



THE BOARD OF DIRECTORS

PATRICIA ADAMS
Chair and President
ANN CAVOUKIAN
Executive Director, PBDI, Ryerson University
ANDREW COYNE
Columnist, Globe and Mail
IAN GRAY
President, St. Lawrence Starch Co. Ltd.
GAIL REGAN
President, Cara Holdings Inc.
GEORGE TOMKO
Expert-in-Residence in IPSI, University of Toronto

MAX ALLEN
Producer, CBC Radio
DAVID CAYLEY
Writer and Broadcaster
GLENN FOX
Economist, University of Guelph
BRUCE PARDY
Professor of Law, Queen's University
ANDREW ROMAN
Lawyer

October 30, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON
M4P 1E4

Dear Ms. Long

**RE: EB-2020-0026 Halton Hills Hydro Inc.
Energy Probe Interrogatories**

In accordance with Procedural Order #1; Attached are the interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB- 2020-0026 proceeding, the application by Halton Hills Hydro Inc. to the Ontario Energy Board for the approval of its 2021 rates.

Respectfully submitted on behalf of Energy Probe.

Roger Higgin
SPA Inc.
Consultant representing Energy Probe

cc. Tom Ladanyi (TL Energy Regulatory Consultants Inc.)
David Smelsky (Halton Hills Hydro Inc.)
Tracy Rehberg-Rawlingson (Halton Hills Hydro Inc.)
Richard King (Osler Hoskin and Harcourt, LLP)
Patricia Adams (Energy Probe Research Foundation)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

Ontario Energy Board

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O 1998, c15;

AND IN THE MATTER OF an Application by Halton Hills Hydro Inc., to the Ontario Energy Board, for an Order or Orders approving of fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2021.

Halton Hills Hydro Inc. 2021 Rates

Energy Probe Interrogatories

October 30, 2020

**EB-2020-0026-Halton Hills Hydro Inc
Energy Probe Interrogatories**

1-EP- 1

Reference: Exhibit 1, Page 14 Table 1; Page 78, Table 34; Ex 2, Page 1085, Appendix F PEG 2018 Benchmarking Report; Exhibit 4 Appendix 4-2.

Preamble: “A key metric in utility cost efficiency and effectiveness is the annual Pacific Economics Group (PEG) performance benchmarking report. This report evaluates all Ontario LDCs to determine whether the LDC is spending more money than expected or less money than expected. The report uses data filed by the LDCs to predict how much each LDC should spend. On data filed for 2016, 2017 and 2018, HHHI was determined to be operating at 28.4% below predicted costs. (page 27).”

- a) Please provide the calculation and references for the 2018 cost benchmarking result
- b) Please provide the calculation and reference for the HHHI 2019 Forecast of 46.1%
- c) Please provide the calculations and references for the HHHI 2020-2023 bridge and forecast

1-EP-2

Reference: Exhibit 1, Page 15, Table 2, and Page 65, Table 22

- a) Please Confirm which year(s) the performance targets apply to
- b) Please provide the average for each of the Metrics for the historic period 2015-2019.
- c) Please provide the 2020 YTD estimate

1-EP-3

Reference: Exhibit 1, Page 16, Table 3; Exhibit 1, Page 120, Table 58; Exhibit 2, DSP Section 2.3.2.2, Page 165

- a) Please file a chart of the 2016-2025 Capex data for each asset category, showing planned and actuals by year

- b) Please provide trend lines.
- c) Please discuss reasons for the major variation in System Access capital.
- d) Please discuss the reasons for the major variations in General Plant capital
- e) How will the DSS ensure the 2021-25 Capex will be spent as per the DSP? Please discuss.

1-EP-4

Reference: Exhibit 1, Page 22, Load Forecast

Preamble: “General Service 1,000 to 4,999 kW class is expected to see a significant decrease in customers, consumption and demand and the General Service less than 50 kW which will see a modest decrease. This decrease is a result of: (i) customers either closing their business or moving production to other locations; or (ii) installing combined heat and power equipment to reduce consumption and demand requirements.

HHHI has utilized a variable in the load forecast to adjust for the implications of COVID-19.”

- a) Please provide the policy direction for the change to the Load Forecast
- b) Please explain which classes are affected by the COVID-19 variable.
- c) Has HHHI done “runs” without and with the COVID-19 variable? If the answer is no, please explain why not. If the answer is yes, please file the results of the runs.

1-EP-5

Reference: Exhibit 1, Page 33, Table 11

Preamble: “Based on the bill impacts noted above, there are no proposed changes in the Application at this time that will have a material impact on any customer class. However, HHHI is seeking approval to implement a Standby / Capacity Reserve Charge for General Service customers with a demand greater than 50 kW and load displacement generation.”

- a) What rate increase for 2021 was communicated to survey respondents?
- b) Does HHHI agree that the distribution rate increase is excessive? If not, please explain why not.
- c) Why has HHHI not examined the drivers of the rate increase and reduced the increase, particularly given current economic conditions?

- d) Why does the Notice of Application (NOA) not directly address the distribution rate increases?
- e) Why does the NOA not directly address the Standby/Capacity Reserve Charge for GS>50kw?

1-EP-6

Reference: Exhibit 1, Page 50, Table 13

- a) Please indicate if HHHI provides services to Southwestern Energy Inc.
- b) Please provide the reference to the affiliate service level agreement between HHHI and Southwestern Energy Inc. If unable to do so, please file the affiliate service level between HHHI and Southwestern Energy Inc.
- c) Please indicate if HHHI procures services from 20008949 for Quality Tree Service or any other services.
- d) If so, please provide/reference the service level agreement. If unable to do so, please file a copy of the service level agreement.

1-EP-7

Reference: Exhibit 1 Page 57, Table 17

- a) Please provide the percentage increases from 2016-2021
- b) Please prove the average compound annual growth rates.
- c) Compare and discuss the % changes relative to GDDP

1-EP-8

Reference: Exhibit 1, Page 61, Table 19

Preamble: “With the assistance of Borden, Ladner and Gervais, LLP, HHHI used the same regression analysis methodology approved by the OEB in the 2016 HHHI Cost of Service (“COS”) application (EB-2015-0074). The regression analysis has been updated to include actual data to the end of 2019.”

- a) Please indicate all changes made to the residential 2016 forecast model.
- b) Indicate for each change, directionally, the effect on the 2021 forecast.

- c) Please discuss why the 2020 and 2021 residential consumption per customer is increasing relative 2019. Specifically what factors are responsible for higher average consumption in 2020 and 2021?
- d) What do the YTD 2020 residential data show relative to the forecast?

1-EP-9

Reference: Exhibit 1, Page 66, Table 23

- a) Please extend the Table to show the 2016-2020 System Access expenditures.
- b) For Municipally- Driven Projects, Please provide a schedule that shows the annual variation in capital and In-Service dates for 2016-2020.

1-EP-10

Reference: Exhibit 1, Page 67 Table 24; Business Plan Page 145, Sample Condition Assessment Substation Assets

Preamble: “HHHI’s goal with *system renewal* projects is to ensure the assets used in the delivery of power as well as the supporting infrastructure are in good condition, are safe to operate, and will continue providing reliability to customers. This category includes plans to replace defective, obsolete, and end-of-useful life assets.”

- a) Has HHHI had an independent third party Asset Condition Assessment (ACA) done, for example AESI? If so, please file a copy. If not, please explain why not.
- b) Please extend Table 24 to show the asset replacements for the period 2016-2020.
- c) Please show as separate item the MTS.
- d) How did HHHI determine the *pace* of asset renewal in the 2021-2025 DSP?
- e) Please provide examples for Overhead, Underground and Transformer assets.

1-EP-11

Reference: Exhibit 1, Page 79 Table 35

- a) Please provide the annual average compound annual growth rate (CACGR) for each O&M category.

- b) Please provide the \$ increase and percentage change from 2020-2021.

1-EP-12

Reference: Exhibit 1, Page 86 Table 40

Preamble: “The 2021 cost allocation study indicates the revenue to cost ratios for the General Service 1,000 to 4,999 kW class, Street Lighting class, Sentinel Light class and Unmetered Scattered Load class are outside the OEB’s range. For 2021 and onward, HHHI proposes to maintain the revenue to cost ratios similar to what was approved in HHHI’s 2016 COS (EB-215-0074). This methodology will move the customer classes that are currently outside of the range back within the Board’s Target Range. In addition, this adjustment helps to mitigate any large rate increases. Specifically, moving the Residential class from 95.09% to 105.67% would cause a significant rate increase for that class.”

- a) What other options did HHHI consider to keep R/C ratios inside the Board ranges?
- b) What cost change would be required to move the Residential R/C to 100%? What would be the impact on other rate classes?

1-EP-13

Reference: Exhibit 1, Page 89

Preamble: The Standby / CRC charge would be based on the applicable General Service 50 to 999 kW or General Service 1,000 to 4,999 kW Distribution Volumetric Charge applied to the contracted amount (e.g. nameplate rating of generation facility multiplied by Capacity Factor).

Please provide a copy of the communication with the prospective customer regarding the Standby/CRC charges (names omitted).

1-EP-14

Reference: Exhibit 1, Page 115 Table 56; Scorecard Page 149 of Business Plan

- a) Please provide a copy showing the years.
- b) If not provided, please add the averages.
- c) Please provide the 2021 metrics/targets.
- d) Please confirm that SAIDI and SAIFI are increasing as shown on the Scorecard.
- e) Please provide the latest HHHI ranking for SAIDI and SAIFI using OEB yearbook data.

1-EP-15

Reference: Exhibit 1, Page 117/118 Table 57; Exhibit 2, DSP Section 3.3.4page 178

- a) Please provide a copy of Table 57 with the 2015-2019 averages and standard deviation.
- b) Please provide a discussion on
 - high number of scheduled outages in 2016 and 2019
 - high number of unknown outages in 2019
- c) Please provide a chart showing outages due to defective equipment
- d) Please provide the 2020 YTD data.
- e) With regard to the second reference- please indicate why Arrestor failures are not highlighted. What is the action plan for this problem?

2-EP-16

Reference: Exhibit 2, DSP Section 3.4.4, Page 182

- a) Please link the table of assets managed to the DSP asset replacement plan 2021-2025 by showing for each major category the number of assets to be replaced in each year and indicate specifically if the replacement is planned or run to failure.
- b) Please provide an estimate of the unit cost for each type of asset.

2-EP-17

Reference: Exhibit 2, DSP Section 3.5.1.3, Page 206

Preamble: “Along with regular inspection and maintenance of equipment as outlined in the Asset Management Plan Appendix A, HHHI maintains a three-year vegetation management schedule to trim trees throughout the service territory.”

- a) Please provide the historic VM cycle(s) and annual cost 2015-2020.
- b) Does VM include both tree and brush trimming? Please delineate in annual number of km for each year.
- c) Does HHHI procure VM services from its affiliate? If so please provide the Service level Agreement.

2-EP-18

Reference: Exhibit 2, DSP Section 4.9.2, Table 52, Figure 53, Historical Capex by Category; Section 4.11, Page 249, Table 58.

- a) Please discuss why System Renewal expenditures have materially reduced in 2018-2020?
- b) Please project Figure 53 data to 2021-2025 using Table 58 data.
- c) Please reconcile the DSP to the planned asset replacement categories in response to interrogatory 1-EP-10 and to Table 61 by providing a table showing the number of SR assets planned to be replaced from 2021-2025.
- d) Why are the planned Poletrans Replacement and Substation Equipment investments “volatile/lumpy”?

2-EP-19

Reference: Exhibit 2, DSP Section 4.12.4.3, Figure 63, Table 63, Page 264-265, Ex 2, Appendix F 2025-2027 Fleet Vehicle Replacement Schedule

- a) Please clarify which GP category includes Fleet Equipment.
- b) Please provide historic vehicle replacement costs 2015-2020.
- c) Confirm Appendix F shows a current profile of the Fleet.
- d) Please indicate for light duty vehicles, why the life expectancy is 10-12 years. Is there also a km ceiling?
- e) Please provide
 - i. the number of units to be replaced (by light and heavy duty if possible).
 - ii. the annual budgets for Fleet replacement 2021-2025.

2-EP-20

Reference: Exhibit 2, DSP Page 393, Appendix A, HHHI Scorecard; Exhibit 2, Appendix G Scorecard

- a) Please update/provide the latest HHHI Scorecard up to and including 2019 data.
- b) Please provide the 5-year averages for each metric.

- c) Specifically clarify the 2021 targets for the following metrics
 - i. System Reliability SAIDI/SAIFI
 - ii. Cost control: Total cost/ customer, Total cost/km
 - iii. Conservation and Demand management

2-EP-21

Reference: Exhibit 2, DSP Page 415, Appendix B, Customer Engagement Results

- a) What information was provided to customers on future rates e.g. were they informed about what is meant by reasonable rates.
- b) Specifically, were respondents informed rates will be stable or will need to increase? Please point to the information.
- c) Were customers informed that distribution rates would have to increase by 25% in 2021?
- d) How does the lack of information on future rates influence the outcome and specifically the balance between rates and reliability? Please discuss.
- e) Please point to the information customers were given regarding whether reliability was getting worse, or improving.

3-EP-22

Reference: Exhibit 3, Page 16, Table 4; CDM Participation and Cost Report Halton Hills Hydro

- a) Please indicate by annotation which values in the Table 4 are verified by IESO and which are estimates by HHHI.
- b) Why are the persistence levels for 2015-2017 CDM programs in 2021 so high?
- c) Please provide a listing of programs/measures and demonstrate why the 2021 persistence levels are at 98.57%.
- d) The IESO Excel Report chart shows 2020 Annual Persisting Energy Savings of 31,773, 107 kwh. Please discuss.

3-EP-23

Reference: Exhibit 3, Page 16, Tables 15 and 16; Appendix 3-2 IESO Presentation

Preamble: What evidence does HHHI have that the residential and commercial demand is following the IESO forecast.

- a) What policy direction has HHHI been given by the OEB regarding Covid-19 impacts on the Load forecast?
- b) Has HHHI discussed changes to the Load Forecast with its peer utilities? How have these utilities addressed the issue?
- c) Please provide the HHHI 2020 YTD demand for the residential sector on a weather normalized basis. Compare to the same period in the prior year and to the 5% IESO forecast increase.
- d) Please provide the 2020 YTD normalized consumption for the commercial sector <50kw taking into account changes to commercial connections.
- e) Compare to the prior year and to the IESO 2020 6% commercial forecast.
- f) Please provide the 2020 YTD normalized consumption for the commercial sector 50-999 kw taking into account changes to commercial connections.
- g) Please compare to the prior year and to the IESO 2020 9% commercial forecast.

3-EP-24

Reference: Exhibit 3, Pages 27-33, Tables 17, 20, 22;

Preamble: HHHI has actual 2020 consumption data March October 2020

- a) Without necessarily re running the models please provide an update to the 2020 Bridge year data.
- b) Please revise Table 17 and the 2021 Test year forecast for weather and changes in 2020 consumption.
- c) Please revise Table 20 as necessary.
- d) Please confirm Table 22 includes the COVID-19 adjustment and update as necessary.

3-EP-25

Reference: Exhibit 3, Page 50, Table 31, Appendix 2-H

Please explain the change in the following Other Revenues:

- i. USoA 4375 Revenues from Non-Utility Operations 2020 vs 2019
- ii. USoA 4380 Expenses of Non-Utility Operations 2020 vs 2019
- iii. USoA 4210 Rent from Electric Property 2021 vs 2020.

4-EP-26

Reference: Exhibit 4, Page 15, Table 3

- a) Please provide the % Compound Annual Growth Rate in OM&A for 2016-2020
- b) Please provide the annual growth rate 2020-2021.

4-EP-27

Reference: Exhibit 4, Page 19, Table 8, Page 27, Table 11, and Page 29, Table 12

- a) Please provide a version of Table 8 that shows the 2020 Opening Balance (rather than 2016) and the 2020 to 2021 Test Year changes.
- b) Please provide more detail on the Administrative Expense increase, resulting in the 2021 \$31/ per customer and \$12.4 /FTE increase.
- c) Please clarify the basis of the Climate Change cost increase:
 - Is HHHI providing staff support?(provide FTE/costs)?
 - Is HHHI funding external resources? If so provide details.
 - Is HHHI providing capital for infrastructure (detail costs/year)?
- d) Is the Climate Change coordinator a HHHI staff hire or hired by Halton Hills?

4-EP-28

Reference: Exhibit 4, Page 30

Preamble: “In addition, HHHI incurred a material pay equity cost increase for which HHHHI attempted to recover the pay equity costs as a ‘Z-Factor’ recovery request (EB-2017-0045). The OEB Decision and Rate Order (EB-2017-0045), dated April 26, 2018 denied HHHI’s Z-Factor Pay Equity Application (Appendix 4-3).”

Please clarify the status of the pay equity cost claim. Is HHHI reinstating the claim for 2021 or does the Board’s Decision stand?

4-EP-29

Reference: Exhibit 4, Page 49, Performance Pay

Preamble: “In 2020, HHHI implemented SMART (Specific, Measurable, Achievable, Relevant, Time-bound) Goals performance system. Goals are intended to challenge the Leadership Team to consider how they can improve overall and with individual skills to maximize HHHI’s potential and further enhance its contribution to the community and shareholder.”

- a) What was the prior performance pay scheme? Please provide a comparison of the prior and current schemes (scorecard eligibility range etc.).
- b) How many staff (including COO and CEO) receive performance pay.
- c) Please provide the historic amounts and percentages of base pay.
- d) Please compare the aggregate bonus pay for 2019 and 2020 assuming similar performance.

4-EP-30

Reference: Exhibit 4, Pages 65-69, Tables 35, 36 and 37, Shared Services and Corporate Allocation

- a) Please provide more detail on the Civil and electrical services provided to HHHI’s affiliate Southwestern Energy Inc.
- b) Please explain the major reduction in Services provided from HHHI to Southwestern Energy Inc in 2020/ 2021. Specifically explain if there was a scope change and the impact of the change to a bid process.
- c) If HHI bid for Civil and Electrical Services in 2020 please provide the HHHI bid compared to other bids (names omitted).
- d) Please confirm that HHHI procures its Arborist Services from its Affiliate 2008949 Ontario Ltd.
- e) Have the 2020/2021 services been charged at cost plus or bid?

4-EP-31

Reference: Exhibit 4, Page 71, HHI Services to/from HHCEC-Parent Company

- a) Please provide the basis for charging services to HHCEC, for example, number of accounts, time etc..
- b) Please provide a breakdown of the services HHCEC provides to HHHI. Include the basis for each of the charges e.g. number of meetings, time, direct expenses etc.
- c) Are there Services Level Agreements for all services to/from affiliates? If so, please provide copy(ies) for 2021 services.

5-EP-32

Reference: Exhibit 5, Pages 15-16, Cost of Debt

- a) Please confirm the \$16,141,970 Promissory Note bears interest at the OEB Long Term Debt Rate.
- b) What options did HHI/HHCEC consider to provide Long Term Financial/Debt requirements?
- c) Please provide a copy of the Report to the Board of Directors.
- d) Please explain the reasons for choosing the Commercial Banking Interest Rate Swap.
- e) Please explain the different interest rates applicable to Interest Rate Swap#1 and Interest Rate Swap #2.

6-EP-33

Reference: Exhibit 6, Pages 16-17 and Table 11

Preamble: “The Revenue Deficiency by Revenue Requirement Component shows that the causes for the revenue deficiency stem from an increase in Rate Base of \$42,826,661 higher than the 2016 Board-approved amount which was discussed in detail at Exhibit 2. Based on a 5.46% overall cost of capital, the increase in the rate base drives an increase in the revenue requirement.”

- a) Does HHHI agree that the 2020/2021 revenue deficiency results in part from the larger HHHI Capital Investment program, including the MTS Transformer Station? Please discuss.

- b) When did HHHI realize that the incremental investment in the MTS could result in financial issues, including failure to make the OEB- allowed return and a material revenue deficiency?
- c) Please provide any reports or materials provided to the HHCEC Board regarding the potential revenue deficiency.

6-EP-34

Reference: Exhibit 6, Pages

Preamble: HHHI is a member of Utilities Standards Forum (“USF”). Currently, a USF member is bringing forth a USF load profiling model in their 2021 COS application. HHHI expects the OEB will thoroughly vet the USF model during the COS process. HHHI intends to utilize the USF load profile model, with any necessary revisions that arise from the COS process, at its next COS.”

- a) Has HHHI reviewed the USF load profiling Model?
- b) If so, outline material changes that could affect the load profile compared to the Hydro One method.

Respectfully submitted on Behalf of Energy Probe Research Foundation

Roger Higgin
SPA Inc.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.