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November 27, 2012

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2012-0173
Welland Hydro-Electric System Corp. – 2013 Cost of Service Application
Energy Probe – Interrogatories to Applicant

Pursuant to Procedural Order No. 1, issued by the Board on November 14, please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) to Welland Hydro in the EB-2012-0173 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Wayne Armstrong, Welland Hydro (By email)
Randy Aiken, Consultant to Energy Probe (By email)
Interested Parties (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Welland
Hydro-Electric System Corp. for an order approving just and
reasonable rates and other charges for electricity distribution to
be effective May 1, 2013.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

November 27, 2012

**WELLAND HYDRO-ELECTRIC SYSTEM CORP.
2013 RATES REBASING CASE
EB-2012-0173**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

Energy Probe # 1

Ref: Exhibit 1, Tab 1, Schedule 12

Please confirm that there are no costs associated with the Board of Directors of Welland Hydro-Holding Corp., Welland Hydro Energy Services or any other affiliate included in the 2013 test year revenue requirement of Welland Hydro-Electric System Corp. If this cannot be confirmed, please provide the amount included in the revenue requirement.

Energy Probe # 2

Ref: Exhibit 1, Tab 2, Schedule 1

Please update Table 1.1 to reflect data from the 2011 Yearbook of Electricity Distributors.

Energy Probe # 3

Ref: Exhibit 1, Tab 3, Schedule 1, Appendix D

On page 10 of the 2011 Financial Statements it stated that Welland-Hydro Electric System Corp. elected to defer adoption of IFRS until January 1, 2012. Did Welland Hydro adopt IFRS effective January 1, 2012? If not, when does Welland Hydro now expect to adopt IFRS?

EXHIBIT 2 – RATE BASE

Energy Probe # 4

Ref: Exhibit 2, Tab 1, Schedule 1 &
Exhibit 1, Tab 3, Schedule 3, Appendix F

- a) **Please provide a description of the assets included in account 2075-Non-Utility Property if these assets include more than just micro-fit installations.**
- b) **Please confirm that no depreciation or OM&A expenses related to these assets have been included in the revenue requirement for the 2013 test year.**
- c) **Please show where the depreciation and OM&A expenses (if any) associated with the assets in account 2075 are shown in the 2013 pro forma statements in Appendix F to Exhibit 1, Tab 3, Schedule 3.**

Energy Probe # 5

Ref: Exhibit 2, Tab 1, Schedule 1, page 8

- a) **Please confirm that the cost of power used in the table reflect the April, 2012 Regulated Price Plan Price Report.**
- b) **Please update the cost of power calculations to reflect the prices found in the October, 2012 Regulated Price Plan Price Report.**
- c) **Please show how the IESO Smart Meter Charge of \$214,022 has been calculated.**

Energy Probe # 6

Ref: Exhibit 2, Tab 2, Schedule 1, pages 5-7

- a) **Please update the continuity schedules for 2012 using both CGAAP and MIFRS to reflect the most recent year-to-date actual data available for 2012, along with forecasts for the remaining months in 2012.**
- b) **If there are any impacts resulting from the response to part (a) that impact on 2013 (opening balance, changes in capital expenditure timing, etc.) please provide a revised continuity statement for 2013.**
- c) **Please explain why there are no disposals (cost or accumulated depreciation) for 2012?**

- d) Please explain why there are no Contributions and Grants shown in the 2013 continuity schedule?
- e) Please explain why there are no disposals shown for Transportation Equipment in 2013.
- f) Please explain what is included in account 1870 (Other Installations - Customer Premises).

Energy Probe # 7

Ref: Exhibit 2, Tab 2, Schedule 1, pages 9-11

- a) In 2012 and previous years under CGAAP there is an adjustment for fully depreciated assets in the calculation of the depreciation expense. This adjustment is not reflected in 2012 or 2013 under MIFRS. Please explain how the depreciation expense under MIFRS takes into account assets that are fully depreciated in 2012 and/or 2013.
- b) Please explain how the Average Remaining Life of Opening NBV figures shown on page 10 were calculated. In particular, please explain how the figure of 46.08 years shown for account 1830 was determined in light of the new additions having an expected life of 50 years. Does this indicate that the average age of all poles, towers and fixture which are not fully depreciated, is only 3.92 years?

Energy Probe # 8

Ref: Exhibit 2, Tab 3, Schedule 2, Appendix 2A

- a) For each of the capital projects shown in Appendix 2-A, please indicate if the project has been placed in service in 2012, if it will be placed in-service by the end of the year or whether the project has been deferred. If deferred, please indicate if the project will be placed in service by the end of 2013 or some date beyond 2013. Please also include any projects completed, or forecast to be completed and in service by the end of 2012 that were not included in Appendix 2-A.
- b) Will the addition of the double bucket truck for \$350,000 shown for 2013 result in the disposal of any other vehicles? If yes, please provide the cost and accumulated depreciation associated with these vehicles at the end of 2012, along with the estimated value of the vehicle being replaced if it is sold.

Energy Probe # 9

Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B

- a) **How much, if any, of the \$84,000 noted for the Ridge Road Pole Line Expansion will be paid for by the new solar farm?**
- b) **Please confirm that Welland Hydro intends to recovery only 17% of the costs associated the \$84,000 investment from its customers, with the remaining 83% recovered from provincial ratepayers, as per page 16. If this cannot be confirmed, please explain the Welland Hydro proposal for recovery of the associated costs and please provide a rationale for this recovery proposal.**

Energy Probe # 10

Ref: Exhibit 2, Tab 3, Schedule 6

What would be the bill impacts on Residential and GS < 50 kW customers if the stranded meter costs were recovered over:

- a) **a two year period?**
- b) **a one year period?**

Energy Probe # 11

Ref: Exhibit 2, Tab 3, Schedule 6, Appendix 2-S

- a) **Please explain how Welland Hydro has determined the allocation of the stranded meters between the Residential and GS < 50 kW classes.**
- b) **Please show the allocation of the stranded meter costs if the allocation was based on the cost allocation filing used in the last rebasing application to reflect the relative weightings of the meters in the two rate classes.**

EXHIBIT 3 – OPERATING REVENUE

Energy Probe # 12

Ref: Exhibit 3, Tab 2, Schedule 1

- a) Please confirm that the MAPE (Mean Absolute Percent Error) over the 2002 through 2011 period of the regression model used by Welland Hydro is 2.01% based on the data in Table 3.6.
- b) Did Welland Hydro attempt to use any explanatory variables, such as GDP, in an attempt to explain the large variance between the actual and forecasted data in 2009 shown in Table 3.6? If yes, please provide the results of those regression equations in terms of the adjusted R-squared, coefficient values, t-statistics, etc.
- c) Please add an explanatory variable that has a value of 1 in each month of 2009 and 0 in all other months to reflect the 2009 recession. This variable is in addition to the explanatory variables used by Welland Hydro in the equation shown on page 6. Please provide the regression coefficients of the forecast from this equation, as shown on page 6, the statistical results as shown in Table 3-5, the total system purchases forecast as shown in Table 3-6, including the 2012 and 2013 Weather Normal forecasts using the 10 year average of weather.
- d) Based on the response to part (c) above, please calculate the MAPE of this equation for the 2002 through 2011 period.
- e) Based on the response to part (c) above, what is the impact on the 2013 revenues based on existing 2012 rates and what is the impact on the revenue deficiency, taking into account the change in revenues and the changes in volumes through the working capital calculation, etc.?
- f) Please explain the significant drop in the billed energy for the large use customer between 2008 and 2009? What industry is the large use customer involved in?

Energy Probe # 13

Ref: Exhibit 3, Tab 2, Schedule 1

- a) Please provide the data referred to in lines 6-8 on page 11 that was used to justify the 1.8% growth in the number of residential customers found in Table 3-9.

- b) Please provide the corresponding information as found in the response to part (a) above, based on the most recent year-to-date figures that are currently available.
- c) Are the figures in Tables 3-7 and 3-9 based on year-end customers or the average number of customers for the year?
- d) Please confirm that the geomeans shown in Table 3-11 were NOT used to calculate the figures shown in Table 3-12. Please provide a revised Table 3-11.

Energy Probe # 14

Ref: Exhibit 3, Tab 2, Schedule 1

Please provide the GS > 50 kW ratio for 2011, as shown in Table 3-20 with the rate class excluding the large industrial customer noted at the bottom of page 19.

Energy Probe # 15

Ref: Exhibit 3, Tab 3, Schedule 3

- a) Please provide the most recent year-to-date actual available figures for 2012 in the same level of detail as shown in Appendix 2-F. Please also provide the corresponding figures for the same period in 2011.
- b) Please explain how the reduction in Retail Service Revenue in account 4080 due to customers opting out of retail contracts has been reflected by the movement of these customers and the resulting impact on SSA Administration revenues. In particular, please provide the number of customers opting out of retail contracts between 2011 and 2012 and the increase associated with the SSA Administration charge in 2012 from these customers now paying this charge.
- c) Please provide the most recent year-to-date figures available for 2012 in the same level of detail as shown for each of the line items under Accounts 4080, 4084, 4210, 4355, 4362, 4375, 4390 and 4405. Please also provide the corresponding figures for the same period in 2011
- d) Please show where the OM&A costs and depreciation costs associated with the Welland Hydro owned solar micro fit projects that generate forecasted revenues of \$36,250 in the 2013 test year have been removed from the revenue requirement.

EXHIBIT 4 – OPERATING COSTS

Energy Probe # 16

Ref: Exhibit 4, Tab 1, Schedule 2

Please provide the most recent year-to-date actual expenses for 2012 in the same level of detail as shown in Appendix 2-I. Please also provide the corresponding figures for the same period in 2011.

Energy Probe # 17

Ref: Exhibit 4, Tab 1, Schedule 2

Have the costs shown at lines 6 and 7 of Appendix 2-M for the 2012 bridge year been double counted? It appears that these costs are factored into the calculation of the 2013 test year costs amortized over 4 years as shown in the table at the bottom of the page.

Energy Probe # 18

Ref: Exhibit 4, Tab 1, Schedule 2

- a) **What is the impact on wages and benefits if the increase for Union employees was reduced from 3.25% per year in both 2012 and 2013 to 2.0% in both years?**
- b) **What is the impact on wages and benefits if the increase for non-union employees was reduced from 2.75% per year in both 2012 and 2013 to 2.0% in both years?**

Energy Probe # 19

Ref: Exhibit 4, Tab 1, Schedule 4, Appendix 2-K

What is the total cost associated with the one FTE increase in Management in 2013 compared to 2012?

Energy Probe # 20

Ref: Exhibit 4, Tab 1, Schedule 7

Please confirm that in the 2009 cost of service rebasing application that Welland Hydro used the half-year rule for additions in the current year? If this cannot be confirmed, how was depreciation calculated for additions in the current year?

Energy Probe # 21

Ref: Exhibit 4, Tab 1, Schedule 8

- a) **Please explain why only a portion (36%) of the wages is eligible for the apprenticeship tax credit.**
- b) **Does Welland Hydro have any positions that qualify for the Ontario Co-operative Education Tax Credit of the Federal Job Creation Tax Credit? If yes, please provide details and quantify the amount of the available credits.**
- c) **Is Welland Hydro claiming any SRED tax credit in 2013? If not, why not?**
- d) **Please provide the amount of the SRED tax credit claimed in each of 2010 and 2011 and the forecasts for 2012 and 2013.**

Energy Probe # 22

**Ref: Exhibit 4, Appendix D &
Exhibit 2, Tab 2, Schedule 1, Appendix 2-B**

- a) **Please provide a mapping of the additions shown in Appendix 2-B on page 6 of Exhibit 2, Tab 2, Schedule 1 with the amounts shown by class in Schedule 8 CCA - Bridge Year in Appendix D of Exhibit 4. In particular, please explain the additions shown in CCA Class 1 Enhanced relative to the capital additions shown in the continuity schedule. Please also provide a description of what these expenditures are related to and why they are included in this CCA class.**
- b) **Please explain why the bridge year capital additions for CCA purposes shown in Appendix D of Exhibit 4 are based on the MIFRS additions to rate base shown in Appendix 2-B of Exhibit 2, Tab 2, Schedule 1 rather than the CGAAP based estimates. Please provide revised CCA schedules for the bridge and test years using the CGAAP based additions for the bridge year in place of the MIFRS based figures used.**

- c) Please explain the addition of \$20,000 to CCA Class 1 Enhanced shown in Schedule 8 CCA - Test Year in Appendix D of Exhibit 4. Please confirm that this is the \$20,000 shown in Appendix 2-B on page 7 of Exhibit 2, Tab 2, Schedule 1 shown in account 1908. Please reconcile the CCA class shown in the continuity schedule as being Class 47 as compared the Class 1 Enhanced used in the CCA calculation. What is this expenditure related to?

Energy Probe # 23

Ref: Exhibit 4, Appendix E

What is the revised revenue deficiency if the federal tax rate applicable to Welland Hydro is increased from 11.0% to 15.0%?

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

Energy Probe # 24

Ref: Exhibit 5, Tab 1, Schedule 1

What is the impact on the revenue deficiency of the cost of capital parameters from the Board's November 15, 2012 letter re Cost of Capital Parameter Updates for 2013 Cost of Service Applications for Rates Effective January 1, 2013?

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

Energy Probe # 25

Ref: Exhibit 6, Tab 1, Schedule 1

Please explain why the figure in line 2 of Table 6.2 is different in the "At Current Approved Rates" and the "At Proposed Rates" columns.

EXHIBIT 7 – COST ALLOCATION

Energy Probe # 26

Ref: Exhibit 7, Tab 1, Schedule 2

- a) Please explain why Welland Hydro is proposing to reduce the revenue-to-cost ratio for the Larger User, Streetlight and USL classes to levels below the top of the Board approved ranges, as shown in Table 7-8.**
- b) Please provide a revised Table 7-8 and Table 7-9 that reflects the proposals of Welland Hydro with the change that the three rate classes noted above in part (a) are only reduced to the top of the Board approved range and the Residential class is adjusted so as to remain revenue neutral in aggregate.**
- c) Please explain how Welland Hydro determined the amount of \$2,672 in Account 5610 shown in Table 7.6 that was to be directly allocated to the Large User Account.**
- d) Please show where in Table 7-6 the receivable insurance is included. Please indicate the amount of the receivable insurance that has been directly allocated to the Large User class and show how this figure has been calculated.**
- e) Has the remainder of the receivable insurance cost been directly allocated to the GS > 50 kW class? If not, why not?**

EXHIBIT 8 - RATE DESIGN

Energy Probe # 27

Ref: Exhibit 8, Tab 1, Schedule 3

- a) Please confirm that Welland Hydro proposes to increase the monthly fixed charge for the GS < 50 kW, GS > 50 to 4999 kW and USL classes, despite those charges being higher than the ceiling fixed charge from the cost allocation model.**
- b) Please show the impact on the variable rates for each of the classes noted above in part (a) if the fixed charges were to remain at their current (2012) levels.**

Energy Probe # 28

Ref: Exhibit 8, Tab 1, Schedule 9, page 8

Please confirm that Welland Hydro is requesting an increase in the microFit rate from \$5.25 per month to \$5.40 in accordance with the Board's September 20, 2012 letter on this topic.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

Energy Probe # 29

Ref: Exhibit 9, Tab 1, Schedule 3

What is the magnitude of the expected impact on Retiree Future Benefits related to the conversion from CGAAP to IFRS? Please show all calculations and assumptions and also provide the expected timing of this impact.