

**Ontario Energy Board (OEB) Staff's Pre-Settlement Clarification Questions
2025 Electricity Distribution Rates Application
Hydro 2000 Inc. (Hydro 2000)
EB-2024-0030**

Question 1

Ref: Response to Question 7 (Commitment List)

Please confirm if the total salary increase in 2025 is 7.66% (4.16%+3.5%)?

Q1 Response: Regarding the salary increase for 2025, the breakdown is as follows:

- **General Manager: The General Manager's increase will be 4.8%, along with an incremental adjustment for the CPP rate (2%).**
- **Employees (Administrative Coordinator, Client Services, and other staff): These positions will receive a salary scale increase of 4.166%, in addition to a 4.8% salary increase.**
- **Board of Directors: The approved salary increase for the Board is 4.8%.**
- **Benefits: Benefits costs will also see an increase of 4.8%.**

The total salary increase for 2025 is based on the individual roles and corresponding adjustments, which do not necessarily add up to a flat 7.66%.

Question 2

Ref 1: PILs model (T4 Sch 4 Loss C fwd Test)

Hydro 2000 indicates "4" in cell G14 which means there are 4 years left until next cost of service. Given the rate term is 5 years, it should indicate "5". Please correct it and resubmit PILs form.

Q2 Response: Hydro 2000 had indicated "4" in cell G14, which suggests there are 4 years remaining until the next Cost of Service. However, as the rate term is 5 years, the correct value should be "5". This has been corrected, and the PILs form has been updated accordingly.

Question 3

Ref 1 Q23 b) & c)

Hydro 2000 states it won't use AIP in its 2024 and 2025 tax returns since AIP is not allowed after December 31, 2023.

- a) Please confirm Hydro 2000 understands the AIP is still available during the phasing-out period from 2024 to 2027 and the effect of the AIP is **twice** the normal first-year claim as compared to the legacy half-year rule for the CCA.

Q3a) Response: Hydro 2000 understands that the AIP is still available from 2024 to 2027, but the immediate expensing option ends after December 31, 2023. The AIP will allow for a first-year claim that's double the normal amount, compared to the old half-year rule for CCA.

- b) Please confirm Hydro 2000 still would not apply to the AIP in its 2024 and 2025 tax filings and will not claim the CCAs under the AIP going forward from 2024 to 2027 tax filings given the fact provided in a) above.

Q3b) Response: Yes, Hydro 2000 will continue to use the AIP for its 2024 and 2025 tax filings but will not claim the CCA under AIP beyond 2023, as explained above.

Question 4

Account 1592 – PILs and Tax Variance for 2006 and Subsequent Years

Ref 1: Q23 d) i)

Ref 2: DVA Continuity 20250205

Account 1592 – PILs and Tax Variance for 2006 and Subsequent Years in Ref 2 showing \$29,197.06 as total claim. Hydro 2000 states this is the amount not disposed of in 2020.

- a) Please clarify the nature of the amount, explain why this amount was not disposed in 2020 cost of service application.

Q4a) Response: The amount of \$29,197.06 represents a balance that was not disposed of during the 2020 Cost of Service application. This amount should have been written off at that time and has now been removed from the Group 2 continuity schedule of the DVA model.

- b) Please confirm Hydro 2000 is not requesting disposition of this amount and will write off this amount.

Q4b) Response: Yes, Hydro 2000 confirms that it is not requesting disposition of this amount and will proceed to write it off.

PILs Model

Hydro 2000 notes that it has unlocked and updated the PILs model to reflect the actual tax rate of 26% as it is not eligible for the small business tax rate.

Question 5

Accelerated CCA 20250205, Tab Accelerated CCA

Ref 1: Exhibit 9, section 9.2.1, page 8

Ref 2: EB-2019-0041 Decision and Order, September 24, 2020, page 39

Ref 3: DVA Continuity 20250205

Ref 4: Response to Commitments Q23

Per Ref 3, Account 1592 subaccount CCA changes shows a credit of \$16,917.84 balance on the DVA continuity. Per Ref 1 & 2, the 2020 settlement agreement indicates that the 2020 rates accounted for the impacts of accelerated Capital Cost Allowance (CCA). Hydro 2000 has confirmed that it is not going to apply AIPP from 2024 onwards in Ref 4. OEB staff notes that Hydro 2000 applied the full effect of the AIPP in its test year's PILs in 2020 cost of service application. As a result, the CCA rule embedded in rates for this rate term (2020-2024) is consistent with the CCA rule used by Hydro 2000 in its actual tax filings for the period except for 2024 (2020 not applying AIPP and revert to the legacy half-year rule as claimed by Hydro 2000).

- a) If Hydro 2000 confirms that its 2024 tax filing is using the legacy half-year rule for the CCAs, please calculate a debit amount in EXCEL table based on 2024 capital additions that is to be recorded in Account 1592 sub-account CCA changes.

Q5 Response: The Accelerated CCA form and DVA Continuity have both been adjusted to reflect the AIPP for 2024.

Question 6

Pole Attachment Revenue Variance Account

Ref 1: 1508 Pole attachment calculation_20250205, Column F- Incremental revenue

Ref 2: DVA Continuity 20250205, Tab 2b, Tab 3 Appendix A

- a) OEB staff has provided the following table to simplify the calculation. Please resubmit the updated Table 4 using the exact format below and reconcile with the updated DVA continuity.

Year	Unit rate built in last COS for each pole	Actual Unit rate of each pole	Incremental Charge	# of Poles	Incremental Revenue	Carrying Charges	Total
	a	b	c=b-a	d	e=c x d	f	g=e + f
2019	22.35	43.63	21.28	434	9,235.52	92.79	9,328.31
2020	44.50	44.50	0.00	434	0.00	127.02	127.02
2021	44.50	44.50	0.00	434	0.00	52.68	52.68
2022	44.50	34.76	-9.74	434	-4,227.16	125.12	-4,102.04
2023	44.50	36.05	-8.45	453	-3,827.85	161.43	-3,666.42
2024 forecast	44.50	37.78	-6.72	454	-3,050.88	-7.81	-3,058.69
Jan to Apr 2025 Forecast	44.50	37.78	-6.72	454	-1,016.96	-27.32	-1,044.28
Total as of April 30, 2025					-2,887.33	523.91	-2,363.42

Q6 Response: The table above has been completed and DVA Continuity has been updated

Question 7

DVA Continuity

- a) Variance explanations are not provided in Tab 3. Appendix A on the DVA continuity. These will need to be provided.

Q7a) Response: Tab 3, Appendix A has now been completed, and the variance explanations are provided as requested.

- b) In DVA Continuity, column BU in both Tab 2a and Tab 2b, indicating whether the account is requested for disposition of or not is missing.

Q7b) Response: For the DVA Continuity, in column BU of both Tab 2a and Tab 2b, the disposition status was filled in for accounts where the option was available. However, many cells are protected, preventing us from selecting an answer for those accounts. The available cells have been marked as "Yes" or "No" where applicable.

Question 8

Cloud DVA

Ref Q49, Hydro 2000 states there are certain suppliers employed cloud-based technologies, and their associated costs are embedded within their service fees.

- a) Please confirm that the Account 1511 Cloud Computing Implementation Costs is to be discontinued after this rebasing application.

Q8 Response: Hydro 2000 agrees to discontinue the Account 1511 Cloud Computing Implementation Costs after this rebasing application, as long as OEB policies remain unchanged. Should future regulatory or policy adjustments require its use, Hydro 2000 will comply with any such direction at that time.

Question 9

GOCA

Per Q50 a), Hydro 2000 does not anticipate using the GOCA variance account

- a) Please confirm that the Account 1508 sub-account GOCA variance account is to be discontinued after this rebasing application.

Q9a) Response: Hydro 2000 agrees to discontinue the GOCA variance account after this rebasing application, as long as OEB policies remain unchanged. Should future regulatory or policy adjustments require its use, Hydro 2000 will comply with any such direction at that time.

Question 10

Upon answering question 2 to 9 above, please update and resubmit the following evidence:

- a) PILs workform
- b) 1508 Pole attachment calculation using the format provided in Question 12 above
- c) DVA Continuity
- d) Updated Table 6 - Balances Sought for Disposition in Exhibit 9

Q10 a) to d) Response: All forms have been updated

Question 11**Ref: Response to Commitment Question 9**

Can Hydro 2000 highlight the accounts where inflation factor was applied to 2024 actuals?

Q11 Response: Actuals represent the actual costs incurred, and any application of an inflationary factor is not relevant to the final actuals. If an inflation factor was used in projections or estimates, it would not affect the reported actuals, as those are based on real, incurred costs.

HYDRO 2000 INC.

2025 RATE APPLICATION (EB-2024-0030)

PRE-SETTLEMENT FOLLOW-UP AND CLARIFICATION QUESTIONS

VECC-1

REFERENCE: RRWF_20250205, Load Forecast Tab

- a) Please confirm that the GS>50 customer count should be 15 (not 22 as shown).

VECC-1 Response: The customer count should be 15. (the USL is 22). The RRWF has been updated accordingly.

VECC-2

REFERENCE: Load Forecast Model_20250205, Bridge and Test Year Class Forecast Tab

- a) For each of the Residential, GS<50 and GS>50 classes, please confirm that the calculation of the ratio of average class sales to wholesale purchases (Cells D16, D44 and D72) should also include the values for 2015.

VECC-2 Response: VECC is correct in that the average should have been based on a 10-year average which includes 2015.

VECC-3

REFERENCE: Load Forecast_20240205, Inputs – Adjustments and Variables Tab

Commitment Response #37

- a) Please confirm that Column B represents purchases from HON. If not confirmed please reconcile with the response to Commitment Response #37.

VECC-3a) Response: Correct, Column B represents purchases from HON.

- b) Please explain why, for purposes of determining the Revised Wholesale Purchases (Column H), MicroFit purchases (Column C) are subtracted from Column B as opposed to added to Column B.

VECC-3b) Hydro 2000 removed the MicroFit purchases from Column B to follow the approach outlined for Hydro Hawkesbury. Initially, the application and its consultant thought that MicroFit purchases were included in the wholesale, but when reconciling the yearly totals with the RRR filings, it came to realise that

MicroFit purchases had actually been included in the Wholesale and removed from the Retail.

This adjustment was made to prevent further questions that could require changes to the load forecast, which would affect the entire set of models and rates.

(Note: It would be beneficial if the Board could provide more detailed guidance in its filing requirements regarding how embedded generation should be treated in the load forecast and its impact on the loss factor, including the supply facility loss factor calculations.)

VECC-4

REFERENCE: Commitment Responses 24, 25, 26, 27 and 44 a)
Chapter 2 Appendices_20250205, Appendix 2-H

- a) Commitment Response #24 states that account 4405 includes interest associated with DVAs, but does not provide the amount included in the 2025 forecast. Please provide.

VECC-4a) Response: Hydro 2000 has removed the interest associated with DVAs. Below are the balances applied to “other revenues”. The inflation factor of 4.8 was applied to 2024 to arrive to 2025.

		2024	2023	2022	2021	2020
44050000	INTEREST AND DIVIDENT INC...	-3,477.10	- 3,048.79	-1,692.10	- 962.62	-1,324.52
44050010	INTEREST INCOME-VARIANCE ACC	-	-14,504.40	-4,812.91	-2,167.59	-6,110.32
		<u>-3,477.10</u>	<u>-17,553.19</u>	<u>-6,505.01</u>	<u>-3,130.21</u>	<u>-7,434.84</u>

- b) With respect to Commitment Response #25, the amounts in Account #4235 did not change as a result of the Commitment Responses. Please clarify if MicroFit-related revenues are now included under Account 4235 in Appendix 2-H.

VECC-4b) Response:

For 2025, Hydro 2000 has updated the charge to \$5.00. The change from \$4.55 to \$5.00 results in a \$0.45 increase per MicroFit, which amounts to a small difference of \$27.

The total adjusted amount for the 2025 Test Year will be \$3,643.12 (up from \$3,634), which accounts for the changes in the MicroFit charge.

Additionally, the remaining amounts in Account #4235 for 2024 were as follows:

Lawyers Fee: \$45.00

Set-up Fee: \$2,355.00

Collection Red Cheque: \$795.00

- c) With respect to values provided in response to Commitment Response #26 as compared with those in Appendix 2-H, please reconcile the following:
 - i. For accounts 4305 and 4310, Appendix 2-H reports no values. In Commitment Response #26 the values for the two accounts net out for the years 2020-2022, but not for 2023 and 2024. Please explain how the net

difference between the two accounts is treated in Appendix 2-H in the years 2023 and 2024.

VECC-4c i) The discrepancy of -693 in 2023 occurred due to an invoice that was received too late to be included in the 2023 period. As a result, it was carried forward and corrected in 2024. Both accounts (4305 and 4310) net each other out, and the sum of both years results in a net value of zero.

- ii. For account 4405, the differences in 2020, 2022 and 2023 are equal to the interest related to DVAs per CR#24. However, for the years 2021 and 2024 this is not the case. Please explain the differences for 2021 and 2024.

VECC-4c ii) Response: Hydro 2000 has approximately \$3,500 per year in Bank Interest Income

- d) With respect to Commitment Response #44a), please reconcile:
 - i. The reported Hydro 2000 2020 COS\$ value of \$8,000.71 with the approved 2020 Pole Attachment Rate (\$44.50) and the number of poles shown (120).
 - ii. The Actual Charges reported for the years 2020 through 2024 with the OEB approved Pole Attachment Rates for each year and the number of poles shown for each year (120).

e)

VECC-d i) and ii) Response:

Poles Rented by H2000 from 3rd Parties	# Of Poles	Old Annual Rental Rate	# Of Poles	2020 Rate	Old Annual Expense	2020 Annual Expense	Additional Expense for 2020
HONI	43	89.24	43	87.90	3,837.32	3,779.70	
Bell Aliant	77	54.07	77	54.54	4,163.39	4,199.58	
			120		8,000.71	7,979.28	(21.43)