Board Staff Interrogatories

West Coast Huron Energy Inc.

EB-2012-0175

# Exhibit 1 Administration

## 1 Staff 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.

**WCHE reply 1.Staff.1**

 Please see the following Appendices:

* Appendix 1a – Revenue Requirement Work form
* Appendix 2 – Chapter 2 Appendix Spreadsheets
* Appendix 3 – Cost Allocation
* Appendix 4 – Rate Design
* Appendices 13 & 14 - EDDVAR Continuity Sheet
* Appendix 6 – Smart Meter Model

# Exhibit 2 Rate Base

## 2 Staff 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.

1. 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.”*

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

**WCHE reply 2.Staff.2**

1. See Appendix 7 – Updated Working Capital & Updated Cost of Power Calculation
2. See Appendix 7 – Updated Working Capital & Updated Cost of Power Calculation

## 2 Staff 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.

1. Please provide any lease/buy analysis undertaken by WCHE to show prudence of the decision to lease.
2. What was the original budget for acquiring land?
3. What were the original estimates for buildings?
4. Please state the estimated life of the $450,000 leasehold improvements.
5. Please state the total annual rent after the $54K increase.
6. What is the term of the lease in years?

**WCHE reply 2.Staff.3**

1. The purchase option would involve significant borrowing at a time that the utility was performing unprecedented capital work. The building purchase would need to be funded 100% by debt. The total estimated costs of the buy scenario would be $78,176 annually excluding capital repayment. The lease scenario would require annual lease payment of $54,000. WCHE selected the most cost effective option and decide to lease

The $450,000 of leasehold improvements would be incurred in both scenarios so the cost impact has not been factored into the above comparison of annual costs.

1. $90,000
2. $1,064,500
3. 20 years
4. The total amount of the rent will be $54,000 per year
5. 20 years

## 2 Staff 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.

1. Please state the projects underpinning the expenditures in the stated period, which is 3 – 5 years after the storm.
2. 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.

**WCHE reply 2.Staff.4**

 As stated elsewhere, WCHE made capital expenditures in 2011 to restore its distribution system to operation. However, as a result of the damage and indirect impacts from the tornado, certain other capital projects have to be completed.

1. Project for 2014:

-Existing line is built to 28kV standards

-Convert Elgin Ave from Picton Street to South Street, which is currently built to 27.6kV standards.

-New pole line on Stanley Street and transformer Conversion

-Works required at Transformers 275, 355, and 335 is not included until scope is better defined.

Project for 2015:

-Convert and bury all wiring, primary and secondary on South St from Elgin Ave to The Square.

-In 2015, create open points to give separation between the 4160 UG and 27,600 UG.

Project for 2016:

-Underground cable and conduit had been installed to 27,600 standards in previous project.

-Change out transformers from 460 to 27,600.

-Change open points on the junction boxes to give separation between the 4160V and 27.600V.

1. The majority of the asset replacements in the tornado affected area were deemed to be directly associated with the tornado. Prior to the storm, these assets were not considered to be in need of replacement in the immediate future. After the tornado, existing structures and assets required prioritization according to the extent of their damage, and thus were upgraded or replaced based on said storm damage.

## 2 Staff 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.

**WCHE reply 2.Staff.5**

The total of $275,000 is the capital contribution from the Nautical Group.

## 2 Staff 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.

**WCHE reply 2.Staff.6**

The purpose of the Spyder system is line stringing equipment. This system is used by linesmen when stringing conductors in overhead energized areas.

## 2 Staff 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.

**WCHE reply 2.Staff.7**

|  |  |  |
| --- | --- | --- |
| CAPITAL CARRY OVER  |  |  |
|  |  |  |  |  |
|  |  | BUDGET | ACTUAL | CARRY OVER |
| 2009 |  | $789,000.00 | $894,000.00 | -$105,000.00 |
| 2010 |  | $619,000.00 | $507,000.00 | $112,000.00 |
| 2011 |  | $617,000.00 | $1,744,320.00 | -$1,127,320.00 |
| 2012 |  | $4,015,000.00 | $2,708,007.00 | $1,306,993.00 |
| TOTAL  |  | $6,040,000.00 | $5,853,327.00 | $186,673.00 |

As is evident in 2009, WCHE completed an additional $105,000 of capital work which was originally scheduled for 2010, however due to availability of resources and material, the projects were advanced. The carryover of projects since 2011 is a direct result of limits to staff resources and product availability. Delay in delivery of transformer, for example, has pushed some 2012 projects into early 2013.

## 2 Staff 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.

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

**WCHE reply 2.Staff.8**

To clarify, insurance proceeds will cover more cost that just chattel replacement i.e. consulting, clean up, demolition, temporary storage, clothing replacement, etc.

1. Office equipment and tools replaced have been included in capital assets when purchased and consist of

2011:

Office furniture and equipment $37,485

Computer Hardware $7,623

Tools $2,127

A contribution is expected to be recorded against the asset cost once insurance is settled.

1. The treatment of the assets from both a financial and regulatory aspect is consistent with our current accounting practices.
2. Yes, they were recorded as a disposal in 2011 with the loss on disposal allocated to the insurance receivable account. Net book value as follows:

Office furniture $9,012

Computer Hardware $5,965

Tools $11,131

1. They are included in the fixed asset continuity schedule in 2011 when purchased.
2. Depreciation is taken in 2011 and has been included in 2012 and 2013.
3. Proceeds are expected in 2013- The fixed asset continuity has been updated to include $47,235 in expected insurance proceeds.

## 2 Staff

### 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).



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

## WCHE reply 2.Staff.9

 See Appendix 8

## 2 Staff 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.

**WCHE reply 2.Staff.10**

The $275,000 difference relates to Capital Contributions.

## 2 Staff 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”.

1. Please provide a description of the project;
2. Is this project needed to serve a particular customer, or is it part of anticipated expansion in future years.
3. Would the project be in-service in 2013?
4. 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.

**WCHE reply 2.Staff.11**

1. The project is an upgrade of our 4kV system to a 27.6kV system which was needed to accommodate a new customer as well as upgrading for current and future customers. The new customer is a retirement home with a large demand.
2. See response a).
3. Yes, it will be in service.
4. No, a single year project.

## 2 Staff 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.

1. 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.
2. 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

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

**WCHE reply 2.Staff.12**

1. There is a new subdivision planned which will be developed in stages and will run for up to ten years. The new service connections and upgrades will be higher in the initial year of the project and then taper off year over year.
2. See response a).
3. Refer to 2.Staff.4- a) Tornado Expenditures

# Green Energy Plan

## 2 Staff 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 constrains 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.”

1. 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.
2. 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.
3. 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.

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

**WCHE reply 2.Staff.13**

1. This is to confirm that all restraints are at the Goderich TS and not on the West Coast Huron Energy’s distribution system.
2. As mentioned in a), there are no capacity constraints on the West Coast Huron Energy’s distribution system. The eleven microFIT applications as mentioned in the OPA’s report have all lapsed, and the two FIT applications, one of which is in Hydro One’s jurisdiction, and not Goderich Hydro’s, have not proceeded.
3. No response required.
4. i. June 1, 2013

ii. Restricted station capacity update

iii. The letter states that affective June 1, the BY bus is not restricted.

1. Effective June 1, our understanding is that normal procedures as outlined by Hydro One for connection of large FIT or small FIT will be used. MicroFIT application may be processed in accordance with current OPA regulations.

## 2 Staff 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 reply 2.Staff.14**

 The current short-circuit capacity and the current FIT generation capacity are not available from Hydro One at this time, due to changes at the Goderich TS.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **WCHE****27.6kV****Feeders** | **Voltage (kV)** | **Short Circuit Capacity****(MVA)** | **FIT Generation Capacity (kW)** | **Net Available Short Circuit Capacity (MVA)** |
| 31M3 | 16/27.6kV | 202.4 | 0 | 0 |
| 31M4(renamed 31M14) | 16/27.6kV | 202.4 | 0 | 0 |

## 2 Staff 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.

1. 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.
2. If the response to (a) is negative, please provide a detailed discussion as to WCHE’s rationale.

**WCHE reply 2.Staff.15**

1. West Coast Huron Energy is in agreement with the position put forward by staff.
2. No response necessary.

# Exhibit 3 Operating Revenues

## 3 Staff 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.

**WCHE reply 3.Staff.16**

See Appendix 9

## 3 Staff 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.

1. 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?
2. What is the source of the peak data used for the analysis in Table 5 and Table 8?
3. What is the source and derivation of the forecasted peak data used in Table 6 and Table 9 for the 2013 test year?

**WCHE reply 3.Staff.17**

1. The Non-coincident and Coincident Peak Demands for all customer classes with the exception of Unmetered Scattered Load in 2011 and forecast for the 2013 test year were provided. They were not used in deriving the load forecast for residential and GS<50kW.
2. The 2011 peak demand for the Residential Class was calculated using the e2011 hourly Net System Load Shape (NSLS) and scaled to the 2011 Residential annual consumption. The monthly peak of the scaled NSLS was the monthly non-coincident peak. The demand of the hour co-incident with the WCH monthly system peak was the monthly co-incident peak.

The 2013 peak demand for the Residential Class was calculated using the 2011 hourly Net System Load Shape (NSLS) and scaled to the 2013 forecast Residential annual consumption. The monthly peak of the scaled NSLS was the monthly non-coincident peak. The demand of the hour co-incident with the 2011 WCH monthly system peak was the monthly co-incident.

1. The 2011 peak demand for the GS<50kW class was calculated using the 2011 hourly Net System Load Shape (NSLS) and scaled to the 2011 GS<50kW annual consumption. The monthly peak of the scaled NSLS was the monthly non-coincident peak. The demand of the hour co-incident with the WCH monthly system peak was the monthly co-incident peak.

The 2013 peak demand for the GS<50kW class was calculated using the 2011 hourly Net System Load Shape (NSLS) and scaled to the 2013 forecast GS<50kW annual consumption. The monthly peak of the scaled NSLS was the monthly non-coincident peak. The demand of the hour co-incident with the WCHE monthly system peak was the monthly co-incident peak.

## 3 Staff ` 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.

1. 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.
2. 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?
3. 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.

**WCHE reply 3.Staff.18**

1. No. WCHE is a small LDC. Its’ revenue is only a few percentages of the large LDC’s. In order to reduce the cost spent in load forecasting, WCHE wants to take advantage of the IESO’s 18-month outlook as a reference for developing the 2013 load forecast. The following table shows the schedule that contrasts the year over year growth rates for 2008, 2009, 2010, and 2011 for the combined WCHE customer classes (excluding Streetlights, Sentinel lighting, and USL) with the historic energy growth rates reported by the IESO.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2008 | 2009 | 2010 | 2011 | Total 4 yrs |
| IESO % Growth | -1.8% | -5.7% | 1.2% | -0.6% | -6.9% |
| WCH % Growth | 1.7% | -5.9% | 1.0% | -3.3% | -6.5% |

The WCH annual growth rate tracked the IESO’s growth rate in general. The 4 year total growth rates were very close. This was the main reason why WCHE used the IESO’s 18 month outlook as a reference for the 2013 load forecast.

1. WCHE assumed the consumption/demand of WCHE tracked the IESO’s 18 month outlook growth rate in 2012 and 2013. The actual consumption values from 2007 to 2011 were then weather adjusted using the HDD and CDD. A linear trend line was plotted from 2007 to 2013 to check for acceptability. An example is shown below for the GS>50kW forecast.



1. The main reason for choosing the forecast method mentioned above was cost and simplicity. The same forecast methodology was used in previous rate applications for Erie Thames Powerline Corporation (2012), West Perth Power Inc. (2011) and Clinton Power Corporation (2010).

## 3 Staff 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.

**WCHE reply 3.Staff.19**

See Appendix 9 – West Coast Huron Energy 2013 Load Forecast

## 3 Staff 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** |  |  |  |  |  |  |  |

**WCHE reply 3.Staff.20**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Residential** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Consumption (kWh)** | 26,775,906 | 26,495,809 | 25,933,297 | 26,650,270 | 26,544,487 | 26,548,906 | 26,674,085 |
| **Number of Customers/Connections (annual average)** | 3278 | 3305 | 3229 | 3238 | 3216 | 3221 | 3234 |
| **Average Consumption per Customer/Connection** |  8,168  |  8,017  |  8,031  |  8,230  |  8,254  |  8,242  |  8,248  |
| **% Change in Average Annual Consumption per Customer/Connection** |   | -1.85% | 0.18% | 2.48% | 0.28% | -0.14% | 0.07% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **General Service <50** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Consumption (kWh)** | 15,343,451 | 15,002,403 | 14,574,170 | 14,675,021 | 14,756,141 | 14,651,203 | 14,504,928 |
| **Number of Customers/Connections (annual average)** | 501 | 505 | 476 | 478 | 462 | 460 | 461 |
| **Average Consumption per Customer/Connection** |  30,626  |  29,708  |  30,618  |  30,701  |  31,940  |  31,850  |  31,464  |
| **% Change in Average Annual Consumption per Customer/Connection** |   | -3.00% | 3.06% | 0.27% | 4.04% | -0.28% | -1.21% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **General Service >50** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Consumption (kWh)** | 21,873,268 | 22,513,202 | 23,079,748 | 14,675,021 | 14,756,141 | 14,651,203 | 14,504,928 |
| **Number of Customers/Connections (annual average)** | 45 | 49 | 50 | 49 | 45 | 47 | 46 |
| **Average Consumption per Customer/Connection** |  486,073  |  459,453  |  461,595  |  299,490  |  327,914  |  311,728  |  315,325  |
| **% Change in Average Annual Consumption per Customer/Connection** |   | -5.48% | 0.47% | -35.12% | 9.49% | -4.94% | 1.15% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **General Service >50** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Consumption (kWh)** | 21,873,268 | 22,513,202 | 23,079,748 | 14,675,021 | 14,756,141 | 14,651,203 | 14,504,928 |
| **Number of Customers/Connections (annual average)** | 45 | 49 | 50 | 49 | 45 | 47 | 46 |
| **Average Consumption per Customer/Connection** |  486,073  |  459,453  |  461,595  |  299,490  |  327,914  |  311,728  |  315,325  |
| **% Change in Average Annual Consumption per Customer/Connection** |   | -5.48% | 0.47% | -35.12% | 9.49% | -4.94% | 1.15% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **TOU** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Consumption (kWh)** | 18,170,590 | 19,517,818 | 15,043,232 | 16,176,732 | 13,658,203 | 13,604,532 | 13,606,879 |
| **Number of Customers/Connections (annual average)** | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| **Average Consumption per Customer/Connection** |  6,056,863  |  6,505,939  |  5,014,411  |  5,392,244  |  4,552,734  |  4,534,844  |  4,535,626  |
| **% Change in Average Annual Consumption per Customer/Connection** |   | 7.41% | -22.93% | 7.53% | -15.57% | -0.39% | 0.02% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Large User** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Consumption (kWh)** | 61,223,590 | 68,502,529 | 73,950,139 | 60,424,948 | 66,980,617 | 72,141,282 | 72,207,033 |
| **Number of Customers/Connections (annual average)** | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Average Consumption per Customer/Connection** |  61,223,590  |  68,502,529  |  73,950,139  |  60,424,948  |  66,980,617  |  72,141,282  |  72,207,033  |
| **% Change in Average Annual Consumption per Customer/Connection** |   | 11.89% | 7.95% | -18.29% | 10.85% | 7.70% | 0.09% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Streetlights** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Consumption (kWh)** | 1,057,182 | 1,059,838 | 1,010,294 | 999,567 | 980,789 | 960,000 | 942,000 |
| **Number of Customers/Connections (annual average)** | 1333 | 1321 | 1285 | 1280 | 1287 | 1316 | 1298 |
| **Average Consumption per Customer/Connection** |  793  |  802  |  786  |  781  |  762  |  729  |  726  |
| **% Change in Average Annual Consumption per Customer/Connection** |   | 1.16% | -2.00% | -0.68% | -2.41% | -4.28% | -0.51% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Sentinel** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Consumption (kWh)** | 23,265 | 23,292 | 23,318 | 23,226 | 13,939 | 15,100 | 15,251 |
| **Number of Customers/Connections (annual average)** | 13 | 13 | 13 | 13 | 7 | 7 | 8 |
| **Average Consumption per Customer/Connection** |  1,790  |  1,792  |  1,794  |  1,787  |  1,991  |  2,157  |  1,906  |
| **% Change in Average Annual Consumption per Customer/Connection** |   | 0.12% | 0.11% | -0.39% | 11.46% | 8.33% | -11.63% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Unmetered Scattered Load** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Consumption (kWh)** | 164,748 | 145,074 | 97,763 | 84,324 | 84,324 | 84,324 | 84,408 |
| **Number of Customers/Connections (annual average)** | 9 | 7 | 5 | 4 | 4 | 5 | 4 |
| **Average Consumption per Customer/Connection** |  18,305  |  20,725  |  19,553  |  21,081  |  21,081  |  16,865  |  21,102  |
| **% Change in Average Annual Consumption per Customer/Connection** |   | 13.22% | -5.66% | 7.82% | 0.00% | -20.00% | 25.12% |

## 3 Staff 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.

1. Is Streetlighting metered?
2. 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.
3. If Streetlighting is not metered, please explain how WCH has measured or verified the kWh and kW for Streetlighting.
4. 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.

**WCHE reply 3.Staff.21**

1. New installations starting in 2011 after the tornado may be metered. Anything prior to, is not metered.
2. Approximately 60% of the streetlights are daisy-chained, and 40% are directly connected to the total distribution network. Of the 60%, this represents approximately 30 connections which represent each relay connection. We currently have 1,298 streetlight fixtures.
3. Each fixture is calculated by using the wattage including the ballast consumption to formulate the total consumption.
4. As the Municipality replaces its older street lighting with newer LED’s, the consumption will drop.

## 3 Staff 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.

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

**WCHE reply 3.Staff.22**

1. There has been a reduction in the number of customers that are using unmetered scattered load devices.
2. On installation of any new appliance, voltage and amperage are checked to give us our consumption reading to determine the total consumption. This is augmented by audits which are conducted periodically and the necessary corrections are adjusted for the account holders, thus updating the load profile.

## 3 Staff 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:

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.
1. Please verify the inputs and results of the model.
2. 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.
3. Please derive the class CDM kWh and kW savings that would correspond with the “net” CDM savings above.
4. 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?

**WCHE reply 3.Staff.23**

1. WCHE confirms the input and results of the model.
2. WCH respectfully notes that the Board has made the decision to not accept adjustment the OPA’s CDM program estimates by a net-to-gross factor with respect to Centre Wellington Hydro Ltd. EB-2012-0113 page 7 dated May 28, 3013. WCH would request not to complete this request unless otherwise required.
3. Please reference below calculation.

 

1. WCH reserves comment with respect to this interrogatory in light of the Boards decision referenced in b) above.

## 3 Staff 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.

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

**WCHE reply 3.Staff.24**

1. IESO’s energy forecast is for the while province with all classes of customers aggregated together. WCHE chose a weather adjusted linear trend model for each customer class and use IESO’s forecast growth rate for the forecast year to test the linear model. After the forecast for all classes of customers are completed, WCHE compared the aggregated growth rate with that of the IESO.

In response to 3 Staff 19, WCHE updated the 2013 forecast using actuals from 2007 to 2012 without CDM Adjustment. The 2013 % energy from 2012 for the total is 0%.





Since the IESO’s June 2013 18 month outlook for the 2013 Forecast shows -0.4% growth, WCHE applied CDM adjustment using the Board’s method as shown in 3 Staff 23. With the CDM adjustment, the 2013 growth is -0.8%.





1. As explained in a), IESO’s energy forecast is for the whole province with all classes of customers aggregated together. WCHE compared IESO’s historic energy growth rate with WCHE’s aggregated growth rate for all its customers, excluding only the one large customer, the street lights, sentinel lights and the unmetered scattered load.

As shown in the table and the graph below, the WCHE annual growth rate tracked the IESO’s growth rate in general. This was the main reason why WCHE used the IESO’s 18 month outlook as a reference for the 2013 load forecast.





The requested tables in 3 VECC 15 d) are shown below.

**Residential Class**



**GS < 50 Class**



**GS > 50 Class**



## TOU Class



## Note: This class consists of three (3) customers only.

**Large User Class**



Note: This class consists of only one (1) customer using 45% of the total load of WCHE.

## 3 Staff 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.

**WCHE reply 3.Staff.25**

 See WCHE’s response to 3.Staff.18 a), b), and c).

## 3 Staff 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.

**WCHE reply 3.Staff.26**

The 2013 forecast for all classes are not adjusted for losses. In the previous version of the load forecast, the source of the historic data for the GS 500 - 4,999 included losses. In the forecast for this class and all other classes, the losses were not included. Table 3 and Table 5, the “kWh unadjusted” refers to actual kWh without weather adjustment. Table 10 “kWh no loss” refer to no loss adjusted.

There was no divergence in methodology.

## 3 Staff 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.

1. 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.

1. Please explain or correct Account 4080.

**WCHE reply 3.Staff.27**

1. See tables below
2. See tables below



## 3 Staff 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.

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

**WCHE reply 3.Staff.28**

1. Sewage and water billing revenue increased to approximately $40,000 with the implementation of monthly billings. The utility charges a per bill fee. This revenue was not increased by $40,000 but increased to $40,000 in 2011 as per Exhibit 3 Tab 3 Schedule 1 – Other distribution revenue table.
2. The original considerations were established on a cost per bill for the water and sewer portion. The increase in 2011 solely related to the increase in the number of bills being produced. The increase was due to WCHE’s move to monthly billing.
3. The fees were designed to ensure that WCHE would not be subsidizing the water and sewer billing and collection.

# Exhibit 4 Operating Costs

## 4 Staff

### 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.

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

**WCHE reply 4.Staff.29**

1. The budgeted costs for the COS application are as follows:

Consulting $220,000

Legal $55,000

Hearing/advertising $20,000

Intervener $40,000

1. Appendix 2M has been updated for 2012 actual expenses and 2013 budgeted costs

## 4 Staff Billing Costs

### Reference: 4 VECC 22

###  3 AMPCO 39

### 4 VECC 23

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

1. Please explain why a new metering point affects the billing costs.
2. Please explain how meter government recertification of meters affects billing costs and not meter costs.
3. Were any of the meters re-certified prior to smart meter implementation replaced with smart meters?
4. 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.
5. WCHE has stated that it monthly bills. When did WCHE convert to monthly billing?
6. Please provide the business analysis that lead to the conversion to monthly billing.



1. 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.

**WCHE reply 4.Staff.30**

WCHE believes 4.VECC.22 and 3.AMPCO.39 are dealing with metering costs whereas 4.VECC.23 relates to billing costs.

 4.Staff.3 a), b), and c)

 4.Staff 30 d), e), and f) deal with billing

1. With every MSP site there is an increase in communication costs as well as the contract with our MSP provider.
2. Correct. Meter recertification does affect meter costs and not billing costs.
3. Mechanical meters were recertified but the requirements are more stringent with the smart meters where testing in on a batch basis as per Measurement Canada requirements.



1. January 2011
2. The Board of Directors felt that it was beneficial to both the customers and the distributer. Monthly billing improves the cash-flow of the utility as well as enables its customers to better manage their financial obligations.
3. Since the introduction of smart metering, meter reading costs have escalated due to smart meter point reading and Wide Area Network – collector readings. These costs are approximately $25,000 per annum.

## 4 Staff 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.

1. Please describe the work that remains from the tornado, and state your cost estimate.
2. 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.
3. Are these assets being replaced based on a Professional Engineers recommendation?

**WCHE reply 4.Staff.31**

1. See 2.Staff.4 and 2.Staff.12.
2. The majority of the asset replacements in the tornado affected area were deemed to be directly associated with the tornado. Prior to the storm, these assets were not considered to be in need of replacement in the immediate future. After the tornado, existing structures and assets required prioritization according to the extent of their damage, and thus were upgraded or replaced based on said storm damage. These upgrades required West Coast Huron Energy to review its’ immediate capacity in the storm affected areas, moving from a 4kV system to a 27.6kV system to meet our customers new increased demand. Arguably these assets have deteriorated at an accelerated rate due to the tornado.
3. No.

## 4 Staff 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.

**WCHE reply 4.Staff.32**



## 4 Staff Account 5630 Outside Service

### Reference: 4 AMPCO 42

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

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

**WCHE reply 4.Staff.33**

* + 1. The Town’s CAO/Clerk and the Treasurer continue to provide services of President/Secretary and Treasurer, respectively, to WCHE. The Town’s Administrative Assistant provides administrative and secretary functions. The Town’s Environmental Services Technologist provides services related to CDM. There is general support provided from administrative staff of the Town for a variety of functions, on a required basis, to support the management functions of WCHE.

.

 ii. Environmental Services Technologist (EST) Role:

1. Report and monitor all environmental issues that could affect WCHE and ensuring that we are compliant with all regulations.
2. Administer of CDM programs
3. Marketing of LDC
4. Managing WCHE’s website, OPA and OEB reporting, customer care, budgeting, management of incentive application, etc.
5. Managing FIT and microFIT inquires, attending OPA sessions and webinars. Public information/media spokesperson – smart meter roll out, RPP changes, planned power outages notices, etc.

The role of the Environmental Services Technologist has changed from 2009 to 2012. The initial role (a) noted above clearly indicate that only a small percentage of the work relates to the current position. This has resulted in the EST allocating a greater amount of time on LDC issues, thus creating costs.

1. i There has been increased involvement in day to day operations.

Operational Management and Administration services including but not limited to:

1. Direct and supervise Line and Metering staff, assess urgencies of overtime duties, conduct performance appraisals, and ensure compliance with Collective Agreement and Employment Standards Act.
2. Develop and maintain an Operational Plan that ensures service standards are fulfilled for the Client.
3. Organize, direct, and guide the day-to-day line operations to the highest level of efficiency, consistent with good and safe work practices.
4. 24/7 availability for emergency response and daily operational communications
5. Oversee Client’s metering requirements
6. Assist in training and development of Client’s outside staff to ensure competent, well-trained workforce.
7. Establish and monitor preventative maintenance schedules.
8. Prepare, maintain, and monitor Client’s operational and maintenance policies, procedures, standards, and guidelines.
9. Assist in preparation of annual maintenance and “OPEX” budgets.
10. Attend regular meetings in Client’s offices as required.
11. Assist with the implementation and maintenance of “scheduling” and “work management” IT processes.
12. As requested, submit regular activity reports to the Client’s President and Board of Directors.
13. Provide builder/developer interface for new development.
14. Implement and execute Client’s Conditions of Service.
15. Advise on Client’s fleet management requirements.
16. Respond expeditiously to any Hazard identification.
17. Ensure all clients’ health and safety and training requirements are met.
18. Implement supply chain strategy and manage inventory control as required.
19. Attend Management and Board meetings as required.
20. Liaise with municipal staff as required.

ii. The increase in the Asset Management was due to the above areas of responsibility.

1. Design Tech $75,000

Mapping Firm $20,000

Computer Consulting Services $25,000

Engineering $21,000

Total $141,000

1. Cost increase is due additional assistance provided regarding variance analysis as well as added costs for financial disclosures.

# Exhibit 5 Cost of Capital

## 5 Staff

### 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.

**WCHE reply 5.Staff.34**

 See revised Capital Structure and Cost of Capital – Appendix 11

## 5 Staff

### 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.

1. Please state the start date.
2. 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.

1. Has WCHE borrowed the funds, or does WCHE still expect to borrow the funds?
2. 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.

1. 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.
2. 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.

**WCHE reply 5.Staff.35**

1. The $500,000 owed to the affiliate will be paid out in June. This will exceed the utility’s demand facility (Oct 2011 facility). At this stage, the utility intends to negotiate an additional demand facility and expects to pay interest at a rate just in excess of prime.
2. See response in a)
3. WCHE has borrowed the funds. No interest is currently being charged.
4. See response in c)
5. WCHE has updated Appendix 2 OA and RRWF – See Appendix 1 and 2
6. WCHE has updated Appendix 2 OA and RRWF – See Appendix 1 and 2

# Exhibit 7 Cost Allocation

## 7 Staff 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.

1. Please explain the discrepancy in the evidence.
2. Please update the weighting factors for Billing and Collection showing and explaining your calculations.

**WCHE reply 7.Staff.36**

1. Residential customers were moved to monthly billing in January 2011.
2. Cost Allocation model originally filed used weighing factors based on monthly billing for residential customers.

## 7 Staff 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.

**WCHE reply 7.Staff.37**

 The cost allocation model submitted is based on the hourly load data produced by Hydro One in support of the 2006 Cost Allocation Information Filing, with actual interval data for the TOU and Large User classes. Each class has been scaled to reflect the 2023 forecasted demands. In using that information, forecasted peak hours, and resulting forecasted peak demands were derived.

 This methodology was used due to the following factors:

* The demand allocators used for cost allocation are different than billing demands- WCHE would need to know how much the class as a while was using when a) the class as a whole was on-peak and b) when the LDC was on-peak.
* A change in the relative demands of various classes (e.g. a growth of one class relative to another) could impact the time of day of the peak hour, and therefore the composition of the LDC peak hour. Therefore, the allocators themselves cannot be scaled.
* Most LDC’s do not have enough meter data to know when each class was on peak, and what that peak was – the metering points that do exist are normally aggregated to include multiple classes. Even those that do have recent historic data would have weather actual data. Weather normal data, even if based on outdated information is a more sound and certainly more stable methodology.

# Rate Design

## 8 Staff 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.

**WCHE reply 8.Staff.38**

 WCHE proposes that they will continue to use their current Loss Factors for this COS. Having a large user whose volume is approaching 40% of the total consumption will cause the loss factor to be over inflated. WCHE proposes that at the next COS with the additional feeder we will be able to calculate a more accurate loss factor, due to the large user being isolated.

## 8 Staff 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.

**WCHE reply 8.Staff.39**

 WCHE has updated the proposed rate schedule – See Appendix 15

# Exhibit 9 Deferral and Variance Accounts

## 9 Staff EDVARR Continuity Schedule and Riders

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

### EDDVAR Continuity Schedule

### Chapter 2 Filing Requirements

1. Under the column “Adjustments during 2009 – Other” the Continuity Schedule shows amounts under several Group 1 and Group 2 accounts. Please explain these adjustments.
2. 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.
3. 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.

1. Please provide justification for requesting to defer the disposition of account 1592, sub account HST/OVAT ITCs.
2. Using the methodology in Dec. 2010 FAQs, please calculate the amount for disposition as of April 30, 2013.
3. 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.

1. Please recalculate the allocations of accounts 1590 and 1595 and update the rate rider calculations accordingly.

**WCHE reply 9.Staff.40**

1. These amounts represent the closing balances for December 2009 entered in this manner to avoid overriding formulas in the EDVARR continuity schedule. WCHE started the continuity at the last approval for RSVA variances in EB-2010—12- which was for balances as at December 2009.
2. WCHE is not requesting recovery of account 1592 PILS amount of $32,219. This amount has been adjusted out of the account in 2012 and does not represent a variance for recovery.
3. N/A
4. Added to calculation of rider as per response (f)
5. The amount for recovery is principle $21,680, $200 interest to December 31/11 and $319 estimated interest for 2012.
6. See Appendix 13
7. See Appendix 13

## 9 Staff 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.

1. 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.
2. 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.
3. 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.*”
4. Did WCHE obtain a Board authorization to continue to use account1590 as the recovery account for dispositions of balances for the deferral and variance accounts that were approved in 2008 and later years?
5. 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.
6. Please provide the date when account 1595 was used for the first time for dispositions approved by the Board.
7. Please provide explanation regarding West Coast Huron’s past practices with respect to regulatory accounting treatment of account 1590 and account 1595.

**WCHE reply 9.Staff.41**



1. See reconciliation in response a)
2. i. Did not continue to use 1590. See above reconciliation

ii. Balance transferred was based on the 2006 approval only with subsequent approved removals for EB-2009-0254 and EB-2010-0120

iii. EB-2009-0254

iv. Transfer of 2006 approval into 1590

 Subsequent approvals transferred into 1595.

## 9 Staff 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.

1. 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*.”

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

**WCHE reply 9.Staff.42**

1. See EDDVAR spreadsheets – 2 versions

EDDVAR all variances except power and WMS – Appendix 13

EDDVAR power and WMS only – allows WCHE to exclude its Large User – Appendix 14

1. WCHE does not bill its large user for power or WMS and therefore does not have a RSVA variance amount that this class participates in for power and WMS.

## 9 Staff 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.

1. Please confirm and clarify which evidence should the Board rely on for the purpose of this proceeding and why?
2. Please update the relevant evidence as necessary.

**WCHE reply 9.Staff.43**

1. See Appendix 13 and 14
2. See Appendix 13 and 14

## 9 Staff Account 1572

### Reference: Exhibit 9 Tab 1 Schedule 5

### EDDVAR Continuity Schedule

1. 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.
2. Please clarify the proposed regulatory treatment with respect to the storm damage costs that West Coast Huron incurred in August 2011.
3. Please confirm the amount that West Coast Huron is proposing to recover as part of the rate rider for the disposition of account 1572.
4. 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.
5. 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.
6. 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.
7. 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.
8. Please provide a determination of the lost volumes and a calculation of the lost revenues by class.
9. 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:
10. 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.
11. Only including the incremental OM&A expenses under the sub-account of the account 1572 for OM&A expenditures.
12. 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.

**WCHE reply 9.Staff.44**

1. i. WCHE proposes to add the capital portion to rate base and request

the recovery of OM&A, lost revenue and loss on disposal of capital assets via rate rider.

ii. OM&A $24,379

Lost Revenue $130,000

Loss on disposal $197,109

Scrap Recovery $-10.355

iii. Yes.

1. The EDDVAR model automatically calculated a one year recovery rider so WCHE is requesting a four year recovery period for storm related variance in order to mitigate the rate impact to our customers.
2. WCHE is not requesting recovery of capital cost via rate rider – See response 9.Staff.44 a).
3. WCHE had isolated costs directly related to the tornado using its work order system. The OM&A costs that the utility is seeking to recover are actual costs incurred and include costs like Bell Mobility, meals, and z factor application costs.



1. WCHE has removed the entire balance of 1572 from the EDDVAR spreadsheet and proposes that this variance be treated separately.

See response to 9.Staff.57

See response to 9-SEC-44 for breakdown of the variance balance initially reported on the EDDVAR spreadsheet.

## 9 Staff 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.

**WCHE reply 9.Staff.45**

 See EDDVAR continuity schedules – Appendix 13 and 14



# Z-Factor

## 9 Staff 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.

1. Please provide a calculation of the 2012 year net book value for the stranded tornado assets. Include the salvage proceeds in the calculation.
2. 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.
3. Please determine a monthly fixed charge over a proposed collection period for each class. Explain your reason for the length of the collection period.

**WCHE reply 9.Staff.46**

1. The net book value of $197,109 in stranded assets included poles, switches, transformers and conductor. The net book value was calculated using the utility’s amortization policy of straight line with a 25 year useful life for meters. Additional depreciation of $17,503 would have been charged in 2012 if the assets were still in service. Therefore the net book value for 2012 would be $179,606.
2. The 4 year recovery period was selected to mitigate the impact on our customers.
3. The 4 year recovery period was selected to mitigate the impact on our customers.



# Smart Meters

## 9 Staff 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.

**WCHE reply 9.Staff.47**

 WCHE has included only the costs involved in the initial implementation of Smart meters in the Smart Meter model.

 Monthly AMI costs are included in meter reading expenses. Any repair costs in 2012 have been charged to meter maintenance.

## 9 Staff 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:

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.

1. Please confirm or correct WCH’s deemed capital structure in each year.
2. 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.

**WCHE reply 9.Staff.48**

1. WCHE has updated the capital structure for 2006 and 2007 and has reviewed the capital structure date for all other years.
2. WCHE has reviewed the cost of capital parameters.

## 9 Staff 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:

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.

**WCHE reply 9.Staff.49**

 See Appendix 6

## 9 Staff Funding Adder

### Reference: Smart Meter Model – sheet “8. Funding\_Adder\_Revs”

With reference to column P:

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

**WCHE reply 9.Staff.50**

1. See table below
2. See table below



## 9 Staff Deperciation

### Reference: Smart Meter Model – sheet “8A. Opex\_Interest\_monthly”

With reference to column L:

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

**WCHE reply 9.Staff.51**

1. WCHE has recorded depreciation at year end. Prorating the depreciation on a monthly basis with an annualized interest rate of 1.4% is insignificant.
2. WCHE has updated the model to include depreciation for 2012.
3. WCHE has updated the Smart Meter model for 2012 depreciation.

## 9 Staff 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.

1. Please explain why WCH has proposed a uniform SMDR.
2. 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.

**WCHE reply 9.Staff.52**

1. WCHE believes that the smart meters costs for Residential and GS customers are identical.
2. WCHE feels that the cost of installing Smart Meters for Residential and GS classes were identical and therefore no differentiation was made. Should the Board determine otherwise in settlement or hearing, then WCHE would be willing to employ the methodology decided upon if significant data is available.

WCHE used the 2013 cost allocation sheet 17.1 to update TAB 10 A.

# Stranded Meters

## 9 Staff 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.

1. 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.
2. 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.
3. 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.
4. 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.

**WCHE reply 9.Staff.53**

1. The numbers are audited.
2. There were no proceeds on disposal.
3. WCHE updated Appendix 2S to reflect depreciation expense of $13,126 for 2011 and $13,126 for 2012.
4. Appendix 2S has been updated. There are no proceeds from disposition.

## 9 Staff Stranded 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.”

1. 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.
2. 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.
3. 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.
4. 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.
5. Please provide WCH’s views, with reasons, as to the preferred methodology and proposed SMRRs.

**WCHE reply 9.Staff.54**

1. WCHE has information regarding total cost but does not have data for cost by class. Our department was destroyed in the tornado, eliminating any possibility of gathering historic, class specific data.
2. See Appendix 16 – Cost Allocation
3. See table below



1. WCHE is proposing a uniform stranded meter rate rider monthly charge for all metered customers. Due to the loss of our meter room in the tornado, we have no records that can correctly identify the relative class costs of the mechanical meters. WCHE would consider an alternatives solution proposed by the Board.

See table below.



# IFRS

## 9 Staff

### 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.

1. 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.
2. 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.
3. 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.
4. 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.

**WCHE reply 9.Staff.55**

1. The reduction is derived from the update of the capital asset continuity with 2012 actual expenditures.
2. See Appendix 1 – Revised RRWF

See Appendix 2 – CG MIFRS 2013 depreciation revised

1. See Appendix 2 – Tab CG MIFRS 2013 depreciation revised
2. See Appendix 2 – Tab CG MIFRS 2013 depreciation revised



# LRAM & LRAMVA

## 9 Staff 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.

1. 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.
2. 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.
3. Please discuss if WCHE intends to seek recovery of the persisting effects of 2006-2010 CDM programs in 2012.
4. 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.
5. 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).
6. Please provide separate tables with separate rate riders for both the requested LRAM and LRAMVA amounts.
7. Please confirm that WCHE has relied on the most recent OPA Final Report available to it when calculating its LRAM and LRAMVA amounts.
8. 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.

**WCHE reply 9.Staff.56**

1. WCH notes that it submitted an earlier version of the Elenchus report in error. The correct version of this report is attached to this submission.

Please reference Appendix 18 to this interrogatory response for correct report.

1. WCH LRAM/LRMVA application as filed was 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.
2. WCH LRAM/LRMVA application was filed with the intension to seek recovery of the persisting effects of 2006-2010 CDM programs in 2012.
3. Please reference Appendix 18 to this interrogatory response for complete calculation.



1. Please reference Appendix 18 to this interrogatory response for complete calculation.



Please reference Appendix 18 to this interrogatory response for complete calculation.







1. WCH confirms that it has relied on the most recent OPA Final Report available to it when calculating its LRAM and LRAMVA amounts.
2. WCHE confirms 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.

Board Staff Supplemental Interrogatories, June 3, 2013

West Coast Huron Energy Inc.

EB-2012-0175

# Z-Factor

## 9 Staff 57 New Assets Related to the Tornado

### Reference: Exhibit 9 Tab 1 Schedule 5

WCHE is proposing a four year rider to collect $352,482 related to the tornado.

1. Please show the derivation of the $352,482, explaining the nature of the costs and reasons for including them.
2. Is the proposed rate rider designed to recover the NBV f the stranded meters? If so, please state the date associated with the value being recovered.

Board staff views the regulatory treatment for the new assets should be based on the fact that the existing rates have no component associated with the storm costs. The replaced assets were placed into service in 2011 and therefore, from then up to rebasing for 2013, WCHE is out of pocket. To overcome this, Board staff developed the following table to calculate the revenue requirement in 2011 and 0212 that WCHE should have recovered that are associated with the replacement assets. (Please note: Green boxes are input cells. Line 1 is the Capital that is part of rate base ($565,777 is simply a placeholder). Line 13 is the approved PILs that underpin the 2009 rates, lines 23 and 26 are the average interest rates set by the board for deferral and variance accounts for the years 2011 and 1012. Lines 29 to 31 are self-explanatory. Board staff has entered $1 in line 32. This line item was provided in the event that there are additional costs that WCHE wishes to claim. If WCHE has additional costs, please explain in detail what the costs are and why they would qualify for the storm damages rider. If there are no additional costs, please enter zero.)

1. Please complete the table with the appropriate data (Board staff has provided the table in an open Excel document.)
2. If WCHE is not in agreement with the table, please modify the table to be and explain the differences that WCHE is proposing from that of Board staff.

Board staff is of the opinion that Line 33, T*otal Cost for Collection* should be allocated to the respective rate classes based on factors from the 2009 cost allocation model that underpins the current rates. Please develop dollar weighted allocators from the 2009 cost allocation study from those used to apportion the respective distribution costs (the allocators for line, pole, transformers, etc.).

1. Please allocate Line 35, *Total for Collection* accordingly.
2. Please establish a term over which the rider will be in place, stating the reason for the term.
3. Please calculate class specific rates.

**WCHE reply 9.Staff.57**



1 This amount represents the net book value of the stranded distribution assets destroyed on August 21, 2011 by an F3 tornado

2 This is the revenue shortfall created by the F3 tornado

3 These are the direct OM & A costs incurred

4 This is the revenue received from the recovery of scrap metal that related to distribution assets

5 This is the interest tracked in the variance account as prescribed by the OEB for 2011, 2012 and to April 30, 2013

b) No

c) See Appendix 17

e) See Appendix 17 – rider calc tab

f) WCHE is requesting a 4 year term to mitigate the impact on its customers

g) See Appendix 17 – rider calc tab

# Depreciation

## 9 Staff 58 Proposed Depreciation rates

### Reference: Appendix 2-CH

WCHE has provided amended depreciation rates that should reflect the remaining useful lives of the assets. However WCHE did not provide any explanation for the establishment of the rates.

1. Please explain:
2. The analysis to develop each depreciation rate separately; and
3. Why the depreciation rates are reasonable rates going forward, given the mixed ages of WCHE’s assets.

Some assets may have a longer physical life than other assets, but have an economic life equal to the asset to which it is associated. As an example, Overhead conductors and devices have a life of 54.89 years, and poles have a life of 45 years, but they are typically retired at the same time, giving equal lives.

1. Please review the referenced appendix and adjust any rate that has an economic life shorter than its physical life.

**WCHE reply 9.Staff.58**

a) i) WCHE used the benchmarks provided by the Kinetric Study commissioned by the Board.

 ii) The NBV on transition to MIFRS reflects assets at various stages of their life cycle and represent the value to the utility at the date of transition. WCHE intends to use the depreciated net book value as the basis to implement the new depreciation policy on a prospective basis. Depreciation by nature is an estimate. Any impact of this depreciation methodology will be accounted for on disposal of the asset

b) WCHE agrees and has updated its depreciation to harmonize poles and overhead lines to a consistent useful life.