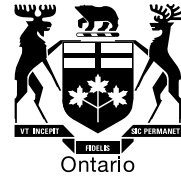


Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

January 24, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Halton Hills Hydro Inc. (Halton Hills Hydro)
2019 ICM Application
OEB Staff Interrogatories
OEB File No. EB-2018-0328**

In accordance with Procedural Order #1, please find attached OEB Staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Halton Hills Hydro's responses to interrogatories are due by February 8, 2019.

Yours truly,

Original Signed By

Jerry Wang
Incentive Rate Setting & Accounting

Encl.

**Halton Hills Hydro Inc. (Halton Hills Hydro)
EB-2018-0328**

Staff IR-1

Ref: Ontario Energy Board Filing Requirements for Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications – Chapter 3 Incentive Rate-Setting Applications, page 24

Excerpts from the above reference are reproduced below:

“Minor expenditures in comparison to the overall capital budget should be considered ineligible for ACM or ICM treatment. A certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the capital budget.”

As Halton Hills Hydro has noted, general ICM policy does not allow for the recovery of OM&A costs. For this exemption request, it should be incumbent on the distributor to demonstrate that the incremental OM&A costs are not minor expenditures. The OM&A expenses for 2017 as provided in ‘6. Rev_Requ_Check’ of the ICM model is \$6,007,592.

- a) Given that the project OM&A costs of \$131,515 is 2% of \$6,007,592, please explain why OM&A costs for the new TS cannot be absorbed within total OM&A expenditures.

Staff IR-2

Ref: ICM Application page 18

Halton Hills Hydro has noted on page 18 that:

“While the operating costs relating to the TS are direct increases to OM&A spending, it should be noted that customers will realize savings in monthly transformation connection costs as HHHI will be able to transfer some of the existing load to the new TS.”

- a) Has Halton Hills Hydro performed calculations for customer cost savings and bill impacts as it relates to the monthly transformation connection costs?
- b) If the answer to ‘a’ is yes, please provide the calculations. If the answer to ‘b’ is no, please quantify the bill impacts and provide the calculations.

Staff IR-3

Ref: ICM Application page 18

Halton Hills Hydro has noted on page 18 that: *“For HHHI to further absorb \$131,515 in additional and incremental OM&A costs, other programs may need to be reduced with a risk of decreased reliability.”*

- a) Please provide a discussion on Halton Hills Hydro’s plans if the ICM is denied.
- b) Please provide a discussion on Halton Hills Hydro’s plans if only the OM&A portion of the ICM is denied.
- c) Please indicate if Halton Hills Hydro has evaluated the impact on reliability under the following two scenarios:
 - i) ICM is denied
 - ii) ICM capital costs are approved but incremental OM&A is denied.
- d) If the answer to either part of question “c” is yes, please provide the evaluation. If the answer to either part of question “c” is no, please perform an evaluation on the scenario(s) listed in part “c” and provide it.

Staff IR-4

**Ref: Halton IRR EB-2015-0074 2-Staff-8
Halton IRR EB-2015-0074 1-Energy Probe-4**

In Halton Hills Hydro’s interrogatory responses provided during the 2016 Cost of Service application EB-2015-0074, Halton Hills Hydro provided an expected in-service date of 2018 and a capital cost of \$19 million. In particular, Halton Hills Hydro provided the following as a breakdown of its forecasted \$19 million capital expenditure:

“Land acquired and detailed design RFP issued in 2015. Expenditures in 2015 are estimated at \$1M Forecast Expenditures:

2016: \$6.4M / 2017:\$8.3M / 2018:\$3.3M”

- a) Please explain the 24% increase in capital expenditures from \$19,000,000 to \$23,476,441.
- b) Please provide actual capital expenditures for the TS for the years 2015-2018 and the forecasted costs for 2019.

Staff IR-5

Ref: ICM Application Page 19 – Planning and Cost Savings / Efficiencies / Avoidance

On page 19, Halton Hills Hydro states: *“Through diligent procurement and project management, overall costs have remained under budget.”*

- a) Please provide the budget for this project and the breakdown for the budget per year.

Staff IR-6

Ref: ICM Application Page 15 – Customer Engagement

Halton Hills Hydro notes that it began customer engagement activities as early as 2008.

- a) Given that the initial engagement in 2008 was a decade ago, what customer engagement activities has Halton Hills Hydro completed recently? Also, please provide the information communicated with customers.
- b) Does Halton Hills Hydro have any ongoing forms of customer communication?
- c) Has Halton Hills Hydro explained the ICM process and bill impacts to customers during its customer engagement activities?
- d) Has Halton Hills Hydro received any customer feedback in regards to the new TS?

Staff IR-7

Ref: Table 5 – Site Option Evaluation Results

In Table 5, the acceptable site locations are all located south of Steeles Avenue, near 5th or 6th line.

- a) Please elaborate the differences between options 2A, 2C and 2D based on the three criteria provided by Halton Hills Hydro.

Staff IR-8

Ref: ICM Application Page 19 – ICM Model

In table 7, Halton Hills Hydro has provided the amortization expense for the cost categories that make up the ICM. Halton Hills Hydro has noted:

“Where applicable, HHHI has used the HHHI specific Kinetrics report (Kinetrics Inc. Report No: K-418022-RA-0001-R003 dated December 10, 2009) to determine useful lives and calculate amortization expense. Where a specific asset is not included in this report, HHHI has used the Board Kinetrics Report, dated July 2010, for recommended useful lives.”

- a) Please explain why the Board report dated July 2010 was not used as the primary source for determining useful lives given that it is more recent than the other report dated December 10, 2009.
- b) The overall typical useful life of a power transformer, as given by the Board report on page 60, is 45 years. The typical useful life of a gas-insulated switchgear, as given by the Halton Hills Hydro Inc. specific report on page 39, is 40 years. Assuming a useful life of 40 years for the “TS Switchgear – Gas, Transformer” cost category and straight-line depreciation, the amortization expense should be $\$6,789,816 / 40 = \$169,745.40$, as opposed to \$196,505 in Table 7. Please reconcile the difference and explain why Halton Hills Hydro used a shorter useful life duration.
- c) Please provide the useful life Halton Hills Hydro has used for each of the cost categories in Table 7 and explain similar to part “b” the amortization expenses for the other cost categories.
- d) If any part of the response provided in part “c” deviates from the useful lives provided in either of the Kinetrics Reports, please explain why.

Staff IR-9

Ref: ICM Model, Tab 6 – Revenue Requirement Check

EB-2017-0045 IRR to OEB Staff Question #23 part a: Updated RRFW¹, Tab 5 – Utility Income

As part of Halton Hills Hydro’s 2018 IRM rates application, Halton Hills Hydro submitted a revised Revenue Requirement Work Form to correct errors made in the 2016 Cost of Service application. In particular, Halton Hills Hydro made an adjustment of \$339,393 under depreciation/amortization in tab 5 – Utility Income. A section of the table is reproduced below:

Utility Income

Line No.	Particulars	Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
Operating Revenues:						
1	Distribution Revenue (at Proposed Rates)	\$11,262,055	(\$1,308,064)	\$9,953,992	\$330,260	\$10,284,251
2	Other Revenue	(1) \$1,210,681	(\$251,537)	\$959,144	\$0	\$959,144
3	Total Operating Revenues	\$12,472,736	(\$1,559,601)	\$10,913,136	\$330,260	\$11,243,396
Operating Expenses:						
4	OM+A Expenses	\$6,754,806	(\$747,214)	\$6,007,592	\$ -	\$6,007,592
5	Depreciation/Amortization	\$2,356,442	(\$848,388)	\$1,508,054	\$339,393	\$1,847,446
6	Property taxes	\$104,440	\$ -	\$104,440	\$ -	\$104,440
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -

Halton Hills Hydro’s depreciation/amortization expense should be \$1,847,446 as per the 2018 adjustment. However, in tab 6 – Revenue Requirement Check of the ICM model, Halton Hills Hydro has put \$2,022,154 in cell C47 for amortization expenses.

- a) Please explain the different values, and if the \$2,022,154 amount was made in error please update the ICM model.

Staff IR-10

Ref: ICM Model, Tab 9 – Threshold Test

OEB staff notes that the calculated growth factor for Halton Hills Hydro is -1.49%. The negative growth rate is calculated using the difference between the total of the 2016 Board-Approved Distribution Demand of 516,203,452 kWh and the 2017 Actual Distribution Demand of 481,228,433 kWh.

- a) Given that the purpose of the new TS is to accommodate planned growth, please explain the decrease in distribution demand and negative growth factor.

¹ EB-2017-0045 - Filename “Halton_IRR_Rev_Reqt_Work_Form_Depreciation_20180220”

Staff IR-11

Ref: Manager's Summary, page 22

On page 22, Halton Hills Hydro requests approval to create DVAs to track the costs and recovery costs related to the TS. Halton Hills Hydro will follow the Accounting Procedures Handbook (APH) and the ACM Report for these DVAs.

- a) Please clarify if Halton Hills Hydro is requesting to establish DVAs beyond the generic accounts available in the APH.
- b) If yes, please describe the requested accounts, discuss the causation, materiality and prudence of these accounts as per the Chapter 2 Filing Requirements for the 2019 Rate Applications, and provide the draft accounting orders.