West Coast Huron Energy’s responses to the following Intervenors first round of questions:

|  |  |
| --- | --- |
| **REQUESTOR NAME****REQUESTOR NAME****REQUESTOR NAME** | **VECC****SEC****AMPCO** |
| **INFORMATION REQUEST ROUND NO**: | **# 1** |
| **TO:** | **West Coast Huron Energy Inc. (Goderich Hydro or WCHE)** |
| **DATE:**  | **May 27, 2013** |
| **CASE NO:**  | **EB-2012-0153** |
| **APPLICATION NAME** | **2013 Cost of Service Electricity Distribution Rate Application** |

**1. GENERAL (Exhibit 1)**

## 1.0-VECC- 1 Reference: Exhibits All

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

## Please update the RRWF Excel Live spread sheet for these adjustments.

**1-SEC-1** Please provide a table showing any adjustment arising from the interrogatory process. This table should include the IR number, application area, description of the change and the impact on the revenue requirement,).

**1.0-AMPCO -1.0**

**Reference:** Exhibit 1, Tab 1, Schedule 3

Preamble: The evidence states Goderich Hydro applies for an Order or Orders: (a) Approving final new rates and charges until April 30, 2013 please confirm the date should be April 30, 2014.

**See Appendix 1 and 2.**

**WCHE is asking for rates effective May 1, 2013.**

**WCHE is not seeking recovery of revenue lost from January 1, 2013 to April 30, 2013.**

**1.0 – VECC – 2**

**Reference: Exhibit 1, Tab 2, Schedule 5**

a) Please provide the annual SAIDI, SAIFI and CAIDI statistics for 2009 through 2012 with and without supply loss.

 b) Please provide the causes of interruptions by the following categories (or similar categories if otherwise maintained by CWHE).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | 2009Totals | 2010Totals | 2011Totals | 2012Totals |
| Scheduled |  |  |  |  |
| Supply Loss |  |  |  |  |
| Tree Contact |  |  |  |  |
| Lightning |  |  |  |  |
| Def. Equip.(other than pole) |  |  |  |  |
| Pole Failure |  |  |  |  |
| Weather |  |  |  |  |
| Human Element |  |  |  |  |
| Animals, Vehicle |  |  |  |  |
| Environment |  |  |  |  |
| Unknown |  |  |  |  |
| Total |  |  |  |  |

# 1.0-AMPCO-3.0

**Reference 1:** Exhibit 1, Tab 2, Schedule 5

1. Please confirm the definition of a Code 2 Outage is Loss of Supply.
2. Please provide a Table that summarizes WECE’s SAIDI, SAIFI & CAIDI results for 2007 to 2012 actuals with and without loss of supply.
3. Does WCHE track momentary outages?
	* If yes, please provide the MAIFI data from 2007 to 2012 and discuss the trend.
	* If no, please provide an explanation.
4. Please provide WCHE’s internal SAIDI, SAIFI, CAIDI & MAIFI targets for 2013.
5. Please provide the number of interruptions, customers affected and customer minutes for the years 2007, 2008 and 2012 actuals.
6. Please provide a breakdown of customer minutes by cause codes for the years 2007 to 2012 actuals.
7. Please provide a further breakdown of defective equipment on the basis of cause and customer minutes.
8. Please discuss how WCHE compares to other utilities in its cohort in terms of reliability.

# WCHE Reply 1.0-AMPCO-3.0

a) WCHNE confirms that the definition of a Code 2 outage is Loss of Supply.

b) 

c) WCHNE does not track momentary outages. Not mandatory

d) WCHE is intending maintain the 2012 levels.

e) See chart below

f) See chart below

g) See chart below

 

h) We have included both 2011 and 2010 service reliability indices. WCHE’s results for 2011 are distorted by the tornado. 2012 results have not yet been circulated.

WCHE’s indicators are below our cohorts in all areas.





**1.0-AMPCO-2.0**

**Reference 1:** Exhibit 1, Tab 1, Schedule 6 (1)

**Reference 2:** Exhibit 1, Tab 1, Schedule 3, paragraph 4

**Reference 3:** Exhibit 1, Tab 1, Schedule 3, paragraph 5

Preamble: Reference 1 indicates Goderich Hydro requests approval to charge rates effective May 1, 2013 to reflect a revenue deficiency of $488,514.00. Reference 2 indicates the proposed distribution rates are effective January 1, 2013 from a service revenue requirement of $2,753,530.00 with an implementation date of May 1st, 2013. At reference 3, the evidence states “At this point in time, Goderich Hydro has a revenue deficiency of $520,252.”

1. Please reconcile/confirm the effective date and implementation date for rates, and the revenue deficiency.
2. Please clarify whether WCHE will be seeking recovery for foregone revenue.

**WCHE reply 1.0-AMPCO-2.0**

1. The shortfall in Ex.1 Tab 1 Sch 6(1) is in error the correct amount should read $520,252. We are looking for rates to be effective May 1, 2013.
2. WCHE will not be requesting recovery of lost revenue from 1 January 2013 until 30 April 2013.

**2. RATE BASE (Exhibit 2)**

# 2.0-AMPCO-5.0 Reference: Exhibit 2, Tab 1, Schedule 3, Variance Analysis on Rate Base

Please provide a more detailed explanation of the reasons for the variance in rate base for 2009 Board Approved vs. 2009 Actual and 2009 Actual vs. 2010 Actual.

**WCHE reply 2.0-AMPCO-5.0**

**2009 Board Approved vs. 2009 Actual**

The Board approved figures are the average of 2008 and 2009 and therefore they will always vary from the actual results. The truck replacement highlights this issue. The purchase cost was consistent with the filed capital project budget but when compared to the average board approved it results in an excess of $148,262 (approximately half of the addition cost).

**2009 Actual vs. 2010 Actual**

In 2010 WCHE removed stranded meters from its assets with a net book value $204,139.

**2-SEC-2**

[Ex. 2/3/1] For each customer class, please identify if the Applicant bills monthly, bi-monthly, or some combination.

**WCHE reply 2-SEC-2**

All customers are billed monthly.

**2.0-VECC – 3**

**Reference: Exhibit 2, Tab 2, Schedule 1 – Continuity Schedules**

1. Please provide an updated Fixed Asset Continuity Schedules for 2011 through 2013 (2012 CGAAP and MIFRS) which show the removal of all amounts being sought for recovery through the z-factor rate rider.
2. Please update the 2012 continuity schedule to reflect the most recent actual year-to-date capital expenditures closed to rate base.
3. Please confirm that the 2013 Fixed Asset Continuity Schedule opening balance includes smart meters costs and removes stranded meters costs.
4. f)If the adjustments noted in c) have not been made please provide a 2013 continuity schedule which makes the adjustments.

**WCHE reply 2.0 VECC – 3**

a) WCHE is not seeking z factor recovery of fixed asset costs incurred due to the tornado. The capital asset additions related to 2011 tornado have been included in the continuity schedule consistent with the Board’s direction is EB-2011-0335 that the assets should be treated as any other capital assets and be included in rate base. The additions related to the tornado have been identified separately on the continuity schedule for transparency purposes.

 See Appendix 3 Revised fixed asset continuity schedules for 2011 to 2013.

b) See Appendix 3 – The 2012 tab reflects 2012 actual capital expenditures.

c) The transfer of smart meter capital costs from account 1555 is shown separately at the bottom of the 2013 continuity schedule. Stranded meter costs had been removed from the continuity schedule in 2010.

d) See response a) and c)

**2-Sec-3**

[Ex. 2/2/1] Please update the 2012 and 2013 Fixed Asset Continuity Schedule to include the impact of 2012 year-end actuals.

**WCHE Reply 2-Sec-3**

See Appendix 3

**2-Sec-4**

[Ex. 2/2/1] Please provide a detailed table setting out all the rate base impacts related to the F3 Tornado for 2011-2013.

**WCHE Reply 2-Sec-4**

See separate line items on continuity schedule for tornado capital assets

**2-Sec-5**

[Ex. 2/2/1] Please provide the projected in-service date for all Test Year capital projects.

**WCHE Reply 2-Sec-5**



**2.0 AMPCO-4.0**

**Reference: Exhibit 2, Tab 2, Schedule 2, Rate Base Summary Table Please update the Table to include Audited 2012 Actuals.**

**WCHE reply 2.0-AMPCO-4.0**

**See Appendix 27**

**2.0-VECC – 4**

**Reference: Appendix 2 WkForm\_20121207 – Appendix 2-A –Capital Projects**

1. Please update Appendix 2-A (Capital Projects Table) for the 2012 actual capital spending (unaudited if audited figures are unavailable).
2. Please update the 2013 capital spending as necessary for 2012 actuals.

**WCHE reply 2.0-VECC-4**

See Appendix 4 – Revised Capital Projects Table

**2.0-VECC – 5**

**Reference: Appendix 2 WkForm\_20121207 – Appendix 2-A**

*Pre-amble: The purpose of this interrogatory is to understand what projects and what associated capital project costs in each of 2011, 2012 and 2013 are being sought for recovery under the Z-Factor proposal.*

1. Please provide a revised capital expenditure table which identifies those projects (and their cost) in each of 2011, 2012 and 2013 which were undertaken as a result of storm damage in August 2011.
2. Please reconcile and identify the capital projects in Appendix 2-A with the amounts being sought for recovery in the Z-Factor accounts shown at Exhibit 9, Tab 1, Schedule 5.

**WCHE reply 2.0-VECC-5**

a) The revised capital projects table (Appendix 4) reflects the capital expenditures directly after the tornado as well as ongoing tornado related projects.

As per the Board’s decision EB-2011-0335 all capital items which are storm related are being handled as normal capital assets for the purpose of the COS. The only “Z” factor recovery is OM & A, NBV of lost assets, and lost revenue totalling $341,133 plus interest of $11,349. WCHE is requesting recovery of this “Z” factor amount via a 4 year rider as detailed in Exhibit 9 Tab 1 Schedule 5.

b) None of the capital projects shown are being sought for recovery in the Z-factor accounts. See discussion above in 2.0-VECC-5.

**2.0-VECC – 6**

**Reference: Appendix 2 WkForm\_20121207 – Appendix 2-A**

1. Please provide a table showing the capital contributions for 2009 through 2013 (forecast) along with the accounts they are related to.
2. Please explain any substantive difference between the 2013 capital contribution forecast and the average contribution of the past four years.

**WCHE reply 2.0-VECC-6**

a)



b) The upgrade of the Goderich TS enabled WCHE to accomplish significant capital projects. These capital projects resulted in larger than normal capital contributions in 2012. The expected capital contributions in 2013 will also be greater than normal due to the tornado capital rebuild.

**2.0-VECC – 7**

**Reference: Appendix 2 WkForm\_20121207 – Appendix 2-A**

1. Please explain why a further $300,000 is being spent on a Line Bucket truck when similar equipment appears to have been purchased in 2009 for $326,000?
2. Please provide the inventory of fleet vehicles in 2011 (pre-storm) and the proposed inventory of vehicles in 2013.

**WCHE reply 2.0-VECC-7**

a) WCHE purchased a bucket truck in 2009. We are replacing a line truck which was purchased in 1998. The new truck is required from an operational and safety aspect. The new upgrades in the distribution system are at a height which the old line truck cannot reach safely.

b) 

**2.0-VECC – 8**

**Reference: Appendix 2 WkForm\_20121207 – Appendix 2-A / Exhibit 2, Tab1, Schedule 1**

1. The evidence states that WCHE will need to completely re-write its Asset Management Plan due to the 2011 storm. Did Goderich complete a comprehensive plan subsequent to its last cost of service filing? If yes, please file this plan
2. Please explain why WCHE believes it is prudent (or necessary) to embark on a capital expenditure program which is significantly larger than its pre-storm capital programs.
3. Please identity those capital programs in 2013 which WCHE believes must be undertaken to complete the replacement or refurbishment of assets damaged in 2011.

**WCHE reply 2-VECC-8**

a) No. Please find attached WCHE 2009 Asset Management Plan – Appendix 5

b) As a result of the destruction of buildings and infrastructure, it has been necessary for WCHE to upgrade its old infrastructure. New buildings have been built meeting the new building codes which has increased the demands on the electrical infrastructure. In order to meet building codes, the accessibility requirements as well as health and safety regulations, building owners have been forced to install upgraded equipment and elevators. As a result, WCHE has had to upgrade its core infrastructure.

c) Capital projects necessary to replace or refurbish assets damaged in the tornado are shown on Appendix 4 as ongoing upgrades due to the tornado totalling $1,600,000. Further details are provided below

**Phase 2 – Victoria St. East St. Quadrant**

- Confirm all U/G Primary Cable is 28 kV and if not replace.

- Install appropriate size poles for new 27.6 kV circuits and transformation.

- Install new overhead conductors for secondary and 27.6kv lines.

- Install, convert, transformers both overhead and padmount from 4160 to 27.6kv.

- Create a loop feed from behind the Post Office from Newgate across East St to tie in with the feed behind the Bank of Montreal fed from St. David St. Both of which were a dead end line feed with no alternate source of feeds when interruptions occurred. Empty lots created by the Tornado with an anticipated increase in loading on the system.

**Phase 2 - South Street & Market Square**

. Confirm all existing cable and terminations conform to 28kV standards

. Installation of 28kV cable from TX 453 to junction box 202 and terminate

. Install junction box by transformer 13. Concrete base is already in place.

**Phase 3 – Elgin Avenue – Wellington to South**

. Rebuild overhead Line and convert from 4kV to 28kV from Wellington to South Street

. Rebuild overhead line and convert Market Street and Montreal Street

**2.0-VECC – 9**

**Reference: Exhibit 2, Tab 1, Schedule 1; Appendix 2-A**

1. Please provide the capital and OM&A costs of the GEA plan for the period 2012 through 2016 (or confirm there are no costs related to the plan).

**WCHE reply 2.0-VECC-9**

WCHE is in the orange zone and therefore does not have any costs related to a GEA plan.

**2.0- VECC - 10**

**Reference: Appendix 2 WkForm\_20121207 – Appendix 2-A - Buildings**

1. Please provide the cost and descriptions of all new land acquisitions, building cost and furniture/office equipment costs (office and garage separately), for each of the years 2011 through 2013.
2. Please provide a status report of the new facilities construction costs and expected occupancy dates.
3. Please provide the value of all land abandoned, sold or otherwise not-utilized as part of the reconstruction of buildings.
4. Please explain how any unused land and salvage has been accounted for in the Continuity Schedules and/or the Z factor request.

**WCHE Reply 2.0-VECC-10**

a) WCHE points out that the land and building at 64 West Street was owned by the municipality. All insurance settlements for the land and building went directly to the Town of Goderich.

WCHE has a separate policy for the chattels. This claim is in the process of being finalized and it is anticipated that there will be sufficient funds to cover expenditures in 2011 and 2012 for replacement of furniture, computers and linemen clothing. The costs to date exceed $330,000 including costs for temporary storage and shelving. These costs were excluded from the COS application under the presumption that these items would be covered by the insurance settlement.

In 2013 $450,000 of costs are included in the COS application to cover leasehold improvements of WCHE operations centre – see response b).

b) At the time of our initial COS application we had investigated all facilities available within the Town of Goderich. At that point there was no facility which met our requirements; at which stage it was decided that WCHE would design and build a new facility. Prior to entering a contract for the new building a property in the Town of Goderich became available. This property was adjacent to space already owned by the municipality which became an important benefit. The building on the property suited the basic requirements of WCHE but needed some repair and improvements. The shareholder, in consultation with WCHE’s Board offered to purchase the land and buildings and will adjust the property boundaries giving WCHE the required additional space. The shareholder felt that by it purchasing the building this would remove the capital burden on the rate base and the LDC. This left WCHE with only having to fund the leasehold improvements.

 WCHE line staff moved into the leased premises on May 1, 2013. The anticipated leasehold improvements of $450,000 are ongoing with an expected completion date of September 2013. The change from owning the building to lease will result in an increase in occupancy costs of $54,000 to be added to WCHE’s OM & A test year expenses.

c) There is no abandonment of land by the utility. The operations centre destroyed by the tornado was owned by the Town of Goderich.

d) None

# 2.0-AMPCO-6.0

**Reference:** Exhibit 2, Tab 2, Schedule 1, Appendix 2-B 2011 CGAAP

Please explain why the additions ($495,547) and Tornado costs ($1,252,730) do not equal the total cost of Additions cost = $1,744,320.

**WCHE reply 2.0-AMPCO-6.0**

The regular additions figure should be $491,590 – See Appendix 3

# 2.0-AMPCO-7.0

**Reference:** Exhibit 2, Tab 2, Schedule 1, Appendix 2-B 2012 CGAAP

1. Please provide a breakdown of the Total Additions between Additions and Tornado costs as shown on Appendix 2-B 2011 CGAAP.
2. Please provide an updated Appendix B 2012 CGAAP that includes 2012 Actuals. Please explain the variance between 2012 Bridge and 2012 Actuals.
3. There are two Appendix B 2012 CGAAP Tables. Please explain the difference between the two tables.

**WCHE reply 2.0-AMPCO-7.0**

a) See capital projects table Appendix 4.

b) See Appendix 3 – Revised Fixed Asset Continuities. These schedules show 2012 actuals. The 2013 tab has been updated for projects not completed in 2012 now carried over to 2013. The 2012 and 2013 continuities have also been updated for the change from building to leasing of the operations centre.

c) The two versions differ only by the addition of smart meters at the bottom of the schedule.

# 2.0-AMPCO-8.0

**Reference:** Exhibit 2, Tab 2, Schedule 1, Appendix 2-B 2012 MIFRS

1. Please provide a breakdown of the Total Additions between Additions and Tornado costs as shown on Appendix 2-B 2011 CGAAP.
2. Please provide an updated Schedule 2012 MIFRS based on 2012 Actuals.

**WCHE reply 2.0-AMPCO-8.0**

1. See Appendix 3 – Revised Fixed Asset Continuity Schedules
2. See Appendix 4 – Revised Capital Projects Table

# 2.0-AMPCO-9.0

**Reference:** Exhibit 2, Tab 2, Schedule 1, Appendix 2-B 2013 MIFRS

Please provide a breakdown of the Total Additions between Additions and Tornado costs as shown on Appendix 2-B 2011 CGAAP.

**WCHE reply 2.0-AMPCO-9.0**

See Appendix 3 – Revised Fixed Asset Continuity Schedules

See Appendix 4 – Revised Capital Projects Table

# 2.0-AMPCO-10.0

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

Preamble: The evidence indicates that once Goderich Hydro has completed the restoration related projects it will commission a new Asset Management Plan which will optimize our system on a go forward basis.

Please provide the anticipated timeline to commission a new Long Term Asset Management Plan and if this work is expected to be completed in advance of WCHE’s next rebasing application.

**WCHE reply 2.0-AMPCO-10.0**

The long-term plan will be completed prior to the next Cost of Service application.

# 2.0-AMPCO-11.0

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

Preamble: The evidence states that the dramatic swings in net fixed assets in 2011-2013 are a direct result of the tornado.

1. Please provide a detailed breakdown and description of tornado capital costs by year for 2011 and 2012, and the 2013 Test Year and provide the in-service dates by project.
2. Please provide a comparison of budgeted costs to actual costs related to the tornado by year and explain any variances.
3. Please discuss any cost sharing arrangements related to tornado costs.

# WCHE reply 2.0-AMPCO-11.0

a) Please refer to Appendix 4 - revised capital projects table. This table has been updated with the 2012 actual. The table also reflects the rescheduling of projects not completed in 2012 due to materials (transformers) availability and system design timing. All scheduled projects for 2013 are anticipated to be completed by year end.

b) The variance shown between 2012 actuals and 2012 bridge originally submitted relate to projects extending into 2013 due to late delivery of designs and materials availability (transformers). WCHE’s plans regarding the replacement of its operations centre have also changed since the initial application submission. The operations centre will now be leased and requires leasehold improvements of $450,000 shown in 2013. See WCHE’s response to 2.0-VECC-10.0 b).

c) The tornado costs included in the cost of service application relate directly to capital assets. WCHE has been unable to obtain any funding from Federal, Provincial governments and insurance for the distribution assets.

# 2.0-AMPCO-12.0

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

1. Please provide a table by customer class that shows whether WCHE bills on a monthly, bi- monthly (every 2 months) or another billing cycle and the year monthly billing was implemented.
2. Please provide a breakdown of monthly billing costs by year.

**WCHE reply 2.0-AMPCO-12.0**

a) Residential customers were moved to monthly billing in January 2011. All other customer classes were always billed on a monthly basis

b)

#

# 2.0-AMPCO-13.0

**Reference:** Exhibit 2, Tab 3, Schedule 1, Working Capital Summary Table

1. Please update the Table to include 2012 actuals.
2. Please explain the increase in Billing & Collecting costs in 2011, 2012 and the decrease in 2013.
3. Please explain the increase in Administration costs in 2012 over 2011 and the decrease in 2013.

**WCHE reply 2.0-AMPCO-13.0**

a) Please see Appendix 12

b) The 2012 bridge year included an upgrade to the Harris system estimated at $50,000. This upgrade did not occur and has now been added to the test year expenses.

c) Administration costs in 2012 include cost of service expenses and additional administration costs due to the significant capital work performed. The 2012 actual fell short of the anticipated figure due to the delay in the filing of the cost of service application as well as the deferral of some of the expected capital work from 2012 to 2013. The 2013 test year expected costs have been updated as part of interrogatories to reflect an increase to account for the above timing changes by $60,000. This figure has been adjusted to reflect the recovery of costs over the 4 year rate period for the application expenses.

# 2.0-AMPCO-14.0

**Reference:** Exhibit 2, Tab 3, Schedule 1, Pole Replacement Program

1. Please provide the number of poles replacements in the years 2009 to 2013 and the pole replacement costs by year over the same period.
2. The evidence indicates Goderich Hydro has budgeted $50,000 in 2013 which is an increase in previous years replacements. The table on the previous page (6.0 Test Year Capital Program) with the capital sending by account and project (2013 MIFRS) includes $30,000 for poles, towers, and fixtures. Please reconcile.

**WCHE reply 2.0-AMPCO-14.0**

a) 2009 – 5 poles replaced – total cost $15,275

 2010 – 8 poles replaced – total cost $32,441

 2011 – 1 pole replaced –total cost $3,090

 2012 – 5 poles replaced – total cost $11,153

b) The costs associated with the pole replacement program have been split between poles, towers and fixtures for $30,000 and overhead lines for $20,000 in the test year capital program.

# 2.0-AMPCO-15.0

**Reference:** Exhibit 2, Tab 3, Schedule 1, 2013 Test Year Capital Program Reference: Appendix 2-A

1. Please provide a 2013 Test Year Capital Program in detail that corresponds to the projects identified under 6.2 - Specific Capital Projects.
2. Please provide a breakdown of 2013 capital contributions.

**WCHE Reply 2.0-AMPCO-14.0**

a)



b) WCHE expects to receive $275,000 of contributions from customers.

# 2.0-AMPCO-16.0

**Reference:** Exhibit 2

1. For 2012, please provide the actual amounts spent by project and indicate if the project was 100% completed by year end.
2. Please identify any 2012 capital projects deferred to 2013.

**WCHE reply 2.0-AMPCO-16.0**

a) See Appendix 4

b)



# 2.0-AMPCO-17.0

**Reference:** Exhibit 2

Please provide capital and OM&A budgets related to the Green Energy Plan for the years 2011 to 2016.

**WCHE reply 2.0-AMPCO-17.0**

WCHE is in the orange area and does not have Green Energy Plan expenditures

# 2.0-AMPCO-18.0

**Reference:** Exhibit 2

1. Please provide the expected in-service date for each 2013 capital project.
2. Please identify any 2013 capital projects deferred to 2014.

**WCHE reply 2.0-AMPCO-18.0**

a)

 

b) WCHE does not anticipate any deferral of 2013 capital projects to 2014

**2.0-AMPCO-19.0**

**Reference:** Appendix 2-A

1. Please provide a status update on the new Operations Building and the work completed in 2012 and work to be completed in 2013.
2. Please explain the factors considered and the analysis undertaken by WCHE when selecting vehicles to be replaced.

c)Please provide a breakdown of the $300,000 vehicle replacement costs in 2013, the vehicle unit # to be replaced and the rationale for replacement.

**WCHE reply 2.0-AMPCO-19.0**

a) At the time of our initial COS application we had investigated all facilities available within the Town of Goderich. At that point there was no facility which met our requirements; at which stage it was decided that WCHE would design and build a new facility. Prior to entering a contract for the new building a property in the Town of Goderich became available. This property was adjacent to space already owned by the municipality which became an important benefit. The building on the property suited the basic requirements of WCHE but needed some repair and improvements. The shareholder, in consultation with WCHE’s Board offered to purchase the land and buildings and will adjust the property boundaries giving WCHE the required additional space. The shareholder felt that by it purchasing the building this would remove the capital burden on the rate base and the LDC. This left WCHE with only having to fund the leasehold improvements.

WCHE line staff moved into the leased premises on May 1, 2013. The anticipated leasehold improvements of $450,000 are ongoing with an expected completion date of September 2013. The change from owning the building to lease will result in an increase in occupancy costs of $54,000 to be added to WCHE’s OM & A test year expenses.

b) WCHE considers the age of the asset, it’s service capability, maintenance costs and safety when prioritizing its vehicle replacement

c) WCHE purchased a bucket truck in 2009. We are replacing a line truck which was purchased in 1998. The new truck is required from an operational and safety aspect. The new upgrades in the line are at a height which the 1998 line truck cannot reach safely.

# 2.0-AMPCO-20.0

**Reference:** Exhibit 2, Tab 3, Schedule 1, 7.0 2014, 2015 and 2016 Capital Programs

Please provide a breakdown of the capital spending forecast for 2014, 2015 and 2016 related to the tornado.

**WCHE reply 2.0-AMPCO-20.0**

WCHE anticipates capital spending for 2014 of $350,000, 2015 of $100,000 and 2016 of $50,000 relates to the tornado.

**2.0-VECC – 12**

**Reference: Exhibit 4, Tab 2, Schedule 2**

1. Please confirm that all CWHE customers are billed monthly.

**WCHE reply 2.0-VECC-12**

All WCHE customers are billed monthly

**3. LOAD FORECAST (Exhibit 3)/ OPERATING REVENUE (Exhibit 3)**

**3-AMPCO-21.0** Reference: Exhibit 3, Tab 1, Schedule 2 is missing from the evidence. Please explain.

**WCHE reply AMPCO-21.0**

See Appendix 6 – Summary of Operating Revenue

**3.0-VECC – 13**

**Reference: Exhibit 3, Tab 1, Schedule 3**

Please provide a version of the “Summary of Operating Revenue Table” that clearly shows the values for all columns (Note: the Application’s table was cut off at the Bridge 2012 values column).

**WCHE reply 3.0-VECC-13**

 See Appendix 6

**3-SEC-6** [Ex. 3/1/3]Please provide an updated the ‘Summary of Operation Revenue Table’ to include 2012 year-end actuals.

**WCHE reply 3.0-Sec-6**

See Appendix 6

**3.0-AMPCO-22.0**

Reference: Exhibit 3, Tab 1, Schedule 3,

Summary of Operating Revenue the table is incomplete. Please provide the missing data for 2012 and the 2013 Test Year.

**WCHE reply 3.0-AMPCO-22.0**

See Appendix 6

**3.0-AMPCO-28.0**

Reference: Exhibit 3, Tab 1, Schedule 3, Summary of Operating Revenue

Please provide a detailed discussion of how the Large User forecasted consumption (kWh) and demand (kW) was derived to include the new mine.

**WCHE Reply 3.0-AMPCO-28.0**

Consumption and demand were forecasted by using the historical amount used by the Mine and adding expected consumption by the 2 new continuous miners. The miners are expected to add 6 million tonnes of salt to the mine’s annual production. Consumption would also be increased as the additional product must be moved from the bottom of the mine to the surface.

**3.0 – VECC –14**

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

1. Please confirm that the actual and forecast kWh and kW values referenced throughout this schedule are customer-delivered quantities and have not been marked up for distribution losses.
2. Please provide a copy of the OPA’s final CDM report for WCHE for the period 2006-2010.
3. Please provide a copy of the OPA’s final CDM report for WCHE for 2011.
4. What is WCHE’s 2011-2014 cumulative kWh target as set by the Board?
5. Please provide a schedule that sets out for 2012 and 2013 the CDM adjustment for each customer class and the total CDM adjustment for each of the two years.
6. What is basis for the total CDM adjustment assumed for each of 2012 and 2013?
7. What was the basis for apportioning the total CDM adjustment assumed for each of 2012 ad 2013 to customer classes?

**WCHE reply 3.0 –VECC- 14**

a) The actual and forecast kWh and kW values in this schedule are customer-delivered quantities with no markup for distribution losses.

b) See Appendix 7 – CDM report for 2006-2010

c) See Appendix 11 – OPA final report

d) WCHE’s 2011-2014 cumulative kWh target as set by the Board is 8,280,000 kWh.

e) The CDM targets from 2011 to 2014 are shown below.



The 2012 and 2013 CDM adjustment for each customer class and the total CDM adjustment for each of the two years are shown in the table below.



f) It was assumed that the total load reduction was achieved in the year after the target was met. For example, a chiller or a Roof Top Air Conditioner replacement completed in November 2011 was counted for the 2011 target but the actual load reduction was only realized in the summer of 2012.

g) The allocation of the total CDM reduction to each class was based on the Internal WCHE CDM targets for the CDM programs.



**3.0 – VECC –15**

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

1. Is the IESO’s June 2012 18 Month Outlook the most recent outlook available? If not please provide the most recent outlook available and indicate what the updated growth rates for 2012 and 2013 are.
2. Please confirm that the June 2012 18 Month Outlook companion document – Ontario Demand Forecast (<http://www.ieso.ca/imoweb/pubs/marketReports/18Month_ODF_2012jun.pdf>) contains the following statement (page iii):

*In the 18‐Month Outlook the impacts of conservation and embedded generation are decremented from demand,*

1. As the IESO energy forecast already includes the impact of conservation, why is it necessary to further adjust WCHE’s forecast for CDM impacts?
2. Please provide a schedule that contrasts the year over year growth rates for 2007, 2008, 2009, 2010 and 2011 for each WCHE customer class (excluding Street Lighting, Sentinel Lighting and USL) with the historic energy growth rates reported by the IESO.

**WCHE reply 3.0-VECC-15.0**

a) It was the most recent outlook at the time when the forecast was prepared. Currently the most recent outlook is the February 28, 2013 issue. The updated growth rate for 2012 and 2013 are 0.4% and -0.6% respectively. The table below shows the comparison of the growth rate of the two forecasts.



b) Yes

c) The table below shows the comparison of energy growth rate of IESO and WCHE. The growth rate for WCHE did not include Street Lighting, Sentinel Lighting, USL and Large Customer. There was only one Large Customer in WCHE and its energy consumption was more than 45% of the entire WCHE load.



Over the 4 years, the combined energy growth rates of IESO versus WCHE were similar. In 2009 and 2010 the growth rates were very close. In 2011, the WCHE growth rate dropped about 2.7% more than IESO. This was the reason why the WCHE load forecast included the WCHE’s CDM adjustment.

d) Please see table above.

**3.0 – VECC –16**

**Reference: Exhibit 3, Tab 2, Schedule 1 (Residential and GS<50)**

1. Why was 5 years used as “weather normal”?
2. What would be the 10 year and 20 year average HDD and CDD values?
3. Please explain more fully the derivation of the 1.5% adjustment factor per HDD for 2011.
4. Please provide the supporting calculations showing the derivation of:
* The 252,652 kWh HDD adjustment to Residential for 2011
* The (204,670) kWh CDD adjustment to Residential for 2011
1. Are the 2013 non-coincident or coincident peak values (Tables 6 and 9) for the Residential and GS<50 classes used anywhere it the Application (e.g., in the Cost Allocation)? If so, please explain where and how these values are used.
2. What customer class’ loads are included in the Net System Load Shape (NSLS)?
3. Please confirm that the profile for the 2011 NSLS was applied to the forecast 2013 Residential and GS<50 sales in order to determine the non-coincident and coincident peak values set out in Tables 6 and 9. If not, please explain how these kW values were determined.

**WCHE reply 3.0-VECC-16**

**a)** The model for this load forecast only looked at the impact of weather on electricity consumption over the most recent five years. Five years were chosen instead of ten or twenty years because of the drive of energy conservation programs in Ontario. In the past five years many modern energy efficient equipment were installed to replace older non efficient equipment. These included lightings, chillers, air-conditioners, variable frequency drives on cooling pumps and fans and building automation systems etc.

b) This analysis was not done because only 5 year window was used in the model.

c)Please refer to section 11.1 Exhibit 3, Tab 2, Schedule 1.

Figure 13 shows the 2011 Daily NSLS kWh consumption versus the HDD. The data were selected from non-summer days only. The slope of the linear equation is 1,087.3. The 2011 average daily kWh for the non-summer months was 74,063. Based on the slope and the 2011average daily kWh, the daily kWh weather adjustment factor was 1.5% per HDD (1087.3/74,063). This adjustment factor was used for calculating the 2011 weather adjusted kWh for Residential Class & General Service Less than 50 kW Class.





**d) HDD Adjustment**

**Table 30 Residential Class Heating Degree Days weather adjustment**



In 2011, there were 3,387 Heating Degree Days (HDD). The five year average was 3,619 HDD. 3,619 HDD minus 3,387 HDD was equal to 232 HDD. The average daily kWh was 74,063.

1.5% x 232 HDD x 74,063 kWh = 252,652 kWh of HDD adjustment.

**CDD Adjustment**

Figure 14 shows the 2011 Daily NSLS kWh consumption versus the CDD. The data were selected from summer days only. The slope of the linear equation was 3488. The average daily kWh of the Net System Load Shape for the summer months was 70,059 kWh. The daily kWh weather adjustment was 5.0 % per cooling degree day. This adjustment factor was used for calculating the 2011weather adjusted kWh for Residential Class & General Service Less than 50 kW Class.





Table 31 Residential Class Cooling Degree Days weather adjustment



In 2011, there were 329 Cooling Degree Days (CDD). The five year average was

270 CDD. 270 CDD minus 329 CDD was equal to -59 CDD. The average daily kWh in summer was 70,059.

5% x -59 CDD x 70,059 kWh = 204,670 kWh of CDD adjustment.

e)Not used in the application

f) Residential and GS < 50

g) Yes

**3.0 – VECC –17**

**Reference: Exhibit 3, Tab 2, Schedule 1 (GS>50)**

1. How was it determined that there was a meaningful relationship between daily kWh and CDD but not for HDD?
2. Please provide a schedule that sets out the derivation of the 2011 kW CDD adjustment (i.e., 234 kW per Table 33).
3. Please provide a schedule that sets out the derivation of the 2011 CDM kW adjustment (i.e., -26 kW per Table 35).

**WCHE reply 3.0-VECC-17**

a) The slope of Figure 15 was 7.08 kWh/HDD. The average daily kWh for this class was about 60,000 kWh. The % energy demand /HDD = 0.0118%/HDD (7.08/60,000)

No HDD adjustment was applied for this class.



b) Please see below.







(59) CDD x 2.2% daily kWh/CDD x 61,329 daily kWh = (79,171) kWh adjustment

(79,171) kWh/(30 days x24 hrs/day)/47% Load Factor = (234) kW

The 47% monthly load factor was based on the 2011 hourly load profile for this class.

c) Please see answer to question 3.0-VECC -14 e

**3.0 – VECC –18**

**Reference: Exhibit 3, Tab 2, Schedule 1 (GS 500-4,999)**

1. How was it determined that there was a meaningful relationship between daily kWh and CDD but not for HDD?
2. Please explain the reference in Table 36 to kWh with 4.67% losses included.
3. Was the regression analysis to determine the CDD adjustment factor (Figure 18) done using the kWh with or without the 4.67% losses included?
4. Why is there no historical usage data for 2007 and 2008 (Tables 36 and 37)?
5. How was the kW CDM adjustment for 2012 and 2013 determined?

**WCHE reply 3.0-VECC-18**

a) The slope of Figure 17 was 58.38 kWh/HDD. The average daily kWh for this class was about 40,000 kWh. The % energy demand /HDD = 0.14%/HDD (58.38/40,000)

No HDD adjustment was applied for this class.



b) The source of the historic data for this class included 4.67% losses. The forecast model calculated the kWh after subtracting the 4.67% losses from the source data.

Table 36 TOU Class energy forecast

c) The regression analysis used kWh without 4.67% losses.

 d) The historical load for this class was calculated by identifying all 2011 customers for this class and aggregated the hourly interval metering data for all the customers. This group of customers remains the same from 2009 to 2011. Prior to 2009, the customer mix was different.

e)Please see answer to question 14 e., 14 f and 14 g.

**3.0 – VECC –19**

**Reference: Exhibit 3, Tab 2, Schedule 1 (Large Use)**

1. Please explain the “New Mine” reference in Tables 38 and 39 for 2012?
2. If this is a new customer, why doesn’t the customer count for the class increase in 2012 and 2013?
3. How were the kW CDM adjustments for 2012 and 2013 determined?

**WCHE reply 3.0-VECC-19**

a) The new mine reference relates to new continuous miners used by our large user. Each of the 2 new miners will use 1.5 megawatts of load.

b) This is not a new customer but rather new technology used by our current large user to increase their mining capabilities.

c) Please see answer to 3.0-VECC-14 e

**3.0-AMPCO-25.0**

Reference: Exhibit 3, Tab 2, Schedule 1, Large Use Customer Class.

a) Please provide an update on the status of the new mine load and the assumptions regarding the load forecast for 2013.

b) Please provide the actual change in LU load in 2012 versus 2011 actual.

**WCHE reply to 3.0-AMPCO-25.0**

a) In tables 18 and 19 the new mine referenced is based on expected consumption of 1.5 megawatts of load by each of the new continuous miner equipment.

b) Large user consumption for 2012 was 139,356.9 kW, and 62,546,794 kWh

 Large user consumption for 2011 was 149,366.3 kW and 66,980,617 kWh

**3.0 – VECC –20**

**Reference: Exhibit 3, Tab 2, Schedule 2**

1. Please provide a schedule that sets out the actual kWh sales by customer class for 2012.
2. Using the weather normalization factors determined for each class please calculate and provide the actual weather normalized sales by customer classes for 2012.
3. Are the customer counts shown in the “Customer Count Table” annual averages or year-end values?
4. Please provide the actual 2011 and 2012 year end customer counts for each customer class.
5. What is the basis for the forecast 2012 and 2013 customer counts for each class (i.e., how were the projected year over year changes in customer count determined)?

3.0-AMPCO-24

**Reference** Exhibit 3, Tab 2, Schedule 1

Please update tables 18 & 19 to include 2012 actuals.

**WCHE reply to 3.0-VECC-20 AND**

 **WCHE reply to 3.0-AMPCO-24**

a)



b) 

c) Year- end values

d)

 

e)For the residential and GS< 50 classes, the customer count growth rates were assumed to be 0.1% and 1% for 2012 and 2013 respectively. For all other classes, it was assumed no change in customer count since 2011.

**3-SEC-7** [Ex. 3/2/3]Please provide an updated to the ‘Customer Court Forecast Table’ to include any changes based on the 2012 actual customer count.

**WCHE Reply 3-Sec-7**

See WCHE Reply to 3.0-AMPCO-24 and WCHE Reply to 3.0-VECC-20 d)

**3.0 – VECC –21**

**Reference: Exhibit 3, Tab 3, Schedule 1 and Appendix 2-F**

1. Please explain why the forecast for Other Revenue for 2013 ($104,000) does not include the following items from Appendix 2-F:
	* Non-Utility Rental Income (Account 4385).
	* Interest and Dividend Income (Account 4405).
2. Where is the revenue from SSS Admin charges captured in Appendix 2-F and in Schedule 1?
3. Does WCHE have any microFIT customers? If so where is the monthly service charge revenue captured in Appendix 2-F and Schedule 1?

**WCHE reply 3.0-VECC-21**

a) Exhibit 3 Tab 3 Schedule 3 is showing other distribution revenue which as per Appendix 2-f does not include accounts 4385 or 4405.

b) SSS admin charges are capture in account 4080 distribution revenue in Appendix 2 F and in Exhibit 3 Tab 3 Schedule 1.

c) WCHE does not have any microFIT customers

3.0-AMPCO-23.0 **Reference:** Appendix 2-F

a) Please update Appendix 2-F to include 2012 Actuals.

b) Please explain why the 2012 forecast for Rent from Electric Property is less than 2011 actuals.

**WCHE Reply 3.0-AMPCO-23.0**

a) See Appendix 8

b) The 2011 actuals include unbilled revenue from 2010. Pole rental actual for 2012 is $15,735.

**3.0-AMPCO-29.0**

**Reference**: Exhibit 3, Tab 3, Schedule 2, Materiality Analysis - Other Distribution Revenue

Preamble: The evidence indicates that 2011 to 2010 Actual, there was a change to monthly billing for water and sewer which resulted in an increase of revenue of $40k to WCHE.

a) Please explain WCHE`s role in monthly billing for water and sewer and how the $40k was calculated.

WCHE reply 3.0-AMPCO-29.0

a) WCHE bills and collects water and sewer revenues on behalf of the Town of Goderich for a per bill fee.

# 3.0-AMPCO-26.0

# How many microfit customers does WCHE have?

1. How many microfit customers are forecast for 2013?

**WCHE response 3.0-AMPCO-26.0**

a) WCHE does not currently have any microfit customers.

b) WCHE is not forecasting any microfit customers in 2013.

**3.0-AMPCO-27.0**

**Reference**: Exhibit 3, Tab 3, Schedule 1, Other Distribution Revenue

1. Please explain the 2012 forecast for Rent from Electric Property is less than 2011 actuals.
2. Please update the table with 2012 actuals.

**WCHE reply 3.0-AMPCO-27.0**

a) The 2011 actuals include unbilled revenue from 2010. Pole rental actual for 2012 is $15,735.

b) See Appendix 9

**4. OPERATING COSTS (Exhibit 4)**

**4-AMPCO -30 Reference:** Exhibit 4, Tab 1, Schedule 1

**Preamble:** The evidence indicates that when the cost of power is removed from the expenses the change in OM&A costs between 2009 vs. 2013 is $200k.

Please provide this calculation.

**WCHE reply 4.0-AMPCO -30**

The $200k reference was a comparison of 2009 Board approved costs of $1,896,351 to 2013 costs of $2,102,933 which calculates to a difference of $206,582.

**4-SEC-8** [Ex. 4/1/2] Please revise the table to exclude amortization and cost of power expenses.

**WCHE reply 4.0-SEC-8**

See Appendix 10

# 4.0-AMPCO-31.0

**Reference 1:** Exhibit 4, Tab 1, Schedule 2

**Reference 2:** Copy of COS DEC 17th responses\_20130214, Filing ref 41

Reference 1 shows amortization for 2009 Board Approved as $352.001. Reference 2 shows amortization for 2009 Board Approved as $333,105. Please reconcile.

**WCHE reply 4.0-AMPCO-31.0**

The $352,001 should have been $333,105 as per the final Board approval.

**4.0 - VECC- 22**

**Reference: Exhibit 4, Tab 2, Schedule 2**

* + 1. Please explain why meter reading costs have increased since 2009 and notwithstanding the introduction of smart meters?
		2. Please compare and contrast the $87k spent on meter reading in 2009 with the $102K forecast spending in 2013.

**WCH reply 4.0-VECC-22**

a) and b) The increase in costs are due to the addition of a new meter point at the Goderich TS and fulfilling our legal obligation on meter recertification as directed by Measurement Canada.

**4.0 - VECC- 23**

**Reference: Exhibit 4, Tab 2, Schedule 2**

* + 1. Please provide a breakdown of Account 5310 (Customer Billing), which compares and explains the difference between the 2009 costs of $274,605 and the 2013 forecast costs of $382,300.

WCHE Reply 4.0-VECC-23

a)



**2013 vs. 2009**

The increase over 2009 is due to billing and data contract cost increases, Harris program updates, E-Care hosting and maintenance costs as well as cost increments for supplies, postage and wages.

**4.0 - VECC- 24**

**Reference: Exhibit 4, Tab 2, Schedule 2**

* + 1. Please what portion of Account 5020 (Overhead Lines) is being undertaken to repair or replace storm damaged assets?
		2. What are the 2014 and 2015 forecast expenditures for Account 5020?

**WCHE reply 4.0-VECC-24**

a) There is not a significant amount of additional costs expected to be incurred in 2013 – 2015 related to repair and replace storm damage. Most of the storm related repairs are capital in nature.

b) WCHE expects the costs in account 5020 to be consistent with the 2013 test year level other than inflationary increments and union wage rate increases over the period.

**4.0 - VECC- 25**

**Reference: Exhibit 4, Tab 1, Schedule 5**

* + 1. Please provide association fees paid to the EDA for each of the years 2009 through 2013 (forecast).
		2. Separately provide and describe the cost of all other association memberships.

**WCHE Reply 4.0-VECC-25**

a)& b)



**4.0 - VECC- 26**

**Reference: Exhibit 4, Tab 1, Schedule 5**

* + 1. What were (are) the annual wage increases for unionized staff for each of 2009 through 2014?

Effective date                    %

June 1/09                            2.5

June 1/10                            2.5

June 1/11                            2

June 1/12                            2.6

June 1/13                            2.7

Collective Agreement ends May 31, 2014

**4.0 - VECC- 27**

**Reference: Exhibit 4, Tab 1, Schedule 5 – Appendix 2-K**

* + 1. It appears from Appendix 2-K that no compensation was capitalized prior to 2010, but that approximately 15% of compensation costs has been capitalized beginning in 2011. Did WCHE make a change to its capitalization policy in 2010?

**WCHE Reply 4.0-VECC-27**

1. See revised schedule - Appendix 14. The capitalization policy did not change in 2010.

**4.0 - VECC- 28**

**Reference: Exhibit 4, Tab 1, Schedule 5**

* + 1. At account 5655 WCHE shows $25,100 in regulatory costs which matches line 14 of Appendix 2-M. However this figure does not appear to recover the $183,000 in one-time consulting costs (presumed to be related to the 2013 rate application). Please confirm the $183,000 is for the 2013 application filing and that a portion of these costs are being recovered in 2013 rates.
		2. Please provide the total costs of the 2013 rate application filing broken down into the following categories: (1) consulting; (2) legal; (3) hearing/advertising and other costs; (4) intervenor costs
		3. Please provide how much of this budget has been spent to date.
		4. Please indicate over what time period (number of years) the one-time 2013 application costs will be recovered.

**WCHE reply 4.0-VECC-28**

a) The $183,000 does relate to the 2013 application. WCHE proposes to recover all application costs in rates.

b) Consulting $220,000

 Legal 55,000

 Hearing/advertising 20,000

 Intervenor 40,000

c) WCHE has paid $99,718 in costs to the end of 2012.

d) WCHE proposes to recovers the one-time costs over 4 years.

**4.0 - VECC- 29**

**Reference: Exhibit 4, Tab 2, Schedule 2/ Appendix 2-G**

* + 1. Account 5630 “Outside Services” shows a large increase in 2012 and 2013 as compared to previous years. What portion of the 2012 and 2013 increase was (is) related to storm related work?
		2. Account 5020 “Overhead Distribution –labour” shows a similar large increase in 2012 and 2013. What portion of the increase in each of these years is the result of storm damage work?
		3. When does WCHE expect to complete remedial work related to the 2011 storm damage?

**WCHE reply 4.0-VECC-29**

a) None of the increase in account 5630 was due to storm related work.

b) There is not a significant amount of additional labour cost in 2012 and 2013 that is the result of storm damage work.

c) WCHE expects to complete remedial work related to the 2011 storm by 2016.

**4-SEC-9** [Ex. 4/2/3] Please explain the increase in meter reading costs.

**WCHE reply 4-SEC-9**

The increase in costs 2013 vs 2009 is due to the addition of a new meter point at the Goderich TS and fulfilling our legal obligation on meter recertification as directed by Measurement Canada.

**4.0 - VECC- 30**

**Reference: Exhibit 4, Tab 1, Schedule 5**

* + 1. Please explain the purpose in 2013 of account 5670 (rent) and 5672 (lease). In particular what buildings do they relate to.
		2. Are any of the payments made to an affiliate of WCHE?
		3. If these payments are made in respect to temporary locations used during the rebuilding of Goderich Hydro Offices/Garage please indicate when the payments are expected to end.

**WCHE reply 4.0-VECC-30**

a) Administrative space rented at Town Hall

Operations locations – including truck bays, storage and operating building

b) Administrative space is rented from the shareholder.

c) See 2.0 -VECC -10(b) for update to operations centre plan. Temporary operations locations had been rented until May 1. Administrative space will continue to be rented at the Town Hall.

**4.0-VECC – 31**

**Reference: Exhibit 4, Tab 2, Schedule 1**

1. Please explain why all the Bad Debt Expense appears to be an identical $10,000.
2. What was the actual bad debt expense in 2009 and 2012?

**WCHE reply 4.0-VECC-31**

a) The bad debt expense is an estimate of the potential write offs associated with the utility.

b) Bad debts expense: 2009 - $4,758, 2010 - $4,438 and 2011 - $4,219. The 2012 potential write-offs are estimated at $8,600 but have not been finalized. The utility has recorded the 2009- 2011 write-offs against its allowance for doubtful accounts. The allowance at the end of 2012 was $6,341.

**4.0-AMPCO-33.0**

1. Please update Appendix 2-G to include 2012 actuals.

**WCHE reply 4.0-AMPCO-33.0**

a) See Appendix 15

# 4.0-AMPCO-34.0 Reference: Exhibit 4, Tab 2, Schedule 2, Maintenance

1. Please provide a list of WCHE’s typical maintenance and inspection functions and the frequency schedules for each function. (i.e. tree trimming every “x” years).
2. Please discuss the impact of any changes in maintenance and inspection schedules since 2009.

**WCHE reply 4.0-AMPCO-34.0**

a) Trees are inspected annually and 1/4 of the Town is trimmed each year.

Pole inspection of the entire service area is performed on an annual basis.

Danger poles and pole replacements are identified and prioritized.

Additional pole inspection is performed in conjunction with the tree trimming.

.

Substations - monthly inspections.

b) No significant changes to the intended maintenance and inspection schedules. Due to the tornado a comprehensive inspection of tornado impacted areas has been performed but a detailed inspection of other town areas have been deferred due to limited staff availability.

# 4.0-AMPCO-35.0 Reference: Exhibit 4, Tab 2, Schedule 2

1. Please provide a breakdown of all outsourced services and costs for the period 2009 to 2012 and forecast for 2013 and indicate if they are recurring, non-recurring or other.

**WCHE Reply 4.0-AMPCO-35.0**

See WCHE Reply 3.0-VECC-20 and WCHE Reply 3.0-AMPCO-24 a)

# 4.0-AMPCO-36.0 Reference: Exhibit 4, Tab 2, Schedule 2, Engineering Department

1. Please provide the standard overhead percentage set at the beginning of each year for the period 2009 to 2012 and the percentage proposed for the 2013 Test Year.
2. Please discuss what circumstances would result in an adjustment to the overhead percentage and provide any adjustments over the period 2009 to 2012.

**WCHE reply 4.0-AMPCO-36.0**

1. WCHE does not have an internal engineering department. Engineering costs required for specific jobs are tracked by work order and charged at actual cost to the specific project.
2. There have been no circumstances that have required adjustments. **4.0-AMPCO-37.0** Reference: Exhibit 4, Tab 2, Schedule 2, Stores/Warehouse

Preamble: The evidence indicates WCHE is part of a purchasing group and purchases are administered by Erie Thames Powerline on behalf of WCHE.

1. Please discuss when this arrangement began and provide details of the
current arrangement.

**WCHE reply 4.0-AMPCO-37.0**

a) WCHE is part of the South-Western Ontario buying group. The members of the group compile their anticipated purchases for the year. The total requirement is then distributed to potential suppliers who respond with their best prices. The combined purchasing power of this combined volume attracts a much better price resulting in cost savings by the utility. Currently, the group purchasing plan is administered by Erie Thames Powerline at no cost to WCHE.

# 4.0-AMPCO-38.0 Reference: Exhibit 4, Tab 2, Schedule 2, Garage/Fleet

1. Please provide a list of all vehicles in the fleet in 2009 compared to 2013 and provide the cost/hr for each vehicle.

**WCHE Reply 4.0-AMPCO-38.0**



Cost per hour rates

2011 GMC pickup - $10/hour

1998 Line Truck - $20/hour

2009 Bucket Truck - $20/hour

2008 Toyota Tacoma - $10/hour

2012 GMC pickup - $10/hour

Skid steer - $10/hour

**4.0-AMPCO-39.0**

**Reference**: Exhibit 4, Tab 2, Schedule 2, Meter Reading

Please discuss how the meter reading services have increased due to the smart meter process.

**WCHE reply 4.0-AMPCO-39.0**

 The increase in costs are due to the addition of a new meter point at the Goderich TS and fulfilling our legal obligation on meter recertification as directed by Measurement Canada.

**4.0-AMPCO-40.0** **Reference**: Exhibit 4, Tab 2, Schedule 2, Billing

Please provide the percentage of customers that receive electronic billing over the period 2009 to 2012.

**WCHE reply 4.0-AMPCO-40.0**

2009 - none

2010 - 3%

2011 - 7%

2012 - 7%

# 4.0-AMPCO-41.0 Reference: Exhibit 4, Tab 2, Schedule 2, Executive Salaries and Expenses

a) Please provide the members of WCHE’s Board of Directors.

b) Please confirm the cost of WCHE’s Board of Directors over the period 2009 to 2012 and the cost proposed for the 2013 Test Year.

**WCHE Reply 4.0-AMPCO-41.0**

a) Robert Cornish, Deb Shewfelt, Vincent Young

b) 



**2009**

**2010**

**2011**

**2012**

**2013**

Board of Directors

50,128

50,160

50,715

49,755

50,000

The above expenses include travel, conferences and accommodation.

# 4.0-AMPCO-42.0 Reference: Exhibit 4, Tab 2, Schedule 2, Outside Service Employed: 5630

1. Please provide a breakdown of costs under account 5630.

**WCHE reply 4.0-AMPCO-42.0**

a)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Outside Services** |  |  |  |  |  |
|  |  |  |  |  |  |
|  | **2009** | **2010** | **2011** | **2012** | **2013** |
| Admin and management fee - Town of Goderich |  79,000  |  79,000  |  79,000  |  81,370  |  83,800  |
| Environmental technician |  20,500  |  22,745  |  15,842  |  38,600  |  39,000  |
| Asset management and Operations contract |  69,600  |  69,425  |  69,600  |  92,000  |  95,000  |
| Consulting fees |  1,000  |  14,582  |  21,658  |  141,000  |  141,000  |
| Rate application |  85,546  |  |  |  183,000  |  |
| Legal |  2,900  |  15,861  |  11,491  |  30,000  |  10,000  |
| Accounting and audit |  34,380  |  33,715  |  51,780  |  60,000  |  50,000  |
| Quasar ESA audit |  |  2,083  |  2,091  |  3,000  |  3,100  |
| Membership fee |  6,200  |  7,500  |  8,500  |  9,000  |  9,500  |
| After hours dispatch fees |  7,200  |  7,200  |  |  |  |
| Other |  4,475  |  233  |  242  |  |  |
|  |  310,801  |  252,344  |  260,204  |  637,970  |  431,400  |

**4.0-AMPCO-43.0 Reference**: Exhibit 4.0

Please provide a breakdown of property taxes for the period 2009 to 2012 and forecast for 2013.

**WCHE reply 4.0-AMPCO-43.0**



# 4.0-AMPCO-44.0 Reference: Exhibit 4, Tab 2, Schedule 2

Please provide a detailed breakdown and description of the OM&A costs directly related to the Tornado, by year.

**WCHE reply 4.0-AMPCO-44.0**

There are no OM&A costs included in Exhibit 4, Tab 2 Schedule 2 directly related to the tornado. The tornado related OM &A costs were tracked in a variance account pending the OEB’s final disposition.

# 4.0-AMPCO-45.0 Reference: Appendix 2-I

1. Please explain the decrease in operations costs for 2009 Actuals compared to 2009 Board Approved.
2. Please explain the increase in maintenance costs for 2009 Actuals compared to 2009 Board Approved.
3. Please explain the decrease in maintenance costs for 2010 Actuals compared to 2009 Actuals.
4. Please explain the decrease in billing and collecting costs for 2009 Actuals compared to 2009 Board Approved.
5. Please explain the increase in A&G costs for 2009 Actuals compared to 2009 Board Approved.
6. Please explain the decrease in A&G costs for 2010 Actuals compared to 2009 Actuals.

**WCHE reply 4.0-AMPCO-45.0**

a), b) and c)

 The reason for the variation between the Board approved 2009, 2009 actual results and 2010 can be summed up as follows:

WCHE has one line supervisor, one lead hand, one lineman and one apprentice. In April of 2009 the Lead hand went onto sick leave followed by Long term disability which continued throughout all of 2010. This reduced any OM & A costs significantly during these two years. Not only are the employee wage costs reduced but the throughput is dramatically reduced. This absence reduced our ability to perform anything other than routine jobs.

d) We were able to renegotiate our billing contract at a substantial savings

e)2009 actuals include $85,546 of rate application consulting costs over the Board approved.

f) There was a reduction 2009 to 2010 due to rate application fees incurred in 2009 not reoccurring in 2010.

# 4.0-AMPCO-46.0 Reference: Appendix 2-J

1. For each year, please provide a detailed explanation of each cost driver.

**WCHE reply 4.0-AMPCO-46.0**

a) See detail provided by line item in submitted Appendix 2-J already analyzed into detail which included items below materiality threshold.

# 4.0-AMPCO-47.0 Reference: Appendix 2-K

1. Please update Appendix 2-K with 2012 actuals.
2. Please provide a breakdown of the 3 executive FTEs.
3. Please explain why the management benefits in 2013 are below 2009.
4. Please provide incentive pay details for executive and management positions.
5. Please confirm why total compensation capitalized in 2012 is the same under CGAAP and MIFRS.
6. Please discuss when WCHE’s union contracts were last negotiated and when future contract negotiations are planned.
7. Please provide a breakdown of wage increases by employee group for the period 2009 to 2012 and forecast for 2013.
8. Please confirm the position that corresponds to the retirement in 2011.
9. Please confirm the position that corresponds to the 1 FTE added in 2012.

**WCHE reply 4.0-AMPCO-47.0**

a) See Appendix 14

b) The three executive FTE’s reported are the Board members

c) There has been a shift in management costs from employee to outside services

d) Incentive pay is based on the board of director’s discretion.

e) The utility currently does not capitalized overhead. The labour capitalized is direct labour only.

f) The collective agreement ends May 2014.

g) The following table set out the union wage increases.

Effective date                    %

June 1/09                            2.5

June 1/10                            2.5

June 1/11                            2

June 1/12                            2.6

June 1/13                            2.7

h) The retirement in 2011 was a union staff – lineman.

i) WCHE replaced the union lineman that retired in 2011 with another lineman.

# 4.0-AMPCO-48.0 Reference: Appendix 2-J

For each year, please provide a detailed explanation of each cost driver.

**WCHE Reply 4.0-AMPCO-48.0**

See detail provided by line item in submitted Appendix 2-J already analyzed into detail which included items below materiality threshold

# 4.0-AMPCO-49.0 Reference: Appendix 2-L

1. Please update Appendix 2-L to include 2012 actuals.
2. Please discuss how WCHE’s OM&A Costs per customer compare to other utilities in its cohort.

**WCHE reply 4.0-AMPCO-49.0**

a) See Appendix 15

b) The OEB 2011 yearbook of electricity distributor does not capture OM& A costs per customer, therefore, we are unable to provide this comparison

# 4.0-AMPCO-50.0

A Please confirm if the 2013 Test Year revenue requirement includes LEAP costs and provide the LEAP calculation.

**WCHE reply 4.0-AMPCO-50.0**

There no LEAP costs included in the original application. WCHE is now adding expected LEAP costs of $2,000.

# 4.0-AMPCO-51.0 Reference: Exhibit 4, Tab 2, Schedule 2

Please provide any material and expenses inflation factors used and provide the source of the values used.

**WCHE reply 4.0-AMPCO-51.0**

Union wage increases were reflected. Individual expense analysis and specific cost budgeting was used rather than applying a standard inflationary factor.

**4-SEC-10** [Ex. 4/2/3, Appendix 2-H] Please update the table to include 2012 year-end actuals.

**WCHE reply 4-SEC-10**

See Appendix 20

# 4.0-AMPCO-32.0 Reference: Exhibit 4, Tab 2, Schedule 3

# Please provide a detailed explanation of the OM&A variances by year.

**WCHE Reply 4.0-AMPCO-32.0**

See Appendix 2-J (Cost of Service)

**4-SEC-11** [Ex. 4/2/4] Please update tables to include 2012 year-end actuals.

**WCHE Reply 4-SEC-11**

See Appendix 15

**4-SEC-12** [Ex. 4/2/4] Please provide descriptive year-over-year variance analysis for the OM&A cost drivers.

**WCHE Reply 4-SEC-12**

See Exhibit 4 Tab 2 Schedule 4

**4-SEC-13** [Ex. 4/2/5] Please provide a copy of the current collective agreement between the Applicant and its union.

**WCHE Reply 4-SEC-13**

See Appendix 24

**4-SEC-14** [Ex. 4/2/5, Appendix 2-K] Please explain the capitalization policy change for 2011 that resulted in some labour costs for the first time being capitalized.

**WCHE reply 4-SEC-14**

There has not been a change in capitalization policy. The schedule has been updated for capitalized labour in 2009 and 2010.

See Appendix 14

**4-SEC-15** [Ex. 4/2/6] For all purchases from non-affiliate service, please provide a table setting out the name of the supplier, type of expenses, procurement method and amount of the expenses for each year from 2009 to 2012.

**WCHE Reply 4-SEC-15**



**Cost of Capital (Exhibit 5)**

**5.0 - VECC- 32**

**Reference: Exhibit 5, Tab 1, Schedule 3**

* + 1. Please update the cost of capital tables in Appendix 2-OA and the RRWF for the cost of capital parameters issued by the Board on February 14, 2013.

See Appendix 23 a – Capital Structure and cost of capital 2013

See Appendix 2 – RRWF updated for cost of capital parameters as well as interrogatory updates.

* + 1. In updating Appendix 2-OA please note that in the original filing the long-term and short term debt interest costs at Appendix 2-OA ($283,491) does not equal the long and short term interest debt costs at Appendix 2-OB ($273,954.44) and neither appear consistent with the RRWF filed on December 5, 2012. If these are not consistent in the updated filings please explain why.

The 2-OA schedules show deemed debt. 2-OB was submitted to show estimated actual debt.

See Appendix 23 and 23a – based on rate base for each year

See Appendix 28 – Debt Instruments – 2012 actual debt

The RRWF is calculated using an average gross assets figure.

See Appendix 1a - updated RRWF for interrogatory changes.

* + 1. Please update Appendix 2-OB (Debt Instruments) to show the most update interest rates and the terms of all loans. Please identify all the parties (i.e. lenders) in the table.

See Appendix 28 – Debt Instruments

* + 1. In updating Appendix 2-OB please reconcile the table with the $4,862,500 “*owing to the municipal shareholder and the Bank*” (Exhibit 5, Tab 1, Schedule 3) so as to show what is owed to the municipal shareholder and separately what portion is a loan (or loans) to the “Bank.” Please identify all lenders and provide the current status of any loan negotiations including the current interest rate forecast.

See Appendix 28- Debt Instruments – 2012 actual debt

 See response for 5-SEC-17 below

* + 1. **5-SEC-16** [Ex. 5/1/3] Please provide a copy of all outstanding debt instruments.

See Appendix 25

* + 1. **5-SEC-17** [Ex. 5/1/3] Please provide a table setting out for each outstanding debt instrument in the Test Tear, its description, the holder of the debt, the date of issuance, the principal amount, the term, the interest rate and the Test Year interest cost.

WCHE intends to negotiate additional demand facility at close to prime from the bank as cash is required to fund its capital projects.

* + 1. **5-SEC-18** [Ex. 5/1/1] Please provide the Applicant’s actual ROE for each year between 2009 and 2012.

Please see Appendix 29

**5.0 - VECC- 33**

**Reference: Exhibit 5, Tab 1, Schedule 3**

* + 1. Please explain why WCHE has not accessed Infrastructure Ontario lending facilities to finance the reconstruction of storm damaged or other plant additions. Please provide the interest rates offered by Infrastructure Ontario in 2011 when WCHE negotiated its bank loans.
		2. What is the current Infrastructure Ontario interest rate offered for loans similar to that being negotiated by WCHE?

**WCHE reply 5.0-VECC-33**

a) The rates were not significantly different from WCHE demand facility.

b) See Appendix 26

# EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

# 5.0-AMPCO-52.0 Reference: Exhibit 5, Tab 1, Schedule 3

1. Please update the cost of capital Appendices 2-OA and 2-OB for 2013 to reflect the Board’s cost of capital update in its letter dated February 14, 2013.

See Appendix 23 and 28

1. Please provide Appendix 2-OB for 2010, 2011 and the 2013 Test Year and provide an updated Appendix 2-OB for 2012 with the term (years) included.

See Appendix 28 – Debt instruments

1. Appendix 2-OB for the year 2012 shows additional borrowing of $3,015,000. Please confirm the lender, start date & the term.

See Appendix 28 – 2012 tab

# 5.0-AMPCO-53.0 Reference: Exhibit 5, Tab 1, Schedule 3

Preamble: The evidence indicates that the related long term debt represents amounts totaling $4,862, 500 owing to the municipal shareholder and the bank. The actual rate of interest is currently 7.25% on the Note ($974,454) payable to the shareholder. The balance is currently being negotiated with a financial institution and the rate has not been determined.

a) Please provide a status update on the amount and rate negotiated for the balance.

See Appendix 28 - 2012 tab

WCHE intends to negotiate additional demand facility at close to prime from the bank as cash is required to fund its capital projects.

# 5.0-AMPCO-54.0 Reference: Exhibit 5, Tab 1, Schedule 3

1. Please provide WCHE’s actual Return on Equity since 2009.

See Appendix 29 – Return on Equity

**5.0 - VECC- 34**

**Reference: Exhibit 5, Tab 1**

* + 1. Please provide the actual and deemed rates of return on equity and capital for each of the years 2009 through 2012.

See Appendix 29

**5.0 - VECC- 35**

**Reference: Exhibit 5, Tab 1, Schedule 3**

* + 1. Please file the municipal loan agreement.

See Appendix 25 a

* + 1. What is the principal owing on this instrument? When was it issued and what is its term?

See Appendix 25 a

**5.0 - VECC- 36**

**Reference: Exhibit 5, Tab 1, Schedule 3/**

* + 1. Please file the dividend policy of CWHE.

See Appendix 22

**COST ALLOCATION (Exhibit 7)**

**7-SEC-19** [Ex. 7/1/1] Please provide the Applicant’s proposed revenue to cost rations for each customer class. If any vary from the Board’s approved ranges, please provide an explanation on why the Applicant believes that is appropriate.

**WCHE Reply 7-SEC-19**

The proposed ratios and phase-in are best seen in the revised Appendix 2P which is filed in response to VECC 38.

The following ratios are proposed for the test year:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2013 | 2014-2015 | Policy Range |
| Residential | 93.67 | 93.73 | 85-115 |
| GS < 50 | 120 | 120 | 80-120 |
| GS > 50 | 145 | 120 | 80-120 |
| GS > 50 TOU | 178 | 120 | 80-120 |
| Large User | 81 | 93.73 | 85-115 |
| Street Lighting | 70 | 93.73 | 70-120 |
| Sentinel Lighting | 80 | 93.73 | 80-120 |
| USL | 80 | 93.73 | 80-120 |

Over the next three year rate period WCHE is proposing to move rate classes to fall within the policy range as outlined by the OEB. Those classes currently above the range will move down to the upper end of their policy range. Those significantly below their class’s range will be gradually moved upward. This was done to mitigate the impact to the Large User while still providing all eligible relief to the GS < 50, and significant relief to the GS > 50 and GS > 50 TOU classes.

**7.0-VECC – 37**

**Reference: Cost Allocation Model**

1. With respect to Sheet I5.2 (Weighting Factors) – are the weighting factors for Services and Billing & Collecting based on the OEB’s default values or are they specific to WCHE?
2. Please explain why the GS<50 weighting factor for Billing & Collecting is less than that for Residential.
3. With respect to Sheet I7.1 – please confirm that all GS<50 customers have the same type of smart meter as used for Residential customers? If not, please revise Sheet I7.1 accordingly.
4. With respect to Sheet I7.2 – please explain why the unit meter reading cost for a GS<50 smart meter is less than that for a Residential smart meter.
5. With respect to Sheet I8 – please explain why, for the GS<50 class, the Secondary and Line Transformer NCP values are less than the Primary NCP value when none of these customers own their own transformers (as opposed to the Residential class where the values are all the same).
6. With respect to Sheet I6.2, is there a difference between the number of Street Light fixtures and the number of Street Light connections to WCHE’s distribution system? If yes, please confirm that 1,298 represents the number of Street Light connections and not fixtures.

 **WCHE Reply 7.0-VECC-37.0**

1. WCHE has used the default weighting factors for Services, and has performed an analysis of Billing and Collecting costs to come up with a more appropriate weighting factor for this class
2. It was estimated that Residential and GS < 50 combined accounted for 80% of billing labour costs, and that Residential accounted for 87.5% of that while GS < 50 accounted for the remaining 12.5%. When divided among the customers, this accounted for a 2 cent difference, or a billing factor of 0.9986 for GS < 50
3. Confirmed, WCHE has used the same type of Smart Meters for Residential and GS < 50
4. WCHE has counted a bill as a read, and most of the residential customers are billed bi-monthly while most of the GS < 50 customers are billed monthly. However, most of the smart meter costs are incurred are monthly. By that reasoning, GS < 50 meters cost less per read.
5. Several GS < 50 customers are served by dedicated transformers; therefore, even though they do not own the transformer, they do not receive secondary distribution. The difference between the Line Transformer and Primary allocation is due to the transformation losses.

f) WCHE has 1,298 streetlight connections.

EXHIBIT 7 – COST ALLOCATION

**7.0-AMPCO-55.0**

1. Please discuss the changes in WCHE’s Test Year cost allocation study in this application compared to WCHE’s last cost allocation study.
2. Please discuss where WCHE has calculated weighting factors and where WCHE has relied on default weighting factors and why.
3. Please discuss the rationale for WCHE’s calculated weighting factors for each customer class.

**WCHE Reply 7.0-AMPCO-55.0**

1. WCHE has updated all relevant information based on 2013 forecasts performed in 2012. In addition, it was determined that the Large Use customer’s equipment requires a large periodic in-rush of energy which means the past approach of assuming an hour of energy was roughly equal to demand for that hour needed to be re-visited. Demands were updated to reflect the actual situation.
2. WCHE has calculated weighting factors related to billing and collecting. WCHE does not track the information required to create assess the services weighting factor, and has decided to use the default weighting factors.
3. WCHE has contracted with a service provider, and has allocated an equal share of their common costs to all customers. In addition, some services are provided only to Residential and GS < 50, and those costs are assigned to those costs. Internal costs are identified as having 80% attributable to Residential and GS < 50, 10% to GS > 50 and Interval, and 10% equally among all remaining classes.]

**7.0-VECC – 38**

**Reference: Appendix 2-P**

1. With respect to Part D) – does WCHE propose to further adjust the ratios for GS<50, GS>50, GS 500-4999 and Large Users in 2014 and 2015 so as to bring them within the Board’s policy ranges for the respective customer classes? If yes, please complete the 2014 and 2014 columns in the table. If not, why not?
2. Please describe more fully the basis/rationale for increasing the ratios for Street Lighting, Sentinel Lighting and USL to values above the lower end of the Board’s policy range for each class while proposing a ratio for Large Users that is below the lower end of the Board’s policy range for that class.
3. If the Large User ratio was increased to 85%, would the additional revenues be sufficient to permit the GS<50 ratio to be reduced to 120%?

**WCHE Reply 7.0-VECC-38**

The filed Appendix 2 P had the Costs Allocated in Part A entered in error. Please see the revised version. Please see Appendix 13.

1. Yes, WCHE proposes to bring all rate classes into the range. Please see the revised version.
2. WCHE does not propose to increase any ratios above the lower end of the policy range. Please see the revised Appendix 2P.
3. WCHE proposes to reduce the GS < 50 ratio to 120% in 2013.

**RATE DESIGN (Exhibit 8)**

**AMPCO-56.0** **Reference**: Exhibit 8, Tab 1, Schedule 2

1. Please discuss why the definition for the Large User class at Exhibit 8, Tab 1, Schedule 2 with respect to average monthly maximum demand used is not consistent with WCHE’s current Tariff of Rates and Charges for May 1, 2012.

**WCHE reply to 8.0-AMPCO-56.0**

1. Typing error - the description of General Service 500 to 4,999kw was entered under the Large user heading.

Corrected descriptions

**General service 500 to 4,999 kW**

This classification applies to the supply of electrical energy to General Service Customers requiring connection with a connected load, whose average monthly maximum demand used, for billing purposes, is, or is forecasted to be , equal to or greater than 500 kW but less than 5,000 kW. Further servicing details are available in the distributor’s Conditions of Service.

**Large Use**

This classification refers to the supply of electrical energy to General Service Customers with a connected load or whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecasted to be equal to or greater than, 5,000 kW. Further servicing details are available in the distributor’s Conditions of Service

**8.0-VECC – 39**

**Reference: Exhibit 8, Tab 1, Schedule 5**

1. The discussion of Street Lighting suggests that the revenue to cost ratio is set at 70% - the bottom of the Board’s policy range. Please confirm that the proposal is to increase the ratio to 72%.
2. Please explain more fully why WCHE is proposing to increase the monthly fixed charge for Sentinel Lighting and eliminate the volumetric charge entirely.

**WCHE Reply 8.0 VECC-39**

1. This was an error, as addressed in question VECC 38 – the intention was to increase the ratio to 70% initially.
2. A fixed charge promotes greater rate and revenue stability for small volume rate classes, and is more representative of cost to serve.

**8-SEC-20** [Ex. 8/1/7] Please provide an excel version of the Bill Impact Model.

**WCHE Reply 8-SEC-20**

See Appendix 18 – excel version of Bill impact model as originally submitted

**8.0-VECC – 40**

**Reference: Exhibit 8, Tab 1, Schedule 9**

1. The RTSR model used by WCHE does not appear to have been updated for the approved 2013 UTRs. If this is the case, please update the model and indicate what the revised 2013 RTSRs would be.

**WCHE reply 8.0-VECC-40**

See Appendix 16 revised RTSR model

**8.0-VECC – 41**

**Reference: Appendix 2-R (Loss Factors)**

1. Please review and confirm the inputs to this Schedule, particularly those inputs impacting the derivation of Line G (Note – In most Applications this line works out to be 1 plus a fraction).

**WCHE Reply 8.0-VECC-41.0**

WCHE consumption includes one large user that is its own market participant. The large user figure results in this table’s unusual figures.

**8.0-AMPCO-57.0**

Please recalculate the volumetric rate and provide the fixed and variable percentages for the Large User class if the monthly fixed charge is set at the Minimum System with PLCC, i.e. $2,379.29.

**WCHE Reply 8.0-AMPCO-57.0**

With a Fixed charge of $2,379.29, the resulting volumetric rate would be $2.6991, and the Fixed / Variable split would be 7.99% fixed, 92.01% variable.

**8.0-AMPCO-58.0 Reference**: Exhibit 8, Tab 2, Schedule 1

Please update the proposed 2013 RTSR’s to reflect the approved 2013 Uniform Transmission Rates and Subtransmission Rates in Hydro One’s 3013 Transmission Rates application (EB-2013- 0031).

**WCHE Reply 8.0-AMPCO-58.0**

See Appendix 16 – revised RTSR model

**Deferral and Variance Accounts**

**9.0-VECC – 42**

**Reference: Exhibit 9, Tab 1, Schedule 1**

1. When does WCHE expect to file an application for PILs recovery?

**WCHE Reply 9.0-VECC-42**

a) WCHE has attached the PILS appendix model as an appendix - See Appendix 21

**9.0-VECC – 43**

**Reference: Exhibit 9, Tab 1, Schedule 5**

 In EB-2011-0335 the Board stated that: “ [It|expects *West Coast Huron to maintain records in a manner that will permit ready identification of each cost contained in this account, including the separate identification of any capital and non-capital cost components. The capital sub-account shall include capital assets that generally are included in the utility’s rate base for rate making purposes while the non-capital sub-account record the related annual incremental depreciation expense, operating and maintenance costs*”.

1. Please provide a breakdown of the costs of $1,252,730 and $341,133 by USoA account. Please clearly delineate OM&A from asset costs.
2. Have all the costs being sought for z-factor rider recovery been removed 2013 rate base and OM&A. Please demonstrate/explain.
3. Please explain how the $130k in lost revenues was derived.

**WCHE Reply 9.0-VECC-43**

a)



b) Fixed asset costs have been added to rate base based on the Board’s decision in EB-2011-0335 indicating that the replacement of distribution assets “should be treated as any other capital assets and be included in rate base”.

All other costs have been recorded in the variance account 1572 and are being requested for recovery via rate rider.

c) Lost revenues were derived by estimating the expected time to rebuild based customers not turned back on by the end of September 2011. We used the difference in consumption July 2011 to September 2011 as the basis for the monthly volumetric distribution revenue loss.

**9.0-VECC – 44**

**Reference: Exhibit 9, Tab 1, Schedule 5**

1. Please reconcile the amounts of $1,991,821 (pg.19), with the amounts of $1,252,730 and $341,133 (pg. 20) and the amount of $1,463,864 shown as being sought for recovery in account 1572 (pg.9).
2. Please provide a description of the insurance benefits that were paid for storm damage. Please explain how these benefits were used to offset the amounts being sought for recovery either in the Z-factor or otherwise in the 2013 capital and OM&A budget.
3. Who was WCHE property insurance carrier in 2011? Has this changed in 2013? What were the premiums in 2011 and what are the equivalent premiums forecast for 2013.

**WCHE reply 9.0-VECC-44**

a) The original figure reported included estimated costs.

 See details provided in VECC 43

 The $1,463,864 figure cited includes, from the chart in 9.0-VECC-43, $1,252,730 fixed asset costs, the other cost of $215,795 less interest of $4,661

b) WCHE is still in the process of settlings its chattels insurance claim. The operations centre that was lost in the tornado was owned by the Town of Goderich.

 Costs incurred to replace items covered by the chattels insurance have been accumulated on the balance sheet as an insurance receivable and are in excess of $330,000.

 Replacement of distribution assets is not covered by the utility’s insurance policy.

c) The insurance company is Frank Cowan Company. The net increase from 2011 to 2013 is $1,349.

**9-SEC-21** [Ex. 9/1/5] Please provide a detailed breakdown of all outside services, materials, and net book value of the distribution assets destroyed.

**WCHE Reply 9-SEC-44- Summary of costs incurred**

 



**9.0-VECC – 45**

**Reference: Exhibit 9, Tab 1, Schedule 5**

Chapter 3 of the Filing Requirements for Transmission and Distribution Applications (June 22, 2011) require that; “*As part of its claim, a distributor must outline the manner in which it intends to allocate the incremental revenue requirement to the various customer rate classes, the rationale for the selected approach and a discussion of the merits of alternative allocation methods. Recovery will be through a rate rider. The request must specify whether the rate rider(s) will apply on a fixed or variable basis or a combination thereof, and the length of the disposition period and a rationale for this proposal*” (pg. 16).

1. Please provide the rationale for not using a demand component for the disposition of the z-factor amounts. In answering this question please answer the following: (1) what analysis, if any, was carried out on relationship between the assets that were affected by the storm and the customers being served; (2) why would it not be fair to charge more to customers who use the system more intensely; (3) is WCHE aware of any precedents to consider in the recovery of this type of costs?
2. Please explain why a 4 year recovery period was chosen?

**WCHE Reply 9.0-VECC-45**

a) The storm affected all rate classes equally in that everyone lost power regardless of their level of consumption. Customers were not prioritized by consumption when we re-established power. Therefore WCHE feels that it is fair to charge each customer equally without considering their demand. WCHE is not aware of any precedents of this type of event.

b) In our initial application, we asked for recovery over a 64 month period. The OEB stated that this was too long a recovery period. WCHE is seeking recovery over 4 years as that will mitigate the impact on the customer.

**9.0-VECC – 46**

**Reference: Exhibit 9, Tab 1, Schedule 6**

1. WCHE has calculated a stranded meter based on customer number which arguably is not based on cost causality as required by OEB policy. Most utilities have chosen an allocation methodology based either: (a) actual recorded class meter costs; (b) most recent cost allocation; (c) combination of customer costs and smart meter class costs. Please provide the cost causality rationale for the proposed methodology.
2. Has CWHE has considered any other methodology which better represents the cost variance as between residential and general service installed meter costs? If so please provide the output of these models.
3. Please provide a summary of the stranded meter costs for recovery in the following form (figures are illustrative only).

Table 1: Stranded Meter Assets



**WCHE Reply 9.0-VECC-46**

a) The utility does not have the records for actual costs. We are willing to utilize either the results of the current cost allocation or a combination of customer costs and current smart meters costs..

b) See response in a)

c) 

**9.0-VECC – 47**

**Reference: Exhibit 9, Tab 1, Schedule 6**

1. Please provide the following information regarding smart meters:
	1. A summary table for 2009 through 2013 showing the number of installed smart meters by rate class and showing separately for 2011 the number of smart meters replaced due to storm damage.

See Smart Meter model originally submitted for installed meters by year and class. The model includes only the initial install of Smart Meters and is not impacted by the tornado.

* 1. A summary table of the cost claim of OM&A and capital cost for each class for the period ending December 31, 2012 and indicating whether this amount has been audited or not. The table should show the capital and OM&A costs separately for those smart meters replaced due to storm damage.

Cost Claim – no change from Smart Meter Model originally submitted. Costs are audited.

Capital cost $565,777

OM & A $34,984

There are no storm damage amounts in there figures.

* 1. A summary table showing the average installed cost per meter by rate class and the total average installed cost per customer.

Total cost – Capital cost and OM & A = 600,761

Total meters installed 3,821 (3,326 residential and 495 GS<50)

Average cost $157.23 per meter

* 1. A description of any costs beyond minimum functionality.

None

* 1. A summary table showing the derivation of and Smart Meter Disposition Rate Rider being sought and which includes:
		1. Deferred Smart Meter Revenue Requirement
		2. Interest on deferred expenses
		3. Smart Meter adder revenue
		4. Meter customers per class over which costs are to be collected
		5. Weighted percentage by class or other allocation methodology
		6. Proposed SMDR.

See Smart Meter Model in original submission

.

**9.0-VECC – 48**

**Reference: Exhibit 9, Tab 1, Schedule 1**

1. For the last year in which mechanical meters were installed, what was the average installed cost for each class of the mechanical meters?

**WCHE Reply 9.0-VECC-48**

No mechanical meters were purchased since 2007. All meter records were destroyed in the tornado.

**9.0-VECC – 49**

**Reference: Exhibit 9, Tab 1, Schedule 1**

1. We are unable to locate on the Board’s website the Live Excel version of the Deferral/Variance Account Workform for 2013 Filers (EDDVAR model). We are only able to find a summary of the EDDVAR calculations at the file “COS DEC 17th responses\_20130214-1” and the PDF version filed at Exhibit 9, Tab 1, Schedule 3. Please file a completed Excel EDVAR model that is in compliance with the Board filing guidelines.

**WCHE Reply 9.0-VECC-49**

Please see Appendix 19

**9.0-VECC – 50**

**Reference: Exhibit 9, Tab 1, Schedule 3 (PDF pg.9)**

1. The Accounts requested for disposition at this reference do not appear to be consistent with that found in Excel spreadsheet COS DEC 17th responses\_20130214-1 , under the “EDDVAR” tab. For example the latter shows an amount for recovery of account 1592 PILs while the former does not. Please provide an updated table showing all the accounts being sought for disposition, the principal as of December 31, 2012, the interest as of December 31, 2012 and separately interest after the period after (i.e. update Table Accounts Requested for Disposition at Exhibit 9, Tab 1, Schedule 3 (PDF pg. 9) and reconcile this table with that shown in the EDDVAR tab of the Excel spreadsheet.

**WCHE Reply 9.0-VECC-50**

a)



**9.0-VECC – 51**

**Reference: Exhibit 9, Tab 1, Schedule 1**

1. Please confirm that WCHE adopted (M)IFRS accounting on January 1, 2013 and that 2012 was its transition year from CGAAP to MIFRS.
2. Please confirm that WCHE is not applying for any costs related to making this transition. Have any amounts been recorded in account 1508 with respect to IFRS transition costs?

**WCHE Reply 9.0-VECC-51**

a) WCHE has filed its COS application in compliance with adoption of MIFRS standards at January 1, 2013 as per the COS reporting format. For financial statement reporting purposes adoption may be deferred due to the lack of definite guidance related to the treatment of regulatory assets and liabilities

b) There has not been any IFRS transition costs recorded in account 1508. WCHE is not applying to recover any costs in this application.

**9-SEC-22** Please explain why the Applicant is not recording or seeking disposition of Account 1575-IFRS Transition PP&E. Please provide a completed Appendix 2-EA/B.

**WCHE Reply 9-Sec-22**

 See Appendix 17 – revised for actual 2012 capital asset additions.

**End of Document**

**APPENDIX**