PUBLIC INTEREST ADVOCACY CENTRE
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April 4, 2013

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Final Submissions: EB-2012-0113
Centre Wellington Hydro Ltd. – 2013 Electricity Distribution Rate

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition (VECC) in the above noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

Cc Centre Wellington - Florence Thiessen - Thiessen@cwhydro.ca

EB-2012-0113

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch. B, as amended;

AND IN THE MATTER OF an Application by Centre Wellington Hydro Ltd. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for electricity distribution to be effective May 1, 2013.

FINAL SUBMISSIONS

On Behalf of The

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

April 4, 2013

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument Centre Wellington Hydro EB-2012-0113

1 THE APPLICATION

1.1 Centre Wellington Hydro Ltd. (CWH or Centre Wellington) filed its application on October 16, 2013. In making these submissions VECC has relied on the final filings made on March 26, 2013. VECC has also reviewed the submissions of Board Staff made on April 1, 2013.

1.2 While in a number of places CWH has identified the figures as being in MIFRS, in fact the Utility has employed modified CGAAP accounting. The material impact of this change is limited to changes in asset depreciation. To remain consistent with the filing we have not modified the accounting titles provided by CWH.

Service Reliability

1.3 CWH provided the following table on reliability statistics[1].

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

1.4 VECC notes that the data shows a relatively static progression in respect to reliability. CWH notes that a number of outages were related to substation

[1] Corrected table from 2-21-VECC -9

problems and that these issues are being addressed. VECC submits that there are no pressing issues in respect to reliability and distribution plant investment that are not being addressed by the Applicant.

2 RATE BASE

2012-2013 Capital Expenditures

2.1 CWH's historical and forecast capital expenditures are shown below. VECC notes that the capital expenditures shown in the final Appendices and Worksheets filed on March 26, 2013 do not appear to have been updated from original filing and notwithstanding the responses to some interrogatories.

2.2 In response to a supplemental interrogatory CWH states that its 2012 expenditures were $1,930,000 or $243,499 below the 2012 forecast amount. Included in this under expenditure are the permanent deferment of a project to relocate wholesale metering equipment (CP20-Fergus TS M3) which was budgeted at $180,000. The 2013 capital expenditures was subsequently updated to account for the later in-service date of the 2012 Argyll St. project (CP17) and a reduction in the forecast cost of the Beatty Line project (CP25). [2]

2.3 Despite these changes it appears that CWH made only one change to the 2013 Rate Base fixed assets. That was for the $14,137 under spending on the Fergus MS-2 project.[3] Since CWH did not file updated Asset Continuity Schedules we are unable to ascertain whether the appropriate adjustments to rate base were made for the under spending of the 2012 capital budget and the proposed increase in the 2013 budget.

2.4 VECC agrees with the submission of Board Staff that updated Continuity Schedules should be filed by the Applicant[4]. CWH should address the issue of changes to the 2012 and 2013 capital budget in those schedules.

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[2] 2-VECC-49s and 2-VECC-2.
[3] See 2-Staff-48
[4] Board Staff Submission, pg.18

Summary of 2009-2013 Capital Expenditures

Ref: CWH_FINAL_Filing Req_20130321 Excel Sprdst	2007	2008	2009	2010	2011	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
06-101 - New line to connect F1/F2 to loop	72,543						
09-002 - Replace poles on Belsyde Ave			115,815				
09-001 - Connecting 44kV line to line along Belsyde Ave			62,615				
CP1 - New services	17,719	84,399	12,742	11,900	12,286	7,600	10,500
CP7 - Pole replacements				40,517	53,570	42,500	
CP9 - Transformer purchases 2010	86,213	126,217	266,959	67,194	75,213	100,000	
CP10 - Convert Black St from OH to UG				58,487	25,419		
CP15 - New Wal-Mart store 44kV supply					457,838		
CP17 -Argyll St						265,500	
CP20 - PME Fergus 73-M3						180,000	
CP28 - Building Fixtures for new SCADA room						50,000	
CP30 - Fergus Library Exp							225,000
CP31 - Elora Sewage Treatment Plant							95,600
CP33 - Wellington Place							139,900
CP35 Beatty Line Tie F1/F7 Loop							178,800
1925 - Computer Equipment Software -	52,270	44,595	128,276	93,701	3,225		50,000
1930 - Transportation Equipment -	60,580	-	32,215	25,621	35,190		
1980 - System Supervisory Equipment		1,150				164,000	
Miscellaneous Capital Jobs	221,617	(82,137)	(1,639)	186,205	(21,301)	164,500	31,600
Total - Without SubStations	**510,942**	**174,225**	**616,983**	**483,625**	**641,441**	**974,100**	**731,400**
Job #CP19 - MS2 Queen St						1,199,400	
Job #CP34 - MS1 Rehabilitation							1,145,000
Total - All Capital Projects	**510,942**	**174,225**	**616,983**	**483,625**	**641,441**	**2,173,500**	**1,876,400**
Revised at 2-VECC-49s						**1,930,000**	**1,982,702**

2.5 Finally, VECC submits that no adjustment should be made to the original 2013 capital expenditure forecast. In VECC`s submission this would more accurately reflect the permanent reduction of $180,000 related to the eliminated wholesale metering project.

Post 2013 capital investment

2.6 CWH noted in the application that it will be seeking incremental capital funding in 2014 and onward in order to complete major rehabilitation of all its six substations. As these projected investments are not matters before the Board in this application VECC makes no submissions on the issue directly. However, VECC shares the concerns of Board Staff that the capital budgeting process of this Utility indicates lower capital spending during the incentive rate period as compared to the bridge and test years of the cost of service application. We reject the view put forward by CWH that station rehabilitation is outside the "*normal capital expenditures*".[5] In our view the Board should direct CWH to file a comprehensive plan for any future capital expenditures for substations in any forthcoming ancillary applications.

Capital Contributions

Year	Capital Contribution	Distribution Plant Additions	% of net plant addition
2007	46,975	510,942	**9.19%**
2008	250,044	174,225	**143.52%**
2009	114,132	616,983	**18.50%**
2010	72,845	483,625	**15.06%**
2011	136,899	641,441	**21.34%**
2012 Actuals	79,149	781,205	**10.13%**
2012 Forecast	*44,700*	*974,100*	*4.59%*
2013 CGAAP	*40,900*	*731,400*	*5.59%*

From Table 2.21 at Exhibit 2, Tab 3, Schedule 1/ Updates from 2-VECC-49

2.7 As shown in the above table CWH has significantly under forecast its capital contributions for 2012 (actuals) and, VECC submits, for 2013. Leaving aside the

[5] 2-6 OEB Staff -5

outlier 2008 year the average capital contributions (net of station investments) is approximately 15%. Or about 10% greater than the forecast amount for 2013. VECC submits that in addition to the required changes to reflect the actual 2012 capital expenditures and contributions CWH should increase the 2013 capital contributions (decrease the net expenditures) by $32,000 so as to reflect a more accurate estimate of contributions.

Working Capital Allowance

2.8 CWH proposes to use the 13% of controllable costs default allowance set by the Board. VECC submits that a rate of 12% of controllable costs should be used instead.

2.9 CWH performs monthly billing to its customers. The Board's default rate was established when most utilities offered bi-monthly billing. Utilities that perform monthly billing have a larger cash flow than bi-monthly billing utilities and therefore a lower need for working capital. Monthly billing Utilities, such as London Hydro, which have recently completed lead-lag studies have shown much lower working capital requirements of 11.4% of controllable costs.[6]

2.10 Since the filing of the London Hydro Application a number of distribution utilities offering monthly billing filing 2013 cost of service rates have agreed to lower working capital allowances including:

- Welland Hydro Electric EB-2012-0173 (approved) 12%
- Tillsonburg Hydro Inc. EB-2012-0168 (pending Board approval) 12%
- Westario Power Inc. Eb-2012-0176 (pending Board approval) 12%

LOAD FORECAST

2013 Forecast Customer Count

2.11 With the exception of the Sentinel class, the forecast customer count for each

[6] See EB-2012-0146, Exhibit 1, page 42.

class is based on applying the historical geometric mean growth rate (2003-2011) to the actual 2011 customer count. For the Sentinel class the customer count was held constant at the 2011 level[7].

2.12 In response to VECC #16 CWH provided the actual 2012 year-end customer count by class. These values are not directly comparable the Application's forecast values for 2012 as the latter are mid-year values[8]. VECC notes that in some cases (e.g. Residential and USL) the actual 2012 year-end customer count already exceeds the value for forecast for 2013; whereas in other cases (GS<50 and GS 50-2999) the actual the actual 2012 year-end count is less than the forecast for mid-year 2012. However, overall, the total actual customer count as of year-end 2012 is roughly mid-way between the forecast mid-year 2012 and 2013 totals, as seen in the following table. As a result, the overall forecast customer/connection count for 2013 is reasonable.

CENTRE WELLINGTON CUSTOMER COUNT

	Actual Mid-Year		Forcast Mid-Year		Actual Year End	
	2010	**2011**	**2012**	**2013**	**2011**	**2012**
Residential	5627	5711	5784	5858	5725	5883
GS<50	705	709	724	738	710	705
GS 50-2999	60	59	60	62	60	56
GS >3000	1	1	1	1	1	1
Street Light	1673	1687	1712	1738	1687	1685
Sentinel	31	31	31	31	31	31
USL	2	6	8	10	6	13
Total	8099	8204	8320	8438	8220	8374

Sources:
Actual Mid-Year: 3/2/1, page 9
Forecast Mid-Year : 3/2/1, page 9
Actual Year-End: 3-33 VECC #16 b)

[7] Exhibit 3, Tab 2, Schedule 1, page 9
[8] 3-33 VECC #16 a)

Volume Forecast (Prior to CDM Adjustments)

2.13 CWH's load forecast is prepared on an individual customer class basis. For the Residential and GS<50 classes multi factor regression analysis is used to relate monthly energy use to weather, calendar variables, economic variables and reported CDM activity. For the remaining customer classes, historical growth rates in average use per customer are used to project 2013 average use values by class which are then multiplied by the forecast number of customers/connections for 2013[9].

2.14 For the Residential class the regression model used by WCHL has a reasonably high Adjusted R-Squared value and all the variables have statistically significant coefficients with the intuitively correct sign[10]. During the interrogatory process CWH outlined several other Residential model specifications that it had tested. However, in all cases, either some of the variables had coefficients with an intuitively incorrect sign and/or the overall statistical fit was not as good[11].

2.15 The only issue with the Residential model is that, for purposes of the Application, the estimation of the model used the OPA's 2011 preliminary results regarding the actual savings from 2011 CDM programs[12]. Subsequently, the OPA's final report regarding 2011 CDM program savings was made available and CWHL re-estimated its Residential regression model and updated the Residential 2013 load forecast[13]. VECC notes that the updated Residential regression model has the same favourable properties as the initial equation.

2.16 VECC submits that the results of this updated model should be used as the basis for CWHL's 2013 Residential load forecast (prior to adjustment for 2012 and 2013 CDM programs). The resulting value is 46.1 GWh[14]. WCHL agrees this is a

[9] Exhibit 3, Tab 2, Schedule 1, page 2
[10] Exhibit 3, Tab 2, Schedule 1, page 7
[11] VECC #14 e) – g)and VECC #51
[12] Exhibit 3, Tab 2, Schedule 1, page 6
[13] VECC #51 b) – d)
[14] VECC #51 d)

reasonable approach[15].

2.17 A somewhat similar situation exists for the GS<50 class. The initial regression model estimated by WCHL includes a number of statistically significant variables whose coefficients have the intuitively correct signs. However, the overall model is not as robust in that the Adjusted R-Squared value is 64% as opposed to the 81% value for the Residential model[16]. Alternative GS<50 regression models were examined during the interrogatory process. However, none proved to be more robust[17].

2.18 As was the case for the Residential model, the GS<50 model and 2013 forecast were updated during the interrogatory process to reflect the OPA's final reported results for 2011 CDM programs[18]. VECC submits that this updated forecast (20.5 GWh) should be used as the basis for the GS<50 2013 load forecast. Again, VECC notes that WCHL considers this to be a reasonable approach[19].

2.19 The historical average use per customer growth rates calculated for the other classes are all negative[20]. In the case of USL the value is particularly large and appears to be the result of a significant number of new customers being added in 2011. For this class, VECC submits that it would be more appropriate to use the actual 2011 average use per customer as the basis for the 2013 forecast (i.e., 82,334 kWh per connection versus the 60,845 value actually used in the Application[21]). However, VECC acknowledges that this change will not have a materially effect on the overall load forecast.

2.20 For the other customer classes (GS<50, Street Lighting, Sentinels and Intermediate) VECC submits that the negative per customer growth rates are inconsistent with the fact that: a) employment is increasing over the 2011-2013

[15] VECC #51 e)
[16] Exhibit 3, Tab 1, Schedule 2, page 7
[17] VECC #15 and VECC #52 a)
[18] VECC #52 b) & c)
[19] VECC #52 d)
[20] Exhibit 3, Tab 2, Schedule 1, page 10
[21] Exhibit 3, Tab 2, Schedule 1, pages 10-11

period[22] and b) the forecasts are meant to represent the load prior to any post-2011 CDM program impacts. VECC submits that for these classes a more appropriate approach would be to base the 2013 forecast on the 2011 actual use per customer and the forecast 2013 customer count for each class. VECC also notes that such an approach is consistent with the NAC methodology as outlined in Board Staff's submission[23]. The following table sets out the 2013 forecast for each customer class based on this approach.

	2013 Billed Energy Forecast		
	2011 Use Per Customer	**2013 Customers**	**2013 Forecast**
	(kWh)		(GWh)
GS 50-2999	1,041,403	62	64.57
Intermediate	18,104,644	1	18.10
Street Lighting	668	1738	1.16
Sentinel Lighting	1,332	31	0.04
USL	82,334	10	0.82
Total		1842	84.70
Sources:	2011 per Customer Use - Exhibit 3, Tab 2, Schedule 1, page 10		
	2013 Customers - Exhibit 3, Tab 2, Schedule 1, page 9		

2.21 The individual customer class load forecasts in CWHL's Application total 146.7 GWh[24] which will increase slightly based on the updated Residential and GS<50 regression models. In preparing its Application, WCHL also developed a regression model for Power Purchases which produced reasonably robust results[25] and which yielded a 2013 power purchase forecast of 159.0 GWh. Using the historic loss factor[26] of 1.0486 this converts to 151.4 GWh of energy sales for

[22] CWHL's 2013 Load Forecast Excel Model (July 19, 2012), Residential Tab, Column G
[23] Staff Submissions, page 9
[24] Exhibit 3, Tab 2, Schedule 1, page 14
[25] VECC #13 a)
[26] CWHL's 2013 Load Forecast Excel Model (July 19, 2012), Rate Class Energy Model Tab, Cell F20.

2013, which is higher than the total for WCHL's individual customer class forecasts. In contrast, VECC notes that its recommendations result in a forecast for 2013 billed energy which is roughly equivalent to this value[27].

Volume Forecast (Including 2012-2013 CDM Adjustment)

2.22 In its initial Application, CWH assumed that in order to meet its 2011-2014 CDM target the annual "net" contribution of 2012 and 2013 CDM programs would need to be 414,275 kWh, for a total of 828,550 kWh of savings in 2013. This value was based on the OPA's preliminary results for 2011[28]. During the first round of the interrogatory process the 414,275 kWh in annual required CDM savings was updated to 652,260 kWh based on the OPA's final results reported for 2011 CDM programs[29] and then further refined to 657,422 kWh in response to the second round of interrogatories[30].

2.23 In its Application CWH has taken the position that the impact of the 2011 CDM programs is already reflected in the load forecasts developed for the individual customer classes as the forecasts utilize 2011 historical usage data[31]. WCHL's adjustment to the 2013 load forecast therefore reflects the assumed impact of 2012 and 2013 CDM programs. However, in calculating this impact WCHL has used an estimate of the "gross" savings that are likely to be associated with the net CDM savings required to meet its CDM targets.

2.24 The gross 2013 CDM savings were calculated by marking the assumed net CDM savings up by the average net to gross factor associated with the 2006-2010 CDM program savings as reported by the OPA for the 2006-2013 period. This resulted in an adjustment to the 2013 load forecast of 1,090,756 kWh[32]. During the interrogatory process this value was updated to 1,730,946 kWh based on the

[27] The revised Residential and GS<50 forecasts of 46.1 and 20.5 respectively plus the 84.7 for the balance of the customer classes yields a total of 151.3 GWh.
[28] Exhibit 3, Tab 2, Schedule 1, page 13
[29] Staff #16 f)
[30] Staff #51s c) & d)
[31] Exhibit 3, Tab 2, Schedule 1,page 13 and Staff 51s d)
[32] Exhibit 3, Tab 2, Schedule 1, pages 12-13

actual 2011 CDM results as reported by the OPA[33].

2.25 In its Submission, Board Staff has supported WCHL's use of the gross CDM impacts for purposes of adjusting the load forecast. However, Staff raised other issues as to how the adjustment should be calculated:

- First, Staff suggested that the calculation of the net to gross factor adjustment should include 2011 CDM programs and reflect the estimated factor for 2013 as opposed to the average historical value[34]. In its interrogatory responses WCHL indicated that it viewed the use of the historical average as being a more reasonable approach[35]. However, it is not clear what WCHL's position was with respect to updating the calculation of the average to include 2011 CDM programs.

- Second, Staff has suggested that since the OPA reports "annualized" results, the CDM adjustment for 2013 should reflect only ½ of the assumed 2013 program savings[36]. WCH has confirmed that the OPA reports reflect "annualized" CDM savings but is not supportive of the ½ year adjustment for 2013 programs on the basis that there should be consistency between the load forecast adjustment and the LRAMVA threshold, where the OPA's reported results are used for LRAM purposes[37].

2.26 VECC agrees with WCHL that the impacts of the 2011 CDM programs are already included in the forecast by virtue of the fact that the development of the forecasts utilized 2011 usage data and, in the case of the Residential and GS<50 classes the projection explicitly account for the persisting 2013 savings from 2011 CDM programs. However, it is VECC's view that the CDM adjustment to the load forecast should be based on the assumed "net" CDM programs savings from 2012 and 2013 CDM programs and not the estimated gross savings as advocated by

[33] VECC #53
[34] Staff #15 b) and Staff #51s
[35] Staff #15 b)
[36] Staff #15 b) & d) and Staff #51s d)
[37] Staff #51s d)

CWH and Board Staff.

2.27 This view is based on the following observations:

- First, as acknowledged by WCH[38], the difference between the net and gross CDM savings represents savings from participation in CDM programs by those customers who would have undertaken the CDM activity even if the program/program incentive had not been provided. Indeed, this "difference" represents only a portion of the total conservation activity that would have and will be undertaken by WCHL's customers even if there were no CDM programs[39] (commonly referred to as "natural conservation"). The calculated "difference" net and gross arises only because there are CDM programs, it does not represent additional CDM that will actually occur because the CDM programs are offered. As a result, there is no logical basis for adjusting the load forecast for this "difference".
- Second, similar types of activities have taken place historically and impacted the actual energy usage data used to develop the load forecasts for each customer class[40]. As a result, it can be concluded that the individual customer class load forecasts developed by WCH already reflect the impacts and trends associated with such "natural" conservation activities (i.e. CDM activity that would have occurred without the benefit of CDM programs and/or incentives). Indeed, the regression models used to forecast the Residential and GS<50 usage for 2013 are statistically robust and explain most of the month to month variations in historic usage.
- Third, WCHL has no estimates as to the amount of natural CDM that occurred per annum during the historical period from which data were used to prepare the load forecasts[41] and, presumably, no estimates as to the total impact of such activities during 2013. Board Staff argues that there is no evidence that that natural conservation savings in the future will be similar to that

[38] VECC #18 a)
[39] VECC #54 a)
[40] VECC #53 b)
[41] VECC #54 c)

experienced to date[42]. However, equally there is no evidence that they will be materially different and that the trends already reflected in the individual customer class load forecast are inappropriate.

- Fourth, and equally important, even if there was assumed to be a demonstrated difference between the past and future trends in natural conservation, the difference between the net and gross impacts associated with assumed 2012 and 2013 CDM programs will not, in any way, reflect this change in "natural" conservation. By definition "natural" conservation is independent of the level of CDM programing and, therefore, future levels cannot be linked to the level of CDM programming. Indeed, it could well be the case that the level of natural conservation is declining, but the net versus gross difference could still be increasing if the assumed level of CDM programming increased.

2.28 In its submission, Board Staff notes[43] that Settlement Agreements arrived at and approved in some recent 2013 cost of service rate applications have used the net results. More importantly, in VECC's view, is the fact that not only in past Settlement Agreements but also in the various Decisions issued by the Board for 2011, 2012 and 2013 cost of service rate applications where there was no Settlement Agreement, the CDM adjustment to the load forecast was based on the assumed net impact of CDM programs:

- Kenora Hydro's 2011 Rates (EB-2010-0135 Decision, page 11)
- Parry Sound Power's 2011 Rates (EB-2010-0140 Decision, page 8)
- Atikokan Hydro's 2012 Rates (EB-2011-0293 Decision, page 8)
- Chapleau Public Utilities' 2012 Rates (EB-2011-0322 Decision, page 7)
- Espanola Regional Hydro's 2012 Rates (EB-2011-0319 Decision, page 4)
- Hydro 2000's 2012 Rates (EB-2011-0326 Decision, page 5)
- Enersource Hydro Mississauga's 2013 Rates (EB-2012-0033 Decision, pages 27-29).

[42] Board Staff Submissions, page 14
[43] Board Staff Submissions, page 13

2.29 Overall, VECC submits that there is no conceptual basis and no precedent for including the net to gross difference in the CDM adjustment for the 2013 load forecast. Based on the OPA's final 2011 CDM results and estimated persistent savings through 2012-2014, the required net CDM savings from 2012 and 2013 programs is 657,422 kWh for each year's programs. VECC submits that the 2013 CDM adjustment should reflect these values without any net to gross adjustment.

2.30 Board Staff's second suggestion was that the 2013 CDM adjustment for 2013 programs should reflect the fact that CDM programs are implemented throughout the year and be calculated using a ½ year rule[44]. VECC agrees that such an approach would be more accurate. However, VECC also notes that, if such an approach is adopted, then same principle should be applied in establishing the historical CDM variable used to estimate the regression models for Residential and GS<50[45]. In VECC's view it is too late in the process to undertake such revisions.

2.31 With respect to the LRAM threshold, VECC submits that it should be based on the 2,288,799 kWh as agreed to by WHCL in response to Board Staff 51s c) & d) which reflects the 2013 persisting savings from the 2011 programs (973,955 kWh) plus the assumed impact in 2013 from the 2012 and 2013 programs (1,314,844 kWh). VECC notes that this is the same total as Board Staff has recommended in its submissions[46].

3 REVENUE OFFSETS

3.1 The projected 2013 revenue offsets in CWHL's Application are $240,938[47]. This value has remained unchanged throughout the interrogatory process. VECC has three concerns with respect to CWHL's forecast for 2013 Revenue Offsets.

3.2 First its March 26th letter to the Board CWHL indicated that it is now proposing to

[44] Board Staff Submission, pages 12-13
[45] Note: This issue is described more fully in the Board Staff Submission, pages 10-11
[46] Page 13
[47] Exhibit 6, Tab 1, Schedule 3, page 2 and 3-37 VEVV #20 a)

use CGAAP as the basis for its 2013 rate application. VECC notes that the initial forecast for 2013 revenue offsets included a loss on the disposal of distribution assets of $9,362 that was triggered by its then proposed adoption of MFRIS for 2013[48]. However, neither the final Revenue Requirement Work Form nor the Summary of Changes submitted with the March 26th letter has been adjusted to remove this loss. VECC submits that the forecast 2013 revenue offsets should be increased by the $9,362 loss currently forecast for Account #4260.

3.3 VECC's second concern is that the actual revenue offsets for 2012 are approximately $16,000 higher than initially forecast by CWHL[49]. Even after adjusting for the $6,724 forecast loss on disposal of assets that did not occur due to continued use of CGAAP, the actual values are roughly $9,500 in excess of the forecast. The main source of the variance appears to be a significantly higher than forecast margin (i.e., revenue over expenses) for Non-Utility Operations[50] (i.e., $41,000 actual vs. $17,000 forecast). CWH's 2013 revenue offset forecast also includes a $17,000 margin on Non-Utility Operations. VECC submits that it would be reasonable to increase the 2013 revenue offset forecast by this same $9,500 variance.

3.4 VECC's third concern is that CWHL's forecast of Other Revenues does not appear to include any anticipated service charge revenues from microFIT customers. Based on the 2012 year-end customer count these revenues would be about $1,400 for 2013.

3.5 Taking these three issues into account, VECC submits the forecast revenue offsets for 2013 should be increased by $20,000.

[48] Exhibit 3, Tab 3, Schedule 2, page 7, lines 7-11
[49] 3-37 VECC 20 d). If one excludes interest on regulatory accounts the actual 2012 value is $259,447 versus a forecast value of $243,176.
[50] 3-37 VECC #20 d)

4 OM&A

From CWH_Final_Chapter2_2010321.xls	2009 Board approved	(2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2012 Bridge Updated	2013 Test Year	2013 Test Year Updated
Reporting Basis	**CGAAP**	**CGAAP**	**CGAAP**	**CGAAP**	**MIFRS**	***unaudited year end**	**MIFRS**	**MIFRS**
Operations	264,900	294,136	356,562	381,192	361,000	*335,875*	297,400	*297,400*
Maintenance	292,600	300,079	275,059	317,900	332,100	*280,555*	251,300	*251,300*
Billing and Collecting	332,200	320,588	263,519	317,324	485,000	*463,607*	523,700	*523,700*
Community Relations	35,600	34,636	26,084	42,647	36,700	*33,250*	38,400	*38,400*
Administrative and General	828,050	759,038	837,590	917,384	1,063,900	*1,041,422*	1,192,200	*1,139,213*
Total	**1,753,350**	**1,708,477**	**1,758,814**	**1,976,448**	**2,278,700**	***2,154,709***	**2,303,000**	***2,250,013***
							• ***From 4-VECC-57S***	

4.1 We have reproduced above the OM&A costs submitted and subsequently revised by CWH in this application. While the Applicant updated the 2012 OM&A for actual (unaudited) results no explanation was offered for the under spending of approximately $123,991 in 2012.

4.2 In moving from GCAAP to MIFRS (modified CGAAP) changes to capitalization policy can affect how OM&A figures are stated. However, CWH evidence is that it "*identified no changes to be made for capitalization under MIFRS*."[51] Therefore the pre-2012 costs are comparable to 2012 and 2013 OM&A figures.

4.3 Before reviewing the OM&A costs in detail VECC performs an "expected growth test." The purpose of which is to understand the reasonableness of the increase in costs. This exercise attempts to find the operating costs had the utility costs been adjusted from its last cost of service application (2009 Board approved) for only customer growth and inflation. The second part of the test examines what, if any, incremental responsibilities have been taken on by the utility since its last rebasing and adds these costs to the expected growth results.

4.4 VECC has calculated customer growth for CWH as 5.25% (rounded up). This

[51] Exhibit 4, Tab 4, Schedule 1, pages 1-2.

figure is based on the 2009-13 growth in residential and GS <>50 customers.[52]

4.5 As an inflation factor VECC has used an estimate of an average of 1.9% per annum or 7.6% for the four year period 2009 to 2013.[53]

4.6 The combined expected growth for the customers increase and inflation would be approximately 13% or a dollar increase of approximately $228,000 from the 2009 Board approved amounts. 2013 OM&A of $1,981,350 would be $268,663 below what CWH is seeking in this application.

4.7 The reduction of $268,663 does not impute any savings that have occurred due to productivity increases during the IRM period. If one applies the productivity offsets of 0.72% as provided by the Board's IRM policy over the four year period this would reduce the expected growth by approximately 3% (300 basis points). The resulting 10% expected increase in OM&A would yield a reduction of $321,328. VECC submits a productivity offset is an appropriate adjustment as simply embeds the assumed efficiencies of the IRM period expected by the Board in the preceding IRM decisions.

4.8 The IRM stretch factor should also be incorporated into the calculation of the expected growth factor. CWH was assigned to efficiency cohort 3 with a specific stretch factor of 0.6%.[54] This would further reduce the expected growth by 2.4% (240 basis points). The resulting 7.6% expected growth rate from 2009 Board approved would yield a 2013 OM&A amount of $1,886,605 or a reduction of $363,408 from the Applicant's proposal.

4.9 As outlined above, VECC holds that utilities should be able to recover costs for any responsibilities that have arisen since the time of their last cost of service rebasing. In this Application two such items can be identified - costs related to smart metering, and costs related to the increased regulatory burden, such as the

[52] Exhibit 3, Tab 2, Schedule 1, pg.9
[53] VECC has reviewed the response to 4-38- Staff-18 response and used the source provided by CWH for this calculation.
[54] Board Decision EB-2011-0160, page 4.

GEA and CDM requirements. In the discussion below VECC has identified $170,000 of labour costs related to those activities. In respect to smart metering there are also decreased costs related to meter reading, but these costs are roughly offset by increased costs of IT hardware and software.

4.10 VECC's final submission is for a reduction of $193,408 ($363,408-$170,000) from the proposed 2013 OM&A amount. The resulting $2,056,605 is about $100,000 less than actual 2012 spending and 4% higher than 2011 spending.

4.11 In support of the proposed OM&A reduction VECC makes a number of observations below. The purpose of these submissions is not to argue for specific changes to the OM&A budget. VECC supports an envelope approach which leaves utility management to make actual changes to the budget. Rather, the purpose is to demonstrate that the Applicant could make these adjustments without adversely affecting plant investments or utility service.

Regulatory Costs

4.12 Board staff`s submission states that CWH has budgeted $40,100 for regulatory costs related to this application. VECC believes the amount being sought for producing this application is in fact $98,352. This consists of the $40,100 identified by Board Staff and an additional $58,352 of costs incurred in 2012 which were related to this application. [55] It is VECC's understanding based on the response to 4-53-VECC-30 that CWH is seeking to increase its 2013 regulatory cost allowance for ¼ of the additional $58,352 incurred in 2012. Below we have produced a table which sets out CWH's revised proposal. VECC invites CWH to clarify the amount of regulatory costs being sought for the 2013 test year.

Account 5655	2009 Actual	2010 Actual	2011 Actual	2012 Forecast	2012 Actual (unaudited)	2013 Forecast
Filed	48,424	64,363	85,373	125,400	154,909	138,113
Revised 4-53-VECC30 - transfer of ¼ of $58,352 from 2012 to 2013					*96,577*	*152,701*

(Source 4-VECC-57 Supplemental)

[55] See 4-Staff-55s; 4-53-VECC-30 and 4-40-Staff-20

4.13 In any event, it is clear from the evidence that CWH is seeking a significant increase in regulatory costs.

4.14 Bad debt costs (Account 5335) are forecast significantly higher in the test year than actual incurred costs over the past four years[56]. These costs could be reduced to the four year average of actuals.

Account 5335 Bad Debt					
2009	**2010**	**2011**	**2012 forecast**	**2012 Actuals**	**2013**
$4,636	$9,079	13,662	$14,000	$6,866	$18,600

4.15 EDA Membership costs (shown below) should not, in VECC's submission be an allowable OM&A expense[57]. Membership in this association is, in VECC's submission to advance the interest of the shareholder of the Utility. As such they are not costs appropriately borne by ratepayers.

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

Compensation

4.16 An increase in FTEs account for a significant part of the overall OM&A increase. CWH added one new system analysts in 2011. The cost impact of that position is $90,000. CWH is proposing to hire a financial analyst in 2013 which will increase compensations costs by an additional $80,000.[58] The overall compensation costs are shown below in the abridged version of Appendix 2-K.

[56] 4-49 VECC-26; 4-VECC-57 supplemental
[57] 4-54-VECC-31
[58] 4-56-VECC-33

Abridged From CWH_Final Chapter 2_20130321.xls	Last Rebasing Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Number of Employees (FTEs including Part-Time)[1]					
Management					
Non-Union	10.50	9.59	11.00	12.50	13.50
Union	4.00	3.80	3.00	3.00	3.00
Total	**14.50**	**13.39**	**14.00**	**15.50**	**16.50**
Number of Part-Time Employees					
Non-Union	7.00	8.00	6.00	4.00	4.00
Total	7	8	6	4	4
Total Salary and Wages					
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**
Total Benefits (Current + Accrued)					
Management	0	0	0	0	0
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)					
Management	0	0	0	0	0
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**
Total Compensation	1,160,362	1,177,868	1,288,684	1,390,641	1,511,169
Total Comp Capitalized	**59,489**	**55,103**	**54,232**	**131,500**	**226,600**
Total Comp Charged to OM&A	1,100,873	1,122,764	1,234,452	1,259,141	1,284,569

4.17 While the increase of 2 FTEs is significant for a small utility (14% growth in staff) VECC submits that CWH has made a compelling argument for the roles. They are both related to either smart meters/TOU pricing or the increase in regulatory and financial responsibilities brought on by such requirements as the GEA, CDM and

the more complicated billing and pricing systems. As noted above VECC submits an adjustment of $170,000 should be made to the expected growth OM&A costs in recognition of the costs incurred to meet these incremental responsibilities.

Other Observations supporting a reduction in OM&A

4.18 In comparing 2009 Board approved to the proposed 2013 VECC notes that the combined operation and maintenance categories have actually decreased by 1.6% whereas the combined Billing and Collection categories have increase by 43%. While some of this difference is due to changes in how monies are accounted for the large difference clearly shows that the major cost drivers are not related to physical plant or service issues. Rather, as outlined above, they are largely related to increases in the finance and regulatory realm of the Utility.

4.19 VECC notes that actual 2009 OM&A spending was approximately $45,000 less than Board approved. This argues for a bigger adjustment than proposed by VECC since it shows that the Applicant was able to make savings in excess of what it indicated to the Board would be required to operate.

4.20 CWH's actual spending in 2012 was $124,000 less than forecast.[59] VECC submits this is further evidence of its ability to reduce the 2013 OM&A budget.

4.21 CWH is also a high cost server as compared to a cohort of similar utilities as shown in the table below. [60]

OM&A $ Per Customer			
	PEG March 2008	**2011 OEB Yearbook**	**% Increase**
Centre Wellington	214	299	40%
Coop Hydro Embrum	189	274	45%
Grimsby Power	156	202	29%
Niagara-on-the-Lake	199	238	20%
Orangeville Hydro	174	263	51%

4.22 Finally, VECC notes that on a comparable basis CWH is proposing a more significant increase in OM&A than first appears. This is because the amount of

[59] See 4-46-VECC-23 for a breakdown of the Administration costs differences between 2009 Board approved and actuals.
[60] Source 4-45-VECC-22

compensation capitalized has increased more than threefold since 2011 (see Compensation Table above). While such changes are not uncommon and are generally the result of the nature and extend of capital projects, it is important, in VECC's submission, to remember that on an "apples-to-apples" basis the Applicant's compensation have increased by more than $150,000 than is shown in the OM&A budget. Put another way, if no compensation were capitalized (as is the case for some electric distribution utilities), the increase in OM&A would be $150,000 higher.

LEAP Funding

4.23 CWH updated is LEAP contribution from $3,680 to $3,828 based on 0.0012% of the 2013 revenue requirement of $3,189,914. VECC submits that the LEAP amount should be based on the Service Requirement before revenues. This would yield an amount of $4,156 based on the most recent Service Revenue Requirement of $3,463,406.

Green Energy Plan

4.24 CWH's GEA plan has no forecasted capital or OM&A costs for the period 2013 through 2017. The only issue VECC would raise with respect to the GEA plan is that the Applicant may wish to clarify the apparent discrepancy in the amount posted to account 1532 which is given as $8,452 (in 2-13-OEBStaff-12) or $7,560 (in 4-52-VECC-29).[61]

Depreciation/Amortization

4.25 VECC supports the submissions of Board Staff in respect to depreciation and amortization.[62] While do not disagree with the cost (as adjusted for removal of the PP&E MIFRS adjustment) we do note that CWH is not entirely consistent with respect to following the recommended asset lives set out in the Board sponsored Kinectrics Study. As we have argued previously unless a utility has undertaken its

[61] 4-52-VECC-29
[62] Board Staff pages 17-19.

own specific study the asset lives adopted should be within the parameters of the Kinectrics Study and not "cherry picked." In this case the variances are relatively small and in VECC's submission not material to costs.

5 Cost of Capital/Capital Structure

5.1 In general VECC supports the submissions of Board Staff with respect to cost of capital. However, we would make the following observation.

5.2 At page 21 of their submission Board Staff provide a table which summarizes the components and cost of capital[63]. This table, which is consistent with the pre-filed and interrogatory evidence (and as reference by Board Staff) is not consistent with either the final RRWF (showing long-term interest costs of $271,603) nor with the response by CWH to VECC interrogatory 4-VECC-58[64].

5.3 VECC believes the response to 4-VECC-58 at Table 5.3 which shows the Township loan to be a rate of 4.12% is incorrect. We also cannot reconcile the difference in the quantum of long-term debt as shown in the final RRWF and elsewhere in this application ($6,555,810 vs. $6,375,753).

5.4 VECC invites the Applicant to clarify in reply argument their evidence on the matter of the cost and quantum of long-term debt.

6 Cost Allocation

Cost Allocation Methodology

6.1 In its Application, CWHL has used the latest Board approved Cost Allocation model[65] and LDC specific weighting factors for Services and Billing & Collecting[66]. CWHL has also updated the weighting factors for Meter Capital and Meter

[63] Board Staff Submission page 21
[64] RRWF CWH 2013_V3_...20130321.xls filed March 26, 2013.
[65] Exhibit 7, Tab 1,Schedule 1, page 1
[66] Exhibit 7, Tab 1, Schedule 2, pages 3-6 and 7-66 VECC 39 a) & b)

Reading to account for the installation of smart meters[67]. However, for purposes of establishing the load profiles and resulting demand allocation factors for each customer class, CWHL continues to use the 2004 load profile data as originally supplied by Hydro One[68].

6.2 Overall, VECC submits that CWHL's cost allocation methodology is appropriate for determining the revenue to cost ratios for 2013. However, VECC also submits that the methodology is not sufficiently improved[69] to justify the moving the revenue to cost ratio closer to 100% than is currently required by the November 2007 Report the Board ("Application of Cost Allocation for Electricity Distributors", EB-2007-0667)[70].

Use of the Cost Allocation Study Results in Setting 2012 Rates

6.3 The following table sets out the 2013 Status Quo Revenue to Cost (R/C) ratios for each customer class based on the Cost Allocation model and the ratios proposed by CWHL for 2013.

REVENUE TO COST RATIOS – STATUS QUO AND PROPOSED		
Customer Class	**2013 Status Quo R/C Ratios**	**2013 Proposed R/C Ratios**
Residential	97.5%	99.6%
GS<50	95.6%	99.0%
GS 50-2999	90.4%	99.6%
GS 30000-4999	101.0%	101.0%
Street Lighting	305.9%	120.0%
Sentinel Lighting	114.7%	120.0%

[67] Exhibit 7, Tab 1, Schedule 2, page 6 and 7-66 VECC 39 c)
[68] Exhibit 7, Tab 1, Schedule 2,page 6
[69] The improvements in weighting factors used are offset by the use of what are now considerably more dated load profiles.
[70] As referenced by CWHL at Exhibit 7, Tab 1, Schedule 2, page 10

USL	271.8%	120.0%

Sources: Exhibit 7, Tab 1, Schedule 2, page 10

6.4 VECC agrees with CWHL's proposal to reduce the R/C ratios for those classes where the Status Quo value exceeds the Board policy range to the upper end of the range for each class (i.e., 120%). However, VECC submits that the revenue shortfall created by reducing various ratios should be addressed by increasing the ratios for all classes to the same value – 99.529%[71]. While the impact of the change is small, VECC submits that the principle involved is important and notes that CWHL could offer no particular reason why the proposed ratios for all three classes should not be the same[72].

6.5 Finally, VECC notes that the Status Quo revenue to cost ratios will need to be updated to reflect any changes directed by the Board to the proposed 2013 revenue requirement or the load forecast. This would likely result in different starting values for the R/C ratios. As a result, in its Decision, the Board should not approve specific revenue to cost ratios by rather direct CWHL to use the same approach as in the original application subject to concerns raised by VECC in the preceding paragraph.

7 Rate Design

Base Distribution Rates

7.1 For 2013 CWHL is proposing to maintain the same fixed/variable proportions as in the current rates for all customer classes[73]. As part of its Application, CWHL provided a comparison of the current and proposed monthly service charges for each class with ceiling value for the fixed charge as calculated by the Cost Allocation model[74]. VECC notes that the results are problematic for two classes: the GS 50-2999 and GS 3000-4999.

[71] 7-67 VECC 40 b)
[72] 7-67 VECC 40 a)
[73] Exhibit 8, Tab 1, Schedule 2, page 2
[74] Exhibit 8, Tab 1, Schedule 2, page 2

7.2 In the case of the GS 50-2999 class the current monthly service charge is less than but the proposed service charge exceeds the ceiling value. VECC acknowledges that the Board's approach has been to generally approve proposed service charges based a utility's existing fixed/variable split. However, VECC has submitted in previous cases and, does so again in CWH's case that the more appropriate approach would be to "cap" the 2013 service charge for the GS 50-2999 class at the ceiling value.

7.3 In the case of the GS 3000-4999 class, the ceiling value calculated by the Cost Allocation model is negative. In response to interrogatories CWHL indicated this appeared to be the result of anomalies in the Cost Allocation model[75]. However, VECC considers it is highly likely that the current fixed charge ($561.62 and more than 4 times the current charge for the GS 50-2999 class) exceeds what a proper calculation of the ceiling value would yield. Consistent with its submission in the preceding paragraph VECC submits that the service charge for this class should remain unchanged for 2013.

7.4 Finally, VECC notes that the issue of the Cost Allocation model yielding negative ceiling values for the monthly service charge has also arisen with other distributors' applications. The Board should direct Board Staff to review and report reasons for such anomalous results and also report on possible corrections that should be made to the cost allocation model prior to its continued use for 2014 rate applications.

[75] 8-69 VECC #41

Loss Factors

7.5 CWHL has used a five year historical average to determine its proposed loss factor[76]. The proposed loss factor calculation was updated during the interrogatory process[77] in order to correct anomalies in the 2011 meter readings due to switching performed by Hydro One Networks. VECC submits that the Board should adopt CWHL's revised loss factor.

Retail Transmission Service Rates

7.6 In response to the supplementary interrogatories CWHL filed an updated version of the Board's RTSR Work Form using the 2013 RTSR's that Hydro One Networks charges to its Sub-Transmission class[78]. VECC submits that these revised RTSRs, based on the updated work form, are appropriate for 2013.

Low Voltage Rates

7.7 In its original Application CWHL indicated that its forecast LV cost for 2013 were $84,024[79]. However, during the interrogatory process CWHL noted that it had incorrectly forecasted these charges and that applying Hydro One Networks' approved 2013 ST rates to its 2012 actual billing quantities yields $243,490.91 and proposes to base its 2013 LV cost on this value[80]. VECC submits that this approach to establishing LV costs for 2013 is reasonable.

8 Deferral and Variance Accounts

8.1 VECC is in general support of the submissions of Board Staff in respect to Deferral and Variance Accounts.

[76] Exhibit 8, Tab 1, Schedule 5, page 1
[77] 8-68 Staff #28 a)
[78] 8-Staff 56s
[79] Exhibit 8, Tab 1, Schedule 4, page 1
[80] 8-Staff 57s

Account 1508

8.2 Board Staff have provided a comprehensive summary of the issue in respect to Account 1508. At issues is whether the Applicant should be allowed to dispose of all or part of this account prior to its conversion to IFRS.

8.3 In VECC's submission, if the Board is inclined to allow disposition it should hold back at least 50% of the account balance. It has been our observation in a number of 2012 and 2013 cost of service applications that there is a large variance in the costs incurred by LDCs in moving to (M)IFRS. As such it is not clear that some costs for some utilities may yet be found to be excessive to their prudently incurred requirement. CWH's costs appear to be exclusively incurred for third-party professional fees[81]. In any event, no detailed examination of these costs has been made in this application.

Account 1575

8.4 VECC supports the submissions of Board Staff and the proposal of CWH to withdraw the request for this account. As there is no change to MIFRS no PP&E adjustment is required.

9 Smart Meters

Smart Meter Cost Recovery

9.1 Board Staff has provided a comprehensive summary of smart meter costs and the proposed associated SMDR. VECC is in agreement with these submissions and makes the following observations.

9.2 VECC agrees with Staff that the smart meter costs of CWH are high in comparison to the provincial average. However, they are within the variation found among utilities.

9.3 VECC supports the implementation of the updated SMDR as shown in response to 9–Staff-62 supplementary. However, VECC submits that a 2 year disposition

[81] Exhibit 9, Tab 2, Schedule 3, pages 3-6.

period should be used for the residential class. This would match the period provided for stranded meters.

Stranded Meter Cost Recovery

9.4 CWH's is proposing to recover a net book value of stranded meters of $175,248. The original stranded meter rider was 0.90 for residential customers and 2.79 for GS < 50 customers.[82] Allocation of costs was based on the 2007 cost allocation model. Recovery is over a two year period. VECC supports the proposal.

10 Effective Date

10.1 VECC supports the submissions of Board Staff in respect to a May 1, 2013 implementation date since the application was filed substantively on time and within the guidelines expected by the Board.

11 Recovery of Reasonably Incurred Costs

11.1 VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an award of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 4th day of April 2013.

*****End of Document*****

[82] Exhibit 10, Tab 1, Schedule 1.