



May 2, 2022
Ontario Energy Board P.O.
Box 2319 27th Floor
2300 Yonge Street Toronto,
Ontario M4P 1E4

Regarding: EB-2022-0022 2023 Cost of Service Application

Dear Registrar,

Please find attached Cooperative Hydro Embrun Inc's responses to VECC and Board Staff's interrogatories. This application is being filed pursuant to the Board's e-Filing Services.

We would be pleased to provide any further information or details that you may require relative to this application.

Yours truly,

A handwritten signature in black ink, appearing to be "B. Lamarche", written in a cursive style.

Benoit Lamarche, General Manager
Cooperative Hydro Embrun
703 Notre Dame Rue Russell, ON
(613) 443-5110

**Response to Interrogatories
 Cooperative Hydro Embrun Inc.
 2023 Cost of Service Application**

PREAMBLE TO CHEI'S RESPONSES TO IRS FROM STAFF AND VECC

Change in Capital Spending for 2021

The table below shows the changes in capital spending from the "as filed" on January 31, 2022

2021	As filed (10+2)	Revised for actuals	Diff \$	Diff %
System Access	\$57,728	\$72,545	\$14,817	25.67%
System Renew	\$108,065	\$110,145	\$2,080	1.92%
System Serv	\$10,123	\$4,895	-\$5,228	-51.64%
General Plant	\$37,605	\$35,580	-\$2,025	-5.39%
Contr. Capital	-\$20,000	-\$3,148	\$16,852	-0.8426
Total	\$193,521	\$220,017	\$26,496	13.69%

- The 2021 capital spending was adjusted to reflect audited 2021 financial statements.

Changes in Capital Budget for 2022

The table below shows the changes in capital spending from the "as filed" on January 31, 2022

2022	As filed	Revised	Diff \$	Diff %
System Access	\$331,300	\$216,300	-\$115,000	-34.71%
System Renew	\$112,225	\$112,225	\$0	0.00%
System Serv	\$6,000	\$6,000	\$0	0.00%
General Plant	\$5,700	\$5,700	\$0	0.00%
Contr. Capital	-\$80,000	-\$45,000	\$35,000	-0.4375

- The 2022 capital budget was adjusted to remove a Subdivision Faubourg Ste-Marie Phase III including its capital contribution. Details are explained at 2-Staff-33.

Changes in Capital Budgets in 2023

The table below shows the changes in capital spending from the "as filed" on January 31, 2022

2023	As filed	Revised	Diff \$	Diff %
System Access	\$40,000	\$40,000	\$0	0.00%
System Renew	\$107,050	\$107,050	\$0	0.00%
System Serv	\$6,000	\$6,000	\$0	0.00%
General Plant	\$5,700	\$72,218	\$66,518	1166.97%
Contr. Capital	-\$10,000	-\$10,000	\$0	0

- The 2023 capital budget was adjusted to add a one-time software purchase for Green Button. Details are explained at 1-Staff-3/4/6/7.

Change in OM&A for 2021

The table below shows the changes in OM&A spending from the "as filed" on January 31, 2022

2021	As filed (10+2)	Revised for Actuals	Diff \$	Diff %
Operations	\$44,455	\$45,502	\$1,047	2.35%
Maintenance	\$46,375	\$51,005	\$4,631	9.99%
Community Rel	\$217,108	\$217,888	\$781	0.36%
Billing & collect	\$3,300	\$3,970	\$670	20.30%
Admin	\$391,128	\$391,940	\$813	0.21%

- The 2021 OM&A spending was adjusted to reflect audited 2021 financial statements.

Change in OM&A for 2022

The table below shows the changes in OM&A spending from the "as filed" on [Date]

2022	As filed	Revised	Diff \$	Diff %
Operations	\$45,923	\$45,923	\$0	0.00%
Maintenance	\$47,905	\$47,905	\$0	0.00%
Community Rel	\$236,739	\$236,739	\$0	0.00%
Billing & collect	\$3,409	\$3,409	\$0	0.00%
Admin	\$405,812	\$405,812	\$0	0.00%

Change in OM&A for 2023

The table below shows the changes in OM&A spending from the "as filed" on [Date]

2023	As filed	Revised	Diff \$	Diff %
Operations	\$47,439	\$47,439	\$0	0.00%
Maintenance	\$49,486	\$49,486	\$0	0.00%
Community Rel	\$244,306	\$262,444	\$18,138	7.42%
Billing & collect	\$3,521	\$3,521	\$0	0.00%
Admin	\$408,405	\$407,005	-\$1,400	-0.34%

- The 2023 OM&A budget was adjusted to add maintenance fees related to the implementation for Green Button. Details are also explained at 1-Staff-3/4/6/7.
- CHEI also reduced its regulatory costs from its original budget of 20K down to 1 intervener at 13K.

Change in Load Forecast

The table below shows the changes in OM&A spending from the "as filed" on January 31, 2022

	Year	2023	2023	Diff
Residential	Cust/Conn	2,345	2,345	-
	kWh	20,126,172	20,150,710	24,538
	kW			-
				-
General Service < 50 kW	Cust/Conn	165	165	-
	kWh	4,617,010	4,620,558	3,547
	kW			-
				-
General Service > 50 to 4999 kW	Cust/Conn	9	9	-
	kWh	3,952,566	3,960,295	7,729
	kW	11,425	11,414	- 10
				-
USL	Cust/Conn	17	17	-
	kWh	93,084	88,338	- 4,746
	kW	-	-	-
				-
Street Lighting	Cust/Conn	633	633	-
	kWh	241,169	242,877	1,708
	kW	652	655	3
				-
				-
Total	Cust/Conn	3,168	3,168	-
	kWh	29,030,001	29,062,778	32,777
	kW	12,077	12,069	- 7

- The Load Forecast has changed as a result of using actuals for November and December 2021.
- The second change was to correct an formula error related to GS>50 (7-Staff-74)

Impact of IRs on Rate Base and Revenue Requirement

The table below shows the changes from the "as filed" on January 31, 2022

Particular	As filed	Irs	Diff
Long Term Debt	3.49%	3.49%	0.00%
Short Term Debt	1.17%	1.17%	0.00%
Return on Equity	8.66%	8.66%	0.00%
Weighted Debt Rate	3.34%	3.34%	0.00%
Regulated Rate of Return	5.47%	5.47%	0.00%
Controllable Expenses	\$753,157	\$769,895	\$16,738
Power Supply Expense	\$3,293,006	\$3,282,755	-\$10,251
Total Eligible Distribution Expenses	\$4,046,164	\$4,052,650	\$6,487
Working Capital Allowance Rate	7.50%	7.50%	0.00%
Total Working Capital Allowance ("WCA")	\$303,462	\$303,949	\$487
Fixed Asset Opening Bal Bridge Year	\$7,185,613	\$7,165,369	-\$20,244
Fixed Asset Opening Bal Test Year	\$2,708,489	\$2,715,821	\$7,332
Average Fixed Asset	\$4,477,124	\$4,449,548	-\$27,576
Working Capital Allowance	\$303,462	\$303,949	\$487
Rate Base	\$4,780,587	\$4,753,497	-\$27,089
Regulated Rate of Return	5.47%	5.47%	0.00%
Regulated Return on Capital	\$261,269	\$259,788	-\$1,480
Deemed Interest Expense	\$95,669	\$95,127	-\$542
Deemed Return on Equity	\$165,600	\$164,661	-\$938
OM&A	\$753,157	\$769,895	\$16,738
Depreciation Expense	\$180,507	\$191,991	\$11,484
PILs	\$19,099	\$12,263	-\$6,836
Revenue Offset	-\$48,750	-\$27,641	\$21,109
Revenue Requirement	\$1,165,281	\$1,206,297	\$41,016

EXHIBIT 1 – ADMINISTRATIVE

1-STAFF-1

Updated Revenue Requirement Workform (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and VECC, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on Sheet 3 (Data_Input_Sheet). Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 (Tracking Sheet) and may also be included on other sheets in the RRWF to assist in understanding the changes.

In addition, please file an updated set of models, as applicable, that reflects the interrogatory responses, including an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption/demand levels (e.g., 750 kWh for residential, 2,000 kWh for GS<50, etc.).

CHEI Response:

[A complete set of revised models has been filed along with the responses.](#)

1-STAFF-2

Financial and Load Information

Ref: Exhibit 1, pages 6-7

Due to the early filing of this application, 2021 financial and load information had not been finalized and audited.

- (a) Please update the applicable models for 2021 final/audited information for the applicable matters listed in the reference above which noted 10 months actuals and two months forecast have been used. Examples of items that should be updated include rate base, capital expenditures, other revenues, OM&A expenses, PILs, deferral and variance accounts, depreciation expenses etc.

CHEI Response:

[A complete set of revised models has been filed along with the responses.](#)

- (b) Given the early filing of this application, please also update 2022 forecasts if required, and specify how many months are actuals and how many are forecasts.
- (c) Please provide a table summarizing and commenting on any material differences from what was included in the as-filed application.

CHEI Response: b) and c)

[Please see preamble section.](#)

1-STAFF-3

Corporate Organization and Governance

Ref: Exhibit 1, page 18

Cooperative Hydro Embrun is structured as a cooperative utility. It is based on voluntary membership with a one-time cost of \$10 per member. Members are owners of the business with an equal say in decision making.

- (a) Please describe what types of decision-making Cooperative Hydro Embrun's members actively participate in. In the discussion, please explain if members participate in the decision making on specific capital and OM&A programs to undertake.

CHEI Response:

The annual meeting is held once a year. A copy of the Annual Report 2020 is provided at

https://hydroembrun.ca/content/user_files/2022/04/Annual-Report-2021.pdf.

The meeting covers two main items: the President's Message and General Manager's Report. The President's Message includes financial results for the past year and the coming year project. The General Manager explains the significant developments in the past year and plans for the upcoming year. The meeting concludes with a question period.

The members are encouraged to ask questions and provide thoughts and feedback on the utility's proposed costs. The utility also urges its customers to call and stop by the office to raise any concerns or ask questions. Capital and OM&A budgets are explained during the auditor's financial statement presentation. Again, the members can question the proposed budgets during a question period. Following the questions period, a resolution from the members is adopted by way of vote.

- (b) Please describe the system used in decision making. In the response, please explain how the utility's customers are engaged on an on-going basis to make decisions about the utility's operations.

CHEI Response:

With respect to decision making, the General Assembly is the highest decision-making body in the cooperative that has the final authority on the management of the cooperative's affairs. The decision-making is done by vote and resolution

(Moved by and Seconded by Resolution). The Board of Directors, or more specifically, "Conseille d'Administration," is a group of members that have been elected to make decisions for the co-op on behalf of all the other members. The utility and its Board of Directors meet monthly. Meetings involve an analysis of budgets to date vs. Actuals vs Approved DSP. Budgets are adjusted according to various factors such as unexpected expenses (i.e. Green Button, new service, unexpected failures...). CHEI notes that the prioritization process is explained in detail in section 3.3. [5.3.3] Asset Lifecycle Optimization Policies and Practices of the DSP.

Although every Board of Directors of utilities generally has the customer's best interest at heart and mind, a cooperative type of structure forces the cooperative Board of Directors to be more sensitive to members' needs as everyone is an owner and a customer. Decisions are not only based on profits and bottom line but are equally geared to the needs and wants of its members. Having such a governance structure over the utility ensures that those who benefit from the business have a say over how it operates.

1-STAFF-4

Facilitating Innovation

Ref: Exhibit 1, page 21

Cooperative Hydro Embrun notes that it will continue to seek to collaborate with other similar sized and like-minded utilities toward innovation goals, which could offer a more appropriate potential for supporting innovation while also helping to tame costs.

- (a) For the historical period, please describe any collaboration efforts with other utilities towards innovation goals and the results of those efforts.

CHEI Response:

The implementation of Cybersecurity Framework was coordinated between CHEI, Hawkesbury, and Hydro 2000.

The Green Button implementation involves collaboration with OPRC and Hydro 2000. Please see the response to Staff-6 for details.

Concerning pole testing, CHEI still shares the testing tool with Hydro Hawkesbury. ESA surveys are conducted by Hearst thus spreading the costs across all 5 utilities. Regulatory knowledge, lessons learned, processes and templates are also shared across the French utilities.

- (b) Does Cooperative Hydro Embrun anticipate, or is it aware of, further collaboration in the forecast period towards innovation goals? If yes, please describe the nature of the goals set out and the anticipated savings. If applicable, have these savings been incorporated into the current application?

CHEI Response:

CHEI is currently working with Hydro 2000 Inc and ORPC to comply with the Green Button. This collaboration will provide a better opportunity for support and other aspects of implementing this initiative.

CHEI has also had numerous conversations with Hydro Ottawa to seek their expertise concerning a Service Area Amendment (SAA).

1-STAFF-5

Broadband Regulation
Ref: Exhibit 1, pages 21-22

In response to Bill 257, *Building Broadband Faster Act*, 2021, Cooperative Hydro Embrun notes that it reached out to the area's telecom providers to provide the utility with plans for pole attachments in the service area going forward.

The evidence states that the telecom companies indicated that:

Since this is new to all parties, and that the most effective way to address it would be for CHEI to provide the telecom companies with a capital plan, showing the deployment of new or replacement pole lines. The telecom company could then determine if they might use those pole lines in the future.

Cooperative Hydro Embrun plans to send its Distribution System Plan (DSP) to the telecom companies once the rates are approved and notes that "although the utility regularly keeps an open line of communication with its telecom companies, it intends on collaborating with its telecom companies when planning its pole replacement".

- (a) Please describe how many consultations were conducted with the area's telecom providers, and how Cooperative Hydro Embrun determined who to consult with.

CHEI Response:

On December 17, 2021, CHEI communicated with its local telecom company to discuss Bill 257; following the discussion, the telecom company suggested CHEI send a copy of the DSP plan showing the deployment of new or replacement pole line. As of April 20, 2022, CHEI has not received further communication from its local telecom company.

- (b) Please confirm if Cooperative Hydro Embrun has adapted its DSP for the forecast period as a result of the consultations.

CHEI Response:

CHEI has not adapted its DSP as a result of any consultations. The pole replacement forecast is based on the results of the drill test. Furthermore, most, if not all, poles scheduled to be replaced already have attachments from Bell or Rogers and therefore do not require further consultation or adjustments.

In 2022-2023 CHEI forecasts the replacement of three poles each year.

CHEI has not forecasted any overhead line extensions from 2022 to 2027; all the new future development in the service area is forecast to be underground. If an overhead line extension occurs CHEI will communicate with the telecom company as per Bill 257.

(c) If the answer to (b) is no, how has Cooperative Hydro Embrun ensured that its planned spending in certain programs (i.e., pole replacement) has been prioritized correctly.

CHEI Response:

CHEI tested its poles in 2021, which showed that nine poles required replacement. The results are used to prioritize which poles need to be replaced first.

Concerning the forecast 2024-2027, CHEI intends on testing them in the next cycle and plan/budget accordingly.

(d) Please explain why Cooperative Hydro Embrun does not plan to send the completed DSP until after a decision in this application is issued.

CHEI Response:

Until settlement is reached, CHEI's DSP may not be in line with its approved capital spending; therefore, CHEI plans to wait until a decision is reached to update the DSP accordingly and send it to the telecommunication companies.

1-STAFF-6

Green Button

Ref: Exhibit 1, page 21

OEB staff notes that the Green Button Regulation came into effect on November 1, 2021, and requires distributors to implement Green Button by November 1, 2023, for the purposes of complying with section 25.35.8 of the *Electricity Act*, 1998.

The OEB approved the establishment of a [generic deferral account](#) for rate regulated distributors to record the incremental costs directly attributable to the implementation of the Green Button initiative, in a manner that accords with the requirements set out in the Green Button Regulation.

The evidence in this application states that Cooperative Hydro Embrun, "feels that current innovation ideas such as Green Button (quoted at approximately \$30k) were designed with larger utilities in mind rather than smaller utilities whose primary goal is to provide safe, reliable electricity at the lowest price possible." However, Cooperative Hydro Embrun will continue to meet the requirements of its regulator. Cooperative Hydro Embrun notes that a scheduled call with select representatives was to be held on January 19, 2022, to discuss the cost of Green Button.

(a) Please describe the outcomes of the call to discuss the cost of Green Button.

CHEI Response:

The meeting originally scheduled for January 19, 2022, was unfortunately canceled by the Ministry of Energy representative.

(b) Please confirm if any costs have been included in Cooperative Hydro Embrun's proposed operating or capital budgets for Green Button implementation, instead of recording amounts in the generic deferral account. If confirmed, please identify where and the quantum(s).

CHEI Response:

CHEI had intended to use the deferral and variance account to record costs related to the implementation of Green Button. However, the utility recently received costing information and has included costs from Vendor #2 in the application instead of using the DVA account and claiming it in the next Cost of Service scheduled for 2027..

As of April 20, 2022, CHEI has two vendors' quotes (not firm).

	One Time Set Up	Annual Maintenance
Vendor # 1	\$37 060.00	\$41 183.00
Vendor # 2	\$66 517.50	\$18 138.00

- (c) Does Cooperative Hydro Embrun have a project plan in place to implement Green Button? If yes, please provide a high-level description of those plans. If not, please advise when distributor expects to have a project plan in place.

CHEI Response:

CHEI does not have a firm project plan to implement Green Button at this time. However, the utility is confident that the quotes are close enough for CHEI to select a vendor, include costs from Vendor #2 in rates, and work on an implementation plan with the selected vendor.

- (d) If applicable, please indicate the overall percentage of completion of the project plan.

CHEI Response:

At this point, CHEI file his first Progress Report (GB Quarterly Report) to OEB

- (e) Please confirm if Cooperative Hydro Embrun is managing or planning to manage Green Button implementation internally or through an external vendor.

CHEI Response:

CHEI confirms that Green Button Implementation will be through an external vendor.

1-STAFF-7

Productivity

- (a) Please discuss if Cooperative Hydro Embrun has implemented any productivity initiatives over 2018-2022 to improve cost efficiency. If so, please provide details

CHEI Response:

OEB Cybersecurity Framework:

Cooperative Hydro Embrun Inc, Hydro Hawkesbury, and Hydro 2000 Inc. signed a joint agreement with a consultant to comply with the regulations.

Green Button Implementation:

CHEI is working with ORPC and Hydro 2000.Inc to minimize the cost of the implementation of the Green Button.

Drafting of its DSP:

CHEI prepared the document in-house instead of hiring a consultant.

- (b) of these initiatives and quantified cost savings (for both capital and OM&A).

CHEI Response:

CHEI estimates the cost savings of the productivity initiatives over 2018-2022 to be approximately \$60 000 to 100,000.

- (c) Please discuss if Cooperative Hydro Embrun plans for any new productivity initiatives for the 2023-2027 period.

CHEI Response:

CHEI is continuously seeking ways of reducing costs. This is a mindset that is ingrained in CHEI's core values as a company but also as a cooperative. Therefore, the utility will continue to seek opportunities to reduce or share costs to reduce its rates. In addition, CHEI notes that many of its cost efficiencies initiatives are in direct response to new or unplanned initiatives driven by the regulators or the government of Ontario (Green Button, Cyber Security, DSP).

1-STAFF-8

Strategic Goals and Objectives

Ref: Exhibit 1, Business Plan, page 5

Cooperative Hydro Embrun plans on achieving its strategic goals by setting and meeting the following objectives:

- Improve grid reliability
- Create a service-based utility whose primary goal is to exceed customers' expectations at a reasonable cost
- Promote the long-term, efficient provision of utility services consistent with OEB policy
- Work with other utilities in the promotion of both an efficient and sustainable environment
- Operate effectively with the staff currently in place
- Reduce operational costs where and when possible
- Develop and adopt an actionable plan to improve the customer experience

Please identify any work/projects/initiatives described in this application that support the achievement of the objectives above.

CHEI Response:

Improve grid reliability: Since 2015, CHEI has improved grid reliability by constructing a 4th feeder to accommodate a new subdivision. The utility also built a new substation to meet the new load and set it up as redundancy measures if the other station failed. In addition, CHEI continues improving its reliability by replacing transformers and decrepit poles.

Create a service-based utility whose primary goal is to exceed customers' expectations at a reasonable cost: As a Cooperative, members receive a patronage refund. Since the incorporation, \$587,798.00 has been returned to the members. So far, members are very grateful to receive their money back. During its last IRM, CHEI decided to forego its inflationary increase of 3.3% to their customers.

Work with other utilities to promote an efficient and sustainable environment:
Since the corporation's beginning, CHEI has always had a good relationship with its neighboring utilities, especially the French-speaking utilities. At present, CHEI has discussions regularly with six utilities.

Operate effectively with the staff currently in place: As a small LDC operating with three employees, each staff member is devoted to their respective position. At the last Annual General Meeting, members congratulated the employees for their professionalism.

Reduce operational costs where and when possible: CHEI is doing its best to minimize the operating expense as a small utility. For example, the OEB Cybersecurity Framework is being coordinated between three LDCs. All three hired the same consultant to reduce the cost.

1-STAFF-9

Customer Engagement

Ref: Exhibit 1, page 24

Cooperative Hydro Embrun notes that it sent a newsletter (Appendix D of Exhibit 1) to its customers to get feedback on its proposed capital and operational budget. The newsletter was sent via e-billing and bill inserts on January 19, 2022.

OEB staff notes that the current application was filed on February 1, 2022.

- (a) Please confirm that no comments were received on either the proposed capital or operating expenses. If not confirmed, please describe any changes made to Cooperative Hydro Embrun's proposed capital and operating plans as a result of any feedback received.

CHEI Response:

CHEI received one comment by email concerning operating expenses and phone calls stating that the decrease in the proposed rate was excellent news. No changes have been made following the feedback from customers.

- (b) Please discuss why Cooperative Hydro Embrun did not distribute the newsletter sooner in order to provide a longer time period to solicit customer feedback.

CHEI Response:

The Christmas period affected CHEI's decision. The advance filing also factored into the decision. Lastly, the inclusion of the memo into bills had to be coordinated with the billing cycle.

1-STAFF-10

Customer Engagement

Ref: Exhibit 1, page 24

Cooperative Hydro Embrun held an Annual General Assembly held in April 2021 where the General Manager presented the utility's 2021 budgets.

(a) How many customers attended the Annual General Assembly?

CHEI Response:

27 members attended the Annual General Meeting on May 5, 2021, and 23 on April 20, 2022.

(b) Does Cooperative Hydro Embrun find the attendance rates acceptable as a basis for measuring customer wants? If so, why?

CHEI Response:

While the attendance rate is not ideal, it is the choice of the member to participate or not. CHEI presumes that members that have material issues to pursue will take advantage of the opportunity to attend the Annual General Meetings.

(c) Please provide any meeting minutes, presentations or reports as available.

CHEI Response:

Each year, CHEI produces an Annual Report for its members and non-members. These reports (2020-2021) are available on our website to the public at the following link: <https://hydroembrun.ca/information/annual-report/>

1-STAFF-11

Customer Engagement
Ref: Business Plan, page 10

A customer satisfaction survey was conducted in the spring of 2021. Cooperative Hydro Embrun notes that in its most recent customer satisfaction survey, although satisfied with the level of service, some concerns were raised by customers with respect to more timely notification when outages occur.

Has Cooperative Hydro Embrun implemented/or is it considering implementing any remedy for this concern? If so, when?

CHEI Response:

CHEI makes its best effort to notify the customers and will continue to improve this matter daily.

1-STAFF-12

Customer Engagement

Ref: Chapter 2A Filing Requirements for Small Utilities, December 16, 2021, page 10

Please document any communications with unmetered load customers, including street lighting customers, and how Cooperative Hydro Embrun assisted them in understanding the regulatory context in which distributors operate and how it affects unmetered load customers.

CHEI Response:

CHEI currently has 17 USL customers (Mostly Rogers Cable) and 1 Street Lighting customer. CHEI is in continuous contact with the USL customers and informs them of any changes. They are also encouraged to reach out to the utility if they have any questions concerning their invoices.

1-STAFF-13

Scorecard

Ref: Exhibit 1, pages 26-29

At the reference above, Cooperative Hydro Embrun provides a discussion on its OEB Scorecard. Please provide a definition of the Distribution System Plan Implementation Progress metric.

CHEI Response:

CHEI views the Distribution System Plan as a "living document". Therefore, CHEI tracks and documents its variances yearly and updates its inputs regularly. CHEI's interpretation of "progress metrics" indicates its efforts to keep the document up to date with actual metrics even though it is filed with the OEB only as part of a Cost-of-Service application.

1-STAFF-14

ROE Information

Ref 1: Error Checking Response #7, March 21, 2022

Ref 2: Exhibit 1, 2020 Scorecard

OEB staff notes a discrepancy in the ROE achieved between reference 1 and reference 2 for 2018. Reference 1 shows a 2018 achieved ROE of 6.12%. Reference 2 shows 8.12%.

(a) Please confirm if the Scorecard information is correct.

CHEI Response:

Staff is correct in that the achieved ROE for 2018 was in fact 8.12% or 0.88% lower than the approved ROE.

(b) Please explain the drivers for the ROE achieved in 2020.

CHEI Response CHEI's actual ROE was 11.35% only 2.35% above the Board Approved ROE of 9%. Because the results did not trigger an over earning or under earning, CHEI did not have to calculate drivers for 2020 therefore this information is not readily available.

1.0-VECC-1

Reference: Exhibit 1, page 29

a) If available, please update Table 10 (Scorecard) to show the 2021 results.

CHEI Response:

The 2021 Scorecard will only be available in September 2022; however, the below tables show preliminary results based on the recent RRR.

Category	Measures	2021
Service Quality	1	100%
	2	100%
	3	94.22%
Customer Satisfaction	1	92.48%
	2	99.97%
	3	88.00%
Safety	1	C
	2	0
	3	0.000
System Reliability	1	0.02
	2	0.01
Asset Management	1	Complete
Cost Control	1	1
	2	
	3	(38km of line)
Connection de Renew Generation		
Financial Ratios	1	
	2	
	3	9.00%
	4	13.25%

1.0-VECC-2

Reference: Exhibit 1, page 29

a) What is the proportion of customers receiving e-bills?

CHEI Response:

As of March 31st, 2022, 58% of the customers are on e-bill and receive their bills electronically.

b) Does CHEI provide any incentives for customers to move to e-billing?

CHEI Response:

CHEI promotes and incentivizes customers to move e-billing yearly. In 2021 CHEI offered a credit on the customer's invoices. 3 prizes of x \$100 credit.

c) In 2021 what was the portion of customers paying bills by:

I. Bank or online

CHEI Response: 55%

II. Cheque

CHEI Response: 4%

III. Credit Card

CHEI Response: 1%

IV. Preauthorize

CHEI Response: 40%

EXHIBIT 2 – RATE BASE

2-STAFF-15

COVID-19

Please confirm if Cooperative Hydro Embrun has made any assumptions or inclusions for expenses related to COVID-19 in its capital budgets. If assumptions or inclusions have been made, please specify the impacts and the year in which assumptions have been included.

CHEI Response:

CHEI is aware and mindful of the delays in equipment and a potential rise in costs due to Covid and other political factors such as gas prices and war overseas, all of which have a ripple effect on the industry as a whole. That being said, CHEI has not included any contingencies for expenses related to COVID-19 in its capital budgets. Its planning is based on a "business as usual" mindset.

2-STAFF-16

Rate Base

Ref 1: Exhibit 1, Appendix 1B

Ref 2: Excel Appendix 2-BA, February 14, 2022

At reference 1, Cooperative Hydro Embrun has submitted its 2020 audited financial statements. A copy of the 2021 audited financial statements has not been provided, given the timing of the filing of this application.

- (a) Please provide a copy of the final 2021 audited financial statements, or a draft version, as available.

CHEI Response:

The 2021 Financial Statements are filed along with these responses

- (b) Please confirm that Cooperative Hydro Embrun has already reconciled the property, plant, and equipment values shown in the 2021 audited financial statements to the December 31, 2021 values shown in Excel Appendix 2-BA (reference 2).

CHEI Response:

Confirmed

- (c) If these amounts do not reconcile, please file a reconciliation and explanation, as well as update Excel Appendix 2-BA.

CHEI Response:

Not applicable

2-STAFF-17 MODEL UPDATE PILS

Rate Base, Depreciation, and PILs

Ref 1: Response to Error Check Q#19, March 21, 2022

Ref 2: Excel Appendix 2-BA and Appendix 2-C, March 21, 2022

Ref 3: Excel PILs Model, February 14, 2022

At reference 1, Cooperative Hydro Embrun indicated that it would address this error check question in its response to interrogatories. However, in its response to the error check question, Cooperative Hydro Embrun also suggested that the Excel Appendix 2-BA and Excel PILs model values were correct, but the Excel Appendix 2-C values were incorrect.

- For 2022 capital additions: The Excel Appendix 2-BA and the Excel PILs model (B8 Sch 8 CCA Bridge) of \$375,225 do not tie to the Excel Appendix 2-C of \$138,925.
- For 2023 capital additions: The Excel Appendix 2-BA and the Excel PILs model (T8 Sch 8 CCA Test) of \$148,750 do not tie to Excel Appendix 2-C of \$143,750.

Please update the Excel Appendix 2-BA, Excel Appendix 2-C, and the Excel PILs model to resolve these discrepancies.

CHEI Response: The model was updated to reflect the changes as a result of CHEI's responses to IRs. CHEI notes that the capital additions in all Schedules 8 (Historical, Bridge and Test) should not (according to BDO) include capital contributions.

2-STAFF-18 MODEL UPDATE PILs

Ref 1: Chapter 2 Appendices, Tab 2-BA - Fixed Asset Cont

Ref 2: Chapter 2 Appendices, Tab 2-H – Other Revenue

Ref 3: Excel PILs model, February 14, 2022

There are no disposals in Appendix 2-BA for 2020-2023. There are no proceeds of dispositions in the UCC schedules of the Excel PILs model. There are no gains/losses on asset disposition/retirement in Appendix 2-H for 2021-2023. Please confirm that this is appropriate. If not confirmed, please revise the evidence as necessary.

CHEI Response:

CHEI confirms that no disposition/retirement of assets are expected to occur from 2021-2023.

2-STAFF-19 MODEL UPDATE TO CH2 APP 2-Z (CoP)

Cost of Power

Ref: Chapter 2 Appendices, Tab 2-ZA – Com.Exp.Forecast

OEB staff has reproduced a portion of the table under "Step 2" on Tab 2-ZA of the Chapter 2 Appendices below:

Customer		Revenue	Expense				
Class Name	UoM	USA #	USA #	Class A Non-RPP Volume**		Class B Non-RPP Volume**	Class B RPP Volume**
Residential	kWh	4006	4705				21806912.26
General Service < 50 kW	kWh	4010	4705				5002577.645
General Service > 50 to 4999 kW	kWh	4035	4705			3204601.856	1078043.319
Unmetered Scattered Load	kWh	4010	4705			100857.461	
Street Lighting	kWh	4025	4705				261309.065
	kWh	4025	4705				
	kWh	4025	4705				
	kWh	4025	4705				
	kWh	4025	4705				
	kWh	4025	4705				
	kWh	4025	4705				
	kWh	4025	4705				
	kWh	4025	4705				
TOTAL				0		3,305,459	28,148,842

- (a) Please confirm if the Street Lighting volume should be in the non-RPP column. If confirmed, please make the necessary corrections to the model.

CHEI Response:

Correct, the model filed with these responses has been corrected accordingly.

- (b) OEB staff is unable to reconcile the volumes entered in Tab 2-ZA to Cooperative Hydro Embrun's proposed load forecast adjusted for losses. Please reconcile the information provided. If changes are required, please make the necessary corrections to the model, and any other resulting edits because of this correction.

CHEI Response:

The above correction has been made to the Cost of Power and the revised Load Forecast and RTSR rates based on 2021 actuals.

2-STAFF-20 MODEL UPDATE TO CH2 APP 2-Z (CoP)

Cost of Power

Ref 1: Chapter 2 Appendices, Tab 2-ZB – Cost of Power

Ref 2: Tariff and Bill Impact Model

Tab 2-ZB of the Chapter 2 Appendices shows an Ontario Electricity Rebate (OER) of 19.8%. The Tariff and Bill Impact Model shows an OER of 21.2%. OEB staff notes that the current OER, effective November 1, 2021, is 17%.

Please update the models as required and confirm that Cooperative Hydro Embrun will again update the applicable references should an updated OER be announced prior to the conclusion of this proceeding.

CHEI Response:

CHEI can modify calculations and models that are not locked. However, Staff may need to update the Bill Impact model to reflect the correct OER rate.

2-STAFF-21

Cost of Power

Ref: Application, Exhibit 2, page 29

In relation to the Smart Meter Charge, Cooperative Hydro Embrun notes that it applied the OEB-approved "rate of \$0.57 per month for the forecasted Residential and General Service<50kW customers for test year 2021 and included the projected amount of \$17,166 in its Cost of Power."

(a) Please confirm the test year is intended to state 2023.

CHEI Response:

Correct. The statement should have reflected a Test Year of 2023 as opposed to 2021. Furthermore, the rate has now been revised to reflect the new rate of \$0.43.

(b) Given that the current Smart Meter Charge expires on December 31, 2022, please confirm that the utility will update this rate should an updated charge be approved by the OEB prior to the conclusion of this proceeding.

CHEI Response:

Confirmed.

2-STAFF-22

Number of Poles

Ref 1: Application, Exhibit 2, page 36

Ref 2: Exhibit 2, DSP, page 6

At reference 1, the utility notes that approximately 432 primarily wood-type poles support the overhead distribution system. The table in reference 2 indicates the utility has 345 poles. Please confirm the correct number.

CHEI Response:

CHEI confirms that it has 345 poles in service.

2-STAFF-23

Ref: Exhibit 2, Page 36

Regarding Net Metering, Cooperative Hydro Embrun states:

CHEI has not received any requests for the connection of "net metering" in its service territory. Based upon the above information, CHEI does not expect to reach the current available capacity for renewable generation in the near future (i.e., over the 5-year forecast horizon).

- (a) What are Cooperative Hydro Embrun's plans should a request be received for a net metering connection, Renewable Generation or DER?

CHEI Response:

CHEI does not currently have a formal plan/process. Should the utility receive such a request, it will work with other LDCs to get the necessary information.

- i. Please discuss how the request would be handled and describe any limitations that would be faced in dealing with the request.

CHEI Response: At this time, the billing system does not have the functionality to invoice Net Metering Customers. Therefore, CHEI would reach out to ORPC regarding its Net Metering Connection request.

(b) Are T1 and T2 energized in parallel, or is only T2 energized during normal operations, with T1 left de-energized unless required as a backup?

CHEI Response:

Yes, both transformers are parallel. Both are energized and feeding feeders through the town.

(c) Please confirm that both Municipal Substations receive power from a single 44 kV radial feeder emanating from Hydro One's Chesterville TS.

CHEI Response:

Confirmed.

- i. If not confirmed, please describe the different sources of supply to the different CHEI Municipal Substations.

CHEI Response:

Not applicable. see CHEI Response (c).

(d) If transformer T2 (10 MVA) becomes non-operational, for approximately how many hours per year in each of the next 10 years is the system load expected to exceed the capacity of T1 (7.5MVA)?

CHEI Response:

CHEI does not have the internal expertise to respond to this IR. CHEI has reached out to Stantec to see if they can provide an answer. Stantec is expected to provide CHEI with a cost to calculate this scenario. If the are justified and the OEB deem it necessary, CHEI will commission Stantec to provide an answer.

2-STAFF-25

System Reliability

Ref: Exhibit 2, DSP, page 17

Please explain why the Emergency Urban Response line item dropped to 83.33% in 2020 compared to 100% in 2016-2020.

CHEI Response:

CHEI still met OEB Standard at 80% for 2020. CHEI notes that only six emergency calls occurred during the year. Five were within 60 minutes and one call was responded to beyond 60 minutes. That particular call reduced impacted the results negatively.

2-STAFF-26

System Reliability

Ref: Exhibit 2, Section 2.4, Page 33

Regarding its System Reliability & Performance, Cooperative Hydro Embrun provided the following:

Table 31 – All Causes of Power Interruptions (2018-2020)

Cause Code	Description	2016		2017		2018		2019		2020	
		# of Customer Interruption	# Customers Hours	# of Customer Interruption	# Customers Hours	# of Customer Interruption	# Customers Hours	# of Customer Interruption	# Customers Hours	# of Customer Interruption	# Customers Hours
0	Unknown/Other	0	0	0	0	0	0	1	2.75	2	7.5
1	Scheduled Outage	485	88	10	10	113	896	120	32	20	60
2	Loss of Supply	10622	53070	2175	2175	6830	63651	0	0	0	0
3	Tree Contact	0	0	0	0	0	0	0	0	0	0
4	Lightning	0	0	0	0	0	0	0	0	0	0
5	Defective Equipment	0	0	5	14	13	473.25	6	3	2	4.5
6	Adverse Weather	0	0	0	0	2	2	1	1.75	0	0
7	Adverse Environment	0	0	0	0	0	0	0	0	0	0
8	Human Element	0	0	0	0	0	0	0	0	0	0
9	Foreign Interference	0	0	0	0	0	0	1	3	1	2

(a) What actions is Cooperative Hydro Embrun taking to ensure that Hydro One reduces the frequency and duration of Loss of Supply outages? Please elaborate.

CHEI Response:

Most of the Loss of Supply from Hydro One was caused by adverse weather or human interference (car accident hit a pole).

(b) Has Hydro One made any commitments to Cooperative Hydro Embrun to reduce future Loss of Supply event frequency and/or duration?
i. If yes, please provide details.

CHEI Response:

Hydro One often has little to no control over these causes as they are often related to unpredicted weather or unforeseen accidents.

2-STAFF-27

Ref: Exhibit 2, DSP, Section 2.4.1, Page 19

Regarding its System Reliability, Cooperative Hydro Embrun provided the following:

Table 13 - Interruption 2018

Cause Code	Description	2018 # Interruption / As a result of the cause interruption	2018 # Of Customer Interruption	2018 # Customers Hours
0	Unknow/Other	0	0	0
1	Scheduled Outage	14	113	896
2	Loss of Supply	4	6830	63651
3	Tree Contact	0	0	0
4	Lightning	0	0	0
5	Defective Equipment	7	13	473
6	Adverse Weather	2	2	2
7	Adverse Environment	0	0	0
8	Human Element	0	0	0
9	Foreign Interference	0	0	0

In 2018 27 interruptions occurred due to loss of supply from Hydro One and scheduled outages. The 13 interruptions of lost power recorded under "Defective Equipment" were due to a blown fuse at a transformer, and 2 interruptions were caused by adverse weather was due to a severe thunderstorm.

Regarding its Fuse Replacement Program, Cooperative Hydro Embrun states on DSP PDF page 62 of 121 the following:

CHEI has a fused cutout and porcelain air gap lightning arrestors replacement program.

- (a) What equipment defect caused the "blown fuse at a transformer" in 2018?
- (b) Did the same equipment defect cause blown fuses in other years during the period 2016 – 2019?

CHEI Response:

CHEI would like to correct this statement which was made in error. After discussing the issue with Sproule, the blown fuse resulted from adverse weather.

- i. If no, please list the equipment defects that caused the blown fuses in each year.

CHEI Response:

See response (a)

- ii. Does the same type of defective equipment still exist in Cooperative Hydro Embrun's system?

CHEI Response:

Not applicable

- i. If yes, what actions are being taken to mitigate the defective equipment?

CHEI Response:

Not applicable

- (c) Please confirm that the Fuse Replacement Program is not intended to address the issue of defective equipment that caused the blown fuses referenced in the above questions.

- i. If not confirmed, please reconcile the apparent contradiction with the statement on DSP PDF 67 of 121 "CHEI...is replacing the porcelain fused cutouts with polymer fused cutouts and replacing porcelain air gap type lightning arrestors with polymer, solid dielectric arrestors. These projects are being planned proactively because of the problems with this equipment in various utilities, **even if it has not caused outages or health risks at CHEI.**" (*emphasis added for clarity*).

CHEI Response:

Not applicable

2-STAFF-28

Unit Cost Metrics

Ref: Exhibit 2, Section 2.4, Page 35

Regarding its Efficiency Assessment & Unit Cost Metrics:

- (a) Are the costs shown in "Table 33 - Total Cost per Kilometer of Line" in real or nominal dollars?

CHEI Response:

The "total costs per km of line" are a direct report from the Scorecard.

- i. If in nominal dollars, please provide a revised graph showing costs in real dollars.

CHEI Response:

see response to a)

- (b) Please provide a graph similar to Table 33 showing Cost (\$) per Unit of Energy Delivered (MWh), in real dollars.

CHEI Response:

see response to a)

2-STAFF-29

System Access Clarification

Ref 1: Response to Error Checking Question 9, March 21, 2022

Ref 2: Chapter 2 Appendices, Tab 2-AB – Capital Expenditures

Ref 3: EB-2017-0035, Settlement Proposal, Page 13, December 22, 2017

Error checking question 9 noted an inconsistency in the originally filed application between Exhibit 2, page 20 and the Chapter 2 Appendices, Tab 2-AB. Exhibit 2 showed a 2018 planned System Access amount of \$83,200 and capital contributions of \$132k, whereas Tab 2-AB showed \$34,500 in planned System Access spending, and capital contributions of \$5,775.

In response to the error checking question, Cooperative Hydro Embrun updated Tab 2-AB for 2018 planned System Access to \$215,200, and capital contributions of \$132k. OEB staff notes that the planned System Access amount of \$215,200 does not reconcile to Cooperative Hydro Embrun's 2018 settlement proposal (pg. 13), which shows planned 2018 System Access of \$83,200. Please reconcile and provide an explanation for the discrepancy.

CHEI Response: As indicated in the table 3 of the 2018 Settlement Agreement (replicated below for ease of reference), \$132,000 net contribution was already included in the \$83,200. ($\$215,200 - \$132,000 = \$83,200$)

Table 3 - 2018 Gross Capital Expenditures

	Application May 1 2017	IRR Nov 3 2017	Variance over Original Filing	Settlement Proposal Dec 15 2017	Variance over IRs
2017					
2017 Gross Open Bal	\$4,433,945	\$4,433,945	\$0.00	\$4,433,945	\$0
2017 Additions	\$1,706,996	\$1,706,996	\$0.00	\$1,708,342	\$1,346
2017 Disp/Ret	\$0	\$0	\$0.00	\$0	\$0
2017 Gross Close Bal	\$6,140,941	\$6,140,941	\$0.00	\$6,142,287	\$1,346
Accumulated Depreciation					
2017 Open Bal	\$1,652,667	\$1,652,667	\$0.00	\$1,652,667	\$0
2017 Additions	\$145,817	\$145,817	\$0.00	\$146,045	\$228
2017 Disp/Ret	\$0	\$0	\$0.00	\$0	\$0
2017 Close Bal	\$1,798,484	\$1,798,484	\$0.00	\$1,798,712	\$228
Net Book	\$4,342,457	\$4,342,457	\$0.00	\$4,343,575	\$1,118
2018					
2018 Gross Open Bal	\$6,140,941	\$6,140,941	\$0.00	\$6,142,287	\$1,346
2018 Additions	\$150,205	\$150,205	\$0.00	\$204,680	\$54,475
2018 Disp/Ret	\$0	\$0	\$0.00	\$0	\$0
2018 Gross Close Bal	\$6,291,146	\$6,291,146	\$0.00	\$6,346,967	\$55,821
Accumulated Depreciation					
2018 Open Bal	\$1,798,484	\$1,798,484	\$0.00	\$1,798,712	\$228
2018 Additions	\$165,121	\$165,121	\$0.00	\$162,155	-\$2,966
2018 Disp/Ret	\$0	\$0	\$0.00	\$0	\$0
2018 Close Bal	\$1,963,605	\$1,963,605	\$0.00	\$1,960,867	-\$2,738
Net Book	\$4,327,541	\$4,327,541	\$0.00	\$4,386,099	\$58,559
Capital Additions					
System Access	\$34,500	\$34,500	\$0.00	\$83,200	\$48,700
System Renewal	\$110,005	\$110,005	\$0.00	\$115,780	\$5,775
System Service	\$0	\$0	\$0.00	\$0	\$0
General Plant	\$5,700	\$5,700	\$0.00	\$5,700	\$0
Total Expenditures	\$150,205	\$150,205	\$0.00	\$204,680	\$54,475
2018 Capital Contribution included in System Access	-\$5,200	-\$5,200	\$0.00	-\$132,000	-\$126,800

2-STAFF-30

Ref 1: Response to Error Checking Question 9, March 21, 2022

Ref 2: Exhibit 2, DSP, pages 35, 37

As noted in the interrogatory above, Cooperative Hydro Embrun updated Tab 2-AB to show 2018 planned System Access of \$215,200, and capital contributions of \$132k. Because of this update, the DSP on pages 35 and 37 does not reflect the same figures.

Please provide an itemized breakdown of the difference between 2018 actual spending of \$79,865, and 2018 planned spending of \$215,200 (if it is in fact confirmed that this is the correct number). In the response please also provide an explanation for the difference in capital contributions as the DSP indicates planned contributions for 2018 of \$5,775.

CHEI Response:

The breakdown was already presented in the DSP below table 23. CHEI notes that the utility never broke down the \$83,200 by project as the amount was agreed to during the settlement as part of the 2018 Cost of Service. However, CHEI attempted to break it down in the DSP for ease of comparison.

2018 System Access

New Services:

Actuals exceeded the DSP planned by \$819.00.

Meter:

Actuals exceeded the DSP planned amount by \$9,552.00. The reason is that CHEI purchased additional meters for the meter reverification program.

New service pole:

Actuals are lower than the DSP planned by \$2,325.00. A new connection was the reason for the increase.

Unforeseen expenses not accounted for in the DSP

\$7,835.00 in unexpected costs were incurred to finalize the construction of the substation by replacing two entrance culverts and the related surveyor costs incurred.

\$29,485.00 of expenses were incurred due to connecting a new building (26 units) to the distribution system.

2-STAFF-31

Efficiency Assessment

Ref: Exhibit 2, page 33

Cooperative Hydro Embrun notes that its:

...costs fall below the average cost range of all Ontario electricity distributors. Using the Benchmarking forecast model, CHEI expects to remain in Group 1's efficiency performance. Will being in group 1, CHEI is still improving its efficiency, with 2023 proposed costs predicted to be 70.1% lower than the model's predicted costs.

- (a) Please describe or itemize the areas in which Cooperative Hydro Embrun is achieving these efficiencies.

CHEI Response:

The PEG group is the architect behind the benchmarking report and the "predicted" costs calculations. CHEI trusts that the OEB has a thorough understanding of the mechanics as they commissioned PEG to conduct this study every year. Therefore, questions behind the mechanics of the "predicted costs" would be best answered by the OEB or PEG Group.

Regarding efficiencies in capital planning, without spending additional time and resources comparing CHEI's capital costs and DSP with other utilities, it would seem as though a combination of 1) a healthy distribution system, 2) slow growth and 3) the use of an external company to perform capital work as needed rather than employ an operations team are the main contributors to the lower-than-average capital costs.

- (b) Please explain how Cooperative Hydro Embrun ensures and maintains the health of its distribution system given its proposed costs being significantly lower than predicted costs.

CHEI Response:

As mentioned above, CHEI is not able to comment on the mechanics of the predicted costs; however, the premise behind the DSP is to assemble and present a tactical plan for managing an organization's infrastructure and other assets to deliver

an agreed standard of service. CHEI feels that it accurately explained how it intends to maintain the health of its distribution system going forward.

2-STAFF-32

Subdivisions - Historical

Ref 1: Exhibit 2, pages 5-6

Ref 2: Exhibit 2, DSP, page 11

Ref 3: Exhibit 2, DSP, page 37

For 2020, the Versailles III and Patenaude East Subdivision Phase II projects are listed as major capital cost drivers in reference 1. Reference 2 contains the following information:

Since its last DSP in 2017, two new developments have been energized:

- Subdivision Faubourg Ste-Marie Phase II (2021) - 54 lots (Purple Area)
- Subdivision Versailles Phase III (2021) - 42 lots (Pink Area)

Table 5 - Historical Subdivision Development Costs by Year

Year/ Development	2018	2019	2020	2021	2022
Faubourg Ste-Marie Phase II	\$ 0	\$ 0	\$ 0	\$99,219	\$ 0
Versailles Phase III	\$ 0	\$ 0	\$ 0	\$89,877	\$ 0
Faubourg Ste-Marie Phase III	\$ 0	\$ 0	\$ 0	\$ 0	\$115,000
Central Park	\$ 0	\$ 0	\$ 0	\$ 0	\$173,000
Total	\$ 0	\$ 0	\$ 0	\$189,096	\$288,000

Reference 3 notes approximately \$29k in unforeseen expenses incurred relating to connecting a new building (26 units) in 2018. OEB staff believes this to be the Centre Urgel Forget Addition based on the evidence.

- (a) Please reconcile reference 1 which lists the Versailles III as a cost driver for 2020, with reference 2, which lists it under 2021.

CHEI Response:

The Faubourg Ste-Marie Phase II and Versailles Phase II should have been shown in 2020 rather than 2021.

- (b) Please explain why the Patenaude East Subdivision Phase II is not listed in the table in reference 2.

CHEI Response: Patenaude East Subdivision Phase II and Faubourg Ste-Marie Phase II are the same Subdivision. CHEI should have been consistent in the evidence.

(c) Please explain why the Centre Urgel Addition is not listed in the table in reference 2.

CHEI Response:

Centre Urgel Addition is not considered a new subdivision.

(d) If applicable, please provide an updated table showing historical subdivision development costs by year.

CHEI Response:

See 2-Staff-35 for list and costs of subdivision and 2.0-VECC-4 for details.

2-STAFF-33 MODEL CHANGE (2022 CAPEX)

Subdivisions - 2022

Ref 1: Exhibit 2, page 6

Ref 2: Exhibit 2, DSP, page 11

Ref 3: Chapter 2 Appendices, Tab 2-BA – Fixed Asset Continuity Schedule

Ref 4: Exhibit 2, DSP, page 55

The evidence indicates that two new subdivision projects are planned for 2022 requiring a service area amendment. Subdivision Faubourg Ste-Marie Phase III (~65 lots) is scheduled to start in July 2022. The forecasted capital expenditure is \$115k. Subdivision Central Park (~250 lots) is also expected to start in July 2022. The forecasted cost is approximately \$173k. Cooperative Hydro Embrun and the developer expect a formal decision and arrangement by March 2022.

- (a) Please provide a summary of the formal decision and arrangement between Cooperative Hydro Embrun and the developer as noted in the last sentence above.

CHEI Response:

Back in the summer and fall of 2021, a developer approached CHEI to potentially service a subdivision in a shoulder-to-shoulder zone between CHEI and Hydro One. This project would have been a continuation of Phase II.

On-going conversations with the developer prompted CHEI to cost and include capital expenditures in its application.

On April 14, CHEI reached out to the developer to get an update and learned that the developer had opted to go with a Hydro One supply rather than CHEI. As a result of this discussion, costs of 115K have been removed from the 2022 capital budget.

See VECC-6 for an update on Central Park.

- (b) Please provide the current status of the two projects, any updated cost details and the estimated timelines for completion.

CHEI Response:

As mentioned in a), Hydro One will supply Faubourg Ste-Marie.

Central Park remains in discussion with CHEI. The drawing and load need to be revised by the developer. As soon as CHEI has accurate information, it will be able to quote a cost.

The quote will be used to compare costs with Hydro One (SAA) to determine which utility is best positioned to supply the said subdivision.

- i. How confident is Cooperative Hydro Embrun that these projects will be in service by the end of the 2022?

CHEI Response:

At this time, CHEI does not have enough information to respond to this IR. CHEI will continue to communicate with the developer to get the most up to date information available and keep the OEB and parties updated.

- (c) Reference 4 indicates a forecast of \$80k in capital contributions for these projects. How have these total capital contributions been forecasted?

CHEI Response:

At the time of the filing, no drawing was completed by the developers. CHEI forecast an estimate of \$35K for each project.

2-STAFF-34

Capital Expenditures

Ref: Chapter 2 Appendices, Tab 2-AB – Capital Expenditures

The proposed net capital expenditures for 2023 is about 19% higher than the average level of forecasted capital expenditures for 2024-2027. Has Cooperative Hydro Embrun considered a more balanced pacing of its capital plan during the DSP period? If so, please explain what has been done.

CHEI Response:

CHEI is not planning on changing the pace of its forecast capital expenditures for 2024-2027.

2-STAFF-35

Capital Expenditures – System Access

Ref 1: Chapter 2 Appendices, Tab 2-AB – Capital Expenditures

Ref 2: Exhibit 2, DSP, pages 35-55

Over the historical period, Cooperative Hydro Embrun's actual gross capital expenditures exceeded its planned capital expenditures in System Access by approximately \$329k. OEB staff has summarized the variance in the table below:

	2018	2019	2020	2021	2022	Total
System Access	-\$135.3k	\$20.9k	\$185.7k	\$4.7k	\$253.3k	\$329.2k

(a) Of the \$329k variance in System Access:

- i. Please provide the portion attributable to new development.

CHEI Response:

Table below Shows new development from 2018-2022.

System Access	2018	2019	2020	2021	2022
Centre Urgel Forget	\$ 29 485				
No Project		\$ 0.00			
Versailles Phase III			\$ 89 877		
Faubourg Ste-Marie Phase II			\$ 99 219		
No Project				\$ 0.00	
Faubourg Ste-Marie Phase III *					\$ 115 000
Central Park **					\$ 173 000

Note * This project has been removed from capital expenses as the subdivision will now be supplied by Hydro One.

Note** This project is a pending Service Area Amendment

- ii. Please explain why the SCADA improvement cost in 2019 (unforeseen expense not accounted for in last DSP) of \$34k is categorized as System Access.

CHEI Response:

The discussions with Stantec, evaluation of the cost vs benefits and the decision by the Board of Directors to invest in SCADA were had after the 2018 rates were approved by the OEB.

- iii. Please explain Cooperative Hydro Embrun's process/method used in forecasting subdivision development.

CHEI Response:

Step 1 - Obtain approval from the Municipality on the development plan

Step 2 - CHEI reviews and provides comments and conditions regarding the project.

Step 3- The engineer prepares a draft project plan.

Step 4- A meeting is held between the engineers of the developer and CHE (Stantec)

Step 5- Once both parties' engineers have made the comments, the final plan is completed.

Step 6- An economic evaluation is calculated and provided to the developer

Step 7- An Agreement is signed with the developer and CHEI

Step 8- The release is signed by the developer that attests that the project is compliant with CHEI

2-STAFF-36

Capital Expenditures – System Renewal

Ref 1: Chapter 2 Appendices, Tab 2-AB – Capital Expenditures

Ref 2: Exhibit 2 – Rate Base, Section 2.2.3, Page 20 of 38

Regarding its Summary of Capital Expenditure and Contribution, Cooperative Hydro Embrun provided the following:

Table 17 – Gross Fixed Asset Additions – System Renewal

	2018	2018	2019	2020	2021	2022	2023
	BA	Actual	Actual	Actual	Actual	Projection	Projection
Sub-Total System Renewal	\$115,780	\$143,563	\$36,215	\$77,545	\$108,065	\$112,225	\$107,050
Planned per 2018 DSP		\$115,780	\$20,000	\$60,000	\$62,000	\$40,000	
Contributed Capital		\$0	0	0	0	0	0
Total System Renewal	\$115,780	\$143,563	\$36,215	\$77,545	\$108,065	\$112,225	\$107,050

OEB staff prepared the following table based on the information provided in Table 17:

	2018	2019	2020	2021	2022
Actual (Forecast 2022)	\$ 143,563.00	\$ 36,215.00	\$ 77,545.00	\$ 108,065.00	\$ 112,225.00
Plan	\$ 115,780.00	\$ 20,000.00	\$ 60,000.00	\$ 62,000.00	\$ 40,000.00
Difference	\$ 27,783.00	\$ 16,215.00	\$ 17,545.00	\$ 46,065.00	\$ 72,225.00
% Overspend	24.0%	81.1%	29.2%	74.3%	180.6%
Cumulative Overspend	\$ 179,833.00				
Average Overspend	77.8%				

- (a) Cumulative System Renewal overspend above plan for the five referenced years (2018 to 2022) is approximately \$180K, with average annual expenditures running 77.8% above plan. What actions is Cooperative Hydro Embrun taking to ensure better alignment between Planned and Actual System Renewal spending over the upcoming test period?

CHEI Response:

System Renewal-related costs, for the most part, involve pole and transformer replacement. As indicated throughout the DSP, CHEI is doing its best to pace its asset replacement and balance the impact on the ratepayers. Please see page 51 of the DSP – Exhibit 2 -Table 27. The annual average for 2022-2027 is predicted to be \$84k.

The annual expenses will decrease from \$112 225 in 2022 to \$58 850 in 2027.

- (b) What drove the annual percentage departures in Actual vs Planned System Renewal spending in each of the referenced historical years and forecast 2022?
- i. Are common themes driving the spending above Plan, or are the drivers random? Please discuss.

CHEI Response:

The System Renewal related drivers are the replacement of the poles and transformers.

- ii. Does Cooperative Hydro Embrun have asset condition knowledge gaps that contribute to annual System Renewal spending running above Plan? If yes, please explain what actions are being taken to mitigate these knowledge gaps.

CHEI Response:

CHEI is confident that the current renewal plan is sufficient to keep up the integrity and health of the distribution system. Within reason, CHEI's approach follows the OEB's policy that an asset has to be in service for it to be included in rates.

Therefore, the utility does not build up a huge inventory in case of unexpected failure.

From a financial point of view, the utility replaces the asset and then carries the financial burden of the costs until they can be added to the rate base. This seems like a fair approach.

2-STAFF-37

Ref 1: Exhibit 2, DSP, Section 1.2, Page 6

Ref 2: Chapter 2 Appendices, Tab 2-AB – Capital Expenditures

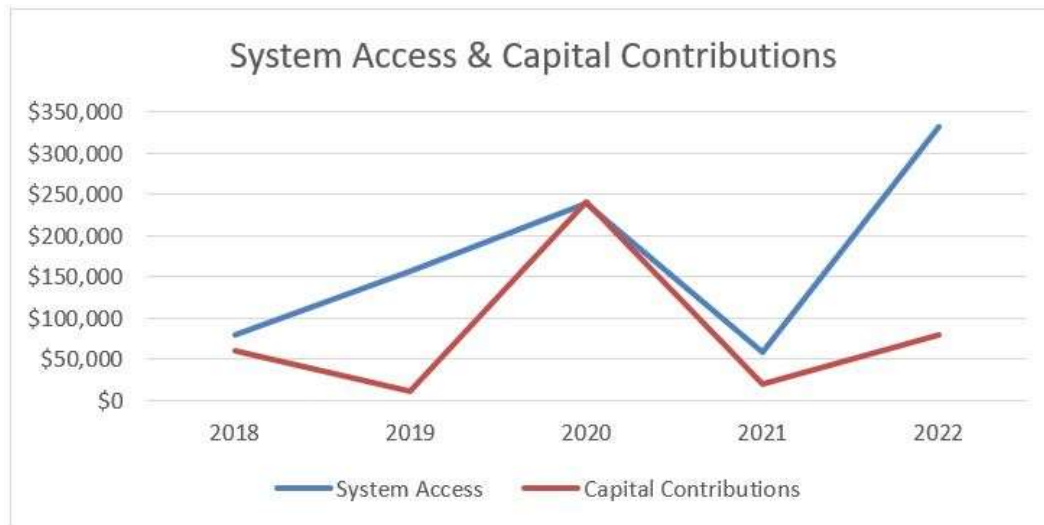
Regarding its Investment Category, Cooperative Hydro Embrun provided the following:¹

Table 2 - Historical Capital Investments by Year (Table ES-1)

CATEGORY	Historical (previous actual)				
	Test-5	Test-4	Test-3	Test-2	Test-1
	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Actual	Projected Y/E
	\$	\$	\$	\$	\$
System Access	79,865	155,912	238,671	57,728	331,300
System Renewal	143,563	36,215	77,545	108,065	112,225
System Service	0	0	11,532	10,123	6,000
General Plant	3,854	8,495	4,676	37,805	5,700
Total	227,282	200,622	332,424	213,521	455,225
Contributed Capital	-60,245	-11,125	-240,151	-20,000	-80,000
Net Capital	167,037	189,497	92,273	193,521	375,225
System O&M	89,782	82,775	111,374	90,830	93,828

OEB staff prepared the following tables and figure based on the information provided in Table 2:

¹ **Note:** The Actual Net Capital Expenditures value for Year 2020 in Table 2 above was adjusted in Cooperative Hydro Embrun's Response to OEB Staff Error Checking Questions #10 from \$92,273 to \$120,678 because of a \$28,405 gain on Disposition of Utility and Other Property. This adjustment is irrelevant for the purposes of the questions below because Net Capital is not referenced.



	2018	2019	2020	2021	2022
System Access	\$79,865	\$155,912	\$238,671	\$57,728	\$331,300
Capital Contributions	\$60,245	\$11,125	\$240,151	\$20,000	\$80,000
Capital Contributions as % of System Access	75%	7%	101%	35%	24%

	2018	2019	2020	2021	2022
System O&M	\$ 89,782.00	\$ 82,775.00	\$ 111,374.00	\$ 90,830.00	\$ 93,828.00
Delta from average	\$ (3,935.80)	\$ (10,942.80)	\$ 17,656.20	\$ (2,887.80)	\$ 110.20
% Delta from average	-4.2%	-11.7%	18.8%	-3.1%	0.1%
Average Annual O&M	\$ 93,717.80				

(a) Please explain the significant inter-year volatility in contributed capital, with specific consideration of the apparent lack of correlation with annual System Access spending.

CHEI Response:

Please see 2-VECC -3 for a breakdown of historical capital contributions. CHEI also notes that the main driver of the capital contribution for CHEI is the addition of new development (Subdivision) and individual new service or upgrade services.

The main reason for the inter-year volatility in contributed capital with annual is subdivisions Two subdivisions were built 2020 and CHEI forecasts one more in 2022.

- (b) Cooperative Hydro Embrun has forecasted capital contributions of \$10k for each of 2023-2027. Please describe how capital contributions were forecasted for the 2023 test year and forecast period.

CHEI Response:

CHEI communicates with the Township on a regular basis. However, in advance of a Cost of Service, the utility will generally make a point of reaching out to the Township to discuss any new development may occur for the bridge and test year. The township did not have concrete enough plans in hand to confirm. The \$10k for each year represent contribution for new services.

- (c) Please explain the inter-year variability in System O&M spending over the historical period.

CHEI Response:

With the exception of the one-time cost in maintenance in 2020 which caused a spike in the spending (explain in Exhibit 4) CHEI considers its O&M to be extremely stable considering that 3 of those years represent years were the pandemic occurs. Details of variances above the threshold are presented throughout Exhibit 4.

	2018 Board Approved	2018	2019	2020	2021	2022	2023
Operations	\$36,569	\$38,103	\$44,096	\$49,131	\$45,502	\$45,923	\$47,439
Maintenance	\$53,115	\$51,679	\$38,679	\$62,243	\$51,005	\$47,905	\$49,486
SubTotal	\$89,684	\$89,782	\$82,775	\$111,374	\$96,507	\$93,828	\$96,924
%Change (year over year)		0.1%	-7.8%	34.6%	-13.3%	-2.8%	3.3%

- i. What action is Cooperative Hydro Embrun taking to reduce inter-year System O&M spending over the test period?

CHEI Response:

CHEI believes its inter-year System OM&A spending is appropriately stable given the relative size of the utility and does not believe there is any necessity to specifically address inter-year stability.

2-STAFF-38

Ref 1: Exhibit 2, DSP, section 4.7

Ref 2: Chapter 5A Filing Requirements, pages 10-11

Please confirm that Cooperative Hydro Embrun does not have any capital investments that have a project life cycle greater than one year. If not confirmed, please outline the proposed accounting treatment, including the treatment of the cost of funds for construction work-in-progress.

CHEI Response:

Confirmed.

2-STAFF-39

Transformer Inventory

Ref: Exhibit 2, DSP, pages 39-54

OEB staff has summarized the transformer inventory planned versus actual based on the information at the reference above.

	2019	2020	2021	2022	2023
Planned	\$0	\$18k	\$18k	\$18k	\$8k
Actual	\$36,679	\$9k	\$8,465	\$8k	-

Given that Cooperative Hydro Embrun exclusively uses outside contractors for maintenance and capital work, how does it determine the quantum to hold in inventory?

CHEI Response:

CHEI needs to have transformers in inventory to respond adequately for a new service request and bad weather circumstances.

2-STAFF-40

Depreciation Rates

Ref 1: Exhibit 2 – Rate Base, Section 2.2.2, page 16 of 38

Ref 2: Exhibit 2 – Distribution System Plan 2022, Section 1.2, page 7 of 61

Regarding its Depreciation Rates, Cooperative Hydro Embrun provided the following:

Table 9 - Depreciation Rates

Account	Description	As of
1611	Computer Software (Formally known as Account 1925)	5
1820	Distribution Station Equipment <50 kV	55
1830	Poles, Towers & Fixtures	40
1835	Overhead Conductors & Devices	60
1845	Underground Conductors & Devices	35
1850	Line Transformers	40
1855	Services (Overhead & Underground)	40
1860	Meters	25
1860	Meters (Smart Meters)	15
1915	Office Furniture & Equipment (10 years)	10
1920	Computer Equipment - Hardware	5
1935	Stores Equipment	10
1940	Tools, Shop & Garage Equipment	10
1945	Measurement & Testing Equipment	10
1995	Contributions & Grants	40

Regarding its Investment Category, Cooperative Hydro Embrun states:

For the forecasted period, capital investments continue but at a more even pace. The focus going forward will be to continue with its replacements of aging transformers and the replacement of three poles per year. Overall, CHEI believes the proposed average annual investment is reasonable.

Having a relatively small distribution system makes it easier to manage, including finding a reasonable balance between capital and operational (O&M) expenses. CHEI's spending in both categories are evenly paced and therefore is well balanced. O&M expenses and forecasts include costs such as "trouble calls," tree trimming, for example, which are for the most part stable and easy to forecast based on a review of past issues. CHEI considers the overall condition of its system

- (a) Please confirm that replacing three poles per year from a portfolio of 345 poles², implies an expected service life of over 100 years for poles.

² DSP, Section 1.1, Table 2, Page 6 of 61

If confirmed, please reconcile the over 100-year implied expected service life with the 40-year depreciation life for poles shown in Table 9.

CHEI Response:

CHEI cannot, in good conscience, entertain an overly simplistic approach to asset replacement that does not consider the age of the asset or any other factors that may affect its condition.

For example, poles near lakes deteriorate at a quicker pace due to harsher weather conditions (wind, snow, water). Poles alongside busy roads tend to deteriorate at a quicker pace due to an increase in traffic and salt/sand on the roads. Poles located along busy roads are more susceptible to damage from accidents or snowplows. Poles in mature residential areas can be in service 20 years beyond their typical useful lives as they are often nestled and protected by large trees.

Furthermore, as explained in the DSP [Section 3], CHEI's approach to asset management is NOT to replace poles strictly because they are fully depreciated on paper. Instead, CHEI tests and replaces poles as they show signs of failing, which could impact the safety and reliability of the distribution system.

Chapter 5 of the OEB's filing requirements clearly sets out the approach, expectations, and principal behind the Distribution System Planning as such;

"The asset management process is the systematic approach a distributor uses to collect, tabulate and assess information on physical assets, current and future system operating conditions and the distributor's business and customer service goals and objectives to plan, prioritize and optimize expenditures on system-related modifications, renewal and operations and maintenance, and on general plant facilities, systems and apparatus."

CHEI believes that the suggested rationale of (*number of assets/Useful Life = asset replacement program*) would not be a responsible approach to asset management planning, nor would it be in the customer's best interest.

- i. If not confirmed, please explain.

CHEI Response: see response above.

(b) What is the historic replacement rate of poles in each of the past 10 years?

CHEI Response:

As per the table CHEI has an approximatively average of 3 pole replacement per year.

Year	Poles
2012	1
2013	6
2014 (CoS)	5
2015	1
2016	1
2017 (new testing equipment)	0
2018 (CoS)	8
2019	0
2020	3
2021	3

(c) Does Cooperative Hydro Embrun expect to increase its planned pole replacement rate in the future?

CHEI Response:

In the absence of any unpredictable circumstances, CHEI does not intend on increasing its pole replacement program at this time.

- i. If yes, please indicate when the rate will increase and by how many poles per year.

CHEI Response: Not applicable

(d) How does Cooperative Hydro Embrun determine that individual assets in its different asset classes have reached end-of-life?

CHEI Response:

See read the DSP (ref. 3 Planning and Asset Management Process)

- (e) Does Cooperative Hydro Embrun utilize the depreciation lives shown in Table 9 when determining end-of-life for individual assets in any of its asset classes?
Please discuss.

CHEI Response:

No it doesn't and please see response to a)

2-STAFF-41

Ref: Exhibit 2, DSP, Section 2, page 8

Regarding its Distribution System Plan, Cooperative Hydro Embrun states:

Consistent with best practices, CHEI has replaced or upgraded equipment when economically viable or when the equipment is no longer functioning reliably. Hence it has a range of vintages of equipment that is planned to be replaced in a fiscally responsible manner. This has not presented any issues, and this will continue to be CHEI's practice. In general, only end-of-life assets will be replaced. The net result has been that while the average age of the system has increased slightly, the system's reliability has steadily improved to meet the expectations of CHEI's customers

- (a) Define "economically viable" as the term is used in the reference.

CHEI Response:

"economically viable" means that the project is feasible and determined to yield more benefits than costs.

Please explain the circumstances in which equipment is replaced because Cooperative Hydro Embrun can afford to replace it, absent other more pressing drivers such as deteriorated condition or inadequate capacity?

CHEI Response:

One would be pole testing. Prior to 2018, the utility would test poles using the hammer/screwdriver test. In 2017, CHEI purchased a wood inspecting drill, at a cost of 11K. CHEI deemed the decision to be "economically viable" or in other words, affordable and worth the investment.

Another example would be upgrading office computers. No doubt CHEI would be able to keep providing its services using outdated equipment if forced to do so. However, the customer service would most likely be slower or less responsive to the needs of the customers.

In the above examples, CHEI would use common sense along with an evaluation of "economic viability" or "practicality" to decide if the investment is worth the cost.

(b) If "In general, only end-of-life assets will be replaced", does this mean that sometimes assets not at end-of-life will be replaced?

CHEI Response: See response to a)

- i. If yes, please provide examples where assets that are not at end-of-life would be replaced.

CHEI Response: See response to a)

2-STAFF-42

Ref: Exhibit 2, DSP, Section 2.1, page 8

Regarding its Distribution System Plan, Cooperative Hydro Embrun states:

While CHEI's focus is to replace aging equipment, other regulatory requirements that require additional major capital expenditures remain firmly in place (e.g., the "obligation to connect" new growth and maintaining the highest electrical safety standards by removing all PCB contaminants, for example).

- (a) Please confirm that "aging equipment" as used in the reference, actually means "equipment determined to be at end-of-life due to unacceptably poor condition".

CHEI Response:

Confirmed.

- i. If not confirmed, please explain why "aging equipment" that is still in adequate condition to provide reliable service would need to be replaced, and provide examples of such replacements.

CHEI Response:

Not applicable

2-STAFF-43

PCB Transformers

Ref: Exhibit 2, DSP, Section 3.3, pages 28-29

- (a) In which year does Cooperative Hydro Embrun plan to complete its PCB testing program?

CHEI Response:

CHEI plan to complete the program in 2025.

- (b) What number of PCB-filled transformers is the testing program expected to identify as requiring replacement due to unacceptably high PCB levels?

CHEI Response:

CHEI's forecast is based on the previous year therefore CHEI foresees approximately 1 or 2 transformers needing replacement due to unacceptably high PCB levels.

- i. How many transformers does Cooperative Hydro Embrun expect to replace in each year of the planning period due to discovering unacceptably high PCB levels?

CHEI Response:

See question (b)

2.0-VECC -3

Reference: Exhibit 2, page 20

Table 16 – Gross Fixed Asset Additions – System Access

	2018	2018	2019	2020	2021	2022	2023
	BA	Actual	Actual	Actual	Actual	Projection	Projection
Sub-Total System Access	\$83,200	\$79,865	\$155,912	\$238,671	\$57,728	\$331,300	\$40,000
Planned per 2018 DSP		\$83,200	\$135,000	\$53,000	\$53,000	\$78,000	
Contributed Capital	-\$132,000	-\$60,245	-11,125	-\$240,151	-\$20,000	-\$80,000	-\$10,000
Total System Access		\$19,620	\$144,787	-\$1,480	\$37,728	\$251,300	\$30,000

a) Please identify/describe the projects in each year for which attracted capital contributions and provide the amount of the contribution.

Year	Capital Contribution	Project	Contribution Amount
2018	-\$60,245	Centre Urgel Addition Centenaire Street	-\$25,674
		New Apartment Building Notre-Dame St	-\$8 382
		Service Upgrade Nursing Home Notre-Dame Street	-\$6 014
		New Apartment Building Ste-Marien Road	-\$4 500
		New Apartment Building (2x12 units) Centenaire Street	-\$9 000
		Upgrade Service St-Jacques Road	-\$6 675
		Total	-\$60 245
2019	-\$11,125	New Individual Service St-Augustin Street	-\$1,700
		New Apartment Building (2x6 units) St-Malo Street	-\$3,000
		New Apartment 3 units Bourassa Street	-\$3,000
-		Line Extension Bourassa Street	-\$3,425
		Total	-\$11,125

2020	-\$240,151	Versailles Phase III	-\$101,975
		Faubourg Ste-Marie Phase II	-\$115,173
		New Apartment Building (2x12 units) Centenaire Street	-\$11,206
		New Individual Service Radisson Street	-\$2,160
		Upgrade Communication Service St-Jacque Road	-\$4,395
		New Apartment Building St-Malo Street	-\$1,061
		New Apartment Building St-Malo Street	-\$728
		New Individual Service Bourdeau Street	-\$1,500
			-\$1,953
		Total	-\$240 151
2021	-\$3,148 *	New Individual Service St-Malo Street	-\$813
		New Individual Service Notre-Dame Street	-\$1,537
		New Individual Service Bourassa Street	-\$798
		Total	-\$3,148
2022	-\$80,000	Faubourg Ste-Marie Phase III	-\$35,000
		Central Park	-\$35,000
		New Individual Service	-\$10,000
		Total	-\$80,000
2023	-\$10,000	New Individual Service	-\$10,000
		Total	-\$10,000

b) Please explain how the \$80,000 in capital contributions was estimated for the 2022 capital budget.

CHEI Response:

When the application was filed, CHEI had limited information from the developers with respect to designs; therefore\$ 80,000 was an estimate based on previous experience with these developers. CHEI notes that the Faubourg

Ste-Marie and its capital contribution has now been removed from the 2022 capital project after a discussion on April 14 with the developer.

Please explain how the 2023 capital contributions of \$10,000 was estimated.

CHEI Response:

The estimate was based on previous years. The utility generally budgets 10,000 in capital contributions other than contributions related to subdivisions.

2.0-VECC -4 NEW WORKSHEET CHEI BREAKDOWN BY PROJECT

Reference: Exhibit 2, Exhibit 2, pages 4-, Appendix 2-AA.

- a) Appendix 2-AA as filed in Excel Appendixes _2020321.XLSM shows only the same information as Appendix 2-AB. Please refile Appendix 2-AA to show the same level of detail as shown at pages 4-6 of Exhibit 2 and pages 36- of the DSP. Please include a summation of non-material projects under "miscellaneous" projects so as to reconcile with the sums shown in Appendix 2-AB with those in 2AA.

CHEI Response:

The information is not easily pasted in a word document therefore please see excel worksheet entitled CHEI breakdown by project.

- b) Please confirm that Appendix 2-AB 2021 figures are actual results.

CHEI Response:

App 2-AB has been updated to reflect actuals for 2021 and the most up to date information for 2022 and 2023.

2.0-VECC -5

Reference: Exhibit 2, DSP, page 11

Table 5 - Historical Subdivision Development Costs by Year

Year/ Development	2018	2019	2020	2021	2022
Faubourg Ste-Marie Phase II	\$ 0	\$ 0	\$99,219	\$0	\$ 0
Versailles Phase III	\$ 0	\$ 0	\$89,877	\$0	\$ 0
Faubourg Ste-Marie Phase III	\$ 0	\$ 0		\$ 0	0
Central Park	\$ 0	\$ 0	\$ 0	\$ 0	\$173,000
Total	\$ 0	\$ 0	\$ 0	\$189,096	\$288,000

2021		
Plan	Actual	Var
\$ '000		%
53,000	57,728	8.9%
62,000	108,065	74.3%
	10,123	--
5,700	37,605	559.7%
120,700	213,521	76.9%
	- 20,000	--
120,700	193,521	60.3%
\$101,201	\$ 90,830	-10.2%

- a) Please reconcile Table 5 (above) with Appendix 2-AB (extract shown) which shows only \$57,728 in System Access projects and a total for all categories of \$213,521 (prior to capital contributions) for the year.

CHEI Response:

Please see 2-Staff -32 (Moved subdivision from 2021 to 2020). Please see the table below for updated costs.

2023

CATEGORY	Historical Period (previous plan ¹ & actual)											
	2018			2019			2020			2021		
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var
	\$ '000			\$ '000			\$ '000			\$ '000		
System Access	\$34,500	\$79,865	131.5%	\$135,000	\$155,912	15.5%	\$53,000	\$238,671	350.3%	\$53,000	\$72,545	36.9%
System Renewal	\$115,780	\$143,563	24.0%	\$20,000	\$36,215	81.1%	\$60,000	\$77,545	29.2%	\$62,000	\$110,145	77.7%
System Service			--			--		\$11,532	--		\$4,895	--
General Plant	\$5,700	\$3,854	-32.4%	\$5,700	\$8,595	50.8%	\$5,700	\$4,676	-18.0%	\$5,700	\$35,580	524.2%
TOTAL EXPENDITURE	\$155,980	\$227,282	45.7%	\$160,700	\$200,722	24.9%	\$118,700	\$332,424	180.1%	\$120,700	\$223,165	84.9%
Capital Contributions	-\$5,775	-\$60,245	943.2%	-\$16,700	-\$11,125	-33.4%		-\$240,151	--		-\$3,148	--
Net Capital Expenditures	\$150,205	\$167,037	11.2%	\$144,000	\$189,597	31.7%	\$118,700	\$92,273	-22.3%	\$120,700	\$220,017	82.3%
System O&M	\$89,684	\$89,782	0.1%	\$96,334	\$82,775	-14.1%	\$98,742	\$111,374	12.8%	\$101,201	\$90,830	-10.2%

2.0-VECC -6

Reference: Exhibit 2, DSP page 11

"Subdivision Central Park (Approximately 250 lots) is also expected to start in July 2022. The new development cuts across Hydro One's territory and CHEI's territory. The developer has requested that CHEI be the service provider for the new subdivision. Discussions are still ongoing. CHEI and the developer expect a formal decision and arrangement by March 2022. The outcome of these discussions is expected to be formalized in the Spring of 2022."

- a) Please provide an update on the Central Park subdivision including its current estimated cost, the estimated capital contributions and forecast start/completion dates. Please also describe the current status/condition of the subdivision's other infrastructure (e.g., roads and other utilities).

CHEI Response:

On December 7, 2021, CHEI met with the developer and their engineer to review the drawings. With up-to-date engineering drawings, CHEI was able to provide a cost to the developer.

On March 22, 2022, CHEI received an email from the developer stating that he needed to submit revised plans to the township.

On April 5, 2022, CHEI received a notice from the Township for a proposed amendment to the Zoning By-Law that a public meeting will be held on April 26, 2022.

CHEI is waiting for the amendment to be approved to re-quote the project. This typically would take 30 days.

On April 14, CHEI received the drawing for review. This review will take two weeks for comments.

Furthermore, CHEI needs Hydro One's consent. CHEI does not expect to have final pricing and "go-ahead" before the settlement conference.



**NOTICE OF A PUBLIC MEETING CONCERNING
A PROPOSED AMENDMENT TO THE ZONING BY-LAW**

TAKE NOTICE that the Corporation of the Township of Russell will hold a public meeting on the **25th day of April 2022 at 6:00 p.m.**, in the Gaston Patenaude Hall, Embrun to consider a proposed amendment to the Township of Russell Zoning By-law #2018-094 under Section 34 of the *Planning Act, R.S.O 1990*, as amended.

The Planning Department has received a complete application for a zoning by-law amendment for a property legally described as being **CON 7 PT LOTS 9 AND; 18 RP 50R6583 PARTS 1 4 5; AND 7 PT PART 3 RP 50R2224; PART 3 RP 50R9101 PT PARTS 1; AND 2 RP 50R9739 PART 1 RP**, known as vacant land between Blais Street and St-Pierre Rd., in Embrun. The proposed Zoning By-law amendment would change the zoning from "Residential 1 A – holding (R1A-h)" to "Residential 3 – holding (R3-h)" and from "Open Space" to Residential 3 – holding (R3-h)" and from "Residential 1 A – holding (R1A-h)" to "Open Space".

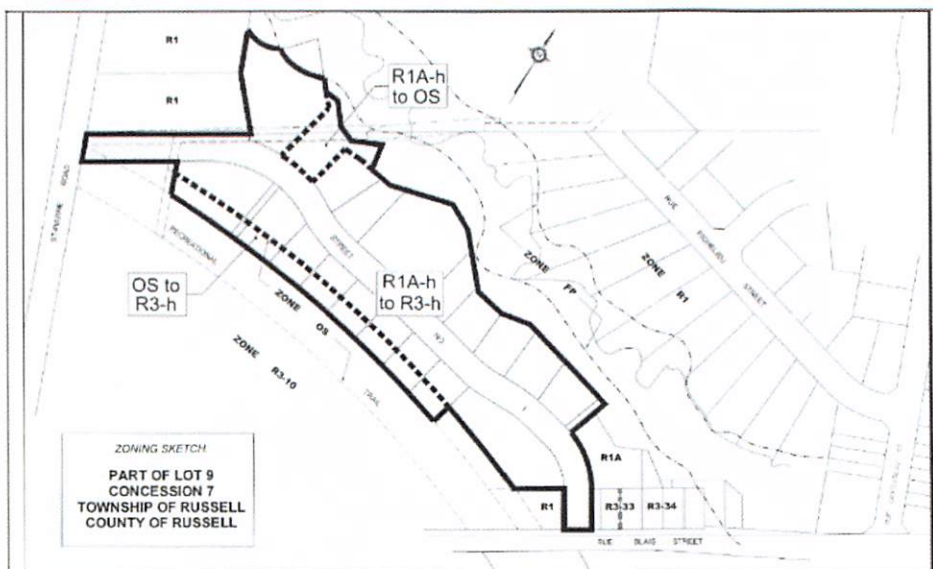
IF A PERSON or public body would otherwise have an ability to appeal the decision of the Corporation of the Township of Russell to the Ontario Land Tribunal but the person or public body does not make oral submissions at a public meeting or make a written submission to the Corporation of the Township of Russell before the zoning by-law amendment is passed, the person or public body is not entitled to appeal the decision.

IF A PERSON or public body does not make oral submissions at a public meeting or written submissions to the Corporation of the Township of Russell before the by-law for the zoning by-law amendment is passed the person or public body may not be added as a party to the hearing of an appeal before the Ontario Land Tribunal unless, in the opinion of the Tribunal, there are reasonable grounds to do so.

The owner of any land that contains seven (7) or more residential units must post a copy of this notice in a location that is visible to all of the residents.

For more information about this matter, contact the Planning Department at (613)443-3066 x 2305 or at planning@russell.ca.

ADDITIONAL INFORMATION relating to the proposed Zoning By-Law amendment, including information about appeal rights, is available for consultation by contacting the Planning Department at (613)443-3066 x 2305 or at planning@russell.ca or visit our website at www.russell.ca.



If you wish to be notified of the decision of the Corporation of the Township of Russell on the proposed zoning by-law amendment, you must make a written request to the Corporation of the Township of Russell at 717 Notre-Dame St., Embrun, Ontario K0A 1W1. Dated at the Township of Russell, this 5th day of April 2022. Mrs. Joanne Camiré-Laflamme, Clerk Township of Russell 717 Notre-Dame Street Embrun, Ontario K0A 1W1 Tel. 613-443-3066

21-Q036

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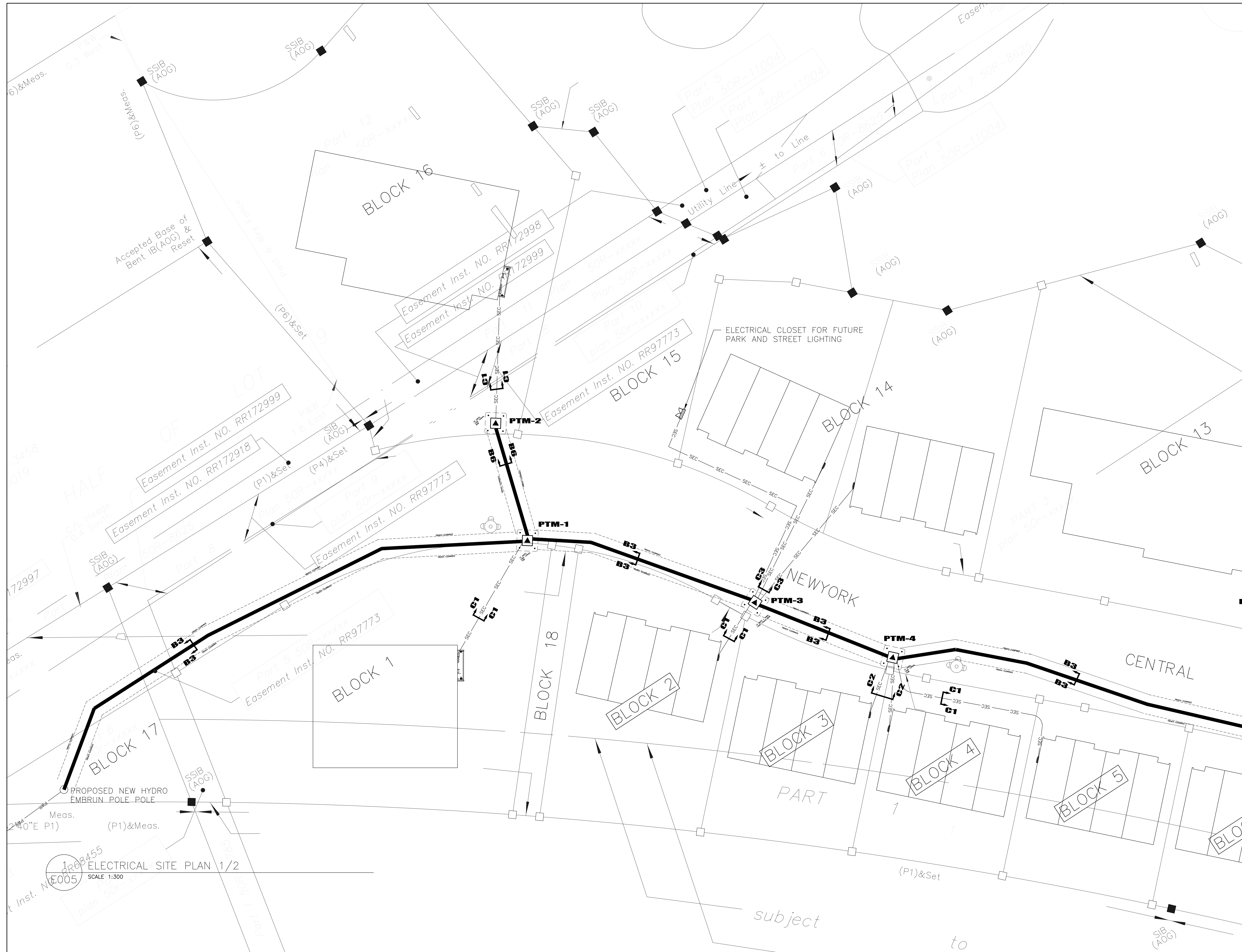
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NEW YORK CENTRAL PARK
DEVELOPMENT

EMBRUN, ONTARIO

NEW YORK CENTRAL PARK
DEVELOPMENT

EMBRUN, ONTARIO

QUADRANT
an Instalelectric Company

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E-Mail: mail@quadrantengineering.ca

CURRENT DATE	
SCALE	1:300
DRAWN	GP
DESIGNED	MC
CHECKED	LVDL
PROJECT	21-Q036
DRAWING NUMBER	
E-005	

CURRENT DATE	
SCALE	1:300
DRAWN	GP
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CHECKED	LVDL
PROJECT	21-Q036
DRAWING NUMBER	
E-005	

21-Q036

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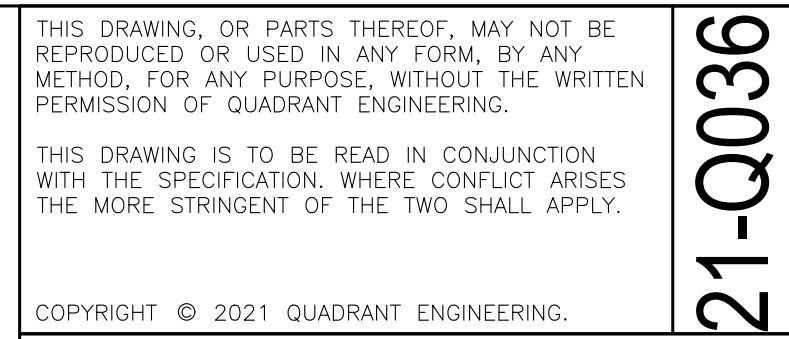
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ELECTRICAL SPECIFICATION

1. GENERAL

ALL INSTALLATIONS SHALL BE IN ACCORDANCE WITH ALL APPLICABLE CODES AND BY-LAWS AND BE INSTALLED BY WORKERS SKILLED IN THAT PARTICULAR PORTION OF THE CONTRACT.

2. SITE EXAMINATION

EXAMINE SITE AND LOCAL CONDITIONS AFFECTING WORK UNDER THIS DIVISION TO ENSURE THAT WORK UNDER THIS DIVISION CAN BE SATISFACTORILY CARRIED OUT WITHOUT CHANGES TO DRAWINGS. NO ALLOWANCES WILL BE MADE LATER FOR ANY EXPENSES INCURRED THROUGH FAILURE TO MAKE THIS EXAMINATION. START OF WORK WILL BE DEEMED EVIDENCE OF ACCEPTANCE OF, AND SATISFACTION WITH, EXISTING CONDITIONS.

3. GUARANTEE

GUARANTEE ALL WORK FOR TWELVE (12) MONTHS FROM DATE OF ACCEPTANCE.

4. PROTECTION

ENSURE THAT ALL PROTECTIONS ARE TAKEN TO PROTECT ALL PERSONNEL FROM HAZARDS DURING WORK. PROTECT ALL EQUIPMENT FROM DAMAGE FROM ANY CAUSE

5. SCOPE OF WORK

PERFORM ALL WORK AS SHOWN ON ELECTRICAL DRAWINGS AND AS COVERED IN THESE SPECIFICATIONS. FOLLOW MANUFACTURER'S INSTRUCTIONS REGARDING HANDLING, INSTALLING AND TESTING OF EQUIPMENT SPECIFIED HEREIN.

6. MATERIALS

USE ONLY NEW MATERIALS, FULLY CERTIFIED FOR USE AS INSTALLED, AND TO MEET THIS SPECIFICATION IN ALL RESPECTS.

7. CLEAN UP

DURING THE COURSE OF INSTALLATION AND UPON COMPLETION, REMOVE ALL RUBBISH AND WASTE RESULTING FROM THIS WORK, TO THE SATISFACTION OF THE ENGINEER. CHECK, CLEAN AND REPAINT WHERE NECESSARY ALL ELECTRICAL EQUIPMENT, AND LEAVE IT IN FIRST CLASS CONDITION.

8. GROUNDING

GROUND ALL EQUIPMENT WITH APPROVED FITTINGS AND GROUND CONDUCTORS OF AMPLE CAPACITY AS REQUIRED BY THE ONTARIO ELECTRICAL SAFETY CODE. ALL GROUND CONDUCTORS SHALL HAVE GREEN INSULATION.

9. RACEWAY AND FITTINGS

INSTALL ALL WIRING IN EMT CONDUIT WITH THE FOLLOWING EXCEPTIONS:

- USE RIGID PVC CONDUIT FOR UNDERGROUND WIRING & WIRING EXPOSED TO WEATHER
- USE RIGID PVC CONDUIT OR ELECTRICAL NON-METALLIC TUBING (COR-LINE) FOR WIRING EMBEDDED IN CONCRETE SLAB.
- USE FLEXIBLE METAL CONDUIT FOR CONNECTIONS TO RECESSED LIGHTING FIXTURES.
- USE LIQUID-TIGHT FLEXIBLE METAL CONDUIT FOR CONNECTIONS TO MOTORS EXPOSED TO WEATHER.
- ARMoured CABLE TYPE AC90 MAY BE USED FOR BRANCH WIRING IN CEILING SPACE AND DOWN TO OUTLETS IN METAL STUD PARTITIONS.

NMD90 MAY BE USED IN WOOD FRAME WHERE ACCEPTABLE TO E.S.A.

10. RECORD DRAWINGS

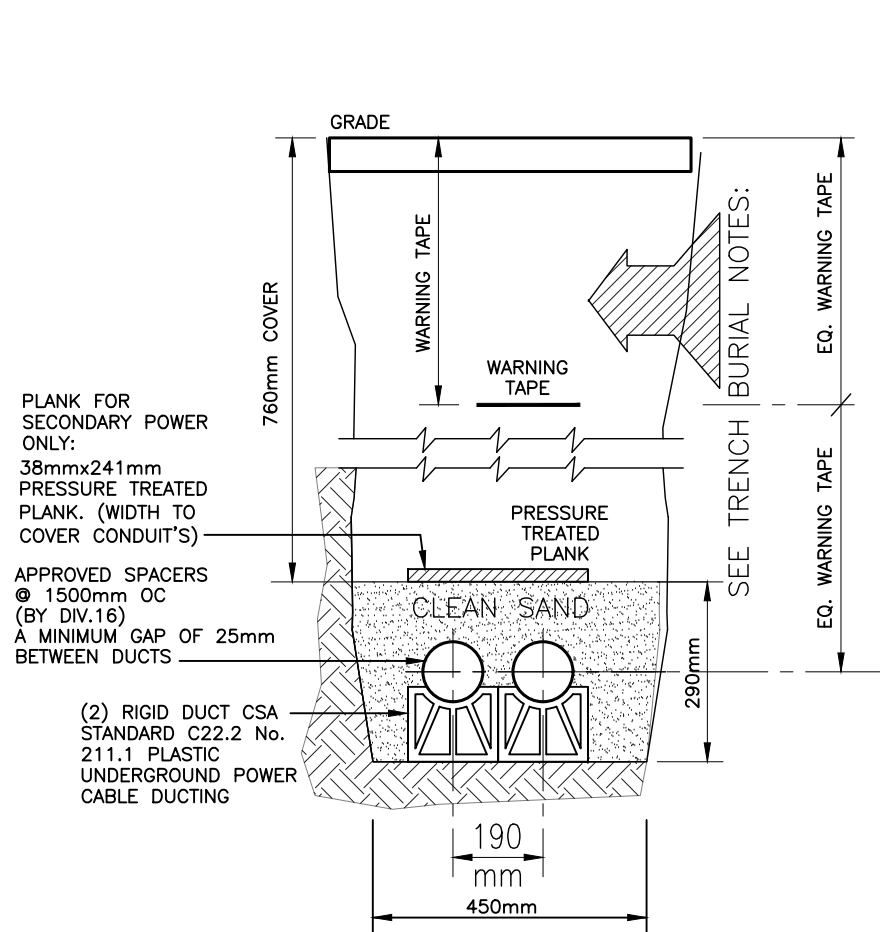
AFTER COMPLETION OF WORK PROVIDE A SET OF MARKED UP AS-BUILT PRINTS FOR RECORD PURPOSES.

11. ELECTRICAL SAFETY

TAKE OUT AND PAY FOR ELECTRICAL SAFETY AUTHORITY PERMIT. AT COMPLETION OF JOB, PROVIDE FINAL ELECTRICAL SAFETY AUTHORITY INSPECTION CERTIFICATE BEFORE APPLYING FOR FINAL PROGRESS PAYMENT.

12. UTILITY CHARGES

UTILITY SERVICE CHARGES WILL BE PAID DIRECTLY BY THE OWNER.



- SECONDARY (USE PLANK)

TYPICAL TRENCH SEC "C2-C2"

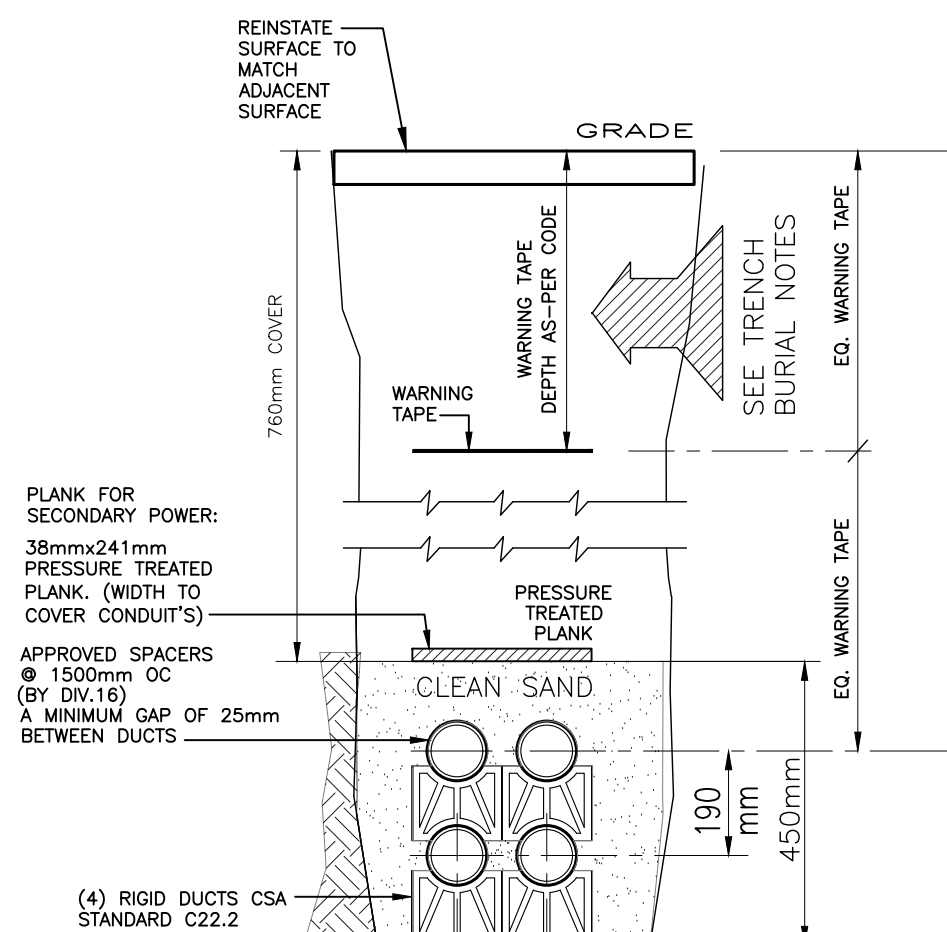
NTS

No. OF RIGID PVC:

TRENCH DETAIL SEC BB INDICATES ONE RIGID PVC CONDUIT AND IS INTENDED FOR BURIAL INFORMATION ONLY - WIDTH OF TRENCH MAY VARY, DEPENDING OF NUMBER & TYPES OF CONDUITS IN EACH TRENCH. REFER TO SITE PLAN FOR NUMBER OF CONDUITS.

TRENCH BURIAL NOTES:

- WHEN CROSS ROADWAYS, PARKING LOTS & SIDEWALKS: REINSTATE SURFACE TO MATCH ADJACENT SURFACE.
- WHEN CROSSING GRASS: SEEDING OR SOD BY OTHERS.
- WHEN CROSSING SIDEWALK OR SOD: APPROVED BACKFILL (AND/OR SCREENED NATIVE FILL)- COMPACTED C/W 150mm SCREENED TOPSOIL TO GRADE.
- WHEN CROSSING ROADWAYS OR PARKING LOTS: BACKFILL WITH GRANULAR "B" FILL- COMPACT TO 95 % PROCTOR IN 150mm LAYERS.



- SECONDARY (USE PLANK)

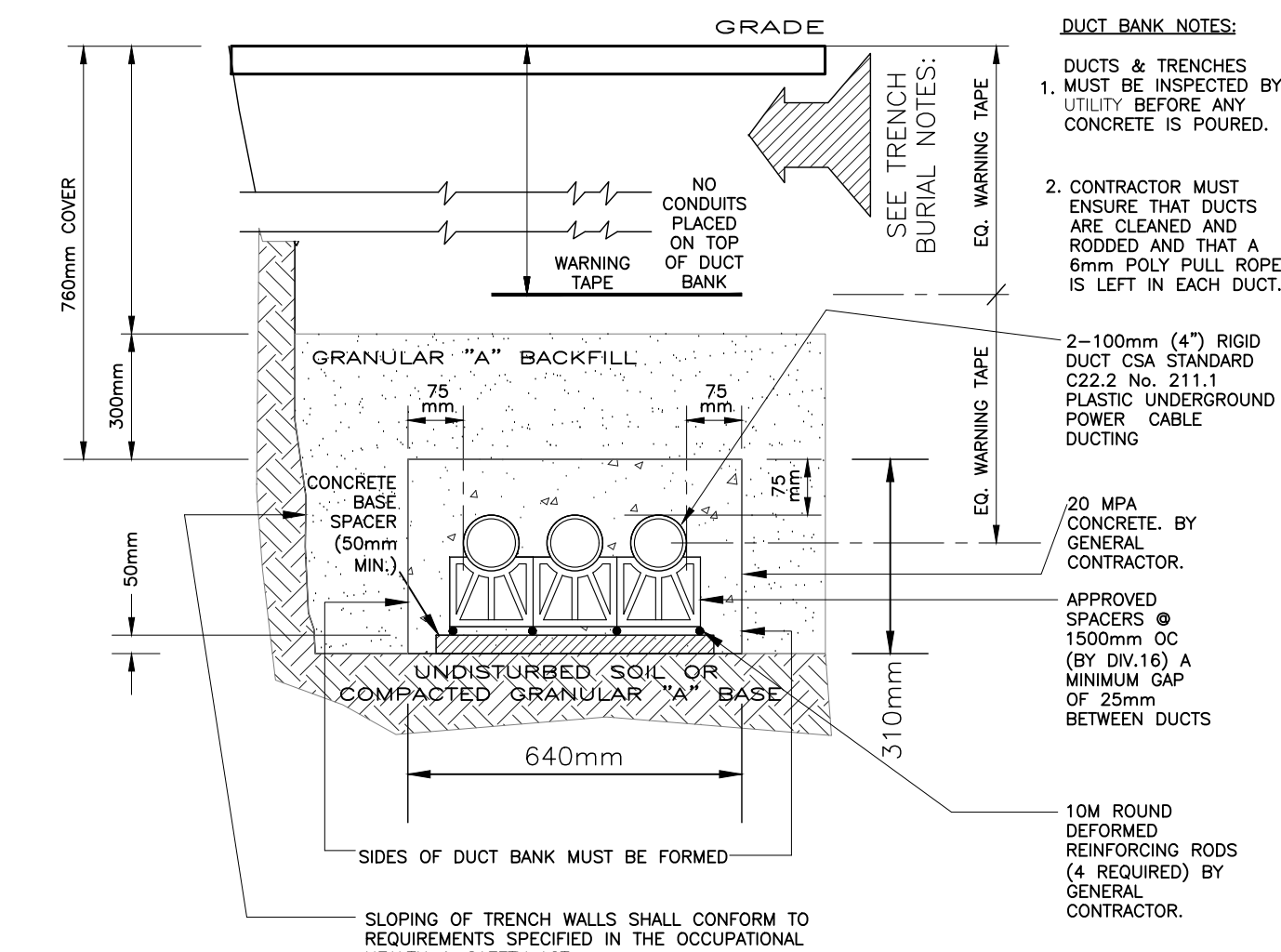
TYPICAL TRENCH SEC "C4-C4"

NTS

- SECONDARY (USE PLANK)

TYPICAL TRENCH SEC "C4-C4"

NTS



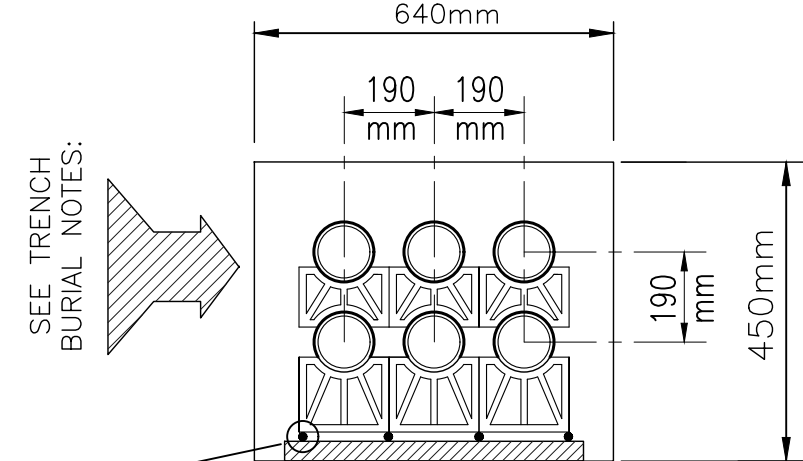
3-DUCT BANK TRENCH DETAIL
[CONCRETE ENCASED] - SEC B3-B3

ALSO SEE UTILITY DETAIL:

(PRIMARY POWER)

PRIMARY POWER BURIED AS PER THE ONTARIO ELECTRICAL SAFETY CODE TABLE D17 (TRENCH DETAILS SECTIONS FALLS UNDER TABLE D17)

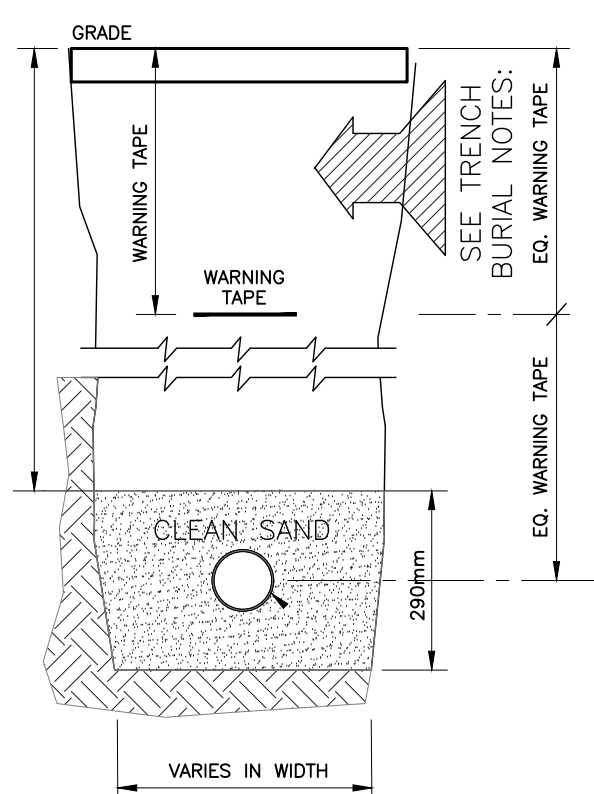
(FOLLOW SIMILAR TRENCH DETAIL AS-PER SEC-B3-B3)



6-DUCT BANK TRENCH DETAIL
[CONCRETE ENCASED] - SEC B6-B6

(PRIMARY POWER)

ALSO SEE UTILITY DETAIL:



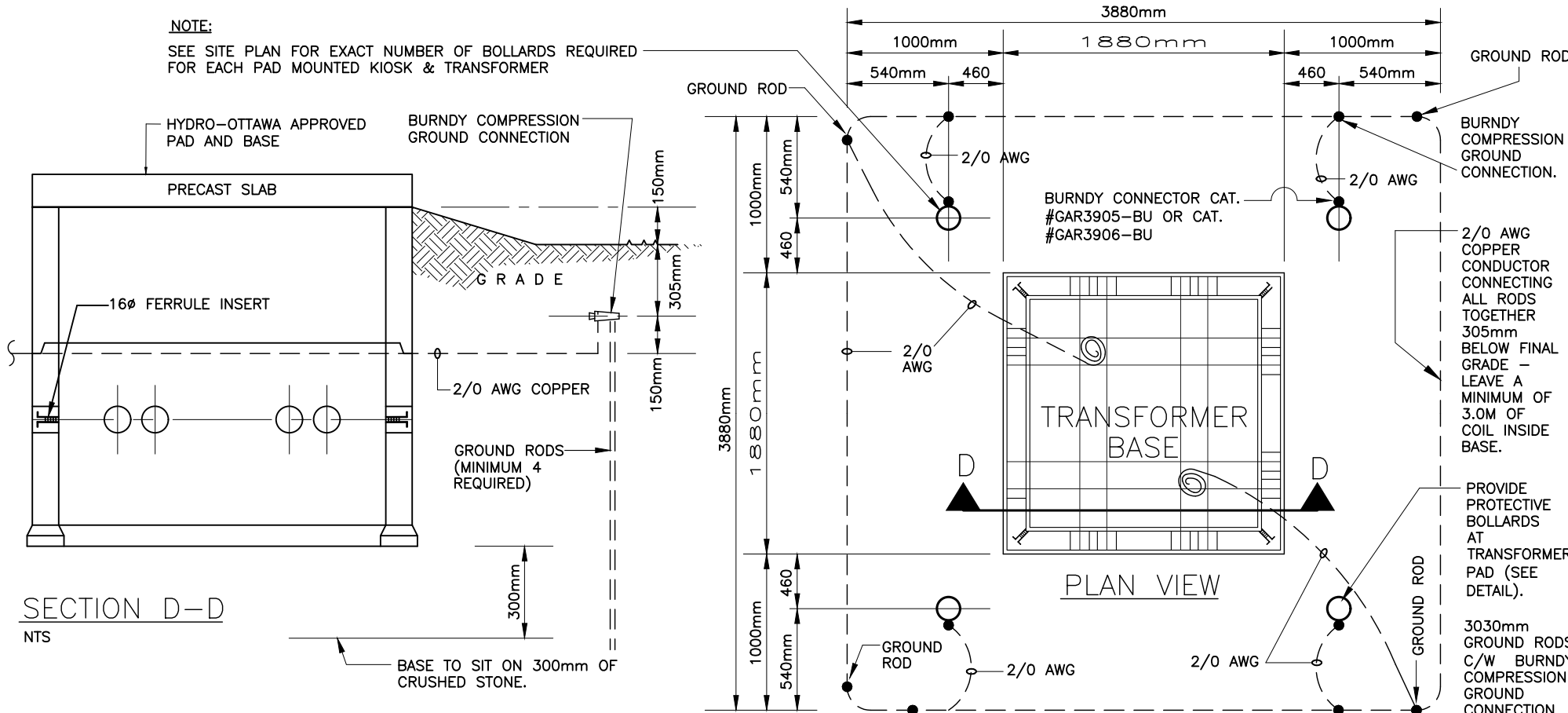
- TELEPHONE (NO PLANK REQUIRED)
- CABLE TV (NO PLANK REQUIRED)
- LIGHTING (NO PLANK REQUIRED)
- POWER (PLANK REQUIRED)

TYPICAL TRENCH SEC "C-C"

NTS

No. OF RIGID PVC:

TRENCH DETAIL SEC BB INDICATES ONE RIGID PVC CONDUIT AND IS INTENDED FOR BURIAL INFORMATION ONLY - WIDTH OF TRENCH MAY VARY, DEPENDING OF NUMBER & TYPES OF CONDUITS IN EACH TRENCH. REFER TO SITE PLAN FOR NUMBER OF CONDUITS.



SECTION D-D

NTS

1-PH PAD MOUNTED TRANSFORMER

NTS

GENERAL NOTES

- COMPLETE INSTALLATION TO COMPLY WITH UTILITY REQUIREMENTS. COORDINATE ON SITE WITH HYDRO-EMBRUN.

1 TRENCH SCALE 1:300
REFER TO SITE PLAN FOR NUMBER OF CONDUITS.

SITE PLAN 2/2

4	ISSUED FOR HYDRO COORDINATION	31 MAR, 2022	MC
3	ISSUED FOR HYDRO COORDINATION	22 DEC, 2021	MC
2	ISSUED FOR HYDRO COORDINATION	28 SEP, 2021	MC
1	ISSUED FOR HYDRO COORDINATION	03 SEP, 2021	MC
NO.	REVISION	DATE	PLT BY

NEW YORK CENTRAL PARK
DEVELOPMENT

EMBRUN, ONTARIO

QUADRANT
an Intelectric Company

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TEL. (613) 567-1487 FAX. (613) 567-1493
E-Mail: mail@quadrantengineering.ca

CURRENT DATE

SCALE 1:300

DRAWN GP

DESIGNED MC

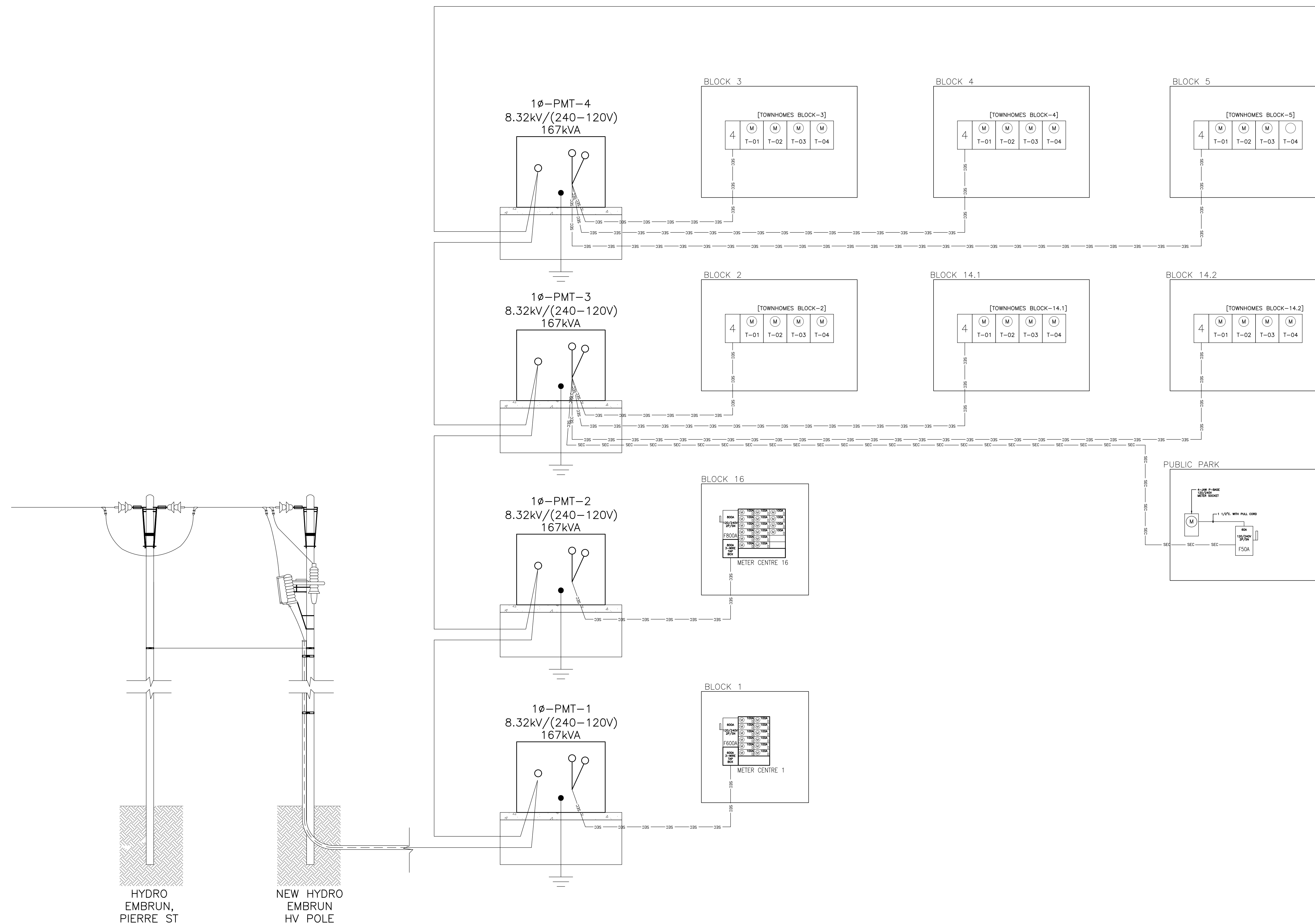
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PROJECT 21-Q036

DRAWING NUMBER

E-020

SITE PLAN DETAILS



4	ISSUED FOR HYDRO COORDINATION	31 MAR, 2022	MC		
3	ISSUED FOR HYDRO COORDINATION	22 DEC, 2021	MC		
2	ISSUED FOR HYDRO COORDINATION	28 SEP, 2021	MC		
1	ISSUED FOR HYDRO COORDINATION	03 SEP, 2021	MC		
NO.	REVISION	DATE	PLT	RF	

NEW YORK CENTRAL PARK
DEVELOPMENT

EMBRUN, ONTARIO

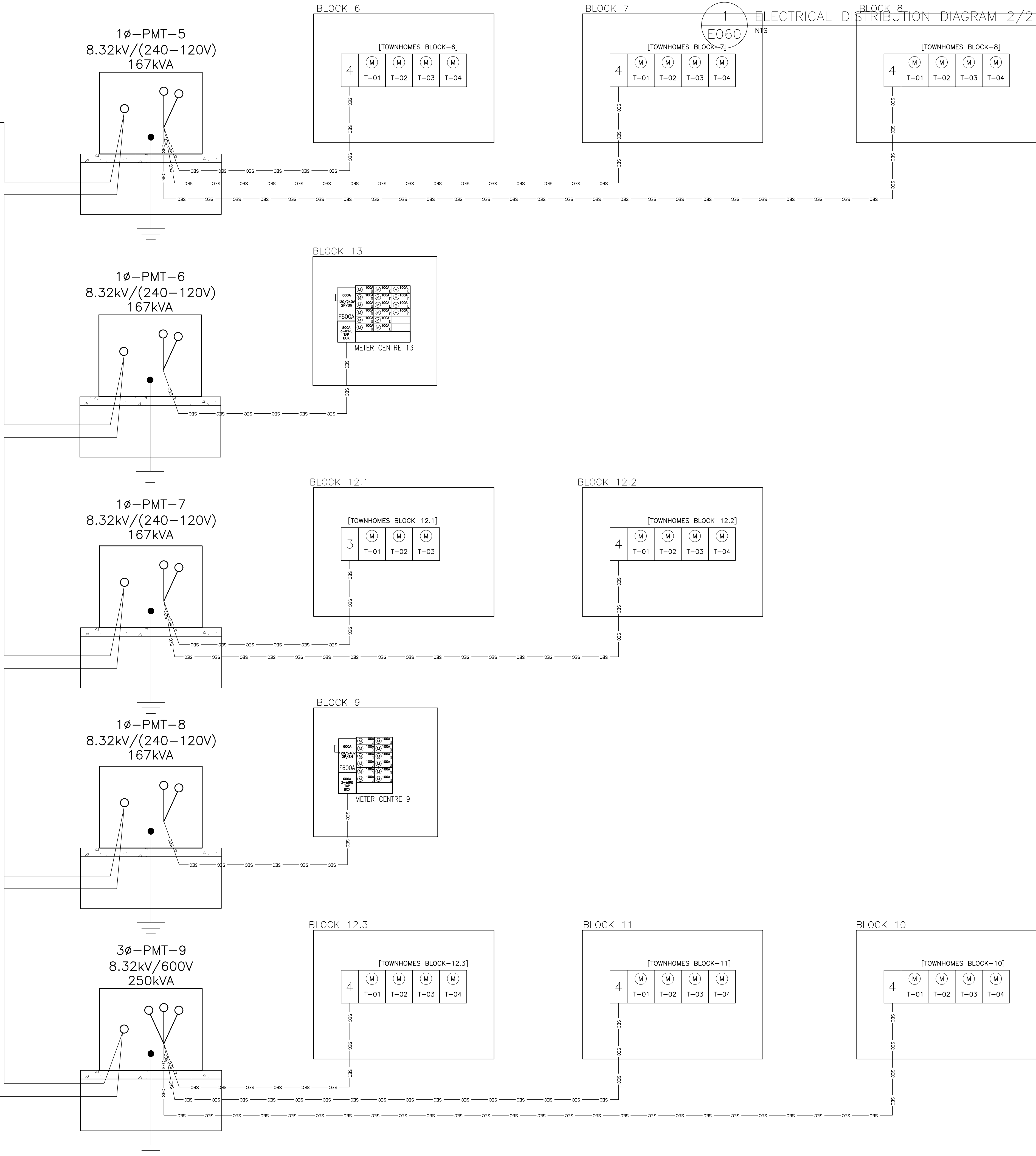
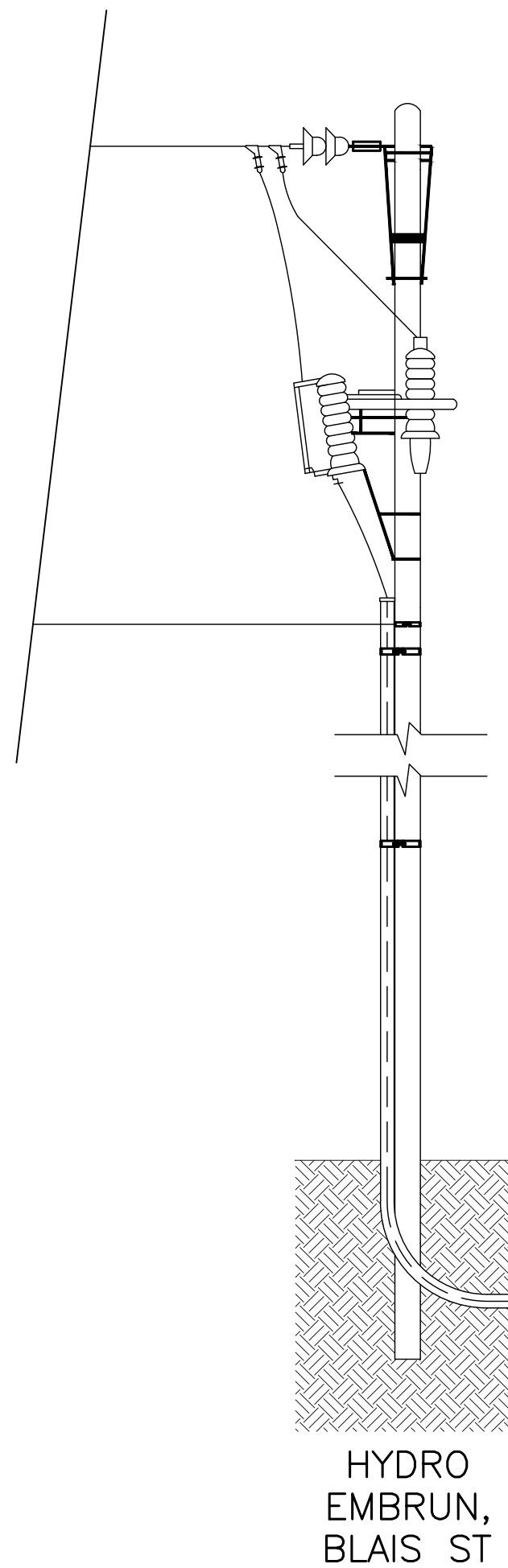
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CURRENT DATE	
SCALE	NTS
DRAWN	GP
DESIGNED	MC
CHECKED	LVDL
PROJECT	21-Q036
DRAWING NUMBER	
E-050	

DISTRIBUTION DIAGRAM
(PART 1 OF 2)

TO DRAWING
E-050



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2	ISSUED FOR HYDRO COORDINATION	28 SEP, 2021	MC
1	ISSUED FOR HYDRO COORDINATION	03 SEP, 2021	MC
NO.	REVISION	DATE	PLT BY

NEW YORK CENTRAL PARK
DEVELOPMENT

EMBRUN, ONTARIO

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CURRENT DATE

SCALE

DRAWN

DESIGNED

CHECKED

PROJECT

DRAWING NUMBER

E-060

DISTRIBUTION DIAGRAM
(PART 2 OF 2)

21-Q036

2.0-VECC -7

Reference: Exhibit 2, DSP page 11.

- a) Please provide a similar update as 2-VECC-6, for the Versailles Phase II project.(Should be Faubourg Ste-Marie Phase III)

CHEI Response: Please see 2-Staff-33,

2.0-VECC -8

Reference: Exhibit 2, DSP page 24-

"CHEI does not believe that an asset should be replaced solely based on age. Therefore, it relies on its 3rd party operation firm to assess the age and "stress" as a determining factor of an asset's life and a sound indicator for the required maintenance or replacement of the asset. On this basis, in the LDC's opinion assets under greater stress should be monitored more closely and maintained more than those under less stress. This ensures a wise use of limited capital and maintenance budgets."

- a) Who monitors and inspects CHEI's distribution system?

CHEI Response:

Sproule Powerline and the manager inspect the distribution system and conduct an oil analysis once a year.

Both Sproule and the General Manager visually inspect the overhead and underground system.

- b) For the major asset categories what data in addition to age is collected and by whom?

CHEI Response:

The General Manager collects the information related to asset conditions. The information collected is as follows;

Substation: Age, MVA, and Bi-annual Inspection results

Transformers: Transformer #, voltage, address, transformer Switch, Kva, bushing, year, leak, make, Connection

Poles: Pole #, Vegetation, Woodpecker, Hammer Test, Cracks, Height, Class,

c) Who operates CHEI's SCADA control room?

CHEI Response:

CHEI does not have a control room.

CHEI upgraded its Scada to have a summary report for each feeder and ensure that the feeders are well balanced.

The Scada also has an alarm to identify which feeders are affected. The contractor receives the warning and logs into the Scada. If a red light appears on the diagram, it means a loss of supply. If not, a contractor will investigate the fault of the feeder failure. However, the outages that remain after the Loss of Supply data are removed, and the planned outages are removed. The remaining outages are inconsequential. Therefore, from a project justification point of view, the past reliability performance is not a driver to undertake capital work.

2.0-VECC -9

Reference: Exhibit 2, DSP page 52 – Table 28

- a) Please recast Table 28 (2022 Capital Expenses) to show the amounts expended to date.

<i>Description</i>	<i>As per 2018 DSP</i>	<i>Budget 2022</i>	<i>To Date April 14</i>
<i>Amounts are in dollars</i>			
System Access	Actual Year End 2020	System Renewal	
New O/H and U/G services 1855	\$20,000	\$23,000	\$9,292
Meters 1860	\$5,000	\$12,000	\$13,029
<i>Subtotal</i>	\$25,000	\$35,000	\$22,321
New Transformers (Inventory)	\$18,000	\$8,000	\$0.00
<i>Subtotal</i>	\$18,000	\$8,000	\$0.00
Service Area Pending			
Project Central Park (Transformers) -1850		\$50,000	\$0.00
Project Central Park (Underground Cable and Labour) - 1845		\$115,000	\$0.00
Project Central Park (Dip Pole and Labour) -1830		\$3,800	\$0.00
Project Central Park (Primary Overhead Cable and Labour) - 1835		\$4,500	\$0.00
<i>Subtotal</i>		\$173,300	\$0.00
Service Area Pending			
Project Mélanie Construction Phase III (Transformers) -1850		\$38,000	\$0.00
Project Mélanie Construction Phase (Underground Cable and Labour) 1845		\$65,000	\$0.00
Project Mélanie Construction Phase III (Dip Pole and Labour) 1830		\$4,500	\$0.00
Project Mélanie Construction Phase III (Primary Overhead Cable and Labour)-1835		\$7,500	\$0.00
<i>Subtotal</i>		\$115,000	\$0.00
Category Total	\$43,000	\$331,300	\$0.00
System Renewal			
Replacement of Existing Overhead in in Line Cut-outs and distribution switches	\$40000	\$10,000	\$0.00
<i>Subtotal</i>	\$40,000	\$10,000	\$0.00

OEB Staff Interrogatories
Cooperative Hydro Embrun Inc.
EB-2022-0022

<i>Transformers Replacement</i>			
<i>Transformer Replacement # 418 (1850)</i>		\$6,525	\$0.00
<i>Transformer Replacement # 432 (1850)</i>		\$9,750	\$0.00
<i>Transformer Replacement # 448 (1850)</i>		\$6,950	\$0.00
<i>Transformer Replacement # 452 (1850)</i>		\$9,750	\$0.00
<i>Transformer Replacement # 461 (1850)</i>		\$4,250	\$0.00
<i>Transformer Replacement # 470 (1850)</i>		\$5,650	\$0.00
<i>Transformer Replacement # 481 (1850)</i>		\$5,650	\$0.00
<i>Transformer Replacement # 502 (1850)</i>		\$6,950	\$0.00
<i>Transformer Replacement # 509 (1850)</i>		\$4,250	\$0.00
<i>Transformer Replacement # 518(1850)</i>		\$6,950	\$0.00
<i>Transformer Replacement # 519(1850)</i>		\$6,950	\$0.00
<i>Transformer Replacement # 527(1850)</i>		\$4,250	\$0.00
<i>Transformer Replacement # 528(1850)</i>		\$6,950	\$0.00
	<i>Subtotal</i>	\$84,825	\$0.00
<i>Pole Replacement</i>			
<i>Pole # 296</i>		\$5800	\$0.00
<i>Pole # 441</i>		\$5800	\$0.00
<i>Pole # 369</i>		\$5800	\$0.00
	<i>Subtotal</i>	\$17,400	\$0.00
<i>Category Total</i>	\$40,000	\$112,225	\$0.00
System Service			
<i>PCB Transformers Dated Prior to 1985</i>	\$25,000	\$6,000	\$0.00
	<i>Subtotal</i>	\$25,000	\$0.00
General Plant			
<i>Software - 1611</i>	\$3,000	\$3,000	\$0.00
<i>Office Equipment 1915</i>	\$1,200	\$1,200	\$0.00
<i>Computer & Hardware -1920</i>	\$1,500	\$1,500	\$385
	<i>Subtotal</i>	\$5,700	\$385
<i>Category Total</i>	\$5,700	\$5,700	\$385
Total Capital	\$113,700	\$455,225	\$22,706
Contributed Capital	\$ -	-\$80,000	-\$1,746
Net Capital	\$113,700	\$375,225	\$20,960

- b) Please clarify what the left column entitled "Project" with "Actual Year End 2020" is showing with respect to the right-hand column notes as "Budget 2022"

CHEI Response: The left column should have indicated "per 2018 DSP" and the right column should have indicated "Bridge Year Budget".

EXHIBIT 3 – CUSTOMER AND LOAD FORECAST

3-STAFF-44

Ref 1: Exhibit 3, pages 3-4

Ref 2: Load Forecast model, Forecast sheet

Cooperative Hydro Embrun states that the November and December 2021 are estimated, and the load forecast model includes round numbers 2,425,000 kWh and 2,900,000 kWh for November and December.

- (a) If possible, please update the load forecast using historic actual data for these months.

CHEI Response:

The model has been updated to reflect actuals up to December 31, 2021

- (b) Please explain how the values were estimated.

CHEI Response:

Although this is now a moot point as the forecast is based on 2021 actuals, CHEI generally bases its forecast on a combination of the previous year along with any adjustments it deems appropriate.

- (c) Please explain why Cooperative Hydro Embrun's method was preferable to using only historic actual data for estimating the regression equations – for example, 120 months from November 2011 to October 2021, and then using the regression model to forecast these months.

CHEI Response:

The model is designed to use a complete set of yearly data. A partial year would have skewed the results downwards.

3-STAFF-45 SCENARIO

Ref: Load Forecast model, Bridge&Test Year Class Forecast sheet

The 2021 Residential ratio of class kWh to wholesale purchases is calculated as a historic average of 2012 to 2020, rather than as a ratio of rate class kWh to wholesale purchases for the year. For GS < 50 kW and GS 50 – 4,999 kW, the 2021 ratio is calculated as a ratio of rate class energy to wholesale purchases.

- (a) Please explain the reason for the apparent inconsistency.
- (b) As a scenario, please provide the forecasted residential energy if the 2021 ratio of rate class energy to wholesale purchases were calculated consistently with the general service rate classes.

CHEI Response: WIP

3-STAFF-46

Load Forecast

Ref 1: Load Forecast model – Bridge&Test Year Class Forecast

Ref 2: Clarification Question 22

The proposed 2023 energy forecast of 3,952,566 kWh for the GS > 50 kW rate class is found in cell G83 of the above reference. This cell references the 2022 forecast of 3,952,566 kWh in cell G82.

Please explain why the 2023 forecast of 3,960,650 kWh in cell F72 is not referenced.

CHEI Response:
Agreed and fixed

3-STAFF-47 SCENARIO

Load Forecast

Ref 1: Load Forecast model – Bridge&Test Year Class Forecast

The GS > 50 kW to 4,999 kW appears to OEB staff to using a shrinking share of wholesale purchases. The average ratio of wholesale to wholesale used is 13.01%. This is less than the historic actual ratio for every year from 2012 to 2017, and more than the ratio for every year from 2018 to 2021. Similar trends may be present in other rate classes.

- (a) As a scenario, for the Residential, GS < 50 kW, and GS 50 to 4,999 kW rate classes, please calculate ratios for 2022 and 2023 based on a trend of ratios from 2012 to 2019.

CHEI Response: WIP

- (b) Please use the ratios in part a) to forecast energy use by rate class under this scenario.

CHEI Response: WIP

3-STAFF-48 CDM DATA

CDM

Ref 1: Exhibit 3, page 18

Cooperative Hydro Embrun states that the “persisting effects of CDM projects are embedded in the utility wholesale; therefore no adjustment was made.” It states that it is “not planning or aware of any new CDM programs in the test year (2023).”

- (a) Please provide the historic CDM program delivery for each historic year, using estimates as required to complete any missing data
- (b) Please estimate the CDM program delivery in 2022.
- (c) If Cooperative Hydro Embrun is now aware of CDM programs impacting 2023, please provide an estimate of these.
- (d) Please comment on the suitability of a forecasting model which exhibits a trend of CDM delivery in the historic years which may not match the trend of CDM delivery in the forecast period.

CHEI Response: WIP

3.0-VECC -10

Reference: Exhibit 3, page 3
Load Forecast Model, Input – Adjustments & Variables Tab

- a) The Application's text indicates that the power purchases include purchases from embedded generation. However, in the Load Forecast model (Input – Adjustments and Variables Tab) there are no values included for Adjustment to Wholesale (FIT & MicroFit) – Column C. Please reconcile.

CHEI Response:
That is correct. The wholesale includes MicroFit.

3.0-VECC -11 SCENARIO

Reference: Exhibit 3, page 4

Preamble: The. Application states:

“CHEI's load has been relatively consistent over the past ten years, with a drop in 2017 due to the weather, amplified by a seasonably warm 2018. As shown in the table below, the movement in peaks between 2017 to 2019 support the reasoning that the abnormal shift in load were related to unseasonal weather patterns”.

- a) .Please provide a schedule that sets out for each of the years 2017-2021:
- a. The actual total purchases (from Hydro One and embedded generation).
 - b. The sum of the monthly actual HDD values.
 - c. The sum of the monthly weather normal HDD values.
 - d. The HDD coefficient per CHEI's load forecast model,
 - e. The sum of the monthly actual CDD values.
 - f. The sum of the monthly weather normal CDD values.
 - g. The CDD coefficient per CHEI's load forecast model
 - h. The results of the following calculation:
 - i. Item (i), plus
 - ii. (Item (iii) – Item (ii)) x (Item iv) plus
 - iii. (Item (vi) – Item (v)) x (Item (vii)
 - i. Variance (%) – Item (i) versus Item (viii)

CHEI Response: WIP

3.0-VECC -12 SCENARIO

Reference: Exhibit 3, pages 5 – 6

Preamble: The Application states (page 5):*“CHEI analyzed its wholesale purchases to see the effects of Covid on its monthly load. Although the utility tested various scenarios, it didn't feel confident enough in the relationship between the variance to attribute it to Covid”.*

a) What “Covid” scenarios did CHEI test and what were the results?

CHEI Response: WIP

b) If not already “tested”, please provide the results of a regression model that includes the variables used by CHEI plus a Covid flag for the months of March 2020 through December 2021 and provide the resulting forecast power purchases for 2023 (assuming no Covid flag for 2023).

CHEI Response: WIP

c) With respect to Table 7, what years were used to calculate the 10 year average?

CHEI Response: WIP

d) If either 2020 or 2021 were included in the calculation, please re-do Table 7 using an “average” values that exclude these two years.

3.0-VECC -13

Reference: Exhibit 3, pages 3 and 6
Load Forecast Model, Input – Adjustments & Variables Tab
Load Forecast Model, Forecast Tab

Preamble: The Application states (page 3):
“CHEI purchases electricity from Hydro One and embedded generation (MicroFit). The following table summarizes the annual wholesale purchases for the ten years 2012 to October 2021 as reported to OEB in RRR annual filing “2.1.5 Supply & Delivery Information”. November and December of 2021 are estimated”.

The Application states (page 6): *“CHEI has adopted the ten-year average from 2012 to (Nov) 2021 as the definition of weather normal. The following table outlines the monthly weather data used in the regression analysis”.*

- a) Are the November and December 2021 HDD values used in the Load Forecast model’s regression analysis actuals or estimates?

CHEI Response:

They were estimated in the application filed on January 31, 2022. They have been updated with actuals in the model filed with these responses.

- b) Are the November and December 2021 power purchase values used in the Load Forecast model’s regression analysis actuals or estimates?

CHEI Response:

They were estimated in the application filed on January 31, 2022. They have been updated with actuals in the model filed with these responses.

- c) If estimates are used for either, please update the regression model using November and December 2021 actuals for both power purchases and the HDD values.

CHEI Response:

They too were estimated in the application filed on January 31, 2022. They have been updated with actuals in the model filed with these responses.

- d) At page 16 the Application states: "CHEI has adopted the ten-year average from 2012 to (Nov) 2021 as the definition of weather normal. The following table outlines the monthly weather data used in the regression analysis." However, there is no "table" setting out the weather normal values used. Please provide this table.

CHEI Response: Apologies for the omission. The table intended to be included under the heading of Heating and Cooling shows the HDD and CDD used in the regression. Please see table below. (now updated for 2021 actuals for November and December)

[illegible]

- e) Please explain why, in the Forecast Tab of the Load Forecast model, the monthly HDD and CDD values used for the forecast years 2022 and 2023 are not the same.

CHEI Response: CHEI uses a 10-year average for 2022 (2012-2021) and a 10-year average for 2023 (2013-2022). CHEI believes that this 10-year average is more consistent with the manner in which the customer numbers are determined. The 2023 customer count predictions include 2022 predictions. Using the same HDD CDD for 2022 would be incorrect in CHEI's opinion.

- f) Based on the responses to the foregoing questions, please make any changes that CHEI's views as being required to CHEI's power purchases regression model or the power purchase forecast for 2023 and note the specific changes made.

3.0-VECC -14

Reference: Exhibit 3, pages 9 – 10
Load Forecast Model, Bridge & Test Year Class Forecast Tab

Preamble: The Application states (page 9): *Much like the 2014 and 2018 Board approved load forecast, allocation to specific weather sensitive rate classes (Residential, GS<50, GS>50) is based on the share (%) of each classes' actual retail kWh (exclusive of distribution losses) and a share of actual wholesale kWh. Weather normalized wholesale kWh, for historical years, are allocated to these classes based on these historical shares. Forecast values for 2022 and 2023 are allocated based on an average of 10 historical years."*

The Application states (page 10):

"Allocation to specific non-weather sensitive rate classes (GS>50, USL, and Streetlights) is based on an average demand/customer. The utility then uses an appropriate historical average to determine an average demand per customer. This average is then applied to the customer count for the bridge and test year".

- a) Both references include the GS>50 class. Please confirm that the approach used for the GS>50 class is that outlined on page 9.

CHEI Response: WIP

- b) Please explain why (per the Load Forecast Model) the 2023 kWh usage for the Streetlights class is calculated as the product of: i) the forecast kW and ii) the kWh per connection.

CHEI Response: WIP

- c) Has CHEI done any analysis to determine if Covid impacted the usage at the customer class level for the Residential, GS<50 or GS>50 classes?
- If yes, please provide the analysis and resulting conclusions.
 - If not, what is CHEI's view as to the impact of Covid at the customer class level?

CHEI Response: WIP

- d) Please provide an alternative customer class forecast where, for the Residential, GS<50 and GS>50 classes, usage is based on the average for the years 2012 to 2019.

CHEI Response: WIP

3.0-VECC -15

Reference: Exhibit 3, page 16
Load Forecast Model, Input-Customer Data Tab

- a) Are the 2021 customer/connection count values in Table 22 and in the Load Forecast Model based on actual values for all 12 months?

CHEI Response: The 2021 customer/connection count filed in the original application were projections.

- b) If not, please update the 2021 customer/connection counts for 2021 actuals and also update the forecast for 2022 and 2023.

CHEI Response: The model filed with these responses reflect actuals for all of 2021

EXHIBIT 4 – OPERATING EXPENSES

4-STAFF-49

COVID-19

Ref: Exhibit 4, page 14

With the exception of the increase in 2020 when compared to 2019 related to the vacation time incurred being paid to an employee rather than vacation time being taken, please confirm if Cooperative Hydro Embrun has made any other assumptions or inclusions for expenses related to COVID-19 in its OM&A budgets. If there are assumptions or inclusions, please specify the impacts, and the year in which assumptions have been included.

CHEI Response: The utility has seen very little impact to its operations as a result of Covid. Therefore, CHEI has not included any contingencies for expenses related to COVID-19 in its OM&A budget. If any additional costs were to be incurred, the utility could do its best to mitigate them by adjusting its processes as opposed to its costs. Much like its capital budgets, CHEI's planning is based on a "business as usual" mindset.

4-STAFF-50

Efficiencies

Ref: Exhibit 4, page 4

Cooperative Hydro Embrun notes that although it does not document alternative solutions, part of the management's approach is to continually compare existing services and costs to more cost-effective alternatives wherever possible.

Has Cooperative Hydro Embrun worked with its third-party vendors to find efficiencies? If so, please explain what efficiencies have been identified.

CHEI Response: CHEI is constantly seeking ways of finding cost savings to minimize its rates as is evident from the revenue requirement and rates as applied for in this application.

Examples of savings include bringing back the printing of its invoices inhouse (2014) and purchasing a pole testing gun with neighbouring utilities (2018). In this application, the most noticeable example of savings is the fact that CHEI did not hire a 3rd party engineering firm to complete its DSP. In discussions with other utilities, it came to the attention of CHEI that costs from the 3rd party engineering firms have increased significantly since CHEI last filed its DSP. CHEI estimates that it has saved the utility approximately 60K in costs related to the DSP by doing it in-house with the assistance of its regulatory consultant.

4-STAFF-51

Ref 1: Exhibit 4, page 7

Ref 2: Exhibit 4, page 3

The evidence states that most OM&A variances from the 2018 OEB-approved to the 2023 test year can be attributed to an increase in billing and collecting, and administrative costs for a total of \$65,574. The major contributor to the rise in Billing and Collecting costs is adjustments in salaries and increases in ~~Ottawa River Energy Services (ORES)~~ ORPC billing fees.

Reference 2 indicates that billing and collecting related costs include answering customer questions, managing their complaints, and responding to service outages and emergencies.

Please clarify the statement that the main contributor to the rise in Billing and Collecting costs is adjustments in salaries.

CHEI Response: The table below shows costs other than salaries. For privacy purposes, CHEI cannot include salaries as they pertain to less than 4 FTEs.

	2018 Board Approved	2023	Variance
Billing and Collecting	\$199 982	\$244 306	\$44 324

CHEI an extra operation expenses of \$44 324 in Billig-Collecting as follow compared to 2018:

Item	2018 Board Approved	2023	Variance
Connexo AMI Annual Maintenance Fee Honeywell	0	\$9 500	\$9 500
Customer Choice Option Harris CIS	0	\$2 500	\$2 500
MicroFit Reading. (ORPC)	0	\$6 000	\$6 000
Billing ORPC	\$ 47 382	\$53 000	\$ 5 618
MeterSense / Sync Operator Web Portal	\$19 243	\$22 000	\$2 757

4-STAFF-52

Ref: Exhibit 4, page 9

When preparing its budgets for 2019-2021, Cooperative Hydro Embrun notes that it used a combination of methods, including quotes or most up-to-date costs from recent invoices and inflation where applicable.

In preparing its current application, Cooperative Hydro Embrun notes that it was decided that the Price Cap index would be used going forward rather than a combination of both. To prepare its OM&A costs for the 2022 bridge and 2023 test year, Cooperative Hydro Embrun used the Price Cap inflation of 3.3%.

- (a) Given that in the past a more detailed preparation of its budgets was being utilized (i.e., a combination of methods), please explain why Cooperative Hydro Embrun decided this more simplified approach of using the Price Cap Index is better suited for its budgeting processes.

CHEI Response: CHEI uses the applicable yearly inflation as a starting point for budgets. It then reviews each account individually to adjust them account accordingly. Adjustments can go both ways in that if an increase is needed in a certain area, the manager will attempt to find efficiencies elsewhere in the operations budget.

If a specific cost or service is not subject to inflationary increases, less “per account” adjustments are required.

- (b) Please confirm if this inflation factor was applied to all USoA accounts.

CHEI Response:

The inflation does not apply to each account. As explained above, each account/grouping is reviewed individually and adjusted accordingly. A prime example of this is certain “revenue offset” accounts are not affected by the inflation. Certain costs are also not subject to inflation and as such are based on actual costs or existing costs.

- i. What is the basis for the assumption that all expenses will go up by 3.3%?

CHEI Response: It wasn't an assumption. It was based on the current price cap. See Answer to part b) above.

- ii. For those accounts where an increase other than 3.3% was utilized, please explain the reason(s).

CHEI Response: See response above.

- (c) Has Cooperative Hydro Embrun considered the risks to its operations should inflation increase at a rate higher than budgeted or if any unforeseen expenditures arise? Please describe how Cooperative Hydro Embrun intends to mitigate those risks.

CHEI Response:

If inflation is higher in future years than what was assumed for the test year, it will be captured in the IRM escalators that CHEI will be subject to in 2024 and beyond.

Unknown expenditures, if outside the control of CHEI, material, and assuming CHEI cannot manage such costs within its existing budgets, will either be accounted for by the OEB or subject to possible Z-Factor treatment.

4-STAFF-53

Ref 1: Exhibit 4, Pages 8, 13

Ref 2: Chapter 2 Appendices, Tab 2-JC – OM&A Programs

Cooperative Hydro Embrun notes that the increase in Billing and Collecting between 2021 and 2022 is partly due to a fee from Elster Solutions Canada for “Connexo Net Sense SMA”. On page 8, this is described as “one future-proof application, providing a complete view to maximizing value from advanced metering infrastructure (AMI) investment. Connexo helps manage the core of a utility’s business with a flexible, scalable, open-architecture framework based on industry standards and protocols.”

- (a) Please further describe or clarify what the function of this product/service is in the context of Cooperative Hydro Embrun’s environment.

CHEI Response:

Connexo NetSense is the AMI that allows for automated data collection from all meters installed in Embrun Hydro’s service territory. The data that is collected includes meter reads for billing, alarms and flags for faulty meters, and outage and instrumentation data for distribution system status and load management.

Connexo’s GUI allows for access to data files, checks on billing meter’s health, set ups for automation schedules and individual meter configurations. Data files generated by the Connexo system are forwarded to the MDMR and Embrun’s MSP (UtiliSmart) to allow the billing of all customers.

Connexo is essentially the program that reads all of Embrun’s meters so that CHEI can bill electricity consumption.

- (b) Please confirm if this fee an ongoing expense. If not, is there another associated monthly/annual fee for this product/service.

CHEI Response: There was a one-time capital cost of \$28,492 related to Connexo in 2021 and an ongoing annual OM&A maintenance fee expense of \$9,500 to the Connexo vendor Honeywell (Elster) starting in 2022.

- (c) Given that Cooperative Hydro Embrun’s billing is completed externally, please explain if this affects the fees charged by Cooperative Hydro Embrun’s provider for billing services.

CHEI Response: CHEI will have no extra cost for the billing service provider.

4-STAFF-54

Ref 1: Exhibit 4, page 7

Ref 2: Chapter 2 Appendices, Tab 2-JB – OM&A Cost Drivers

The Billing and Collecting line item shows an increase of \$44,324 from the last OEB-approved cost of service. Of that increase, \$42,794 is due to an increase in Account 5315 – Customer Billing.

- (a) Please provide an itemized breakdown of the major cost drivers for increases in this account.

CHEI Response: See response 4-Staff-51.

- (b) Please detail any cost control and/or efficiency measures Cooperative Hydro Embrun has implemented to limit increases in billing and collecting.

While CHEI does what it can to control costs increases and implement efficiency measures to limit the costs increases related to billing and collecting, much of the recent increase in those costs are due to drivers beyond CHEI's control. For example, the introduction of Green Button requirements and the need to add the Option TOU In-Out are increases that CHEI has no control over. Most of the rest of the increases in billing and collecting are tied to inflationary and cost of living related increases associated with employees.

4-STAFF-55

Ref: Chapter 2 Appendices, Tab 2 - JC

Account 5075 – Customer Premises – Materials and Expenses shows an increase of almost \$13k from the 2018 OEB-approved amount of \$21k. The 2018 and 2019 actual amount were slightly less than the OEB-approved amount. An increase is seen in 2020 which Cooperative Hydro Embrun notes is due to a high number of meters having reached their ten years and needing reverification.

- (a) Please explain if the costs increase for 2022-2023 are also due to the need for reverification.

CHEI Response: CHEI believes that OEB Staff is mixing variances between the two accounts 5065 and 5075. Variance analysis for each from page 13 of Exhibit 4 is replicated below.

5065-Meter Expense.

2018 Actual to 2019 Actual: Increase of \$12,519

- Meter expenses increase from 2018 Board Approved due to a high number of meters having reached their ten years and needing reverification. The expense was somewhat anticipated and therefore under the control of the utility. However, under the current rate-making process, a utility cannot include costs beyond the test year.

5075-Customer Premises - Materials and Expenses

2018 Actual to 2019 Actual: Increase of \$10,670.

- This account is where CHEI records its costs related to locates. For reasons outside the utility's control, there was an unusual number of locates requested in 2019 compared to other years.

- (b) If the answer to (a) is no, please explain why the 2021-2023 amounts in this account are relatively at the same level.

CHEI Response: See a)

4-STAFF-56

Ref: Exhibit 4, page 14

- (a) Please explain what necessitated the increase to the number of Board Members to bring the count to five from three as explained in the variance between 2019 and 2018.

CHEI Response: <https://www.oeb.ca/sites/default/files/draft-report-of-of-the-board-corporate-governance-20180328.pdf>

- (b) Does Cooperative Hydro Embrun continue to have five Board Members?

CHEI Response: Yes.

4-STAFF-57

Ref 1: Exhibit 2, page 36

Ref 2: Exhibit 4, page 18

Reference 1 states that Cooperative Hydro Embrun, with the input of its 3rd party capital work contractor, Sproule Powerline Construction Ltd., decide on the replacement of assets that are at risk of failing or are in poor health.

In discussing services that fall outside of Cooperative Hydro Embrun's procurement policy, reference 2 states that "specific suppliers offer services that are not commonly found in the service area or general surrounding area or offer efficiencies due to their intimate knowledge of CHEI's distribution system (i.e., Sproule Powerline Construction Ltd)."

- (a) Please provide a high-level overview of the responsibilities of Sproule Powerline Construction Ltd. with respect to Cooperative Hydro Embrun's operating environment.

CHEI Response: Sproule Powerlines services can be found on their website and are summarized below for ease of references.

<https://www.sproulepowerline.com/services>

Underground or Overhead, Private and Public: SPL Empowers You

SPL, with 35 years in business, services large public sector organizations as well as private landowners. From installing underground lines to clearing tree limbs, SPL has the power of trained personnel and advanced equipment to supply a reliable source of electricity for your every need. Contact Sproule Powerline Construction to inquire about our full range of services, including:

- *Underground and overhead utility installations*
- *Streetlight installation and maintenance*
- *Substation construction and maintenance*
- *Thermographic inspections*
- *Trimming and removal of branches/trees*
- *Utility locates*
- *Insulator core blasting*
- *Excavation and site work*

Equipment Rental

Trust Sproule Powerline to have the equipment for every job we do, from site excavation to hauling utility poles. Contact SPL for information about our rentals, including:

- *Radial Boom Derricks*
- *Single and Double Bucket Trucks*
- *Single axle and Triaxle Dump Trucks*
- *Backhoe*
- *Excavators*
- *Five Ton Crane*
- *Floating Equipment*

All of the above services at one point or another applies to CHEI. Sproule Powerline has provided quality service at a competitive cost for over 20 years to CHEI and other neighbouring utilities (i.e. Hawkesbury, Ottawa Hydro, Hydro 2000 to name a few.) Sproule has a detailed knowledge of CHEI's distribution system as well as the budget boundaries the utility tries to stay within.

- (b) Please explain the process by which the annual operations and maintenance budgets are determined. As part of the response, please confirm if Sproule Powerline Construction Ltd. provides input into the budgeting process.

CHEI Response: Sproule provides input as to the assets that are in need of service or replacement. They are also involved in providing quotes for new build and connection. The General Manager then uses those inputs to produce a budget. Much like the operations budget, the manager balances the need to meet the connection requirement, policies (i.e. Green Button, cyber security, the safety and reliability of the system and on rare occasion, discretionary expenses which are rare. CHEI's planning process is detailed in the DSP.

- (c) Please confirm if there is a formal contract signed with Sproule Powerline Construction Ltd. If confirmed, please provide a copy of the contract. Please redact any confidential information as deemed appropriate and necessary by Cooperative Hydro Embrun. If not confirmed, please explain how the costs paid to Sproule Powerlines Construction Ltd. are determined.

CHEI Response: There is no formal contract with Sproule Powerline. CHEI notes that there would be an enormous increase in costs related to the time, effort and overall cost involved in the transfer the knowledge to another company.

4-STAFF-58

Benchmarking

Ref: Exhibit 4, page 20

Cooperative Hydro Embrun notes that it does not use specific Benchmarking studies to determine salary ranges. Awareness of salary ranges in neighboring utilities and use of a combination of years of experience and neighboring salaries are used as a guideline.

Does Cooperative Hydro Embrun plan on undertaking any formal Benchmarking analysis to comparable utilities in the future? If not, please explain why.

CHEI Response: The Mearie study published as part of Burlington Hydro's application [EB-2020-0007] is enough for CHEI to know that its salaries fall below the industry average.

Furthermore, a General Manager of a small utility tends to wear multiple hats in that it deals with every aspect of the utility from day to day operational, financial, regulatory customer service, billing collecting as well as dealing with external vendors and regulators) all while maintaining its rank of 3rd most efficient utility in the Province.

<https://www.oeb.ca/sites/default/files/PEG-Benchmarking-Report-20210827.pdf>

4-STAFF-59

Benefits

Ref: Exhibit 4, page 21-22

The evidence states that total Benefits have increased 4.13% between 2018 actual and 2023 test year from statutory rate increases and wage increases. OEB staff calculates an increase of 5.5% from 2018 actuals.

(a) Please confirm if Cooperative Hydro Embrun agrees.

CHEI Response: CHEI confirms that the 5.45% is in fact correct.

(b) Please reconcile the information provided in Table 17 on page 22 to Appendix 2-K as shown on page 21.

CHEI Response:

Table 16 – Employee Costs (Appendix 2-K)

	2018BA	2018	2019	2020	2021	2022	2023
Number of Employees (FTEs including Part-Time)¹							
Management (including executive)	1	1	1	1	1	1	1
Non-Management (union and non-union)	2	2	2	2	2	2	2
Total	3	3	3	3	3	3	3
Total Salary and Wages including overtime and incentive pay							
Management (including executive)	218,842	217,474	228,434	236,202	236,408	240,783	248,862
Non-Management (union and non-union)	-	-	-	-	-	-	-
Total	218,842	217,474	228,434	236,202	236,408	240,783	248,862
Total Benefits (Current + Accrued) -							
Management (including executive)	30,905	28,917	24,141	26,214	28,129	29,264	30,495
Non-Management (union and non-union)	-	-	-	-	-	-	-
Total	30,905	28,917	24,141	26,214	28,129	29,264	30,495
Total Compensation (Salary, Wages, & Benefits)							
Management (including executive)	249,747	246,391	252,575	262,416	264,537	270,047	279,357
Non-Management (union and non-union)	-	-	-	-	-	-	-
Total	249,747	246,391	252,575	262,416	264,537	270,047	279,357

Table 17 – Employee Costs (Appendix 2-K)

	2018	2019	2020	2021
<i>Benefit</i>	Actual	Actual	Actual	Actual
<i>Statutory</i>				
<i>CPP</i>	\$8,466.00	\$9,591.00	\$9,816.00	\$10,334.00
<i>EI</i>	\$3,615.00	\$3,613.00	\$3,513.00	\$3,620.00
<i>WSIB</i>	\$2,629.00	\$2,773.00	\$2,645.00	\$2,474.00
<i>Total Statutory</i>	\$14,710.00	\$15,977.00	\$15,974.00	\$16,428.00
<i>Company</i>				
<i>DPSP</i>	\$13,011.00	\$11,224.00	\$12,324.00	\$12,794.00
<i>Health</i>	\$15,907.00	\$12,918.00	\$13,892.00	\$15,336.00
<i>Total Company</i>	\$28,918.00	\$24,142.00	\$26,216.00	\$28,130.00
<i>Total Benefit Costs</i>	\$43,628.00	\$40,119.00	\$42,190.00	\$44,558.00
		-8%	5%	6%

4-STAFF-60

Succession Planning

Ref 1: Exhibit 4, pages 19, 22

Ref 2: Exhibit 4, Attachment 4-A

Two of Cooperative Hydro Embrun's three full-time employees are eligible to retire in the next two years. One of the positions eligible for retirement is the long-time manager. In anticipation of the upcoming retirements, the utility developed a Succession Plan to start the process of finding a replacement for the two senior-level positions. Section 2 outlines the succession plan steps.

- (a) Where in the process is Cooperative Hydro Embrun in with respect to its succession planning?

CHEI Response: Please see 4-VECC-18 for current status and views on succession planning.

- (b) Are there clear and definite timelines for the action steps laid out in Cooperative Hydro Embrun's plan? If yes, please provide the timelines.

CHEI Response: At the time of this filing, no definite timelines have been laid out. The Board of Directors has indicated to management that the process would kick in approximately 6-9 months before expected retirement. CHEI's Board of Directors is mindful of an increase in costs as a result of onboarding or shadowing.

- (c) Please describe any training opportunities provided to ensure current employees develop the skills necessary.

CHEI Response: CHEI operates in a small office where every employee is involved in every aspect of the utility. Furthermore, each employee serves as a back up if someone is on vacation or sick. All three employees are trained when a new process or software is implemented.

- (d) Please provide a discussion on the potential risks to Cooperative Hydro Embrun if unable to fill the vacancies when required, and how Cooperative Hydro Embrun intends to mitigate those risks.

CHEI Response: CHEI is not in a position to comment on risks and contingencies regarding this specific scenario unless it is unable to fill the position down the line.

CHEI's Board of Directors plans on starting the process and such discussion in May of 2023.

4.0 -VECC -16

Reference: Exhibit 4, Table 10, page 11

- a) The Administrative & General Expenses subtotals in Table 10 (OM&A Expenses) are slightly different than that found in Appendix 2-JA. Please explain why.

CHEI Response:

The difference is related to non-refundable donations which technically should have been omitted from table 10. (the second to last row is grey). CHEI confirms that the non-recoverable donations are not included in rates.

- b) If the reason is the exclusion of property taxes (or some other item) please provide those amounts for 2018 – 2023 to reconcile the two tables.

CHEI Response:

Not applicable.

4.0-VECC -17

Reference: Exhibit 4, pages 20 -

- a) If CHEI outsources the following functions please provide the name of the contractor:

- Billing
CHEI Response: ORPC (Ottawa River Power Corporation)
- Collection services
CHEI Response: In House
- Call Centre services
CHEI Response: On Call Center Inc.
- Operations services
CHEI Response: In House
- Maintenance services
CHEI Response: Sproule Power Construction Ltd

4.0 -VECC -18

Reference: Exhibit 4, page 19, Appendix 4A

- a) With respect to the succession management of CHEI's General Manager please address the plan for documenting/transferring the "institutional knowledge" of the current GM to new management

CHEI Response: Within the next year or so, CHEI will put together an onboarding plan specific to the Cooperative. The main activity would involve the new recruit shadowing the general manager for several months. The transfer of knowledge would most likely include sharing background information on the industry, explaining the relationships between the utility and all its stakeholder, ensure proper support is in place once the manager leaves, share mission and values both as a utility, introduce existing vendors and explain the current relationship, explain the management style, set job scope and expectations, discuss how work is routed, prioritized and assigned, provide training by shadowing, monitor performance and feedback etc.

The General Manager is currently documenting the process to facilitate the transition and in anticipation of his retirement.

4.0 -VECC -19

Reference: Exhibit 4, Table 10, page 11

a) What is the current number of staff employed at CHEI?

CHEI Response: Three employees

b) Please provide the titles of each position filled and unfilled.

CHEI Response:

- General Manager - filled
- Administrative Coordinator - filled
- Collection Agent – Customer Service - filled

c) Please provide the date at which the positions in response (a) are eligible to retire with full benefits.

CHEI Response: CHEI employee have no full pension benefit (OMERS). Each year employees receive from employer a Deferred Profit Share program.

- General Manager - Eligible to retire December 31st, 2024
- Administrative Coordinator - Eligible to retire December 31st, 2024
- Collection Agent Customer Service – Eligible to retire December 31st, 2042

4.0 -VECC -20

Reference: Exhibit 4, page 22

Table 17 – Employee Costs (Appendix 2-K)

	2018	2019	2020	2021
Benefit	Actual	Actual	Actual	Actual
Statutory				
CPP	\$8,466.00	\$9,591.00	\$9,816.00	\$10,334.00
EI	\$3,615.00	\$3,613.00	\$3,513.00	\$3,620.00
WSIB	\$2,629.00	\$2,773.00	\$2,645.00	\$2,474.00
Total Statutory	\$14,710.00	\$15,977.00	\$15,974.00	\$16,428.00
Company				
DPSP	\$13,011.00	\$11,224.00	\$12,324.00	\$12,794.00
Health	\$15,907.00	\$12,918.00	\$13,892.00	\$15,336.00
Total Company	\$28,918.00	\$24,142.00	\$26,216.00	\$28,130.00
Total Benefit Costs	\$43,628.00	\$40,119.00	\$42,190.00	\$44,558.00
		-8%	5%	6%

- a) What does “DPSP” mean in the above table? If it is the pension provider, please provide their name.

CHEI Response: The DPSP is a Deferred Pension Share Program. It is a % of funds which the CHEI is providing to their employees. The funds are directly deposited with Industrial Alliance.

4.0 -VECC -21

Reference: Exhibit 4, Appendix 2-M Regulatory Costs

BDO (PILs + DVAs + IRs)	5655	20,000
Production & Submission (Print)	5655	
Public Notice (OEB)	5655	1,000
Legal - Review, IR, Settlement, DRO	5655	15,000
Legal - IR/Settlement	5655	2,000
Intervenor costs	5655	20,000
Community Meeting	5655	

a) Please clarify/explain what “BDO” costs are for PILs, DVAs and IRs.

CHEI Response: In addition to producing financial statements on a yearly basis, BDO’s accountant oversees and prepares the deferral and variance account continuity schedules and other supporting models (1595, GA) which also includes a review of Exhibit 9. BDO populates the PILs model and respond to the interrogatories related to the 3 aforementioned areas of expertise.

4.0 -VECC -22

Reference: Exhibit 4, Appendix 2-JC

- a) Other than “Salaries and Expenses “the next largest increase is with respect to Customer Billing (190k in 2018 to 233k in 2022). What are the main drivers for this increase?

CHEI Response: [Please see response to 4-Staff-51](#)

EXHIBIT 5 – COST OF CAPITAL AND CAPITAL STRUCTURE

5-STAFF-61 MODEL CHANGE (CHAPTER 2 APP. DEBT INSTRUMENT)

Ref 1: Exhibit 1, Audited Financial Statements for the year ended December 31, 2020

Ref 2: Exhibit 5, page 5, table 3 and page 6

Ref 3: Exhibit 5, Appendix 5A

Appendix 5A is a copy of an agreement for a loan with a third-party financial institute initiated in 2017. Note 8 of the Audited Financial Statements for the year-end December 31, 2020 documents:

Loan, 2.9%, renewable in February 2033, payable by monthly instalments of \$4,898, principal and interest, secured by a general security agreement covering all assets.

It continues lower down:

The principal repayments to be made during the next five years are as follows: 2021, \$51,535; 2022, \$83,049; 2023, \$54,608; 2024, \$56,213; 2025, \$57,859. These payments have been calculated under the assumption that the repayment plan will be successfully renewed, based on the present payment terms and interest rates.

On page 6 of Exhibit 5, Cooperative Hydro Embrun states:

CHEI confirms that the debt incurred to fund the substation in 2017 will be fully paid off at the end of 2022. The utility does not forecast any short-term or long-term debt going forward.

- (a) Please confirm that the debt documented in Note 8 of the 2020 Audited Financial Statements is the same loan as is referred to in Exhibit 5 and documented in Appendix 5A. If not, please explain Cooperative Hydro Embrun's debt situation from 2017 onwards.

CHEI Response: Confirmed

- (b) Assuming a positive response to (a), please explain why Cooperative Hydro Embrun has retired the debt earlier than the repayment schedule documented in Note 8 to the 2020 Audited Financial Statements.

CHEI Response: To free up cash to fund capital work.

- (c) In Table 3 of Exhibit 5, Cooperative Hydro Embrun shows a year-end balance owing of \$273,263.28 for each of 2020 and 2021, but shows interest of \$9,104 for 2020 versus \$4,292 for 2021. Additionally,

CHEI Response: This was an input error when populating the appendix. A revised schedule can be found in the Chapter 2 Appendices filed with these responses.

- (d) Cooperative Hydro Embrun shows interest of \$250 for 2022.
i. Please explain why 2021 and 2020 interest payments differ if the outstanding principal is the same at the same for both years.

CHEI Response: This was an input error when populating the appendix.

- ii. Please explain the calculation of the 2022 interest of \$250 shown.

CHEI Response: This is an inconsequential residual interest expense amount for the first 3 months of the year.

5.0 -VECC -24

Reference: Exhibit 5, page 3

- a) CHEI states it will not hold any long-term debt in 2022. However, Appendix 2-OB shows the Caisse Populaire funding of \$714,243 having a 20 year term. Please confirm that the debt was issued in 2001 and that all principal and interest amounts owing have been paid.

CHEI Response:

Although the loan had a 20-year term, CHEI paid it in 5 years. CHEI confirms that all principal and interest amount owing has been paid as of March 16, 2022.

- b) Given the lack of long-term debt please explain how CHEI finances its capital budget.

CHEI Response:

CHEI will use its cash liquidity to finance its capital budget.

Exhibit 6 – Revenue Requirement and Revenue Deficiency or SUFFICIENCY

6-STAFF-62

Account 1592

Ref 1: CHEI 2023 Accelerated CCA Excel spreadsheet, February 14, 2022

Ref 2: *Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications - For Small Utilities, Chapter 2A, Cost of Service*, December 16, 2021, pg. 35, 52

Ref 3: Exhibit 9, pg. 9

Cooperative Hydro Embrun has filed a spreadsheet (reference 1) showing its calculations that support its request to dispose of a debit balance of \$4,725 for Account 1592, PILs and Tax Variances, sub-account CCA Changes.

Reference 2 outlines the information required to support the clearance of a balance in Account 1592, PILs and Tax Variances, sub-account CCA Changes. Some of the information required involves:

- Calculations for accelerated CCA differences per year
- The impacts of CCA rule changes for the period November 21, 2018 until the effective date of the distributor's next cost-based rate order.

Reference 3 states that Cooperative Hydro Embrun has recorded the impact of the CCA rules changes in Account 1592, PILs and Tax Variances, sub-account CCA Changes, from November 21, 2018, up to the 2023 Test Year.

- (a) OEB staff notes no balances are shown for 2022 in reference 1. Please confirm that the calculations shown in the CCA spreadsheet exclude a forecasted balance from January 1, 2022 to December 31, 2022. If this is not the case, please explain.

CHEI Response (BDO):

The request above is not aligned with CHEI policies of not forecasting future revenues/expenses. As such, CHEI will not make the forecast.

The calculations shown excludes a forecasted balance of 2022. CHEI will record the impact of the CCA rules changes using only the actual amounts each year and will not be using forecasts.

CHEI uses third-party services to assist with the calculations of the balances. CHEI would incur additional fees in order to prepare forecasted amounts, for which, they would need to be adjusted to actual after year-end. This is not a cost-efficient strategy for CHEI as the impact of using only the actuals vs using forecast/actual consists only of a time delay.

- (b) If a reasonable forecast can be made, please re-file Cooperative Hydro Embrun's analysis to include a balance in Account 1592, sub-account CCA Changes, from January 1, 2022 to December 31, 2022. Please include this balance in cell BF83 of Tab 2b of the DVA Continuity Schedule. If the applicant has any concerns with disposing of the 2022 forecasted amounts, please explain.

CHEI Response (BDO):

See a) above. CHEI uses third-party services to assist with the calculations of the balances. CHEI would incur additional fees in order to prepare forecasted amounts, for which, they would need to be adjusted to actual after year-end. This is not a cost-efficient strategy for CHEI.

- (c) OEB staff also notes no balances are shown for 2018 in reference 1. Please confirm that no amounts for the period November 21, 2018 to December 31, 2018 were included, as the impact of the Accelerated CCA amounts was not claimed on Cooperative Hydro Embrun's 2018 tax return. If this is not the case, please explain.

CHEI Response (BDO):

We confirm there were no amounts for the period of November 21, 2018 to December 31, 2018. All additions of 2018 were done prior to the implementation of the Accelerated CCA.

6-STAFF-63

Account 1592

Ref 1: CHEI 2023 Accelerated CCA Excel spreadsheet, February 14, 2022

**Ref 2: Accounting Procedures Handbook For Electricity Distributors (APH),
Effective: January 1, 2012, Article 440, pg. 8**

In the “Summary” tab of the CCA spreadsheet (reference 1):

- Column H shows the tax impact by multiplying the CCA difference by Cooperative Hydro Embrun’s effective tax rate of 12.2%. However, the grossed-up income tax impact has not been reflected (i.e., the tax impact divided by (1-12.2%)).
- Column H shows the CCA impacts as the following:
 - Impacts with accelerated CCA less the impacts without accelerated CCA, resulting in a debit amount (collection from customers).
- Column I shows future tax impacts. The APH states that the OEB “does not consider it necessary to approve a deferral account for future income taxes.”
- Some of the balances in Column C and Column D do not reconcile to the supporting tabs in the CCA spreadsheet.

(a) Please revise the “Summary” tab of the CCA spreadsheet to:

- i. Reflect the grossed-up income tax impact of the CCA differences (i.e., the tax impact shown in Column H divided by (1-12.2%))

CHEI Response (BDO):

Not performed as the OEB’s method will not show the Grossed-up income tax impact of the CCA Differences.

CHEI is taxed at 26.5% before any deductions/credits for the year. The grossed-up income tax impact of the CCA differences is already shown on column H.

- ii. Reflect the impacts without accelerated CCA less the impacts with accelerated CCA in Column H (instead of vice versa), such that the resulting Account 1592 balance is a credit and not a debit

CHEI Response (BDO):

Modified. Reflected changes in DVA continuity schedule.

- iii. Exclude any future tax impacts from the calculations (or explain why this is appropriate)

CHEI Response (BDO):

- iv. Reconcile the balances in Column C and Column D to the supporting tabs in the CCA spreadsheet.

CHEI Response (BDO):

The balances in column C and D do agree. OEB did not factor in that the Initial differences will continue to have an effect on the following years as the amortization in the following years are also impacted due to the accelerated rates.

CHEI used color-coding in the document “Accelerated CCA example” to help OEB understand how the amounts in the summary were obtained.

- For example, amounts in the summary for year 2020, consists of:
 - 12,568 (from 2020) + 13,312 (cell E31 from 2019) = 25,881
 - 4,189 (from 2020) + 17,392 (cell F31 from 2019) = 21,581

- v. Explain why cells C9 and D9 are linked to the 2019, 2020, and 2021 tabs, instead of just the 2021 tab.

CHEI Response (BDO): See explanation of point iv above

- (b) Please insert the revised balances in Account 1592, PILs and Tax Variances, sub-account CCA changes, calculated in the “Summary” tab of the CCA spreadsheet to Tab 2b of DVA Continuity Schedule.

CHEI Response (BDO): Modified. The net amount of account 1592 (two lines) did not change. The amounts within each line however did change.

- (c) Please calculate the applicable carrying charges in Account 1592, PILs and Tax Variances, sub-account CCA changes, and reflect these amounts in Tab 2b of DVA Continuity Schedule.

CHEI Response (BDO): DVA continuity Schedule was updated.

6-STAFF-64

Account 1592

Ref 1: 2023 Accelerated CCA Excel spreadsheet, February 14, 2022

In the tabs “2018”, “2019”, “2020”, and “2021” of the CCA spreadsheet, Cooperative Hydro Embrun has provided UCC continuity schedules which are missing some information. As well, a new tab “2022” should be populated (provided the applicant does not have concerns with forecasting 2022 capital additions).

- (a) For each year up to December 31, 2022 in the CCA spreadsheet, please address two scenarios: “Impacts without Accelerated CCA” and “Impacts with Accelerated CCA”.

CHEI Response (BDO):

CHEI does not fully understand the request.

The Scenarios “Impacts without accelerated CCA” is shown in column F of each tab while “impact with accelerated CCA” is shown in column E. The cumulative differences on taxes are then shown in the tab Summary.

- (b) For each scenario, please provide complete detailed UCC continuity schedules, as limited information has been provided.

CHEI Response (BDO):

CHEI does not fully understand the request.

OEB wanted to determine the impact of the accelerated CCA which has been clearly demonstrated in the Excel.

What is the purpose of preparing the continuity schedule for additions made prior to the implementation as they will have no impact between the two scenarios. The only relevant information are the additions that occurred from 2018 and forward, which are clearly shown in the Excel

- (c) Please reconcile the relevant UCC and CCA balances for 2021 and 2022 used in the CCA spreadsheet to the Excel PILs model for the historic and bridge years, as some currently do not reconcile.³ Please see the footnote for an example.

CHEI Response (BDO):

³ For example, the 2021 accelerated CCA balance in the Excel PILs model of \$282,248 does not reconcile to the 2021 accelerated CCA balance of \$55,377 in the CCA spreadsheet.

Relevant UCC and CCA balances for 2021 and 2022 have been reconciled.

(d) Please reconcile the actual capital additions used in the CCA spreadsheet to other parts of the application (i.e., Appendix 2-BA, Appendix 2-C, and the Excel PILs model), as applicable, as some currently do not reconcile.⁴ Please see the footnote for an example.

CHEI Response (BDO):

- Actual purchases of 2020 : \$92,274.27
- Correction of previous dispositions: \$28,404.79 which was added back to the Data Vault as per the OEB's guidelines since OEB refused CHEI previous disposals of older Poles & line Transformers. This amount is reflected in the Data Vault but does not constitute an addition for CCA purposes and as such, was not included in the 1592 Accelerated CCA calculations.

⁴ For example, the 2020 capital additions of \$92,274 in the CCA spreadsheet do not reconcile to the 2020 capital additions in Appendix 2-BA and Appendix 2-C of \$120,679.

6-STAFF-65

Account 1592

Ref: Exhibit 6, pg. 10

Cooperative Hydro Embrun stated that it is proposing not to continue using Account 1592 going forward, unless there are new changes to the CCA rules.

- (a) Please confirm whether it is Cooperative Hydro Embrun's understanding that Account 1592, PILs and Tax Variances, sub-account CCA Changes, is a generic account which is subject to continuance or discontinuance on a generic basis by the OEB. If this is not the case, please explain.

CHEI Response (BDO):

CHEI understands that the continuance or discontinuance of account 1592 is of the OEB's decision.

- (b) Please confirm that Cooperative Hydro Embrun's intentions are to not record any amounts in the sub-account pertaining to the Accelerated Investment Incentive Program (AIIP), over the upcoming 5-year rate term, including the impact of the phase out of the AIIP, starting in 2024. If this is not the case, please explain.

CHEI Response (BDO): CHEI confirms that this is the intention.

6-STAFF-66

Account 1592

Ref 1: Exhibit 9, pg. 8

Ref 2: APH, Article 440, pg. 8

Ref 3: EB-2017-0035, Cooperative Hydro Embrun 2018 CoS Proceeding, Response to interrogatory 9-Staff-65, November 3, 2017

Ref 4: EB-2017-0035, Cooperative Hydro Embrun 2018 CoS Proceeding, DVA Continuity Schedule, December 22, 2017, Tab 2

Ref 5: *Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications - For Small Utilities, Chapter 2A, Cost of Service*, December 16, 2021, pg. 58 and 59

At reference 1, Cooperative Hydro Embrun is requesting to dispose a debit balance of \$80,207 in a sub-account of Account 1592, PILs and Tax Variances. OEB staff will refer to this sub-account as “sub-account Deferred Taxes”, as Cooperative Hydro Embrun did not articulate a specific name for this sub-account.

Cooperative Hydro Embrun explained that this balance represents the impact of the temporal differences (or timing differences) between the accounting amortization and the income tax amortization (i.e., capital cost allowance), resulting in future tax (or deferred tax) impacts.

The use and associated recovery of balances in this sub-account of Account 1592, PILs and Tax Variances, by Cooperative Hydro Embrun is generally not permitted by the OEB. The APH states that the OEB “does not consider it necessary to approve a deferral account for future income taxes.”

At reference 3, in response to an interrogatory (9-Staff-65) in the 2018 CoS proceeding, Cooperative Hydro Embrun requested recovery of a debit balance of \$13,097 in Account 1592 for deferred income taxes. However, the final balance agreed to by parties for disposition in the settlement proposal included a nil balance for Account 1592 in Tab 2 of the DVA Continuity Schedule (reference 4).

- (a) Please explain Cooperative Hydro Embrun’s rationale for requesting disposition of the debit balance of \$80,207 in Account 1592, PILs and Tax Variances, sub-account Deferred Taxes, given the facts described above with respect to deferred/future income taxes.

CHEI Response (BDO): See point b) below

- (b) If Cooperative Hydro Embrun agrees to withdraw its request, please update Tab 2b of the DVA Continuity Schedule to remove this balance.

CHEI Response (BDO):

CHEI agrees to withdraw its request. However, the Continuity Schedule template from the OEB does not permit to remove the balance from column BT.

- (c) If Cooperative Hydro Embrun maintains its request, please file, for the OEB's consideration, a draft accounting order for this new sub-account, and discuss the causation, materiality, and prudence criteria required when requesting the establishment of a new DVA, in accordance with the OEB's direction at reference 5 (the filing requirements).

CHEI Response (BDO): See point b) above.

6-STAFF-67

PILs

Ref: Excel PILs model, February 14, 2022

In the Excel PILs model, Cooperative Hydro Embrun has recorded taxable income additions for “Transitions [sic] costs capitalized for Financial statements”, as follows:

- Tab T1 Sch 1 Taxable Income Test \$17,600
- Tab B1 Sch1 Taxable Income Bridge \$17,000
- Tab H1 Sch 1 Taxable Income Hist of \$11,659

In tab T1 Sch 1 Taxable Income Test, Cooperative Hydro Embrun has recorded a taxable income deduction of a credit of \$58,000, citing the same explanation.

- (a) Please explain the above noted additions and deduction to taxable income, relating to “Transitions costs capitalized for Financial statements.”

CHEI Response (BDO):

- The additions consist of a provision for the Transitions costs. Each year, in order to reduce the fluctuations between the years, an accrual is recorded by CHEI. For tax purposes, this is not an allowable expense and it needs to be added back.
- The deduction is the recognition of that provision as an expense since the event / costs will have occurred for CHEI. Since the amount was recognized partially each year through an accrual, the actual expense will be applied against the accrual and no additional expenses will be recorded for accounting purposes. However, since the amounts weren’t deducted in the past years, CHEI can deduct, for tax purposes, the full amount of the cost incurred in 2023.

- (b) Please explain why the test year taxable income deduction of \$58,000 is shown as a credit in the Excel PILs model, given that the formula in the PILs model automatically subtracts items recorded as deductions to taxable income. Please update the PILs model, as required.

CHEI Response (BDO): See response above.

6-STAFF-68

PILs

Ref 1: Exhibit 6, Appendix 6A

Ref 2: Excel PILs model, February 14, 2022

Cooperative Hydro Embrun has submitted a portion of its 2020 tax return. The copy (or draft version) of the 2021 tax return has not been provided, given the timing of the filing of this application.

- (a) Please provide a copy of the 2021 tax return, or a draft version, as available.
Please remain cognizant of any potential personal information included in the tax returns.

CHEI Response (BDO): Please refer to the PDF “CHEI 2021 Tax Return” included as attachment.

- (b) Please reconcile the closing UCC values in Schedule 8 of the 2021 tax return to those shown in Tab H8 Sch 8 CCA Hist of the Excel PIL model.

CHEI Response (BDO): Tab H8 was updated. In fact, all tabs “H” were updated to reflect the information of the 2021 Tax return.

- (c) Please confirm that Cooperative Hydro Embrun has no loss carryforwards available (other than those that may be generated by accelerated CCA deductions) to apply to reduce its 2023 test year taxable income in the Excel PILs model.

CHEI Response (BDO): CHEI confirms there were no loss carryforwards.

- (d) If there are loss carryforwards available that have not yet been applied to reduce Cooperative Hydro Embrun’s 2023 test year taxable income, please explain.

CHEI Response (BDO): see point c above.

6-STAFF-69

Property Taxes

Ref 1: Exhibit 6, pg. 8

Ref 2: *Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications - For Small Utilities, Chapter 2A, Cost of Service*, December 16, 2021, pg. 36

Ref 3: RRWF, February 14, 2022

At reference 1, Cooperative Hydro Embrun noted that it does not pay property taxes as its office space is leased, but property taxes on the distribution system are recorded in OM&A.

At reference 2, the OEB states that property taxes should only be included in Account 6105. Account 6105 is not an OM&A account and should therefore be excluded from all OM&A totals.

(a) Please quantify the amount of property taxes recorded in OM&A.

CHEI Response:

CHEI pays municipal taxes on the substation. Those costs are included in CHEI's operating costs.

(b) If there are property taxes recorded elsewhere in the application, please explain and quantify.

CHEI Response:

See a) above

(c) If the amount of property taxes is material, please record property taxes as a separate line item on Tab 9. RevReqt (line no. 3) of the RRWF (reference 3), in accordance with the OEB's requirements at reference 2.

CHEI Response:

Not applicable

6-STAFF-70

Ref 1: Exhibit 1, Business Plan, Page 30

Ref 2: Exhibit 6, Pages 17-21

It is unclear based on the evidence what the main drivers for the calculated revenue sufficiency are. Please provide an itemized list of the driver(s) for the calculated revenue sufficiency.

CHEI Response:

As indicated in the application, the business plan was produced, presented to the Board of Directors and approved in November of 2020 – a full 14 months prior to the application being filed. The revenue sufficiency/deficiency calculated at page 30 was based on projections at the time. The revenue sufficiency/deficiency in the rest of the application is for 2023.

In an effort to answer the question, the sufficiency/deficiency which as shown on page 30 of the Business Plan is calculated as such; (Indicated Rate of Return - Approved Rate of Return x Utility Rate Base= Revenue Sufficiency/Deficiency).

6-STAFF-71 MODEL UPDATE TO CH2 APP 2-H (OTHER REVENUES)

Other Revenues

Ref 1: Exhibit 6, Page 16

Ref 2: Chapter 2 Appendices, Tab 2-H

Cooperative Hydro Embrun notes that an inflation rate of 3.3% is embedded in its “Other Operating Revenue” projections for the bridge and test year.

- (a) Please confirm if this applies specifically to Accounts 4082, 4084, 4086 and 4210. If not, please explain which Accounts the inflation rate is embedded into.
- (b) Please confirm if the OEB’s EB-2021-0301 decision was used to forecast 2023 revenues from Retail Service Charges (Accounts 4082 and 4084).
- (c) Please explain the method Cooperative Hydro Embrun used to forecast its Other Revenues for 2023 for:
 - Account 4225 – Late Payment Charges
 - Account 4235 - Miscellaneous Service Revenues
 - Accounts 4390 and 4405 – Other Income and Expenses

CHEI Response:

Accounts related to Retail Service Charges were subject to 3.3% increase as it is consistent with the calculations in tab 3 of the Tariff and Bill Impact model. In addition, accounts were then evaluated and projected on an individual basis.

CHEI Response:

See response to a) As an example of individual adjustment, account **4082** was further adjusted to reflect 2 new retailers. **4084** shows a projection of \$10 which is immaterial. **4086** was intended to increase by 135 but since its recorded as a credit, the projection is reduced. CHEI feels that it is immaterial and does not propose to change it.

For account **4210**, CHEI had originally used a projection. However, since then, it has been able to project based on current attachment and OEB pole rental rates of \$34.76. The inputs have been changed to \$9937.42 for 2022 and 2023

For **4225**, projections are based on the 2 previous years.

For **4235**, projections are based on the 2 previous years with the assumption of new service additions. For **4390** and **4405** is based on 2 previous years.

6-STAFF-72

Other Revenue

Ref 1: 2021 Chapter 2 Appendices, Tab 2-H – Other_Oper_Rev

Ref 2: Chapter 2A Filing Requirements, December 16, 2021, page 37

Please confirm that any revenue related to microFIT charges are recorded as a revenue offset in Account 4235 and not included as part of the base distribution revenue requirement.

CHEI Response:

Revenues from MicroFit are recorded in 4080. The revenues from MicroFit are \$1,560.

6-STAFF-73

microFIT

Ref 1: Exhibit 6, page 16

Ref 2: EB-2017-0035, Application, Exhibit 3, page 61

Cooperative Hydro Embrun notes that it analysed its microFIT related costs compared to its revenues and despite its yearly costs of \$6k for having its microFIT read vs its revenues of \$1.5k per year, it is not proposing to change its microFIT charges.

In its previous rebasing application, Cooperative Hydro Embrun noted that it incurs a \$10 monthly fee per microFIT meter point from its vendor.

Please confirm if this continues to be the case.

CHEI Response:

CHEI confirms that it is seeking to keep the \$10/month in place until the next rebasing application.

6.0-VECC-25

Reference: Exhibit 6, pages 12, 15 and 16
Exhibit 8, page 16

- a) Are the 2021 Other Revenues in Table 8 based on actual 2021 values? If not, please provide revised Table with 2021 actual values.

CHEI Response:

Both Appendix 2-H and the Tariff Sheet and Bill Impacts were updated as part of CHEI's response to IR

- b) With respect to the pole attachment charge, at page 16 the Application states: *"CHEI confirms that it has used Decision and Order EB-2021-0304 which states that effective January 1, 2022, the wireline pole attachment charge will be \$34.76 per attacher, per year, per pole to determine its 2023 budgets in account 4210 which is used to record revenues from Wireline Pole Attachment Charges from Rogers, Bell and Hydro One"*. However, at Exhibit 6, page 15 and Exhibit 8, page 16 the pole attachment charge is shown as \$44.50. What was the pole line attachment charge used to determine the 2023 revenues for Account #4210?

- c) Please update the forecast Other Revenue and Tariff Sheets are required.

CHEI Response:

Both Appendix 2-H and the Tariff Sheet and Bill Impacts were updated as part of CHEI's response to IRs.

- d) In what USOA is the revenue from the microFIT service charge recorded?

CHEI Response:

Account 4080

- e) At page 16 the Application states: *"CHEI has analysed its MicroFit related costs vs its revenues and despite its yearly costs of \$6303.36 for having its MicroFits read vs its revenues of \$1560 per year, CHEI is not proposing to change its MicroFit charges. The reason being that it want its charge to be in line with other utilities"*. What "other utilities" is CHEI using for purposes of this comparison?

CHEI Response:

Hawkesbury Hydro (EB-2017-0047), Renfrew Hydro (EB-2021-0055), Hydro Ottawa (EB-2021-0035)

EXHIBIT 7 – COST ALLOCATION

7-STAFF-74 MODEL UPDATE – COST ALLOCATION

Meter Reading

Ref 1: Exhibit 7, page 10

In the GS < 50 kW rate class, on sheet I7.1, 139 meters reads are identified as two types of Smart Meters, while 26 are identified as demand with IT meters. On sheet I7.2, 127 reads of smart meters, and 38 reads of interval meters are required.

The residential rate class uses both types of smart meters, and all identified as requiring smart meter reads.

Please explain the apparent discrepancy and why only 127 of the meters are counted as smart meter reads for the GS < 50 rate class. Good Catch.

CHEI Response:

Staff is correct. CHEI has updated the meter reading tab to rectify the discrepancy

7-STAFF-75 MODEL UPDATE TO LOAD PROFILES (HONI MODIFIED)

Load Profiles

Ref 1: Exhibit 7, page 11

Cooperative Hydro Embrun indicates that one methodology for updating load profiles is proprietary to a group that it is not a member of, and therefore is unavailable to the utility. It states that the required data is hosted by another utility which has confirmed that the data cannot be provided.

A new methodology is proposed for determining load profiles and demand allocators. The methodology appears to OEB staff to assume that within each historic month, all rate classes exhibited the same load profile. The process is repeated for 60 months (5 years). The final proposed load profile for each hour in each rate class the average load for that hour across the five historic years.

OEB staff notes that in addition to the above noted assumption, this approach has the potential to average across weekends and weekdays, warm days, and cold days.

(a) Please explain:

- i. Which required data is unavailable?

CHEI Response:

The original data would need to come from ORPC who currently hosts CHEI's billing data. After reaching out to ORPC, CHEI was informed that the actual hourly billing data for the weather sensitive classes was not available.

- ii. If the missing data is hourly meter data, how does Cooperative Hydro Embrun bill its customers?

CHEI Response:

ORPC hosts the data however and sends the bill print information to CHEI in order for CHEI to print the invoices. ORPC is not able to extract from its system hourly data per customer per weather sensitive class which would be required to run the load profiles.

- iii. If the required data is only available for a period of time, can Cooperative Hydro Embrun obtain the data when it is available, and store the data for future use?

CHEI Response:

It is CHEI's assumption that ORPC will be working on obtaining this information for its next cost of service in 2026 therefore CHEI can only assume that by its next Cost of Service in 2027, the information will be available.

CHEI notes that it does not have an IT person or the in-house expertise to create the data required for a full load profile update. That said, it is willing to work with ORPC in starting to gather the information required for the next Cost of Service.

- (b) Has Cooperative Hydro Embrun taken any steps towards determining what would be required to gain access to the methodology in question – e.g. whether it can be licensed, and costs of these options?

CHEI Response: CHEI has learned indirectly that for it to have access to the licensed methodology would mean that they would have to subscribe to this group on a yearly basis which is unlikely due to cost constraints.

- (c) As a scenario, please provide the revenue-to-cost ratios that would result if the Hydro One methodology were used.

CHEI Response: CHEI notes that the HONI quick method was filed as part of the January 31, 2022, application. A scenario including the variations below is being provided as part of these responses.

- (d) As a scenario, please modify the demand allocator calculations as follows.
- i. Use deemed load profiles for USL and Street Light based on the best information available to Cooperative Hydro Embrun. For example, the Hydro One methodology has load profiles for street light which assumes lights to be on at night, and off during daylight hours.
 - ii. Determine each rate class's share of the residual utility load as initially proposed.
 - iii. Scale each year's load profiles to be consistent with the 2023 load forecast.
 - iv. Determine demand allocators that would result for each year.
 - v. Calculate a five-year average of the demand allocators.

CHEI Response: WIP

7-STAFF-76

Revenue to Cost

Ref 1: Exhibit 7, page 19

The revenue-to-cost ratios for the GS > 50 to 4,999 kW rate class and the residential rate class were within the target ranges before adjustment. The revenue-to-cost ratio for the Residential rate class is proposed to be reduced to 1.00 while the ratio for the GS > 50 to 4,999 kW rate class is proposed to increase to 0.96.

- (a) Please explain why it was necessary to transfer revenue responsibility from the Residential rate class to the GS > 50 to 4,999 kW rate class.

CHEI Response:

If Staff is referring to the calculated ratio of 1.01 to 1.00, it's a rounding issue. The "goal seek" tool in Excel can only get a close as 2 decimals. The actual numbers are 1.0097 vs 1.0044 for a difference of 0.0052.

- (b) As a scenario, please provide the revenue-to-cost ratio for the GS > 50 to 4,999 kW rate class that would result from

- i. Reducing the USL revenue-to-cost ratio to 1.20 and
- ii. Not adjusting the residential rate class revenue-to-cost ratio.

CHEI Response:

In the rates filed as part of the error checking, the USL is already set at 1.20. Given the response to a) the residential class would still be 1.0097.

7.0-VECC-26

- Reference: Exhibit 7, page 5
Exhibit 1, page 17
Cost Allocation Model, Tab I4-BO Assets
- Preamble: The Application states (Exhibit 1, page 17):
"CHEI relies on approximately 37 km of circuits to deliver energy and power to its approximately 2400 customers. Cooperative Hydro Embrun's circuits include approximately 18 km of overhead lines and 19 km of underground lines, all carrying a voltage of less than or equal to 4.8 kV circuits"
And
"CHEI's distribution system is supplied by Hydro One Networks Inc. ("HONI"), from the Chesterville TS at a voltage level of 44 kV and a 44kV-8.32kV transformer added to the distribution system in 2017. Per ANSI standard C84.1-1989, "Low" voltage is described as 600V and below. "Medium" voltage is 2.4kV through 69kV. "High" voltage is 115kV through 230kV and "Extra-High" voltage is 345kV to 765kV, while "Ultra-high" voltage is 1.1MV. Per the above definition, CHEI currently operates two 44KV, which could be classified as "medium-voltage."

- a) The first reference suggests that all of CHEI's lines operate at voltages of 4.8 kV or less. However, the second reference suggests that some of circuits operate at voltages higher than 4.8 kV. Please clarify.

CHEI Response:

CHEI's line operate at a voltage of 4.8kV.

- b) For purposes of establishing the primary/secondary splits in Table 4 what voltages were considered to be primary vs. secondary.

CHEI Response Primary 4.8kV – Secondary 120/240v

- c) Table 4 compares the break-out of assets percentages as between primary and secondary as used in the current Allocation as compared to CHEI's last cost of service for the following accounts: i) 1830, ii) 1835, iii) 1840 and iv) 1845. Please explain the material changes.

CHEI Response: Up until the last Cost of Service, the utility used the

breakout from the original informational filing in 2006. In the 2018 application, CHEI was told to come up with actual break out of assets for its next cost of service. In preparation for this application, CHEI reached out to Sproule for their professional opinion on the matter. The revised breakout of assets came from Sproule.

CHEI notes that it could have a 3rd party engineer firm such as Stantec perform a formal study however, there would be costs associated with such a study.

7.0-VECC-27

Reference: Exhibit 7, page 7
Cost Allocation Model, Tab I5.2

- a) With respect to Table 8, please provide the allocation base for each of the expense rows shown.

CHEI Response

Each service was analyzed individually by the General Manager and Administrative Coordinator (who oversees the billing process) to determine which class was affected by each service.

- b) With respect to Table 8, for those expense rows that are not allocated to all customer classes – please explain why some classes are excluded.

CHEI Response: see response to a) above. Certain classes are not affected by certain services. For example, USL and Streetlights do not have the option of move in-move out.

- c) How many customers in each customer class are currently on e-billing?

CHEI Response As of April 12 2022

- Residential – 1347 customers
- Below 50 kW -90 customers
- Over 50kW – 7 customers
- USL- 5 customers
- Streetlights – 1 customer

- d) In which expense row is the postage and printings cost for the monthly bills included?

CHEI Response

Account 5620 is where postage and printing costs recorded. (2021 - 17,398.43)

7.0-VECC-28 ADDITIONAL CA MODEL (HONI METHOD)

Reference: Exhibit 7, pages 11-12

Preamble: At page 11 the Application outlines the process CHEI used to establish the customer class demand allocators.

- a) Step #1 is described as follows: *“Collect hourly data by rate class for 2016-2020 from CHEI’s power bills”*. Please confirm that the process did not use hourly data by each rates class but rather used hourly purchased data.

CHEI Response: Confirmed.

- b) Further, please confirm that for each month analyzed the hourly profile for the purchase data was used to allocate the monthly sales for each customer class to specific hours, such that in any given month all customer classes will have the same load profile. If not, explain why.

CHEI Response: Confirmed

- c) Please provide the Cost Allocation Model results using demand allocators based on the HONI method.

CHEI Response: The requested model is filed with these responses.

EXHIBIT 8 – RATE DESIGN

8-Staff-0.4.1

Loss Factor

Ref 1: EB-2017-0035, Exhibit 2, DSP, Appendix G Stantec Study, Section 3.3 (PDF Page 170)

Ref 2: EB-2017-0035, Interrogatory Response 2.0-VECC-9, November 3, 2017

Ref 3: EB-2017-0035, Settlement Proposal, Page 33, December 22, 2017

Ref 4: EB-2022-0022, Exhibit 1, Page 19

Ref 5: EB-2022-0022, Exhibit 8, Page 13

As part of Cooperative Hydro Embrun's 2018 rebasing application, a report by Stantec (reference 1) recommended system upgrades to reduce losses. As part of its interrogatory responses, Cooperative Hydro Embrun noted that "As it has in the past, CHEI takes Stantec's recommendations seriously and plans on performing the suggested upgrades starting in 2018. CHEI notes that all costs associated with the recommendations are part of the utility's Operation and Maintenance programs." (Reference 2)

As part of the settlement proposal in the 2018 rebasing application, parties agreed that Cooperative Hydro Embrun will continue to pursue recommendations presented to it in its most recent Line Loss Study through 2018, and to initiate a new line loss study in 2019 to, in part, review the impact of those recommendations once implemented (reference 3).

As part of the current 2023 application, Cooperative Hydro Embrun notes that it reached out to Stantec for a quote in the later part of 2019 and the utility planned on conducting the study in 2020. However, when the pandemic hit in early 2020, the proposed study was postponed indefinitely in favor of focusing on the customer, the utility and the community's needs. To date, the study has not been conducted.

While it is clear that a new line loss study was not initiated in 2019, it is unclear based on the evidence if the recommendations from the previous study were pursued.

- (a) Please describe the recommendations from the most recent line loss study referenced in the 2018 settlement proposal and which recommendations were pursued.
 - i. If none were implemented, please explain why.
 - ii. If only a select number of recommendations were implemented, please explain why, and for those that were not, please provide the reasoning behind the decision to not proceed with the recommendation.
- (b) Please describe the impact of the recommendations that were implemented.

CHEI Response:

CHEI notes that the study is a Utility Load Flow and Evaluation Study rather than a specific line loss study. The study was conducted on December 20, 2016. The recommendations are replicated below.

None of recommendations were done because the study was conducted 12 months prior to the new TS (T2) being installed. The new TS would most likely affect the recommendations. CHEI notes that this was a decision that the Board of Directors made at the time.

5.3 Itemized Recommendations

- New modern digital metering for feeders F1, F2, and F3 within the substation are being installed under the substation upgrade project expected to be finished October 2017. This metering will provide all basic electrical parameters (voltage, current, PF, power, energy, and demand), plus power quality parameters (sags and swells, harmonics, transients, flicker), data and waveform logs (triggering, min/max, trending, timestamps), communications, set points, and alarming. This upgrade will allow trending to be done to confirm the pattern of daily loading, and to trend future load growth.
- Update system single line to add further system information, including the source of transformers #477-75 and #476-75 on Centenaire Street, conductor sizes for all major feeders, and ampacities of all switches. (Budget \$15,000)
- The system main feeders should be measured before rebalancing to verify the imbalance and then the re-phasing should be done. (Budget \$5,000)
- Confirm Switch S#846 rated ampacity. If the ampacity is found to be less than 150A the switch will need to be replaced with a switch rated for a minimum 150A to accommodate future emergency condition.
- Either rebalance feeders as new loads added in 2016-2022, or rebalance current loading within feeders 1, 2, 3 and 4 to minimize losses, possible options to rebalance include the following:
 - F1: 542-50-R to B, 453-75-B to R, 544-75-W to R, 545-75-B to R and 546-100-W to R,
 - F2: 82-50-R to B, 83-50-B to R, 84-R to B, 85-50-B to R and 86-50-B to R
 - F3: 406-75-W to R, 407-50-W to R, 409-50-W to R, 411-50-W to R, 430-50-B to W, 431-100-W to B, 432-100-B to W 527-50-B to W and 536-75-B to W
 - F4: 1000-167-B to R, 1001-167-R to B, 1003-B to R and 1006-25-R to B

8-STAFF-77

Smart Meter Entity Charge

Ref: Exhibit 8, page 11

Cooperative Hydro Embrun notes that it proposes maintaining its existing smart meter charge of \$0.79.

OEB staff notes that the current generic charge is **\$0.57** as indicated in table 13 on page 11 of exhibit 8. Further, as per Cooperative Hydro Embrun's current Tariff of Rates and Charges, OEB staff notes that the current generic OEB-approved charge expires on December 31, 2022.

(a) Please confirm if the language in Exhibit 8, page 11 was provided in error.

CHEI Response:
Confirmed.

(b) Please confirm that Cooperative Hydro Embrun will adopt any new generic charge as may be approved by the OEB.

CHEI Response:
Confirmed.

8-STAFF-78 MODEL CHANGE BILL IMPACT

Ref 1: Exhibit 8, Appendix 8B – Proposed Tariff of Rates and Charges

Ref 2: Tariff and Bill Impact Model, Tab 3 – Regulatory Charges

Cooperative Hydro Embrun's proposed Tariff of Rates and Charges, and the Tariff and Bill Impact Model filed with its application shows the previously approved pole attachment charge of \$44.50. OEB staff notes that the current pole attachment charge, effective January 1, 2022, is \$34.76 as per the OEB's generic Decision and Order in EB-2021-0302.

(a) Please make the necessary corrections as noted above.

CHEI Response:

Any Tariff of Rates and Charges going forward will show the correct rate for pole attachment.

(b) Please confirm that Cooperative Hydro Embrun will continue to charge the current OEB-approved rate of \$34.76 until such time the OEB announces any updated charge by way of a generic order for 2023.

CHEI Response:

Confirmed.

8-STAFF-79

Ref 1: Tariff and Bill Impact Model, Tab 3 – Regulatory Charges

Ref 2: Exhibit 8, pg. 15

Cooperative Hydro Embrun has applied the OEB's 2022 inflation factor of 3.3% to the OEB-approved retail service charges for 2022.

Please confirm that this inflation factor was included as a proxy for purposes of this 2023 application, and that Cooperative Hydro Embrun will continue to apply the current 2022 OEB-approved charges until any generic order for 2023 retail service charges is issued by the OEB.

CHEI Response:

Asked and answered at 6-Staff-71.

8-STAFF-80 MODEL CHANGE BILL IMPACTS

Tariff and Bill Impact Model

Ref: Tariff and Bill Impact Model, Tab 4 and Tab 6

OEB staff notes that the calculated rate riders for the disposition of the global adjustment account have been included in sub-total A on Tab 4 of the Tariff and Bill Impacts Model for the General Service 50 to 4,999 kW and Street Lighting rate classes.

OEB staff notes these rate riders should be included in sub-total B (i.e., Distribution) as per Tab 6 of the model.

Please make the required corrections to the model.

CHEI Response:

This was corrected in the model filed along with these responses.

8.0-VECC-29 MODEL CHANGE RTSR

Reference: Exhibit 8, page 10
RTSR Workform, Tabs 3 and 5

- a) Please confirm that the RRR data used in Tab 3 and the HONI billing determinants used in Tab 5 are based on the same historic year.

CHEI Response:

At the time of the filing, the RRR data was based on 2020 which was the latest information available. The RTSR model filed along with these responses has been updated to reflect actual inputs from 2021 including the 2021 RRR filed on May 1, 2022.

8.0-VECC-30

Reference: Exhibit 8, page 7

a) What were HONI's actual Low Voltage charges to CHEI for 2021?

CHEI Response:

For 2021 the Low Voltage Charge was \$1.5335.

b) What would be the resulting Low Voltage charges from HONI based on 2021 actual billing quantities and HONI's approved 2022 ST rates?

CHEI Response:

Rate 2022 \$1.6208

Year	kW	\$ Amount
2021	65,672	100,708
2022	65,672	106,441

8.0-VECC-31

Reference: Exhibit 8, page 13

a) Do the wholesale purchases reported in Line A(2) include purchases from embedded generation as well as purchases for HONI?

CHEI Response:

Yes, the wholesale which reconciles with the load forecast includes MicroFit

b) If yes, why is the Supply Facilities Loss Factor applicable to the total as opposed to just the portion purchased from HONI?

CHEI Response:

CHEI is fully embedded therefore it only purchases its power from HONI. CHEI only has 13 MicroFit which total a minimal amount and would have little effect on the loss factor.

8.0-VECC-32

Reference: Exhibit 8, page 15

- a) What was the basis for the 3.3% inflation factor used to establish the 2023 Retail Service Charges?

CHEI Response:

Asked and answered at 6-Staff-71. (It originates from tab 3 of the OEB Tariff Sheet and Bill Impact Model.)

- b) Does CHEI plan to update the proposed Retail Service Charges after the OEB issues its decision regarding 2023 energy retailer service charges for electricity distributors later this year?

CHEI Response:

Yes, of course.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

9-STAFF-81

LRAMVA

Ref 1: Exhibit 9, p. 15

Ref 2: DVA Continuity Schedule

In the application, Cooperative Hydro Embrun stated that it is not requesting disposition of the LRAMVA which has a credit balance of \$752. In response to an error checking question⁵ from OEB staff asking Cooperative Hydro Embrun to confirm whether or not disposition is being requested, Cooperative Hydro Embrun stated that “[Cooperative Hydro Embrun] will update the DVA model in the next accordingly in the next phase of the application (most likely the interrogatories).”

(a) Please confirm whether or not disposition of the LRAMVA is being requested.

CHEI Response (BDO):

LRAMVA will not be disposed.

(b) If disposition is being requested, please update the application to include all the details on the request and all applicable supporting models (e.g., LRAMVA workform, IESO supporting documents, etc.) in accordance with the OEB’s Chapter 2 Filing Guidelines.

CHEI Response (BDO):

see point a above.

(c) If disposition is being requested, please also update the DVA Continuity Schedule as follows:

i. Tab 4, column AC

CHEI Response (BDO):

see point a above.

ii. Tab 5, most of row 59

CHEI Response (BDO):

see point a above.

iii. Tab 7, rows 202 to 228

⁵ Response to OEB Staff Error Checking Question #29, March 31, 2022

CHEI Response (BDO):

see point a above.

(d) If disposition is not being requested, please confirm whether there will be any future LRAMVA amounts related to persisting CDM savings in the future, and whether Cooperative Hydro Embrun has incorporated historical CDM results into its load forecast.

CHEI Response (BDO):

CHEI confirms that, for the foreseeable future, there will not be any future LRAMVA amounts related to persisting CDM savings.

9-STAFF-82

DVAs

Ref 1: *Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications - For Small Utilities, Chapter 2A, Cost of Service*, December 16, 2021, pg. 50

Ref 2: DVA Continuity Schedule, February 14, 2022

Ref 3: Exhibit 9, pg. 3

At reference 1, the OEB states that an explanation needs to be provided if the account balances in the DVA Continuity Schedule differ from the account balances in the trial balance reported through the Electricity RRR and documented in the distributor's audited financial statements.

Given the timing of filing this application, Cooperative Hydro Embrun has not populated the December 31, 2021 RRR 2.1.7 values in the DVA Continuity Schedule. However, at reference 3, Cooperative Hydro Embrun stated that it plans on updating the DVA Continuity Schedule for this information in its response to interrogatories.

- (a) If available, please populate the December 31, 2021 RRR 2.1.7 values in the DVA Continuity Schedule.

CHEI Response (BDO):

CHEI requested an updated DVA Continuity Schedule to populate the RRR2.1.7 information as the column is locked by the OEB. Failure to obtain this updated version, CHEI prepared the "DVA Continuity schedule REC" which shows the numbers from the DVA Continuity schedule and the numbers taken directly from the RRR2.1.7. Variations were explained in this document.

- (b) Please confirm that Cooperative Hydro Embrun has already reconciled all of the DVAs shown in the following:

- i. The 2021 audited financial statements

CHEI Response (BDO):

CHEI confirms that the amounts have been reconciled in the financial statements.

- ii. The December 31, 2021 RRR 2.1.7 values

CHEI Response (BDO):

CHEI requested an updated DVA Continuity Schedule to populate the RRR2.1.7 information as the column is locked by the OEB. Failure to obtain this updated version, CHEI prepared the "DVA Continuity schedule REC" which shows the

numbers from the DVA Continuity schedule and the numbers taken directly from the RRR2.1.7. Variations were explained in this document.

- iii. The December 31, 2021 values shown in the DVA Continuity Schedule (reference 2)

CHEI Response (BDO):

CHEI updated the DVA continuity schedule using the actual numbers of 2021. This information agrees with the financial statements and the RRR 2.1.7

- (c) If these amounts do not reconcile, please file a reconciliation and explanation, as well as update the DVA Continuity Schedule. This explanation should also address any differences in Column BW which shows the "Variance RRR vs. 2021 Balance (Principal + Interest)" in Tab 2a and Tab 2b of the DVA Continuity Schedule.

CHEI Response (BDO):

Only differences notes were due to rounding or the presentation by sub-accounts in the DVA continuity schedule versus the total amounts in the RRR 2.1.7.

- (d) Please confirm that the specific DVA amounts and associated rate riders being requested for clearance in this proceeding by Cooperative Hydro Embrun will be reflected in the DVA Continuity Schedule filed in response to the interrogatories, as opposed to the DVA balances listed in Exhibit 1 and Exhibit 9. If this is not the case, please explain.

CHEI Response (BDO):

CHEI Confirms that the amounts reflected in the updated DVA continuity schedule are the amounts requested for clearance.

9-STAFF-83

DVAs

Ref 1: Response to Error Check Q#2, March 21, 2022

Ref 2: Account 1595 Workform, March 21, 2022

Ref 3: EB-2018-0026, 2019 IRM Decision and Rate Order, December 13, 2018, pg. 10, Table 8.2

Ref 4: EB-2020-0011, 2021 IRM Decision and Rate Order, December 17, 2020, pg. 12, Table 7.2

Ref 5: DVA Continuity Schedule, February 14, 2022

In response to the error question at reference 1, Cooperative Hydro Embrun has filed an Account 1595 Workform relating to Account 1595 (2019) at reference 2 which shows a debit balance of \$12,294. This document had not been filed earlier by Cooperative Hydro Embrun, given the timing of filing this application.

OEB staff notes that the reference to Account 1595 (2019) is intended to represent the 2019 rate year balances and not the December 31, 2019 balances that were disposed in the 2021 rate year.

Regarding the Account 1595 Workform, Cooperative Hydro Embrun has not shown the DVA amounts approved for disposition in the 2019 IRM decision and rate order (reference 3) and the associated rate rider amounts collected (returned), as well as the applicable carrying charges. Instead, Cooperative Hydro Embrun has included amounts that pertain to the 2021 IRM decision and rate order (reference 4).

OEB staff is not requesting Cooperative Hydro Embrun to submit an updated Account 1595 Workform as part of its responses to interrogatories, but is asking clarifying questions below to confirm that the correct balance is being requested for disposition in this proceeding.

- (a) Please confirm that it is Cooperative Hydro Embrun's understanding that Account 1595 (2019) is eligible for disposition in this proceeding, as opposed to Account 1595 (2021).

CHEI Response (BDO):

It is CHEI understanding that account 1595 (2019) is eligible for disposition in this proceeding.

- (b) In the event that revisions are required to line 38, please revise Tab 2a of the DVA Continuity Schedule (reference 5) for Account 1595 (2019) to reflect the residual balance representing the 2019 rate year balances (as opposed to the December 31, 2019 balances that were disposed in the 2021 rate year).

CHEI Response (BDO):

Reference 2 was updated to reflect the 2019 rate year balances. The amount from this new document agrees with the DVA Continuity Schedule. No adjustments needed to the DVA continuity schedule relating to 1595 (2019).

(c) Please also change cell BU38 to “yes” from “no”.

CHEI Response (BDO):

The version of the DVA Continuity Schedule provided by the OEB has the Cell BU38 locked. CHEI is not able to change it to “yes”.

9-STAFF-84

DVAs

Ref 1: Response to Error Check Q#2, March 21, 2022

Ref 2: Global Adjustment (GA) Analysis Workform, March 21, 2022

Ref 3: DVA Continuity Schedule, February 14, 2022

In Tab “GA 2021” of the GA Analysis Workform (filed at the response to the error check question, given the timing of filing this application), Cooperative Hydro Embrun has:

- Not entered data into cells G57 and J57.
- Recorded the “Net Change in Principal Balance in the GL (i.e. Transactions in the Year)” of a credit of \$10,512, whereas tab 2a of the DVA Continuity Schedule shows a debit amount of \$93 for Account 1589 for the “Transactions Debit / (Credit) during 2021”.

In Tab “Account 1588” of the GA Analysis Workform, Cooperative Hydro Embrun has recorded the Account 1588 2021 transactions of a credit of \$37,346, whereas tab 2a of the DVA Continuity Schedule shows a credit amount of \$42,098 for Account 1588 for the “Transactions Debit / (Credit) during 2021”.

- (a) Please update the GA Analysis Workform, as required, to insert the missing data into cells G57 and J57 and explain any further material differences in cell K63 that relate to loss factor differences.

CHEI Response (BDO):

As mentioned to the OEB in previous filings, there is no unbilled loss consumptions as CHEI uses actual data for billing. As such, there is no amounts to be entered in column G and H.

- (b) If after updating cells G57 and J57, the “Unresolved Difference as % of Expected GA Payments to IESO” in cell C93 changes from 0.4% to a number greater than +/-1%, please explain.

CHEI Response (BDO):

See point a above.

- (c) Please update the GA Analysis Workform and tab 2a of the DVA Continuity Schedule, as required, so that the Account 1588 and Account 1589 2021

transactions reconcile between the GA Analysis Workform and the DVA
Continuity Schedule (as per the above observations).

CHEI Response (BDO):

See point a above. No update required.

9-STAFF-85

DVAs

Ref 1: Exhibit 1, pg. 20

Ref 2: EB-2020-0011, 2021 IRM Decision and Rate Order, December 17, 2020

Ref 3: APH Update, Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

Ref 4: Exhibit 9, pg. 15

At reference 1, Cooperative Hydro Embrun noted that the record of its 2021 IRM proceeding indicated deviations from the OEB's Accounting Guidance. Cooperative Hydro Embrun further stated that its accounting for the commodity accounts and settlement process is appropriate, pointing to its fully embedded status as one reason supporting its deviation from the Accounting Guidance. Cooperative Hydro Embrun further stated that the OEB accepted its rationale for deviating from the Accounting Guidance and approved the disposal of 2017-2019 balances on a final basis, in its 2021 IRM proceeding.

However, at reference 4, Cooperative Hydro Embrun also acknowledged the OEB's expectation that the distributor continue its efforts to adopt the Accounting Guidance in a manner that is pragmatic to do so, until the OEB directs the distributor otherwise.

Cooperative Hydro Embrun then further stated that:

- It continues to use the approach and process accepted in its 2021 IRM application
- The Accounting Guidance was implemented to the degree approved by the OEB

In its 2021 IRM Decision, the OEB also directed Cooperative Hydro Embrun to continue its internal review regarding its accounting and RPP settlement processes and to provide an update in its 2022 rate application with respect to its adoption of the Accounting Guidance.

- (a) Is it Cooperative Hydro Embrun's position that since the OEB disposed of balances on a final basis in its 2021 IRM application, this suggests that no further changes were necessary to its accounting processes to align to the Accounting Guidance, despite the OEB's findings in that proceeding? Please elaborate on why the applicant has not discussed the changes it has made in this regard to respond to the OEB's directions.

CHEI Response (BDO):

Per the OEB analysis of the 2017-2019 balances, the OEB approved CHEI's method as long as minor changes were performed.

- Back then, OEB mentioned that CHEI had not factored in the "Electricity Bill 100 adjustment" of the following month as this line related to the month at

cause (ie. The Bill 100 adj. showing on February invoice related to January).
CHEI confirms that the request has been tailored into CHEI's internal
calculations.

Based on the adjustment above, CHEI's method was in accordance with OEB's
decision.

- (b) Please provide an update regarding Cooperative Hydro Embrun's internal review
of its accounting and RPP settlement processes and its adoption of the
Accounting Guidance.

CHEI Response (BDO):
See point above.

9-STAFF-86

DVAs

Ref 1: Exhibit 9, pg. 15 and 16

Ref 2: GA Analysis Workform, March 21, 2022

Ref 3: APH Update, Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

At reference 1, Cooperative Hydro Embrun described a summary of its processes relating to Account 1588 and Account 1589.

One example of a deviation from the Accounting Guidance is described in Tab “GA 2021” of the GA Analysis Workform, regarding not accruing unbilled revenue on a monthly basis. Cooperative Hydro Embrun noted that although it does not accrue unbilled revenue on a monthly basis, it does perform an accrual at year-end.

- (a) Please identify and explain all material deviations between Cooperative Hydro Embrun’s processes and those contemplated in the Accounting Guidance.

CHEI Response (BDO):

CHEI uses the actual results billed the following month rather than doing an estimate in that specific month and adjust it after the fact to balance with the actual after.

To ensure all of 2021’s usage is factored in the correct year, CHEI will obtain the actual data (received and billed during January 2022) and will record it as an unbilled revenue at the end of the year 2021. This ensures that the kWh used in the year are the same as the one being billed.

- (b) For each material deviation, please outline Cooperative Hydro Embrun’s plan to resolve this, including the proposed timing.

CHEI Response (BDO):

No plan to resolve this as CHEI’s process has been approved and authorized by the OEB in the past.

- (c) In the alternative, please describe why Cooperative Hydro Embrun is of the view that changes for any specific deviation are not required.

CHEI Response (BDO): CHEI uses the actual results for the month rather than having estimates. In fact, the information provided in CHEI calculations are more accurate than through the OEB method as CHEI is comparing the actual expense for

the usage of January to the actual revenue billed for the usage of January and so forth.

9-STAFF-87 MODEL UPDATE (DVA MODEL)

DVAs

Ref 1: EB-2021-0014, 2022 IRM Rate Generator Model, December 9, 2021, Tab 4

Ref 2: DVA Continuity Schedule, February 14, 2022

At reference 1 (2022 IRM Rate Generator Model), the billing determinants include “Metered kWh for Non-RPP Customers” for the residential and GS < 50 kW rate classes. However, at reference 2 (2023 DVA Continuity Schedule), these kWh have been excluded.

For the GS 50 to 4,999 kW rate class, there are significant differences between the “Metered kWh for Non-RPP Customers” in the 2022 IRM Rate Generator Model of 2,269,044 kWh and the 2023 DVA Continuity Schedule of 3,952,566 kWh.

- (a) Please update Tab 4 of the DVA Continuity Schedule (reference 2) to include kWh for non-RPP customers for both the residential and GS < 50 kW rate classes, or explain the difference between the approach used in the 2022 rates application versus this one.

CHEI Response (BDO): Tab 4 was updated accordingly. (note that it was updated to match the consumption, RPP, Non-RPP from the Cost of Power tabs)

(b) Regarding the GS 50 to 4,999 kW rate class, please investigate the significant differences between the “Metered kWh for Non-RPP Customers” in the 2022 IRM Rate Generator Model and the 2023 DVA Continuity Schedule.

CHEI Response (BDO): The revised numbers are more in line with the 2022 IRM. CHEI notes that the DVA uses the proposed load forecast while the IRM used the 2020 RRR data.

Rate Class (Enter Rate Classes in cells below as they appear on your current tariff of rates and charges)	Units	# of Customers	Total Metered kWh	Total Metered kW	Metered kWh for Non-RPP Customers ⁴	Metered kW for Non-RPP Customers ⁴
RESIDENTIAL	kWh	2,345	20,150,710	-		
GENERAL SERVICE < 50 kW	kWh	165	4,620,558	-		
GENERAL SERVICE > 50 TO 4999 kW	kW	9	3,960,295	11,414	3,122,397	8,999
UNMETERED SCATTERED LOAD	kWh	17	88,338	-		
STREET LIGHTING	kW	633	242,877	655	242,877	655
Total		3,168	29,062,778	12,069	3,365,274	9,654

Rate Class	Unit	Total Metered kWh	Total Metered kW	Metered kWh for Non-RPP Customers (excluding WMP)	Metered kW for Non-RPP Customers (excluding WMP)
RESIDENTIAL SERVICE CLASSIFICATION	kWh	21,302,214	0	166,074	0
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	4,285,367	0	763,380	0
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kW	3,022,445	9,472	2,269,044	9,472
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	93,084	0	0	0
STREET LIGHTING SERVICE CLASSIFICATION	kW	212,836	592	212,836	592
Total		28,915,946	10,064	3,411,334	10,064

9-STAFF-88

DVAs

Ref: Response to Error Check Q#28, March 21, 2022

There are some items in the Excel DVA Continuity Schedule that may require further consideration and revisions:

- Transactions in Account 1508, Customer Choice Initiative Costs are recorded on two lines of Tab 2b, instead of one line.
- In Tab 2a and Tab 2b, numbers have been included in column BF. In Tab 2a numbers have also been included in column BK. It is OEB staff's understanding that these represent the estimated November and December 2021 balances that were not available at the time of filing the current application. These balances may be removed and replaced with the actual audited 2021 transactions, to be included in column BD and column BI.
- Columns BR of Tab 2a and Tab 2b of the DVA Continuity Schedule should show zero carrying charges from January 1, 2023 to April 30, 2023, as this is a January 1, 2023 rate application.
- Cells BQ19 of Tab 2a and Tab 2b of the Excel DVA Continuity Schedule state "Projected Interest on Dec-31-22 Balances" and should instead reference December 31, 2021 balances.

(a) Please update the DVA Continuity Schedule to address the above noted observations.

[CHEI Response \(BDO\):](#)

[DVA Continuity schedule was updated to address actual 2021 transactions.](#)

9-STAFF-89

DVAs

Ref 1: OEB Letter, Accounting Guidance on Wireline Pole Attachment Charges, July 20, 2018

Ref 2: DVA Continuity Schedule, February 14, 2022, Tab 5

Ref 3: Exhibit 9, pg. 8

Ref 4: Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications - For Small Utilities, Chapter 2A, Cost of Service, December 16, 2021, pg. 46

At reference 1, the OEB stated that when clearing Account 1508, Pole Attachment Revenue Variance, in a cost of service application, distributors are to allocate costs to customer classes based on test year forecast distribution revenue data. However, at reference 2, Cooperative Hydro Embrun has allocated the amounts based on kWh.

At reference 3, Cooperative Hydro Embrun stated that given that the pole attachment rate changes on a yearly basis, the assumption is that utilities will continue to record the difference between the amount charged and collected. Cooperative Hydro Embrun stated that it does not anticipate using the sub-account going forward, unless the OEB changes the provincial rate.

At reference 4, the OEB noted that amounts may be recorded Account 1508, Pole Attachment Variance, until the effective date of distributors' rebased rates. Distributors may forecast a balance up to the effective date of its new rates, provided it can do so with reasonable accuracy, and the OEB may consider disposing of the forecasted amount and closing the account.

OEB staff notes that in general, further transactions would not be expected to be recorded in this sub-account once amounts are forecasted up to the effective date of a distributor's rebased rates and disposed in the rebasing application, unless otherwise directed by the OEB (e.g., if there are material changes to the pole attachment rate). OEB staff notes that annual updates to the OEB's pole attachment rate generally mirror inflationary impacts and any underlying pole attachment rates in base rates would also be uplifted by inflationary impacts in a subsequent IRM application.

- (a) Please update the DVA Continuity Schedule to reflect the allocation of this account based on test year forecast distribution revenue data, rather than based on kWh (or provide rationale for deviating from the OEB's guidance).

[CHEI Response \(BDO\): The requested allocation is not available from the drop-down options at Tab 5 of the OEB model.](#)

- (b) Is it Cooperative Hydro Embrun's intent to record amounts in this sub-account, even if the OEB only changes the pole attachment rate by inflation each year

during the rate term? If so, please rationalize this position with reference to the Filing Requirement sections referred to above. If not, please clarify Cooperative Hydro Embrun's position.

CHEI Response (BDO): CHEI intends on adopting the OEB deemed pole attachment rate and match its cost so that the variance account is not required.

(c) If a reasonable forecast can be made, please forecast a balance in Account 1508, sub-account Pole Attachment Revenue Variance, from January 1, 2022, to December 31, 2022 and include this balance in cell BF49 of Tab 2b of the DVA Continuity Schedule. If Cooperative Hydro Embrun has any concerns with forecasting the balance in this sub-account through to the end of 2022, please discuss.

CHEI Response (BDO):

The request above is not aligned with OEB practices and CHEI policies of not forecasting future revenues/expenses. As such, CHEI will not make the forecast. (e.g. updating select accounts for 2022/2023 forecast but not all accounts)

Also note that the request to include the amount in cell BF49 "2021 – Principal adjustments during 2021" of Tab2 of the DVA Continuity Schedule does not seem to agree with OEB's own policies in completing the Schedule. By doing so, the amount would then differ from the RRR 2.1.7, and an explanation would be required. This is also the first year such a request as been made.

Also note that the column is for "Principal Adjustments during 2021" and does not reflect "2022 forecasts". If the OEB wants to have forecasts for the following year, BDO (auditor of CHEI) recommends that the DVA Continuity Schedule includes a clearly identified column for Forecasts.

9-STAFF-90

DVAs

Ref 1: *Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications - For Small Utilities, Chapter 2A, Cost of Service*, December 16, 2021, pg. 58

Ref 2: Exhibit 9, pg. 7

Ref 3: DVA Continuity Schedule, February 14, 2022

At reference 1, the OEB noted that it had established a variance account to capture the incremental revenues resulting from increased retail service charges authorized while under an approved IRM rate setting plan.⁶ The balance in the account is to be refunded to ratepayers in a future rate application, and then the account is to be closed.

Distributors may forecast a balance up to the effective date of its new rates, provided it can do so with reasonable accuracy, and the OEB may consider disposing of the forecasted amount and then closing the account.

At reference 2 and reference 3, Cooperative Hydro Embrun is planning to dispose a balance in Account 1508, sub-account Retail Service Charge Incremental Revenue, but has not commented on whether it plans to close this sub-account.

- (a) If a reasonable forecast can be made, please include a balance in Account 1508, sub-account Retail Service Charge Incremental Revenue, from January 1, 2022 to December 31, 2022 and include this balance in cell BF50 of Tab 2b of the DVA Continuity Schedule. If these amounts cannot be forecasted reasonably, please explain why not.

CHEI Response (BDO):

The request above is not aligned with CHEI policies of not forecasting future revenues/expenses. As such, CHEI will not make the forecast.

Forecast cannot be reasonably made as the RSC incremental revenue has varied historically each month.

- (b) Please confirm whether it is Cooperative Hydro Embrun's understanding that the Account 1508, sub-account Retail Service Charge Incremental Revenue, should be discontinued as of the proposed effective date of January 1, 2023, if the balance through to the end of 2022 is forecast and disposed in this proceeding. If this is not the case, please explain.

⁶ EB-2015-0304, dated February 14, 2019

CHEI Response (BDO):

Understood and confirmed. The RAC Incremental Revenues account will be adjusted through 2022 with the actual results rather than forecasted and will be disposed at a later time once the results have been obtained / known.

9.0-VECC-33

Reference: Exhibit 9, page 8

- a) Please provide the accounting order approving the establishment of an account to track the *“the temporal differences between the accounting amortization and the fiscal amortization on the income tax expenses.”*

Please provide a table showing how each year’s balance was calculated.

1592 PILs and Tax Variances for 2006 and Subsequent Years

- A. For the period starting May 1, 2006, the distributor shall use this account to record the tax impact of any of the following differences:
1. any differences that result from a legislative or regulatory change to the tax rates or rules assumed in the 2006 OEB Tax Model.
 2. any differences that result from a change in, or a disclosure of, a new assessing or administrative policy that is published in the public tax administration or interpretation bulletins by relevant federal or provincial tax authorities.
 3. any differences in 2006 PILs that result in changes in a distributor’s “opening” 2006 balances for tax accounts due to changes in debits and credits to those accounts arising from a tax re-assessment:
 - a) received by the distributor after its 2006 rate application is filed, and before May 1, 2007; or
 - b) relating to any tax year ending prior to May 1, 2006.

CHEI Response (BDO):

The account’s calculation was established by CHEI’s auditors (BDO). The interpretation of the definition of account 1592 consists of “Tax impact resulting from any differences that result from a legislative or regulatory change to the tax rates”.

Under the previous partner in charge at BDO, it was established that the amortization policy from the OEB would qualify as a tax impact resulting from a legislative change and was, as such, accounted in account 1592.

Calculation is as below:

PILS And Tax Variance

For the year ended December 31, 2021	Unamortized Value - Accounting	Unamortized Value - Tax basis	Difference	Impact on Tax Provision (12.2%)
Tangible Capital Assets	4,266,197	3,592,088	674,109	82,241
Rebassing Costs	17,603	0	17,603	2,148
	0	0	0	-
Other differences	0	2,959	-2,959	(361)
	4,283,800	3,595,047	688,753	84,028

Less Variance accounted for the accelerated CCA. 4,724

88,752

CHEI Response (BDO):

Upon further questions from the OEB, CHEI agrees to withdraw its request for disposition.