



BY EMAIL and RESS

Mark Rubenstein
mark@shepherdrubenstein.com
Dir. 647-483-0113

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

November 2, 2020
Our File: EB20200026

Attn: Christine Long, Registrar

Dear Ms. Long:

Re: EB-2020-0026 – Halton Hills Hydro Inc. – SEC Interrogatories

We are counsel to the School Energy Coalition (“SEC”). Attached, please find a copy of SEC’s interrogatories in the above-captioned matter.

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
Applicant and intervenors (by email)

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, c. 15;

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.

**INTERROGATORIES
ON BEHALF OF THE
SCHOOL ENERGY COALITION**

1-SEC-1

[Ex.1, p.22] Please explain how, if at all, the Applicant has taken into account the impacts of COVID-19 on the 2020 and 2021 forecasts included in its application. If it has, please provide details. If it has not, please provide revised forecasts to account for the impacts of COVID-19.

1-SEC-2

[Ex.1, p.22] Please provide the amounts currently recorded in the various generic Account 1509 sub-accounts. Please provide a detailed breakdown of the amounts recorded within each-sub account and specific if the amounts are of a type that is a one-time or on-going cost.

1-SEC-3

[Ex.1] Please provide all materials provided to the Applicant's Board of Directors regarding its approval of this application and the underlying budgets.

1-SEC-4

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

1-SEC-5

[Ex.1, p.140] With respect to productivity and efficiency measures:

- a. Please provide a breakdown of the \$220,000 in cost savings and 2300 and productivity hours achieved since 2018. Please breakdown the savings into capital and OM&A, and detail how each initiative was calculated.
- b. With respect to the 162 innovating ideas provided by the Applicant's staff, insofar as they are not included in the savings referenced in part (a), please provide a list of the remaining ideas and explain why they were not implemented.

- c. Did the Applicant undertake any other productivity initiatives since its last rebasing application before 2018? If so, please provide details, including quantification of the savings.
- d. Please provide details of all productivity and efficiency measures the Applicant plans to undertake in the test year. Please quantify the savings, explain how they were calculated, and detail how they were incorporated into the application.

1-SEC-6

[Ex.1, p.57] Please provide a revised version of Table 17 that, a) includes in the 2016 Board Approved column a correction of the depreciation expenses calculation error that was brought to the Board's attention in EB-2017-0045, and b) excludes in the 2021 Board Approved column the capital related costs related Municipal Transformation Station approved as an ICM in EB-2018-0328.

1-SEC-7

[Ex.1] For each year, between 2016 and 2020, please provide a copy of the Applicant's corporate scorecard or similar document. If the Applicant does not have a corporate scorecard or similar document, please explain how the Applicant and its Board of Directors measures its success.

2-SEC-8

[EB-2015-0074, Ex.2, Appendix 2-A, p.88-90] Please provide a table that shows for each of the material capital projects included in the Applicant in the last DSP, for years 2016-2020, a) total budgeted cost in the EB-2015-0074 application, b) total actual cost, c) variance in cost, d) explanation for all variances +/- 10%. e) forecast project completion dates (year), f) actual completion dates (year), e) explanation of any variance in completion dates.

2-SEC-9

[Ex.2, p.85-86] With respect to the additional costs of the Transformer Station since the ICM:

- a. Please provide a table that shows for each cost category in Table 41, a) the forecast costs in EB-2018-0328, and b) actual costs.
- b. Please provide a further breakdown and explanation of the additional amounts for, a) for Commissioning Costs (\$352,387), b) Capitalization of interest, loan, property tax & legal (\$179,622), c) SCADA programming, operating directives (\$242,177).
- c. Please explain why the Board should provide a true-up of the ICM costs.

2-SEC-10

[Ex.2, p.205] The Applicant notes it uses a number of 'Asset Management Factors' (i.e. public safety, worker safety, asset condition, asset age and useful life, operability, risk/likelihood failure and impact of failure to assess an asset's condition. Please explain how each of these factors impacts an asset's condition.

2-SEC-11

[Ex.2, p.252, 684] The capital cost information contained in Table 59/Appendix 2-AA is not presented in the same way that that capital costs are in the Capital Project Sheets in Appendix E of the DSP. Please provide a table that shows for each project/program listed in Table 59/Appendix 2-AA, the associated Capital Project Sheet in Appendix E of the DSP. If there is any discrepancy in project costs between Table 59/Appendix 2-AA and Appendix E of the DSP, please explain which one is the correct amount.

2-SEC-12

[Ex.2, p.386] With respect to the Applicant's Decision Support System (DSS):

- a. [p.372] Please provide a copy of the preliminary review of the Applicant's data that was completed by BluePlan as part of the Project Kickoff.
- b. [p.378] Please explain in detail how the asset condition Health Index is calculated. Please provide numerical examples to help illustrate the calculation.
- c. [p.383] Please confirm that once an asset has reached its estimated service life, it is given the lowest possible condition score (0.2) even if its actual condition (based on asset condition data) is higher. If confirmed, please explain why this is appropriate.
- d. [p.386] Please provide a copy of the summary MS Excel spreadsheets that were provided by BluePlan to the Applicant.
- e. [p.391] With respect to the LOS and DSS Implementation Report, please provide a table that shows for each recommendation, if the Applicant has or plans to implement it, and provide details of its progress in doing so.

2-SEC-13

[Ex.2, p.128-130] Please provide an Excel version of Table 56.

2-SEC-14

[Ex.2, p.169] Please explain the "Plan-Do-Check-Act" principles.

2-SEC-15

[Ex.2] Please provide a table that shows for each major asset type, the number replaced or forecasted to be replaced, regardless of the project or program, for each year between 2016 and 2025.

2-SEC-16

[Ex. 2] Please provide a revised version of Appendix 2-AB on an in-service additions basis.

2-SEC-17

[Ex.2, p.208] Please provide any internal guides, or similar documents that exist, that more expansively defines 'Risk Impact' and "Risk Probability", and provides guidance on how to apply the scores to a given project.

2-SEC-18

[Ex.2] Please explain how the Applicant forecasts the costs of individual capital projects. In your response, please provide an illustrative example.

2-SEC-19

[Ex.2, 415] With respect to the Customer Engagement Results:

- a. The document notes that the survey ran from July 24th to October 31st? Please confirm that this was referring to July 24th to October 31st of 2019.
- b. [p.420] The report includes a figure that shows respondents views on "how many power outages [they] have experienced in the last 12 months?" Please provide a figure (or table) showing on a similar basis, the actual number of outages by customer classification included in the figure for the 12-month period ending when the survey took place.

2-SEC-20

[Ex.2, p.708] With respect to the Pole Replacement Project, the Applicant notes that the project involves replacement of 80 to 100 poles:

- a. For the purpose of forecasting the project costs, how many poles were forecast to be replaced?
- b. What ultimately determines the number of poles that will be replaced under this program?

2-SEC-21

[Ex.2] Please complete the table in Excel 2-SEC-22.

2-SEC-22

[Ex.2] Please provide a revised version of Appendix 2-AA, that includes a column showing year-to-date actuals for 2020, and a column showing year-to-date actuals at the same point in time in 2019.

2-SEC-24

[Ex.2, Appendix A] The Applicant has included a number of figures that shows the asset condition performance distribution overtime of various asset classes. Do the figures assume a level of asset replacements or additions over time? If so, please provide details.

2-SEC-24

[Ex.2, Appendix A] Please confirm the asset condition information is based on data as of 2019. If confirmed, please provide a table that shows for each asset type, the number of assets in each asset condition category (excellent, good, fair, poor and very poor) in 2019. Please also include the total population of assets and number of assets that the Applicant does not have condition data on.

3-SEC-25

[Ex.3, p.50] Please provide a revised version of Appendix 2-H including a column showing year-to-date actuals for 2020 and a column showing year-to-date actuals at the same point in time in 2019.

4-SEC-26

[Ex.4, p.22] The Applicant notes that as part of the budgeting process, the “Executive Management reviews the initial budget and makes changes to balance cost control with achieving core objectives.” With respect to the test year budget, please explain what changes the Executive Management made to the initial budget (both capital and operating).

4-SEC-27

[Ex.4, p.29] Please explain why “[i]ncreases and wages and staff progressions” and “[i]ncreases in benefits” line items in the Cost Driver Table (Table 12/Appendix 2-JB) do not show any increases in years between 2017 and 2020, even though Appendix 2-K (Table 23 at p.51) shows an increases.

4-SEC-28

[Ex.4, p.31] The Applicant is seeking funding for a number of initiatives “towards HHHI’s Climate Change Plan and in support of the Town of Halton Hills declared climate change emergency.” [emphasis added]

- a. Please provide a copy of the Applicant’s Climate Change Plan.

- b. Please provide a copy of all material provided to the Applicant’s Board of Directors in support of the Applicant’s Climate Change Plan and any of the related initiatives it is seeking funding for in his application.

4-SEC-29

[Ex.4, p.32] With respect to the Applicant’s proposed expenditures on EV charging stations:

- a. The Applicant notes that “Through its affiliate companies, HHHI has already supported the installation of EV charging stations at the Acton Arena and Mold-Masters SportsPlex as well as two (2) charging stations at the HHHI Administration Building”. What is HHHI’s role in the installation of EV charging stations?
 - i. Please provide further details including what specific role HHHI had in these installations.
 - ii. Please provide the cost of this work and if it was compensated by the affiliate for its work.
 - iii. Who owns and operates these EV charging stations?
- b. The Applicant notes that “HHHI will provide funds or in-kind services to assist with the installation of these charging facilities as appropriate”.
 - i. Does the Applicant envision a similar arrangement as the EV charging stations described in part (a)?
 - ii. Please describe and quantify the benefits if these proposed expenditures to the Applicant’s customers.
 - iii. Please explain why this is an appropriate distribution activity.

4-SEC-30

[Ex.4, p.34] With respect to the proposed Energy Conservation Initiatives costs:

- a. Please provide a breakdown of the budget.
- b. Please provide details of the Home Retrofit Acceleration Program.
- c. Are any of these costs of a type that was previously funded through the IESO Conservation First Framework?
- d. Please explain how these costs are consistent with the Board’s CDM Guidelines.

4-SEC-31

[Ex.4, p.35] Please explain why the Applicant and not the Town of Halton Hills is funding a part-time Climate Change Coordinator position.

4-SEC-32

[Ex.4, p.41] Please provide a revised version of Appendix 2-JC including a column showing year-to-date actuals for 2020 and a column showing year-to-date actuals at the same point in time in 2019.

4-SEC-33

[Ex.4, p.47] The Applicant notes that it reviews and analyzes its total compensation program against three market comparators. Please provide the results of the comparison.

4-SEC-34

[Ex.4, p.51] Please provide a revised Appendix 2-K that includes: a) two additional rows showing annual amounts allocated to capital and OM&A, and b) 2020 year-to-date actuals.

4-SEC-35

[Ex.4, p.65] With respect to shared services and corporate allocations:

- a. Beginning with the table for 2019, there is no listed pricing methodology for services provided by the Applicant to 2008949 Ontario Ltd and Halton Hills Community Energy Corporation. Please provide the pricing methodology.
- b. Please explain why all services provided by the Applicant to an affiliate are provided at cost, but most services provided to the Applicant from an affiliate are at cost plus a markup.
- c. Please explain how the 'markup' is determined.
- d. Please provide the total costs of services received from each of SouthWestern Energy Inc. and 20089490 Ontario Inc. from 2016 to 2019 broken down between 'costs' and 'mark up'.
- e. For 'Civil and Electrical Contracting Services' and 'Arborist and Tree Trimming Services' that were received from affiliates, did the Applicant undertake an RFP or similar competitive process for these types of services? If so, please provide details regarding the competitive process and provide a summary of the responses to that process, including a copy of any bid summary matrix or similar document.
- f. Please update Table 36 to include all forecasted 2020 costs.

4-SEC-36

[Ex.4, p.65; EB-2015-0074, Exhibit 4, Appendix 4-C] Please provide a copy of the shares services agreements the Applicant has with SouthWestern Energy Inc., 2008949 Ontario Ltd, and Halton Hills Community Energy Corporation. Please describe and explain any changes to any of these agreements since those provided in Applicant's last cost of service application.

4-SEC-37

[Ex.4, p.82] Please provide the total costs incurred by the Applicant regarding its appeal to the Divisional Court of the EB-2018-0328 Decision and Order.

5-SEC-38

[Ex.5, Appendix 5-2] Each of the TD capital term loans have a rate maturity date of May 25, 2021. Please explain how the rate is to be determined for the remainder of the loan term after May 25, 2021.

5-SEC-39

[Ex.5, p.12] Please revise the table to show the start and term for each loan/note.

5-SEC-40

[Ex.5, p.14] The Applicant notes that it agreed in the approved EB-2015-0074 Settlement Proposal, "that prior to its next cost-of-service application, it will conduct a review of long-term debt financing options available to HHHI and will file the results of such review in its next cost-of- service application." The evidence only provides the explanation of the restructuring of its long-term debt and has not provided any information regarding the review as required in the EB-2015-0074 Settlement Proposal. Please provide details of the review, including but not limited to, a description of the review process, copies of any analysis it undertook, and a summary of the various options it considered.

5-SEC-41

[Ex.5, p.15] The Applicant notes that it entered into an interest swap agreement to reduce the interest rate risk associated with floating rate debt on its MTS1. Please explain why the Applicant would enter into a variable interest rate loan and not a long-term fixed debt arrangement on the MTS1 loan, considering the low interest rate environment over the last few years.

5-SEC-42

[Ex.5, p.21] The Applicant had a \$16.1M promissory note with its affiliate due December 31, 2020 (Appendix 5-1). The evidence appears to be that sometime in 2020 it entered it replaced or amended the agreement to re-pay the principal of the debt overtime and extend its term to 2025 (p.15). The evidence is also that it entered into another promissory note with its Affiliate beginning with a principal amount of \$13M (p.11).

- a. Please confirm the above summary of the evidence is correct.
- b. Please provide a copy of both the new/amended promissory notes.
- c. Please provide evidence to demonstrate that the most appropriate course of action with respect to the \$16.1M promissory note with the affiliate was to extend the term of the debt and not seek third-party financing. Please detail all other sources of debt that the Applicant investigated at the time and the applicable interest rates that were offered.
- d. Please provide evidence to demonstrate that entering into a promissory note with its affiliate provided the best value for money to ratepayers. Please detail all other sources of debt that the Applicant investigated at the time and the applicable interest rates that were offered.

5-SEC-43

[Ex.5, p.5] Please revise Table 2 to show what the achieved ROE for each year would have been if the Applicant had not made the depreciation calculation error that we identified in EB-2017-0045.

8-SEC-44

[Ex.8, p.13] Please explain why the Applicant is proposing a Monthly Service Charge in 2021 for the GS>50 class, that is significantly above the Board's Ceiling (Minimum System with PLCC Adjustment). Please explain how such a proposal is consistent with Board policy.

8-SEC-45

[Ex.8, p.16] With respect to the proposed standby charge:

- a. What information has the Applicant provided to the referenced customer with CHP generation regarding the proposed standby charge? What feedback has the Applicant received?
- b. Is the Applicant seeking approval of a standby charge that would only apply to this customer, or is it seeking generic approval of a standby charge methodology that could apply to other customers who have behind the meter load displacement technologies, or may in the future?
- c. If the Applicant is seeking generic approval, please provide full details regarding the proposed charge including, but not limited to, proposed terms and conditions of the charge to be included in conditions of service, specific capacity factors to be applied to different load displacement types, how the standby capacity will be determined, what happens if no agreement can be reached between customer and the utility, etc.

Respectfully submitted on behalf of the School Energy Coalition this November 2, 2020.

Mark Rubenstein
Counsel for the School Energy Coalition