

**Wellington North Power Inc.**  
**2012 Rate Rebasing Application**  
**EB-2011-0249**

**Board Staff Supplemental Interrogatories**

Pursuant to Procedural Order No. 3, the following are Board staff's supplemental interrogatories in Wellington North Power Inc.'s ("WNP") 2012 Cost of Service Application, EB-2011-0249. The numbering sequence follows that applied to Board staff's interrogatories, submitted June 5, 2012.

**Operating Revenue**

**56. Reference:** VECC IR #14  
Exhibit 3, Tab 2, Schedule 1, page 349

WNP has applied a billed kWh adjustment for CDM of 452,000 kWh in 2011 and 904,000 kWh in 2012, representing 10% and 20% of its targets. VECC IR response #14 provides actual CDM results of 109,701 kWh for 2011 and 9,789 kWh for Q1 2012.

- a. Would WNP consider a 10% CDM adjustment for 2012 to be more appropriate, given the limited activity in 2011 and time required to ramp up activity in 2012? If not, why not?

**57. Reference:** VECC IRR #16  
Board staff IRR #17  
Exhibit 3, Tab 3, Schedule 2, Table 3-30

VECC IR #16 requests an update to WNP's Table 3-30 to include 2011 actuals. Board staff IR #17 requests an explanation of variances in the table. WNP's response requires further clarification.

- a. Please explain the changes in the table provided in response to VECC #16 to the table originally filed for the following expense types in 2012:
  - Rent from electric property
  - Miscellaneous service revenues
  - Revenues from non-utility operations
  - Expenses from non-utility operations
- b. Please provide an updated Table 3-30 that includes the adjustments as described in part c) of WNP's response to Board staff IRR #16.
- c. Please provide an explanation of any remaining year over year variances in the table exceeding +/-10%.

## Fixed Asset Continuity Schedules

**58. Reference:** WNP COS Filing Requirement Ch 2 Appendices June 12, App 2B  
Smart Meter Model v. 2 June 12

Board staff notes that the opening balance of fixed assets in 2011 exceeds the closing balance in 2010 by \$980,342. This variance is related to entries that appear to be smart meter-related.

- a. Please confirm that WNP is requesting approval for its smart meter cost for 2012, and that 2011 should be unaffected.
- b. Please remove smart meter costs from the 2011 continuity tables and adjust the 2012 opening balances to reflect smart meter fixed assets and depreciation as at year end 2011 as they appear in WNP's smart meter model.

## Capital Budget

**59. Reference:** Board staff IRR #8  
Exhibit 2, Tab 5, Schedule 5, Table 2-56

Board staff IR #8 asks for capital expenditures by category both in amounts spent and proportion of total annual spending, using WNP's capital project categories provided in Exhibit 2, Tab 5, Schedule 5. WNP has responded that it is unable to provide the information prior to 2011.

- a. Please list the capital budget categories that were in use prior to 2011.
- b. How did WNP identify projects in its capital budget that were undertaken in response to customer requests for new or upgraded service prior to 2011?
- c. Are there employees at WNP who do have the experience to assess prior years' projects to determine which are customer driven? Using input from other staff, is WNP able to provide a response to part a) of Board staff IR #8 as requested, using current capital budget categories?
- d. If WNP is unable to provide the information requested on the basis of the current categories, can this information be provided for 2008 to 2012 using the categories in use prior to 2011? If so, please provide. Please also identify the projects for which a capital contribution was required, and the amount of the capital contribution.

**60. Reference:** Board staff IRR #11  
Exhibit 2, Tab 5, Schedule 6, 2012 capital projects

WNP's response to Board staff IR #11 states that item #2012-008 will extend the 44kV line to connect a proposed new subdivision. Exhibit 2, Tab 5, Schedule 6 describes this project as a new service for an OPP building in Mount Forest.

- a. Please clarify the description of project #2012-008.
- b. Please provide a description of the project to connect a new subdivision and the proposed capital budget.
- c. Does WNP propose to undertake both of these projects in 2012? If so, please update the 2012 capital budget accordingly.

**61. Reference:** Board staff IRR #11  
Exhibit 2, Tab 5, Schedule 6, 2012 capital projects  
Appendix – Sheets H1-H4

WNP's response to Board staff IR #11 states that at the time of filing the application, WNP had been unable to conduct an economic evaluation to assess the value of contributed capital.

- a. Please provide WNP's policy related to capital contributions.
- b. Under this policy, which 2012 projects would be required to provide capital contributions?
- c. Please provide an estimate of capital contributions for 2012.

**62. Reference:** Board staff IRR #12  
Exhibit 2, Tab 5, Schedule 6, 2012 capital projects  
VECC IR #1

WNP has retained BM Ross to conduct a feasibility study to improve and increase staff workspace, create an accessible front entrance and enhance the customer service area. BM Ross's proposal is dated March 22, 2012 and the Board of Director's approval for selection of the candidate to conduct the feasibility study is dated April 24, 2012. WNP's capital budget includes \$306,000 for renovation projects related to this study. In part c) of Board staff IRR #12, WNP states that it is not proposing to complete the renovations in one year and that further expenditures are projected for 2013. In response to VECC IR #1, WNP states that the forecast is subject to the recommendations of engineers and architects, as well as approval of WNP's rate application request.

- a. What is the status of BM Ross' feasibility study? Specifically, has WNP received the final report as described in page 3 of the BM Ross proposal?
- b. Please provide an update of the cost, timing and scope of renovations proposed. Does WNP still propose to undertake projects 2012-012, -013 and -014 as proposed in its evidence in 2012?
- c. What further renovations and expenses are proposed in 2013, as stated in the response to VECC IR #1?

## Operating Costs

**63. Reference:** Board staff IRR #19  
Employee Working Agreements 2008-10 and 2011-13

WNP has provided detail of its compensation expense from 2008-2012 in terms of number of employees, total compensation, average compensation and rate of change year over year. WNP has also provided its employee agreements applicable to this period, outlining employment conditions and compensation rates. Board staff notes that increases mandated for all staff were 4% in 2009 and 3% for each year thereafter. Board staff also notes considerable variability in average compensation rates, particularly in the management and non union categories.

- a. Please provide a detailed variance explanation for average compensation changes between years for management and non union staff.

**64. Reference:** Board staff IRR #20  
Market Salary Report September 2008

The referenced report calculates 3% increases for each year on top of the adjustment to bring WNP to market rates.

- a. How was the 3% increase determined?
- b. Did WNP instruct Barcon Consulting to apply a 3% increase to the adjusted rates?
- c. The 2008 market salary report recommends a review of on call procedures prior to making any adjustments to rates. Adjustments to these rates appear to have been made in the subsequent report. Did WNP conduct this review? If not, who did? What changes were made to on call procedures as a result?

## Cost of Capital

- 65. Reference:** Board staff IRR #24  
WNP IR responses Appendix, Sheet I2

The continuity table provided for the Twp of Wellington North loan does not include 2012 payments.

- a. Please provide a revised continuity table for the Twp of Wellington North loan that includes 2012 payments.

## Smart Meter Cost Recovery

- 66. Reference:** Board staff IRR #28  
Exhibit 10, Tab 1, Schedule 3, Table 10-6

WNP's response to Board staff IR #28 indicates that it installed smart meters in 2007 and 2008 for new construction connections and meters requiring reverification.

- a. Were the meters installed in 2007 and 2008 the same meter types as those installed following the approved procurement process?
- b. Were any of these meters subsequently replaced to be consistent with the meter types installed in WNP's smart meter program from August 2008 onward?
- c. If these meters were replaced, are they included in the stranded meter account? If so, what is the net book value of these meters?

- 67. Reference:** Board staff IRR #37

Board staff IR #37 indicates that the Board has determined that it is preferable to calculate SMFA revenues based on actual revenues collected from each rate class. WNP's response indicates that it has the information but that it is not readily available at the time of responding to this question.

- a. Please recalculate the SMDA to reflect actual SMFA revenues billed by rate class.

## GEA Plan

**68. Reference:** Board staff IRR 41  
Board staff IRR 42

- a. Are the activities associated with the connection of renewable generation contained in WNP's current 8-year capital plan strictly driven by works related to WNP's distribution system?
- b. Keeping in mind the Framework for Determining Direct Benefits, would you characterize the activities associated with the connection of renewable generation as strictly benefitting WNP's ratepayers?
- c. Please provide an explanation for the above determination.
- d. If warranted, please complete the answer to Board staff IRR 41(e).

**69. Reference:** Board staff IRR 42d)

- a. Are the expenditures in the reference included in the 8-year capital plan?
- b. If yes, do the improvements/ works exclusively benefit WNP's ratepayers?
- c. If not, would WNP be adopting the 6%-94% provincial benefit ratios outlined in the Framework for Determining Direct Benefits?
- d. Please quantify the rate impact of the activities contained in the table in the reference.

**70. Reference:** Board staff IRR 43a), 43b)

WNP's answer to Board Staff IR 43(a) and 43(b) suggest that the implementation of the GEA plan will result in additional labour requirements, and OM&A expenditures.

- a. Please provide a forecast figure for: labour, operations and maintenance, and administrative expenses for the 2012 test year.

**71. Reference:** Board staff IRR 43(c)

WNP indicates in part that it "reserves the right to pursue a Green Energy Act rate-rider under a future application, however, at this time, feels it's in the rate payers' best interest to not apply for this rate rider at this time".

- a. Notwithstanding that the rate rider application may come later, please explain why WNP would prefer not to record expenditures associated with the connection of renewable generation in the earmarked deferral accounts?
- b. To avoid double counting at a later stage, please outline how is WNP planning to separate the GEA plan costs from the overall costs contained within its 8-year capital plan.
- c. Please complete the response to Board staff IRR 43 (c).

**72. Reference:** Board staff IRR 43(d)

WNP states in part that it “charges a fixed rate for connection of MicroFIT generation facilities, which off-set costs associated with the connection of generation facilities. Any additional cost associated with the connection of MicroFIT generation projects would be borne by the collective rate payer”.

- a. Please complete the response to 43(d), include cost recovery for expansions and REI works and indicate whether recovery will be from WNP’s or provincial ratepayers, and the percentage.
- b. Please indicate the accounting mechanism planned for cost recovery as per the accounting provisions in the *DSP Filing Requirements*.

## Deferral and Variance Accounts

**73. Reference:** Board staff IRR 50  
VECC IRR #26  
EP IRR #35d)  
Exhibit 9, Schedule 5, Table 9-6, page 777  
Exhibit 9, Schedule 5, Table 9-7, page 782

WNP confirmed in Board staff IR #50 that it is seeking disposition of the costs related to IFRS in this application. In addition, WNP has chosen to take the deferral of implementation to IFRS to January 1, 2013. WNP also stated that any further incremental costs incurred by WNP to date in preparation to transition to IFRS will be captured into a sub account of 1508. These costs will be included in a future rate application for proposed recovery.

Furthermore, in its response to VECC IR #26 and EP IR #35, WNP stated that WNP anticipates to incur further IFRS transition costs (e.g. consultancy and training expenses, IS system and training costs) when the LDC does migrate from CGAAP to IFRS.

- a. Given WNP’s responses above, please update all related evidence including Table 9-6 and Table 9-7.

- 74. Reference:** Board staff IRR 51 a) and c)  
Exhibit 9, Schedule 5, Table 9-6, page 777  
Exhibit 9, Schedule 5, Table 9-7, page 782  
Chapter 2, *Filing Requirements for Transmission and Distribution Applications, June 22, 2011*, s. 2.12.1 and 2.12.2  
Updated 2012 EDDVAR Continuity Schedule, June 12  
EP IRR #18 (updated Table 3-26)

WNP stated that Account 1592, sub account HST/OVAT ITC has a balance as at April 30, 2012 of \$5,248. After applying the 50% return calculation, WNP arrives at the total value of the credit (\$2,624) to customers, which it considers minimal.

- a. Please update all related evidence including Table 9-6 for Account 1592, sub account HST/OVAT ITC, the updated DVA Continuity Schedule Work Form and Table 9 -7.
- b. In its response to Board staff IR #51c), WNP's intention to continue using Account 1592, sub account HST/OVAT ITC differs from Board's 2012 COS Filing Requirements, S.2.12.2 as follows:

*No more amounts should be recorded in Account 1592 (PILs and Tax Variances, Sub-account HST/OVAT ITCs for the Test Year and going forward, as the impact of the HST and associated ITCs on capital and operating costs in the Test Year should be reflected in the applied-for revenue requirement.*

Please confirm that WNP will follow the Board filing requirements for Account 1592, PILs and Tax Variances, Sub-account HST/OVAT ITCs and stop using Account 1592, sub account HST/OVAT ITC for the test year and moving forward.

- 75. Reference:** Board staff IRR 53  
EDDVAR Report, page 24

The July 31, 2009 EDDVAR Report, page 24 states:

*The Board also agrees the default disposition period used to clear the Account balances through a rate rider should be one year. However, a distributor could propose a different disposition period to mitigate rate impacts or address any other applicable considerations, where appropriate.*

- a. Please explain why WNP is proposing 2 years instead of 1 year for the disposition period of its Group 1 and Group 2 Deferral and Variance Accounts and Non-RPP Global Adjustment.

## **Transition from CGAAP to MIFRS**

**76. Reference:** Exhibit 11, Schedule 5, page 839  
EP IRR #35b)  
EP IRR #39

In WNP's response to EP IRR #35b), WNP's updated difference is \$133,121 in amortization versus \$109,003 in Table 11-11 in WNP's application. In the same IRR and in the calculation for the PP& E deferral account, WNP provided the calculation for the adjustment to the revenue requirement for each of the four year of the \$41,439 broken down as \$33,280 for depreciation and \$8,259 for the return on PP&E account.

- a. Please confirm that \$133,121 is the correct difference in amortization as per WNP's response to IRR #35 to Energy Probe and not the amount of \$109,003 as shown in WNP's original evidence.