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BY EMAIL

August 4, 2023

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Interrogatories
Renfrew Hydro Inc.
2024 Cost of Service
OEB File Number: EB-2023-0049**

Please find attached OEB staff's interrogatories in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Margaret DeFazio, P.Eng.
Senior Advisor, Major Rate Applications and Consolidations

cc: All parties in EB-2023-0049

Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1- Administration

1-Staff-1

Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from OEB staff and intervenors, 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 understanding of changes.

The OEB issued the 2024 inflation factor for electricity distributors to be 4.8% on June 29, 2023,¹ which should be updated on the Tariff and Bill Impact Model, Tab 3.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2024 Electricity Distributor Rate Applications webpage.

1-Staff-2

OEB Model Updates/Amendments

Ref: Chapter 2 Filing Requirements, page 3

Question(s):

As required in the Chapter 2 Filing Requirements, please provide a summary of any updates or amendments to an OEB model to accommodate Renfrew Hydro Inc.'s (Renfrew Hydro) circumstance, if applicable.

1-Staff-3

Green Button

Ref: Exhibit 1, Appendix G – Shareholder & Public Presentation

¹ [OEBltr_2024_inflation_updates_20230629](#)

Preamble:

Distributors are required to implement Green Button by November 1, 2023. The OEB has 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 Appendix G, Renfrew Hydro included Green Button Compliance amongst its 2023 priorities.

Question(s):

- (a) Please describe Renfrew Hydro's progress towards Green Button implementation.
- (b) Please clarify if Renfrew Hydro has recorded any incremental costs directly attributable to the implementation of the Green Button initiative in the generic deferral account.
- (c) Please confirm whether Renfrew Hydro has proposed any capital or OM&A costs associated with the implementation of the Green Button initiative for the 2023 bridge year and the 2024 test year.

1-Staff-4

Strategic Alliance

Ref: Exhibit 1, page 76

Ref: Exhibit 2, Appendix DSP, page 23 (78 of pdf)

Ref: Exhibit 3, page 45

Preamble:

Renfrew Hydro states it is entered into a Strategic Alliance/Services Agreement with Hydro Ottawa which provides access to Hydro Ottawa's vast array of professional expertise, equipment, and service offerings.

Question(s):

- a) Please describe the substation engineering work Hydro Ottawa performed through the competitive bid process, shown in Exhibit 4, Table 4.19.
- b) Please describe the procurement method used to retain Hydro Ottawa Limited to assist in this application with the Station Engineering Report and DSP Review.
- c) Please provide the business case, cost analysis, or other similar documents used to evaluate the cost effectiveness of entering into the strategic alliance versus other procurement options.
- d) Please provide a copy of the Strategic Alliance/Services Agreement.

- e) If there is no written copy of the agreement in d), please provide:
- i. The name of the legal entity that Renfrew Hydro has entered into the Strategic Alliance/Services Agreement with, and
 - ii. Details of the agreement.

Exhibit 2 – Rate Base and Distribution System Plan

2-Staff-5 Interruptions by Outage Type Ref: Exhibit 2, DSP page 42 (pdf page 97)

Question(s):

- a) Please provide information on types of equipment failures that led to the Defective Equipment outages in Table 5.2.3.4-D.

2-Staff-6 Capital Projects Ref: Chapter 2 Appendix 2-AA

Question(s):

- a) In general, please explain what efforts were made or can be made to reduce the test year spend to the 2024-2028 annual average levels or balance the 2024 – 2028 spend levels by deferring select 2024 expenditures to the 2025 – 2027 period. Alternatively, please explain why the higher-than-average spend in 2024 is necessary.

2-Staff-7 Capital Expenditures Ref 1: Chapter 2, Appendix DSP, page 130 (pdf page 185) Ref 2: Chapter 2, Appendix DSP, page 136 (pdf page 191)

Preamble:

Table 5.4.2.2-A in the DSP shows the reprioritized capital plans for 2020 and 2021. Table 1 below shows the original budget, revised budget and actual capital expenditures for 2020 and 2021.

In this application, Renfrew Hydro described variances between the revised and actual budgets.

Table 1: Capital Expenditures (\$000)

Investment Category	2020 Original	2020 Revised	2020 Actual	2021 Original	2021 Revised	2021 Actual
System Access	10	44	81	10	64	32
System Renewal	385	347.5	361.9	350	303	345
System Service	5	75	39.8	10	85	27
General Plant	10.5	143	67.4	20	143	77
Total	410.5	610.5	560.1	390	595	482

Question(s):

- a) For 2020 and 2021, please explain what was achieved through increased actual expenditures from the original budgets, by investment category.

2-Staff-8

2022 Actual vs Planned

Ref: Exhibit 2, DSP page 138 (pdf page 193)

Preamble:

The table on page 138 of the DSP shows that System Service expenditures in 2022 were planned at \$135k and actual expenditures were \$0.

Question(s):

- a) What projects were scheduled for 2022 and not constructed? Please explain why the projects were not executed and if and how they have been included in the forecasts in the DSP.

2-Staff-9

Regulatory Costs

Ref 1: Exhibit 4, page 1

Ref 2: Exhibit 2, page 49

Preamble:

In Exhibit 4, Renfrew Hydro states that OM&A was higher by \$34k in 2020, partly “due to Measurement Canada reverification of Smart meters primarily purchased in 2010 and 2011.”

In Exhibit 2, Renfrew Hydro states the designated service life for smart meters is 15 years.

Question(s):

- a) How many smart meters failed reverification in 2020, 2021 and 2022?
- b) What has Renfrew Hydro budgeted for yearly volume and cost of failed smart meters in the forecast period?
- c) When will Renfrew Hydro need to start mass replacements of its smart meter inventory?

2-Staff-10

Asset Condition Replacement

Ref 1: Exhibit 2, DSP page 81 (pdf page 136)

Ref 2: Chapter 2 Appendices, Tab App2.2AA_Capital Projects

Preamble:

Table 5.3.1.3-C: Distribution System Assets Replacement Quantities outlines recommended replacement quantities “based on the inspection and testing results and past experiences.” Appendix 2-AA Capital Projects Table lists the projects planned for the forecast years 2024 through 2028.

Question(s):

- a) Please confirm that the capital projects planned for the forecast years include the recommended asset replacements in Table 5.3.1.3-C, or
 - i. outline what asset replacements recommended in Table 5.3.1.3-C are not planned for in the forecast period, why this is the case, and any risk mitigation taken because the assets are not being replaced.

2-Staff-11

Replace/Rebuild Underground Assets

Ref 1: Exhibit 2, DSP page 157 (pdf page 212)

Preamble:

Renfrew Hydro is planning to replace a PILC cable at MS 1 in 2024 and rubber insulated cable in 2026.

Question(s):

- a) What criteria led to the development of these projects?
- b) What type of cable is being installed as part of these projects?

c) How much PILC and rubber insulated cables remain in use in the system?

2-Staff-12

Substation Switchgear

Ref: Exhibit 2, DSP page 95 (pdf page 150)

Preamble:

Substation MS 1 Main Breaker was replaced in 2018 and has a condition assessment value of good. Feeder breakers and their associated condition assessment are listed for stations MS 2 through MS 5.

Question(s):

- a) Please provide information for the main breakers of substations MS 2 through MS 5, in the same format as Table 5.3.2.3-E: Summary of Substation Switchgear Health.

2-Staff-13

Planned vs. Historical Expenditures

Ref: Exhibit 2, DSP page 139 -148 (pdf page 194-203)

Preamble:

Renfrew Hydro has performed an analysis on expenditures that include 2017-2022 in the historic years and 2023-2028 in the forecast years.

Question(s):

- a) Please redo the analysis with the historic period 2017-2023 and the forecast years 2024-2028.

2-Staff-14

Fixed Assets

Ref 1: Chapter 2 Appendix 2-BA, Year 2022, Cells A305:N342

Ref 2: Exhibit 1, Appendix M, 2022 Audited Financial Statements, Notes to the Financial Statements, #7 Property, Plant and Equipment and intangible Assets

Preamble:

OEB staff noted the Net Book Value in Reference 1 deviates from what was reported in Ref 2. Table 2 below presents a summary of the variances that is compiled by OEB staff.

Table 2

Year 2022	Fixed Assets Ref 1 (Excluding Deferred Revenue)	PP&E and Intangible Assets Ref 2	Variance
Buildings, Transmissions and Distribution Systems, Trucks, Tools, Equipment, Computer Software and Easement, Leasehold Improvements, and Right of Use Asset	\$10,837,398	\$10,837,399	\$(1)
Construction Work in Progress	\$176,780	\$316,730	\$(139,950)
Accumulated Amortization	\$(2,914,657)	\$(2,914,657)	-
Net Book value	\$8,099,521	\$8,239,472	\$139,951

Question(s):

- a) Please confirm the accuracy of the Table 2 compiled by OEB staff above or update the table as applicable.
- b) Please provide a reconciliation of the fixed assets reported in Appendix 2-BA and the PP&E and intangible assets on the 2022 Audited Financial Statements.

Exhibit 3 – Customer and Load Forecast

3-Staff-15

Load Forecast

Ref 1: Exhibit 3, Customer and Load Forecast, page 4

Ref 2: Load forecast model, Tab 3

Preamble:

Renfrew Hydro has used monthly total system purchased energy data from 2013-2022 in preparing its load forecast. Tab 3 at reference 2 contains monthly kWh by rate class till December 2022.

Question(s):

- (a) Please provide consumption (kWh) and demand (kW) by rate class for the most recent months available in 2023.

3-Staff-16

Customer Forecast

Ref 1: Exhibit 3, Customer and Load Forecast, page 8

Ref 2: Load Forecast model, Tab 4

Preamble:

Renfrew Hydro stated,
“All of Renfrew Hydro’s customer/connection counts for all customer classes are calculated using year end actual numbers.”

Question(s):

- a) In the load forecast excel file, customer counts for all rate classes are based on yearly average. Please confirm the approach used by Renfrew Hydro. Also, confirm the basis for the adjusted customer numbers used in the forecast period.

3-Staff-17

Customer Forecast

Ref 1: Exhibit 3, Customer and Load Forecast, page 7

Preamble:

Renfrew Hydro has used historical customer/connection usage from 2013 to 2022 to forecast future usage.

Question(s):

- a) Please provide customer numbers for all rate classes for the most recent historical months available for 2023.

3-Staff-18

Regression Model

Ref 1: Exhibit 3, Customer and Load Forecast, page 4

Ref 2: Load forecast excel file, Tab 6. WS Regression Analysis

Preamble:

Renfrew Hydro has used average daylight hours as one of the independent variables in the regression model to predict wholesale purchases.

Question(s):

- a) The regression output in the excel file on Tab 6 shows that daylight hours has an insignificant t statistic of 1.193. Please comment on why Renfrew Hydro has retained this variable in its analysis.

3-Staff-19

Demand Forecast

Ref 1: Exhibit 3, Customer and Load Forecast, page 11

Preamble:

To normalize and forecast kW for those classes that are bill based on kW (demand) billing determinants, the relationship between billed kW and kWh is used. The average ratio used in 2022 was utilized to forecast kW for all future years.

Question(s):

- a) Please comment on the suitability of using a 5-year average ratio instead of the 2022 ratio to forecast kW in 2024.

3-Staff-20

Electric Vehicles

Ref 1: Exhibit 3, Customer and Load Forecast, page 3, Table 3.1

Preamble:

Table 3.1 at the above reference states that Growth in Electric Vehicles had a minimal influence on Renfrew Hydro's load forecast.

Question(s):

- a) Has Renfrew Hydro developed a load forecast specifically for Electric Vehicle and other Distributed Energy Resources? If yes, please provide the forecast.

3-Staff-21

Load Forecast

Ref 1: Exhibit 3, Customer and Load Forecast, page 12

Preamble:

Renfrew Hydro states that the largest energy usage increase will occur in our GS > 50 kW class due to two ongoing expansion projects within this class.

Question(s):

- a) Has Renfrew Hydro accounted for the impact of these expansion projects in the test year?

3-Staff-22

Rate Class Energy Consumption

Ref 1: Load Forecast Model, sheet 7. Weather Sensitive Class

Ref 2: Load Forecast Model, sheet 8. KW and Non-Weather Sensitive

Preamble:

In the first reference a ratio of rate class energy use to wholesale purchases is calculated for 2022, and that ratio is used to estimate normalized energy usage for 2023 and 2024. In the second reference, energy consumption per customer is calculated for 2022, and that energy use per customer is used to estimate rate class energy usage for 2023 and 2024.

OEB staff notes that in years with extreme weather, rate classes with weather sensitive loads would normally be expected to require more energy, while rate classes without weather sensitive loads would not. Therefore, the proportion of wholesale purchases required by a rate class would normally be weather dependent.

Question(s):

- a) For the weather sensitive rate classes, why does Renfrew Hydro propose to use a single historic year to estimate rate class energy requirements relative to wholesale purchases?
- b) Please explain how the approach used normalizes for differences in weather sensitivity between rate classes.
- c) For the non-weather sensitive rate classes, why does Renfrew Hydro propose to use a single historic year to estimate energy use per customer?

3-Staff-23

Subdivision Growth

Ref 1: Exhibit 3, Customer and Load Forecast, page 3

Preamble:

Renfrew Hydro stated,

“The growth rate in Renfrew remains slow and has remained consistent throughout the past several years. We have one ongoing (in progress) new subdivision in our distribution service area and there has been consideration for two (2) other potential developments; however, nothing has yet been confirmed.”

Question(s):

- a) What is the estimated impact on customer counts of the new subdivision and when is it expected to be in-service?

Exhibit 4 – Operating Costs

4-Staff-24

Low Income Energy Assistance Programs (LEAP)

Ref 1: Exhibit 4, Page 50

Ref 2: Filing Requirements for Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Service, December 15, 2022, page 34

Preamble:

Renfrew Hydro has calculated LEAP funding as 0.12% of the revenue requirement of \$2.5M to be \$3,038. OEB staff notes that the revenue requirement used in this calculation is the base revenue requirement. OEB staff notes that per the second reference, the service revenue requirement is the value to be used in the calculation.

Question(s):

- a) Please calculate the LEAP funding using the service revenue requirement.

4-Staff-25

Meters Maintenance

Ref 1: Exhibit 4, page 28

Preamble:

Renfrew Hydro describes the “metering” department in this section.

Question(s):

- a) Please clarify what activities Renfrew Hydro staff or contractors perform in the “metering” department, that is, “installation, testing and commissioning of new meters” and “ongoing operation of existing meters”, investigation of potential theft and emergency response to customer trouble calls.
- b) Please explain what “System Operations” is at Renfrew Hydro.
- c) How does Renfrew Hydro currently use real time meter data?

Exhibit 6 – Revenue Deficiency or Sufficiency

6-Staff-26

PILS

Ref: PILS model, Tab B4

Preamble:

OEB staff has reproduced Table 3 based on the information provided in the Reference.

Table 3

	2023 Bridge Year
Loss Carry Forward Generated	\$677,937
Other Adjustments	\$(96,571)
Balance available for use post Bridge Year	\$581,366

Question(s):

- a) Please explain the nature of the \$96K adjustment in the 2023 Bridge year and why Renfrew has applied this adjustment to reduce the tax loss carry-forward to the test year.

6-Staff-27

PILS

Ref 1: Ex.6/Page 19

Ref 2: Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, December 15, 2022

Preamble:

Renfrew Hydro notes that “RHI has overridden tax rates in the OEB model, Appendix D, to reflect true tax rates paid by RHI due to CRA associated company rules and RHI’s relationship with Renfrew Power”.

Appendix D is the pdf version of the PILs workform.

Section 2.6.2 of the Filing Requirements states that distributors are to use the stand-alone principle when determining Payment in Lieu of Taxes (PILs).

Question(s):

- a) Please specify which cell(s) has/have been overridden by Renfrew in the PILs model (what was the original rate in the model and what is the new rate in the model) and what is the impact by overriding the rate in the model.
- b) Please further expand on the reason provided (“due to CRA associated company rules”) for the overriding.
- c) Please confirm whether Renfrew’s view is that the stand-alone principle as referenced in the Filing Requirements, should not apply for tax sharing purposes. If so, please explain.
- d) Please explain why Renfrew Hydro believes that the application of the small business deduction should be based on the gross book value of capital assets of both Renfrew Hydro and Renfrew Power Generation rather than Renfrew Hydro’s own book value.
- e) Please provide the calculation for the 12.2% small business deduction rate.

Exhibit 7 – Cost Allocation

7-Staff-28

Revenue to cost ratio

Ref 1: Exhibit 7, page 14

Preamble:

The revenue-to-cost ratio for the residential rate class is within the target ranges before adjustment. The General Service < 50kW class has been adjusted downwards to move it within the OEB’s target ranges. The General Service >50 kW has subsequently been adjusted upwards as it was under-recovering revenues in comparison to its allocated costs.

Question(s):

- a) Please provide the bill impacts for all rate classes at the status quo ratios before the proposed rebalancing.
- b) Please provide a scenario on what revenue to cost ratios for the both General Service classes would result from not adjusting the residential class revenue-to-cost ratio and please provide the subsequent bill impacts for all rate classes.

7-Staff-29

Load Profiles

Ref 1: Exhibit 7, page 7

Ref 2: Load Profile for Cost Allocation excel file

Preamble:

The method of determining the proportion of system load that is HDD and CDD related energy use in each month is described leveraging the load forecast output. The Load forecast output includes coefficients for HDD and CDD. The average temperature for each ranked day in 2022 is compared to the historic average temperature for the ranked day, and a ratio is used in determining the adjustment.

Question(s):

- a) How does the methodology address the potential for differences in weather sensitivity between the rate classes?
- b) Has Renfrew Hydro looked for options to use HDD and CDD more directly to look at heating and cooling related load on a daily, rather than monthly basis? Please describe what was reviewed, and why the proposed methodology was ultimately chosen.
- c) Does Renfrew Hydro have hourly demand data for any other recent year apart from 2022?

Exhibit 8 – Rate Design

8-Staff-30

Low Voltage Expense

Ref 1: Exhibit 8, page 11

Preamble:

The 2023 and 2024 estimates of total LV expense were determined based on 2022 actual plus the average annual increases from 2020 to 2022 (\$31,000).

Question(s):

- a) Please provide the low voltage expense that would result if Hydro One rates excluding rate riders were applied to a 5-year average of 2018-2022 volumes.

8-Staff-31

RTSR

Ref 1: RTSR Workform

Preamble:

The RTSR model is populated with 2023 UTRs and Hydro One Sub-Transmission rates. UTRs and Hydro One's 2023 Sub-Transmission rates were approved December 8, 2022.

Question(s):

- a) What year's data are used for the customer class billing kWh and kW in Tab 3 of the RTSR Workform?

8-Staff-32

Fixed and Variable Proportion

Ref 1: Exhibit 8, page 4

Ref 2: Cost Allocation Model, sheet O2. Fixed Charge | Floor | Ceiling

Preamble:

The fixed charge is proposed to increase to \$37.80 in the GS < 50 kW rate class and \$291.56 in the GS > 50 kW rate class. Both are above the minimum system with peak load carrying capability (PLCC) from the cost allocation model (commonly referred to as the ceiling).

Question(s):

- a) Please provide the variable charge that would result if the fixed charge were maintained at the existing charge.
- b) Please explain why Renfrew Hydro is proposing to increase fixed charges for rate classes where the existing charges are above the ceiling.

8-Staff-33

Loss Factors

Ref 1: Exhibit 8, page 14

Preamble:

Renfrew Hydro stated "Energy associated with distributed generation embedded within Renfrew Hydro's service territory is included in the determination of the loss adjustment factors. A comparison of existing and proposed loss factors is provided in Table 8.13." OEB staff notes that Table 8.13 is not in the application.

Question(s):

- a) Please provide Table 8.13.

8-Staff-34

RTSR

Ref 1: Exhibit 8, page 5

Preamble:

Renfrew Hydro stated,

“RHI had calculated its Network and Connection rates in its working capital allowance based on historic 2022 rates with a modest 2% increase in rates and adjusted for loss factor. RHI has elected to not adjust the amount calculated in its Cost of Power to the Forecast Wholesale Costs above from the RTSR model and below in the forecasted RTSR revenue (Cost of Power Purposes), as the total effect would be approximately \$116,333 increase to working capital.”

Question(s):

- a) Please confirm that Renfrew Hydro will be updating to the most recent available rates to calculate its network and connection rates in its working capital allowance.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-35

DVA

Ref 1: Ex.9/Page 7

Ref 2: Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, December 15, 2022

Preamble:

Renfrew Hydro is requesting the disposition of two accounts: Account 1508 – Pole Attachment Revenue Variance (credit balance of \$189,108) and Account 1508 – Customer Choice Initiative Costs (debit balance of \$5,373).

Section 2.9.1.7 of the Filing Requirements states that distributors are to provide a table showing the calculation of the account balance, showing at a minimum, the annual balance broken down customer type, if applicable and:

- the number of poles used in the calculation.
- the pole attachment charge incorporated in rates.
- the updated charge.

Question(s):

- a) Please provide the information as noted in the Filing Requirement to support the Account 1508 – Pole Attachment Revenue variance balances requested in this application for disposition.

- b) Please explain the amounts recorded in the Account 1508 – Customer Choice Initiative Costs.

9-Staff-36

DVA

Ref: Exhibit 9, pages 7 & 9

Preamble:

Renfrew Hydro is requesting the disposition of Account 1576 – Accounting Changes Under CGAAP Balance + Return Component (credit balance of \$77,771). As noted in Table 9.4 of Reference, Renfrew Hydro proposes to discontinue Account 1576.

Question(s):

- a) Please confirm that the amount requested is a residual remaining after it was previously disposed of in the 2017 application.
- b) If not confirmed, please explain the nature of the account and amounts recorded in the account given the balance of this account is material and thus the appropriateness of the disposition of the account must also be considered.

9-Staff-37

DVA

Ref 1: Exhibit 9, pages 9 & 18

Ref 2: 2024 DVA Continuity Schedule, Tab 2b

Ref 3: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency, EB-2022-0133, June 17, 2021

Preamble:

Renfrew Hydro is requesting the disposition of Account 1509 – Impacts arising from the COVID-19 Emergency. The total costs recorded in the account amount to \$17,248, with a deduction of \$12,234 from the Federal government wage subsidy. This deduction leads to a net debt balance of \$5,074, accompanied by the associated interest of \$456.

As noted in Table 9.4 of Reference 1, Renfrew Hydro proposes to continue account 1509.

On page 18 of Reference1, Renfrew Hydro notes that it proposes the discontinuation of the sub-account. In Reference 2, it appears that the 2021 transaction amounts were related to the Federal government wage subsidy, and no transactions were incurred in 2022.

Question(s):

- a) Please confirm whether Renfrew Hydro proposes discontinuation of Account 1509.
 - i. If not confirmed, please explain why Renfrew Hydro is proposing that the account continue after rebasing. Per page 38 of Reference 3, Account 1509 will remain effective until the utility's subsequent rebasing application.
- b) Page 26 of Reference 3 states that the onus will be on the utility to demonstrate that these savings have been identified and that all reasonable avenues of cost reduction have been explored and prudently acted upon. Please discuss how Renfrew Hydro has assessed and identified savings applicable to Account 1509.
- c) Page 24 of Reference 3 states that the OEB will apply the criteria of causation, prudence and materiality to amounts in Account 1509. Furthermore, page 25 of Reference 3 indicates that materiality will be calculated based on the annual total of the amounts recorded in the Account, net of any offsetting cost savings recorded. Please explain why Renfrew Hydro believes it should recover the immaterial amount of \$5,470.

9-Staff-38

PILS

Ref 1: Exhibit 9, Pages 9, 14 & 15

Ref 2: Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Section 2.6.2.1

Preamble:

- i. Pages 14 and 15 of Reference 1 indicated that Renfrew Hydro is requesting disposition of the Account 1592, PILs, Tax Variances, and Sub-Account CCA Changes balance.
- ii. On page 9 of Reference 1, Renfrew Hydro has indicated that it intends to continue using Account 1592 if needed.
- iii. Per Reference 2, OEB suggested applicants may propose a mechanism to smooth the tax impacts over the five-year IRM term given there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. The OEB will assess an applicant's smoothing proposal on a case-by-case basis. If the OEB approves the smoothing proposal, the distributor's use of (or access to) Account 1592, to record the impacts of the specific CCA changes contemplated in the smoothing proposal, will no longer be applicable.

Question(s):

- a) Please confirm if Renfrew Hydro plans to record subsequent changes including the expected phase-out of accelerated CCA beginning in 2024 in Account 1592, PILs and Tax Variances, Sub-Account CCA Change.

- b) Please explain if Renfrew Hydro has considered smoothing out the tax impacts over the five-year IRM term for the CCA changes. If not, why not?
- c) Please provide a proposed tax smoothing method.