



PUBLIC INTEREST ADVOCACY CENTRE  
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May 19, 2020

VIA E-MAIL

Christine E. Long  
Registrar and Board Secretary  
Ontario Energy Board  
Toronto, ON

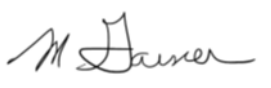
Dear Ms. Long:

**Re: EB-2019-0041 - Hydro 2000 Inc. 2020 Cost of Service Application  
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

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Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,



Mark Garner  
Consultants for VECC/PIAC

Email copy:  
Lise Wilkinson, General Manager, Hydro 2000 Inc.  
[lisewilkinson@hydro2000.ca](mailto:lisewilkinson@hydro2000.ca)

**REQUESTOR NAME**            **VECC**  
**TO:**                            **Hydro 2000 Inc. (Hydro 2000)**  
**DATE:**                        **May 19, 2020**  
**CASE NO:**                  **EB-2019-0041**  
**APPLICATION NAME**        **2020 EDR Application**

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## **1.0 ADMINISTRATION (EXHIBIT 1)**

### **1.0-VECC-1**

Reference:    Exhibit 1, 1.5.1, page 98

- a) Please provide the lease payment amounts made to Hydro One in each of the years 2012 through 2020 (forecast) for the use of the two distribution stations.

### **1.0-VECC-2**

Reference:    Exhibit 1, 1.4.11

- a) Has Hydro 2000 made any changes to its Conditions of Service since 2012? If so, please provide a listing of those changes.

### **1.0-VECC-3**

Reference:    Exhibit 1, 1.10, page 117

At the above reference Hydro 2000 makes this statement:

*Unplanned or unusually large expenses tend to have more impact on small utilities than on large utilities. That said, in anticipation of an on-going disproportion in ratios, Hydro 2000 has put special financial management tools in place to make the most efficient and practical use of their resources.*

- a) Please explain the nature of the special financial management tools being discussed.

### **1.0-VECC-4**

Reference:    Exhibit 1, Appendix A, Financial Statements

- a) If available please provide the 2019 Financial Statements. If not available please explain when audited financial statements for 2019 are expected.

## **2.0 RATE BASE (EXHIBIT 2)**

### **2.0-VECC -5**

Reference: Exhibit 2, 2.2.2 Depreciation / Exhibit 4 4.8 Table 25

- a) Did the adoption of the Kinetrics Report<sup>1</sup> result in any material change to the depreciation rates previously used by Hydro 2000? If yes please outline these changes and explain the impact(s).

### **2.0-VECC -6**

Reference: Exhibit 2, 2.5, 4.3.1 page 25, DSP Appendix B.

- a) How does Hydro 2000 maintain the ability to call upon its contractor (Sproule) as and when needed? For example, does the contractor work on a daily basis or occasional basis for the Utility?
- b) Given that Hydro 2000 exclusively uses outside contractors for maintenance and capital work how does it determine what assets (e.g. transformers, poles etc.) to hold in inventory?
- c) What is the current value of the inventory of replacements assets held by Hydro 2000?
- d) Did Hydro 2000's contractor ask that the Stantec Load Study be undertaken? If not why was this study undertaken and to whom was the subsequent Report provided to?

### **2.0-VECC -7**

Reference: Exhibit 2. 2.5, page 14 DSP

- a) Since Hydro 2000 does not have a SCADA system please explain how system outages are discovered.
- b) For outages reported by customers or the public please describe the Utility's process to contact and have the contractor investigate and remedy these situations in a timely fashion.
- c) Please explain how the contract rate for emergency work differs from that for scheduled work.

## 2.0-VECC -8

Reference: Exhibit 2. 2.5, page 16 DSP

- a) Does Hydro 2000 have a distribution system asset database which includes the age and condition of its assets (e.g. poles, transformers, switches etc.)?
- b) If yes please provide the health assessment (good, poor etc.) of the assets in each category.
- c) If Hydro 2000 does not have an asset condition data base please explain how the ongoing monitoring of distribution assets will be undertaken during the term of the new rate plan.

## 2.0-VECC -9

Reference: Exhibit 2, 2.5 DSP, page 20-23 / Appendix D

- a) Appendix D identifies a number of transformers on the Hydro 2000 distribution system. Please confirm this is an exhaustive list of the Utility's transformers.
- b) Using the table at Appendix D please identify which transformers are intended to be replaced and in which year.
- c) What is the total number of transformers forecast to be replaced by the end of 2025?

## 2.0-VECC -10

Reference: Exhibit 2, 2.5 DSP, page 27-

- a) Please explain how the candidate poles for the accelerated pole program are chosen. Please provide the detailed plan which demonstrates the program is different from the past practice of reactive pole replacement.
- b) How many poles are forecast to be replaced in each year of the rate plan?
- c) What is the estimated cost of a fully dressed pole replacement (including polymer insulators and installation)?

## 2.0-VECC -11

Reference: Exhibit 2, 2.5 DSP, Section 4.2

Hydro 2000 explains at page 24 of the DSP that *"In the period of 2015 to 2018 any planned work (for which documentation was not kept) was not completed nor was the money spent. Historic spending from 2015 to*

*2018 was completely reactive. Spending was undertaken by a contractor to maintain the system only. Records of the costs for this work were not kept. There are no records of planned work or variance reports. Table 8 below illustrates the reactive spending in the years 2015 to 2018 for which there are no records aside from some contractor invoices. The new Board of Directors have started to establish programs since their nomination in February of 2019 to support the new Manager in her planning process.”*

- a) What steps are being taken to rectify this situation and what commitments is Hydro 2000 prepared to make with respect to both the execution of its distribution system plan and the improvement of its record keeping?
- b) Specifically, what steps are being put in place to ensure that Hydro 2000 has removed or remediated all PCB laden transformers by the end of 2025?

#### 2.0-VECC -12

Reference: Exhibit 2, 2.5 DSP, page 27-

- a) How many meters does Hydro 2000 have installed?
- b) How many meters does the Utility plan to replace in each year of the rate plan beginning in 2020?
- c) What is the estimated average cost of each residential smart meter replacement?

#### 2.0-VECC -13

Reference: Exhibit 2, 2.5 DSP, page 28

- a) Please specify the software purchases in 2020. Specifically identify the type of smart meter software being replaced and referred to at page 28 of the DSP (including estimated cost).

#### 2.0-VECC -14

Reference: Exhibit 2, 2.5 DSP, Appendix B

- a) Please explain how the Stantec Load Study informed the distribution system plan. What issues were identified in the study and what capital projects are being undertaken to address any issues?
- b) At section 1.2 of the Study four objectives are identified:

- Determining the acceptability of the system with current and future load growth and to identify any voltage support problems, overloaded equipment, etc.
  - Finding whether the system would operate acceptably during emergency situations.
  - Optimizing the system arrangement (cable sizes, load balancing, open points, etc.) to minimize losses, maximize voltage support, and to distribute loading evenly.
  - The optimal placement and effects of a future substation to allow for a municipally owned substation.
- c) Please explain how these objectives are addressed in the DSP and the capital plan proposed during the rate plan.

#### 2.0-VECC -15

Reference: Exhibit 2, 2.5 DSP/Appendix E / Exhibit 4 Table 22(Appendix 2-M)

- a) Subsequent to the cyber security study (Appendix E) what changes were made to Hydro 2000's IT security?
- b) Please confirm the \$5,920 in Cyber Security costs shown in Appendix 2-M (Regulatory Costs) are ongoing and explain what purchases are made on an annual basis in this regard.

#### 2.0-VECC -16

Reference: Exhibit 2, 2.5.8 Service Quality

- a) Please explain how Hydro 2000 collects SAIFI and SAIDI data?
- b) Does the Utility collect outage data by cause code, specifically outages due to defective equipment? If yes please provide the past 5 years of outage data with respect to defective equipment.
- c) If such data is not collected please explain why not?

### **3.0 OPERATING REVENUE (EXHIBIT 3)**

#### 3.0-VECC-17

Reference: Exhibit 3, page 10 (Table 2)

- a) Please clarify which values in Table 2 are actual versus forecast values.

#### 3.0-VECC-18

Reference: Exhibit 3, page 21 (Table 4)

- a) The 2019 totals for HDD and CDD do not reflect the sum of the monthly values shown. Please reconcile.

### 3.0-VECC-19

Reference: Exhibit 3, pages 20 and 22

- a) Did the Labour Force variable perform better (i.e., as measured by improvement in the R-Square statistic and its statistical significance) than the other economic variables tested per page 20)?
- b) If not, what other variables referenced on page 20 performed better?
- c) Please provide an alternative purchase power model that does not include the Labour Force variable along with resulting regression statistics and a forecast of power purchases for 2020.

### 3.0-VECC-20

Reference: Exhibit 3, pages 26-27

Preamble: At page 26 the Application states: *"In accordance with the Filing Requirements, Hydro 2000 has also provided a 2020 forecast assuming twenty-year normal weather conditions"*.

- a) Please confirm whether the Filing Requirements direct Applicants to provide an alternative forecast using a 20 year average or a 20 year trend for the HDD and CDD variables. If the latter, please provide a forecast for 2020 based on the 20 year trend for the weather variables.

### 3.0-VECC-21

Reference: Exhibit 3, page 30  
Load Forecast Model, Input – Customer Data Tab

- a) Please explain why the purchase power model uses actual data up to and including 2019 while the customer/connection count forecasts only use actual data up to 2018.
- b) What are the actual 2019 customer/connection counts for each customer class?

### 3.0-VECC-22

Reference: Load Forecast Model, Forecast Tab

- a) What is the basis for the 2020 forecast monthly values for the Labour Force variable?

### 3.0-VECC-23

Reference: Exhibit 3, pages 37-39

Directive-CCF-Wind-down (<http://www.ieso.ca/Sector-Participants/Conservation-Delivery-and-Tools/Interim-Framework> )

Directive-Interim-Framework (<http://www.ieso.ca/Sector-Participants/Conservation-Delivery-and-Tools/Interim-Framework> )

Interim Framework CDM Plan – 20190524  
(<http://www.ieso.ca/Sector-Participants/Conservation-Delivery-and-Tools/Interim-Framework> )

OEB 2020 Filing Requirement, Addendum to Chapter 1, 2, 3 and 5, Issued July 15, 2019

Preamble: The Board's 2020 Filing Requirements (Addendum – Section 2.3.1.3) state:

*“As distributors are no longer working towards the former 2015-2020 CDM targets, for 2019 and 2020 activity only, CDM projects that are subject to a contractual agreement entered into between the distributor and a customer by April 30, 2019 under a former CFF program should be included in the proposed CDM manual adjustment to the load forecast for 2019 and 2020. Distributors should provide relevant documentation to support the manual adjustments for 2019 and 2020 CDM projects, including the corresponding CFF program, project timelines and projected savings. Distributors should not include any savings at this time from new projects that begin on or after May 1, 2019 that are under the IESO's interim framework (May 1, 2019 to December 31, 2020).”*

- a) Please confirm that the CDM forecast through to 2020 in Table 18 is based on the Conservation First Framework implemented by the previous provincial government.
- b) In March 2019 the current Minister of Energy issued directives i) discontinuing the Conservation First Framework and the Industrial Accelerator Program and ii) establishing a new Interim Framework. On June 5, 2019 the IESO published the new framework setting out both those programs that would be continued and those that would be discontinued. The IESO also released new program budgets and targets for 2019 and 2020. Subsequently the Board revised the Filing Requirements with respect to 2019 and 2020 CDM savings. Please revise the 2019 and 2020 CDM savings per the Board's Filing Requirements.
- c) Please explain why the proposed CDM adjustment (per page 39) is based on 100% of 2019 savings when the model developed to forecast 2020 power purchases used actual data for 2019 and will therefore already includes at least part of the annual impact of 2019 CDM programs.



### 3.0-VECC-24

Reference: Exhibit 3, page 62

- a) Please confirm that the 2019 values set out in Table 32 are the actual results for the year. If not, please provide.
- b) Please explain the following: i) the sources of Miscellaneous Service Revenues (#4235); ii) why the values vary significantly each year from 2016 to 2019 and iii) the basis for the 2020 forecast value.
- c) Please explain why the 2017 and 2018 Retail Service Revenues are higher than those in either the preceding or subsequent years.
- d) Please confirm that Hydro 2000 implemented the new Retail Service Charges (per EB-2015-0304, Board's November 2018 Report, page 22) in 2019.
- e) Did Hydro 2000 adjust its Retail Service Charges on January 1, 2020 for inflation per the Board's EB-2019-0280 Decision and Rate Order? If not, is Hydro 2000 proposing to do so as part of the current Application?
- f) With respect to Table 32, why is there no SSS Administration Revenue (#4086) in either 2017 or 2018?
- g) Please confirm that Hydro 2000 implemented the new Pole Attachment Charge of \$44.50 on January 1, 2020 per EB-2015-0304, Board's March 2018 Report and the subsequent letter from the Board on November 28, 2019. If not, is Hydro 2000 proposing to do so as part of the current Application?
- h) Please explain the decrease in Rent from Electric Property in 2020 vs. 2019.
- i) What was the source of the Other Electric Revenues (#4220) in 2019 and why is there no value forecast for 2020?

### 3.0-VECC-25

Reference: Exhibit 3, page 74  
Exhibit 8, page 22

Preamble: Exhibit 3 states: *"Hydro 2000 is not proposing any changes to the current specific services charges including MicroFit service charge."*  
Exhibit 8 states: *"Hydro 2000 anticipates no material changes, other than to the MicroFit charge, to its Specific Service Charge ("SSC") revenue and proposes to maintain the current rates at existing levels which are consistent with the OEB's Standard Rates."*

- a) Please reconcile the two statements and clarify Hydro 2000's proposals regarding the MicroFIT charge.
- b) In what USOA are the revenues from MicroFIT charges reported?

## 4.0 OPERATING COSTS (EXHIBIT 4)

### 4.0 -VECC -26

Reference: Exhibit 4, (PDF pg. 40)

- a) Hydro 2000 notes that during 2017-2018 it had an increase in bank penalties due to unpaid late charges. Please describe the type of services received by Hydro 2000 that attract such charges.

### 4.0-VECC-27

Reference: Exhibit 4, PDF page 34

- a) What e-billing services does Hydro 2000 offer its customers?
- b) Does Hydro 2000 offer telephone, direct bank deposit and on-line portal payment methods? If not, when might such services be made available?

### 4.0-VECC-28

Reference: Exhibit 4, Tab 4, PDF page 35

- a) Please explain how the annual maintenance and operations budget is developed.
- b) Does Sproule Powerline provide input to the annual maintenance and operations budgets? Please explain the budgeting process.

### 4.0-VECC-29

Reference: Exhibit 4,

- a) Hydro 2000 currently has three employees (General Manager, Administrative Coordinator and Client Services Clerk). In 2012 it had four employees. Please describe briefly the four position in 2012 and how Hydro 2000 was able to reduce one position.
- b) Hydro 2000 states that "*The increase in benefits in line with the increase in*
- c) *wages and the fact that the utility now operates with two management position.*" (PDF page 50). Other than the General Manager which of the two remaining positions is considered managerial?
- d) Please confirm (or correct) that no compensation costs have been capitalized since 2012 and are not expected to be in the future. If this is not confirmed please provide an amended Appendix 2-K to show any capitalized labour costs.

#### 4.0 -VECC -30

Reference: Exhibit 4, 4.6

- a) Is Hydro 2000 a member of the Electricity Distributors Association? If yes please provide the annual dues for 2012 through 2020 (forecast).

#### 4.0 -VECC -31

Reference: Exhibit 4, 4.6

- a) Was the contract with Sproule Construction tendered? If so in what year was this contract last put out for tender.

#### 4.0 -VECC -32

Reference: Exhibit 4, 4.6

- a) Using the breakdown of the \$123,000 provided in forecast one-time costs please show the actual costs incurred to date.
- b) Please explain what the \$30,000 in ongoing regulatory costs relates to and why no similar costs were incurred in 2012 through 2015.

#### 4.0 -VECC -33

Reference: Exhibit 4, pages 99-103  
LRAMVA Model, LRAMVA Threshold Tab

Preamble: In the Tab Hydro 2000 states:

*"The decision does not approve a specific threshold therefore H2000 used the sum of verified savings for 2011 and 2012. The rationale is based on an excerpt in the decision which states that "Finally, the Board agrees with VECC that any CDM savings from programs implemented up to March 31, 2011 are assumed to be included in Hydro 2000's load forecast.""*

- a) Please reconcile the statement referenced in the Preamble with the fact that the Board's EB-2011-0326 Decision specifically states (page 5): *"The Board accepts Hydro 2000's proposed load forecast, with an adjustment for 20% of its CDM target, or 0.208 GWh, for the purpose of setting 2012 rates"*.
- b) Please explain more fully how Hydro 2000 determined the LRAMVA threshold values by customer class.

## **5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)**

5.0-VECC-34

Reference: Exhibit 5, Tab , DSP, page 27

- a) Does Hydro 2000 have banking facilities that offer short-term credit? If yes please explain the nature of the credit service and the rates provided for short-term credit.
- b) If not please explain how Hydro 2000 manages cash flow.

5.0-VECC-35

Reference: Exhibit 5, Tab , DSP, page 27

- c) Hydro 2000 proposes to increase its capital spending budget significantly as compared to prior years (350% in 2019 over 2018). At 5-Staff-43 Hydro 2000 is asked to explain how this increased capital budget is being funded. If the response is that the Utility intends to finance from retained earnings please show the cash flow projections which support this form of financing.

## **6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6) – N/A**

## **7.0 COST ALLOCATION (EXHIBIT 7)**

7.0 – VECC –36

Reference: Exhibit 7, page 7

- a) Please confirm that the table set on page 7 (just below line 5) represents the number and cost of services installed in 2018 by customer class. If not, what does the table represent?
- b) Based on Hydro 2000's current Conditions of Service, if a new GS<50 or GS>50 customer required connection to Hydro 2000's distribution system, would the customer be responsible for the Service costs and for how long have these requirements been in place (i.e., when were Hydro 2000's Conditions of Service dealing with this matter last changed)?
- c) Based on Hydro 2000's current Conditions of Service, if a municipality sought to connect new Street Lights to Hydro 2000's distribution system, would the customer be responsible for the Service costs and for how long have these requirements been in place (i.e., when were Hydro 2000's Conditions of Service dealing with this matter last changed)?
- d) Please indicate where, in Hydro 2000's current Conditions of Service, USL customers are not required to pay for part/all of their Service costs.

#### 7.0 – VECC –37

Reference: Exhibit 7, page 7

- a) For each row in Table 3 please explain the service that is being provided and how, for each row, the costs were broken down by customer class.

#### 7.0 – VECC –38

Reference: Exhibit 7, page 10

Cost Allocation Model, Tab I8 (Demand Data)

Demand Data Model, Revised Inputs to CA Model Tab

- a) Please explain why, for the Residential Class, the 4NCP value in Table 5 (13,542.42) differs from that in the CA Model and the Demand Data Model (both of which are 13,986.19).
- b) Please explain why, for the GS<50 class, the 4NCP value in Table 5 and in the CA Model are 3,556.28 whereas in the Demand Data Model the value is 3,661.66.
- c) Please explain why, for the GS>50 class, the 4NCP value in Table 5 and in the CA Model are 3,493.26 whereas in the Demand Data Model the value is 3,600.09.

#### 7.0 – VECC –39

Reference: Exhibit 7, page 11

Cost Allocation Model, Tab I7.1 and I7.2

- a) Please explain why there are 49 Residential customers that require a Network Meter and another 7 that require a Transformer Type with CT meter (per Tab I7.1).

### 8.0 RATE DESIGN (EXHIBIT 8)

#### 8.0 –VECC - 40

Reference: Exhibit 8, page 11

- a) The Application states that “*The fixed charge rates for the Street Lighting classes were set to maintain its existing rate*”. Please clarify whether Hydro 2000’s proposal for the Street Lighting class is to: i) maintain the existing fixed rate or ii) to maintain the existing fixed variable split.
- b) The Application states that “*The fixed charge rates for the USL classes were set to maintain its existing rate*”. Please clarify whether Hydro 2000’s proposal for the USL class is to: i) maintain the existing fixed rate or ii) to maintain the existing fixed variable split.

#### 8.0 –VECC - 41

Reference: Exhibit 8, pages 12-16  
RTSR Model, Tab 4

- a) The Hydro One 2020 RTSR's used in RTSR model do not appear to match those approved by the OEB for Hydro One in EB-2019-0043. Please reconcile.

#### 8.0 –VECC - 42

Reference: Exhibit 8, pages 22-23  
EB-2017-0183, March 14, 2019 Notice, Attachment E, page 2

- a) Did Hydro 2000 cease applying Collection of Account Charges effective July 1, 2019 as required by the above referenced Notice?
  - i. If not, why not?
- b) Did Hydro 2000 cease applying Install/Remove Load Control Device Charges effective July 1, 2019 as required by the above referenced Notice?
  - i. If not, why not?

#### 8.0 –VECC - 43

Reference: Exhibit 8, pages 25-26

The Application states (page 25): *"The 2019-2020 estimates of total LV charges were calculated based on the last year of actual charges from Hydro One. Hydro 2000 has calculated an average of 5 years in accordance with board policy".*

- a) Please provide reference for the Board Policy noted in the Preamble.
- b) With respect to Table 14, what were the LV-Billed and LV-Charges amounts for 2019?

#### 8.0 –VECC - 44

Reference: Exhibit 8, pages 27-29

- a) At page 27 the Application makes reference to Hydro 2000 using the standard SFLF of 0.0034. However, Table 15 uses an SLF value of 1.034. Please reconcile and indicate which value is correct.

### 9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

#### 9.0 –VECC -45

Reference: Exhibit 9, PDF page 12

- a) Is the entire amount of the \$48,869 in account 1508 – Deferred IFRS Transition Costs – attributable to services by Deloitte? If not please provide a breakdown of the amounts.

**End of document**