Board Staff Interrogatories
2013 Electricity Distribution Rates
Welland Hydro-Electric System Corp ("Welland Hydro")
EB-2012-0173

Exhibit 2: Rate Base

1. Ref: Exhibit 2, Tab 1, Schedule 1, page 5

Welland Hydro has adjusted its cost of power to reflect the proposed IESO MDM/R charge beginning in July 2012. Board staff notes that the amount of this charge and the cost recovery mechanism have not yet been determined by the Board.

a) Please provide a scenario calculation where the cost of power calculation has been adjusted to remove the IESO charge.
b) Please confirm any other instances in Welland Hydro's application where this charge may have been included, either in costs or revenues.

Capital Expenditures

2. Ref: EB-2008-0247, Exhibit 2, Tab 3, Schedule 2, page 1, Table 14

At Ex 2/T3/S2/p.1/Table 14 in Welland Hydro's last cost of service application (EB-2008-0247), Welland Hydro had provided a list of projects and associated capital expenditures for the 2009 Test Year.

a) With respect to each of the projects in Table 14 in EB-2008-0247, please provide the planned in-service date (as proposed in EB-2008-0247) and the *actual* in-service date. If any of the approved projects were delayed, deferred or cancelled, please provide the reasons for the delay/deferment or cancellation.

3. Ref: Exhibit 2, Tab 3, Schedule 2, Appendix 2-A
Ref: Exhibit 2, Tab 3, Schedule 3, Appendix A

Welland Hydro has provided a table summarizing the Test Year 2013 capital expenditures at Appendix 2-A. Board staff was able to reconcile most of the projects and associated capital expenditures in the table with the projects and

expenditures noted in the Asset Management Plan, with the exception of the Miscellaneous Pole Replacement capital forecast of $116,000, and Miscellaneous Capital Expenditures of $40,000.

a) Please explain how each of these estimates was derived and reference the appropriate sections of the Asset Management Plan in your response.
b) Under section 8 of the Asset Management Plan, Welland Hydro states: "A project form is completed for each project providing an overview, reasoning and estimate (based on historical cost) for the project". Please provide the "project form" for Miscellaneous Pole Replacement capital forecast and Miscellaneous Capital Expenditures forecast.

4. Ref: Exhibit 2, Tab 3, Schedule 2, Appendix 2-A

For the 2013 Test Year, Welland Hydro has estimated a capital expenditure of $350,000 for a new Double Bucket Truck.

a) Please provide a high level break down for the above cost estimate. Please explain how the cost estimates were derived and provide evidence to support the appropriateness of the cost estimates.
b) How many Double Bucket Trucks does Welland Hydro currently have in its fleet?
c) Please provide the cost of the last Double Bucket Truck that was purchased and the year in which it was purchased.
d) Please provide the "project form" for the Double Bucket Truck purchase/project.

5. Ref: Exhibit 2, Tab 3, Schedule 4
Ref: Green Energy Plan Filing Requirements: Distribution System Plans - EB-2009-0397, dated May 17, 2012

Welland Hydro has filed a Basic Green Energy Plan. Section 2.3 of the Filing Requirements: Distribution System Plan sets out the materiality threshold for filing Basic and Detailed Green Energy Plans. Specifically, the materiality threshold in part (2) of section 2.3, states:

> "The total capital costs of all of a distributor's planned projects related to the connection of renewable generation and/or the development of a smart grid over five years: Are more than $100,000 and exceed 6% of the distributor's distribution rate base or exceed $10,000,000".

Board staff's review of the threshold suggests that the total capital costs of all projects in Welland Hydro's Green Energy Plan is higher than the 6% materiality threshold and therefore requires that a Detailed Green Energy Plan be submitted.

Green Energy Plan Capital Costs		
2012	$	-
2013	$	190,000
2014	$	40,000
2015	$	1,020,000
2016	$	1,000,000
Total Green Energy Plan Capital Costs	$	2,250,000
WELLAND HYDRO 2013 Test Year Rate Base	$	31,884,331
GEP Capital Costs/Rate Base		7.1%

a) Please explain how the materiality threshold noted in section 2.3 of the *Filing Requirements: Distribution System Plan* has been applied by Welland Hydro and demonstrate how the application of the threshold requires that a Basic Green Energy Plan be filed.

6. Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B, Table 1
Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B, page (i)

In Table 1 – Summary of Capital Expenditures, Welland Hydro has identified all the capital costs related to its Green Energy Plan. As noted in the Filing Requirements: Distribution System Plan, Green Energy Plan investments are to be classified under the following three categories: Connection, Expansion and Renewable Enabling Investments (REI). The SCADA/Monitoring/ICCP investments that are noted in Table 1 – Summary of Capital Expenditures are presented separately in the table and have not been classified as "Connection", "Expansion" or "REI" investments.

Further, at page (i) of the Executive Summary to the Green Energy Plan, Welland Hydro states, "Welland Hydro has not had any Green Energy Act capital expenditures or OM&A expenses to date. However, the 2013 Capital Plan does include a capital system expansion expenditure of $84,000". Board staff notes that the above noted Expansion investment that is claimed to be part of the Plan is not reflected in Table 1 – Summary of Capital Expenditures.

a) Please restate *Table 1 – Summary of Capital Expenditures* in the format below and classify the SCADA/Monitoring/ICCP investments under the appropriate Plan classification and provide reasons supporting the classification.

Green Energy Plan – Summary of Capital & OMA Expenditures ($)										
	2012		2013		2014		2015		2016	
	Capital	OMA	Capital	OMA	Capital	OMA	Capital	OMA	Capital	OMA
Connection										
Expansion										
REI										
TOTAL										

b) Please explain why the subject Expansion capital investments have not been identified in *Table 1 - Summary Capital Expenditures*. If the subject investments are part of Welland Hydro's Green Energy Plan, please update the table provided by staff in part (a) of this response by including the appropriate Expansion investments.

c) Based on the summary of capital investments provided in response to part (a) and part (b) above, please provide in a separate table and for each year of the Plan, the capital costs that are to be recovered from generators, Welland Hydro ratepayers and provincial ratepayers, as per the Board's guidance in relation to Direct Benefits.

7. Ref: Exhibit 2, Tab 3, Schedule 4, page 1
Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B page 16

At page 1 of Exhibit 2, Tab 3, Schedule 4, Welland Hydro states, "Welland Hydro has not had any Green Energy Act capital expenditures or OM&A expenses to date. However, the 2013 Capital Plan does include a capital system expansion expenditure of $84,000". Welland Hydro states that the impact of this expansion

is “not material”. Board staff notes that this amount is less than the “renewable energy expansion cap” of $90,000 discussed at page 16 of the plan.

At page 16 of the Green Energy Plan, Welland Hydro states that the subject Expansion capital costs would be shared between provincial ratepayers and Welland Hydro ratepayers in the proportion of 83% and 17% respectively.

a) Under section 8 of the Asset Management Plan, Welland Hydro states: “A project form is completed for each project providing an overview, reasoning and estimate (based on historical cost) for the project”. Please provide the “project form” for Project 8 – Ridge Road –Pole Line Expansion to new Solar farm.
b) Please confirm that the direct benefits calculations on page 16 of the Green Energy Plan have been provided for illustrative purposes only.
c) Given the “renewable energy expansion cap” of $90,000 per MW, please explain why the above Expansion related capital costs (that are below the cap) are not proposed to be shared between provincial ratepayers and Welland Hydro ratepayers, as opposed to being recovered entirely from Welland Hydro ratepayers.
d) Board staff notes that Welland Hydro’s Green Energy Plan identifies $2,250,000 in capital expenditures over the period of the plan. Please provide a breakdown of all eligible amounts (including the $84,000 identified in 2013) over the 5 year term of the plan into amounts to be paid by Provincial ratepayers and Welland Hydro ratepayers, using the proportions provided at page 16 of the Green Energy Plan.

8. Ref: Chapter 2, Filing Requirements for Electricity Transmission and Distribution Applications, Section 2.3.3 Green Energy Act Requirements, page 9

Welland Hydro has submitted a five year Basic Green Energy Plan. Chapter 2 of the Filing Requirements states that:

> “A proposal seeking approval for a GEA plan should also clearly identify the period for which the distributor is seeking a prudence review and approval, and the distributor’s proposal for how approved GEA plan costs are to be recovered (e.g., rate adder, rate rider, deferral/variance account).”

a) Please specify the period for which Welland Hydro is seeking a prudence review and approval.

b) Please confirm that Welland Hydro is not seeking Board approval for a rate rider or rate adder as part of its Green Energy Plan.
c) Please provide Welland Hydro's proposal for recovery of plan costs.

9. Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B page (ii), Table 1

Table 1 – Summary of Capital Expenditures identifies a total of $190,000 in capital investments in 2013. Of these $100,000 is classified as "Connection" costs and $90,000 is budgeted for the SCADA/Monitoring/ICCP upgrades.

a) Please clarify whether the $100,000 that is classified as Connection costs will be recovered from generator proponents?
b) With respect to the $90,000 that has been budgeted for the SCADA/Monitoring/ICCP upgrades, please confirm that this capital cost is not included in the 2013 capital budget? Please also provide the reason for not including the $90,000 in expenditures in the 2013 Test Year capital budget?
c) If the cost of the SCADA/Monitoring/ICCP upgrade is not included in the Test Year 2013 capital budget, how does Welland Hydro propose to fund these capital expenditures in the Test Year?
d) Under section 8 of the Asset Management Plan, Welland Hydro states: "A project form is completed for each project providing an overview, reasoning and estimate (based on historical cost) for the project". Please provide the "project form" for SCADA/Monitoring/ICCP upgrades project.

10. Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B, page 9

At the above reference, Welland Hydro states: "At present, there are two projects with contracts to proceed that would add 11 MW to the 41M17 feeder, using up a significant portion of the ability to accept any further applications east of the canal".

a) Are the two projects that are reference above included in the list of projects provided at page 12 of the Green Energy Plan?
b) Please list the steps of the connection process that a renewable generator connecting to Welland Hydro's system must follow. What point in the overall connection process have the two projects reached? What is the expected in-service date for the two projects?

11. Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B, page 12

At page 12 of the above reference, Welland Hydro has provided a list of FIT projects that are expected to be connected. The list indicates that each of these projects has completed a CIA.

a) When are the five projects that are listed at the above reference expected to be energized?
b) Please list the steps in the connection process that must be completed following the completion of the CIA and till the project is energized?
c) Please confirm that the successful completion of a CIA does not guarantee that a project will proceed.

12. Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B, page 10

At the above reference, Welland Hydro states: “While it is appropriate to have a general plan, the future details can and will vary”.

a) Please clarify what is meant by the term “general plan” in the context of Welland Hydro submission?

13. Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B, Table 1
Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B, Table 7

In Table 7 Welland Hydro has forecasted an expense of $100,000 in relation to project, “FIT-FNDK4TS”.

a) Please clarify if this is the same project as the 10 MW project that is referenced under the heading “Consultations”, at page 12?
b) Please identify where in *Table 1 – Summary of Capital Expenditures* the $100,000 in Expansion costs are reflected. If the costs are not reflected, please explain the significance of the information contained in Table 7.

14. Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B, Table 1
Ref: Exhibit 2, Tab 3, Schedule 4, Appendix B, Table 7

In Table 7 Welland Hydro has forecasted an expense of $2m+ in relation to project, “Moyer Road”.

a) Please identify where in *Table 1 – Summary of Capital Expenditures* the $2m+ costs are reflected. If the costs are not reflected, please explain the significance of the information contained in Table 7.

15. Exhibit 2, Tab 3, Schedule 5, Page 3

Welland Hydro states that it has capitalized labor burden amounts under CGAAP and will continue to capitalize them under MIFRS.

a) Please confirm if Welland Hydro believes its proposed capitalization practice with respect to labor burden meets the requirements of IAS 16 if and when it uses IFRS for financial reporting purposes.
b) The 2013 rate applications are expected to be filed under MIFRS. Please confirm that these labor burden amounts that will continue to be capitalized under MIFRS meet the MIFRS capitalization requirement. If not, please determine the changes and update the applicable appendices.

16. Ref: Exhibit 2, Tab 3, Schedule 5, Page 5
Ref: Exhibit 9 Deferral and Variance Accounts

Regarding de-recognition of PP&E, Welland Hydro indicates that it will now recognize losses on fixed assets removed from service prematurely into account 4362 Asset Retirement of $18,932 as a reduction of Other Revenue in 2013.

In its application, Welland Hydro also states that it is next to impossible to estimate the effect of asset retirements based on two years of forecasted capital expenditures and that a deferral account would be a better methodology of dealing with asset retirements until more history is available.

Per Exhibit 9 Deferral and Variance Accounts, it appears that Welland Hydro is not requesting a new deferral account to deal with asset retirements.

a) Please confirm that Welland Hydro is including the 2013 forecasted asset retirement of $18,932 as a reduction of other revenues in 2013 and is not requesting a deferral account in this rate application.

17. Ref: Exhibit 2, Tab 3, Schedule 5, Page 5
Ref: Exhibit 2, Tab 2, Schedule 1, Appendix 2-B

In its application, Welland Hydro states that any asset retirements in 2012 should be considered part of account 1575 adjustments. As per 2012 MIFRS and CGAAP PP&E continuity schedules in Exhibit 2, Tab 2, Schedule 1, Appendix 2-B, there is no amount related to the disposals in 2012 under CGAAP and under MIFRS.

a) Please clarify that Welland Hydro has not included "any asset retirements in 2012" as part of Account 1575. Otherwise, please specify the amount and the nature of any asset retirements in 2012 that Welland Hydro has recorded under Account 1575.

18. Ref: Exhibit 2, Tab 3, Schedule 7, Page 2 – Page 7

In its application, Welland Hydro provided the detailed analysis for Account 1592 and stated that the detailed evaluation of Welland Hydro's 2009 PST shows expenditures of $26,634 relating to OM&A and $36,760 related to capital expenditures. The $26,634 in annual OM&A will be used as a proxy for monthly savings to April 2013. The PST related capital expenditure was 1.86% of total capital expenditures which will be used as a proxy for calculating PST related to capital spending from 2010 to 2013 to determine the PST savings in depreciation expense. Table 2.5 – Table 2.8 in Exhibit 2, Tab 3, Schedule 7 provides an analysis of the PST saving related to capital expenditures from 2010 to 2013.

a) Please provide the supporting calculation for $26,634 PST saving related to 2009 OM&A.
b) Please confirm that the "HST" referred in Table 2.5 – Table 2.8 is meant to be "PST". Otherwise, please explain why Welland Hydro has used HST rather than PST.
c) Board staff notes that the depreciation rate used in in 2012 Capital PST saving Table 2.7 and 2013 Capital PST saving Table 2.8 are the same as the depreciation rate used in Table 2.5 and Table 2.6 under CGAAP.
   (i) Please explain the reasons why the depreciation rates under MIFRS (2012 & 2013) are the same as the ones under CGAAP.
   (ii) Please update the evidence accordingly if different rates should be used in the analysis.

Exhibit 3: Revenues

19. Ref: Exhibit 3, Tab 2, Appendix A
Ref: Welland Hydro Application Addendum, page 1

Welland Hydro states that the forecast underpinning its application was based on a 12-month forecast. Welland Hydro has provided revenue detail for its 2009 approved, 2009 actual, 2010 actual, 2011 actual, 2012 bridge and 2013 test years.

a) Please confirm that the 2012 bridge year information is a 12-month forecast, containing no actual information.
b) Please update the Purchased column in Exhibit 3, Tab 2, Appendix A to include all months of actual purchases available for 2012 (it is assumed that the minimum amount available as of the date of these interrogatories will be 9 months).

20. Ref: Exhibit 3, Tab 2, Schedule 1, page 6

Welland Hydro has provided the variables underlying its regression analysis. Board staff notes that Welland Hydro has not included a variable for economic growth.

a) Please repeat the analysis, including a variable which measures local economic growth, such as employment statistics or housing starts.

21. Ref: Exhibit 3, Tab 2, Schedule 1, page 15
Ref: Exhibit 3, Tab 2, Schedule 1, page 11

Welland Hydro has made adjustments from the GS <50 kW class to the GS >50 kW class of 1.5 GWh and 2.0 GWh in 2012 and 2013 respectively, as there is no history showing the GS >50 kW at the volumes predicted. Welland Hydro has also adjusted the GS >50 kW 2012 forecast downward to reflect the loss of one large industrial customer and projects no growth in this class in 2013.

a) Please provide the percentage increase originally shown in the GS <50 kW class prediction over the expected amount. Please explain why Welland Hydro believes that this increase is unlikely.

b) Please explain why the excess kW amount was applied to the GS >50 kW class, which is experiencing a decrease in customer numbers.

22. Ref: Exhibit 3, Tab 2, Schedule 1, Page 7 of 21

Welland Hydro states that its regression model uses monthly kWh and monthly values of independent variables from January 2002 to December 2011 to determine a prediction formula with coefficients for each independent variable.

Welland Hydro further states that for the CDM activity variable, the years 2006 to 2013 have used a combination of two inputs. Welland Hydro has used the net energy savings from the OPA 2006-2010 Final CDM Results to show how these programs have persistent savings from 2007 to 2013, but have adjusted for the years 2011 to 2013 to include preliminary actual results from 2011 programs that contribute towards Welland Hydro's 2011-2014 cumulative energy (kWh) target of 20,600,000 kWh.

Welland Hydro notes that for 2013, the monthly values for the CDM activity variable will total 7,866,927kWh which includes 5,613,679 kWh from the OPA final results plus 2,253,248 kWh reflecting the persistence of 2011 programs into 2013.

On September 30, 2011, Welland Hydro filed its 2011 CDM Annual Report with the Board. Included within its annual report were final, verified net energy savings from 2011 CDM programs of 2,018,776 kWh, which excludes two pre-2011 Electricity Replacement Incentive Program ("ERIP") projects currently under review by the OPA.

a) Please confirm if Welland Hydro has received final evaluation results for the two pre-2011 ERIP projects the OPA was reviewing at the time Welland Hydro's 2011 CDM Annual Report was filed.
b) Please update the CDM variable to account for Welland Hydro's 2011 final verified CDM results as found within its 2011 CDM Annual Report.
c) Please provide an update to the CDM variable amount that reflects the persistence of 2011 programs into 2013. Please include an explicit CDM variable amount in kWh for the persistence of 2011 programs into 2013.
d) From the regression model estimated in c), please provide an updated base forecast for the 2013 test year taking into account the persistence of 2006 to 2010 CDM programs only. Then, provide the manual CDM adjustment for each of 2012 and 2013 reflecting the persistence and

impact of 2011 to 2013 CDM programs, as appropriate. Please take into consideration the responses to IRs 23 and 24, below.

23. Ref: Exhibit 3, Tab 2, Schedule 1, Page 17 of 21

Welland Hydro notes that a manual adjustment has been made to reflect the impact of 2012 and 2013 CDM programs on the load forecast. Welland Hydro has adjusted its load forecast by the gross impact of 2012 and 2013 CDM programs on the basis that the gross amount is most appropriate as it includes the estimated impact of CDM activity inclusive of free riders; those customers that participate in a program even if an incentive was not provided to participate.

Welland Hydro proposes that the 2013 load forecast should be adjusted by 5,977,845 kWh to reflect CDM savings from 2012 and 2013 programs. Welland Hydro has calculated these adjustments by recalculating what its achievement levels will need to be in 2012, 2013 and 2014 in order to meet its 2011-2014 CDM Targets based on what it had projected to have achieved in 2011 (2,253,248 kWh). Welland Hydro has also adjusted its required net energy savings in 2012 and 2013 by an average net-to-gross percentage based on 2006-2013 results from the OPA's 2006-2010 Final CDM Results in order to calculate the gross CDM adjustments that have been noted above.

a) Please use the net-to-gross percentage found in Welland Hydro's 2011 OPA Final Evaluation Results to provide updated calculations of the 2012 and 2013 gross CDM adjustments.
b) Please update Table 3-15 and include only the results from 2008 to 2011 to determine the average net-to-gross percentage.
c) Please use the updated average net-to-gross percentage from 2(b) above and provide updated calculations of the 2012 and 2013 gross CDM adjustments.

24. Ref: Exhibit 3, Tab 2, Schedule 1, Page 18 of 21

Welland Hydro has provided net CDM savings in 2013 from 2011, 2012 and 2013 programs for Lost Revenue Adjustment Mechanism ("LRAM") variance account purposes. Welland Hydro notes that it expects to achieve 6,115,584 net kWh savings in 2013 from 2011 to 2013 CDM programs.

a) Please update Table 3-18 to reflect Welland Hydro's final, verified 2011 CDM savings as found in Welland Hydro's 2011 OPA Final Evaluation

Results. Please include any updates Welland Hydro has received with respect to the two ERIP programs not included in the 2011 CDM Annual Report.

b) Please update Table 3-19 consistent with the update provided in 3(a) above.

25. Ref: Exhibit 3, Tab 2, Schedule 1
Ref: Load Forecasting Excel Model

Welland Hydro has included a CDM variable in the purchased system kWh load forecasting regression model used to develop in load forecast. As documented in the Application, the CDM variable has an estimated coefficient of (7.9) with a t-statistic of (12.29) (p=1.2E-22).

On pages 6-7 of this Exhibit, Welland Hydro provides the following documentation of the CDM variable:

> The CDM activity variable is an estimated level of monthly activity in CDM. For each year the monthly values grow at constant value over the year. For the years 2006 to 2013, the addition of the monthly CDM activity values shown in Appendix 3-A will equal the Net Energy Savings from the OPA 2006-2010 Final CDM Results for Welland Hydro. These values reflect the net energy savings from 2006 to 2010 programs and how these programs have persistent savings from 2007 to 2013. However, for the years 2011 to 2013, the Net Energy Savings from the OPA 2006-2010 Final CDM Results are adjusted to include preliminary results from 2011 programs that contribute to the four year licensed CDM kWh target of 20,600,000 assigned to Welland Hydro. The 2011 draft preliminary results are based on the Q4 2011 Conservation and Demand Management Status Report provided to Welland Hydro by the OPA. The 2011 preliminary results have been included in the CDM activity variable since these results have impacted the actual 2011 power purchases. The following table outlines the adjustments made to the Net Energy Savings from the OPA 2006-2010 Final CDM Results to include the impact of the preliminary results from 2011 CDM programs and the persistent impact of the 2011 programs into 2012 and 2013. In addition, the table provides the Net Energy Savings from the OPA 2006-2010 Final CDM Results for the years 2006 to 2013. For 2013, the monthly values for the CDM activity variable will total 7,866,927 kWh which includes 5,613,679

kWh from the OPA final results plus 2,253,248 kWh reflecting the persistence of 2011 programs into 2013.

Sheet 'CDM Activity' of the Load Forecasting model provides the derivation of the CDM variable.

a) The variable used is the net savings as measured by the OPA, "net" meaning that the results exclude free drivers and free riders. However, the estimated coefficient of (7.9) means that, for every kWh reduced by customer uptake of an OPA CDM program in Welland Hydro's service territory, there is a 7.9 kWh reduction. Ignoring losses, this means that there is on average 6.9 kWhs attributable to free drivers/free riders for every kWh reduced due to an OPA program. Please provide Welland Hydro's interpretation of the CDM coefficient and a discussion of why the magnitude of the CDM coefficient is reasonable.
b) Sheet 'CDM Activity' provides the derivation of the monthly CDM values. The OPA results are published on an annual basis, but monthly data are needed for the regression model. It appears that a linear trend is used within each year to calculate the monthly results.
    (i) Please provide a detailed description of the methodology for interpolating the monthly CDM variable, and for forecasting the 2012 and 2013 CDM results.
    (ii) The interpolation of monthly results within each year means that there is a linear increase or decrease to the CDM values within each time period. However, CDM impacts would more reasonably be expected to be flat (e.g., due to programs like LED streetlighting or refrigerator round-ups), or show more cyclical or seasonal patterns (e.g., Peaksaver, energy efficient furnace and air conditioners, improved insulation). Thus the pattern of the CDM variable may not be approximating the influence of CDM activity on the real system consumption, and thus the CDM variable may be reflecting other drivers of consumption or demand. Please provide Welland Hydro's views, with reasons, as to whether it believes the CDM variable is a reasonable proxy for the influence of CDM activity on demand.
c) Please provide Welland Hydro's views on using the 'net' CDM savings, rather than the 'gross' savings as the CDM variable, since it is gross savings which are reflected in the observed consumption and demand data.

26. Ref: Exhibit 3, Tab 2, Schedule 1, page 8

On page 8 of the Exhibit, Welland Hydro provides a graph showing the actual and predicted annual results and states:

> The annual results of the above prediction formula compared to the actual annual purchases from 2002 to 2011 are shown in the chart below. The chart indicates the resulting prediction equation appears to be reasonable.

The regression model is estimated using monthly data. The prediction error on an annual basis will lower the estimate of the absolute residual error, as forecasting errors in monthly results will be smoothed through monthly aggregation.

a) Please provide a graph similar that that shown on page 8 of the Exhibit but showing the monthly actual and predicted values. Please include the forecasted values for 2012 and 2013 in the graph.
b) Please provide the mean average absolute error based on the monthly forecasts.

27. Ref: Exhibit 3, Tab 3, Schedule 1, page 6

Welland Hydro has assumed an implementation date of January 1, 2012 for its Smart Meter Revenue Requirement rate rider, which has the effect of significantly increasing Residential and GS <50 kW revenues in 2012, as compared to 2011. Board staff notes that the effective date of Welland Hydro's smart meter application was May 1, 2012.

a) Please revise the 2012 Bridge revenues to reflect the May 1, 2012 implementation date and at least 9 months of actual revenues.

Exhibit 4: Operating Costs

28. Ref: Exhibit 4, Tab 1, Schedule 2, page 1
Ref: Exhibit 4, Tab 1, Schedule 2, page 7
Ref: Exhibit 4, Tab 1, Schedule 2, page 11

At page 1 of the application, Welland Hydro states that the total number of FTEs in this application is 43. At page 7, the OM&A cost per employee is based on 44 FTEs in 2013. At page 11, Welland Hydro states that adjustments to employees

will net out when Welland Hydro returns to the original 41 FTE's in the 2009 application.

a) Please clarify the number of FTEs proposed for 2013.
b) Please recalculate the OM&A cost per employee as required.
c) Please confirm that the 2013 salary and benefits calculations are consistent with the proposed FTE numbers and provide any updates that may be required.

29. Ref: Exhibit 4, Tab 1, Schedule 2, Page 10
Ref: Exhibit 2, Tab 3, Schedule 2, page 8

Welland Hydro identifies an increase in OM&A of $215,921 for a new CIS/Financial Reporting system. The application also identifies total capital costs for the system of $630,619. The analysis of the costs/benefits of the new system was deferred to this proceeding from Welland Hydro's Smart Meter proceeding.

a) Please provide the business case or project description that was relied upon by Welland Hydro's Board of Directors to approve the new system.
b) Please describe the procurement and selection process undertaken to purchase the new system.
c) Please provide a detailed breakdown of the capital costs and OM&A costs of the system.
d) Please provide an estimate of future capital and OM&A costs to be incurred over the life of the asset.
e) Please itemize the benefits or savings realized, or anticipated to be realized from the system.

30. Ref: Exhibit 4, Tab 1, Schedule 2, page 14

Welland Hydro states that the change to monthly billing in 2011 should offer some relief to future bad debt expense.

a) What was Welland Hydro's billing cycle prior to 2011?
b) Please provide an update to 2012 bad debt expense to incorporate at least 9 months of actual expense.

31. Ref: Exhibit 4, Tab 1, Schedule 4, page 1

Welland Hydro is currently in the process of evaluating its management salary levels through a third party study.

a) Please provide a status update to the evaluation process. If available, please provide the third party study.
b) Are any changes to the 2013 salary levels as filed anticipated as a result of the study?

32. Ref: Exhibit 4, Tab 1, Schedule 4, page 1

Welland Hydro anticipates the retirement of 2 line foremen and 1 lineperson within the term of this application. Welland Hydro relies on training new linepersons through apprenticeship programs.

a) Please provide an analysis of the impact of these retirements and replacements on Welland Hydro's salary expense.
b) Has this impact been included in Welland Hydro's 2013 salary expense?

33. Ref: Exhibit 4, Tab 1, Schedule 4, page 4

Welland Hydro states that retiree benefit costs have increased significantly as a result of early retirements since 2009. Welland Hydro states that in order to control costs, new hires are no longer eligible for early retirement benefits.

a) Please provide a schedule of the number of employees who are potentially eligible for early retirement over the next 4 years.

34. Ref: Exhibit 4, Tab 1, Schedule 5, page 6

a) Please explain why Welland Hydro has not forecast Material Burden or Truck Charges for 2013 Shared Services.

35. Ref: Exhibit 4, Tab 1, Schedule 2
Ref: Exhibit 1, Tab3, Schedule 1, Appendix D

Welland Hydro states that its Retiree Benefit Costs are composed of two expenses: actual premiums paid and an actuarial evaluation of changes to the

total liability account. The retiree benefit cost included in Welland Hydro's 2009 application was a total amount of $74,300, which included the actual premium paid of $71,160 and the amount related to the change in liability of $3,140. In the 2013 Test year, Welland Hydro proposes that only $120,243 actual premium paid is to be included in the retiree benefit cost in the revenue requirement of 2013 while there is no amount included for the change in liability. Welland Hydro indicates that it is requesting a new deferral & variance account to hold the change in liability.

Note 11 Employee Future Benefits of 2010 and 2011 AFSs provides the requirement of Welland Hydro's defined benefit plan to pay certain medical and life insurance benefits to employees of age 65 on behalf of its retired employees.

a) Please confirm that the retiree benefit costs explained in the rate application is corresponding to Note 11 Employee Future Benefits of AFSs.
b) Please provide the breakdown of 2011 Retiree Benefit costs included in the rate application and reconcile the amounts of the components to Note 11 of 2011 AFSs. Please provide an explanation of any variances.
c) Please confirm that:
   - The actual premium paid is related to the premium paid for Employee benefit costs for Retiree only, not including the premium for OMERS Pension;
   - By including the actual premium paid in the revenue requirement, Welland Hydro is using the cash method to account for Employee Retiree Benefit Costs in the current rate application;
d) If c) is confirmed, please explain the need for a deferral account to hold the change of the liability.

36. Ref: Exhibit 4, Appendix A

The Estimated Post Retirement Benefit Expense was prepared in May 2012 on an informational basis, with the proviso that significant changes in 2012-2013 may require revised projections.

a) Have there been any significant changes since May 2012 that would require revised projections?

37. Ref: Exhibit 4, Tab 1, Schedule 2, page 13
Ref: Exhibit 4, Appendix A

A Draft Post-Retirement Report is provided in Appendix A of Exhibit 4 as the actuarial valuation for the benefit liability for 2012 CGAAP and 2012/2013 for IFRS.

The last page of the Appendix A lists two adjusting entries required based on IFRS requirements prepared by Dion Durrell. One is of the amount $132,076 to adjust the liability as at December 31, 2012. The other adjusting entry is of the amount of $13,987 to adjust the 2013 benefit liability based on the actuarial estimation.

a) Please confirm that Dion Durrell is the person who drafted the actuarial report and provide the credentials of Dion Durrell. If not, please provide the person/company who prepared the actuarial report and its credentials.
b) Please provide the signed copy of the cover letter accompanied by the report, if any, and provide the date of the report.
c) Please explain why the report is draft. Please provide a final report if it is available. If there is no final report yet, please provide the timeline when the final report will be available.
d) Please reconcile the projected benefits paid in 2013 of $135,842 in the actuarial report to the amount of $120,243 included in OM&A expense in 2013.
e) Please confirm that Welland Hydro is adopting IFRS on January 1, 2013 and therefore the transition date for Welland Hydro is January 1, 2012. Otherwise, please provide an explanation when Welland Hydro is planning to adopt IFRS.
f) If Welland Hydro will adopt IFRS as at January 1, 2013:
    i) Please explain why the adjusting entry of $132,076 is recorded as at December 31, 2012 instead of January 1, 2012 which is the transitional date for Welland Hydro.
    ii) Please provide the rationale of recording the adjusting entry as at December 31, 2012 to adjust the liability to IFRS.

Exhibit 6: Revenue Deficiency

38. Ref: Exhibit 6, Tab 1 Schedule 1, page 1

Welland Hydro has included the Rate Riders for Smart Meter Incremental Revenue requirement and Tax Change in Distribution Rates to produce its Revenue Deficiency Calculation.

a) Why has Welland Hydro selected these particular rate riders for inclusion in its Revenue Deficiency calculations?
b) Please recalculate the Revenue deficiency excluding all rate riders.

39. Ref: Exhibit 6, Tab 1, Schedule 1, pages 4, 5, 6

Welland Hydro has provided a reconciliation of OM&A cost in 2013 of $6,663,967 with OM&A cost in 2009 of $4,913,837. Board staff notes that the 2009 operating expenses of $6,657,843 on page 4, net of depreciation expense as reported on page 6 of $1,717,160 result in 2009 OM&A of $4,940,683.

a) Please provide an explanation and reconciliation of the $26,846 difference.
b) Please make corrections to the analysis, if required.

40. Ref: PILs Workform, Sheet A Data Input Sheet

Board staff notes that Welland Hydro has indicated that it has paid dividends in the Historic and Bridge years, and intends to pay dividends in the test year.

a) Please provide Welland Hydro's proposed tax treatment of the dividends as requested in the PILs Workform.

41. Ref: Exhibit 4, Tab 1, Schedule 8, page 2
Ref: PILs Workform, Sheet T, PILs Tax Provision
Ref: Revenue Requirement Workform, Sheet 6, Taxes, PILs
Ref: Exhibit 8, Tab 1, Schedule 1, page 1

Welland Hydro has calculated its 2013 rates on the basis of a PILs amount of $58,313, rather than the amount of $42,628 automatically calculated in the PILs Workform. The difference relates to Welland Hydro's assertion of ineligibility for

the small business tax credit. At Exhibit 4, Tab 1, Schedule 1, Welland Hydro states that this amount should be $62,416 in accordance with the gross up methodology in the Revenue Requirement Workform. Welland Hydro has prepared its Revenue requirement Workform on the basis of a PILs amount of $62,416.

a) Please clarify if it is Welland Hydro's proposal that its 2013 rates should incorporate a PILs amount of $62,416. If so, please confirm that the adjustments will be made to the final rate calculations in this proceeding if approved by the Board.

Exhibit 7: Cost Allocation

42. Ref: Exhibit 7, Tab 1, Schedule 2, page 5

Welland Hydro has proposed certain adjustments to its revenue-to-cost ratios to move them to within the Board's current acceptable ranges for all rate classes.

a) Please describe the rationale applied by Welland Hydro in determining the proposed revenue-to-cost ratios for the GS >50 kW, Large User, Streetlights and Unmetered Scattered Load rate classes.

Exhibit 8: Rate Design

43. Ref: Exhibit 8, Tab 1, Schedule 10, page 1

Welland Hydro has requested a rate order reflecting a 30-day billing period to maintain consistency with its new CIS/Billing system.

a) Please clarify if this reflects an intention to bill customers every 30 days, rather than once a month.
b) Please confirm that Welland Hydro currently bills its customers once a month, in accordance with its current approved tariff sheet. If Welland Hydro is currently billing on a 30 day cycle, please provide the date that this change was introduced.
c) If a change to a 30 day billing cycle is proposed, what efforts has Welland Hydro undertaken to determine the potential impacts to its customer base from a change from a monthly billing cycle (i.e. bills would no longer be issued on a predictable day in any given month)?

d) If a change to a 30 day billing cycle is proposed, what communication efforts has Welland Hydro undertaken to inform its customers of the change?
e) Please explain why Welland Hydro purchased its billing system with this feature. Was a monthly billing configuration possible?
f) Is it possible to reconfigure the new billing system to produce monthly bills? If not, why not?

44. Ref: Exhibit 8, Tab 1, Schedule 9, page 8
Ref: Exhibit 3, Tab 3, Schedule 3, page 2

Welland Hydro's proposed Tariff Sheets for 2013 contain a microFIT charge of $5.25. Welland Hydro has forecast revenues from microFIT for 2013 of $1,392. Board staff notes that the Board has informed distributors by letter of September 20, 2013 that they are to reflect a fixed monthly charge of $5.40 for the microFIT Generator class in their 2013 applications.

a) Please provide the impact on Other Revenues of this increase from $5.25 to $5.40.
b) Please confirm that this change will be reflected in all required calculations in the final rate order in this proceeding.

Exhibit 9: Deferral and Variance Accounts

45. Ref: Exhibit 9, Tab 1, Schedule 2, page 7
Ref: Exhibit 3, Tab 2, Schedule 1, page 21

Welland Hydro has provided its calculation of rate riders to recover its deferral and variance account balances at Exhibit 9, Tab 1, Schedule 2. Board staff notes that the kW billing determinants for the GS >50 kW and Large User rate classes are inconsistent with the summary load forecast provided at Exhibit 3, Tab 2, Schedule 1.

a) Please review the Billing Determinants and provide corrections to these rate riders as required.

46. Ref: Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003), Section 13: LRAM
Ref: Chapter 2 of the Filing Requirements for Electricity Transmission and Distribution Applications, Last Revised on June 28, 2012, Section 2.7.10: CDM Costs

Welland Hydro has not included a request to dispose of its LRAMVA – Account 1568 balance as of December 31, 2011.

As stated in Section 13.4 of the Board's Guidelines for Electricity Distributor Conservation and Demand Management, April 26, 2012 (EB-2012-0003) and section 2.7.10 – CDM Costs, LRAMVA, Pages 36-37 of the Filing Requirements, at a minimum, distributors must apply for the disposition of the balance in the LRAMVA as part of their cost of service applications.

a) Please provide evidence supporting the disposition of the LRAMVA – Account 1568 balance as of December 31, 2011. Please ensure that the evidence comprises the elements listed below.

   i) Full LRAMVA calculations that are based on the final evaluation results for 2011 OPA-Contracted Province-Wide CDM Programs ("OPA Programs"). The LRAMVA calculations are determined by calculating the energy savings by customer class and valuing those energy savings using the distributor's Board-approved variable distribution charge appropriate to the class;
   ii) Separate tables for each rate class that shows the LRAMVA amounts requested in association with the final evaluation results for 2011 OPA Programs;
   iii) A statement that indicates the amount, if any, that Welland Hydro's last approved load forecast was adjusted to reflect forecasted CDM impacts in association with Welland Hydro's 2011-2014 CDM Targets;
   iv) Calculations showing the variance, if any, between the CDM component related to the 2011-2014 CDM Targets included in Welland Hydro's last approved load forecast and the final evaluation results for Welland Hydro's 2011 OPA Programs;
   v) A statement indicating that the distributor has relied on the most recent final evaluation report from the OPA in support of its LRAMVA calculation;

vi) A statement indicating that the distributor has used the most recent input assumptions available at the time of the program evaluation when calculating its LRAMVA amount;
vii) Applicable LRAMVA rate riders for all affected rate classes;
viii) A statement, and if applicable a table, that indicates if carrying charges are being requested on the LRAMVA amount; and,
ix) Documentation of the distributor's final evaluation results for its 2011 OPA Programs.

47. Ref: Exhibit 2, Tab 3, Schedule 7, Page 7
Ref: Exhibit 9, Tab 1, Schedule 2, Page 6

In its application, Welland Hydro provides an analysis of the PST savings from July 2010 to April 2013 in Exhibit 2, Tab 3, Schedule 7, showing a cumulative PST saving amount of $93,132.

Per Exhibit 9 Tab 1 Schedule 2, Welland Hydro indicates that it has made the adjusting entry in 2012 in order to adjust the balance in Account 1592 to match with the balance from the analysis. The adjustment includes an amount of $46,466 to recognize a 50% sharing savings with the customer. As a result, Welland Hydro is requesting disposition of the principal and interest through April 30, 2013 totaling $48,825 credit.

APH FAQs dated December 2010 Q.5 states that a distributor should not record only the 50 percent portion of the HST savings attributable to ratepayers in the sub-account. The Board would first want to review the quantum of savings associated with the ITCs recorded in the sub-account to confirm, among other things, the reasonableness of the amount and consider any adjustments, as appropriate.

a) Please confirm if Welland Hydro has followed the requirements as stated in APH FAQs referenced above. Otherwise, please update the evidence accordingly.

48. Ref: Exhibit 4, Tab 1, Schedule 2
Ref: Exhibit 9, Tab 1, Schedule 3, Page 1

In Exhibit 9, Welland Hydro states that it is requesting approval of a new deferral & variance account to deal with the impact of retiree Future Benefits when converting from CGAAP to IFRS.

In Exhibit 4, Welland Hydro indicates that the new deferral & variance account is to hold two amounts: one is the charge to retained earnings of $132,076 on the transition to IFRS and one is the reduction of the liability of $13,987 in 2013 under MIFRS.

a) Please clarify the nature of the request for a deferral account or a variance account and provide the rational of why a deferral or variance account is needed given the fact that the actual premium paid of $120,243 is already included in the OM&A and revenue requirement of 2013.
b) What USoA account number is Welland Hydro proposing to use if the Board approves a variance or deferral account?
c) What are the journal entries to be recorded in this account?
d) When does Welland Hydro plan to ask for its disposition?
e) How does Welland Hydro plan to allocate this amount by rate class?
f) What new or additional information is available that would improve the Board's ability to make a decision to approve the recording of these costs or fees in this account?