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## WATERLOO NORTH HYDRO INC.

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March 11, 2011

Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

**Attention: Ms. Kirsten Walli, Board Secretary**

Dear Ms Walli:

**Re: EB-2010-0144 Waterloo North Hydro Inc. 2011 Cost of Service  
Application – Response to Letter of Comment**

Waterloo North Hydro Inc. (WNH) has responded to a Letter of Comment from one of its customers. WNH has filed the Redacted Version on the Board's web portal RESS and has attached two copies of the Redacted Response in this package. Two copies of the Confidential Unredacted Response will be couriered to the Board under a separate package.

If there are any questions, please contact myself at 519-888-5542, [asingh@wnhydro.com](mailto:asingh@wnhydro.com)

Yours truly,

***Original Signed By***

Albert P. Singh, MBA, CGA  
Vice-President, Finance and CFO



Albert P. Singh, MBA, CGA  
VP Finance & CFO

## WATERLOO NORTH HYDRO INC.

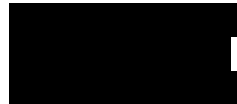
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### REDACTED VERSION

March 7, 2011

*Sent via Email and RESS*

Mr. Ernie Reiter



Copy: Ms. Kirsten Walli  
Ontario Energy Board

**Re: Follow up questions Case EB-2010-0144 – Waterloo North Hydro**

Dear Mr. Reiter:

We are replying to your letter as sent in your email of February 20, 2011. We are using the format similar to responses from Board Staff and intervenors in this rate application, whereby we state the question in bold italics and then the response from Waterloo North Hydro (WNH) follows in plain font.

#### **Question 1**

***Waterloo North Hydro is owned by the City of Waterloo, and the Townships of Wellesley and Woolwich. Prior to the end of 2010, WNH handled the billing of water services for the City of Waterloo on the same account and invoice as hydro services that it provided. In 2010, this practice stopped with the City of Waterloo taking over billing for water separately. On Page 19 of 220 in the application document Waterloo\_APPL\_rates\_20180827.pdf, it is stated that one of the reasons for the rate increase is in order to offset a “loss of revenue in excess of cost decrease” meaning that Waterloo North Hydro is looking to replace the profits it has lost in no longer doing the water billing services for the City of Waterloo. This appears to be a conflict of interest considering Waterloo North Hydro is owned by the City of Waterloo and now ratepayers are expected not only to pay service charges related to billing to the City of Waterloo for water services received, but in addition, if this part of the application is approved to pay for lost profits to WNH for the service they no longer provide.***

***a) Is it correct to assume that the increase that WNH is looking for that is attributed to the loss in the billing of water services is part of the increase in the Distribution Volumetric Rate Fee? If not, where is this rate increase affected?***

It is correct to assume that the loss in billing of water services is included in the increase in the Distribution Volumetric Rate Fee.

***b) The Distribution Volumetric Rate Fee that WNH currently charges its customers is \$0.0132 / measured Kwh of usage. The requested Distribution Volumetric Rate Fee that WNH is looking for in its application is \$0.0202 / measured Kwh of usage which is a 53.03%***

***increase in that fee. What is the impact on a \$ / measured Kwh basis of the increase related to the loss of the water billing for the City of Waterloo that WNH is requesting?***

The impact on the increase related to the loss of the water billing for the City of Waterloo is approximately \$.001per kWh.

***c) If the impact is not in the Distribution Volumetric Rate Fee, please provide more detail of the exact impact of this loss in water billing either on a Kwh per measured usage basis or on a per bill impact on each customer.***

The impact is included in the Distribution Volumetric Rate Fee.

## **Question 2**

***On Page 19 of 220 in the application document Waterloo\_APPL\_rates\_20180827.pdf, it is stated that WNH is seeking increases in order to offset capital assets that exceed depreciation levels.***

***a) Does this statement mean that the book value of the assets exceed the market value of the assets? If this is the case, please explain why WNH is entitled to the benefit of the increased profit through rate increase where all other Ontario business are not entitled to such a manipulation in their accounting practices? If this is not the case, please explain in detail what this statement means.***

This statement does not mean that the book value of the assets exceed the market value of the assets. The statement above is explaining that WNH has made additions to its capital assets that were not included in current rates and is therefore seeking to include them in this application. Whereas other Ontario businesses are able to change their rates to reflect increased investment in their capital assets, utilities must wait until they file a Cost of Service rate application and receive a rate change prescribed by the OEB to fully reflect the return on investments. WNH last updated its asset base in 2004.

***b) Presumably, the impact of this increase is part of the rate increase that WNH is looking for in the same Distribution Volumetric Rate Fee as outlined in Question 1. If this is the case, what is the impact on a \$ / measured Kwh basis of this increase related to offsetting capital assets that exceed depreciations levels that WNH is seeking. If it is not part of the Distribution Volumetric Rate Fee, please provide more details on how this will affect customer billings.***

The impact on a \$ / measured KWh basis of this increase related to offsetting capital assets that exceed depreciations levels is approximately \$.0005

## **Question 3**

***Waterloo North Hydro has been using a loss adjustment factor of 1.0505 for many years on its billings. In its application, WNH has reported what appears to be an actual improvement over many years in the actual loss adjustment factor it experiences. Below is a graph taken from page 139 of 220 from the document Waterloo\_APPL\_rates\_20180827.pdf \_APPL\_rates\_20180827.pdf. The level of line losses as of 2009 was 3.67% while with this application WNH plans to charge customers for line losses equaling 4.04%.***

The 4.04% is calculated on a methodology prescribed by the OEB and is the method that WNH must use in its rate application. The 3.67% is calculated on a different methodology.

**a) What are the actual line losses current to 2011?**

The most current information that WNH has is the 4.04%, which is included in this application.

**b) Why is WNH planning on charging customers on the basis of a 4.04% line loss as calculated as an average over a 5 year time period of 2006 to 2009 as opposed to what seems to be a more realistic current level in an around 3.7% where the most recent history has been?**

The OEB has a prescribed methodology for calculating line losses for rate applications. WNH must use this methodology, which has resulted in 4.04%. As noted in Q3, the 3.67% is based on a different methodology.

**c) Is WNH anticipating an increase in line losses even though it is investing heavily on programs to reduce line losses?**

WNH is not anticipating an increase in line losses. As noted above, the difference in the 4.04% is in the method of calculation. In fact, WNH has applied to decrease its loss factor from 5.05% as calculated in past rate filings to the 4.04%.

**d) Does this difference in what is charged compared to actual line losses increase Waterloo North Hydro's profitability beyond what the model shows in this application? Please provide a more accurate estimate of profitability using the actual line losses.**

WNH does not earn any profit on the line loss/factor; it is only applied to energy charges that are strictly a pass through for WNH. This means WNH pays the IESO for charges, and then bills the charges for items on which WNH earns no profit.

**Question 4**

***Below is a copy of my current bill for the billing period Nov 11, 2010 to Jan. 12, 2011. I am only showing the relevant portion of the bill to keep my account number confidential. Note, that this bill reflects a 2 month billing period. Below that is a screen shot of the WNH website which provides billing details which were used by myself in recreating a excel spreadsheet model of my bill.***

***Understanding my current bill has allowed me to better understand what WNH is asking for in their application.***

***On Page 30 of 220 in the application document Waterloo\_APPL\_rates\_20180827.pdf, a sample calculation is presented showing the current board approved billing detail for a customer with measured consumption of 800 kwh per month along with the proposed billing detail. Below is the table that is being referenced and my spreadsheet reflecting 1600 kwh over a 2 month period (ie double 800) then a figure where the total is divided by 2 in order to compare the result to the WNH calculation presented on an equivalent basis.***

***Note that in the my calculation which would match WNH current billing practices and the sample calculation shown on page 30 of 220, there is a discrepancy where an actual bill would read \$99.17 on a monthly basis and the sample calculation produces a bill of \$99.61 before taxes and the clean energy benefit.***

**a) The calculation shows a current board approved Volumetric distribution charge of \$ 0.0131 / measured kwh of usage while the Waterloo North Hydro website and current bills amount to a \$.0132 / measured kwh of usage charge being applied. In the example, the charge for 800 kwh of usage amounts to \$10.48 while on an actual bill the impact is \$10.56. Can you explain this discrepancy between the application and actual billing? Have customers been**

**overcharged?**

The difference between the \$.0131 and \$.0132 is the \$.0001 in Low Voltage Rate Adder approved by the OEB in WNH rates, and which is included in the \$.0132 in the rate billed.

- b) Why are customers receiving a higher deferral at \$0.0027 / measured kwh than what is shown in the sample calculation on page 30 of 220? Which is correct?**

WNH notes that the (\$.0024) Deferral and Variance Account Rate Rider on page 30 of 220 is a combination of the Deferral and Variance Account Rider of (\$.0027) and Global Adjustment Rider of \$.0003.

- c) Why does the sample calculation use the adjusted Kwh usage in calculating the debt retirement charges while actual bills use the measured kwh usage? Which is correct? Is WNH remitting the collected amount on as a straight pass through or is WNH paying this fee based on a measured or actual basis?**

WNH does calculate the debt retirement charges on the measured kWh usage. The model and formulas were provided by the OEB and incorrectly used the adjusted kWh usage.

- d) On the proposed bill, is the Low Voltage Rate adder a new fee being proposed or is it missing from the current board approved calculation? Does the chart need to be corrected?**

The Low Voltage Rate Adder was missed on the current Board approved calculation. WNH has corrected this amount subsequent to its August 2010 Application.

- e) WNH is asking for a new LRAM and SSM fee of \$ .0002 / measured kwh of usage. Does this mean that the spreadsheet on page 30 of 220 of the proposed bill incorrectly calculates the effect of the fee on 800 measured kwhs to be \$.019 where it should be \$.016? Please provide clarification or correct the spreadsheet.**

WNH inserted a LRAM and SSM Rider with additional decimals in the spreadsheet on page 30 of 220, rather than four decimal places in the \$.0002 fee. WNH has corrected this amount subsequent to its August 2010 Application.

- f) Again in the proposed bill on page 30 of 220, WNH is using a deferral of -\$.0023 / measured kwh where the current billed deferral is -\$.0027 / measured kwh. Please explain what the real proposed new deferral will be as proposed by WNH. Is this in effect a fee increase where on today's actual bill the deferral would be -\$2.16 instead of the proposed -\$1.84?**

As noted in (b) above, the current bill is (\$.0024), resulting in the (\$1.84).

- g) Again in the proposed bill, the line item RTSR-Network – based on the proposed fees, shouldn't this be \$4.74 instead of \$4.71 – is the spreadsheet calculating correctly?**

WNH inserted a RTSR-Network with additional decimals in the spreadsheet on page 30 of 220, rather than four decimal places in \$.0057. WNH has corrected this amount subsequent to its August 2010 Application.

- h) Also on the proposed bill, the line item RTSR- Line and Transformation Connection – based on the proposed fees, shouldn't this be \$1.50 instead of \$1.48 – is the spreadsheet calculating correctly?**

WNH inserted a RTSR-Network with additional decimals in the spreadsheet on page 30 of 220, rather than four decimal places in \$.0018. WNH has corrected this amount subsequent to its August 2010 Application.

- i) ***In the note section of the calculation on page 30 of 220, WNH uses a weighted energy price equivalent in both years. This is not actually correct since in the sample calculation for the new pricing, the loss factor is lower thereby changing the energy price weighting. This results in overstating the energy price on the proposed bill by \$ .06 / month (ie it should be \$56.42 instead of \$56.48). Please recalculate the table using the correct method.***

The price used for the purpose of this table was left constant in each example, as this pricing may be changed twice every year. In addition, the number of kWh at the lower price changes twice in a year.

- j) ***If you refer to my actual bill, WNH applies the -10% clean energy benefit to the total amount billed prior to the addition of the HST. However, in calculating the HST, it is done on the basis that the clean energy benefit does not exist ie. HST is charged on the total bill before the clean energy benefit is taken off. Does WNH have documentation that shows that this is the correct billing method as required by the Ontario Government as opposed to applying the HST only on the bill after the clean energy benefit has been taken off? An analogy would be a department store marking down an item by 10% yet charging tax on the total amount before the markdown which is not the way the HST applies in Ontario.***

HST is initially calculated on the basis that the Ontario Clean Energy Benefit does not exist. In calculating the (10%) Ontario Clean Energy Benefit the 10% includes the HST. The methodology used is per guidelines provided by the Ministry of Energy.

We thank you for the time and interest that you have shown in our application. We trust that the above answers have provided further clarification to the evidence WNH provided in its application to the Board and the responses to the interrogatories and Technical Conference questions.

Sincerely,

*Original Signed By*

Albert P. Singh, MBA, CGA  
VP, Finance & CFO