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Ontario

BY E-MAIL

February 15, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Northern Ontario Wires Inc.
2013 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2012-0153

In accordance with Procedural Order No. 1, please find attached Board Staff Interrogatories in the above proceeding.

Yours truly,

Original Signed By

Silvan Cheung
Advisor – Applications & Regulatory Audit

Encl.

cc: Parties to EB-2012-0153 proceeding

Board Staff Interrogatories
2013 Electricity Distribution Rates
Northern Ontario Wires Inc. ("NOW")
EB-2012-0153
February 15, 2013

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1.0-Staff-1

Ref: Exhibit 1/ Tab 2/ Schedule 7; Exhibit 4/ Tab 7/ Schedule 1 – Modified International Financial Reporting Standards

In Appendix 2-CH of Exhibit 4/ Tab 7/ Schedule 1, the column h shows the total of $414,543 as "2013 Depreciation Expenses". This amount differs from the total of $285,259 in the Amortization/Depreciation line in the Exhibit 1/ Tab 2/ Schedule 7/ Revenue Requirement Work form.

a) Please explain why the two totals are different.
b) Please update all evidence for any adjustments required including the Revenue Requirement Work form.

1.0-Staff-2

Ref: Exhibit 1/ Tab 2/ Schedule 1 – Cost of Capital

On page 1 of the above reference, NOW states:

> The current rates will result in actual a Return on Equity in 2013 below the level currently approved by the OEB (5.83% vs 7.54% [E5/T1/S1/Att2]).

a) Please confirm that this statement is with respect to the Weighted Average Cost of Capital ("WACC") rather than the Return on Equity. In the alternative, please explain.
b) Please identify the corresponding Return on Equity between what is approved in NOW's last Cost of Service application versus what would be earned in 2013 based on the proposed revenue requirement and revenues at currently approved rates.

1.0-Staff-3

Ref: Exhibit 1/ Tab 1/ Schedule 5 & 6 - Effective Date

NOW is seeking approval for changes to its rates effective May 1, 2013 and is requesting a final Rate Order by April 30, 2013 to implement rates on May 1, 2013.

a) Please clarify whether NOW is requesting the Board to declare its existing rates interim effective May 1, 2013 in the event that the new rates would not be available for May 1, 2013 implementation.
b) In the event that the new rates are not available for a May 1, 2013 implementation, please clarify whether NOW will be seeking recovery of forgone revenue.

1.0-Staff-4

Ref: Exhibit 1/ Tab 2/ Schedule 7 – Revenue Requirement Work Form

a) Based on the responses to the interrogatories from all parties, please submit a Microsoft Excel file containing an updated RRWF (version 3.00) that represents any changes the applicant wishes to make to the amounts in the previous version of the RRWF. Column E of Sheet 3 should remain unchanged. Adjustments or changed numbers should be input into cells on columns I or M, as applicable.
b) Please provide a list of all changes made to NOW's original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts.

EXHIBIT 2 – RATE BASE

2.0-Staff-5

Ref: Exhibit 2/ Tab 4/ Schedule 4 – Transportation Equipment

a) On page 3 of the above reference, the 2012 capital expenditures had included the replacement of an aerial bucket truck and a reel trailer unit for the total costs of $219,345. Please provide the previous fleet evaluation matrix score for these two pieces of equipment and explain the basis of the selection for these units for replacement.

b) In Attachment 1 of the above reference, the 2012 Fleet evaluation matrix identified four pieces of transportation equipment that exceeded a score of 27 (i.e. unit# 517, #510, #511, #513), which represents that the equipment "needs immediate consideration". Please advise whether these four pieces of transportation equipment have been included in 2013 capital expenditures for replacement. If not, please explain why.

c) Please explain the basis of the selection of the transportation equipment to be replaced in 2013.

2.0-Staff-6

Ref: Exhibit 2/ Tab 4/ Schedule 3 & 4 – Poles replacement

In the above reference, NOW provides the actual and forecasted costs for poles replacement for historical, bridge and test years. Staff has prepared a table below summarizing the costs.

	2009 Actual	2010 Actual	2011 Actual	2012 Bridge	2013 Test
Poles replacement costs	$10,459	$90,097	$163,202	$156,000	$160,680

a) Please explain why the poles replacement expenditures were increased significantly in 2010 and further in 2011.
b) Please explain how NOW plans to complete the budgeted poles replacement in 2012 and 2013.

2.0-Staff-7

Ref: Exhibit 2/ Tab 4/ Schedule 4 – Smart Meters

On page 6 of the above reference, NOW states:

> For purposes of this application [the Cost of Service application] NOW Inc. has transferred the net book value of the smart meter assets from the deferral account USoA 1555 into its capital assets. For purposes of prudence NOW Inc. proposes that these expenditures be tested in the stand alone application [considered under file number EB-2012-0353].

Should any changes be ordered by the Board, NOW Inc. will reflect those changes in this application as well.

The Board issued its Decision and Order EB-2012-0353 on January 10, 2013.

Please confirm that the gross book value, accumulated depreciation to December 31, 2012 and the net book value of smart meters in this application properly reflect the values as approved in Decision and Order EB-2012-0353. If necessary update the Asset Continuity Schedules and other schedules that rely on assets (e.g. Depreciation Expense, RRWF) to correspond with the approved smart meter assets approved in Decision and Order EB-2012-0353.

2.0-Staff-8

Ref: Exhibit 2/ Tab 7/ Schedule 1/ Attachment 1 – Green Energy Plan

In Exh.1/Tab 3/ Sch.1/ page 3 of Attachment 1, table 3 shows a schedule of connections up to year 2017, however it does not include any associated capital or OM&A expenditures.

a) Are all the works associated with renewable connections NOW has or will undertake classified as connections as per the DSC definitions?
b) Please confirm that the works associated with the connection of renewable generation have not resulted in any expansion or renewable enabling improvements and that the forecasted connections will not entail either of these works.
c) If your answer to (b) is negative, please use the table A below as a guide to provide further detail.
d) Has the implementation of the GEA plan resulted in any incremental labour costs? If so, are these costs are reflected in other schedules in the application (please cross-reference them).
e) Do you forecast any incremental labour costs or other OM&A costs associated with the implementation of the plan over the GEA plan's life?

Table A

PROJECT X	FEEDER	EXPECTED ONLINE DATE	ACTIVITY	COST ESTIMATE
			SYSTEM EXPANSION ACTIVITIES	
			Building a new line to serve the connecting customer	
			Rebuilding a single-phase line to three-phase to serve the connecting	

			customer	
			Rebuilding an existing line with a larger size conductor to serve the connecting customer	
			Rebuilding or overbuilding an existing line to provide an additional circuit to serve the connecting customer	
			Converting a lower voltage line to operate at higher voltage	
			Replacing a transformer to a large MVA size	
			Upgrading a voltage regulating transformer or station to a larger MVA size	
			Adding or upgrading capacitor banks to accommodate the connection of the connecting customer	
			RENEWABLE ENABLING IMPROVEMENTS ACTIVITIES	
			Modifications to, or the addition of, electrical protection equipment	
			Modifications to, or the addition of, voltage regulating transformer controls or station controls	
			The provision of protection against islanding (transfer trip or equivalent)	
			Bidirectional reclosers	
			Tap-changer controls or relays	
			Replacing breaker protection relays	
			SCADA system design, construction and connection	
			Any other modifications or additions to allow for and accommodate 2-way electrical flows or reverse flows	
			Communication systems to facilitate the connection of renewable energy generation facilities	

EXHIBIT 3 – OPERATING REVENUE

3.0-Staff-9

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

In its Application, NOW has developed its load forecast with class-specific models of consumption for each of the Residential and GS < 50 kW classes.

a) Is the billed consumption actuals for each calendar month? If not, please describe the methodology by which the class-specific consumption for each class was calculated.
b) Please identify whether NOW bills on a monthly, bi-monthly (every two months) or other billing cycle for each metered customer class, using the following table:

Class	**Billing Cycle**		
	Monthly	**Bi-monthly**	**Other (Specify)**
Residential			
GS < 50 kW			
GS > 50 kW			
etc.			

3.0-Staff-10

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

In its Application, NOW has developed its load forecast with class-specific models of consumption for each of the Residential and GS < 50 kW classes. Please explain why the regression range is only four years (from January 2008 to December 2011).

3.0-Staff-11

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

For the multivariate regression model of Residential consumption, NOW shows that Residential kWh was regressed against the following explanatory variables:

- Constant;
- HDD (Heating Degree Days, as measured at Timmins Airport);

- CDD (Cooling Degree Days, as measured at Timmins Airport);
- MonthDays (Number of Days in the calendar month); and
- FTE_NEO (Northeast Ontario full-time employment).

a) FTE_NEO is used as a proxy for economic activity in NOW's service territory, but is statistically insignificant with a t-statistic of 1.11. What other variables for community size (population) and economic activity were tried in the model? Why were each of these variables rejected from the load forecast model?

b) The model has an intercept term that is statistically insignificant, with a t-statistic of -0.92.
   i. Why was the constant retained if it was statistically insignificant?
   ii. Please provide the regression results retaining all exogenous variables with the exception of the constant.

c) Table 2 on page 4 of the Elenchus study provides summary statistics of the "fit" of the model in terms of annual percentage error and the mean absolute percentage error. As the regression model is based on monthly data, the residual analysis based on annual results can understate the actual residual error, as summing over the monthly values can smooth the deviations. Please provide the following:
   i. Actual and predicted Residential kWh, residual and % error, by month, for the regression period and also including the predicted values for the bridge and test years by month, up to and including December 2013; and
   ii. The Mean Absolute Percentage Error of the monthly residuals over the actual regression range from January 2008 to December 2011.

d) Please update Chart 1 also showing the forecasted values to December 2013 and actual values to December 2012.

3.0-Staff-12

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

For the multivariate regression model of GS < 50 kW consumption, NOW shows that GS < 50 kW consumption, in kWh, was regressed against the following explanatory variables:

- Constant;
- HDD (Heating Degree Days, as measured at Timmins Airport);
- CDD (Cooling Degree Days, as measured at Timmins Airport); and
- Peakdays.

a) Please provide the definition for the Peakdays variable.

b) Please explain why there is no variable used as a proxy for economic activity in this regression model. What variables for community size (population) and/or economic activity were tired in the model? Why were each of these variables rejected from the load forecast model?
c) Table 4 on page 5 of the Elenchus study provides summary statistics of the "fit" of the model in terms of annual percentage error and the mean absolute percentage error. As the regression model is based on monthly data, the residual analysis based on annual results can understate the actual residual error, as summing over the monthly values can smooth the deviations. Please provide the following:
    i. Actual and predicted GS < 50 kW kWh, residual and % error, by month, for the regression period and also including the predicted values for the bridge and test years by month, up to and including December 2013; and
    ii. The Mean Absolute Percentage Error of the monthly residuals over the actual regression range from January 2008 to December 2011.
d) Please update Chart 2 also showing the forecasted values to December 2013 and actual values to December 2012.

3.0-Staff-13

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

a) On page 7 and 8 of the above reference, the report noted that up to one-third or more of GS > 50 kW class consumption was accounted for by only 3 customers. The report further discussed that basis of the load forecast for two of the customers. Please provide the details of the basis of the load forecast for the third customers.
b) On page 8 of the report stated that all other customers are assumed to have stable consumption and no new customers are forecast. Please provide a detailed discussion of how the GS > 50 kW historical and forecasted consumption (kWh) and demand (kW) shown in Table 8 was derived to incorporate the individual forecasts for True North, Tembec, Ontario Northland and all other GS > 50 kW customers.

3.0-Staff-14

Ref: Exhibit 3/ Tab 1/ Schedule 3/ Attachment 1 – Customer Count

In Table 10, NOW forecasts a loss of 2 GS < 50 kW customers per year, while there is marginal growth in Residential customers and no change in the forecasted number of GS > 50 kW customers.

a) What was the year-end number of GS < 50 kW customers in NOW's service territory?
b) What was the average or mid-year number of GS < 50 kW customers in NOW's service territory?

3.0-Staff-15

Ref: Exhibit 3/ Tab 1/ Schedule 4 – CDM Adjustment to Load Forecast

NOW has proposed to use a CDM target of 30% as the CDM adjustment for the 2013 load forecast amount to take into account the persistence of 2011 and 2012 CDM programs, and the impact of 2013 CDM programs on 2013 demand (consumption, measured in kWh).

Given that 2011 actuals are now available, an alternative approach is to take into account the 2011 results and their persistence, as measured and reported by the OPA for NOW, as per the OPA report filed in Exhibit 9/Tab 5/Schedule 1, and then to assume an equal increment for each of 2012, 2013, and 2014 so as to achieve NOW's CDM target of 5,880,0000 kWh. Board staff views that this approach is preferable as there are results on what the utility has achieved to date, and hence what more will be needed to achieve the cumulative four-year target. In using the measured and reported results from the 2011 programs, including the persistence into 2013, Board staff views that an improved estimate of the CDM impact of 2011-2013 programs on the LRAMVA threshold for 2013 (and 2014) would result, along with the corresponding adjustment to the 2013 test year load forecast.

Based on the final 2011 OPA results provided in Exhibit 9/Tab 5/Schedule 1, Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

Load Forecast CDM Adjustment Work Form (2013)

Northern Ontario Wires ***EB-2012-0153***

4 Year (2011-2014) kWh Target:					
	5,880,000				
	2011	2012	2013	2014	Total
		%			
2011 CDM Programs	8.19%	8.16%	8.16%	7.31%	31.83%
2012 CDM Programs		11.36%	11.36%	11.36%	34.08%
2013 CDM Programs			11.36%	11.36%	22.72%
2014 CDM Programs				11.36%	11.36%
Total in Year	**8.19%**	**19.52%**	**30.89%**	**41.40%**	**100.00%**
		kWh			
2011 CDM Programs	481,705	480,000	480,000	430,000	1,871,705
2012 CDM Programs		668,049	668,049	668,049	2,004,148
2013 CDM Programs			668,049	668,049	1,336,098
2014 CDM Programs				668,049	668,049
Total in Year	**481,705**	**1,148,049**	**1,816,098**	**2,434,148**	**5,880,000**
				Check	5,880,000

	Net-to-Gross Conversion "Gross"	"Net"	Difference	"Net-to-Gross" Conversion Factor ('g')
2006 to 2011 OPA CDM programs: Persistence to 2013	1	1	0	0.00%

	2011	2012	2013	2014	Total for 2013
Amount used for CDM threshold for LRAMVA	480,000	668,049	668,049		1,816,098
Manual Adjustment for 2013 Load Forecast	480,000	668,049	334,025		1,482,074
Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g)			*Only 50% of 2013 CDM impact is used based on a half year rule*		

The methodology for this is as follows:

For the top table

- The 2011-2014 CDM target is input into cell B4;

- Measured results for 2011 CDM programs for each of the years 2011 and persistence into 2012, 2013 and 2014 are input into cells C13 to F13;
- Based on these inputs, the residual kWh to achieve the 4 year CDM target is allocated so that there is an equal incremental increase in each of the years 2012, 2013 and 2014.

The second table is to calculate the conversion from "net" to "gross" results. While the LRAMVA is based on the "net" OPA-reported results, the load forecast is impacted also by CDM savings of "free riders" and "free drivers". While Board staff has input values of "1" in each of cells D24 and E24, in the absence of information, these should be populated with the measured "gross" and "net" CDM savings for the persistence of all CDM programs from 2006 to 2011 on 2013, as reported in the final OPA reports.

For the last table, two numbers are calculated:

- The "Amount used for CDM threshold for LRAMVA" is the sum of the persistence of 2011 and 2012 CDM programs and the annualized impact of 2013 CDM programs on 2013; and
- "Manual Adjustment for 2013 Load Forecast" represents the amount to be reflected in the 2013 load forecast. This amount uses the "gross" impact, which is calculated by multiplying each year's CDM program impact or persistence by (1 + g) from the second table. In addition, the impact of the 2013 CDM programs on 2013 "actual" consumption is divided by 2 to reflect a "half year" rule. Since the 2013 CDM programs are not in effect at midnight on January 1, 2013, the "annualized" results reported in the OPA report will overstate the "actual" impact. In the absence of information on the timing and uptake of CDM programs in their initial year, a "half-year" rule may proxy the impact.

a) Please input the "gross" and "net" cumulative kWh CDM savings from all CDM programs from 2006 to 2011 on 2013 as measured in the final OPA reports into, respectively, cells D24 and E24.
b) Please verify the inputs and results of the model.
c) Please provide NOW's views on the methodology above to develop the CDM savings that will underlie the 2013 CDM amount for the LRAMVA and the corresponding CDM adjustment for the 2013 test year load forecast. What, if any, refinements to this approach should be considered?

EXHIBIT 4 – OPERATING COSTS

4.0-Staff-16

Ref: Exhibit 4/ Tab 4/ Schedule 1 – Employee Compensation

a) On page 3 of the above reference, NOW states that on January 1, 2011 it hired 2nd Year Lineman Apprentice in Cochrane to meet increasing workload requirements in Cochrane and Iroquois Falls and secondary to support the Kapuskasing area. NOW further states that this hire also ensures that NOW comply with new qualification requirements for streetlight maintenance contracts and succession planning for future retirement.
    i. Please provide more details about the increasing workload requirement in Cochrane and Iroquois Falls, particularly please identify what capital projects or operational works would require this new hire.
    ii. Please explain the nature of the streetlight maintenance works as mentioned above and how these costs and revenues are accounted for.
b) NOW further states that in December 2011 NOW Inc. hired another 2nd Year Apprentice Lineman for Kapuskasing as part of the succession plan to replace an anticipated lineman retirement in 2014. Please provide the details of NOW's succession plan.
c) NOW notes that on September 19, 2011, CTS hired a purchasing manager in order to meet increasing workload for all the departments. NOW Inc. pays 40% of the costs and this allocation is based on the amount of time the individuals spends on NOW related functions. Please identify the increasing workload that is related to NOW.

4.0-Staff-17

Ref: Exhibit 4/ Tab 2/ Schedule 1/ Attachment 1 – Regulatory Costs

Appendix 2-M of the above reference provides a table of the regulatory costs schedule. The table shows the 2009 Board approved regulatory costs was $50,500 and the actual 2011 costs was $33,790. Please explain the reason(s) for this significant decrease in 2011.

4.0-Staff-18

Ref: Exhibit 4/ Tab 1/ Schedule 2; Exhibit 4/ Tab 2/ Schedule 1/ Attachment 1 – Third Party Services

Appendix 2-G of Exhibit 4/Tab 2/ Schedule 1/Attachment 1 provides the detailed account by account, OM&A expense table. The following table summarizes the changes for account 5630 (Outside Services Employed).

	2009	2010	2011	2012	2013
Appendix 2-G UsoA 5630	$160,109	$136,612	$210,365	$239,847	$214,254

a) In Exhibit 4/ Tab 1/ Schedule 2, page 6, NOW has identified $6,221 legal costs and $4,900 for an HR consultant as non-recurring costs in 2011. NOW also mentioned it incurred additional legal costs related to corporate affairs and service territory in the Cochrane area; however NOW did not identify the amount. Please provide the amount of the additional legal costs and explain whether this is also a non-recurring cost.
b) Please explain whether the above amounts in the table have included regulatory matters. If yes, please provide a breakdown to list the amounts related to regulatory matters and non-regulatory matters separately.
c) For the amounts related to non-regulatory matters, please identify the amounts that are one-time (non-recurring) and ongoing costs.

4.0-Staff-19

Ref: Exhibit 4/ Tab 2/ Schedule 1/ Attachment 1 – Billing and Collecting Expenses

Appendix 2-G of the above reference provides the detailed account by account, OM&A expense table. The following table summarizes the changes for account 5310 (Meter Reading Expense) and account 5315 (Customer Billing).

	2009	2010	2011	2012	2013
Appendix 2-G UsoA 5310	$233,147	$115,992	$101,937	$104,064	$196,489
Appendix 2-G UsoA 5315	$278,728	$259,602	$276,702	$282,549	$336,595

a) Please explain the decrease in Account 5310 Meter Reading Expense to $115,992 in 2010 and the further decrease to $101,937 in 2011.

b) Please explain the significant increase in Account 5310 from $104,064 to $196,489 in 2013.
c) Please explain the increase in Account 5315 Customer Billing to $336,595 in 2013.

4.0-Staff-20

Ref: Exhibit 4/ Tab 2/ Schedule 1 – OM&A Costs per Customer and Customer per FTEE

Appendix 2-L of the above reference provides the OM&A costs per customer and customers per FTEE. Please explain the methodology for calculating the number of customers and the source of the data.

4.0-Staff-21

Ref: Exhibit 4/ Tab 2/ Schedule 2/ Page 1 - Low Income Energy Assistance Program (LEAP)

Please state whether or not NOW has included an amount in its 2013 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

4.0-Staff-22

Ref: Exhibit 4/ Tab 5/ Schedule 1 – Corporate Cost Allocation

In Appendix 2-L, there is one item related to services provided by NOW management employees to CTS. Please provide more details about this service to CTS and the pricing methodology and allocator used to determine the costs.

4.0-Staff-23

Ref: Exhibit 4/ Tab 8/ Schedule 3 - PILs

In the above reference, NOW states that “[f]or purpose of clarity NOW Inc. would like to make mention that the smart meter assets have been included in the opening 2012 UCC balance as the assets were reported in 2011 and previous year tax filings.”

Please provide the amounts and the years that NOW has reported the smart meter assets in UCC balance in 2011 and previous year tax filings.

EXHIBIT 5 – COST OF CAPITAL AND RATE OF RETURN

5.0-Staff-24

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

On page 1 of the above reference, NOW states that "On March 31, 2012 NOW Inc. consolidated its outstanding debt into one loan in the amount of $4.8 M with Caisse Populaire for a five year term at 3.75%. NOW Inc. is not planning on taking more debt in the 2013 Test Year or thereafter."

Appendix 2-OB for the 2012 bridge year shows a loan from Caisse Populaire with a principal balance of $3,982,171, while Appendix 2-OB for the 2013 test year shows the loan principal of $ 4,853,336.

a) Please reconcile the statement on page 1 of this exhibit with the 2012 and 2013 principals for the loan.
b) Please explain the increase in the principal balance for the loan from 2012 to 2013.

EXHIBIT 7 – COST ALLOCATION

7.0-Staff-25

Ref: Exhibit 7/ Tab 1/Schedule 1 – Weighting Factors

In the above reference, NOW states that "NOWI review of their assets, and identified average costs of service recorded to 1855 for the Residential, General Service less than 50kW, and General Service 50 to 4,999 kW. No information was available for Street Lighting and Unmetered Scattered Load, although it is believed that these accounts have costs recorded to 1855. In light of the information available, NOWI used calculated weighting factors where possible, and relied on default weighting factors for the remaining unmetered classes."

Please confirm that NOW has included all the costs related to the applicable items listed under Account 1855 in the Accounting Procedures Handbook.

EXHIBIT 8 – RATE DESIGN

8.0-Staff-26

Ref: Exhibit 8/ Tab 3/ Schedule 1 – Retail Transmission Service Rates

In the above reference, NOW is proposing to further adjust the rate incorporated in the RTSR model at a later date once the Uniform Transmission Rates for January 1, 2013 are determined.

The Board has issued the latest Uniform Transmission Rates on December 20, 2012. Please update the RTSR model and provide the revised RTSR rates.

8.0-Staff-27

Ref: Exhibit 8/ Tab 3/ Schedule 5 –Low Voltage Charges

a) In the above reference, NOW's Low Voltage charges were $89,690, $104,852, and 152,469 for 2009, 2010 and 2011 respectively. Please provide the volume associated with the charges in each respective year.
b) The proposed Low Voltage charges for General Service < 50 kW and Unmetered Scattered Load classes are $0.0012/kWh which represent a 100% increase (current rate is $0.0006/kWh). Please explain the reason(s) for this significant increase.

8.0-Staff-28

Ref: Exhibit 8/ Tab 3/ Schedule 4 – Specific Service Charges

NOW is proposing to add three additional service charges which are Statement of Account, Account History, and Request for Other Billing Information. NOW states that these charges would allow it to offset administration costs associated with providing customers various account and billing information requested by the customer.

Please provide the number of requests which NOW had received in previous years for each of the above service requests.

8.0-Staff-29

Ref: Exhibit 8/ Tab 3/ Schedule 7 – Transformer Ownership Allowance

NOW has forecasted $39,900 to the rate classes that have customers that would receive the transformer ownership allowance. However in Exhibit 7/ Tab 1/ Schedule 1/ Sheet I8, the Line Transformer NCP has not recorded any demand for the GS > 50kW class.

Please explain what demand of the forecasted $39,900 amount is based on and explain why there is no demand recorded in Line Transformer NCP. If necessary please correct the entries for the load provided through NOW-owned transformers to customers in the GS > 50kW class, i.e. loads that did not receive a Transformer Ownership Allowance.

8.0-Staff-30

Ref: Exhibit 8/ Tab 4/ Schedule 4/ Attachment 1 – Tariff of Rates and Charges

The 3rd paragraph in the "Application" section of the tariff sheet for each rate class reads as follows:

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

Based on recent Tariff of Rates and Charges approved by the Board in 2013 rate applications, the above paragraph should be amended as follows:

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

Please state whether NOW has any concerns with the noted change to be applied to those classes for which the regulatory component applies, and if so, why.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

9.0-Staff-31

Ref: Exhibit 9/ Tab 1/ Schedule 1/ Page 6 – Account 1508

NOW is requesting the disposition of Account 1508: Other Regulatory Assets – Sub-Account – Other in the amount of $7,618 as of December 31, 2011.

In its application, NOW states:

> Account 1508: Other Regulatory Assets - Sub-Account - Other
>
> 1508 Other - $7,618. In 2010 NOW Inc. retained external resources to prepare a Conservation and Demand Management Strategy 2011-2014 as required by the Ontario Energy Board and submitted it on November 1, 2010 at a cost of $7,500. The difference of $118 is carrying charges.

a) Please state whether the Board authorized the use of Account 1508 for the costs of the retaining external resources to prepare a Conservation and Demand Management Strategy 2011-2014 as required by the Ontario Energy Board on November 1, 2010 and explain why NOW used Account 1508.
b) What would be NOW's proposed accounting treatment of these costs if NOW was not authorized by the Board to use Account 1508 Other Regulatory Assets - Sub-Account – Other and would NOW still be requesting for the disposition of this amount?
c) Please update Exhibit 9/ Tab 1/ Schedule 1/Page 2/ Table 2 to reflect the changes, if any.

9.0-Staff-32

Ref: Exhibit 9/ Tab 1/ Schedule 2/ Page 1; 2012 IRM rate application (EB-2011-0188), Page 5 of the Manager's Summary - Account 1588

In its 2012 IRM rate application, NOW disclosed to the Board a 2011 RPP settlement adjustment of $735,856 refund to customers in Account 1588, RSVA Power

a) Did NOW include the $735,856 credit balance in the amount being requested for disposition in Account 1588, RSVA Power?
b) Please provide all the detailed calculations and supporting documents with respect to this adjustment.

9.0-Staff-33

Ref: Exhibit 9/ Tab 1/ Schedule 1/ Page 2, Table 1; Board Decision (EB-2011-0188) page 7 – 8 – Account 1590

NOW is requesting the disposition of Account 1590 balance as of December 31, 2011 in the amount of $166,367. In the Board Decision EB 2011-0188, the Board stated:

> …….NOW sought to recover the residual debit balance of $166,367 in Account 1590, which had been inadvertently transferred to Account 1595 with its 2008 Group 1 Balances…….
>
> The Board is of the view that given the lack of clarity of the record on this issue and the limited opportunity for discovery, it is not appropriate for the Board to authorize disposition of Account 1590 in this proceeding. The Board directs NOW to apply to dispose of the residual balance in Account 1590 in conjunction with its next cost of service application, scheduled for 2013 rates.

In this current 2013 COS rate application, NOW is required to dispose the balance in Account 1590. The Deferral/Variance Account Work Form for 2013 Filers showed the principal of $138,509 and interest of $26,859 for Account 1590 as the components of the $166,367 claim for disposition in Table 1.

a) Please confirm that NOW has not included the balance of $166,367 in Account 1595.
b) Please explain the nature of the transactions included in the principal of $138,509 in Account 1590, provide the necessary documentation and calculations to support the balance of this account and the calculation of the interest carrying charges including the interest rates used.

9.0-Staff-34

Ref: Exhibit 9/ Tab 2/ Schedule 2/ Attachment 1 – Deferral/Variance Account Work Form for 2013 Filers

In the Deferral/Variance Account Work Form for 2013 Filers, NOW listed the adjustments for accounts 1590, 1508, 1518, 1548, 1567 and 1595 in the “Other Adjustments During Q3 2011” column and “Other Adjustments During Q4 2011” column for the Principal and for Interest, the accounts and amounts in the “Adjustment During 2011-Other” column for the year 2011.

Please explain all NOW's adjustments for 2011 in the three columns listed above for the principal and interest related to each account.

9.0-Staff-35

Ref: Exhibit 9/ Tab 1/ Schedule 2/ Page 5 – Retail Service Charges

NOW is requesting the disposition of Account 1518: Retail Cost Variance Account – Retail in the amount of ($30,478) and Account 1548: Retail Cost Variance Account – STR in the amount of $23,776.

a) Please identify the drivers for the balances in Account 1518 and Account 1548.
b) Please provide a schedule identifying all revenues and expenses, listed by Uniform System of Account (USoA) number, that are incorporated into the variances recorded in Account 1518 and Account 1548 for 2011, the actual/forecast for 2012 and a forecast for 2013.
c) Please confirm whether or not NOW has followed Article 490, Retail Services and Settlement Variances of the Accounting Procedures Handbook for Account 1518 and Account 1548. Please explain if NOW has not followed Article 490. In other words, please confirm that the higher of, the relevant revenues (i.e. account 4082, Retail Services Revenue and/or account 4084, STR Revenue) and the incremental expenses in the associated expense accounts (i.e. account 5315, Customer Billing, and possibly 5305, Supervision and 5340, Miscellaneous Customer Accounts Expenses) is reduced (i.e. revenues debited or expenses credited) at the end of each period, with an offsetting entry to the variance account.
d) Please confirm that all costs incorporated into the variances reported in Account 1518 and Account 1548 are incremental costs of providing retail services.

9.0-Staff-36

Ref: Exhibit 9/ Tab 1/ Schedule 2/ Page 5 & 6 – Renewable Generation Connection

NOW is requesting the disposition of Account 1531: Renewable Generation Connection Capital Deferral Account in the amount of $209 and Account 1532: Renewable Generation Connection OM&A Deferral Account in the amount of $2,549.

In reference to Exhibit 2/ Tab 4/ Schedule 7, NOW states that "Currently NOW

has no capital expenditures included in its investment plans to address renewable generation connections as articulated in the GEA Plan. Therefore no capital expenditures are incorporated into NOW's annual capital planning and have not been included in the proposed rate base in this Application."

a) Please confirm that NOW is not seeking any cost recovery in respect of its GEA plan at this time.
b) If part (a) to this question is confirmed, please explain why NOW is requesting to dispose Account 1531 and 1532.
c) What is the nature of transactions recorded in Account 1531 and 1532.
d) Please provide the entries and supporting documentation to record the balances in Account 1531 and 1532.
e) Please provide the calculation of the direct benefits accruing to NOW's customers.

9.0-Staff-37

Ref: Exhibit 9/ Tab 4/ Schedule 1/ Appendix 2-S – Stranded Meters

A copy of the table from Appendix 2-S is provided below:

Appendix 2-S
Stranded Meter Treatment

Year	Notes	Gross Asset Value	Accumulated Amortization	Contributed Capital (Net of Amortization)	Net Asset	Proceeds on Disposition	Residual Net Book Value
		(A)	(B)	(C)	(D) = (A) - (B) - (C)	(E)	(F) = (D) - (E)
2006					$ -		$ -
2007					$ -		$ -
2008					$ -		$ -
2009					$ -		$ -
2010		$ 197,293			$ 197,293	$ 235	$ 197,058
2011		-$ 420			-$ 420		-$ 420
2012	(1)				$ -		$ -
							$ 196,638

A copy of Appendix 2-S attached as Attachment 1 of Exhibit 9/ Tab 4/ Schedule 1 is shown below.

Appendix 2-S
Stranded Meter Treatment

Year	Notes	Gross Asset Value	Accumulated Amortization	Contributed Capital (Net of Amortization)	Net Asset	Proceeds on Disposition	Residual Net Book Value
		(A)	(B)	(C)	(D) = (A) - (B) - (C)	(E)	(F) = (D) - (E)
2006					$ -		$ -
2007					$ -		$ -
2008					$ -		$ -
2009					$ -		$ -
2010		$ 197,293	$ 7,892		$ 189,401	$ 235	$ 189,166
2011		-$ 420	$ 7,576		-$ 7,996		-$ 7,996
2012	(1)		$ 7,273		-$ 7,273		-$ 7,273
							$ 173,897

a) Please confirm which is the version of Appendix 2-S that NOW is using for the derivation of the Stranded Meter Rate Rider.
b) Please explain all entries made in columns labelled (A), (B) and (E) of Appendix 2-E, with respect to the following;
   i. Is $197,293 the Gross Book Value of the stranded Conventional Meters as of December 31, 2010?
   ii. What is the entry of ($420) under the Gross Book Value of stranded meters for 2011?
   iii. What are the entries under “Accumulated Depreciation” for 2010, 2011 and 2012? If these are to account for the depreciation expense that was being recovered in NOW’s approved distribution rates, why are these entries declining over time? Since there would be no further additions to stranded meters with smart meter deployment ongoing, and with straight-line depreciation, should not depreciation expense have been equal over the years? Or is the decline accounted for some stranded meters becoming fully depreciated?

9.0-Staff-38

Ref: Exhibit 9/ Tab 4/ Schedule 1 – Stranded Meters

On lines 18 – 23 of page 2 of the above reference, NOW states:

> The Board[‘]s appendix requests that if no depreciation expense was recorded to reduce the net book value of stranded meter costs through accumulated depreciation, the total depreciation expense amount that would have been applicable from the time that the stranded meter costs were transferred to the sub-account of Account 1555 to December 31, 2010 should be provided. NOW Inc. confirms that has been included and

the final amount should be $173,897[.]

a) Please confirm that NOW is stating that the $173,897 reflects the net book value of stranded conventional meters with accumulated depreciation recovered in distribution rates for 2011 and 2012. In other words, does the $173,897 represent the net book value of the stranded conventional meters as of December 31, 2012, including recognition of accumulated depreciation recovered in distribution rates at that time?
b) If the NBV of stranded conventional meters does not include recognition of depreciation expense related to these assets and recovered in approved rates for 2011 and 2012, please explain what the NBV represents and NOW's rationale for its proposal.

9.0-Staff-39

Ref: Exhibit 9/ Tab 4/ Schedule 1 – Stranded Meters – Cost Allocation

In *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition* ("Guideline G-2011-0001"), issued December 15, 2011, the Board states its expectation that proposals for the SMRR would reflect an allocation of the stranded meter costs reflecting the net book value of the conventional meters stranded by replacement by smart meters. In Section 3.7, page 22, of Guideline G-2011-0001, the Board states:

> The distributor should determine and support its proposed allocation, based on the principles of cost causality and practicality. The stranded meter NBV should be recovered through rate riders for applicable customer classes. A distributor must outline the manner in which it intends to allocate the stranded meter costs to the applicable customer rate classes and the rationale for the selected approach. If a distributor has recorded the NBV of the stranded meters by customer class, it should propose class-specific rate riders for each applicable class (Residential, GS < 50 kW and any other classes approved by the Board for smart meter deployment). If the NBV is not known on a class-specific basis, a distributor should propose an allocation between the affected metered customer classes and support its proposal.

NOW is proposing separate rate riders to recover the NBV of stranded meters from Residential and GS < 50 kW customers:

- Residential: $2.41/month for a period of one year; and
- GS < 50 kW: $2.40/month for a period of one year.

NOW states that the allocation is based on the actual number of installed smart meters.

Board staff observes that this is equivalent to an unweighted allocation, whereby no differences in the capital costs of meters installed in each class is taken into account. In particular, the higher prices of polyphase meters, which are more prevalent for GS customer classes, are not taken into account.

a) Please explain the rationale for NOW's proposed allocation.
b) Please provide a copy of Sheet I7.1 from NOW's Cost Allocation study from its previous Cost of Service application.
c) Based on the information provided in a), please provide class-specific SMRRs for the Residential and GS < 50 kW. Please adequately document the methodology for allocating the costs between the classes.

9.0-Staff-40

Ref: Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003), Section 13 - LRAM;
Exhibit 9/ Tab 5/ Schedule 1

LRAM for pre-2011 CDM Activities:

NOW has indicated that its lost revenues from persisting savings from 2010 CDM programs in 2011 is $4,894. NOW has not requested recovery of this amount at this time as it notes the annual rate riders are immaterial.

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

a) Please discuss why NOW is not requesting recovery its LRAM amount from persisting 2010 CDM savings in 2011 at this time. Please reconcile your response with the above noted portion of the CDM Guidelines.
b) Please discuss if NOW plans to seek recovery of persisting lost revenues from 2010 CDM programs in 2012 at some point in the future.
c) If the answer to (b) is no, please confirm that NOW foregoes the opportunity to recover the persisting lost revenues from 2010 CDM programs in 2012.
d) If the answer to (b) is yes, please provide calculations and supporting evidence of NOW's lost revenues in 2012 from persisting 2010 CDM

savings in the same manner as has been provided for the persisting lost revenues of 2010 CDM programs in 2011.

e) Please provide the initiatives and savings (either kWh or kW) that went into NOW's calculation of its lost revenues for each rate class. Please use the table below as an example :

Residential	Net kWh	Net kW	2011 Rate	Lost Revenues
(Initiative 1)				
(Initiative 2)				
GS < 50				
(Initiative 1)				
(Initiative 2)				
GS > 50				
(Initiative 1)				
(Initiative 2)				

f) Please discuss if NOW plans to request recovery of carrying charges related to its LRAM amount for persisting lost revenues from 2010 in 2011 and 2012.

g) If the answer to (f) is yes, please provide carrying charges calculations specific to only those lost revenues associated with the LRAM amount for persisting 2010 CDM program savings in 2011 (and 2012 if applicable). Do not include any lost revenues associated with 2011 CDM programs in this calculation.

h) Please provide LRAM-specific rate riders related to NOW's lost revenues from 2010 CDM programs in 2011 (and 2012 if NOW updates its application based on the interrogatories above). Do not include any LRAMVA amounts associated with 2011 CDM programs in the LRAM rate riders.

9.0-Staff-41

Ref: Guidelines for Electricity Distributor Conservation and Demand Management (EB-2012-0003), Section 13 - LRAM;
Chapter 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, dated June 28, 2012, S2.7.10- CDM costs;
Exhibit 9/ Tab 5/ Schedule 1

NOW has indicated that its lost revenues from 2011 CDM programs in 2011 is $6,461. NOW has not requested recovery of this amount at this time. NOW notes that the annual rate riders are immaterial.

The Board's CDM Guidelines state at Section 13.4 that "at a minimum, distributors must apply for disposition of the balance in the LRAMVA at the time of their Cost of Service rate applications."

a) Please provide the initiatives and savings (either kWh or kW) that went into NOW's calculation of its lost revenues for its LRAMVA for each rate class. Please use the table below as an example:

Residential	Net kWh	Net kW	2011 Rate	Lost Revenues
(Initiative 1)				
(Initiative 2)				
GS < 50				
(Initiative 1)				
(Initiative 2)				
GS > 50				
(Initiative 1)				
(Initiative 2)				

b) Please provide carrying charges calculations specific to only those lost revenues associated with the LRAMVA amount for 2011 CDM program savings in 2011. Do not include any lost revenues associated with persisting 2010 CDM program savings in this calculation.

c) Please provide LRAMVA-specific rate riders related to NOW's lost revenues from 2011 CDM programs in 2011. Do not include any LRAM amounts associated with persisting 2010 CDM program savings in the LRAMVA-specific rate riders.