately, the 2013-2017 Pay Equity maintenance process took much longer than expected, based on PWU's position typical. In our opinion, the delays in the Pay Equity maintenance process were due in large measure to the negotiating positions and tactics adopted by the Union.

VECC-4

a) Direct Job-to-Job male comparators were not available in the Halton Hills Hydro bargaining Unit Establishment for female job classes in Bands C and D. (The Cashier Clerk is a female job class in Band C, and the Customer Service Representative, the Dispatch Clerk and the Engineering Clerk). Given the lack of direct job-to-job male comparators, the Proportional Value (PV) methodology for testing for Pay Equity had to be applied. The PV test essentially applies regression analysis to develop a male payline to predict male job rates to serve as comparators to the job rates of female job classes.

The following male job classes were ultimately agreed to by management and the union as representative male job classes to underpin the development of the male payline for Proportional Value testing:

1. Line - Sub-Foreperson
2. Information Systems Analyst
3. Sr. Engineer Tech / Technician
4. Meter Technician
5. Lines Journeyperson
6. Service Layout / Locates
7. Engineering Technician
8. Stores / Buyer, and
9. Mechanic.

The following table summarizes the results of the Proportional Value Pay Equity test that was applied for female job classes in Bands C and D of the bargaining unit Establishment.

Pay Equity Maintenance: Hourly Job Rates / Hourly Pay Equity Adjustments Identifed in Bands C & D

Job Class	Band	2016 Wage Rate / Job Rate	2016 Male Comparator PV Payline Job Rate	2016 Pay Equity Adjustment	2015 Wage Rate / Job Rate	2015 Male Comparator PV Payline Job Rate	2015 Pay Equity Adjustment	2014 Wage Rate / Job Rate	2014 Male Comparator PV Payline Job Rate	2014 Pay Equity Adjustment
(Female Job Classes)										
Customer Service Rep	D	$30.51	$31.90	$1.39	$29.91	$31.27	$1.36	$29.12	$30.43	$1.31
Dispatch Clerk	D	$30.51	$31.90	$1.39	$29.91	$31.27	$1.36	$29.12	$30.43	$1.31
Engineering Clerk	D	$30.51	$31.90	$1.39	$29.91	$31.27	$1.36	$29.12	$30.43	$1.31
Administration Clerk	D	$30.51	$31.90	$1.39	n/a	n/a	n/a	n/a	n/a	n/a
Clerk Cashier	C	$27.94	$29.48	$1.54	$27.39	$28.90	$1.51	$26.67	$28.13	$1.46

Job Class	Band	2013 Wage Rate / Job Rate	2013 Male Comparator PV Payline Job Rate	2013 Pay Equity Adjustment	2012 Wage Rate / Job Rate	2012 Male Comparator PV Payline Job Rate	2012 Pay Equity Adjustment
(Female Job Classes)							
Customer Service Rep	D	$28.37	$29.73	$1.36	$27.64	$28.89	$1.25
Dispatch Clerk	D	$28.37	$29.73	$1.36	$27.64	$28.89	$1.25
Engineering Clerk	D	$28.37	$29.73	$1.36	$27.64	$28.89	$1.25
Administration Clerk	D	n/a	n/a	n/a	n/a	n/a	n/a
Clerk Cashier	C	$25.98	$27.48	$1.50	$25.31	$26.70	$1.39

VECC- 4

b) We do not have a copy of the current job evaluation plan or the Stevenson Kellogg Ernst and Whirrey job evaluation systems and cannot comment on whether the plans are the same, similar, or the degree of difference between them.

VECC-6

a) and b) We do not have a copy of the original Terms of Reference for the joint Job Evaluation Committee / Pay Equity Committee in the bargaining unit Establishment. However, we would expect that the key difference between the two documents would relate to the loss of male comparator job classes in the Establishment. As job duties change, and as the nature of work changes over time, organizations change, and it is not uncommon for the male comparator job classes that are available to support a Pay Equity maintenance exercise may change over time.

Yours very truly,

Larry Moate

Larry Moate
Managing Director
Gallagher McDowall Associates
Tel: (416) 644-6584

Appendix IRR - G

Government Mandate Letter dated September 25, 2014

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The Premier
of Ontario

Legislative Building
Queen's Park
Toronto, Ontario
M7A 1A1

La première ministre
de l'Ontario

Édifice de l'Assemblée législative
Queen's Park
Toronto (Ontario)
M7A 1A1

Ontario

September 25, 2014

The Honourable Kevin Flynn
Minister of Labour
Ministry of Labour
14th Floor, 400 University Avenue
Toronto, Ontario
M7A 1T7

Dear ~~Minister Flynn~~ Kevin:

I am honoured to welcome you back to your role as Minister of Labour. We have a strong Cabinet in place, and I am confident that together we will build Ontario up, create new opportunities and champion a secure future for people across our province. The people of Ontario have entrusted their government to be a force for good, and we will reward that trust by working every day in the best interests of every person in this province.

As we implement a balanced and comprehensive plan for Ontario, we will lead from the activist centre. We will place emphasis on partnerships with businesses, communities and people to help foster continued economic growth and make a positive impact on the lives of every Ontarian. This collaborative approach will shape all the work we do. It will ensure we engage people on the issues that matter the most to them, and that we implement meaningful solutions to our shared challenges.

Our government's most recent Speech from the Throne outlined a number of key priorities that will guide your work as minister. Growing the economy and helping to create good jobs are fundamental to building more opportunity and security, now and in the future. That critical priority is supported by strategic investments in the talent and skills of our people, from childhood to retirement. It is supported through the building of modern infrastructure, transit and a seamless transportation network. It is supported by a dynamic business climate that thrives on innovation, creativity and partnerships to foster greater prosperity. And it is reflected across all of our government, in every area, and will extensively inform our programs and policies.

.../2

As we move forward with our plan to grow the economy and create jobs, we will do so through the lens of fiscal prudence. Our 2014 Budget reinforces our commitment to balancing the budget by 2017-18; it is essential that every area adheres to the program-spending objectives established in it. We will choose to invest wisely in initiatives that strengthen Ontario's competitive advantage, create jobs and provide vital public services to our families. The President of the Treasury Board, collaborating with the Minister of Finance, will work closely with you and your fellow Cabinet members to ensure that our government meets its fiscal targets. The President of the Treasury Board will also lead the government's efforts on accountability, openness and modernization as we implement new accountability measures across government.

As Minister of Labour, you will advance safe, fair and respectful workplace practices that are essential to the social and economic well-being of the people of Ontario.

Your ministry's specific priorities include:

Reflecting the Changing Workplace

- Engaging openly with Ontarians to consider actions that will support labour and employment law reforms. Your goal is to continue to protect workers while supporting business in today's evolving economy.

- Leading a review of Ontario's system of employment and labour standards. You will work with other ministers to consider reforms that reflect the realities of the modern economy, such as the rise of non-standard employment and the reduction in the prevalence of employer benefits and training.

Developing a Wage Gap Strategy

- Leading the development of a wage gap strategy. Women make up an integral part of our economy and society, but on average still do not earn as much as men. You will work with the Minister Responsible for Women's Issues and other ministers to develop a wage gap strategy that will close the gap between men and women in the context of the 21st century economy.

Protecting Vulnerable Workers

- Working with the Minister of Citizenship, Immigration and International Trade to better protect migrant workers in Ontario. Your goal is to continue to strengthen protection for the most vulnerable workers in our province, while creating a level playing field for companies that follow the rules.

Promoting Occupational Health and Safety

- Protecting workers' health and safety and leading workplace accident prevention efforts. I ask that you work with the Chief Prevention Officer to enhance the ministry's prevention capacity by augmenting our prevention efforts. As a first step, I ask that you work with the construction sector, through the Chief Prevention Officer, to develop an action plan to strengthen workplace accident prevention in the construction sector.

- Accelerating the transformation of Ontario's occupational health and safety system, as recommended by the Expert Advisory Panel.

Working with the Workplace Safety and Insurance Board

- Continuing to ensure the long-term sustainability of our workers' compensation system while balancing the interests of injured workers and employers. I ask that you consider such issues as removing the 72-month lock-in provision, enhancing survivor benefits, implementing a long-term strategy to deal with indexation for partially disabled workers — and developing further reforms.

Supporting Mental Health in the Workplace

- Engaging with companies that have introduced strong workplace mental health programs for their employees to draw upon their experience. Your goal is to work with employers to expand employer-provided services available to Ontario workers.

Collaborating on Collective Bargaining

- Continuing to work with ministers — and the President of the Treasury Board, employers and unions — to uphold and respect the collective bargaining process. Your goal is to maintain a respectful labour relations climate for both employers and unions.

- Continuing to assess options to reform the interest arbitration process. I ask that, going forward, you continue to work to balance the interests of both employers and unions.

We have an ambitious agenda for the next four years. I know that, by working together in partnership, we can be successful. The above list of priority initiatives is not meant to be exhaustive, as there are many other responsibilities that you and your ministry will need to carry out. To that end, this mandate letter is to be used by your ministry to develop more detailed plans for implementation of the initiatives above, in addition to other initiatives not highlighted in this letter.

.../4

I ask that you continue to build on the strong relationships we have with the Ontario Public Service, the broader public sector, other levels of government, and the private, non-profit and voluntary sectors. We want to be the most open and transparent government in the country. We want to be a government that works for the people of this province — and with them. It is of the utmost importance that we lead responsibly, act with integrity, manage spending wisely and are accountable for every action we take.

I look forward to working together with you in building opportunity today, and securing the future for all Ontarians.

Sincerely,

Kathleen Wynne
Premier

Appendix IRR - H

Updated Pay Equity Adjustment Calculations by Position

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APPENDIX IRR - H - Revised Appendix E with Actual 2017

POSITION	Incremental Wages											OMERs									Grand Total
	Actual						Forecast				Total	Actual				Forecast				Total	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	January 1 to March 31 , 2021		2012 to 2014	2015	2016	2017	2018	2019	2020	January 1 to March 31 , 2021		
CSR																					
Employee 1	34	1,357	-								**1,391**	203								203	**1,594**
Employee 2	2,156	2,281	2,309	2,566	2,402						**11,714**	925	375	351						1,651	**13,365**
Employee 3	2,159	2,295	2,452	2,362	2,402	603					**12,274**	949	345	351	88					1,732	**14,006**
Employee 4	1,472	1,564	1,609	1,644	1,654	1,740	1,712	1,747	1,772	443	**15,356**	660	240	241	254	250	255	259	65	2,223	**17,579**
Employee 5	2,183	2,297	2,329	2,352	2,393	2,490	2,497	2,547	2,584	646	**22,319**	994	343	349	364	365	372	377	94	3,259	**25,577**
Employee 6	959	1,200	1,105	1,231	1,065	1,320	1,070	1,092	1,108	277	**10,427**	483	180	156	193	156	159	162	40	1,529	**11,956**
Employee 7	2,155	2,278	2,311	1,950							**8,694**	925	285		-					1,210	**9,903**
Employee 8	1,289	489	2,108	2,202	2,393	2,490	2,497	2,547	2,584	646	**19,245**	567	322	349	363	365	372	377	94	2,810	**22,055**
Employee 9						535	2,497	2,547	2,584	646	**8,810**				78	365	372	377	94	1,286	**10,096**
Employee 10						1,148	2,497	2,547	2,584	646	**9,423**				168	365	372	377	94	1,376	**10,798**
Employee 11						164	2,374	2,547	2,584	646	**8,316**				24	347	372	377	94	1,214	**9,531**
Employee 12				925	2,366	1,877					**5,168**		135	345	274					754	**5,922**
Total CSR	**12,407**	**13,760**	**14,224**	**15,232**	**14,675**	**12,366**	**15,144**	**15,575**	**15,802**	**3,950**	**133,136**	**5,707**	**2,224**	**2,143**	**1,805**	**2,211**	**2,274**	**2,307**	**577**	**19,248**	**152,383**
Cashier																					
Employee 1	2,210	2,432	2,643	1,575							**8,861**	1,067	230							1,297	**10,157**
Employee 2			598	1,918	228						**2,744**	146	280	33						459	**3,203**
Employee 3					1,663						**1,663**			243						243	**1,906**
Employee 4						749					**749**				109					109	**858**
Employee 5						844					**844**				123					123	**967**
Employee 6						328	1,758	2,834	2,857	714	**8,492**				48	257	414	417	104	1,240	**9,732**
Engineering Clerk																					
Employee 1	2,465	2,606	2,760	2,701	2,791	2,845	2,854	2,911	2,954	738	**25,625**	1,145	394	407	415	417	425	431	108	3,743	**29,368**
Dispatch Clerk																					
Employee 1	2,466	2,698	2,732	2,700	229						**10,825**	1,521								1,521	**12,345**
Grand Total	**19,548**	**21,497**	**22,958**	**24,125**	**19,585**	**17,132**	**19,756**	**21,320**	**21,613**	**5,403**	**192,938**	**9,586**	**3,128**	**2,826**	**2,501**	**2,884**	**3,113**	**3,155**	**789**	**27,983**	**220,921**

Appendix IRR – I

2016 Original OEB RRR ROE Calculation (submitted May 1, 2016)

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Under-earning Drivers - Appendices 9 & 10

Instructions

If your achieved ROE% is 300 basis points **below** the deemed ROE%, please complete Appendices 9 and 10.

Table 9.2 Regulated Net Income Variances: The revenue/gain variances are to be calculated as the achieved revenue/gain amour for the reporting year minus the approved amounts in the last CoS.

The cost/expense variances are to be calculated as the approved cost/expense amounts in the last CoS minus the achieved amount for the reporting year.

Table 9.3 Regulated Deemed Equity Variances: The variances are to be calculated as the achieved working capital allowance/average regulated PP&E for the reporting year minus the approved amounts in the last CoS.

Appendix 9

Drivers for Under-earners

Table 9.1: Breakdown of the ROE difference into Regulated Net Income and Regulated Deemed Equity

Components of the ROE calculation	Deemed last CoS	Achieved	Variance $	Variance %*
ROE Amount ($)	2,257,893.14	1,298,501.09	-959,392.05	-42.49
Regulated Deemed Equity ($)	24,569,022.24	24,832,840.58	263,818.34	1.07
ROE (%)	9.19	5.23		-3.96

* Variance % for ROE Amount and Regulated Deemed Equity are calculated using the following equation:

Variance % = Variance $ / Deemed last CoS * 100

Overall comment on variance between approved and achieved ROE

Under earning is a result of the following;

Depreciation - Unfavourable variance $287,802
Distribution Revenue - Unfavourable Variance $152,863
PILs Calculation - Unfavourable variance $403,531

Table 9.2: Regulated Net Income Variances

Nature of the Variances	Variance $	Detailed Explanation
Revenue Variances:		
Change in Distribution revenues	ja 152,863.00	2016 Actual Distribution Revenue $9,801,128
Rate riders that are recorded in distribution revenues collected for the year	jb=ki 0.00	2016 Actual (Net) Depreciation $1,795,856 CoS (Net) Depreciation $1,508,054
Change in Other revenues	jc	
Cost Variances:		

Change in OM&A expenses	jd	
Change in Amortization expense	je 287,802.00	
Chnage in Other expenses	jf	
Change in Current tax expense	jg 403,531.00	2016 PIls Calculation $403,531 CoS Pils $0
Other variances for revenues, costs, etc., if any (Please specify the nature of the other variances provided below):		
	jh	
	ji	
	jj	
	jk	
	jl	
Total variance explained for regulated net income in Table 9.2 ($)	jm=ja+jb+jc+jd+je+jf+jg+jh+ji+jj+jk+jl 844,196.00	
Total variance for regulated net income per Table 9.1 ($)	jn -959,392.05	
Total variance explained (%)	% jo=jm/jn -87.99	

Table 9.3: Regulated Deemed Equity Variances

Nature of the Variances	**Variance $**	**Detailed Explanation**
Change in Working capital allowance ($)	jp	
Change in Average regulated PP&E (NBV)	jq	
Total variance explained for rate base (A) ($)	jr=jp+jq 0.00	
Total variance explained for regulated deemed equity (A X 40%) ($)	js=jr*40% 0.00	
Total variance for regulated deemed equity per Table 9.1 ($)	jt 263,818.34	
Total variance explained (%)	% jv=js/jt 0.00	

Appendix IRR – J

Revenue Requirement Work Form and Supporting Calculations

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Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Data Input [1]

		Initial Application	(2)	Adjustments		Settlement Agreement	(6)	Adjustments		Per Board Decision	
1	**Rate Base**										
	Gross Fixed Assets (average)	$86,942,725		$1,372,128.49		$ 85,570,597		($0.35)		$85,570,596	
	Accumulated Depreciation (average)	($30,251,761)	(5)	$438,752.62		($29,813,009)		($170,260)		($29,983,269)	
	Allowance for Working Capital:										
	Controllable Expenses	$6,685,666		($747,214)		$ 5,938,452		($1,128)		$5,937,325	
	Cost of Power	$66,075,638		$3,518,812		$ 69,594,450				$69,594,450	
	Working Capital Rate (%)	7.50%	(9)			7.50%	(9)			7.50%	(9)
2	**Utility Income**										
	Operating Revenues:										
	Distribution Revenue at Current Rates	$9,052,472		$109,629		$9,162,101		($0)		$9,162,101	
	Distribution Revenue at Proposed Rates	$11,262,055		($1,308,064)		$9,953,992		$330,260		$10,284,251	
	Other Revenue:										
	Specific Service Charges	$375,470		$0		$375,470		$0		$375,470	
	Late Payment Charges	$120,000		$0		$120,000		$0		$120,000	
	Other Distribution Revenue	$171,914		$80,160		$252,074		$0		$252,074	
	Other Income and Deductions	$543,297		($331,697)		$211,600		$0		$211,600	
	Total Revenue Offsets	$1,210,681	(7)	($251,537)		$959,144		$0		$959,144	
	Operating Expenses:										
	OM+A Expenses	$6,754,806		($747,214)		$ 6,007,592		$ -		$6,007,592	
	Depreciation/Amortization	$2,356,442		$848,388.24		$ 1,508,054		$339,393		$1,847,446	
	Property taxes	$104,440		$ -		$ 104,440		$ -		$104,440	
	Other expenses										
3	**Taxes/PILs**										
	Taxable Income:										
	Adjustments required to arrive at taxable income	($3,562,349)	(3)			($4,400,588)				($4,060,068)	
	Utility Income Taxes and Rates:										
	Income taxes (not grossed up)	($187,566)				$ -				$ -	
	Income taxes (grossed up)	($220,666)				$ -				$ -	
	Federal tax (%)	10.50%				0.00%				0.00%	
	Provincial tax (%)	4.50%				0.00%				0.00%	
	Income Tax Credits										
4	**Capitalization/Cost of Capital**										
	Capital Structure:										
	Long-term debt Capitalization Ratio (%)	56.0%				56.0%				56.0%	
	Short-term debt Capitalization Ratio (%)	4.0%	(8)			4.0%	(8)			4.0%	(8)
	Common Equity Capitalization Ratio (%)	40.0%				40.0%				40.0%	
	Prefered Shares Capitalization Ratio (%)										
		100.0%				100.0%				100.0%	
	Cost of Capital										
	Long-term debt Cost Rate (%)	3.20%				2.89%				2.89%	
	Short-term debt Cost Rate (%)	2.16%				1.65%				1.65%	
	Common Equity Cost Rate (%)	9.30%				9.19%				9.19%	
	Prefered Shares Cost Rate (%)	0.00%									

Notes:

General Data inputs are required on Sheets 3. Data from Sheet 3 will automatically complete calculations on sheets 4 through 9 (Rate Base through Revenue Requirement). Sheets 4 through 9 do not require any inputs except for notes that the Applicant may wish to enter to support the results. Pale green cells are available on sheets 4 through 9 to enter both footnotes beside key cells and the related text for the notes at the bottom of each sheet.

(1) All inputs are in dollars ($) except where inputs are individually identified as percentages (%)

(2) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use colimn M and Adjustments in column I

(3) Net of addbacks and deductions to arrive at taxable income.

(4) Average of Gross Fixed Assets at beginning and end of the Test Year

(5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.

(6) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.

(7) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement

(8) 4.0% unless an Applicant has proposed or been approved for another amount.

(9) The default Working Capital Allowance factor is 7.5% (of Cost of Power plus controllable expenses), per the letter issued by the Board on June 3, 2015. Alternatively, WCA factor based on lead-lag study or approved WCA factor for another distributor, with supporting rationale.

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Rate Base and Working Capital

Rate Base

Line No.	Particulars		Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
1	Gross Fixed Assets (average)	(3)	$86,942,725	($1,372,128)	$85,570,597	($0)	$85,570,596
2	Accumulated Depreciation (average)	(3)	($30,251,761)	$438,753	($29,813,009)	($170,260)	($29,983,269)
3	Net Fixed Assets (average)	(3)	$56,690,964	($933,376)	$55,757,588	($170,261)	$55,587,327
4	Allowance for Working Capital	(1)	$5,457,098	$207,870	$5,664,968	($85)	$5,664,883
5	**Total Rate Base**		$62,148,062	($725,506)	$61,422,556	($170,345)	$61,252,210

(1) Allowance for Working Capital - Derivation

Line No.	Particulars		Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
6	Controllable Expenses		$6,685,666	($747,214)	$5,938,452	($1,128)	$5,937,325
7	Cost of Power		$66,075,638	$3,518,812	$69,594,450	$ -	$69,594,450
8	Working Capital Base		$72,761,304	$2,771,598	$75,532,902	($1,128)	$75,531,774
9	Working Capital Rate %	(2)	7.50%	0.00%	7.50%	0.00%	7.50%
10	Working Capital Allowance		$5,457,098	$207,870	$5,664,968	($85)	$5,664,883

Notes

(2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2016 cost of service applications is 7.5%, per the letter issued by the Board on June 3, 2015. Alternatively, a utility could conduct and file its own lead-lag study.

(3) Average of opening and closing balances for the year.

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Utility Income

Line No.	Particulars		Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
	Operating Revenues:						
1	Distribution Revenue (at Proposed Rates)		$11,262,055	($1,308,064)	$9,953,992	$330,260	$10,284,251
2	Other Revenue	(1)	$1,210,681	($251,537)	$959,144	$0	$959,144
3	Total Operating Revenues		$12,472,736	($1,559,601)	$10,913,136	$330,260	$11,243,396
	Operating Expenses:						
4	OM+A Expenses		$6,754,806	($747,214)	$6,007,592	$ -	$6,007,592
5	Depreciation/Amortization		$2,356,442	($848,388)	$1,508,054	$339,393	$1,847,446
6	Property taxes		$104,440	$ -	$104,440	$ -	$104,440
7	Capital taxes		$ -	$ -	$ -	$ -	$ -
8	Other expense		$ -	$ -		$ -	
9	Subtotal (lines 4 to 8)		$9,215,688	($1,595,602)	$7,620,086	$339,393	$7,959,478
10	Deemed Interest Expense		$1,165,806	($130,650)	$1,035,157	($2,871)	$1,032,286
11	Total Expenses (lines 9 to 10)		$10,381,495	($1,726,252)	$8,655,242	$336,522	$8,991,764
12	**Utility income before income taxes**		$2,091,242	$166,651	$2,257,893	($6,262)	$2,251,631
13	Income taxes (grossed-up)		($220,666)	$220,666	$ -	$ -	$ -
14	**Utility net income**		$2,311,908	($54,015)	$2,257,893	($6,262)	$2,251,631

Notes

Other Revenues / Revenue Offsets

Notes		Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
(1)	Specific Service Charges	$375,470	$ -	$375,470	$ -	$375,470
	Late Payment Charges	$120,000	$ -	$120,000	$ -	$120,000
	Other Distribution Revenue	$171,914	$80,160	$252,074	$ -	$252,074
	Other Income and Deductions	$543,297	($331,697)	$211,600	$0	$211,600
	Total Revenue Offsets	$1,210,681	($251,537)	$959,144	$0	$959,144

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Taxes/PILs

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
	Determination of Taxable Income			
1	Utility net income before taxes	$2,311,908	$2,257,893	$2,251,631
2	Adjustments required to arrive at taxable utility income	($3,562,349)	($4,400,588)	($4,060,068)
3	Taxable income	($1,250,442)	($2,142,695)	($1,808,436)
	Calculation of Utility income Taxes			
4	Income taxes	($187,566)	$ -	$ -
6	Total taxes	($187,566)	$ -	$ -
7	Gross-up of Income Taxes	($33,100)	$ -	$ -
8	Grossed-up Income Taxes	($220,666)	$ -	$ -
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	($220,666)	$ -	$ -
10	Other tax Credits	$ -	$ -	$ -
	Tax Rates			
11	Federal tax (%)	10.50%	0.00%	0.00%
12	Provincial tax (%)	4.50%	0.00%	0.00%
13	Total tax rate (%)	15.00%	0.00%	0.00%

Notes

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Initial Application			
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$34,802,914	3.20%	$1,112,111
2	Short-term Debt	4.00%	$2,485,922	2.16%	$53,696
3	**Total Debt**	60.00%	$37,288,837	3.13%	$1,165,806
	Equity				
4	Common Equity	40.00%	$24,859,225	9.30%	$2,311,908
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$24,859,225	9.30%	$2,311,908
7	**Total**	100.00%	$62,148,062	5.60%	$3,477,714
		Settlement Agreement			
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$34,396,631	2.89%	$994,618
2	Short-term Debt	4.00%	$2,456,902	1.65%	$40,539
3	**Total Debt**	60.00%	$36,853,533	2.81%	$1,035,157
	Equity				
4	Common Equity	40.00%	$24,569,022	9.19%	$2,257,893
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$24,569,022	9.19%	$2,257,893
7	**Total**	100.00%	$61,422,556	5.36%	$3,293,050
		Per Board Decision			
		(%)	($)	(%)	($)
	Debt				
8	Long-term Debt	56.00%	$34,301,238	2.89%	$991,859
9	Short-term Debt	4.00%	$2,450,088	1.65%	$40,426
10	**Total Debt**	60.00%	$36,751,326	2.81%	$1,032,286
	Equity				
11	Common Equity	40.00%	$24,500,884	9.19%	$2,251,631
12	Preferred Shares	0.00%	$ -	0.00%	$ -
13	**Total Equity**	40.00%	$24,500,884	9.19%	$2,251,631
14	**Total**	100.00%	$61,252,210	5.36%	$3,283,917

Notes

(1) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use colimn M and Adjustments in column I

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Revenue Deficiency/Sufficiency

Line No.	Particulars	Initial Application: At Current Approved Rates	Initial Application: At Proposed Rates	Settlement Agreement: At Current Approved Rates	Settlement Agreement: At Proposed Rates	Per Board Decision: At Current Approved Rates	Per Board Decision: At Proposed Rates
1	Revenue Deficiency from Below		$2,209,583		$791,890		$1,122,150
2	Distribution Revenue	$9,052,472	$9,052,472	$9,162,101	$9,162,101	$9,162,101	$9,162,101
3	Other Operating Revenue Offsets - net	$1,210,681	$1,210,681	$959,144	$959,144	$959,144	$959,144
4	**Total Revenue**	$10,263,153	$12,472,736	$10,121,245	$10,913,136	$10,121,245	$11,243,396
5	Operating Expenses	$9,215,688	$9,215,688	$7,620,086	$7,620,086	$7,959,478	$7,959,478
6	Deemed Interest Expense	$1,165,806	$1,165,806	$1,035,157	$1,035,157	$1,032,286	$1,032,286
8	**Total Cost and Expenses**	$10,381,495	$10,381,495	$8,655,242	$8,655,242	$8,991,764	$8,991,764
9	**Utility Income Before Income Taxes**	($118,341)	$2,091,242	$1,466,003	$2,257,893	$1,129,481	$2,251,631
10	Tax Adjustments to Accounting Income per 2013 PILs model	($3,562,349)	($3,562,349)	($4,400,588)	($4,400,588)	($4,060,068)	($4,060,068)
11	**Taxable Income**	($3,680,691)	($1,471,108)	($2,934,585)	($2,142,695)	($2,930,587)	($1,808,436)
12	Income Tax Rate	15.00%	15.00%	0.00%	0.00%	0.00%	0.00%
13	**Income Tax on Taxable Income**	($552,104)	($220,666)	$ -	$ -	$ -	$ -
14	**Income Tax Credits**	$ -	$ -	$ -	$ -	$ -	$ -
15	**Utility Net Income**	$433,762	$2,311,908	$1,466,003	$2,257,893	$1,129,481	$2,251,631
16	**Utility Rate Base**	$62,148,062	$62,148,062	$61,422,556	$61,422,556	$61,252,210	$61,252,210
17	Deemed Equity Portion of Rate Base	$24,859,225	$24,859,225	$24,569,022	$24,569,022	$24,500,884	$24,500,884
18	Income/(Equity Portion of Rate Base)	1.74%	9.30%	5.97%	9.19%	4.61%	9.19%
19	Target Return - Equity on Rate Base	9.30%	9.30%	9.19%	9.19%	9.19%	9.19%
20	Deficiency/Sufficiency in Return on Equity	-7.56%	0.00%	-3.22%	0.00%	-4.58%	0.00%
21	Indicated Rate of Return	2.57%	5.60%	4.07%	5.36%	3.53%	5.36%
22	Requested Rate of Return on Rate Base	5.60%	5.60%	5.36%	5.36%	5.36%	5.36%
23	Deficiency/Sufficiency in Rate of Return	-3.02%	0.00%	-1.29%	0.00%	-1.83%	0.00%
24	Target Return on Equity	$2,311,908	$2,311,908	$2,257,893	$2,257,893	$2,251,631	$2,251,631
25	Revenue Deficiency/(Sufficiency)	$1,878,146	$0	$791,890	$0	$1,122,150	$0
26	**Gross Revenue Deficiency/(Sufficiency)**	$2,209,583 **(1)**		$791,890 **(1)**		$1,122,150 **(1)**	

Notes:

(1) Revenue Deficiency/Sufficiency divided by (1 - Tax Rate)

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Revenue Requirement

Line No.	Particulars	Application		Settlement Agreement		Per Board Decision	
1	OM&A Expenses	$6,754,806		$6,007,592		$6,007,592	
2	Amortization/Depreciation	$2,356,442		$1,508,054		$1,847,446	
3	Property Taxes	$104,440		$104,440		$104,440	
5	Income Taxes (Grossed up)	($220,666)		$ -		$ -	
6	Other Expenses	$ -					
7	Return						
	Deemed Interest Expense	$1,165,806		$1,035,157		$1,032,286	
	Return on Deemed Equity	$2,311,908		$2,257,893		$2,251,631	
8	**Service Revenue Requirement (before Revenues)**	$12,472,736		$10,913,136		$11,243,395	
9	Revenue Offsets	$1,210,681		$959,144		$959,144	
10	**Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment)**	$11,262,055		$9,953,992		$10,284,251	
11	Distribution revenue	$11,262,055		$9,953,992		$10,284,251	
12	Other revenue	$1,210,681		$959,144		$959,144	
13	**Total revenue**	$12,472,736		$10,913,136		$11,243,396	
14	**Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)**	$0	(1)	$0	(1)	$0	(1)

Notes

(1) Line 11 - Line 8

Ontario Energy Board

Revenue Requirement Workform (RRWF) for 2016 Filers

Tracking Form

The last row shown is the most current estimate of the cost of service data reflecting the original application and any updates provided by the applicant distributor (for updated evidence, responses to interrogatories, undertakings, etc.)
Please ensure a Reference (Column B) and/or Item Description (Column C) is entered. Please note that unused rows will automatically be hidden and the PRINT AREA set when the PRINT BUTTON on Sheet 1 is activated.
(1) Short reference to evidence material (interrogatory response, undertaking, exhibit number, Board Decision, Code, Guideline, Report of the Board, etc.)
(2) Short description of change, issue, etc.

60 Tracking Rows have been provided below. If you require more, please contact Industry Relations @ IndustryRelations@ontarioenergyboard.ca.

Summary of Proposed Changes

			Cost of Capital		Rate Base and Capital Expenditures			Operating Expenses			Revenue Requirement			
	Reference [1]	Item / Description [2]	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance ($)	Amortization / Depreciation	Taxes/PILs	OM&A	Service Revenue Requirement	Other Revenues	Base Revenue Requirement	Grossed up Revenue Deficiency / Sufficiency
		Original Application	$ 3,477,714	5.60%	$ 62,148,062	$ 72,761,304	$ 5,457,098	$ 2,356,442	-$ 220,666	$ 6,754,806	$ 12,472,736	$ 1,210,681	$ 11,262,055	$ 2,209,583
1	2- Staff -5	Update for tax loss							$ -					

APPENDIX IRR - J

Description	2016 Depreciation Expense - Correctly Calculated 2016 Test - Required Revenue	2016 Approved Cost of Service 2016 Test - Required Revenue		Change Revenue Deficiency
Revenue				
Revenue Deficiency	1,122,150	791,890		330,259
Distribution Revenue	9,162,101	9,162,101		0
Other Operating Revenue (Net)	959,144	959,144		0
Total Revenue	**11,243,395**	**10,913,135**		**330,259**
Costs and Expenses				
Administrative & General, Billing & Collecting	4,265,793	4,265,793		0
Operation & Maintenance	1,729,772	1,729,772		0
Donations - LEAP	12,027	12,027		0
Depreciation & Amortization	1,847,446	1,508,054		339,393
Property Taxes	104,440	104,440		0
Deemed Interest	1,032,286	1,035,157		(2,871)
Total Costs and Expenses	**8,991,764**	**8,655,242**		**336,522**
Utility Income Before Income Taxes	**2,251,631**	**2,257,893**		(6,262)
Income Taxes:				
Corporate Income Taxes	0	0		0
Total Income Taxes	0	0		0
Utility Net Income	**2,251,631**	**2,257,893**		(6,262)
Income Tax Expense Calculation:				
Accounting Income	2,251,631	2,257,893		(6,262)
Tax Adjustments to Accounting Income	(4,060,068)	(4,400,588)		340,520
Taxable Income	(1,808,436)	(2,142,695)		334,259
Income tax expense before credits	0	0		0
Credits	0	0		0
Income Tax Expense	0	0		0
Tax Rate Refecting Tax Credits	0.00%	0.00%		0.00%
				0.00%
Actual Return on Rate Base:				
Rate Base	61,252,210	61,422,555		-170,345
				0
Interest Expense	1,032,286	1,035,157		-2,871
Net Income	2,251,631	2,257,893		-6,262
Total Actual Return on Rate Base	**3,283,917**	**3,293,050**		**-9,133**
Actual Return on Rate Base	5.36%	5.36%		0.00%
Required Return on Rate Base:				
Rate Base	61,252,210	61,422,555		-170,345
Return Rates:				
Return on Debt (Weighted)	2.81%	2.81%		0.00%
Return on Equity	9.19%	9.19%		0.00%
Deemed Interest Expense	1,032,286	1,035,157		-2,871
Return On Equity	2,251,631	2,257,893		-6,262
Total Return	**3,283,917**	**3,293,050**		**-9,133**
Expected Return on Rate Base	5.36%	5.36%		0.00%
Revenue Deficiency After Tax	**0**	**0**		**0**
Revenue Deficiency Before Tax	**0**	**0**		**0**

Tax Exhibit	**2016**	**2016**		**Change**
Deemed Utility Income	2,251,631	2,257,893		-6,262
Tax Adjustments to Accounting Income	(4,060,068)	(4,400,588)		340,520
Taxable Income prior to adjusting revenue to PILs	**-1,808,436**	**-2,142,695**		**334,259**
Tax Rate	0.00%	0.00%		0.00%
Total PILs before gross up before tax credits	**0**	**0**		**0**
Tax Credits	**0**	**0**		**0**
Total PILs before gross up after tax credits	**0**	**0**		**0**
Grossed up PILs	**0**	**0**		**0**

Rate Base, Working Capital Allowance and Return on Capital

2016

Description	Deemed Portion	Effective Rate (As per Revised Depreciation Calc.)	As per Settlement Agreement	Change
Long-Term Debt	56.00%	2.89%	2.89%	0.00%
Short-Tern Debt	4.00%	1.65%	1.65%	0.00%
Return On Equity	40.00%	9.19%	9.19%	0.00%
Weighted Debt Rate		2.81%	2.81%	0.00%
Regulated Rate of Return		5.36%	5.36%	0.00%

WORKING CAPITAL ALLOWANCE FOR 2016

Distribution Expenses		As per Revised Depreciation Calc.	As per Settlement Agreement	Change
Distribution Expenses - Operation		1,355,647	1,355,647	-
Distribution Expenses - Maintenance		374,125	374,125	-
Billing and Collecting		1,559,240	1,559,240	-
Community Relations		-	-	-
Administrative and General Expenses		2,706,553	2,706,553	-
Donations - LEAP		12,027	12,027	-
Taxes Other than Income Taxes		104,440	104,440	-
Less Allocated Depreciation		(174,708)	(173,580)	(1,128)
Total Eligible Distribution Expenses		**5,937,325**	**5,938,452**	**(1,128)**
Power Supply Expenses		69,594,450	69,594,450	-
Total Working Capital Expenses		**75,531,774**	**75,532,902**	**(1,128)**
Working Capital Allowance @	7.50%	5,664,883	5,664,968	(85)

RATE BASE CALCULATION FOR 2016

	As per Revised Depreciation Calc.	As per Settlement Agreement	Change
Fixed Assets Opening Balance 2016	52,744,103	52,744,103	-
Fixed Assets Closing Balance 2016	58,430,551	58,771,071	(340,520)
Average Fixed Asset Balance for 2016	55,587,327	55,757,587	(170,260)
Working Capital Allowance	5,664,883	5,664,968	(85)
Rate Base	**61,252,210**	**61,422,555**	**(170,345)**
Regulated Rate of Return	5.36%	5.36%	-
Regulated Return on Capital	**3,283,917**	**3,293,050**	**(9,133)**
Deemed Interest Expense	1,032,286	1,035,157	(2,871)
Deemed Return on Equity	2,251,631	2,257,893	(6,262)

APPENDIX IRR - J

Determination of Tax Adjustments to Accounting Income for 2016

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	As per Revised Depreciation Calc.	As per Settlement Agreement	Change
Additions:						
Interest and penalties on taxes	103	0	0	0	-	-
Amortization of tangible assets	104	2,022,154	0	2,022,154	1,681,633	340,520
Amortization of intangible assets	106	0	0	0	-	-
Recapture of capital cost allowance from Schedule 8	107	0	0	0	-	-
Gain on sale of eligible capital property from Schedule 10	108	0	0	0	-	-
Income or loss for tax purposes- joint ventures or partnerships	109		0	0	-	-
Loss in equity of subsidiaries and affiliates	110	0	0	0	-	-
Loss on disposal of assets	111	0	0	0	-	-
Charitable donations	112	0	0	0	-	-
Taxable Capital Gains	113	0	0	0	-	-
Political Donations	114	0	0	0	-	-
Deferred and prepaid expenses	116	0	0	0	-	-
Scientific research expenditures deducted on financial statements	118	0	0	0	-	-
Capitalized interest	119	0	0	0	-	-
Non-deductible club dues and fees	120		0	0	-	-
Non-deductible meals and entertainment expense	121	14,000	0	14,000	14,000	-
Non-deductible automobile expenses	122	0	0	0	-	-
Non-deductible life insurance premiums	123	0	0	0	-	-
Non-deductible company pension plans	124	0	0	0	-	-
Tax reserves beginning of year	125	0	0	0	-	-
Reserves from financial statements- balance at end of year	126	836,006	0	836,006	836,006	-
Soft costs on construction and renovation of buildings	127	0	0	0	-	-
Book loss on joint ventures or partnerships	205	0	0	0	-	-
Capital items expensed	206	0	0	0	-	-
Debt issue expense	208	0	0	0	-	-
Development expenses claimed in current year	212	0	0	0	-	-
Financing fees deducted in books	216	0	0	0	-	-
Gain on settlement of debt	220	0	0	0	-	-
Non-deductible advertising	226	0	0	0	-	-
Non-deductible interest	227	0	0	0	-	-
Non-deductible legal and accounting fees	228	0	0	0	-	-
Recapture of SR&ED expenditures	231	0	0	0	-	-
Share issue expense	235	0	0	0	-	-
Write down of capital property	236	0	0	0	-	-
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0	0	0	-	-
Interest Expensed on Capital Leases	290	59,619	0	59,619	59,619	-
Realized Income from Deferred Credit Accounts	291	0	0	0	-	-
Pensions	292	0	0	0	-	-
Non-deductible penalties	293	0	0	0	-	-
Debt Financing Expenses for Book Purposes	294		0	0	-	-
Other Additions (Apprenticeship Tax Credits)	295	32,000	0	32,000	32,000	-
Total Additions		**2,963,779**	**0**	**2,963,779**	**2,623,258**	**340,520**

Deductions:

Gain on disposal of assets per financial statements	401		0	0	-	-
Dividends not taxable under section 83	402	0	0	0	-	-
Capital cost allowance from Schedule 8	403	3,218,995	0	3,218,995	3,218,995	-
Terminal loss from Schedule 8	404	0	0	0	-	-
Cumulative eligible capital deduction from Schedule 10	405	18,845	0	18,845	18,845	-
Allowable business investment loss	406	0	0	0	-	-
Deferred and prepaid expenses	409	0	0	0	-	-
Scientific research expenses claimed in year	411	0	0	0	-	-
Tax reserves end of year	413	0	0	0	-	-
Reserves from financial statements - balance at beginning of year	414	836,006	0	836,006	836,006	-
Contributions to deferred income plans	416	0	0	0	-	-
Book income of joint venture or partnership	305	0	0	0	-	-
Equity in income from subsidiary or affiliates	306	0	0	0	-	-
Interest capitalized for accounting deducted for tax	390	0	0	0	-	-
Capital Lease Payments	391	0	0	0	-	-
Non-taxable imputed interest income on deferral and variance accounts	392	0	0	0	-	-
Financing Fees for Tax Under S.20(1)(e)	393	0	0	0	-	-
Other Deductions	394	2,950,000	0	2,950,000	2,950,000	-
Total Deductions		**7,023,846**	**0**	**7,023,846**	**7,023,846**	**-**
						-
						-
Charitable donations from Schedule 2	311	0	0	0	-	-
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	0	0	0	-	-
Non-capital losses of preceding taxation years from Schedule 7-1	331	0	0	0	-	-
Net-capital losses of preceding taxation years from Schedule 7-1	332	0	0	0	-	-
Limited partnership losses of preceding taxation years from Schedule 4	335	0	0	0	-	-
Total Adjustments		0	0	0	-	-
						-
Tax Adjustments to Accounting Income		**(4,060,068)**	**0**	**(4,060,068)**	**- 4,400,588**	**340,520**

Appendix IRR – K

2016 Final OEB RRR ROE Calculation

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Report Summary

Filing Due Year: 2017	Filing Form Name: 2.1.5.6	RRR Filing No: 13,742
Reporting Period and Company Name: April- 2017Halton Hills Hydro Inc., Acton: Corporation; ED-2002-0552; ;	Licence Type: Distributor	Status: Revised
Report Version: 2	Extension Granted:	Extension Deadline:
Filing Due Date: May 1, 2017	Reporting From: January 1, 2016	Reporting To: December 31, 2016
Submitted On: July 24, 2017	Submitter Name: Tracy Rehberg-Rawlingson	Expiry Date: July 25, 2017

Instructions

Please check off the activities that you have reviewed and completed in the list below. The form can be submitted only after all the boxes have been checked.

Clicking Save or Apply will not automatically submit this filing. To SUBMIT this filing, scroll to the end of the page, select Yes in the Submit drop down then click the SAVE button.

Checklist

Checkbox	No.	Questions
Overview		
☑	1	Have you read the ROE filing guide for completing the RRR 2.1.5.6 ROE filing?
☑	2	Have you reviewed and confirmed the accuracy of the RRR 2.1.7 trial balance?
☑	3	Have you reviewed and confirmed all auto-populated/linked cells on the form for accuracy?
☑	4	Have you resolved (i.e. re-filing the RRR 2.1.7 trial balance or contact the IRE) any issues that you may have noted with the auto-populated/linked cells?
☑	5	Regarding the input cells, have you ensured that the signs of the numbers entered align with the RRR 2.1.7 trial balance?
Input Appendices tab		
☑	1	Have you completed and reviewed Appendix 1 if you have non-rate regulated business that is recorded in the RRR 2.1.7 trial balance?
☑	2	Have you included all other adjustment(s) in Appendix 1?
☑	3	Have you identified and included in Appendix 1 all adjustments for non-rate regulated activities?
☑	4	Have you completed and reviewed Appendix 2 if you have non-recoverable donations that are recorded in the RRR 2.1.7 trial balance?
☑	5	Have you completed and reviewed Appendix 3 regarding net interest/carrying charge from DVAs?
☑	6	Have you included in Appendix 4 all adjustments so that the interest expense in cell dc is related to debt only?

☑	7	Have you completed and reviewed Appendix 4 on deemed debt?
☑	8	Have you included all adjustments regarding regulated PP&E in Appendix 5?
☑	9	Have you completed and reviewed Appendix 5 regarding regulated PP&E?
☑	10	Have you completed and reviewed Appendix 6 regarding current tax for regulatory purposes?
☑	11	Have you included in Appendix 6 the tax effects of all non-regulatory items?
☑	12	Have you reviewed the RRR Filing Guide and determined the accurate tax treatment regarding the activities in regulatory accounts in Appendix 6?
ROE Summary tab		
☑	1	Have you entered the input cells for the the Unrealized (gains)/losses on interest rate swaps (cell c) and identified the USoA(s), if applicable?
☑	2	Have you entered the input cells for the Actuarial (gains)/losses on OPEB and/or Pensions not approved by the OEB (cell d) and identified the USoA(s), if applicable?
Over and Under-earning driver tabs		
☑	1	Have you completed and reviewed Appendices 7 and 8 if the ROE status for the year (cell z2) shows "Over-earning"?
☑	2	Have you completed and reviewed Appendices 9 and 10 if the ROE status for the year (cell z2) shows "Under-earning"?
☑	3	Have you submitted the Q4 RRR 2.1.2 customers if you are required to complete over/under-earning driver tabs?
☑	4	Have you submitted the RRR 2.1.5.4 annual billings if you are required to complete over/under-earning driver tabs?
Submitting the form		
☑	1	Have you clicked the Save button to update all the calculations on the form?
☑	2	Have you validated the accuracy of the Achieved ROE% as calculated in cell y on the ROE Summary tab?
☑	3	Have you retained the necessary supporting documents for the ROE filing?

Submit?

* Submit Form

No

Checklist | **Input Appendices** | ROE Summary | Over Earning Drivers | Under Earning Drivers

Input Appendices 1 to 6

Instructions

The calculations from Appendices 1 to 6 will populate the ROE Summary tab to calculate the Achieved ROE %.

The sign of the input cells are to be aligned with the sign of the accounts reported in RRR 2.1.7. Generally, revenue/gain items are to be entered as negative numbers and expense/loss items are to be entered as positive numbers.

Please complete Appendices 1-5 first before filling in Appendix 6. Please input pre-tax figures in Appendices 1-5.

All inputs are in $.

Please refer to the guide for detailed instruction on the filing of Appendices.

Appendix 1

Non-rate regulated items and other adjustments

CDM revenues (recorded in Account 4375)	aa	-300,124.51	
CDM expenses (recorded in Account 4380)	ab	300,124.51	
CDM - Net revenues/expenses	ac=aa+ab	0.00	
Renewable generation revenues (recorded in Account 4375)	ad	0.00	
Renewable generation expenses (recorded in Account 4380)	ae	0.00	
Renewable generation - Net revenues/expenses	af=ad+ae	0.00	
Water services revenues (recorded in Account 4375)	ag	-331,697.00	
Water services expenses (recorded in Account 4380)	ah	331,697.00	
Water services - Net revenues/expenses	ai=ag+ah	0.00	
Non-rate regulated utility rental income/investment income (recorded in Account 4385)	aj	-56,119.00	
Depreciation expense on non-rate regulated assets	ak		Please provide USoAs:

Other adjustments:

Please list the other revenue items that were not approved by the OEB (Please specify):

al Please provide USoAs

CDM Incentive	-27,585.42	4375
	am	Please provide USoAs

Please list the other expense items that were not approved by the OEB (Please specify):

	an	Please provide USoAs
	ao	Please provide USoAs
	ap	Please provide USoAs

Total non-rate regulated items and other adjustments	aq=ac+af+ai+aj+ak+al+am+an+ao+ap -83,704.42

Appendix 2

Non-Recoverable Donations

		Data Source
All donations	ba 13,905.92	RRR 2.1.7 - Control account USoA 6205
Recoverable donations:		
LEAP Funding	bb 10,345.92	RRR 2.1.7 - Sub-account LEAP Funding USoA 6205
Calculated LEAP Funding approved in the distributor's last CoS	bb1 11,944.79	CoS Decision and Order (for reference only)
Other recoverable donations approved, please specify:		
	bc	
	bd	
Non-recoverable donations	be=ba-bb-bc-bd 3,560.00	

Appendix 3

Net interest/carrying charges on Deferral and Variance Accounts (DVAs)

Interest expense on DVAs (recorded in Account 6035)	ca 36,434.70
Interest income on DVAs (recorded in Account 4405)	cb -27,313.00
Net interest/carrying charges from DVAs	cc=ca+cb 9,121.70

Appendix 4

Interest Adjustment for Deemed Debt

	Cell	Value	Data Source
Interest expense as per RRR 2.1.7	da	1,083,976.60	RRR 2.1.7 - Sum of USoA 6005-6045 inclusive
Less:			
Interest expense on DVAs (recorded in Account 6035)	db = ca	36,434.70	Appendix 3 cell (ca)
Unrealized (gains)/losses on interest rate swaps if recorded in Account 6035	db1		
Other adjustments, please specify:			
	db2		
	db3		
Interest expense after adjustments	dc=da-db-db1-db2-db3	1,047,541.90	
Regulated deemed debt, as per ROE Summary tab	dd	37,249,260.88	ROE Summary tab cell (v1) + (w1)
Weighted average debt rate (%)	% de	2.81	CoS Decision and Order
Deemed interest	df=dd*de	1,046,704.23	
Interest adjustment for deemed debt	dg=dc-df	837.67	

Appendix 5

Property Plant & Equipment (PP&E)

	Cell	Value	Data Source
Prior year "Closing balance - regulated PP&E (NBV)"	ea	53,867,958.64	Prior year "Closing balance - regulated PP&E (NBV)" data in RRR 2.1.5.6
Adjustments if required, please explain the nature			
	eb		
Opening balance - regulated PP&E (NBV)	ec=ea+eb	53,867,958.64	
Total PP&E (NBV) - Closing Balance	ed	63,665,155.37	RRR 2.1.7 - Sum of USoA 1605-2075, 2440, and 2105-2180 inclusive
Adjustment items:			

Construction Work-in-Progress (CWIP)	ee	4,621,152.50	RRR 2.1.7 - USoA 2055
Non-distribution assets (NBV)	ef	0.00	RRR 2.1.7 - USoA 2075 + USoA 2180
Less other adjustments, please specify:			
	eg		
	eh		
	ei		
	ej		
	ek		
Adjusted closing balance - regulated PP&E (NBV)	el=ed-ee-ef-eg-eh-ei-ej-ek	59,044,002.87	

Appendix 6

Current Tax for Regulatory Purposes

			Tax Provision/(Recovery)
Current Tax Provision/(Recovery) as per the Audited Financial Statments (AFS)	fa		23,588.41
Reassessment of taxes from prior years included in current tax provision as per AFS (add Tax Payable/(Recovery))	fa1	-11,711.00	
Loss carry forward from prior years included in current tax provision as per AFS	fa2		
Actual Tax rate (%)	% xy	26.50	
Current Tax Adjustment required to reconcile to RRR 2.1.7 trial balance	fb		
Current Tax Provision/(Recovery) as per RRR 2.1.7 USoA 6110	fc		23,588.41
Check balance - Does fa+fb=fc?	fa+fb = fc?		CORRECT

Adjustment items	(Income)/Expense		
Non-rate regulated items (Appendix 1)	gd=aq: -83,704.42	fd=gd*xy	-22,181.67
Non-recoverable donations (Appendix 2)	ge=be: 3,560.00	fe=ge*xy	943.40
Activity in Regulatory Accounts	gf	ff=gf*xy	

included in taxable income on Schedule 1, if applicable		0.00
Net carrying charges on DVAs (Appendix 3)	gg=cc 9,121.70	fg=gg*xy 2,417.25
Add back Actual interest expense (Appendix 4)	gh=dc 1,047,541.90	fh=gh*xy 277,598.60
Deduct Deemed Interest Expense (Appendix 4)	gi=-df -1,046,704.23	fi=gi*xy -277,376.62
CCA on Non-rate regulated assets	gj	fj=gj*xy 0.00
CEC adjustment on Goodwill from acquisitions or other intangible assets that were not approved in the distributor's last CoS	gk	fk=gk*xy 0.00
CCA adjustment on PP&E from acquisitions that were not approved in the distributor's last CoS	gl	fl=gl*xy 0.00
Other adjustments (Please specify)		
	gm	fm=gm*xy 0.00
	gn	fn=gn*xy 0.00
	go	fo=go*xy 0.00
Total Adjustment Items	gp=gd+ge+gf+gg+gh+gi+gj+gk+gl+gm+gn+go -70,185.05	fp=fd+fe+ff+fg+fh+fi+fj+fk+fl+fm+fn+fo -18,599.04
Current Tax Provision/(Recovery) for the purposes of calculating Regulated ROE		fq=fc+fp 4,989.37

Checklist | Input Appendices | **ROE Summary** | Over Earning Drivers | Under Earning Drivers

Instructions

A distributor shall report, in the form and manner determined by the OEB, the Regulated Return on Equity (ROE) earned in the reporting year.

The reported ROE is to be calculated on the same basis as was used in the distributor's last Cost of Service (CoS).

The sign of the input cells are to be aligned with the sign of the accounts reported in RRR 2.1.7. Generally, revenue/gain items are to be entered as negative numbers and expense/loss items are to be entered as positive numbers.

Please read the RRR Filing Guide for the detailed guidance on the inputs of the form and appendices.

Click here for tips and examples (from RRR Filing Guide).

Information from the distributor's last CoS Decision and Order and the successfully submitted RRR 2.1.7 trial balance have been pre-populated in this form.

Please review each input for accuracy and contact Industry Relations Enquiry if you have any questions.

CoS Decision and Order Info

		Data Source
The CoS Decision and Order EB number for the ROE	xx EB-2015-0074	CoS Decision and Order (last CoS establishing the current reporting year's base rates)
Accounting standard used in CoS Decision and Order	yy MIFRS	CoS Decision and Order

Regulated Net Income

		Data Source
Regulated net income (loss), as per RRR 2.1.7	a 1,350,087.10	RRR 2.1.7 - USoA 3046 * (-1)
Adjustment items:		
Non-rate regulated items and other adjustments (Appendix 1)	b -83,704.42	Appendix 1 cell (aq)
Unrealized (gains)/losses on interest rate swaps (Not applicable if recorded in Other Comprehensive Income)	c	Please provide USoAs
Actuarial (gains)/losses on OPEB and/or Pensions not approved by the OEB	d	Please provide USoAs
Non-recoverable donations (Appendix 2)	e 3,560.00	Appendix 2 cell (be)
Net interest/carrying charges from DVAs (Appendix 3)	f 9,121.70	Appendix 3 cell (cc)
Interest adjustment for deemed debt (Appendix 4)	g 837.67	Appendix 4 cell (dg)
Adjusted regulated net income before tax adjustments	h=a+b+c+d+e+f+g 1,279,902.05	
Add back:		
	i	

Future/deferred taxes expense		379,943.00	RRR 2.1.7 - USoA 6115
Current income tax expense (Does not include future income tax)		j 23,588.41	RRR 2.1.7 - USoA 6110
Deduct:			
Current income tax expense for regulated ROE purposes (Appendix 6)		k 4,989.37	Appendix 6 cell (fq)
Adjusted regulated net income		l=h+i+j-k 1,678,444.09	

Deemed Equity

Rate base:			**Data Source**
Cost of power		m 68,889,508.08	RRR 2.1.7 - Sum of USoA 4705-4751 inclusive
Operating expenses before any applicable adjustments		n1 6,125,434.70	RRR 2.1.7 - Sum of USoA 4505-4640, 4805-5695, 6105, 6205, 6210, and 6225, then subtract ROE Summary cell (d) and subtract ROE Summary cell (e)
Other Adjustments:			
		n2	Please provide USoAs
Adjusted operating expenses		n=n1-n2 6,125,434.70	
Total Cost of Power and Operating Expenses		o=m+n 75,014,942.78	
Working capital allowance % as approved in the last CoS Decision and Order		% p 7.50	CoS Decision and Order
Total working capital allowance ($)		q=o*p 5,626,120.71	
PP&E			
Opening balance - regulated PP&E (NBV) (Appendix 5)		r 53,867,958.64	Appendix 5 cell (ec)
Adjusted closing balance - regulated PP&E (NBV) (Appendix 5)		s 59,044,002.87	Appendix 5 cell (el)
Average regulated PP&E		t=(r+s)/2 56,455,980.75	
Total rate base		u=q+t 62,082,101.46	
Regulated deemed short-term debt % and $	% v 4.00	v1=v*u 2,483,284.06	Cell (v) from CoS Decision and Order
Regulated deemed long-term debt % and $	% w 56.00	w1=w*u 34,765,976.82	Cell (w) from CoS Decision and Order
Regulated deemed equity % and $	% x 40.00	x1=x*u 24,832,840.58	Cell (x) from CoS Decision and order

Regulated Rate of Return on Deemed Equity (ROE)

		Data Source
Achieved ROE %	% y=l/x1 6.76	
Deemed ROE % from the distributor's last CoS Decision and Order	% z 9.19	CoS Decision and Order
Difference - maximum deadband 3%	% z1=y-z -2.43	
ROE status for the year (Over-earning/Under-earning/Within 300 basis points deadband)	z2 Within	If the distributor is in an over-earning position as indicated in cell (z2), please complete Appendices 7 & 8. If the distributor is in an under-earning position as indicated in cell (z2), please complete Appendices 9 & 10.

Over-earning Drivers - Appendices 7 & 8

Instructions

If the distributor's achieved ROE % is 300 basis points **above** the deemed ROE %, please complete Appendices 7 and 8.

Table 7.2 Regulated Net Income Variances: The revenue/gain variances are to be calculated as the achieved revenue/gain amour for the reporting year minus the approved amounts in the last CoS.

The cost/expense variances are to be calculated as the approved cost/expense amounts in the last CoS minus the achieved amount for the reporting year.

Table 7.3 Regulated Deemed Equity Variances: The variances are to be calculated as the achieved working capital allowance/average regulated PP&E for the reporting year minus the approved amounts in the last CoS.

Appendix 7

Drivers for Over-earners

Table 7.1: Breakdown of the ROE difference into Regulated Net Income and Regulated Deemed Equity

Components of the ROE calculation	Deemed last CoS	Achieved	Variance $	Variance %*
ROE Amount ($)	2,257,893.14	1,678,444.09	-579,449.05	-25.66
Regulated Deemed Equity ($)	24,569,022.24	24,832,840.58	263,818.34	1.07
ROE (%)	9.19	6.76		-2.43

* Variance % for ROE Amount and Regulated Deemed Equity are calculated using the following equation:

Variance % = Variance $ / Deemed last CoS * 100

Overall comment on variance between approved and achieved ROE

Table 7.2: Regulated Net Income Variances

Nature of the Variances	Variance $	Detailed Explanation
Revenue Variances:		
Change in Distribution revenues	ha	
Rate riders that are recorded in distribution revenues collected for the year	hb=ii 0.00	
Change in Other revenues	hc	
Cost Variances:		

Change in OM&A expenses	hd	
Change in Amortization expense	he	
Change in Other expenses	hf	
Change in Current tax expense	hg	
Other variances for revenues, costs, etc. if any (Please specify the nature of the other variances provided below):		
	hh	
	hi	
	hj	
	hk	
	hl	
Total variance explained for regulated net income in Table 7.2 ($)	hm=ha+hb+hc+hd+he+hf+hg+hh+hi+hj+hk+hl 0.00	
Total variance for regulated net income per Table 7.1 ($)	hn -579,449.05	
Total variance explained (%)	% ho=hm/hn 0.00	

Table 7.3: Regulated Deemed Equity Variances

Nature of the Variances	Variance $	Detailed Explanation
Change in Working capital allowance ($)	hp	
Change in Average regulated PP&E (NBV)	hq	
Total variance explained for rate base (A) ($)	hr=hp+hq 0.00	
Total variance explained for regulated deemed equity (A X 40%) ($)	hs=hr*40% 0.00	
Total variance for regulated deemed equity per Table 7.1 ($)	ht 263,818.34	
Total variance explained (%)	% hv=hs/ht 0.00	

Appendix 8

Earning above the 300 Basis Points per Customer/Connection per Month by main rate classes

Table 8.1: Rate riders that are recorded in distribution revenues

Rate riders (Note 1)	Revenue collected (+) / refunded (-) in the year ($)	Effective date	Sunset date
Foregone revenue rate rider	ia		
Smart meters disposition rate rider	ib		
Lost revenue adjustment mechanism (LRAM) rate rider	ic		
Other rate riders (please specify as below):			
	id		
	ie		
	if		
	ig		
	ih		
Total	ii=ia+ib+ic+id+ie+if+ig+ih 0.00		

Note 1: Please do not include the revenues collected from SMIRR. For the rate rider revenues, please show the calculation by each the rate rider.

Table 8.2: Net $ for ROE over the 300 basis points excluding rate rider revenues

Regulated Deemed Equity approved in the distributor's last CoS ($)	ROE % above the 300 Basis points deadband	ROE $ above the 300 Basis points deadband	Rate rider revenues collected in the year (Table 8.1) ($)	Net $ for ROE ove the 300 basis poi excluding rate rid revenues
ij	% ik=z1-3	il=ij*ik	im=ii	in=il-im
24,569,022.24	0.00	0.00	0.00	0.00

Table 8.3: Estimated customer impact (per month) for ROE over the 300 basis points

Rate Classes	Annual Billings Distribution Revenue Account 4080 (RRR	Prior Year number of Customers/Connections (RRR 2.1.2 Q4)	Current Year number of Customers/Connections (RRR 2.1.2 Q4)	Average number of customers/connections	Allocated Net $ fo ROE over the 300 basis points per customer/connec per month

	2.1.5.4)				
Residential	6,041,377.00	19,801	20,057	19,929.00	
General Service < 50 kW	1,068,922.00	1,920	1,844	1,882.00	
General Service >= 50 kW	2,389,596.00	208	211	209.50	
Large User	0.00	0	0	0.00	
Sub Transmission Customers	0.00	0	0	0.00	
Embedded Distributor(s)	0.00	0	0	0.00	
Street Lighting Connections	237,078.00	4,595	4,680	4,637.50	
Sentinel Lighting Connections	38,176.00	172	170	171.00	
Unmetered Scattered Load Connections	17,361.00	144	148	146.00	

Total Annual Billing Distribution

9,792,510.00

Under-earning Drivers - Appendices 9 & 10

Instructions

If your achieved ROE% is 300 basis points **below** the deemed ROE%, please complete Appendices 9 and 10.

Table 9.2 Regulated Net Income Variances: The revenue/gain variances are to be calculated as the achieved revenue/gain amour for the reporting year minus the approved amounts in the last CoS.

The cost/expense variances are to be calculated as the approved cost/expense amounts in the last CoS minus the achieved amount for the reporting year.

Table 9.3 Regulated Deemed Equity Variances: The variances are to be calculated as the achieved working capital allowance/average regulated PP&E for the reporting year minus the approved amounts in the last CoS.

Appendix 9

Drivers for Under-earners

Table 9.1: Breakdown of the ROE difference into Regulated Net Income and Regulated Deemed Equity

Components of the ROE calculation	Deemed last CoS	Achieved	Variance $	Variance %*
ROE Amount ($)	2,257,893.14	1,678,444.09	-579,449.05	-25.66
Regulated Deemed Equity ($)	24,569,022.24	24,832,840.58	263,818.34	1.07
ROE (%)	9.19	6.76		-2.43

* Variance % for ROE Amount and Regulated Deemed Equity are calculated using the following equation:

Variance % = Variance $ / Deemed last CoS * 100

Overall comment on variance between approved and achieved ROE

Table 9.2: Regulated Net Income Variances

Nature of the Variances	Variance $	Detailed Explanation
Revenue Variances:		
Change in Distribution revenues	ja	
Rate riders that are recorded in distribution revenues collected for the year	jb=ki 0.00	
Change in Other revenues	jc	
Cost Variances:		

Change in OM&A expenses	jd	
Change in Amortization expense	je	
Chnage in Other expenses	jf	
Change in Current tax expense	jg	
Other variances for revenues, costs, etc., if any (Please specify the nature of the other variances provided below):		
	jh	
	ji	
	jj	
	jk	
	jl	
Total variance explained for regulated net income in Table 9.2 ($)	jm=ja+jb+jc+jd+je+jf+jg+jh+ji+jj+jk+jl 844,196.00	
Total variance for regulated net income per Table 9.1 ($)	jn -579,449.05	
Total variance explained (%)	% jo=jm/jn -145.69	

Table 9.3: Regulated Deemed Equity Variances

Nature of the Variances	**Variance $**	**Detailed Explanation**
Change in Working capital allowance ($)	jp	
Change in Average regulated PP&E (NBV)	jq	
Total variance explained for rate base (A) ($)	jr=jp+jq 0.00	
Total variance explained for regulated deemed equity (A X 40%) ($)	js=jr*40% 0.00	
Total variance for regulated deemed equity per Table 9.1 ($)	jt 263,818.34	
Total variance explained (%)	% jv=js/jt 0.00	

Appendix 10

Earning below the 300 basis points per Customer/Connection per month by main rate classes

Table 10.1: Rate riders that are recorded in distribution revenues

Rate riders (Note 1)	Revenue collected (+) / refunded (-) in the year ($)	Effective date	Sunset date
Foregone revenue rate rider	ka		
Smart meters disposition rate rider	kb		
Lost revenue adjustment mechanism (LRAM) rate rider	kc		
Other rate riders (Please specify as below):			
	kd		
	ke		
	kf		
	kg		
	kh		
Total	ki=ka+kb+kc+kd+ke+kf+kg+kh 0.00		

Note 1: Please do not include the revenues collected from SMIRR. For the rate rider revenues, please show the calculation by each the rate rider.

Table 10.2: Net $ for ROE under the 300 basis points excluding rate rider revenues

Regulated Deemed Equity approved in the distributor's last CoS ($)	ROE % below the 300 Basis points deadband	ROE $ below the 300 Basis points deadband	Rate rider revenues collected in the year (Table 10.1)	Net $ for ROE unc the 300 basis poi excluding rate rid revenues
kj	% kk=z1+3	kl=kj*kk	km=ki	kn=kl - km
24,569,022.24	0.00	0.00	0.00	0.00

Table 10.3: Estimated customer impact (per month) for ROE under the 300 basis points

Rate Classes	Annual Billings Distribution Revenue Account 4080 (RRR	Prior Year number of Customers/Connections (RRR 2.1.2 Q4)	Current Year number of Customers/Connections (RRR 2.1.2 Q4)	Average number of customers/connections	Allocated Net $ fo ROE under the 30 basis points per customer/connect per month

	2.1.5.4)				
Residential	6,041,377.00	19,801	20,057	19,929.00	
General Service < 50 kW	1,068,922.00	1,920	1,844	1,882.00	
General Service >= 50 kW	2,389,596.00	208	211	209.50	
Large User	0.00	0	0	0.00	
Sub Transmission Customers	0.00	0	0	0.00	
Embedded Distributor(s)	0.00	0	0	0.00	
Street Lighting Connections	237,078.00	4,595	4,680	4,637.50	
Sentinel Lighting Connections	38,176.00	172	170	171.00	
Unmetered Scattered Load Connections	17,361.00	144	148	146.00	

Total Annual Billing Distribution

9,792,510.00