

Board Staff Interrogatories West Coast Huron Energy Inc. EB-2012-0175

Exhibit 1 Administration

1 Staff 1 *Updates*

There will be a number of changes that flow from the following Board staff interrogatories. Please provide a schedule similar to Appendix 1 which was in response to 1 VECC 1, and update the following:

- RRWF
- Chapter 2 Appendix
- Cost Allocation
- Rate Design
- EDDVAR Continuity Sheet
- Smart Meter Model

Please provide all models in a live Excel format.

Exhibit 2 Rate Base

2 Staff 2 *Rate Base and the Cost of Power*

**Reference Interrogatory Response Appendix 16 – RTSR Workform
Chapter 2 Filing Requirements**

The costs for transportation have been updated for the December 20, 2012 update of the 2013 Uniform Transmission Rates in the reference. This change in expenses will affect the cost of power, and therefore the Rate Base.

- a) Please update cost of power for Cost of transmission.

The Filing Requirements state in 2.5.1.4: *“The commodity price estimate used to calculate the Cost of Power should be determined in a way that bases the split between RPP and non-RPP customers on actual data and uses the most current RPP price.”*

- b) Please provide a detailed calculation showing costs and volumes when updating the working capital for the cost of power.

2 Staff 3 *Land and Structures*

Reference: 2 AMPCO 19

In 2 AMPCO 19, WCHE stated that it has not purchased land, and is not constructing buildings, but rather leasing land and facilities acquired by the Town of Goderich. As a result, WCHE has undertaken to perform \$450,000 in leasehold improvements, and pay an increase in occupancy costs of \$54,000.

- a) Please provide any lease/buy analysis undertaken by WCHE to show prudence of the decision to lease.
- b) What was the original budget for acquiring land?
- c) What were the original estimates for buildings?
- d) Please state the estimated life of the \$450,000 leasehold improvements.
- e) Please state the total annual rent after the \$54K increase.
- f) What is the term of the lease in years?

2 Staff 4 *Tornado Capital Expenditures*

**Reference: 2 SEC 4
 2 AMPCO 11
 Exhibit 2 Tab 3 Schedule 1**

In the first two references, WCHE has shown that capital expenditures from the tornado were all in 2011. However in section 6.2.7 of the third reference, WCHE states it has forecasted capital expenditures that are “*continued fallout from the tornado*”. In the same exhibit, “*Table <>. Capital Spending*” shows forecasted additional capital expenditures of \$500,000 in the period 2014 – 2016.

- a) Please state the projects underpinning the expenditures in the stated period, which is 3 – 5 years after the storm.
- b) Please describe how it was determined that these projects are critical to recovery, and not projects that would be part of an Asset Management Plan, void of any storm.

2 Staff 5 *Capital Contributions*

Reference: 2 AMPCO 15 b)

In the reference, AMPCO requested a breakdown of contributions with respect to the 2013 capital expenditures for 2013. Please provide the information as requested.

2 Staff 6 *Spyder System*

Reference: 2 AMPCO 16

In the above reference, WCHE states it is purchasing a spyder system. Spyder systems is a term used in many aspects of engineering and applied technology. Please specifically describe the purpose of the spyder system

2 Staff 7 *Capital Carry-over*

Reference: 2 VECC 4

Capital expenditures in any given year may or may not be placed in service and become used or useful in that particular year. Please provide the total capital budgeted, and the amount that carried over into the next year, by year, for 209 – 2012.

2 Staff 8 *Furniture and Equipment*

Reference 2 VECC 10

WCHE stated that it is in the process of finalizing its insurance claim for replacement of furniture, computers and linemen clothing. The costs exceed \$330,000. However, these costs are not included in the assets.

- a) Is WCHE including these replacement assets on its financial statements balance sheet?
- b) Please provide any professional accounting opinion on the treatment of the assets for financial and regulatory purposes?
- c) Were the lost assets removed?
- d) Please include these assets in rate base from the time that they were purchased.
- e) Please depreciate the assets from the time that they were installed, incorporating the half year rule.
- f) Please include the proceeds from the insurance claim as a contribution in the year the insurance settlement is expected.

2 Staff 9

References: Exhibit 2 Tab 1 Schedule 1 – Rate Base Overview

Exhibit 2 Tab 3 Schedule 1 – Section 3.0 Capital Budget – General

**Exhibit 2 Tab 3 Schedule 1 – Section 4.0 Net Fixed Assets & “Table 2-xx
Summary of Additions to Fixed Assets”**

At the first reference, it is indicated that:

- Due to the Tornado, Goderich Hydro’s Long Term Asset Management Plan will have to be completely re-written.
- The estimated capital expenditures for the 2012 Bridge Year and 2013 Test Year are influenced by a number of factors including:
 - the rebuilding from the F3 Tornado;
 - purchasing a new Operations and Administration center (the previously one was demolished by the tornado);
 - upgrading the downtown core infrastructure to accommodate those businesses that have had to rebuild;
 - having to meet new Legislation which required large service upgrades for things like elevators for the *Disability Act* and meeting current electrical standards;
 - growth in the residential customer base;
 - the conversion of aging infrastructure, ensuring power quality; and
 - Goderich Hydro’s capacity to finance capital projects. Project cost estimates are provided for the project and broken down over the various applicable accounts.[underlining is added for emphasis]

At the second reference, the General Budget is broken down to nine categories and subcategories summarized below:

- 3.1 Asset Management Sustainment/Enhancements
- 3.2 Municipal Reconstruction
- 3.3 Regulatory Requirements
- 3.4 Substations
- 3.5 Ongoing Asset Replacements
- 3.6 Development/ Subdivision Expansion Capital
- 3.7 Customer Connections
- 3.8 Fleet
- 3.9 General Plant

At the third reference, Table 2-xx provides a summary of additions to “Fixed Assets” is reproduced below for convenience where it depicts actual amounts for 2009, 2010, and 2011, 2012 (Bridge) and 2013 (Test).

Table 2-xx Summary of Additions to Fixed Assets

	2009	2010	2011	2012	2013
	Actual	Actual	Actual	Bridge	Test
Additions - net of contributions	\$ 868,426	\$ 428,724	\$ 495,547	\$ 3,015,000	\$ 1,847,500
Additions - tornado			1,252,730		
Additions - reclass of Smart Meter capital cost				565,777	
Disposal - reclass of stranded meters		- 326,079			
Disposal - tornado			- 747,818		
	<u>\$ 868,426</u>	<u>\$ 102,645</u>	<u>\$ 1,000,459</u>	<u>\$ 3,580,777</u>	<u>\$ 1,847,500</u>

Please complete four (4) Tables, one for each year (2009 to 2012), based on the following template:

Year _____		Where Applicable provide break down of Total Cost by Category of Investment to Trigger for Investment				
Category of Capital Investment		F3 Tornado	New OM&A Centre	Upgrade Core	New Legislation	Growth & Conversions
Category of Capital Investment	Total Cost					
3.1 Asset Management Sustainment/Enhancements						
3.2 Municipal Reconstruction						
3.3 Regulatory Requirements						
3.4 Substations						
3.5 Ongoing Asset Replacements						
3.6 Development/ Subdivision Expansion Capital						
3.7 Customer Connections						
3.8 Fleet						
3.9 General Plant						
Total Capital Investment						

2 Staff 10 Distribution System Investment

References: Exhibit 2 Tab 3 Schedule 1 – Section 4.0 Net Fixed Assets “Table 2-xx Summary of Additions to Fixed Assets”

Exhibit 2 Tab 3 Schedule 1 – Section 6.1 Capital Project Description & Summary Table

At the first reference, the total Net Fixed Assets for 2013 is shown to be \$1,847,500. At the second reference, the total reported for 2013 Capital Projects is shown to be \$2,122,500.

Please provide an explanation for the difference of \$248,000 between the two noted amounts.

2 Staff 11 *Distribution System Investment*

Reference: Exhibit 2 Tab 3 Schedule 1 – Section 6.1

In the reference, the Table for 2013 Projects (MIFRS reporting basis), there is a Project under “Line extension – Overhead lines \$120,000”.

- a) Please provide a description of the project;
- b) Is this project needed to serve a particular customer, or is it part of anticipated expansion in future years.
- c) Would the project be in-service in 2013?
- d) Is that project a multi-year project? If so indicate the amounts for each of the future years along with the amounts budgeted for each of these years.

2 Staff 12 *Distribution System Investment*

Reference: Exhibit 2 Tab 3 Schedule 1 – Section 7.0

At the Table Capital Spending for 2014, 2015 and 2016 under “New Service Connections and Upgrades”, the following amounts are reported:

2014	\$405,000,
2015	\$605,000, and
2016	\$495,000.

- a) Please provide the reasons for the increase of about 50% in the forecast of “New Service Connections and Upgrades” in 2015 over the corresponding amounts for 2014.
- b) Please provide the reasons for the decrease of about 20% in the forecast of “New Service Connections and Upgrades” in 2016 relative to the corresponding amounts for 2015.

At the reference under “Tornado”, the following amounts are reported:

2014	\$350,000
2015	\$100,000
2016	\$50,000

- c) Please give project details to the expected expenditures under “Tornado”, for each of the years 2014, 2015, and 2016.

Green Energy Plan

2 Staff 13 Capacity Constraints

References: Exhibit 2 Tab 5 Schedule 1 – Basic GEA Plan

OPA Letter of Comment, November 13, 2012

At the first reference WCHE stated that: *“There are no anticipated constraints within the WCHE distribution system. However, with the existing constraints on Goderich TS and no guarantee of them being lifted in the future, WCHE does not feel it is able to plan for renewable generation at this time.”* ECHE also states that:

“Possible constraints on renewable connections are feeder capacity, short circuit and reverse power flow limits for transformer stations and municipal substations. Based on constraints with its upstream host (Hydro One) to accommodate any connection of renewable generation, all requests will be denied until such time as allowable facility capacity improves.”

At the second reference in the section titled: “West Coast Huron Energy Inc. (Goderich Hydro) (“WCHE”) - Basic Green Energy Act Plan” it is stated in part that:

“As of November 12, 2012, the OPA has processed 11 microFIT applications totalling approximately 0.093 MW of capacity in WCHE’s service territory. Only one of those has remained active as of October 2012. Additionally, the OPA has received and offered contracts to 2 capacity allocation exempt FIT applications, totalling approximately 0.235 MW that have identified themselves as connecting within WCHE’s service territory. All of the applications are remained active as of October 2012.”

- a) Please indicate whether or not the second statement (at the 2nd paragraph) of the first reference is relating to constraints at Goderich TS itself and that there are “no possible constraints on the feeders” per se.
- b) Please confirm that the feeders capacity can handle microFIT applications as well as any capacity exempt FIT applications as pointed out by the OPA in the second reference.
- c) If the response to b) above is negative, please provide an explanation as to reasons.

The second paragraph in the first reference quoted above refers to constraints on transformer stations. Board staff is aware that Hydro One is assessing potential constraints of various transformer stations such as Goderich TS, that can restrict connections of renewable generation on the relevant distributors connecting to a given transformer station. Board staff is also aware that in such situations Hydro One, while

investigating options in regard to the work required at any given transformer station, communicates and consults with the relevant distributor.

- d) Please provide an update on the latest such communication and or consultations that WCHE had with Hydro One, providing the following:
- i. Date
 - ii. Nature of the constraint(s) at Goderich TS
 - iii. The work needed to reinforce or alleviate the constrain(s)
 - iv. Target date for alleviating the various constraints.

2 Staff 14 *Distribution Feeders*

Reference: Exhibit 2 Tab 5 Schedule 1

In Section 2.4 WCHE Distribution Feeders, “Table 4.0 – WCHE 4.4kV available feeder capacity after FIT connection” shows the proposed total generator capacity for active applicants under the FIT program, rating of the affected 27.6kV feeders and Net available capacity after potential connections. The table is reproduced for convenience:

Please complete the table, given that the OPA indicated that the system can handle capacity exempt FIT applications.

WCHE 27.6kV Feeders	Voltage (kV)	Short Circuit Capacity (MVA)	FIT Generation Capacity (kW)	Net Available Short Circuit Capacity (MVA)
31M3	16/27.6kV		0	0
31M4	16/27.6Kv		0	0

Assumptions: 0.2 Power Factor

Table 4.0 – WCHE 4.4kV available feeder capacity after FIT connection

2 Staff 15 Renewable Enabling Improvements

References: Exhibit 2 Tab 5 Schedule 1

Filing Requirements: Distribution System Plans – Filing Under Deemed Conditions of Licence, March 25, 2010

Distribution System Code (“DSC”), last amended October 1, 2011/section 3.3.2

In the first reference on the second page of the Executive Summary, WCHE states that it:

“...wished to explore and hence determine the use or installation of proper protective and automated isolation equipment and measuring devices. As these costs are presently unknown, WCHE proposes that any future qualifying expenditure be allowed for recording the Board approved Deferral Accounts.

In the second reference, on page 18 distributors “smart grid” activities are limited:

“At the present time, smart grid development activities and expenditures should be limited to smart grid demonstration projects, smart grid studies or planning exercises and smart grid education and training.

The Board is aware that work has been and is being done in Ontario and in other jurisdictions (most notably the United States) regarding smart grid development. The Board expects that distributors will, prior to making smart grid-related expenditures, familiarize themselves with that work to ensure that efforts are not being unnecessarily duplicated. In addition, the Board does not expect distributors to be engaging in research and development activities related to smart grid development at this time.”

In the third reference, the DSC in section 3.3.2 classes certain initiatives by a distributor as “Renewable Enabling Improvements”, and states that:

“3.3.2 Renewable enabling improvements to the main distribution system to accommodate the connection of renewable energy generation facilities are limited to the following:

- (a) modifications to, or the addition of, electrical protection equipment;*
- (b) modifications to, or the addition of, voltage regulating transformer controls or station controls;*
- (c) the provision of protection against islanding (transfer trip or equivalent);*
- (d) bidirectional reclosers;*
- (e) tap-changer controls or relays;*
- (f) replacing breaker protection relays;*

(g) Supervisory Control and Data Acquisition system design, construction and connection;

(h) any other modifications or additions to allow for and accommodate 2-way electrical flows or reverse flows; and

(i) communication systems to facilitate the connection of renewable energy generation facilities.

- a) Given the type of equipment WCHE is exploring to install are not classed as smart grid demonstration projects, smart grid studies or planning exercises and smart grid education and training as outlined in the second reference, but rather “Renewable Enabling Improvements” as indicated in the third reference, would WCHE agree that investments in the future related to those activities stated in Exhibit 2 Tab 5 Schedule 1 should be recorded in the appropriate deferral accounts for ‘Renewable Generation’ in the second reference which will be subject to a Board review in a future WCHE proceeding.
- b) If the response to (a) is negative, please provide a detailed discussion as to WCHE’s rationale.

Exhibit 3 Operating Revenues

3 Staff 16 Chapter 2 Filing Requirements

**Reference: Exhibit 3 Tab 2 Schedule 1
Filing Requirements, Chapter 2, Section 2.6.2**

Please provide all data used for the derivation of the load forecast in working Microsoft Excel format.

3 Staff 17 Peak and Non-coincident Peak Demand

Reference: Exhibit 3 Tab 2 Schedule 1

In Tables 5 and 6, WCH provides tables showing Non-coincident and Coincident Peak Demand for the Residential customer class in 2011 and forecasted for the 2013 test year. In Tables 8 and 9, WCH provides tables showing Non-coincident and Coincident Peak Demand for the GS < 50 kW customer class in 2011 and forecasted for the 2013 test year. Residential and GS<50 kW customer classes are billed on consumption and, with interval data available from smart meters, based on time-of-use.

- a) What is the purpose of the analyses provided in the tables, and how are these used in deriving the load forecast for residential and GS<50 Kw customer classes?
- b) What is the source of the peak data used for the analysis in Table 5 and Table 8?
- c) What is the source and derivation of the forecasted peak data used in Table 6 and Table 9 for the 2013 test year?

3 Staff 18` Load Forecast Drivers of Demand and Consumption

Reference: Exhibit 3 Tab 2 Schedule 1,
Chapter 2 Filing Requirements
3 VECC 16
3 VECC 17
3 VECC 18
3 VECC 19

In general, for all of the class-specific load forecasts, WCH makes reference to the June 22, 2012 IESO 18-month outlook for deriving the percentage change in the class demand/consumption for 2012 and for 2013. The 2012 increase is 0.1% while 2013 is assumed to be 1.0%. Heating Degree Days ("HDD") and, more commonly, Cooling Degree Days ("CDD") are used to adjust for yearly weather variations for metered customer classes, while unmetered customer classes are assumed to not be weather-sensitive.

In response to the referenced interrogatories from VECC, WCH has provided analyses on which it was decided whether HDD and/or CDD would explain consumption weather sensitivity. The analyses rely on a simple regression or correlation of HDD or CDD against the class consumption/demand.

- a) Were any measures of WCH's market size (growth in population in Goderich) or of economic activity in Goderich or its region tested for significance? If yes, explain what measures were examined and why these were rejected.
- b) From an economic modelling perspective, consumption/demand would be influenced by a number of drivers in a multivariate analysis. Why does WCH believe that the bivariate analysis used to assess each of HDD and CDD against consumption/demand and determine the weather sensitivity in what is understood to be a multivariate relationship?

- c) Section 2.6.1 of the filing requirements identify two different methods for forecasting volumes, however points out that applicants are not restricted to either method. Please state why WCHE chose the method they are proposing, and its strengths and weakness compare to the methods mentioned in the filing requirements.

3 Staff 19 *Normalized Annual Consumption*

Reference: Exhibit 3 Tab 2 Schedule 1

For each customer class, please prepare a consumption/demand forecast for 2013 based on a normalized average annual consumption analysis. The analysis should use a reasonable number of historical years of data. 2012 actuals could be used, and it would be preferable if the data went back to 2006 or 2007.

WCH should show any adjustments made for weather normalization, CDM impacts, and other events, such as the new Sifto salt mine.

Please provide the analysis in working Microsoft Excel format.

3 Staff 20 *Consumption per Customer/Connection*

Reference: Exhibit 3 Tab 2 Schedule 1

Please provide the following table for each customer class:

Year	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Bridge (Actual)	2013 Test Forecast
Consumption (kWh)							
Number of Customers/ Connections (annual average)							
Average Consumption per Customer/ Connection							
% Change in Average Annual Consumption per Customer/Connection							

3 Staff 21 *Streetlighting*

Reference: **Exhibit 3 Tab 2 Schedule 1 Section 11.5**

Figures 21 and 22 show, respectively, the actual and fitted values for Streetlighting demand and consumption. The Table “Normalized Average Consumption (kWh)” at the end of Exhibit 3 Tab 2 Schedule 2 documents the Streetlighting consumption decreasing annually from over 1,000,000 kWh to a projected consumption of 942,000 kWh for the 2013 test year. The customer/connection count forecast shows that the number of Streetlighting connections has increased from about 1280 to 1298 by 2013.

- a) Is Streetlighting metered?
- b) Are all streetlights individually connected to WCH’s distribution network, or are some streetlights connected through a daisy-chain arrangement. If the latter, please identify the number of physical connections to WCH’s distribution network.
- c) If Streetlighting is not metered, please explain how WCH has measured or verified the kWh and kW for Streetlighting.
- d) Please explain any operational, technological or CDM-related activities undertaken by WCH or by the Streetlighting customers that would account for the observed and forecasted decline in Streetlighting demand and consumption.

3 Staff 22 *Unmetered Scattered Load*

Reference: **Exhibit 3/Tab 2/Schedule 1 Section 11.7**

Figure 24 shows the actual and fitted values for Unmetered Scattered Load consumption. From above 160,000 kWh in 2007, consumption declines to about 84,000 kWh per annum for 2010 and projected to continue to the same level to the 2013 test year.

- a) Please explain the decline in Unmetered Scattered Load consumption from 2007 to the 2010-2013 periods.
- b) Please explain whether and, if so, how, WCH has measured or verified the consumption of USL connections.

3 Staff 23 *CDM Adjustment to Load Forecast*

Reference: **Exhibit 3 Tab 2 Schedule 2,
3 VECC 14**

As Board staff understands WCH’s evidence, WCH has proposed an approach for the CDM adjustment for the 2013 load forecast amount based on 30% of WCH’s 2011-2014

CDM kWh reduction of 8,280,000 kWh, as documented in the response to 3.0-VECC-14 d).

Based on the final 2011 OPA results provided in 3.0-VECC-14 c), Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

Load Forecast CDM Adjustment Work Form (2013)					
West Coast Huron Energy		EB-2012-0175			
4 Year (2011-2014) kWh Target:					
8,280,000					
2011	2012	2013	2014 Total		
%					
2011 CDM Programs	5.90%	5.90%	5.90%	5.78%	23.47%
2012 CDM Programs		12.75%	12.75%	12.75%	38.26%
2013 CDM Programs			12.75%	12.75%	25.51%
2014 CDM Programs				12.75%	12.75%
Total in Year	5.90%	18.65%	31.41%	44.04%	100.00%
kWh					
2011 CDM Programs	488,336	488,336	488,336	478,568	1,943,575
2012 CDM Programs		1,056,071	1,056,071	1,056,071	3,168,212
2013 CDM Programs			1,056,071	1,056,071	2,112,142
2014 CDM Programs				1,056,071	1,056,071
Total in Year	488,336	1,544,406	2,600,477	3,646,781	8,280,000
				Check	8,280,000
Net-to-Gross Conversion					
"Gross"		"Net"	Difference	"Net-to-Gross" Conversion Factor	
('g')					
2006 to 2011 OPA CDM programs: Persistence to 2013		1	1	-	0.00%
2011		2012	2013	2014	Total for 2013
Amount used for CDM threshold for LRAMVA	488,336	1,056,071	1,056,071		2,600,477
Manual Adjustment for 2013 Load Forecast	-	1,056,071	528,035		1,584,106
Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g))	2011 CDM impact assumed to be in 2011 actuals and hence in base forecast.		Only 50% of 2013 CDM impact is used based on a half year rule		

The methodology for this is as follows:

For the top table:

- The 2011-2014 CDM target is input into cell B6;
- Measured results for 2011 CDM programs for each of the years 2011 and persistence into 2012, 2013 and 2014 are input into cells C15 to F15;
- Based on these inputs, the residual kWh to achieve the 4 year CDM target is allocated so that there is an equal incremental increase in each of the years 2012, 2013 and 2014.

The second table calculates the conversion from “net” to “gross” results. While the LRAMVA is based on the “net” OPA-reported results, the load forecast is impacted also by CDM savings of “free riders” and “free drivers”. While Board staff has input values of “1” in the absence of other information, these should be populated with the measured “gross” and “net” CDM savings for the persistence of all CDM programs from 2006 to 2011 on 2013, as reported in the final OPA reports for the 2006 to 2010 and 2011 CDM programs.

For the last table, two numbers are calculated:

- The “Amount used for CDM threshold for LRAMVA” is the sum of the persistence of 2011 and 2012 CDM programs and the annualized impact of 2013 CDM programs on 2013; and
 - “Manual Adjustment for 2013 Load Forecast” represents the amount to be reflected in the 2013 load forecast. This amount uses the “net” impact, and is consistent with the Board’s Decision and Order, issued May 28, 2013, on Centre Wellington Hydro Ltd.’s 2013 Cost of Service rates application EB-2012-0113. In addition, the impact of the 2013 CDM programs on 2013 “actual” consumption is divided by 2 to reflect a “half year” rule. Since the 2013 CDM programs are not in effect at midnight on January 1, 2013, the “annualized” results reported in the OPA report will overstate the “actual” impact. In the absence of information on the timing and uptake of CDM programs in their initial year, a “half-year” rule may proxy the impact.
- a) Please verify the inputs and results of the model.
 - b) Please input the “net” and “gross” CDM savings from 2006 to 2011 as reported in the OPA-issued 2006-2010 and 2011 CDM reports for WCH into cells E26 and D26 respectively.
 - c) Please derive the class CDM kWh and kW savings that would correspond with the “net” CDM savings above.

- d) Please provide WCH's comments on the methodology above to develop the CDM savings that will underlie the 2013 CDM amount for the LRAMVA and the corresponding CDM adjustment for the 2013 test year load forecast. What refinements to this approach should be considered? In particular, should the 2011 amount be also adjusted by 50% for the load forecast CDM adjustment to reflect the fact that 2011 CDM impacts are also reflected in the 2011 data as a "first year" basis, and hence influence the regression results that underlie the base forecast before the CDM adjustment?

3 Staff 24 CDM adjustments and Class Growth Rates

**Reference: Exhibit 3 Tab 2 Schedule 1
3 VECC 15**

WCHE has adjusted its forecast for CDM while the IESO energy forecast already includes CDM. Board staff does not find the response to 3 VECC 15 c) to have a conclusion as to why WCHE adjusted its forecast for CDM. In addition, 3 VECC 15 d) did not provide a schedule that contrasts by each customer class the year over year growth rates for 2007 through 2011 inclusive.

- a) Please provide a complete response to 3 VECC 15 c).
- b) Please provide the requested table in 3 VECC 15 d), and include the growth rates for 2012 as well.

3 Staff 25 CDD and HDD

**Reference: Chapter Filing Requirements Section 2.6.1.2
3 VECC 16 b)**

Section 2.6.1.2 of the filing requirements state:

"Explanation of the weather normalization methodology proposed including:

- If the monthly Heating Degree Days ("HDD") and/or Cooling Degree Days ("CDD") are used to determine normal weather, the monthly HDD and CDD based on a) 10-year average and b) a trend based on 20-years;
- In addition to the proposed Test year load forecast, the load forecasts based on a) 10-year average and b) 20-year trend HDD and CDD; and
- Rationale as to why the proposed normal weather methodology was chosen."

While WCHE is not proposing a multivariate model, Board staff nonetheless requests that WCHE file the stipulated information set out in the bullets in Section 2.6.1.2.

3 Staff 26 GS 500 – 4,999 kW

**Reference: Exhibit 3 Tab 2 Schedule 1
3 VECC 18**

From the first reference, it appears that GS 500 – 4,999 is the only class that is adjusted for losses. A loss adjustment is not apparent in the other classes; Table 3 and Table 5 refer to unadjusted kWh, and Table 10 refers to kWh no losses. Please confirm, and if applicable, explain the divergence in methodology.

3 Staff 27 Revenue Offsets

**References: Exhibit 3 Tab 3 Schedule 1
Appendix 2-F**

Board staff notes that that distribution revenue in the first reference is \$74,480, and in the second reference is \$54,100 for 2013.

a) Please reconcile the differences.

Board staff also notes that in the second reference, for Account 4080, there are no revenues in 2012 and 2013 for any component, such as the SSS Administration Charge.

b) Please explain or correct Account 4080.

3 Staff 28 Sewage and Water Billing

Reference: Exhibit 3 Tab 3 Schedule 2

In the reference, WCHE states that revenues from billing for sewers and water increased by \$40,000.

- a) Please explain how the increase of \$40,000 was determined between the Town and WCHE. Please provide the calculation of the \$40,000 increase.
- b) Please provide the cost allocation that underpins the rate for billing service for sewer and water that underpinned the rate(s) before the increase.
- c) Please review and confirm that the billing arrangement complies with the Board's Affiliate Relationship Code.

Exhibit 4 Operating Costs

4 Staff 29

Reference 2 AMPCO 13 c)

In the reference, WCHE states that it has updated the regulatory costs for an additional \$60,000, due to interrogatories.

- a) Please provide a breakdown of actual and budgeted costs for the 2013 CoS Application.
- b) Please update Appendix 2-M.

4 Staff 30 *Billing Costs*

Reference: 4 VECC 22
3 AMPCO 39
4 VECC 23

Board staff would like clarification of the response found in the reference.

- a) Please explain why a new metering point affects the billing costs.
- b) Please explain how meter government recertification of meters affects billing costs and not meter costs.
- c) Were any of the meters re-certified prior to smart meter implementation replaced with smart meters?
- d) Please complete the following table. In this table Line 1 for 2009 is the Board approved billing expense. Lines 2 and on to line x are the drivers that gave rise to the actual for the year. For 2010 and forward, the drivers will be the changes that impacted the costs relative to the prior year. Please clearly explain the drivers. By way of example, in the second reference, postage is \$14,242 in 2010, down about 50% from 2009, and less about 75% of 2011. An explanation is required.
- e) WCHE has stated that it monthly bills. When did WCHE convert to monthly billing?
- f) Please provide the business analysis that lead to the conversion to monthly billing.

Billing Costs

Board Staff Interrogatories

West Coast Hydro Energy Inc.

Forecast

2013
Page 19 of 34

Description	Actuals			2012	2013
	2009	2010	2011		
1 Base Expenses					
2 Driver 1					
3 Driver 2					
4 Driver 3					
x Year End Audited Balance					

- g) WCHE's reply in the second reference is not responsive to the question. Please provide a detailed explanation as to how the meter reading services have increased due to the smart meter process. In the response if WCHE has details of changes in operating statistics, such as changes in time validating reads, please include them.

4 Staff 31 Remedial Storm Damage Repair

Reference 4 VECC 29 c)

In the referenced interrogatory response, WCHE states that it expects to complete remedial work related to the tornado by 2016. In 2011, WCHE invested \$1,252,730 in tornado damages.

- Please describe the work that remains from the tornado, and state your cost estimate.
- Please explain how you determine any asset replacement as a result of the tornado, as opposed to accelerated retirement because the asset conditions deteriorating at a greater rate than typical.
- Are these assets being replaced based on a Professional Engineers recommendation?

4 Staff 32 Outside Services

Reference Exhibit 4 Tab 2 Schedule 3

4 AMPCO 35

4 AMPCO 42

The second reference refers to the third reference as a response. However third reference is not fully responsive to the second reference. 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. Please indicate how the service is acquired, whether through tender, negotiations, through the Erie-Thames agreement, etc.

4 Staff 33 Account 5630 Outside Service

Reference: 4 AMPCO 42

Board staff has some concerns about the increases shown in the reference.

- a) In EB-2008-0240 the Board allowed some costs of the environmental technician from the Town to be included in WCHE rates.
 - i. Please provide a detailed explanation as to the services that WCHE continues to require from the Town.
 - ii. Please explain the 90% increase in costs for the environmental technician since 2009.
- b) The costs for asset management have increase 36% since 2009.
 - i. Please describe nature of the costs classified as asset management.
 - ii. Please explain the cost drivers for the increase.
- c) Please provide a breakdown of the consulting fees in 2012 and forecast for 2013.
- d) Please explain the increase from \$34,389 in 2009 to \$50,000 in 2013 for accounting and audit service.

Exhibit 5 Cost of Capital

5 Staff 34

**Reference WCH_App23a_Capital Structure and Cost of Capital_20130516
WCH_App2 RRWF_20131516**

In the first reference WCHE has an average gross book value for its assets of \$10,079,259, and in the second, reference the rate base is \$10,058,479. Please review and correct.

5 Staff 35

**Reference Appendix 28
Appendix 23 a)**

On Appendix 28 for 2013, WCHE at line 6 does not state the Start Date for a bank loan of \$3 million.

- a) Please state the start date.

- b) If the loan has not been issued, please state when WCHE expects to take the loan.

On the same exhibit, WCHE has a note payable on line 3 for \$500,000; however there is no rate or a description of the rate as to whether it is fixed or variable.

- c) Has WCHE borrowed the funds, or does WCHE still expect to borrow the funds?
- d) If the answer to c) is that WCHE has not borrowed the funds, please state when it expects to borrow, state the rate, and whether the rate is fixed or variable.

In the second reference, WCHE has set all long term debt to the Board approved 4.12%. However; WCHE has third party debt costs which can be reflected in the weighted cost of debt for regulatory purposes.

- e) Please recalculate the 2013 forecast weighted cost of debt by applying the actual cost to the third party debt, and the Board's deemed cost of long term debt of 4.12% to the affiliate debt. This will affect Appendix 2-OA, Appendix 23a, and the RRWF.
- f) Please update the cost of capital for this weighted cost of debt.

Please note that the responses to parts e) and f) will affect Appendix 2-OA, Appendix 23a, and the RRWF.

Exhibit 7 Cost Allocation

7 Staff 36 Weights

Reference: 7 VECC 37 d)
2 AMPCO 12 a)

In the first reference, WCHE has stated that most of the residential customers are billed bi-monthly. In the second reference, WCHE states that residential customers were moved to monthly billing in January 2011.

- a) Please explain the discrepancy in the evidence.
- b) Please update the weighting factors for Billing and Collection showing and explaining your calculations.

7 Staff 37 Demand Allocators

References: Exhibit 3 Tab 2 Schedule 1
Cost Allocation Model Sheet I9 Demand Data

In developing its volumetric forecast, WCHE developed non-coincident and coincident peaks by class. If WCHE has not used that information to update sheet I8, please update the sheet.

Rate Design

8 Staff 38 Loss Factors

Reference 8 VECC 41

The response in the referenced interrogatory states that ECHE's large user is the cause for the atypical line G data. Please explain with an example.

8 Staff 39 Mandated Charges

Reference: EB-2013-0067 Decision & Rate Order (Amended), April 2, 2013
EB- 2012-0100/EB-2012-0211 Decision and Order, March 28, 2013
Board's letter of September 20, 2012
Exhibit 8 Tab 1 Schedule 4 Proposed Rate Schedules

In the EB-2013-0067 Decision and rate Order, the Board stated: *"Effective May 1, 2013, the Wholesale Market Service rate shall be 0.44 cents/kWh. This unit rate shall apply to customer's metered energy consumption adjusted by the Total Loss Factor approved by the Board."* It also stated: *"Effective May 1, 2013, the Rural or Remote Protection Plan rate shall be 0.12 cents/kWh. This unit rate shall apply to customer's metered energy consumption adjusted by the Total Loss Factor approved by the Board."*

In the EB 2012-0100/EB-2012-0211 Decision and Order the Board stated: *"Effective May 1, 2013, the Smart Metering Entity charge to be levied and collected by Distributors identified in the Board's annual Yearbook of Electricity Distributors from Residential and General Service <50kW customers shall be \$0.79 per month. The Smart Metering Entity charge shall be in effect from May 1, 2013 to October 31, 2018."*

The Board in the letter of September 20, 2012 stated: *"...the Board has determined that distributors shall reflect the updated province-wide fixed monthly charge for all electricity distributors related to the microFIT Generator Service Classification as \$5.40 per month*

effective with the implementation of their 2013 cost of service based or incentive regulation based applications.”

Please update the rate schedules to reflect the Board’s directives.

Exhibit 9 Deferral and Variance Accounts

9 Staff 40 EDVARR Continuity Schedule and Riders

**Reference: Electricity Distributors’ Deferral and Variance Account Review (EDDVAR)
EB-2008-0046**

EDDVAR Continuity Schedule

Chapter 2 Filing Requirements

- a) Under the column “Adjustments during 2009 – Other” the Continuity Schedule shows amounts under several Group 1 and Group 2 accounts. Please explain these adjustments.
- b) West Coast Huron is requesting disposition of account 1592 PILs and Tax Variance for 2006 and Subsequent Years for \$(32,219). Please file a completed Appendix 2-T as per the Chapter 2 filing requirement 2.12.1 (page 52) to support the balance in the account.
- c) West Coast Huron has not requested disposition of account 1592, sub-account HST/OVAT ITCs. On page 13 of the Board report EB-2008-0046 on Electricity Distributors’ Deferral and Variance Account Review Initiative (EDDVAR), it states:

Pursuant to EDDVAR, all Account balances should be disposed at the time of rebasing unless otherwise justified by the distributor or as required by a specific Board decision or guideline.

- d) Please provide justification for requesting to defer the disposition of account 1592, sub account HST/OVAT ITCs.
- e) Using the methodology in Dec. 2010 FAQs, please calculate the amount for disposition as of April 30, 2013.
- f) Please recalculate the rate riders including the amount for disposition calculated in part e) above.

Under Tab 5, Allocation of Balances, West Coast Huron has used kWh as the allocator for allocating amounts to the various customer classes for accounts 1590 and 1595. According to the EDDVAR report (page 21), the residual balance in these accounts is to

be allocated to rate classes in proportion to the recovery share as established when rate riders were implemented.

- g) Please recalculate the allocations of accounts 1590 and 1595 and update the rate rider calculations accordingly.

9 Staff 41 Account 1590 and Account 1595

Reference: Exhibit 9 Tab 1 Schedule 3

Board Decision and Order EB-2009-0254

Board Decision and Order EB-2010-0120

APH-FAQ #1 – August 2008

West Coast Huron states that it has principal balance of \$604 and interest balance of (\$41,171) in Account 1590 as of December 31, 2011.

- a) Please explain the reason for the principal amount to be a small debit and interest to be a large credit balance. Please show the calculations for recording these amounts under this account.
- b) Account 1590 was used only for dispositions ordered by the Board in 2006. Please explain the reason that there is still an amount in account 1590, given that there have been two Board Decisions and Orders for WCHE (EB-2009-0254 and EB-2010-0120) where the residual balance in account 1590 was disposed of on final basis.
- c) All dispositions in 2008 or later were to be recorded into the account 1595, rather than account 1590, as directed by the August 2008 APH-FAQ #1 which stated: *"The Board approved a new control account to record the disposition and recoveries of deferral and variance account balances for electricity distributors receiving approval to recover (or refund) account balances in rates as part of the regulatory process. The account is 1595."*
 - i. Did WCHE obtain a Board authorization to continue to use account 1590 as the recovery account for dispositions of balances for the deferral and variance accounts that were approved in 2008 and later years?
 - ii. Please provide the date when the balances for the deferral and variance accounts that were approved by the Board were transferred from the other Deferral and Variance accounts into account 1590.
 - iii. Please provide the date when account 1595 was used for the first time for dispositions approved by the Board.

- iv. Please provide explanation regarding West Coast Huron's past practices with respect to regulatory accounting treatment of account 1590 and account 1595.

9 Staff 42 Rate Rider

Reference: Exhibit 9 Tab 1 Schedule 3

While WCHE has provided the allocations of the balances and calculations of rate riders for each deferral and variance account, the methodology of calculating individual account riders by class is not consistent with the EDDVAR Report. The EDDVAR Report requires all accounts to be allocated to the respective customer classes, and then an overall rider calculated for each customer class.

- a) Please provide the total rate riders including allocations of all amounts to the various relevant classes of customers.

Under RSVA Accounts Rider, there is a note that states the following: "*Large use class does not participate in Wholesale Market or Power RSVA.*"

- b) Please provide reasons including any reference to the Board guidance permitting to exclude Large Use customers from allocation of balances in these accounts.

9 Staff 43 Continuity Schedule

**Reference: Exhibit 9 Tab 1 Schedule 3
EDDVAR Continuity Schedule**

The evidence filed in the EDDVAR model is inconsistent with the evidence filed under Exhibit 9/ Tab 1/ Schedule 3. For example, the allocations for accounts 1590 and 1595 per the EDDVAR model are not consistent with the Exhibit 9.

- a) Please confirm and clarify which evidence should the Board rely on for the purpose of this proceeding and why?
- b) Please update the relevant evidence as necessary.

9 Staff 44 Account 1572

**Reference: Exhibit 9 Tab 1 Schedule 5
EDDVAR Continuity Schedule**

- a) A Table in Exhibit 9 Tab 1 Schedule 5 shows the capital costs of \$1,252,730 and Other Items of \$341,133. These two amounts total \$1,593,863 for the costs related to the storm, and are in WCHE's deferral account 1572.
 - i. Please clarify the proposed regulatory treatment with respect to the storm damage costs that West Coast Huron incurred in August 2011.
 - ii. Please confirm the amount that West Coast Huron is proposing to recover as part of the rate rider for the disposition of account 1572.
 - iii. Please confirm if West Coast Huron is proposing to include the capital portion of the costs related to the storm in its PP&E and the rate base.
- b) The evidence indicates that West Coast Huron is proposing a 4-year rate rider for the costs related to the storm, and is proposing recovery through a fixed rate rider on a per customer basis. However, the account is proposed to be disposed over 1 year as indicated on, the Tab 6, Rate Rider Calculation on the EDDVAR Continuity Schedule. Please clarify the proposal for the disposition period for account 1572, and provide an alternative calculation for the stand-alone rate rider over 4 years.
- c) Please provide justification and rationale for proposing to recover the entire capital costs related to the storm as a rate rider rather than through the rate base.
- d) Please provide WCHE's 2011 OM&A budget, actual year end OM&A, and an explanation of the derivation of the incremental OM&A of \$24,379.
- e) Please provide a determination of the lost volumes and a calculation of the lost revenues by class.
- f) West Coast Huron has included \$1,475,212 cost in Tab 5 Allocation of Balances on the EDDVAR Continuity Schedule. However, \$1,252,730 is the capital portion related to the storm cost that has also been included as part of PP&E in Appendix 2-B. Please provide an update to the balance of the account 1572 and an update to the EDDVAR model by:
 - i. Removing capital cost that was included in the rate base from sub-account of the account 1572 for capital expenditure and only including ROE and applicable charges.

- ii. Only including the incremental OM&A expenses under the sub-account of the account 1572 for OM&A expenditures.
- iii. Updating the calculations for the rate riders accordingly after revising the balances for the capital and OM&A sub-accounts of the account 1572, as per questions (i) and (ii) above.

9 Staff 45 *Rate Riders*

Ref: **Exhibit 9 Tab 1 Schedule 4**
 EDDVAR Continuity Schedule

The Table under Proposed Rates and Bill Impacts showing the Rate Riders for each rate class is not consistent with the numbers in the Continuity Schedule Tab 6. Rate Rider Calculations. Please recalculate and refile the Rate Rider information ensuring consistency of information throughout the evidence filed.

Z-Factor

9 Staff 46 *Stranded Assets Related to the Tornado*

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

WCHE has applied for recovery of its capital and OM&A related costs related to the tornado as a Z-Factor. WCHE applied for a Z-Factor in EB-2011-0355. In that application the Board found the WCHE had met two for the three tests for a Z-Factor, causation and materiality. It left the review of prudence to a future cost of service application. In this application, WCHE has applied for a Z-Factor. Board staff is of the opinion that capital investments should be in rate base, and only incremental OM&A, stranded assets, and any lost revenues should be collected. In 9 Staff 43, Board staff is adjusting, Account 1572 to reflect only incremental OM&A and lost revenues. The following is to determine a Z-Factor for the stranded assets.

- a) Please provide a calculation of the 2012 year net book value for the stranded tornado assets. Include the salvage proceeds in the calculation.
- b) Please use the 2009 dollar weighted allocators from the cost allocation study underpinning the 2009 distribution rates for the appropriate assets retired to allocate the 2012 net book value to each class.
- c) Please determine a monthly fixed charge over a proposed collection period for each class. Explain your reason for the length of the collection period.

Smart Meters

9 Staff 47 Smart Meters – 2012 Costs

Reference: Smart Meter Model – sheet “2. Smart_Meter_Costs”

On the referenced sheet, WCH is showing no capital or operating costs for 2012. Please explain why WCH has no capital costs for new installations or for repair of deployed smart meters and infrastructure, or for operations of smart meters and related infrastructure (e.g. AMI communications, ODS) in 2012.

9 Staff 48 Cost of Capital Parameters

Reference: Smart Meter Model – sheet “3. Cost_of_Service_Parameters”

A portion of this sheet from the Smart Meter Model is reproduced below:

	2006	2007	2008	2009	2010	2011	2012	2013
Cost of Capital								
Capital Structure¹								
Deemed Short-term Debt Capitalization			4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Deemed Long-term Debt Capitalization		0.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%
Deemed Equity Capitalization	100.0%	100.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Preferred Shares								
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Capital Parameters								
Deemed Short-term Debt Rate			4.47%	1.33%	2.07%	2.43%	2.08%	2.08%
Long-term Debt Rate (actual/embedded/deemed) ²	5.80%	5.80%	5.92%	7.62%	5.87%	5.48%	4.41%	4.41%
Target Return on Equity (ROE)	9.0%	9.00%	8.57%	8.01%	9.85%	9.66%	9.12%	9.12%
Return on Preferred Shares								
WACC	9.00%	9.00%	6.92%	7.52%	7.31%	7.03%	6.20%	6.20%

WCH shows a deemed capital structure of 100% equity in 2006 and 2007, and 56% long-term debt, 4% short-term debt and 40% equity from 2008 onwards. For rate-setting purposes, WCH had a deemed capital structure based on its rate base size in 2006, which continued in 2007, as determined in the 2006 Cost of Service Decision RP-2005-0020/EB-2005-0431. Beginning in 2008, WCH's deemed capital structure would have migrated to the current deemed capital structure. This was accomplished via the k-factor through its IRM applications, and via an adjustment during rebasing in 2009. The migration would have concluded by 2010.

The Cost of Capital parameters are adjusted when a distributor rebases its rates through a cost of service application, and are assumed to continue until the distributor next rebases rates through a cost of service application. The cost of long-term debt is also a weighted average of actual and deemed debt rates based on the debt instruments of the distributor.

- a) Please confirm or correct WCH's deemed capital structure in each year.

- b) Please confirm or correct the Cost of Capital parameters to correspond with those approved in each of WCH's cost of service rates applications, and which continue until the next cost of service application.

9 Staff 49 Smart Meters PILs

Reference: Smart Meter Model – sheet “3. Cost_of_Service_Parameters”

A portion of this sheet from the Smart Meter Model is reproduced below:

	2006	2007	2008	2009	2010	2011	2012	2013
Taxes/PILs								
Aggregate Corporate Income Tax Rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%	25.50%
Capital Tax (until July 1st, 2010)	0.30%	0.225%	0.225%	0.225%	0.075%	0.00%	0.00%	0.00%

Board staff notes that for all years from 2006 to 2013, WCH has used the default maximum Aggregate Corporate Income Tax Rate in each year.

Please confirm that the tax rates shown on sheet 3 correspond to the taxes or PILs actually paid by WCH in each of the historical years, and that WCHE forecasts it will pay for 2012. In the alternative, please explain the tax rates input and their derivation.

9 Staff 50 Funding Adder

Reference: Smart Meter Model – sheet “8. Funding_Adder_Revs”

With reference to column P:

- Please provide each approved Smart Meter Funding Adder approved for WCH from May 1, 2006.
- Also please state the period that each Smart Meter Funding Adder was in effect.

9 Staff 51 Deperciation

Reference: Smart Meter Model – sheet “8A. Opex_Interest_monthly”

With reference to column L:

- Please explain why depreciation expense is recorded only once annually.
- Please explain why no depreciation expense is shown for 2012.
- Please make any necessary corrections.

9 Staff 52 SMDR Allocation

Reference: Exhibit 9 Tab 1 Schedule 6
Sheets 9 and 10A of the Smart Meter Model

WCH is proposing a uniform Smart Meter Disposition Rider ("SMDR") of \$0.83 per month for a recovery period of one year, applicable to Residential and GS < 50 kW customers.

Section 3.5 of Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition, issued December 15, 2011, states, among other things that *"At a minimum, the following information should be provided:...a calculation of the SMDR, including the proposed cost allocation methodology."*

WCHE is proposing a uniform monthly charge to be collected from all metered customers. In the Board's decision with respect to PowerStream's 2011 Smart Meter Disposition Application (EB-2011-0128), the Board approved an allocation methodology based on a class-specific revenue requirement, offset by class specific revenues. The Board noted that this approach may not be appropriate or feasible for all distributors as the necessary data may not be readily available. While the Board notes that utilities have not been specifically directed to record all costs on a class-specific basis, in some cases there may be class specific information available. In Board staff's opinion the methodology approved by the Board in EB-2011-0128 should serve as a suitable guide. A uniform SMDR would be suitable only where adequate data is not available.

Sheet 10A of the Smart Meter Model provides an approach for calculating class-specific SMDRs based on certain information. A review of sheet 10A suggests that the missing information would be the capital-weighted meter cost for each of Residential and GS < 50 kW customers.

- a) Please explain why WCH has proposed a uniform SMDR.
- b) Please fill out sheet 10A completely. WCH should document the derivation of the capital weighted meter cost used. This may be from WCH's records, or could be taken from sheet I7.1 of the Cost Allocation model. Please fully explain why WCH believes that suitable data is not available for calculating class-specific SMDRs, if this is the case.

Stranded Meters

9 Staff 53 *Stranded Meters Net Book Value*

Reference: Exhibit 9/Tab 1/Schedule 6,
 9.0-VECC-46

WCH has proposed a uniform Stranded Meter Rate Rider (“SMRR”) of \$2.30 per month, applicable to Residential and GS < 50 kW customers, with a recovery period of two years. WCH provided some additional information in its response to 9.0-VECC-46.

- a) In the table provided in response to 9.0-VECC-46, WCH shows an entry for the gross book value of stranded meters of \$326,079 and accumulated depreciation of \$121,940, resulting in a net book value (“NBV”) of \$204,139. These entries are for 2010. Please confirm that these entries are as of December 31, 2010 and are the audited numbers.
- b) WCH has shown no net proceeds for disposal of stranded conventional meters. Please confirm that there were no net proceeds, and provide an explanation. In the alternative, please correct the table.
- c) While WCH may have transferred the NBV of stranded meters to the stranded meter sub-account of Account 1555 – Smart Meter Capital Costs as of December 31, 2010, the conventional meters were still reflected in the rates from its last cost of service rebasing application. As such, WCH continues to recover the depreciation expense, return on capital and associated taxes/PILs related to the conventional meters in its current Board-approved rates. Please explain why WCH has not shown any additional depreciation expense past 2010.
- d) Please update the table to reflect addition depreciation expense, and the NBV of stranded conventional meters as of December 31, 2012. If there are proceeds from disposition of the stranded meters, please include the proceeds.

9 Staff 54 *Stranaded Meter Rate Riders (“SMRR”)*

Reference: Exhibit 9/Tab 1/Schedule 6,
 9.0-VECC-46 – Class-specific Stranded Meter Rate Riders

In response to 9.0-VECC-46 a), regarding data for determining SMRRs, WCH states that: “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.”

- a) Please explain why WCH does not have the records of the actual costs for the conventional meters and, how, in the absence of such information, it makes the accounting entries for financial and regulatory reporting purposes.
- b) In the absence of actual class-specific accounting of the conventional meters, sheet I7.1 of the Cost Allocation Model calculates the relative Capital Weighted Meter Cost. For the stranded conventional meters, sheet I7.1 from WCH's last cost of service (EB-2008-0248) application would provide the appropriate weights. Alternatively, sheet I7.1 from the 2007 Cost Allocation Informational Filing could be used.
 - i. Please file Sheet I7.1 from the Cost Allocation Model from WCH's previous cost of service application. In its absence, please file sheet I7.1 from the 2007 Cost Allocation Informational Filing.
 - ii. Please calculate updated class-specific SMRRs based on the December 31, 2012 NBV of stranded conventional meters and allocated between the Residential and GS < 50 kW classes based on the capital-weighted meter costs. Please show all calculations, and file as a working Microsoft Excel spreadsheet if available.
 - iii. Please provide WCH's views, with reasons, as to the preferred methodology and proposed SMRRs.

IFRS

9 Staff 55

Reference: WCH_Appendix 17 – IFRS – CGAAP Transitional PPE Amounts.xls_20130516.XLS
WCH_App2 RRWF_20131516
Appendix 2-CH Depreciation and Amortization Expense for 2013 on MIFRS basis.

- a) The account balance for the deferral Account 1575 – IFRS-CGAAP Transitional PP&E has been revised down to a credit of \$145,015 from the pre-filed account balance per Appendix 2-EB of a credit of \$207,733. Please provide a detailed breakdown and explain the differences.
- b) Board staff notes that the depreciation and amortization expense in the Revenue Requirement Work Form submitted as part of the IR responses does not reflect the amortization of the revised balance in account 1575.

Please adjust and refile the RRWF to reflect the revised balance in account 1575.

- c) Board staff notes that WCH has not refiled an amended copy of Appendix 2-CH to reflect the changes it has made in its depreciation expense. Please file an amended copy of all Appendices, as necessary.
- d) Please reconcile the depreciation expense for the test year 2013 as shown on the Appendix 2-CH to the amended RRWF, and the amended Appendix 2-EB, ensuring that the amortization/depreciation expense includes the amortization related to account 1575 as per the amended Appendix 2-EB.

LRAM & LRAMVA

9 Staff 56 LRAM & LRAMVA

**References: Exhibit 10, Tab 1, Schedule 3, Table 1, Proposed Rate Rider
Exhibit 10, Tab 1, Schedule 4, Elenchus Report – Tab 1, Schedule 5,
LRAM LRAMVA Recommendations**

WCHE is requesting recovery of both LRAM and LRAMVA amounts. WCHE has requested a total of \$36,774.90 which represents a combined LRAM amount for the persistence effects of 2006-2010 CDM programs in 2011 and LRAMVA amount for the effects of new 2011 CDM programs in 2011. West Coast Huron has requested recovery over a one-year period.

- a) Please reconcile the conflicting final LRAM and LRAMVA amounts found at the references above. In Exhibit 10 Tab 1 Schedule3 Table 1 Proposed Rate Rider the combined LRAM and LRAMVA amount is \$36,774.90 whereas in the Elenchus Third Party Report the LRAM and LRAMVA amount is \$35,634.
- b) Please confirm that WCHE is only seeking recovery of LRAM for the persisting effects of 2006-2010 CDM programs in 2011 and the LRAMVA for the effects of new 2011 CDM programs in 2011.
- c) Please discuss if WCHE intends to seek recovery of the persisting effects of 2006-2010 CDM programs in 2012.
- d) Please update the application and include the relevant information outlined in the CDM Guidelines, and similar to what has been provided in WCHE's application, related to the persisting effects of 2006-2010 CDM programs in 2012 and the resulting LRAM amount.

- e) Please provide two tables, one that only includes the requested LRAM amount and one that only includes the requested LRAMVA amount. LRAM amounts should only consist of lost revenues from CDM programs delivered pre-2011 (i.e. persisting effects of 2006-2010 CDM programs). LRAMVA amounts should only consist of lost revenues from new CDM programs delivered in 2011 (i.e. those programs that will contribute towards WCHE's CDM Targets).
- f) Please provide separate tables with separate rate riders for both the requested LRAM and LRAMVA amounts.
- g) Please confirm that WCHE has relied on the most recent OPA Final Report available to it when calculating its LRAM and LRAMVA amounts.
- h) Please confirm that the input tables of OPA results in the Elenchus Third Party Report are all net results and no gross results have been included in any calculations.