

February 23, 2021

Delivery Via Email and RESS

Christine Long, Registrar
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: Espanola Regional Hydro Distribution Corporation's ("ERHDC") 2021 Cost of Service Application Board File No. EB-2020-0020, Response to OEB Staff

On February 8, 2021 OEB Staff sent a list of clarifying questions to ERHDC regarding its 2021 Cost of Service Application submitted on December 31, 2020. ERHDC has provided a response to those questions below.

In preparing the responses to the questions, ERHDC noticed that question 5 and 6 would require further updates to the additional models within the application. In expectation of further Interrogatories requesting updates to the models, ERHDC proposes making the remaining updates at the Interrogatory phase.

OEB Staff Question 1

Confirm whether Espanola Hydro is requesting to set its rates final as of February 1, 2016 or May 1, 2016. In Exhibit 1, pages 7 and 25, you've requested the OEB declare Espanola Hydro's interim rates as of May 1, 2016 as final. The OEB's original Order for Interim Rates, dated February 10, 2016, set Espanola Hydro's rates interim as of February 1, 2016.

ERHDC Response

ERHDC is requesting to set its rates final as of February 1, 2016 in accordance with the OEB's original order dated February 10, 2016. The corrections have been provided as part of Attachment 1.

OEB Staff Question 2

In Exhibit 1, page 33 the 2012 OEB-approved net capital expenditures were \$1,025,592, and are \$562,163 higher than the proposed 2021 test year net capital expenditures. In Appendix 2-AB, the 2012 net capital expenditures were \$1.006 million, and the \$1,025,592 represents the gross capital expenditures.

ERHDC Response

The 2012 planned capital expenditures in Appendix 2-AB was incorrect due to a typo in preparing the application. The information provided in Exhibit 1, page 33 is correct. ERHDC has provided an updated Chapter 2 Appendices in Attachment 2. In addition, ERHDC has provided a correction to Exhibit 2 page 31 and 32 in Attachment 3. Also in Exhibit 2, Appendix 2-C on page 61 has been updated to reflect this change in Attachment 4.

OEB Staff Question 3

Tab 3 of the Revenue Requirement Work form, the Other Income and Deductions line indicates \$71,200. The value in Appendix 2-H is \$1,200.

ERHDC Response

Tab 3 of the Revenue Requirement Work form is correct, and the revision is required to Appendix 2-H. Account 4405, interest and dividend income was not added to Appendix 2-H. ERHDC has provided the updated Chapter 2 Appendices in Attachment 2. Additionally, the chart on page 29 of 39 of Exhibit 3 has been updated and provided in Attachment 5.

OEB Staff Question 4

Please update the Tariff Schedule and Bill Impact Model to include bill impacts calculations for the Residential class at the following consumption levels: 1) consumption for an average residential customer; 2) consumption of a customer at the 10th percentile of consumption. This is discussed in Table 1-8 of Exhibit 1, but it is missing in the bill impacts model.

ERHDC Response

ERHDC has provided the updated Tariff Schedule and Bill Impact Model in Attachment 6 which now includes consumption for the average residential customer (848kWh) and consumer of a customer at the 10th percentile of consumption (318kWh).

OEB Staff Question 5

Cost Allocation Model tabs I7.1 and I7.2 are indicating fewer meters and meter reads than the number of customers in the metered rate classes. Normally there is at least one meter and associated reading per customer.

ERHDC Response

ERHDC has revised the Cost Allocation Model which is provided in Attachment 7.

OEB Staff Question 6

Cost Allocation Model tab I8. The 12 CP values for the Unmetered Scattered Load rate class are less than the 4 CP values. Normally the 12 CP values would be at least as much as 4 CP values.

ERHDC Response

ERHDC has revised the Cost Allocation Model which is provided in Attachment 7.

OEB Staff Question 7

The first page of Exhibit 8, Appendix 8-C, which contains the proposed tariffs for the residential rate class, is not PDF-searchable. Please provide a copy of the appendix with that page made PDF-searchable.

ERHDC Response

ERHDC has provided the PDF-searchable format of the first page Appendix 8-C in Attachment 8.

OEB Staff Question 8

Please provide IESO Final Verified Results Reports for the 2011, 2012, 2013, 2014 and 2015 program years to support legacy framework CDM savings included in the LRAMVA request.

ERHDC Response

ERHDC has provided the IESO final Verified Results Reports for 2011-2014 in Attachment 9 and for 2015 in Attachment 10.

We hope that these answers satisfy the clarifying questions provided by OEB Staff. Should any further clarification be required let us know how we can assist.

Sincerely,

A handwritten signature in cursive script that reads "Tyler Kasubeck".

Tyler Kasubeck, Regulatory Financial Analyst
PUC Services Inc., Contract Managed Services, Espanola Regional Hydro Distribution Inc.
Email: tyler.kasubeck@ssmpuc.com Phone: 705-759-3009

ATTACHMENT 1

**Exhibit 1 - Administrative Documents
Revisions to pages 7 and 25**

- It will be up to ERHDC to determine the appropriate scope of customer engagement which is expected to be commensurate with its requests in the application.
- ERHDC will bring forward its Group 1 and Group2 DVA balances for review and disposition.

ERHDC has complied in this application with its adjustment requests and OEB comments.

2.1.2.2 Summary of Issues

The following items are discussed briefly in this summary. Certain items are discussed in more detail in other sections of the Application and are referenced to the more detailed discussion.

(a) Return on Equity and Rate History

Table 1-1 below provides the history of ROE from 2012, 2017 to 2019, and 2020 Bridge and 2021 Test years.

Table 1 - 1: Return History

	2012 Approved	2017	2018	2019	2020 Bridge	2021 Test
Return	9.12%	2.45%	4.12%	-9.46%	-5.21%	3.06%*

*Rebased rates to be effective May 1, 2021 therefore regulated return of 8.34% won't be attained in 2021

Rates were declared interim as of February 1, 2016 due to ERHDC's earnings in 2013, 2014 and 2015 being over the 3% deadband. As can be seen in Table 1-1 above, the actual achieved ROE for the Applicant was significantly less than the Board's approved ROE of 9.12% for each year after 2016, specifically, 6.67%, 5% and 18.58% less in 2017, 2018 and 2019 respectively. There has not been any overearnings in the historical period since the commencement of interim rates. As a consequence, the Applicant is seeking a declaration that the interim rate order made effective February 10, 2016 and applied in each subsequent year be declared final for the entire historical period (e.g. February 1, 2016 to April 30, 2021).

- Approval to charge a Retail Transmission Network Service rate as proposed and described in Exhibit 8;
- Approval to continue to charge Wholesale Market Service Charge;
- Approval to continue the Specific Service Charges and Transformer Allowance;
- Approval to dispose of Account 1508, Other Regulatory Assets, sub-accounts for Distribution Station 4 which was subject of an ICM application (EB-2013-0127);
- Approval of the updated province-wide fixed monthly charge of \$4.55 for MicroFIT Generator Service Classification;
- Approval of the rate riders for disposition of the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") and Lost Revenue Adjustment Mechanism ("LRAM") for lost revenue for the 2011-2019 program years, with persistence until April 30, 2021. For additional information, please refer to Exhibit 4;
- Approval of the rate riders for disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9;
- Approval to continue to use Account 1509 – Impacts Arising from the COVID-19 Emergency;
- February 1, 2016 interim rates to be declared final rates; and
- Such other approvals as ERHDC may advise and the OEB may deem as just and reasonable.

ERHDC has completed OEB Appendix 2-A List of Requested Approvals, which is included at Appendix 1-J.

ATTACHMENT 2

**Revised 2021 Filing Requirements
Chapter 2 Appendices
(See Excel Spreadsheet)**

ATTACHMENT 3

**Exhibit 2 - Rate Base
Revisions to pages 31 and 32**

The preparation of the formal Asset Management Plan and Asset Condition Assessment is not being detailed until after the merger with North Bay Hydro. ERHDC's asset management plan is simply a one year forward test year plan which is a continuation of the status quo capital program.

The four categories of system investments have been addressed in ERHDC's capital expenditure plan, including System Access, System Renewal, System Service and General Plant. ERHDC has provided historical spending by material capital projects for the 2017 Actual, 2018 Actual, 2019 Actual, 2020 Bridge and 2021 Test years.

2.2.2.2 CAPITAL EXPENDITURES SUMMARY AND VARIANCE ANALYSIS

Table 2-25 below provides a summary of capital expenditures for 2012 and the historical years, 2017 through 2019. This table can be found in Appendix 2-C and is consistent with Board Appendix 2-AB. Tables 2-26 to 2-29 below show the planned vs actual capital expenditure variances for the historical years. Table 2-30 shows that forecasted capital expenditure summary (net of contributed capital) for 2020 and 2021.

Table 2 - 25: Historical Capital Expenditure Summary

CATEGORY	2012			2017			2018			2019			2020			2021
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Forecast Period (planned)
	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000
System Access	68	87	-5%	242	182	-25%	109	37	-66%	108	38	-65%	148	148	0%	52
System Renewal	779	835	13%	454	467	3%	446	393	-12%	417	338	-19%	502	502	0%	404
System Service																
General Plant	195	20	-90%	415	-	-100%	13	-	-100%	13	85	582%	58	58	0%	33
TOTAL EXPENDITURE	1,042	942	-8%	1,111	649	-42%	567	430	-24%	537	461	-14%	708	708	0%	488
Capital Contributions	\$ 16	\$ 71	333%	\$ 18	\$ 3	-82%	\$ 24	\$ 40	71%	\$ 30	\$ 39	33%	\$ 64	\$ 64	0%	\$ 25
Net Capital Expenditures	1,026	871	-13%	1093	646	-41%	544	390	-28%	507	422	-17%	645	645	0%	463
CWIP	-	117		-	107		-	51		-	60		-	-	-	
Total Capital Expenditures including CWIP	1026	988			752	0	544	441		507	481		645	645		463

(a) Planned vs. Actual Variances

1 **Table 2 - 26: 2012 Planned vs. Actual (\$80,994 under planned)**

System Access	Over (Under Budget)
New and Upgraded Services	\$19,326
System Renewal	
Smart Meters	\$28,526
Pole, Conductor, Transformer, etc. replacement	\$27,037
	<u>\$55,563</u>
General Plant	
Vehicle	(\$190,000)
Software	\$19,999
Tools	(\$5,000)
	<u>(\$175,001)</u>
	(\$100,112)

2

3 The vehicle budgeted in 2012 was not received until 2013. An amount of \$75,000 was included

4 in CWIP.

5

ATTACHMENT 4

**Exhibit 2 - Rate Base
Revisions to page 61**

APPENDIX 2-C - Capital Expenditure Summary

Board Appendix 2-AB

Appendix 2-AB																				
Table 2 - Capital Expenditure Summary from Chapter 5 Consolidated																				
First year of Forecast Period:																				
2021																				
CATEGORY	Historical Period (previous plan ¹ & actual)														Forecast Period (planned)					
	2012			2017			2018			2019			2020		2021	2022	2023	2024	2025	
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual ²						Var
	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000				
System Access	68	87	-5.0%	242	182	-25.0%	109	37	-65.8%	108	38	-64.7%	148	148	0.0%	52				
System Renewal	779	835	13.4%	454	467	2.9%	446	393	-11.9%	417	338	-19.0%	502	502	0.0%	404				
System Service			--			--			--			--			--					
General Plant	195	20	-89.7%	415	-	-100.0%	13	-	-100.0%	13	85	582.1%	58	58	0.0%	33				
TOTAL EXPENDITURE	1,042	942	-7.9%	1,111	649	-41.6%	567	430	-24.2%	537	461	-14.2%	708	708	0.0%	488	-	-	-	-
Capital Contributions	16	71	330.9%	18	3	-82.1%	24	40	70.8%	30	39	32.7%	64	64	0.0%	25				
Net Capital Expenditures	1,026	871	-13.5%	1,093	646	-40.9%	544	390	-28.3%	507	422	-16.9%	645	645	0.0%	463				
System O&M	\$ 647	\$ 670	3.6%	\$ 647	\$ 586	-9.4%	\$ 649	\$ 641	-1.3%	\$ 688	\$ 720	4.7%	\$ 723	\$ 723	0.0%	\$ 735				

ATTACHMENT 5

**Exhibit 3 - Operating Revenue
Revisions to page 29**

1

Table 3 - 35: OEB Appendix 2-H Other Operating Revenue

Appendix 2-H						
Other Operating Revenue						
USoA #	USoA Description	2017 Actual ²	2018 Actual ²	2019 Actual	Bridge Year	Test Year
		2017	2018	2019	2020	2021
	<i>Reporting Basis</i>	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
4080-2	SSS Revenue	-\$ 10,418	-\$ 10,543	-\$ 10,598	-\$ 10,500	-\$ 10,500
4082	Retail Services Revenues	-\$ 5,357	-\$ 4,622	-\$ 8,188	-\$ 7,900	-\$ 7,900
4084	Serv Tx Requests	-\$ 13	-\$ 8	-\$ 9	-\$ 30	-\$ 10
4210	Rent from Electric Property	-\$ 38,441	-\$ 39,674	-\$ 39,328	-\$ 40,806	-\$ 86,756
4225	Late Payment Charges	-\$ 11,050	-\$ 10,071	-\$ 11,797	-\$ 12,000	-\$ 10,000
4235	Misc. Service Revenues	-\$ 37,568	-\$ 33,631	-\$ 35,872	-\$ 15,050	-\$ 15,050
4245	Government Assistance Directly Credited to Income	-\$ 1,430	\$ -	\$ -	\$ -	\$ -
4324	Special Purpose Charge Recovery	\$ -	\$ -	\$ -	\$ -	\$ -
4325	Revenues from Merchandise, Jobbing, Etc.	-\$ 2,214	-\$ 5,945	-\$ 1,970	-\$ 1,200	-\$ 1,200
4362	Loss from Retirement of Utility and Other Property	\$ -	\$ -	\$ -	\$ -	\$ -
4375	Revenues from Non-Utility Operations	-\$ 13,553	-\$ 174,826	-\$ 225,890	-\$ 598,703	-\$ 49,604
4380	Expenses of Non-Utility Operations	\$ 12,952	\$ 174,392	\$ 201,611	\$ 599,865	\$ 49,604
4390	Miscellaneous Non-Operating Income	-\$ 5,885	-\$ 4,479	-\$ 4,597	\$ -	\$ -
4398	Foreign Exchange Gains and Losses, Including Amortization	\$ -	\$ -	\$ -	\$ -	\$ -
4405	Interest and Dividend Income	-\$ 35,378	-\$ 61,217	-\$ 97,826	-\$ 70,000	-\$ 70,000
Specific Service Charges		-\$ 37,568	-\$ 33,631	-\$ 35,872	-\$ 15,050	-\$ 15,050
Late Payment Charges		-\$ 11,050	-\$ 10,071	-\$ 11,797	-\$ 12,000	-\$ 10,000
Other Operating Revenues		-\$ 55,658	-\$ 54,847	-\$ 58,123	-\$ 59,236	-\$ 105,166
Other Income or Deductions		-\$ 44,078	-\$ 72,074	-\$ 128,672	-\$ 70,038	-\$ 71,200
Total		-\$ 148,353	-\$ 170,622	-\$ 234,465	-\$ 156,324	-\$ 201,416

ATTACHMENT 6

**Revised 2021 Tariff Schedule and
Bill Impact Model
(See Excel Spreadsheet)**

ATTACHMENT 7

**Revised 2021 Cost Allocation Model
(See Excel Spreadsheet)**

ATTACHMENT 8

**Exhibit 8 - Rate Design
PDF-searchable format of the first page of
Appendix 8-C**

Espanola Regional Hydro Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2021

This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2020-0020

RESIDENTIAL SERVICE CLASSIFICATION

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a single family unit, non-commercial. This can be a separately metered living accommodation, town house, apartment, semi-detached, duplex, triplex or quadruplex with residential zoning. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the License of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	22.77
Rate Rider for Group 2 Accounts - Pole Attachment Variance and CCA - effective until April 30, 2022	\$	(1.68)
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.0180
Low Voltage Service Rate	\$/kWh	0.0070
Rate Rider for Disposition of Deferral/Variance Accounts - effective until April 30, 2026	\$/kWh	0.0026
Rate Rider for RSVA - Power - Global Adjustment - Applicable for only Non RPP Customers - effective until April 30, 2022	\$/kWh	0.0039
Rate Rider for Account 1568 - LRAM Variance Account - effective until April 30, 2026	\$/kWh	0.0006
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0067
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0050

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0034
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

ATTACHMENT 9

**IESO Final Verified Results Reports
for 2011-2014
(See Excel Spreadsheet)**

ATTACHMENT 10

**IESO Final Verified Results Reports
for 2015
(See Excel Spreadsheet)**