



Greater Sudbury Hydro Inc

Interrogatory Response #2

February 4, 2025

Vulnerable Energy Consumers Coalition

EB-2024-0026

Table Of Contents

<u>Tab</u>	<u>Int</u>	<u>Att</u>	<u>Title</u>
3			Vulnerable Energy Consumers Coalition
3	4		2-VECC-4 Updated Appendix 2-AA & 2-AB with 2024 Data
3	10		2-VECC-10 Updated Flagged for Action Table with 2024 Data
3	22		4-VECC-22 Updated Appendices 2-JA & 2-JC
3	25		4-VECC-25 Appendix 2-JC Memberships
3	26		4-VECC-26 Appendix 2-JC Insurance
3	34		5-VECC-34 Appendix 2-OA with 2025 Cost of Capital Parameters
3	36		5-VECC-36 Long Term Debt Calculation
3	37		6-VECC-37 Updated Appendix 2-H Associated Expenses for Revenue Source
3	38		6-VECC-38 Updated Appendix 2-H

1 2-VECC-4 Updated Appendix 2-AA & 2-AB with 2024 Data

2 **Question:**

3 **Reference: Exhibit 2, Appendix 2-AA and 2-AB**

4 a) Please update Appendix 2-AA and 2-AB for 2024 actual results

5

6 **Response:**

7 Appendices 2-AA and 2-AB have been updated and are included in the
8 Chapter 2 Appendices filed with this submission.

9 GSHi notes that, in response to 2-AMPCO-8, Appendix 2-AA is now
10 provided in two different variations:

- 11 • **App.2-AA_Capital Projects CAPEX**, which presents data on a
12 capital expenditure basis.
- 13 • **App.2-AA_Capital Projects CAPAD**, which presents data on a
14 capital additions basis.

15 Additionally, GSHi has updated the 2025 figures in these appendices to
16 reflect expenditures originally expected to occur in 2024 but now
17 anticipated in 2025. These changes relate to expenditures for items that
18 were either ordered for delivery in 2024 or expected to require payment in
19 2024, but have been delayed to 2025.

20



1 2-VECC-10 Updated Flagged for Action Table with 2024 Data

2 **Question:**

3 **Reference: Exhibit 2, Tab 9, Schedule 1, Attachment 1 DSP, page 192**
 4 **EB-2019-0037, Exhibit 2 Tab 2, Schedule 1, Attachment 1, DSP page**
 5 **128(PDF pg. 199)**

6 a) Please Update Table 55 (Flagged for Action Plan) to include 2024 and to
 7 include a summation of the five years result for each category. Please
 8 provide an estimate of the cost attributable to each category's summed
 9 variation in units achieved.

10
 11 **Response:**

12 a) GSHi has provided the information requested in the updated table below.

13
 14 GSHi notes that the estimated cost attributable to each category's summed
 15 variation in units achieved is based on GSHi's estimated average cost from
 16 2020–2023. For Power Transformers, the estimate includes a projection for
 17 2024. The estimated costs are calculated using the following formula:

18
 19 **Estimated Cost (Units Achieved) = Average Cost × (Actual Units**
 20 **Achieved - "Flagged for Action Plan - Levelized" Units).**

Asset Category	Flagged for Action Plan - Levelized															Estimated Cost Units Achieved (\$)
	2020		2021		2022		2023		2024		Total		TOTAL		TOTAL	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual		
Substation Transformers	5	1	0	6	1	0	0	0	0	1	6	7	6	8	1,217,109	
Pad Mounted Transformers	49	17	49	22	49	21	42	28	42	9	189	88	231	97	2,462,132	
Pole Mounted Transformers	18	98	18	90	18	99	18	104	18	74	72	391	90	465	3,251,922	
Submersible Transformers	2	0	2	0	2	0	1	0	1	0	7	0	8	0	146,993	
Vault Transformers	4	0	4	3	4	3	5	3	5	0	17	9	22	9	467,848	
Overhead Line Switches	21	8	21	2	21	2	23	1	23	18	86	13	109	31	3,452,171	
Pad Mounted Switchgear	1	0	0	0	0	0	0	0	0	2	1	0	1	2	35,268	
Pad Mounted Junction Enclosure	1	0	0	0	0	0	0	0	0	1	1	0	1	1	-	
GSU Wood Poles	233	219	233	259	233	214	225	293	225	89	924	985	1,149	1,074	735,502	
GSU Conc. Poles	12	0	12	0	12	0	10	0	10	23	46	0	56	23	323,621	
Bell Wood Poles	90	42	90	12	90	13	87	17	87	70	357	84	444	154	2,843,943	
Hydro One Wood Poles	1	0	1	0	1	0	2	0	2	0	5	0	7	0	68,647	



1 4-VECC-22 Updated Appendices 2-JA & 2-JC

2 **Question:**

3 **Reference: Exhibit 4, Appendix 2-JA & 2-JC**

4 a) Please update Appendices 2-JA and 2-JC (programs) for 2024 actual
5 results.

6

7 **Response:**

8 GSHi has updated Chapter 2 appendices 2-JA and 2-JC. See uploaded Excel
9 document titled:

10 "GSHI_IRR_2025_Filing_Requirements_Chapter2_Appendices_20250204".

1 4-VECC-25 Appendix 2-JC Memberships

2 **Question:**

3 **Reference: Exhibit 4, Tab 1, Schedule 1, Table 3**

- 4 a) Under what category of costs in Appendix 2-JC (OM&A programs table)
 5 are memberships costs found?
 6 b) Please provide a list of the memberships and provide a breakdown for
 7 each for each of the years 2020 through 2025 (forecast).
 8

9 **Response:**

- 10 a) Membership costs are allocated across eight categories in Appendix 2-JC.
 11 GSHi has updated its 2024 Bridge Year figures based on preliminary fiscal
 12 year results available at the time of interrogatory preparation. Table 1
 13 below provides a breakdown of the amounts by category:
 14

15 **Table 1: Membership Costs Breakdown for Appendix 2-JC Categories**

	Last Rebasing Year (2020 OEB- Approved)	Last Rebasing Year (2020 Actuals)	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Operation							
Miscellaneous Distribution Expense	2,000						40,000
Overhead Distribution System Operations	9,800	8,700	9,350	10,287	9,300	10,005	10,005
Operation Supervision and Engineering	18,200	19,657	20,714	2,090	322		300
Customer Premises		250	250		250	250	250
Station Operations	550	65		199			
Community Relations							
Customer Accounts		15,411	6,975				
Administrative and General							
Regulatory Expense	215,000	213,314	206,108	227,923	254,096	288,741	305,000
Administration	65,295	67,565	69,500	69,699	74,656	81,148	77,100
	310,845	324,963	312,897	310,198	338,624	380,144	432,655

16

17

- 18 b) The following table lists the memberships and provides a detailed cost
 19 breakdown for each year from 2020 to 2025 (forecast). GSHi has updated



1 its 2024 Bridge Year figures based on preliminary fiscal year results
 2 available at the time of interrogatory preparation.

3
 4

Table 2: Membership List by Year

	Last Rebasing Year (2020 OEB- Approved)	Last Rebasing Year (2020 Actuals)	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
OEB	215,000	213,216	203,427	217,347	243,596	277,889	290,000
EDA	64,000	67,300	68,000	68,000	71,400	73,200	75,200
USF	9,800	8,700	9,350	9,200	9,300	10,005	10,005
Utilis	-	-	-	10,500	10,500	10,763	15,000
SCADA Network Monitoring	-	-	-	-	-	-	40,000
Other	22,045	35,747	32,121	5,151	3,828	8,287	2,450
	310,845	324,963	312,897	310,198	338,624	380,144	432,655

5

1 4-VECC-26 Appendix 2-JC Insurance

2 **Question:**

3 **Reference: Exhibit 4, Tab 1, Schedule 1, Table 3**

- 4 a) Under what category of costs in Appendix 2-JC (OM&A programs table)
- 5 are Insurance costs found?
- 6 b) Please provide a breakdown of Insurance costs for each year 2020
- 7 through 2025 (forecast) showing those costs paid to MEARIE
- 8 separately from other insurance costs.
- 9 c) Does GSHI or any of its affiliates receive any dividends or financial
- 10 payments related to their membership in MEARIE? If yes are these
- 11 reported as income or revenue?
- 12 d) Please provide the insurer name and insurance costs for the main office
- 13 buildings for each year 2020 through 2025.

14

15 **Response:**

- 16 a) Insurance costs are allocated across two categories in Appendix 2-JC.
- 17 Table 1 below provides a breakdown of the amounts by category.

18

19 **Table 1: Insurance Costs Breakdown for Appendix 2-JC Categories**

	Last Rebasing Year (2020 OEB- Approved)	Last Rebasing Year (2020 Actuals)	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Operation							
Miscellaneous Distribution Expense			13,068	16,837	20,440	16,404	17,603
Administrative and General							
General Plant Costs	141,473	135,982	139,629	166,035	196,072	210,563	215,118
	141,473	135,982	152,697	182,872	216,512	226,967	232,721

20

21

- 22 b) All insurance costs are paid to MEARIE. GSHi does not incur any
- 23 additional insurance costs from other parties.



- 1 c) Neither GSHi nor affiliates receive any dividends or financial payments
2 related to their membership in MEARIE.
3
4 d) MEARIE is the insurer for GSHi's main office building for all years from
5 2020 through 2025. The insurance costs for each year are summarized in
6 Table 2 below.
7

8 **Table 2: Insurance Cost Summary for Main Office Building**

9

	Last Rebasing Year (2020 OEB- Approved)	Last Rebasing Year (2020 Actuals)	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
MEARIE	95,814	86,115	65,337	86,438	110,964	112,336	114,434

1 5-VECC-34 Appendix 2-OA with 2025 Cost of Capital Parameters

2 **Question:**

3 **Reference: Exhibit 5,**

4 a) Please Appendix 2-OA using the OEB's updated 2025 Cost of Capital
5 Parameters issued on October 3, 2024.

6 b) Please provide the adjustment to revenue requirement resulting from
7 this change.

8

9 **Response:**

10 a) Appendix 2-OA has been updated to reflect the OEB's 2025 Cost of
11 Capital parameters issued on October 31, 2024. This appendix also
12 updates for an adjusted closing 2024 rate base amount and an updated
13 2025 in-service amount, as a result of the updated 2024 capital additions.

14

15 b) The adjustment to the revenue requirement resulting solely from the
16 revised Cost of Capital parameters increases the total base revenue
17 requirement by \$2,759. The updated Revenue Requirement Workform,
18 submitted as part of these interrogatories, details this impact in tab "14.
19 Tracking_Sheet" under adjustment item #1.

1 5-VECC-36 Long Term Debt Calculation

2 **Question:**

3 **Reference: Exhibit 5,**

4 a) Please confirm (or correct) that the weighed cost of long-term debt shown
5 in 2-OA calculated the cost of “notional debt” (i.e. the difference between
6 the principle of \$63,108,779 and the capital structure long-term debt
7 amount of \$71,237,881) as the weighted cost of the actual debt (i.e.,
8 4.21%).

9 b) Please calculated the weighted cost of debt by using the lowest cost of
10 actual debt (i.e. 1.98%) as the cost of the “notional debt”. Please provide
11 the adjustment to revenue requirement resulting from this change (and
12 using the updated Board issued cost of capital parameters as requested
13 above).

14

15 **Response:**

16 a) GSHi confirms that including the cost of notional debt at the same rate as
17 the weighted cost of actual debt within the calculation yields the same
18 weighted cost of debt. The calculation divides the total interest by the total
19 principal, as shown in the updated table below, an excerpt from Appendix
20 2-OB with the addition of notional debt as requested by VECC. This table
21 has been updated to reflect current assumptions, including the actual debt
22 terms for 2024 and the updated 2025 cost of capital parameters.

23

24 The notional debt is calculated as the difference between the updated
25 deemed long-term debt and the updated actual debt:

26

27 $\text{Notional Debt} = \$71,526,886 - \$63,124,032 = \$8,402,854$

28



1 Table 1 provides the details of the 2025 debt instruments, using the
 2 weighted average cost of actual debt for the notional debt.

3

4 **Table 1: 2025 Debt Instruments, IRR Updated, Notional Debt at Weighted Rate**

		Year		2025							
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) ²	Interest (\$) ¹	Additional Comments, if any	
1	TD SWAP Loan 2011	Toronto-Dominion Bank	Third-Party	Fixed Rate	18-Jan-11	15	\$ 106,601	4.69%	\$ 4,999.81		
2	Promissory Note with GSU	Greater Sudbury Utilities	Affiliated	Fixed Rate	1-Nov-00	demand	\$ 48,645,458	4.66%	\$ 2,266,878.34	Deemed rate (2024)	
3	TD Financing Agreement 2015	Toronto-Dominion Bank	Third-Party	Fixed Rate	12-Jan-15	10	\$ 908	4.33%	\$ 39.31		
4	TD Long-term Debt Mar 2020 (\$5.5M)	Toronto-Dominion Bank	Third-Party	Fixed Rate	26-Mar-20	10	\$ 4,558,290	1.98%	\$ 90,071.81		
5	TD Long-term Debt Feb 2021 (\$4.5M)	Toronto-Dominion Bank	Third-Party	Fixed Rate	19-Feb-21	10	\$ 3,896,097	2.35%	\$ 91,597.23		
6	TD Long-term Debt Nov 2024 (\$6.0M)	Toronto-Dominion Bank	Third-Party	Fixed Rate	4-Nov-24	5	\$ 5,916,680	3.99%	\$ 236,193.85		
7	Notional Debt						\$ 8,402,854	4.26%	\$ 357,961.58		
8								\$ -			
9								\$ -			
10								\$ -			
11								\$ -			
12								\$ -			
								\$ -			
								\$ -			
5	Total						\$ 71,526,886	4.26%	\$ 3,047,741.93		

6

7 b) GSHi has performed the calculation as requested by VECC, applying the
 8 lowest actual debt rate (1.98%) to the notional debt. Under this approach:

9

- 10 • The weighted long-term debt rate decreases to **3.99%**.
- 11 • The amount included in distribution revenue for long-term debt
 12 interest would be **\$2,853,923**.
- 13 • This represents a reduction of **\$194,022** compared to GSHi's
 14 proposed approach (\$3,047,045 - \$2,853,023).

15

16 Table 2 and Table 3 below provide the details of this calculation:

17

18 **Table 2: 2025 Debt Instruments, IRR Updated, Notional Debt at Lowest Rate**

		Year		2025							
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) ²	Interest (\$) ¹	Additional Comments, if any	
1	TD SWAP Loan 2011	Toronto-Dominion Bank	Third-Party	Fixed Rate	18-Jan-11	15	\$ 106,601	4.69%	\$ 4,999.81		
2	Promissory Note with GSU	Greater Sudbury Utilities	Affiliated	Fixed Rate	1-Nov-00	demand	\$ 48,645,458	4.66%	\$ 2,266,878.34	Deemed rate (2024)	
3	TD Financing Agreement 2015	Toronto-Dominion Bank	Third-Party	Fixed Rate	12-Jan-15	10	\$ 908	4.33%	\$ 39.31		
4	TD Long-term Debt Mar 2020 (\$5.5M)	Toronto-Dominion Bank	Third-Party	Fixed Rate	26-Mar-20	10	\$ 4,558,290	1.98%	\$ 90,071.81		
5	TD Long-term Debt Feb 2021 (\$4.5M)	Toronto-Dominion Bank	Third-Party	Fixed Rate	19-Feb-21	10	\$ 3,896,097	2.35%	\$ 91,597.23		
6	TD Long-term Debt Nov 2024 (\$6.0M)	Toronto-Dominion Bank	Third-Party	Fixed Rate	4-Nov-24	5	\$ 5,916,680	3.99%	\$ 236,193.85		
7	Notional Debt						\$ 8,402,854	1.98%	\$ 166,376.51		
8								\$ -			
9								\$ -			
10								\$ -			
11								\$ -			
12								\$ -			
								\$ -			
								\$ -			
19	Total						\$ 71,526,886	3.99%	\$ 2,856,156.86		



1

2

Table 3: Cost of Capital with LTD Rate from Table 2 Above

		Test Year: 2025			
Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$71,526,886	3.99%	\$2,853,923
2	Short-term Debt	4.00% (1)	\$5,109,063	5.04%	\$257,497
3	Total Debt	60.0%	\$76,635,950	4.06%	\$3,111,420
	Equity				
4	Common Equity	40.00%	\$51,090,633	9.25%	\$4,725,884
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$51,090,633	9.25%	\$4,725,884
7	Total	100.0%	\$127,726,583	6.14%	\$7,837,303

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While GSHi has provided this calculation in response to VECC's request, GSHi does not agree with applying the lowest actual debt rate to its notional debt. The 1.98% rate reflects a debt issuance during a period of historically low interest rates, which GSHi could not feasibly secure in the test year. The prevailing OEB deemed long-term debt rate further supports this position.

Instead, GSHi submits that it is more appropriate to use either:

1. The actual weighted long-term debt rate (as reflected in Appendix 2-OB), or
2. The OEB's deemed long-term debt rate, which is specifically designed as a reasonable proxy for an LDC's cost of debt in the test year.

GSHi's methodology aligns with OEB policy, as noted in the OEB Staff Report issued January 14, 2016 (pages 6-7), which referenced multiple OEB decisions following the OEB's Report on the Cost of Capital (EB-



1 2009-0084). These decisions established that notional debt should attract
2 the weighted average cost of a utility's actual long-term debt.

3

4 GSHi is not seeking a departure from standard methodology, particularly
5 given the pending decision in the OEB's generic proceeding on Cost of
6 Capital Parameters (EB-2024-0063).



1 6-VECC-37 Updated Appendix 2-H Associated Expenses for
 2 Revenue Source

3 **Question:**

4 **Reference: Chapter 2 Appendices, Appendix 2-H Exhibit 6, Tab 4,**
 5 **Schedule 1, page 2**

6 a) For each of the revenue sources set out in Table 1 (page 2), please
 7 identify the associated expenses (if any) for each year and indicate in
 8 what USOA account these expenses are recorded.

9
 10 **Response:**

11 GSHi has repopulated the table from the reference.

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge Year	2025 Test Year
Account 4210 - Rent From Electric Property						
Rent Revenue - Competitive Companies	- 61,234	- 62,583	- 64,152	- 73,204	- 73,205	- 73,204
Rent Revenue - Greater Sudbury Hydro Plus Inc				- 325,405	-334,016	-334,016
Rent Revenue - Streetlights				- 47,755	- 46,532	- 46,532
4375 - Revenues from Non Rate-Regulated Utility Operations						
Streetlight Maintenance Revenue	- 382,451	- 252,015	- 267,131	- 318,725	-306,872	-334,724
4380 - Expenses of Non Rate-Regulated Utility Operations						
Streetlight Maintenance Revenue	382,451	252,015	267,131	318,725	306,872	334,724
Total	- 61,234	- 62,583	- 64,152	- 446,363	-453,753	-453,752

12
 13
 14 For Account 4210, this represents direct revenue to GSHi. Affiliates are charged
 15 both fair market rent and their proportionate share of building costs based on the
 16 square footage they occupy. The portion related to building costs is applied as a
 17 reduction to Account 5675 (Maintenance of General Plant). The revenue reported
 18 under Account 4210 reflects only the fair market rent charges, which are in
 19 addition to the allocated building costs. A more detailed discussion on this topic
 20 can be found in the application at Exhibit 4, Tab 4, Schedule 2, pages 3-4.

21
 22 For the revenue in account 4375 – Revenues from Non Rate-Regulated Utility
 23 Operations, the related expenses (labour, materials, vehicle charges, etc) are
 24 included in account 4380 – Expenses of Non Rate-Regulated Utility Operations.

1 6-VECC-38 Updated Appendix 2-H

2 **Question:**

3 **Reference: Chapter 2 Appendices, Appendix 2-H**

- 4 a) Please update Appendix 2-H to include 2024 actuals. If actual 2024
5 values are not available for the entire year, please show the year-to-date
6 actual values for 2024 and the comparable values for 2023.
- 7 b) Please confirm that, for 2025, USOA #4405 includes \$45,000 in interest
8 revenue related to deferral and variance accounts.
- 9 c) With respect to USOA #4360, please explain the basis for the \$520,319
10 loss projected for 2025.
- 11 d) With respect to USOA #4355, please explain why there are no gains
12 forecast for 2024 or 2025.
- 13 e) With respect to USOA #4310, please explain why there is no value
14 forecast for 2025.

15
16 **Response:**

- 17 a) Appendix 2-H has been updated to reflect GSHi's projected 2024 actuals
18 as of the time of this response. While GSHi does not anticipate any
19 material changes, these figures have not yet been audited and may be
20 subject to adjustment as GSHi finalizes its year-end financial statement
21 audit.
- 22 GSHi also notes that it has maintained its budgeted figure for Account
23 #4405, which pertains to interest revenue on deferral and variance
24 accounts. As per GSHi's standard practice, these amounts are only
25 calculated annually at year-end. The final amount can only be determined
26 after completing the audit work on balance sheet accounts, which can only
27 be undertaken once all December consumption has been billed in mid-
28 February.



- 1 b) GSHi confirms that the \$45,000 in USOA #4405 for 2025 relates to
2 interest revenue related to deferral and variance accounts.
3
- 4 c) The budget for the Loss on Disposal of Assets is determined using two
5 calculations. The first involves analyzing the average loss over the most
6 recent three years of available data at the time of budgeting. The second
7 calculates the loss on disposal as a percentage of total capital spending
8 for five years. For the second calculation, adjustments are made to
9 exclude projects where the assets being removed are fully amortized (e.g.,
10 the Martilla rebuild and vehicles in 2025) or do not involve asset
11 retirements (e.g., pre-orders of transformers and GIS modernization in
12 2025). GSHi then averages the results of these two calculations to
13 determine the annual budget for this line item.
14
- 15 d) While preparing its response to 6-SEC-25, GSHi identified that it has
16 historically budgeted this line net of gains. To enhance transparency,
17 GSHi has now separated losses and gains into two distinct accounts
18 (4355 and 4360), as reflected in the updated appendix 2H.
19
- 20 e) The amounts recorded in Account #4310 were related to the disposition of
21 Account 1575 as part of GSHi's 2020 Cost of Service Application. Since
22 this disposition is no longer applicable in the current application, no value
23 has been forecasted for 2025.