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Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Re: Hydro Hawkesbury Inc. – Response to Commitments
Case Number: EB-2024-0031

Dear Registrar,

Hydro Hawkesbury Inc. (“HHI”) is pleased to submit its response to the list of commitments outlined in the above-referenced case.

Please find enclosed HHI’s responses to each commitment, along with any associated attachments. Should there be further questions or if additional clarification is needed, we welcome the opportunity to provide further information.

Thank you

Michel Poulin General Manager
Hydro Hawkesbury Inc. 850 Tupper St.
Hawkesbury, ON K6A 3S7
Tel: 613-632-6689

Update to Models

- ✓ EB-2024-0031 HHI 2025 Chapter 2 Appendices
  - Commitment 3
  - Commitment 5
  - Commitment 7
  - Commitment 13
  - Commitment 30
  - Commitment 39
  - Commitment 40
  - Commitment 44
  -
- ✓ EB-2024-0031 HHI 2025 Cost Allocation
  - Commitment 18
  - Commitment 19
  - Commitment 21
  - Commitment 22
  - Commitment 23
  -
- ✓ EB-2024-0031 HHI 2025 PILs Workform
  -
- ✓ EB-2024-0031 HHI 2025 Rev Req Workform
  - Commitment 20
  - Commitment Update to reflect the proposed changes to OM&A
  -
- ✓ EB-2024-0031 HHI 2025 RTSR Workform
  - Commitment 26
  - Commitment 28
  - Commitment 41
  -
- ✓ EB-2024-0031 HHI 2025 Load Forecast Model
  - Commitment 16
  -
- ✓ EB-2024-0031 HHI 2025 Bill Impact
  - Commitment 25
  - Commitment 31
  -
- ✓ EB-2024-0031 HHI 2025 DVA Continuity Schedule
  - Commitment 14
  - Commitment 32
  - Commitment 37
  -

- ✓ EB-2024-0031 HHI 2025 Benchmarking Forecast Model
  - Update to reflect the proposed changes to OM&A
  -
- ✓ EB-2024-0031 HHI 2025 Accelerated CCA Worksheet
  - Commitment 12
  -
- ✓ EB-2024-0031 HHI 2025 ACM (Hypothetical)
  - Commitment 1
  -

Update Model

Below is the impact of changes stemming from list of commitments

	9/11/2024	11/04/2024	
Particular	**2025**	**2025**	**Diff**
Long Term Debt	3.59%	3.59%	0.00%
Short Term Debt	6.23%	5.04%	-1.19%
Return on Equity	9.21%	9.25%	0.04%
Weighted Debt Rate	3.77%	3.69%	-0.08%
Regulated Rate of Return	**5.94%**	**5.91%**	-0.03%
Controllable Expenses	$1,686,034	$1,603,550	-$82,484
Power Supply Expense	$16,892,567	$17,408,508	$515,940
Total Eligible Distribution Expenses	$18,578,602	$19,012,058	$433,456
Working Capital Allowance Rate	7.50%	7.50%	0.00%
Total Working Capital Allowance ("WCA")	**$1,393,395**	**$1,425,904**	$32,509
Avg Gross Assets	$9,571,346	$9,571,346	$0
Avg Acc Depr	$2,836,543	$2,836,543	$0
Average Fixed Asset	$6,734,804	$6,734,804	$0
Working Capital Allowance	$1,393,395	$1,425,904	$32,509
Rate Base	**$8,128,199**	**$8,160,708**	$32,509
Regulated Rate of Return	5.94%	5.91%	-0.03%
Regulated Return on Capital	**$483,108**	**$482,461**	**-$647**
Deemed Interest Expense	$183,665	$180,515	-$3,150
Deemed Return on Equity	$299,443	$301,946	$2,503
OM&A	$1,658,229	$1,575,745	-$82,484
Depreciation Expense	$289,138	$289,138	$0
PILs	$10,479	$10,827	$348
Property Taxes	$27,805	$27,805	$0
Revenue Offset	-$243,992	-$211,618	$32,374
Revenue Requirement	**$2,224,767**	**$2,174,358**	-$50,409

Rate Base

Commitment 1: (Model ACM)

HHI to provide an explanation of the projects described in Appendix 2-AA as “Split 44kV Structure to Have 2 Transformers Loaded” -estimated cost $375,000 in 2027 and the “Add Transformer to 115 kV to Replace the 55t2” – estimated cost $2,1000,000 in 2028 and as currently described on page 52 of HHI’s Distribution System Plan. This explanation should explain the rationale for the projects and the logistics of bringing that project into service and include as a minimum the following:

a) how HHI expects to execute the construction of the project,
b) how HHI expects to finance the project, and
c) the expected rate impact associated with the project.

HHI Response:

Preamble:

$2.1M

HHI’s 115kV Transformer 55T2, now approaching 60 years in service, is scheduled for a planned replacement due to its age and the need to avoid potential failure risks that could incur emergency costs and secondary damage. The 15 MVA transformer installed in 2018 (T2) currently handles approximately 70% of the load, allowing 55T2 to continue operating without excessive strain due to its age. In the event of a failure of 55T2, T2 is capable of carrying the full load, though the reverse is not true. Replacing 55T2 proactively will ensure a high level of redundancy and provide increased capacity for future load growth, including demands from electric vehicle charging and other emerging electrical needs.

The proposed new transformer (T3) from Pennsylvania Transformers was quoted at $1 million USD allocated for the unit itself. This estimate does not include additional costs for field service, engineering support by Stantec, and any necessary installation of switching capabilities for transitioning between the existing T2 and future T3. This project would ensure ongoing reliable service.

$375K

Currently, only one of the two existing 44kV transformers is used to supply the load at any given time. Modifying the 44kV structure to enable both transformers to share the load would be highly

advantageous, as it would help extend the life expectancy of each transformer and allow for seamless load switching during maintenance. Additionally, this modification would accommodate both short-term and anticipated future load growth. Enabling both 44kV transformers to operate simultaneously would significantly enhance the system's reliability and operational flexibility.

a) how HHI expects to execute the construction of the project,

HHI would plan to execute the construction of the 15 MVA transformer by leveraging its existing relationship with Stantec, which has extensive knowledge of HHI's system from a previous load flow study and overseeing the previous transformer project. This familiarity could allow for an economy of scale, making the project more cost-effective.

Stantec would prepare a comprehensive plan and report, to identify an optimal replacement unit that meets all technical requirements. They would manage the RFP process, evaluating and proposing the best options for the project. Throughout construction, the selected engineering firm would oversee the work and provide final approval by signing off, ensuring the installation would meet all needs, operational and safety standards.

b) how HHI expects to finance the project, and

HHI expects to finance the project by first reaching out to Infrastructure Ontario to inquire about securing a loan. If this option proves unavailable, HHI would approach banks to explore loan options. Regarding recovery through rates, HHI would either request an Incremental Capital Module in a future IRM once pricing details are finalized or defer until the next Cost of Service application in 2030 and include the project in its proposed rate base. The timing and approach would be discussed with all relevant parties and stakeholders to ensure alignment on the funding strategy.

c) the expected rate impact associated with the project.

HHI has developed a hypothetical scenario where the new transformer could be incorporated into the 2025 rates in order to see the impact on the revenue requirement. Additionally, HHI has populated a preliminary ACM model, outlining high-level projected costs associated with this plan. HHI notes that these figures are based on preliminary estimates rather than confirmed quotes, meaning they are subject to change. As the parties are aware, delays and cost fluctuations in purchasing distribution-related equipment have been ongoing since COVID.

The hypothetical scenario is shown below. HHI notes that the “As filed” column reflects the information already on file rather than the changes proposed as a result of these commitments.

	As filed	2.1M added	
Particular	**2025**	**2025**	**Diff**
Long Term Debt	3.59%	3.59%	0.00%
Short Term Debt	6.23%	6.23%	0.00%
Return on Equity	9.21%	9.21%	0.00%
Weighted Debt Rate	3.77%	3.77%	0.00%
Regulated Rate of Return	5.94%	5.94%	0.00%
Controllable Expenses	$1,676,034	$1,676,034	$0
Power Supply Expense	$16,892,567	$16,892,567	$0
Total Eligible Distribution Expenses	$18,568,602	$18,568,602	$0
Working Capital Allowance Rate	7.50%	7.50%	0.00%
Total Working Capital Allowance ("WCA")	$1,392,645	$1,392,645	$0
Avg Gross Assets	$9,571,346	$10,621,346	$1,050,000
Avg Acc Depr	$2,836,543	$2,848,209	$11,667
Average Fixed Asset	$6,734,804	$7,773,137	$1,061,667
Working Capital Allowance	$1,392,645	$1,392,645	$0
Rate Base	$8,127,449	$9,165,782	$1,038,333
Regulated Rate of Return	5.94%	5.94%	0.00%
Regulated Return on Capital	$483,063	$544,822	$61,759
Deemed Interest Expense	$183,648	$207,127	$23,479
Deemed Return on Equity	$299,415	$337,695	$38,280
OM&A	$1,648,229	$1,658,229	$10,000
Depreciation Expense	$289,138	$312,472	$23,333
PILs	$10,479	$7,365	-$3,114
Property Taxes	$27,805	$27,805	$0
Revenue Offset	-$243,992	-$243,992	$0
Revenue Requirement	$2,214,723	$2,306,701	$91,978

Commitment 2:

HHI to provide an updated in-service addition forecast for 2024.

HHI Response:

The table below presents the actual expenses to date alongside anticipated expenses based on existing purchase orders. HHI expects that all projected costs will be incurred by the end of the calendar year, as these expenses align with planned purchases and ongoing commitments.

		FORECAST	actuals oct 2024	expected	total
16110000	Computer Software (Effective 2012)	$ 7,000.00	$ -	$ -	$ -
18150000	Transformer Station Equipment	$ 63,000.00	$ 58,234.12	$ 4,107.55	$ 62,341.67
18200000	Distribution Station Equipment	$ -	$ 1,765.00	$ -	$ 1,765.00
18300000	Poles, Towers and Fixtures	$ 110,000.00	$ 13,115.60	$ 95,750.00	$ 108,865.60
18350000	Overhead Conductors and Device	$ 20,000.00	$ 5,365.75	$ 18,350.00	$ 23,715.75
18400000	Underground Conduit		$ -	$ -	$ -
18450000	Underground Conductors & Device	$ 15,000.00	$ -		$ -
18500000	Line Transformers	$ 65,000.00	$ -	$ 63,731.00	$ 63,731.00
18550000	Services	$ 800.00	$ 765.00	$ -	$ 765.00
18600100	Smart Meters	$ 59,500.00	$ 45,262.00	$ 25,946.80	$ 71,208.80
19080000	Buildings and Fixtures	$ 1,500.00	$ 2,933.30	$ -	$ 2,933.30
19150000	Office Furniture and Equipment	$ 1,500.00	$ -	$ -	$ -
19200000	Computer Equipment - Hardware	$ 1,500.00	$ -	$ -	$ -
		$ 344,800.00			$ 335,326.12

Commitment 3: (Model Ch 2)

HHI to provide an updated/corrected appendix 2-BB and Exhibit 2 with respect to the service lives it uses for its capitalized assets, including an explanation of any changes to service lives since its last rebasing application.

HHI Response:

Tab 2-BB has been updated. A condensed version is shown below. The cells in read have bee updated in A-BB. HHI (MNP) has not update the depreciation schedules as they are consistent with the rates shown below. HHI confirms that the rates have not changed since its last cost of service.

Asset Details		Useful Life			USoA Account Number	USoA Account Description	Proposed	
Category| Component | Type		MIN UL	TUL	MAX UL			Years	Rate
Fully Dressed Wood Poles	Overall	35	45	75	1830	Poles, Towers and Fixtures	45	2%
OH Conductors		50	60	75	1835	Overhead Conductors & Devices	60	2%
Station Service Transformer		30	45	55	1815	Transformer Station	45	2%
Station Metal Clad Switchgear	Overall	30	40	60	1820	Distribution Station Equipment	45	2%
Primary TR XLPE Cables Direct Buried		25	30	35	1845	Underground Conductors & Devices	30	3%
Secondary Cables Direct Buried		25	35	40	1855	Services	30	3%
Pad-Mounted Transformers		25	40	45	1850	Line Transformers	40	3%
Ducts		30	50	85	1840	Underground Conduit	50	2%

Asset Details		Useful Life Range	USoA Account Number	USoA Account Description	Proposed	
Category| Component | Type					Years	Rate
Office Equipment		5-15	1915	Office Furniture & Equipment	10	10%
Administrative Buildings		50-75	1908	Building & Fixtures	Interior = 15 years, roof and windows = 25 years, building = 50 years	
Computer Equipment	Hardware	3-5	1920	Computer Equipment - Hardware	5	20%
	Software	2-5	1925	Computer Equipment - Software	5	20%
Equipment	Power Operated	5-10	1950	Powered Operated Equipment	8	13%
	Tools, Shop, Garage Equipment	5-10	1940	Tools, Shops Garage Equipment	10	10%
Residential Energy Meters		25-35	1860	Meters	15	7%
Industrial/Commercial Energy Meters		25-35	1860	Meters	15	7%

Operating, Maintenance and Administrative Costs

Commitment 4:

HHI to provide a narrative explaining the reasons and process that were employed when a review of the compensation for HHI staffing positions was undertaken in the 2020 and 2021 period. This should include a description of the positions reviewed, the reasons for reviewing those positions compensation, any salary comparable that were used to justify any compensation changes and any materials presented to the Utility's board of directors supporting a re-evaluation of compensation for these positions.

HHI Response:

Positions Reviewed and Rationale:
Only the General Manager and Accountant - Assistant Manager roles were subject of a compensation review, as all other positions fall under the union agreement. While these two roles did receive regular inflationary adjustments throughout the years, their salary scales had not been reviewed nor updated since 2005. This outdated compensation structure highlighted the need for a review to align these critical positions with current standards and ensure HHI remains competitive in attracting and retaining talent.

Responsibilities and Importance of Positions:
The General Manager and Accountant positions are critical to HHI's operations, as they handle areas such as distribution system planning, safety, maintenance, and customer service. The General Manager is also responsible for human resources and internal communications, while the Accountant is in charge of financial activities and bank contacts. Since COVID-19, HHI has suffered high turnover among front-office workers, as explained in Exhibit 4, forcing the BoD to prioritize stability in order to prevent further departures and ensure operational continuity. Given their broad responsibilities, maintaining experienced employees in these jobs is critical to HHI's efficient operation and service reliability.

Comparative Salary Data
HHI's BoD conducted an internal salary review, analyzing data from neighboring utilities to establish a competitive and fair salary range. These nearby LDCs were selected as relevant regional comparators. However, HHI also faces competition from local government roles and larger utilities, which often offer higher compensation for similar roles with fewer responsibilities.

Additionally, HHI reviewed the Mearie salary surveys as a potential benchmark but found their ranges to be too high to apply realistically to the Hawkesbury context and that the revised salaries are still below the median. The Chair of the BoD, who holds a law degree and an HR role at the Region of *Les Comtés Unis de Prescott-Russell*, also reviewed compensation levels within the Town of Hawkesbury, HHI's shareholder, to ensure that the revised salaries were appropriate for

the local context. While the region periodically conducts third-party salary studies at an approximate cost of $30,000, such a large expense is not economically feasible for evaluating just two HHI positions. While leveraging the Chair's experience with comparable regional salary decisions, the BoD confidently assessed and validated the reasonableness of the compensation adjustments.

Board of Directors' Decision
Recognizing a 15-year gap since the last salary adjustment, HHI's BoD unanimously approved a new salary scale for the General Manager and Accountant - Assistant Manager positions. This update aims to enhance operational continuity, retain skilled personnel, and ensure HHI remains competitive given the unique demands and responsibilities of these essential roles in a small utility.

Furthermore, this valuable discussion has led the BoD to recognize the importance of regular salary reviews to prevent succession challenges, retain a satisfied workforce, and maintain stability in the operation of the LDC but also rates. Accordingly, the Board commits to aligning future salary reviews with the union contract renewals and HHI's cost of service application, both occurring every five years.

Commitment 5: (Model Ch 2)

HHI to update its forecast 2025 regulatory costs, including accounting for only one intervention in the present Cost of Service proceeding, the fact that the OEB has capped intervenor costs at $20,000, and providing information about the forecast "expert witness" costs of $35,000 included in the forecast 2025 Cost of Service related costs, all of which is to be reflected in an updated appendix 2-M and other affected models.

HHI Response:

HHI has adjusted its regulatory cost projections to provide a more accurate estimate, based on the current number of interveners and costs incurred to date. The projection for a second intervener has been removed, as it was initially based on having two interveners in the last cost of service.

HHI confirms that the "Expert Witness" cost mentioned in the commitment meeting is an anticipated expense for an upcoming load flow study. This study has been commissioned to Stantec but has not yet been conducted.

Regulatory Costs (One-Time)		Last Rebasing (2018 OEB Approved)	Last Rebasing (2018 Actual)	Sum Of Historical Years (2019-2023)	2024 Bridge Year	2025 Test Year
		(A)	(B)	(C)	(D)	(E)
1	Expert Witness costs					
2	Legal costs	$20,000.00		$550.00	$4,450.00	$30,000.00
3	Consultants' costs	$129,600.00	$25,920.00			
4	Intervenor costs	$40,000.00	$8,000.00			$20,000.00
5	OEB Section 30 Costs (application-related)	$0.00				
6	Incremental operating expenses	$1,500.00	$300.00			
7	MNP Accounting				$10,578.00	$15,000.00
8	BT expertise			$4,500.00		$0.00
9	Stantec Load Flow Study					$30,000.00
10						
28						
	Sub-total - One-time Costs	$191,100.00	$34,220.00	$5,050.00	$15,028.00	$95,000.00

Application-Related One-Time Costs	Total (F =C+D+E)
Total One-Time Costs Related to Application to be Amortized over IRM Period	$115,07800
1/5 of Total One-Time Costs	$23,015.60
Ongoing Costs (2025)	$113,174
	$136,189.60

Commitment 6:

HHI to ensure its forecast 2025 Property Tax expenses are properly reflected in the revenue requirement. HHI to reconcile the statement that “HHI notes that it does not pay property taxes as its office space is leased. Property taxes on the distribution system are recorded in OM&A” in Exhibit 6 with the line item for Property Taxes of $28k throughout Exhibit 6 and the RRWF model.

HHI Response:

HHI could not locate any statement indicating it leased the property. If such a statement exists, it was made in error. HHI owns the building it occupies and, therefore, is responsible for paying property taxes which are properly included in the proposed revenue requirement at a cost of $28K.

Commitment 7: (Model Ch 2)

HHI to provide a narrative explaining the sustained increase in its Billing and Collection costs from 2023 to 2025 compared to the historical period of 2018 to 2022.

HHI Response:

Major Contributors (2018-2022 vs. 2023-2025):

Billing:

HHI hired a new biller in 2023 to replace the previous biller, who left for a government position. To ensure a smooth transition, HHI engaged ERTH Holding to train the new biller throughout 2023, at a cost of $48K.

Additionally, in 2023, HHI purchased a stock of envelopes and billing supplies. The rising costs of materials and delivery in 2023 significantly impacted expenses, totaling an additional $20K over 2022 levels.

Billing and Collecting:

The main driver in 2023 was the retirement announcement of HHI’s longest-serving Customer Service Representative (CSR), set to retire at the end of the year. In June 2023, HHI hired a new CSR to allow for parallel training, ensuring a skilled replacement was in place for a seamless transition. As a result, HHI operated with three CSRs instead of the usual two for approximately six months.

Update:

To investigate the sustained increase from 2022-2023, HHI's team reviewed the budgets for 2024 and 2025, initially accounting for potential ongoing turnover costs experienced since COVID. These estimates were based on several staff departures over the last five years. However, after discussions with team members, HHI is optimistic that the current staff, including billing personnel, are content and likely to remain with the company into 2024 and beyond. Given this stability and reduced risk of turnover, HHI is **reducing projected costs by $29,500 in account 5315 and by $20,000 in account 5320.**

Additionally, HHI noted that it had inadvertently included a load flow study in account 5020. Upon review, it was determined that this study had already been accounted for in regulatory one-time costs as a one-fifth portion of the $30,000 predicted cost. Therefore, HHI proposes to **reduce account 5020 by $30,000.**

When the application was initially filed, the General Manager had not fully committed to retirement; however, a retirement date of December 31, 2025, has since been set. Accordingly, HHI has added $7,000 in account 5610 to cover four months of overlap, allowing for effective training as the assistant manager transitions to the General Manager role. $7000 represents 1/5 of 4 months of salary overlap as HHI considers it to be a one-time cost.

Cost of Capital

Commitment 8:

HHI to provide details with respect to the Long-Term Debt instruments that underpin its 2025 Long-Term Debt costs, including a narrative to explain any discrepancies between the Long-Term Debt forecast that underpinned HHI's 2018 Settlement Proposal and the proposed 2025 Long Term Debt forecast.

HHI Response:

The process for financing projects at HHI involves an initial reliance on promissory notes with variable interest rates. During the planning and execution phases, the project is financed through these variable-rate promissory notes, allowing for flexibility until the project reaches completion.

Upon completion of the project and its transition to operational status, Infrastructure Ontario (I.O.) establishes a long-term debenture with a fixed interest rate, providing stability in financing costs and ensuring predictable payments over time. I.O. then issues a payment schedule that details the monthly installments for the life of the debenture. The tables below indicate that one of the new loans initiated in 2018 has already been paid off, while the other experienced a slight adjustment in its interest rate from what was initially assumed in the 2018 proceeding (finalized in April 2018).

(See Commitment #44 for update of cost of capital parameters issued October 31, 2024)

Appendix 2-OB
Debt Instruments

Year 2018 AS FILED

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal ($)	Rate (%) (Note 2)	Interest ($) (Note 1)	Initial Principal
1	Term facility - SUB 44KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	July 16, 2012	25	$619,432.01	0.0394	$24,405.62	$750,000.00
2	Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	January 1, 2018	25	$1,480,000.00	0.0353	$52,244.00	$1,457,000.00
3	Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	January 1, 2018	25	$1,550,000.00	0.0329	$50,995.00	$1,550,000.00
4	Capital expenditures 2014-2015	Infrastructure Ontario	Third-Party	Fixed Rate	July 1, 2017	5	$450,000.00	0.0199	$8,955.00	$350,000.00
Total							$4,099,432.01	0.033321597	$136,599.62	

Year 2018 SHOULD HAVE SHOWN BALANCE AS OF DECEMBER 31, 2018

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal ($)	Rate (%) (Note 2)	Interest ($) (Note 1)	Initial Principal
1	Term facility - SUB 44KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	July 16, 2012	25	$619,432.00	0.0394	$24,405.62	$750,000.00
2	Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	January 1, 2018	25	$1,430,633.00	0.0353	$50,501.34	$1,457,000.00
3	Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	January 1, 2018	25	$1,488,520.00	0.0329	$48,972.31	$1,550,000.00
4	Capital expenditures 2014-2015	Infrastructure Ontario	Third-Party	Fixed Rate	July 1, 2017	5	$300,697.00	0.0199	$5,983.87	$350,000.00
Total							$3,839,282.00	0.033824852	$129,863.14	

Year 2025

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal ($)	Rate (%) (Note 2)	Interest ($) (Note 1)	Initial Principal
1	Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	28-Jun-17	25	$1,157,931	0.0329	$38,096	$1,550,000.00
2	Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	1-Apr-18	25	$1,141,431	0.0377	$43,032	$1,457,000.00
3	Term facility - SUB 44KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	1-Jul-12	25	$435,980	0.0394	$17,178	$750,000.00
Total							$2,735,342.16	0.035939014	$98,305.50	

Revenue Requirement

Commitment 9:

HHI to provide an explanation for the fluctuations in its actual return on equity for the years 2018, 2019 and 2020.

HHI Response:

The fluctuations between HHI's approved ROE and achieved ROE from 2018 to 2023 can be attributed to a mix of influences, operational challenges, and unique characteristics of HHI as a small utility.

The following explanations are a summary of the explanations provided in the ROE over/under-earnings filings RRR 2.1.5.6.

2018: Achieved -4.10% vs Approved 9%
HHI experienced a significant shortfall in achieved ROE due to a decrease in revenue relative to the Cost of Power calculations included in rates, and refunds issued to customers. Increased regulatory expenses offset operational efficiencies in OM&A.

2019: Achieved 16.54% vs Approved 9%
This was a high-performance year for HHI. Cost savings were realized through transitioning to third-party maintenance and favorable weather conditions, which reduced repair expenses. Lower interest rates also positively impacted ROE.

2021: Achieved 4.58% vs Approved 9%
Achieved ROE fell below the approved level due to a substantial decrease in "Other Revenues". Unexpected costs arose from substation maintenance, right-of-way management, and property taxes, driving up expenses. Lower interest expenses and tax provisions provided some relief but did not fully counterbalance the cost increases.

2023: Achieved 0.64% vs Approved 9%
HHI faced significant challenges in 2023. Cost variances were a primary driver, with a substantial increase in OM&A expenses ($378,631) driven by salary, benefits, and operational costs. This was offset only slightly by reductions in bad debt. Additional expenses in amortization and other categories further pressured net income, with deferred taxes calculated by auditors adding to costs.

Challenges as a Small Utility

HHI maintains its costs by operating with a small workforce, which accounts for approximately half of the workforce of utilities of comparable size. HHI employs third-party contractors to manage specific tasks as required, rather than maintaining a substantial full-time workforce. This method reduces expenses, but it also introduces volatility, particularly in the event of unforeseen circumstances. Larger utilities, which have a greater number of in-house staff, have higher ongoing costs. However, they are more capable of absorbing unexpected expenses without as much of an impact on their bottom line.

Furthermore, For HHI, unforeseen operating expenses as explained in Exhibit 4 exert a greater impact due to the inability to distribute them across a broad client base. An increase in maintenance expenses or the introduction of a new regulatory obligation, Green Button, for example, significantly impacts HHI's ROE more than it would for a larger utility.

HHI’s small size also means that even slight changes in interest or tax can cause noticeable swings in ROE. Since these expenses are spread over a smaller financial base, any adjustments in rates or taxes have an amplified effect.

In summary, HHI's limited scale and cost variations can occasionally prevent a stable ROE. Minor fluctuations in revenues including, including a higher PriceCap index might significantly affect profitability, making it difficult to achieve a stable ROE target.

Commitment 10:

HHI to provide a forecast return on equity for 2024, incorporating 2024 actual data to the extent it is available.

HHI Response:

HHI used the ROE model to forecast its 2024 ROE. Please note that this is based on the most current information that is presented in the application.

Deemed Equity		
Rate base:		
Cost of power		$16,888,175.97
Operating expenses before any applicable adjustments		$1,609,278.30
Other Adjustments:		$27,315.00
Adjusted operating expenses		$1,636,593.30
Total Cost of Power and Operating Expenses		$18,524,769.27
Working capital allowance % as approved in the distributor's last CoS Decision and Order		7.50%
Total working capital allowance ($)		$1,389,357.69
PP&E		
Opening balance - regulated PP&E (NBV) (Appendix 5)		$6,712,905.79
Adjusted closing balance - regulated PP&E (NBV) (Appendix 5)		$6,712,905.79
Average regulated PP&E		$6,712,905.79
Total rate base		$8,102,263.48
Regulated deemed short-term debt % and $	4.00%	$324,090.54
Regulated deemed long-term debt % and $	56.00%	$4,537,267.55
Regulated deemed equity % and $	40.00%	$3,240,905.39
Regulated Rate of Return on Deemed Equity (ROE)		
Achieved ROE%		1.84%
Deemed ROE% from the distributor's last CoS Decision and Order		9.00%
Difference - maximum deadband 3%		-7.16%
ROE status for the year (Over-earning/Under-earning/Within 300 basis points deadband)		Under-earning

Commitment 11:

HHI to provide an explanation for the variances between the Grossed-Up Payment in Lieu of Taxes (PILs) amount that was embedded in its 2018 rates and its actual PILs for the years 2018-2022.

HHI Response: (from MNP)

HHI's actual PILs for each year from 2018 onward were higher than initially embedded in the 2018 rates due to these variance adjustments. Each time revenue adjustments were made (e.g., due to variances), they were added back to the taxable income, causing an increase in the PILs amounts. This process ensures that HHI pays taxes on its full taxable revenue, even when adjustments are made for reporting purposes.

Commitment 12: (Model Accelerated CCA)

HHI to reconcile the PPE addition amount for 2023 included in appendix 2BA and the PPE addition amount for 2023 used by HHI in its calculation of the accelerated CCA amounts to be tracked in account 1592.

HHI Response:

HHI and MNP has updated the CCA to reflect the appropriate additions for 2023. The model has been updated and refiled with these commitments.

Other Revenue

Commitment 13: (Model Ch 2)

HHI to provide an updated/corrected appendix 2-H with respect to the total Other Revenue it is forecasting for 2025; in providing the updated/corrected appendix 2-H HHI will address the following issues:

a) Exhibit 5, Table 8 shows a different total Other Revenue number then what is included in the as filed appendix 2-H;
b) the as filed other revenue evidence appears to include interest amounts related to deferral and variance accounts that need to be removed.
c) the total interest income amount does not match the itemized interest income amounts; and
d) there is no revenue, either historical or forecast, in accounts 4082, 4084 and 4086.

HHI Response:

a) and d) This error was due to a transposing error. Chapter 2 Appendices have been updated accordingly.
b) and c) See table below as revised for rate making purposes.

Account	2018	2019	2020	2021	2022	2023	2024	2025
4405 - Interest and Dividend Income (including DVA interest)	-32,373.09	-40,466.83	12,574.93	832.09	-39,097.75	-108,966.81	-106,321.13	-108,000
4405 - DVA	7,443.15	7,045.77	-3070.89	-832.1	13,063.35	37,622.55	31,807.78	-32,000
4405 - Revised total	-24,929.94	-33,421.06	9,504.04	0	-26,034.4	-71,344.26	-74,513.35	76,000

Commitment 14: (Model DVA)

HHI to provide a calculation of the historical and forecast pole attachment revenue for the years 2023, 2024 and 2025.

HHI Response:

Pole Attachment Revenue Variance						
Date	Number of Poles	Rate Used for Total Invoice Amount	Total Invoice Amount	Total Approved in OEB Rates @ 22.35	Total Variance Amount	DATE AU LIVRE
Jan - Dec 2023 BELL	$643.00	$36.05	$23,180.15	$14,371.05	-$8,809.10	12/31/2023
Jan - Dec 2023 COGECO	$275.00	$36.05	$9,913.75	$6,146.25	-$3,767.50	01/01/2023
Jan - Dec 2023 IGS	$3.00	$36.05	$108.15	$67.05	-$41.10	01/01/2023
Total Principal as of December 31, 2023					-$12,617.70	
Jan - Dec 2024 Est.	$921.00	$37.78	$34,795.38	$20,584.35	-$14,211.03	
Total Interest through December 31, 2024					-$10,879.26	
Total Disposition Request					-$37,707.99	

Load Forecast

Commitment 15:

HHI to explain why it used the 10-year average of the GS<50 class' share of the overall wholesale energy consumption when the pattern of the GS<50 class' share of the overall wholesale energy consumption fell materially in the last few years of actuals. If HHI determines that a shorter timeframe would be more appropriate, it should also consider whether it would be appropriate to shorten the timeframe for all other rate classes as a change to the GS < 50 class' share of wholesale purchases would imply changes in other rate class' shares as well.

HHI Response: HHI acknowledges that the GS<50 class has shown a different trend compared to the GS>50 class. However, it proposes to keep using a 10-year average for three reasons: (1) it aligns with average used in other weather-sensitive classes, (2) considers for periodic reclassification without load loss, and ensures consistency across all classes. (3) Additionally, as noted by VECC, if the averaging period is changed for one class, it should be adjusted consistently for others as well.

Commitment 16: (Model LF)

HHI to explain why it used the 10-year average of the Sentinel Lighting class' energy use per connection when the pattern of the Sentinel lighting class' energy use per connection fell materially in the last few years of actuals.

HHI Response: HHI recognizes the downwards trend in the Sentinel Lights and has updated it to use a 3-year historical average.

Commitment 17:

HHI to provide its actual customer and connection counts for the year 2024 on a monthly basis, to the extent available.

HHI Response:

	RESIDENTIAL	G<50	USL	SENT	G>50	STREELIGHT
Nov-23	4941	610	15	14 customers // 45 connections	88	1 customer (town) //1256 lights
Dec-23	4942	610	15	14 customers // 45 connections	88	1 customer (town) //1256 lights
24-Jan	4943	610	15	14 customers // 45 connections	88	1 customer (town) //1256 lights
24-Feb	4944	610	15	14 customers // 45 connections	88	1 customer (town) //1256 lights
24-Mar	4942	611	15	14 customers // 45 connections	88	1 customer (town) //1256 lights
APRIL 24	4941	613	15	14 customers // 45 connections	88	1 customer (town) //1256 lights
24-May	4944	611	15	14 customers // 45 connections	89	1 customer (town) //1256 lights
24-Jun	4947	610	15	14 customers // 45 connections	89	1 customer (town) //1256 lights
JULY 24	4949	610	15	14 customers // 45 connections	89	1 customer (town) //1256 lights
24-Aug	4947	610	15	14 customers // 45 connections	89	1 customer (town) //1256 lights
24-Sep	4951	610	15	14 customers // 45 connections	89	1 customer (town) //1256 lights
01-Oct	4950	610	15	14 customers // 45 connections	89	1 customer (town) //1256 lights

Cost Allocation

Commitment 18: (Model CA)

HHI to explain why there are 41 connections included in the Sentinel rate class but only one customer.

HHI Response: HHI updated Tab I6.2 to accurately reflect 14 customers. HHI notes that many of its sentinel customers have multiple connections, unlike the streetlight account, which is fully assigned to a single customer—the Town of Hawkesbury. Additionally, HHI has not updated its customer forecast to reflect actuals to date; instead, it continues to use the geomean calculations within the load forecast model.

Commitment 19: (Model CA)

HHI to ensure that customer data is accurately reflected in the allocation of costs, addressing the following issues:

a) the filed cost allocation shows 85 GS>50 customers;
b) the filed cost allocation, sheet I6.2 shows all 85 GS>50 customers as connected to HHI's secondary system;
c) the filed cost allocation on sheet I6.1 attributes the transformer allowance to all GS>50 load, suggesting that all GS>50 customers own their own transformers and therefore are not connected to HHI's secondary distribution system; and
d) the demand allocators in the filed cost allocation on sheet I8 appear to suggest that some GS>50 customers own their own transformers and some do not.

HHI Response:

a) HHI has updated the model tabs to reflect the 85 GS>50 customers as calculated in the load forecast.
b) To d) HHI has revised the formulas in Tab I8 to ensure the full load is attributed to transformer-owned customers. The model previously contained an outdated formula that required updating.

Commitment 20: (Model RRWF)

HHI to explain why it is not proposing to increase the revenue to cost ratios for the streetlighting and USL rate classes to match the revenue to cost ratio for the residential rate class before increasing the revenue to cost ratio for all three classes in tandem.

HHI Response:

HHI initially adopted this approach as a rate mitigation strategy. By adjusting specific inputs in the Cost Allocation model, HHI has revisited this method and has now increased the revenue-to-cost ratios for the Street Lighting and USL rate classes, aligning them with the revenue-to-cost ratio of the residential rate class.

Commitment 21: (Model CA)

HHI to reconcile evidence at Tab 7.1 of the cost allocation study that indicates there are 90 meters in the GS>50 rate class with evidence at tab 7.2 in the cost allocation study that indicates there are 85 GS>50 customer meters being read and the load forecast which indicates there are 85 GS>50 customers.

HHI Response: The model has been updated to correct the error

Commitment 22 and 23: (Model CA)

HHI to explain why the Services weighting factor (Tab I5.2) for GS<50 is greater than that for GS>50.

HHI Response:

HHI has recalculated the service weighting factors as shown below. Since no additional services have been provided to the GS > 50 kW class during this period, the weighting factor for GS < 50 kW remains higher than that for GS > 50 kW. The CA model has been updated accordingly.

Description	Residential	GS < 50 kW	GS > 50 kW	USL	Sentinel	Street Lighting
Number of Customers	4938	607	85	17	14	1
Total cumulative costs (2018-2023)	$5,925.60	$420.00	$0.00	$0.00	$0.00	$0.00
Embedded Cost per Customer (Account 1855)	$1.20	$0.69	$0.00	$0.00	$0.00	$0.00
Weighting Factor	1	0.575	0	0	0	0

Rate Design

Commitment 24:

HHI to confirm the historical year it used for the rates and the volumes used to forecast its proposed low voltage rates.

HHI Response:

HHI confirms that it used 2023 load data and 2024 current rates to determine the LV costs.

Commitment 25: (Model Bill Impact)

HHI to ensure that the Low Voltage rate is properly included in the residential rate tariff sheet.

HHI Response:

This has been corrected in the tariff sheet filed with these commitments.

Commitment 26: (Model RTSR)

Please provide the source for the 2023 RTSR rates and correct the evidence with respect to the proposed 2025 RTSRs if necessary.

HHI Response:

HHI has updated the RRR tab to reflect the 2023 consumption as reported in the utility's 2023 RRR (2.1.5)

Rate Class	Rate Description	Unit	Rate	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor)	Loss Adjusted Billed kWh
Residential	Network Service Rate	$/kWh	0.0097	48,687,006		1.0509	51,165,175
Residential	Line and Transformation Connection Service Rate	$/kWh	0.0040	48,687,006		1.0509	51,165,175
Gs Less Than 50 Kw	Network Service Rate	$/kWh	0.0089	16,054,838		1.0509	16,872,029
Gs Less Than 50 Kw	Line and Transformation Connection Service Rate	$/kWh	0.0035	16,054,838		1.0509	16,872,029
GS 50 To 4,999 Kw	Network Service Rate	$/kW	3.6464	71,957,690	187,486	1.0509	75,620,336
GS 50 To 4,999 Kw	Line and Transformation Connection Service Rate	$/kW	1.4196	71,957,690	187,486	1.0509	75,620,336
Usl	Network Service Rate	$/kWh	0.0089	331,392		1.0509	348,260
Usl	Line and Transformation Connection Service Rate	$/kWh	0.0035	331,392		1.0509	348,260
Sentinel Lighting	Network Service Rate	$/kW	2.7509	36,517	107	1.0509	38,376
Sentinel Lighting	Line and Transformation Connection Service Rate	$/kW	2.2408	36,517	107	1.0509	38,376
Street Lighting	Network Service Rate	$/kW	2.7502	510,660	2,243	1.0509	536,653
Street Lighting	Line and Transformation Connection Service Rate	$/kW	1.0973	510,660	2,243	1.0509	536,653

Commitment 27:

HHI to consider the following issues raised with respect to its proposed 2025 loss factors:

a) HHI to explain to the extent possible why the calculated loss factors for 2025 are higher than the current approved loss factors;
b) HHI to explain why it uses a weighted average wholesale purchase calculation instead of actual wholesale volumes when calculating the 2025 proposed loss factors;
c) HHI to consider whether there is an appropriate source for the wholesale purchased power that could be used to populate appendix 2-R; and
d) HHI to explain why purchases from embedded generation are not included in the calculation of loss factors.

HHI Response:

It would be difficult to pinpoint the exact reasons without a thorough analysis. Possible contributing factors to the higher calculated loss factors in recent years include aging infrastructure (555T2) and system configuration challenges. It is possible that weather impacts, such as extreme temperatures fluctuation and rising demand can strain the network causing increases in losses. Additionally, redundancy configurations, particularly in the substations, may be adding inefficiencies.

A load flow study by Stantec, which was already planned and included in the proposed regulatory costs, will allow HHI to identify the exact causes and provide actionable solutions for managing these increased loss factors.

	2019	2020	2021	2022	2023
Load Forecast Wholesale	146,246,996	141,822,116	143,135,693	147,353,082	143,506,238
Load Forecast Resale	141,271,360	137,074,747	138,278,118	141,170,474	137,578,103
Losses	**4,975,636**	**4,747,369**	**4,857,575**	**6,182,608**	**5,928,135**
Loss factor	**1.0352**	**1.0346**	**1.0351**	**1.0438**	**1.0431**

Regarding question b), HHI is using the table from the Appendices to calculate the proposed loss factor. If the question is intended to address supply facility losses, HHI believes it is reasonable to apply a weighting factor to accurately reflect the proportion of load distribution between IESO and Hydro One in its calculations.

In analyzing its load to address this question, HHI has reviewed the inputs to its load forecast and confirms that the embedded generation (MicroFit) load is not included in the wholesale forecast, and thus was not considered in determining the supply facility loss.

	2019	2020	2021	2022	2023
MicroFit	132,394	154,294	118,359	125,315	121,712

Commitment 28: (Model RTSR)

HHI to explain why the volumes used in the Low Voltage rate derivation do not match the volumes in the load forecast.

HHI Response:

The input was an error. HHI has updated the RTSR model to reflect the correct load forecast.

Commitment 29:

HHI to confirm that both the customer volumes (Tab 3) HONI and IESO volumes (Tab 5) used in the calculation of the RTSRs are both from 2023.

HHI Response:

HHI confirms that it did use the 2023 inputs for the RTSR calculations however, HHI noticed an error in certain months where the UTRs changed mid-year. Aas such, HHI has updated the model to reflect its actual invoices. The model is refiled with these commitments.

Commitment 30: (Model Ch 2)

HHI to explain why the 2022 and 2023 wholesale volumes used in Appendix 2-R do not match the volumes in the load forecast.

HHI Response:

HHI has reviewed and compared Appendix 2-R with the evidence in Exhibit 6 and the Load forecast model and discovered that the wholesale volumes for 2022 and 2023 were not updated correctly.
Updating them to match the load forecast (and RRR) reduces the loss factor to 10578 rather than 1.0592. HHI has updated the models accordingly.

Commitment 31: (Model Bill Impact)

HHI to review the Bill Impact Model to ensure that the impacts for the Streetlighting and Sentinel rate classes are properly calculated.

HHI Response:

To the best of its understanding of the mechanics of the models, HHI has updated and confirms that the Streetlighting and Sentinel rate classes are properly calculated.

Commitment 32: (Model DVA)

With respect to Exhibit 9, Table 4, HHI to review and correct as necessary the $34.76 dollar rate noted for Bell for January to December 2022.

HHI Response:

Please see below the corrected calculations of the pole variances. The DVA model has been corrected according to the revised information.

Date	Number of Poles	Rate Used for Total Invoice Amount	Total Invoice Amount	Total Approved in OEB Rates @ 22.35	Total Variance Amount	DATE AU LIVRE
Sept - Dec 2018 BELL	646	$28.09	6,048.71	4,812.70	- 1,236.01	01/01/2019
Jan - Dec 2019 BELL	643	$43.63	28,054.09	14,371.05	- 13,683.04	12/31/2019
Jan - Dec 2019 COGECO	275	$43.63	11,998.25	6,146.25	- 5,852.00	01/01/2019
Jan - Dec 2020 BELL	643	$44.50	28,613.50	14,371.05	- 14,242.45	12/31/2020
Jan - Dec 2020 COGECO	275	$44.50	12,237.50	6,146.25	- 6,091.25	01/01/2020
Jan - Dec 2021 BELL	643	$44.50	28,613.50	14,371.05	- 14,242.45	12/31/2021
Jan - Dec 2021 COGECO	275	$44.50	12,237.50	6,146.25	- 6,091.25	01/01/2021
Jan - Dec 2021 (IGS - 5 months)	3	$44.50	55.63	27.94	- 27.69	12/31/2021
Jan - Dec 2022 BELL	643	$34.76	22,350.68	14,371.05	- 7,979.63	12/31/2022
Jan - Dec 2022 COGECO	275	$34.76	9,559.00	6,146.25	- 3,412.75	01/01/2022
Jan - Dec 2022 IGS	3	$34.76	104.28	67.05	- 37.23	01/01/2022
Jan - Dec 2023 BELL	643	$36.05	23,180.15	14,371.05	- 8,809.10	12/31/2023
Jan - Dec 2023 COGECO	275	$36.05	9,913.75	6,146.25	- 3,767.50	01/01/2023
Jan - Dec 2023 IGS	3	$36.05	108.15	67.05	- 41.10	01/01/2023
Total Principal as of December 31, 2023					- 85,513.45	
Jan - Dec 2024 Est.	921	$37.78	34,795.38	20,584.35	- 14,211.03	
Total Principal as of December 31, 2024					- 99,724.48	
Total Interest through December 31, 2024					- 10,829.02	
Total Disposition Request					-110553.50	

Deferral and Variance Accounts

Commitment 33:

HHI to provide a table for its group 2 deferral and variance accounts that shows for each account:

a) The balance proposed for disposition as part of this application; and
b) Whether the account is proposed to remain open for the 2025 test year and beyond or whether it is proposed to be closed upon disposition.

HHI Response:

Account		Total Claim incl interest	Continue/ Discontinue
Pole Attachment Revenue Variance	1508	(110,553)	Discontinue
Customer Choice Initiative Costs	1508	12,888	Discontinue
Retail Cost Variance Account - Retail	1518	(16,084)	Discontinue
Retail Cost Variance Account - STR	1548	24,637	Discontinue
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	(31,630)	Continue
Total Group 2 Accounts		**(120,742)**	

Commitment 34:

HHI to provide a narrative around **any cloud computing costs** that it incurs or may incur during its next rate term, including a discussion as to whether it expects to use the OEB's Incremental Cloud Computing Arrangement Implementation Costs Deferral Account or similar account in accordance with the OEB's letter dated November 2, 2023, *Re: Accounting Order (003-2023) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs.*

HHI Response:

HHI does not directly subscribe to or utilize cloud computing services. While certain HHI suppliers may employ cloud-based technologies to support their own operations, any associated costs are embedded within their standard service fees and remain outside HHI's direct oversight or control.

Commitment 35:

HHI to describe the locate costs included in its 2025 cost of service proceeding, including a discussion as to what, if any, impact the *Getting Ontario Connected Act* has had or will have on HHI's locate costs.

HHI Response:

In the 2025 cost of service proceeding, the costs included for HHI are specifically related to performing locates. Currently, the General Manager conducts approximately 150-200 locates per year, representing about 60% of the total locates, which helps keep these costs low by avoiding additional incremental expenses. However, it is anticipated that Sproule Powerline will take over all locate work beyond 2025 once the current General Manager retires. Furthermore,

With respect to Getting Ontario Connected Act (GOCA), Hydro Hawkesbury confirms that Sproule Powerline is fully equipped to comply with the with no additional costs anticipated to meet these requirements effectively.

Commitment 36:

HHI to confirm that:

a) given that HHI is proposing that its 2025 PILs be calculated on the basis of claimed accelerated CCA for 2025, and
b) given that HHI has not proposed a smoothing proposal to account for the phase out of accelerated CCA during its IRM period,

HHI Response:

HHI proposes to continue to track the impact of changes in accelerated CCA rules (relative to the rules that underpin its calculation of 2025 PILs) in account 1592.

Commitment 37: (Model DVA)

HHI to update Tab 2B, Continuity Schedule 2 with respect to account 1592 by separating out the principal and interest entries for each year, include entries on a forecast basis for 2024, and to consider disposing the 2024 entries on a forecast basis in this proceeding rather than carry them for disposition at its next rebasing application.

HHI Response:

The DVA model has been updated accordingly.

Commitment 38: Refile Ex 9

HHI to:

a) confirm that the Baker Tilley Report provided at Appendix 9A to Exhibit 9 can remain on the public record, and
b) ask Baker Tilley whether it reviewed the reasonableness of the variances in account 1588 on an annual basis for the years 2019, 2020 and 2022, and if they did what was the nature of that review and what conclusions did they draw from that review.

HHI Response:

HHI has contacted Baker Tilly, but the individual responsible for the review is no longer with the company. The report was included in this application to assure the OEB of HHI's commitment to thorough oversight. However, since the report does not identify significant issues with the process, HHI proposes, in the interest of time and efficiency, to remove the Baker Tilly report from Exhibit 9.

Commitment 39: (Model Ch 2)

HHI to update appendix 2-ZB to reflect the new OER rate of 13.1% as well as other affected models based on the resulting change to the Cost of Power.

HHI Response:

The bill impact has been corrected to reflect the new OER rate

Commitment 40: (Model Ch 2)

HHI to, in conjunction with OEB Staff, make the following corrections to its models:

a) correct cells U18 and V18 in Appendix 2-JA;
b) fix an issue with appendix 2-BA wherein part of the continuity schedule is hidden in the excel document; and
c) Correct cell E39 in tab 3, Regulatory Charges on the Tariff Schedule and Bill Impact Model to reflect the 2025 inflation factor of 3.6%.

HHI Response:

HHI has resolved the issues in the OEB's framework as thoroughly as possible. However, since these models are created by the OEB, it's ultimately their responsibility to ensure they function correctly. HHI requests that the OEB not ask LDCs to assist in fixing locked models that fall outside their responsibility.

Commitment 41: (Model RTSR)

HHI to update the application for the most recent UTRs as applicable.

HHI Response:

The model has been updated accordingly

Commitment 42:

In accordance with Decision and Order **EB-2015-0304, February 14, 2019,** HHI to:

a) explain why it is proposing the two new 1508 sub-accounts, given that it is currently using RCVAs 1518 and 1548, and whether any corrections are needed, including adjustment to revenue requirement to reflect cost and revenue related to retail competitive charges; and
b) confirm that it intends to comply with the decision and order above in the matter of energy retail service charges and discontinue Accounts 1518 and 1548 without requesting any new variance accounts associated with energy retail services.

HHI Response:

HHI acknowledges its initial misunderstanding of Decision and Order EB-2015-0304. In compliance with this decision, HHI has embedded all revenues and costs related to retail competitive charges into the revenue requirement. Consequently, HHI will discontinue the use of Accounts 1518 and 1548 and will not request any new variance accounts associated with energy retail services.

Commitment 43:

HHI to provide a separate cover letter stating that the two commitments from its last cost of service settlement proposal EB-2017-0048 have been completed and are filed as part of this application EB-2024-0031 in Exhibit 2:

- Third-party asset condition assessment
- Service agreement with Sproule

850 rue Tupper Street
Hawkesbury ON K6A 3S7
T 613 632 6689
F 613 632 8603

Ontario Energy Board (OEB)
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON, M4P 1E4

Subject: Confirmation of Compliance with Past Settlement Proposal Commitments (EB-2017-0048)

Dear Registrar,

We are writing to confirm that Hawkesbury Hydro Inc. (HHI) has fulfilled its commitments made in the last cost of service settlement proposal (EB-2017-0048)

- **Third-party asset condition assessment**
- **Service agreement with Sproule Power Line**

These items were filed with the OEB as part of the completeness check for HHI's 2025 Cost of Service application (EB-2024-0031) at Exhibit 2. HHI appreciates the Board's attention to these matters and remains committed to upholding compliance with all OEB directives.

Please do not hesitate to contact us should you require further information.

Michel Poulin General Manager
Hydro Hawkesbury Inc. 850 Tupper St.
Hawkesbury, ON K6A 3S7
Tel: 613-632-6689

Commitment 44:

HHI has updated the cost of capital parameters to reflect the newly released rates on October 31, 2024.

Cost of Capital Parameters for 2025 Cost-Based Rates

The OEB has determined that the updated cost of capital parameters for cost-based rates (cost of service and custom incentive rate-setting) that have an effective date commencing in 2025 are:

Cost of Capital Parameter	Value for Applications for rate changes in 2025
ROE	9.25%
Deemed LT debt rate	4.66%
Deemed ST debt rate	5.04%

Detailed calculations of the cost of capital parameters may be referenced in the attached schedule titled "Schedule A – 2025 Cost of Capital Parameter Calculations".

Consistent with the OEB's July 26, 2024 letter (EB-2024-0063), the OEB is setting the Deemed ST debt rate on an interim basis for those utilities rebasing for 2025 rates,