



**PUBLIC INTEREST ADVOCACY CENTRE**  
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613-562-4002

November 29, 2012

**VIA MAIL and E-MAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2012-0173 - Welland Hydro-Electric System Corp.**

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

A handwritten signature in black ink, appearing to be 'Michael Janigan', written in a cursive style.

Michael Janigan  
Counsel for VECC

Encl.

cc. Welland - Wayne Armstrong - [warmstrong@wellandhydro.com](mailto:warmstrong@wellandhydro.com)

<b>REQUESTOR NAME</b>	<b>VECC</b>
<b>INFORMATION REQUEST ROUND NO:</b>	<b># 1</b>
<b>TO:</b>	<b>Welland Hydro-Electric System Corp. (Welland or Welland Hydro)</b>
<b>DATE:</b>	<b>November 27, 2012</b>
<b>CASE NO:</b>	<b>EB-2012-0173</b>
<b>APPLICATION NAME</b>	<b>2013Cost of Service Electricity Distribution Rate Application</b>

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## **1. GENERAL (Exhibit 1)**

### **1.0 – VECC – 1**

**Reference: Exhibit 1, Tab 3, Schedule 1, Appendix D**

- a) Please provide Welland's actual and regulated return on capital and shareholder equity for each year in the period 2009 through 2011.
- b) Please provide Welland's dividend policy.

### **1.0 – VECC – 2**

**Reference: Exhibit 1, Tab 3, Schedule 1, Appendix D**

- a) VECC is unable to find any reference, direction or other information in respect to the LEAP program on Welland's Website. For example there is no reference under the security deposit section of the website indicating that LEAP eligible customers may request a security deposit waiver. Please explain how Welland communicates the LEAP program to its existing and potential customers?
- b) The website's page on Deposits & Collection policy shows it was last revised on July 11, 2008. The Board has since issued a number of customer service rule changes including those related to low-income consumers. Please explain how these changes have been integrated into the Utility's webpage.

## **2. RATE BASE (Exhibit 2)**

### **2.0-VECC- 3**

**Reference: Exhibit 2, Tab 3, Schedule 1, page 2**

- a) Please provide the capital expenditures (actual and forecast) for the period 2009 through 2013 in the categories Welland uses in its capital plan (i.e. Customer demand; Replacement; Regulatory requirements; Substations). Please include a separate row showing the actual and forecast capital contributions for each year.

### **2.0 – VEC – 4**

**Reference: Exhibit 2, Tab 3, Schedule 1, Table 2.3.1, page 2**

- a) Please explain how the capital contributions are forecast and why there are no forecast contributions for 2013?
- b) Please explain what if any relationship there is between the category of projects under customer demand and the anticipated level of capital contributions.

### **2.0 – VECC – 5**

**Reference: Exhibit 2, Tab 3, Schedule 2, page 5,9,11**

- a) Re: Acadia Ave/Marc Blvd/Mayfair Estates/Chaplain Ave etc. - underground rebuild. Please provide Welland's policy with respect to underground service. Specifically address when and how capital contributions for underground service are calculated.
- b) Please provide the total capital contributions from the municipality for underground service (including rebuilds) in each of the years 2009 through 2013 (forecast). Please provide separately for each year the capital cost of new or rebuilt underground services.
- c) Please provide the capital expenditures related to customer demand (new services and service upgrades) in each of 2009 through 2013.

### **2.0 – VECC – 6**

**Reference: Exhibit 2, Tab 3, Schedule 2, page 12.**

- a) The evidence states that the new CIS/Financial system was completed in 2012. At the above reference it also indicates an expenditure of \$65,000 in 2013 for this project. Please clarify what, if any costs are forecast for 2013 for this project.

## **2.0 – VECC – 7**

**Reference: Exhibit 2, Tab 3, Schedule 3, section 1.3.3.**

- a) At section 1.3.3 of the Asset Management Plan it states that to fund smart grid activity an allowance have been made for operating expenses. Please provide the amount of allowance for this activity in 2013. Please explain the difference between an allowance for the activity and an amount to be budgeted for the activity.
- b) At section 4 it states that no asset condition study has been done since the last COS application. What was the date of the last comprehensive asset condition study? Was this study completed by Welland or by a non-affiliated contractor?

## **2.0 – VECC – 8**

**Reference: Exhibit 2, Tab 3, Schedule 3, section 8**

- a) Section 8 of the Asset Management Plan states 10 years of capital projects are identified. At section 9.4.6 of the Plan it shows 3 years of the capital plan. Please provide a revised table showing the additional years of 2016 and 2017.

## **2.0 - VECC- 9**

**Reference: Exhibit 2, Tab 3, Schedule 4, page 1/Appendix B page (ii)**

- a) Please indicate what capital contributions are being made for the Ridge Road Pole Line Expansion to the noted solar farm.
- b) The evidence indicates \$190k of capital expenditures related to the Green Energy Plan. Please confirm this is the total amount of capital expenditures. Please indicate what portion of this amount is included for recovery in 2013 rates. Please provide the same for any OM&A costs.
- c) At section 2.4 of the Green Energy Plan it states that an allowance of \$2m has been included for potential tunneling under the Welland Canal. Please explain what, if any, impact this allowance has on the 2013 rate application.
- d) At section 3.2 of the Green Energy Plan it states that Welland Hydro owns and operates 30 kW of solar generation and another 160kW is planned within the next 5 years. What operating and maintenance expenses (including planning) are forecast for this activity in 2013? Are these amounts included in the calculation of 2013 rates?

## 2.0 - VECC- 10

**Reference: Exhibit 2, Tab 3, Schedule 5, page 3**

- a) Please explain why Welland believes it appropriate under MIFRS to expense “*all maintenance and depreciations costs related to vehicles.*”

## 2.0 - VECC- 11

**Reference: Exhibit 2, Tab 3, Schedule 5, Appendix C, Table 1**

- a) Please confirm that the stranded meter costs are allocated to the customer class based on the number of customers in the class.
- b) Please explain why Welland believes its methodology represents the best application of the principle of cost causality.
- c) Please provide Welland’s estimate of the cost of the prior generation of residential meters and the cost of the prior generation of GS < 50 meters (for example, based on the last purchase prior to the smart meter program). Please provide separately Welland’s estimate of the installation costs for a residential meter and a GS< 50 meter.

## 2.0 - VECC- 12

**Reference: Exhibit 2, Tab 3, Schedule 8, page 2**

- a) Please confirm that the first table on page 8 reports SAIDI/SAIFI/CAIDI **with** loss of supply and that the second table reports these statistics **without** the loss of supply.
- b) Please provide the equivalent storm adjusted SAIDI/SAIFI/CAIDI for the second table (without loss of supply).
- c) The evidence states that there were prolonged outages during a storm in part due to the inability of customers to contact Welland’s answering service. Please describe Welland’s practice for discovering outages in general and in particular during severe weather events.

## **3. LOAD FORECAST (Exhibit 3)**

### 3.0-VECC- 13

**Reference: Exhibit 3, Tab 1, Schedule 1, pages 1 and 2**

- b) The Base and Total Revenues reported on page 2 do not appear to match the values described on lines 7-9 of page 1. Please reconcile.

### **3.0-VECC- 14**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 6-7**

- a) Please provide the OPA 2006-2010 Final CDM Results Report for Welland.
- b) Please provide the OPA report for the preliminary actual 2011 CDM program results.
- c) Are the final 2011 CDM results available from the OPA? If yes, please provide and indicate whether the 2011 program results reported in Table 3-4 have changed and whether these final results change the CDM savings set out in Table 3-16.
- d) If the final 2011 results have changed from those used to determine the 2011 CDM activity variable in Appendix A, please update Appendix A, re-estimate the regression model and provide an updated version of Table 3-6.
- e) Please confirm that OPA's reports reflect the annualized value of the CDM programs undertaken in each year (i.e., assumes that all programs were in effect for the full year). If not confirmed please provide Welland's understanding of what the results represent and the basis for this understanding.

### **3.0-VECC- 15**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 6**

- a) Please confirm that based on the estimated equation, 10 kWh of additional CDM savings in a month results a 79 kWh reduction in predicted purchases.
- b) What, in Welland's view, gives rise to this 7.9-times increase in the reduction and does it make intuitive sense?

### **3.0-VECC- 16**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 6**

- a) Did Welland explore the use of any economic drivers as explanatory variables such as GDP or unemployment?
- b) If not, why not?
- c) If yes, please provide the results of such models (i.e., the equation, the R-squared values and the t-stats for the coefficients).

- d) If not, please estimate two additional models. For each of the models exclude CDM as an explanatory variable but GDP or unemployment, respectively, and provide the results (i.e., the equation, the R-squared values and the t-stats for the coefficients) for each.

### **3.0-VECC- 17**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 10-11**

- a) Are the customer counts shown in Table 3-7 year end or average annual values?
- b) What was the actual customer/connection count for each class for the most recent 2012 month available? In the same response please provide the 2011 values by class for the equivalent month.

### **3.0-VECC- 18**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 11**

- a) Please provide a schedule that, for the large GS>50 customer described at lines 9-13, the customer's load for 2010 and 2011 – both kWh and billing kW.

### **3.0-VECC- 19**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 12-13**

- a) For the GS>50 class please redo Tables 3-10 and 3-11 excluding the one large customer from the analysis.

### **3.0-VECC- 20**

**Reference: Exhibit 3, Tab 2, Schedule 1, page 15**

- a) Please justify more fully the adjustment outlined at lines 14-21. Isn't the pre-adjustment forecast for the GS<50 class based on historical use per customer increased by the historical growth rate? As a result, how did Welland reach the conclusion that the projected value was inconsistent with past usage patterns?

### **3.0-VECC- 21**

**Reference: Exhibit 3, Tab 2, Schedule 1, pages 15-17**

- a) Please confirm that the difference between the gross and net CDM savings represents those savings that would have occurred even if there were no CDM programs. If not, please explain why not.

- b) Please explain more fully why the difference between the gross and net CDM impacts is not already reflected in the forecast values for 2012 and 2013 based on the regression model.

### **3.0-VECC- 22**

**Reference: Exhibit 3, Tab 3, Schedule 1, page 6**

- a) Please provide a schedule that sets out the calculation of the 2013 revenues by class based on 2012 rates.

### **OTHER OPERATING REVENUE (Exhibit 3)**

### **3.0-VECC- 23**

**Reference: Exhibit 3, Tab 3, Schedule, page 1 and page 4**

- a) Is Welland still proposing to transition to MIFRS in 2013? If not, would there be any changes to the 2013 values in Appendix 2-F under CGAAP?
- b) Please provide a schedule that sets out the 2012 year-to-date other operating revenues by account (per Appendix 2F) and provide the comparable year-to-date information for 2011.

### **4.OPERATING COSTS (Exhibit 4)**

### **4.0 - VECC- 24**

**Reference: Exhibit 4, Tab 1, Schedule 2, pages 1-2**

- a) How many staff currently employed in anticipation of future retirements? How many positions are currently forecast to be added in 2013 in anticipation of future retirements?
- b) Please provide the estimate of the number and year for each future retirement for 2013 through 2017.
- c) Please provide the estimate of overlapping compensation costs.

### **4.0 - VECC- 25**

**Reference: Exhibit 4, Tab 1, Schedule 2**

- a) Please provide the cost of annual membership in the EDA. Separately provide and describe the cost of all other association memberships.

#### **4.0 - VECC- 26**

**Reference: Exhibit 4, Tab 1, Schedule 1, page 2**

- a) Please provide the annual inflation figures that Welland has assumed for comparison purposes of actual and forecast cost increases since 2009. Please explain the source of these estimates.

#### **4.0 - VECC- 27**

**Reference: Exhibit 4, Tab 1, Schedule 2, page 14**

- a) Welland states that is uncertain of when it will “*be forced to transition to IFRS.*” Please clarify Welland’s proposal as to when it is moving to MIRFS accounting.

#### **4.0 - VECC- 28**

**Reference: Exhibit 4, Tab 1, Schedule 2, Appendix, page 18.**

- a) Please provide details on the increase in Account 5085 Miscellaneous from 154k in 2009 to 202K in 2013.
- b) Please explain why there are no costs listed under account 5620 Office Supplies and expenses.
- c) Please provide an explanation as to the costs listed under Energy Conservation -Account 5415. Please confirm that the \$20,000 annual scholarship described at Exhibit 4/Tab 1/Schedule 2/page 18 is not included in this account.

#### **4.0 - VECC- 29**

**Reference: Exhibit 4, Tab 1, Schedule 2, Appendix 2-G**

- a) Please provide the most recent year-to-date actual expenses for 2012 in the same level of detail as shown in Appendix 2-G. Please also provide separately the forecast for the remaining year end for each account.

#### **4.0 - VECC- 30**

**Reference: Exhibit 4, Tab 1, Schedule 2, page 14**

- a) Please explain what steps Welland has taken to reduce its bad debt expense in 2013. Specifically address the steps Welland has taken with respect to the remaining large use customer referred to in the evidence.

- b) Please explain what is meant when Welland states that it is *“concerned that bad expenses could be kept artificially low by one time Late Payment Settlement Fund payouts in 2011 and 2012.”*
- c) Please confirm (or clarify) that Welland has changed to monthly billing and at what date. Please explain why the change to monthly billing will not reduce future bad debt expense.
- d) Please explain why Welland believes there may be a negative impact on bad debt expense due to recent OEB rules in respect to low income consumers.

#### **4.0 - VECC- 31**

**Reference: Exhibit 4, Tab 1, Schedule 4, Appendix 2-K**

- a) Please complete Appendix 2-K to show the total compensation capitalized (CGAAP) in 2009, 2010 and 2011.

#### **4.0 - VECC- 32**

**Reference: Exhibit 4, Tab 1, Schedule 5, page 1**

- a) When did the City of Welland covert its streetlighting to LED lighting (if the conversion is ongoing please provide details as to the amount of remaining work required of Welland Hydro for the next 3 years).
- b) When does the current contract for servicing the City’s light expire?

### **COST ALLOCATION (Exhibit 7)**

#### **7.0-VECC- 33**

**Reference: Exhibit 7, Tab 1, Schedule 1, pages 2-3**

- a) Please provide a schedule that sets out the per customer capital cost for metering for each class based on the directly allocated capital costs.

#### **7.0-VECC- 34**

**Reference: Exhibit 7, Tab 1, Schedule 2, pages 2-3  
Welland’s Cost Allocation Model, Sheets I9 and O5**

- a) There does not appear to be any direct (or indirect) allocation of meter capital costs to the Large Use class (per Sheet I9), please explain why?

- b) Please confirm that directly allocated asset costs are not included in the allocation factor used in the Board's CA Model to assign General Plant (i.e., generally the 1900 series accounts) costs. This can be seen from an examination of Sheet O5.
- c) Please confirm that Welland has not included the capital cost of any General Plant in its direct allocation (per Table 7-6).
- d) Is it Welland's view that the Large Use class should not be accountable for a share of any of the General Plant costs? If yes, please list the individual accounts and provide an explanation for each.
- e) Please confirm that directly allocated expenses are not included in the allocation factor used in the Board's CA model to allocate Administrative and General Expenses (i.e. generally the 5600 series accounts). This can also be seen by inspecting Sheet O5.
- f) Is it Welland's view that the Large Use class should not be accountable for a share of any of the other Administrative and General Costs? If yes, please list the individual accounts and provide an explanation for each.
- g) Please explain how the direct allocation was established for each of the Expense items listed in Table 7-6 (excluding depreciation).
- h) Please calculate revised allocators for General Plant and Administrative & General Expenses that include the relevant costs directly assigned to the Large Use class.

**\*\*\*End of Document\*\*\***