



CENTRE WELLINGTON HYDRO LTD.
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January 27, 2012

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.
2012 Rate Application – 3rd Generation Incentive Regulation Mechanism
Reply Submission
OEB File No.: EB-2011-0160

Centre Wellington Hydro Limited is submitting via the OEB RESS filing system its Reply Submission to the Board Staff, VECC and SEC Submissions for the IRM filing EB-2011-0160.

Two hard copies of the Reply Submission will be forwarded to the Board.

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.

cc: Michael Buonaguro, Counsel , VECC
Mark Rubenstein, Jay Shepherd Professional Corporation, SEC
Stephen Vetsis, OEB Analyst



REPLY SUBMISSION

2012 ELECTRICITY DISTRIBUTION RATES

Centre Wellington Hydro Ltd.

EB-2011-0160

January 27, 2012

Reply Submission
Centre Wellington Hydro Ltd.
2012 IRM3 Rate Application
EB-2011-0160

Introduction

Centre Wellington Hydro Ltd. (Centre Wellington) filed an application with the Ontario Energy Board (The Board) on September 29, 2011 under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Centre Wellington charges for electricity distribution, to be effective May 1, 2012. The application was based on the 2012 3rd Generation Incentive Regulation Mechanism.

Board Staff, School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC) filed interrogatories relating to this proceeding on November 28, 2011, with VECC submitting revised interrogatories on November 30, 2011.

Centre Wellington submitted responses to those interrogatories on December 8, 2011.

Both Board Staff and SEC filed Submissions on January 13, 2012 with VECC filing their submissions on January 14, 2012. SEC filed a revised submission on January 23, 2012.

Centre Wellington addresses below each of the items raised in the submissions.

Disposition of Group 1 Deferral and Variance Account Balances (Board Staff)

Submission

Centre Wellington submits that they are not applying to dispose of Group 1 Deferral and Variance account balances at this time as the preset disposition threshold has not been exceeded. Board Staff has no issue with Centre Wellington not disposing of 2010 Group 1 Deferral and Variance account balances at this time.

Disposition of Account 1521 – SPC Variance (Board Staff)

Background

Centre Wellington did not originally request disposition of the December 31, 2010 balance in account 1521 as the sunset date for this charge was April 30, 2011. In response to Board Staff interrogatory #2, Centre Wellington submitted the completed table below.

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Carrying Charges for 2012	Total for Disposition (Principal & Interest)
									(Jan.1 to Apr.30)	
60,232.00	-38,222.81	249.63	22,009.19	249.63	-20,021.99	113.01	1,987.20	113.01	7.29	2,357.13

Submission

Centre Wellington agrees with Board Staff recommendations that The Board should consider directing Centre Wellington to record the SPC balance in the 1595 variance account for future disposition as the disposition threshold for the Group 1 Account balances was not exceeded.

Incremental Capital Module (“ICM”) (Board Staff, VECC and SEC)

Background

Centre Wellington proposed to recover, through an ICM, the incremental capital costs of \$1.2 million associated with the rehabilitation of the Fergus MS-2 station and \$164,000 for a new SCADA system.

Centre Wellington proposed to allocate the revenue requirement associated with the incremental capital expenditures eligible for cost recovery on the basis of distribution revenue. The ICM of \$129,838 was revised from \$128,358 during the IR process after adjustments were made to reflect the 60/40 debt/equity split as requested in Board Staff IR 4 c. Centre Wellington proposed to recover this amount by means of variable rate riders that would be in place until such time that Centre Wellington files its next rebasing application (i.e. 2013).

Eligibility Criteria

Materiality

Centre Wellington notes that both Board Staff and VECC agree the proposed incremental capital projects meet the materiality threshold (see Board Staff submission page 11 and VECC

submission page 5 section 2.12 and 2.13). SEC, however, indicates that the materiality threshold was not met.

Submission

Centre Wellington submits that the materiality threshold has been met as set out in “*The Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors*” and this was confirmed by both Board Staff and VECC.

Project Need and Prudence

Rehabilitation of the Fergus MS-2 Substation

Background

Costello Associates Inc. supporting information report points out there is a substantial amount of work that needs to be completed on Centre Wellington’s stations for a multitude of reasons. To ensure these projects are completed in a timely manner Centre Wellington feels that waiting until rebasing next year, therefore pushing our long term stations capital plan out, will expose Centre Wellington to public safety and reliability risk. As contract labour and metal/material costs have been steadily rising, completing Fergus MS-2 and SCADA projects in 2012 will mitigate total costs.

Phasing in the replacement and rehabilitation of Distribution Station components during IRM periods as well as during a Cost of Service rate year is viewed as a much more responsible approach than waiting until the next Cost of Service application. This approach smooths the costs for the customers versus the significant rate shock that would likely require rate mitigation measures in the Cost of Service rate year.

Board Staff and VECC on review of original application and answers to interrogatories submitted that Centre Wellington’s proposal for the Fergus MS-2 substation meets the need and prudence criteria as set out by The Board. The agreements are shown on page 11 of the Board Staff submission and page 6, section 2.22 of VECC’s submission. SEC agrees that the Fergus MS-2 substation should be replaced soon, but states that it does not meet the test for recovery of an ICM.

Submission

Centre Wellington submits that the projects need and prudence test for the rehabilitation of the Fergus MS-2 Substation has been met and requests The Board approve the recovery through the ICM process.

SCADA Project

Background

Centre Wellington has stated that “Centre Wellington Hydro views the implementation of SCADA prior to or in conjunction with the rehabilitation of the first station to be completely beneficial as it will be used immediately to take advantage of the automated protection devices installed included warnings. And going forward will be used operationally to monitor circuit/feeder load transfers needed and establish work protection remotely to complete ongoing station projects through Centre Wellington Hydro’s long term plan. The acquisition of a SCADA system is seen as a prudent investment that is, in time, expected to more than pay for its initial capital cost in reduction of system losses and operations labour costs. It will also help to enable local distributed generation and improve the flow of technical data between Hydro One and Centre Wellington Hydro.”

If the new SCADA system as submitted is not installed in 2012, Centre Wellington will be required to spend approximately \$25,000 on the existing system in order to keep it functional during 2012. The system failed in the latter part of 2011 and temporary fixes were made in the hope that it would continue to be operational until the new system is in place by the end of June 2012.

Submission

Centre Wellington asks The Board to take into consideration the explained deficiencies with our current monitoring system and the required spending to keep it operating, coupled with the lack of functionality in monitoring and protecting of new station equipment assets projected to be installed.

Centre Wellington budgeted the SCADA system separate from the Fergus MS-2 re-habilitation project from an accounting point of view.

From an operational point of view all modern substations are controlled by SCADA as it is an integral part of station design. Virtually all LDC’s with remotely controllable devices in stations use SCADA to take advantage of operational benefits i.e. safety, reliability, and operational efficiencies.

Centre Wellington requests The Board approve the implementation of the SCADA system through the ICM process.

LRAM and SSM (Board Staff and VECC)

Background

Centre Wellington Hydro's last Board approved load forecast was for 2008-2009, and was based on monthly class specific data from May 2002 to December 2007. In the supporting regression analysis, no variables were identified specific to CDM. It is Centre Wellington Hydro's submission that there was insufficient historical actual data (2006-2007) to comply with the General Requirements under section 2.6.1.4 of the OEB's June 22, 2011 filing requirements. LRAM claims for 2006-2009 were calculated and approved by The Board through inclusion of specific LRAM claim in its 2009 rate submission.

For its 2012 IRM submission, there have been no changes to Centre Wellington's load forecast. Based on the above paragraph, Centre Wellington submits that there was no reliable predictive variable for CDM in the 2008-2009 load forecast. On this basis, Centre Wellington submits that persistence of 2006-2009 CDM Program results into 2010 should be included in final LRAM amounts.

2010 CDM program results were not included in the 2008 load forecast and therefore should be included in total LRAM calculations.

Claims for persistence of 2006 – 2010 program results into 2011 should also be included in the total calculated LRAM. Since the only results included for consideration for 2011 are persistent results from prior years, sufficient time has passed to enable an accurate LRAM calculation, consistent with OEB CDM guidelines.

In addition to the above explanation, Centre Wellington is showing below copies of the tables presented in reply to VECC IR 10 c) that clearly shows the original and revised amount of LRAM and SSM that is being applied for.

The LRAM has been updated to use "2006-2010 Final OPA CDM Results Centre Wellington Hydro Ltd", released by the OPA November 15, 2011

Original LRAM / SSM Submission:

LRAM & SSM Totals			
Rate Class			
	LRAM \$	SSM \$	TOTAL \$
Third Tranche			
RESIDENTIAL	\$7,694.91	\$1,735.28	\$9,430.19
GENERAL SERVICE (50 TO 2,999kW)		-\$225.76	-\$225.76
OPA Programs			
RESIDENTIAL	\$68,649.47		\$68,649.47
GENERAL SERVICE <50KW	\$17,641.60		\$17,641.60
General Service 50 to 2,999 kW	\$9,386.24		\$9,386.24
	\$103,372.23	\$1,509.52	\$104,881.75

Updated LRAM / SSM Submission using November 15, 2011 OPA results:

LRAM & SSM Totals			
Rate Class			
	LRAM \$	SSM \$	TOTAL \$
Third Tranche			
RESIDENTIAL	\$7,694.91	\$1,735.28	\$9,430.19
GENERAL SERVICE (50 TO 2,999kW)		-\$225.76	-\$225.76
OPA Programs			
RESIDENTIAL	\$71,209.35		\$71,209.35
GENERAL SERVICE <50KW	\$19,175.55		\$19,175.55
General Service 50 to 2,999 kW	\$8,888.86		\$8,888.86
	\$106,968.67	\$1,509.52	\$108,478.20

Submission

Centre Wellington requests that, based on the above clarification to the Board Staff and VECC's IR's and submission, The Board approves Centre Wellington's LRAM amount of \$106,968.67 and the SSM amount of \$1,509.52 for a total LRAM and SSM Rate Rider amount of \$108,478.20.

All of which is respectfully submitted.