CENTRE WELLINGTON HYDRO LTD.
730 Gartshore St. P.O. Box 217, Fergus, Ontario, N1M 2W8
PHONE: (519) 843-2900   FAX: (519) 843-7601

December 9, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Centre Wellington Hydro Ltd.
2011 Rate Application – 3rd Generation Incentive Regulation Mechanism
Responses to Board Staff and VECC IR's
OEB File No.: EB-2010-0072

Centre Wellington Hydro has submitted the responses to the 2011 IRM3 interrogatories by the OEB Board Staff and VECC via the e-filing in PDF format. Centre Wellington is submitting 2 hardcopies and a CD by courier. In answer to VECC Question 1 a, I have attached a copy of the OEB Board's letter of April 15, 2010 related to the Alignment of Rate Year with the Fiscal Year.

If you have any questions or concerns, please contact the undersigned at (519) 843-2900 Ext 225 or by email at thiessen@cwhydro.ca

Yours truly,

Original signed by

Florence Thiessen, CGA
Vice President / Treasurer
Centre Wellington Hydro Ltd.

Encl.

cc   Vulnerable Energy Consumers Coalition (VECC)
      Attention: Michael Buonaguro

Board Staff Interrogatories

2011 IRM3 Electricity Distribution Rates
Centre Wellington Hydro Ltd. ("Centre Wellington")
EB-2010-0072

1. Ref: 2011 Retail Transmission Service Rates ("RTSR") Adjustment Workform

Sheet "B1.2 – 2009 Distributor Billing Determinants" of the workform is reproduced below.

2009 Distributor Billing Determinants

Enter the most recently reported RRR billing determinants

Loss Adjusted Metered kWh	No
Loss Adjusted Metered kW	No

Update Sheet

Rate Class	Vol Metric	Metered kWh A	Metered kW B	Applicable Loss Factor C	Load Factor D = A / (B * 730)
Residential	kWh	43,820,602	0	1.0449	
General Service Less Than 50 kW	kWh	20,168,553	0	1.0449	
General Service 50 to 2,999 kW	kW	62,626,017	169,557	1.0449	50.62%
General Service 3,000 to 4,999 kW	kW	18,664,980	42,144	1.0449	60.70%
Unmetered Scattered Load	kWh	385,346	0	1.0449	
Sentinel Lighting	kW	43,965	122	1.0449	49.39%
Street Lighting	kW	1,139,922	3,235	1.0449	48.30%
Total		146,849,385	215,058		

a) The numbers input into columns "A" and "B" do not reconcile with the numbers which are reported in Centre Wellington's 2009 RRR filings. Please reconcile these numbers and also confirm if the input numbers have been loss adjusted. If necessary Board staff will update the workform.

Answer:

a) The metered kWh"s in column A and B on Sheet B1.2 of the RTSR Workform does not agree with the "Retail KWH (kWh)" of 147,574,903.00 in the section of 2.1.5 label Output and Revenues because Centre Wellington remove the one-time adjustments related to Long Term Load Transfers (LTLT), load switching with Hydro One networks and write off's and prior period adjustments.

The Billed kWh in Section “Customers, Demand and Revenues” of RRR 2.1.5 was not used in sheet B1.2 of the RTSR workform because these figures were adjusted for losses.

The below table shows the reconciliation of the Metered kWh (not uplifted for losses) and kW used in the RTSR Sheet B1.2 with the RRR 2.1.5 Output and Revenues Retail KWH (kWh) figure of 147,574,903.

		RTSR Sheet B1.2	
Rate Class	Vol Metric	Metered kWh	Metered KW
Residential	kWh	43,820,602	-
General Service Less Than 50 kW	kWh	20,168,553	-
General Service 50 to 2.999 kW	kW	62,626,017	169,557
General Service 3,000 to 4.999 kW	kW	18,664,980	42,144
Unmetered Scattered Load	kWh	385,346	-
Sentinel Lighting	kW	43,965	122
Street Lighting	kW	1,139,922	3,235
Total Metered kWh/kW Sheet B1.2		146,849,385	215,058
Plus one time adjustments:			
1. LTLT for 2002-2008		510,531	
2. Load Switching with Hydro One Networks		112,309	13,285
3. Write off's of Bad Debts and adjustment			
for prior period underbillings		102,678	
Total Metered kWh/kW in 2009		147,574,903	228,343
RRR 2.1.5 Output & Revenues- Retail kWh		147,574,903	228,343
Difference		-	-

2. Ref: 2011 IRM Deferral and Variance Account Workform

Sheet "D1.6 Deferral Variance – Continuity Schedule Final" of the workform is reproduced below.

Deferral Variance - Continuity Schedule Final

Account Description	Account Number	Total Claim J = C + I
LV Variance Account	1550	6,121
RSVA - Wholesale Market Service Charge	1580	(48,101)
RSVA - Retail Transmission Network Charge	1584	(61,444)
RSVA - Retail Transmission Connection Charge	1586	(253,836)
RSVA - Power (Excluding Global Adjustment)	1588	139,647
RSVA - Power (Global Adjustment Sub-account)		(169,919)
Recovery of Regulatory Asset Balances	1590	(113)
Residual Balance Disposition and recovery of Def/Var Balances Account (2008)	1595	0
Total		(387,644)

Centre Wellington has proposed to dispose of its Group 1 deferral and variance account credit balance of $387,644 through a one year rate rider. However, Centre Wellington has proposed to dispose of the Global Adjustment ("GA") sub-account credit balance of $169,919 to non-RPP customers by means of a rate rider that would be included in the electricity component of the bill.

a) Please provide the rationale for the proposed recovery of the GA rate rider through the electricity component of the bill.

b) Please explain the proposed treatment for losses were the GA rate rider to be included in the electricity component of the bill.

c) Did Centre Wellington consider including the GA rate rider in the delivery component of the bill? What would be the implications for Centre Wellington to do so?

Answer:

a) Centre Wellington is proposing to dispose of the Global Adjustment (GA) through the electricity component of the bill because the initial GA was charged to those customers with Retailers or those customers paying HOEP or the Weighted Average Price based on the uplifted kWh's that they used. Therefore, by applying the credit to the non-RPP customers by means of a rate rider that is based on the uplifted kWh you are crediting them on the same bases that they were charged. The distribution portion of the bill is not uplifted for losses.

b) In calculating the rate rider for the GA, Centre Wellington used the uplifted kWh thus reducing the non-RPP customer rate rider and thereby allowing for the loss factor to bring total kWh required to disperse of the credit balance in the account to the full amount based on the total kWh consumed by the customer.

c) Yes, Centre Wellington did consider including the GA rate rider in the delivery component of the bill but because the GA is charged to the customer on the uplifted kWh we felt it should be returned to the customer on the same basis that it was charged. The model allowed for the two options of either returning the credit based on the electricity charge or the distribution charge and after considerable thought we figured it would be less confusing to the customer to return it on the basis that it was charged instead of the being part of the distribution charges. The GA shows as a separate line on the customers bills, therefore the GA rate rider should also be shown separately.

   Additionally, Centre Wellington wishes to point to an error in the model and submits where LDCs did choose to dispose of the Global Adjustment as a Rate Rider on the Delivery portion of the bill, the model may need to be modified to bring in the kW from sheet B1.3 for the appropriate customer classes on sheet G1.1b unless there was a release of an updated model subsequent to the one used by Centre Wellington to correct this.

   A copy of sheet G1.1b is provided below showing the option if Centre Wellington had chosen “No” on sheet A1.1 to the recovery of the Global Adjustment as an Electricity Component. The workform only calculates a rider for the Residential and General Service less than 50kW customer classes.

Calculation of Delivery Component Global Adjustment Rate Rider

Rate Rider Recovery Period - Years One

Rate Rider Effective To Date

Monday, April 30, 2012

Rate Class	Vol Metric	Non-RPP kWh A	Billed kW B	Accounts Allocated by kWh C	Accounts Allocated by Non-RPP kWh D	Account 1590 E	Account 1595 F	Total G = C + D + E + F	Rate Rider kWh H = G / A (kWh) or H = G / B (kW)
Residential	kWh	7,869,714	0	0	(14,123)	0	0	(14,123)	(0.00179)
General Service Less Than 50 kW	kWh	3,911,998	0	0	(7,021)	0	0	(7,021)	(0.00179)
General Service 50 to 2,999 kW	kW	63,370,364	0	0	(113,726)	0	0	(113,726)	0.00000
General Service 3,000 to 4,999 kW	kW	19,526,922	0	0	(35,044)	0	0	(35,044)	0.00000
Unmetered Scattered Load	kWh	0	0	0	0	0	0	0	0.00000
Sentinel Lighting	kW	3,166	0	0	(6)	0	0	(6)	0.00000
Street Lighting	kW	0	0	0	0	0	0	0	0.00000
		94,682,164	0	0	(169,919)	0	0	(169,919)	
				-	-	-	-	-	

Enter the above value onto Sheet "J2.X Global Adjustment Rate Rider" of the 2011 OEB IRM Rate Generator

3. Ref: 2011 IRM3 Shared Tax Savings Workform and 2011 IRM3 Rate Generator

Sheet "B1.1 Re-Based Billing Determinants & Rates" of the 2011 IRM3 Shared Tax Savings Workform is reproduced below.

Rate Class and Re-Based Billing Determinants & Rates

Last COS Re-based Year	2009
Last COS OEB Application Number	EB-2008-0225

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	5,710	45,046,630		13.79	0.0127	
GSLT50	General Service Less Than 50 kW	Customer	kWh	687	21,809,071		15.43	0.0159	
GSGT50	General Service 50 to 2,999 kW	Customer	kW	53	64,439,774	166,526	96.69		3.0281
GSGT50	General Service 3,000 to 4,999 kW	Customer	kW	1	20,979,417	43,874	557.94		2.4592
USL	Unmetered Scattered Load	Customer	kWh	2	400,443		15.44	0.0240	
Sen	Sentinel Lighting	Connection	kW	35	43,755	122	3.59		11.6990
SL	Street Lighting	Connection	kW	1,658	1,112,732	3,066	3.37		21.2434

Sheet "E1.1 Rate Rebalanced Base Distribution Rates" of the 2011 IRM Rate Generator is reproduced below.

Monthly Service Charge

Class	Metric	Base Rate	Revenue Cost Ratio	Rate ReBal Base
Residential	Customer - 12 per year	13.990000	-0.200000	13.790000
General Service Less Than 50 kW	Customer - 12 per year	15.430000	-0.220000	15.210000
General Service 50 to 2,999 kW	Customer - 12 per year	96.690000	-1.190000	95.500000
General Service 3,000 to 4,999 kW	Customer - 12 per year	557.940000	0.000000	557.940000
Unmetered Scattered Load	Customer -12 per year	15.440000	-0.230000	15.210000
Sentinel Lighting	Connection - 12 per year	3.590000	0.840000	4.430000
Street Lighting	Connection - 12 per year	3.370000	1.030000	4.400000

Volumetric Distribution Charge

Class	Metric	Base Rate	Revenue Cost Ratio	Rate ReBal Base
Residential	kWh	0.012900	-0.000200	0.012700
General Service Less Than 50 kW	kWh	0.016100	-0.000200	0.015900
General Service 50 to 2,999 kW	kW	3.065700	-0.037600	3.028100
General Service 3,000 to 4,999 kW	kW	2.459200	0.000000	2.459200
Unmetered Scattered Load	kWh	0.024400	-0.000400	0.024000
Sentinel Lighting	kW	9.490700	2.208300	11.699000
Street Lighting	kW	16.272400	4.971000	21.243400

Board staff notes that the "Rate ReBal Base Rates" from Sheet E1.1 of the 2011 IRM3 Rate Generator are supposed to be entered on Sheet B1.1 of the 2011 IRM3 Shared Tax Savings Workform.

a) Please explain the discrepancies between the two sheets cited above. If there are errors, please advise and Board staff will make the relevant corrections.

Answer:

a) Centre Wellington made an error in transferring the figures from Sheet "E1.1 Rate Rebalanced Based Distribution Rates" of the 2011 IRM to sheet "B1.1 Re-Based Billing Determinants & Rates' of the 2011 IRM3

Shared Tax Savings Workform. The wrong figures were recorded in column D for GS<50, GS 50 to 2,999 kWh, Unmetered Scattered Load, Sentinel Lighting and Street Lighting. The 2011 IRM3 Shared Tax Savings Workform has been adjusted and attached to this submission. The Shared Tax Savings for 2011 amount remains at a credit of $2,492. Centre Wellington is still proposing to record the amount in account 1595 for disposition in a future rate application as all classes except for Sentinel Lights and Street Lights indicates that the rate rider would be immaterial.

Centre Wellington has provided the below table to indicate that appropriate changes have been made to the sheet B1.1.

Centre Wellington would appreciate it if Board staff would make the necessary corrections.

Rate Class and Re-Based Billing Determinants & Rates

Last COS Re-based Year	**2009**
Last COS OEB Application Number	**EB-2008-0225**

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	5,710	45,046,630		13.79	0.0127	
GSLT50	General Service Less Than 50 kW	Customer	kWh	687	21,809,071		15.21	0.0159	
GSGT50	General Service 50 to 2,999 kW	Customer	kW	53	64,439,774	166,526	95.50		3.0281
GSGT50	General Service 3,000 to 4,999 kW	Customer	kW	1	20,979,417	43,874	557.94		2.4592
USL	Unmetered Scattered Load	Customer	kWh	2	400,443		15.21	0.0240	
Sen	Sentinel Lighting	Connection	kW	35	43,755	122	4.43		11.6990
SL	Street Lighting	Connection	kW	1,658	1,112,732	3,066	4.40		21.2434

CENTRE WELLINGTON HYDRO LTD
2011 RATE APPLICATION (EB-2010-0072)
VECC'S INTERROGATORIES AND REPSONSES
Filed: November 24, 2010

ALIGNMENT OF RATE YEAR AND FISCAL YEAR

QUESTION #1

References: i) Manager's Summary, page 11
ii) OEB April 15,2010 Letter re: Alignment of Rate Year with Fiscal Year

a) Please confirm that the Board's April 15th Letter (referenced on page 11) states" "The Board concluded that it is appropriate to consider the merits of an alignment of the rate year with the fiscal year for a distributor on a case-by-case basis upon receipt of an application for that purpose. Such an application shall form part of a distributor's Cost of Service rate application"

b) Please confirm that Centre Wellington has not filed a Cost of Service rate application for 2011 rates.

ANSWER:

a) Centre Wellington confirms that is what the Board's April 15th letter stated. However, it further indicated that "Any distributor applying for an alignment to be effective on January 1, 2011 is requested to file that application as soon as possible." Centre Wellington has requested an alignment to be effective January 1, 2012. A copy of the April 15, 2010 Letter from the OEB is attached to these interrogatories.

b) Centre Wellington is not filing a Cost of Service rate application for the 2011 rates and has not asked to have the 2011 3IRM effective January 1, 2011 but is requesting that the 2012 3IRM be aligned with the fiscal year effective January 1, 2012.

QUESTION #2

References: i) Manager's Summary, page 12

a) Please indicate who Centre Wellington's bondholders are and whether or not Centre Wellington is a reporting issuer.

b) Please provide copies of all requests or other communications received from either shareholders, bondholders or the investment community over the last twelve months that resulted in Centre Wellington providing explanations of financial results complicated by the current misalignment.

c) Please provide copies of all materials prepared by Centre Wellington for use in explaining to either shareholders, bondholders or the investment community the impacts on financial results of "revenues not being aligned with costs".

d) Please confirm that the difference between start of the fiscal year and the effective date for rates is only one of the reasons why Centre Wellington's actual rate of return could vary from the approval rate.

ANSWER:

a) Centre Wellington did not state that they had to report to bondholders but that the aligning the rate year and the fiscal year will eliminate a number of issues and the explaining of results to the investment community. In this case the investment community for Centre Wellington is the company's shareholder and credit facilities, our bank.

b) Centre Wellington on an annual basis provides its shareholder and credit facilities with an explanation of the budget and business plan for the current fiscal year. As this is an on-going standard business process, we do not have any formal written requests in the last 12 months.

   The alignment of the rate year with the fiscal year would allow Centre Wellington to collect its approved revenue requirement over the period on which the actual expenditures are incurred. Most financial accounting and financial systems changes such as transitioning to IFRS generally take effect at the beginning of the fiscal year. Having the rate and fiscal year coincide might avoid any complications that may arise if they did not coincide.

c) Centre Wellington has not formally prepared materials to explain the issues with the current misalignment of the rate year with the fiscal year. However as previously submitted by the CLD, "The first and foremost benefit would be the opportunity for a distributor to earn its Board-approved rate of return over the period of the distributor's fiscal year. This would eliminate the discrepancy between a distributor's regulated rate of return and actual fiscal year rate of return. As well, this would eliminate the need for a distributor to explain such discrepancies to its stakeholders including shareholders and creditors, a task which consumes significant distributor resources unproductively. These requirements for explanations to stakeholders exist for both types of distributors, i.e., those who report to the investment community and those who do not."

d) Yes, the difference between start of the fiscal year and the effective date for rates is only one of the reasons why Centre Wellington's actual rate of return could vary from the approved rate.

Centre Wellington also stated in the Manager's summary:
"Explanations of financial results are complicated if the revenues are not aligned with the costs, particularly in a year with a cost of service rate application. This misalignment means that explanations must include a discussion about the impact of the stub periods from the previous rate year, and makes it more difficult to explain the company's financial performance in a transparent manner.

Furthermore, in filing a cost of service rate application, there are a number of added complexities if the costs are from January to December, but the associated revenues will not be collected until May through April of the next year. Typically the final Board Decision for a May 1 rate change would not occur until April. This is more than a quarter of the way into the year in which the costs are to be incurred. If the Board denies costs in the rate proceeding, there could be costs that the distributor has already incurred in the first four months of the year. If the distributor defers some spending (e.g. the hiring of new staff) until the Board's Decision, it may fall short of its planned spending for that year which could result in delaying projects which were approved based on system reliability, safety, etc.

Requesting the Rate year to commence effective January 1, 2012, will allow for the aligning of revenue and costs prior to the next Cost of Service application. This alignment will allow Centre Wellington to collect its approved revenue requirement over the same period on which the revenue requirement and rates were based and when the actual expenditures are incurred.

Centre Wellington does not see any specific issues arising with a transition to alignment of rate year with fiscal year with respect to an IRM. Centre Wellington is proposing in the 2011 IRM3 small rate reductions in the distribution charges for both the Residential and General Service less 50 kW rate class and during the 2010 IRM3 process these customer classes also saw a small rate reduction. This would indicate that the transitioning to a January 1, 2012 rate year would not cause undue harm for the ratepayer or the shareholder.

Further as stated by Hydro One Networks "moving the effective date of the rate change to January 1st will result in LDCs incurring its costs and collecting revenues from its customers over a period coincident with the annual level of expenditures approved by the Board."

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Ontario

BY E-MAIL AND WEB POSTING

April 15, 2010

To: All Licensed Electricity Distributors
All Other Interested Parties

Re: Alignment of Rate Year with Fiscal Year for Electricity Distributors
Board File No.: EB-2009-0423

On January 21, 2010, the Board initiated a consultative process to review the need for and the implications of a potential alignment of the rate year with the fiscal year for electricity distributors (EB-2009-0423).

The process invited comments from interested stakeholders. The Board received comments from nine interested parties. A list of those interested parties is attached as Appendix A.

The comments received have provided the Board with sufficient information to provide guidance in this matter.

All filings supported the idea that the Board allow each distributor the discretion to apply to align its rate year with the fiscal year as opposed to the Board prescribing a "generic" policy treatment. In addition, all filings suggested that any proposal for an alignment of the rate year with the fiscal year be made in a Cost of Service application. The Board concurs with these approaches.

The Board has concluded that it is appropriate to consider the merits of an alignment of the rate year with the fiscal year for a distributor on a case-by-case basis upon receipt of an application for that purpose. Such an application shall form part of a distributor's Cost of Service rate application. Any distributor applying for an alignment to be effective on January 1, 2011 is requested to file that application as soon as possible.

The Board expects the distributor to include an analysis of the benefits and ratemaking implications, if any, of the alignment as part of its application. To assist a distributor in this regard, the Board has included in Appendix B examples of the issues that should be addressed.

Cost Awards

As identified in the January 21, 2010 letter, cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* for their participation in this consultation, for up to 20 hours of activity associated with this matter. Cost awards in relation to the provision of written comments in this consultation will be addressed by the Board separately in the near future.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Appendix A

Interested Parties That Provided Comments

Canadian Manufacturers and Exporters (CME)
Coalition of Large Distributors (CLD)

> Enersource Hydro Mississauga Inc.,
> Horizon Utilities Corporation,
> Hydro Ottawa Limited,
> PowerStream Inc.,
> Toronto Hydro-Electric System Limited, and
> Veridian Connections Inc.

Consumers Council of Canada (CCC)
Electricity Distributors Association (EDA)
FortisOntario Inc.
Hydro One Networks Inc.
London Property Management Association (LPMA)
School Energy Coalition (SEC)
Vulnerable Energy Consumers Coalition (VECC)

Appendix B

Examples of Issues to be Addressed in Support of an Alignment of the Rate Year with the Fiscal Year

Below are examples of the issues that should be addressed to assist the Board in making a determination on the application.

1. What are the benefits to the distributor of changing the rate year to match the fiscal year?

2. What would be the implications of such a change from a ratepayers’ perspective? For example, is it a concern that electricity consumers would see more frequent rate changes?

3. Under a Cost of Service mechanism, what are the specific issues from a ratemaking perspective of transitioning to a rate year that would be aligned with the fiscal year, and how should these issues be specifically addressed?

4. What would be the specific issues relating to the timeliness of existing filing requirements such as bridge year information, audited financial statements, RRR reporting, tax returns, and review and disposition of deferral and variance account balances, and how should these be specifically addressed?

5. Is there merit in considering the alignment during a Cost of Service application but having the implementation of the alignment take effect on January 1st of the following year as part of the distributor’s first IRM-based adjustment?