Ontario Energy Board | Commission de l'énergie de l'Ontario

EB-2024-0031

Hydro Hawkesbury Inc.

Application for electricity distribution rates effective January 1, 2025

Decision on Issues List
October 21, 2024

Hydro Hawkesbury Inc. (Hydro Hawkesbury) filed a cost of service application with the Ontario Energy Board (OEB) on August 6, 2024, under section 78 of the *Ontario Energy Board Act*, *1998*, seeking approval for changes to the rates that Hydro Hawkesbury charges for electricity distribution, beginning January 1, 2025 (Application). The Application was accepted by the OEB as complete on August 20, 2024, and a Notice of Hearing was issued on August 23, 2024.

On September 24, 2024, the OEB issued Procedural Order No. 1 which approved the Vulnerable Energy Consumers Coalition (VECC) as intervenors in this proceeding. Procedural Order No. 1 made provision for parties to recommend any revisions to the standard Issues List for electricity distribution rate applications for the OEB's consideration.

Hydro Hawkesbury requested that the OEB use this Application to pilot a new streamlined process for very small utilities. As a result, the OEB made provision for a one-day Issues Meeting on October 15, 2024, where Hydro Hawkesbury, VECC, and OEB staff discussed the Application; sought agreement on an Issues List that sets out issues that are relevant to the Application; and identified which issues, if any, require further discovery through interrogatories.

On behalf of all parties to the October 15th Issues Meeting, OEB staff filed a proposed Issues List (attached as Schedule A), a list of clarifications, updates and corrections Hydro Hawkesbury agreed to make to its evidence (attached as Schedule B), and a second list of error-checking items to be corrected (attached as Schedule C).

Findings

The OEB approves the proposed Issues List for the purposes of this proceeding and supports the proposal to forgo interrogatories. The OEB commends the parties participating in this streamlined pilot for successfully eliminating the need for interrogatories from the process. Additionally, the OEB appreciates the inclusion of Schedules B and C in the OEB staff letter, outlining clarifications, updates and corrections to be made by Hydro Hawkesbury to the evidence. These Schedules not only replace the need for written interrogatories and responses, but also provide a clear framework for the updates that Hydro Hawkesbury will make to the evidence, enhancing communication throughout this pilot process.

The OEB may update the Issues List as necessary to further define the scope of the proceeding.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The approved Issues List is attached as Schedule A.

2. Hydro Hawkesbury shall file those clarifications, updates and corrections to its evidence, attached as Schedule B and Schedule C, with the OEB and deliver them to all parties by **November 4, 2024**.

DATED at Toronto, **October 21, 2024**

ONTARIO ENERGY BOARD

Nancy Marconi

Digitally signed by Nancy Marconi
Date: 2024.10.21 15:24:25 -04'00'

Nancy Marconi
Registrar

SCHEDULE A

APPROVED ISSUES LIST

HYDRO HAWKESBURY INC.

EB-2024-0031

APPROVED ISSUES LIST
EB-2024-0031
HYDRO HAWKESBURY INC.

1. **Capital Spending and Rate Base**
    1.1 Are the proposed capital expenditures and in-service additions appropriate?
    1.2 Are the proposed rate base and depreciation amounts appropriate?

2. **OM&A**
    2.1 Are the proposed OM&A expenditures appropriate?
    2.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?

3. **Cost of Capital, PILs, and Revenue Requirement**
    3.1 Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?
    3.2 Is the proposed PILs (or Tax) amount appropriate?
    3.3 Is the proposed Other Revenue forecast appropriate?
    3.4 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?
    3.5 Is the proposed calculation of the Revenue Requirement appropriate?

4. **Load Forecast**
    4.1 Is the proposed load forecast methodologies and the resulting load forecasts appropriate?

5. **Cost Allocation, Rate Design, and Other Charges**
    5.1 Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios, appropriate?
    5.2 Is the proposed rate design, including fixed/variable splits, appropriate?
    5.3 Are the proposed Retail Transmission Service rates and Low Voltage rates appropriate?
    5.4 Are the proposed loss factors appropriate?
    5.5 Are the Specific Service Charges and Retail Service Charges appropriate?
    5.6 Are rate mitigation proposals required and appropriate?

6. **Deferral and Variance Accounts**

    6.1 Are the proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?

7. **Other**

    7.1 Is the proposed effective date appropriate?

    7.2 Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?

    7.3 Should the 2024 interim rates be made final?

SCHEDULE B

HYDRO HAWKESBURY INC.

EB-2024-0031

CLARIFICATIONS, UPDATES, AND CORRECTIONS

Hydro Hawkesbury - Commitments to Provide Information

Rate Base

Commitment 1:

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.

Commitment 2:

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

Commitment 3:

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.

Operating, Maintenance and Administrative Costs

Commitment 4:

HHI to provide a narrative explaining the reasons and processes 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 comparables 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.

Commitment 5:

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.

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.

Commitment 7:

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.

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.

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.

Commitment 10:

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

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.

Commitment 12:

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.

Other Revenue

Commitment 13:

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.

Commitment 14:

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

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.

Commitment 16:

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.

Commitment 17:

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

Cost Allocation

Commitment 18:

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

Commitment 19:

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.

Commitment 20:

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.

Commitment 21:

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.

Commitment 22:

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

Rate Design

Commitment 23:

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

Commitment 24:

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

Commitment 25:

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

Commitment 26:

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.

Commitment 27:

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

Commitment 28:

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.

Commitment 29:

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

Commitment 30:

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

Commitment 31:

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.

Deferral and Variance Accounts

Commitment 32:

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.

Commitment 33:

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.*

Commitment 34:

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.

Commitment 35:

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 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 36:

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.

Commitment 37:

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.

Other

Commitment 38:

HHI to update appendix 2-ZB and 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.

Commitment 39:

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%, update the OER to 13.1%, and update the Time-of-Use (TOU) prices to reflect the changes to TOU pricing effective November 1, 2024.

Commitment 40:

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

Commitment 41:

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.

Commitment 42:

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

SCHEDULE C

HYDRO HAWKESBURY INC.

EB-2024-0031

ERROR-CHECKING ITEMS ROUND 2

Hydro Hawkesbury Inc.
EB-2024-0031
Error Checking Questions – Round 2 For 1-Day Meeting

1 Exhibit 1, p.12
Exhibit 6, Table 4
Exhibit 6, Table 18

The increase to the revenue requirement and OM&A in the text of reference 1 does not match the increases listed in table 2 of reference 1.

HHI Response: The increase was updated to reflect the OM&A increase instead of the increase in revenue requirement.

OEB Staff Review: The revenue requirement increase is incorrectly noted as $500k instead of $481k on page 12 above Table 2. Please amend as required.

The net fixed assets in Table 2 of Exhibit 1 and Tables 4 and 18 of Exhibit 6 note an increase of $3.5M from 2018, though the net fixed assets have decreased by $351k according to Exhibit 2. Please amend these tables.

2 Exhibit 1, p.39
Exhibit 2, p.32 of PDF

New Addition: Hydro Hawkesbury notes in Exhibit 1 that 10 poles are replaced each year. In Exhibit 2, it says that 17 poles are replaced per year. Please clarify.

3 Bill Impact Model, Additional Rates tab
Bill Impact Model, Bill Impacts tab
DVA Continuity Schedule, Rate Rider Calculations tab

All rate riders are listed under subsection B including group 2 rate riders. Please ensure rate riders are listed under the correct category in both references. An easy fix in the Additional Rates tab is to remove any rate riders that should be under sub-total A to the green cells and input the sub-total manually. Please ensure to hit Update in the Bill Impact tab before filing.

HHI Response: The subcategory for Group 2 have been changed from A to B.

(HHI notes that the drop-down options under the blue cells should include all of the disposition categories that are in the rate rider tab of the OEB DVA model.)

OEB Staff Review: OEB staff will consider adding the disposition categories from the DVA model to the dropdown list in the Additional Rates tab as part of the 2026 model updates.

All rate riders are still listed under subcategory B including Group 2 DVAs. This leads to incorrect calculations of the sub-total A and B and has also caused an issue for General Service 50-4999 kW and Street Lighting as the GA rate rider is improperly assigned to the wrong $/unit in the bill impact model. Please revise using the green cells in the Additional Rates tab (see Centre Wellington Hydro 2025 COS model as an example). Please work with OEB staff as needed to make these corrections.

Hydro Hawkesbury has included the CBR rate rider for some classes but the total amount in the account should be added to Account 1580 WMS and disposed through the applicable general DVA rate rider instead given that the rate rider is null for some rate classes (see cell I70 of the Rate Rider Calculations tab in the DVA model). Please amend the DVA continuity schedule and bill impact model as required.

The residential rate classes are missing the LV rates on the Bill Impact tab. Please amend as required.

Hydro Hawkesbury has listed the GA rate rider in the Additional Rates tab as $(0.0050)/kWh but it reads $(0.0048)/kWh in the DVA continuity schedule. Please reconcile the figures and update the rest of the Bill Impact model as necessary.

Hydro Hawkesbury has not entered values into cells L34-L35 for the sentinel and street lighting demand on the Bill Impact tab. Therefore, volumetric demand (kW) rate riders are being applied to the consumption (kWh). Please enter a demand value in cell L34-L35.

4 App.2-JA
App.2-JB

App.2-JB 2018 Actuals (B42) should equal $1,150,244. Please amend.

HHI Response: The 2018 settlement agreement indicates an approved OM&A of $1,175,114.

OEB Staff Review: Please update B15 as the column is labelled as 2018 Actuals (not OEB approved). Please adjust other values in the table as needed.

5 App. 2-AA
App. 2-AB

Please reconcile the CAPEX numbers for the forecasted period. It appears 2-AB has General Plant figures in the Capital Contribution row and System Access figures are listed as net amounts for 2026-2029.

HHI Response: The OEB's model was modified accordingly.

OEB Staff Review: Hydro Hawkesbury has fixed the above error but 2025 values in 2-AB are misaligned with 2-AA gross/net values.

6 App.2-H
Exhibit 6, Table 9

Please amend cell E65 to pull value from E25

Please fill out row 67 and 68

Please reconcile all figures with Exhibit 6, Table 9 from 2018-2020. The pre-populated data from the Account 2.1.7 tab is one year different from the values represented in Exhibit 6, Table 9.

Please confirm the Interest on DVA amounts shown in 2-H are already accounted for in the proposed DVA clearances, and if so, remove them from 2-H amounts and other corresponding models. If Hydro Hawkesbury prefers to do this through the discovery process due to time constraints, please state so.

HHI Response: The OEB's model was modified accordingly.

OEB Staff Review: Please reconcile Table 2-H with Exhibit 6, Table 9.

In Apps. 2-H, Hydro Hawkesbury has populated the example table at cell A85. Please confirm the Interest on DVA amounts shown in 2-H is already accounted for in the proposed DVA clearances, and if so, remove them from 2-H amounts and other corresponding models. While the table at cell A85 did not need to be completed, why does it not reconcile with account 4405 as reported in row 50 of 2-H?

7 Exhibit 6, pp. 22-26

New Addition: On page 22 of Exhibit 6, Hydro Hawkesbury notes that it is in a deficiency position of $379k, but also notes that it is in a sufficiency position throughout Section 6.7. Please clarify the record.

8 Exhibit 6

Please delete the duplication of pages 1-28 within the Exhibit 6 file. Please also delete the duplication of the Appendix 6A pages.

9 Exhibit 4, Table 15
App.2-M

New Addition: Please reconcile Exhibit 4, Table 15 with the Chapter 2 Apps.2-M. Chapter 2 Apps.2-M should only contain one-time costs related to this application in columns (C), (D), and (E).

10 Exhibit 6, Table 118
Exhibit 6, p. 26

New Addition: Table 18 indicates that the Total Working Capital Allowance (WCA) has a decrease of $87,683. However, on page 26, Hydro Hawkesbury notes that the WCA was increased by $138,032. Please reconcile the differences.

11 App.2-H
Exhibit 6, Table 8

New Addition: Please revise Table 8 to correct the duplicated year (2022). Please reconcile all the different figures with App. 2-H for 2018-2025.

12 Exhibit 9, Table 6

New Addition: Table 6 indicates that the balance sought for disposition for account 1589 is ($388,337). However, the claim amount as per Table 1 and DVA Continuity Schedule is ($377,951). Please amend the schedule or explain the variance.

13 Exhibit 6, 5.2.2
5.2.3

New Addition: The information in 5.2.2 on three long-term debt instruments is not consistent with 5.2.3. The sum of three loans in 5.2.3 is not equal to the combined principal of $ 2,735,342. Please reconcile or explain the differences.

14 Exhibit 5, 5.2.2, 5.2.3
Exhibit 5, Table 1
Appendix 2-OA

New Addition: Hydro Hawkesbury indicates the weighted average cost rate of long-term debt is 3.59% in Appendix 2-OA, and Table 1 of Exhibit 5. However, Hydro Hawkesbury states in 5.2.2 and 5.2.3 that the weighted interest rate of three long-term interest rates is 3.69%. Please reconcile the differences.