



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

February 22, 2020

VIA E-MAIL

Christine E. Long
Board Secretary and Registrar (registrar@oeb.ca)
Ontario Energy Board
Toronto, ON

Dear Ms. Long:

**Re: EB-2020-0027 – Hearst Power Distribution Company (Hearst Power)
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

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,

A handwritten signature in black ink, appearing to read 'M. Garner', is written in a cursive style.

Mark Garner
Consultants for VECC/PIAC

Email copy:

Jessy Richard, General Manager, Hearst Power
jrichard@hearstpower.com

Michael Buonaguro, Counsel to Hearst Power
mrb@mrb-law.com

REQUESTOR NAME **VECC**
TO: **Hearst Power Distribution Co. Ltd. (Hearst or HPDC)**
DATE: **February 22, 2021**
CASE NO: **EB-2020-0027**
APPLICATION NAME **2021 Cost of Service Rates**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: Exhibit 1, page 14

- a) Please confirm (or correct) that subsequent to this application, if approved as filed, would be to move Hearst from the stretch factor cohort of 2 to cohort 1.

1.0-VECC-2

Reference: Exhibit 1, page 14

- a) Where are the Powerline and Hydro One crews which Hearst relies upon located?
- b) How often are these crews typically called upon in a given year?

1.0-VECC-3

Reference: Exhibit 1, page 112

- a) Please update the Hearst Power Scorecard to include 2020 data.

1.0-VECC-4

Reference: Exhibit 1, page 115

- a) Please update Table 19 – Profit and Loss – to include actual 2020 data.

2.0 RATE BASE (EXHIBIT 2)

2.0-VECC -5

Reference: Exhibit 2, Table 3, page 10&11

- a) Please explain how the variance of \$128,855 in asset average balance that arose as between 2015 Board approved and 2015 actuals has “*a zero net impact on the resulting total rate base.*” Please also reconcile the figure of \$128,855 with the \$41,000 variance in capital spending in 2015 (i.e., actuals of 189k vs planned of 148k -as shown in Appendix 2-AB).

2.0-VECC -6

Reference: Exhibit 2, page 11

- a) Please explain why Table 4 shows a 2015 Board Approved variance of \$144,265 which is different from the 2015 Board approved capital expenditures of \$148,073.
- b) Table 4 also shows 2015 additions \$88,921 which is different than the continuity schedule additions for that year which is shown as \$188,878. Please explain or reconcile?

2.0-VECC -7

Reference: Exhibit 2, Table 4, page 11

- a) Hearst significantly underspent its projected 2016 capital budget (\$148k vs \$89k actually spent). Please explain the reasons for this variance.

2.0-VECC -8

Reference: Exhibit 2, Table 4, page 16

- a) In 2017 Hearst spend 42% more than budgeted on system renewal projects and 90% less on general plant projects than anticipated in its last distribution system plan. Please explain the reasons for this variance.

2.0-VECC -9

Reference: Exhibit 2, Table 4, page 18 & 42

- a) In 2018 Hearst spent \$13,879 on Electric Vehicle Charging Stations. Please explain why this is an appropriate distribution system investment.
- b) Given the inability of Hearst to acquire electric vehicles who currently uses the installed two stations?
- c) How many EV or hybrid vehicles are estimated to be in the Town of Hearst?

2.0-VECC -10

Reference: Exhibit 2, Table 4, page 21

- a) Please confirm (or correct) that Hearst acquired a new pickup truck in 2019 for \$3,454.

2.0-VECC -11

Reference: Exhibit 2, Table 4, page 38, (DSP, pages 6,31,82- /138)

- a) Please provide how many poles were replaced in each year 2015 to 2020.
- b) What was the average costs of a fully dressed pole replacement over this period?

2.0-VECC -12

Reference: Exhibit 2, Table 4, page 39

- a) What is the basis/reason for replacing the “run-to-failure” practice for line transformers with a proactive program of 5-10 transformers per year?
- b) In each of the past 5 years how many line transformers have been reactively replaced and how many proactively replaced?
- c) What are the SAIDI and SAIFI or other reliability benefits are expected with this change in policy? What is the improvement in outages due to equipment failure that Hearst expects from this change in policy?
- d) What is the annual incremental cost of this new policy?

2.0-VECC -13

Reference: Exhibit 2, Table 4, page 39

- a) Please provide an update on the new bucket truck confirming the final cost is and when delivery is expected.
- b) What is the estimated residual value of the 25-year-old bucket truck being replaced and how is it being disposed of?
- c) What changes were made to reduce the 2021 capital budget in light of the large expense for the bucket truck in this year?

2.0-VECC -14

Reference: Exhibit 2, DSP, page 74 (7,34/138)

- a) Please explain what “long term load transfer decision” has been made and how it impacts Hearst’s distribution system plan.

2.0-VECC -15

Reference: Exhibit 2, page 78 (DSP 11/138)

(Reference Appendix 5-A filing requirements)			
Metrics			
Metric Category	Metric	Measures	
		1 Year	5 Year Average
Cost	Total Cost per Customer ¹	232.25	238.16
	Total Cost per km of Line ²	6594.65	6777.78
	Total Cost per MW ³	48209.99	49997.08
CAPEX	Total CAPEX per Customer	60.14	64.28
	Total CAPEX per km of Line	1707.82	1829.22
O&M	Total O&M per Customer	172.10	173.88
	Total O&M per km of Line	4886.83	4948.56
Notes to the Table:			
1 The Total Cost per Customer is the sum of a distributor's capital and O&M costs divided by the total number of customers that the distributor serves.			
2 The Total Cost per km of Line is the sum of a distributor's capital and O&M costs divided by the total number of kilometers of line that the distributor operates to serve its customers.			
3 The Total Cost per MW is the sum of the distributor's capital and O&M costs divided by the total peak MW that the distributor serves.			

- a) Please identify the years shown in the “Measures” column

2.0-VECC -16

Reference: Exhibit 2, page 84 (DSP 17/138)

- a) Please explain what steps Hearst Power takes to notify customers of planned outages like that in 2017 which impacted 1,099 customers for almost 6 hours.
- b) For maintenance programs like the porcelain insulator replacement (described at pages 23- of the DSP) what advance notice is provided customers of scheduled outages?

2.0-VECC -17

Reference: Exhibit 2, page 80 (DSP 13/138)

- a) Table 2 (Customer – Hours by Cause) and Table 4 (Customer Interruptions by Cause) show a significant increase in interruptions due of defective equipment in 2018 and 2019. Please explain the reasons for these increases.

2.0-VECC -18

Reference: Exhibit 2, pages 80- (DSP 13-/138)Table 4, page 39

- a) Please update Table 1 through 8 for the 2020 reliability results.
- b) Given the change in methodology for collecting data starting in 2018 how reasonable is to compare the pre- and post-2018 reliability data?

2.0-VECC -19

Reference: Exhibit 2, Appendix 2-AA

- a) Please explain the usually large amount for meter in 2018 (\$24,429). Was the \$5,000 for meters in 2020 spent?

2.0-VECC -20

Reference: Exhibit 2, Appendix 2-AA

- a) Please update Appendix 2-AA to include 2020 actual results.

2.0-VECC -21

Reference: Exhibit 2, pages 108 (DSP 41/138)

“HPDC operates and maintains 2 Bucket Trucks, 1 Derrick Digger, and 2 pickup trucks in their fleet.”

- a) How many crews does Hearst operate with?
- b) If Hearst operates with only one crew why does it need two bucket trucks?
- c) If Hearst is not planning any underground replacement why does it continue to need a digger?
- d) Was (and is) this digger used for the underground fibre-to-the-home deployment in the Town of Hearst?

2.0-VECC -22

Reference: Exhibit 2, pages 142 (DSP 75/138)

- a) Please update Table 5 (Plant Capital for 2020) for 2020 year-end results.
- b) Please update Table 6 (Plant Capital for 2021) if necessary due to changes in 2020 results.

2.0-VECC -23

Reference: Exhibit 2, pages 209

- a) Please update Appendix 2-G (SAID & SAIFI Results) to include 2020 results.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC-24

Reference: Exhibit 3, page 6
EB-2014-0080, 3-VECC-11

- a) Per Exhibit 3, page 6, Hearst does not have an Unmetered & Scattered Load class. In its last COS Application Hearst confirmed that all of its customers were metered except for Street Lights and Sentinel Lights. Please confirm that this is still the case.

3.0-VECC-25

Reference: Exhibit 3, pages 9, 21 and 32

Load Forecast Model, Inputs – Adjustments & Variables Tab
Cost Allocation Model, Tab I6.1 (Revenue)

- a) At page 32 the Application states that “MicroFit related consumption was removed from the Wholesale Purchases”. Do the monthly wholesale purchases used as the dependent variable in the regression model include Hearst’s purchases from FIT and microFIT facilities?
- b) If not, please re-do the Load Forecast Model with the purchases from these sources included in the wholesale purchase variable.
- c) Does Hearst have any customers that are wholesale market participants?
 - a. If not, please explain why, in the I6.1 Tab of the Cost Allocation Model, the energy values set out in rows 25 and 29 differ for the GS>50 , Intermediate, Street Light and Sentinel Classes.
 - b. If yes, how is their usage captured in the Load Forecast Model?
- d) In the Load Forecast Model, Inputs – Adjustments & Variables Tab, the revised Wholesale Purchase values for March 2010 and June 2012 are not based on the actual values. Please explain why.

3.0-VECC-26

Reference: Exhibit 3, pages 23-25

- a) Are the dependent variables used in the current Load Forecast Model the same as those used in Hearst’s EB-2014-0080 Application?
- b) If not, please explain what is different and why.
- c) Does the “Shut Down” always occur in the same months of each year and does it always last to the same number of days?

3.0-VECC-27

Reference: Exhibit 3, page 31

Load Forecast Model, Forecast Tab

- a) Please confirm that, for 2021, the forecast should have used 28 as the number of days in February and not 29.
- b) The values in Table 9 are materially less than the predicted monthly purchases from the Load Forecast Model. What do the values represent?
- c) Please provide a Table similar to Table 9 but for 2021 (the proposed test year) the sets out the predicted monthly purchases using the 10-year average and 20-year average weather normalized values for HDD and CDD.

3.0-VECC-28

Reference: Exhibit 3, pages 32-33

- a) Please confirm that the customer counts are based on an average of the 12 monthly values for the year.
- b) If available, please provide the average 2020 customer count for each customer class.
- a) It is noted that for 2021 the Residential customer count derived using the geomean was then increased by five. Please explain why.

3.0-VECC-29

Reference: Exhibit 3, page 34

Load Forecast Model, Bridge & Test Year Class Forecast Tab

- a) While the Application (page 34) states that the for the Residential, GS<50 and GS>50 classes the “forecast values for 2021 are allocated based on the most recent year’s 2019]) actual share”, please confirm that in the Load Forecast Model the historical 10 year average share was used.
- b) For the Residential, GS<50 and GS>50 classes, which approach had Hearst intended to use and why?

3.0-VECC-30

Reference: Exhibit 3, page 41

- a) Please provide the IESO/OPA reports that sets out the persisting savings through to 2021 from Hearst CDM programs implemented in 2011-2014.

3.0-VECC-31

Reference: Exhibit 3, page 57

2021 Tariff Schedule and Bill Impact Model

- a) Were the Retailer charges set out in Tab 5 of the 2021 Tariff Schedule and Bill Impact Model used to calculate the revenues for Accounts 4082 and 4084?
- b) Were the Pole Attachment charges set out in Tab 5 of the 2021 Tariff Schedule and Bill Impact Model used to calculate the revenues for Account 4210?
- c) In which account are the revenues from the microFIT service charges recorded and what are the associated revenues for 2019?
- d) Were there any actual Gains (Account 4355) or Losses (Account 4360) on the Disposition of Utility and Other Property in 2020 and, if so, what are the values?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC-32

Reference: Exhibit 4, Pages 13-

- a) Please update Table 5 to include actual 2020 results and any necessary changes for 2021.
- b) Please update Appendix 2-JC (OM&A by Program) for the 2020 actual results and any necessary changes for 2021.
- c) Please explain why the 2015 Board approved amounts for each of these tables is different (\$1,019,224 and \$1,018,127).

4.0 -VECC-33

Reference: Exhibit 4, Pages 13- Table 5

- d) Please explain how the bad debt expense for 2021 was estimated.
- e) Does the bad debt expense include and amounts anticipated due to the ongoing pandemic?

4.0 -VECC-34

Reference: Exhibit 4, Page 19

2018 – 2019 ; Decrease of -\$25,830

Labor cost decrease in 2019 due to 1 less worker for 6 months and busy with third party underground fiber expansion projects as well a road reconstruction projects, therefore offsetting some labor cost to account 5145, 5150, 5155.

- a) Does Hearst Power do third party work for telecommunications companies?
If so please explain the nature and revenue associated with this work.

4.0 -VECC-35

Reference: Exhibit 4, Page 19

2019 – 2020 ; Increase of \$38,505

Employee salaries allocated to this account due to COVID-19 during time where there was a lockdown in the Province. Increase in this account is offset by lower O&M other accounts (5135, 5145, 5150, 5155, 5175) when compared to previous years.

- a) Please explain more fully why there was an increase in salaries due to COVID-19.

4.0 -VECC-36

Reference: Exhibit 4, Pages 19-

- a) The evidence speaks of “*labour dispute settlement costs spread over multiple account(s)*”. What was the total cost of this settlement and over what years was this cost spread?

4.0 -VECC-37

Reference: Exhibit 4, Pages 24,29

- a) Please provide the amounts for each year between 2015 and 2021 in which a portion of a Hearst Power employee’s compensation costs were being transferred to CDM related work and therefore not recorded as part of the regulatory OM&A for rates (i.e., not shown in Appendix 2-JA etc.).
- b) Is the total incremental cost of non-regulated activities beginning in 2020 10k? (as described at page 29)?

4.0 -VECC-38

Reference: Exhibit 4, Pages 61

- a) If Hearst is a member of the Electricity Distributors Association please provide the annual membership costs for the years 2015 through 2021 (forecast).
- b) Please provide the annual cost of any other industry related memberships.

4.0 -VECC-39

Reference: Exhibit 4, Pages 64- & Exhibit 2, page 66

“HPDCL has relied on AESI who in turn relied on the OEB’s filing requirements Chapter 5 to guide its presentation of its policies, practices, and decision-making processes” (Ex 2/pg.66)

- a) The AESI report I is entitled Ontario Regulation 22/04P, Sections 4 to 8. Is this report undertaken as a requirement of the Electrical Safety Authority? If so how is this determinative of the Board’s filing requirements?

- b) If the AESI Report is for purposes of ESA requirements why is it included in the one-time costs of this application?
- c) Please confirm (or correct) that is the AESI remote audit report filed at page 182 of Exhibit 2 is the one that cost \$36,000 as reported in Table 22

4.0 -VECC-40

Reference: Exhibit 4, Table 22, Pages 64

- a) Please revise Table 22 to show the actual one-time application costs incurred to date.
- b) Please explain what the \$18,400 in “*Operating expenses associated with staff resources allocated to regulatory matters*” refers to and where in Appendix 2-JC (OM&A by programs) this amount can be found in 2021 and where the equivalent cost was shown in 2020.

4.0 -VECC-41

Reference: Exhibit 4, Page 83

- a) Are any of the property tax amounts listed in Table 31 related to the offices the Utility leases from the Town?

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

5.0-VECC-42

Reference: Exhibit 5, page 13

- a) Please confirm that the RBC truck loan is at the same rate as the Board’s default affiliated debt rate of 2.85%.

5.0-VECC-43

Reference: Exhibit 5, page 17-

- a) Please confirm that the actual payment made to the Town of Hearst for the affiliated debt is \$47,307 based on a rate of 5.913% (prime + 5.5%).
- b) The revised promissory note (September 2015) notes an amount of \$1.25 million. The prior years show a reduction in principle. Please describe the repayment schedule for this loan.

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC–44

Reference: Exhibit 3, page 40

Exhibit 7, page 11

2021 Cost Allocation Model (CAM), Tabs 6.2, 7.1 and 7.2

- a) It is noted that the customer/connection counts for the GS<50, Intermediate and Streetlight classes used on the Cost Allocation model (Tabs 6.2, 7.1 and 7.2) do not match those in the Load Forecast. See table below:

	GS<50	GS>50	Intermediate	StreetLight
Load Forecast	478	35	2	973
Tab 6.2	470	36	2	967
Tab 7.1	470	0	0	N/A
Tab 7.2	470	36	0	N/A

Please explain the differences or revise the Cost Allocation Model as required.

7.0 – VECC–45

Reference: Exhibit 7, page 13

Exhibit 8, page 5

2021 Cost Allocation Model, Tab I6.1

- a) Please explain why, for both the GS>50 and Intermediate classes, the kW receiving the transformer ownership allowance exceed the class' total billing demand.

7.0 – VECC–46

Reference: Exhibit 7, page 8

Preamble: At page 8 the Application sets out the calculation for the Billing and Collecting weighting factors.

- a) Please explain why the total annual cost for each account in Table 3 does not equal the 2021 cost for that account as set out in Tab I3 (TB Data) of the Cost Allocation Model.
- b) Please explain why the cost for Meter Reading (Account 5310) is included in the derivation of the weighting factors for Billing and Collecting. Doesn't Meter Reading Expense have a different allocation factor?
- c) For each of the rows in Table 3 please explain how the total expense was

allocated as between the customer classes.

- d) Please explain why the 2021 customer counts used in Table 3 for the Residential and GS<50 classes don't match those in Exhibit 3.
- e) Please explain why the number bills used in Table 3 for the Street Lighting and Sentinel classes do not equal 12 times the number of customers of these classes as set out in Tab I6.2 of the Cost Allocation Model.
- f) Please explain how the values in each of following rows in Table 3 were determined: i) 5315 - Customer Billing, ii) Total and iii) Cost per Connection.

7.0 – VECC–47

Reference: Exhibit 7, pages 11-13

- a) Please explain why the Primary Customer, Secondary Customer and Line Transformer customer counts (per page 12) for the GS>50 and Intermediate classes are all the same value when some of kW in each of these classes (per page 13) receive the transformer ownership allowance.
- b) Please explain why the Primary Customer, Secondary Customer and Line Transformer 4NCP (per page 11) for the GS>50 and Intermediate classes are all the same value when some kW in each of these classes (per page 13) receive the transformer ownership allowance.

7.0 – VECC–48

Reference: Exhibit 7, page 6

2021 Cost Allocation Model, Tab I4 - BO Assets
EB-2014-0080, CA Model per IR Responses

- a) In the EB-2014-0080 Application, the Cost Allocation Model filed with the IR responses classified all assets in Accounts 1830, 1835, 1840 and 1845 as secondary. However, in the current application portions of the assets in these accounts are classified as bulk and primary. Please explain the reasons for the change and, in particular, the basis for classifying some of the assets in these accounts as bulk assets.

7.0 – VECC–49

Reference: Exhibit 7, page 18

- b) Please explain why Hearst is proposing to increase the Residential R/C ratio which has status quo value of 96.96% but it not proposing to increase the R/C ratio for the Intermediate class when the status quo ratio there is only 81.36%.

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC-50

Reference: Exhibit 8, pages 5 and 28
2021 RRWF, Tabs 10 & 13

- a) The customer/connection counts used in Exhibit 8 for the GS<50, GS>50, and Street Light classes do not match those from the Load Forecast per Exhibit 3, page 40. Please reconcile and revise the proposed rates as required.

8.0 –VECC-51

Reference: Exhibit 8, pages 8-10

- b) Please confirm that in Table 4 (page 8) the Minimum System with PLCC Adjustment values for Street Lights and Sentinel are reversed.
- c) At page 10 the Application states that for the Sentinel class – “Since the calculated rates at current levels split fell outside the maximum boundary, HPDCL opted to keep the same fixed rates as current rates..... The resulting fixed rate is proposed to be \$11.44.”
 - a. What would be the 2021 fixed monthly charge for the Sentinel class if the existing fixed-variable split was maintained?
 - b. Please reconcile the statement that “HPDCL opted to keep the same fixed rates as current rates” with the fact the proposed rate is \$11.44 while the current rate is \$7.45.

8.0 –VECC– 52

Reference: Exhibit 8, pages 10-14
2021 RTSR Workform

- a) With respect to the RTSR Workform, what year’s RRR data was used for Tab 3 and what year’s billing data was used for Tab 5?
- b) Please update the RTSR Workform to include the approved 2021 Uniform Transmission Rates (EB-2020-0251) and Hydro One’s approved 2021 distribution rates (EB-2020-0030).

8.0 –VECC-53

Reference: Exhibit 8, page 15

- a) Please confirm that the 2021 Retail Services Charges need to be updated to reflect the Board’s EB-2020-0285 Decision and Rate Order.

8.0 –VECC-54

Reference: Exhibit 8, pages 25-26

- a) With respect to Table 15 (Appendix 2-R), does row A(2) include distributed generation (e.g., FIT and microFIT) purchases by Hearst per Appendix 2-R's footnotes?
- b) With respect to the calculation of the weighted average supply facility loss factor, please explain why the sum of the deliveries via HON and IESO (70,855,448 kWh) is less than the year's total retail sales (77,770,163 kWh)? Does the calculation need to also take into account purchase for distributed generation (e.g., FIT and microFIT)?

8.0 –VECC-55

Reference: Exhibit 8, page 33

2021 Tariff Schedule and Bill Impact Model

- a) One of the options put forward by Hearst on page 33 for addressing the Sentinel class' 20.8% total bill impact is: "Incrementally moving the Cost-to-Revenue ratio to 100% over a number of years, with the Test Year (2021) being at 80% so as to comply with the minimum Board floor parameter for this rate class." Please explain how this approach would mitigate the bill impacts for 2021 when the current proposal is to set the R/C ratio for this class at 80% (79.91%) for 2021.
- b) In the calculation of the bill impacts for the Sentinel class the service charge volume is set at "2". Please explain why.

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC-56

Reference: Exhibit 9, page 5 & Exhibit 1, page 69

- a) The Exhibit 1 references states that "*Group 1 and Group 2 DVA balances are proposed to be disposed of over 1 years.*" [sic]. At Exhibit 9, page 50 it states the proposed disposition is over 2 years. We note that the rate riders appear to be calculated on a 1-year basis. Please clarify which period Hearst is seeking to dispose of the accounts.

9.0 –VECC-57

Reference: Exhibit 9

- a) Please provide the balance at year-end 2020 in Account 1509 – Impacts Arising from the COVID-19 Emergency, Sub-account Other Costs.
- b) Please confirm that the application does not have any pandemic related costs and that these costs, to the extent that Hearst Power may seek recovery of them, are being booked in Account 1509.

9.0 –VECC-58

Reference: Exhibit 9

As per the OEB's July 25, 2019 letter, the OEB expected distributors to record the impacts of CCA rule changes in Account 1592 - PILs and Tax Variances – CCA Changes for the period November 21, 2018 until the effective date of the distributor's next cost-based rate order.²¹ The OEB expected distributors to bring forward any amounts tracked in this account for review and disposition, at a distributor's next cost-based rate application. (OEB Filing Requirements, Chapter 3, May 14, 2020)

- a) Please explain why no balances are shown for the changes to CCA rules in account 1592.

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