

**BY E-MAIL**

August 14, 2024

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

Dear Ms. Marconi:

**Re: Tillsonburg Hydro Inc. (Tillsonburg Hydro)  
2024 Cost of Service Rate Application  
Ontario Energy Board (OEB) File Number: EB-2023-0053**

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

Tillsonburg Hydro's responses to interrogatories are due by **September 4, 2024**. 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,

Petar Prazic  
Senior Advisor, Electricity Distribution

cc. All parties to EB-2023-0053

**OEB Staff Interrogatories**  
**2024 Electricity Distribution Rates Application**  
**Tillsonburg Hydro Inc.**  
**EB-2023-0053**  
**August 14, 2024**

\*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 2 – Distribution System Plan**

**2-Staff-1**

**Cable Replacement**

**Ref 1: System Renewal Capital Plans, pp. 84-87, Lisgar Heights Phase III and Fairgrounds capital projects**

**Ref 2: Chapter 2 Appendices, 2-AB Capital Expenditures**

**Preamble:**

As stated in the evidence in reference 1, the 2023 Asset Management Plan (2023 AMP) recommended an annual average replacement of approximately 1.6km of primary and 0.94km of secondary conductor, with a focus on the remaining 4 kV distribution system.

- a) As stated in the evidence in reference 1, it appears that primary cable replacement under system renewal category is solely based off age demographics. Historically, has there been any cable failures in the currently proposed replacement areas?
- b) As stated in the evidence in reference 1, it appears that Tillsonburg Hydro is replacing at least a total of 2.6 km of primary cable and 3.2 km of secondary cable as part of system renewal programs. Please confirm.
- c) Has Tillsonburg considered a slower pacing scenario for cable replacement in comparison to the recommended pacing in the 2023 AMP? In other words, is Tillsonburg Hydro able to leave the 1 MVA stepdown transformer that was installed in 2019 to serve the 4kV pocket in service for longer time and thus reduce the pace of cable replacement over a longer period in line with 2023 AMP recommendations? If not, why not?
- d) As per reference 2, Tillsonburg Hydro has underspent on system renewal as compared to what they planned to spend for all the historical years except 2020 by an average rate of 30%. How confident is Tillsonburg in closing this gap going

forward? And would a slower pacing of cable replacement as suggested in question (c) help closing this gap?

## **Exhibit 4 – OM&A**

### **4-Staff-2**

#### **O&M and Reliability**

**Ref 1: Chapter 2 Appendices, 2-JA**

**Ref 2: Distribution System Plan – Number of customer/customer hours interruptions, p. 17**

**Ref 3: Chapter 2 Appendices, 2-K**

#### **Preamble:**

Total recoverable OM&A expenses in the 2024 Test Year are \$3.3M, which is \$757k higher than the 2013 OEB approved OM&A (2.7% average annual increase). The 2024 Operations and Maintenance Expenses are \$735K, a reduction of \$422k from the 2013 OEB approved O&M, while the remaining expenses are \$2.5M, an increase of \$1.2M from the 2013 OEB approved. Tillsonburg Hydro explained that part of this is due to a reallocation between O&M and administration expenses.

The number of customer/customer hour interruptions for tree contact, defective equipment, and foreign interference has been increasing.

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

- a) In appendix 2-K, please confirm if the reduction in non-management staff in 2022 and 2023 were not O&M staff.
- b) Please explain if the reduction in O&M expenses has affected the restoration time for tree contact, defective equipment, and foreign interference.

### **4-Staff-3**

#### **1.1.3 - Cost Drivers and Significant Changes in OM&A**

**Ref: Exhibit 4, pp. 4-5 of 20**

#### **Preamble:**

Over the period 2013 to 2024, Tillsonburg Hydro made significant improvements to its financial recording and processes. These improvements resulted in two key changes. First, Tillsonburg Hydro enhanced its ability to accurately record employee costs directly

associated with capital projects, allocating those costs to the specific projects. Second, Tillsonburg Hydro implemented a more robust methodology for allocating management costs between the operating and maintenance (O&M) and Administrative and General (A&G) segments.

Because of these improvements, material shifts in how costs are allocated occurred gradually between the O&M and A&G categories from 2013 to 2016. Smaller adjustments were also made in 2019 and 2021 to further refine the allocation of costs between these two segments. Over the past ten years, Tillsonburg Hydro improved its direct capital allocation practices, and effectively recorded management costs in the appropriate OM&A categories, while maintaining relatively flat total OM&A costs and full-time equivalent (FTE) levels.

As a result of the one-day Issues Meeting held on July 30, 2024, Tillsonburg Hydro agreed to a number of clarifications, updates, and corrections, updates which were outlined in the OEB's August 9, 2024 Decision on Issues List (Schedule C). In addition to the clarifications, updates, and corrections Tillsonburg Hydro agreed to in the OM&A row, please provide answers to the questions below.

**Questions:**

- a) Please explain how the changes outlined above improved Tillsonburg Hydro's accuracy in reporting employee costs directly associated with capital projects.
- b) Which specific projects saw the biggest shift in employee costs being shifted to them? Please provide amounts and total employees allocated by year, where possible.
- c) Please provide a detailed explanation of the implemented methodology outlined above for allocating management costs between the O&M and A&G categories.