

August 27, 2024

**VIA RESS**

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> Floor, Box 2319  
Toronto, ON M4P 1E4  
Email: [registrar@oeb.ca](mailto:registrar@oeb.ca)

Dear Ms. Marconi,

**RE: EB-2023-0053 Tillsonburg Hydro Inc. Cost of Service Rate Application (“COS”) for 2024 Electricity Distribution Charges**

Tillsonburg Hydro Inc. (“THI”) submits its responses to Commitments established in OEB Staff’s letter dated August 2, 2024, and well in advance of its filing requirement, responses to interrogatories received from OEB Staff August 18, 2024. In addition, THI has included alongside these Commitments and interrogatory responses a full and complete set of models.

The following files have been submitted via the OEB’s RESS filing system:

1. THI\_Cover\_Letter\_and\_Commitments\_IRRs\_20240827F
2. THI\_2024\_1592\_Accelerated\_CCA\_Update\_20240827
3. THI\_2024\_Cost\_Allocation\_Model\_Update\_20240827
4. THI\_2024\_DVA\_Continuity\_Schedule\_Update\_20240827
5. THI\_2024\_Filing\_Requirements\_Chapter2\_Appendices\_Update\_20240827
6. THI\_2024\_Load\_Forecast\_Model\_Update\_20240827
7. THI\_2024\_PILs\_Model\_Update\_20240827
8. THI\_2024\_Rev\_Req\_Workform\_Update\_20240827
9. THI\_2024\_RTZR\_Workform\_Update\_20240827
10. THI\_2024\_Tariff\_Schedule\_and\_Bill\_Impact\_Model\_Update\_20240827
11. THI\_2024CoS\_Load\_Profiles\_20240827
12. THI 2023 T2 Tax Return – 20240827
13. THI 2023 Independent Auditors Report – 20240827

Should you have any questions or require additional information, please do not hesitate to contact the undersigned.

Yours truly,



Digitally signed  
by Graig Pettit  
Date:  
2024.08.27

Graig Pettit

General Manager

Tillsonburg Hydro Inc.

[Hydro-Manager@tillsonburg.ca](mailto:Hydro-Manager@tillsonburg.ca)

cc: Michael Buonaguro

## Tillsonburg Hydro Inc. Evidence Update

On April 30, 2024 Tillsonburg Hydro Inc. (“Tillsonburg” or “THI”) filed a Cost of Service application requesting approval of distribution rates and charges effective May 1, 2024.

On June 6, 2024 the Ontario Energy Board (“OEB”) issued Procedural Order 1, accepting THI’s request to participate in the OEB’s pilot process for Very Small Utilities. As part of this pilot process, THI participated in an informal Discovery Day with intervening parties and OEB Staff on July 30, 2024. THI agreed to a series of Commitments as part of the Discovery Day (“Commitments”), and on August 2, 2024 OEB Staff filed a letter with the OEB proposing an Issues List and an Interrogatory Issues List, limiting the scope of interrogatories to only those areas where intervenors and OEB Staff believed additional written responses were required. On August 9, 2024, the OEB accepted the proposed Issues List and Interrogatory Issues List.

This submission provides the Commitments agreed to by THI, as well as an well in advance of the filing requirement responses to interrogatories received from OEB Staff August 18, 2024. In addition, in the process of fulfilling Commitments and answering interrogatories, THI has identified the need to update its evidence and requested relief. THI has included alongside these Commitments and interrogatory responses a full and complete set of models, incorporating its updated request. THI’s Commitment responses outlined in this submission provide further detail regarding the update. The following summarizes the impact of this evidence update.

### **2024 Test Year Revenue Requirement**

<b>Particular</b>	<b>Application</b>	<b>Update</b>	<b>Variance</b>
OM&A Expenses	\$3,272,229	\$3,272,229	\$0
Depreciation Expense	\$906,281	\$906,281	\$0
Property Taxes	\$5,500	\$5,500	\$0
<b>Total Distribution Expenses</b>	<b>\$4,184,009</b>	<b>\$4,184,009</b>	<b>\$0</b>
Regulated Return On Capital	\$1,426,270	\$1,265,505	<b>-\$160,765</b>
Grossed up PILs	\$50,715	\$61,289	\$10,574
<b>Service Revenue Requirement</b>	<b>\$5,660,994</b>	<b>\$5,510,804</b>	<b>-\$150,190</b>
Less: Revenue Offsets	-\$478,611	-\$383,225	\$95,386
<b>Base Revenue Requirement</b>	<b>\$5,182,383</b>	<b>\$5,127,579</b>	<b>-\$54,804</b>

**2024 Rate Base**

Particular	Application	Update	Variance
<b>Net Capital Assets in Service:</b>			
<b>Avg Gross Assets</b>	<b>\$32,036,650</b>	<b>\$32,036,650</b>	<b>\$0</b>
<b>Avg Acc Depr</b>	<b>\$14,374,536</b>	<b>\$14,374,536</b>	<b>\$0</b>
<b>Average Balance</b>	<b>\$17,662,114</b>	<b>\$17,662,114</b>	<b>\$0</b>
<b>Working Capital Allowance</b>	<b>\$1,781,042</b>	<b>\$1,813,190</b>	<b>\$32,148</b>
<b>Total Rate Base</b>	<b>\$19,443,156</b>	<b>\$19,475,305</b>	<b>\$32,149</b>
<b>Capital Additions</b>	<b>\$2,076,693</b>	<b>\$2,076,693</b>	<b>\$0</b>

**2024 Cost of Capital - Application**

<u>Particulars</u>	<u>Capitalization Ratio</u>		<u>Cost Rate</u>	<u>Return</u>
	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-term Debt	56.00%	\$10,888,167	6.08%	\$661,531
Short-term Debt	4.00%	\$777,726	6.23%	\$48,452
<b>Total Debt</b>	<b>60.0%</b>	<b>\$11,665,894</b>	<b>6.09%</b>	<b>\$709,984</b>
<b>Equity</b>				
Common Equity	40.00%	\$7,777,262	9.21%	\$716,286
Preferred Shares		\$ -		\$ -
<b>Total Equity</b>	<b>40.0%</b>	<b>\$7,777,262</b>	<b>9.21%</b>	<b>\$716,286</b>
<b>Total</b>	<b>100.0%</b>	<b>\$19,443,156</b>	<b>7.34%</b>	<b>\$1,426,270</b>

**2024 Cost of Capital - Update**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-term Debt	56.00%	\$10,906,171	4.58%	\$499,503
Short-term Debt	4.00%	\$779,012	6.23%	\$48,532
<b>Total Debt</b>	<b>60.0%</b>	<b>\$11,685,183</b>	<b>4.69%</b>	<b>\$548,035</b>
<b>Equity</b>				
Common Equity	40.00%	\$7,790,122	9.21%	\$717,470
Preferred Shares		\$ -		\$ -
<b>Total Equity</b>	<b>40.0%</b>	<b>\$7,790,122</b>	<b>9.21%</b>	<b>\$717,470</b>
<b>Total</b>	<b>100.0%</b>	<b>\$19,475,305</b>	<b>6.50%</b>	<b>\$1,265,505</b>

**2024 Customer Forecast**

Customer Class	Application	Update	Variance
Residential	7,835	7,690	-145
GS<50	698	709	11
GS 50-499kW	72	77	5
GS 500-1499kW	5	7	2
GS 1500-4999 kW	2	2	0
USL	55	54	-1
Sentinel Lighting	115	112	-3
Street Lighting	1	1	0
<b>Total</b>	<b>8,783</b>	<b>8,653</b>	<b>-130</b>

**2024 Variable Billing Determinant Forecast**

Customer Class	Billing Determinant	Application	Update	Variance
Residential	N/A	N/A	N/A	N/A
GS<50	kWh	23,022,735	23,272,864	250,129
GS 50-499kW	kW	162,219	178,666	16,447
GS 500-1499kW	kW	57,274	62,710	5,435
GS 1500-4999 kW	kW	42,760	40,957	-1,803
USL	kWh	331,791	333,947	2,156
Sentinel Lighting	kW	195	197	2
Street Lighting	kW	1,676	1,735	60

**2024 Cost Allocation – Revenue-to-Cost Ratios**

Customer Class	Application		Update		Variance
	Status Quo Revenue-to-Cost	Proposed Revenue-to-Cost	Status Quo Revenue-to-Cost	Proposed Revenue-to-Cost	Proposed Revenue-to-Cost
Residential	95.30%	96.34%	93.17%	95.96%	-0.38%
GS<50	139.45%	120.00%	140.36%	120.00%	0.00%
GS 50-499kW	79.62%	96.34%	87.47%	95.96%	-0.38%
GS 500-1499kW	143.13%	120.00%	146.84%	120.00%	0.00%
GS 1500-4999 kW	143.75%	120.00%	119.73%	119.73%	-0.27%
USL	88.09%	96.34%	125.93%	120.00%	23.66%
Sentinel Lighting	45.45%	96.34%	59.59%	95.96%	-0.38%
Street Lighting	191.87%	120.00%	151.32%	120.00%	0.00%

**2024 Bill Impacts - Updated**

Customer Class	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
Residential	kwh	\$ 6.09	19.8%	\$ 6.89	20.6%	\$ 7.44	15.8%	\$ 7.54	6.1%
GS<50	kwh	\$ (1.00)	-1.4%	\$ 2.41	3.1%	\$ 3.69	3.4%	\$ 3.75	1.2%
GS 50-499kW	kw	\$ 107.82	23.6%	\$ 182.38	39.9%	\$ 214.22	16.8%	\$ 248.38	3.5%
GS 500-1499kW	kw	\$ (136.92)	-5.4%	\$ 334.15	13.1%	\$ 594.62	6.5%	\$ 720.36	1.3%
GS 1500-4999 kW	kw	\$ 853.72	13.8%	\$ 2,191.62	35.3%	\$ 2,798.22	12.9%	\$ 3,299.29	2.2%
USL	kwh	\$ 6.25	1.3%	\$ 9.49	1.9%	\$ 10.78	2.1%	\$ 10.93	1.5%
Sentinel Lighting	kw	\$ 0.11	0.0%	\$ 0.12	0.0%	\$ 0.12	0.0%	\$ 0.13	0.0%
Street Lighting	kw	\$ (243.35)	-7.9%	\$ (188.56)	-6.1%	\$ (165.37)	-4.5%	\$ (181.04)	-1.9%

The original Tariff Schedule and Bill Impact model filed by THI April 30, 2024 included a Rate Rider for Disposition of Account 1589 to Class B Non-RPP Customers in the amount of \$0.0072/kWh. The bill impacts shown in this original model applied this rider only to the GS 50-499kW, GS 500-1,499kW and GS >1,500kW customer classes, though the rider would impact some (but not all) customers in most rate classes. Subsequent to the Discovery Day, THI revised its DVA Continuity Schedule in consultation with OEB Staff, resulting in a revised Account 1589 disposition rider of \$0.0402/kWh when disposed of over a 24 month period. The scale of the rider is driven by a total Account 1589 balance of \$3,485,627, consistent with a recently completed OEB compliance review, as well as the reality that these amounts will be disposed of to a subset of THI’s customer base.

Though the previously filed Tariff Schedule and Bill Impact model applied the Account 1589 rider only to the above three noted rate classes, all customer classes with the exception of USL and Sentinel Lighting have some Class B, Non-RPP consumption to which the Account 1589 rider will apply. The table below shows the bill impacts for Class B, Non-RPP customers of THI’s updated application, inclusive of the revised Account 1589 rate rider applied over a 24 month period. The bill impacts for Class B, Non-RPP customers have been included in the updated Tariff Schedule and Bill Impacts model included with these Commitments.

**2024 Bill Impacts – Updated – Class B Non-RPP Customers**

Customer Class	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
Residential	kwh	\$ 6.09	19.8%	\$ 37.04	110.1%	\$ 37.60	79.6%	\$ 38.09	29.7%
GS<50	kwh	\$ (1.00)	-1.4%	\$ 82.83	107.5%	\$ 84.10	76.5%	\$ 85.21	26.2%
GS 50-499kW	kw	\$ 107.82	23.6%	\$ 2,049.67	448.4%	\$ 2,081.51	163.6%	\$ 2,358.42	33.0%
GS 500-1499kW	kw	\$ (136.92)	-5.4%	\$ 14,675.70	575.8%	\$ 14,675.70	575.8%	\$ 16,631.97	35.5%
GS 1500-4999 kW	kw	\$ 853.72	13.8%	\$ 42,847.41	690.2%	\$ 42,847.41	690.2%	\$ 48,554.87	36.9%
Street Lighting	kw	\$ (243.35)	-7.9%	\$ 1,637.88	53.2%	\$ 1,661.08	45.2%	\$ 1,883.19	19.3%

## Tillsonburg Hydro Inc. Commitment Responses

The following are Tillsonburg' responses to its commitments as found in Schedule C of the OEB's letter dated August 2, 2024. Additionally, THI has included its responses to OEB Staff's interrogatories submitted August 14, 2024.

### Commitment 1: Model Updates

Request: Update 2023 bridge year forecasts with 2023 actuals in Chapter 2 appendices.

**Response:**

Please see file named THI\_Filing\_Requirements\_Chapter2\_Appendices\_Update\_20240827 for the updated Chapter 2 appendices.

### Commitment 2: Town Costs Incurred by Tillsonburg Hydro 2019-2023

Reference: Exhibit 4, Table 8, p. 15 of 20

Request: Update to include 2024 costs.

**Response:**

Please see updated Table 8 to include 2024 costs:

**Table 1 Updated Table 8 Exhibit 4**

<b>Related Party Transactions received from Town</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024 Budget</b>
Labour Costs <sup>1</sup>	\$1,892,306	\$1,922,058	\$1,843,121	\$2,057,759	\$2,050,703	\$2,050,703
Fleet <sup>2</sup>	\$155,844	\$163,000	\$177,000	\$177,000	\$172,677	\$179,700
Rent	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$112,500
IT Services	\$54,388	\$55,000	\$57,500	\$68,004	\$79,900	\$84,200
Master Services Agreement	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$146,720
<b>Total</b>	<b>\$2,394,557</b>	<b>\$2,432,078</b>	<b>\$2,369,642</b>	<b>\$2,594,785</b>	<b>\$2,595,303</b>	<b>\$2,573,823</b>

1. Labour costs are for salaries and benefits payable for staff allocated to THI
2. Fleet is the cost for purchase and maintenance of fleet paid by the Town on THI's behalf



### **Commitment 3: Regulatory One-Time Costs**

Reference: Exhibit 4, 1.4.2, p. 16 of 20

Request: Identify and update for any material one-time costs since 2013.

**Response:**

Tillsonburg confirms that it has not identified any material one-time regulatory costs since 2013, up to the preparation of this Application.

### **Commitment 4: Fleet Costs**

Request: Provide allocation of Fleet costs provided by shareholder to regulated entity between OM&A and Capital.

**Response:**

Please see the following table for the allocation of fleet costs between capital and OM&A for the years of 2020 to 2023, and the first half of 2024:

**Table 2 - Allocation of Fleet Costs between Capital and Operating Expenses**

<b>Allocation Category</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024 (Jan-Jun)</b>
Capital	67%	71%	58%	64%	44%
Operating	33%	29%	41%	36%	56%
Total	100%	100%	100%	100%	100%

**Commitment 5: OM&A**

**Request:** Provide a UsoA Breakdown over time showing the transition of costs from O&M to A categories.

**Response:**

Tillsonburg Hydro's payroll records and specifically timesheets were completed using a paper process. To facilitate its response to this commitment, THI reviewed a sampling of these records to identify the majority of O&M accounts that had management labour costs transitioned from Operations, Maintenance to Administration.

The transition of costs from O&M to Admin occurred primarily between 2018 & 2019. Labour costs for management prior to 2019 were allocated across the various USoA's for operations (i.e. UsoA accounts 5005-5085) and maintenance (i.e. UsoA accounts 5105-5175). These costs were reassigned to USoA account 5610 Management Salaries and Expenses in 2019. Below is an excerpt from Appendix 2-JD showing the reduction in operations and maintenance account expenses between 2018 and 2019 along with the increase to management salaries and expenses in 2019.



**Commitment 6: Corporate Cost Allocation**

Reference: Appendix 2-N Corporate Cost Allocation

Request: Provide updated corporate cost allocation amounts for 2024.

**Response:**

THI does not have any updates to its 2024 corporate cost allocation amounts. The Town of Tillsonburg invoices THI monthly based on its budget until the end of year when a true-up is performed. The following provided as reference is the as-filed Appendix 2-N table for 2024:

**Table 4 Appendix 2-N 2024 Corporate Cost Allocation**

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
<i>The town of Tillsonburg</i>	<i>Tillsonburg Hydro Inc.</i>	Management Fee	Fixed	100	\$146,720
		Direct Labour Costs	Actual	100	\$1,768,057
		Fleet Charges	Actual	100	\$179,700
		Rent/ Operations & Admin	Actual	100	\$112,500
		IT Services	Actual	100	\$84,200
		Indirect Labour	Actual	100	\$282,646
		<b>Total</b>			<b>\$2,573,823</b>

**Commitment 7: Regulatory Costs**

Reference: Exhibit 4, 1.4.3, Table 10, p. 16 of 20

Request: Update One-Time regulatory costs for reduced intervenor costs and provide non-intervenor one-time regulatory costs incurred to date.

**Response:**

Tillsonburg notes that the reference is to Table 9 on page 16 of 20 in Exhibit 4. THI has updated table 9 below to reflect a reduction in intervenor costs from \$60,000 to \$40,000. Additionally, THI has reviewed its actuals and updated both its legal and consultant cost estimates. Overall, the updated total one-time regulatory costs stays the same as-filed at \$160,000.

**Table 5 - Updated Table 10 Exhibit 4 One-Time Regulatory Costs**

	<b>Regulatory Costs (One-Time)</b>	<b>Application 2024 Test Year</b>	<b>Updated 2024 Test Year</b>
<b>1</b>	Expert Witness costs	-	
<b>2</b>	Legal costs	\$40,000	\$20,000
<b>3</b>	Consultants' costs	\$60,000	\$100,000
<b>4</b>	Incremental operating expenses associated with staff resources allocated to this application.	-	
<b>5</b>	Incremental operating expenses associated with other resources allocated to this application.	-	
<b>6</b>	Intervenor costs	\$60,000	\$40,000
<b>7</b>	OEB Section 30 Costs (application-related)	-	
<b>8</b>	<b>TOTAL</b>	<b>\$160,000</b>	<b>\$160,000</b>

**Commitment 8: 2023 Income Tax Return**

Request: File updated 2023 Income Tax return.

**Response:**

Please see filename THI 2023 T2 Tax Return – 20240827 for Tillsonburg’s 2023 Income Tax Return.

**Commitment 9: Long-Term Debt Rate**

Request: Update the Long Term Debt Rate applicable to the TD Bank Loan

**Response:**

THI has updated the Long-Term Debt Rate in the update models filed alongside these Commitments to a value of 4.58%, which is equal to the OEB’s Long-Term Debt rate as per the OEB’s cost of capital policies for variable long-term debt instruments.

**Commitment 10: DVA Balance**

Request: Add 2023 AIIP entries to the 1592 DVA balance for disposition.

**Response:**

2023 AIIP entries have been added to the updated Accelerated CCA model included with these Commitments, filed as THI\_2024\_1592\_Accelerated\_CCA\_Update\_20240827. 2023 AIIP principal entries have been included in the 2022 Principal Adjustments column located in Tab 2b

of the DVA Continuity Schedule. Interest on 1592 Sub-Account Accelerated CCA from January 1, 2024 to April 30, 2024 has been updated to include the 2023 AIP principal entry.

### **Commitment 11: Other Revenue**

**Request:** Provide a narrative with respect to the drivers of volatility in annual Other Revenue values.

**Response:**

The primary area that THI has experienced volatility in its annual Other Revenue values driven by Account 4405, Interest and Dividend Income. Prompted by discussion during Discovery Day, THI investigated and discovered Deferral and Variance Account interest had been included for the years 2022, 2023 and 2024. In the revised Chapter 2-H, and the broader model set filed alongside these Commitments, THI has removed DVA interest from Account 4405 for the purpose of calculating Other Income for the 2023 Bridge (now Actual) Year and 2024 Test Year. The 2022 value populated in Appendix 2-H is driven by the OEB's Chapter 2 Appendices model, and continues to show a value of \$91,472, as opposed to the correct value of \$18,309.

### **Commitment 12: Pole Attachment Revenue**

**Request:** Confirm whether THI used the OEB approved pole attachment rate when forecasting pole attachment revenue for 2024. If current pole revenue forecast presumes continuation of DVA treatment, revise pole revenue forecast for 2024.

**Response:**

Tillsonburg confirms that it used the OEB approved pole attachment rate for 2024 in its forecast of pole attachment revenue.

### **Commitment 13: 2023 Audited Financials**

**Request:** File 2023 Audited Financials

**Response:**

Please see file named THI 2023 Independent Auditors Report - 20240827 for the 2023 Audited Financials.

### **Commitment 14: Load Forecast**

Request: Provide updated customer count/forecast through 2023 and at June 2024.

**Response:**

THI's load forecast has been updated to incorporate 2023 actuals, and 2024 January through June actuals; filed as THI\_2024\_Load\_Forecast\_Model\_Update\_20240827. The updated load forecast incorporates the removal of Shutdown customer consumption and demand from calculation of kW billing determinants, as further discussed in Commitment 16.

### **Commitment 15: Load Forecast**

Request: Explain what the customer volumes for slowdowns represent (i.e. consumption vs. reduced consumption) and how they were removed and re-incorporated into the Power Purchased regression analysis.

**Response:**

The customer volumes for slowdowns represent the total consumption of identified customers that have significantly reduced their consumption on a permanent basis. These reductions are internal to the customer accounts in question, and cannot reliably be tied to an external factor which lends itself to inclusion as an independent variable in the regression. As such the entire consumption of identified customers were removed from the Power Purchased volumes in the regression analysis to allow for a statistically valid regression. Subsequently, the entire forecast consumption of slowdown customers were added back to the regression-based forecast power purchased. Forecast consumption of slowdown customers are based on an excel TREND function calculation.

### **Commitment 16: Demand Billing Determinants**

Request:

- A. Confirm whether ratios were determined using all customers or adjusted for reduced number of customers.
- B. Confirm which rate classes were affected. Provide data showing kWh/kW ratios with shutdown values removed from the analysis.

**Response:**

- A. Ratios were determined using the historical consumption (kWh) and demand (kW) of all customers, including customers on the shutdown and reduced load list.
- B. The reduced load list of customer accounts includes customers in the GS 50-499kW, GS 500-1,499kW, and GS >1,500kW rate classes. The list of shutdown customers that have permanently ceased operations and distribution service include only customers in the GS 50-499kW rate class.

Exclusion of shutdown kWh and kW values in the calculation of kWh/kW ratios and resulting billing determinants has the impact of modestly increasing forecast kW billing determinants for the GS 50-499kW rate class. The tables below show forecast kW for this rate class included in THI's pre-filed evidence, alongside kW billing determinants calculated when excluding the kWh and kW of shutdown customers. Given the permanent loss of shutdown customers, THI believes exclusion of shutdown values from the calculation of kW billing determinants is an appropriate methodology, and has adopted this methodology in the updated load forecast filed alongside its Discovery Day commitments.

**Table 6 – GS 50-499kW kW/kWh Ratios**

Year	Pre-Filed kW/kWh Ratios	kW/kWh Ratios Excl. Shutdowns
2016	0.3206%	0.3596%
2017	0.3231%	0.3595%
2018	0.3101%	0.3213%
2019	0.3075%	0.3002%
2020	0.3145%	0.3059%
2021	0.3134%	0.3073%
2022	0.2968%	0.2911%
<b>Average</b>	<b>0.3123%</b>	<b>0.3207%</b>

**Table 7 – GS 50-499kW kW Billing Determinants**

Year	Pre-Filed kW	kW Excl. Shutdown
2023	163,381	167,783
2024	162,219	166,590

**Commitment 17: Cost Allocation**

Request:

- A.** For street lighting, sentinel lighting, and USL check if customer numbers are accurate in Cost Allocation model worksheet Customer Data. Update as necessary.
- B.** Confirm the allocation of customer count to Line Transformer and Secondary system in 3 large GS classes. Update as necessary.
- C.** In connection with concern with 12NCP and 4 NCP demand allocators, THI to consider whether it is feasible to provide new load profiles at this time incorporating 2023 data.
- D.** Confirm reason why GS <50 has factor value less than Residential in worksheet I5.2.



- E. Confirm calculation of PLCC value for streetlights, potentially relating to use of connections vs. customers. Update if necessary.

**Response:**

- A. Upon review, the Device count for the Streetlighting Class included in pre-filed evidence was incorrect, and has been updated to a value of 3,089. The customer count for this rate class remains 1. In addition, the number of Unmetered Scattered Load customers has been corrected to a value of 10, with corresponding changes to the Number of Bills.
- B. In THI's pre-filed evidence, the Cost Allocation Model indicated that none of THI's GS 500-1,499kW and GS >1,500kW customers utilized THI's line transformers or secondary system. On review, this is confirmed to be the case. However, in addition to the above noted customers, 9 of THI's GS 50-499kW customers use neither THI's line transformers or secondary system. As such, tab I6.2 Customer Data of the Cost Allocation Model has been revised to remove these 9 customers from the Line Transformer and Secondary Customer Base categories, with corresponding adjustments to Non-Coincident Peak demand allocators in tab I8 Demand Data.
- C. THI has reviewed the available data, and determined it is feasible to update its load profiles and demand allocators utilizing the Historical Average approach, as outlined in Section 2.7.1.1 of the OEB's Filing Requirements.

Under this method, THI retrieved actual hourly load by rate class for the years 2021, 2022 and 2023. In order to adjust for any data variances amongst the rate classes (e.g. missing data due to meter errors or other factors), the load profiles for each rate class, for each year were adjusted such that the sum of all hours for each rate class is equal to the total actual annual consumption used to inform THI's load forecast for that rate class, for that year. Relying on the resulting 'scaled up' load profiles, THI developed Coincident Peak (CP) and Non-Coincident Peak (NCP) demand allocators for each rate class, for each of the three years identified above.

Per the Filing Requirements, where actual, non-normalized data is used to inform load profiles, a minimum of three years data is required. THI's load profiles meet this requirement, and avoid the complexity associated with direct weather-normalization of load profiles.

THI's revised load profiles and resulting demand allocators have been included in a live excel model, filed with these Commitments as THI\_2024CoS\_Load Profiles\_20240827. Implementation of THI's revised updated load profiles has a modest impact on the cost allocation outputs in this application, as demonstrated in the table below which compares the updated 4CP and 4NCP Primary demand allocator values against those included in THI's original Application submission. The Revenue-to-Cost Ratio comparison table included at the beginning of this submission also demonstrates the impact this update has on cost allocation and proposed rates. Both comparisons incorporate the impacts of THI's revised load forecast, which has been updated to include 2023 and 2024 Jan-Jun Actuals.

Particular	Residential	GS <50	GS 50-499	GS 500-1499	GS >1500	Street Light	Sentinel	USL
Application 4CP	54,191	17,736	37,820	10,307	9,865	-	-	157
Updated 4CP	48,922	19,002	40,067	16,692	12,651	-	-	135
<b>Variance</b>	<b>- 5,269</b>	<b>1,266</b>	<b>2,246</b>	<b>6,385</b>	<b>2,786</b>	<b>-</b>	<b>-</b>	<b>- 22</b>
Application Primary 4NCP	58,660	18,652	39,514	12,710	11,630	571	67	165
Updated Primary 4NCP	61,336	19,531	41,130	18,246	16,073	565	66	186
<b>Variance</b>	<b>2,677</b>	<b>879</b>	<b>1,616</b>	<b>5,536</b>	<b>4,443</b>	<b>- 6</b>	<b>- 1</b>	<b>21</b>

D. As noted in Exhibit 7, pages 4 to 5, to inform both the Services and Billing & Collections weighting factors for this application, THI reviewed the weighting factors included in its 2013 Cost of Service application and found them to be reasonable.

With respect to Services, THI found a 0.6 for the GS<50kW class to be reasonable in light of the proportionate number of customers in this rate class which pay for services via capital contribution relative to Residential.

With respect to a 0.9 for Billing & Collections, THI finds the GS<50kW and Residential rate classes to be largely similar with respect to their Billing & Collections costs per customer. This said, THI notes its GS<50kW customers typically experience less moves and turnover than Residential customers, resulting in a lower burden per customer for these costs. On this basis, THI finds the 0.9 weighting factor to be reasonable.

E. On review subsequent to Discovery Day, THI determined the calculation for minimum PLCC value for the Streetlighting class included in its original cost allocation model relied on number of connections, as opposed to number of customers (i.e. 1 customer). Given the Streetlighting fixed charge relies on number of customers, the PLCC calculation has been revised to reflect number of customers, with a corresponding change to related values in Tab O2, as well as Tab I6.1 Revenue.

**Commitment 18: Retail Transmission Service Rates and Low Voltage rates**

Request: Confirm that RTSR tab 3 and Tab 5 use the same years of data.

**Response:**

THI reviewed Tabs 3 and 5 of the OEB’s RTSR model and discovered some values were sourced from inconsistent years. Tabs 3 and 5 of the RTSR model included with these Commitments have been adjusted to consistently reference 2022 data, as this is the year’s data pulled by the RTSR model from RRR data.

**Commitment 19: Deferral and Variance Accounts**

**Request:**

- A. File pole attachment variance account detailed calculations: # poles X Difference in Revenue X OEB Rate.
- B. File DVA Continuity Schedule 2A needs to have principal amounts adjusted in DVA and GA workform to align. Ending 2022 balance did not include adjustments and closing 2023 balance includes adjustments.
- C. File Group 1 accounts 2016 end balance doesn't tie to 2017 opening. This was noted in the two DVA continuity submitted files (i.e. 2013-2016 and 2017 to 2023).
- D. Update continuity schedule 2B to remove \$8k balance given LRAM was fully disposed in 2018 IRM.
- E. Confirm THI's intent with respect to the use of the following three accounts:
  - A. OEB Ultra-Low Option Variance Account
  - B. OEB Green Button Variance Account
  - C. OEB Cost Assessment Variance Account

**Response:**

- A. Please see below a table depicting the calculation of principal entries to Account 1508 – Sub-Account Pole Attachment Revenue Variance. The table compares OEB generic wireline pole attachment charges, against the Specific Charge for Access to the Power Poles (\$/pole) value of \$22.35, approved by the OEB in THI's 2013 Cost of Service (EB-2012-0168), and in every THI IRM application thereafter, up to and including 2018 (EB-2017-0076). The difference between each year's charge is multiplied by the number of poles to which the charge applies to derive a total variance, which forms the basis for entries to the Pole Attachment Revenue Variance Sub-Account.

	<b><u>2018*</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
OEB Wireline Pole Attachment Charge	\$28	\$44	\$45	\$45	\$35
Tillsonburg Specific Charge for Access to Power Poles	\$22	\$22	\$22	\$22	\$22
Variance	-\$6	-\$21	-\$22	-\$22	-\$12
# of poles	\$1,113	\$1,113	\$1,113	\$1,113	\$1,113
<b>Pole Attachment Revenue Variance</b>	<b>-\$2,130</b>	<b>-\$23,685</b>	<b>-\$24,653</b>	<b>-\$24,653</b>	<b>-\$13,812</b>

\*OEB Wireline Pole Attachment Charge effective Sep - Dec

- B. THI has adjusted the DVA Continuity Schedule 2A for principal amounts. Please see file name THI\_2024\_DVA\_Continuity\_Schedule\_Update\_20240827 which has been filed along with these responses.
- C. THI has updated its 2017 opening balance as per OEB Staff's observation, in the DVA Continuity file noted in response to part B.

D. THI highlights that the reference to an \$8K balance should be corrected to a principal balance of \$19,961. The approved settlement proposal in THI’s 2013 Cost of Service (EB-2012-0168) provided for disposition of LRAMVA amounts relating to 2010 and 2011 Conservation and Demand Management energy savings, with principal balances of \$14,970 and \$17,245, respectively. On investigation, these balances were not fully disposed of as a result of delayed implementation of rate riders, which began in August of 2013, as opposed to on May 1, 2013 (the date for which the riders had been calculated). Though these balances should appear in Account 1595, no such historical entries were made, resulting in a principal balance of \$19,961 remaining in Account 1568.

The LRAMVA closing principal balance recorded in 2014 was \$19,691 as shown in the group 2 accounts worksheet in the file named THI\_2024\_DVA Continuity 2013-2016 20240607. THI has recorded interest amounts to THI’s 2014 principal balance up to April 30, 2024, which totals to a principal plus interest amount of \$23,606. These annual interest amounts for years 2014 to 2017 can be seen in the file named THI\_2024\_DVA Continuity 2013-2016 20240607 that was filed on June 10, 2024. Interest amounts for the years 2017 to 2024 can be seen in the updated DVA Continuity Schedule, Tab 2b, filed alongside these Commitments. THI is seeking disposition of the principal and interest balance which totals \$23,606.

In order to allocate this residual balance in 1568, THI proposes to rely on the original allocation of LRAMVA balances amongst the Residential, GS<50kW and GS 50-499kW rate classes. The table below provides a calculation of the original allocation of the 2010 and 2011 LRAMVA balances, applied to the residual balance for these 3 rate classes. For simplicity at this time, the LRAMVA riders have been included within the global Group 2 riders in the Tariff Schedule and Bill Impacts model included with these Commitments.

	<b>2010 Allocation</b>	<b>2011 Allocation</b>	<b>2010 - 2011 Total</b>	<b>2010 - 2011 Allocation</b>	<b>LRAMVA Residual Allocation</b>
Residential	\$5,942	\$3,690	\$9,632	30%	<b>\$7,058</b>
GS<50kW	\$6,862	\$1,792	\$8,654	27%	<b>\$6,341</b>
GS 50-499kW	\$2,165	\$11,764	\$13,929	43%	<b>\$10,207</b>
<b>Total</b>	<b>\$14,970</b>	<b>\$17,245</b>	<b>\$32,215</b>	<b>100%</b>	<b>\$23,606</b>

E.  
A. THI accumulated a balance of only \$6,160 as at December 31, 2022 as a result of the Ultra-Low Option. As such, this amount is not material and is not sought for disposition at this time. THI proposes to retain the balance in this sub-account. In the event additional Government or OEB direction requires additional costs of this nature to be incurred, THI may seek disposition at a later date.

- B. THI excluded balances in the Green Button Variance Account in its pre-filed evidence, as these amounts were incurred in 2023. THI has included the 2023 entries into the Green Button Variance account in the updated DVA Continuity Schedule included with these commitments, with interest from January 1, 2024 through April 30, 2024. With interest, the total amount in this sub-account is a debit of \$37,334. THI is seeking disposition of this amount in this Application.
- C. THI excluded balances in the OEB Cost Assessment Variance Account in its pre-filed evidence in error. THI has included historical entries into the OEB Cost Assessment Variance account in the updated DVA Continuity Schedule included with these commitments, including amounts incurred in 2023. The principal accumulated from 2016 through 2023 is \$76,142. With interest, the total amount in this sub-account is a debit of \$83,216. THI is seeking disposition of this amount in this Application.

## **OEB Staff Interrogatories**

### **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?

#### **Responses:**

- a) THI has experienced sporadic cable failures on both of its 16 kv and 4 kv systems. The most recent cable failure was in 2017 on the 16 kv system and in 2020 on the 4 kv system.
- b) THI confirms that it is replacing 2.6 km of primary cable and 3.2 km of secondary as part of its system renewal programs. Tillsonburg Hydro is converting its 4 kv system to 27.6 kv.
- c) THI considered completing the conversion projects at a slower pace. However, due to the safety concerns and supply chain constraints, management determined that it was prudent to complete the work in 2023 and 2024. The safety concern pertains to staff working within the proximity of and in confined areas inside the pole transformers. THI decided to limit this safety concern by completing the project in a shorter period. THI also has faced a shortage of replacement parts for its legacy 4kv assets which will be mitigated by transitioning over two years versus a longer paced approach.
- d) THI has a horizon of 2 more years to convert the last u/g pocket of 4 kv in its distribution territory. Once this last pocket has been converted the cable replacement can continue at a slower pace. The overall capital spend will be able to be smoothed out over time once the area requiring a focused approach to replacement is complete.

## OEB Staff Interrogatories

### 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.

#### Responses:

- a) The reduction in non-management staff were all O&M staff. The reduction pertained to changes in three roles. Each of the roles were filled for part of the year. A Financial Analyst was transferred into a Finance and Regulatory Affairs manager role. A Billing role was replaced by a Customer Collections clerk and the Light Equipment Operator was replaced by an Apprentice Powerline Maintainer.



<b>Appendix 2-K Employee Costs</b>		
	<b>2022 Actuals</b>	<b>2023 Bridge Year</b>
<b>Number of Employees (FTEs including Part-Time)</b>		
Management (including executive)	2.58	2.65
Non-Management (union and non-union)	16.99	15.15
Total	19.57	17.80

- b) The reduction in O&M expenses has had no impact on restoration times. There were no outages in 2023 for tree contacts (Code 3). The spending on tree trimming increased from \$43,325 to \$66,350 between 2022 and 2023. Defective equipment (Code 5) outages declined in 2023. In 2022 there were 2480 customers affected and 1219.5 customer hours. In 2023 the number of customers affected was reduced to 1463 with 531.5 customer hours. Spending did not impact Foreign Interference (Code 9).

## OEB Staff Interrogatories

### 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.

**Responses:**

- a) The process improvements that have allowed THI to record costs to either capital or O&M cost categories include separation of tracking of each cost category, tracking of project-based costs separately, and moving from a paper based tracking process to system based tracking. The primary set of improvements were implemented over the period of 2013 to 2016.
- b) There are no employee costs shifted to report. The shift of management costs that impacted O&M did not impact capital spending as the management costs were not capitalized.
- c) The updated implementation methodology was to change the default cost codes in the payroll system to correct the account that had historically been used to assign management costs to O&M as apposed to A&G. The result of this change resulted in assigning all direct costs for management and executive to UsoA accounts 5605 & 5610 respectively (i.e. payroll, benefits, training, travel etc.).