Centre Wellington Hydro Ltd.

EB-2012-0113

2013 Cost of Service Application

Centre Wellington Hydro Ltd.'s response to interrogatories from OEB Board Staff and VECC.

Exhibit 1 – General Administration

1-1 OEB Staff-1

Ref: Exhibit 1/Tab 2/Schedule 2 – Bad Debt Expense

On page 2/lines 12-15, CWH states that it has had increased bad debt write-offs, due to residential customers moving out and mitigated partially by "credit insurance" applicable to GS (General Service) customers.

a) Please explain what "credit insurance" is and why it is only applicable to GS customers.
b) Please provide further explanation of the bad debt write-offs from residential customers moving out, and what efforts CWH has explored to manage this issue.
c) Does CWH consider that the move to smart meters and TOU billing with more exact meter consumption reading and on a daily basis will assist CWH in doing final meter reading and billing, possibly reducing the quantum and incidence of bad debt write-offs?

Response:

a) The credit insurance policy that is provided by the insurance company only applies to General Service customers. Euler Hermes provides insurance on commercial enterprises only. They do not insure the "retail" market, or in the case of CWH, the residential market. CWH is not aware of any insurer who will provide insurance for non-payment by residential customers.

b) CWH has a collection policy and adheres to the guidelines as set out by the OEB. CWH sends out disconnection notifications within the timeframes as provided by the OEB and disconnects the customers unless arrangements or payment in full is made. When a customer leaves the service area without making the final payment on the account, CWH sends out a request for payment letter and if the account is not paid in full or no satisfactory arrangements are made, then CWH will send the account to a third party collection agency. Prior to

change in regulations, CWH used to hold a deposit for customers with a bad payment history and the deposit would be applied to the final bill, thus minimizing the losses from final bills on customers leaving the service area.

c) No, CWH does not consider the move to smart meters and TOU billing as having a positive effect on the number of incidences of bad debt write-offs because CWH has been billing customers on a monthly basis for years and the lead time in getting the bills to the customer has not changed.

CWH submits that the historical data indicates the 2013 bad debt amount is an accurate estimate. CWH also submits that insurance coverage for the General Service customer base is required to help ensure that eventual write off amounts do not exceed the estimate.

1-2 OEB-Staff-2

Ref: Exhibit 1/Tab 2/Schedule 2 – Reductions in Expenses

On page 3/lines 1-2, CWH states:

> The change in depreciation and the use of outside crew to do more capital projects has also resulted in a reduction of OM&A expenses.

While the extended useful lives of assets would reduce depreciation expense and operating expenses, *ceteris paribus*, please explain how the change in depreciation reduces OM&A expenses.

Response:

In stating that the change in depreciation reduces OM&A expenses, CWH was referring to the change in the useful lives of the "transportation equipment" causing a reduction in overhead rates being applied. CWH currently uses the practice of allocating rolling stock depreciation to the accounts benefiting from the use of vehicles. Transportation / vehicle costs are allocated against the various jobs being performed by the line crew on a direct hour to hour basis on each job being completed. CWH extended the useful lives of major transportation equipment because of prioritization of completing the upgrades of the stations.

1-3 OEBStaff-3

Ref: Exhibit 1/Tab 3/Schedule 7/Appendix G – Revenue Requirement Work Form

Using the middle column with "Interrogatories" selected from the drop-down list on Sheet 3, please provide an updated Revenue Requirement Work Form summarizing any changes to the rate base and revenue requirement calculations corresponding to corrections or changes made as a result of responses to interrogatories from Board staff and registered intervenors. Please provide the RRWF in working Microsoft Excel format.

Response:

CWH has included with this submission an updated version of the RRWF to reflect changes / corrections as a result of the responses to the interrogatories from Board staff and VECC.

CWH has reflected the changes made to the model during the IR process in column I, sheet3 of the RRWF model, however, changes related to Distribution revenue at proposed rates, Income taxes (not grossed up) and income taxes (grossed up) is included in column E as the model did not provide for these items to be shown separately.

Sheet 3 of the RRWF model is a follows;

Data Input (1)

		Initial Application	(2)	Adjustments	Interrogatory Responses	(6)	Adjustments	Per Board Decision	
1	**Rate Base**								
	Gross Fixed Assets (average)	$19,951,965		$ -	$ 19,951,965			$19,951,965	
	Accumulated Depreciation (average)	($10,202,261)	(5)	$ -	($10,202,261)			($10,202,261)	
	Allowance for Working Capital:								
	Controllable Expenses	$2,303,000		($30,075)	$ 2,272,925			$2,272,925	
	Cost of Power	$14,885,329		($12,826)	$ 14,872,503			$14,872,503	
	Working Capital Rate (%)	13.00%	(9)		13.00%	(9)		13.00%	(9)
2	**Utility Income**								
	Operating Revenues:								
	Distribution Revenue at Current Rates	$2,781,405							
	Distribution Revenue at Proposed Rates	$3,189,914							
	Other Revenue:								
	Specific Service Charges	$126,100							
	Late Payment Charges	$10,800							
	Other Distribution Revenue	$74,500							
	Other Income and Deductions	$29,538							
	Total Revenue Offsets	$240,938	(7)						
	Operating Expenses:								
	OM+A Expenses	$2,266,600		($30,075)	$ 2,236,525			$2,236,525	
	Depreciation/Amortization	$431,071	(10)	$ -	$ 431,071			$431,071	
	Property taxes	$36,400		$ -	$ 36,400			$36,400	
	Other expenses								
3	**Taxes/PILs**								
	Taxable Income:								
	Adjustments required to arrive at taxable income	($327,671)	(3)						
	Utility Income Taxes and Rates:								
	Income taxes (not grossed up)	$4,943							
	Income taxes (grossed up)	$5,850							
	Federal tax (%)	11.00%							
	Provincial tax (%)	4.50%							
	Income Tax Credits	($12,000)							
4	**Capitalization/Cost of Capital**								
	Capital Structure:								
	Long-term debt Capitalization Ratio (%)	56.0%							
	Short-term debt Capitalization Ratio (%)	4.0%	(8)			(8)			(8)
	Common Equity Capitalization Ratio (%)	40.0%							
	Prefered Shares Capitalization Ratio (%)								
		100.0%							
	Cost of Capital								
	Long-term debt Cost Rate (%)	4.37%							
	Short-term debt Cost Rate (%)	2.08%							
	Common Equity Cost Rate (%)	9.12%							
	Prefered Shares Cost Rate (%)								
	Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS ($)	($19,247)	(11)			(11)			(11)

1-4 VECC 1

Reference: Exhibits All

a. Please provide a tracking sheet (table) showing all adjustments (i.e. Reference IR #; Item description; area of change – return on capital/rate base/working capital allowance/amortization/PILS/OM&A/ etc.).

Response:

The below tracking sheet shows all adjustments affecting all items as requested.

Centre Wellington Hydro
Summary of Proposed Cumulative Changes

	Exhibit	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
Original Submission		**$740,597**	**6.18%**	**$11,984,186**	**$17,188,329**	**$2,234,483**	**$411,824**	**$5,887**	**$2,303,000**	**$3,461,309**	**$3,220,371**	**-$438,967**
IR# 2 Staff 10 Update Reg Price Plan Oct 2012 Report	**2**	**$740,867**	**6.18%**	**$11,988,543**	**$17,221,844**	**$2,238,840**	**$411,824**	**$5,916**	**$2,303,000**	**$3,461,607**	**$3,220,670**	**-$439,265**
Change		$270	$0	$4,357	$33,515	$4,357	$0	$29	$0	$298	$299	-$298
IR# 4 Staff 20 Revise One-Time Costs $40,100 (4 years)	**4**	**$740,625**	**6.18%**	**$11,984,634**	**$17,191,769**	**$2,234,930**	**$411,824**	**$5,890**	**$2,272,925**	**$3,431,265**	**$3,190,327**	**-$408,922**
Change		-$242	$0	-$3,909	-$30,075	-$3,910	$0	-$26	-$30,075	-$30,342	-$30,343	$30,343
IR# 8-Staff-28 Revised Loss Factor	**8**	**$740,253**	**6.18%**	**$11,978,609**	**$17,145,428**	**$2,228,906**	**$411,824**	**$5,850**	**$2,272,925**	**$3,430,852**	**$3,189,914**	**-$408,510**
Change		-$372	$0	-$6,025	-$46,341	-$6,024	$0	-$40	$0	-$413	-$413	$412
						$0						
Change		-$740,253	$0	-$11,978,609	-$17,145,428	-$2,228,906	-$411,824	-$5,850	-$2,272,925	-$3,430,852	-$3,189,914	$408,510
						$0						
Change		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
						$0						
Change		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
						$0						
Change		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Proposed at Februay 4, 2013												
Change - Proposed vs. Original %		**-0.05%**		**-0.05%**	**-0.25%**	**-0.25%**	**0.00%**	**-0.63%**	**-1.31%**	**-0.88%**	**-0.95%**	**-6.94%**
Change - Proposed vs. Original $		**-$344**		**-$5,577**	**-$42,901**	**-$5,577**	**$0**	**-$37**	**-$30,075**	**-$30,457**	**-$30,457**	**$30,457**

Exhibit 2 – Rate Base and Capital Expenditures

2-5 OEB Staff-4

Ref: Exhibit 2/Tab 1/Schedule 2 and Exhibit 2/Tab 2/Schedule 1 – Rate Base

In Exhibit 2/Tab 1/Schedule 2, CWH documents that the average net book value of fixed assets of 2009 actuals was $196,385, or about 2.8%, less than the Board-approved amount of $6,921,164, as shown in Table 2.3. 2010 actuals showed a further decrease in the average net book value of $114,959, as shown in Table 2.4. 2011 actuals showed another decrease in the average net book value of $135,888, as shown in Table 2.5.

The average net book value of fixed assets increases in 2012 and 2013. CWH explains that inclusion of smart meters as of January 1, 2013 is a major contributor for the increase in 2013.

The above numbers are consistent with Tables 2.10, 2.11, and 2.12 of Exhibit 2/Tab 2/Schedule 1, where the depreciation expense (i.e. additions to accumulated depreciation) exceeds, in magnitude, capital additions to gross fixed assets for each of the years 2009, 2010 and 2011.

Please provide further explanation of the continual decline in the average net book value in net fixed assets for the period from 2009 to 2011 and below what the Board approved in CWH's last cost of service application.

Response:

CWH acknowledges that the 2009 to 2011 period has shown decreases in the average net book values as provided above. The decline for the period of 2009 to 2011 is due to a number of things:

1. Capital projects depending on others, developers, municipal, etc. being delayed.
2. Implementation of Smart Meter capital which was posted into deferral account 1555.
3. Materials being returned from the field being credited against the job at full inventory value.
4. Recording items as maintenance instead of capital.

The opening balances for account 1860-Meters shows the inclusion of smart meters that were purchased in 2009 as part of the smart meter program and recorded in deferral account 1555 at time of purchase but not brought into the rate base until 2013. The opening balance for account went from $183,147 to $1,374,403 with the inclusion of smart meters that were purchased primarily in 2009 with some capital cost being incurred in 2010 as well.

2-6 OEB Staff-5

Ref: Exhibit 2/Tab 3/Schedule 1 – Capital Expenditures

On pages 1-2 of this exhibit, CWH states:

> CWH submits one of the main drivers of capital investments starting in 2012 will be the rebuilding and upgrading of its substations which are over 50 years of age. In addition, investments in pole line reconstruction, new underground construction, and other infrastructure are required to ensure the distribution system remains reliable and safe. CWH further submits that its forecasted capital investments for the 2012 Bridge Year and 2013

Test Year are consistent with the required investments of prior years and are prudent and just in supporting continued growth in the Town of Fergus and Village of Elora and the continued safety and reliability of its distribution system. In 2012, CWH obtained approval through the Incremental Capital Module (ICM) to proceed with the rehabilitation of Fergus MS-2(Queen St) substation at a total budget cost of $1,199,400 which was required due to safety and reliability issues which was supported by an outside study performed by Costello Associates Inc. In 2013, CWH is requesting approval to perform major rehabilitation of Fergus MS-1(Blair St) substation for safety, reliability and environmental issues. The proposed major rehabilitation is required to completely replace all 4 kV protection equipment with modern switchgear and reclosers, and to install secondary oil containment for the existing power transformer. CWH is proposing to finish all major rehabilitation on all six substations in our service area between 2012 and 2016 based on the "Condition Assessment" completed by Costello Associates Inc. (Appendix D & E). CWH is currently rehabilitating the Fergus MS-2 substation which will be completed before the end of 2012. Further in CWH's application a listing of anticipated substation projects lays out the forecasted year of completion for four more substations. CWH will be applying for an ICM for 2014 costs to replace Elora MS-1 substation and 2015 for rehabilitation of Fergus MS-3 and Elora MS-2 substations.

It appears that, in large part due to the results of the Asset Condition Study conducted by Costello Associates that CWH has determined to embark on an accelerated schedule for rehabilitation and replacement of its distribution stations.

a) As noted in a previous interrogatory, CWH did not have capital expenditures equalling the approved amount in its 2009 cost of service application, and capital additions were less than depreciation expense over the period 2009 to 2011. Please explain the urgency and necessity of successive years of significant capital expenditures that should be funded through increases in rates through capex increases in this Application and future ICMs given the historical underspending.
b) Please provide the basis for CWH forecasting that it will need additional capital expenditure approvals through ICMs in 2014 and 2015, beyond the level of capital expenditures that may be approved in this Application. In other words, why does CWH not view that the level of capital expenditures that might be approved in rates in this Application might not be adequate to fund the capital

expenditures for other Distribution Stations in subsequent years under IRM rate adjustments?

Response:

a) The necessity to schedule the rehabilitation and replacement of CWH's stations is mainly due to the fact that they have met or exceeded their useful life span. CWH has been diligent over the years to maintain these stations and ensure their reliability all the while anticipating major rehabilitation work was going to be required. Costello Associates were retained by CWH to advise and assist in determining the overall safety and reliability of the stations using a proven matrix common to other LDCs. The assessment was fundamental in prioritizing CWH's station rebuild schedule although CWH does not view its schedule as accelerated. It is merely due to the fact that the three oldest stations in CWH require the most significant equipment replacement and rebuilding, and these stations were originally built within a few years of one another.

b) The station capital expenditures required in the next three years go above and beyond the "normal" capital expenditures such as pole line replacement and underground construction that CWH completes annually. The station work required is mainly due to the fact that three of the stations were built basically at the same time, requiring rebuilding in and around the same time. In stating that CWH may be seeking approval through the ICMs in 2014 and 2015, beyond the level of capital expenditures approved in the Application was to inform the OEB Board of the possible need for further funding. At the time of the IRM process, CWH will complete the prudent testing to determine whether or not the additional funding is required.

2-7 OEB Staff-6

Ref: Exhibit 2/Tab 3/Schedule 1/page 4/Table 2-20

In table 2-20, CWH documents $1,199,400 for capital expenditures for project Job #19 – MS#2 – Queen St., and no further capital expenditures in 2013.

a) Is this the project for which CWH was approved an ICM capital expenditure?
b) What is the status of this project? Is it complete?

c) If complete, when is CWH planning on applying for review of the expenditures approved in the ICM in CWH's 2012 IRM application?

Response:

In 2012, CWH applied for and received approval through the incremental capital module from the OEB to proceed with the capital project #19-MS#2 Queen St. Station.

a) Yes, this is the project approved as an ICM capital expenditure.

b) Yes, the Fergus MS-2 rehabilitation is complete and energized with load in December 2012.

c) CWH is planning on applying for the review of the expenditures approved in the Incremental Capital module for CWH's 2012 IRM application as soon as the auditors have reviewed the 2012 expenditures and CWH is in receipt of the audited statements.

CWH will provide a reconciliation of the expenditures and incremental capital for capital project #19-MS#2 Queen Street Station to the end of 2012 and again after the ICM rate rider is completed on billing up to the end of April 2013.

CWH failed to record the expenditures, incremental capital, depreciation and carrying charges in the 1508 account, however, all expenditures and revenues have been identified as a separate capital job and revenues have been recorded in a sub-account of 4080.

CWH has recorded the capital expenditure in the 1800 capital accounts for 2012 and applied the ½ year rule to the depreciation calculation.

Any over or under collection of the ICM Rate Rider will be recorded in the 1508 sub-account for a credit/debit to the customers once the OEB has reviewed the expenditures.

2-8 OEBStaff-7

Ref: Exhibit 2/Tab 3/Schedule 1/page 4/Tables 2.20 and 2.21

In Table 2.21, CWH documents that 2013 forecasted capital expenditures under MIFRs are $1,876,400. In Table 2.21, CWH documents that 2013 forecasted capital expenditures are $1,876,400 under CGAAP and $1,808,147 under MIFRS.

Please provide a reconciliation between Tables 2.20 and 2.21 as to what are the forecasted 2013 capital expenditures under MIFRS.

Response:

The difference between Table 2.20 and 2.21 for 2013 capital expenditures is as follows:

- Table 2.20 Capital Expenditures under MIFRS $1,876,400
- Table 2.21 Capital Expenditures $1,808,147
- Difference Disposals in 2013 $ 68,253

2-9 OEBStaff-8

Ref: Exhibit 2/Tab 3/Schedule 3/Appendix A – Asset Management Plan

Page 6 of the Asset Management Plan contains the following table of projected distribution plant capital expenditures to maintain CWH's distribution infrastructure:

	2013	2014	2015
Estimate of Investments to Sustain Overhead Assets	415 117	415 117	415 117
Estimate of Investments to Sustain Underground Assets	193 455	193 455	193 455
Estimate of Investments to Sustain Substation Assets	1 170 000	2 130 000	1 430 000
Estimate of Non-Discretionary Investments	58 000	63 500	69 000
Total	1 836 572	2 802 072	2 107 572

Forecasted capital expenditures are significantly increased over historical capital expenditures prior to 2012, largely due to rehabilitation and replacement of many of CWH's distribution stations. However, CWH expects that other overhead and underground capital expenditures will be maintained at expected expenditures of about $415K and $193K, respectively, per annum. Please explain how the above projections take into account prioritization of projects and CWH's resources to be able to maintain a constant level of overhead and underground capital projects while simultaneously doing the distribution station capital projects.

Response:

CWH doesn't feel it would be prudent to neglect regular overhead and underground capital expenditures as this would require more attention in the following years to "catch up" to maintain current system conditions. Also, CWH cannot control all its future capital expenditures, i.e. Municipal downtown/urban infrastructure upgrades, and road widening requires CWH to relocate/rebuild electrical plant. For these reasons CWH plans to keep the overhead and underground capital projects prioritization at status quo.

The resources to complete line improvements both overhead and underground will be through existing full time labour, while the station projects both design/engineering and construction will be outsourced to contractors.

2-10 OEBStaff-9

Ref: Exhibit 2/Tab 3/Schedule 5 and Exhibit 2/Tab 3/Schedule 3/Appendix A – Service Reliability

In Table 2.27, CWH documents its reliability statistics as follows:

Table 2.27
Service Reliability Statistics

	SAIDI	SAIFI	CAIDI
Excluding Loss Supply			
Total 2011	3.67	1.90	1.93
Total 2010	2.18	1.67	1.30
Total 2009	1.29	0.88	1.48
Including Loss Supply			
Total 2011	0.28	0.19	1.41
Total 2010	1.09	0.59	1.86
Total 2009	1.37	0.98	1.40

a) The reported statistics for SAIDI and SAIFI including Loss of Supply are lower than those excluding Loss of Supply. This is intuitively illogical. Please confirm the reported statistics and their labelling.
b) Please provide further explanation on system outages experienced from 2009 onwards and the reasons for reported CAIDI exceeding 1 (i.e., on average, a customer that experiences a outage of at least 1 minute duration waits over 1 hour for service restoration from when CWH is made aware of the situation).
c) Please explain what plans CWH is implementing or investigating to improve service reliability.

d) The SAIDI and SAIFI reported in Table 2.27 appear to differ in some instances from those reported in Exhibit 4-19 on page 55 of the Asset Management Plan. For example, SAIFI excluding loss of supply is shown as 0.98, 0.59 and 0.19 for 2009, 2010 and 2011 in Table 2.27, but 1,3, 0.3 and 0,3 for the same period in Exhibit 4-19. Please confirm CWH's reliability statistics for all periods.
e) Please update Table 2.27 to include statistics for 2012.

Response:

a) CWH erroneously reported Service Reliability Statistics for the years included in Table 2.27, mainly incorrectly adjusting for loss of supply and also incorrectly separating customer equipment caused outages. A complete review of outage reports has been done to correctly report Service Reliability Indices for this time frame and a revised Table 2.27 is included.

Table 2.27
Service Reliability Statistics

	SAIDI	SAIFI	CAIDI
Excluding loss of Supply			
Total 2012	0.26	0.74	0.34
Total 2011	0.33	0.89	0.38
Total 2010	0.95	0.71	1.33
Total 2009	0.92	0.88	1.05
Including loss of Supply			
Total 2012	3.759	2.43	1.55
Total 2011	4.32	1.95	2.21
Total 2010	2.18	1.68	1.3
Total 2009	1.1	1.06	1.39

b) The revised Service Reliability Indices for CWH indicates that in 2009 CWH's CAIDI was 1.05 which was below the provincial average for that year of 1.19, see table 2.27b. In 2010 CWH's CAIDI was 1.33 which is above the provincial average of that year of 0.89. During 2010 CWH experienced a total of 6 outages that lasted longer than 60 minutes that drove CWH's CAIDI above 1.0. Of those 6 outages there were 5 issues relating specifically to problems with the secondary protection i.e. recloser's and breakers at Fergus MS-1 and Elora MS-1 that lengthened the restoration time period.

c) CWH plans to rebuild both Fergus MS-1 and Elora MS-1 including replacing existing antiquated breakers and increasingly hard to maintain oil filled reclosers and considered this when prioritizing scheduling.

d) Table 2.27 has been updated.

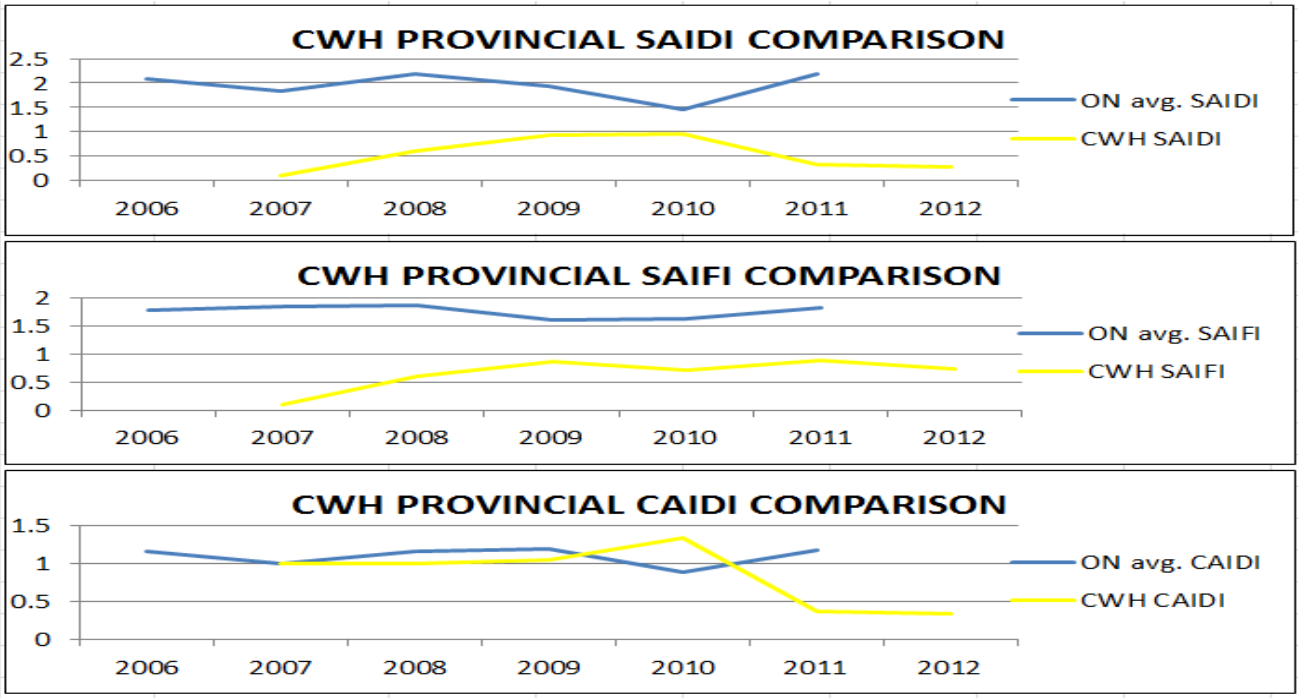
e) Table 2.27 has been updated.

Table 2.27b

CWH PROVINCIAL AVERAGE COMPARISON

service reliability excluding supply loss

year	2006	2007	2008	2009	2010	2011	2012
ON avg. SAIDI	2.09	1.83	2.19	1.93	1.46	2.18	
CWH SAIDI		0.1	0.6	0.92	0.95	0.33	0.26
ON avg. SAIFI	1.79	1.85	1.88	1.62	1.63	1.84	
CWH SAIFI		0.1	0.6	0.88	0.71	0.89	0.74
ON avg. CAIDI	1.16	0.99	1.16	1.19	0.89	1.18	
CWH CAIDI		1	1	1.05	1.33	0.376	0.34



2-11 OEBStaff-10

Ref: Exhibit 2/Tab 4/Schedule 1 – Working Capital Allowance

Please update Tables 2.30, 2.31, 2.32, 2.33, 2.34 and 2.35 to reflect the updated *Regulated Price Plan Report* issued by the Board on October 17, 2012.

Response:

CWH has updated the above tables to reflect the RPP Price $0.07932 and NRPP price $0.08001 issued by the Board on October 17, 2012.

Table 2.30
Working Capital Allowance Calculation 2013 (MIFRS)

WORKING CAPITAL ALLOWANCE FOR 2013		
Distribution Expenses		
Distribution Expenses - Operation		297,400
Distribution Expenses - Maintenance		251,300
Billing and Collecting		523,700
Community Relations		38,400
Administrative and General Expenses		1,155,800
Taxes Other than Income Taxes		36,400
Total Eligible Distribution Expenses		**2,303,000**
Power Supply Expenses		14,918,844
Total Working Capital Expenses		17,221,844
Working Capital Allowance @	13.00%	2,238,840

Table 2.31

Summary of Working Capital 2009-2013

Description	2009 Board Approved	Actual 2009 CGAAP	Actual 2010 CGAAP	Actual 2011 CGAAP	Bridge Year 2012 CGAAP	Bridge Year 2012 MIFRS	Test Year 2013 CGAAP	Test Year 2013 MIFRS
Cost of Power	12,368,901	9,729,968	11,143,850	12,231,646	14,972,312	14,972,312	14,918,844	14,918,844
Distribution Expenses - Operations	264,900	294,136	356,562	381,192	361,000	361,000	297,400	297,400
Distribution Expenses - Maintenance	292,600	300,079	275,059	317,900	332,100	332,100	251,300	251,300
Billing and Collecting	332,200	320,588	263,519	317,324	485,000	485,000	523,700	523,700
Community Relations	35,600	34,636	26,084	42,647	36,700	36,700	38,400	38,400
Administrative and General Expenses	793,050	728,785	809,156	882,524	1,028,500	1,028,500	1,155,800	1,155,800
Taxes Other than Income Taxes	35,000	30,253	28,434	34,860	35,400	35,400	36,400	36,400
Working Capital	14,122,251	11,438,445	12,902,663	14,208,093	17,251,012	17,251,012	17,221,844	17,221,844
Working Capital Allowance	2,118,338	1,715,767	1,935,400	2,131,214	2,587,652	2,587,652	2,238,840	2,238,840

Table 2.32
Cost of Power Forecast Calculation – 2012 Bridge Year

2012 Load Foreacst	**kWh**	**kW**	**2011 %RPP**
Residential	46,250,546		88%
GS<50	21,427,348		76%
GS>50	62,984,772	161,948	2%
Streetlights	1,128,239	3,157	0%
Sentinels	39,308	109	63%
USL	556,811		99%
Intermediate	17,516,149	38,643	0%
TOTAL	**149,903,173**	**203,856**	

Electricity - Commodity RPP	**2012**	**2012 Loss**			
Class per Load Forecast RPP	**Forecasted**	**Factor**	**2012**		
Residential	40,652,989	1.0449	42,478,308	$0.07932	$3,369,379
GS<50	16,288,271	1.0449	17,019,614	$0.07932	$1,349,996
GS>50	1,111,481	1.0449	1,161,386	$0.07932	$92,121
Streetlights	0	1.0449	0	$0.07932	$0
Sentinels	24,626	1.0449	25,731	$0.07932	$2,041
USL	553,352	1.0449	578,197	$0.07932	$45,863
Intermediate	0	1.0449	0	$0.07932	$0
TOTAL	**58,630,718**		**61,263,238**		**$4,859,400**

Electricity - Commodity Non-RPP	**2012**	**2012 Loss**			
Class per Load Forecast	**Forecasted**	**Factor**	**2012**		
Residential	5,597,557	1.0449	5,848,887	$0.08001	$467,969
GS<50	5,139,077	1.0449	5,369,821	$0.08001	$429,639
GS>50	61,873,291	1.0449	64,651,402	$0.08001	$5,172,759
Streetlights	1,128,239	1.0449	1,178,897	$0.08001	$94,324
Sentinels	14,682	1.0449	15,342	$0.08001	$1,227
USL	3,459	1.0449	3,614	$0.08001	$289
Intermediate	17,516,149	1.0449	18,302,624	$0.08001	$1,464,393
TOTAL	**91,272,455**		**103,003,201**		**$7,630,601**

Transmission - Network		**Volume**			
Class per Load Forecast		**Metric**	**2012**		
Residential		kWh	48,327,196	$0.0053	$256,134
GS<50		kW	22,389,435	$0.0049	$109,708
GS>50		kW	161,948	$1.9796	$320,591
Streetlights		kWh	3,157	$1.4929	$4,713
Sentinels		kW	109	$1.5006	$164
USL		kWh	581,812	$0.0049	$2,851
Intermediate		kW	38,643	$2.2140	$85,555
TOTAL					**$779,716**

Transmission - Connection		**Volume**			
Class per Load Forecast		**Metric**	**2012**		
Residential		kWh	48,327,196	$0.0044	$212,640
GS<50		kW	22,389,435	$0.0039	$87,319
GS>50		kW	161,948	$1.5571	$252,169
Streetlights		kWh	3,157	$1.2038	$3,800
Sentinels		kW	109	$1.2290	$134
USL		kWh	581,812	$0.0039	$2,269
Intermediate		kW	38,643	$1.8365	$70,967
TOTAL					**$629,298**

Wholesale Market Service					
Class per Load Forecast			**2012**		
Residential			48,327,196	$0.0052	$251,301
GS<50			22,389,435	$0.0052	$116,425
GS>50			65,812,788	$0.0052	$342,226
Streetlights			1,178,897	$0.0052	$6,130
Sentinels			41,073	$0.0052	$214
USL			581,812	$0.0052	$3,025
Intermediate			18,302,624	$0.0052	$95,174
TOTAL			**156,633,825**		**$814,496**

Rural Rate Assistance					
Class per Load Forecast			**2012**		
Residential			48,327,196	$0.0011	$53,160
GS<50			22,389,435	$0.0011	$24,628
GS>50			65,812,788	$0.0011	$72,394
Streetlights			1,178,897	$0.0011	$1,297
Sentinels			41,073	$0.0011	$45
USL			581,812	$0.0011	$640
Intermediate			18,302,624	$0.0011	$20,133
TOTAL			**156,633,825**		**$172,297**

Low Voltage		**Volume**			
Class per Load Forecast		**Metric**	**2012**		
Residential		kWh	46,250,546	$0.0006	$27,750
GS<50		kWh	21,427,348	$0.0006	$12,856
GS 50-2999		kW	161,948	$0.2169	$35,126
Streetlights		kW	3,157	$0.1677	$529
Sentinels		kW	109	$0.1712	$19
USL		kWh	556,811	$0.0006	$334
GS 3000-4999		kW	38,643	$0.2559	$9,889
TOTAL					**$86,504**

Table 2.33
Cost of Power Summary – 2012 Bridge Year

2012	
4705-Power Purchased	$12,490,001
4708-Charges-WMS	$814,496
4714-Charges-NW	$779,716
4716-Charges-CN	$629,298
4730-Rural Rate Assistance	$172,297
4750-Low Voltage	$86,504
TOTAL	**$ 14,972,312**

Table 2.34
Cost of Power Forecast Calculation – 2013 Test Year

2013 Load Foreacst	**kWh**	**kW**	**2011 %RPP**		
Residential	45,390,825		88%		
GS<50	20,241,264		76%		
GS>50	61,263,766	157,523	2%		
Streetlights	1,129,352	3,160	0%		
Sentinels	37,433	104	63%		
USL	603,929		99%		
Intermediate	16,947,355	37,388	0%		
TOTAL	**145,613,923**	**198,174**			

Electricity - Commodity RPP	**2013**	**2013 Loss**			
Class per Load Forecast RPP	**Forecasted**	**Factor**	**2013**		
Residential	39,897,317	1.0532	42,021,751	$0.07932	$3,333,165
GS<50	15,386,654	1.0532	16,205,956	$0.07932	$1,285,456
GS>50	1,081,110	1.0532	1,138,677	$0.07932	$90,320
Streetlights	0	1.0532	0	$0.07932	$0
Sentinels	23,451	1.0532	24,700	$0.07932	$1,959
USL	600,178	1.0532	632,136	$0.07932	$50,141
Intermediate	0	1.0532	0	$0.07932	$0
TOTAL	**56,988,710**		**60,023,219**		**$4,761,042**

Electricity - Commodity Non-RPP	**2013**	**2013 Loss**			
Class per Load Forecast	**Forecasted**	**Factor**	**2013**		
Residential	5,493,508	1.0532	5,786,024	$0.08001	$462,940
GS<50	4,854,609	1.0532	5,113,106	$0.08001	$409,100
GS>50	60,182,656	1.0532	63,387,234	$0.08001	$5,071,613
Streetlights	1,129,352	1.0532	1,189,487	$0.08001	$95,171
Sentinels	13,982	1.0532	14,726	$0.08001	$1,178
USL	3,751	1.0532	3,951	$0.08001	$316
Intermediate	16,947,355	1.0532	17,849,760	$0.08001	$1,428,159
TOTAL	**88,625,213**		**100,814,778**		**$7,468,476**

Transmission - Network		**Volume**			
Class per Load Forecast		**Metric**	**2013**		
Residential		kWh	47,807,775	$0.0061	$293,354
GS<50		kW	21,319,062	$0.0057	$120,943
GS>50		kW	157,523	$2.2919	$361,025
Streetlights		kWh	3,160	$1.7284	$5,462
Sentinels		kW	104	$1.7373	$181
USL		kWh	636,087	$0.0057	$3,609
Intermediate		kW	37,388	$2.5633	$95,835
TOTAL					**$880,409**

Transmission - Connection		**Volume**			
Class per Load Forecast		**Metric**	**2013**		
Residential		kWh	47,807,775	$0.0050	$236,656
GS<50		kW	21,319,062	$0.0044	$93,541
GS>50		kW	157,523	$1.7518	$275,947
Streetlights		kWh	3,160	$1.3543	$4,280
Sentinels		kW	104	$1.3827	$144
USL		kWh	636,087	$0.0044	$2,791
Intermediate		kW	37,388	$2.0661	$77,248
TOTAL					**$690,607**

Wholesale Market Service					
Class per Load Forecast			**2013**		
Residential			47,807,775	$0.0052	$248,600
GS<50			21,319,062	$0.0052	$110,859
GS>50			64,525,911	$0.0052	$335,535
Streetlights			1,189,487	$0.0052	$6,185
Sentinels			39,426	$0.0052	$205
USL			636,087	$0.0052	$3,308
Intermediate			17,849,760	$0.0052	$92,819
TOTAL			**153,367,507**		**$797,511**

Rural Rate Assistance					
Class per Load Forecast			**2013**		
Residential			47,807,775	$0.0011	$52,589
GS<50			21,319,062	$0.0011	$23,451
GS>50			64,525,911	$0.0011	$70,979
Streetlights			1,189,487	$0.0011	$1,308
Sentinels			39,426	$0.0011	$43
USL			636,087	$0.0011	$700
Intermediate			17,849,760	$0.0011	$19,635
TOTAL			**153,367,507**		**$168,704**

IESO Smart Meter Entiity Charge		**Customer**			
Class per Load Forecast			**2013**		
Residential			5,858	$0.8600	$60,451
GS<50			738	$0.8600	$7,620
GS>50				$0.0011	$0
Streetlights				$0.0011	$0
Sentinels				$0.0011	$0
USL				$0.0011	$0
Intermediate				$0.0011	$0
TOTAL			**6,596**		**$68,071**

Low Voltage		**Volume**			
Class per Load Forecast		**Metric**	**2012**		
Residential		kWh	45,390,825	$0.0006	$27,234
GS<50		kWh	20,241,264	$0.0006	$12,145
GS 50-2999		kW	157,523	$0.2169	$34,167
Streetlights		kW	3,160	$0.1677	$530
Sentinels		kW	104	$0.1712	$18
USL		kWh	603,929	$0.0006	$362
GS 3000-4999		kW	37,388	$0.2559	$9,568
TOTAL					**$84,024**

Table 2.35
Cost of Power Summary – 2013 Test Year

2013	
4705-Power Purchased	$12,229,518
4708-Charges-WMS	$797,511
4714-Charges-NW	$880,409
4716-Charges-CN	$690,607
4730-Rural Rate Assistance	$168,704
4708-IESO Smart Meter Entity	$68,071
4750-Low Voltage	$84,024
TOTAL	**$ 14,918,844**

2-12-OEB Staff-11

Ref: (a) *Filing Requirements*[1], §3.2.2, p.11-12, Information Exchange with Affected Distributors and Transmitters; and (b) *Filing Requirements*, §4.2.2.2, bullet 4, p.16 – Green Energy Plan

Reference (a) points to the need to consult with upstream transmitters when preparing GEA plans and document such consultations. Reference (b) relates to the information required when filing a GEA Plan.

a) Please confirm that CWH has provided Hydro One with a forecast of renewable generation connection and its planned system investments. Briefly describe the consultations.
b) In accordance with the *Filing Requirements*, briefly describe the prioritization methodology employed to connect renewable generation projects.

Response:

a) CWH has been in consultation with its upstream provider Hydro One Generation Distribution support department and CWH's account representative through conference calls and email communications. The main focus of discussion was to determine CWH's most appropriate approach to connect small FIT proponents. It was agreed that a Threshold CIA (TCIA) be applied for in the amount of a 1000 KVA capacity allocation. CWH applied for and received a TCIA with 1000 KVA

[1] EB-2009-0397 Distribution System Plans – Filing under Deemed Conditions of Licence. This plan was filed using the May 17, 2012 version.

allocation in conjunction with the first FIT connection being completed in CWH's service territory. An extension of said TCIA was granted in November of 2012 that will be reviewed in April of 2013 with Hydro One. The capacity allocation granted in this TCIA by Hydro One is expected to be adequate to accommodate current FIT applications in CWH's service territory.

b) Under the *Filling Requirements*, CWH's GEA plan is considered a basic plan as opposed to a detailed plan which requires information to explain prioritization in Section 4.3.2. Subsection 1. *Selection of Projects and Activities*. To date, CWH's experience in connecting renewables has been at a modest rate with all pending connections being completed without conflict and scheduling has been manageable. This trend is expected to be the same for the next 5 years.

2-13 OEBStaff-12

Ref: (a) E2-T6-S1/p1; (b) E2-T6-S1/p2/Table/Volume of Applications for Green Energy Connections; and *(c) Framework*[2] , Paragraph 1.1, Regulation 330/09 – Green Energy Plan

At reference (a), CWH states that it "has forecasted no capital spending requirements which would affect the rate base calculations in this Application."

The table at reference (b) shows that 17 out of 47 microFIT/FIT projects have been connected, but provides no additional information as to the connection schedule over the GEA plan 5-year horizon, or the associated capital or OM&A costs stemming from the renewable connection activities.

CWH's GEA Plan mentions smart grid but only renewable connections are discussed in more detail.

CWH is silent on the quanta of the OM&A expenses associated with the implementation of the GEA plan. On OM&A costs reference (c) clarifies that:

> "Eligible investment" costs, as set out in O. Reg. 330/09 and section 79.1 (5) of the Act, are not limited to only the initial capital investment costs but also include

[2] Report of the Board, Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09

the *up-front* OM&A costs necessary for the purpose of "enabling the connection of a qualifying generation facility". However, given that section 79.1 focuses solely on the initial investment, ***ongoing OM&A costs that are incurred by the distributor after the investment has been made will not be eligible for provincial recovery. [emphasis added]***

a) Please confirm that CWH does not foresee undertaking any smart grid eligible activities over the 5-year plan period.
b) Please provide a schedule for the forecasted number of renewable energy connections by end 2017.
c) For projects connected in 2010 through 2012, has CWH incurred any capital expenditures with respect to those? If applicable, please indicate the quantum and whether these GEA Plan costs were recovered through current rates. If not, briefly explain.
d) Please reconcile the fact that additional renewable connections are in the pipeline, while CWH forecasts no capital spending requirements that would affect rate base. Are all costs in the form of contributed capital by renewable generators?
e) Are there any incremental labour costs or other OM&A costs associated with the implementation of the GEA plan?

Response:

a) CWH confirms it does not foresee undertaking any smart grid eligible activities over the 5-year plan period.

b) Going forward CWH anticipates the same approximate renewable connections per annum. Therefore 6 per year from 2013 through and including 2017 for a total of 30 connections.

c) CWH has not incurred any capital expenditures with respect to renewable energy connections in 2010 through 2012.

d) To date CWH has connected only micro FIT and small FIT renewables. Conductor sizes in CWH's service territory on distribution feeder trunk lines are sufficiently large and the lengths of distribution lines are reasonable, allowing connections of micro FIT and FIT generation on 4 kV and 44 kV feeders. There

is no urgent need or economic justification to increase capacity on these lines. If a large FIT proponent required a connection that involved pole line circuit extensions and / or transformer upgrades then costs in the form of contributed capital would be required.

e) In 2012, CWH has posted the incremental cost of $8,452.80 for the preparation of the Green Energy Plan to the Variance account 1532-Renewable Connection OM&A. There have been no other incremental labour costs or other OM&A associated with the implementation of the GEA plan to date.

RATE BASE

2-14 VECC 2

Reference: Exhibit 2, Tab 3, Schedule 2, pg. 21

a. Please update Table 2.25 for 2012 year-end results.

b. Please also update Table 2.26 as necessary for changes due to actual 2012 projects uncompleted and other revisions to the 2013 capital budget.

Response:

a) CWH does not have the 2012 year-end results available in order to update Table 2.25 for 2012 Capital Projects.

b) CWH anticipates completing all projects as outlined in the 2013 capital project Table 2.26. If all phases of a project were not completed in 2012, CWH will be completing the capital project in 2013.

2-15 VECC 3

Reference: Exhibit 2, Tab 3, Schedule 1, page 4

a. Please explain the methodology for estimating 2013 capital contributions.

b. Please provide the actual capital contributions in 2012 including any amounts charged for completed projects but for which payment is outstanding (receivables).

c. What are the capital contributions for Project CP30 – Library Expansion?

Response:

a) The methodology for estimating the 2013 capital contribution came through management meetings to discuss anticipated projects. Some of these projects are municipally driven i.e. the County Library expansion and the Tower St. bridge reconstruction, while the remainder of the capital projects are driven from said management discussions. The Costello Station Assessment Study and Metsco Asset Management Plan were used to assist in determining the prioritization of projects.

b) CWH has not yet finalized the actual capital contributions for 2012.

c) The capital contribution for Project CP30 – Library Expansion is $40,900 as shown in Table 2.1.5 (Appendix 2-B).

2-16 VECC 4

Reference: Exhibit 2, Tab 3, Schedule 2, pg. 25

Pre-amble. In its Decision EB-2011-0160 it states "*The Board will not approve the SCADA project, as it is not clear that the project is non-discretionary. Moreover, the Board agrees with the submission of staff that the majority of the benefits of the proposed SCADA system will only be achieved once the remaining substations are rehabilitated*" (EB-2011-0160, pg.12). At page 53 of the Asset Management Plan it also notes that "*because most of the stations are not equipped with circuit breakers that could be remotely controlled, full features of the SCADA system are not being fully utilities*."

a. Please explain why CWH believes that the addition in 2012 of the SCADA is a prudently incurred addition to rate base. In particular, explain what aspects of the SCADA system are currently being utilized.

b. Please update the status of this project, including when it is expected to be fully operational.

Response:

a) The SCADA installed in 2012 was a prudently incurred expense and should be included in the rate base of the utility. The addition of a SCADA system was required to collect operating data and to maintain operational efficiency, and reliability. The implemented system currently provides the following functionality that is being utilized:

1. Collect and archive substation and feeder loading information (voltage, current, KW, KVA).
2. Provide automatic annunciation of critical alarms, locally in control room, and in the future to designated operating staff via wireless technology (cell phones, Blackberry's).
3. Allow full operator remote control of reclosers, and hold-offs.
4. Provide secure remote access for operating staff to control SCADA devices from remote locations (CWH does not operate a 24 hour control room).
5. Interoperability with engineering analysis tools.

b) SCADA was installed and fully operational at the head end in May of 2012 and immediately was used for bullet 1, 2, 4 and 5 above. CWH was able to take advantage of full operator remote control of reclosers (bullet 3 above) upon completion of Fergus MS-2 station rehabilitation in 2012. CWH's future scheduled rehabilitation of stations will incorporate this functionality at all substation sites.

2-17 VECC 5

Reference: Exhibit 2, Tab 3, Schedule 2, pg. 31

a. Please update the status of project CP34- Rehabilitation of Fergus MS1 Substation that was expected to begin in January 2013.

Response:

a) Conceptual design of Fergus MS-1 station is started and engineering proposals from vendors will be requested in Q1 of 2013.

2-18 VECC 6

Reference: Exhibit 2, Tab 3, Schedule 3, Asset Management Plan pg. 53.

a. What is the vintage of the MS-5 Distribution station in Elora?

b. What is the forecast spending on pole replacement for 2013?

Response:

a) MS-5 (also referred to as Elora MS-2) is 53 years old.

b) In 2013, the total spending for poles as included in Table 2.26, Exhibit 2, Tab 3, Schedule 2, page 28 of 74 is $222,700.

2-19 VECC 7

Reference: Exhibit 2, Tab 3

a. Why was no major rehabilitation work done on the distribution stations prior to 2012?

Response:

a) The rehabilitation and replacement of CWH's stations is mainly due to the fact that they have met or exceeded their useful life span. CWH has been diligent over the years to maintain these stations and ensure their reliability all the while anticipating major rehabilitation work was going to be required. CWH does not have station experts in house so Costello Associates were retained by CWH to advise and assist in determining the overall safety and reliability of the stations using a proven matrix common to other LDCs. This assessment was fundamental in prioritizing CWH station rebuild schedule. The three oldest stations in CWH require the most significant equipment replacement and rebuilding. These stations were originally built them within a few years of one another hence the need to rebuild at the same time.

2-20 VECC 8

Reference: Exhibit 2, Tab 3, Schedule 2, Table 2.26 /Schedule 3, Asset Management Plan, pgs. 56-58.

a. Please reconcile Table 2.26 – the 2013 capital budget with the Annual sustainment costs listed in the Asset Management Plan at pages 56-57. The Asset Management plan contemplates $1,836,572 (without capital contributions) yet the forecast 2013 budget is approximately 80k higher (and includes capital contributions) and notwithstanding that the current estimated cost for substations is 70k less than contemplated in the Asset Management Plan.

Response:

a) The Asset Management Plan does not include General plant in its figures. The total capital investment estimate for 2013 in the Asset Management Plan which excludes General plant is $1,836,572. If General plant capital expenditures of $84,500 were added to the total it would be $1,921,072. And, if the capital contribution of $40,900 for the Library project was subtracted, the capital

expected for 2013 in the Asset Plan would be $1,880,172 or a difference of $3,772. In table 2.26 from Exhibit 2 Tab 3 Schedule 2 page 28 of CWH's COS application the budgeted cost to rebuild Fergus MS-1 is $1,101,300 for the 1820 account specific to station assets which is in line with the estimate of $1,100,000 in the Asset Management Plan. It is important to note that the Asset Management Plan figures are estimates and are derived from historical experience. These figures can change from time to time depending on criteria such as, material accessibility and industry requirements for labour forces. The Asset Management Plan is an operational tool to assist in determining what capital expenditures are probable and the Asset Management Plan is not meant to replicate the budget costs identically.

2-21 VECC 9

Reference: Exhibit 2, Tab 3, Schedule 5, pgs.1-2

a. Please explain the reason for the decline in service reliability as between 2009 and 2011.

b. Please explain how it is possible that service reliability statistics are lower when loss of supply is included.

b. If available, please provide the service reliability statistics for 2012.

Response:

a) CWH erroneously reported Service Reliability Statistics for the years included in Table 2.27, mainly incorrectly adjusting for loss of supply and also incorrectly separating customer equipment caused outages. A complete review of outage reports has been done to correctly report Service Reliability Indices for this time frame and a revised Table 2.27 is included below.

b) Same as above.

c) The service reliability statistics for 2012 are provided below.

Table 2.27			
Service Reliability Statistics			
	SAIDI	SAIFI	CAIDI
Excluding loss of Supply			
Total 2012	0.26	0.74	0.34
Total 2011	0.33	0.89	0.38
Total 2010	0.95	0.71	1.33
Total 2009	0.92	0.88	1.05
Including loss of Supply			
Total 2012	3.759	2.43	1.55
Total 2011	4.32	1.95	2.21
Total 2010	2.18	1.68	1.3
Total 2009	1.1	1.06	1.39

2-22 VECC 10

Reference: Exhibit 2, Tab 5, Schedule 2, pg. 1 / Schedule 3, pg.2

a. The evidence states that CWH will be deferring adoption of IFRS until January 2014 or later (pg. 1). Yet it also states that CWH intends to transfer from CGAAP to MIFRS for the 2013 Test Year (pg. 2). CWH also states it is adopting the depreciation rates proposed by Kinectrics in its Report to the Board. Please clarify CWH's intention in respect to movement to MIFRS accounting.

Response:

a) At the present time, CWH is intending to complete the forecasted required transition to full IFRS January 1, 2014. However, it appears a final decision has not been made by the AcSB and IASB. If a further deferral is offered CWH will likely take the deferral. CWH does not expect any changes beyond what is reflected in this application for 2013 rates. The only change reflected in this application is the change in useful lives to reflect a change in

accounting estimate effective January 1, 2013 and may be considered by Board Staff as an impact of MIFRS.

At this time, there is no difference for CWH between CGAAP and MIFRS since both recognize regulatory assets and liabilities.

With respect to movement to MIFRS accounting; the Board's letter dated July 17, 2012 re: Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013, states regulatory accounting changes for depreciation expense and capitalization policies be mandatory in 2013 for all distributors even if there was a further option to defer IFRS changeover in 2013.

A copy of the OEB letter is inserted below:

July 17, 2012

TO: Licensed Electricity Distributors

All Other Interested Parties

RE: Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013

This letter serves to provide the Board's regulatory accounting policy direction to electricity distributors on matters arising from the one-year deferral option for the IFRS changeover in 2012. The Board will permit electricity distributors electing to remain on Canadian GAAP ("CGAAP") in 2012 to implement regulatory accounting changes for depreciation expense and capitalization policies effective on January 1, 2012. The Board however will require that these changes be mandatory in 2013 for all distributors that have not yet made these changes, even if there is a further option to defer IFRS changeover in 2013. A new variance account is created and authorized for distributors to record the financial differences arising from these accounting changes.

Background

The Canadian Accounting Standards Board ("AcSB") announced in March 2012 that it would allow rate-regulated entities a one-year deferral option for the IFRS changeover in 2012. In light of the AcSB's announcement, the Board issued a letter to electricity distributors on April 30, 2012 and provided direction regarding this deferral option. The letter indicated, among other things, that,

The Board will not require regulatory accounting and reporting for 2012 to be in modified IFRS ("MIFRS") if a distributor is not required to adopt IFRS for financial reporting and opts to remain on CGAAP.

For those distributors that have transitioned to IFRS or whose rates are set based on MIFRS, the Board expects these distributors to conduct regulatory accounting and reporting for 2012 in MIFRS.

The Board has received numerous inquiries for regulatory accounting direction from distributors requesting to make changes to their depreciation rates (for example, using the *Depreciation Study for Use by Electricity Distributors* (EB-2010-0178), (the "Kinectrics Report"*)* or own depreciation study) and capitalization policies while still under CGAAP in 2012. Several distributors indicated that they have already completed sufficient detailed accounting work in these areas in their transition to IFRS, and as such, they are positioned and wish to make these accounting changes while still under CGAAP in 2012. They are seeking accounting direction on whether the Board will allow these accounting changes, and if so, what would be the approval process.

Regulatory accounting policy direction regarding Changes to the Depreciation Expense and Capitalization Policies

A key benefit that was expected to be derived from the Board's established accounting policies under the IFRS accounting framework ("modified IFRS") was that the changes to the depreciation expense and capitalization policies would be applied uniformly and in the same timeframe by all distributors (with a few exceptions, for example, distributors adopting US GAAP).

There were several distributors that have adopted these and other accounting changes for regulatory purposes including ratemaking in their 2012 cost of service applications which were approved by the Board. The same approach is expected from distributors filing 2013 cost of service rate applications, which are required to be filed on an MIFRS basis. The Board encourages and will permit distributors that have deferred the changeover to IFRS in 2012 to also implement regulatory accounting changes for depreciation expense and capitalization policies effective on January 1, 2012. The Board however will require that these changes be mandatory in 2013 (i.e., effective on January 1, 2013) for those distributors that do not elect to make these accounting changes in 2012 regardless of whether the AcSB permits further deferrals beyond 2012 for the changeover to IFRS. These accounting changes should be implemented consistent with the Board's regulatory accounting policies as set out for modified IFRS as contained in the *Report of the Board, Transition to International Financial Reporting Standards,* EB-2008-0408, the Kinectrics Report*,* and the Revised 2012 *Accounting Procedures Handbook for Electricity Distributors* ("APH").

The Board will not require distributors to seek Board approval in order to make these accounting changes that otherwise would have been required as specified in the "CGAAP-based" APH (dated July 2007), which is applicable and in force for these distributors still under CGAAP. These accounting changes for adherence to Board requirements for MIFRS and their associated rate impacts will be reviewed as part of a distributor's next cost of service application.

Account 1576 and Accounting Requirements

The Board has approved a new variance Account 1576, Accounting Changes Under CGAAP, for distributors to record the financial differences arising as a result of the election to make these accounting changes under CGAAP in 2012 or to make these changes as mandated by the Board in 2013, if applicable.

The account description of Account 1576 and the associated accounting requirements, including an illustrative example, are provided in the July 2012 *Accounting Procedures Handbook – Frequently Asked Questions* (see question and answer #2) posted on the Board's website at www.ontarioenergyboard.ca.

Distributors are expected to reflect these accounting changes in their CGAAP-based financial statements since rate-regulated accounting is recognized in CGAAP.

Any questions regarding the above should be directed to the Market Operations Hotline at 416-440-7604 or by e-mail at market.operations@ontarioenergyboard.ca. The Board's toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli

Board Secretary

2-23 VECC 11

Reference: Exhibit 2, Tab 5, Schedule 2, pg. 3 Table 2.36

a. Please confirm that the values listed under the column "Kinectric's Study" represent average of the high/low in the Kinectrics study.

Response:

a) As noted in the application, with the exception of underground transformers and SCADA, CWH confirms the values listed under the column "Kinectrics Study" represent the Typical Useful Life for those items where the Typical Useful Life is provided in the study. Exhibit 2, Tab 5, Schedule 2, page 4 provides support for the useful life chosen by CWH for underground transformers and SCADA.

On Table 2.36, account 1908 Buildings show proposed useful life of 40 years which was in effect an estimated average of the subcomponents in this asset category. CWH, in calculation of the test year of depreciation expense, has used 50 years for the building, 25 years for the parking lot, 25 years for the cold storage building and 50 years for the fencing, all of which are included in account 1908.

2-24 VECC 12

Reference: Exhibit 2, Tab 5, Schedule 2, pg. 4

a. Please explain why CWH believes that it should use different typical lives than the Kinectrics average for pad mount transfers given that its experiences with salt etc. are similar to other Ontario LDCs.

b. Please provide the background data which supports CWH departure from the Kinectrics Study live for SCADA systems.

c. Please explain why CWH proposes to use a useful life for building and fixtures which is lower than that recommended by Kinectrics.

Response:

a) CWH determined pad mount transformers typical lives from our experience, not the provinces average where there is a wide range of weather and road conditions. It has been CWH's experience that the transformer performance and specifically the electrical parts are not failing. The pad mount cases are rusting due to salt and other material applications by road departments, requiring them to

be replaced or painted. This is noticed specifically on higher volume roads i.e. county and provincial.

b) CWH deviated from the Kinetrics Study for SCADA systems as a result of breaking out the components of the SCADA system and looking at each individually. For example, computer hardware to run SCADA is no different than computer hardware used for administrative purposes and the life expectancy for this in the Kinetrics Study is 3-5 yrs. Computer software in the Kinetrics Study has a useful life of 2-5 yrs. Communications in the Kinetrics Study has a life expectancy of 2-10 yrs. All the above are components of a SCADA system. Although equipment and devices such as power supplies, hardware boards, switches, RTU's, etc., should last upwards of 20 years, vendors only support and warranty these devices for 10 years. When considering all the components of a SCADA system it is reasonable to estimate a lifespan of 15 years before requiring upgrades.

c) Please refer to the second paragraph in VECC's IR # 11 above.

Exhibit 3 – Operating Revenues

3-25 OEB Staff13

Ref: Exhibit 3/Tab 2/ Schedule 1 – Load Forecast

CWH documents that weather data from Pearson International Airport was used to derive the Heating Degree Days ("HDDs") and Cooling Degree Days ("CDDs") used as exogenous variables in the multivariate regression models for Residential and GS < 50 kW demand.

Environment Canada has meteorological data for at least four sites that are closer to and more likely to have more closely related climactic conditions to the communities of Fergus and Elora:

- Fergus Ministry of the Environment
- Mount Forest;
- Guelph Turfgrass; and
- Region of Waterloo International Airport.

Please explain the basis for selecting Pearson International Airport as the source of meteorological data for CWH's load forecast.

Response:

The Pearson International Airport weather data was used in CWH's approved load forecast for the 2009 COS application. As a starting point for this application CWH used the weather data at the Pearson International Airport in the regression analysis. CWH also considered using weather data from the Fergus Shand Dam weather station. When the data from the Fergus Shand Dam weather station was used, the Adjusted R square value increased by 0.7% for the Residential class but declined by 2.1% for the GS<50 kW class. As a result, CWH decided to use the Pearson International Airport weather data in the regression analysis since the statistical results were overall somewhat better and the required 20 years of weather data was readily available. 20 years of weather data is needed to complete the 20 year weather trend analysis in accordance with the filing requirements.

3-26 OEB Staff 14

Ref: Exhibit 3/Tab 2/Schedule 1 – Load Forecast

Currently, most distributors use a multivariate regression-based approach to develop their load forecast, whereby system purchased consumption kWh is regressed against a number of explanatory variables. The predicted purchased system consumption in kWh is then divided by (1 + loss factor) and then allocated to each customer class. In contrast, CWH has used a bifurcated process whereby a multivariate regression model is used to estimate billed consumption (kWh) for each of the Residential and GS < 50 kW classes, and a NAC approach is used for other classes for which consumption or demand is insensitive (or relatively so) to weather.

a) Do the billed kWh for Residential and GS < 50 kW customer classes correspond exactly with the consumption in each calendar month from June 2002 to December 2011?
b) In the alternative, please explain what assumptions, calculations or other factors underlie the monthly kWh data for Residential and GS < 50 kW classes.
c) Why does the regression range only begin in June 2002?
d) Please provide the regression results in tabular Microsoft Excel format, and the predicted monthly and annual results for the system purchased kWh equation regressed against the same explanatory variables as were used for the Residential and GS < 50 kW. For the residuals, provide the Mean Absolute Percentage Error over the regression range.

Response:

a) No, the billed kWh for Residential and GS<50 kW customer classes do not correspond exactly with the consumption in each calendar month from June 2002 to December 2011.

b) As stated in part a), CWH requested the contracted IT staff to run reports prorating the consumption between the read dates then converting the kWh to calendar month consumption to correspond with the kWh purchased. This was done for the periods of June 2002 to December 31, 2011. CWH has used this method of proration in the calculation of unbilled revenue producing a result that is accepted in the industry and by external auditors. With the implementation of Smart Meters CWH will be in a better position to provide exact consumption data for future rate applications.

c) The regression range started with June of 2002 because prior to this CWH was on a different version of billing software and was not able to go back and retrieve the data without the creation of anomalies.

d) The regression analysis has been conducted on the system purchased kWh using the same explanatory variables as were used for the Residential and GS < 50 kW classes. A live Microsoft Excel version model that supports this analysis has been provided in the filed named “Centre Wellington_2013 Load Forecast-Board Staff #14d”. In tab Purchased Power Model, cells M4 to O119 the predicted monthly values are provided along with the variance analysis that compares predicted to actual monthly values. The MAPE associated with the monthly variances over the regression range is 2.5%. The following tables provide the annual results including the MAPE over the regression range and the statistical results associated with the regression analysis.

Power Purchased			
Year	Actual	Predicted	% Difference
(GWh)			
2002 - Partial Year	100.9	100.6	(0.3%)
2003	150.2	153.8	2.4%
2004	156.7	154.0	(1.7%)
2005	159.4	159.4	(0.0%)
2006	156.3	157.3	0.7%
2007	157.7	157.2	(0.3%)
2008	161.1	156.5	(2.9%)
2009	154.1	153.6	(0.3%)
2010	155.7	155.7	(0.0%)
2011	153.9	157.8	2.5%
MAPE			1.1%

Statistic		
R Square	78.3%	
Adjusted R Square	77.1%	
F Test	65.5	
Variable	Coefficient	T-stat
Intercept	(1,255,164)	(0.64)
Heating Degree Days	3,851	14.73
Cooling Degree Days	9,071	6.04
Spring Fall Flag	(50,212)	(0.45)
Number of Days in Month	244,017	4.70
Employment	8,589	4.49
CDM Activity	(1.4)	(2.61)

3-27 OEB Staff 15

Ref: Exhibit 3/Tab 2/Schedule 1/page 12/Table 3-16 – Load Forecasting and CDM Adjustment

In Table 3-16, CWH provides the data for the adjustment of “gross” to “net” CDM impacts for the adjustment of the load forecast for 2012 and 2013 CDM impacts. This is replicated below:

Table 3-16: Average Net to Gross Percentage				
	OPA 2006-2010 Final CDM Results (Gross)	OPA 2006-2010 Final CDM Results (Net)	# Difference	% Difference of Net
2006	464,901	416,278	48,623	11.7%
2007	2,718,879	1,901,458	817,421	43.0%
2008	2,746,766	2,162,792	583,974	27.0%
2009	3,259,276	2,555,243	704,033	27.6%
2010	3,530,501	2,690,124	840,376	31.2%
2011	3,339,622	2,496,800	842,822	33.8%
2012	3,255,982	2,458,592	797,390	32.4%
2013	3,232,179	2,446,482	785,697	32.1%
Total	22,548,106	17,127,770	5,420,336	31.6%

a) Please update Table 3-16 to reflect the final 2011 CDM results as issued by the OPA in the fall of 2012.
b) CWH has estimated a "net-to-gross" conversion factor of 31.6%, which is based on the overall difference of "net" to "gross" results over the total period from 2006 to 2011, and including the estimated persistence of 2006 to 2011 CDM programs on 2012 and 2013 demand.
    i. Why should the estimated results for 2012 and 2013, which are forecasts, be taken into account in calculating the conversion factor?
    ii. In the alternative, if reliance should be placed on these as being the OPA's final estimates of the persistence of CDM programs up to 2011 on 2013 consumption in CWH's service territory, then why should the 2013 data, with a factor of 32.1%, not be the suitable measure for the 2013 test year load forecast?

Response:

a) Table 3-16 has been updated to reflect the final 2011 CDM results as issued by the OPA in the fall of 2012 and is provided below.

Table 3-16: Average Net to Gross Percentage Updated for 2011 OPA Programs				
	OPA 2006-2010 Final CDM Results (Gross)	OPA 2006-2010 Final CDM Results (Net)	# Difference	% Difference of Net
2006	464,901	416,278	48,623	11.7%
2007	2,718,879	1,901,458	817,421	43.0%
2008	2,746,766	2,162,792	583,974	27.0%
2009	3,259,276	2,555,243	704,033	27.6%
2010	3,530,501	2,690,124	840,376	31.2%
2011	5,029,085	3,471,376	1,557,708	44.9%
2012	4,944,367	3,432,547	1,511,820	44.0%
2013	4,920,564	3,420,437	1,500,127	43.9%
Total	27,614,338	20,050,256	7,564,082	37.7%

b) As outlined in Exhibit 3, Tab 2, Schedule 1, Page 12 of 16 lines 5 and 6, the data that supports the information in Table 3-16 is based on information provided in the OPA 2006-2010 Final CDM Results for CWH. As a result, the table provides the results of 2006 to 2010 programs and the persistence of these programs into 2011, 2012 and 2013 as per the OPA 2006-2010 Final report.

i. The results for 2012 and 2013 were taken into account in calculating the conversion factor since this information was provided by the OPA and it provided more data points to determine the average factor.

ii. Using the 2013 data, with a factor of 32.1%, could be a reasonable alternative to convert net values to gross. However, the average method produces a more conservative factor which in CWH's view provides a more reasonable approach in determining the conversion factor. In any event, the difference between 32.1% and 31.6% would have less than a 0.003% impact on 2013 load forecast which CWH would classify as being insignificant.

3-28 OEB Staff 16

Ref: Exhibit 3/Tab 2/Schedule 1/page 13/Table 3-17 – Load Forecasting and CDM Adjustment

On page 13 and in Table 3-17, CWH documents its methodology for estimating the manual adjustment to account for 2012 and 2013 CDM programs on the 2013 load forecast. Board staff understands CWH's methodology as follows:

- Assuming that 2011 CDM programs achieved 12.9% of CWH's target of 7,810,000 kWh based on the OPA results in 2011 and 18.4% in each of 2012, 2013 and 2014, CWH would need to achieve a further 5.3% of the target in each of 2012, 2013, and 2014 to achieve 100% of the target on a cumulative basis over the four years.
- 5.3% of 7,810,000 kWh equates to 41,275 kWh.
- Thus, in addition to 2011 CDM results which are reflected in the 2011 actuals and hence would influence the load forecast before the CDM adjustment, the adjustment for 2012 and 2013 CDM programs should be 414,275 kWh X 2 years X 1.316 net-to-gross conversion factor = 1,090,756 kWh.

The data for this adjustment is shown in Table 3-17, replicated below:

Table 3-17: Schedule to Achieve 4 Year kWh CDM Target					
4 Year 2011 to 2014 kWh target					
7,810,000					
	2011	2012	2013	2014	Total
2011 Programs	12.9%	18.4%	18.4%	18.4%	68.2%
2012 Programs		5.3%	5.3%	5.3%	15.9%
2013 Programs			5.3%	5.3%	10.6%
2014 Programs				5.3%	5.3%
	12.9%	23.7%	29.0%	34.3%	100.0%
kWh					
2011 Programs	1,008,627	1,438,575	1,438,575	1,438,575	5,324,351
2012 Programs		414,275	414,275	414,275	1,242,824
2013 Programs			414,275	414,275	828,550
2014 Programs				414,275	414,275
	1,008,627	1,852,850	2,267,124	2,681,399	7,810,000

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 not have the full impact in the first year, due to timing.

The measured "full year" results, as measured by the OPA, will be used for the basis of the LRAMVA amount. However, the "full year" results in the first year of a CDM program, will overstate the actual results unless the program was implemented on January 1 of that year.

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

a) Please identify and, if possible, provide the source of the data shown in Table 3-17.
b) Please provide CWH's understanding of the results as published by the OPA (i.e. are the full year or do they only reflect the period that a CDM program in in place in its first year).
c) Please explain why the persistence of 2011 CDM programs, at 1,438,575 kWh for each of 2012, 2013 and 2014 is greater than the impact of 1,008,627 kWh in 2011.
d) If a "half-year" rule is used to account for the fact that 2013 CDM programs will not have a full year impact on 2013 actual consumption, please provide CWH's perspective that the adjustment for the 2012 and 2013 CDM programs on 2013 demand would be estimated as 414,275 kWh X 1.5 (reflecting full year impact of 2012 CDM and half-year impact of 2013 CDM on 2013) X 1.316 = 817,788.9 kWh. (Alternatively, the net-to-gross conversion factor, as discussed in the preceding interrogatory, could be used).
e) While the above is to adjust the load forecast which is on an "actual" year basis, the LRAMVA is based on the measured OPA results reported on a full year basis. Please confirm that the LRAMVA threshold would continue to be based on the "full year" CDM results of 1,438,575 kWh (i.e. persistence of 2011 CDM) + 414,275 X 2 (i.e. persistence of 2012 and impact of 2013 CDM) results, for a total of 2,267,124 net kWh, as documented further on page 13 of this exhibit. In the alternative, please explain CWH's proposal for the kWh used to derive the threshold for the LRAMVA for 2013.
f) If available, please update Table 3-17 with the final OPA results of CWH's 2011 CDM programs.

Response:

a) The source of data for the 2011 programs for all years is based on the 2011 preliminary results outlined in the fourth quarter 2011 CDM Status Report provided to CWH by the OPA. However, the 2011 preliminary results have been adjusted to reflect four ERIP programs that were completed in 2011 but not included in the 2011 preliminary results. As shown in Table 3-17 above, the 2011 preliminary results contribute 68.2% to the four year target. Assuming persistence, the 2012 to 2014 programs will need to achieve 5.3% or 414,275

kWh of the four year target each year in order to achieve the target (i.e. 5.3% = (100% - 68.2%) / 6).

b) It is CWH's understanding the results, as published by the OPA, are annualized.

c) The impact of 1,008,627 kWh in 2011 reflects the four ERIP programs being completed in various months in 2011. In other words, the ERIP results were not annualized in 2011. However, the persistence of 2011 CDM programs moves to 1,438,575 kWh for each of 2012, 2013 and 2014 since this value reflects a full year for the ERIP programs.

d) Assuming the "half-year" rule is used to account for 2013 CDM programs not being in place for a full year, the adjustment for the 2012 and 2013 CDM programs on 2013 demand would be estimated as 414,275 kWh X 1.5 (reflecting full year impact of 2012 CDM and half-year impact of 2013 CDM on 2013) X 1.316 = 817,788.9 kWh. However, CWH is concerned with using the "half-rule" since it is CWH's understanding that, putting aside the discussion on using net or gross, there should be consistent treatment on how the load forecast is adjusted and how the LRAMVA threshold is determined. Consistent with the approach used in part e), it is CWH's view the 414,275 should be multiplied by 2.

e) CWH confirms that the LRAMVA threshold would be based on the "full year" CDM results of 1,438,575 kWh (i.e. persistence of 2011 CDM) + 414,275 X 2 (i.e. persistence of 2012 and impact of 2013 CDM results), for a total of 2,267,124 net kWh, as documented further on page 13 of this exhibit.

f) Table 3-17 has been updated with the final OPA results of CWH's 2011 CDM programs and provided below.

Table 3-17: Schedule to Achieve 4 Year kWh CDM Target Updated for 2011 OPA Programs					
4 Year 2011 to 2014 kWh target					
7,810,000					
	2011	2012	2013	2014	Total
2011 Programs	12.5%	12.5%	12.5%	12.5%	49.9%
2012 Programs		8.4%	8.4%	8.4%	25.1%
2013 Programs			8.4%	8.4%	16.7%
2014 Programs				8.4%	8.4%
	12.5%	20.8%	29.2%	37.5%	100.0%
kWh					
2011 Programs	974,577	973,955	973,955	973,955	3,896,441
2012 Programs		652,260	652,260	652,260	1,956,779
2013 Programs			652,260	652,260	1,304,520
2014 Programs				652,260	652,260
	974,577	1,626,215	2,278,474	2,930,734	7,810,000

3-29 OEB Staff 17

Ref: Exhibit 3/Tab 3/Schedule 1/page 4 – Throughput Revenue

On page 4 of this exhibit, CWH states:

> The timing difference between the 2010 actual amounts which are based on the fiscal year of January 1 to December 31, 2010, and the 2009 Actual amounts, which are based on the rate year of May 1, 2009 to April 30, 2010 also contribute to the variance, since the 2009 rates did not come into effect until May, 2009.

Please explain how the effective date of new rates contributes to the variance in throughput revenues for the year-over-year variances, per the above quote.

Response:

This comment actually relates to the decrease in through put revenue from the 2009 OEB approved amount of $2,730,925 and the actual through put revenue for 2009 of $2,606,178 shown in Table A: Summary of Operating Revenue in Exhibit 3, Tab 1, Schedule 2. The reduction in distribution rates effective May 1, 2009 contributed to the distribution revenues for 2009 being less than the 2009 OEB approved amount.

LOAD FORECAST (Exhibit 3)

3-30 VECC 13

Reference: Exhibit 3, Tab 2, Schedule 1, page 1

a. Please provide the referenced multi-factor regression model estimated for the "power purchase method" and the associated statistics.

b. Please provide indicate if alternative formulations/specifications of the "power purchase method" were tested and, if so, what these alternatives were.

Response:

a) The referenced multi-factor regression model estimated for the "power purchase method" and the associated statistics is provided in the following table.

Statistic		
R Square	79.2%	
Adjusted R Square	78.1%	
F Test	69.3	
Variable	Coefficient	T-stat
Intercept	(3,989,336)	(1.71)
Heating Degree Days	3,955	19.15
Cooling Degree Days	10,485	9.98
Number of Days in Month	190,783	3.58
Number of Peak Hours	8,114	3.17
CDM Activity	(2.0)	(2.87)
Number of Customers - 3 Main Classes	1,171	4.04

b) Alternative formulations/specifications of the "power purchase method" were tested. The following variables were also tested:

- Ontario Real GDP Monthly %
- Trend variable – a number reflecting the passage of time which is the numerical value of the first day of the month from a Jan 1, 1900 reference point
- Employment
- Spring Fall Flag

3-31 VECC 14

Reference: Exhibit 3, Tab 2, Schedule 1, pages 4 - 7

a. Please provide the OPA's Final Report setting out CWH's 2006-2010 final CDM results.

b. Please provide the OPA's Final Report setting out CWH's 2011 final CDM results.

c. Please confirm that the OPA's Reports show annualized CDM savings (i.e., savings assuming the programs are in effect for the full year) and, as a result, will overstate the actual savings achieved the year the program is first introduced.

d. Please explain why, for 2011 CDM Programs, the reported post-2011 persisting savings (1,438,575 kWh) are greater than the first year savings (1,008,627 kWh).

e. Did CWH test any alternative specifications for its Residential model? If so, what were they and what were the results?

f. Please provide the Residential regression model results where the CDM variable is excluded and provide the resulting projection for 2013.

g. Please provide the Residential regression model results where the CDM variable is excluded and monthly customer count is included as an independent variable. Also, using this model, what would be the projection for 2013?

Response:

a) CWH has included with this response the OPA's Final Report setting out CWH's 2006-2010 final CDM results. This file is named "2006-2010 Final OPA CDM Results.Centre Wellington Hydro Ltd."

b) CWH has included with the response the OPA's Final Report Setting out CWH's 2011 final CDM results. This file is named "2011 Final Annual Report Data_Centre Wellington Hydro Ltd."

c) Please see response to 3-Staff-16 part b)

d) Please see response to 3-Staff-16 part c)

e) CWH did test alternative specifications for its Residential model. The following variables were tested as a group and individually and the regression model results for each scenario is provided below.

- Trend variable – a number reflecting the passage of time which is the numerical value of the first day of the month from a Jan 1, 1900 reference point
- Number of Customers
- Number of Peak Hours
- Ontario Real GDP Monthly %

Statistic		
R Square	85.0%	
Adjusted R Square	83.5%	
F Test	58.8	
Variable	Coefficient	T-stat
Intercept	7,458,127	2.13
Heating Degree Days	1,880	15.94
Cooling Degree Days	3,798	5.52
Spring Fall Flag	(201,383)	(3.99)
Number of Days in Month	112,757	4.54
Employment	10,340	5.31
CDM Activity	0.89	1.55
Trend	(379)	(2.56)
Number of Customers	1,412	2.06
Number of Peak Hours	(699)	(0.59)
Ontario Real GDP Monthly %	(52,832)	(4.02)

Statistic		
R Square	82.6%	
Adjusted R Square	81.4%	
F Test	72.4	
Variable	Coefficient	T-stat
Intercept	88,260	0.04
Heating Degree Days	1,844	14.79
Cooling Degree Days	3,990	5.56
Spring Fall Flag	(214,490)	(4.01)
Number of Days in Month	111,618	4.50
Employment	6,252	4.49
CDM Activity	(0.26)	(0.57)
Trend	(111)	(1.53)

Statistic		
R Square	82.5%	
Adjusted R Square	81.4%	
F Test	72.2	
Variable	Coefficient	T-stat
Intercept	(2,081,689)	(1.71)
Heating Degree Days	1,840	14.77
Cooling Degree Days	3,902	5.37
Spring Fall Flag	(215,168)	(4.02)
Number of Days in Month	111,261	4.47
Employment	6,899	3.89
CDM Activity	(0.55)	(1.70)
Number of Customers	(471)	(1.48)

Statistic		
R Square	82.2%	
Adjusted R Square	81.1%	
F Test	70.8	
Variable	Coefficient	T-stat
Intercept	(3,155,718)	(3.33)
Heating Degree Days	1,829	14.55
Cooling Degree Days	4,087	5.67
Spring Fall Flag	(217,401)	(4.03)
Number of Days in Month	120,353	4.54
Employment	4,659	4.99
CDM Activity	(0.87)	(3.47)
Number of Peak Hours	(839)	(0.67)

Statistic		
R Square	82.5%	
Adjusted R Square	81.3%	
F Test	72.0	
Variable	Coefficient	T-stat
Intercept	(3,626,407)	(3.75)
Heating Degree Days	1,812	14.43
Cooling Degree Days	3,840	5.20
Spring Fall Flag	(222,643)	(4.15)
Number of Days in Month	112,491	4.53
Employment	5,633	4.84
CDM Activity	(0.93)	(3.67)
Ontario Real GDP Monthly %	(1,375)	(1.39)

f) The Residential regression model has been re-run to exclude the CDM activity variable. The regression model results and the resulting projection for 2013 is provided below.

Statistic		
R Square	80.2%	
Adjusted R Square	79.3%	
F Test	88.3	
Variable	Coefficient	T-stat
Intercept	(1,861,456)	(2.11)
Heating Degree Days	1,849	14.09
Cooling Degree Days	4,366	5.82
Spring Fall Flag	(215,541)	(3.82)
Number of Days in Month	114,709	4.39
Employment	2,299	3.44
2013 Forecast (GWh)		45.9

g) The Residential regression model has been re-run to exclude the CDM activity variable but include the monthly Residential customer count. The regression model results and the resulting projection for 2013 is provided below.

Statistic		
R Square	82.1%	
Adjusted R Square	81.1%	
F Test	82.3	
Variable	Coefficient	T-stat
Intercept	(689,148)	(0.75)
Heating Degree Days	1,852	14.76
Cooling Degree Days	3,858	5.27
Spring Fall Flag	(212,366)	(3.94)
Number of Days in Month	108,994	4.35
Employment	7,677	4.44
Number of Customers	(820)	(3.35)
2013 Forecast (GWh)		45.4

3-32 VECC 15

Reference: Exhibit 3, Tab 2, Schedule 1, pages 5-7

a. Did CWH test any alternative specifications for its GS<50 model? If so, what were they and what were the results?

b. Please provide the GS<50 regression model results where the CDM variable is excluded and provide the resulting projection for 2013.

Response:

a) CWH did test alternative specifications for its GS< 50 model. The following variables were tested as a group and individually and the regression model results for each scenario is provided below:

- Trend variable – a number reflecting the passage of time which is the numerical value of the first day of the month from a Jan 1, 1900 reference point
- Number of Customers
- Number of Peak Hours
- Ontario Real GDP Monthly %

Statistic		
R Square	69.7%	
Adjusted R Square	66.8%	
F Test	23.9	
Variable	Coefficient	T-stat
Intercept	(4,135,612)	(2.50)
Heating Degree Days	453	8.41
Cooling Degree Days	1,791	5.76
Spring Fall Flag	(69,607)	(3.02)
Number of Days in Month	47,676	4.19
Employment	1,339	1.47
CDM Activity	(0.27)	(1.32)
Trend	164	2.70
Number of Customers	(3,541)	(2.95)
Number of Peak Hours	99	0.18
Ontario Real GDP Monthly %	(5,518)	(1.10)

Statistic		
R Square	66.0%	
Adjusted R Square	63.8%	
F Test	29.7	
Variable	Coefficient	T-stat
Intercept	(817,661)	(0.77)
Heating Degree Days	467	8.41
Cooling Degree Days	1,949	6.09
Spring Fall Flag	(63,298)	(2.65)
Number of Days in Month	45,855	4.14
Employment	907	1.46
CDM Activity	(0.40)	(1.93)
Trend	11	0.33

Statistic		
R Square	66.6%	
Adjusted R Square	64.4%	
F Test	30.5	
Variable	Coefficient	T-stat
Intercept	(236,730)	(0.53)
Heating Degree Days	468	8.50
Cooling Degree Days	1,873	5.87
Spring Fall Flag	(63,758)	(2.70)
Number of Days in Month	45,402	4.15
Employment	1,549	2.92
CDM Activity	(0.11)	(0.59)
Number of Customers	(912)	(1.45)

Statistic		
R Square	66.0%	
Adjusted R Square	63.8%	
F Test	29.7	
Variable	Coefficient	T-stat
Intercept	(524,656)	(1.25)
Heating Degree Days	470	8.45
Cooling Degree Days	1,942	6.10
Spring Fall Flag	(63,089)	(2.65)
Number of Days in Month	44,023	3.76
Employment	1,059	2.56
CDM Activity	(0.34)	(3.06)
Number of Peak Hours	222	0.40

Statistic		
R Square	67.1%	
Adjusted R Square	65.0%	
F Test	31.2	
Variable	Coefficient	T-stat
Intercept	(1,576)	(0.00)
Heating Degree Days	475	8.69
Cooling Degree Days	1,847	5.83
Spring Fall Flag	(60,693)	(2.59)
Number of Days in Month	44,408	4.08
Employment	2,315	3.01
CDM Activity	(0.22)	(1.79)
Ontario Real GDP Monthly %	(9,524)	(1.93)

b) The GS<50 regression model results where the CDM variable is excluded are shown below and include the resulting projection for 2013.

Statistic		
R Square	63.0%	
Adjusted R Square	61.3%	
F Test	37.0	
Variable	Coefficient	T-stat
Intercept	51,943	0.13
Heating Degree Days	475	8.28
Cooling Degree Days	2,044	6.24
Spring Fall Flag	(62,088)	(2.52)
Number of Days in Month	45,684	4.00
Employment	131	0.45
2013 Forecast (GWh)		20.4

3-33 VECC 16

Reference: Exhibit 3, Tab 2, Schedule 1, pages 8-9

a. Please confirm whether the customer/connection counts shown are year-end or average annual values.

b. Please provide the 2012 year-to-date customer/connection count for each class for the most recent month available (preferably 2012 year-end) and, in the same schedule, provide the 2011 values for the equivalent month.

Response:

a) The customer/connection counts shown are mid-year values.

b) The below table is the customer / connection count for each class as at December 31st of 2011 and 2012.

Customer Class	**2011 Customer Count/ Connections**	**2012 Customer/Count Connections**
Residential	5725	5883
General Service < 50 kW	710	705
General Service 50-2,999 kW	60	56
General Service 3,000-4,999 kW	1	1
Street Lights	1687	1685
Sentinel Lights	31	31
Unmetered Scattered Load	6	13
	8220	**8374**

3-34 VECC 17

Reference: Exhibit 3, Tab 2, Schedule 1, pages 2 and 10

a. Did CWH attempt to develop a multi-factor regression model for the GS>50 class that included an independent variable reflecting economic activity (e.g. employment)? If so, please provide the results.

b. If not, please provide the results for a GS>50 multi-factor regression analysis that include the following as independent variables:
   - Spring Flag
   - Number of Days in Month
   - Number of Peak Days in Month
   - Employment
   - CDM Activity

c. Please provide an alternative verso of part (b), excluding the CDM Activity variable.

d. If the Adjusted R Square value from the equations estimated in either part (b) or (c) is greater than 60%, please provide the associated projection for 2013.

Response:

a) CWH did attempt to develop a multi-factor regression model for the GS>50 class that included an independent variable reflecting economic activity using an employment variable. The following are the results of that regression model.

Statistic		
R Square	16.3%	
Adjusted R Square	10.9%	
F Test	3.0	
Variable	Coefficient	T-stat
Intercept	821,182	0.41
Heating Degree Days	219	1.04
Cooling Degree Days	(528)	(0.44)
Number of Peak Hours	5,082	2.41
Spring Fall Flag	(114,608)	(1.27)
Trend	(39)	(0.60)
Number of Days in Month	81,450.46	1.84
Employment	2,766	1.27

b) Not applicable

c) Not applicable.

d) Not applicable.

3-35 VECC 18

Reference: Exhibit 3, Tab 2, Schedule 1, pages 11-13

a) Please confirm that the difference between the gross and net CDM savings represents those savings that would have occurred even if there were no CDM programs. If not, please explain why not.

b) Please explain why the difference between the gross and net CDM impacts is not already reflected in the forecast values for 2012 and 2013.

Response:

a) It is CWH's understanding the difference between the gross and net CDM savings represents those savings from activities of a customer that are similar to the activity of the CDM program, which includes an incentive, but would have occurred even if an incentive was not provided.

b) The regression analysis is based on actual data up to and including 2011. This means any CDM activity up to the end of 2011 has been included in the regression analysis and is reflected in the prediction formula for 2012 and 2013. However, any new 2012 or 2013 CDM activity, whether at the gross or net level, has not been reflected in the regression analysis. Such activity is new incremental activity and is over and above the activity included in the actual data supporting the regression analysis.

3-36 VECC 19

Reference: Exhibit 3, Tab 2, Schedule 1, page 16

a. What were the actual energy purchases for 2008-2011 and the forecast values for 2012 and 2013?

b. Does CWH have preliminary data on the 2012 actual sales by customer class? If so, please provide.

Response:

a) The actual energy purchases for 2008-2011 and the forecast values for 2012 and 2013 are provided in the table below. The forecast values for 2012 and

2013 are based on using the prediction formula from the power purchased method regression model.

Power Purchases (GWh)	
2008 Actual	161.1
2009 Actual	154.1
2010 Actual	155.7
2011 Actual	153.9
2012 Forecast	157.8
2013 Forecast	159.0

b) CWH does not have preliminary data on the 2012 actual sales by customer class at this time to December 31, 2012.

OTHER OPERATING REVENUE (Exhibit 3)

3-37 VECC 20

Reference: Exhibit 3, Tab 3, Schedule 2, pages 1-7

a. Please explain why the interest revenue from regulatory assets (Account 4405) has been included.

b. With respect to Account 4260, is the loss on disposal of distribution assets still applicable for 2013?

c. Please explain the decline in the net margin for Non-Utility Operations (i.e. difference between Revenues and Expenses) between 2011 and 2013.

d. Please provide a revised version of Table 3.34 setting out the 2012 year to date (preferably to December 31, 2012) values and the 2011 year to date value for the same period.

e. Does CWH have any MicroFit customers? If so, how many and where are the service charge revenues reported?

Response:

a) Chapter 2 App. 2-F includes the interest revenue from regulatory assets to provide complete details of the Other Revenue for the Test Year. It should be noted, however, the interest revenue from regulatory assets has been excluded from the calculation of the Revenue Requirement.

Summary of Other Operating Revenue – App 2-F $ 260,038

Revenue Offsets in Revenue Requirement $ 240,938

Difference – Interest from Regulatory Assets $ 19,100

b) Yes, in respect to account 4260 the loss on disposal of distribution assets is still applicable for 2013.

c) The below table shows that although the dollar amount has decreased these is actually a slight increase in the net margin percentage for Non-Utility Operations between 2011 and 2013.

Year	2011 Actual	2013 MIFRS
Net margin for Non-Utility Operations in dollars	-$ 28,222	-$ 16,900
Net margin for Non-Utility Operations as a %	7.2%	7.7%

d) As requested, CWH has provided a revised version of Table 3.34 setting preliminary 2012 year to date figures to December 31, 2012 with 2011 comparison figures. Please note that CWH has adjusted Interest and Dividend income (4405) to exclude interest income from regulatory accounts.

Account 4405 – Interest and Dividend Income, CWH has split the interest investment and dividend from interest on regulatory accounts.

Table 3.34: Summary of Other Operating Revenue (Appendix 2-F)

Other Operating Revenue

USoA #	USoA Description	2009 Actual	2010 Actual	2011 Actual[2]	Forecasted Bridge Year[3]	2012 Preliminary Actual	Bridge Year[3]	Test Year
					2012	2012	2012	2013
	Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
4235	Specific Service Charges	-$ 121,230	-$ 120,377	-$ 125,670	-$ 126,400	-$ 121,111	-$ 126,400	-$ 126,100
4225	Late Payment Charges	-$ 11,120	-$ 10,045	-$ 10,658	-$ 10,700	-$ 11,544	-$ 10,700	-$ 10,800
4086	SSS Admin Charge	-$ 16,148	-$ 16,558	-$ 17,067	-$ 17,000	-$ 18,129	-$ 17,000	-$ 17,000
4082	Retail Services Revenues	-$ 12,662	-$ 12,202	-$ 10,999	-$ 11,800	-$ 9,764	-$ 11,800	-$ 11,800
4084	Service Transacation Requests	-$ 149	-$ 340	-$ 178	-$ 200	-$ 165	-$ 200	-$ 200
4090	Electric Services Incidental to Energy Sales	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4205	Interdepartmental Rents	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4210	Rent from Electric Property	-$ 15,456	-$ 15,406	-$ 15,415	-$ 23,900	-$ 15,415	-$ 23,900	-$ 45,500
4215	Other Utility Operating Income	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4220	Other Electric Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4240	Provision for Rate Refunds	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4245	Government Assistance Directly Credited to Income	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4305	Regulatory Debits	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4310	Regulatory Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4315	Revenues from Electric Plant Leased to Others	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4320	Expenses of Electric Plant Leased to Others	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4325	Revenues from Merchandise, Jobbing, Etc.	-$ 1,000	$ -	-$ 846	$ -	$ -	$ -	$ -
4330	Costs and Expenses of Merchandising, Jobbing, Etc	$ 742	$ -	$ -	$ -	$ -	$ -	$ -
4335	Profits and Losses from Financial Instrument Hedges	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4340	Profits and Losses from Financial Instrument Investm	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4345	Gains from Disposition of Future Use Utility Plant	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4350	Losses from Disposition of Future Use Utility Plant	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4355	Gain on Disposition of Utility and Other Property	-$ 1,138	-$ 16,500	-$ 5,899	-$ 1,000	-$ 813	-$ 1,000	$ -
4360	Loss on Disposition of Utility and Other Property	$ -	$ -	$ -	$ 6,724	$ -	$ 6,724	$ 9,362
4365	Gains from Disposition of Allowances for Emission	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4370	Losses from Disposition of Allowances for Emission	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4375	Revenues from Non-Utility Operations	-$ 384,520	-$ 335,546	-$ 394,682	-$ 254,800	-$ 323,149	-$ 254,800	-$ 219,600
4380	Expenses of Non-Utility Operations	$ 316,047	$ 274,676	$ 366,460	$ 226,700	$ 281,979	$ 226,700	$ 202,700
4385	Expenses of Non-Utility Operations	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4390	Miscellaneous Non-Operating Income	-$ 2,601	-$ 5,712	-$ 1,262	-$ 1,300	-$ 3,192	-$ 1,300	-$ 1,300
4395	Rate-Payer Benefit Including Interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4398	Foreign Exchange Gains and Losses, Including Amort	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4405	Interest and Dividend Income	-$ 26,102	-$ 33,606	-$ 46,729	-$ 31,500	-$ 38,144	-$ 31,500	-$ 20,700
4405	Interest and Dividend Income-regulatory accounts	$ 8,594	-$ 4,815	-$ 13,494	-$ 14,100	-$ 12,667	-$ 14,100	-$ 19,100
4415	Equity in Earnings of Subsidiary Companies	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Specific Service Charges		-$ 121,230	-$ 120,377	-$ 125,670	-$ 126,400	-$ 121,111	-$ 126,400	-$ 126,100
Late Payment Charges		-$ 11,120	-$ 10,045	-$ 10,658	-$ 10,700	-$ 11,544	-$ 10,700	-$ 10,800
Other Operating Revenues		-$ 44,415	-$ 44,505	-$ 43,659	-$ 52,900	-$ 43,473	-$ 52,900	-$ 74,500
Other Income or Deductions		-$ 89,978	-$ 121,504	-$ 96,452	-$ 69,276	-$ 95,986	-$ 69,276	-$ 48,638
Total		-$ 266,743	-$ 296,431	-$ 276,439	-$ 259,276	-$ 272,114	-$ 259,276	-$ 260,038

e) As at December 31, 2012, CWH had 21 microFit customers. The monthly service charge of $5.25 per customer is reported in sub-account 4080. In 2011, the total of the monthly service charge was $346.50.

Exhibit 4 – Operating Expenses

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Ref: Exhibit 4/Tab 1/Schedule 1/ pp. 7-8 – OM&A Cost Drivers

Other than two staff positions, CWH lists drivers of increases and decreases in OM&A under item 3 on pages 7 and 8 of Exhibit 4/Tab 1/Schedule 1.

a) CWH states that "Moving to Time of Use (TOU) billing has resulted in increases in costs related to hosting of ODS, AS2, Elster software support, etc." Is CWH referring to costs other than those for the Systems Analyst – IT hired in 2011 and described on pages 5 and 6 of this exhibit? If so, please explain.
b) CWH documents one driver as "Increase in outside service (5630) due to increased legal, audit and consulting services other than those regulated [sic] to rate setting." Please provide further descriptions of external legal, audit and consulting services being required, and how these are necessary for CWH's operations.
c) CWH states that non-labour inflation for 2012 and 2013 is based on the average CPI Canada rate for the 10 months between October 2011 and July 2012 at a rate of 2.11%.
    a. Is the 2.11% a 10-month rate or is it annualized?
    b. What is the source Canadian CPI measure and data used?
    c. Why did CWH rely on a Canadian CPI measure rather than a more localized measure such as Ontario CPI?
d) CWH notes as a driver of OM&A expenses "Reduction in contracted work and reallocation of outside crew time between capital, operations and maintenance jobs." Please provide further explanation for the reduction in contracted work.

Response:

a) Yes, CWH in the statement that "Moving to Time of Use (TOU) billing has resulted in increases to costs related to hosting of ODS, AS2, Elster software support, etc." is separate to that of the costs related to the Systems Analyst-IT hired in 2011. Prior to going to TOU billing, CWH had not incurred costs related to an ODS, AS2 or Elster software support. These are all new costs related to smart meter implementation.

b) The increase in cost to account 5630-outside services is the result of a number of different components. Increased legal costs to CWH are being incurred to assist CWH with expected Service Area Amendment issues. There is currently one request for a preliminary Offer to Connect from a developer in progress, and CWH anticipates more in the coming years.

On-going increases in legal fees also relates to staff and union employees, contractual agreements and other legal issues. Also included in 5630, is an increase in year-end audit and tax services. CWH is also requiring the assistance of miscellaneous consultants to assist with on-going and new regulatory requirements, implementation of new financial modules to meet new requirements imposed by regulators, and the on-going use of consultants to train staff on new standards and regulations.

c) This question relates to non-labour inflation for 2012 and 2013.

Part a) the 2.11% is the sum of 10-month rate changes from October 2011 to July 2012 divided by 10 to arrive at an average.

Part b) the source of the CPI rate is www.global-rates.com/economic-indicators/inflation/consumer-prices/CPI/Canada.aspx

Part c) The Canadian CPI measure was readily available and appeared to be an appropriate measure for inflation.

d) Cost Driver #10 related to the comparison of 2013 OM&A to 2012 OM&A, states that the 10th driver is related to the reduction in contract work and reallocation between capital and O&M. CWH does not have a reduction in the work crew for 2013, but a larger portion of the line crew time is being focused on in the capital area because of the nature of the work being scheduled. When you reallocate the crew costs to capital jobs the offset is a reduction in OM&A. The reduction in OM&A for contracted work also follows the same principles when you switch between capital and OM&A projects.

4-39 OEB STAFF-19

Ref: Exhibit 4/Tab 1/Schedule 1/Page 3 – OM&A Costs per Customer and Customers per FTEE

Table 4.4, showing OM&A costs per customer and customers per FTEE is replicated below. It shows OM&A costs per customer increasing over time, as well as the number of customers per FTEE at CWH decreasing over time. Even taking inflation into account, it appears that the increasing OM&A per customer trend would continue.

a) Please augment Table 4.4 showing OM&A per customer in real terms (i.e. with OM&A deflated by a suitable inflation measure such as CPI or GDP-IPI.
b) Please provide further explanation of the drivers for these trends.

Table 4.4 – OM&A Per Customer and FTE (App 2-L)

	Last Rebasing Year (2009 Board-Approved)	Last Rebasing Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Number of Customers	6,464.00	6,342.00	6,407.00	6,498.00	6,591.20	6,685.25
Total Recoverable OM&A from Appendix 2-I	$ 1,753,350	$ 1,718,477	$ 1,840,634	$ 1,985,049	$ 2,288,700	$ 2,303,000
OM&A cost per customer	$ 271.25	$ 270.97	$ 287.28	$ 305.49	$ 347.24	$ 344.49
Number of FTEEs	14.5	14.5	13	14	15	16
Customers/FTEEs	445.79	437.38	492.85	464.14	439.41	417.83
OM&A Cost per FTEE	120,920.69	118,515.64	141,587.22	141,789.20	152,580.00	143,937.50

Response:

a) CWH negotiated union contract, which is then applied to the non-union staff, has been an annual increase of 3% per year. CWH used the inflation rates 1.3% for 2010, 1.3% for 2011, 2.0% for 2012 and 2.11% for 2013 for all cost that didn't have individual supported increases. The CPI-Ontario index for 2010 to 2011 had an overall annual increase of 3.1%.

b) In 2009, CWH had FTEEs of 14.5 employees and is looking to increase this number by 1.5 FTEE to 16 FTEE by the close of 2013. CWH has tried to maintain the reduction in staff but has found that it is not feasible.

Since the reduction in 2010, CWH has rehired a full-time line crew member, a System Analyst-IT member and is now seeking the hiring of a Financial Analyst to assist in the area of financial and regulatory reporting.

CWH is asking to increase the administrative staff by one person in order to assist with increased work load related to regulatory and financial reporting. The current staff level has not been able to keep up with the new requirements imposed on it by regulations and as a result some staff members are putting in excessive unpaid overtime.

CWH believes, at this time, that the increase of staffing to the 16 FTEE level would be sufficient to cover staffing requirements for the next few years. Therefore, the OM&A cost per customer and OM&A cost per FTEE should improve moving forward.

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Ref: Exhibit 4/Tab 1/Schedule 1/page 10 – Regulatory Costs

CWH documents its regulatory costs in Table 4.5 and Appendix 2-M.

CWH documents $8,700 for expert witness costs, $20,000 for consulting and $11,400 for intervenor costs as one-time costs for this Application for 2013 cost of service-based rates. All costs are estimated for 2013, as shown in the second table on Appendix 2-M.

a) Are these the total costs for CWH's 2013 cost of service Application, or one-quarter of the total estimated costs, per amortization over 4 years?
b) Why has CWH not documented any costs in 2012, during which CWH was preparing this Application?
c) Under the RRFE initiative being undertaken by the Board, the length of the IRM term would normally increase to 5 years (one year of cost of service rebased rates followed by 4 years of IRM rate adjustments). Please provide CWH's views on the amortization period for recovery of one-time regulatory costs associated with this Application.

Response:

a) The above are a one-time cost of $40,100 and should have been reflected in the revenue requirement in an amount of $10,025 per year. CWH proposes to adjust the revenue requirement accordingly.

b) CWH in appendix 2-M shows a regulatory cost of $125,400 which includes the cost related to the PILs application, Cost of Service application and other regulatory expenses incurred during 2012. All regulatory expenses have been

recorded in account 5655. In Table 4.5 (App 2-M), CWH included $30,900 as one-time costs related to regulatory costs.

c) The one-time regulatory cost of $40,100 associated with this application amortized over a 5-year period versus a 4-year period would not materially impact CWH. Having said that, CWH does not agree with a five-year disposition period. A disposition period of five-years as suggested by Board Staff assumes the LDC will be rebasing in five years - 2018. The Renewed Regulatory Framework for Electricity Distributors provides several options to LDCs with respect to rate applications and it should not be assumed that at this time CWH will rebase in 2018 as the choice could be to adopt the Annual IR option with no defined date for its next Rebasing.

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Ref: Exhibit 4/Tab 2/Schedule 2/page 2, and Exhibit 4/Tab 2/Schedule 4/page 9 – Billing and Collecting Expenses

CWH documents its Billing and Collecting Expenses in Table 4.8, replicated below.

Table 4.8 - Detailed Account by Account Billing & Collecting Expenses (App 2-G)

Account Description	Last Rebasing Year (2009 Actuals)	2010 Actual	2011 Actual[2]	Bridge Year 2012[3]	Bridge Year 2012[3]	Test Year 2013
Billing and Collecting						
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
5305 Supervision	$ -	$ -	$ -	$ -	$ -	$ -
5310 Meter Reading Expense	$ 35,379	$ 7,588	$ 1,684	$ 93,300	$ 93,300	$ 108,100
5315 Customer Billing	$ 217,035	$ 179,146	$ 228,858	$ 305,100	$ 305,100	$ 322,400
5320 Collecting	$ 61,361	$ 67,101	$ 73,125	$ 72,600	$ 72,600	$ 74,600
5325 Collecting - Cash Over and Short	$ 62	$ 151	-$ 5	$ -	$ -	$ -
5330 Collection Charges	$ 4,636	$ -	$ -	$ -	$ -	$ -
5335 Bad Debt Expense	$ -	$ 9,079	$ 13,662	$ 14,000	$ 14,000	$ 18,600
5340 Miscellaneous Customer Accounts Expenses	$ 2,116	$ 455	$ -	$ -	$ -	$ -
Total - Billing and Collecting	$ 320,588	$ 263,519	$ 317,324	$ 485,000	$ 485,000	$ 523,700

a) Please explain the increases in Account 5310 Meter Reading Expense to $93,300 in 2012 and the further increase to $108,100 forecasted for the 2013 test year.
b) Please explain the increases in Account 5315 Customer Billing to $305,100 in 2012 and the further increase forecasted to $322,400 for the 2013 test year.
c) On page 9 of Exhibit 4/Tab 2/Schedule 4, CWH states that it is forecasting an increase in bad debt expense of $4,600 in 2013, but that the loses could be

larger if a major customer goes out of business. Please provide further explanation on both the increase of $4,600 and the potential bad debt depending on the fate of a large customer.

Response:

a) The increase in account 5310 in 2011 of $1,684 to 2012 to $93,300 and 2013 to $108,100 is a follows: reallocation of wholesale/retail settlement cost of $49,500 from customer billing; communications line of $2,300; contracts related to TOU billing of $40,000 in 2012 increasing to $55,000 in 2013. The reallocation and new costs were put into 5310 in order to better allocate meter reading costs in a fair method reflected in the cost allocation model.

b) The increase in account 5315 – Customer Billing for 2011 to 2012 is $76,242 and forecasted increase between the years 2012 to 2013 is $17,300.

The 2012 increase of $76,242 is made up as follows:

1. Decrease of $49,100 is the result of costs transferred to 5310-Wholesale/Retail Settlement to better reflect the cost of meter reading.
2. Increase of $17,600 in computer expenses, made up of annual $6,000 cost for the customer connect program, $11,200 transferred to prepaid expenses for incorrect account of seed money posted to expense account in 2007.
3. Increase of $41,100 related to TOU billing for Security Audit, Licencing, AS2 hosting, joint CIS analyst hired by UCS to assist with billing software, MDMR, CIS billing processes and procedures.
4. Increase of $19,300 for outside billing service assistance.
5. Increase of $20,100 in postage, of which $6,400 was related to the TOU billing notification to customers, $1,700 in postage rate increase, $12,000 in overcharge to 4380-Non utility expense related to water and sewer billing in 2011.
6. Increase of $27,200 in salaries and benefits related to the hiring of the IT System Analyst, an annual wage increases.

The 2013 increase of $17,300 is made up as follows:

1. Increase of $6,000 for computer expenses.
2. Increase of $5,000 for TOU billing related costs.

3. Decrease of $6,000 for postage – removal of mass mailing to customers related to TOU implementation.
4. Increase of $9,400 for salaries and benefits.
5. Increase of $2,900 for stationery and other office expenses related to billing the customer.

c) CWH requested an increase in bad debt expense of $4,600 in 2013 to $18,600 because in reviewing the accounts receivable aged trial balance the accounts over 60 and 90 days exceeded the $14,000 that was previously approved. As at December 31, 2012, CWH had $15,783 in accounts over 90 days and $5,175 in accounts over 60 days. As at January 25, 2013, CWH has $19,480 in accounts over 90 days and $1,722 in accounts in the 61 to 90 day bracket.

Although currently there is no indication on any of the larger General Service customers becoming a bad debt the expectation is that there would a material impact if this were to occur. CWH uses insurance coverage to help alleviate this concern and therefore is not incorporating any increased amount for General Service customers in the 2013 estimate that has been incorporated in the application.

LRAM and LRAMVA

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Ref: *Guidelines for Electricity Distributor Conservation and Demand Management* (EB-2012-0003), Section 13: LRAM
Chapter 2 of the *Filing Requirements for Electricity Transmission and Distribution Applications*, Last Revised on June 28, 2012, Section 2.7.10: CDM Costs
Exhibit 4/Tab 6/Schedule 1/page 1
Reply to Request for Additional Information, Response #8, November 13, 2012

CWH notes that it is not requesting disposition of the balance of DVA accounts 1567 or 1568 in this Application because the accounts have a zero balance. CWH states that it is requesting the right to recover the lost revenues related to 2011 CDM programs when the final evaluation results are available for the OPA 2011 and 2012 CDM Programs.

On September 27, 2012, CWH filed its 2011 CDM Annual Report. Within its 2011 Annual Report, CWH included its gross and net energy saving from the CDM Programs that will contribute towards its CDM Targets.

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, distributors must, at a minimum, 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. Even if the Account 1568 does not currently have an amount included, please provide supporting evidence for recovery of the lost revenues associated with Centre Wellington's 2011 OPA CDM Programs found within its 2011 CDM Annual Report. Please ensure that the evidence includes the following elements:

a) Full LRAMVA calculations that are based on the final evaluation results for 2011 OPA CDM Programs. The LRAMVA calculations are determined by calculating the energy savings by customer class and valuing the net energy savings based on using the distributor's approved variable distribution charge appropriate to the class;
b) Separate tables for each rate class that shows the LRAMVA amounts requested in association with the final evaluation results for 2011 OPA Programs;
c) A statement that indicates the amount, if any, that Centre Wellington's last approved load forecast was adjusted to reflect forecasted CDM impacts in association with Centre Wellington's 2011-2014 CDM Targets;
d) Calculations showing the variance, if any, between the CDM component related to the 2011-2014 CDM Targets included in Centre Wellington's last approved load forecast and the final evaluation results for Centre Wellington's 2011 OPA Programs;
e) A statement indicating that the distributor has relied on the most recent final evaluation report from the OPA in support of its LRAMVA calculation;
f) 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;
g) Applicable LRAMVA rate riders for all affected rate classes;
h) A statement, and if applicable a table, that indicates if carrying charges are being requested on the LRAMVA amount; and

i) Documentation of the distributor's final evaluation results for its 2011 OPA Programs.

Response:

CWH submits the following application for the approval and recovery of Lost Revenue Adjustment Variance Account (LRAMVA) amounts related to lost revenue from 2011 CDM activities between January 1, 2011 and December 31, 2011. No previous LRAMVA claims related to these CDM activities have been submitted.

CWH will be requesting disposition of the balance of DVA accounts 1568 in the amount of **$15,130.95**, including carrying charges of **$128.64**. This request is in compliance with 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 of the Filing Requirements, whereby distributors must, at a minimum, apply for the disposition of the balance in the LRAMVA as part of their COS applications. Furthermore, all CDM programs utilized by Centre Wellington Hydro in 2011 were OPA-Contracted Province-Wide CDM programs. As a result, no third-party review is required as per Section 2.7.10 of the OEB filing requirements

(a) (b) Full LRAMVA calculations are provided in the table below. These calculations were performed using the net results as indicated in the 2011 Final Evaluation OPA report.

(e) (f) CWH recognizes that this report is the most recent and appropriate report available for calculating this LRAMVA amount.

CWH's LRAMVA Calculation:

Year: 2011												
Calculation:	A		B		C = B-A		D 1		D 2		E = (C x 33% x D1) + (C x 66% x D2)	
			2011 OPA Information:									
	CDM Component of Approved OEB Forecast 2009 CoS		OPA Final Annual Report - 2011		Energy Volume to Calculate Variance		Distribution Volumetric Rate *(Jan - Apr)*		Distribution Volumetric Rate *(May - Dec)*		**Entry for 1568 LRAM Account**	
Customer Class	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW
Residential	0	0	174,514	53	174,514	53	$0.0129		$0.0127		$2,227.96	
General Service <50 kW	0	0	800,063	177	800,063	177	$0.0161		$0.0159		$12,774.34	
General Service 50 - 2,999 kW	0	0	0	0	0	0		$3.0657		$2.8947		$0.00
General Service 3,000 - 4,999 kW	0	0	0	0	0	0		$2.4592		$2.4587		$0.00
Sentinel Lighting	0	0	0	0	0	0		$9.4907		$11.6967		$0.00
Street Lighting	0	0	0	0	0	0		$16.2724		$21.2392		$0.00
Unmetered Scattered Load	0	0	0	0	0	0	$0.0244		$0.0240		$0.00	
Total	**0**	**0**	**974,577**	**230**	**974,577**	**230**					**$15,002.30**	**$0.00**

Notes:				
	In the OEB Approved forecast (CoS 2009), there were no CDM targets	Above results are **"Net Savings"** taken from OPA's 2011 Final Annual Report *(section 2.5.2 Results- LDC)*	Forecast **less** OPA Reported "Net Savings"	For CWH, rates are effective from May 1. OPA Reports are based upon Annual savings, not by month. Therefore have split annual volume by 33% (Jan-Apr) and 66% May-Dec)	Above shows a **Debit** to CWH (receivable) due to losing revenue that was not in the LDCs OEB Approved forecast

The LRAMVA amounts are derived from the first year savings from OPA programs launched in 2011. All LRAMVA calculations are by rate class as per Section 13.2 of the CDM Guidelines. CWH's last load forecast was prepared in 2009 by Elenchus Research Associates.

(c) In 2009, there were no CDM activities included in the load forecast underpinning CWH rates. Therefore, the LRAMVA calculation assumes no CDM component in the previous load forecast.

(d) As such, the variance between the CDM component related to the 2011-2014 CDM Targets included in CWH's last approved load forecast and the final evaluation results for CWH's 2011 OPA Programs is the full amount of **$15,002.30**. CWH notes that it has not reported any amount in this account in its 2011 RRR filing, but proposes to revise the RRR filing once the decision related to this application is issued.

(h) Carrying Charges are applicable to the above amount. The table below shows carrying charges of **$128.64**, calculated using simple interest at the Board prescribed interest rate of 1.47% per annum for the period of October 1, 2012 to April 30, 2013.

Carrying Charges:	**LRAMVA**		**Rate**		**Total Interest**		**Total**
Residential	$2,227.96		1.47%		$19.10		$2,247.07
General Service Less Than 50 kW	$12,774.34		1.47%		$109.54		$12,883.88
	$15,002.30				**$128.64**		**$15,130.95**

(g) It is requested that the LRAMVA claim related to 2011 programs be recovered through a volumetric rate rider over a one-year period beginning May 1, 2013. The table below shows rate riders that have been calculated utilizing the 2011 billing determinants for each rate class.

(i) A copy of the 2011 Final Evaluation OPA report is included with this response.

LRAMVA Rate Rider Calculation:	**LRAMVA**		**kWh**		**1 Year Rate Rider**	
Residential	$2,247.07		45,390,825		0.00005	$/kWh
General Servcie Less Than 50 kW	$12,883.88		20,241,264		0.00064	$/kWh
Total	**$15,130.95**					

4-43 OEB STAFF-23

Ref: *Guidelines for Electricity Distributor Conservation and Demand Management* (EB-2012-0003), Section 13.6: LRAM for pre-2011 Programs Decision and Order EB-2011-0160, Centre Wellington's 2012 IRM Application, March 22, 2012

LRAM for pre-2011 CDM Programs

The Board's CDM Guidelines state that it is the Board's expectation that LRAM for pre-2011 CDM activities should be 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.

In the Board's Decision and Order on CWH's 2012 IRM application, the Board did not approve the LRAM arising from the persistence of 2010 CDM programs in 2011 as it found that it was premature to do so at that time.

If CWH has outstanding lost revenues from the persistence of 2010 CDM programs in 2011 and/or 2012, please provide evidence supporting the recovery of these amounts, including:

a) Both gross and net persisting energy savings from 2010 CDM programs in 2011 and 2012;
b) Full LRAM calculations for any persisting savings from 2010 CDM programs in 2011 and/or 2012;
c) A statement that indicates the distributor has relied on the most recent and appropriate final evaluation report from the OPA in support of its LRAM amount;
d) Please provide a table that shows the LRAM amounts requested by the program year they are associated with and the year the lost revenues took place, divided by rate class within each program year. Use the table below as an example:

Program Year (Divided by rate class)	Years that lost revenues took place	
	2011	2012
2010	$xxx	$xxx

e) Applicable LRAM rate riders, separate from the LRAMVA rate riders requested above, for all affected rate classes.

Response:

CWH submits the following application for the approval and recovery of Lost Revenue Adjustment Variance Account (LRAMVA) amounts related to lost revenue from 2010 CDM activities that occurred between January 1, 2006 and December 31, 2010 that have persisted into 2011. No previous LRAMVA claims related to these CDM activities have been submitted.

CWH will be requesting disposition of the balance of DVA accounts 1568 in the amount of **$5,997.11**, including carrying charges of **$50.99**. This request is in compliance with 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 of the Filing Requirements, whereby distributors must, at a minimum, apply for the disposition of the balance in the LRAMVA as part of their COS applications.

(a) Based on the 2010 Final Evaluation OPA report, CWH has determined that gross and net persisting energy savings from 2010 CDM programs in 2011 are as follows:

LRAMVA - 2010 Persistence in 2011	kWh		kW
Gross	591,272		218
Net	401,547		145

(b) (d) Full LRAMVA calculations are provided in the table below. These calculations were performed using the net results as indicated in the 2010 Final Evaluation OPA report.

(c) CWH recognizes that this report as the most recent and appropriate report available for calculating this LRAMVA amount. A copy of the 2010 Final Evaluation OPA report is included with this response.

LRAMVA - 2010 Persistence in 2011	kWh		kW		Volumetric Rate (Jan - Apr)	Volumetric Rate (May - Dec)		
Residential	145,388		58		$0.0129	$0.0127		$1,856.12
General Service <50 kW	256,159		87		$0.0161	$0.0159		$4,090.01
Total:	**401,547**		**145**					**$5,946.13**

CWH is claiming LRAMVA in the amount of **$5,946.13**. This amount is derived from the savings from OPA programs launched in 2006 – 2010 that have persisted into 2011. All LRAMVA calculations are by done by rate class as per Section 13.2 of the CDM Guidelines. CWH notes that it has not reported any amount in this account in its 2011 RRR filing, but proposes to revise the RRR filing once the decision related to this application is issued.

Carrying Charges are applicable to the above amount. The table below shows carrying charges of **$50.99**, calculated using simple interest at the Board prescribed interest rate of 1.47% per annum for the period of October 1, 2012 to April 30, 2013. .

Carrying Charges:	LRAM	Rate	Total Interest	Total
Residential	$1,856.12	1.47%	$15.92	$1,872.04
General Servcie Less Than 50 kW	$4,090.01	1.47%	$35.07	$4,125.08
Total	**$5,946.13**		**$50.99**	**$5,997.11**

(e) It is requested that the LRAMVA claim for 2010 persistence in 2011 be recovered through a volumetric rate rider over a one-year period beginning May 1, 2013. The table below shows rate riders that have been calculated utilizing the 2011 billing determinants for each rate class.

LRAMVA Rate Rider Calculation:	LRAM	kWh	One Year Rate Rider	
Residential	$1,872.04	45,390,825	0.00004	$/kWh
General Servcie Less Than 50 kW	$4,125.08	20,241,264	0.00020	$/kWh
Total	**$5,997.11**			

OM&A EXPENSES (Exhibit 4)

4-44 VECC 21

Reference: Exhibit 4, Schedule 1, Tab 1, pg. 2

a. Please confirm there are no adjustments to compensation capitalized due to the movement from CGAAP to MIFRS

Response:

a) CWH confirms there are no adjustments to compensation capitalized due to the movement from CGAAP to MIFRS.

4-45 VECC 22

Reference: Exhibit 4, Tab 1, Schedule 1

a. Please provide a table showing the OM&A per customer and Customers/FTEE for the cohort of similar utilities (see GTA Towns LDC – Benchmarking the Costs of Ontario Power Distributors, M.Lowery et. al 2007)

Response:

a) CWH has reviewed the referenced report and could not locate FTEE data. The OEB yearbook started displaying FTEE data in 2011.

CWH has prepared the following table comparing data from the referenced report to the latest OEB Yearbook data.

	Customers				OM&A / Customer				FTEE	Customers / FTEE
	PEG March 2008	2011 OEB Yearbook	% Increase		PEG March 2008	2011 OEB Yearbook	% Increase		2011 OEB Yearbook	
Centre Wellington	6,158	6,496	5%		$ 214	$ 299	40%		14	464
Coop Hydro Embrun	1,836	1,954	6%		$ 189	$ 274	45%		3	651
Grimsby Power	9,508	10,307	8%		$ 156	$ 202	29%		18	573
Niagara on the lake	7,703	8,000	4%		$ 199	$ 238	20%		19	421
Orangeville Hydro	9,997	11,248	13%		$ 174	$ 263	51%		20	562

4-46 VECC 23

Reference: Exhibit 4, Tab 1, Schedule 1, pg. 2

a. Please provide an explanation for the variance in Administration and General cost category between 2009 Board approved and 2009 actuals.

Response:

a) The Administration and General cost category for the 2009 Board Approved amount was $828,050, while the 2009 actual amount for this category was $759,038 for a difference of $69,012. CWH has set out the comparisons in the table below.

Expense Category	Description of Expense	2009 EDR Approved	2009 Actuals	DR Under CR Over
Employee Salary & Expenses	Employee on Maternity Leave	455,200	440,162	15,038
Outside services	Restructuring, IFRS, Legal, Audit, Misc Consultants	50,000	35,671	14,329
Office Supplies & expenses	Computer, courier, travel, stationery, telecommunications, bank charges	49,200	37,160	12,040
Property insurance		12,000	11,560	440
Injuries & Damage Insurance	Includes Business Credit Insurance, Liability premiums	33,200	25,274	7,926
Employee Pensions and Benefits	Actuarial Review of retired employee pensions and premiums	6,700	25,362	- 18,662
Regulatory Expenses		71,950	48,424	23,526
Advertising		1,500	927	573
Miscellaneous General Expenses	Corporate Membership & Dues, Director renumeration & expense, shareholder meetings.	85,300	81,128	4,172
Maintenance of general Plant	Janitorial, Utilities, Building Repairs	19,000	15,689	3,311
Electric Safety Authority Fees	ESA Standards & Audit fees	9,000	7,428	1,572
Property taxes	Realty Taxes under budget	35,000	30,253	4,747
Total Expenditures		828,050	759,038	69,012

4-47 VECC 24

Reference: Exhibit 4, Appendix 2-G

a. Please update Appendix 2-G (Detailed OM&A expense) for 2012 actuals – or estimated year-end values.

Response:

a) CWH does not have the information available to provide accurate estimates of the 2012 detailed OM&A expenses at this time.

4-48 VECC 25

Reference: Exhibit 4, Tab 1

Please provide an explanation for the growth in costs from 2009 to forecast 2013 for the following accounts:

a. 5085 – Miscellaneous Distribution Expenses.

b. 5310 – Meter reading expense. Please also explain the very low costs for this account in 2009 and 2010.

c. 5410 – Community Relations Sundry.

d. 5620 – Office Supplies.

e. 5630 – Outside Contractors.

Response:

a) Account 5085-Miscellaneous Distribution Expenses shows a total growth of $46,780 from 2009 actual to 2013 test year. The largest part of the growth is due to the allocation of 25% of the salary and burdens related to the hiring of the IT System Analyst to this account for the management of updating the mapping system, implementation and upkeep of the paperless service order system, and on-going system issues related to operations and maintenance departments. Also included in this amount is additional time designated for the line crew to take care of miscellaneous distribution expenses that do not fall under the other categories set out in the uniform system of accounts. These two items total $42,900. There is an additional $2,150 related to the cost of telecommunications.

b) Account 5310 – Meter reading expenses shows a total increase of $72,720 from 2009 actual expense to 2013 test year. $49,500 is the result of reallocating costs related to the wholesale / retail settlement cost from 5315 to 5310 to better allocate costs to customer classes. $40,000 increase is due to on-going Elster metering costs related to smart meters. $10,500 is related to new contracts required for collecting and integrating the electrical reads from smart meter customers. CWH saw a reduction in costs of $27,280 related to the elimination of manual meter reading, netting down to the difference of $72,720.

c) Account 5410 – Community Relations Sundry shows a total increase of just over $10,000. $3,700 is the result of the LEAP program where the first payment was made in 2011. $1,000 represents the cost of advertising for public/community related items such as the blood donors clinic and public awareness with regards

to billing options. The balance of $5,300 relates to increase labour, burdens and materials directly associated with public education sessions geared to low income customers to help them manage their energy consumption.

d) Account 5620-Office Supplies shows an increase in expenses of $26,600 from 2009 actuals to the 2013 test year. The majority of this increase, $25,100, is directly related to computer expenses including the hosting and support of the financial system implemented in 2010, additional licensing software for virus protection, etc. $600 for telecommunications, $350 for banking services and an additional $600 related to courier charges, stationery, and travel.

e) Account 5630 – Outside contractors increased by $86,800 from 2009 actual to 2013 test year. The audit and tax return fees have increased by $2,900. Legal fees have increased by $49,600 because of the need to retain legal counsel in dealing with boundary expansions, legal advice related to staff and union agreements, contractual agreements, and other legal agreements. $34,300 for miscellaneous consultants being hired to assist with on-going regulatory, financial, staff training and implementation of new requirements as determined by the regulators.

4-49 VECC 26

Reference: Exhibit 4, Appendix 2-G

a. Please explain how the Bad Debt forecast for 2013 is derived/calculated.

b. Please provide the actual year-end bad debt expense for 2012

Response:

a) The 2013 bad debt expense of $18,600 represents 0.58% of proposed base revenue requirement. This was based on using the accounts receivable aged report showing the accounts 60 to 90 and over 91 days and comparing it over the last couple of years. Experience has shown that once accounts are over 90 days they are more likely to default.

b) The below table sets out the bad debt expenses for 2009-2012.

Bad Debt Analysis - account 5335
2009-2012

		2009	2010	2011	2012
Residential		3,962.57	7,522.67	9,996.87	6,094.90
General Service < 50 kW		673.28	1,556.06	3,664.78	- 84.00
General Service > 50 kW		-	-	-	855.58
	Total	**4,635.85**	**9,078.73**	**13,661.65**	**6,866.48**

Outstanding Receivables at December 31, 2012

Between 60 and 90 days	5,175.79
Over 91 days	15,783.43
Total accounts over 60 days	20,959.22

As at January 25, 2013, CWH shows outstanding customer accounts between 61 to 90 days of $1,722 and accounts over 91 days as being $19,480.

4-50 VECC 27

Reference: Exhibit 4, Tab 1, Schedule 1, pg.11

a. Please show the calculation which provides the proposed LEAP forecast amount of $3,680.

Response:

a) CWH estimated the amount of 2013 LEAP as $3,680. This amount was calculated on the 2009 Cost of Service, Revenue requirement approved by the Board (EB-2008-0225). The actual amount paid for 2013 will be equal to 0.12% of total distribution revenue which is inclusive of the amount for administration and program delivery costs. CWH 2013 Base Revenue Requirement as shown in the latest model has an amount of $3,189,914 which would increase the 2013 amount to $3,828.

4-51 VECC 28

Reference: Exhibit 4, Tab 1, Schedule 1, pg. 8, pg.11

a. Please provide CWH's estimates of the annual inflation rate for 2009, 2010, 2011, 2012 and its forecast for 2013.

Response:

a) The inflation rates used by CWH for the change between 2009 to 2010 are 1.3%; 2010 to 2011 is 1.3%; 2011 to 2012 is 2%; and 2012 to 2013 is 2.11%.

4-52 VECC 29

Reference: Exhibit 4, Tab 1, Schedule 1, pg.11 /Exhibit 2, Tab 6, Schedule 1

a. Please provide CWH's forecast of the capital and OM&A costs for the Green Energy Plan for the years 2013 through 2017

Response:

a) CWH has no forecasted capital or OM&A expenditures from 2013 through 2017 for the Green Energy Plan. In 2012, CWH posted the contracted cost of $7,560 to the Green Energy Plan account 1532-Renewable Connection OM&A Deferral Account.

4-53 VECC 30

Reference: Exhibit 4, Tab 2, Schedule 4, pg. 6

a. Please provide a table showing the breakdown of the regulatory costs for this 2013 cost of service applications. Please show legal, consultant, intervenor and internal costs separately.

b. Please show separately the costs incurred in 2012 from those expected to be incurred in 2013.

c. Is CWH applying to recover any of the costs incurred in 2012? If so please identify these costs and show where they are recorded.

Response:

a) The below table was included with the "CW Hydro Filing_Requirments_Chapter2_Appendices". This table shows a breakdown of the various components of the regulatory expense account 5655 for 2009, 2011, 2012 and 2013 Test year.

Appendix 2-M
Regulatory Cost Schedule

	Regulatory Cost Category	USoA Account	Ongoing or One-time Cost? [2]	Last Rebasing Year (2009 Board Approved)	Most Current Actuals Year 2011	2012 Bridge Year	Annual % Change	2013 Test Year	Annual % Change
	(A)	(B)	(D)	(E)	(F)	(G)	(H) = [(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
1	OEB Annual Assessment	5655	On-Going	$ 20,000	$ 18,174	$ 19,100	5.10%	$ 20,100	5.24%
2	OEB Section 30 Costs (Applicant-originated)	5655	On-Going	$ -	$ -	$ -		$ -	
3	OEB Section 30 Costs (OEB-initiated)	5655	On-Going	$ 5,000	$ 794	$ 1,500	88.92%	$ 1,500	0.00%
4	Expert Witness costs for regulatory matters	5655	On-Time	$ -	$ -	$ -		$ 8,700	
5	Legal costs for regulatory matters	5655	On-Going	$ -	$ -	$ -		$ -	
6	Consultants' costs for regulatory matters	5655	On-Going	$ -	$ 24,231	$ 25,000	3.17%	$ 25,000	0.00%
6	Consultants' costs for regulatory matters	5655	On-Time	$ -	$ -	$ 30,900		$ 20,000	-35.28%
7	Operating expenses associated with staff resources allocated to regulatory matters	5655	On-Going	$ -	$ -	$ -		$ -	
8	Operating expenses associated with other resources allocated to regulatory matters [1]	5655	On-Going	$ -	$ 2,849	$ 3,700	29.89%	$ 3,700	0.00%
9	Other regulatory agency fees or assessments-ESA	5655	On-Going	$ 5,000	$ 4,436	$ 4,500	1.44%	$ 4,700	4.44%
10	Any other costs for regulatory matters (please define)	5655	On-Going	$ -		$ -		$ -	
	OEB Annual Fees	5655	On-Going	$ 1,200	$ 800	$ 800	0.00%	$ 800	0.00%
	Notices in Papers as directed by OEB	5655	On-Going	$ -	$ 549	$ 700	27.50%	$ 700	0.00%
	Pro-rated cost related to the 2009 EDR	5655	On-Going	$ 40,750	$ 33,540	$ 33,500	-0.12%	$ 11,200	-66.57%
	50% of Financial Analyst-New position (Labour Plus Benefits)	5655	On-Going	$ -	$ -	$ -		$ 40,000	
11	Intervenor costs-additional cost for 3rd Intervenor and more time required for CoS application	5655	On-Time	$ -	$ -	$ -		$ 11,400	
11	Intervenor costs-Cost of doing IRM	5655	On-Going	$ -	$ -	$ 5,700		$ 5,800	1.75%
12	Sub-total - Ongoing Costs [3]			$ 71,950	$ 85,373	$ 94,500	10.69%	$ 113,500	20.11%
13	Sub-total - One-time Costs [4]			$ -	$ -	$ 30,900		$ 40,100	29.77%
14	Total			$ 71,950	$ 85,373	$ 125,400	46.89%	$ 153,600	22.49%

b) The below table shows the preliminary actual expenditures for 2012 compared to the 2012 Bridge Year Forecast and the 2013 Test Year Forecast.

# App. 2-M	Regulatory Cost Category	2012 Actual Preliminary Expenses	2012 Bridge Year Forecast	2012 One-Time included with total Forecast	2013 Test Year Forecast	2013 One-Time included with total Forecast
10b	Notices in Paper as direct by OEB	607.20	700.00		700.00	
3	OEB Section 30 Costs (OEB-initiated)	1,704.79	1,500.00		1,500.00	
8	Operating Expenses associated with other resources allocated to regulatory matters	4,121.60	3,700.00		3,700.00	
1	OEB Annual Assessment	18,287.00	19,100.00		20,100.00	
11	Intervenor Costs- IRM CoS & Cost Awards	7,357.19	5,700.00	-	17,200.00	11,400.00
10a	OEB Annual Fees	800.00	800.00		800.00	
9	Other regulatory agency fees or assessment-ESA	4,133.49	4,500.00		4,700.00	
4+6+7	Consultant Fees Regulatory matters	77,499.52	55,900.00	30,900.00	53,700.00	28,700.00
10c	Prorated cost related to the 2009 EDR	33,500.00	33,500.00		11,200.00	
10d	50% of Financial Analyst-New Position (Labour plus benefits)	6,842.12	-		40,000.00	
		154,852.91	**125,400.00**	**30,900.00**	**153,600.00**	**40,100.00**

c) CWH's original intent was not to apply for recovery of one-time costs of $30,900 incurred in 2012 related to the 2013 Cost of Service Application. CWH has only

put in the application the recovery of $40,100 related to 2013 divided over a four (4) year period.

As provided in the table above, the actual expenditures for 2012 was $154,853 instead of the forecasted $125,400 with $30,900 being a one-time cost. The revised table presented above would support the transfer of $58,352 from account 5655-Regulatory expenses in 2012 to 1180-Prepaid expenses to be recovered over the next four years in addition to the $40,100 recorded in the 2013 Test Year.

4-54 VECC 31

Reference: Exhibit 4, Tab 2, Schedule 4, pg.34

a. Please provide the amount paid in membership fees to the EDA for each year 2009 through 2013 (forecast)

b. Please detail what insurance coverage is provided by MEARIE and what steps CWH takes to ensure that is receives value for money for this policy(ies).

Response:

a) The below table sets out the membership fees paid to the EDA for each year from 2009 to 2013 (forecast).

	2009	2010	2011	2012	2013
EDA Membership Fees	$ 12,800	$ 13,400	$ 13,850	$ 14,600	$ 15,300

b) The MEARIE policy is a "comprehensive liability policy" which provides $24,000,000 in coverage against liability claims. The premium includes "privacy, cyber and network security endorsement" and "directors and officer's endorsement". MEARIE provides excellent coverage and service and CWH has determined that this is the insurance provider of choice to ensure the utility and its' customers are fully protected.

4-55 VECC 32

Reference: Exhibit 4, Tab 6, Schedule 1, pg. 1

a. CWH stats that it "*reserves the right to review the Pre-2011 – persisting historical CDM impact and to determine whether or not there is a LRAM*

Variance for this period." Section 3.4.2 of the Board's filing guidelines states : "*Distributors intending to file an LRAM or SSM application for CDM Programs funded through distribution rates, or an LRAM application for CDM Programs funded by the OPA between 2005 and 2010, shall do so as part of their 2012 rate application filings, either cost-of-service or IRM. If a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity*" Please clarify whether CWH intends to file for 2010 and earlier LRAM/SSM or whether it is forfeiting this opportunity.

Response:

a) Please refer to CWH response item 8) filed with the OEB Board on November 13, 2012 in response to the OEB Staff request for additional information, dated October 31, 2012. CWH provided the following clarification:

"CWH is not requesting disposition of the balance in account 1567 "Board-Approved CDM Programs Variance Account" or 1568 "LRAM Variance Account" because as at December 31, 2011 the balances in these accounts were "zero". CWH made comments with regards to CDM costs within Exhibit 4, Tab 6, Schedule 1. CWH is requesting the right to recover the CDM persistence related to the 2011-2014 CDM programs when the final numbers are received for the OPA programs for 2011 and 2012 as these target conservation figures were not taken into the load forecast when preparing the 2009 (EB-2008-0225) cost of service application. CWH has taken into consideration the projected CDM targets up to the end of 2013 when preparing the 2013 load forecast. CDM reductions for 2014 are not reflected in the 2013 load forecast. At the present time the CHEC group of LDCs is attempting to obtain clarification on the use of the LRAMVA including when the amounts are to be recorded from Board staff."

CWH is not asking for persistence for the CDM programs that were in place for the 2005 to 2010 CDM programs.

CWH wants to ensure that it has the right to apply for LRAM/SSM related to CDM/OPA programs that are part of the OEB CDM 2011-2014 targets.

4-56 VECC 33

Reference: Exhibit 4, Tab 1, Schedule 1, pg.5 / Tab 2, Schedule 4, pg.37

a. Please provide the total incremental costs associated with new positions (salaries and benefits) for each year 2009 through 2013.

b. Please explain why union FTEs have decreased since 2009 and as compared to 2013.

c. Please explain the increase in non-union part-time employees from 2009 Board Approved from 0 to 7 and then the decrease to 4 positions in 2013

Response:

a) The annual incremental costs associated with the new positions (salaries and benefits) are as follows:
   1. Systems Analyst – IT – (2011) is $90,000
   2. Financial Analyst – (2013) is $80,000

b) The union FTE's have decreased since 2009 as the foreman was elevated to the position of VP / Operations Manager. CWH promoted one of the lineman to the position of Foreman and has not filled the linemen position with a qualified journeyman lineman. CWH has been hiring Co-op Apprentices which is included in the Non-Union positions.

c) The increase in non-union part-time employees, 2009 Approved, of 3.5 to 7 and then decrease to 4 positions in 2013, is because during the period of 2009 to 2012 CWH has had to deal with on-going maternity leaves and also the hiring of additional part-time staff to help out in the summer for both the office and outside clean up.

4-57 VECC 34

Reference: Exhibit 4, Tab 2, Schedule 4, pg. 34

a. Please provide the non-union salary increase in each year 2009 through 2013.

b. Please provide the union negotiated increase in each year 2009 through 2013

Response:

a) The non-union salary increase is shown below:

	2009	2010	2011	2012	2013
Non-Union Salary increase by Year	3%	3%	3%	3%	3%

b) The negotiated union increase is shown below:

	2009	2010	2011	2012	2013
Union Negotiated increase by Year	3%	3%	3%	3%	3%

4-58 VECC 35

Reference: Exhibit 4, Tab 2, Schedule 4, pg. 37

a. Please confirm that no compensation was capitalized in 2012 or (is expected to be) in 2013.

Response:

a) There was an error in Table 4.23 Employee Compensation and Benefits (App 2-K). CWH has updated the table below to show the capitalized compensation for 2012 and 2013.

Appendix 2-K
Employee Costs

	Last Rebasing Year (2009 Board-Approved)	Last Rebasing Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Number of Employees (FTEs including Part-Time)[1]						
Executive						
Management						
Non-Union	10.50	10.50	9.59	11.00	12.50	13.50
Union	4.00	4.00	3.80	3.00	3.00	3.00
Total	14.50	14.50	13.39	14.00	15.50	16.50
Number of Part-Time Employees						
Executive						
Management						
Non-Union		7.00	8.00	6.00	4.00	4.00
Union						
Total	-	7	8	6	4	4
Total Salary and Wages						
Executive						
Management						
Non-Union		$ 649,769	$ 661,969	$ 790,250	$ 922,113	$ 976,918
Union		$ 315,541	$ 316,280	$ 266,100	$ 215,281	$ 248,628
Total	$ -	$ 965,310	$ 978,250	$ 1,056,350	$ 1,137,395	$ 1,225,546
Current Benefits						
Executive						
Management						
Non-Union		$ 130,554	$ 148,229	$ 180,807	$ 201,408	$ 237,551
Union		$ 64,498	$ 51,388	$ 51,527	$ 51,838	$ 48,072
Total	$ -	$ 195,052	$ 199,618	$ 232,334	$ 253,246	$ 285,622
Accrued Pension and Post-Retirement Benefits						
Executive						
Management						
Non-Union						
Union						
Total	$ -	$ -	$ -	$ -	$ -	$ -
Total Benefits (Current + Accrued)						
Executive	$ -	$ -	$ -	$ -	$ -	$ -
Management	$ -	$ -	$ -	$ -	$ -	$ -
Non-Union	$ -	$ 130,554	$ 148,229	$ 180,807	$ 201,408	$ 237,551
Union	$ -	$ 64,498	$ 51,388	$ 51,527	$ 51,838	$ 48,072
Total	$ -	$ 195,052	$ 199,618	$ 232,334	$ 253,246	$ 285,622
Total Compensation (Salary, Wages, & Benefits)						
Executive	$ -	$ -	$ -	$ -	$ -	$ -
Management	$ -	$ -	$ -	$ -	$ -	$ -
Non-Union	$ -	$ 780,323	$ 810,199	$ 971,056	$ 1,123,522	$ 1,214,469
Union	$ -	$ 380,039	$ 367,669	$ 317,627	$ 267,119	$ 296,700
Total	$ -	$ 1,160,362	$ 1,177,868	$ 1,288,684	$ 1,390,641	$ 1,511,169
Compensation - Average Yearly Base Wages						
Executive						
Management						
Non-Union						
Union						
Total						
Compensation - Average Yearly Overtime						
Executive						
Management						
Non-Union		$ 27,488	$ 24,752	$ 23,800	$ 33,850	$ 32,000
Union		$ 25,379	$ 16,734	$ 19,386	$ 20,000	$ 20,000
Total						
Compensation - Average Yearly Incentive Pay						
Executive						
Management						
Non-Union		$ 3,652	$ 5,475	$ 4,605	$ 5,000	$ 5,000
Union						
Total						
Compensation - Average Yearly Benefits						
Executive						
Management						
Non-Union						
Union						
Total						
Total Compensation	$ -	$ 1,160,362	$ 1,177,868	$ 1,288,684	$ 1,390,641	$ 1,511,169
Total Compensation Capitalized (CGAAP)		$ 59,489	$ 55,103	$ 54,232	$ 131,500	
Total Compensation Charged to OM&A (CGAAP)	$ -	$ 1,100,872.89	$ 1,122,764.41	$ 1,234,451.52	$ 1,259,140.61	
Total Compensation Capitalized (MIFRS)					$ 131,500	$ 226,600
Total Compensation Charged to OM&A (MIFRS)				$ 1,288,683.93	$ 1,259,140.61	$ 1,284,568.54

4-59 VECC 36

2.0 Reference: Exhibit 4, Tab 2, Schedule 6, pg.1

a. Please file tables for each year 2009 through 2013 for affiliate transactions showing the service (from – to); the cost of the service; the price paid for the service; and the cost allocation methodology.

Response:

a) The below table sets out the services that CWH provides the affiliate, the Township of Centre Wellington, for the maintenance of street lights. CWH

charges the Township the actual cost of materials and the fully loaded labour cost. CWH, in preparation of the budget, removes the cost of labour and material from the rate application. The street light maintenance has a revenue neutral effect on the application.

The total cost and revenue of doing water and sewer billing is included in account 4375 and 4380 and therefore are part of the rate application. As CWH includes the additional revenue as part of the rate application, details are not provided in the table below.

Service Provided	2009	2010	2011	2012	2013
Street Light Maintenance by CWH for the Township of Centre Wellington	$ 32,566	$ 28,665	$ 34,231	$ 27,904	$ 29,100

Exhibit 5 – Cost of Capital

5-60 OEB Staff-24

Ref: Exhibit 5/Tab 1/Schedule 3 – Weighted Average Cost of Debt

On page 1 of this Exhibit, CWH states that it is requesting a weighted average debt cost of 4.22%. Table 5.3 of page 3 of the Exhibit shows a 2013 weighted average debt cost of 4.37%.

Please confirm the weighted average debt cost that CWH is requesting in this Application.

Response:

CWH confirms that the weighted average debt cost is 4.37%. The 4.22% is an error.

5-61 OEBStaff-25

Ref: Exhibit 5/Tab 1/Schedule 3 – Long-term Debt

CWH documents that it intends to incur, in 2013, additional unaffiliated debt of $1,329,000 at a quoted rate of 4.23% from a commercial bank. The additional debt is debt financing related to the upgrade and rehabilitation of a distribution substation.

CWH has factored this additional debt into the determination of the weighted average debt cost as if the debt is in place on January 1, 2013. Please provide CWH's estimate of when it expects to actually incur the debt of $1,329,000.

Response:

At the time of CWH submitting this rate application it was anticipated a loan would have been issued on or around January 1, 2013. CWH is currently negotiating with financial institutions to secure a loan for $1,329,000 and expects this to be finalized in the first quarter of 2013.

5-62 OEBStaff-26

Ref: Exhibit 5/Appendix A – Affiliated Long-Term Debt

CWH has filed a copy of the Promissory Note held by The Corporation of the Township of Centre Wellington in Exhibit 5/Appendix A. The Promissory Note was executed November 1, 2000 with a principal of $5,046,752.00 and a fixed rate of 7.25% but without fixed term. The note also states that, when not in default, all or any part of the principal may be repaid without notice or penalty.

The terms and conditions of the affiliated Promissory Note, and specifically the lack of a fixed term, mean that it attracts, at most, the Board's deemed debt rate.

Elsewhere in the Application, CWH has documented losses in recent years. However, the 7.25% rate of the Promissory Note was factored into CWH's rates up to 2008, and CWH had the deemed debt rate of 7.62%, as issued by the Board, factored into CWH's rates in its 2009 cost of service application. CWH thus would have had a higher debt cost factored into rates than it actually paid to the municipal shareholder.

a) Since the interest expense factored into rates had a higher rate (i.e. 7.62%) than the actual rate (i.e. 7.25%) since 2009, please explain what impact this would have on CWH's financial picture since 2009. In particular, please explain CWH's losses when the utility was actually recovering interest expense at a higher rate than it was actually paying interest on the debt to its municipal shareholder.
b) Since the affiliated debt will attract the deemed long-term debt rate, which is currently and forecasted to be well below the 7.25% rate of the Promissory Note, CWH will recover less debt interest than it will pay to the municipal shareholder. This will in turn result in lower net income. Since the principal can be repaid without notice or penalty, does CWH have any plans to repay or convert the

affiliated debt with debt that would attract a current market-based rate? Please explain your response.

Response:

a) In the 2009 Cost of Service application, CWH requested a cost of debt rate of 7.25% but was granted the deemed debt rate of 7.62%, which resulted in additional funds of $18,672 that the shareholder agreed could be used to offset higher OM&A expenses than in the 2009 approved amounts

b) CWH has included in the rate application the forecasted deemed cost of debt as provided by the OEB at the rate of 4.41%. CWH is currently in talks with the shareholder to determine the rate that will be used in the promissory note agreement for 2013 and further.

COST OF CAPITAL (Exhibit 5)

5-63 VECC 37

Reference: Exhibit 5, Tab 1, Schedule 3, pg. 4

a. Please update the status of the RBC loan. Has this transaction been completed. If not what is the current estimated interest rate. Table 5.3 describes the term of the loan as "5 yr. 25 Amort". Please explain what this means.

b. What was CWH's actual capital structure in 2012?

Response:

a) As at January 13, 2012, CWH has not yet activated the RBC loan but expects to activate in within a short time frame. The estimated rate of interest is 4.23% per annum. The term of 5 year 25 Amortization means the loan has a 25 year amortization period with the loan being paid off over 25 years. The 5 year term, means the interest rates are locked in for 5 years and could change up or down at the end of each 5 year period.

b) CWH has not calculated the final actual capital structure for the year 2012; this will be completed on finalization of audited statements. As stated in the Board Staff question 5-25, CWH intends to activate the debt in the near future.

5-64 VECC 38

Reference: Exhibit 5, Tab 1

a. Please recalculate the long-term debt rate for the most recent information and clarifying whether the rate sought is 4.22% or 4.37%.

Response:

a) The long-term debt rate is 4.37% as shown in the application. The 4.22% was an error made in the presentation of Exhibit 5, Tab 1, Page 1 of 4 under the heading of Long Term Debt line 12 was in error and should have read 4.37%

Exhibit 7 – Cost Allocation

7-65 OEBStaff-27

Ref: Exhibit 7/Tab 1/Schedule 2 – Revenue-to-Cost Ratios

Board staff has repeated table C) of Appendix 2-P_Cost Allocation (which is also shown on Exhibit 7/Tab 1/Schedule 2/page 12) below:

C) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Approved Ratios Most Recent Year: 2011	Status Quo Ratios (7C + 7E) / (7A)	Proposed Ratios (7D + 7E) / (7A)	Policy Range
	%	%	%	%
Residential	101.70	97.49	99.65	85 - 115
GS < 50 kW	105.30	95.56	99.00	80 - 120
GS 50 - 2,999 kW	104.70	90.41	99.65	80 - 120
GS 3,000 - 4,999 kW	87.00	100.96	100.96	80 - 120
Large User, if applicable				85 - 115
Street Lighting	70.00	305.88	120.00	70 - 120
Sentinel Lighting	70.00	124.72	120.00	80 - 120
Unmetered Scattered Load (USL)	103.70	271.84	120.00	80 - 120
Other class, if applicable				
Embedded distributor class				

The table shows significant changes in the revenue-to-cost ("R/C") ratios for many classes from the previous Cost Allocation study used in CWH's 2009 cost of service application and the updated Cost Allocation study in this Application. Further, for all

classes except Unmetered Scattered Load, the R/C ratio crosses unity from the two studies.

Please provide further analysis of what changes in data, assumptions, etc. have occurred from the previous cost allocation study to this study, and hence why the proposed R/C ratios should be relied upon given the volatility in the results.

Response:

The Revised Cost Allocation Model provided by the Board was completed and submitted with the 2013 Rate Application for CWH.

Comparisons have been made between the 2009 Cost Allocation model and the one submitted with this rate application:

- Net Fixed Assets have increased from $7,091,327 to $9,749,704.
- Contributed Capital has increased from $728,217 to $1,599,561.
- The Debt to Equity (D/E) capital structure has changed from 52.7%/43.3% to 60%/40%.
- The km of roads where distribution lines exist has changed from 107 to 98.11 as a result of the ability to obtain more accurate data.
- There are significant changes to the Weighting factors from the default factors used in the 2009 Cost Allocation model as seen in the table below. A separate row has been added to set the Residential Weighting Factor to 1.00 to make it easier to compare with the 2009 data:

			Residential	GS <50	GS>50-Regular	GS >50-Intermediate	Street Light	Sentinel	Unmetered Scattered Load
Weighting Factor - Services									
		2009	1.00	2.00	10.00	10.00	1.00	1.00	1.00
		2013	300.00	1500.00	5000.00				
Setting Residential to 1.00			1.00	5.00	16.67				
Weighting Factor - Billings									
		2009	1.00	2.00	7.00	7.00	1.00	0.10	5.00
		2013	4.48	4.48	52.05	52.05	7.59	7.59	7.59
Setting Residential to 1.00			1.00	1.00	11.62	11.62	1.69	1.69	1.69

The 2013 Weighting Factors for Services was based on the estimated services cost for each of the customer classes. It was determined the classes with no services cost either, paid for and owned the service type assets, or there were no service costs associated with the customer due to be connected directly to the secondary with no additional service type assets.

An analysis was prepared to determine the Weighting Factors for Billing and Collecting. That analysis is provided in Exhibit 7, Tab 1, Schedule 2, Page 5, of the submitted application.

- Customer data appears fairly consistent between the 2 models. Street light data has changed between 2009 and 2013. In the 2009 model 1,568 street light connections were reported whereas the 2013 model has 1,738 devices with 1,458 connections.
- The change to Smart Meters has had a significant change to the Meter Capital data.
- The implementation of Smart Meters has had a significant effect on the allocation of meter reading costs. The time spent on checking and reviewing the meter readings for Residential and General Service less than 50kW customers has increased significantly.

Without totally understanding the mechanics of the Board's Cost Allocation Model, it is difficult to specifically identify why the results have changed from the previous model.

COST ALLOCATION (Exhibit 7)

7-66 VECC 39

Reference: Exhibit 7, Tab 1, Schedule 2, pages 3-7

a. With respect to page 3, lines 25-27, please confirm that the reference to "Services Weightings" should read to "Billing and Collecting Weightings".

b. With respect to "Services", does CWH incur such costs in connecting Street Lighting, Sentinel Lights and/or USL? If yes, to what account are the costs charged?

c. With respect to Sheet I7.1, please confirm that meter costs used here for each class are consistent with the smart meter costs by class as reported in Exhibit 9.

Response:

a) CWH confirms the reference to Services Weightings should read Billing and Collecting Weightings.

b) The 2013 Weighting Factors for Services was based on the estimated services cost for each of the customer classes. It was determined the classes with no services cost either, paid for and owned the service type assets, or there were no service costs associated with the customer due to being connected directly to the secondary with no additional service type assets.

c) CWH confirms that the meter costs used here for each class are consistent with the smart meter costs by class as reported in Exhibit 9. In both cases, CWH used the physical cost of the meters and not the installed meter costs for allocation purposes.

7-67 VECC 40

Reference: Exhibit 7, Tab 1, Schedule 2, pages 10-12

a. Please explain why the ratio for the GS<50 class is only increased to 99.0% whereas the ratios for the Residential and GS 50-2999 classes are both increased to 99.65%.

b. What common ratio for all three customer classes would maintain revenue neutrality?

Response:

a) There was no particular reason for the proposed ratio in any of the customer classes in question other than to ensure the revenue was allocated to all customer classes while remaining within the Boards revenue to cost ratio targets.

b) A common ratio for all three customer classes in question, without changing any other class, would result in revenue to cost ratio of 99.529%. This particular change would not negatively impact the Bill Impacts for these customer classes.

Exhibit 8 – Rate Design

8-68 OEBStaff-28

Ref: Exhibit 8/Tab 1/Schedule 5 – Loss Factors

Board staff has replicated Appendix 2-R (also shown as Table 8.1.12 of Exhibit 8/Tab 1/Schedule 5) below:

		Historical Years					5-Year Average
		2007	2008	2009	2010	2011	
	Losses Within Distributor's System						
A(1)	"Wholesale" kWh delivered to distributor (higher value)	157122111.5	161716845.1	153664849.4	155715325.5	156683055.8	156980437.5
A(2)	"Wholesale" kWh delivered to distributor (lower value)	154991026.4	159504886.3	151573964.5	153540168.9	154560363.8	154834082
B	Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s)						0
C	Net "Wholesale" kWh delivered to distributor = **A(2) - B**	154991026.4	159504886.3	151573964.5	153540168.9	154560363.8	154834082
D	"Retail" kWh delivered by distributor	147,990,851	154,818,345	146,777,166	149,442,885	146,286,077	149063064.9
E	Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s)						0
F	Net "Retail" kWh delivered by distributor = **D - E**	147990851	154818345.4	146777166.2	149442884.8	146286077	149063064.9
G	Loss Factor in Distributor's system = **C / F**	1.0473	1.0303	1.0327	1.0274	1.0566	1.0388
	Losses Upstream of Distributor's System						
H	Supply Facilities Loss Factor	1.0137	1.0139	1.0138	1.0142	1.0137	1.0139
	Total Losses						
I	Total Loss Factor = **G x H**	1.0617	1.0446	1.0469	1.0420	1.0711	1.0532

CWH document distribution losses of 5.66% in 2011. This is materially higher than losses documented from 2007 to 2010.

A similar table from CWH's 2009 cost of service application (EB-2008-0225) is shown below (Exhibit 4/Tab 2/Schedule 8):

	2003	2004	2005	2006	2007		
Purchased kWh's	154,812,595.10	160,096,079.00	160,363,706.00	159,479,086.37	162,041,784.23		
"Wholesale" kWh (IESO) **Qty at the Meter**	151,086,095	156,211,548	155,716,390	154,774,514	157,382,043	**5 Yr Avg**	**3 Yr Avg**
Supply Facility Loss Factor [(A-B)]	1.0247	1.0249	1.0298	1.0304	1.0296	1.0279	1.02995

	2003	2004	2005	2006	2007		
"Wholesale" kWh (IESO) **Qty at the Meter**	151,086,095	156,211,548	155,716,390	154,774,514	157,382,043		
Wholesale kWh for Large Use customer(s) (IESO)	-	-	-	-	-		
Net "Wholesale" kWh (D)-(E)	151,086,095	156,211,548	155,716,390	154,774,514	157,382,043		
Retail kWh (Distributor) **Qty at the Meter**	142,455,155	141,146,934	149,056,811	150,448,842	151,678,570		
Retail kWh for Large Use Customer(s) (1% loss)	-	-	-	-	-		
Net "Retail" kWh (G)-(H)	142,455,155	141,146,934	149,056,811	150,448,842	151,678,570	**5 Yr Avg**	**3 Yr Avg**
Distribution Loss Factor [(F)/(I)]	1.0606	1.1067	1.0447	1.0288	1.0376	1.0557	1.0370

The data from 2003 to 2011 show highly variable distribution losses in CWH's service territory, ranging from 1.37% to 10.67%.

a) Please provide further explanation for the 5.66% loss factor in 2011.
b) If available, please provide CWH's distribution losses for 2012.
c) Please provide further explanation of the variability in observed losses within CWH's service area over the past decade.
d) What efforts has CWH undertaken to identify and to address distribution losses within its system? What, if any, capital or operating projects are planned in the 2013 test year to address losses in CWH's distribution system.

Response:

a) CWH's Distribution Loss factor for 2011 has been adjusted from 1.0566 to 1.0396. The adjustment in the distribution loss factor resulted because CWH removed from row A(1) 2,550,673 kWh's and row A(2) 2,474,309 kWh's related to unusually high kWh's moving through CWH's wholesale meter because of switching performed by Hydro One Networks. Row "D" does not include the billing back Hydro One Networks for the kWh's involved in the switching because it is not a normal transaction. This brings the purchases and retail amounts back into line with each other. CWH has updated the loss factor in the models to reflect this change, as seen on the summary of changes filed with the IR's responses.

		Historical Years					5-Year Average
		2007	2008	2009	2010	2011	
	Losses Within Distributor's System						
A(1)	"Wholesale" kWh delivered to distributor (higher value)	157122111.5	161716845.1	153664849.4	155715325.5	154123382.8	156468502.9
A(2)	"Wholesale" kWh delivered to distributor (lower value)	154991026.4	159504886.3	151573964.5	153540168.9	152086054.8	154339220.2
B	Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s)						0
C	Net "Wholesale" kWh delivered to distributor = **A(2) - B**	154991026.4	159504886.3	151573964.5	153540168.9	152086054.8	154339220.2
D	"Retail" kWh delivered by distributor	147,990,851	154,818,345	146,777,166	149,442,885	146,286,077	149063064.9
E	Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s)						0
F	Net "Retail" kWh delivered by distributor = **D - E**	147990851	154818345.4	146777166.2	149442884.8	146286077	149063064.9
G	Loss Factor in Distributor's system = **C / F**	1.0473	1.0303	1.0327	1.0274	1.0396	1.0355
	Losses Upstream of Distributor's System						
H	Supply Facilities Loss Factor	1.0137	1.0139	1.0138	1.0142	1.0134	1.0138
	Total Losses						
I	Total Loss Factor = **G x H**	1.0617	1.0446	1.0469	1.0420	1.0536	1.0497

b) CWH currently does not have available the distribution losses for 2012 but expects them to be in the range of the historical average.

c) Given the correction of the 2011 year loss factor to 3.96%, and excluding the 2004 loss factor of 10.67% which is an anomaly that skews the average drastically, the variability in losses appears to be insignificant. The range of variability from 2005 to 2012 is 3.03% to 4.47% which is a spread of only 1.44%.

d) Routine annual tree trimming is completed by CWH labour force as well as load balancing to ensure optimal efficiency.

Given CWH's historical and current distribution line losses which are considered low for a 4 KV system, major capital project enhancements related to line losses are not warranted.

RATE DESIGN (Exhibit 8)

8-69 VECC 41

Reference: Exhibit 8, Tab 1, Schedule 2, page 2

a. Please explain why, in Table 8.1.7, the value for the Ceiling Fixed Charge for the GS 3000-4999 class is negative and less than the Floor value.

Response:

a) There appears to be an anomaly in the allocation of the PP&E balance which is calculated on Appendix 2-EB, and in particular in the arbitrary modelling assumption that it is all customer related and uses the composite allocator NFA (Net Fixed Assets). This makes the results in O2 especially sensitive to the allocator.

On row 121 of Sheet E2- Allocators, the PP&E adjustment uses the same allocation details as NFA on row 115. CWH expects these allocation details are producing an unexpected result on sheet O2 of the model.

CWH is open to suggestions related to changing the allocation details for the PP&E adjustment, however, such a change would likely have to be tested and approved by the Board.

Although sheet O2 provides a negative result for the Fixed Charge Ceiling for the GS 3,000-4,999 kW customer class, CWH proposes to use the Revenue to Cost ratios as submitted.

8-70 VECC 42

Reference: Exhibit 8, Tab 1, Schedule 3, page 1

a. Please update the proposed RTSR's to reflect the recently approved UTRs for 2013.

Response:

a) CWH pays Hydro One for their Network Service and Connection Service costs. Changes to the UTRs do not impact CWH.

8-71 VECC 43

Reference: Exhibit 8, Tab 1, Schedule 4

a. For 2011 (and 2012 if available) to what extent did the low voltage billing rates charged by CWH over/under recover LV charges from Hydro One?

b. Please provide a schedule that sets out actual 2011 (and 2012 if available) LV charges from Hydro One, including both rates and billing quantities.

Response:

a) In 2011 the low voltage billing rates charged by CWH were under the LV charges from Hydro One by $166,594.94. The 2012 preliminary figures shows further under charge to CWH customers by the amount of $156,500.

b) The below table sets out the actual 2011 and 2012 LV charges from Hydro One, including both rates and billing quantities.

2011																				
	Fergus PUC 73M3					East PME	Fergus TS				RAR 2010 General				Regulatory Asset Recovery				Total LV Charge	
Month	Rate	Prorate Factor	Units (km)	Mthly Serv Chg	Total Delivery Chg	Mthly Serv Chg	Rate	Prorate Factor	KWH	Chg	Rate	Proration	KWH	Chg	Rate	Proration	KWH	Chg		2011 GL Balance
Jan	361.05	0.1	5.24				0.442	0.1	25,580								-			
Jan	400.74	0.9	5.24	229.92	2,309.00	229.92	0.485	0.9	25,580	12,296.31	0.058	1.0127	25,580	1,498.99	- 0.01	1	25,580.00	- 255.80	16,078.42	16,078.42
Feb	400.74		5.24	231.97	2,331.85	231.97	0.485		25,469	12,352.47	0.058	1.0127	25,469	1,492.48	- 0.01	1.00	25,469.00	- 254.69	16,154.08	16,154.08
Mar	400.74		5.24	231.97	2,331.85	231.97	0.485		23,044	11,176.34	0.058	1.0127	23,044	1,350.38	- 0.01	1.00	23,044.00	- 230.44	14,860.10	14,860.10
Apr	400.74		5.24	231.97	2,331.85	231.97	0.485		21,650	10,500.25	0.058	1.0127	21,650	1,268.69	- 0.01	1.00	21,650.00	- 216.50	14,116.26	14,116.26
May	400.74	0.03125	5.24				0.485	0.03125	24,325											
May	644.51	0.96875	5.24	295.70	3,633.01	295.70	0.68	0.96875	24,325	16,392.77	0.058	1.0127	24,325	1,425.44	- 0.01	0.03	24,325.00	- 7.60	21,739.32	21,739.32
Jun	644.51		5.24	297.75	3,674.98	297.75	0.68		26,006	17,684.08	0.058	1.0127	26,006	1,523.94			26,006.00	-	23,180.75	23,180.75
Jul	644.51		5.24	297.75	3,674.98	297.75	0.68		27,616	18,778.88	0.058	1.0127	27,616	1,618.28			27,616.00	-	24,369.89	24,369.89
Aug	644.51		5.24	297.75	3,674.98	297.75	0.68		23,260	15,816.80	0.058	1.0127	23,260	1,363.03			23,260.00	-	21,152.56	21,152.56
Sep	644.51		5.24	297.75	3,674.98	297.75	0.68		24,488	16,651.84	0.058	1.0127	24,488	1,434.99			24,488.00	-	22,059.56	22,059.56
Oct	644.51		5.24	297.75	3,674.98	297.75	0.68		22,240	15,123.20	0.058	1.0127	22,240	1,303.26			22,240.00	-	20,399.19	20,399.19
Nov	644.51		5.24	297.75	3,674.98	297.75	0.68		43,317	29,455.56	0.058	1.0127	43,317	2,538.37			43,317.00	-	35,966.66	35,966.66
Dec	644.51		5.24	297.75	3,674.98	297.75	0.68		39,636	26,952.48	0.058	1.0127	39,636	2,322.67			39,636.00	-	33,247.88	33,247.88
Total					**38,662.43**	**3,305.78**			**350,956.00**	**203,180.97**				**19,140.52**				**- 965.03**	**263,324.67**	**263,324.67**

2012																	
	Fergus PUC 73M3					East PME	Fergus TS				RAR 2010 General					
Month	Rate	Prorate Factor	Units (km)	Mthly Serv Chg	Total Delivery Chg	Mthly Serv Chg	Rate	Prorate Factor	KWH	Chg	Rate	Proration	KWH	Chg	Total LV Charge	2012 GL Balance
Jan	644.51	0.03125	5.24				0.68	0.03125	25,738							
Jan	633.28	0.96875	5.24	292.72	3,612.95	292.72	0.668	0.96875	25,738	17,202.63	0.058	1.01270	25,738	47.13	21,155.43	21,155.43
Feb	633.28		5.24	292.56	3,610.95	292.56	0.668		24,451	16,333					20,236.78	20,236.78
Mar	633.28		5.24	292.56	3,610.95	292.56	0.668		23,447	15,663					19,566.11	19,566.11
Apr	633.28		5.24	292.56	3,610.95	292.56	0.668		21,887	14,621					18,524.03	18,524.03
May	633.28		5.24	292.56	3,610.95	292.56	0.668		23,837	15,923					19,826.63	19,826.63
Jun	633.28		5.24	292.56	3,610.95	292.56	0.668		26,926	17,987					21,890.08	21,890.08
Jul	633.28		5.24	292.56	3,610.95	292.56	0.668		28,080	18,757					22,660.95	22,660.95
Aug	633.28		5.24	292.56	3,610.95	292.56	0.668		24,393	16,295					20,198.03	20,198.03
Sep	633.28		5.24	292.56	3,610.95	292.56	0.668		23,975	16,015					19,918.81	19,918.81
Oct	633.28		5.24	292.56	3,610.95	292.56	0.668		23,378	15,617					19,520.01	19,520.01
Nov	633.28		5.24	292.56	3,610.95	292.56	0.668		24,894	16,629					20,532.70	20,532.70
Dec	633.28		5.24	292.56	3,610.95	292.56	0.668		24,834	16,589					20,492.62	20,492.62
Total					**43,333.37**	**3,510.88**			**321,578.00**	**197,630.77**				**47.13**	**244,522.18**	**244,522.18**

8-72 VECC 44

Reference: Exhibit 8, Tab 1, Schedule 5

a. Please explain the increase in the loss factor for 2011 (line G).

b. For 2011 (and 2012 if available) to what extent did the low voltage billing rates charged by CWH over/under recover LV charges from Hydro One?

Response:

a) The loss factor for 2011 was incorrectly calculated. The distribution loss factor for 2011 is 3.96% not 5.66% as originally submitted. For updated table and further details please refer to the OEB Staff question 8-Staff-28.

b) See response to 43 a) above.

8-73 VECC 45

Reference: Exhibit 8, Appendix C

a. Please update the bill impact analysis to reflect the revised RTSRs and any other changes that CWH agrees need to be made.

Response:

a) Updating the RTSR model with the revised 2013 Uniform Transmission rates does not affect CWH, therefore, there is no bill impact related to these approved rates.

Exhibit 9 – Deferral and Variance Accounts

9-74 OEB Staff-29

Ref: Exhibit 9/Tab 1/Schedule 1, Revised Table 9.7 and Appendix 2-U per CWH letter to the Board dated November 13, 2012; Revised DVA Work Form dated November 13, 2012; andAPH Qs & As #1 dated October 2009 - Account 1508, Sub-account Deferred IFRS

CWH is requesting disposition for the December 31, 2011 balance of Account 1508,sub account Deferred IFRS in Table 9.7. In addition, CWH will be seeking disposition in the future for the expenditures in 2012 or later as per its application.

a) What is the percentage of completion of the IFRS project to date?

APH Q & A #1 dated October 2009 states:

> Q.1 For a distributor that does not have a Board-approved amount designated for one-time administrative incremental IFRS transition costs already included for recovery in its distribution rates, what account should be used to record these costs for potential future recovery?
>
> A.1 The Board has approved a deferral account for a distributor to record one-time administrative incremental IFRS transition costs, which are not already approved and included for recovery in distribution rates. In such circumstances, the incremental costs (see Q.3 below) will be recorded in a new and separate sub-account of account **1508, Other Regulatory Assets, "Sub-account Deferred IFRS Transition Costs"**, in the Uniform System of Accounts.

b) Please confirm that the IFRS transition costs are one-time administrative incremental costs and are not included in the 2013 OM&A expenses for the test year. Please make all the necessary adjustments to the evidence if any and remove the incremental IFRS transition costs from the OM&A expenses if required.

Response:

a) As at the end of 2012, CWH has completed most of the work related to the IFRS work that was being posted to the 1508 account. There is a small amount being posted in 2013 to account 1508.

b) CWH has not recorded any IFRS transition costs that are one-time administrative incremental costs in the 2013 OM&A expenses for the test year.

9-75 OEB Staff-30

Ref: Exhibit 9/Tab 2/Schedule 1/page 6, Revised Tables 9.7 and 9.8 on Rate Rider Calculation (Excluding Account 1588, sub account Global Adjustment)in CWH letter to the Board dated November 23, 2012; Exhibit 9/Tab 2/Schedule 3/page 3; Exhibit 9/Tab 2/Schedule 5/page 1; Decision EB-2011-0160 - Account 1521, SPC Assessment Variance

In its decision with respect to CWH's 2012 IRM application under EB 2011-0160, the Board stated at page 7:

> The Board will approve, on a final basis, the recovery of a debit balance of $2,357.13, representing principal as at December 31, 2010, plus recoveries from customers in 2011, plus interest to April 30, 2012. The Board directs Centre Wellington to record the SPC debit balance in variance account 1595 for future disposition. The Board directs Centre Wellington to close account 1521 effective May 1, 2012.

In its application, CWH transferred the balance in account 1521-SPC to Account 1595 – Disposition & Recovery/Refund-SPC and 1595-Disposition & Recovery/Refund-SPC Interest as at May 1, 2012. In the revised Table 9.7 CWH is requesting recovery of the balance of $2,389 in Account 1521, SPC Assessment Variance account.

a) Please explain why CWH is still requesting the disposition of the residual audited balance of $2,389 after the issuance of Board Decision EB 2011-0160 and after CWH stated that it has transferred the balance in account 1521 to Account 1595 as of May 1, 2012.
b) If adjustments are necessary, please make all the necessary adjustments to relevant evidence (e.g. Tables 9.7 and 9.8 - Rate Rider Calculation (Excluding Account 1588, sub account Global Adjustment).

Response:

a) CWH has revised the Deferral and Variance Account model to remove the disposition of account 1521-SPC.

b) CWH has revised the relevant evidence and provided copies of the updated tables below.

Table 9.4
Deferral and Variance Account Balances as at December 31, 2011

Account Description		Account Number	Principal Amounts A	Interest Amounts B	Total C=A+B
LV Variance Account		1550	236,865	2,069	238,934
RSVA - Wholesale Market Service Charge		1580	(337,169)	(4,739)	(341,908)
RSVA - Retail Transmission Network Charge		1584	(150,245)	(2,966)	(153,211)
RSVA - Retail Transmission Connection Charge		1586	(110,549)	(3,587)	(114,135)
RSVA - Power (Excluding Global Adjustment)		1588	(12,843)	(894)	(13,737)
RSVA - Power (Global Adjustment Sub-account)		1588	236,465	3,345	239,809
Recovery of Regulatory Asset Balances		1590	-	-	-
Recovery of Regulatory Asset Balances-Sub Acct-2009 Approvals***		1595	(429,456)	81,881	(347,574)
Recovery of Regulatory Asset Balances-Sub Acct-2010 Approvals***		1595	(74,833)	13,372	(61,462)
Recovery of Regulatory Asset Balances-Sub Acct-2011 Approvals***		1595	(62,603)	(11,107)	(73,710)
Recovery of Regulatory Asset Balances-Sub Acct-GA-2011 Approvals***		1595	(50,950)	(2,441)	(53,391)
Recovery of Regulatory Asset Balances-Shared Taxes		1595	(3,930)	(48)	(3,978)
Total Group 1			**(759,247)**	**74,885**	**(684,362)**
Other Regulatory Assets		1508	79,092	1,160	80,252
Other Regulatory Assets-LLP ***		1508	10,293	-	10,293
Retail Cost Variance Account - Retail		1518	24,890	856	25,745
Special Purpose Variance		1521	1,987	363	2,350
Retail Cost Variance Account - STR		1548	783	13	797
Smart Meters Revenue and Capital**		1555	841,256	18,683	859,939
Smart Meter Expenses**		1556	174,503	5,991	180,494
RSVA - One Time		1582	20,484	576	21,060
	7	1592	(20,017)	-	(20,017)
Total Group 2			**1,133,270**	**27,643**	**1,160,913**
Total			**374,023**	**102,528**	**476,551**

****Requesting Disposition as Separate Rate Rider-Exhibit 10**
*****Not requesting disposition**

Table 9.7
Deferral and Variance Account Balances requested for Disposition

Account Description	Account Number	Principal Amounts A	Interest Amounts B	Projected Interest 2012	Projected Interest Jan-Apr 2013	Total Claim C=A+B
LV Variance Account	1550	236,865	2,069	3,482	1,145	243,561
RSVA - Wholesale Market Service Charge	1580	(337,169)	(4,739)	(4,956)	(1,629)	(348,494)
RSVA - Retail Transmission Network Charge	1584	(150,245)	(2,966)	(2,209)	(726)	(156,146)
RSVA - Retail Transmission Connection Charge	1586	(110,549)	(3,587)	(1,625)	(534)	(116,294)
RSVA - Power (Excluding Global Adjustment)	1588	(12,843)	(894)	(189)	(62)	(13,987)
RSVA - Power (Global Adjustment Sub-account)	1588	236,465	3,345	3,476	1,143	244,428
Recovery of Regulatory Asset Balances	1590	-	-			-
Recovery of Regulatory Asset Balances-Sub Acct-2009 Approvals	1595	-	-			-
Recovery of Regulatory Asset Balances-Sub Acct-2010 Approvals	1595	-	-			-
Recovery of Regulatory Asset Balances-Sub Acct-2011 Approvals	1595	-	-			-
Recovery of Regulatory Asset Balances-Sub Acct-GA-2011 Approvals	1595	-	-			-
Recovery of Regulatory Asset Balances-Shared Taxes	1595	(3,930)	(48)	(58)	(19)	(4,054)
Total Group 1		**(141,405)**	**(6,820)**	**(2,079)**	**(683)**	**(150,987)**
Other Regulatory Assets	1508	79,092	1,160	1,163	382	81,797
Other Regulatory Assets-Sub Acct-LLP	1508	-	-			-
Retail Cost Variance Account - Retail	1518	24,890	856	366	120	26,232
Special Purpose Variance	1521	-	-			-
Retail Cost Variance Account - STR	1548	783	13	12	4	812
Smart Meters Revenue and Capital	1555	-	-			-
Smart Meter Expenses	1556	-	-			-
RSVA - One Time	1582	20,484	576	301	99	21,460
PILs and Tax Variance - Sub Account HST/OVAT ITCs	1592	(20,017)	-			(20,017)
Total Group 2		**105,232**	**2,605**	**1,841**	**605**	**110,283**
Total		**(36,173)**	**(4,214)**	**(237)**	**(78)**	**(40,703)**

Table 9.8
Deferral and Variance Accounts, Allocators and Rate Riders

		Amounts from Sheet 2	Allocator	Residential	GS<50	GS 50 - 2999	GS 3000-4999	Unmetered Scattered Load	Sentinel Lights	Street Lights
LV Variance Account	1550	243,561	kWh	74,610	33,879	102,677	29,616	808	67	1,905
RSVA - Wholesale Market Service Charge	1580	(348,494)	kWh	(106,755)	(48,475)	(146,913)	(42,375)	(1,155)	(96)	(2,725)
RSVA - Retail Transmission Network Charge	1584	(156,146)	kWh	(47,832)	(21,719)	(65,825)	(18,986)	(518)	(43)	(1,221)
RSVA - Retail Transmission Connection Charge	1586	(116,294)	kWh	(35,625)	(16,176)	(49,026)	(14,141)	(386)	(32)	(909)
RSVA - Power (excluding Global Adjustment)	1588	(13,987)	kWh	(4,285)	(1,946)	(5,897)	(1,701)	(46)	(4)	(109)
RSVA - Power - Sub-account - Global Adjustment	1588	244,428	Non-RPP kWh	14,757	13,278	164,833	48,398	8	41	3,113
Recovery of Regulatory Asset Balances	1590	0	kWh	0	0	0	0	0	0	0
Disposition and Recovery/Refund of Regulatory Balances (2008)	1595	0	kWh	0	0	0	0	0	0	0
Disposition and Recovery/Refund of Regulatory Balances Tax Sharing (2010)	1595	(1,495)	kWh	(458)	(208)	(630)	(182)	(5)	(0)	(12)
Disposition and Recovery/Refund of Regulatory Balances Tax Sharing (2011)	1595	(2,559)	kWh	(784)	(356)	(1,079)	(311)	(8)	(1)	(20)
Total of Group 1 Accounts (excluding 1588 sub-account)		**(395,415)**		**(121,128)**	**(55,001)**	**(166,693)**	**(48,080)**	**(1,311)**	**(109)**	**(3,092)**
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	(6)		(5)	(1)	(0)	(0)	(0)	(0)	(0)
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	236		207	26	2	0	0	0	0
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	75,704	# of Customers	66,535	8,260	687	12	70	117	23
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	5,863	Distribution Rev.	3,289	985	1,250	199	15	6	121
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act	1508	0		0	0	0	0	0	0	0
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges	1508	0		0	0	0	0	0	0	0
Other Regulatory Assets - Sub-Account - Other	1508	0		0	0	0	0	0	0	0
Retail Cost Variance Account - Retail	1518	26,232		23,055	2,862	238	4	24	40	8
Misc. Deferred Debits	1525	0		0	0	0	0	0	0	0
Renewable Generation Connection Capital Deferral Account	1531	0		0	0	0	0	0	0	0
Renewable Generation Connection OM&A Deferral Account	1532	0		0	0	0	0	0	0	0
Renewable Generation Connection Funding Adder Deferral Account	1533	0		0	0	0	0	0	0	0
Smart Grid Capital Deferral Account	1534	0		0	0	0	0	0	0	0
Smart Grid OM&A Deferral Account	1535	0		0	0	0	0	0	0	0
Smart Grid Funding Adder Deferral Account	1536	0		0	0	0	0	0	0	0
Retail Cost Variance Account - STR	1548	812		714	89	7	0	1	1	0
Board-Approved CDM Variance Account	1567	0		0	0	0	0	0	0	0
Extra-Ordinary Event Costs	1572	0		0	0	0	0	0	0	0
Deferred Rate Impact Amounts	1574	0		0	0	0	0	0	0	0
RSVA - One-time	1582	21,460		18,861	2,342	195	3	20	33	7
Other Deferred Credits	2425	0		0	0	0	0	0	0	0
Total of Group 2 Accounts		**130,300**		**112,655**	**14,562**	**2,380**	**218**	**129**	**197**	**159**
Deferred Payments in Lieu of Taxes	1562	0		0	0	0	0	0	0	0
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	0		0	0	0	0	0	0	0
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	(20,017)		(17,593)	(2,184)	(182)	(3)	(18)	(31)	(6)
Total of Account 1562 and Account 1592		**(20,017)**		**(17,593)**	**(2,184)**	**(182)**	**(3)**	**(18)**	**(31)**	**(6)**
Special Purpose Charge Assessment Variance Account	1521	(0)		(0)	(0)	(0)	(0)	(0)	(0)	(0)
LRAM Variance Account **(Enter dollar amount for each class)**	1568	0								
(Account 1568 - total amount allocated to classes)		0								
Variance		0								
Total Balance Allocated to each class (excluding 1588 sub-account)		**(285,132)**		**(26,066)**	**(42,623)**	**(164,495)**	**(47,866)**	**(1,200)**	**57**	**(2,939)**
Total Balance in Account 1588 - sub account		**244,428**		**14,757**	**13,278**	**164,833**	**48,398**	**8**	**41**	**3,113**
Total Balance Allocated to each class (including 1588 sub-account)		**(40,703)**		**(11,309)**	**(29,345)**	**338**	**532**	**(1,192)**	**98**	**174**

Please indicate the Rate Rider Recovery Period (in years) | **1**

Rate Rider Calculation for Deferral / Variance Accounts Balances (excluding Global Adj.)

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Balance (excluding 1588 sub-account)	Rate Rider for Deferral/Variance Accounts	
Residential	kWh	45,610,704	-$ 26,066	- **0.0006**	$/kWh
GS<50	kWh	20,710,698	-$ 42,623	- **0.0021**	$/kWh
GS 50 - 2999	kW	160,989	-$ 164,495	- **1.0218**	**$/kW**
GS 3000-4999	kW	44,397	-$ 47,866	- **1.0781**	**$/kW**
Unmetered Scattered Load	kWh	493,680	-$ 1,200	- **0.0024**	$/kWh
Sentinel Lights	kW	115	$ 57	**0.4989**	**$/kW**
Street Lights	kW	3,216	-$ 2,939	- **0.9140**	**$/kW**
		-	$ -	**-**	
Total			**-$ 285,132**		

Rate Rider Calculation for RSVA - Power - Sub-account - Global Adjustment

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Balance of RSVA - Power - Sub-	Rate Rider for RSVA - Power -	
Residential	kWh	5,520,119	$ 14,757	**0.0027**	$/kWh
GS<50	kWh	4,967,197	$ 13,278	**0.0027**	$/kWh
GS 50 - 2999	kW	158,148	$ 164,833	**1.0423**	**$/kW**
GS 3000-4999	kW	44,397	$ 48,398	**1.0901**	**$/kW**
Unmetered Scattered Load	kWh	3,067	$ 8	**0.0027**	$/kWh
Sentinel Lights	kW	43	$ 41	**0.9587**	**$/kW**
Street Lights	kW	3,216	$ 3,113	**0.9680**	**$/kW**
		-	$ -	**-**	
Total			**$ 244,428**		

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Ref: Exhibit 9/Tab 2/Schedule 1/pages 7-8; Revised Tables 9.7 and 9.8 on Rate Rider Calculation (Excluding Account 1588, Sub account Global Adjustment) as per CWH letter to the Board dated November 13, 2012; Chapter 2 of the Filing Requirements for Electricity Transmission & Distribution Application, S.2.12.2; Appendix 2-T; and **December 2010 FAQs #1-5; June 28, 2012 - Account 1592, PILS and Tax Variance, Sub-account HST/OVAT/ITCs**

CWH is requesting disposition of Account 1592, PILS & Tax Variance for 2006 & Subsequent Years-Sub Account HST/OVAT ITCs for the credit balance of $20,017 (50% of $40,034). CWH also provided Appendix 2-T providing a summary of the capital and OMA HST/OVAT/ITC savings for a total of $20,017.

S.2.12.2 of 2013 COS filing requirements states:

> The applicant must provide an analysis to support the applicant's conformity with the December 2010 APH FAQs, in particular the example shown in FAQ #4.

a) Per the 2013 COS filing requirements, please provide detailed schedules (supporting the $40,034), 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, 2013 to April 30, 2013.

b) If CWH has not calculated HST savings from January 1, 2012 to April 30, 2013, please calculate the amount using the APH FAQ December 2010 guidelines and request to clear the amount in the current application as well.
c) Since the calculation of the HST savings in Question 4 of the December 2010 APH-FAQs for OM&A costs and capital expenditures is based on a proxy using 2009 spending, has CWH experienced actual spending which were materially different for 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) CWH requested leave to discontinue tracking HST/OVAT/ITC as at December 31, 2012. The 2013 Filing Requirements indicate that "No more amounts should be recorded in Account 1592…for the Test Year and going forward, as the impact of the HST and associated ITS on capital and operating costs in the Test Year should be reflected in the applied-for revenue requirement. Please confirm that CWH is following the 2013 COS filing requirement and will stop using the sub account 1592, HST/OVAT/ITC starting in the test year and onwards.

Response:

a) The below table sets out the audited actual amounts to December 31, 2011, Preliminary figures for 2012, and Forecast for 2013.

Centre Wellington Hydro Ltd.
1592-PILS & Tax Variance-Sub Account HST/OVAT ITCs
For the Period of July 1, 2010 to April 30, 2013

	July 1, 2010 to December 31, 20120	Jan 1, 2011 to December 31, 2011	Jan 1, 2012 to December 31, 2012	Jan 1, 2013 to April 30, 2013	Total Estimate to 2013-04-30 by sub-accounts
	Transaction	Transaction	Transaction		
PILs & Tax Var - HST OVAT ITC - 100%	- 16,561.44	- 23,472.60	- 24,868.34	- 8,653.65	-73,556.03
PILs & Tax Var - HST OVAT ITC - 100% - Capital Contra	11,324.23	14,372.62	8,139.31	4,511.49	38,347.65
PILs & Tax Var - HST OVAT ITC - 100% - OMA Contra	5,237.21	9,099.98	16,729.03	4,142.16	35,208.38
Net amount posted to 1592	-	-	-	-	-
100% Year-to-Date Totals - HST Tax saving related to PST	- 16,561.44	- 40,034.04	- 64,902.38	- 73,556.03	
50% Year-to-Date Totals - HST Tax saving related to PST	- 8,280.72	- 20,017.02	- 32,451.19	- 36,778.02	

b) CWH has recorded the amounts being posted into account 1592 on a transactional basis to identify, track and record the incremental ITCs. This was one of the options that were available to the LDCs if they were able to record the incremental ITCs on an actual basis. The above table shows the actual amounts for 2010, 2011 and 2012 and an estimated amount for the first four months of 2013 as requested. CWH requested disposition of $40,034.04 only as that was the audited balance to December 31, 2011 and thought the amounts for 2012 and 2013 would be disposed of once the balances had been audited.

c) CWH did not use the proxy method. As stated in b) CWH used the transaction by transaction basis for greater accuracy.

d) As requested, CWH will continue to record the HST OVAT ITCs into account 1592 for all transactions to April 30, 2013 into account 1592.

9-77 OEB Staff-32

Ref: Appendix 2-T; Revised Table 9.7 as per CWH letter to the Board dated November 13, 2012; December 2010 APH Q & A #5; DVA Continuity Work Form

APH Q & A #5 states:

> Can a distributor record only the 50 percent portion of the HST savings
>
> attributable to ratepayers in the sub-account?
>
> A.5 No. 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.

CWH appropriately provided the credit balance of $20,017 in Account 1592, PILS & Tax Variance for 2006 & Subsequent Years - Sub Account HST/OVAT ITCs in Table 9.7. However, CWH did not record the $40,034 credit balance as required by the December 2010 APH Q & A #5 in the DVA Work Form and Appendix 2-T.

Please explain CWH's entries. In the alternative, please update DVA Work Form and Appendix 2-T.

Response:

CWH has updated Appendix 2-T with 100% of the HST savings to December 31, 2011.

Appendix 2-T
Deferred PILs Account 1592 Balances

The following table should be completed based on the information requested below, in accordance with the notes following the table. An explanation should be provided for any blank entries.

Tax Item	Principal as of December 31, 2011
Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period	
Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from January 1, 2006 to April 30, 2006 (4/12ths of the approved grossed-up proxy), if not recorded in PILs account 1562	
Ontario Capital Tax rate decrease and increase in capital deduction for 2007	
Ontario Capital Tax rate decrease and increase in capital deduction for 2008	
Ontario Capital Tax rate decrease and increase in capital deduction for 2009	
Ontario Capital Tax rate decrease and increase in capital deduction for 2010	
Capital Cost Allowance class changes from 2006 EDR application for 2006	
Capital Cost Allowance class changes from 2006 EDR application for 2007	
Capital Cost Allowance class changes from 2006 EDR application for 2008	
Capital Cost Allowance class changes from 2006 EDR application for 2009	
Capital Cost Allowance class changes from 2006 EDR application for 2010	
Capital Cost Allowance class changes from 2006 EDR application for 2011	
Capital Cost Allowance class changes from any prior application not recorded above. Please provide details and explanation separately.	
Sub-Account "HST / OVAT Input tax credits (ITCs)" at 100% is $40,034.04 which represents the PST that was previously recorded in operating expenses and capital prior to the implementation of HST in July 2010. This amount is to be split 50 /50 with the shareholder, therefore this amount reflects 50% of the credit that was booked as at December 31, 2011.	$ 40,034
Insert description of additional item(s) and new rows if needed.	
Total	$ 40,034

CWH has also updated the DVA continuity workform at tab 2 row 86 for 100% of the HST savings. CWH will submit an updated DVA continuity workform with the responses to the IRs.

9-78 OEBStaff-33

Ref: Revised Tables 9.7 and 9.8 on Rate Rider Calculation (Excluding Account 1588, Sub account Global Adjustment) as per CWH letter to the Board dated November 13, 2012; DVA Continuity Work Form; APH Article 220; November 28, 2006 Board Letter to Electricity Distributor on Approval of Accounting Interest Rates Methodology for Regulatory Accounts Board File No. EB-2006-011; APH Q

& A #5, July 2007 - Account 1592, PILS and Tax Variance, Sub-account HST/OVAT/ITCs

APH Article 220: Account 1592, Sub account HST/OVAT/ITCs states:

> Carrying charges shall apply to this account. These amounts shall be calculated using simple interest applied to the monthly opening balances in the account (exclusive of accumulated interest) and shall be recorded monthly in a separate carrying charges sub-account of this account. The interest rate shall be the rate prescribed by the Board.

APH Q & A #5, 2007 states:

> Carrying charge amounts shall be calculated using simple interest applied to the monthly opening debit or credit balances in accounts 1562 and 1592 (exclusive of accumulated interest) and recorded in separate sub-accounts.

In revised Table 9.7, CWH requested the disposition of account 1592 balance which included the principal but with no provision for carrying charges.

Please provide the detailed calculation of the carrying charges for Account 1592, sub-account HST/OVAT/ITCs including the interest rates used from July 1, 2010 to April 30, 2013 and update all relevant evidence including Tables 9.7 and 9.8.

Response:

CWH in the tables below has shown the total amount of the HST OVAT ITC to December 31, 2012 at actual values based on individual transactions and the amount for January 1, 2013 to April 30, 2013 based on a 30 month average of July 1, 2010 to December 31, 2012.

Centre Wellington Hydro Ltd. 1592-PILS & Tax Variance-Sub Account HST/OVAT ITCs For the Period of July 1, 2010 to April 30, 2013					
	July 1, 2010 to December 31, 20120	Jan 1, 2011 to December 31, 2011	Jan 1, 2012 to December 31, 2012	Jan 1, 2013 to April 30, 2013	Total Estimate to 2013-04-30 by sub-accounts
	Transaction	Transaction	Transaction		
PILs & Tax Var - HST OVAT ITC - 100%	- 16,561.44	- 23,472.60	- 24,868.34	- 8,653.65	- 73,556.03
PILs & Tax Var - HST OVAT ITC - 100% - Capital Contra	11,324.23	14,372.62	8,139.31	4,511.49	38,347.65
PILs & Tax Var - HST OVAT ITC - 100% - OMA Contra	5,237.21	9,099.98	16,729.03	4,142.16	35,208.38
Net amount posted to 1592	-	-	-	-	-
100% Year-to-Date Totals - HST Tax saving related to PST	- 16,561.44	- 40,034.04	- 64,902.38	- 73,556.03	
50% Year-to-Date Totals - HST Tax saving related to PST	- 8,280.72	- 20,017.02	- 32,451.19	- 36,778.02	

CWH in the below table is showing the detailed calculation of carry charges for Account 1592, sub-account HST OVT ITCs for the period of July 1, 2010 to April 30, 2013 at the OEB prescribed interest rate.

Month / Year	Monthly HST / OVAT ITCs Transactions at 100%	Month End Balances for Calculation of Carrying Charges	OEB Prescribed Interest Rate	Monthly Simple Interest based on opening balance	Running total Carrying Charges at 100%
Jul-10	504.02	- 504.02			
Aug-10	1,880.94	- 2,384.96	0.89	-$ 1.80	-$ 1.80
Sep-10	2,767.58	- 5,152.54	0.89	-$ 3.77	-$ 5.57
Oct-10	1,760.11	- 6,912.65	1.2	-$ 7.05	-$ 12.62
Nov-10	3,188.69	- 10,101.34	1.2	-$ 9.96	-$ 22.58
Dec-10	6,460.10	- 16,561.44	1.2	-$ 16.88	-$ 39.46
Jan-11	1,309.78	- 17,871.22	1.47	-$ 22.31	-$ 61.77
Feb-11	1,156.20	- 19,027.42	1.47	-$ 21.46	-$ 83.23
Mar-11	816.65	- 19,844.07	1.47	-$ 24.78	-$ 108.00
Apr-11	578.68	- 20,422.75	1.47	-$ 24.68	-$ 132.68
May-11	1,186.16	- 21,608.91	1.47	-$ 26.98	-$ 159.66
Jun-11	651.45	- 22,260.36	1.47	-$ 26.90	-$ 186.55
Jul-11	765.51	- 23,025.87	1.47	-$ 28.75	-$ 215.30
Aug-11	981.71	- 24,007.58	1.47	-$ 29.97	-$ 245.27
Sep-11	10,968.98	- 34,976.56	1.47	-$ 42.26	-$ 287.53
Oct-11	1,567.75	- 36,544.31	1.47	-$ 45.63	-$ 333.16
Nov-11	2,598.05	- 39,142.36	1.47	-$ 47.29	-$ 380.45
Dec-11	891.68	- 40,034.04	1.47	-$ 49.98	-$ 430.43
Jan-12	789.90	- 40,823.94	1.47	-$ 50.97	-$ 481.40
Feb-12	477.80	- 41,301.74	1.47	-$ 46.57	-$ 527.98
Mar-12	1,488.61	- 42,790.35	1.47	-$ 53.42	-$ 581.40
Apr-12	1,969.36	- 44,759.71	1.47	-$ 54.08	-$ 635.48
May-12	1,722.00	- 46,481.71	1.47	-$ 58.03	-$ 693.51
Jun-12	1,413.23	- 47,894.94	1.47	-$ 57.87	-$ 751.38
Jul-12	387.97	- 48,282.91	1.47	-$ 60.28	-$ 811.66
Aug-12	976.53	- 49,259.44	1.47	-$ 61.50	-$ 873.16
Sep-12	2,020.14	- 51,279.58	1.47	-$ 61.96	-$ 935.12
Oct-12	3,243.86	- 54,523.44	1.47	-$ 68.07	-$ 1,003.19
Nov-12	1,906.67	- 56,430.11	1.47	-$ 68.18	-$ 1,071.37
Dec-12	8,472.27	- 64,902.38	1.47	-$ 81.03	-$ 1,152.40
Jan-13	2,163.41	- 67,065.79	1.47	-$ 83.73	-$ 1,236.13
Feb-13	2,163.41	- 69,229.20	1.47	-$ 86.43	-$ 1,322.56
Mar-13	2,163.41	- 71,392.61	1.47	-$ 89.13	-$ 1,411.70
Apr-13	2,163.42	- 73,556.03	1.47	-$ 91.83	-$ 1,503.53

Carrying Charges on 100% of the HST OVAT ITC transactions	-$ 1,503.53
Carrying Charges on 50% of the HST OVAT ITC transactions for Recovery	-$ 751.76

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Ref: Exhibit 4, Appendix A: 2011 Tax Returns: Continuity of Financial Statement Reserves; PILS Work Form: Taxable Income – Test Year & Adjusted Taxable Income-Historic Year; EB-2006-0170 - Filing Requirements For Electricity Transmission and Distribution Applications, pp.33-34;

In CWH's *Income Tax/PILS Work Form for 2013 Filers,* the calculation of Taxable Income for the Test Year includes an addition and a deduction of $985,381 for reserves from financial statements. Per CWH's 2011 tax return, this amount relates to the recoveries of regulatory assets.

Pages 33 and 34 of the *Filing Requirements For Electricity Transmission and Distribution Applications*, EB-2006-0170, issued June 28, 2012, state the following:

> Regulatory assets (and regulatory liabilities) should generally be excluded from PILs calculations both when they were created, and when they were collected, regardless of the actual tax treatment accorded those amounts.

CWH shows a Reserve from the Financial Statements of $985,381 as an addition and deduction to the 2013 taxable income. However in CWH's 2011 Income Tax Returns (Continuity of Financial Statement Reserves Schedule), $540,115 represents recoveries of regulatory assets and $297,027 represents settlement variance. These amounts should be excluded from the total of $985,381. Only the balance of $148,239, which represents the post-employment benefits, should be deducted as an addition and deduction under Reserve from the Financial Statement instead of $985,381.

Please update the PILs evidence and other related evidence and show only the balance of $148,239 amount as the addition and deduction under the Reserve from Financial Statements in the calculation of regulatory taxable income and all PILs calculations. In the alternative, please explain CWH's entries.

Response:

CWH has updated the OEB PILs workform and is reflecting only the balance of $149,239 as requested. A copy of the OEB PILs Workform file will accompany these responses.

9-80 OEBStaff-35

Ref: Revised Table 9.8 and Response #3: Load Model (Revised Table 3.23) as per CWH letter to the Board dated November 13, 2012; DVA Work Form/Rate Rider Calculation Tab

The revised billing determinants used in the Rate Rider Calculation for the Deferral/Variance Account Balances (Excluding Global Adjustment) do not match the revised load forecast provided in the Load model for 2013.

a) Please explain why the billing determinants in the revised Table 9.8 are different from the load forecast in Table 3.23.
b) What was the basis of the billing determinants used in the calculation of the rate riders for Groups 1 & 2 (Excluding Account 1588 Sub-account Global Adjustment) in the revised Table 9.8 and the justification for the basis used?
c) Please file and submit updates, if necessary, to all related evidence.

Response:

a) CWH has used billing determinants consistent with those required for the RTSR model.

b) See response in part a.

c) Based on the Board concern with the billing determinants used in the rate rider calculation, CWH agrees that the 2013 load forecast would result in a more appropriate allocation of the account balances. CWH has updated the billing determinants in Table 9-8 and is submitting the DVA model with the response to these IRs.

Table 9-8
Deferral and Variance Accounts, Allocators and Rate Riders

		Amounts from Sheet 2	Allocator	Residential	GS<50	GS 50 - 2999	GS 3000-4999	Unmetered Scattered Load	Sentinel Lights	Street Lights
LV Variance Account	1550	243,561	kWh	75,753	34,956	102,576	27,412	977	61	1,827
RSVA - Wholesale Market Service Charge	1580	(348,494)	kWh	(108,389)	(50,016)	(146,768)	(39,222)	(1,398)	(87)	(2,614)
RSVA - Retail Transmission Network Charge	1584	(156,146)	kWh	(48,565)	(22,410)	(65,761)	(17,574)	(626)	(39)	(1,171)
RSVA - Retail Transmission Connection Charge	1586	(116,294)	kWh	(36,170)	(16,691)	(48,977)	(13,089)	(466)	(29)	(872)
RSVA - Power (excluding Global Adjustment)	1588	(13,987)	kWh	(4,350)	(2,007)	(5,891)	(1,574)	(56)	(3)	(105)
RSVA - Power - Sub-account - Global Adjustment	1588	244,428	Non-RPP kWh	15,184	13,885	166,886	45,400	10	37	3,025
Recovery of Regulatory Asset Balances	1590	0	kWh	0	0	0	0	0	0	0
Disposition and Recovery/Refund of Regulatory Balances (2008)	1595	0	kWh	0	0	0	0	0	0	0
Disposition and Recovery/Refund of Regulatory Balances Tax Sharing (2010)	1595	(1,495)	kWh	(465)	(215)	(630)	(168)	(6)	(0)	(11)
Disposition and Recovery/Refund of Regulatory Balances Tax Sharing (2011)	1595	(2,559)	kWh	(796)	(367)	(1,078)	(288)	(10)	(1)	(19)
Total of Group 1 Accounts (excluding 1588 sub-account)		**(395,415)**		**(122,983)**	**(56,750)**	**(166,529)**	**(44,503)**	**(1,586)**	**(98)**	**(2,966)**
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	(6)		(5)	(1)	(0)	(0)	(0)	(0)	(0)
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	236		207	26	2	0	0	0	0
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	75,704	# of Customers	66,375	8,367	701	11	113	113	23
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	5,863	Distribution Rev.	3,289	985	1,250	199	15	6	121
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act	1508	0		0	0	0	0	0	0	0
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges	1508	0		0	0	0	0	0	0	0
Other Regulatory Assets - Sub-Account - Other	1508	0		0	0	0	0	0	0	0
Retail Cost Variance Account - Retail	1518	26,232		22,999	2,899	243	4	39	39	8
Misc. Deferred Debits	1525	0		0	0	0	0	0	0	0
Renewable Generation Connection Capital Deferral Account	1531	0		0	0	0	0	0	0	0
Renewable Generation Connection OM&A Deferral Account	1532	0		0	0	0	0	0	0	0
Renewable Generation Connection Funding Adder Deferral Account	1533	0		0	0	0	0	0	0	0
Smart Grid Capital Deferral Account	1534	0		0	0	0	0	0	0	0
Smart Grid OM&A Deferral Account	1535	0		0	0	0	0	0	0	0
Smart Grid Funding Adder Deferral Account	1536	0		0	0	0	0	0	0	0
Retail Cost Variance Account - STR	1548	812		712	90	8	0	1	1	0
Board-Approved CDM Variance Account	1567	0		0	0	0	0	0	0	0
Extra-Ordinary Event Costs	1572	0		0	0	0	0	0	0	0
Deferred Rate Impact Amounts	1574	0		0	0	0	0	0	0	0
RSVA - One-time	1582	21,460		18,816	2,372	199	3	32	32	6
Other Deferred Credits	2425	0		0	0	0	0	0	0	0
Total of Group 2 Accounts		**130,300**		**112,392**	**14,738**	**2,402**	**217**	**201**	**192**	**158**
Deferred Payments in Lieu of Taxes	1562	0		0	0	0	0	0	0	0
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	0		0	0	0	0	0	0	0
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	(20,017)		(17,550)	(2,212)	(185)	(3)	(30)	(30)	(6)
Total of Account 1562 and Account 1592		**(20,017)**		**(17,550)**	**(2,212)**	**(185)**	**(3)**	**(30)**	**(30)**	**(6)**
Special Purpose Charge Assessment Variance Account	1521	(0)		(0)	(0)	(0)	(0)	(0)	(0)	(0)
LRAM Variance Account **(Enter dollar amount for each class)**	1568	0								
(Account 1568 - total amount allocated to classes)		0								
Variance		0								
Total Balance Allocated to each class (excluding 1588 sub-account)		**(285,132)**		**(28,141)**	**(44,225)**	**(164,312)**	**(44,289)**	**(1,415)**	**64**	**(2,813)**
Total Balance in Account 1588 - sub account		**244,428**		**15,184**	**13,885**	**166,886**	**45,400**	**10**	**37**	**3,025**
Total Balance Allocated to each class (including 1588 sub-account)		**(40,703)**		**(12,957)**	**(30,340)**	**2,574**	**1,111**	**(1,405)**	**101**	**212**

Please indicate the Rate Rider Recovery Period (in years) | **1**

Rate Rider Calculation for Deferral / Variance Accounts Balances (excluding Global Adj.)

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Balance (excluding 1588 sub-account)	Rate Rider for Deferral/Variance Accounts	
Residential	kWh	46,830,452	-$ 28,141	- **0.0006**	$/kWh
GS<50	kWh	21,609,897	-$ 44,225	- **0.0020**	$/kWh
GS 50 - 2999	**kW**	163,047	-$ 164,312	- **1.0078**	**$/kW**
GS 3000-4999	**kW**	37,386	-$ 44,289	- **1.1847**	**$/kW**
Unmetered Scattered Load	kWh	603,892	-$ 1,415	- **0.0023**	$/kWh
Sentinel Lights	**kW**	104	$ 64	**0.6127**	**$/kW**
Street Lights	**kW**	3,160	-$ 2,813	- **0.8903**	**$/kW**
		-	$ -	**-**	
Total			**-$ 285,132**		

Rate Rider Calculation for RSVA - Power - Sub-account - Global Adjustment

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Balance of RSVA - Power - Sub-	Rate Rider for RSVA - Power -	
Residential	kWh	5,667,741	$ 15,184	**0.0027**	$/kWh
GS<50	kWh	5,182,859	$ 13,885	**0.0027**	$/kWh
GS 50 - 2999	**kW**	160,169	$ 166,886	**1.0419**	**$/kW**
GS 3000-4999	**kW**	37,386	$ 45,400	**1.2144**	**$/kW**
Unmetered Scattered Load	kWh	3,751	$ 10	**0.0027**	$/kWh
Sentinel Lights	**kW**	39	$ 37	**0.9645**	**$/kW**
Street Lights	**kW**	3,160	$ 3,025	**0.9575**	**$/kW**
		-	$ -	**-**	
Total			**$ 244,428**		

9-81 OEBStaff-36

Ref: Appendix2-EB - IFRS-CGAAP Transitional PP&E Amounts, 2012/ 2013 Adopters of IFRS for Financial Reporting Purposes; *Filing Requirements For Electricity Transmission and Distribution Applications*, EB-2006-0170, June 28, 2012, pages 53-54; *Report of the Board – Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*, October 18, 2012, page 15

The *Filing Requirements For Electricity Transmission and Distribution Applications*, EB-2006-0170, June 28, 2012, state:

> **Account 1575 – IFRS-CGAAP Transitional PP&E Amounts**
>
> The applicant must propose a disposition period to "clear" the PP&E deferral account through a one-time adjustment to rate base to capture and remove the impact of the accounting policy changes as caused by the transition from CGAAP to MIFRS.

Appendix 2-EA or 2-EB states:

> Consistent with the 4 year normal rate cycle, the model is using a 4 year amortization period as a default selection to "clear" the PP&E deferral account through a one-time adjustment to rate base to capture and remove the impact of the accounting policy changes as caused by the transition from CGAAP to MIFRS.

The *Report of the Board – Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*, October 18, 2012, states:

> The Board has determined that the term for 4th Generation IR will be five years (rebasing plus 4 years).

The Board may consider a five-year disposition period to "clear" the PP&E deferral account. Please update and file with the Board Appendix 2-EB, Appendix 2-CH (Depreciation and Amortization Expense), Revenue Requirement Work Form, and any other applicable evidence to reflect a five-year disposition period for the clearance of the PP&E deferral account. Please outline the CWH's proposed approach and its reasons if the CWH disagrees with a five-year disposition period for the transitional PP&E Amounts.

Response:

CWH's proposed approach to the PP&E account 1575 would be to **remove it** from this rate application. CWH has chosen to defer adoption of IFRS until 2014 and later if further deferral options are offered.

CWH has adopted new useful lives for 2013 coincident with its COS rate application. The useful lives from the Kinectrics study have been used. Since this is a change in accounting estimate only, with no other change in accounting policy with respect to capitalization, CWH submits there is not a need to identify a PP&E difference between CGAAP and MIFRS in 2012 eliminating the need for a PP&E adjustment.

CWH submits that in Midland's case EB-2012-0147 their PP&E adjustment was removed from the rate application during their Interrogatory and Settlement phases and they experience the same issues as CWH noted above. A similar decision was made in the Wellington North Power 2012 rate case EB-2011-0249.

If the Board does not approve the removal of the PP&E account from this rate application CWH does not agree with a five-year disposition period for the transitional PP&E amounts. A disposition period of five-years suggested by Board Staff assumes the LDC will be rebasing in five years -2018. The Renewed Regulatory Framework for Electricity Distributors provides several options to LDCs with respect to rate applications

and it should not be assumed that at this time CWH will rebase in 2018 as the choice could be to adopt the Annual IR option with no defined date for its next Rebasing. For these reasons, CWH proposes to leave the PP&E adjustment as submitted in this rate application, only if the Board does not permit its removal as requested above.

Exhibit 10 – Smart Meters

10-82 OEB Staff-37

Ref: Exhibit 10/Tab 1/Schedule 1 – Stranded Meters

Please provide a copy of Sheet I7.1 from CWH's 2007 Cost Allocation model to show the data for the allocation of stranded meter costs between Residential and GS < 50 kW, as shown in Table 10.2.

Response:

See Sheet I7.1 below.

		Residential			GS <50			GS>50-Regular			GS >50-Intermediate			Street Light			Sentinel			Unmetered Scattered Load			TOTAL		
		1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
		Number of Meters	Weighted Metering Costs	Weighted Average Costs	Number of Meters	Weighted Metering Costs	Weighted Average Costs	Number of Meters	Weighted Metering Costs	Weighted Average Costs	Number of Meters	Weighted Metering Costs	Weighted Average Costs	Number of Meters	Weighted Metering Costs	Weighted Average Costs	Number of Meters	Weighted Metering Costs	Weighted Average Costs	Number of Meters	Weighted Metering Costs	Weighted Average Costs	Number of Meters	Weighted Metering Costs	Weighted Average Costs
	Allocation Percentage Weighted Factor			58.86%			19%			21%			1%			0%			0%			0%			100%
	Cost Relative to Residential Average Cost			1.00			2.73			34.40			37.55			-			-			-			1.51
	Total	5319	325795	61.2482948	627	104925	167.344498	55	11580	2107.27727	3	6900	2300	0	0	-	0	0	-	0	0	-	6004	453510	92.1920953
Meter Types	Cost per Meter (Installed)																								
Single Phase 200 Amp - Urban	50	5,009	250450		210	15500			0			0			0			0			0		5,319	265950	
Single Phase 200 Amp - Rural	150	0	0		20	3000			0			0			0			0			0		20	3000	
Central Meter	250	2	500		55	13750		0	0			0			0			0			0		57	14250	
Network Meter (Costs to be updated)	225	299	67275		167	37575		0	0			0			0			0			0		466	104850	
Three-phase - No demand	210	6	1260		0	0		0	0			0			0			0			0		6	1260	
Smart Meters	300	0	0		12	3600		0	0			0			0			0			0		12	3600	
Demand without IT (usually three-phase)	500	0	0		63	31500		1	500		0	0			0			0			0		64	32000	
Demand with IT	2,100	3	6300			0		44	92400		0	0			0			0			0		47	98700	
Demand with IT and Interval Capability - Secondary	2,300		0			0		10	23000		3	6900			0			0			0		13	29900	
Demand with IT and Interval Capability - Primary	10,000		0			0		0	0		0	0			0			0			0		0	0	
Demand with IT and Interval Capability -Special (WMP)	40,000		0			0		0	0		0	0			0			0			0		0	0	
LDC Specific 1			0			0			0			0			0			0			0		0	0	
LDC Specific 2			0			0			0			0			0			0			0		0	0	
LDC Specific 3			0			0			0			0			0			0			0		0	0	

10-83 OEBStaff-38

Ref: Exhibit 10/Tab 1/Schedule 13 – Annual Security Audit

On pages 1-2 of this exhibit, CWH states that, "Going forward, an annual security audit has been budgeted, as this is a prudent approach to satisfying the due diligence requirements for protection not only of customer information, but also to ensure that access to the infrastructure is properly protected, thereby securing against unwanted modifications to data collection and/or load-control functionality."

a) Was a security audit conducted in 2012? If so, please identify the costs and where CWH has requested recovery of these costs.
b) Please identify the budgeted cost for the annual security audit in 2013, and identify where the costs for this are documented for recovery as part of CWH's 2013 revenue requirement.

Response:

a) Yes, a security audit was conducted in 2012. The cost was $10,414 for external services and was posted to account 5315-Customer Billing.

b) The annual budget cost of the security audit for 2013 is $10,500 and is documented in account 5315-Customer Billing for recovery as part of CWH's 2013 revenue requirement.

10-84 OEB Staff-39

Ref: Smart Meter Model, Version 3.00, Sheet 2 – Smart Meter Costs

Sheet 2 of the Smart Meter Model contains the input smart meter capital and operating costs for which CWH is seeking recovery.

Row 42 '1.1.1 Smart Meters (may include new meters and modules, etc.)' documents the procurement costs for the smart meters themselves.

a) CWH shows negative (credit) entries of ($10,552) for 2010 and ($420) for 2011. Please explain what these credit entries are. Please also explain where the capital procurement costs for the smart meters installed in these years are recorded.
b) CWH shows 87 smart meters installed in 2012, but shows no capital costs for procurement and installation of smart meters in that year. Please explain where the costs are documented.

Response:

a) CWH shows negative (credit) entries in 2010 and 2011 because CWH transferred the physical cost of the meters from 1555 to 1860 because the meters were installed on GS>50 customers and were not considered part of the smart meter initiative. The capital procurement cost for smart meters installed in 2010 and 2011 was included in the capital cost for 2009.

b) The 87 smarts meters installed in 2012 were purchased in 2009 and were installed by internal staff and therefore was not incremental.

10-85 OEBStaff-40

Ref: Smart Meter Model, Version 3.00, Sheet 2 – Smart Meter Costs

Please explain the costs of $6,521 in 2006, $16,082 in 2007 and $16,224 in 2008 shown on row 86 '1.5.3 Professional Fees' of Sheet 2.

Response:

The amounts shown in 2006, 2007, and 2008 and shown on row 86 as 1.5.3 Professional Fees on Sheet 2, relates to costs involved in the initial investigation of thesmart meter implementation process that was being mandated by the province. These costs were all incremental costs and were not part of the regular operation of the utility.

10-86 OEBStaff-41

Ref: Smart Meter Model, Version 3.00, Sheet 3 – Cost of Capital Parameters

In cell G23, CWH has not input any debt capitalization for 2006, which results in a capital structure of 0% debt and 100% equity in 2006. This also affects the capital structure in 2007 and even in 2008 and 2009 through the K-factor adjustment towards the common 56% long-term debt, 4% short-term debt and 40% equity deemed capital structure currently used for electricity distribution rate setting.

In its 2006 EDR rates application [RP-2005-0020/EB-2005-0348], CWH was approved a deemed capital structure of 50% debt and 50% equity, which would have corresponded with its then-current rate base size less than $10 million.

Please explain CWH's input, or update to correspond with its approved capital structure in each year.

Response:

CWH has updated the Smart Meter Model on Sheet 3 with the appropriate cost of capital parameters. CWH will submit the Smart Meter Model with these IRs.

10-87 OEB Staff-42

Ref: Smart Meter Model, Version 3.00, Sheet 3 – Taxes/PILs Rates

On Sheet 3 of the Smart Meter Model, CWH has relied on the default maximum aggregate Federal and Ontario income tax rate, as shown in the following table.

	2006	2007	2008	2009	2010	2011	2012	2013
Taxes/PILs								
Aggregate Corporate Income Tax Rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%	25.50%
Capital Tax (until July 1st, 2010)	0.30%	0.225%	0.225%	0.225%	0.075%	0.00%	0.00%	0.00%

The default maximum tax rates in the model were to ensure proper functioning of the smart meter model. It is intended that the utility would override the input with the aggregate tax rate of taxes/PILs actually paid by the utility in each year; this information would generally be available from the taxes/PILs rate in an approved cost of service rates application, or the tax rate from the tax-sharing module of an IRM application in alternate years. This was explained in the comment with each input cell.

Please confirm that these are the tax rates shown corresponding to the taxes or PILs actually paid by CND in each of the historical years, and that CND forecasts it will pay for 2012 and 2013. In the alternative, please update with the actual aggregate taxes/PILs rates in accordance with the above description.

Response:

CWH has updated the Smart Meter model with the corrected tax rates as requested and has provided the below table with the changes. This change has no impact on CWH's revenue requirement but has reduced the rate rider for smart meter recovery to the residential and general service < 50 kW customer classes. These changes have been reflected in the bill impacts.

Taxes/PILs								
Aggregate Corporate Income Tax Rate	18.62%	18.62%	22.00%	16.50%	16.00%	15.50%	15.50%	15.50%
Capital Tax (until July 1st, 2010)	0.30%	0.225%	0.225%	0.225%	0.075%	0.00%	0.00%	0.00%

10-88Staff-43

Ref: Smart Meter Model, Version 3.00, Sheet 8 – Interest Expense

On sheet 8, CWH has input the prescribed interest rate up to and including 2012 Q4. This will calculate simple interest on the principal of SMFA revenues, on the one hand, and on the principal of OM&A and depreciation expenses (shown on Sheet 8A) on the other. However, CWH has proposed an effective date of May 1, 2013, so that interest should accrue to April 30, 2013.

This can be accomplished by inputting the prescribed interest rate for DVAs, currently at 1.47% into cell C52 (i.e. for all months in 2013 Q1) and cell L111 (i.e., for April 2013).

Please explain CWH's inputs or, in the alternative, please update to calculate the interest to April 30, 2013.

Response:

CWH has updated the Smart Meter Model to calculate the interest to April 30, 2013.

SMART METERS (Exhibit 10)

10-89 VECC 46

Reference: Exhibit 10, Tab 1, Schedule 1, pg. 2

a. Please explain why the number of smart meters installed in Table 10.1 does not appear to match the number of meters identified in the Excel Smart Meter Model_Revised 2012001_20121017 under Tab 2 "Smart_Meter_Costs (i.e. Tab 2 vs. Tab 10b).

b. There appear to be a number errors in the Smart Meter model (see Board Staff interrogatories 37 onward. Also there appear to be a number of places were draft comments remain (see for example Tab 3 and 8b). Please review this filing and re-file a corrected version if necessary

Response:

a) In Exhibit 10, Tab 1, Schedule 1, page 2 shows 5,838 residential meters and 738 general service <50 kW meters. Sheet 10b of the smart meter model shows

5,838 residential meters and 738 general service <50 kW meters. Sheet 2 of the smart meter model shows 5,806 residential meters and 700 general service <50 kW meters. The meter numbers on sheet 2 are incorrect, the meter numbers on Sheet 10b were updated with the final smart meter count for the residential and general service <50 kW customers. Meters numbers on Sheet 2 do not impact the results of the smart meter rate riders.

b) CWH will re-file the model.

10-90 VECC 47

Reference: Exhibit 10, Tab 1, Schedule 1.

b. Why has CWH chosen 2 years for the rate riders for Stranded Meters and its Smart Meter Disposition Rider

Response:

a. CWH chose 2 years for the rate riders for Stranded Meters and its Smart Meter Disposition Rider to be as fair as possible to the customers.

10-91 VECC 48

Reference: Exhibit 10, Tab 1, Schedule 17

a. Did CWH record the different costs for residential meters from those of the general service class?

Response:

a) CWH recorded the costs of Residential and General Service less than 50 kW classes in account 1555-Smart Meters. Cost related to General Service greater than 50 kW was recorded in account 1860-Meters.

Conversion from CGAAP to MIFRS

11-92 OEB Staff-44

Ref: Exhibit 1/Tab 2/Schedule 1/page 6 and Exhibit 2/Tab 5/Schedule 2/page 11 – Transition from CGAAP to MIFRS

On page 6 of Exhibit 1/Tab 2/Schedule 1, CWH states:

> Consistent with the Board's letter issued April 30, 2012 entitled Impact of the *Decision to Defer the Mandatory Date for the Implementation of International Financial Reporting Standards to January 1, 2013* by the Canadian Accounting Standards Board, this application has been prepared using modified IFRS (MIFRS). The forecasted 2013 Test Year has been prepared under MIFRS with comparison to the 2012 Bridge Year which has been presented under Canadian Generally Accepted Accounting Principles (CGAAP) and MIFRS.
>
> The transition to MIFRS has impacted the calculation of depreciation rates only. This change has impacted the 2013 rate base and the 2013 distribution revenue requirement. CWH has provided detailed explanations of this change in the applicable section of the application.

On page 11 of Exhibit 2/Tab 5/Schedule 2, CWH states:

> CWH will be deferring the implementation of IFRS to January 1, 2014 or until a final decision has been made by the AcSB and IASB on the handling of regulatory assets and liabilities.

In its Application, CWH has filled out all schedules and has applied for the PP&E adjustment as if it is adopting IFRS effective January 1, 2013.

a) Please confirm the date that CWH is intending on implementing IFRS.
b) If CWH is intending on deferring IFRS implementation until January 1, 2014, what, if any, changes are expected beyond what CWH has shown with respect to capitalization and changes in depreciation rates as reflected in this Application for 2013 rates.

Response:

a) At the present time CWH is intending on implementing IFRS January 1, 2014. However, it appears that the final decision has not been made by the AcSB and IASB. If a further deferral is offered, CWH will likely take the deferral.

b) CWH does not expect any changes beyond what is reflected in this application for the 2013 rates. The only change reflected in this application is the change in useful lives to reflect the change in accounting estimate effective January 1, 2013 and may have been considered by the Board as an impact of IFRS.

11-93 OEBStaff-45

Ref: Exhibit 2/Tab 5/Schedule 3/page 1/Table 2-39; Appendix 2-EB, Revenue Requirement Work Form; Chapter 2 of the Filing Requirements For Electricity Transmission and Distribution Applications, dated June 28, 2012, S.2.12.4;

CWH used the opening gross PP&E of $16,273,094 instead of the opening net PP&E of $6,441,884 in the Appendix 2-EB for 2012 under CGAAP and MIFRs. This is inconsistent with the requirement for the calculation of the transitional PP&E Deferral amounts.

Please make all the necessary adjustments in Appendices 2-EB to include the opening net PP&E amount in the calculation of the PP&E transitional amounts. Please update all relevant evidence including the Revenue Requirement Work Form (RRWF).

Response:

CWH has made the suggested adjustments in Appendices 2-EB. No additional models were affected by this adjustment.

Appendix 2-EB
IFRS-CGAAP Transitional PP&E Amounts
2013 Adopters of IFRS for Financial Reporting Purposes

For applicants that adopt IFRS on January 1, 2013 for financial reporting purposes

Note: this sheet should be filled out if the applicant adopts IFRS for its financial reporting purpose as of January 1, 2013.

	2009 Rebasing Year	2010	2011	2012	2013 Rebasing Year	2014	2015	2016
Reporting Basis	CGAAP	IRM	IRM	IRM	MIFRS	IRM	IRM	IRM
Forecast vs. Actual Used in Rebasing Year	Forecast	Actual	Actual	Forecast	Forecast			
			$	$	$	$	$	$
PP&E Values under CGAAP								
Opening net PP&E - Note 1				6,441,884				
Additions				1,396,366				
Depreciation (amounts should be negative)				-671,718				
Closing net PP&E (1)				7,166,532				
PP&E Values under MIFRS (Starts from 2012, the transition year)								
Opening net PP&E - Note 1				6,441,884				
Additions				1,396,366				
Depreciation (amounts should be negative)				-360,270				
Closing net PP&E (2)				7,477,981				
Difference in Closing net PP&E, CGAAP vs. MIFRS (Shown as adjustment to rate base on rebasing)				-311,448				
Account 1575 - IFRS-CGAAP Transitional PP&E Amounts								
Opening balance				0	-311448	-233586	-155724	-77862
Amounts added in the year				-311448				
Sub-total				-311448	-311448	-233586	-155724	-77862
Amount of amortization, included in depreciation expense - Note 2					77862	77862	77862	77862
Closing balance in deferral account				-311448	-233586	-155724	-77862	0

Effect on Revenue Requirement	
Amortization of deferred balance as above - Note 2	-77862
Return on Rate Base Associated with deferred PP&E balance at WACC - Note 3	-19247
Amount included in Revenue Requirement on rebasing	-97109

WACC	**6.18%**	
Disposition Period - Note 4	**4**	Years

11-94 OEB Staff-46

Ref: Exhibit 2/Tab 5/Schedule 3/page 1/Table 2-39; Appendix 2-EB; Appendix 2-CH; Revenue Requirement Work Form; Chapter 2 of the Filing Requirements For Electricity Transmission and Distribution Applications, dated June 28, 2012, S.2.12.4;

Board Staff noted CWH netted 2012 cost additions and disposals to calculate the amount for "Additions" used in Appendix 2-EB for the calculation of the transitional PP&E amount. However, Board staff also noted that in the calculation of the depreciation, CWH used the 2012 depreciation for additions only and excluded the depreciation for the disposals.

Please make all the necessary adjustments in Appendices 2-EB to include the net of depreciation for the additions and disposals in the calculation of the PP&E transition amounts for 2012 under CGAAP and MIFRs. Please update all relevant evidence including the Revenue Requirement Work Form (RRWF) and Appendix 2-CH.

Response:

CWH has made the suggested adjustments in Appendices 2-EB. No additional models were affected by this adjustment.

Appendix 2-EB
IFRS-CGAAP Transitional PP&E Amounts
2013 Adopters of IFRS for Financial Reporting Purposes

For applicants that adopt IFRS on January 1, 2013 for financial reporting purposes

Note: this sheet should be filled out if the applicant adopts IFRS for its financial reporting purpose as of January 1, 2013.

	2009 Rebasing Year	2010	2011	2012	2013 Rebasing Year	2014	2015	2016
Reporting Basis	CGAAP	IRM	IRM	IRM	MIFRS	IRM	IRM	IRM
Forecast vs. Actual Used in Rebasing Year	Forecast	Actual	Actual	Forecast	Forecast			
			$	$	$	$	$	$
PP&E Values under CGAAP								
Opening net PP&E - Note 1				6,441,884				
Additions				1,396,366				
Depreciation (amounts should be negative)				-76,555				
Closing net PP&E (1)				7,761,695				
PP&E Values under MIFRS (Starts from 2012, the transition year)								
Opening net PP&E - Note 1				6,441,884				
Additions				1,396,366				
Depreciation (amounts should be negative)				234,893				
Closing net PP&E (2)				8,073,143				
Difference in Closing net PP&E, CGAAP vs. MIFRS (Shown as adjustment to rate base on rebasing)				-311,448				
Account 1575 - IFRS-CGAAP Transitional PP&E Amounts								
Opening balance				0	-311448	-233586	-155724	-77862
Amounts added in the year				-311448				
Sub-total				-311448	-311448	-233586	-155724	-77862
Amount of amortization, included in depreciation expense - Note 2					77862	77862	77862	77862
Closing balance in deferral account				-311448	-233586	-155724	-77862	0

Effect on Revenue Requirement			
Amortization of deferred balance as above - Note 2	-77862	**WACC**	**6.18%**
Return on Rate Base Associated with deferred PP&E balance at WACC - Note 3	-19247	**Disposition Period - Note 4**	**4** Years
Amount included in Revenue Requirement on rebasing	-97109		