London Hydro Inc.
EB-2012-0146/EB-2012-0380
Board Staff Interrogatories
December 10, 2012

Administrative (Exhibit 1)

#1.

Letters of Comment

Has London Hydro received any letters of comment following its publication of the Notice of Application and Hearing on November 14, 2012? If so, please provide a copy of the letter(s) and London Hydro's response, removing any information that would identify the author(s).

#2.

Consolidation of Corrections and/or Modifications to the Revenue Requirement

Upon completion of all Board staff interrogatories, please identify any responses that contain any corrections or adjustments that London Hydro wishes to make to the revenue requirement.

a) Please provide a log of each correction or adjustment
b) Please make any corrections or adjustments to the Revenue Requirement Work Form, in the middle column, leaving the first column unchanged from the application as filed.
c) Please indicate the percentage change in the base revenue requirement resulting from the corrections and adjustments, and if the change is substantial provide an updated Appendix 2-W with impacts based on recalculated rates.

Rate Base (Exhibit 2)

Issue 2.1 Is the proposed methodology for establishing Rate Base for the 2013 Test Year appropriate?

No Board staff interrogatories.

Issue 2.2 Is the proposed Working Capital Allowance for the 2013 Test Year appropriate?

No Board staff interrogatories.

Issue 2.3 Are the proposed Capital Expenditures for the 2013 Test Year appropriate?

System Performance and Reliability

#3.

References: (i) Executive Summary / 2nd page
(ii) Exh 2 / pp. 29-34

Reference (i) states the following:

> "London Hydro's mission includes the pursuit of excellence in reliability. To this end, London Hydro has worked diligently over the last decade to raise its performance ratings from second lowest in the Province to equal with its peers."

Reference (ii) provides graphs which show historical system performance in terms of SAIFI, SAIDI and CAIDI.

a) What measures were undertaken by London Hydro in 2011- 2012 and planned for 2013 to maintain the existing system reliability performance or its trend towards further improvement?

b) Please describe the expected impact on reliability of the measures taken in 2011-2012.

Infrastructure

#4.

Reference: Exh 2 / p. 55

Based on the Table in the reference, the annual capital spending on subdivision rebuilds averaged about $2.7 million per year for the period 2007-2010 and this amount increases to about $6 million per year for the period 2011-2013. The highest cost item shown is silicone injection of underground cable.

a) Please explain why capital spending on subdivision rebuilds continues to be significantly higher (more than double) in 2012 and 2013 than the historical 2007-2010 values.

b) Please provide examples of other Canadian utilities that utilize silicone injection for refurbishment of underground cable and comment on its effectiveness and success in prolonging the life of underground cable.

#5.

Reference: Exh 2 / p. 63

Based on the Table in the reference, the annual capital spending on city works averaged about $513,000 per year for the period 2007-2011 and this amount increases to about $1 million per year for the period 2012-2013.

a) Please explain why capital spending on city works is estimated to be significantly higher in 2012 and 2013 (almost double) than the historical in 2007 to 2011 values.

b) Are these higher levels of spending expected to continue beyond 2013? Please explain.

#6.
Reference: Exh 2 / p. 72

Based on the Table in the reference, the estimated annual capital spending on overhead line works in 2013 is about $5.4 million which is 49% higher than 2012 and significantly higher than previous years.

a) Please explain why capital spending on overhead line works in 2013 is significantly higher than 2012 and previous years.

b) What is London Hydro's outlook for overhead line works capital spending in 2014? Please explain.

#7.
Reference: Exh 2 / p. 99

Based on the table in the reference, the annual capital spending on information systems averaged about $3.7 million per year for the period 2007-2011 and this amount increases to about $5.9 million per year for the period 2011-2013, an increase of almost 60%.

The largest component of expected capital spending in information systems in 2013 is Application Development with an expected expenditure of about $4.8 million in 2013.

a) Please explain the significant increase (about 59% higher) in capital spending on information systems in 2012 and 2013 compared to prior years.

b) Please provide a breakdown of the 2009 - 2013 capital spending on information systems according to labour, material and overheads.

c) Are the higher Application Development costs of 2012 and 2013 expected to continue in 2014 and beyond? Please explain.

Issue 2.4 Is the proposed Green Energy Act Basic Plan appropriate?

Distributed Generation

#8.

Reference: Appendix 2G – Green Energy Act Plan / p. 4

Table 1 in the above-noted Reference indicates that there are a total of 104 outstanding Micro-generation projects (<10kW) with a total capacity of 891 kW. Board staff wishes to get additional information on the status and expected connection dates for these generators.

a) For the outstanding Micro-generation projects please indicate:

(i) number and total kW of those already connected;

(ii) number and total kW of those that have received an offer to connect;

(iii) number and total kW of those that have not yet been approved.

b) For the projects in categories (ii) and (iii) above, please indicate:

(i) number and total kW of projects expected to be connected in 2012;

(ii) number and total kW of projects expected to be connected in 2013;

(iii) number and total kW of projects expected to be connected beyond 2013.

#9.

Reference: Appendix 2G – Green Energy Act Plan / p. 4

Table 2 of the above-noted reference provides information regarding small, mid-sized and large distributed generation projects. Board staff wishes to get additional information on the status and expected connection dates for these generators.

a) Please provide a list of projects listed in Table 2 that are not already in service.

b) For each of these projects please provide the total kW and expected connection date.

Challenges Associated Incorporating Distributed Generation in Urban Utility

#10.

Reference: Appendix 2G – Green Energy Act Plan / pp. 6-7

Under Section 3.1 - Operating Flexibility, it is stated that "Currently, the main restriction to re-configuring the system when it involves generation is the inability to move generation onto a different TS due to short circuit capability at Hydro One owned transformer stations. Protection modification and studies would also be required to move the generator. Correcting this situation has the potential to cost millions of dollars."

Please describe what action London Hydro has taken and/or plans to take and expected timeframe and costs to address the above-noted restriction.

#11.

Reference: Appendix 2G – Green Energy Act Plan / p. 7

Under Section 3.2 - Protection Equipment, it is stated that "As the amount of connected generation on a feeder increases beyond 50% of the feeder minimum load, additional protection equipment is required."

Please describe what action London Hydro has taken and/or plans to take and expected timeframe and costs to address the above-noted issue of additional protection equipment needed due to increasing connected generation.

#12.

Reference: Appendix 2G – Green Energy Act Plan / p. 7

Section 3.3 describes some overcurrent protection considerations including the need to differentiate between reverse current flow and normal current flow in systems with distributed generation and the desensitizing of transformer station relays due to multiple current sources.

Please describe what action London Hydro has taken and/or plans to take and expected timeframe and costs to address the above-noted issues associated with overcurrent protection.

#13.

Reference: Appendix 2G – Green Energy Act Plan / pp. 7-8

Sections 3.3 and 3.4 deal with Fault Location techniques and Worker Protection. It is indicated that fault location would become more difficult with multiple sources feeding into a fault. Also worker protection becomes more challenging since it is necessary to ensure that all potential sources are isolated before crews can work on a particular section of line.

Please describe what action London Hydro has taken and/or plans to take and expected timeframe and costs to address the above-noted issues associated distributed generation.

Requirements of a Basic Plan

#14.

Reference: Appendix 2G – Green Energy Act Plan / pp. 9-10

Section 4.3.2 states that there are four transformer station buses that cannot accept any generation due to short circuit capacity. It is also stated that there are two feeders that have restrictions due to the amount of existing generation on a single feeder.

Please describe what action London Hydro has taken and/or plans to take, and the expected timeframe and costs, to address restrictions due to:

(i) station short circuit capacity, and

(ii) existing generation on feeders.

#15.

Reference: Appendix 2G – Green Energy Act Plan / p. 10

Section 4.3.4 describes London Hydro's downtown network of 94 network transformers fed by 5 separate primary feeders with special protection requirements to ensure safety and reliability that can restrict the amount of generation in order to avoid reverse current flow in a transformer(s).

Please describe what action London Hydro has taken and/or plans to take and expected timeframe and costs to address generation restrictions and special protection requirements described above.

Planned Development of the System

#16.

Reference: Appendix 2G – Green Energy Act Plan / pp. 10-11

Section 5.2 states that "London Hydro does not foresee any required expenditures over the next five years to accommodate renewable generation unless a project comes forward that requires an expansion or voltage upgrade."

a) Please explain/clarify the above statement in light of the issues, restrictions etc. described in the section entitled "Challenges Associated Incorporating Distributed Generation in Urban Utility" and the preambles to Interrogatories #10-15 above.

b) Can the issues/restrictions identified be resolved without expenditure for the estimated number of generators and total MW (45 new projects with a total of over 8MW) over the next five years? Please explain.

Operating Revenue (Exhibit 3)

Issue 3.1 Are the proposed customers/connections, and proposed methodology for energy forecast and billing demand forecasts for the 2013 Test Year appropriate?

Distribution Revenues by Customer Class

#17.

Reference: Exh 3, p. 8 / Table 3-3

In Table 3-3, London Hydro provides a summary of the number of customers / connections, consumption (kWh) or demand (kW), distribution revenues, and unit revenues ($/kWh or $/kW), by class, for 2009 Board-approved, 2009 to 2011 actuals and the forecasted amounts for the 2012 bridge and 2013 test years.

a) Please confirm that the customer and connection counts represent annual averages. In the alternative, please explain.
b) Please confirm that consumption and demand figures represent annual totals. In the alternative, please explain.

#18.

Reference: Exh 3 / p. 8 / Table 3-3

There appear to be some anomalies in the data in Table 3-3 with respect to consumption/demand and revenues, particularly for demand-billed customer classes. As an example, the Large Use class has 3 customers for both 2009 Board-approved and for 2009 actuals. The 2009 actual demand is 392,524 kW, higher than the 2009 Board-approved demand of 383,763 kW. However, the 2009 actual distribution revenues is shown as $927,644, significantly lower than the $1,370,000 2009 Board-approved and also lower than the actual and forecasted revenues for 2010 actual to 2013 test years. Other classes (GS 50-4999 kW, Streetlighting, Sentinel Lighting, and Unmetered Scattered Loads) show similar anomalous patterns in the 2009 actual distribution revenues.

Please confirm the data shown in Table 3-3 and provide an explanation for the observed dip in 2009 actual revenues for these classes.

Load Forecast

#19.

Reference: Exh 3 / pp. 16-17

On page 17 of the Exhibit, London 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 1996 to 2011 are shown in the chart .... 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 expand the graph on page 17 to include the forecasted values for 2012 and 2013 bridge years, with and without the manual adjustments for the impacts of 2012 and 2013 CDM programs.
b) Please a graph similar that that shown on page 17 of the exhibit but showing the monthly actual and predicted values.
c) Please provide the mean average absolute error of the regression equation based on the monthly forecasted values.

Load Forecasting and CDM

#20.

Reference: Exh 3 / pp. 13-16

London Hydro states that its regression model uses monthly kWh and monthly values of independent variables from January 1996 to December 2011 to determine a prediction formula with coefficients for each independent variable.

London Hydro further states that for the CDM activity variable, the years 2006 to 2013 have used a combination of two inputs. London Hydro has used the net energy savings from the Ontario Power Authority ("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 London Hydro's 2011-2014 cumulative energy (kWh) target of 156,640,000 kWh.

London Hydro notes that, for 2013, the monthly values for the CDM activity variable will total 78,975,064 kWh which includes 56,958,662 kWh from the OPA final results plus 22,016,402 kWh reflecting the persistence of 2011 programs into 2013.

a) The OPA has released its final results for 2011 CDM programs in the meantime since London Hydro submitted its application. Please update the CDM variable to account for London Hydro's 2011 final verified CDM results as found within its 2011 CDM Annual Report.
b) 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.
c) Using the information developed in b), 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 bridge and 2013 test years reflecting the persistence and impact of 2011 to 2013 CDM programs, as appropriate.

#21.

References:

i. Exh 3/pp. 13-16;
ii. Load Forecasting Excel Model

London 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 (2.17) with a t-statistic of (8.4) (*p*=1.2E-22).
On page 15 of this exhibit, London 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 3A will equal the Net Energy Savings from the OPA 2006-2010 Final CDM Results for London 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 draft verified results from 2011 programs that contribute to the four year licensed CDM kWh target of 156,640,000 assigned to London Hydro. The 2011 draft verified results are based on the Draft 2011 Results Report provided to London Hydro by the OPA on July 25, 2012. The 2011 draft verified results have been included in the CDM activity variable since these results have impacted the actual 2011 power purchases. The following Table 3-7 – 2011 Draft Verified Results and Persistent Impact plus OPA 2010 Final Results and Persistent Impact outlines the adjustments made to the Net Energy Savings from the OPA 2006-2010 Final CDM Results to include the impact of the draft verified 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 78,975,064 kWh which includes 56,958,662 kWh from the OPA final results plus 22,016,402 kWh reflecting the persistence of 2011 programs into 2013."

Sheet 'CDM Activity' of the Load Forecasting model provides the derivation of the CDM variable. London Hydro's data are shown, but the formulae used to derive the monthly values are not.

Board staff has analyzed the description of the CDM variable documented on page 15 of Exhibit 3 and the data found on sheet 'CDM Activity' of the spreadsheet: London_Hydro_Load Forecast_Data_2013_COS_xls_20120928_updated20121004.xls.

The following is Board staff's understanding of the construction of the CDM variable:

1. The variable used is the measured Net OPA savings. This is an annualized number of the measured CDM savings for OPA or other approved programs in the year, representing the persistence of prior year programs and new programs in the year. The net results are 'net' of free drivers, free riders, spillover, and other conservation impacts of customers that undertake conservation for reasons other than the OPA or other approved programs. The reported results are also annualized,

meaning that the reported measure assumes that the effects of all programs, including the CDM programs in that year, are in place for the full year. In other words, current year programs are assumed to be in effect as of 12:00:01 a.m. on January 1 of the year.

2. As the OPA results are annual numbers, the data must be interpolated to get the monthly results. This is done by the following process to get interpolated monthly results in each year. For the first year:
    - 2.1. Each month is assigned a value from 1 for January, 2 for February, and so on up to 12 for December.
    - 2.2. The sum of the 'monthly' values is 78 (i.e., $\sum_{i=1}^{12} i = 78$).
    - 2.3. For the first year, then the monthly increment is 10,202,891/78 = 130,806.
    - 2.4. The value for each month in the year is then the previous month's value plus the increment. Thus, January 2006 = 130,806, February = 130,806 + 130,806=261,613, March = 261,613 + 130,806 = 392,419, etc. As a result, the December 2006 value is 1,569,676.
    - 2.5. Next, an 'annualized' total is calculated by multiplying the December value X 12 months, for an 'annualized' CDM savings of 18,836,107.

3. For the next year, the incremental CDM savings is calculated by subtracting the measured OPA 'net' savings from the annualized number from step 2.5 above. Thus for 2007, the increment is 21,924,457 – 18,836,107 = 3,088,350.
    - 3.1. As for step 2.3, the monthly increment is 3,088,350/78 = 39,594.
    - 3.2. January 2007 = December 2006 + 2007 monthly increment = 1,569,676 + 39,594 = 1,609,270.
    - 3.3. The value for each subsequent month is calculated as per step 2.4 above.
    - 3.4. The annualized total is calculated by multiplying the December value X 12 months, per step 2.5 above.

4. Step 3. is repeated for each subsequent year from 2008 up to and including 2013. The 2012 and 2013 results reflect the persistence of 2006 to 2011 CDM programs in 2012 and 2013, but not the effects of any 2012 or 2013 CDM programs.

Questions and requests:

a) Please confirm or correct the above explanation of the constructed CDM variable.

b) Based on the OPA's documentation, the reported results are already annualized – i.e. assuming that all programs, including new ones, are in place for the full calendar year.

i. Please state whether this is London Hydro's understanding of OPA reported results. In the alternative, please explain.
ii. If London Hydro agrees that the OPA reports are annualized, what is London Hydro's rationale for calculating another and different "annualized" amount by multiplying the December value by twelve months.

c) Whereas net OPA results may be appropriate for establishing the threshold for the LRAMVA, gross OPA results (i.e. adjusted for losses and free drivers) would be a more suitable value for reflecting the impact of CDM on purchased power.
i. Does London Hydro agree with this statement.? If not, please explain why it believes that net results are more appropriate to explain purchased power.
ii. If London Hydro agrees with the statement, why is the CDM variable that is used in its regression analysis based on net CDM savings?
iii. 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 cyclical or seasonal patterns (e.g., Peaksaver, energy efficient furnace and air conditioners, improved insulation). Thus, the pattern of the constructed 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 London Hydro's views as to whether it believes the CDM variable is a reasonable proxy for the influence of CDM activity on demand.

d) In the estimated regression model for system purchased consumption, the estimated coefficient of the CDM variable is (2.17) and is statistically significant. What this means is that, for every 1,000 kWh of measured net CDM, the base forecast, before any CDM adjustment for 2012 and 2013 programs, is reduced by 2,170 kWh. In other words, even using the constructed variable of net CDM savings, CDM savings from free drivers, free riders, spillover, etc., would be 1,170 kWh for every 1,000 kWh of OPA program CDM savings. This implies a degree of free driver/free ridership different from the average 64% estimated by the ratio of 'gross' to 'net' CDM savings from OPA reported data, as shown on the page 'CDM Activity' of the Load Forecasting Excel spreadsheet.
i. Please provide London Hydro's views on the reasonableness of the estimated CDM coefficient when contrasted against the free ridership ratio from the OPA's published results.

ii. If the CDM coefficient is higher than expected, would not this inflate the impact of CDM on the base forecast arising from the model (i.e. before any adjustments for 2012 and 2013 CDM programs) and hence result in a lower base forecast?

#22.

References:

i. Exh 3/ / pp. 13-16;
ii. Enhanced version of Load Forecast Excel Model 'London_Hydro_Load Forecast_Data_updated20121004_staff20121210')

Board staff understands that the results as reported by the OPA are "annualized" (i.e. assume that all CDM programs, including the current year's program, are in effect for the full year, from January 1 to December 31). While the full year effect for persistence of prior year CDM programs would be in place for the full year, CDM programs implemented in a given year would normally not have the full impact in the first year, due to timing.

In the absence of any other information, a "half-year" rule (i.e. assuming that only one-half of the incremental impact of a program is realized in the calendar year of introduction) may be used as a proxy for the actual impact, ignoring all other factors (i.e. seasonality).

To implement this, Board staff has constructed variables based on the following methodology, with the graph shown on the following page to assist:

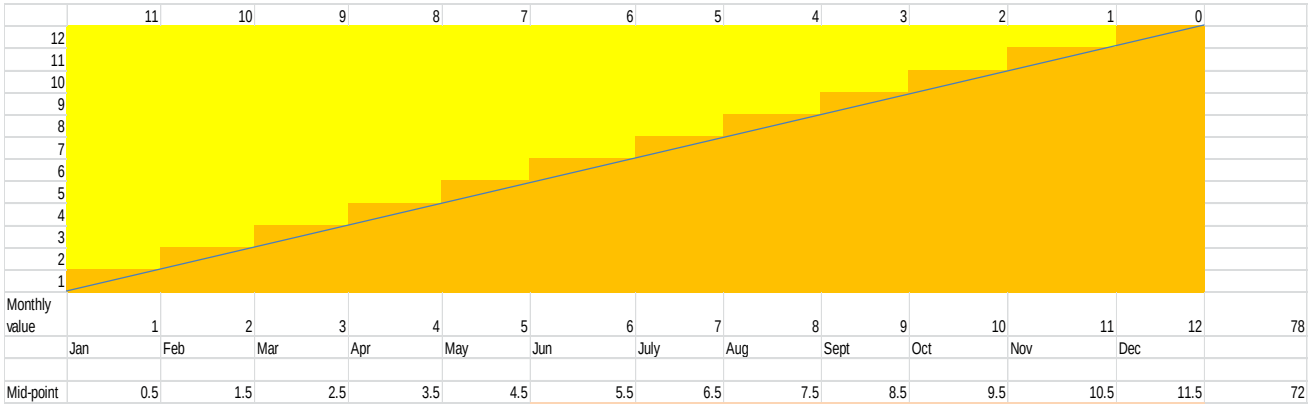
1. As the OPA results are annual numbers, the data must be interpolated to get the monthly results. This is done by the following process to get interpolated monthly results in each year. For the first year:
   1.1. While each month is numbered from January = 1, February = 2, etc., to December = 12, it is the mid-point value of the month that will allow the area under the line to equate to the annual savings under the mid-year rule, while using the monthly value overstates the area under the line. Thus, January = 0.5, February = 1.5, March = 2.5, etc., to December = 11.5.
   1.2. The sum of the 'monthly' values is 72 (i.e., $\sum_{i=1}^{12}(i - 0.5) = 72$).
   1.3. For the first year (2006), the CDM savings are half of the reported CDM savings of 10,202,891, or 5,101,446 kWh.
   1.4. For the first year, then the monthly increment is 5,101,446/72 = 70,853.
   1.5. For January 2006, the value is 0.5 X 70,853 = 35,427 kWh.
   1.6. The value for each month in the year is then the previous month's value plus the increment. Thus, February = 35,427 + 70,853 = 106,280, March = 106,280 + 70,853 = 177,134, etc. The December 2006 value is 814,814.

1.7. Next, the December 31 endpoint would be the December value + 0.5 X 70,853 = 814,814 + 35,427 = 850,241.

2. For the next year, the incremental CDM savings is calculated by subtracting the measured OPA 'net' savings from the prior year's net saving. Thus for 2007, the increment is 21,924,457 – 10,202,891= 11,721,566.
   2.1. Based on the half-year rule, the actual increment for 2007 programs is 11,721,566/2 = 5,680,783.
   2.2. Thus the monthly increment for 2007 is 5,680,783/72 = 81,400.
   2.3. January 2007 = December 31, 2006 + 0.5 X 2007 monthly increment = 850,241+ 0.5 X 81,400 = 890,941.
   2.4. The value for each subsequent month is calculated as per step 1.6 above.
   2.5. The December 31, 2007 end value would be the December 2007 value + 0.5 X 2007 increment = 1,786,338 + 0.5 X 81,400 = 1,827,038.
3. Step 2) is repeated for each subsequent year from 2008 up to and including 2013. The 2012 and 2013 results reflect the persistence of 2006 to 2011 CDM programs in 2012 and 2013, but not the effects of any 2012 or 2013 CDM programs.

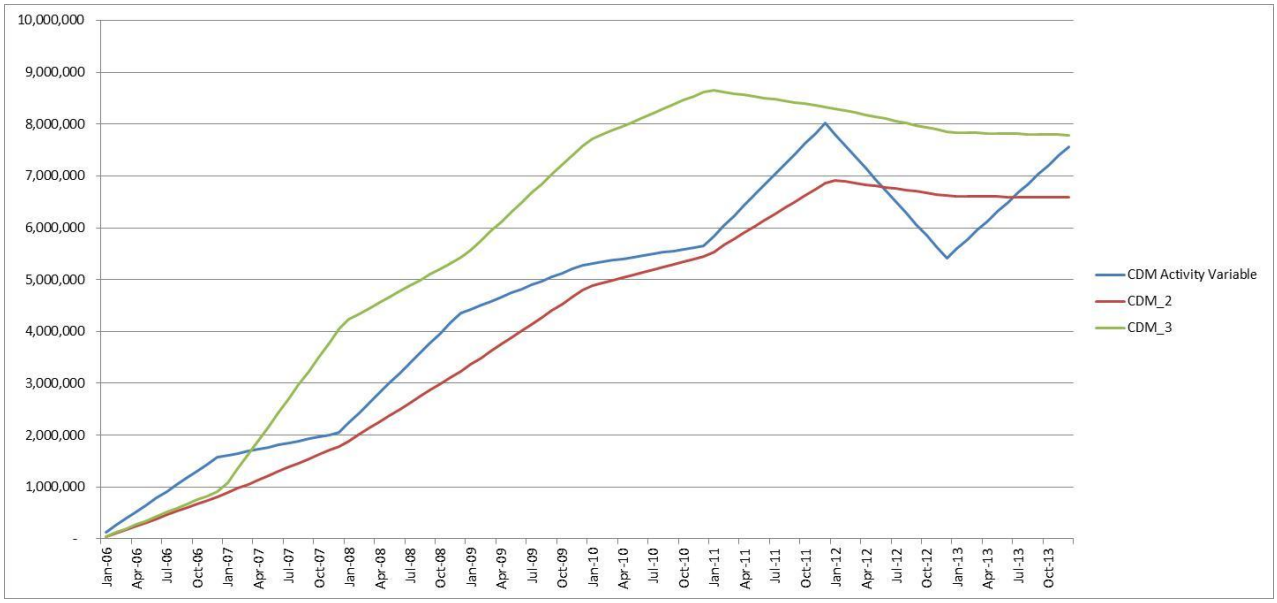
This variable is shown as 'CDM_2' on the sheet 'CDM Activity_kcr', which has been added to London Hydro's updated Excel spreadsheet. (The spreadsheet has been filed separately in the record of this proceeding as 'London_Hydro_Load Forecast_Data_updated20121004_staff20121210'.

The following graph shows the rationale for using the monthly midpoint values for the linear interpolation.



An alternative approach is to use the above methodology but applied to the 'gross' CDM savings as measured by the OPA. This is shown as variable 'CDM_3' on the sheet 'CDM Activity_kcr' of the enhanced Excel spreadsheet.

The following chart plots the interpolated data for the CDM variable as estimated by London Hydro (blue line) and the variables 'CDM_2' (red line) and 'CDM_3' (green line) constructed by Board staff.



Questions / requests:

a) Please provide London Hydro's views on the reasonableness of the alternative CDM variables for 'net' and 'gross' CDM savings.
b) Please provide a regression analysis using CDM_2 in place of the original CDM activity variable. Please provide the regression results as calculated in tabular format by Microsoft Excel. Also provide the annual actual and fitted values based on this, including the predicted values for 2012 and 2013.
c) Please provide a regression analysis, as in b) above, using CDM_3 in place of the original CDM activity variable.
d) Please comment on the reasonableness of the regression equations, including on the reasonableness of the estimated CDM coefficient for each equation estimated in b) and c).

#23.

References:

i. Exh 3 / pp. 13-16;
ii. Load Forecasting Excel Model

On the assumption that the CDM variable is an accurate estimate of the kWh saved by past and current year CDM activities on a `gross`basis, the coefficient should be constrained to -1.0 in value. With the purchased consumption being modelled, the coefficient should be -1 X (1 + loss factor).

This can be effected by running a regression where the dependent variable is an altered consumption omitting all past CDM, by adding the CDM variable grossed up by (1 + loss factor), and then regressing this altered dependent variable on all included explanatory variables except for CDM. This would then give a base forecast assuming no CDM activity. For the 2013 load forecast, the predicted 2013 forecast from this model would then be manually adjusted for 2012 and 2013 CDM and the estimated persistence of all prior year activities.

Questions / requests

a) Please run a regression and provide all regression statistics, in which the regression equation is specified as follows:
   i. Consumption is estimated as measured consumption + CDM_3 X (1 + loss factor); and
   ii. All regressor variables are included, except that CDM activity is excluded
b) Please provide the following information using the results of part a):
   i. Predicted `base`values, including the forecasted values for 2012 and 2013;
   ii. Adjusted `base`values, calculated as the sum of the predicted `base`values less CDM_3;
   iii. For 2012 and 2013; estimated values that are the sum of adjusted `base`values (from b) above) less the manual adjustments for the `gross` impact of 2012 and 2013 CDM programs on 2012 and 2013 forecasts;
c) Please comment on the reasonableness of the regression results in parts a) and b), including the reasonableness of the coefficient values and the forecasted 2013 load forecast.

Issue 3.2 Are the proposed forecasts of other revenue and charges appropriate?

No Board staff interrogatories.

Operating Costs (Exhibit 4)

Issue 4.1 Is the proposed overall forecast for total OM&A costs for the 2013 Test Year appropriate?

#24. Emergency Financial Assistance

Reference: Exh 4 / p. 32

Please confirm that London Hydro does not include in its revenue requirement the cost of any emergency financial assistance other than LEAP (eg. legacy

programs such as Winter Warmth). If not confirmed, please describe the nature and cost of the financial assistance.

#25. Advertising Expense

References: Exh 4, pp. 59 and 86

a) Please explain the nature and purpose of London Hydro's total advertising expense of $586,260, included in Table 4-42 on p. 86

b) Please explain the purpose of London Hydro's forecast purchase of Advertising at a cost of $217,400, shown in Table 4-27 on p. 59.

Cost Drivers

#26.

References:
i. Exh 4, p. 4
ii. London Hydro's Strategic Plan, Exh 1, Appendix 1A

London Hydro has indicated that forecasts are impacted by significant business environment changes impacting London Hydro as well as all distribution companies in the province.

Please quantify the reduction or net effect on OM&A forecasts had there been no significant business environment changes mentioned in London Hydro's Strategic Plan.

#27.

Reference: Exh 4, p. 6

London Hydro indicated that its intention is to lessen the dependency on external contractors in numerous areas such as construction and information technology. London Hydro noted that some of the numerous benefits related to this shift are reductions in cost, improving in-house skill knowledge, consistency, and improved issue response.

a) Please provide a cost and benefit analysis between the external contractors London Hydro used to use and the London Hydro's move to using internal resources.

b) Please provide a comparative analysis on the expenses incurred between London Hydro's external contractors and London Hydro's forecasted expenses for internal resources.

#28. Maintenance Expense

Reference: Exh 4, p. 17 / Table 4-9,

The maintenance expense variance from 2010 to 2011 actual is $393,590 or 5.8%. The variance for the same expense from 2011 actual to 2012 bridge is $751,272 or 11.1%.

Please quantify and provide reasons for the large increase in variance from 2010 to 2011 actual compared to 2011 actual to 2012 bridge.

Employee Expenses

#29.

Reference: Exh 4, pg. 40

London Hydro provided statistics on employee demographics as evidence of the on-going issue of an aging workforce. London Hydro noted that it is addressing this issue through supervisory, technical and specialized industry training as well as mentoring, and the hiring of new apprentice positions.

Does London Hydro align itself with local secondary and post-secondary educational institutions in order to increase the size of younger aged recruitment talent pool? If not, does London Hydro have any plans to do so? Please provide details.

#30.

Reference: Exh 4, pg. 46

London Hydro has indicated that it has eliminated the VP, Customer Services and Strategic Planning.

If applicable, which position(s) has taken the responsibilities of the eliminated VP position? Is there a corresponding increase in salary or wages for this position or positions to compensate for additional responsibilities?

#31.

Reference: Exh 4, pp. 45 and 49

London Hydro has indicated that under Engineering and Operations that three new Geographic Information Systems (GIS) positions will be required. Under Executive Services an addition of a GIS specialist will be required.

a) Please provide an explanation as to how these roles differ.

b) Can any responsibilities and duties of these four positions be shared?

#32.

Reference: Exh 4, p. 69

It appears there is a large increase in Corporate Training and Employee Expenses from 2010 to 2011, $734,884 to $1,030,685 respectively. However in 2009 and 2010 London

Corporate Training and Employee Expenses were below the $807,900 approved by the Board in 2009.

a) Please explain the reasons for the reduction in Corporate Training and Employee Expenses for 2009 and 2010.

b) Please also explain what the major cost drivers to the large increase in Corporate Training and Employee Expenses from 2010 to 2011.

c) Does London Hydro expect to experience the same major cost drivers that London Hydro has indicated in interrogatory #32(b) for 2012 and 2013? If not, what adjustments could be made to the 2012 and 2013 Corporate Training and Employee Expenses?

#33 Meter Reading Expenses

References: Exh 4, p. 59; Excel Appendix 2-G

London Hydro's forecast of Meter Reading Expense (Account 5310) is $1,248,848, which is approximately $220,000 less than the actual cost in 2010. The forecast of a purchase of Contract Meter Reading Service in Exhibit 4, p. 59, is $700,000, which is approximately the same saving compared to the 2010 amount.

a) Does the reduction of meter reading cost from 2010 to 2013 reflect the full savings that would be expected from full implementation of Smart Meters during that time, or does the 2013 forecast assume only partial savings from Smart Meters?

b) Please provide a breakdown of the number of Meter Reader positions before London Hydro's smart meter deployment and the current number of Meter Reader positions today.

#34. Environmental Expense

Reference: Exh 4, p.75

London Hydro indicated that it is addressing an issue with lead contamination in its facilities and vehicles which requires cleanup and secure, safe place to store and work on lead. London Hydro indicated that at the time of writing the application, this work was nearing completion and that costs are expected to approach $120,000 or twice the amount of the original forecast.

a) Please provide a status update with regards to the progress of this work.

b) Please explain why the actual costs are expected to be double the amount of the original forecast.

c) Is the cost of the remediation program included in the test year revenue requirement, as the remainder of the program's cost or as a recurring expense?

#35. Cost Recovery

References: Exh 4, pp. 77 and 102

In Exhibit 4 the forecast cost recovery from London Hydro's services provided to the City of London for water billing is described at p. 77, with a forecast amount of $3,950,000. At p. 102, forecast price is shown at $3,750,000, against an incremental cost of $1,030,000.

a) Please explain which of the cost recovery amounts in Exhibit 4 is correct, i.e. p. 77 or p. 102. Alternatively, please explain the distinction between London Hydro's activities that result in these two different amounts.
b) Please confirm that London Hydro's base revenue requirement in this application is lower than it would be if London Hydro did not provide water billing services, and that this amount (based on the information at Exhibit 4, p. 102) is forecast to be $3,750,000 less $1,030,000.

#36. Copper Theft

Reference: Exh 4, p. 80

London Hydro has indicated a variance of $301,000 between 2010 and 2011 actual 5125 Maintenance of Overhead Conductors and Devices. London Hydro indicated that a very large number of copper ground wires were missing on poles due to theft.

Has this trend continued? If so, does London Hydro have a plan to prevent the theft of its copper ground wires? Please explain.

Issue 4.2 Is the proposed forecast of the Depreciation/Amortization expense for the 2013Test Year appropriate?

#37.

Reference: Exh 4, p. 114

London Hydro has chosen a useful life of 75 years for *1805 – Substation Building.* The Kinectrics report provided a Typical Useful Live (TUL) of 50 years for London Hydro.

a) Does London Hydro find it reasonable to increase the TUL of the substation building by 50% of what the Kinectric report provided?
b) Please provide the updated depreciation expense and accumulated amortization if London Hydro used the 50 years by Kenectrics.

#38.

Reference: Exh 4, p. 125

London Hydro has indicated a Grand Total Depreciation Expense of $16,859,795 under CGAAP for 2011.

Please reconcile this amount with the depreciation amount found in London Hydro's 2011 annual report. If there is a variance, please provide reasons for the variance.

LRAM for pre-2011 CDM Activities

#39.

References:

i. Exh 4, p. 136
ii. Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003), Section 13, LRAM

London Hydro notes that the Board approved in its 2012 IRM rate application, the recovery of an LRAM claim for 2010 CDM activity in 2010. London also notes that it intends to file for recovery of persistent 2010 lost revenues in 2011 and 2012 in its 2014 IRM rate application. London Hydro indicated that it opted to wait until its 2014 rate application to file for recovery of these amounts because of the delay in receiving the final OPA evaluation CDM report for 2011. London further cites rate mitigation as a factor in its request to defer the recovery of persisting lost revenues from pre-2011 CDM programs.

Board staff notes that section 13.6 of the 2012 CDM Guidelines state that it is the Board's expectation that LRAM for pre-2011 CDM activities should have been completed with the 2012 rate applications, outside of persisting historical CDM impacts realized after 2010 for those distributors whose load forecast has not been updated as part of a cost of service application.

The Board also noted that SSM for pre-2011 CDM activities should be completed with the 2012 rate applications and that SSM is not applicable for savings persisting from prior years.

As London Hydro has not included a request for recovery of persisting LRAM amounts from 2010 programs in 2011 and 2012, Board staff seeks the following information.

a) Please discuss if London has received its final 2011 OPA results. If London has received its final 2011 OPA results, please provide them.
b) Please confirm that London will be relying on final 2006-2010 OPA CDM program results when calculating the lost revenues from persisting 2010 CDM program savings in 2011 and 2012. If this is not London's understanding, please discuss.
c) Please discuss the rationale for not recovering the remaining LRAM amounts from the persisting CDM savings of 2010 programs in 2011 and 2012 even though the Board has instructed distributors to do so.

d) Please provide full LRAM calculations for persisting 2010 CDM savings that are still outstanding. Please use the 2008 CDM Guidelines (EB-2008-0037) when preparing your LRAM claim for lost revenues associated with pre-2011 CDM programs.

Issue 4.3 Are the forecasted PILS and Income Taxes for the 2013 Test Year appropriate?

No Board staff interrogatories.

Cost of Capital and Capital Structure (Exhibit 5)

Issue 5.1 Is the proposed Cost of Capital for the 2013 Test Year appropriate?

No Board staff interrogatories.

Revenue Deficiency / Sufficiency (Exhibit 6)

Issue 6.1 Is the proposed amount for revenue requirement for the 2013 Test Year appropriate?

No Board staff interrogatories.

Cost Allocation (Exhibit 7)

Issue 7.1 Is the proposed Cost Allocation methodology for the 2013 Test Year appropriate?

Cost Allocation – Unmetered Scattered Load "USL"

#40.

Reference: Cost Allocation Model, worksheets I 6.2 'Customer Data' and I 8 'Demand Data'

a) Please clarify the number of USL customers and connections, and the frequency of customer billing. In particular, if London Hydro is forecasting that it will issue 2027 bills to customers in this class during the year, how does this reconcile with the information provided on the number of customers in this class.
b) Please confirm that the load profile of Bus Shelters is established by using the calculated hours of use, and that Traffic Signals are established by wattage times

24 hours per day (rather than vice versa as described in London Hydro's Conditions of Service at pp. 60-61).

c) Please describe the other significant loads that are included in the USL class and explain:
    i. how their load profiles have been established, and
    ii. whether any of these loads have a temperature-sensitive or seasonal component in their load profile.

Issue 7.2 Are the revenue-to-cost ratios in the cost allocation for 2013 Test Year appropriate?

No Board staff interrogatories.

Rate Design (Exhibit 8)

Issue 8.1 Is the derivation of fixed and variable charges appropriate?

No Board staff interrogatories.

Issue 8.2 Is the schedule of rates as proposed for 2013 Test Year appropriate?

No Board staff interrogatories.

Issue 8.3 Are proposals to continue with its approved Transformer Ownership Allowance appropriate?

No Board staff interrogatories.

Issue 8.4 Is the application of revenue to cost ratio adjustments appropriate?

No Board staff interrogatories.

Issue 8.5 Is the derivation of retail transmission service rates appropriate?

#41.

References: Exh 8, Appendix 8A; Exh 9, Appendix 9E

The forecasts of Wholesale Transmission Costs differ between the two sources referenced above. The costs that are used to calculate the proposed Retail Transmission Service Rates in Exhibit 8 are lower than those that are used to calculate the Cost of Power in Exhibit 9 (which is used for the Working Capital Allowance).

a) Please explain the difference between the costs in the two exhibits referenced above.

b) Please confirm that London Hydro will update both of these calculations upon Board approval of Uniform Transmission Rates for 2013, together with corresponding retail rates.

Issue 8.6 Are the proposed distribution system loss adjustments appropriate?

No Board staff interrogatories.

Deferral and Variance Accounts (Exhibit 9)

Issue 9.1 Is the proposed disposition of the balances of deferral and variances accounts appropriate?

<u>Audited Results</u>

#42

Reference: EB-2012-0380 “Application for Disposition RSVA Group 1 Accounts” (pre-filed evidence filed September 25, 2012), p. 10

a) Has London Hydro’s external auditor reviewed the adjustments made to Account 1588 in June 2012, namely the $3.8 million debit to Account 1588 sub-account GA and the $3.8 million credit to the control account of Account 1588?
b) If yes to part a), what were the results of the review? Please file with the Board any documentation that has been provided by the external auditors.
c) If yes to part a),, how is the external auditor planning to account for the error in the London Hydro 2012 audited financial statements? Please explain.
d) If no to part a), why was no review undertaken? Please explain.

<u>Continuity Schedules</u>

#43.

Reference: DVA Continuity Schedules; EB 2008-0235, p. 48

The Board "Finding" in the Board Decision EB 2008-0235 specified the DVAs to be disposed effective May 1, 2009.

Board staff noted that the amounts approved for disposition in EB 2008-0235, p. 48, do not match with the amounts in 2009 DVA Continuity Schedule under columns "Board-Approved Disposition During 2009" for principal and "Board-Approved Disposition During 2009" for interest.

a) Please confirm if London Hydro reflected the disposition of the approved DVA balances in the DVA Continuity Schedule provided in this application.

b) If the answer to part a is "no", please update the "Board Approved Disposition During 2009" columns for both the principal and interest and reflect the revised DVA balances from 2009 onwards, re-file DVA Continuity Schedule including Account 1595 as per EB 2008-0235 and update all other related evidence.

Balances for Disposition

#44.

References:

i. Exh 9, DVA Continuity Schedule Work Form
ii. Filing Requirements for Electricity Transmission & Distribution Applications, Chapter 2, S.2.12, p.51**.**

The 2013 Cost of Service filing requirements states:

> "Interest rates applied to calculate the carrying charges for each regulatory deferral and variance account. The applicant must provide the rates by month or by quarter for each year. "

Please provide the interest rates used for each DVA account by month or by quarter for each year as per 2013 COS filing requirements.

#45.

Refences: Exh 9, pp. 4 and 15, Table 9-3, 'DVAs Submitted for Recovery with this Application'; Appendix 2-U

Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs is being used by London Hydro to record incremental one-time costs associated with the transition to IFRS during the period March 2009 to December 2011.

In addition, London Hydro is requesting disposition of Account 1508, Other Regulatory Assets-Sub Account Deferred IFRS Transition Costs account balance of $362,490 in Table 9-3. London Hydro stated that this account will continue until such time as transition to IFRS is complete for January 1, 2013, Since IFRS is not fully implemented, additional costs will be incurred.

a) Please confirm that the $362,490 costs are incremental costs and not included in the 2013 OM&A expenses for the test year.

b) Please state the percentage of completion of the IFRS Transition Costs relating to the $362,490.

c) As London Hydro expects that the DVA 1508 sub account above will continue when the transition to IFRS is complete, please identify the projected additional IFRS related activities and incremental costs to completion using the format in Appendix 2-U.

Approval to Discontinue Variance Accounts 1518 and 1548

 # 46.

References: Exh 9, pp. 11 and 15, Table 9-3; Accounting Procedures Handbook ("APH"), Article 490, p.4

Article 490 of the APH states:

> Retail Service Charges
> "Retail services refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity as set out in the Retail Settlement Code ("RSC").
>
> The Board has reviewed practices in other industries and developed a set of estimates for distributors to charge for retail services with the understanding that the actual costs for providing these services may vary. Consequently, distributors are required to establish variance accounts to record the difference between the rates, charges or fees (collectively "approved rates") and the actual costs of providing these services.
>
> A distributor must establish at least two variance accounts for the purpose of recording variances between reasonable costs incurred for the provision of retail services and the rates for these services in their Board-approved rate order. These are:
>
> i. Retail Cost Variance Account for Retail Services (RCVA, Retail) , and
>
> ii. Retail Cost Variance Account for Service Transaction Requests (RCVA, STR).

London Hydro is requesting the disposition of the account balances of $85,391 credit for Account 1518 and $89,918 for Account 1548 in Table 9-3 or net of $4,527 recoverable from customers. In addition, due to the insignificant net variance in the above two Retail Cost Variance Accounts (1518 and 1548) London Hydro is requesting the discontinuance of the use of these variance accounts.

London Hydro used Account 1518 to record the net of revenues derived from establishing Service Agreements, distributor-consolidated billing, and the costs of entering into Service Agreements, and related contract administration, monitoring, and other expenses necessary to maintain the contract, as well as the **incremental** costs incurred to provide the services described above, and the avoided cost credit arising from retailer consolidated billing. (emphasis added)

On the other hand, Account 1548 is being used to record the net of revenues derived, including accruals, from the Service Transaction Request services and charged by the distributor, and the **incremental** cost of labour, internal information system maintenance costs, and delivery costs related to the provision of the services associated. (emphasis added)

a) Please explain why London Hydro wants to deviate from the APH guidelines under Article 490 for accounts 1518 and 1548 and requesting the discontinuance of the use of accounts 1518 and 1548?
b) Are the costs charged under these two accounts incremental costs? If they are incremental costs, please provide evidence to support this.

LRAMVA
#47.

References

i. Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003), Section 13: LRAM
ii. Chapter 2 of the Filing Requirements for Electricity Transmission and Distribution Applications, Last Revised on June 28, 2012, Section 2.7.10: CDM Costs
iii. Exh 1, p. 33 and Exh 4, p. 135

London notes that it has elected not to file an LRAMVA claim with this application, but rather defer its claim until its 2014 rate application.

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 COS applications.

Please provide the evidence supporting the disposition of your 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 London's last approved load forecast was adjusted to reflect forecasted CDM impacts in association with London'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 London's last approved load forecast and the final evaluation results for London'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.

#48.

References:
i. Exh 9, p. 15 (Table 9-3);
ii. Appendix 9-A, p. 44

Account 1595 has carrying charges of $286,860 (credit to customers), but appears to have no principal balance on December 31, 2011.

Please explain the $286,806 credit balance and provide a detailed calculation of the carrying charges, principal and the interest rates used for the balance of ($286,860).

Issue 9.2 Are the proposed new deferral and variance accounts appropriate?

#49.

References
i. Exh 1, p.15;
ii. Exh 9, p.2;
iii. Accounting Procedures Handbook (APH): Article 210, p. 23: 7000 account series;
iv. APH FAQ #3, July 2012; Addendum to Report of the Board: Implementing International Financial Reporting Standards (IFRS) in an Incentive Rate Mechanism Environment dated June 13, 2011 (EB 2008-0408), pp. 23-24

The Addendum to Report of the Board on Implementing IFRS states:

> "With respect to P&OPEB items, the Board is not persuaded that a generic account is necessary. It is not clear that the impact of the transition to IFRS on P&OPEBItems will

be consistent among Ontario utilities. Individual utilities that can demonstrate the likelihood of large variances can seek an individual variance account from the Board.

If it becomes apparent over time that utilities are generally experiencing material, unpredictable variances in these items, the Board will consider solutions in its development of rate-setting mechanisms.''

The July 2012 APH Q & A #3 states:

"Electricity distributors are required to annually open new sub-accounts of Account 1595, Disposition and Recovery/Refund of Regulatory Balances. New accounting procedures for Account 1595 are provided in the revised 2012 APH in Article 220. The account description of (control) Account 1595 specifies that for each year the deferral or variance account balances are approved for disposition by the Board, distributors are required to set-up under the control account three sub-accounts using the format of a vintage year classification of the year in which the balances are approved for disposition and recovery from or refund to customers.
The three sub-accounts are as follows:

1. Sub-account Principal Balances Approved in "20yy"
2. Sub-account Carrying Charges Approved in "20yy"
3. Sub-account Carrying Charges for Net Principal in "20yy"

London Hydro is requesting three new Deferred and Variance Accounts (DVA):

I. To record re-measurement recognized in Other Comprehensive Income (OCI) such as the MIFRS post-employment benefit adjustment.

II. To record the recovery and refunds pertaining to the disposition of the deferral and variance accounts at December 31, 2011 including carrying charges forecasted to April 30, 2013 under sub account 1595 for Global Adjustment (GA).

III. To record the recovery and refunds pertaining to the disposition of the deferral and variance accounts at December 31, 2011 including carrying charges forecasted to April 30, 2013 under sub account 1595 for all other DVAs other than GA.

Questions / Requests

a) For part "I", please clarify what London Hydro means by "re-measurement recognized in Other Comprehensive Income (OCI) such as the MIFRS post - employment benefit adjustment".

b) Please explain why London Hydro require a new DVA account for part "I".

c) The APH has established Uniform System of Accounts (USoA) for OCI, in particular the 7000 account series. Given this, why does London Hydro need a new separate DVA for the re-measurement in OCI for the MIFRS post-employment benefit adjustment?

d) With regards to the projected variance in the new DVA account requested in part "I", what is London Hydro's estimate in $ and how material is this amount?

e) For part "II" and "III", please confirm that London Hydro will be following the guidelines provided in the APH FAQ #3, July 2012 for the two sub accounts requested under account 1595 for GA and for all other DVAs other than GA.

Issue 9.3 Is the derivation of the proposed rate riders appropriate?

Account 1588

#50.

Reference: EB-2012-0380 pre-filed evidence filed September 25, 2012, p. 10 / Table 2

London Hydro has noted $3.8 million debit and credit adjustments to Account 1588

a) Please confirm the error related to $3.8 million for Account 1588 is related to the balances from December 31, 2008 to June 30, 2012. If not, please explain.
b) Please provide the journal entries (both sides – debits and credits) made in June 2012 to reflect the adjustments made to Account 1588, involving the $3.8 million debit to Account 1588 sub-account GA and the $3.8 million credit to the control account of Account 1588.

#51.

Reference: EB-2012-0380 pre-filed evidence filed September 25, 2012 / p. 9.

London Hydro stated on page 9 of the pre-filed evidence filed on September 25, 2012 that "as a result of this accounting error [an] incorrect account balance was submitted for approval for disposition in the 2012 IRM proceeding…"

a) In which fiscal period was the fixed price debits/credits calculated and first included twice in the unbilled energy period end balance? Please explain.
b) How far back was this error made? Please specify the date and summarize the dollar impact to the Account 1588 control account and Account 1588 sub-account GA on an annual basis in a table format.
c) Does the inaccurate presentation of Account 1588 control account and Account 1588 sub-account GA impact the December 31, 2008 balances cleared in the 2009 Cost of Service proceeding, in addition to the December 31, 2010 balances cleared in the 2012 IRM proceeding? Please explain.

#52.

Reference: EB-2012-0380 pre-filed evidence filed September 25, 2012 / p. 6.

London Hydro stated at the referenced page that it had performed an internal review of the unbilled energy calculation and discovered that the fixed price debits/credits were calculated and included twice in the unbilled energy period end balance.

a) Please file with the Board a copy of the London Hydro's internal review and analysis, if any, with respect to this issue.
b) When London Hydro refers to the fixed price debits/credits and unbilled energy does it mean an inaccurate unbilled RPP kWh accrual at period-end and subsequent reversal the following period? Please explain if this is the case or not. Please explain what was accrued at period-end and what was or was not reversed the following period.
c) When London Hydro refers to the fixed price debits/credits and unbilled energy does it mean that the inaccurate RPP kWh accrual caused an inaccurate impact to the following calculation for Form 1598 and its predecessor forms (e.g. Form 1506, etc.)? Please explain if this is the case or not..
d) Please also confirm that London Hydro uses the formula
"Fixed price adjustment = RPP kWh * [$RPP/kWh - ($HOEP/kWh + $Global Adjustment/kWh)"
in its calculation for Form 1598 and its predecessor forms (e.g. Form 1506, etc.). Please explain if this is the case or not the case.
e) Please explain and provide a schedule to show how the inaccurate unbilled RPP kWh accrual and other inaccurate adjustments to the above "Fixed price adjustment" calculation were incorporated into each year-end balance – the period-ends since the inception of Form 1598 and its predecessor forms (e.g. Form 1506, etc.), not just since year-end 2008. Please detail by each year-end. Please reconcile this schedule to the schedules detailed in Appendix A of the pre-filed evidence filed on September 25, 2012 page 15 and page 16.

#53.

Reference: EB-2012-0380 pre-filed evidence filed September 25, 2012 / p. 15.

In Appendix A of the pre-filed evidence page 15, London Hydro has shown an impact on the 2008 year-end accrual in the first table regarding the control account of Account 1588, but it has not shown any impact for the year-end accrual in the second table. In the same appendix on page 16, the Account 1588 sub-account GA/Account 1589 GA reconciliation does not show a 2008 year-end accrual and instead it starts with the 2009 year-end.

a) Please explain why the schedules shown on page 15 start with the year 2008 in the first table of the schedule and the year 2009 in the second table of the schedule.
b) Please explain why the schedules shown on page 16 start with the year 2009 and not the year 2008.

#54.

References:
i. Application for Disposition of RSVA Group 1 Accounts, (pre-filed evidence in EB-2012-0380), pp. 12-13 and 21-23.
ii. Exhibit 9, pap. 46 - 47

a) Please provide the principal balances as of December 31, 2011 for all deferral and variance accounts including Account 1588 RSVA Power (excluding the Global Adjustment) and Account 1588 RSVA Power Global Adjustment sub-account. The balances in Account 1588 RSVA Power (excluding the Global Adjustment) and Account 1588 RSVA Power Global Adjustment sub-account should reflect the corrections required to redress the alleged error of $3.8 million.

b) Please calculate the rate riders applicable to RPP and non-RPP customers as per part a) of this interrogatory, assuming an implementation date of February 1, 2013. Please include carrying charges up to January 31, 2013 and assume a sunset date of April 30, 2014.

c) Please calculate the rate riders applicable to RPP and non-RPP customers as per part a) of this interrogatory, assuming an implementation date of May 1, 2013. Please include carrying charges up to April 30, 2013, and assume a sunset date of April 30, 2014.

Issue 9.4 Is the methodology for the treatment of stranded meter costs appropriate?

#55.

References:
i. Exh 9, p. 15: Table 9-3;
ii. Exh 9, p. 19: Table 9-5
iii. DVA Continuity Schedule Work Form;

Table 9-3 lists all the DVA balances London Hydro is requesting for disposition. Currently Table 9-3 shows a total credit balance of $523,313. However, Table 9-3 includes the balance of $3,154,081 for Account 1555, Smart Meter Capital & Recovery Offset Variance-Sub account, Stranded Meter Costs.

It is to be noted that a separate rate rider was proposed in Table 9-8 for Account 1555, sub account Stranded Meters.

a) Please confirm that London Hydro is requesting disposition of account 1555, Smart Meter Capital & Recovery Offset Variance-Sub account, Stranded Meter Costs through a separate rate rider, Stranded Meter Rate Rider (SMRR).
b) Please confirm that the total DVA balance requested for disposition in Table 9-3 is a credit balance of $3,677,394 balance (excluding sub account Stranded Meter Costs) and that the DVA rate riders in Table 9-5 calculation were based on the $3,677,394 credit balance (and not on $523,313 credit balance which includes the subaccount).

Treatment of Recordings to MIFRS from CGAAP (Exhibit 10)

Issue 10.1 Is the treatment of recordings from CGAAP to MIFRS appropriate?

#56.

References:
i. Appendix 2-B, December 31, 2012 MIFRS;
ii. Appendix 2-CG, Depreciation & Amortization Expense, MIFRS 2012

Under MIFRS, the ending net book value of $205,596,724 ($386,546,051 less $180,949,327) as of December 31, 2011 for the Plant & Property Equipment (PP&E) in Appendix 2-B differs from the net book value as of January 1, 2012 of $215,885,605 for the PP&E in Appendix- CG by $10,288,881.

a) Please account for and explain the difference of $10,288,881.
b) Did London Hydro exclude the assets still on the books but which have been fully amortized or depreciated as per Note 5 in Appendix 2-CG?
c) If the answer is yes to part “b”, please state the $ amount.
d) Please state which is the correct January 1, 2012 beginning balance under MIFRS for Appendix 2-B and Appendix 2-CG.

#57.

References:
i. Exh 10: Appendix 10 B, page 5;
ii. EB 2008-0408 Report of the Board, Transition to IFRS, page 20, S. 6

In the Report of the Board, Transition to IFRS, the Board stated:

“Treatment of asset impairment

Where for financial reporting purposes under IFRS a utility has recorded an asset impairment loss, for rate application filings such losses shall be reclassified to PP&E and

identified separately to allow consideration of whether and how such amounts are to be reflected in rates. "

London Hydro stated in its capitalization policy:

"Where the amount by which the asset's carrying amount or net book value exceeds its recoverable amount, the impairment loss is recognized in profit or loss."

a) Are there any projected asset impairment losses for 2013?

b) Please confirm if London Hydro has asset impairment losses reclassified to PP&E in 2013 in its current COS rate application.

c) Please specify the amount in part a and indicate the type of assets and the rationale for the projected asset impairment loss?

d) Please state London Hydro's proposed accounting treatment for the asset impairment of loss under MIFRS.

e) Is London Hydro's capitalization policy on impairment loss following the Board's guidelines for 2013? If not, please explain.

#58.

References

i. Exh 10, page 21 Pension & Other Post-Employment Benefits;
ii. Addendum to Report of the Board: Implementing International Financial Reporting Standards (IFRS) in an Incentive Rate Mechanism Environment dated June 13, 2011 (EB 2008-0408), pp. 23- 24

London Hydro's IFRS transitional adjustment for Pension and Other Post-Employment Benefits ("P&OPEB") is $1,844,800, representing the difference in the Company's liability under IFRS in comparison to that calculated under CGAAP as at January 1, 2012. The transitional adjustment represents unamortized actuarial losses and an unrecognized liability associated with future benefits relating to service awards, which is not a requirement under CGAAP but is a new requirement under IFRS.

This transitional adjustment has no impact on revenue requirement as filed in this Application and no carrying charges have been applied to this amount. Since IFRS has not yet been fully implemented, this transitional adjustment is being made as a *place holder only* until such time as transition to IFRS has been completed.

a) Please confirm that London Hydro is asking for a deferral and variance account per Addendum to Report of the Board: Implementing International Financial Reporting Standards (IFRS) in an Incentive Rate Mechanism Environment dated June 13, 2011 (EB 2008-0408), pp. 23- 24.

b) What is London Hydro's proposed accounting treatment for P&OEB transitional adjustment when the transition to IFRS has been completed?

#59.

References:
i. Exh 9, Page 5, Table 9-3;
ii. Appendix 2-T,
iii. APH FAQs, July 2007, #1- #5

London Hydro is requesting for disposition of Account 1592, 'PILS & Tax Variance for 2006 and Subsequent Years' (excludes sub accounts and contra accounts), for a credit balance of $149,189 in Table 9-3.

Note 3 of Appendix 2-T requires the calculations that show how each item was determined and any supporting evidence and documentation. In addition, Note 4 of Appendix 2-T must state whether or not the applicant followed the guidance provided in the FAQs of 2007.

a) Please provide the calculations of each item and the supporting evidence and documentation required in Appendix 2-T

b) Please confirm that London Hydro followed the FAQs of 2007. If not, please explain.

#60.

References:
i. Exh 9, Page 5, Table 9-3;
ii. DVA Continuity Schedules Work Form;
iii. Exh 9, Page 13: Table: HST Savings Liability for July 2010 to December 31, 2011;
iv. Appendix 2-T;
v. 2013 Cost of Service Filing Requirements for Electricity Transmission and Distribution Applications, sections 2.12.1 and 2;
vi. APH FAQ #4, December 2010

London Hydro is requesting for disposition of Account 1592, 'PILS & Tax Variance for 2006 and Subsequent Years, sub account HST/OVAT/ITCs', for a credit balance of $191,022 in Table 9-3 for Account 1592, 'PILS & Tax Variance for 2006 and Subsequent Years, sub account HST/OVAT/ITCs'.

Note 3 of Appendix 2-T requires the calculations show how each item was determined and any supporting evidence and documentation. Appendix 2-T does not show the balance in Account 1592, PILS & Tax Variance for 2006 and Subsequent Years , sub account HST/OVAT/ITCs.

The 2013 COS filing requirements expects that no more amounts should be recorded in the above sub account 1592, HST/OVAT/ITCs for the test year and going forward.

a) Please confirm that London Hydro is seeking disposition for account 1592, sub account HST/OVAT/ITCs.

b) Please provide the detailed schedules, similar to Table 1 and Table 2 of Question 4 of the December 2010 APH FAQs, to indicate the period HST savings on OM&A costs and capital expenditures for the periods of:

   I. July 1, 2010 to December 31, 2010;
   II. January 1, 2011 to December 31, 2011;
   III. January 1, 2012 to December 31, 2012; and
   IV. January 1, 2012 to December 31, 2013

c) Since the calculation of the HST savings in question 4 of the December 2010 APH FAQs for OMA costs and capital expenditures is based on a proxy using 2009 spending, has the distributor experienced actual spending which were materially different from the above-noted periods in part a? If so please explain the basis for the differences and provide detailed schedules for the HST savings for each period.

d) If the answer in part b is "yes", please update the table found in Exhibit 9, page 13 to reflect part b above, from July 1, 2010 to April 30, 2013 including the related carrying charges.

e) Please update Appendix 2-T to include the balance in Account 1592, sub account HST/OVAT/ITCs.

f) Please confirm that London Hydro will stop recording in sub account 1592, HST/OVAT/ITCs from May 1, 2013 onwards.

#61.

Reference: Exh 9, p. 44

Account 1595 (2009)has carrying charges of $286,860 (credit to customers), but appears to have no principal balance.

a) Please describe the transactions and/or journal entries during 2011 that resulted in reducing the principal balance to exactly $0, and that reduced the interest balance from ($530,575) to ($286,860).

b) Will there be transactions and/or interest recorded in this account in 2012?

Issue 10.2 Is the Account 1575 CGAAP – IFRS Differences calculated correctly?

#62.

References:
   i. Appendix 2-EB;

ii. Appendices 2-B: 2011 CGAAP, 2012 CGAAP and 2012 MIFRS Capital Assets Continuity Schedules;
iii. Appendix 2-CF;
iv. Exh 5, Table 5-3, p. 7;
v. Revenue Requirement Work Form (RRWF):
- Revenue Requirement Tab,
- Cost of Capital (CoC)Tab and
- Rate Base and Working Capital Tab

In Appendix 2-EB, London Hydro used as the opening net PP&E for both CGAAP & MIFRS, the gross fixed assets as of January 1, 2012 of $386,546,051 instead of the net book value of the regulatory assets of $205,596,723 ($386,546,051 less $180,949,329).

In addition the opening balances of the gross fixed assets under Appendix 2-B ($386,546,051) and Appendix 2-CF ($399,396,471) which are both under CGAAP, are different.

a) Please explain why London Hydro is using gross fixed assets for PP&E and not the net book value as of January 1, 2012 in Appendix 2-EB?
b) Please explain why the opening balances as of January 1, 2012 in Appendix 2-B and Appendix 2-CF are different?
c) Which is the correct January 1, 2012 balance for the net fixed assets under CGAAP?
d) Should there be any adjustments required, please update all related evidence.
e) Appendix 2-EB shows a weighted average cost of capital (WACC) of 11.42% while Table 5-3 and the CoC Tab in the RRWF show a different WACC of 6.86%.Please explain why the WACC in Appendix 2-EB is different from the WACC in the RRWF, Cost of Capital (CoC) Tab and Table 5-3.
f) Please state what is the correct WACC (% and $) for London Hydro. Please link the correct WACC to Table 5-3, RRWF- CoC Tab, Revenue Requirement Tab (Return line) and Appendix 2-EB.
g) If any adjustments are required, please update all evidence (e.g. Appendix 2-EB, Table 5-3, revenue requirement, rate base, depreciation, etc.) impacted by the adjustments.

#63.

References:
i. Modified IFRS Webinar, Examples 1 & 2 related to PP&E Deferral Account;
ii. Appendix 2-CH;
iii. Revenue Requirement Work Form (RRWF):
- Revenue Requirement Tab,
- Cost of Capital (CoC)Tab and

- Rate Base and Working Capital Tab

In the Modified IFRS Webinar (specifically Examples 1 & 2 related to PP&E Deferral Account) , the total difference in the closing net PP&E, CGAAP vs. MIFRS is split into 2 parts: the amortization portion and the return on rate base. Please refer to the flow of data in Appendix 2-EB to the RRWF, Revenue Requirement Tab and Appendix 2-CH provided in the webinar. The amortization portion of the PP&E is included in the total "Amortization/Depreciation" line and the return on rate base of the of the PP&E is shown under a separate item in the "Return" line in the RRWF, Revenue Requirement Tab. Note that the total amortization/depreciation comes from Appendix 2-CH (test year MIFRS).

Appendix 2-EB showed $117,981 as the amortization and the return on rate base $53,893, a total of $171,874 as the amount included in revenue requirement on rebasing.

In the RRWF: Revenue Requirement Tab filed, London Hydro presented under the line "Return" the amortization of $117,981 and not the return on rate base of $53,983.

For the amortization, London Hydro included $117,981 in the total amortization of $15,906,000 at the bottom of Appendix 2-CH under the column K "2013 Depreciation per Appendix 2-B, Fixed Assets". Note that the $15,906,000 flows through the RRWF, Revenue Requirement Tab under the line "Amortization/Depreciation (Refer to the example in the MIFRS webinar). Currently the total amortization stands at $15,788,219 instead of $15,906,000, a difference of $117,781.

a) Please explain why London Hydro showed $117,981 (amortization portion) instead of $53,893 (return portion) under the line "Return" in RRWF, Revenue Requirement Tab and did not follow the guidelines in the MIFRS webinar .

b) Please confirm that the $117,981 amortization is included in Appendix 2-CH 2013, MIFRS Depreciation & Amortization Expenses.

c) Please explain why the total depreciation/amortization line in RRWF-RR Tab of $15,788,219 differs from the total 2013 total depreciation of $15,906,200 found in Appendix 2-CH and Appendix 2-B under 2013 MIFRS.

d) If adjustments are required under parts h to j above, please update all related evidence to reflect the correct amounts and appropriate presentation.

A review of the RRWF, Rate Base Tab showed that the Gross Fixed Assets (Average) line amount is $421,406,711.

e) Please explain how London Hydro derived $421,406,711.

f) Please tie $421,406,711 to Appendix 2-B, 2013 Fixed Assets Continuity Schedule under MIFRS.

g) If $421,406,711 amount in the RRWF does not tie with the amount in Appendix 2-B 2013 Fixed Assets Continuity Schedule under MIFRS, please explain.

h) What should be the correct amount in the Gross Fixed Assets (Average) line in RRWF, Rate Base and Working Capital Tab.

i) If any adjustments are required, please update all related evidence.