

**BY E-MAIL**

October 20, 2023

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Synergy North Corporation (Synergy North)  
Application for 2024 Distribution Rates  
Ontario Energy Board File Number: EB-2023-0052**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Synergy North and all intervenors have been copied on this filing.

Synergy North's responses to interrogatories are due by November 10, 2023. 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*.

Yours truly,

Amber Goher  
Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

**OEB Staff Interrogatories**  
**2024 Electricity Distribution Rates Application**  
**Synergy North Corporation (Synergy North)**  
**EB-2023-0052**  
**October 20, 2023**

\*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 Ontario Energy Board (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.

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**

**Green Button**

**Ref 1: Exhibit 1, Tab 3, page 46**

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. Synergy North has identified the Green Button implementation in 2023 as putting upward pressure on costs.

Question(s):

- a) Please describe Synergy North's progress towards Green Button implementation.
- b) Please confirm whether Synergy North has proposed any capital or OM&A costs associated with the implementation of Green Button initiative for the 2023 bridge and 2024 test year.

**1-Staff-3**

**Net-Zero Carbon Goals**

**Ref 1: Exhibit 1, page 94**

Preamble:

In reference 1, Synergy North states that it has partnered with the City of Thunder Bay, Lakehead University and BlueWaveAI to develop an artificial intelligence (AI) data-driven simulation platform for the City of Thunder Bay to accelerate the adoption of an electric transit system that supports the city's road map towards meeting the local net-zero (NTZ) carbon goals.

Questions(s):

- a) When does Synergy North expect this study to conclude and how has it used any preliminary analysis (if available) for prioritizing future projects and in developing its capital plan?
- b) What other steps is Synergy North taking to prepare for the increased electrification in order to meet the NTZ carbon goals?
- c) How has Synergy North planned for vehicle electrification, given that Canada's Emissions Reduction Plan mandates that all new light-duty vehicle sales will be net-zero emission vehicles by 2035?<sup>1</sup> What challenges will the uptake of EVs bring to Synergy North during the DSP period? Has Synergy North considered the use of Level 1 versus Level 2 EV chargers and the difference in load associated with each?
- d) Through the federal Greener Home Initiative, residents are being encouraged to switch to cold climate heat pumps for space heating.<sup>2</sup> Has Synergy North considered the uptake of cold climate heat pumps over the coming years? What challenges has this brought to Synergy North, and how has it affected planning during the DSP period?

**1-Staff-4**

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<sup>1</sup> [2030 Emissions Reduction Plan – Canada's Next Steps for Clean Air and a Strong Economy](#)

<sup>2</sup> [NRCAN, Canada Greener Home Initiatives](#)

## **Net OM&A Savings**

**Ref 1: Exhibit 1, page 94**

Preamble:

In Table 1-35: Summary of Operating Synergies, Synergy North states that 2022 forecast synergies were \$848k and 2023 forecast synergies were \$884k.

Question(s):

- a) Please provide actual synergies achieved for 2022 and 2023 to date, as available.
- b) Can Synergy North confirm that the actual net OM&A savings have exceeded the forecast net savings of \$2.47M indicated in the MAADs proceeding<sup>3</sup>?
- c) Please map the OM&A reductions shown in Table 1-35 in reference 1 to the OM&A programs in Appendix 2-JC that they are recorded in.
- d) Please provide estimates of continued synergies expected in the forecast period?

### **1-Staff-5**

#### **Letters of Comment**

Following publication of the Notice of Application, the OEB received four letters of comment. Section 23.03 of the OEB's Rules of Practice and Procedure states that "Before the record of a proceeding is closed, the applicant in the proceeding must address the issues raised in letters of comment by way of a document filed in the proceeding." If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Please also ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

### **1-Staff-6**

#### **Customer Engagement**

**Ref 1: Exhibit 1, page 67**

**Ref 2: Exhibit 4, Attachment 4-C, Vegetation Management Plan, page 16**

Preamble:

In reference 1, Synergy North states,

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<sup>3</sup> EB-2018-0124

*“Customers were agreeable to the vegetation management spending. Overall, customers chose an option which suggested SNC spend more on the vegetation management program to ensure it is compliant with CSA standards. The majority of customers chose to spend between \$1.00 and \$1.50 per bill, as opposed to the other choices contained within the survey.”*

In reference 2, Synergy North states that all three scenarios of vegetation management spending were presented to the Local Advisory Committee (LAC). The LAC agreed that the cost of \$1.50-\$2.00 was the best approach.

Question(s):

- a) Please provide an estimate of the \$ impact per bill of the proposed level of vegetation management in 2024?
- b) Please explain how customer preferences have been taken into account when developing the vegetation management plan in reference 2?
- c) Please describe any changes made to the proposed capital and operating plans as a result of any feedback received through the customer engagement survey.

#### **1-Staff-7**

#### **E-billing**

**Ref 1: Exhibit 1, page 58**

**Ref 2: Exhibit 1, Attachment 1-F, SNC Customer Satisfaction Survey, page 17**

Preamble:

In reference 1, Synergy North states,

*“SNC continues to automate and digitize processes, which has reduced paper, ink, storage, and postage costs through various efforts. SNC offers an E-Billing option to customers, which has proven to be a popular and convenient service for customers. The E-Billing Campaign started in 2020 which included a \$5 donation/ rebate if customers move to e-billing. In early 2020, SNC 15,247 customers on e-billing, as of February 2023, 20,383 customers are on e-billing, which represents a 33% increase. Each year SNC’s storage requirements are decreasing which will ultimately result in savings to the ratepayer.”*

In reference 2, Synergy North asked customers about various incentives that would encourage them to switch to e-billing.

Question(s):

- a) Has Synergy North undertaken any steps towards moving more customers to e-billing based on the responses in reference 2? If yes, are the cost savings reflected in Synergy North's OM&A?
- b) How much does Synergy North expect to save through e-billing in the 2024 test year?

# 1-Staff-8

## Activity and Program-based benchmarking

Ref 1: Exhibit 1, 1.6.6, page 87

Ref 2: [APB Unit Cost Calculations: 2021 Results \(xlsx\) - 27 March 2023](#)

Preamble:

In reference 2, Synergy North's unit cost for years 2019 to 2021 are as follows:

Distributor	Table 4: Unit Cost Indexes by Distributor: Lines O&M		
	Unit Cost (\$/Circuit km of Primary Line)		
	2019	2020	2021
Synergy North Corporation	2,800.23	2,102.20	2,309.18

"Table 1-31: Activity and Program Based Benchmarking – Forecasted Results from 2022 to 2024" in reference 1 provides the 2022 actual and 2023 and 2024 forecast unit costs for Lines O&M program as follows:

Activity	Measure	2022	2023 Forecast	2024 Forecast
Lines O&M	\$/Circuit km of Line	3,304.91	2,773.03	3,075.66

In reference 1, Synergy North states that removal of skywire commenced in 2022.

Question(s):

- a) Approximately what proportion of the unit cost increase from 2021 to 2022 (\$ 2,309.18 to \$3,304.91) was due to the costs related to skywire removal project?
- b) Has the Skywire been eliminated from all the locations that Synergy North deemed as hazardous to workers and to public in 2022? If no, what years is Synergy North planning to eliminate them?
- c) Are there any further plans beyond 2022 to remove skywire from the remaining locations that might be currently deemed as non-hazardous?
- d) Do 2023 and 2024 forecasted unit cost in the above table include any skywire removal project costs? If no, please explain the reasons for the elevated levels of unit costs as compared to the historical actual unit costs (e.g., 2020 and 2021).

## **Exhibit 2 – Rate Base**

### **2-Staff-9**

#### **2023 Bridge Year Actual**

#### **Ref 1: Appendix 2-AA and Appendix 2-AB**

Question(s):

- (a) Please update capital expenditures for 2023 bridge year in Appendix 2-AA format and Appendix 2-AB format (and update other related tabs in Chapter 2 Appendices accordingly). Please specify for which months actual data has been used and which months are forecast data.

### **2-Staff-10**

#### **Rate Base**

#### **Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.1.1.2 Mission, Vision, Values and Goals, page 7, .PDF page 105**

Preamble:

Regarding its planning and investment's integrated approach, Synergy North states:

*"These investments typically include the following:*

- *Customer driven connections.*
- *Regulatory requirements.*
- *System renewal and expansion.*
- *Renewable generation connections.*
- *General plant investments.*
- *Grid modernization assets.*
- *Regionally planned infrastructure."*

Question(s):

- a) Please explain how Synergy North ensures that condition-driven capital investments such as renewal projects are prioritized appropriately across and between the two pre-existing service areas and facilities?
- b) Please explain how Synergy North has validated that the asset condition assessment and asset management systems of the two pre-existing service areas have been harmonized adequately to support appropriate prioritization.

### **2-Staff-11**

#### **Rate Base**

#### **Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.1.1.2 Mission, Vision, Values and Goals, page 7, .PDF page 105**

Preamble:

Regarding labour and material resources allocation, Synergy North states:

*“In the case of this DSP, SNC has planned these investments over a five-year term. This allows SNC to allocate both labour and material resources in a cost-effective and efficient manner to achieve its corporate goals and the evolving needs of its customers; ultimately managing the impacts of these investments on customer rates.”*

Question(s):

- a) How does Synergy North plan to ensure that customers in each service area receive comparably reliable service?
- b) Please describe any differences between the two service areas (e.g., population density, climate, topography, surface geology, access constraints) that present challenges in achieving these outcomes.

## **2-Staff-12**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.1. 2 Capital Investment Overview, page 7, .PDF page 105**

Preamble:

Table 5.2-1 of the DSP shows historical actual and forecast capital expenditures.

Question(s):

- a) Please explain what drove the step changes in System Renewal capital spending in 2021 & 2022 and explain why those step changes form the new base level of System Renewal spending going forward into the forecast period.
- b) Please explain what drove the step change in System O&M costs in 2022, and why that step change forms the new base level of O&M spending going forward into the forecast period.

## **2-Staff-13**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.1.2.2 System Renewal, page 9-10, .PDF page 107-106**

Preamble:

Regarding asset replacements in 4kV voltage conversion, Synergy North states

*“The 4kV Conversion program represents the most significant program in the system renewal category (See Appendix H for current program justifications). It*



*has accounted for approximately 49% of asset replacements in the historical period from 2017-2022 (by dollar value, see Figure 5.2-4)."*

On page 10, Synergy North states:

*"These costs are between five and nine times higher than the expected inflated values over this period. Using these estimated costs, without the remaining line items, SNC estimates a net present cost of \$33M (at a 2% CPI) to rebuild the seven remaining 4kV substations during this filing period."*

Question(s):

- a) Figure 5.2-4 shows that 4kV conversions comprise half of Synergy North's forecast test period Renewal spending. Has Synergy North developed a business case demonstrating the ongoing cost-effectiveness of this program compared to other candidate renewal projects?
  - i. If yes, please provide the business case.
  - ii. If no, please explain how Synergy North determined that this initiative was the most cost-effective target for renewal spending.
- b) Given this level of cost escalation, does this program still make economic sense? In other words, do the business drivers still justify the ongoing project at these capital cost levels?
  - a. If yes, please show the quantified revised economic analysis.

## **2-Staff-14**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.1.2.2 System Renewal, page 10, .PDF page 108**

Preamble:

Regarding 4kV Conversion program, Synergy North states:

*"Over the five-year forecast period SNC plans to invest in removing the remainder of the installed 4kV infrastructure, including wood poles, transformers, cables, substation breakers and substation transformers. The forecasted expenditure for this program is approximately \$27M."*

Question(s):

- a) Is this amount cumulative spending from the original project initiation to completion, or just during the test period?

## **2-Staff-15**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.1.2.2 System Renewal, page 10, .PDF page 108**

**Ref 2: Exhibit 2, Attachment 2–A, Section 5.4.1.3.1 System Access, page 109, .PDF page 207**

Preamble:

Regarding Overhead Renewal program, Synergy North states:

*“The Overhead Renewal program includes planned expenditures of \$13M over the forecast period. This includes planned renewal efforts on overhead systems (poles, transformers, switches, etc.) that fall outside the 4kV conversion projects.”*

Regarding joint-use process, Synergy North states:

*“At 27% Recoverable work represents the second largest driver within this category. Recoverable work consists of modifications to existing customer connections and make-ready work for third parties. Most of this work stems from asset replacements driven through the joint-use process and is expected to stabilize over the forecast period with costs rising with inflation.”*

Question(s):

- a) What proportion of the existing 4kV wood poles are in end-of-life condition (i.e., poor or very poor), and what proportion are still in serviceable condition (fair, good or very good)?
- b) Does Synergy North count the poles replaced during the 4kV conversion project as part of the wood pole replacement program, or are these in addition to the wood pole replacement program?
- c) Please provide the total number of poles replaced in each year of the historical period and expected to be replaced in each of the test period for all reasons.

## **2-Staff-16**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.1.3 Key Changes since Last Filing, page 12, .PDF page 110**

Preamble:

Regarding merger of Thunder Bay Hydro and Kenora Hydro, Synergy North states:

*“Merger of TBHEDI and KHECL - In 2019 Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electricity Corporation Ltd. merged to form Synergy North Corporation. An important objective of which was the creation of opportunities for efficiencies through economies of scale, innovation, realizing*

*competitive advantages throughout the service territories and the sharing of best practices across all facets of the business.” [footnote omitted]*

Question(s):

- a) Please describe and quantify any examples of the listed efficiencies that have either already been implemented or that will be implemented and are forecast to reduce SNC's revenue requirement over the test period.

## **2-Staff-17**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.1.3 Key Changes since Last Filing, page 12, .PDF page 110**

Preamble:

Regarding Asset Condition Assessment, Synergy North states:

*“SNC has continued to utilize the Asset Condition Assessment models provided by Kinectrics from its 2016 DSP filing. However, SNC staff have updated the models from field collected data rather than obtaining consultant services during this rate filing.”*

Question(s):

- a) Please list any assets or asset classes for which Synergy North's field collected data varies from the default Kinectrics expected service life or age vs. condition values for similar assets and asset classes and quantify the variances.

## **2-Staff-18**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.2.1 Customers, page 18-19, .PDF page 116-117**

Preamble:

Regarding incorporation of customer feedback, Synergy North states:

*“Customer have consistently told us that they prefer a proactive approach to our capital program, renewing equipment prior to failure in order to avoid longer outages times.”*

*“Customer chose an option which suggested we spend more on our vegetation program to ensure we are compliant with industry standards.*

*The majority of customer chose to spend between \$1.00 and 1.50 per bill at the speed described in the survey, as opposed to the other choices presented.”*

Furthermore, the customer survey results for CAPEX investment found that

- 42% of respondents selected to keep rates low even if reliability decreases,
- 46% selected to maintain the current investment strategy, and
- 12% of respondents selected that they would accept higher rates to increase system reliability.

Question(s):

- a) When framing the associated questions, did Synergy North inform its customers that increasing the proactivity of its capital program should be expected to correspondingly increase its cost of service, an outcome which is opposed to the fourth consideration listed here (i.e., lower costs, which is the perennially most important consideration from a customer perspective).
- b) Please reconcile the findings shown in this figure with Synergy North's claim in Fig 5.2-7 that *"Customers have consistently told us that they prefer a proactive approach to our capital program, renewing equipment prior to failure in order to avoid longer outage times"*.

## **2-Staff-19**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.2 Coordinated Planning with Third Parties, page 17, .PDF page 115**

**Ref 2: Exhibit 2, Attachment 2–A, Section 5.3.1 Planning Process, page 47, .PDF page 145**

Preamble:

Regarding customer feedback from the “Have Your Say” survey, Synergy North states:

*“SNC customers asked that we prioritize affordability and keep costs down. This understanding, as evidenced by the survey results, was a major factor in defining our application.”*

Regarding customer engagement activities in 2022 and 2023, Synergy North states:

*“SNC conducted a comprehensive customer engagement planning survey that provided valuable input for the development of scenarios including investment envelopes and preferred outcomes. Approximately 70% of distribution customers prioritized reasonable rates and reliable service and supported maintaining the current level of investment.”*

Question(s):

- a) Please explain how customer preferences related to affordability and rates have been taken into account when targeting investments related to system reliability.

## **2-Staff-20**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.2.3 Regional Planning Process, page 23, .PDF page 121**

**Ref 2: Exhibit 2, Attachment 2-A, Section 5.4.2 Justifying Capital Expenditures, page 124-125, .PDF page 222-223**

Preamble:

Regarding Kenora MTS's capacity, Synergy North states:

*"There is a window of opportunity between today and 2030 when the Kenora MTS capacity need arises to leverage learnings from the York Pilot and further refine NWAs for Kenora MTS."*

Regarding load growth, Synergy North states:

*"However, as previously discussed in Section 5.3.2.1.4, SNC is anticipating some capacity constraints in its Kenora service territory (following the forecast period) for which traditional investments will be under consideration."*

Question(s):

- a) Is the probability that the need for capacity in Kenora will occur after 2030 greater than the probability that it will occur before 2030?
- b) What are the key demand growth drivers?
- c) Why will there be capacity constraints with little load growth?

## **2-Staff-21**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.2.7 Summary of Effects on the DSP, page 37, .PDF page 135**

Preamble:

Regarding SAIDI and SAIFI improvements, Synergy North states:

*"SNC customers have experienced an average annual improvement in SAIDI (all causes) of 12%, and average improvement in SAIFI (all causes) of 6% over the historical period."*

Question(s):

- a) Is Synergy North able to quantify the reliability improvements in terms SAIDI and SAIFI being delivered by specific System Service investments?
  - If yes, please provide details.

- b) Do these experienced reliability improvements enable Synergy North to pace its capital investments more slowly than planned while still maintaining historical levels of reliability?

- If no, please explain why not.

## **2-Staff-22**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.2.2.7 Summary of Effects on the DSP, page 37, .PDF page 135**

Preamble:

Regarding asset management, Synergy North states:

*“SNC uses the following asset management metric to monitor the progress of the DSP annually:*

*Financial performance measured as plan vs. actual expenditures (in percent)*

*a) Over Expenditure >100%*

*b) Under Expenditure <100%.”*

Question(s):

- a) Are over and under expenditures correlated against value produced? In other words, does Synergy North report if the planned scope of work was completed for more or less cost than planned, or is the focus solely on the amount spent without consideration of the value produced for ratepayers?

## **2-Staff-23**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.3.1.2.2 Asset Removal Data, page 42-43, .PDF page 140-141**

Preamble:

Regarding the data collection on the driver for replacement of major asset categories, Synergy North states:

*“Also in 2019, SNC began to collect data on the driver for replacement for its major asset categories including but not limited to, poles, switches, cables, and transformers. The intent of the results was again to inform the ACA with objective information regarding the age at which assets fail.”*

Regarding the geospatial asset data, Synergy North states:

*“SNC has been integrating the results of the ACA with the geospatial asset data since 2018.”*

Question(s):

- a) Does Synergy North record the asset vintage/achieved lifespan at the time of replacement when categorizing the replacement driver?
- b) Does the geospatial dataset include vintage/year of installation for individual assets?

## **2-Staff-24**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.3.3.4.1 System Renewal Optimization and Budget Alignment, page 93, .PDF page 191**

Preamble:

Regarding the system renewal program, Synergy North states:

*“SNC’s system renewal program is driven from the outcome of the ACA which provides a levelized plan for assets in poor condition. System renewal efforts focus on assets requiring renewal in voltage conversion areas.”*

Question(s):

- a) Does Synergy North map its ACA to its reliability performance targets when prioritizing renewal projects, or does Health & Safety typically drive asset replacements, regardless of potential system reliability outcomes? Please explain.

## **2-Staff-25**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.4.1.1 Summary of Changes to Capital Programs, page 100, .PDF page 198**

Preamble:

Regarding summary of changes of 4kV conversion capital program, Synergy North states:

*“Program has been paced to allow for conversions to be completed by the end of this DSP. See Appendix H: Material Investment Report – Voltage Conversions for further details.”*

Question(s):

- a) Following completion of the 4 kV conversion program in this test period, does Synergy North anticipate that its Renewal spending will decrease significantly in the subsequent test period, given that the 4 kV conversion program presently represents almost half of its renewal spending?

- a. If not, please explain why not.

**2-Staff-26**

**Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.4.2 Justifying Capital Expenditures, page 126, .PDF page 224**

Preamble:

Regarding system renewal trend, Synergy North states:

*“It is apparent from Figure 5.4-13 that system renewal trend increases through the test year to 2025, then stabilizes through to the end of the forecast period. These increases are mainly due to market volatility and significant increases in material pricing.”*

Question(s):

- a) Synergy North indicates that the renewal trend increases through to 2025 are *"mainly due to market volatility and significant increases in material pricing"*. Please confirm that Figure 5.4-13 indicates that Renewal spending is projected to increase by approximately 50% from 2020 to 2024. If confirmed, please itemize the market volatility and material pricing increases that result in this 50% spending increase.

**2-Staff-27**

**Rate Base**

**Ref 1: Exhibit 2, Appendix B: IESO NORTHWEST IRRP, page 42, .PDF page 290**

Preamble:

Regarding Kenora MTS, Synergy North states:

*“Synergy North has received inquiries from potential customers seeking new connections, including a new 4 MW project, but no formal agreements have been finalized. While these projects have not been included in the forecast, a relatively high annual growth rate of 1.25% was applied to account for the high degree of development interest.”*

Question(s):

- a) What (magnitude, type) new load has connected in the Kenora area since the merger?

**2-Staff-28**

**Rate Base**



**Ref 1: Exhibit 2, Material Investment Report, System Renewal, page 10, .PDF page 470**

Preamble:

Regarding wood pole removal, Synergy North provides Figure 2-5 Wood Pole Removal Statistics 2019-2022.

Question(s):

- a) Does this chart only cover poles replaced under the pole replacement programs or does it include all poles replaced for any reason?
  - If the former, please provide a similar chart for all poles replaced for any reason.

**2-Staff-29**

**Rate Base**

**Ref 1: Exhibit 2, Material Investment Report, System Renewal, Section 2 Investment Need, page 9, .PDF page 511**

Preamble:

Figure 2-4 Padmounted Transformer Removal Statistics 2019-2022 shows the reasons these assets were removed from service.

Question(s):

- a) Which category represents 0% of removals (PCB Related Replacement or Electrical Failure)?
- b) Which category represents 1% of removals (Relocations or System Health Improvements)?

**2-Staff-30**

**Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Section 5.4.1 Capital Expenditure Summary, page 104-105, .PDF page 202-203**

Preamble:

Regarding General Plant Net Variances Synergy North states:

*“2017 – 29% (\$375k) Under Budget*

*Prior to the merger of Kenora Hydro and Thunder Bay Hydro, Kenora was approved for a 2017 Board Approved Proxy of \$150,000 in rolling stock and \$155,000 in building improvements. These expenditures were not realized in*

*2017 as the building improvements were made in 2011 and 2012 and the single bucket truck in rolling stock was purchased in 2011.*

*2018 – 35% (584k) Under Budget*

*Computer equipment was budgeted in the DSP to cost \$307,200 and \$114,127 was spent due to the deferral of the IBM iSeries server replacements to 2019. Like the 2017 General Plant variance explanation, \$316,000 was budgeted in Kenora as a 2017 Board Approved Proxy for rolling stock and building improvements and only \$20,000 was spent on tools.”*

Question(s):

- a) Please provide clarification regarding the 2017 variance. It is not clear how the expenditures were undertaken in 2011 when the Board only approved the budget in 2017?
- b) For the 2018 variance values, please confirm whether replacements were deferred due to the merger and whether the items planned for replacement in 2018 were acquired in the subsequent years?

## **2-Staff-31**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2 – A, FINO Strategic Framework, page 10, .PDF page 408**

Preamble:

Regarding Feeder Capacity for Generation and Load Connections, Synergy North states:

*“Medium and Large Generators have the telemetry back to Synergy North’s control room to allow the control operators to disable and enable the generators to feed energy onto the grid. This is the basis of a FINO, and Synergy North has experience in doing so for operational purposes. The evolution is to potentially utilize this existing capacity to create demand response programming.”*

Question(s):

- a) How many medium and large generators are controlled by Synergy North at present?
- b) Please also describe the technology type of the distributed generation connected to Synergy North’s system (solar, wind, battery, etc.).

## **2-Staff-32**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2–A, Material Investment Report Investment Category: System Access Capital Recoverable, page 2, .PDF page 441**

Preamble:

Please refer to the tables on page 2 of the Material Investment Report for Capital Recoverable, System Access.

Question(s):

- a) What types of costs are borne by Synergy North under the System Access category that are not recoverable by the customer?
- b) Is there a pattern to infrastructure damage due to motor vehicle accidents, such as geographic area, installation standard, sight lines, etc.
- c) What steps has Synergy North taken to prevent damage to its equipment by motor vehicle accidents, for example, installation of bollards or equipment setbacks?
- d) How are costs that are accrued to repair damage due to motor vehicle accidents recovered?

**2-Staff-33**

**Rate Base**

**Ref 1: Exhibit 2, Attachment 2, Section 5.3.1.3 Process, page 52, .PDF page 150**

Preamble:

Regarding asset management assessment, Synergy North provides Table 5.3-2 Prioritization Criteria.

Question(s):

- a) Please explain the rationale for the different weighting assigned to each criteria.
- b) Please explain why System Reliability and Asset Performance receive such low weightings when the customer feedback indicates that customers want to maintain low rates and the current level of reliability?

**2-Staff-34**

**Rate Base**

**Ref 1: Exhibit 2, Attachment 2, Section 5.3.1.4 Data, page 56, .PDF page 154**

Preamble:

Regarding financial metrics, Synergy North states:

*“SNC utilizes financial metrics on a per unit basis for its major asset categories based on actual historical replacement to estimate future capital costs for*

*projects of similar size and scope. These metrics are updated annually to ensure that the estimating process continues to be effective and is based on the best available data each year."*

Question(s):

- a) For each of the major asset categories, please provide the actual historical replacement costs for the past 10 years.

## **2-Staff-35**

### **Rate Base**

**Ref 1: Exhibit 2, Attachment 2, Section 5.3.2.1.5 Asset Condition and Demographics, page 64, .PDF page 162**

**Ref 2: Exhibit 2, Attachment 2–A, Section 5.3.1 Planning Process, page 42, .PDF page 140**

Preamble:

Please refer to Table 5.3-7 Major Distribution Assets on page 64 of the Distribution System Plan.

Regarding Asset Removal Data, Synergy North states on page 42:

*"Also in 2019, SNC began to collect data on the driver for replacement for its major asset categories including but not limited to, poles, switches, cables, and transformers. The intent of the results was again to inform the ACA with objective information regarding the age at which assets fail. The data collected can be compared against the statistical models developed in the ACA to improve the quality of the analysis. This was identified as an area for improvement following the ACA in 2015. SNC will continue to collect this information and use it to inform statistical rates-of-failure models during this investment cycle."*

Question(s):

- a) Please update table 5.3.7 to show additional columns for Average Replacement Rate (e.g., over the past 1, 3 or 5 years as appropriate), Implied Asset Service Life (= Quantity / Average Replacement Rate), SNC's current estimate of Age at Which Assets Fail, and TUL replacement costs for the past 10 years.
- b) Please confirm that the estimates for the ages at which assets fail only includes assets that actually failed in service and does not include assets that were removed from service due to deteriorated condition.
  - If not confirmed, please reconcile with the statement that SNC is seeking to *"inform the ACA with objective information regarding the age at which assets fail"*

## 2-Staff-36

### Rate Base

Ref 1: Exhibit 2, Attachment 2, Appendix I: ACA Update Summary, Page 6, .PDF  
 Page 609

Preamble:

Synergy North provides:

2022 Asset Category		Population	Sample Size	Average Health Index	Health Index Distribution					Average Age
					Very Poor (< 25%)	Poor (25 - <50%)	Fair (50 - <70%)	Good (70 - <85%)	Very Good (≥ 85%)	
Station Transformers	All	20	20	75%	5%	5%	35%	15%	40%	53
	4 kV	11	11	63%	10%	10%	50%	10%	20%	63
	12 kV	9	9	89%	0%	0%	10%	20%	70%	40
Breakers	Breakers	58	58	70%	9%	0%	37%	26%	28%	62
Wood Poles	All	22362	22362	83%	0%	7%	17%	23%	52%	29
	4 kV	1381	1381	74%	0%	9%	33%	28%	30%	41
	25 and 12kV	20981	20981	82%	0%	7%	16%	23%	54%	25

Question(s):

- What is the target health index for each of the identified asset classes in the above table?
- Please correlate improvements in system reliability to improvements in health indices for wood poles, OH and UG Switches, distribution transformers, station transformers, and circuit breakers.

## 2-Staff-37

### Rate Base

Ref 1: Exhibit 2, Attachment 2, Appendix I: ACA Update Summary, page 5, .PDF  
 page 608

Preamble:

According to Section 2 Data Availability and Data Gap Comparison 2015 and 2022, average DAI for wood poles in 2015 was 100% and 77% in 2022.

Question(s):

- Please explain why DAI went down between 2015 and 2022 for Wood Poles
  - In 2015, was the DAI based solely on age? If not, why does collecting condition data reduce the DAI?

**2-Staff-38**

**Rate Base**

**Ref 1: Exhibit 2, Attachment 2, Appendix K: METSCO PROGRAM PRIORITIZATION REPORT, page 8, .PDF page 695**

Preamble:

Synergy North's Asset Management Objectives, Description and Weighting is provided in Table 1. Health and Safety has a weight of 41.1% and Environmental Impact has a weighting of 22.9%.

Question(s):

- a) Please explain why Health and Safety and Environmental Impacts have such high weightings.

**2-Staff-39**

**Rate Base**

**Ref 1: Exhibit 2, Table 5.2-6 Major Event Details, page 65, .PDF page 130**

Preamble:

Synergy North states that there was one major event day in the historic period, where in December of 2017 a windstorm caused resonant conductor galloping.

Question(s):

- a) What steps has Synergy North taken to prevent resonant conductor galloping from recurring within its distribution system?

**2-Staff-40**

**Ref 1: SNC\_2024\_Chapter2\_Appendices\_20230816, Tabs A App.2-BA\_FA Cont SNC 2022 & SNC 2021**

**Ref 2: SNC 2024 COS Application, Exhibit 1, Attachment 1-H, SNC Financial Statement 2022, page 19**

Preamble:

OEB staff noted the additions and disposals recorded in Appendix 2-BA different from what was reported in Synergy North's 2022 Audited Financial Statements (AFSs). Table 1 below presents a summary of the variances.

**Table 1: Summary of Variances between App 2-BA and 2022 AFS**

<b>Balances as of December 31, 2022</b>	<b>Reference 1 Total PP&amp;E excluding Deferred Revenue</b>	<b>Reference 2</b>	<b>Variances</b>
Cost – Additions	\$17,187,570	\$17,195,995	\$8,425
Cost – Disposals	\$(1,618,013)	\$(1,634,465)	\$(16,452)
Accumulated Depreciation – Additions	\$(6,306,049)	\$(6,474,626)	\$(168,577)

<b>Balances as of December 31, 2021</b>	<b>Reference 1 Total PP&amp;E excluding Deferred Revenue</b>	<b>Reference 2</b>	<b>Variances</b>
Cost – Additions	\$15,103,531	\$15,211,634	\$108,103
Cost – Disposals	\$(1,884,379)	\$(1,976,582)	\$(92,203)
Accumulated Depreciation – Additions	\$(5,859,655)	\$(6,027,134)	\$(167,749)

Question(s):

- a) Please provide an explanation/ reconciliation for the discrepancies noted above and update the applicable schedules as necessary.

### **Exhibit 3 – Operating Revenue**

#### **3-Staff-41**

##### **Customer Forecast**

**Ref 1: Exhibit 3, page 48**

Preamble:

The customer/connection forecast relies on historic actual data from 2013 to 2022.

Question(s):

- a) Please provide monthly customer connections for all rate classes for all months available in 2023.

#### **3-Staff-42**

##### **Energy Forecast**

**Ref 1: Exhibit 3, page 13**

Preamble:

COVID variables were used reflecting full impact in 2020 and 2021, half impact in 2022 and 2023, and 25% impact in 2024.

Question(s):

- a) What is the basis of the 25% impact in 2024?
- b) Has Synergy North attempted to use other explanatory variables such as measures of economic activity to replace the COVID variable?
- c) Please comment on the suitability of a COVID-19 variable in producing a normal forecast to underpin rates for the 2024-2028 years.

### **3-Staff-43**

#### **Energy Forecast**

**Ref 1: Exhibit 3, pages 13-37**

Preamble:

Thunder Bay and Kenora, separated by a distance of nearly 500 km, were forecasted separately using the Thunder Bay A and Kenora A weather stations respectively.

Question(s):

- a) Does Synergy North intend to continue to forecast loads for the two communities separately?
- b) Is Synergy North maintaining separate consumption data for the two communities such that it would be possible to perform forecasts based on the two communities going forward?
- c) As a scenario, please prepare a Kenora residential forecast where the Thunder Bay A weather station is used to perform weather normalization. Please provide all associated model statistics with the scenario.

### **3-Staff-44**

#### **Electric Vehicles and Heat Pumps**

**Ref 1: Exhibit 3, page 66**

Preamble:

Synergy North states:

*“Residential consumption’s general increase in consumption and consumption per customer since 2017 is forecast to continue, likely due to increased electric heat pumps and EVs in the service area.”*

Question(s):



- a) How has EV and heat pump penetration been factored into load growth expectation over the forecast period?
- b) Has Synergy North developed a load forecast specifically for growth in EV and heat pump penetration? If yes, please provide the forecast.
- c) Has Synergy North considered the impact of Distributed Energy Resources or other emerging technologies on its load forecast? Please explain your response.

## **Exhibit 4 – Operating Costs**

### **4-Staff-45**

#### **Regulatory Costs**

**Ref 1: Exhibit 4, page 117**

Preamble:

Synergy North states,

*“The total cost of this Application is forecasted to be \$697,780; this includes \$382,500 in rates consulting fees, \$145,000 in legal fees, \$110,000 in intervenor legal costs, \$35,280 in fees associated with customer interaction and \$25,000 in fees associated with the DSP.”*

Question(s):

- a) Please explain any assumptions used to forecast the \$697,780 one-time regulatory cost for the 2024 cost of service proceeding (e.g., how many intervenors, written vs oral hearing, etc.).

### **4-Staff-46**

#### **Executive Compensation**

**Ref 1: Exhibit 4, page 88**

Preamble

In reference 1, Synergy North states that executive compensation is reviewed annually and is largely dependent on relevant comparators in the industry. It made changes to its executive compensation in line with the results of the MEARIE salary survey.

Question(s):

- a) Did Synergy North participate in the MEARIE survey? If so, please explain how Synergy North compared to the industry average.
- b) What methodology is used for the executive compensation annual review?

- c) Did Synergy North conduct any other benchmarking surveys in determining its compensation strategy including incentive pay?

**4-Staff-47**

**FTEs**

**Ref 1: Exhibit 4, page 40**

**Ref 2: Exhibit 4, page 104**

**Preamble:**

In reference 1, Synergy North states that the main costs for the System Control operations program stems from salary and benefits for labour. Further, it states that it has been advertising for an open position of System Operator-in-training since September 2022, and that this position still needs to be filled due to a lack of qualified applicants.

In reference 2, Synergy North confirmed that a new System Control Operator, P&C Technician and Office clerk in Kenora were pending being filled. In reference 2, Synergy North also states that in the bridge year 2023, 1 FTE position was added in order to complete the new Vegetation Management Plan.

Further, in reference 2 Synergy North states,

*“Up to 0.74 FTE in Finance were added in order to fulfill a Regulatory Supervisor position in 2022 despite numerous rounds of job postings, it is anticipated that further rounds of postings will occur in 2023. However, given the unique and specialized skill set required for this candidate this process to date has been unsuccessful. SNC has also decided to change this position to a Financial Analyst position to aid in the hiring process (1 FTE).”*

**Question(s):**

- a) Please provide an update on the hiring process for the new FTE positions listed above.
- b) Please describe the roles and responsibilities of each of the System Control Operator and the 1 FTE position to complete the Vegetation Management Plan?
- c) Can Synergy North provide the (\$) impact on program costs in reference 1 arising from this additional FTE?
- d) Please confirm total FTEs within the 2023 test year that are still undergoing hiring.
- e) Please also clarify that the Financial Analyst role is being hired instead of the Regulatory Supervisor position. If so, please provide further details on the

responsibilities of the financial analyst and how the role will fit in with the existing manager and supervisor roles?

**4-Staff-48**

**Powerline Technician**

**Ref 1: Exhibit 4, page 91**

Preamble:

Synergy North states that it has been decreasing its internal PLT complement annually through succession planning and contracting out more work to ensure the asset plan is completed as required.

Question(s):

- a) Please provide a breakdown of the impact of contracting out services on Synergy North's budgets, i.e., the incremental cost of outsourcing against hiring equivalent FTE to complete the work.

**4-Staff-49**

**Shared Services**

**Ref 1: Exhibit 4 –4.5.5 Variance analysis, Table 4-31, page 116**

Preamble:

In reference 1, the variance between 2024 and 2017 OEB Approved Proxy price and cost for services provided are listed.

Question(s):

- a) Please provide the calculation of the 2017 OEB Approved Proxy Price and cost for services provided. Please provide a table that includes type of service, pricing methodology and % Allocation.
- b) Please confirm whether prices and cost for services provided is inclusive of the services received by Kenora Hydro pre merger?

**4-Staff-50**

**Shared Services and Corporate Cost Allocation**

**Ref 1: Exhibit 4, page 111**

**Ref 2: Chapter 2 Appendices, tab 2N**

**Ref 3: [Affiliate Relationship Code](#)**

Preamble:

In reference 1, Synergy North states that it provides services on a fully allocated cost basis to its Affiliates, and fully allocated cost basis plus an appropriate rate of return to TBUSI specifically.

In reference 2, Synergy North has the following table for the 2024 test year:

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Conservation & Demand Mgmt, Utility Billing Services, Meter Services, IT Services	Fully Allocated Costs + mark up	\$373,770	\$280,015
SYNERGY NORTH Corporation	Thunder Bay Hydro Utility Services Inc.	Corporate/Administrative Costs/IT Services	Fully Allocated Costs	\$134,186	\$134,186
SYNERGY NORTH Corporation	Thunder Bay Hydro Corp.	Board Honourarium	Fully Allocated Costs	\$14,853	\$14,853
SYNERGY NORTH Corporation	Thunder Bay Renewable Power Incorporated	Corporate/Administrative Costs	Fully Allocated Costs	\$71,960	\$59,273

As per reference 3,

*“Where a reasonably competitive market does not exist for a service, product, resource or use of asset that a utility sells to an affiliate, the utility shall charge no less than its fully-allocated cost to provide that service, product, resource or use of asset. The fully-allocated cost shall include a return on the utility’s invested capital. The return on invested capital shall be no less than the utility’s approved weighted average cost of capital.”*

Question(s):

- Please clarify on what basis Synergy North determined that cost-based pricing in accordance with the Affiliate Relationship Code applies to the services listed in the first row of the table from reference 2?
- Please clarify why pricing for services provided to TBUSI includes an appropriate rate of return as specified in reference 1, but prices for services to other affiliates do not include a rate of return?
- Please clarify what is meant by “mark up” in the first row of the table from reference 2?

- d) Please explain how the services differ e.g., I.T services in both the first and second row of the table from reference 2?
- e) Please confirm that fully allocated costs as listed in the table from reference 2 are inclusive of a return on the utility's invested capital no less than the utility's approved weighted average cost of capital.

#### **4-Staff-51**

##### **Operating Expenses**

**Ref 1: Exhibit 4, page 32**

**Ref 2: Exhibit 4, page 22**

Preamble:

In reference 2, Synergy North states that cybersecurity costs are related to regular penetration and tabletop attack exercises. In reference 1, Synergy North states that the penetration testing had been deferred from 2022 to 2023.

Question(s):

- a) Please provide an update on the progress of cybersecurity testing.

#### **4-Staff-52**

##### **Inflationary increase**

**Ref 1: Exhibit 4, page 13, Table 4-6**

Preamble:

In reference 1, the last line in table 4-6, presents the inflation driver of the historical OM&A. OEB staff understands that these inflation values are derived by applying OEB inflation factor less productivity to the preceding year's OM&A expenditures.

Question(s):

- a) Please provide the stretch factor that is applied to the 2017 OEB Approved Proxy to derive the inflationary adjustment?
- b) Please provide an annual inflation estimate using the 2017 actual OM&A as the base and escalating each year thereafter using the adjusted inflation value (OEB inflation less stretch factor).

#### **4-Staff-53**

##### **Vegetation Management**

**Ref 1: Exhibit 4, Attachment 4-C, Vegetation Management Plan**

**Ref 2: Exhibit 4, page 64**

Preamble:

The ideal scenario for vegetation management described in reference 1 allows Synergy North to complete a full cycle of its distribution system in 3 years.

Question(s):

- a) What was the tree trimming cycle set to prior to the development of its vegetation management plan?
- b) What is the tree trimming cycle that will be achieved under scenario 1: Continue Reactive Program and scenario 2: Increase vegetation management with a spending cap?
- c) Does Synergy North have additional plans for out-of-cycle vegetation management for faster growing tree species?
- d) Does Synergy North use methods of vegetation management other than trimming, such as chemical vegetation management?
  - If not, please explain why.

#### **4-Staff-54**

##### **Vegetation Management and Reliability**

**Ref 1: Exhibit 4, Attachment 4-C, Vegetation Management Plan, page 2**

**Ref 2: Exhibit 1, page 76**

**Ref 3: Exhibit 4, page 59**

Preamble:

In reference 1, Synergy North states:

*"The proposed spending for 2022 represents an incremental cost of \$1.35 million in sub-contractor in 2022 and 2023 respectively. In 2021, Synergy North budgeted \$531,000 in OM&A sub-contractor costs for vegetation management but spent \$784,000 due to reactionary vegetation hazards. This reactionary spending is one of the many reasons that Synergy North's management has sought to implement a proactive Vegetation Management Plan."*

In reference 2, Synergy North states:

*"In 2022 SNC experienced 81,463 hours of interruptions of which 29.5% were due to Defective Equipment, 21.5% were due to Scheduled Outages, 19.3% were due to Tree Contacts"*

In reference 3, Synergy North states:

*"On average, during the years 2014 – 2019, Tree Contacts were in the top 3 reasons for customer hour-interrupts for SNC"*

Question(s):

- a) Please provide the actual to date spending on vegetation management in 2023.

- b) Please confirm that despite the increased level of incremental spending between 2021-2022, reliability stats due to tree contacts have not improved.
- c) Please clarify how much of the budgeted 2023 and 2024 vegetation management costs are related to subcontractor costs?

#### **4-Staff-55**

##### **OPEB**

##### **Ref 1: Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Services, p31**

Preamble:

Reference 1 notes that:

*“A breakdown of the pension and OPEBs amounts included in OM&A and capital must be provided for in the last OEB-approved rebasing application, and for historical, bridge and test years. The most recent actuarial report(s) must be included in the pre-filed evidence and be reconciled with the pension and OPEBs amounts (as applicable). The basis on which pension and OPEBs amounts are forecast for the bridge and test years must also be explained.”*

Question(s):

- a) Please provide the following schedules as noted in Reference.
  - i. A breakdown of the Pension & OPEBs amounts between capital and OM&A from the last OEB-approved to the test year, year-by-year.
  - ii. A reconciliation of the recent actuarial report with the Pension & OPEBs amounts.

#### **Exhibit 5 – Cost of Capital**

#### **5-Staff-56**

##### **Common Equity**

##### **Ref 1: Exhibit 5, 5.2.5 Common Equity, page 9**

Preamble:

Synergy North states,

*“SNC is authorized to issue unlimited Common Shares, Class S Shares, Class A Special Shares and Class B Special Shares. As of December 31, 2022, 109,506 common shares and 1,000 Class A common shares were issued and fully paid. The 1,000 shares represent the equity investment of the renewable generation (solar PV) business activity.”*

Question(s):

- a) Please clarify what Synergy North means by “fully paid”?
- b) Please confirm whether the 1000 Class A common shares above are equity in affiliate?

## **Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency**

**NA**

## **Exhibit 7 – Cost Allocation**

### **7-Staff-57**

#### **Weighting Factors**

**Ref 1: Exhibit 7, Pages 5-7**

Preamble:

Explanations are provided to support the relative the ranking in costs between rate classes but are not at a level of detail sufficient to determine the appropriate weightings.

Question(s):

- a) If available, please provide a derivation of the weightings used.
- b) If not available, please explain how the specific weighting factors were arrived at.

### **7-Staff-58**

#### **Load Profiles**

**Ref 1: Exhibit 7, Pages 8-13**

**Ref 2: Load Profile Derivation Model, sheet Hourly Data**

Preamble:

Synergy North provides an explanation of how the weather normalization is performed for each class and provides an example of Thunder Bay Residential rate class.

Question(s):

- a) Please confirm which weather station(s) are used for column R, “MeanTemp” – if this is derived from multiple weather stations, please provide an example derivation indicating how the weather stations are weighted.
- b) Please confirm that the Kenora rate classes are normalized using the same “MeanTemp” values as ThunderBay.
- c) If part b) cannot be confirmed,



- i. Please explain the approach taken
- ii. Please explain whether each day receives the same ranking in Thunder Bay and Kenora
- iii. Please explain how this approach avoids smoothing the typical peaks of Thunder Bay and Kenora when the profiles for the two rate zones are combined.

**7-Staff-59**

**Load Profiles**

**Ref 1: Exhibit 7, Pages 8-13**

Preamble:

Synergy North has provided a cost allocation model which reflects a harmonization of Thunder Bay and Kenora rate zones, and at the same time reflects load profile data updated for the first time since 2004.

Question(s):

- a) As a scenario, please provide the demand allocators and resulting cost allocation model that would result from using the load profiles from Thunder Bay and Kenora's most recent rebasing applications, with each hour scaled so that the total is consistent with the 2024 load forecast.

**7-Staff-60**

**Revenue-to-Cost**

**Ref 1: Cost Allocation Model, sheet I6.2 Customer Data**

**Ref 1: EB-2016-0105 Cost Allocation Model, sheet I6.2 Customer Data**

Preamble:

In Thunder Bay's 2017 Cost Allocation model, the street lighting rate class indicated 13,274 devices with 2,361 connections. The current Synergy North Cost Allocation model indicates 13,656 devices on 13,656 connections.

Question(s):

- a) Are there any areas in Synergy North's service territory where multiple streetlights share connections to the distribution system.
- b) Please explain the reason for the change from several devices per connection in 2017 to one device per connection in 2024.

**7-Staff-61**

**Revenue-to-Cost**

## **Ref 1: Exhibit 7, Page 15**

### **Preamble:**

The revenue-to-cost ratio for Street Lighting is proposed to be moved from 64.9% to 69.6% in 2024 as part of a two-year transition to 80% revenue-to-cost. The revenue-to-cost ratio for Sentinel Lighting is proposed to be moved from 90.9% to 90.5% - away from unity. Both are proposed to mitigate bill impacts under 10% for customers currently in the Thunder Bay rate zone.

### **Question(s):**

- a) Have other options been considered for mitigating the impact to Sentinel Lighting customers other than a move away from unity.

## **Exhibit 8 – Rate Design**

### **8-Staff-62**

#### **Fixed Charges**

**Ref 1: Exhibit 8, page 8**

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

**Ref 3: TB Tariff and Bill Impact Model, sheet 6. Bill Impacts**

### **Preamble:**

The current weighted 2023 monthly service charge for the GS < 50 kW, GS > 50 to 999 kW and GS > 1000 kW are already above ceiling calculated in the cost allocation model. Synergy North is proposing to increase the fixed charge for all rate classes. As a result of the increases, Unmetered Scattered Load is also proposed to have a fixed charge over the ceiling.

The GS > 1000 kW fixed charge is proposed to increase by 26.1%, while the volumetric charge is proposed to increase by 21.2%.

### **Question(s):**

- a) Please provide the rationale for increasing the fixed charge for all rate classes when they are currently above the cost allocation model ceiling.
- b) As a scenario, please provide the variable charges that would result from maintaining the current weighted fixed charge for GS < 50 kW, GS > 50 to 999 kW and GS > 1000 kW, and increasing the fixed charge for the USL rate class to the ceiling.

### **8-Staff-63**

## **RTSRs**

**Ref 1: Exhibit 8, pages 11-12**

**Ref 2: RTSR Workform**

**Ref 3: 2024 Preliminary UTR letter, September 28, 2023**

Preamble:

The 2023 RTSR workform has been filed. On September 28, 2023, the OEB issued a letter indicating preliminary 2024 UTRs. These are Network: \$5.76, Line Connection: \$0.95, Transformation Connection, \$3.21.

Question(s):

- a) Please confirm which historic year of RRR data has been used.
- b) Please confirm which year of wholesale purchase volumes have been used.
- c) Please update the RTSR model using the most recent proposed RTSRs.

## **8-Staff-64**

### **Specific Service Charges**

**Ref 1: Exhibit 8, pages 8-10**

Preamble:

Synergy North Power is proposing adopt the Thunder Bay specific service charges, except for the easement letter, which it proposes to increase from \$15 to \$26.75.

This would appear to OEB staff to result in the elimination of previously approved specific service charges for duplicate invoices for previous billings, requests for other billing information, and income tax letters, and credit checks.

Question(s):

- a) What steps has Synergy North taken to advise or consult with customers on the easement letter change?
- b) Please explain how the four services for which a charge will no longer exist will be handled by Synergy North.
- c) How much revenue does Synergy North currently collect in the four charges being removed?

## **8-Staff-65**

### **Bill Impacts**

**Ref 1: Exhibit 8, page 8**

Preamble:

Synergy North proposes to transition to harmonized rates in 2024. This results in fixed charge reductions for Kenora Rate Zone customers in all rate classes except residential, while variable charges for Kenora Rate Zone, and all base rate charges for Thunder Bay Rate Zone are proposed to increase.

The deficiency of \$7.4 million on a base revenue requirement at existing rates of \$28.5 million results in a 26% average base rate increase.

Question(s):

- a) Has Synergy North considered a phased approach to rate harmonization to reduce bill impacts for customers in the Thunder Bay Rate Zone?
- b) Have any options been considered to phase-in the general rate increase to mitigate bill impacts?

## **Exhibit 9 – Deferral and Variance Accounts**

### **9-Staff-66**

**Ref 1:** [Prescribed interest rates | Ontario Energy Board \(oeb.ca\)](https://www.oeb.ca/prescribed-interest-rates)

Preamble:

The OEB has recently published its prescribed interest rate for deferral and variance account balances for Q4 2023 of 5.49%.

Question(s):

- a) Please update the IRM Models for both rate zones to reflect the updated total balance and carrying charges.

### **9-Staff-67**

#### **Thunder Bay Rate Zone**

**Ref 1:** TB\_2024\_DVA\_Continuity\_Schedule\_CoS\_20230816.xlsx, Tab 2a (Cell BF31)

**Ref 2:** TB\_2024\_GA\_Analysis\_Workform\_Updated\_20230921.xlsx, Tab 1588 (Cell D20) & Tab Principal Adjustments (Cell V63)

Preamble:

Principal Adjustment of \$176,819 for Account 1588 during 2022 in Reference 1 does not agree to the Principal Adjustments of Nil in Reference 2.

Question(s):

- a) Please reconcile the difference and revise the schedule as needed.

- b) Please explain the nature of the principal adjustment(s) of \$176,819.
- c) Please confirm if the principal adjustment(s) of \$176,819 impact the account 1589 GA. If not, why not.

## 9-Staff-68

### Account 1508 – Green Button Initiative Costs

Ref 1: SNC 2024 COS Application, Exhibit 9, p31, Table 9-21

Ref 2: SNC 2024 COS Application, Exhibit 4, p13, Table 4-6

Preamble:

Reference 1 notes that this sub-account will be maintained to track future qualifying Green Button deferral amounts for disposal at a later date.

**TABLE 9-21: ACCOUNT 1508 GREEN BUTTON - DISPOSITION BALANCE**

Description	Principal	Interest	Total
December 31, 2022 Balance	\$20,417	\$198	\$20,614
Less: 2023 IRM Disposition (EB-2022-0063)	\$0	\$0	\$0
Adjustments - Include 2023 Expense	\$14,583	\$0	\$14,583
<b>Balance for Disposition</b>	<b>\$35,000</b>	<b>\$198</b>	<b>\$35,197</b>
Interest January to December 2023		\$1,721	\$1,721
Interest January to April 2024		\$581	\$581
<b>Total Claim</b>	<b>\$35,000</b>	<b>\$2,500</b>	<b>\$37,499</b>

**TABLE 4-6: OM&A EXPENDITURES 2017 BA PROXY TO 2024 TEST YEAR (FIGURE 4.1 DATA POINTS)**

	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Bridge Year	2024 Test Year
Incremental Tree Trimming Costs	\$0	\$0	\$0	\$0	\$0	\$1,350,000	\$1,350,000	\$1,350,000
Cyber Security and Training	\$0	\$0	\$106,643	\$59,514	\$117,169	\$66,007	\$153,725	\$140,893
Green Button Portal	\$0	\$0	\$0	\$0	\$0	\$0	\$49,000	\$76,000
COS costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$139,556
Merger Transaction Costs	\$257,563	\$555,550	\$479,213	\$0	\$0	\$0	\$0	\$0
Normal OM&A Expenses	\$17,690,155	\$17,314,189	\$16,556,289	\$16,356,837	\$16,169,290	\$18,508,503	\$18,808,723	\$19,725,781
<b>Total OM&amp;A (Appendix 2-JA)</b>	<b>\$ 17,947,718</b>	<b>\$ 17,869,739</b>	<b>\$ 17,142,144</b>	<b>\$ 16,416,351</b>	<b>\$ 16,286,459</b>	<b>\$ 19,924,511</b>	<b>\$ 20,361,448</b>	<b>\$ 21,432,230</b>
OEB Inflationary OM&A (less productivity)	\$17,307,644	\$17,475,559	\$17,710,570	\$18,028,794	\$18,388,793	\$18,958,257	\$19,621,189	\$20,562,379

Question(s):

- a) Please confirm that the \$14,583 2023 expenses adjustment noted in Table 9-21 of Reference 1 and the \$49,000 2023 Green Button Portal expenses reported in Table 4-6 of Reference 2 are not being double-counted. If not, please revise the schedules as needed.

- b) Please explain why Synergy North wants to keep this subaccount open despite incurring \$76,000 Green Portal expense in the 2024 test year, as shown in Table 4-6 of Reference 2.

## 9-Staff-69

### Account 1508 – Post Merger Capital Policy Impact

Ref 1: SNC 2024 COS Application, Exhibit 9, p33 & p34 Table 9-26

Ref 2: EB-2018-0124 and EB-2018-0233, Decision and Order, p17

Preamble:

**TABLE 9-26: ACCOUNT 1508 MERGER CAPITAL POLICY CHANGES - DISPOSITION BALANCE**

Description	Principal	Interest	Total
December 31, 2022 Balance	\$114,507	\$5,610	\$120,117
Less: 2023 IRM Disposition (EB-2022-0063)	\$0	\$0	\$0
Adjustments	\$0	\$0	\$0
<b>Balance for Disposition</b>	<b>\$114,507</b>	<b>\$5,610</b>	<b>\$120,117</b>
Interest January to December 2023		\$5,631	\$5,631
Interest January through April 2024		\$1,901	\$1,901
<b>Total Claim</b>	<b>\$114,507</b>	<b>\$13,142</b>	<b>\$127,648</b>

On page 33 of Reference 1, Synergy North states that “ Differences tracked in this account include the following items that differed from KHEC’s policies:

- Value for asset capitalization was greater than \$200 in Kenora, but greater than \$1,500 in Thunder Bay.
- Smart meters were capitalized upon purchase in Kenora, inventory in Thunder Bay until installed.
- Overheads applied to capital accounts differed between Rate Zones”

Reference 2 notes that:

*“The Applicants are required to establish a deferral account to capture the annual difference over the deferred rebasing period between Kenora Hydro’s revenue requirement calculated using the pre-amalgamation accounting policies and the revenue requirement calculated using the new accounting policies. The balances of the deferral account will be disposed of during a future proceeding.”*

Question(s):

- a) Please provide a breakdown of the \$114,507 noted in Table 9-26 of Reference 1 by the three cost drivers (value for asset capitalization, smart meters, and overhead capitalization) listed on p33 of Reference 1.

- b) Please reconcile the \$114,507 to the annual differences in revenue requirement arising from Kenora Hydro's transition to Thunder Bay Hydro's accounting policies as required in Reference 2.

## 9-Staff-70

### Accounts 1518/1548 – Retail Cost Variance Account

Ref 1: SNC 2024 COS Application, Exhibit 9, p11 Table 9-5, p13 Table 9-6, p35 Table 9-27

Ref 2: Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Services, p63

Preamble:

**TABLE 9-27: ACCOUNT 1518 RCVA - DISPOSITION BALANCE**

Description	RCVA Balance Dec 31, 2022 (Total Both Zones)	Thunder Bay Zone			Kenora Zone		
		01-Jan-19	2019-2022 Allocated Activity	Balance Dec 2022	01-Jan-19	2019-2022 Allocated Activity	Balance Dec 2022
1518-RCVA Retail Principal	\$189,874	\$118,610	\$57,137	\$175,747	\$0	\$14,127	\$14,127
1518-RCVA Interest	\$12,409	\$2,699	\$7,641	\$10,340	\$0	\$2,069	\$2,069
<b>Balance</b>	<b>\$202,283</b>	<b>\$121,309</b>	<b>\$64,778</b>	<b>\$186,087</b>	<b>\$0</b>	<b>\$16,196</b>	<b>\$16,196</b>
Interest January to December 2023				\$8,642			\$695
Interest January to April 2024				\$2,917			\$235
<b>Total Disposition</b>				<b>\$197,647</b>			<b>\$17,125</b>

Reference 2 notes that “If the balances in Account 1518, Account 1548, or Account 1508 Sub-account Retail Service Charges Incremental Revenue are material, the distributor must also:

- Identify the drivers for the balance(s) in Account 1518 and/or Account 1548.
- Provide a schedule identifying all revenues and expenses listed by USoA account numbers that are incorporated into the variances recorded in Account 1518, Account 1548 and/or Account 1508.”

and

“Accounts 1518 and 1548 are to be disposed to ratepayers in a future rate application, and then the accounts are to be closed once the balance up to the end of the incentive rate-setting period is disposed.”

Question(s):

- Please identify the drivers and provide a schedule identifying all revenue and expenses related to the \$189,874 in Account 1518 as shown in the above table.
- Please explain why Synergy North wants to keep these two subaccounts open, as indicated in Table 9-5 and Table 9-6 in Reference 1, in light of the Reference 2 requirement.

## **9-Staff-71**

### **Accounts 1592 – Accelerated CCA**

**Ref 1: SNC 2024 COS Application, Exhibit 6, p20**

**Ref 2: [Accelerated investment incentive - Canada.ca](https://www.canada.ca/en/revenue/pdf/accelerated-investment-incentive-2023.pdf)**

**Ref 3: Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Service, pp. 41 -42**

#### **Preamble:**

Reference 1 notes that “SNC is requesting to dispose of the forecasted balance to the end of 2023 plus interest. The difference between actual capital additions and budgeted capital additions, used as the basis for the 2023 CCA amount, will be immaterial and SNC is not requesting to continue to use account 1592 for the accumulated CCA tax variance going forward as it all has been reflected in its 2024 PILs tax calculation.”

Reference 3 notes that “Distributors may propose a mechanism to smooth the tax impacts over the five-year IRM term. The OEB will assess a distributor’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. If PILs is not smoothed over the IRM term, Account 1592 would generally be expected to be used as the AIIP will be phased out starting in 2024.”

#### **Question(s):**

- a) Please explain why Synergy North wants to discontinue use of account 1592, despite the fact that the AIIP will be phased out starting in 2024, as stated in Reference 2.
- b) Please confirm if Synergy North 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.
- c) Please explain if Synergy North has considered smoothing out the tax impacts over the five-year IRM term for the CCA changes. If not, why not? Otherwise, please provide a proposed tax smoothing method.

## **9-Staff-72**

### **Group 1 & Group 2 Accounts for both rate zones**

**Ref 1: SNC 2024 COS Application, Exhibit 1, page 40**

#### **Preamble:**

Reference 1 states that “Synergy North is seeking approval of a rate harmonization proposal for Thunder Bay rate zone and Kenora rate zone”.



Question(s):

- a) Please explain whether Synergy North considers combining Group 1 and Group 2 accounts for both rate zones in light of the rate harmonization proposal noted in Reference.
  - i. If so, please provide a schedule and timeline for integrating the Group 1 and Group 2 accounts for both rate zones.
  - ii. If not, please explain why and Synergy North's plan for combining Group 1 and 2 accounts.