

Tillsonburg Hydro Inc. Pre-Settlement 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 August 27, 2024 THI provided the Commitments agreed to by THI as part of a July 30, 2024 Discovery Day, as well as responses to interrogatories received from OEB Staff August 18, 2024.

Provided in this document are responses to Pre-Settlement Follow Up questions received from Vulnerable Energy Consumers Coalition (VECC) and Energy Probe. As further described in response to VECC Pre-Settlement question 1, THI has discovered an input error which required an update to its load forecast. Updating THI’s load forecast has impacts on other areas of THI’s request as a result of revised forecast consumption and demand.

In addition, as a result of revisions implemented in response to Staff-2, the Account 1589 balance to be collected from Class B Non-RPP customers has been reduced, with subsequent reductions to bill impacts for these customers. Finally, in response to Staff-3, THI has incorporated a 2023 principal entry of (\$15,248) into Account 1508 – Pole Attachment Revenue Variance, increasing January 1, 2024 to April 30, 2024 interest to (\$1,907).

The following summarizes the impact of this evidence update relative to THI’s application filed April 30, 2024, as well as the Commitment Update filed August 27, 2024.

2024 Test Year Revenue Requirement

Particular	Application	Commitment Update	Pre-Settlement Update	Variance: Application to Pre-Settlement	Variance: Commitment to Pre-Settlement
OM&A Expenses	\$3,272,229	\$3,272,229	\$3,272,229	\$0	\$0
Depreciation	\$906,281	\$906,281	\$906,281	\$0	\$0
Property Taxes	\$5,500	\$5,500	\$5,500	\$0	\$0
Total Distribution	\$4,184,009	\$4,184,009	\$4,184,009	\$0	\$0
Regulated Return On	\$1,426,270	\$1,265,505	\$1,268,410	-\$157,860	\$2,905
Grossed up PILs	\$50,715	\$61,289	\$61,668	\$10,953	\$379
Service Revenue	\$5,660,994	\$5,510,804	\$5,514,088	-\$146,906	\$3,284
Less: Revenue	-\$478,611	-\$383,225	-\$383,225	\$95,386	\$0
Base Revenue	\$5,182,383	\$5,127,579	\$5,130,863	-\$51,520	\$3,284

2024 Rate Base

Particular	Application	Commitment Update	Pre-Settlement Update	Variance: Application to Pre-Settlement	Variance: Commitment to Pre-Settlement
Net Capital Assets in Service:					
Avg Gross Assets	\$32,036,650	\$32,036,650	\$32,036,650	\$0	\$0
Avg Acc Depr	\$14,374,536	\$14,374,536	\$14,374,536	\$0	\$0
Average Balance	\$17,662,114	\$17,662,114	\$17,662,114	\$0	\$0
Working Capital Allowance	\$1,781,042	\$1,813,190	\$1,857,894	\$76,852	\$44,704
Total Rate Base	\$19,443,156	\$19,475,305	\$19,520,009	\$76,853	\$44,704
Capital Additions	\$2,076,693	\$2,076,693	\$2,076,693	\$0	\$0

2024 Variable Billing Determinant Forecast

Customer Class	Billing Determinant	Application	Commitment Update	Pre-Settlement Update	Variance: Application to Pre-Settlement	Variance: Commitment to Pre-Settlement
Residential	N/A	N/A	N/A	N/A	N/A	N/A
GS<50	kWh	23,022,735	23,272,864	24,180,679	250,129	907,815
GS 50-499kW	kW	162,219	178,666	179,251	16,447	584
GS 500-1499kW	kW	57,274	62,710	63,787	5,435	1,077
GS 1500-4999 kW	kW	42,760	40,957	41,252	-1,803	296
USL	kWh	331,791	333,947	333,947	2,156	0
Sentinel Lighting	kW	195	197	197	2	0
Street Lighting	kW	1,676	1,735	1,735	60	0

2024 Cost Allocation – Revenue-to-Cost Ratios

Customer Class	Application		Commitment Update		Pre-Settlement Update		Variance: Application to Pre-Settlement	Variance: Commitment to Pre-Settlement
	Status Quo Revenue-to-Cost	Proposed Revenue-to-Cost	Status Quo Revenue-to-Cost	Proposed Revenue-to-Cost	Status Quo Revenue-to-Cost	Proposed Revenue-to-Cost	Proposed Revenue-to-Cost	Proposed Revenue-to-Cost
Residential	95.30%	96.34%	93.17%	95.96%	92.77%	95.97%	-0.38%	0.00%
GS<50	139.45%	120.00%	140.36%	120.00%	143.13%	120.00%	0.00%	0.00%
GS 50-499kW	79.62%	96.34%	87.47%	95.96%	87.28%	95.97%	-0.38%	0.01%
GS 500-1499kW	143.13%	120.00%	146.84%	120.00%	146.70%	120.00%	0.00%	0.00%
GS 1500-4999 kW	143.75%	120.00%	119.73%	119.73%	119.64%	119.64%	-0.27%	-0.09%
USL	88.09%	96.34%	125.93%	120.00%	125.36%	120.00%	23.66%	0.00%
Sentinel Lighting	45.45%	96.34%	59.59%	95.96%	59.34%	95.97%	-0.38%	0.01%
Street Lighting	191.87%	120.00%	151.32%	120.00%	150.62%	120.00%	0.00%	0.00%

2024 Bill Impacts - Updated

Customer Class	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
Residential	kwh	\$6.12	19.9%	\$6.71	20.0%	\$7.26	15.4%	\$7.36	6.0%
GS<50	kwh	-\$2.40	-3.4%	\$0.21	0.3%	\$1.49	1.4%	\$1.52	0.5%
GS 50-499kW	kw	\$106.92	23.4%	\$171.18	37.4%	\$203.02	16.0%	\$235.72	3.3%
GS 500-1499kW	kw	-\$141.40	-5.5%	\$254.77	10.0%	\$515.24	5.6%	\$630.66	1.2%
GS 1500-4999 kW	kw	\$825.82	13.3%	\$1,949.44	31.4%	\$2,556.04	11.8%	\$3,025.62	2.0%
USL	kwh	\$6.25	1.3%	\$8.88	1.8%	\$10.17	1.9%	\$10.32	1.4%
Sentinel Lighting	kw	\$0.11	0.0%	\$0.12	0.0%	\$0.12	0.0%	\$0.12	0.0%
Street Lighting	kw	-\$241.46	-7.8%	-\$201.91	-6.6%	-\$178.71	-4.9%	-\$196.12	-2.1%

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

Customer Class	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
Residential	kwh	\$6.12	19.9%	\$11.59	34.4%	\$12.14	25.7%	\$12.31	9.6%
GS<50	kwh	-\$2.40	-3.4%	\$13.23	17.2%	\$14.50	13.2%	\$14.71	4.5%
GS 50-499kW	kw	\$106.92	23.4%	\$473.11	103.5%	\$504.95	39.7%	\$576.90	8.1%
GS 500-1499kW	kw	-\$141.40	-5.5%	\$2,573.68	101.0%	\$2,573.68	101.0%	\$2,956.69	6.3%
GS 1500-4999 kW	kw	\$825.82	13.3%	\$8,523.13	137.3%	\$8,523.13	137.3%	\$9,768.44	7.4%
Street Lighting	kw	-\$241.46	-7.8%	\$93.41	3.0%	\$116.61	3.2%	\$137.94	1.4%

THI RESPONSES TO VECC PRE-SETTLEMENT FOLLOW-UP QUESTIONS

VECC FU-1

REFERENCE: THI's Response to Commitment 15
Updated Load Forecast Model, Tab 3

- a) The Load Forecast Model has been updated to include actual values up to June 2024. However, in the Purchased Power Model Tab the Reduced Load Adjustment (Column F) is only based on actual up to December 2022 and afterwards is estimated based on a trend analysis. Please provide the actual monthly values for the Reduced Load Adjustment through to June 2024.

RESPONSES:

The actual monthly values for the Reduced Load Adjustment from January 2023 through June 2024 have been provided in the "Reduced Load Adjustment" column of tab "Power Purchased Model" in the updated load forecast, provided as THI_2024_CoS_Load_Forecast_Pre-Settlement_20240913 attached to these responses.

In preparing its original application in early 2024, THI relied upon data inputs gathered in early 2023 to prepare its load forecast; including data and intelligence that in recent years a series of commercial accounts had significantly reduced their consumption (Reduced Load Customers), and another category of commercial accounts had ceased operations entirely (Shutdown Customers).

In retrieving 2023 and 2024 actuals in the course of discovery in this proceeding, it has come to present-day management's attention that in actual fact none of the accounts identified are Shutdown Customers in 2023 and 2024 year-to-date. They are all active accounts either still operating at a reduced level or the premise is in operation with a new customer. Despite the fact that the accounts are operational these customers' consumption has considerably reduced over the course of the historical period, all accounts remain customers of THI.

To account for this discrepancy and the inclusion of 2023 and 2024 Jan-Jun Reduced Consumption Customer actuals, THI has revised its load forecast in the following ways:

- All shutdown values have been reduced to a value of 0, reflecting the lack of any Shutdown Customers materializing and removing this adjustment from the Predicted Power Purchases regression analysis;
- The consumption associated with previous Shutdown Customers has been added to the Reduced Load Adjustment;

- 2023 and 2024 January-June actuals of Reduced Load Customers have been incorporated into the regression analysis informing Predicted Power Purchases in the load forecast;
- The total consumption of Reduced Load Customers remained largely stable from 2021 through 2023, after significant reductions in prior years. THI has relied on a TREND analysis of Reduced Load Customer consumption from July-December of 2021 through 2023 to establish a forecast of Reduced Load Customer consumption from July through December of 2024;
- Actual and forecast consumption of Reduced Load Customers is added back to the Predicted Power Purchases resulting from the regression analysis, consistent with THI's prior models; and,
- THI has removed the adjustment in the Rate Class Load Model tab of its load forecast implemented as part of its Commitments Update, as described in Commitment 16. In short, the adjustment previously implemented had removed the consumption and demand of Shutdown Customers from the calculation used to forecast kW billing determinants for the GS 50 to 499kW rate class. As there are no Shutdown Customers, this adjustment is no longer necessary or appropriate.

The update to THI's load forecast results in changes to THI's forecast consumption and demand, with impacts on numerous elements of THI's request (e.g. forecast cost of power and rate base, demand allocators and cost allocation, rate riders, bill impacts). The impacts of this change are described in the cover letter to these Pre-Settlement Questions.

VECC FU-2

REFERENCE: THI's Response to Commitment 17-D
THI's Conditions of Service

PREAMBLE: THI's Conditions of Service states:

Section 3.1.3 – “For the purposes of calculating Customer connection fees, the Basic Connection for Residential consumers is defined as 100-amp 120/240 volt overhead service. The basic connection for each Customer shall include:

- i. supply and installation of overhead distribution transformation capacity or an equivalent credit for transformation equipment; and
- ii. up to 30 meters of overhead conductor or an equivalent credit for underground service”

Section 3.2.3 – “All costs attributed to the connection of a new General Service Customer (Below 50 kW) shall be recovered either as part of the Distributor's revenue requirements or through a basic connection charge to the Customer.”

- a) Is the basic connection allowance (i.e., the connection asset costs that THI pays for) the same for Residential and GS<50 customers?

RESPONSES:

The basic connection allowance is not the same for Residential and GS<50. GS<50 customers are only provided an allowance for the meter and are required to pay for all other connection costs. Residential customers are not required to pay for connections costs unless they exceed the allowances in THI's conditions of service.

VECC FU-3

REFERENCE:THI's Response to Commitment 3 Page 7

- a) The request was to identify and update for any material one-time costs since 2013. The response indicates that THI has not identified any material one-time regulatory costs since 2013, up to the preparation of this Application.

Please identify any material one-time costs since 2013 that are not regulatory costs.

RESPONSES:

The one-time costs in other USoA's in the Test Year (2024) are the PCB testing program \$6K, and the restoration of MS2 & MS5 (Municipal Substation) \$11K. For years prior to 2024 the following items are the only items understood by current management as one-time expenses:

- 2023 – DSP \$11,875,
- 2019 – MS2 Ph#2 \$14,797, and
- 2018 – MS2 Ph#1 \$13,771.

VECC FU-4

REFERENCE: Appendix 2-K

- a) In the attached excel spreadsheet, VECC calculates the \$/FTE for Management and Non-Management by year. Please explain the year to year variances in \$/FTE for Management and Non-Management FTEs since 2018.

RESPONSES:

Management costs moved from O&M to Admin in 2019. There has been a significant amount of turnover in the General Manager position over the period of 2016-2023 and THI's costs over that period reflect these vacancies. There has also been a transition in some of the roles in the organization, including the evolution of a non-management position to the management role of Finance Regulatory Affair Manager. We also have had several recent vacancies in non-management positions that we actively recruited for and this has impacted costs and FTEs.

VECC FU-5

REFERENCE: Appendix 2-JD

- a) Please provide more details on the nature of the Rent expenses since 2013 and the reason for the increase in 2024 of \$32,500 compared to the rent paid in previous years.
- b) Please explain the increase in Miscellaneous Expenses of \$57,765 in 2024 compared to 2022 Actuals.

RESPONSES:

- a) The rent charged to THI by the Town of Tillsonburg was a constant amount of \$150K since 2019. The increase of \$32,500 is related to the lease on the new building for Tillsonburg Hydro, which is required as the shareholder plans for changes to accommodate a new Town Hall; in other words, in 2024, THI is no longer using space provided by the Town, it is using new space that it leases.
- b) The following is listing of drivers of the increase in Miscellaneous Expenses in 2024 compared to 2022:
 - Director's costs increase ~\$20K from inflationary increases that were historically not applied coupled with the costs of an additional Board Member
 - Insurance costs increased ~\$15K
 - IT charges increased ~\$16K

VECC FU-6

REFERENCE: Appendix 2-JB

- a) Please explain the difference between Regulatory Expenses and Fees and Regulatory Expenses.

RESPONSES:

For Tillsonburg Hydro, Regulatory Expenses and Fees and invoices from the OEB and other agencies that THI pays periodically/annually. Regulatory Expenses are expenses incurred to complete rate applications, surveys, and other annual regulatory requirements above and beyond the periodic fees from regulatory agencies.

VECC FU-7

REFERENCE:Appendix 2-AB

- a) Please provide the System O&M Costs in Appendix 2-AB for the years 2023 to 2029.

RESPONSES:

The following table and accompanying response summarizes System O&M Costs for years 2023 to 2029.

Appendix 2-AB								
Table 2 - Capital Expenditure Summary from Chapter 5 Consolidated								
First year of Forecast Period:								
CATEGORY	Historical Period (previous plan1 & actual)			Forecast Period (planned)				
	2023			2024	2025	2026	2027	2028
	Plan	Actual2	Var					
	\$ '000			\$ '000				
System Access	50	469	838.0%	149	209	198	455	469
System Renewal	2,038	1,831	-10.2%	1,161	1,525	1,106	1,121	1,154
System Service	447	320	-28.4%	749	442	539	615	633
General Plant	70	32	-54.3%	75	75	75	55	57
TOTAL EXPENDITURE	2,605	2,652	1.8%	2,134	2,251	1,918	2,246	2,313
Capital Contributions		(426)	–					
NET CAPITAL EXPENDITURES		2,226	–	2,134	2,251	1,918	2,246	2,313
System O&M	\$ 87	83	-4.6%	123	129	132	136	140

In 2023 only tree trimming costs have been tracked as part of system O&M costs. In 2024 and beyond transformer and pole maintenance costs are also included in system O&M forecasting.

VECC FU-8

REFERENCE:Appendix 2-AA

- a) Please provide the year to date spend in 2024 by project.

RESPONSES:

The following tables detail THI's year to date spend excluding capital contributions:

Capital Expenditure Report - July 31st, 2024

		Actuals								
OEB Category	Projects	Labour	Material	Fleet	Contractor	Gross Asset Costs	Contributed Capital	WIP	Net Costs	
System Service	William St UG Conversion					-			-	
System Service	QTL Rd Reconductoring	445		38		483			483	
System Service	John Pound Rd PHI - Feeder Upgrade	2,667				2,667			2,667	
System Service	John Pound Rd PHII - Feeder Tie	296				296			296	
System Service	Valleyview Dr - Primary Extension					-			-	
		3,408	-	38	-	3,446	-	-	3,446	
System Renewal	Meter Replacement	4,445		235		4,680			4,680	
System Renewal	Lisgar Heights Phase III - Distribution	45,677	69,270	9,961	127,559	252,467			252,467	
System Renewal	Lisgar Heights Phase III - Servicing	38,564	43,706	9,854	110,123	202,247			202,247	
System Renewal	Fairgrounds Conversion	25,894	39,199	7,072	1,650	73,815		50,054	123,869	
System Renewal	Townline Rd - Feeder Upgrade PH I	2,964			15,343	18,307			18,307	
System Renewal	End of Life Poles	20,078	16,949	7,173	6,585	50,785			50,785	
System Renewal	Vintage UG Replacements - T-Splice (ClearValley Dr)	13,541	9,151	4,759	3,265	30,716			30,716	
System Renewal	Porcelain Switch & Insulator Changes	674	2,350	192		3,216			3,216	
System Renewal	System Air Removal	8,224		2,601		10,825			10,825	
System Renewal	Vintage TX Replacements	5,853	8,421	1,549	9,508	25,331			25,331	
		165,914	189,046	43,396	274,033	672,389	-	50,054	722,443	
General Plant	General Plant								-	
		-	-	-	-	-	-		-	
	Total Controllable Spend	169,322	189,046	43,434	274,033	675,835	-	50,054	725,889	
System Access	New Development	43,536	28,877	9,161	-	81,574		167,088	248,662	
System Access	New Connections	15,105	16,768	3,258		35,131			35,131	
System Access	Technical Servies	28,335	108,919	10,853	5,195	153,302		81,704	235,006	
		86,976	154,564	23,272	5,195	270,007	-	248,792	518,799	
	Grand Total	256,298	343,610	66,706	279,228	945,842	-	298,846	1,244,688	

Year to Date Budget to Actuals

OEB Category	Projects	YTD Spend	YTD Budget	% Completion	Total Budget	Progress to Total
System Service	William St UG Conversion	-	48,411	0.00%	129,097	0.00%
System Service	QTL Rd Reconductoring	483	48,180	1.00%	128,479	0.38%
System Service	John Pound Rd PHI - Feeder Upgrade	2,667	93,495	2.85%	249,319	1.07%
System Service	John Pound Rd PHII - Feeder Tie	296	103,754	0.29%	96,677	0.31%
System Service	Valleyview Dr - Primary Extension	-	8,242	0.00%	21,978	0.00%
		3,446	302,081	0.00%	625,550	0.55%
System Renewal	Meter Replacement	4,680	15,182	30.83%	26,027	17.98%
System Renewal	Lisgar Heights Phase III - Distribution	252,467	215,798	116.99%	475,461	53.10%
System Renewal	Lisgar Heights Phase III - Servicing	202,247	78,810	256.63%	210,159	96.24%
System Renewal	Fairgrounds Conversion	123,869	56,018	221.12%	56,018	221.12%
System Renewal	Townline Rd - Feeder Upgrade PH I	18,307	116,620	15.70%	310,987	5.89%
System Renewal	End of Life Poles	50,785	31,958	158.91%	54,785	92.70%
System Renewal	Vintage UG Replacements - T-Splice (ClearValley I	30,716	34,734	88.43%	34,734	88.43%
System Renewal	Porcelain Switch & Insulator Changes	3,216	9,983	32.21%	16,278	19.76%
System Renewal	System Air Removal	10,825	10,416	103.93%	10,416	103.93%
System Renewal	Vintage TX Replacements	25,331	-	0.00%	100,000	25.33%
		722,443	569,519	127%	1,294,865	55.79%
General Plant	General Plant	-	43,750	0.00%	75,000	0.00%
		-	43,750	0.00%	75,000	0.00%
		-				
	Total Controllable Spend	725,889	915,350	79.30%	1,995,415	36.38%
System Access	New Development	248,662	245,215	101.41%	490,429	50.70%
System Access	New Connections	35,131	92,148	38.12%	157,968	0.00%
System Access	Technical Servies	235,006	278,991	84.23%	557,981	42.12%
		518,799	616,353	84.17%	1,206,378	43.00%
		1,244,688	1,531,704	81.26%	3,201,794	38.87%

ENERGY PROBE PRE-SETTLEMENT FOLLOW-UP QUESTIONS

EP FU-1

REFERENCE: Exhibit 1, Page 4

PREAMBLE: “In May, 2023 THI’s Board of Directors executed a Management Services Agreement with EARTH Power (the “Manager”) for it to provide leadership and management of THI’s operations (the “SOW”). The SOW is effective to December 31, 2024. The Manager reports to and is accountable to the Town of Tillsonburg’s Chief Administrative Officer and has staffed both an Acting President and General Manager positions.”

QUESTIONS:

- a) Are the Management Services Agreement and SOW with EARTH Power in evidence? If not, please file them.
- b) Since THI is a virtual utility and does not have its own employees, please expand Appendix 2-K, Employee Costs, to show the costs that were or will be paid to the Town and the costs that were or will be paid to EARTH Power.
- c) Please confirm that in financial accounting THI and EARTH Power use MIFRS as required by the OEB but that the Town does not.

RESPONSES:

- A) The management services agreement and SOW with EARTH power are not currently in evidence. The MSA with EARTH and applicable SOWs and revisions are included in this response in the following named files:
 - Town of Tillsonburg MSA_17Aug2021_EXECUTION COPY
 - Town of Tillsonburg_THI Managed Services SOW No.1_17Aug2021_EXECUTION COPY
 - 20230710_THI and EARTH_Change Order to SOW No3_11August2023_FINAL
- B) Appendix 2-K is already expanded to include all direct labour costs paid to the Town and includes 100% of the costs of a general manager; it does not include the cost of the EARTH Power SOW. If the Town does not continue with EARTH then The Town will look to either hire a new permanent GM or engage in a new management contract that will be equivalent to the cost of a General Manager which has been included in this application.
- C) THI confirms that it uses MIFRS as required by the OEB as noted in the external auditor’s report on its audited financial statements, and also confirms that the Town of Tillsonburg does not use MIFRS. EARTH Power use MIFRS in its financial accounting as required by the OEB as well.

**Draft OEB Staff Clarifications
2024 Electricity Distribution Rates Application
Tillsonburg Hydro**

6-Staff-1

Ref 1: 2024 1592 Accelerated CCA Update, August 27, 2024

Question(s):

- a) Please update Reference 1 using the effective tax rate as approved in the previous COS.
- b) Please update the Continuity Schedule as applicable.

Response:

- a) The effective tax rate embedded in THI's 2013 Cost of Service year (the cost of service year that formed the basis of THI's rates during the period from 2013 to 2023) was 0%. As such, the entries to 1592, Sub-Account Accelerated CCA have been reduced to Nil, as reflected in the updated DVA Continuity Schedule provided.

9-Staff-2

Ref 1: 2024 DVA Continuity Schedule Update, August 27, 2024

Preamble:

OEB staff notes Cell BM32 should be zero as the value has been included in Cell BF32.

Question(s):

- a) Please confirm the OEB staff's observation and update Reference 1 if necessary.
- b) Please explain what the values reported in Cell BM28 and BN29 pertain to, given that Account 1580 was last disposed of on a final basis for the 2015 balance.

Response:

- a) Confirmed. THI has reduced Cell BM32 in Tab 2a. Continuity Schedule to a value of \$0 in attachment THI_2024_CoS_DVA_Continuity_Schedule_Pre-Settlement_2024.
- b) The amounts in BM28 & BN28 are principal adjustments, and were inadvertently included in the cells pertaining to dispositions. These amounts have been moved to BF28 & BK28 respectively (2022 adjustments).