Centre Wellington Hydro Ltd.

2013 Cost of Service Rates Application

EB-2012-0113

Board staff Supplemental Interrogatories

1-Staff-47s RRWF and Updated Revenue Requirement

Ref: 1-3 Staff-3 and 1-4 VECC 1

Please provide updated versions of the RRWF and the response to 1-4 VECC 1 reflecting all updates made as a response of supplemental interrogatories. In doing these updates, also reflect the updated Return on Equity and deemed Short-term and Long-term Debt Rates as communicated by the Board on February 14, 2013 for 2013 Cost of Service applications with an effective date of May 1, 2013.

Please file the RRWF in working Microsoft Excel format. Use columns I and M of the RRWF to reflect the further changes made; please do not change the Initial Application.

2-Staff-48s 2012 Incremental Capital Module

Ref: 2-7 Staff-6

a) Please confirm that CWH, in this Application, is seeking final review and approval for the capital expenditures for the Fergus MS-2 rehabilitation funded by the 2012 ICM.
b) Please provide the 2012 actual capital expenditures for the Fergus MS-2 rehabilitation. Please indicate whether the actuals are audited or unaudited.
c) Please confirm that the gross book value and the accumulated depreciation for 2012 reflected in rate base correspond to 2012 actuals. In the alternative, please update relevant tables and schedules (i.e. Asset Continuity Schedule, rate base, RRWF, etc.), as necessary.

2-Staff-49s GEA Plan

Ref: 2-12 Staff-11 (b)

In its response, CWH makes reference to the wrong section of the *Filing Requirements* and therefore does not provide an answer to the prioritization methodology.

Please answer IR 2-12-OEB Staff-11 (b) which relates to Section 4.2.2.2, bullet 4 of the *Filing Requirements*.

2-Staff-50s GEA Plan

Ref: (a) 2-13 Staff-12 (e)
(b) *Framework*[1] , Paragraph 1.1, Regulation 330/09

CWH in its pre-filed GEA plan did not specify any OM&A costs over the life of the plan, but noted at reference (a) that approx. $8,500 will be spent in 2012 on the GEA plan and that this amount has been allocated to account 1532.

On OM&A costs, reference (b) clarifies that certain up-front OM&A costs necessary for the purpose of enabling the connection of a qualifying generation facility are eligible for provincial recovery.

a) Please indicate whether the costs in Account 1532 are up-front costs as envisaged in reference (b).
b) If so, were these activities related to Renewable Enabling Improvements or Expansion works?
c) Since the Plan is in front of the Board, please explain the reasons why CWH has chosen not to clear account 1532.
d) Please confirm that CWH does not foresee incremental GEA Plan related OM&A expenses in 2013.

3-Staff-51s Load Forecasting and CDM Adjustment

Ref: 3-28 3-Staff-16, 3-27 3-Staff-15

CWH has proposed an approach for 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), and to correspond to the amount used to establish the amount of CDM savings for 2013 (and hence 2014) for the LRAMVA. This has been updated in response to 3-28 3-Staff-16.

An alternative approach is to take into account the 2011 results and their persistence, as measured and reported by the OPA for CWH, and then to assume an equal

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

increment for each of 2012, 2013, and 2014 so as to achieve CWH's CDM target of 7,810,000 kWh. Board staff views this approach as being preferable as there are actual results on what the utility has achieved to date, which can then be taken into account on 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 response to 3-27 3-Staff-15, Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

Load Forecast CDM Adjustment Work Form (2013)

Centre Wellington Hydro Ltd. ***EB-2012-0113***

4 Year (2011-2014) kWh Target:					
7,810,000					
	2011	2012	2013	2014	Total
%					
2011 CDM Programs	12.48%	12.47%	12.47%	12.07%	49.49%
2012 CDM Programs		8.42%	8.42%	8.42%	25.25%
2013 CDM Programs			8.42%	8.42%	16.84%
2014 CDM Programs				8.42%	8.42%
Total in Year	**12.48%**	**20.89%**	**29.31%**	**37.33%**	**100.00%**
kWh					
2011 CDM Programs	974,577	973,955	973,955	942,980	3,865,467
2012 CDM Programs		657,422	657,422	657,422	1,972,267
2013 CDM Programs			657,422	657,422	1,314,844
2014 CDM Programs				657,422	657,422
Total in Year	**974,577**	**1,631,377**	**2,288,799**	**2,915,247**	**7,810,000**
				Check	7,810,000

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	973,955	657,422	657,422		2,288,799
Manual Adjustment for 2013 Load Forecast	973,955	657,422	328,711		1,960,088
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 other 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. Board staff believes that this would be 43.9%, shown as the 2013 “net” to “gross” ratio shown in the update to Table 3-16 in the response to 3-27 3-Staff-15 part a), but requests that CWH confirm the number.
b) Please verify the inputs and results of the model.
c) Please derive the class CDM kWh and kW savings that would correspond with the “net” CDM savings above.
d) Please provide CWH’s comments 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 refinements to this approach should be considered?

4-Staff-52s OM&A Drivers

Ref: 4-38 Staff-18

In part b) of the response, CWH states, with respect to increase in Outside Services costs in Account 5630:

> 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.

a) What is the quantum of the legal costs associated with current and expected Service Area Amendments? What is CWH's rationale that increased legal costs to deal with Offers to Connect and related Service Area Amendments should be borne by all CWH's ratepayers? Why are these costs not being tracked to specific Offers to Connect? What net benefits to CWH's ratepayers support recovery of these costs from all CWH's ratepayers generally through distribution rates?
b) Please provide further explanation of the quantum and nature of the drivers for the cost increases documented in the second paragraph quoted above.

4-Staff-53s: OM&A – One-time Regulatory Costs

Ref: 4-40 Staff-20

In part a) of the response to 4-40 Staff-20, CWH states: "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." Has CWH reflected this adjustment in the updated revenue requirement and in the updated RRWF?

4-Staff-54s: Billing Expenses

Ref: 4-41 Staff-21

In part b) of the response to 4-41 Staff-21, CWH was asked to provide reasons for the "forecasted increases in Account 5315 Customer Billing to $305,100 in 2012 and the further increase forecasted to $322,400 for the 2013 test year." CWH documented the reasons for the increases, which amount to $76,242 for 2012 over 2011 and an additional $17,300 for 2013 over 2012.

a) What is the 2012 actual for Account 5315?
b) The response indicates that the 2013 increase is incremental to that of the 2012 increase. It is not clear if all of the increases are incremental and ongoing, or if they are one time?
    i. Item 2 under part b) is stated as:

        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.

Please explain what the "$11,200 transferred to prepaid expenses for incorrect account [sic] of seed money posted to expense account in 2007". Why is this related to the 2012 expenses? Is this one-time or ongoing?

ii. Item 4 under part b) is documented as an "[i]ncrease of $19,300 for outside billing service assistance." Please explain what this increase is? Is it one-time or is it recurring in 2013 and subsequent years.

iii. Item 5 under part b) documents an increase in postage of $20,100, of which $6,400 was related to TOU billing notification, and "an overcharge of $12,000 to [Account] 4380-Non utility expense related to water and sewer billing in 2011". Why is the $6,400 for TOU billing only offset by a decrease of $6,000 for the removal of the one-time TOU billing for the 2013 expense, shown as item 3 under the explanation for 2013 increases? Is the $12,000 adjustment a one-time or recurring expense?

4-Staff-55s OM&A – Regulatory Expenses

Ref: 4-40 4-Staff-20 and 4-53 VECC 30

With respect to part c) of 4-53 VECC 30, what is CWH now proposing as the one-time regulatory expenses related to this Application, and what is CWH's proposal for recovery of these costs?

8-Staff-56s Rate Design

Ref: 8-70 VECC 42 and Hydro One Distribution Sub Transmission Rates

CWH filed an update of its Retail Transmission Service Rates (RTSR) model on February 1, 2013. As an embedded distributor, it correctly used as its forecasted wholesale cost the rates charged by Hydro One Distribution to its Sub Transmission class. However, the rates used in the model are not the rates that became effective January 1, 2013, which are available on the Board's web-site at EB-2012-0136, Rate Order, pg. 21 of 28.

a) Please provide an updated RTSR model.
b) Please update the proposed rates in Table 8.1.9 for use in updated Bill Impact calculations

8-Staff-57s Rate Design

Ref: 8-70 VECC 43 and Hydro One Distribution Sub Transmission Rates

CWH provided a forecast of its LV charges from Hydro One Distribution in Table 8.1.10 at $84,024. In response to VECC interrogatory # 43, it provided the detailed record of its 2012 charges, showing the charges at two delivery points, at a cost totaling $244,522.

a) Please provide a table in the format used in the interrogatory response, showing how the forecast cost was derived from CWH's load forecast and the Sub Transmission rates that were in effect at the time the LV cost forecast was calculated. Along with the table, please provide an explanation of why the LV costs are expected to decrease by such a large amount.
b) Please provide a table in the format used in the interrogatory response, based on CWH's load forecast and the applicable Sub Transmission rates that became effective January 1, 2103 (EB-2012-0136).

8-Staff-58s Rate Design

Ref: 8-70 VECC 45

Please provide updated bill impact analysis (i.e. the bill impact appendix showing the impacts of customers in each class with typical consumption/demand profiles) based on updated RTSRs and LV charges, and any other rate changes that CWH believes to be appropriate at this time.

9-Staff-59s

Ref: 9-77 9-Staff-32, Deferral/Variance Accounts Work form for 2013 Filers

In its response to 9-Staff-32, relating to Account 1592, sub account HST/OVAT/ITCs balance of $40,034 CWH stated that "it has updated the DVA Continuity Work form at tab 2 row 86 for 100% for the HST savings. CWH will submit an updated DVA Continuity Work form with the responses to the IR." Board staff is unable to locate an updated DVA Continuity Work form.

Please provide the missing DVA Continuity Work form in working Microsoft Excel format.

9-Staff-60s

Ref: 9-80 9-Staff-35: Table- Rate Rider Calculation for Deferral/Variance Accounts Balances (excluding Global Adjustment) and 3-26 3-Staff-14 d): Centre Wellington Load Hydro Forecast for 2013 Rate Application

In the table "Rate Rider Calculation for Deferral/Variance Accounts Balances (excluding Global Adjustment)" CWH has used kWh and kW billing determinants that are different from the billing determinants that were filed in the updated CWH Load forecast for 2013 Rate Application for the residential, GS<50 and GS 50-2999 rate classes.

a) Please explain why the billing determinants for the DVAs are different from the updated load forecast.
b) Please explain what should be the correct billing determinants for the DVA rate riders.
c) If necessary, please update the table "Rate Rider Calculation for Deferral/Variance Accounts Balances (excluding Global Adjustment)" with the correct billing determinants for each rate class.

9-Staff-61s

Ref: IRR 9-81 9-Staff-36

In its response, CWH stated:

> 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.

a) Please confirm that CWH is still proposing a four-year disposition period for Account 1575 if the Board does not approve CWH's request for removing the disposition of this account in this proceeding.
b) Please confirm that CWH's 2013 rate application is still in MIFRS for establishing rates for 2013 test year from a rate-setting perspective.
c) Please explain why the Board should allow CWH to not dispose PP&E Account 1575 through the adjustment of the 2013 revenue requirement given the fact that CWH application for 2013 is on MIFRS basis from a regulatory prospective.

10-Staff-62s Smart Meters

Ref: 10-84 Staff-39, updated Smart Meter Model Version 3.0 filed February 1, 2013

a) From the response to 10-84 Staff-39, Board staff understands that CWH recorded the original procurement costs for smart meters in 2009 for an amount of $839,986. Negative entries in 2010 and 2011 reflect smart meters “in inventory” that were installed for GS > 50 kW customers instead of for Residential or GS < 50 kW customers. There are no additional smart meter procurement costs shown for Residential and GS < 50 kW customers post 2009 as any deployed smart meters would have been taken “from inventory”. Please confirm or correct Board staff’s understanding.

b) Board staff has attached a copy of Decision and Order EB-2012-0310, with respect to Kingston Hydro Corporation’s Smart Meter application, issued on January 10, 2013. Pages 6 to 10 of that Decision and Order are pertinent. While spare meters “in inventory” are normally treated as capital assets in rate base rather than as inventory, in accordance with Article 510 of the Accounting Procedures Handbook, the Board determined that the replacement of conventional meters by smart meters was not a “like-for-like” replacement from inventory, and that treating smart meters in inventory as capital assets in rate base was not appropriate. Instead, smart meter capital costs should be allocated to reflect more closely when the smart meters were deployed in service. Please provide an update to the smart meter model that would more closely align the capital costs with the installation of smart meters in the years.

c) The response to b) would also affect the accumulated depreciation of installed smart meters as of January 1, 2013 for inclusion in rate base. As necessary, update the 2013 asset continuity schedule and rate base to reflect any changes.

d) In the alternative, please explain CWH’s reason for recording for recovery smart meter procurement costs upon procurement rather than when the assets went into service and hence became “used and useful”.