

BY E-MAIL

February 7, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Long:

**Re: Greater Sudbury Hydro Inc. (Greater Sudbury Hydro)
Application for 2020 Electricity Distribution Rates
Ontario Energy Board File Number: EB-2019-0037**

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

Greater Sudbury Hydro's responses to interrogatories are due by March 2, 2020.

Yours truly,

Original Signed By

Donald Lau
Project Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

OEB Staff Interrogatories
2020 Electricity Distribution Rates Application
Greater Sudbury Hydro Inc. (Sudbury Hydro)
EB-2019-0037
February 7, 2020

Exhibit 1 – Administration

1-Staff-1

Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), 12 (Residential Rate Design) and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses.

1-Staff-2

Letters of Comment

Following publication of the Notice of Application, the OEB received two letters of comment. Section 2.1.7 of the Filing Requirements states that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-3

Customer Engagement

Ref 1: Exhibit 1 – Tab 6 – Schedule 1

The results of Sudbury Hydro's customer engagement showed that a majority of both residential and business customers wanted a balance between rates and outages.

- a) Would Sudbury Hydro agree that this could be interpreted as keeping reliability status quo, with the minimal amount of cost?
- b) If not, how does Sudbury Hydro interpret the results of its customer engagement?
- c) If possible, please quantify Sudbury Hydro's interpretation in b)

1-Staff-4

Performance Measurement

Ref 1: Exhibit 1 – Tab 7 – Schedule 1, p. 9

Sudbury Hydro stated that adverse weather outages is a "result of high winds that cause trees and/or branches, to snap, causing them to fall into live conductors and triggering protection equipment to trip and isolate the faulted circuit, which in turn results in a service interruption necessitating a truck roll to fix the problem."

- a) Has Sudbury Hydro considered inspecting high-risk trees, in addition to fast growth areas, and focus vegetation management in those areas?

Sudbury Hydro also stated that it designs and builds pole lines that exceed Canadian Standards Association (CSA) standards to ensure that the lines are storm-hardened.

- b) Please provide an estimate on, a per kilometer basis, the incremental cost of the storm-hardened design and the CSA standard design.

1-Staff-5

Leases

Ref 1: Exhibit 1 – Tab 8 – Schedule 1 – Attachment 4, 2018 Audited Statements

Note 2 part o indicates that Sudbury Hydro intends to adopt IFRS 16 Leases beginning January 1, 2019. It has assessed that there will be no significant impact from IFRS 16.

- a) Please indicate the total amount of finance leases as at the 2018 year-end.
- b) Please quantify and discuss the impact of adopting IFRS 16 effective January 1, 2019.
- c) Please explain Sudbury Hydro's treatment of finance leases in the current application

- d) Please indicate the total amount of finance leases included in rate base in 2020 and where it is included in Appendix 2-BA.

Exhibit 2 – Rate Base

2-Staff-6

Gross Asset Variance Analysis

Ref 1: Exhibit 2 – Tab 1 – Schedule 2, pp. 2-27

Sudbury Hydro provided gross asset variance amounts for contributions/deferred revenue in the reference above.

- a) Please provide the variance analysis for the contributions/deferred revenue account.

2-Staff-7

Fixed Asset Continuity

Ref 1: Chapter 2 Appendices – 2 – BA

Ref 2: Chapter 2 Appendices – 2 – AA

In 2019 and 2020, Sudbury Hydro showed the exact same amount for disposals in the fixed asset continuity schedule.

- a) Please confirm that the disposal amounts are correct.

Sudbury Hydro has shown building costs under General Plant in reference 2 but there is only building costs recorded in Account 1808, which is under the Distribution Plant category.

- b) Please confirm if there are building costs other than Sudbury Hydro's office building in Account 1808. If so, please explain why Sudbury Hydro has not used Account 1908 for general plant building costs to be consistent with how capital expenditures are reported in reference 2.

2-Staff-8

Cost of Power

Ref 1: Exhibit 2 – Tab 1 – Schedule 3

Ref 2: Regulated Price Plan (RPP) Report – November 1, 2019 to October 31, 2020, October 22, 2019

To calculate the cost of power, Sudbury Hydro has used the commodity prices from the OEB's RPP Report for May 1, 2019 to April 30, 2020, issued April 17, 2019. The OEB

has since issued the RPP Report for November 1, 2019 to October 31, 2020, issued October 22, 2019.

- a) Please complete the attached cost of power model with the updated RPP Report.

2-Staff-9

Capital Expenditures

Ref 1: Chapter 2 Appendices – 2-AA

Ref 2: Chapter 2 Appendices – 2-AB

In the two references above, Sudbury Hydro broke down the capital expenditures into the four categories: system access, system renewal, system service, and general plant.

- a) Please reconcile appendices 2-AB to 2-AA by breaking down capital contributions to the same four categories.
- b) Please confirm if the 2019 actual capital expenditures represents the actual incurred capital spending at the time of filing the application or is the forecasted spend for 2019 incorporating actuals at the time of filing the application. If it is the actual incurred capital spending, please provide the time-period that it represents.
- c) In reference 2, Sudbury Hydro's actual net capital expenditure was on average 17.6% below the planned net capital expenditure from 2013-2019. Please explain how Sudbury Hydro has changed its capital expenditure planning since its last cost of service to provide a higher confidence level in its estimations.

2-Staff-10

Capital Expenditures

Ref 1: Chapter 2 Appendices – 2-AA

Ref 2: 5.4.3.2 Material investments

Please answer the following interrogatories for each capital program below.

- System Access – Meter Installation
 - System Access – Overhead/Underground Services
 - System Renewal – Emergency Plant Replacements
 - System Renewal – Major Substation Repairs
 - General Plant – Tools and Equipment
- a) For each of the capital programs above, there are discrepancies between the historical amounts provided in reference 1 and the associated investment document provided in reference 2; or there are no capital spending in particular historical years in reference 1. Please reconcile the amounts in reference 1 and 2 and confirm whether or not there was capital spending in reference 1.

- b) For each of the capital programs above please provide the forecasting method used to forecast the test year amounts.

2-Staff-11

System Access – Road Authority Work

Ref 1: Chapter 2 Appendices – 2-AA

Ref 2: 5.4.3.2.6.4 System Access – Road Authority Work

Sudbury Hydro provided historical road authority work expenditures in reference 1 and 2.

- a) Please confirm whether reference 1 or reference 2 is correct for the 2015 actual capital expenditure for road authority work.
- b) Please provide the historical contributions from the road authority for each year between 2013 and 2019.
- c) Sudbury Hydro stated in reference 2 that it meets with road authorities at least once a year. Please provide the latest list of relocations discussed at the last meeting. The list should include the project name, the year of the project, the number of kilometers of line to be relocated, the number of circuits on the line, and voltage level.
- d) Please provide a list of historical relocation project between 2013 and 2019. The list should include the project name, the number of kilometers of line relocated, the number of circuits on the line, and voltage level.
- e) Sudbury Hydro stated in reference 2 that if the City of Greater Sudbury requests the relocation work, the costs are shared evenly between the City of Greater Sudbury and Sudbury Hydro. Does this mean that Sudbury Hydro has a written agreement with the city? If so, please provide the agreement.

2-Staff-12

System Renewal – Failed Transformers

Ref 1: Chapter 2 Appendices – 2-AA

Ref 2: 5.4.3.2.6.6 System Renewal – Failed Transformers

Sudbury Hydro stated in reference 2 that distribution transformers are replaced on a reactive basis.

- a) Please provide the number of transformers replaced each year between 2013 and 2019.
- b) Please provide the forecasting methodology Sudbury Hydro used for the 2019 and 2020 forecast.

2-Staff-13

System Renewal – Battery Bank Replacement

Ref 1: Chapter 2 Appendices – 2-AA

Ref 2: 5.4.3.2.6.8 System Renewal – Battery Bank Replacement

Sudbury Hydro stated that the Battery Bank Replacement expenditures were previously embedded in major substation repairs.

- a) Please provide the historical spending on Battery Bank Replacement for the years 2013 to 2019.
- b) Please provide the asset condition assessment of battery banks.

2-Staff-14

System Betterment

Ref 1: Chapter 2 Appendices – 2-AA

Ref 2: 5.4.3.2.6.9 System Betterment

Ref 3: Chapter 2 Appendices – 2-JA

Sudbury Hydro stated in reference 2 that implementation of this investment will reduce future OM&A costs. However, in reference 3, Sudbury Hydro is asking for a 15.8% increase in OM&A from last year.

- a) Please provide the quantitative analysis of OM&A savings by the continuation of this program.
- b) Please provide the forecasting methodology Sudbury Hydro used for the 2019 and 2020 forecast.

2-Staff-15

General Plant – Vehicles

Ref 1: Chapter 2 Appendices – 2-AA

Ref 2: 5.4.3.2.6.10 General Plant - Vehicles

- a) Please provide the type and number of vehicles purchased each historical year between 2013 and 2019.
- b) Has Sudbury Hydro compared the cost of leasing a vehicle to purchasing? If so, please provide the comparison. If not, why not?
- c) What would be the typical monthly leasing cost and terms of the vehicles proposed in this application?
- d) How does Sudbury Hydro dispose of the old vehicles?

2-Staff-16

General Plant – Buildings

Ref 1: Chapter 2 Appendices – 2-AA

Ref 2: 5.4.3.2.6.11 General Plant – Buildings

Sudbury Hydro stated that its facility is over 50 years old and requires investments in the interior bathrooms and the parking lot.

- a) Please confirm whether reference 1 or reference 2 is correct for the 2017 and 2018 actual capital expenditure for building costs.
- b) Please provide the specific scope of work and costs planned for each year between 2020-2024 for building refurbishment.
- c) Please provide the forecasting methodology Sudbury Hydro used for the 2019 and 2020 forecast.

2-Staff-17

Gemmell MS11

Ref 1: 5.4.3.2.1.1 System Renewal – Gemmell MS11

Ref 2: Greater Sudbury Hydro 2019 Asset Condition Assessment, p. 45

Ref 3: 5.4.3.2.1.5 System Service – Gemmell MS11

Sudbury Hydro stated that this investment is to allow load to shift from the T2 transformer to the T1 Transformer. Gemmell MS is one for four stations that feed the Kingsway Corridor, which is an important commercial area. Gemmell MS currently has a station rating of 15/21.7MVA and a station peak load of 17.85MVA. From the asset condition assessment (ACA), Gemmell MS also has a risk index of 9.2% which is considered very low risk (0% being the least risk and 100% being the most risk).

- a) Please provide the feeder designations and configuration for the four stations that supply the Kingsway Corridor (ie. Which station feeders are connected with each other and how?)
- b) Please provide the latest public municipal plans for the Kingsway Corridor, the geographical location (ie. What street is it on and from where to where?), and updates on any Local Planning Appeal Tribunal decisions.
- c) Please provide the oil natural air forced rating of Gemmell T2 and confirm that in the event that T1 fails now the station peak load exceeds Gemmell T2's ratings.
- d) The risk based asset condition assessment shows that Gemmell T1 is ranked 10th and all higher ranked assets have a risk index of at least 57.4%. Please explain why Sudbury Hydro has chosen to replace Gemmell T1 first.
- e) Please provide the costs Sudbury Hydro has incurred to date and the costs Sudbury Hydro has an obligation to meet (eg. transformer delivery).

- f) Please provide the number and duration of outages for this station in the past five years.
- g) Does this station have capabilities to connect a mobile unit substation?

Sudbury Hydro also stated that the construction of the double feeder egress from the upgraded Gemmell MS11 will provide additional capacity for the Kingsway Corridor. Sudbury Hydro also stated that the poles for this project are owned by Bell Canada. Sudbury Hydro further stated that the regional road authority is expected to be performing road construction work in 2020.

- h) Please provide the total length of the new feeders.
- i) Please provide the joint use agreement between Sudbury Hydro and Bell Canada, or the agreement on cost sharing.
- j) Please provide the cost sharing calculation between Sudbury Hydro, Bell Canada, and the road authority.
- k) Sudbury Hydro stated that it will be seeking consent and participation from Bell Canada. Has Bell Canada committed to this project? Who will be doing the construction of the line?

2-Staff-18

System Renewal – Kathleen Station MS2 and Capreol MS32

Ref 1: Chapter 2 Appendices – 2-AA

Sudbury Hydro rebuilt Kathleen Station in 2018 for \$3,324,676 and Capreol Station in 2019 for \$1,723,622.

- a) Please provide the asset condition of each of the stations prior to the rebuild.
- b) Please provide the scope of work for each of the station rebuilds.
- c) Please provide the historical outages experienced at the Kathleen and Capreol stations.

2-Staff-19

System Renewal – Pole Rebuilds

Ref 1: 5.4.3.2.1.2 System Renewal – Pole Rebuilds

Sudbury Hydro proposed three investments for pole rebuilds, CKSO Road, South Bay Road, and Miscellaneous Site Restorations. Sudbury Hydro also stated that the ACA recommended that Sudbury Hydro have an annual program to address a certain percentage of poles every year as to not create a backlog of assets needing attention.

- a) Please breakdown the total investment cost to each of the three investments, the number of poles, and the length of each feeder planned for replacement.

- b) Please confirm that this investment is to meet the recommendation of the ACA.
- c) Please explain why there is only budgeted amounts for 2020 if this program is intended to proactively replace poles on a paced basis.
- d) In the comparative project section, Sudbury Hydro provided the Croatia Road rebuild project, which replaced 16 poles, transformers, overhead conductor. Does that mean the investment for CKSO Road and South Bay Road will also have other asset replacements such as transformers and overhead conductor? If so, please provide the number of transformers and kilometer of conductors replaced.

2-Staff-20

System Renewal – West Nippissing Voltage Conversion

Ref 1: 5.4.3.2.1.3 System Renewal - West Nippissing Voltage Conversion

Sudbury Hydro has planned to convert the existing 4.16kV system to 12.47kV in the Town of Sturgeon Falls. This will eventually result in the retirement of the municipal station MS38.

- a) Sudbury Hydro stated that it plans to approach Hydro One to fund at least a portion of the construction activities. Please provide the joint use agreement between Hydro One and Sudbury Hydro.
- b) Please provide the total number of kilometers of line that need to be converted to remove MS38.
- c) In reference 1, the planned investment amounts vary significantly over the next five years for the complete conversion of MS38. Please provide the scope of work anticipated over the next five years and reasons why it is not equally paced.
- d) Since Hydro One is the owner of these poles, has Hydro One committed to this project and confirmed that they have the resources to complete the work in 2020?

2-Staff-21

System Service – 9M2 Extension

Ref 1: 5.4.3.2.1.4 System Service – 9M2 Extension

Sudbury Hydro stated that the 44kV feeder project would be phased over 4-years to provide adequate supply capacity for the Kingsway Corridor. The Kingsway Corridor is fed by four stations MS6, MS11, MS16, and MS18.

- a) Please confirm if the 44kV feeder will convert customer load to offload MS6 MS11, MS16, and MS18. If so, how many MVA will it offload and on which stations.

- b) Please provide the designations of the 44kV circuits that feed the Kingsway Corridor.
- c) Please provide the length of the 9M2 extension.
- d) Sudbury Hydro stated that it would seek Hydro One's consent and participation in rebuilding the existing 9M4/9M5. Has Hydro One committed to this project and confirmed that they have the resources to complete the work in 2020?
- e) As this project is completed over 4 years, will the extension at the end of each year leave that portion of the extension used and useful?
- f) Sudbury Hydro stated that this investment is contingent on an ongoing legal process. To the extent possible, without filing for confidentiality, please explain the risk factors that affect this project. In the event that the legal proceeding causes the project to be cancelled/deferred, what alternative investment would Sudbury Hydro use the planned capital expenditures for?

2-Staff-22

System Service – Sunnyside 12kV feeder relocation

Ref 1: 5.4.3.2.1.6 System Service – Sunnyside 12kV feeder relocation

Sudbury Hydro stated that it plans to relocate a portion of feeder from the bush to road allowance.

- a) Please provide the total length of the feeder that will be constructed for the relocation.
- b) Sudbury Hydro stated that it will be seeking consent and participation from Bell Canada. Has Bell Canada committed to this project?

2-Staff-23

System Renewal – Cable Testing/Rejuvenation

Ref 1: 5.4.3.2.1.7 System Renewal – Cable Testing/Rejuvenation

Ref 2: Appendix I – Cable Testing

Sudbury Hydro completed an asset condition assessment by Kinectrics yet cables were not one of the assets that it reviewed.

- a) Please explain why cables were not part of the ACA when underground cables represent 25% of Sudbury Hydro's distribution system.
- b) There was no historical spending for the Cable Testing/Rejuvenation capital investments. Please provide the historical capital investments and kilometers of cable Sudbury Hydro made in cable testing/rejuvenation, if any.
- c) Please provide the length of cable planned for testing/rejuvenation each year.

Sudbury Hydro used Energy Ottawa to complete cable testing on Sudbury Hydro's distribution system. Energy Ottawa tested twenty-seven cables and found seven were in good condition, eighteen were in fair condition, and two in poor condition.

- d) Please explain why only twenty-seven cables were tested and on what basis were they selected.
- e) Please confirm if the budgeted capital spending is for the replacement of cables found in poor condition.
- f) Please explain why there is no forecasted spending for 2023 and 2024.

2-Staff-24

General Plant – Outage Management System

Ref 1: 5.4.3.2.1.8 General Plant – Outage Management System

Ref 2: Appendix J – GSU Routing Study Siemens Smart Grid Compass, p. 228

As part of Sudbury Hydro's grid modernization it plans to deploy an Outage Management System.

- a) Please confirm if this investment is related to Sudbury Hydro's smart grid plans in reference 2, specifically Value Pack 7.
- b) In reference 2, the estimated cost of the Outage Management System is \$323,743, while in reference 1, the cost estimate was \$440,000. Please explain the variance.

2-Staff-25

System Renewal – Cressey MS3 Rebuild/Voltage Conversion

Ref 1: 5.4.3.2.1.9 System Renewal – Cressey MS3 Rebuild/Voltage Conversion

Sudbury Hydro has planned to convert the existing 4.16kV system to 12.47kV in the City of Sudbury. This will result in the retirement of the municipal stations MS9, MS12, and MS14.

- a) Please provide the length of the feeder planned to be converted each year.
- b) Please provide a detailed scope of work and cost breakdown of the Cressey MS3 station rebuild.
- c) Please explain Sudbury Hydro's decision to design the station underground and use pad-mounted structures.
- d) Sudbury Hydro stated that the T1 and T2 will be upgraded from their present combined rating of 10MVA but the peak station loading is 6.96MVA. Please provide the size of the upgraded transformers and justification of the larger transformers when the peak load is well below the combined rating.

2-Staff-26

Smart Grid

Ref 1: Appendix G IESO Letter of Comment/Green Energy Plan

Ref 2: Chapter 2 Appendices – 2-AA

Ref 3: Chapter 2 Appendices – 2-JC

Sudbury Hydro showed in its Green Energy Plan an expected cost of \$18,000 each year between 2020-2024 for monitoring, control, and transfer trips.

- a) The costs from the Green Energy Plan are not shown separately in Appendix 2-AA. Please confirm that the costs are rolled up in other distribution projects.

Sudbury Hydro showed in its Green Energy Plan an expected cost of \$20,000 each year between 2020-2024 for Smart Grid/REG Education and Training.

- a) The costs from the Green Energy Plan are not shown separately in Appendix 2-JC. Please confirm that the costs are rolled up in other distribution OM&A expenses.

2-Staff-27

Smart Grid

Ref 1: Appendix J – GSU Routing Study Siemens Smart Grid Compass

In Sudbury Hydro's grid modernization plan, it has divided the overall plan into 12 grouped investments called Value Packs, which share similar technology requirements and a distinct theme.

- a) Please provide a schedule of Sudbury Hydro's progress on its grid modernization plan and include timelines for all 12 Value Packs.
- b) The study forecasted key performance indicators (KPIs) for each Value Pack. For the Value Packs that are completed, please provide actual performance indicators and compare them to the forecasted KPIs.

2-Staff-28

System Renewal – Lines

Ref 1: 5.4.3.2.2.1 System Renewal – Lines

Ref 2: 5.4.3.2.3.2 System Renewal – Lines

Ref 3: 5.4.3.2.4.2 System Renewal – Lines

Ref 4: 5.4.3.2.5.2 System Renewal – Lines

Ref 5: 5.3.3 Asset Lifecycle Optimization Policies and Practices

Sudbury Hydro provided a system renewal capital program for each year between 2021-2024. This program is intended to proactively address the

replacement/refurbishment of vital distribution assets as an outcome of the ACA. In reference 5, Sudbury Hydro provided a table of flagged assets for action plan on a paced basis.

- a) For each of the proposed line projects listed in reference 1-4 please provide the length of the line being replaced/refurbished, the estimated cost, and the equipment replaced, broken down the same way as table 45 provided in reference 5.
- b) Please explain why the investments in reference 1-4 are not part of a capital program with paced capital expenditures.

2-Staff-29

Advance Capital Module (ACM) Model

Ref 1: EB-2019-0037 ACM ICM model

Ref 2: EB-2019-0037 Chapter 2 appendices 2-BA

Sudbury Hydro provided in tab 5 of the ACM model gross fixed asset opening balance, construction work in progress balance, and accumulated depreciation balance but it does not match the balances provided in the fixed asset continuity schedule in reference 2.

- a) Please reconcile the balances or explain the variances.

Sudbury Hydro provided 2018 consumption data on tab 6 of the ACM model. There are discrepancies between the number of customers and consumption data provided in the Reporting and Record Keeping Requirements for the residential, GS<50kW, and GS 50 to 4,999kW rate classes.

- b) Please reconcile the difference or provide an explanation.

2-Staff-30

Advance Capital Module

Ref 1: 5.4.3.2.1.9 Cressey MS3 Rebuild/Voltage Conversion

Ref 2: 5.4.3.2.3.1 System Renewal – Moonlight MS18 Station Rebuild

Ref 3: 5.4.3.2.4.1 System Renewal – Marttila MS8 Station Rebuild

Ref 4: 5.4.3.2.5.1 System Renewal – Paris MS13 Station Rebuild

Ref 5: 5.4.3.2.1.1 System Renewal – Gemmell MS11 T1

Ref 6: EB-2014-0219 Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, p. 14

Ref 7: EB-2012-0126 Chapter 2 Appendices – 2-A

Sudbury Hydro requested four ACMs that include the replacement of transformers at Cressey MS3, Moonlight MS18, Marttila MS8, and Paris MS13. In reference 6, the report states that the ACM is most appropriate for a distributor that:

- does not have multiple discrete projects for each of the four IR years for which it requires incremental capital funding
- is not seeking funding for a series of projects that are more related to recurring capital programs for replacements or refurbishments (i.e. “business as usual” type projects)

In the 2020 test year, Sudbury Hydro is proposing to replace Gemmell MS11 T1. In each subsequent year, Sudbury Hydro continues to propose replacing station transformers with similar scope and unit cost. The exception is the Cressey MS3 rebuild, in which Sudbury Hydro proposes to replace two transformers.

- a) Please explain how Sudbury Hydro justifies the use of ACMs when there is one project for every IR year, which is seeking funding for a series of projects that are related to recurring replacement of transformers.
- b) Did Sudbury Hydro consider using a Custom IR application to meet its needs? If not, why?
- c) Collectively, the ACMs could be considered a station transformer replacement program and since there is the replacement of Gemmel MS11 T1 in the test year, how are the other ACMs outside of base rates?
- d) Sudbury Hydro stated that the T1 will be upgraded for Moonlight MS18, Marttila MS8, and Paris MS13. Please provide the size of the upgraded transformers.
- e) Sudbury Hydro has planned to replace two transformers in the Cressey MS3 rebuild. Is it possible to phase the rebuild/voltage conversion into two phases? If not why not?
- f) Out of the four stations proposed for rebuild, Paris MS13 has the lowest risk index and planned for the final year. The risk index is also significantly lower than the other stations. Please provide justification, if any, on why this capital investment could not be deferred by a year.

In Sudbury Hydro’s last cost of service (reference 7), the renewal of Arthur Substation was approved, at an estimated cost of \$1,985,384. Sudbury Hydro also replaced Kathleen MS and Capreol in 2018 and 2019 respectively.

- g) Please explain why Sudbury Hydro did not replace the stations proposed in this application during 2014 to 2017.

2-Staff-31

Asset Condition Assessment

Ref 1: Appendix A – Asset Condition Assessment

Sudbury Hydro provided a risk based prioritized list for station transformers in reference 1. Ramsey Lake T1 was ranked ninth and had a risk index of 57.4%, which means the station is in poor condition. Sudbury Hydro had capital investment plans for stations that were ranked lower priority than Ramsey Lake T1.

- a) Please explain why Sudbury Hydro does not have a capital plan for Ramsey Lake even though it has a higher risk prioritization.

The ACA showed that there are 16 submersible transformers that are in very poor and poor condition and Sudbury Hydro planned to replace two each year for the first three years and one each year thereafter.

- b) Please confirm that these transformers are being replaced within the proposed projects list.

In the ACA, the final health index of an asset is based on the lower of either the calculated health index or the health index from an age curve.

- c) Please provide justification that the age of an asset should be relied on over a calculated health index.

2-Staff-32

Green Button

Ref 1: Distribution System Plan – 5.4.1 (e) Strategy to Implement Cost-Effective Modernization of the Distribution System

Sudbury Hydro stated it is considering the deployment of the Green Button protocol.

- a) Please provide the anticipated cost, if any, for the deployment of the Green Button protocol.

2-Staff-33

Fixed Asset Continuity Schedules

Ref 1: Chapter 2 Appendix 2-BA

Ref: 2: Exhibit 2 – Tab 1 – Schedule 1 – Attachment 2

Attachment 2, shows PP&E decreased by \$460,787 as at January 1, 2014 and \$946,000 as at January 1, 2015 as result of transitioning to IFRS. In the 2014 Appendix 2-BA, there is a column for “IFRS Adjustments” column. In the 2015 Appendix 2-BA, there is a column for “Adjustment through RE”.

- a) Please confirm that the \$467,787 adjustment shown in the financial statements is not included in the 2014 Appendix 2-BA, and therefore, Appendix 2-BA is shown under CGAAP (except for the capital contribution reallocation). If not, please explain how the \$467,787 is reflected in Appendix 2-BA.
- b) Please confirm that the \$946,000 “Adjustment through RE” in the 2015 Appendix 2-BA is cumulative and includes the 2014 \$467,787 adjustment already.

Exhibit 3 – Operating Revenue

3-Staff-34

Load Forecast

Ref 1: Exhibit 3, Tab 1, Schedule 1, Attachment 1

Sudbury Hydro has used monthly consumption data underpinning its energy load forecast.

- a) Does Sudbury Hydro rely on metered energy usage by rate class by calendar month, or a calculated value based on some other metering interval or data source?
- b) If the monthly consumption is a calculated value, please explain source data, and the method used to arrive at the monthly usage.

3-Staff-35

Load Forecast

Ref 1: Exhibit 3, Tab 1, Schedule 1, page 1

Ref 2: Exhibit 3, Tab 1, Schedule 1, Attachment 1, pages 4-5

In reference to Heating Degree Days (HDD), Sudbury Hydro states that:

In particular, residential consumption does not increase as average temperatures decline from 18°C to 16°C, which suggests there is not a material heating load when temperatures are in that range, so the HDD variable with a base of 16°C is used.

However, Elenchus states that:

HDD relative to 12°C and CDD relative to 18°C were found to provide the strongest results.

The included model goes on to include a variable named DD12, implying a base of 12°C is used.

- a) Please confirm that the variable DD12 refers to HDD.
- b) Please confirm which definition of HDD is used in the residential class.

3-Staff-36

Load Forecast

Ref 1: Exhibit 3, Tab 1, Schedule 1, Attachment 1, pages 1, 5

Elenchus states that:

To isolate the impact of Conservation Demand Management (CDM), persisting CDM as measured by the Independent Electricity System Operator is added back to rate class consumption to simulate the rate class consumption had there been no CDM program delivery.

And that:

Ordinary Least-Squares (OLS) regressions exhibited errors with a high level of autocorrelation with a Durbin-Watson statistic near 1.00. A time-series autoregressive model using the Prais-Winsten estimation was used instead of an OLS regression for the Residential class to account for autocorrelation.

- a) Please provide a scenario for Residential, General Service < 50 kW, and General Service > 50 kW where the dependant variable is energy usage without an adjustment for CDM, and the CDM is added as an explanatory variable. When providing the scenario, please provide both the statistical model and the resulting forecast.
- b) In the case of Residential, please provide the scenario using both Prais-Winsten and OLS.
- c) Were different time horizons other than ten years of historic data attempted to address the autocorrelation. If so, what were the results?

3-Staff-37

Load Forecast

Ref 1: Exhibit 3, Tab 1, Schedule 1, Attachment 1, pages 4, 7, 10

Elenchus states that a Trend variable was used in each of the Residential, General Service < 50 kW, and General Service > 50 kW rate classes. Elenchus notes that a

linear trend variable is included, which begins with a value of 1 in January 2009 and increasing to 120 for December 2018. The estimated coefficient in each rate class is negative and statistically significant.

- a) Since the historical consumption data are adjusted to add back CDM, in the view of Sudbury Hydro or Elenchus, what is this trend variable actually measuring?

3-Staff-38

Load Forecast

Ref 1: Exhibit 3, Tab 1, Schedule 1, Attachment 1, page 2

Sudbury Hydro's forecast is based on 2019 as a forecast year.

- a) Please update the forecast using 2019 as an actual year, or as much of 2019 for which actual energy usage data is available.

3-Staff-39

Load Forecast

Ref 1: Exhibit 3, Tab 1, Schedule 1, Attachment 1, pages 20-21

An average reduction in energy use of 1.2% per street lighting device per year over the years 2013-2018 is observed, following a 9% reduction between 2012 and 2013. This is seen in the following table:

Year	Average Energy per Device	Reduction from prior year
2012	893	
2013	811	-9.1%
2014	790	-2.6%
2015	781	-1.1%
2016	779	-0.2%
2017	771	-1.0%
2018	765	-0.8%

The reason given is that "Greater Sudbury has had a gradual phase-in of LED lights over a number of years."

- a) Why was the reduction from 2013 – 2014 included in the multi-year average when it immediately followed the 9% reduction in the prior year, and itself experienced a reduction of more than double any year since?
- b) How many streetlights were converted to Light Emitting Diode technology in each year from 2012-2019, and how many are planned for 2020?

3-Staff-40

CDM Adjustment

Ref 1: Exhibit 3, Tab 1, Schedule 1, Attachment 1, Load Forecast Report (p. 27)

Ref 2: Load Forecast Model, Tabs “CDM Adjustment”/ “2018 CDM”/ “2019-2020 CDM”

Ref 3: Appendix 2-l

OEB staff could not reconcile the forecast savings in the CDM adjustment to the Participation and Cost Reports, and requests clarification on the quantum of the Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) threshold requested for approval.

2018 Savings

For 2018, Non-Residential CDM savings of 2,810,783 kWh based on the sum of savings from the GS<50 kW and GS>50 kW classes, it appears there are additional savings of 60,659 kWh included in the LRAMVA threshold, which were not identified in the Participation and Cost Report (per Tab “2018 CDM”).

Extract of Tab “CDM Adjustment” of Load Forecast Model:

2018-2020 Forecasted kWh Savings by Rate Class									
Rate Class	2018			2019	2020			CDM Adjustment	LRAMVA Target
	kWh	CDM Adj Weight	Amount	kWh	kWh	CDM Adj Weight	Amount	kWh	kWh
	A	B	C = A * B	D	E	F	G = E * F	H = C + D + G	I = A + D + E
Residential	1,706,716	0.5	853,358	-	-	0.5	-	853,358	1,706,716
GS < 50	891,199	1	445,599	1,253,557	649,859	1	324,929	2,024,086	2,794,615
GS > 50	1,919,585	0.5	959,792	1,539,914	2,752,148	0.5	1,376,074	3,875,781	6,211,648
TOTAL	4,517,499	0.5	2,258,750	2,793,472	3,402,007	0.5	1,701,004	6,753,225	10,712,978
Staff calcs:	GS<50 + GS>50 kW		2,810,783						
	Savings from P&C		2,750,124						
	Additional savings		60,659						

2019 and 2020 Savings

For the 2019 CDM savings forecast, it appears that the Participation and Cost Report identified more savings than what is proposed to be included in the CDM Manual Adjustment.

Extract of Tab “2019-20 CDM” of Load Forecast Model:

			2019	2020	Total
Total	Audit Funding		-	-	
	HPNC		152,433	16,185	
	kWh Retrofit		2,617,353	3,385,822	
	Small Business Lighting		26,886	-	
			2,796,671	3,402,007	6,198,679
	Staff calcs: 2019-2020 CDM		2,793,472		
	Difference in savings		(3,199)		

LRAMVA Threshold

In Appendix 2-I, it appears that Sudbury Hydro is seeking approval of an LRAMVA threshold of 42,047,875 kWh (established on 2015-2020 forecast savings) but the table in the Load Forecast Model shows 10,712,978 kWh (established on 2018-2020 forecast savings).

- a) For the half year of 2018 forecast savings projected to persist to 2020, please provide the rationale for including a half year's savings from 2018 programs in the CDM adjustment, if 2018 savings are actual verified from the IESO.
 - i. Please confirm whether there are additional savings of 60,659 kWh from non-residential CDM programs proposed to be included in the CDM adjustment. If yes, why are these additional savings are not listed in the Participation and Cost Report? Please discuss eligibility of these additional savings for recovery in the LRAMVA threshold.
 - ii. Please reconcile the additional savings to the detailed level (CDM-IS) project savings documentation.

- b) For the 2019 and 2020 savings, please confirm the source of these forecast savings, as it appears that only an extract of the data was provided.
 - i. Please file the original project lists supporting the 2019 and 2020 forecast savings in Tab "2019-20 CDM" of the Load Forecast model.

- c) Please confirm that the 2019 savings of 2,793,472 kWh represent only the savings related to those Conservation First Framework (CFF) projects that the distributor is contractually obligated to complete. Specifically, please confirm that these CFF projects were entered into on/before March 31, 2019, and the savings from the projects are not expected to take place until the 2020 test year.

- i. Please provide the rationale for including 100% of savings from 2019 programs in the CDM adjustment, if the first three months of 2019 are actual verified from the IESO.

- d) Please confirm that the 2020 savings of 3,402,007 kWh represent only the savings related to those CFF projects that the distributor is contractually obligated to complete. Specifically, please confirm that these CFF projects were entered into on/before March 31, 2019, and the savings from the projects are not expected to take place until the 2020 test year.
 - i. Please explain why the forecast savings from 2020 are higher than in 2019.

- e) Based on your responses to a), c), and d) please confirm whether there are updates to the CDM adjustment to the load forecast.

- f) Please confirm whether Sudbury Hydro is seeking approval of a LRAMVA threshold of 42,047,875 kWh (as noted in Appendix 2-I) or whether it requests approval of a LRAMVA threshold of 10,712,978 kWh.
 - i. Please reconcile the LRAMVA threshold amounts between Appendix 2-I and the Load Forecast Model.

3-Staff-41

Other Revenue

Ref 1: Chapter 2 appendices – 2-H

Ref 2: Exhibit 3 – Tab 3 - Schedule 1

The Other Revenue received from Specific Service Charges have decreased since 2013. Sudbury Hydro explained that this was due to the winter disconnection ban and the removal of Collection of Account charge.

- a) Please provide, since 2013, the revenue received for disconnection/reconnection and Collection of Account charges.

The Rent from Electric Property account increased between 2019 and 2020. Sudbury Hydro explained that this was due to the increase in the wireline pole attachment charge. However, the first transitional increase was effective September 1, 2018 to December 31, 2019 and the full increase was effective January 1, 2019.

- b) Please confirm if Sudbury Hydro implemented the wireline pole attachment charge in 2019.
- c) If so, please explain why the Rent from Electric Property account balance does not appear to include it.
- d) Please confirm that the 2020 Rent from Electric Property amount takes into consideration the 2020 inflationary increase for the wireline pole attachment charge.

3-Staff-42

Other Revenue

Ref 1: Chapter 2 appendices – 2-H

In appendix 2-H, interest and dividend income dropped since 2013. This appears to be the result of declining Miscellaneous Interest Revenue and Intercompany Interest.

- a) Please explain why there are declining balances since 2013 and why there are no amounts for 2020.

Exhibit 4 – Operating Expenses

4-Staff-43

OM&A Cost Driver

Ref 1: Chapter 2 Appendices - 2-JB

Ref 2: Exhibit 4 – Tab 1 – Schedule 1

Sudbury Hydro provided explanations for all material changes for each cost drivers provided in reference 1 except for Other Miscellaneous costs.

- a) Please provide an explanation for the change in the Other Miscellaneous cost driver.
- b) Please provide a description of the costs included in this cost driver.

4-Staff-44

Labour Complement & Burdens

Ref 1: Exhibit 4 – Tab 2 – Schedule 1, p. 1

Ref 2: Exhibit 4 – Tab 4 – Schedule 2

In reference 1, Sudbury Hydro stated that since 2013 Sudbury Hydro had added six positions and eliminated four. In reference 2, Sudbury Hydro provided positions that were added between 2013 and 2019 but only showed five positions fully allocated to Sudbury Hydro's budget.

- a) Please confirm that the five positions fully allocated to Sudbury Hydro's budget in reference 2 were the positions Sudbury Hydro added.
- b) Please provide the sixth position that was added by Sudbury Hydro.
- c) Please provide the four positions that were eliminated by Sudbury Hydro and provide an explanation why they were no longer required.

4-Staff-45

Costs allocated from affiliates

Ref 1: Exhibit 4 – Tab 2 – Schedule 1, p. 5

Ref 2: Exhibit 4 – Tab 4 – Schedule 2

Ref 3: Exhibit 4 – Tab 1 – Schedule 1, p. 4

Ref 4: Exhibit 4 – Tab 5 – Schedule 1 – Attachment 2 Transfer Pricing Study

Ref 5: Exhibit 4 – Tab 5 – Schedule 1

In reference 1, Sudbury Hydro stated that since 2013 Greater Sudbury Hydro Plus (GSHP) has added ten positions. In reference 3, Sudbury Hydro stated that GSHP added 12 positions and eliminated 2. In reference 2, Sudbury Hydro provided ten positions that were partially allocated to Sudbury Hydro's budget.

- a) Please confirm that the ten positions provided in reference 2 are the positions added to GSHP.
- b) Please provide the remaining two positions added by GSHP.
- c) Please provide the two positions that were eliminated by GSHP and provide an explanation why they were no longer required.

In reference 4, Sudbury Hydro provided a breakdown of services provided by affiliates in Table ES-1.

- d) Please provide a cost breakdown for each service for each year between 2013 and 2020, before and after allocation.
- e) Please provide the service agreement with GSHP.
- f) Please provide what additional services Sudbury Hydro has received from GSHP to justify the cost increase allocated to Sudbury Hydro from GSHP.

Sudbury Hydro stated in reference 5 that it receives the following services from GSHP: Financial, Human Resources, Communications, Information Technology, Customer Service and Billing, President and CEO, Risk Management, Board of Directors, Procurement, Payroll, Accounts Payable, Regulatory, Accounting, Innovation, Quality and Project Management.

- g) For services where a competitive market exists, please provide the business case that supports the business need and that GSHP is more competitive than market rates.

4-Staff-46

Construction Service Technician

Ref 1: Exhibit 4 – Tab 4 – Schedule 2

Sudbury Hydro stated that a new Construction Service Technician was required due to the additional complexity of evaluating prospective attachment requests from interested third parties. Sudbury Hydro also stated that it has adopted non-linear pole loading as part of its design practice.

- a) Please provide the number of staff in the engineering department.
- b) Please provide the average weekly hours worked by staff in the engineering department prior to hiring the construction service technician.
- c) Please provide the yearly historical hours spent on third party attachment requests by the engineering department prior to hiring the construction service technician.
- d) Please provide yearly overtime charged by the engineering department because of third party attachment requests prior to hiring the construction service technician.

4-Staff-47

Accounting Analyst

Ref 1: Exhibit 4 – Tab 4 – Schedule 2

Ref 2: Exhibit 4 – Tab 5 – Schedule 1 – Attachment 2 Transfer Pricing Study – Table ES-1

Sudbury Hydro stated that it added an accounting analyst to offload senior accountants, allowing them to provide monthly financial statements and capital spending reports, ensuring accurate recording of regulatory deferral and variance accounting transactions, and assisting with designing, implementing and monitoring processes around Regulated Price Plan true-up settlement.

- a) Please provide the number of accountants responsible for the above duties.
- b) Only 54% of the accounting analyst's time is allocated to Sudbury Hydro. Please confirm if the accounting analyst is part of GSHP and, if so, what service provided in Table ES-1 are they charged under?

4-Staff-48

Senior Customer Service Representative

Ref 1: Exhibit 4 – Tab 4 – Schedule 2

Ref 2: Exhibit 4 – Tab 5 – Schedule 1 – Attachment 2 Transfer Pricing Study – Table ES-1

Sudbury Hydro stated that it hired a senior customer service representative in 2013 to improve its service to customers and provide guidance and mentorship to more junior staff.

- a) Please confirm if the senior customer service representative's salary is included in the 2013 OEB approved and 2013 actual OM&A.
- b) Part of the reason that the senior customer service representative was hired was to mentor more junior staff. It has been seven years since they were hired. Is this mentorship still required?
- c) Please provide the number of staff in the customer service department.
- d) Please provide the number of inquiries received and the average call time for inquires for the past five years.
- e) What service provided in Table ES-1 are they charged under?

4-Staff-49

IT/Applications Specialist

Ref 1: Exhibit 4 – Tab 4 – Schedule 2

Ref 2: Exhibit 4 – Tab 5 – Schedule 1 – Attachment 2 Transfer Pricing Study – Table ES-1

Ref 3: Appendix 2 - JC

Sudbury Hydro added an IT/Applications Specialist to address the increases in support tickets from internal users. Sudbury Hydro also stated that IT has also experienced increased demand for security, server requirements and network traffic, which has focused more staff time toward data center management and less toward increasing end user and application support.

- a) Please provide the number of staff in the IT department.
- b) Please provide the number of support tickets and the average time used to resolve a ticket from 2013 to 2019.
- c) Sudbury Hydro stated that IT has see increased demand for security. In Appendix 2-JC, Sudbury Hydro is also requesting \$61,200 for cyber security. Please confirm if the IT security and cyber security costs are the same thing.

4-Staff-50

Building Services

Ref 1: Exhibit 4 – Tab 5 – Schedule 1

Ref 2: Exhibit 4 – Tab 5 – Schedule 1 – Attachment 2 Transfer Pricing Study – Table ES-2

Ref 3: EB-2012-0126, Response to Interrogatories, February 13, 2013 (4-Staff-24)

Sudbury Hydro stated that Building Services and Occupancy Costs charged to affiliates has decreased because of building renovations and reconfigurations resulting in changes to cost allocation.

- a) Please provide the square footage used by each affiliate for the last five years.
- b) Please confirm that part of the changes to cost allocation is GSHP increasing staff that offers services to Sudbury Hydro and therefore a smaller portion of GSHP's building costs are allocated to affiliates. If so, will Sudbury Hydro update the allocation of GSHP's building costs if all the positions requested in this application are not approved?

In reference 2, Sudbury Hydro stated that the affiliate Agilis uses the space at Dash Substation for free in exchange for services provided by Agilis. In reference 3, Sudbury Hydro had previously provided a financial analysis supporting the reasonableness of providing free facilities to Agilis.

- c) Please update the financial analysis and note any changes since the last COS.

4-Staff-51

Transfer Price Study – Risk Management

Ref 1: Exhibit 4 – Tab 5 – Schedule 1 – Attachment 2 Transfer Pricing Study

Sudbury Hydro has changed the allocation methodology of the risk management service provided by GSHP. The allocation changed from 50% in 2013 COS to 97% in the current COS. The Transfer Pricing Study based this on tracking the Risk Officer's time spent on risk management. In addition, the Transfer Pricing Study stated "safety risks are considered by management to be higher for employees involved with the electricity system".

- a) Please provide the Risk Officer's duties and an explanation why GSHP considers safety risks higher for employees involved in the electricity system than other affiliates.
- b) Aside from the Risk Officer's salary, what other costs are recorded for this service?

4-Staff-52

Monthly Billing

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Ref 3: Appendix 1 – Customer Satisfaction Survey

Sudbury Hydro stated that it incurred an increase of \$272,000 in 2018 costs as a result of monthly billing and due to increases in postage, stationary, and additional labour costs. Sudbury Hydro is actively encouraging customers to switch to e-billing.

- a) Please provide the number of paper bills and e-bills sent from 2013-2019.
- b) Please provide a breakdown of increased costs in postage, stationary, and labour costs.

All distributors in Ontario were required to bill their customers on a monthly basis by the end of 2016 yet the cost increase for monthly billing incurred in 2018.

- c) Please confirm when Sudbury Hydro switched to monthly billing.

Sudbury Hydro stated that it added a Customer Service Manager in 2015 to handle the increased workload as a result of the change in billing frequency and complexity in the department. Sudbury Hydro also stated that the Customer Service Manager is developing a multi-year Customer Experience Enhancement Plan to continue to improve customers experience and drive efficiencies through the adoption of new processes and technologies.

- d) Please provide the efficiency savings experienced or expected from new processes and technologies.
- e) Please provide the approximate time the Customer Service Manager spends on billing changes and developing the Customer Experience Enhancement Plan.

In reference 3, Sudbury Hydro provided the results of customer satisfaction and service from 2013 to 2018 and it shows that customers are marginally more satisfied. However, the satisfaction of customers with the price they pay for electricity has been declining from 2013 to 2016.

- f) Please explain how Sudbury Hydro justified a new Customer Service Manager position to develop a Customer Experience Enhancement Plan when customer satisfaction appeared to be constant but were increasingly unhappy with higher rates.

4-Staff-53

Customer Premises

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Sudbury Hydro stated that the variance in the Customer Premises program is due to a portion of its System Operators budget being reallocated to the Load Dispatching program.

- a) Please describe the work done under the Customer Premises program.
- b) Please provide what year the costs of the System Operators were reallocated and the amount.

4-Staff-54

Communications

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Ref 3: Appendix 1 – Customer Satisfaction Survey

Sudbury Hydro added a communications assistant position in 2016 to assist the communications officer in providing regular website updates, have an active social media presence, have a team-focused approach to event and outage management, more community outreach, more regular internal communications, back-up for holidays and vacations, as well as marketing communications support for affiliates.

- a) How would Sudbury Hydro be impacted from an operational and financial standpoint if there were no communications assistant? Please quantify the impact if possible.
- b) Sudbury Hydro stated that the communications assistant provides marketing communications support for its affiliates. Please breakdown the hours the communications assistant provides services to Sudbury Hydro and to each of its affiliates.
- c) Please provide the duties of the communications officer and confirm if prior to the communications assistant position they were providing regular website updates, managing social media presence, community outreach, internal communication, and marketing communications for Sudbury Hydro's affiliates.
- d) Customers are generally concerned with lower rates and reliability. Please explain how Sudbury Hydro justifies additional resources for communications and how does this meet the customers concerns.

4-Staff-55

Administration

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Sudbury Hydro stated that in the 2020 proposed budget it has added a Project/Program Manager, responsible for overseeing many large projects that Sudbury Hydro engages on a continuing basis.

- a) Please discuss whether the costs incurred for the Project/Program Manager would be considered directly attributable or not under IFRS, and whether it should be capitalized as part of the project.
- b) Please provide a list of the large projects/programs the Project/Program Manager would oversee.

4-Staff-56

Innovation

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Sudbury Hydro has created a department called the “workshop” for digital transformation that primarily revolves around enterprise data. Sudbury Hydro also proposed a new position in 2020 for a Data, Integrations & Platform Specialist and hired an innovation officer in 2015.

- a) Please provide a breakdown for the Innovation program (provided in Appendix 2-JC) by labour costs and each project costs.
- b) For each project listed above please provide the expected efficiency gains or savings upon the completion of the project. For gains or savings that are reoccurring, state the number of years that they are expected to reoccur.
- c) In the context that customers are most concerned about lower rates, if the expected efficiency gains or savings does not exceed the cost of the Innovation program, how does Sudbury Hydro justify the continuation of this Innovation program.
- d) The innovation officer was hired in 2015, please confirm if their salary is included in the innovation program. If so, why was their salary not allocated to this program in 2015.
- e) Please provide a cost benefit analysis for the Innovation program both on a historical and forecast basis.

Sudbury Hydro stated that the role of the Data, Integrations & Platform Specialist is to blend together Sudbury Hydro's data in order to become more data driven. Without this role data-informed decision making will remain arduous and inefficient.

- f) Please explain how Sudbury Hydro's future investments will be data driven.
- g) Please provide the anticipated cost savings or efficiencies from data driven planning as opposed to Sudbury Hydro's current planning practice.

4-Staff-57

Bad Debt

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Sudbury Hydro stated that it has reduced bad debt with the help of a third-party over the previous rebasing period.

- a) Please provide the costs of the third-party over the rebasing period and what OM&A program it was recovered under.

4-Staff-58

Maintenance of General Plant

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Sudbury Hydro stated that it chose to outsource building maintenance to a third party to ensure the smooth operation of the building. It also noted that it erroneously distributed building costs to all affiliates in the 2013 budget.

- a) Please provide the scope of work for the building maintenance contract and confirm that it followed Sudbury Hydro's procurement policy.
- b) Please provide the actual building costs in the 2013 budget had Sudbury Hydro not made the allocation error.
- c) In-house staff historically completed building maintenance. Please provide the equivalent full-time employee's that was required in 2013 to maintain the building.

4-Staff-59

Business Excellence

Ref 1: Chapter 2 Appendices – 2 – JC

Sudbury Hydro has an OM&A program called Business Excellence but did not provide any information on the program.

- a) Please explain what is the purpose of this program and the variances since the last cost of service.

4-Staff-60

Meter Expenses

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Sudbury Hydro stated that the meter expenses are approximately lower by \$180,000 from the 2013 OEB-approved budget because it reevaluated the need for third-party support and decided to manage the system with internal resources.

- a) What year did Sudbury Hydro stop using third-party support?

4-Staff-61

Operation Supervision and Engineering

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Ref 3: Exhibit 4 – Tab 4 – Schedule 2

Sudbury Hydro stated that the OM&A in 2018 was lower than the test year because of a vacancy and staff resources were allocated to capital projects. Historically, the average actual OM&A for Operation and Supervision was approximately \$1.34 million.

- a) The 2020 Operation and Supervision costs are high in comparison to the historical average or the escalated costs from 2018. Please provide the forecasting methodology used.
- b) Please confirm if part of the cost increase for Operation and Supervision is due to additional positions. If so, please list the positions provided in reference 3.
- c) Please provide a list of any vacant positions in this program and a status of the position to date.
- d) Sudbury Hydro stated in reference 3 that part of the reason for the new staff is because of major asset renewals. Based on Sudbury Hydro's ACA and the major asset projects it has planned in the next five years, there should be minimal or no major asset renewals past the five years. Has Sudbury Hydro considered contract positions to meet the short-term need instead of full time positions?

4-Staff-62

Overhead Distribution System Operations and Maintenance

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Ref 3: Exhibit 4 – Tab 4 – Schedule 2

Sudbury Hydro stated that the variance in the Overhead Distribution System Operations and Maintenance costs is due to unfilled vacancies.

- a) Please provide a list of unfilled vacancies for 2018, 2019, and 2020 and the status of the positions to date.
- b) Please provide the positions in reference 3 that are related to the Overhead Distribution System Operations and Maintenance costs.

4-Staff-63

Stations Operations and Maintenance

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Ref 3: Exhibit 4 – Tab 4 – Schedule 2

Sudbury Hydro stated that since 2013 it has added a Substation Crew Leader, a Technical Services Supervisor, a distribution engineer, a Senior Protection and Control Technologist and a 2nd Protection and Control Technologist in light of its plans for substation renewals and Supervisory Control and Data Acquisition (SCADA) needs.

- a) The substation renewals are only anticipated for the next five years, and based on the ACA, there does not appear to be another station that needs to be renewed past the five years. Has Sudbury Hydro considered contract positions to meet the short-term need instead of full time positions?
- b) If these positions are related to the substation renewals, why are the costs not capitalized as part of the project.
- c) Please confirm if Sudbury Hydro had any staff that worked on or had experience with SCADA in its 2013 COS.
- d) Please confirm if Sudbury Hydro had any stations with SCADA capabilities in its 2013 COS.
- e) Please confirm if the distribution engineer, Senior Protection and Control Technologist, and 2nd Protection and Control Technologist are all in the engineering department.

The total stations operation and maintenance budget for 2020 is \$1,427,860, while the 2019 bridge year was \$1,000,514.

- f) Please explain the increase between 2020 and 2019.

4-Staff-64

Regulatory Expenses

Ref 1: Chapter 2 Appendices – 2 – JC

Ref 2: Exhibit 4 – Tab 3 – Schedule 1

Ref 3: Chapter 2 Appendices – 2 – M

Since Sudbury Hydro's last cost of service, the operating expenses associated with staff for regulatory matters has doubled. In addition, Sudbury Hydro stated that it has reallocated an accountant to the regulatory department.

- a) Please explain the cost increase and the drivers behind them.
- b) Please provide the OM&A program that the accountant was previously charged under and the year the accountant was reallocated.

In reference 3, Sudbury Hydro showed a total regulatory cost of \$697,576 for 2020 but in reference 1, Sudbury Hydro showed a total regulatory cost of \$657,576.

- c) Please confirm the correct regulatory costs.

The consultant costs have increased since Sudbury Hydro's last cost of service.

- d) Please provide of a table of the consultant services for 2020 and a breakdown of their estimated costs and costs incurred to date.

4-Staff-65

Cyber Security Costs

Ref 1: Exhibit 4 – Tab 2 – Schedule 1

Ref 2: Letter of the OEB – Cyber Security Readiness Report & Amendments to Electricity Reporting and Record Keeping Requirements, November 29, 2018

Sudbury Hydro stated in reference 1 that cyber security costs are non-discretionary and outside of Sudbury Hydro's operational control. In reference 2, the OEB expects that distributors incorporate cyber security investments into their distribution system plans and that these responsibilities should be addressed in the same manner as any other operational risk.

- a) As the cyber security responsibilities should be addressed in the same manner as other operational risks so should costs. How has Sudbury Hydro try to manage its Cyber Security costs within its historical OM&A budget.

Sudbury Hydro also stated that this cost represents contract labour Sudbury Hydro intends to procure to monitor the Sudbury Hydro local area network and Sudbury Hydro

external addresses for threats, malware, and unusual activity, as well as consultation on security and threat resolution.

- b) Is the cyber security infrastructure on-site or cloud based?
- c) What were Sudbury Hydro's selection criteria for the cyber security contract labour?
- d) Does Sudbury Hydro have Cyber Security insurance? If so, how much does it cost?
- e) Does Sudbury Hydro co-locate or share its customer systems with local municipality or telecom providers?
- f) Has the Sudbury Hydro participated in the Cyber Security Advisory Committee and/or the IESO Cyber Security Information Sharing Forum?

4-Staff-66

Other Post-Employment Benefits

Ref 1: Exhibit 4 – Tab 4 – Schedule 3, p.4

Sudbury Hydro is proposing to change the basis in which OPEBs are recovered from the cash basis to the accrual basis. Table 3 shows that Sudbury Hydro recovered \$343,913 annually under the cash basis since its 2013 cost of service rate application while accrual amounts for OPEBs ranged from \$739,015 to \$1,402,277 annually. In the Report of the Ontario Energy Board, Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs, September 14, 2017,

- a) Page 9 considers the impact of transitioning to and from the accrual basis for recovering OPEBs.
 - i. Please provide a calculation showing the cumulative recovery Sudbury Hydro has collected in rates to date with an indication of the recovery basis (cash or accrual).
 - ii. Please also provide the annual cash and accrual amounts for OPEBs from the commencement of when Sudbury Hydro first recovered OPEBs to 2020.
 - iii. Please discuss any transitional impacts (including consideration to actuarial gains and losses) due to the change from cash to accrual basis to recover OPEBs.
- b) Page 8 states "The intended practice of maintaining a consistent method used to determine recovery over time may be one reason for not adopting the accrual method for rate setting." Please explain whether Sudbury Hydro has considered continuing to recover OPEBs on a cash basis and discuss the results of this consideration.

4-Staff-67

Other Post-Employment Benefits

Ref 1: Exhibit 4 – Tab 4 – Schedule 3, p.5

Sudbury Hydro provided its 2015 actuarial report.

- a) Please provide the 2018 actuarial valuation update.
- b) Please provide the 2019 actuarial report if available.

4-Staff-68

PILS

Ref 1: 2020 PILS Model

Ref 2: Chapter 2 Appendix 2-BA

The depreciation expense included as an addition to 2019 and 2020 taxable income in the PILS model appears to be different than the depreciation expense shown in Appendix 2-BA. The difference is shown in the table below. Please explain the difference and revise the evidence as needed.

	2019	2020
Appendix 2-BA (depreciation less allocated depreciation for stores and transportations)	4,128,860	4,404,632
PILS Model (tangible and intangible assets)	4,595,384	4,773,422
Difference	466,524	368,790

4-Staff-69

2019 Tax Loss

Ref 1: 2020 PILS Model

The integrity checklist stated referred to Exhibit 5, Tab 1, Schedule 1 for a discussion of treatment of taxable loss projected in 2019. There does not appear to be such discussion provided in Exhibit 5.

- a) Please provide the appropriate reference. Otherwise, please explain Sudbury Hydro's treatment of the projected 2019 tax loss and explain why there is an adjustment in the 2019 Schedule 4 to eliminate the tax loss carry forward.
- b) Please estimate Sudbury Hydro's actual taxes for 2019.
- c) Please explain any differences in Sudbury Hydro's estimated actual tax calculation for 2019 and the tax calculation included in the PILS model for 2019.

4-Staff-70

PILS

Ref 1: 2020 PILS Model

- a) In the 2019 PILS model, there is a deduction for the amortization of deferred revenue. There is no similar deduction in the 2020 PILS model. Please explain why not.
- b) In the 2019 PILS model, there is a deduction for “net movement in regulatory accounts (excl. tax)”. Page 36 of the *Chapter 2 Filing Requirements for Electricity Rate Applications for 2019 Rate Applications* which formed the basis of the Filing Requirements for 2020 Rate Applications stated “Regulatory assets and liabilities must be excluded from taxes/PILs calculations both when they were created and when they were disposed, regardless of the actual tax treatment accorded those amounts.” Please explain why there is a deduction for regulatory accounts in the 2019 PILS model and revise the PILS model as necessary.

4-Staff-71

PILS

Ref 1: 2020 PILS Model

Sudbury Hydro has implemented accelerated CCA in the 2020 PILS Model. In the OEB’s July 25, 2019 letter *Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance*, it states “The OEB recognizes that there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. The OEB may consider a smoothing mechanism to address this.”

- a) Please discuss whether Sudbury Hydro has considered smoothing of accelerated CCA and what its conclusion is.
- b) Please provide a calculation showing how Sudbury Hydro would smooth CCA over the IRM period, and what the impact to PILS would be under a smoothed and unsmoothed scenario.

Exhibit 5 – Cost of Capital

5-Staff-72

Cost of Capital Parameters

Ref 1: Exhibit 5 – Tab 1 – Schedule 1

Ref 2: Letter of the OEB – 2020 Cost of Capital Parameters, October 31, 2019

Sudbury Hydro used 2019 cost of capital parameters as a placeholder until 2020 cost of capital parameters were issued. The OEB issued 2020 cost of capital parameters on October 31, 2019.

- a) Please update all models and calculations with the 2020 cost of capital parameters.

Exhibit 7 – Cost Allocation

7-Staff-73

Weighting Factors

Ref 1: Exhibit 7, Tab 1, Schedule 1, page 4

Ref 2: Cost Allocation Model, Tab I3 TB Data

In table 3 of reference 1, Sudbury Hydro has provided an apportionment of 5315 – Customer Billing as follows:

Residential	\$2,016,222
General Service < 50 kW	\$205,315
General Service > 50 kW	\$23,945
Unmetered Scattered Load	\$205,315
Sentinel	\$7,532
Street Lighting	\$97
Total	\$2,351,204

These portions reflect an equal allocation to all rate classes. In addition, \$13,736 of contract labour is employed for meter reading for the General Service > 50 kW rate class, giving General Service > 50 kW the only weighting factor other than 1.00.

The 5315 – Customer Billing account balance per I3 trial balance is \$1,790,905.

- a) Please reconcile the account balance used in the derivation to the weighting factor to the Uniform System of Accounts (USoA).
- b) Which USoA account is the contract labour related to meter reading tracked in?
- c) If the contract labour related to meter reading is recorded in account 5310 – Meter Reading Expense, why is it included here as that account is allocated on the basis of the Weighted Meter Reading – CWMR allocator?

7-Staff-74

Meter Capital

Ref 1: Cost Allocation Model, Tab I6.2 Customer Data, Tab I7.1 Meter Capital, Tab I7.2 Meter Reading

The Meter Capital worksheet has been completed indicating a total of 447 meters for the General Service > 50 kW rate class. The Customer Data and Load Forecast indicate 492 customers.

The Meter Capital worksheet indicates 45 Demand with IT and Interval Capability – Primary meters for the Street Lighting rate class. There is no entry for meter reading of these meters.

A count of 492 meter reading events is included in the General Service > 50 kW rate class for the meter ready type, “GS>50 Reading”. However, there is no weighting assigned to this activity.

- a) Please reconcile the apparent shortage of meters in the General Service > 50 kW rate class.
- b) Please explain how primary meters are used with street lights, and whether these meters are read, or whether they belong in the General Service > 50 kW rate class.
- c) Please explain why there is no weighting assigned to the reading of GS > 50 kW meters. When doing so, please consider whether the \$13,736 of contract labour from the previous question should be factored in.

7-Staff-75

Cost Allocation

Ref 1: Cost Allocation Model, Tab I6.2 Customer Data, Tab I8 Demand Data

Ref 2: Load Forecast Model

The Customer Data worksheet does not have any entries for General Service > 50 kW on rows 23-25, which should indicate the counts of customers using primary distribution, utility line transformers, and customers connected to the utility’s secondary distribution system.

This is inconsistent with the load data on sheet I8 which indicates that all of the General Service > 50 kW load is served using primary distribution, and that a significant proportion of load is served using both utility line transformers and the utility’s secondary distribution system.

On sheet I6.2 Customer Data, the connection counts for Sentinel and Unmetered Scattered Load reconcile to the load forecast. The Number of Bills is an entered value for these two classes, and the total number of customers is a formula referencing the number of bills divided by 12.

- a) Please reconcile the apparent discrepancy in the General Service > 50 kW rate class
- b) Please explain how the number of bills were derived for the Sentinel and Unmetered Scattered Load rate classes.

7-Staff-76

Cost Allocation

Ref 1: Exhibit 7, Tab 1, Schedule 2, pages 3-4

Ref 2: Revenue Requirement Work Form, Tab 11. Cost Allocation

Ref 3: Tariff Schedule and Bill Impact Model, Tab 6. Bill Impacts

Sudbury Hydro proposes to reduce the revenue to cost ratio for Street Lighting over three years by increasing the revenue to cost ratio for Residential and Sentinel Lighting rate classes.

The Status Quo Ratio for the Residential rate class is 93.07%, and it is proposed to increase approximately 0.66% each year, reaching 95.04% in 2022.

The Status Quo Ratio for the Sentinel Lighting rate class is 83.34%, and it is proposed to increase 5-6% each year, reaching 100% in 2022.

This will enable a reduction of the Street Lighting ratio from a Status Quo of 206.93% to 178% in 2020 and 120% over three years.

The proposed bill impact in the Sentinel Lighting rate class is 11.4%.

- a) In addition to extending the transition period to three years, has Sudbury Hydro considered any other opportunities for mitigating the bill impact to Sentinel Lighting customers?
- b) Please explain why the sentinel lighting rate class is being transitioned to a 100% revenue-to-cost ratio.

Exhibit 8 – Rate Design

8-Staff-77

Retail Transmission Service Rate (RTSR)

Ref 1: EB-2019-0037 Retail Transmission Service Rate Model

Ref 2: EB-2019-0296 2020 Uniform Transmission Rates, December 19, 2019

Ref 3: EB-2019-0043 Hydro One Networks Decision and Rate Order, December 17, 2019

The OEB issued 2020 Uniform Transmission Rates (UTRs) and 2020 Hydro One Sub-Transmission Rates on December 19, 2019 and December 17, 2019 respectively.

- a) Please updated the RTSR Model with the updated UTRs and Hydro One Sub-Transmission Rates.

8-Staff-78

Retail Service Charges

Ref 1: EB-2019-0280 Decision and Rate Order, November 28, 2019

Ref 2: EB-2019-0037 Tariff Schedule and Bill Impact Model

In reference 1, the OEB updated the Retail Service Charges on November 28, 2019.

- a) Please work with OEB staff to update the Tariff Schedule and Bill Impact Model.

8-Staff-79

Loss Factors

Ref: Chapter 2 Appendix 2-R

The proposed Appendix 2-R has a larger value populated in row A(2) than in in A(1) for each year from 2014-2018. A(1) is supposed to be the Wholesale “higher value” reflecting the generation requirement for all power received by the distributor. A(2) is supposed to be the Wholesale “lower value” reflecting the energy received onto the distribution system.

The Supply Facilities Loss Factor has been populated with 1.0077 or 1.0078 in each year despite the instructions for the worksheet indicating that it is to be populated with A(1) divided by A(2).

- a) Please explain the counter-intuitive result that A(2) has been populated with larger values than A(1). If the entries are simply reversed, please revise.
- b) If Sudbury Hydro believes that the prescribed method of calculating the supply facility loss factor by dividing $A(1) / A(2)$ is inappropriate in its case, please

explain. Otherwise, would Sudbury Hydro adopt the prescribed methodology for calculating the supply facilities loss factor?

- c) If Sudbury Hydro will not adopt the prescribed methodology for calculating the supply facilities loss factor, please provide a derivation of the supply facilities loss factor used.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-80

Lost Revenue Adjustment Mechanism Variance Account

Ref 1: Exhibit 4, Tab 10, Schedule 1, p. 1 of 4

Ref 2: LRAMVA workform, Tab 1

Sudbury Hydro is applying to dispose of its 2017 lost revenues in its 2020 COS application. However, the LRAMVA workform was completed with 2017 and 2018 lost revenue amounts, and therefore does not support the claim to dispose of 2017 LRAMVA balance only.

- a) Please file an updated LRAMVA workform with 2018 amounts removed (specifically rows 75 and 76 in Table 1-b) as the 2018 lost revenue amounts are not part of the current LRAMVA claim. Based on the updated LRAMVA workform, please confirm whether the \$328,035 claim amount for 2017 lost revenues in the pre-filed evidence is correct. If not, please explain why there is a difference.
- b) Please confirm that all applicable models have been updated to ensure that the appropriate LRAMVA balance is reflected in the DVA continuity and bill impacts model.

9-Staff-81

LRAMVA

Ref 1: LRAMVA workform, Tab 5

Ref 2: 2019 Participation and Cost Report

In the 2019 Participation and Cost Report, it appears that there are 2017 unverified adjustments which were not included in Table 5-C of the LRAMVA workform.

- a) Please explain why the unverified 2017 savings adjustments were not included in the LRAMVA claim.
- b) Please confirm that Sudbury Hydro wishes to forgo the recovery of 2017 unverified adjustments in this claim.

9-Staff-82

LRAMVA

Ref 1: LRAMVA workform, Tab 5

Ref 2: Tariff Schedule and Bill Impact Model, Tab 6

- a) Please confirm accuracy of the rate class allocations for the 2016 retrofit program savings, specifically accuracy of the allocation of 2016 retrofit savings to the Sentinel Lighting class.
- b) Please discuss whether Sudbury Hydro believes it is necessary to consider extending the disposition period of the LRAMVA balance to address rate mitigation for certain customer classes that have exceeded a 10% total bill change from the previous year:
 - Residential non-RPP at 10.7%
 - Residential at 10th consumption percentile (219 kW) at 13.3%
 - Sentinel Lighting at 11.4%

9-Staff-83

LRAMVA

Ref 1: LRAMVA workform

- a) If Sudbury Hydro made any changes to the LRAMVA workform as a result of its responses to the LRAMVA interrogatories, please file an updated LRAMVA workform, and confirm the revised LRAMVA balance requested for disposition, the disposition period, and the revised rate riders.
- b) Please confirm any changes to the LRAMVA workform in response to these LRAMVA interrogatories in "Table A-2. Updates to LRAMVA Disposition (Tab 1-a)".

9-Staff-84

Accounts 1595 (2017)

Ref 1: DVA Continuity Schedule

In the DVA Continuity Schedule, Sudbury Hydro is proposing to dispose Account 1595 (2017). Per the *Addendum to Filing Requirements for Electricity Rate Distributions – 2020 Rate Applications* issued July 15, 2019, page 11 states "Account 1595 sub-accounts are eligible for disposition when one full year has elapsed since the associated rate riders' sunset date have expired and the residual balances have been externally audited." The rate rider for Account 1595 (2017) ended April 30, 2018 and is therefore, not eligible for disposition. Please revise the DVA Continuity Schedule to remove this from disposition.

9-Staff-85

Account 1508 – IFRS Transition Costs

Ref 1: Chapter 2 Appendix 2-YA

In Appendix 2-YA, \$41,598 was incurred in 2016 for staff salaries. Please provide additional details on the type of work performed and why it was incurred in 2016, after the adoption of IFRS in 2015.

9-Staff-86

Account 1508 – Energy East Pipeline

Ref 1: Exhibit 9 – Tab 1 – Schedule 4, p. 2

Sudbury Hydro is proposing to dispose \$9,519 recorded in Account 1508 – Other Regulatory Assets, Energy East Pipeline. The March 2015 *Accounting Procedures Handbook Guidance #4* states that materiality thresholds apply to the amounts recorded for the account. Please explain why Sudbury Hydro is proposing disposition of the account when it does not meet the materiality threshold of \$115,000. Please revise the DVA Continuity Schedule as needed.

9-Staff-87

Account 1508 – Pole Attachment Revenue Variance

Ref 1: Exhibit 9 – Tab 1 – Schedule 4, p. 3

Sudbury Hydro is proposing to dispose \$39,778 in Account 1508 – Other Regulatory Assets, Pole Attachment Revenue Variance.

- a) Please confirm that this balance is the balance as at the 2018 year-end.
- b) In the *Orientation Session for Electricity Distributors Rebasing in 2020/2021*, July 17, 2019, slide 10 of the Accounting Matters – Review of Filing Requirements & Models indicated that the OEB may consider final disposition and discontinuance of the account in the current application if a reasonable forecast of balances made up to April 30, 2020. Please provide an estimate of the balance in the account up to April 30, 2020. Please discuss whether Sudbury Hydro plans to dispose of this balance in the current application. If yes, please revise the DVA Continuity Schedule.

9-Staff-88

Accounts 1534 and 1535 – Smart Grid

Ref 1: Exhibit 9 – Tab 1 – Schedule 4, p.p.5-6

Sudbury Hydro is proposing to dispose Account 1534 Smart Grid Capital for \$573,467 and Account 1535 Smart Grid OM&A for \$265,296.

- a) In Account 1534, \$476,028 pertains to a demonstration project. In Sudbury Hydro's 2013 approved settlement proposal, section 9 states "The Green Energy Act Plan will only include planned expenditures to a maximum of \$500,000, for a Demonstration Project, relating to the mitigation of sustained localized high voltages caused by renewable connections." Please confirm that this amount referenced in the settlement proposal is for smart grid and pertains to the \$476,028 recorded in the account. If not confirmed, please explain what the \$500,000 is for and how it relates to the amounts recorded in the account.
- b) Please compare the amounts recorded in Accounts 1534 and 1535 to the amounts that were proposed in Sudbury Hydro's 2013 cost of service rate application by activity type.
- c) Please confirm that Sudbury Hydro has never received recovery for any amounts relating to the items recorded in Accounts 1534 and 1535 (via the 2013 revenue requirement or any other application). If not confirmed, please explain how much was recovered and/or included in rate base, depreciation expense and OM&A.
- d) Please confirm that the amount recorded in Account 1534 is the gross cost of the capital expenditures. If not, please explain what the amount represents.
- e) If part d is yes, please provide the revenue requirement calculation pertaining to the capital recorded in Account 1534 from the date the assets went into service to 2019.
- f) Please confirm that no amount related to the capital recorded in Account 1534 and OM&A in Account 1535 has been recorded in rate base, depreciation expense and OM&A of the current rate application. If not confirmed, please explain what and how much has been included in rate base, depreciation expense and OM&A.
- g) In Sudbury Hydro's 2013 approved settlement proposal, section 9 states "Greater Sudbury will make available the results of its Demonstration Project to the Board as required by the Board's Filing Requirements: Distribution System Plans - Filing under Deemed Conditions of Licence". Please file results of the Demonstration Project.

9-Staff-89

Accounts 2435 – Other Deferred Credit

Ref 1: Exhibit 9 – Tab 1 – Schedule 4, p.8

Sudbury Hydro previously secured funding for certain CDM programs. In 2015, Sudbury Hydro ended these programs and noted that it would propose to flow back any remaining funds after 2015 to ratepayers for amounts that were not spent. Please provide a breakdown of the (\$513,952) proposed to be credited to customers by program type, showing how much was recovered and how much was spent from 2009 to 2015.

9-Staff-90**Account 1508 – OEB Cost Assessment Variance****Ref 1: Exhibit 9 – Tab 1 – Schedule 5, p.1**

Sudbury Hydro plans to continue Account 1508, Other Regulatory Assets OEB Cost Assessment Variance. In the OEB's February 9, 2016 letter regarding *Revisions to the Ontario Energy Board Cost Assessment Model*, it states "Regulated entities are to cease recording amounts in these accounts when their rates, payment amounts or fees (as applicable) are rebased/reset (cost of service or custom IR) incorporating an updated forecast of cost assessments". Please explain why Sudbury Hydro plans to continue the account when there should be nothing recorded in the account going forward.

9-Staff-91**Account 1508 – OPEB Actuarial Gains & Losses****Ref 1: Exhibit 9 – Tab 1 – Schedule 5, p.p.2-5**

Regarding materiality of the proposed OPEB Actuarial Gains & Losses Account, actuarial gains and losses have ranged from \$2.3M loss to \$6.8M gain. Please provide the annual actuarial gains and losses from 2013 to 2020.

9-Staff-92**Accounts 1518 and 1548****Ref 1: Exhibit 9 – Tab 2 – Schedule 2, p.p.1-2**

Sudbury Hydro has quantified an estimate of what the balances in Accounts 1518 and 1548 should be as at December 31, 2019 in Table 1.

- a) In Table 1, revenues have decreased from 2013 to 2019. However, retail service charges increased (typically doubled) as per the Decision and Order EB-2015-0304 in the matter of energy retail service charges effective May 1, 2019, dated February 14, 2019. Please explain whether these increases have been included in the 2019 budget numbers. If not, please revise Table 1 to reflect the increased retail service charges.
- b) In Table 1, please include a forecast up to April 30, 2020.

9-Staff-93**Account 1575****Ref 1: Chapter 2 Appendix 2-EA****Ref 2: Exhibit 2 – Tab 1 – Schedule 1, Attachment 2****Ref 3: Chapter 2 Appendix 2-BA**

- a) In Appendix 2-EA, the 2018 MIFRS closing PP&E balance is \$98,676,629. In the 2018 MIFRS closing PP&E balance is \$98,417,334. Please explain and reconcile the difference and revise the evidence as needed.
- b) In Appendix 2-EA, the closing MIFRS PP&E balances include “WIP – Capital Inventory” and “Work in Process” (as can be seen from the PP&E breakdown from Appendix 2-BA). Please confirm that the CGAAP balances also include these items and they are for the same amount as under MIFRS, resulting in no impact to Account 1575. If not confirmed, please explain why there is a difference between CGAAP and MIFRS and why these differences should be included in Account 1575 when they do not form part of rate base.
- c) In Appendix 2-EA, the additions under CGAAP and MIFRS are different each year from 2013 to 2019. Please explain what is the reason for the difference as differences are not expected given that Sudbury Hydro’s 2013 rebasing application already incorporated capitalization policy changes that would affect additions.
- d) In the breakdown of Account 1575 provided in Exhibit 9, Table 1 shows a column for “Loss on Disposals per App 2-BA”. Please explain how these amounts agree to the disposal columns in Appendix 2-BA. Please provide an example.
- e) In the breakdown of Account 1575 provided in Exhibit 9, Table 1, the “Correction of Prior Disposal” and “Depreciation Correction through RE” totals \$565,450. Please explain how these amounts agree to the \$946,000 adjustment to PP&E shown in 2015 financial statement note and the 2015 Appendix 2-BA.

9-Staff-94

New Accounting Guidance

Ref 1: Exhibit 9 – Tab 2 – Schedule 4, p.1

Sudbury Hydro indicated that it was in the process of implementing the full scope of the accounting guidance. It anticipates the implementation to be completed by December 31, 2019.

- a) Please confirm that the accounting guidance has been fully implemented by December 31, 2019.
- b) Please confirm that the accounting guidance has been implemented retroactive to January 1, 2019.
- c) If part a or b above is not confirmed, please provide a status update on the implementation.

9-Staff-95

New Accounting Guidance

Ref 1: Exhibit 9 – Tab 2 – Schedule 4, p.1

Sudbury Hydro reviewed the new accounting guidance and considered it as compared to its historical balances. It has not found any systemic issues with its RPP settlement and related accounting processes. Please provide further details on the review that was completed, and any summary reports available (e.g. how the review was done).

9-Staff-96

GA Analysis Workform

Ref 1: GA Analysis Workform

In the 2018 GA Analysis Workform

- a) Columns G and H are not completed under Note 4. Please explain what consumption data is used in the table in Note 4 and why columns G and H were not used.
- b) There is a reconciling item for the difference in actual system loss and billed total loss factor of \$542,766. Please provide a calculation for this loss difference.
- c) In the 2017 and 2016 GA Analysis Workforms, there are also reconciling items for the difference in actual system loss and billed total loss factor. There is a year-over-year increasing trend in the differences from \$12,703 in 2016, \$295,640 in 2017 and \$542,766 for 2018. Please explain year-over-year increasing trend in the differences.

9-Staff-97

Account 1588

Ref 1: DVA Continuity Schedule

Account 1588 transactions for 2018 was (\$983,175). Typically, large balances are not expected for Account 1588 as it should only hold the difference between actual and approved line losses.

- a) Please provide a calculation showing Account 1588 as a percentage of Account 4705 Cost of Power annually and on a cumulative basis from 2016 to 2018.
- b) Please explain the high 2018 transactions for Account 1588 in consideration of