REPLY SUBMISSION TO ONTARIO ENERGY BOARD STAFF AND VECC COMMENTS

INTRODUCTION

Centre Wellington Hydro (CWH) filed an application (the "Application") with the Ontario Energy Board on October 17, 2012 and completed on November 16, 2012, seeking approval for changes to the rates that CWH charges for electricity distribution, to be effective May 1, 2013. The Board assigned File Number EB-2012-0113 to the Application.

CWH would like to point out to the Board that during the IR process, CWH has worked with both Board Staff and VECC to answer all questions or concerns presented during the IR process and has made the required adjustments to the original application. CWH has agreed to make changes to the original submission based on discussions with Board Staff and VECC during the IR process and those changes are included in the "Summary of Proposed Cumulative Changes" provided below.

Centre Wellington Hydro Ltd. EB-2012-0113
Summary of Proposed Cumulative Changes

	Exhibit	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
Original Submission		$740,597	6.18%	$11,984,186	$17,188,329	$2,234,483	$411,824	$5,887	$2,303,000	$3,461,309	$3,220,371	-$438,967
IR# 2 Staff 10 Update Reg Price Plan Oct 2012 Report	2	$740,867	6.18%	$11,988,543	$17,221,844	$2,238,840	$411,824	$5,916	$2,303,000	$3,461,607	$3,220,670	-$439,265
Change		$270	0.00%	$4,357	$33,515	$4,357	$0	$29	$0	$298	$299	-$298
IR# 4 Staff 20 Revise One-Time Costs $40,100 (4 years)	4	$740,625	6.18%	$11,984,634	$17,191,769	$2,234,930	$411,824	$5,890	$2,272,925	$3,431,265	$3,190,327	-$408,922
Change		-$242	0.00%	-$3,909	-$30,075	-$3,910	$0	-$26	-$30,075	-$30,342	-$30,343	$30,343
IR# 8-Staff-28 Revised Loss Factor	8	$740,253	6.18%	$11,978,609	$17,145,428	$2,228,906	$411,824	$5,850	$2,272,925	$3,430,852	$3,189,914	-$408,510
Change		-$372	0.00%	-$6,025	-$46,341	-$6,024	$0	-$40	$0	-$413	-$413	$412
IR# 2-Staff 48s Adj Fergus MS-2 to actual	2	$739,238	6.18%	$11,962,193	$17,145,428	$2,228,906	$411,451	$5,908	$2,272,925	$3,429,523	$3,188,585	-$407,180
Change		-$1,015	0.00%	-$16,416	$0	$0	-$373	$58	$0	-$1,329	-$1,329	$1,330
IR# 8-Staff-56s Update RTSR Jan1 2013 Rates	8	$741,066	6.18%	$11,991,769	$17,372,938	$2,258,482	$411,451	$6,106	$2,272,925	$3,431,548	$3,190,611	-$409,206
Change		$1,828	0.00%	$29,576	$227,510	$29,576	$0	$198	$0	$2,025	$2,026	-$2,026
IR# 8-Staff-57s LV update to reflect Hydro One Charges	8	$742,347	6.18%	$12,012,500	$17,532,406	$2,279,213	$411,451	$6,244	$2,272,925	$3,432,968	$3,192,030	-$410,626
Change		$1,281	0.00%	$20,731	$159,468	$20,731	$0	$138	$0	$1,420	$1,419	-$1,420
IR# 4-VECC-58 Updated Cost of Capital parameters	5	$720,130	5.99%	$12,012,500	$17,532,406	$2,279,213	$412,028	$5,010	$2,272,925	$3,410,093	$3,169,156	-$387,751
Change		-$22,217	-0.19%	$0	$0	$0	$577	-$1,234	$0	-$22,875	-$22,874	$22,875
IR# 4-Staff-52 Revise one time legal costs $50,000 (4 years)	4	$719,838	5.99%	$12,007,625	$17,494,906	$2,274,338	$412,028	$4,978	$2,235,425	$3,372,269	$3,131,331	-$349,927
Change		-$292	0.00%	-$4,875	-$37,500	-$4,875	$0	-$32	-$37,500	-$37,824	-$37,825	$37,824
IR# 4-Staff 55s Revise One-Time Costs $58,352 (4 years)	4	$719,952	5.99%	$12,009,521	$17,509,494	$2,276,234	$412,028	$4,991	$2,250,013	$3,386,983	$3,146,045	-$364,641
Change		$114	0.00%	$1,896	$14,588	$1,896	$0	$13	$14,588	$14,714	$14,714	-$14,714
IR# 10 Staff 62 Smart Meter installed changes	10	$720,436	5.99%	$12,017,599	$17,509,494	$2,276,234	$412,028	$5,044	$2,250,013	$3,387,521	$3,146,583	-$365,178
Change		$484	0.00%	$8,078	$0	$0	$0	$53	$0	$538	$538	-$537
IR# 3 VECC 53 CDM Adjustments	3	$720,312	5.99%	$12,015,536	$17,493,619	$2,274,170	$412,027	$5,030	$2,250,013	$3,387,383	$3,146,446	-$364,119
		-$124	0.00%	-$2,063	-$15,875	-$2,064	-$1	-$14	$0	-$138	-$137	$1,059
IR# 9 Staff 61 PP&E Adj Removal	3	$720,312	5.99%	$12,015,536	$17,493,619	$2,274,170	$508,560	$5,030	$2,250,013	$3,483,916	$3,242,978	-$460,651
Change		$0	0.00%	$0	$0	$0	$96,533	$0	$0	$96,533	$96,532	-$96,532
OEB Staff discussion re filing in CGAAP		$701,804	5.99%	$11,706,804	$17,493,619	$2,274,170	$508,619	$2,970	$2,250,013	$3,463,406	$3,222,469	-$440,142
Change		-$18,508	0.00%	-$308,732	$0	$0	$59	-$2,060	$0	-$20,510	-$20,509	$20,509
Proposed at March 21 2013		$701,804	5.99%	$11,706,804	$17,493,619	$2,274,170	$508,619	$2,970	$2,250,013	$3,463,406	$3,222,469	-$440,142
Change - Proposed vs. Original		-5%	0.19%	-2%	2%	2%	24%	-50%	-2%	0%	0%	0%
		-$38,793		-$277,382	$305,290	$39,688	$96,795	-$2,917	-$52,987	$2,097	$2,098	-$1,175

Following two rounds of interrogatories with Board Staff and VECC those parties submitted Final Submissions on April 1, 2013 and April 4, 2013, respectively.

CWH would like to take this opportunity to make a Reply Submission in response to the issues raised in those final submissions.

EXHIBIT 1

CWH has filed the 2013 Cost of Service Rate Application and has responded to the interrogatories of both Board Staff and VECC in a timely manner. CWH therefore agrees with Board Staff if a final rate order cannot be issued to allow for new rates effective May 1, 2013 CWH may recover foregone incremental revenues back to the proposed effective date of May 1, 2013.

EXHIBIT 2 – RATE BASE

CWH notes Board Staff takes no issue with the calculation of the revised Rate Base of $11,706,804 but indicated CWH should submit audited amounts for the Fergus MS-2 station rebuilt in 2012 and approved in a 2012 ICM. CWH provides the following audited amounts for the Fergus MS-2 station.

Reconciliation of Capital Job CP19 - MS#2 Queen Street Municipal Station Rehabilitaion

	Original Estimated Cost	Unaudited Capital Cost - submitted March 26, 2013	Audited Capital Cost - April 15, 2013
CP 19	1,199,400.00	1,185,262.97	1,200,732.97
Difference-under (over) expenditure		14,137.03	-1,332.97
Difference as a percentage		1.18%	-0.11%

CWH accepts Board Staff comments and VECC 2.6 related to planning and prioritizing its capital expenditures including the rebuild and rehabilitation of its remaining municipal stations and will attempt to complete its future capital programs without the use of ICMs but reserves the right to file an ICM for material capital projects where rates in effect at that time would not cover the forecast cost of the project.

Neither Board Staff nor VECC took any issue with CWH's reliability statistics.

VECC 2.1

VECC noted the capital expenditures shown in the final appendices and worksheets files on March 26, 2013 do not appear to have been updated from the original filing. CWH submits the 2012 CGAAP Continuity Schedule was updated in the March 26, 2013 document to reflect an adjustment to account 1820 for a reduction in the addition of Capital Project CP19 Fergus MS#2 of $14,137 and a reduction to the associated accumulated depreciation of $280. For the 2013 Continuity Statements, CWH had reflected an adjustment to the opening balance to account 1860 - Meters for Smart Meters being approved to be brought into rate base. This is included in both the original submission and the March 26, 2013 update. There was however a reduction to the opening Accumulated Depreciation balance of account 1860 - Meters in the March 26, 2013 submission to reflect a change requested in IR# 10 Staff 62 Smart Meter installed changes which is shown on the Summary of Changes table above. The OEB Workforms were also updated to reflect the above changes for the March 26, 2013 submission and a summary of the Workform changes were included as a separate spreadsheet at that time.

VECC 2.4

CWH agrees, as Board Staff suggests on page 18, to submit updated Capital Asset Continuity Schedules to allow for any updates to rate base and capital expenditures as determined by the Board.

VECC 2.5

CWH agrees no adjustments will be made to the original 2013 capital expenditures forecast of $1,876,400.

VECC 2.7

An increase of $32,000 in capital contributions for 2013 proposed by VECC is unrealistic in CWH's view. No other projects that would result in additional capital contributions have been forecasted for 2013. If there are any unforeseen capital contributions these would be offset by at least the increase in capital expenditures for those projects.

WORKING CAPITAL ALLOWANCE

It should be noted Board Staff takes no issue with CWH's proposal for calculating the WCA based on the default 13% formula. In CWH's 2009 Cost of Service Rate application a Working Capital Allowance (WCA) of 15% was set by the Board and used by CWH. Since then the Board has revised the WCA to a default 13% formula. Presumably this reduction took place based on an analysis by the Board which likely took into consideration items cited by VECC 2.9 such as bi-monthly billing. CWH has used the default formula of 13% in this rate application. CWH therefore disagrees with VECC that a rate of 12% be used in the absence of any empirical CWH evidence.

CWH agrees with Board Staff changes to the WCA should be reflected in the Draft Rate Order to update RPP and Non-RPP prices if necessary.

EXHIBIT 3 – OPERATING REVENUES and LOAD FORECAST

LOAD FORECAST

CWH notes that both OEB Staff and VECC agree the customer/connection forecast is for 2013 is reasonable and therefore submits the OEB approve the customer/connection forecast.

CWH would like to bring to the attention of the Board for consideration in this rate application that CWH was informed April 1, 2013 a major customer, GSW, who employs 350 staff, the majority who live in the territory served by CWH, is shutting down their manufacturing operation effective July 1, 2013. Removing the load and consumption for this customer would have an estimated impact of increasing the revenue deficiency by $43,000. The impact of the loss of this customer has not been reflected in this application to date.

In response to Board Staff comment beginning at the bottom of page 12 of Board Staff's submission CWH would like to submit specific information on the forecasted timing of their 2013 CDM programs. The table that follows this discussion provides the analysis of the persistence from previous years plus the monthly change resulting from the 2013 programs. By suggesting a ½ year rule by Board Staff and VECC for CWH's CDM program they appear to be treating CDM programs like a Capital Asset where asset acquisitions in any year are treated by a ½ year rule where only 50% of the depreciation expense is allowed in the year of installation. It also appears those parties assumed the 2013 CDM forecast was in place as of January 1, 2013. CWH does not agree with this approach for the following reason. The CDM variable used in the forecasting CDM for 2013 included a persistence amount from the previous years plus the allocation of the 2013 forecast of additional CDM on a gradual increase month over month. The following table provides the calculation of the monthly 2013 CDM included in this rate application for which CWH recommends Board approve.

Centre Wellington Hydro			
2013 CDM kWh Forecast Variable			
	Persistence from Previous Years	**2013 increase over previous year by month**	**Total**
Jan	201,534	12,847	214,381
Feb	201,534	25,694	227,228
Mar	201,534	38,541	240,075
Apr	201,534	51,388	252,922
May	201,534	64,235	265,769
Jun	201,534	77,082	278,616
Jul	201,534	89,929	291,463
Aug	201,534	102,776	304,310
Sep	201,534	115,623	317,157
Oct	201,534	128,470	330,004
Nov	201,534	141,317	342,851
Dec	201,534	154,164	355,698
Total	**2,418,408**	**1,002,066**	**3,420,474**

CWH agrees with VECC (2.16 & 2.18) the regression models be updated for the Residential and General Service < 50kW customer classes to include the OPA's final reported results for the 2011 CDM programs. CWH submits those changes were made during the second round of interrogatories and the change to the Revenue Requirement is reflected in the "Summary of Changes" IR# 3 VECC 53 CDM Adjustments.

CWH, Board Staff, and VECC (2.31) agree the LRAMVA should be adjusted to 2,288,799 [974,577 + (2 * 657,422)] to account for the annualized "net" results. CWH submits those changes were also reflected in response to IR# 3 VECC 53 CDM Adjustments.

CWH disagrees with VECC's (2.20) position for the GS 50 – 2,999 kW, Intermediate, Street Lighting, Sentinel Lighting, and Unmetered Scattered Load customer classes to base the 2013 forecast on the 2011 actual use per customer and the forecast 2013 customer count for each class. Employment data is difficult to obtain for specific areas, therefore, the employment information used in this application is for the area of Kitchener-Waterloo-Barrie which includes the territory served by CWH. CWH submits it is reasonable to expect the decline to continue into 2013 and recommends the use per customer not be adjusted to the 2011 values.

With respect to the Net to Gross issue CWH submits the changes recommended by both Board Staff and VECC including a response to Board Staff 3 -Staff - 51 are reflected in the "Summary of Changes" IR# 3 VECC 53 CDM Adjustments. As Board Staff notes, this would establish a load forecast that is based on the historical data and also factor in the CDM adjustment on the load forecast that corresponds with the amount to be used for establishing the 2013 and 2014 balances for the LRAMVA. While not exact, Board staff views that limitations and errors introduced through data construction and estimation in this approach are no greater than estimation errors elsewhere in the model.

OTHER REVENUES

VECC 3.2

CWH confirms the loss on the upgrade of $9,362 to station MS#1 – Fergus was not removed from the cost of service study when converting back to CGAAP from MIFRS. Under CGAAP MS#1 – Fergus will be fully depreciated in 2013 and therefore no loss would be recognized.

Although this does not affect other revenues, Station MS#1 – Elora has been identified as requiring replacement in 2014 for safety and reliability reasons and was not reflected in the 2013 continuity schedule. At the end of 2012 this station had a net book value of $73,899 and CWH requests the Board to consider increasing depreciation expense in 2013 by $35,055 over and above the $3,790 already included in 2013 for this station.

In summary, CWH agrees to increase revenue offsets by $9,362 and would like to request the Board approve an additional $35,035 in Depreciation Expense for the change in useful life of MS#1 - Elora

VECC 3.3

CWH disagrees with VECC with respect to the comments on Non-Utility Revenues/Costs. CWH has estimated revenues for the OPA to offset costs in 2013 at $75,000. The balance of the revenue in account 4375 is estimated at $144,400 with an estimated cost in account 4380 of $127,500 resulting in a positive variance of $16,900. This positive variance relates to water and sewer billing and collection for the Township of Centre Wellington and has been included in the Revenue offsets for this 2013 cost of Service Application. CWH is not aware of additional Non-Utility revenues or costs.

VECC 3.4

CWH agrees with VECC that $1,400 was not included in the 2013 forecast from MicroFIT customers.

EXHIBIT 4 – OPERATING EXPENSES

OM&A

Board Staff have indicated that the year over year changes in OM&A costs since the last Cost of Service application in 2009 have been supported by CWH and therefore have taken no issue with the proposed OM&A forecast for the test year.

VECC 4.3 – 4.8

VECC has provided their process for undertaking an "Expected Growth Test" and an estimated inflation factor of 1.9% per annum for a four year period from 2009 to 2013. In VECC's view this model produces a forecast of $268,663 below what CWH has forecasted for 2013. No mention is made of Centre Wellington's support for their 2013 OM&A forecast which included the important cost drivers which contributed to the year over year changes. Some of those drivers are provided in Board Staff submission on pages 15 & 16. It is CWH's view that the OM&A forecast for 2013 should not be reduced based on VECC's model since there are many more factors to support the forecast not considered by VECC.

Additionally, Board Staff takes no issue on page 16 of their submission with CWH's filed support for the proposed changes to OM&A.

CWH submits it has addressed all of VECC's concerns in the interrogatory process related to OM&A costs and has reflected all of their requests which related to a change in the Revenue Requirement in the "Summary of Changes", therefore, the Revenue Requirement should not be reduced by a further $363,408 as suggested by VECC.

VECC 4.9

It should be noted the $170,000 relates to the increase in labour costs for two additional positions, Board Staff and VECC agree with. These positions are identified in greater detail in Exhibit 4, Tab 1, Schedule 1, pages 5, 6, and 7 and with the incremental costs associated with the two new positions detailed in the response to the first round of interrogatories 4-56 VECC 33.

VECC 4.10

CWH disagrees with VECC's final position for a reduction of $193,408 ($363,408-$170,000) for reasons noted in response to VECC's submission 4.3 - 4.8 above as well as the support the from Board Staff page 16 of their submission.

REGULATORY COSTS

Although Board Staff took no issue with CWH's proposed Regulatory Cost forecast, VECC 4.12 has asked CWH to clarify the regulatory costs sought for the 2013 test year.

The table below shows the total regulatory costs that CWH had included in the original 2013 Cost of Service application and subsequent adjustments have been reflected in the "Summary of Changes" IR# 4 Staff 20 Revise One-Time Costs $40,100 (4 years), and IR# 4-Staff 55s Revise One-Time Costs $58,352 (4 years) bringing the regulatory costs down to $138,113.

5655 - Regulatory Costs		
2013 Budget Submitted (including one-time costs)	$	153,600
Less: One-time cost included in 2013 original budget	$	40,100
Revised 2013 Budget without one-time costs	$	113,500
Add:1/4 of 2013 One-time costs (40,100/4)	$	10,025
Add:1/4 of 2012 One-time costs (58,352/4)	$	14,588
Revised 2013 Rgulatory costs in Cost of Service application	**$**	**138,113**

BAD DEBTS - VECC 4.14

VECC 4.14 cites bad debts being significantly higher in the test year.

Bad Debt Analysis - account 5335						
	2009 Actual	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2012 Forecast**	**2013 Forecast**
Total	**$ 4,636**	**$ 9,079**	**$ 13,662**	**$ 6,866**	**$ 14,000**	**$ 18,600**

Outstanding Receivables at December 31, 2012	
Between 60 and 90 days	$ 5,175.79
Over 91 days	$ 15,783.43
Total accounts over 60 days	$ 20,959.22

CWH has found that the bad debts for our service area have shown an increase each year. The 2012 forecast was based on the accounts over 90 days and over at the time of the 2013 cost of service application. 2012 turned out to be a good year for CWH with regards to write-offs, however, the accounts that were over 90 days at the end of 2012 was again $20,959. CWH submits there is an upward trend in bad debts likely related to the economy which needs to be recognized in this Cost of Service rate application.

As discussed earlier in the Load Forecast section of this submission, CWH indicated the loss of a major customer July 1, 2013 affecting 350 employees. Since many of these employees reside in CWH's territory it can be expected this will have an adverse effect on the economy and subsequent bad debts for CWH. CWH therefore requests the Board not reduce the current bad debt forecast.

VECC 4.15

VECC 4.15 recommends EDA membership costs be borne by the shareholder of a utility. CWH submits the EDA plays an important role in the electricity Distribution sector. There are many forums organized by the EDA such as Finance, Regulatory, and Operations Councils that involves many LDC staff and provides valuable input for the OEB and the Ministry of Energy which shapes and assists with the direction of this industry. For these reasons CWH submits EDA membership fees should continue to be recovered in distribution rates.

COMPENSATION

VECC 4.17 reiterates in this section the requirement for an upward adjustment of $170,000 in OM&A related to the two additional FTEs to meet the incremental responsibilities, also noted earlier n VECC 4.9, and is justifiable. The Board staff also stated that they had no issue with CWH's proposals with respect to its workforce complement and associated expenses.

CWH would also at this time like to confirm for the Board that CWH has allocated employee time and expenses against CDM and has not included those costs in the 2013 forecast but rather obtains funding through the OPA as Board Staff suggests on page 17 of their submission.

DEPRECIATION

CWH notes Board Staff takes no issue to the March 26, 2013 revised evidence with respect to Depreciation Expense of $508,619.

PILs

CWH notes Board staff takes no issue with the methodology, as amended through discovery, used by CWH to calculate the tax/PILs allowance for 2013.

LEAP

Board staff submitted that CWH's proposal is compliant with Board policy; however, VECC submits that the LEAP amount should be based on the Service Revenue Requirement.

CWH has not adjusted the LEAP OM&A expenses of $3,680 with any subsequent increase in revenue requirement but understands the final amount would be calculated at .0012 or .12% either on the approved Base Revenue Requirement of $3,222,469 which would be $3,867 or if calculated on the Service Revenue Requirement of $ 3,463,406 the amount would be $4,156. CWH would like the Board to clarify on which amount the funds are to be calculated on?

GREEN ENERGY ACT / GREEN ENERGY PLAN

With regards to VECC's comment in 4.24, CWH clarified in the Board staff question 2-Staff-50s that the $8,452 included HST and was related to third party cost for the development of CWH's GEA Plan. The amount that was posted to account 1532 was $7,560 which excludes HST. CWH is not proposing disposition at this time as the amount was not audited.

LRAM/LRAMVA

CWH initially did not apply for the disposition of the LRAMVA. However, on request through the IR process the LRAMVA amounts were calculated as rate riders. On review of responses through the IR process Board staff states in the written submission that it does not have any concerns with CWH's request to dispose of the LRAM claim over a one year period. Board staff views the LRAMVA claim as eligible for recovery. The total LRAMVA claim of $21,128.06 provided by CWH in the IR process was determined as follows:

1. For persisting lost revenues from 2010 CDM programs in 2011: $5,997.11 which included $50.99 in carrying charges.

2. For lost revenue from 2011 CDM programs as reported in the 2011 Final Evaluation OPA Reports: $15,130.95, which includes $128.64 in carrying charges.

During the 2012 year end audit process, CWH discovered that item 2 was incorrect and should have been as shown in item 3 below:

3. For lost revenue from 2011 CDM programs as reported in the 2011 Final Evaluation OPA Reports: $4,803.74, which includes $40.84 in carrying charges to April 30th 2013.

CWH proposes that the rate rider for a total LRAMVA of $10,800.85 calculated on item 1 and 3 above, be approved by the Board.

EXHIBIT 5 – COST OF CAPITAL

COST OF CAPITAL

Board staff has indicated CWH's proposal for its Cost of Capital in this application conforms to the cost of Capital report and Board policy and practice.

VECC 5.2

In response to VECC 5.2, the table provided on page 21 of the Board Staff submission reflects the information provided with CWH's initial rate application which will not be consistent with the final RRWF since the cost of capital parameters published on February 14, 2013 were updated in response to IR# 4-VECC-58.

The $271,603 referenced in VECC 5.2 is calculated in the RRWF updated for interrogatories and is based on "Deemed" Long Term Debt at the weighted average LT debt rate of 4.14% calculated by CWH on table 5.3 which was updated in response to IR# 4-VECC-58.

VECC 5.3

CWH disagrees with VECC's position with respect to the interest rate used for the Township loan. In 2009 it was determined CWH could not use the rate shown on the promissory note but had to use the deemed rate of 7.62% at that time. Consistent with that methodology, CWH has used the Deemed Long Term Debt rate of 4.12% published by the Board February 14, 2013 for the Township loan.

In response to VECCs concern of the difference of $6,555,810 and $6,375,753 CWH offers the following explanation. The Deemed debt of $6,555,810 is used in the RRWF to calculate the interest expense using the weighted average LT Date rate calculated by CWH. The actual interest expense for each component of LT debt is used to determine the weighted average LT Debt rate which is used in the RRWF and is found on Table 5.3 in response to IR# 4-VECC-58.

Additionally, the Deemed Long Term Debt rate at the time of CWH's initial application submission was 4.41% and later changed to 4.12% and updated in response to IR 4-VECC-58 which is also reflected on the "Summary of Changes" IR# 4-VECC-58 Updated Cost of Capital parameters. The weighted average LT Debt rate in the original application was calculated based on each individual loan at 4.37% later updated to 4.14% in response to IR# 4-VECC-58.

EXHIBIT 6 – REVENUE REQUIREMENT and REVENUE DEFICIENCY/SUFFICIENCY

CWH confirms Board staff agrees the LDC has adhered to Board policy and practice with respect to the determination of the revenue requirement and revenue deficiency. Board staff took no issue with the revised revenue requirement and revenue sufficiency calculations and the revised RRWF filed by CWH on March 26, 2013. CWH will further adjust the RRWF it necessary based on the Board's determinations with respect to CWH's Application.

EXHIBIT 7 – COST ALLOCATION

Board staff took no issue with the proposed R/C ratios for all customer classes. CWH submits the Board should arrange a short WEBEX seminar to explain areas of identified weaknesses related to Cost Allocation. No one will dispute the complexities inherent in the Cost Allocation model and as more inputs require LDC specific values, the processing of those inputs within the model produce outputs that may not be intuitively obvious to some users of the model.

VECC 6.4 proposes addressing a shortfall by increasing the ratios for all classes to the same value. In this application the impact of this is small but communication of the details for this principle proposed by VECC would assist in future applications from all LDCs. CWH submits the WEBEX seminar proposed above would assist this process and reduce the number of interrogatories related to Cost Allocation.

Finally, CWH would also like to point out in response to the last sentence in VECC 6.4, VECC did not ask during the IR process (IR# VECC 40) for the ratios to be updated to the same values for Residential, GS<50 kW and GS 50-2,999 kW but only asked for the common ratio which would maintain revenue neutrality. Again CWH would encourage the Board to have VECC justify the importance of this principle and have it communicated to all LDCs.

EXHIBIT 8 – RATE DESIGN

BASE DISTRIBUTION RATES

In response to VECC 7.2 and 7.3 CWH submits it would be inappropriate to change the fixed/variable split for specific classes without doing a rate design analysis which would include all classes. When comparing the current fixed charge to the proposed fixed charges, increases are as follows:

	Current	Proposed	Increase
Residential	$ 13.88	$ 16.34	17.7%
GS < 50 kW	$ 15.31	$ 18.43	20.4%
GS 50-2,999 kW	$ 131.15	$ 171.28	30.6%
GS 3,000 – 4,999 kW	$ 561.62	$ 659.65	17.5%

CWH notes it is not unusual for the OEB to approve a fixed charge which is above a ceiling calculated by the Cost Allocation model particularly in cases where the existing fixed charge is already above the calculated ceiling.

CWH submits it may be beneficial for the OEB to initiate the Rate Design study which was proposed several years ago which would address the fixed variable splits for all classes. Of particular concern to CWH are the GS 50-2,999 kW and GS 3,000-4,999 KW customer classes which have fixed ratios of 19.12% and 8.77%, respectively. CWH therefore recommends the OEB approve the proposed fixed charges calculated by the OEB Cost Allocation model.

MicroFIT

CWH confirms Board Staff's agreement with an increase to the MicroFIT rate from $5.25 to $5.40 per month.

Low Voltage

CWH's LV charge forecast was based on 2012 Volumes at 2013 rates as shown in the following table.

	2012 Hydro One LV kW	Specific ST Lines (km)	Service Charge	Total LV Forecast 2013
Jan-12	25738	5.24	295.68	
Feb-12	24451	5.24	295.68	
Mar-12	23447	5.24	295.68	
Apr-12	21887	5.24	295.68	
May-12	23837	5.24	295.68	
Jun-12	26926	5.24	295.68	
Jul-12	28080	5.24	295.68	
Aug-12	24393	5.24	295.68	
Sep-12	23975	5.24	295.68	
Oct-12	23378	5.24	295.68	
Nov-12	24894	5.24	295.68	
Dec-12	24834	5.24	295.68	
Total 2012	295840	62.88	3548.16	
Hydro One Rates	$ 0.675	$ 640.12		
2013 Forecast	$ 199,692.00	$ 40,250.75	$3,548.16	$ 243,490.91

Since the completion of the interrogatories, CWH would like to identify additional LV charges from Hydro one in the form of rate riders to recover smart grid, ICM, shared tax savings, and deferred variance accounts. It is estimated these charges will increase the 2013 LV amounts calculated in the table above by $89,344 resulting in total LV charges of $332,775. In order to ensure the LV variance account is kept to a minimum CWH submits the Board approve LV charges for 2013 of $332,775.

Loss Factors

There were no issues brought forward by either Board Staff of VECC with CWH's proposed Total Loss Factor of 1.0497.

Rate Mitigation

CWH confirms the Smart Meter Disposition Rider has a proposed sunset date of April 30, 2017, however, no other rate mitigation is required with the rates currently proposed.

EXHIBIT 9 – DEFERRAL and VARIANCE ACCOUNTS

Account 1508

CWH agrees with Board staff account 1508 – One-time administrative incremental IFRS Transition costs to December 31, 2011 consisting of Principal $73,468 and Interest $2,235 (including forecast interest to April 30, 2013) for a total of $75,704 be disposed of on an interim basis in this application.

Account 1575

Both Board staff and VECC have indicated no issue with CWH's request to withdraw the disposition of the Account 1575 amount after requested revisions were made by CWH and reflected in the RRWF submitted on March 26, 2013.

EXHIBIT 10 – SMART METERS

CWH agrees with both Board Staff and VEC to revise the SMDR for the Residential class from a four year recovery to two years. The resulting SMDRs would be revised to $1.14 for the Residential Class with a sunset date of April 30, 2015 and remain at $4.08 for the General Service <50kW class with a sunset date of April 30, 2017. CWH confirms their CIS system is capable of accommodating differing recovery periods for different customer classes.

STRANDED METERS

Board staff and VECC indicated that CWH has calculated the Stranded Meter Rate Rider in accordance with Board policy and practice and takes no issue with CWH's proposal.

OTHER MATTERS

Board staff stated that they had "reviewed the updates that were provided by CWH on March 26, 2013 and has found no issues with the revised evidence that has been filed on an updated CGAAP basis for 2013."

----------- All of which is respectfully submitted -------------