

**Ontario Energy Board (OEB) Staff's Pre-Settlement Clarification Questions**  
**2025 Electricity Distribution Rates Application**  
**Hydro Hawkesbury Inc. (Hydro Hawkesbury)**  
**EB-2024-0031**  
**November 13, 2024**

**Question 1**

**Ref 1: HHI 2025 Tariff Sch Bill Impact 20240911**

**Ref 2: HHI 2025 Filing Req Chapter 2 App IR 20241104**

Preamble:

Hydro Hawkesbury updates its models on November 4, 2024. Please make the following corrections to the models. If Hydro Hawkesbury is unable to complete these requests, please send the model(s) to [ratemodels@oeb.ca](mailto:ratemodels@oeb.ca). Corrections to models can be made following the settlement conference.

Question(s):

- a) Please complete cells L34 and L35 on the bill impact tab of reference 1 so that volumetric service charges and DVAs can be properly assigned to \$/kW for the Street Lighting and Sentinel Lighting rate classes where applicable.
- b) The CBR rate rider is added for some rate classes but null for others. Please remove the rate riders as the total balance should be added to Account 1580 WMS and disposed of through the applicable general DVA rate rider.
- c) The GA rate rider is currently labelled as 'Rate Rider for Disposition of Deferral/Variance Accounts'. This is causing an issue where Group 1 DVAs and GA rider are being added even if their \$/unit is different.

Please remove the current addition of the GA rate rider from the 'Additional Rates' tab of reference 1 and add it to the green cells for each applicable rate class with the following description: 'Rate Rider for Disposition of RSVA Global Adjustment'.

- d) Please reconcile the difference in the GS>50kW volumetric service rate between the bill impact/tariff model and the RRWF due to the transformer allowance.
- e) The loss factor in 2-R of reference 2 and the RTSR model were updated to 1.0578 but the bill impact model loss factor still reads 1.0592. Please reconcile these figures.
- f) Capital expenditures in 2-AA and 2-AB currently equals in-service additions minus disposals. Please clarify why this is the case or amend the capital expenditures in 2-AA and 2-AB such that disposals are not included.

HHI: is committed to working with OEB staff to correct any issues with the models.

## **Question 2**

**Ref 1: EB-2024-0063, Notice, March 6, 2024**

**Ref 2: EB-2024-0063, OEB Letter, April 22, 2024**

Preamble:

On March 6, 2024, the OEB commenced a hearing (EB-2024-0063) on its own motion to consider the methodology for determining the values of the cost of capital parameters and deemed capital structure to be used to set rates for electricity transmitters, electricity distributors, natural gas utilities, and Ontario Power Generation Inc. The methodology for determining the OEB's prescribed interest rates and matters related to the OEB's Cloud Computing Deferral Account will also be considered, including what type of interest rate, if any, should apply to this deferral account.

On April 22, 2024, the OEB approved the final Issues List for this proceeding, including the following two issues, amongst other issues:

18. How should any changes in the cost of capital parameters and/or capital structure of a utility be implemented (e.g., on a one-time basis upon rebasing or gradually over a rate term)?

19. Should changes in the cost of capital parameters and/or capital structure arising out of this proceeding (if any) be implemented for utilities that are in the middle of an approved rate term, and if so, how?

Question(s):

a) Please confirm that Hydro Hawkesbury proposes to implement the outcomes from the OEB's generic cost of capital proceeding, including the OEB's decision with respect to implementation. If this is not the case, please explain.

HHI is committed to adhering to the outcomes of the OEB's generic cost of capital proceeding as they are established into policy and guidelines. To the extent that it's applicable, HHI will fully comply with the OEB's directives in this regard.

### **Question 3**

**Ref 1: EB-2024-0063, OEB Letter, July 26, 2024**

Preamble:

On July 26, 2024, the OEB issued a Letter and Accounting Order regarding prescribed interest rates and the deemed short-term debt rate (DSTDR).

Question(s):

- a) Please confirm that Hydro Hawkesbury will use the 2025 DSTDR, as set on October 31, 2024, on an interim basis.
- b) Please confirm that Hydro Hawkesbury will follow all other direction included in the OEB's Letter and Accounting Order issued on July 26, 2024, including the establishment of a new variance account for the DSTDR.

HHI: Hydro Hawkesbury confirms its commitment to implementing the outcomes of the OEB generic cost of capital proceeding as they become policy and guidelines.

Accordingly, Hydro Hawkesbury will:

- Utilize the 2025 Deemed Short-Term Debt Rate (DSTDR) set on October 31, 2024, on an interim basis.
- Adhere to all directives outlined in the OEB's Letter and Accounting Order issued on July 26, 2024, including the establishment of a new variance account for the DSTDR.

To the extent that it's applicable, Hydro Hawkesbury will fully comply with the OEB's guidance in these matters.

### **Question 4**

**Ref 1: EB-2024-0063, OEB Letter, October 31, 2024**

Preamble:

On October 31, 2024, the OEB issued a Letter and Accounting Orders regarding the return on equity (ROE) and deemed long-term debt rate (DLTDR).

Question(s):

- a) Please confirm that Hydro Hawkesbury will use the 2025 ROE, as set on October 31, 2024 on an interim basis.
- b) Please confirm that Hydro Hawkesbury will follow all other direction included in the OEB's Letter and Accounting Orders issued on October 31, 2024, including the establishment of a new variance account for the ROE.

HHI: Hydro Hawkesbury confirms its commitment to implementing the outcomes of the Ontario Energy Board's (OEB) generic cost of capital proceeding as they become policy and guidelines. Accordingly, Hydro Hawkesbury will:

Utilize the 2025 Return on Equity (ROE) set on October 31, 2024, on an interim basis.

Adhere to all directives outlined in the OEB's Letter and Accounting Orders issued on October 31, 2024, including the establishment of a new variance account for the ROE.

To the extent that it's applicable, Hydro Hawkesbury will fully comply with the OEB's guidance in these matters.

## Question 5

### Ref 1: Commitments to Provide Information, Commitment 33, Page 33

Preamble:

In Commitment 33, Hydro Hawkesbury outlined the continuation or discontinuation of the Group 2 Accounts and the proposed disposition balances for each account in the table below.

Account		Total Claim Incl Interest	Continue/ Discontinue
<b>Pole Attachment Revenue Variance</b>	1508	(110,553)	Discontinue
<b>Customer Choice Initiative Costs</b>	1508	12,888	Discontinue
Retail Cost Variance Account - Retail	1518	(16,084)	Discontinue
Retail Cost Variance Account - STR	1548	24,637	Discontinue
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	(31,630)	Continue
<b>Total Group 2 Accounts</b>		(120,742)	

Question(s):

- a) Please provide the forecast balance for Account 1592, Sub-account CCA Changes through December 31, 2024
  - i. Please provide an Excel version of the updated Accelerated CCA for the 2024 forecast amount.

HHI: [The worksheet was filed on 2024-11-04.](#)

- b) Please explain why Hydro Hawkesbury is seeking disposition for Account 1508, Sub-account Customer Choice Initiative Costs given the balance is below the materiality threshold.

HHI: [These expenses were incurred to comply with a government-mandated program and are not discretionary. As a small, low-cost utility with limited resources and a small customer base, even costs below the materiality threshold have a significant impact. HHI operates efficiently and believes it is fair to recover these mandated initial costs to maintain financial stability and ensure compliance.](#)

## **Question 6**

**Ref 1: Commitments to Provide Information, Commitment 38, Page 35**

**Ref 2: 2025 GA Analysis Workform**

**Ref 3: EB-2020-0029, Decision and Rate Order, Pages 12-14**

Preamble:

In Commitment 38, Hydro Hawkesbury stated that the internal memo prepared by its external consulting firm (Baker Tilly) does not identify significant issues with the process. Therefore, Hydro Hawkesbury proposed, “in the interest of time and efficiency, to remove the Baker Tilly report from Exhibit 9.”

OEB staff notes from the GA Analysis Workform that Hydro Hawkesbury reported a high credit balance in Account 1588 in 2020 and 2021. The balances, as % of Account 4705 are, -7.1% and 1.54% respectively, both exceeding the reasonability test of +/-1% for these two years.

OEB staff further notes that the OEB approves the final disposition of the balances in Accounts 1588 and 1589 as of December 31, 2019, including interest projected to December 31, 2020.

Question(s):

- a) Given that the 2019 balances for Accounts 1588 and 1589 were final disposed of, please update the Continuity Schedule and GA Analysis Workform accordingly.
  - i) The Continuity Schedule for Group 1 Accounts should begin with the 2019 ending balances as approved in the 2021 IRM proceeding.
  - ii) Only information from 2020 to 2023 should be reported in the GA Analysis Workform.
- b) Please provide an explanation for the high balances in Account 1588 observed in 2020 and 2021.

HHI: Please find a revised DVA model and GA workform with the requested changes: