

**ONTARIO ENERGY BOARD  
 IN THE MATTER OF AN APPLICATION BY  
 HALTON HILLS HYDRO INC. (“HHHI”)  
 2021 COST OF SERVICE APPLICATION  
 CLARIFYING QUESTION RESPONSES FROM HALTON HILLS HYDRO INC.**

**SEC CLARIFYING QUESTIONS AND RESPONSES**

**SEC CQR – 1**

**[1-SEC-2]**

As requested in the IR, please provide a breakdown of the amounts included within each sub-account and specify if the amounts are of a type that is a one-time or on-going cost.

**Response:**

Table SEC CQR - 1 provides the breakdown of the 1509 sub-accounts as at October 31, 2020.

**Table SEC CQR – 1 – Breakdown of USofA 1509 Sub-accounts**

Sub-Account Identifier	Sub-Account Description	Balance at October 31, 2020	Type of Cost
Billing and System Changes	Costs associated with Billing and System Changes - "Customer Optionality"	\$ 20,000	One-Time
Lost Revenues	Relating to foregone interest revenue to July 21, 2020	\$ 54,527	One-Time
Other Costs	Incremental COVID-19 related expenses including PPE, sanitizer, additional cleaning, etc.	\$ 60,303	On-going
Bad Debts	Incremental bad debt expenses directly attributed to COVID-19 related business failures	\$ 50,000	On-going
Revenue for postponement of rate implementation	Foregone revenue from the postponement of May 1, 2020 Distribution Rates (May 1, 2020 to July 31, 2020)	\$ 53,714	One-Time

**SEC CQR – 2**

**[1-SEC-2]**

Please explain the methodology used to calculate the amount recorded in Account 1509, Sub-Account Lost Revenues.

**Response:**

The methodology used to calculate the amounts recorded in Account 1509 – sub account Los Revenue is self-explanatory.

Example:

Lost Revenue – “Foregone Interest” is the interest charges lost \$54,527 relating to the “COVID-19 interest holiday” not charged on overdue accounts to July 21, 2020

HHHI is not forecasting any lost revenue in 2020 relating to a decrease in customer(s) load as a result of COVID-19.

### SEC CQR – 3

#### [1-SEC-3; 4-Staff-49(b)]

Please provide a copy of the requested information. The IR response directs readers to the response in 4-Staff-49 which says the Board meetings are not public. This is not a valid rationale to refuse to provide the requested information. It was (and remains) open for the Applicant to request confidential treatment under the Board's *Practice Direction on Confidential Filings*.

#### Response:

The materials prepared by HHHI management for the HHHI Board of Directors provide no additional insight into the application filed. In particular, HHHI can advise that no changes were made to the 2021 OM&A and capital budgets, nor to any part of the application, as a result of the Board of Directors' review of the application.

See SEC CQR-13.

## SEC CQR – 4

### [1-SEC-5]

Please respond to the IR as posed. The IR response directs readers to 1-Staff-5. The attachment which provides a breakdown included in the response to 1-Staff-5, does not breakdown the savings into capital and OM&A, and does not detail how the savings for each initiative were calculated.

### Response:

Halton\_Att\_SEC\_CQR-4\_Innovation\_Details\_20201211 provides detail as to the type of savings associated with the innovation as well as information on how the values were established.

The majority of these items are estimates of either cost avoidance or cumulative efficiency gains through process improvements. The values are estimates determined by the staff members who brought forward the ideas and in most instances are cumulative over time.

The innovation initiative is as much focused on staff engagement as it is on cost savings or productivity improvements. Many of the ideas relate to improved customer service or internal communications, time savings or improved process.

**SEC CQR – 5**

**[2-SEC-8]**

Please respond to the IR as posed. The information contained in the DSP is not granular enough to thoroughly review performance of material projects in previous DSP.

**Response:**

Please see Halton\_Att\_SEC\_CQR-5\_Project\_Details\_20201211.

## SEC CQR – 6

### [2-SEC-16]

The IR requested that a revised version of Appendix 2-AB be prepared on an on-service additions basis. In the response, the Applicant did not provide the requested table and notes that “[t]he additions occur in the same year of the planned capital expenditure.” Please reconcile the statement with the information provided in Appendix 2-BA which shows significant Work-in-Progress in each year and capital additions in a given year, that are different from those years’ capital expenditures. Please provide the requested table.

### Response:

Please see Halton\_Att\_SEC\_CQR-6\_Projects\_Forecast\_20201211 for capital projects planned for the 2021-2025 time period on an in-service additions basis.

**SEC CQR – 7**

**[2-SEC-24]**

As requested in the second part of the IR, 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.

**Response:**

Table SEC CQR - 2 is taken from Table 24 of the DSP which has been expanded here to include condition data as well as age. Note, for run to failure assets, condition information, where available, is based solely on age. As these assets are run to failure, HHHI does not allocate resources to performing condition assessments on the majority of assets. The one exception is Padmount transformers and switchgear. HHHI does maintain an inspection cycle in compliance with OEB requirements and any assets identified as requiring immediate attention through the inspection process are addressed.

**Table SEC CQR – 2 – Asset Numbers and Condition**

Asset Type	Quantity	TUL	Asset Age				Average Age	Asset Condition					Condition Criteria	Replacement Strategy
			<= 10 years	11-30 years	31-50 years	>50 years		Excellent	Good	Fair	Poor	Very Poor		
Wood Poles	9,354	50	2,695	2,362	2,164	2,133	29	2,296	4,269	2,033	642	114	Age and Condition - Annual pole testing	Proactive
Polemount Transformers	2,299	40	555	542	580	622	32	557	346	199	343	854	Age Based Assessment	Run to Failure
Sectionalizing Switches (gang operated)	41	40	21	20			~15	Condition information unavailable					n/a	Run to Failure
Voltage Regulators	9	40		6	3		23	Condition information unavailable					n/a	Run to Failure
Circuit Reclosers	9	40	3	~6			~18	Condition information unavailable					n/a	Run to Failure
Conductor	932 km	50					n/a	Condition information unavailable					n/a	Run to Failure
Padmount Single Phase Transformers	1,509	40	444	882	179	4	17	518	591	399	175	20	Age Based Only - DSS does not differentiate between Single Phase and Three Phase Transformers	Run to Failure
Padmount Three Phase Transformers	194	40	76	106	12	-	15							Run to Failure
Live-Front Transformers	3	40			1	2	55			3			Site Specific Assessment	Proactive
Vault Transformers	7	40	1	3	1	2	~30		2	2	1	2	Site Specific Assessment	Proactive
Poletrans Transformers	39	40	-	8	29	2	35			8	31		Age - Poletrans replacement program in place for all existing units.	Proactive
Underground Cable	754 km	40					n/a	Condition information unavailable					n/a	Run to Failure
Padmount Switchgear	37	30	11	25	1		15	Condition information unavailable					n/a	Run to Failure
Substation Power Transformers	12	35	2	4	6		30	3	1	2	6		Age Based - detailed condition assessment is made as part of evaluation for replacement	Proactive
Substation Switchgear/ Reclosers	12	40	1	2	7	2	35	1	1	4	6		Age Based - detailed condition assessment is made as part of evaluation for replacement	Proactive
Substation DC Service	9	20	4	5			11	Condition information unavailable					n/a	Proactive
PMU Instrument Transformers	8	45	1		7		~30	Condition information unavailable					n/a	Run to Failure

**SEC CQR – 8**

**[3-Staff-44]**

Please update Table Staff IRR-5 to include October and November data.

**Response:**

It is not possible to update October and November at this time as the billings have not been completed.



**SEC CQR – 9**

**[4-SEC-32]**

Has the Applicant included in the 2020 year to date column, amounts that are also included in its Account 1509 balance (See 1-SEC-2)? If so, please provide the amount.

**Response:**

Yes. September 30, 2020 year to date column has \$59,670.66 of costs that is included in Account 1509.

**SEC CQR – 10**

**[4-SEC-33]**

The response to the IR appears to provide various sources of market comparisons. The IR asked for the results of the comparisons. Please provide those results (i.e. the comparison between total compensation programs of the Applicant compared to the listed market comparators).

**Response:**

The results (as of December 2019) for twelve positions are provided below. Any variance from the mean (above or below) are largely attributable to seniority and level of responsibility within the organization.

	% Difference of Overall Mean
Position 1	98.7%
Position 2	119.0%
Position 3	93.5%
Position 4	90.8%
Position 5	127.0%
Position 6	117.0%
Position 7	97.9%
Position 8	99.0%
Position 9	97.9%
Position 10	89.3%
Position 11	96.8%
Position 12	97.6%

**SEC CQR – 11**

**[4-SEC-30(a)]**

In response to an IR requesting a breakdown of the Energy Conservation Initiative budget, the Applicant notes that the details are contained in the HHHI Climate Change Plan. SEC has reviewed the plan provided as an attachment to 4-Staff-52 and cannot locate a budget breakdown. Please provide the breakdown of the budget or specify the citation, if such a breakdown is included in the HHHI Climate Change Plan.

**Response:**

The Energy Conservation Initiative Budget has been allocated to assisting the Town implement its Home Retrofit Acceleration Program. HHHI proposes a budget of \$60,000 for this initiative.

A business case including detailed program design is in development.

The benefits to utility customers will be a locally designed and delivered program to address energy conservation needs within the Town of Halton Hills. The main focus of the program will be reduction in carbon emissions and switching away from fossil based heating fuels.

**SEC CQR – 12**

**[4-SEC-35(d)]**

In response to an IR regarding if the Applicant undertakes an RFP or similar competitive process for the ‘Civil and Electrical Contracting Services’ and ‘Arborist and Tree Trimming Services’ it received from an affiliate, the Applicant states it “requests a quotation in advance from affiliates.”

- a. Does the Applicant seek quotations from other non-affiliate service providers?
- b. Please provide further details regarding any competitive process that the Applicant undertakes for these services (i.e. how many different companies were contacted to provide quotes for each service, what information is sought etc., what were the other quotations received and from whom, how often is this process undertaken, etc).
- c. Please confirm that based on the quotation received, the Applicant’s affiliates are the service providers who are able to provide ‘Civil and Electrical Contracting Services’ and ‘Arborist and Tree Trimming Services’ at the lowest cost. If not confirmed, please explain why these affiliates were selected.

**Response:**

- a) Yes, HHHI seeks quotations from other non-affiliate service providers.
- b) In the example below – the job was awarded to a Non-Affiliate service provider.

Project: CAP 19-020	
Budgeted funds available	\$ 58,287
Actuals spent to date (Sept. 18 2019) for design, site visits, etc.	\$ 4,631
Crew Works (Est.)	\$ 8,360
Transformer (Est.)	\$ 6,436
Metering Installation	\$ 666
Field Inspection of Contractor Work	\$ 1,293
Witness Hi-Pot Testing	\$ 370
<b>Remaining funds in budget</b>	<b>\$ 36,532</b>
SWE Quote	\$ 71,364
SWE Quote (accounting for restoration costs in 2020) ***	\$ 36,337
<b>NON-AFFILIATE QUOTE</b>	<b>\$ 53,970</b>
<b>NON-AFFILIATE Quote (accounting for restoration costs in 2020)</b>	<b>\$ 39,970</b>
Percent Variance between remaining budget and SWE Quote	95.35%
Percent Variance between remaining budget and SWE Quote (accounting for restoration costs in 2020) ***	(0.53)%
Percent Variance between remaining budget and Non-Affiliate Quote	47.73%
Percent Variance between remaining budget and Non-Affiliate Quote (accounting for restoration costs in 2020) ***	9.41%

- c) “Lowest Cost” is not always the determining factor; other factors include service providers’ availability to schedule work within the HHHI’s timeframe; past experience with service provider’s quality of work; conditions/events that trigger ‘Extra Billing Charges.

### SEC CQR – 13

#### [5-SEC-40; 5-Staff-64]

In lieu of providing any detailed summary of the analysis, or a report or any other formal document that was created as part of this review, please provide a copy of the material provided to the Board of Directors. It was (and remains) open for the Applicant to request confidential treatment under the Board's *Practice Direction on Confidential Filings*.

#### Response:

Please refer to the files:

- Halton\_Att\_SEC\_CQR-13\_Long-Term\_Debt\_Financing\_Consultant's\_Report
- Halton\_Att\_SEC\_CQR-13\_Long-Term\_Debt\_Financing\_Board\_Memos

**SEC CQR – 14**

**[5-Staff-64(b)]**

The Applicant states that the “Executive Management consulted with third party experts with the objective to secure required financing for the new transformer station and monetizing the Promissory Note. Considerations were given to private placements.” Please provide a summary of the advice provided by the third-party experts.

**Response:**

Please see HHHI’s response SEC CQR – 3.

**SEC CQR – 15**

**[8-Staff-76(e)]**

Please provide any changes to the Conditions of Service that the Applicant plans to make to implement the proposed Standby Distribution Service.

**Response:**

The Standby Charge will apply to customers in the General Service 50 to 999 kW and General Service 1,000 to 4,999kW classes with load displacement generation or storage, equal to or exceeding 50kW. Load displacements may include, but are not limited to combined heat and power (CHP) installations, battery storage, solar installations, wind generation installations. For customers with load displacement, HHHI is required to maintain sufficient distribution system capacity to supply the customer's maximum demand in the event that the load displacement is offline.

The level of the Standby Charge will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation such as name-plate rating of the load displacement facility multiplied by an agreed upon Capacity Factor. Should the customer and HHHI fail to mutually agree on a Standby Charge, dispute resolution, as per these Conditions of Service will be instituted to determine a result.

The Standby Charge will be applied to the amount of load displacement, on a per kilowatt basis, at the distribution volumetric rate for the applicable rate class of the customer.