Board staff Interrogatories

Exhibit 1 – Administration

1-Staff-1 Ref: Exhibit 1/Tab 1/Schedule 7

KWHI has proposed an effective date for new rates of January 1, 2014. In this exhibit, KWHI states that it would require a final Rate Order by November 15, 2013 in order to implement new rates effective January 1, 2014.

Experience with numerous rate applications for Ontario electricity distributors beginning in 2006 indicates that most distributors can implement new rates and test their systems one or two weeks after the implementation date.

a) Please provide further explanation of why KWHI would require a final Rate Order 1.5 months in advance of when the new rates would come into effect.
b) Please identify when KWHI issues the first bills with consumption in the month of January.

1-Staff-2 Ref: Exhibit 1/Tab 1/Schedule 19 – Revenues from non-Distribution Activities, Exhibit 1/Tab 2/Schedule 9 – Affiliate Transactions and Exhibit 4/Tab 5/Schedule 1 –Shared Services & Corporate Cost Allocation

KWHI states, in this Exhibit 1/Tab 1/Schedule 19, that it has included the expenses and revenues related to two non-utility businesses:

- OPA-sponsored CDM programs; and
- Street lighting capital & maintenance (for affiliated and non-affiliated businesses)

Street-lighting capital and maintenance are provided to the affiliated City of Kitchener and Township of Wilmot (both the ultimate shareholders of KWHI through Kitchener Power Corporation) and to the Region of Waterloo and the Ontario Ministry of Transportation. The other referenced exhibits also deal with the streetlighting services provided currently through KWHI but intended to be provided through an affiliate once a service agreement is finalized.

a) KWHI states that streetlighting services are currently provided on a cost recovery basis. Does this mean that there is no return currently built into the capital services and the expensed services provided?
b) In Exhibit 1/Tab 2/Schedule 9, KWHI states: “KWHI has provided street lighting capital and maintenance services to the City of Kitchener and the Township of Wilmot for many years. For these services, KWHI charges for all labour, material

and overheads (plus a 9% administration charge) as it would for any other service provided to any other customer."

i. Please reconcile this with the cost recovery explanation provided in Exhibit 1/Tab 1/Schedule 9.
ii. Please explain the rationale of the 9% administration charge for capital-related services.

c) KWHI states that streetlighting services are expected to be transferred to an affiliated company, Kitchener Energy Services Inc. ("KESI"), and that, once service agreements are made with the agencies identified above, KWHI will outsource these services to KESI using a cost recovery basis plus a rate of return.
   i. Will outsourcing to KESI involve transfer of any existing staff and/or capital assets (building or building space, office furniture and equipment, vehicles and rolling stock, etc.)?
   ii. Outsourcing generally implies that the firm is the vendor with the customers, but that the services are provided through the outsourced firm. Who will be the vendor for the streetlighting capital and operating services provided to the City of Kitchener and others?
   iii. What is the current status of the planned outsourcing and service agreement?
d) Have the resources and costs for both streetlighting services to be transferred to KESI and OPA-sponsered CDM programs been excluded from KWHI's 2014 revenue requirement? If not, please explain the treatment and the rationale for the treatment.

1-Staff-3 Ref: Exhibit 1/Tab 1/Schedule 22 – Conditions of Service

a) Please provide a summary of comments received with respect to the proposed Conditions of Service.
b) Please provide a brief summary of changes to the proposed Conditions of Service which KWHI may be making in light of any comments.
c) Please indicate what, if any, impacts there may be on KWHI's current Application and proposed revenue requirement in light of any changes to the Conditions of Service.

1-Staff-4 Ref: Exhibit 1/Tab 2/Schedule 4 – Amortization Assumption

In this exhibit, KWHI states that:

> The pro-forma projections for the 2014 Test Year were prepared in accordance with KWHI's usual process, including the directives and assumptions described in E1/T2/S3, with the following exceptions:
>
> …
>
> 2) Amortization reflects the half-year rule for capital additions for the 2014 Test Year only.

What is KWHI's usual policy and practice with respect to calculation of amortization expense?

1-Staff-5 Ref: Exhibit 1/Tab 3/Schedule 3 – Reconciliations to Audited Financial Statements

In Exhibit 1/Tab 3/Schedule 3, KWHI states: "Reconciliations between the audited financial statements and the results filed are provided in Tab 3, Schedule 4." Please confirm that the reference is to Exhibit 1/Tab 3/Schedule 3/Attachment 1.

1-Staff-6 Ref: Exhibit 1/Tab 3/Schedule 6 – Customer Satisfaction Survey

In Exhibit 1/Tab 3/Schedule 6 and the accompanying Attachment 1, KWHI provides the results of a Customer Satisfaction Survey that KWHI engaged an external firm, UtilityPULSE to conduct in 2012. KWHI notes that this is a follow-up to the first such survey of KWHI's customers conducted in 2008.

a) How does KWHI keep on top of customer satisfaction, expectations and emerging issues in between these surveys?
b) KWHI's results are compared against (Canada) National and "Ontario" results. What is the coverage, in terms of Ontario electricity distributors and in the percentage of Ontario electricity ratepayers, represented by the "Ontario" results?
c) How is KWHI using the results of the Customer Satisfaction Survey in its business plan and budgeting, and in its long-term capital and operating plan forecast?
d) How have the results of the Customer Satisfaction Survey been reflected in this Application?
e) Has KWHI taken other steps with respect to measuring customers or engaging customers to understand their expectations? If so, how does KWHI use or link this information with maintaining and improving operational processes in light of the results?

1-Staff-7 Ref: Exhibit 1/Tab 2/Schedule 1/page 2 – Account 1531 Renewable Connection Capital and *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* (EDDVAR), p. 24, dated July 31, 2009

KWHI is requesting approval to transfer the December 31, 2012 balance plus projected carrying charges to December 31, 2013 of Account 1531 – Renewable Connection Capital as of December 31, 2012 directly to capital effective January 1, 2014, rather than through a Deferral and Variance Account rate rider.

Board staff notes that KWHI's proposal to transfer the balance of Account 1531 directly to capital instead of via a rate rider is not consistent with the guideline in the Board Report on EDVARR which states, at page 24:

> Board's Policy and Rationale:
>
> > The Board agrees that a volumetric rate rider to dispose of the deferral and variance account balances is appropriate.

a) Please provide further explanation of why KWHI is requesting disposition in a manner inconsistent with the Board's documented policy and practice that recovery should be through a DVA rate rider.
b) Please provide rate riders for disposition of the December 31, 2013 balance of principal and carrying charges under a scenario where the Board approves disposition through rate riders instead of as proposed by KWHI. Please show the derivation of the estimated rate riders.

Exhibit 2 – Rate Base

2-Staff-8 Ref: Exhibit 2/Tab 7/Schedule 1/ Attachment 1 – Green Energy Act Plan (p. 8/section 3.3 & Appendix A)

Under "Station Capacity", it is stated, in part, that:

> […]All transformer stations have sufficient short-circuit capacity to accommodate the type of distributed generation that Kitchener-Wilmot Hydro has seen so far. Most of the renewable energy projects proposed in Kitchener-Wilmot Hydro service area are inverter-based with limited fault contribution to Kitchener-Wilmot Hydro's distribution system. […] For all Kitchener-Wilmot Hydro transformer stations, the station capacity is limited by the thermal capacity of the station transformers. <u>Dual-winding transformers are installed at Kitchener #3, #4, #5 and #6 MTS. These dual-winding transformers cannot sustain reverse power flow, thus the station thermal capacity is determined by the minimum station load</u>. [Emphasis added]

a) Did KWHI perform any special assessments to determine the extent to which each of the four transformer stations (i.e. Kitchener #3, #4, #5 and #6 MTS) can withstand reverse power flow? If not, would KWHI consider exploring this issue with other utilities (e.g., Hydro One Networks Inc.) that may have the same type of transformer design in some of their transformer stations?
b) Do all dual-winding transformers have the same design limitation in regards to overheating due to reverse power flow, irrespective of vintage?
c) Please comment on the view that the issue of overheating related to power flow between the two low voltage windings can also occur due to unbalanced distribution of load between the two buses that connect to the two windings. If this is the situation, can rebalancing the amounts of generation and load be used to increase the amount of permissible generation in the noted four stations?

2-Staff-9 Ref: Exhibit 2/Tab 4/Schedule 7, Exhibit 2/Tab 7/Schedule 1/ Attachment 1 of 1 – Green Energy Act Plan, and Report of the Board – Framework for Determining the Direct Benefit Accruing to Consumers of a Distributor under Ontario Regulation 330/09 issued June 10, 2010 [EB-2009-0349]

At page 2, lines 23 – 28 of Exhibit 2/Tab 4/Schedule 7, KWHI states:

> KWHI's renewable generation costs through 2017 consist of Renewable Enabling Improvements (REI) only. Currently, KWHI has already spent $114,470 in capital and $36,410 in OM&A costs to enable the connection of renewable generation during the period 2010-2012. These costs were transferred to deferral accounts 1531 – Renewable Connection Capital and 1532 – Renewable Connection OM&A. In Exhibit 9 of this application, KWHI has requested clearance of these accounts for audited balances up to December 31, 2012.

The referenced Report of the Board requires that any distributor who incurred eligible capital and OM&A costs necessary for the purpose of “enabling the connection of qualifying generation facility” (see page 3 at Section 1.1 Regulation 330/09, & first bullet), to calculate the “direct benefits” to customers of the distributor per Section 3.2.2.3 of that same Report of the Board.

In KWHI’s Green Energy Act Plan, at page 12, Table 5 documents Capital ($114,470) and OM&A ($36,410) expenditures recorded under the column “Actual 2010 – 2012” at the row “Renewable Generation”. At page 13, Table 6 depicts the “Direct Benefit Calculation”, for the years 2015-2017, and does not show “Direct Benefit Calculation” with respect to the Capital ($114,470) under “Actual 2010-2012:, which is broken down to:

- ($103,490) under “FIT/microFIT CIS Changes”; and
- ($10,980) under “MicroFIT Meter Capital”.

a) What are the reasons for not performing the Direct Benefit Calculation on the $103,490 of Capital investment for “FIT/microFIT CIS Changes” for the 2010-2012 period?
b) Please explain the reasons for having no capital investments for 2013 and 2014, yet show investments for “Scada Programming & Wiring Changes” as well as for “Station P&C Upgrades” for the years 2015 – 2017.
c) Please explain why the $10,980 Capital under “MicroFIT Meter Capital” for the “Actual 2010-2012” is not subject to Direct Benefit Calculation for the Actual 2010-2012 period?
d) Would KWHI agree to use the default values, in the absence of utility- or project-specific ones, for calculating the Direct Benefit Calculation?Would

2-Staff-10 Ref: Exhibit 2/Tab 7/Schedule 1/ Attachment 1 of 1 – Green Energy Act Plan/Appendix C

In the reference above, at page 18, under “section 4. For Renewable Generation OM&A”, lines 20 – 34, KWHI states:

> Kitchener-Wilmot Hydro has been able to manage the workload related to processing renewable energy applications using existing staff and hiring co-op students rather than by creating new permanent positions. A co-op student is hired during the summer and fall work terms when the microFIT demand is high. The student is dedicated to responding to the microFIT inquiries, conducting the site visits, preparing the Offers to Connect and microFIT data entries. To meet the microFIT project timeline, some permanent staff had to work overtime. Temporary students and staff overtime may be required through 2017 to meet the ongoing workload. Kitchener-Wilmot Hydro tracks the temporary labour and overtime costs in a Renewable Energy Deferral Account.
> **Costing:**
> 2013: $25,000
> 2014: $25,000
> 2015: $25,000
> 2016: $25,000
> 2017: $25,000

The Report of the Board noted in the previous interrogatory requires that any distributor who incurred eligible capital and OM&A costs necessary for the purpose of "enabling the connection of qualifying generation facility" (see page 3 at Section 1.1 Regulation 330/09, & first bullet), to calculate the "direct benefits" to customers of the distributor per Section 3.2.2.3 of that same Report of the Board.

Would KWHI agree to calculate the Direct Benefit Calculation as required by the second reference for the $25,490 of OM&A costs related to Renewable Generation OM&A for 2013 and for 2014, as well as for the remaining years of the 5 year plan (i.e., for 2015, 2016, and 2017) using the default values if it does not have utility- or program-specific values?

2-Staff-11 Ref: Exhibit 2/Tab 7/Schedule 1/Attachment 1 – Green Energy Act Plan, Ministry of Energy Directive to the OPA, November 23, 2012 and Ministry of Energy Directive to the OPA, June 12, 2013

The OPA's Letter of Comment included as Appendix D to KWHI's Green Energy Act Plan reports that, according to OPA's information to date [as of the date of the OPA's letter dated April 19, 2013], the OPA has received and offered contracts to:

- 245 microFIT projects, totalling approximately 1.9 MW of capacity in Kitchener-Wilmot Hydro's distribution system.
- Additionally, the OPA has received and offered contracts to 35 FIT applications. Of these, 7 applications totalling 1.6 MW have come into commercial operation and <u>16 applications totalling 2.6 MW remained active as of April 2013</u>. [Emphasis added]

In KWHI's Green Energy Act Plan, at page 9, Section 4.1, KWHI states that;

- based on the OPA there are 48 small FIT applications under FIT 2.0 with a total proposed capacity of 8.2 MW (refer to Appendix B).
- due to the 200 MW provincial cap for small FIT applications, it is reasonable to estimate that only 25-30% of these applications can be awarded the conditional offer under FIT2.0 in 2013. And it is also reasonable to estimate that the remaining customers who cannot receive the FIT contract under FIT 2.0 in 2013 will choose to pursue at a later time.

The second reference corroborates KWHI's reference, to the Ministry of Energy's Directive to the OPA dated November 23, 2012, setting the 200 MW provincial cap for small FIT applications for 2013.

The third reference, Ministry of Energy's Directive to the OPA dated June 12, 2013 sets a 150 MW provincial cap for small FIT applications for each of the next four years (i.e., for 2014, 2015, 2016 and 2017).

a) Please provide the basis for the assumption in the second reference where KWHI indicated that it is reasonable to estimate that only 25-30% of these applications can be awarded the conditional offer under FIT 2.0 in 2013.
b) Based on the 150 MW provincial cap for small FIT applications for the years 2014, 2015, 2016 and 2017, cited in the fourth reference, please provide a revised forecast for the FIT projects, by updating Table 3 of the second reference.

2-Staff-12 Ref: Exhibit 9/Tab 1/Schedule 1/pp. 8, 10 and 14

At pages 8 and 10, for the Deferral Account "Renewable Connection Capital", the amount of "Total Principal & Interest" is $116,303.29 as of December 31, 2012.

At page 14, KWHI states:

> Lastly, KWHI is applying to clear the balance of its account 1531 – Renewable Connection – Capital – to capital, rather than clearing the balance through a rate rider.

The Report of the Board referenced in 2-Staff-3 requires that any distributor who incurred eligible capital and OM&A costs necessary for the purpose of "enabling the connection of qualifying generation facility" (see page 3 at Section 1.1 Regulation 330/09, & first bullet) to calculate the "direct benefits" to customers of the distributor per Section 3.2.2.3 of that same Report of the Board.

Please file a calculation of the rate rider to clear the deferral account 1531 as outlined below in accordance with the approach documented in the Report of the Board:

- first, calculate the interest for January 1 to December 31, 2013, and add that amount of interest to the $116,303.29 being the "Principal and Interest at Dec 31, 2012";
- second, perform the direct benefit calculation, as prescribed in the Report of the Board, on the total amount calculated in the bullet above. This is required since the noted capital is an eligible amount according to the second reference; and
- third, to propose the disposition and recovery of the portion designated as direct benefit, from the calculation in the bullet above, through a rate rider.

Exhibit 3 – Operating Revenues

3-Staff-13 Ref: Exhibit 3/Tab 1/Schedule 2/Tables 3-2, 3-3 and 3-5

KWHI states that Table 3-5 provides the rate riders applied and not removed from distribution revenue, and identifies LRAM, SMDR and SMIRR as the complete list of these rate riders.

Please explain whether KWHI has retained or removed the Smart Meter Funding Adder revenues from distribution revenue in Table 3-2. Further identify where these revenues are contained in Table 3-3 or Table 3-5. If they are not accounted for in either of these tables, please explain.

3-Staff-14 Ref: Exhibit 3/Tab 1/Schedule 4, Exhibit 3/Tab 1/Schedule 5, and Appendix B – Loss of Large Use Customer

On page 5 of this Exhibit 3/Tab 1/Schedule 4, KWHI states that it "has manually adjusted for the loss of one of its Large Users who is ceasing operations in 2014. KWHI currently has two Large Users but there is certainty that one of the large user customers [is] closing down operations."

Appendix B to Exhibit 3 is a copy of a news release of the Maple Leafs Food plant closure by the end of 2014.

Documentation of how KWHI has adjusted the load forecast, specifically for the Large Use class which will have one remaining customer, is provided on pages 4 and 5 of Exhibit 3/Tab 1/Schedule 5. KWHI states that it has adjusted the class consumption and peak demand to remove the Maple Leaf Foods' amount from 2014 in its entirety.

a) Given that the Maple Leaf Foods is still expected to be a customer of KWHI for at least part of the 2014 test year, how has KWHI accounted for the revenues that it will be receiving from this customer?
b) What capital and operating costs has KWHI removed associated with distribution services that it provides to Maple Leaf Foods?
c) How has the loss of Maple Leaf Foods been taken into account in the Cost Allocation study and in the associated matters of rate design and proposed distribution rates?

3-Staff-15 Ref: Exhibit 3/Tab 1/Schedule 4 – CDM Variable

KWHI has included a CDM variable in its regression equation, with the estimated coefficient of the CDM variable being -3.88. KWHI describes the construction of the

CDM variable on page 4 of the exhibit, and the data are contained in tab “CDM Activity” of the load forecast excel spreadsheet.

KWHI describes that a linear interpolation was used to interpolate the monthly values to sum to the reported annual OPA savings in each year. As a starting example, the 2005 CDM savings per the OPA reports are 292,583 in 2005. Board staff notes that, as documented in the OPA reports, the reported annualized savings for the year are estimated as if all programs were in effect the full year from January 1 to December 31.

It is reasonable to assume that the savings from the persistence of prior year CDM programs would be in effect for the full year. However, new CDM programs are implemented at various times in the year and hence will not have the full impact in the first year of implementation. In the absence of more specific information as to when CDM programs were launched and results implemented in a year, a half-year rule is used as an approximation to measure the real impact of CDM programs in their initial year.

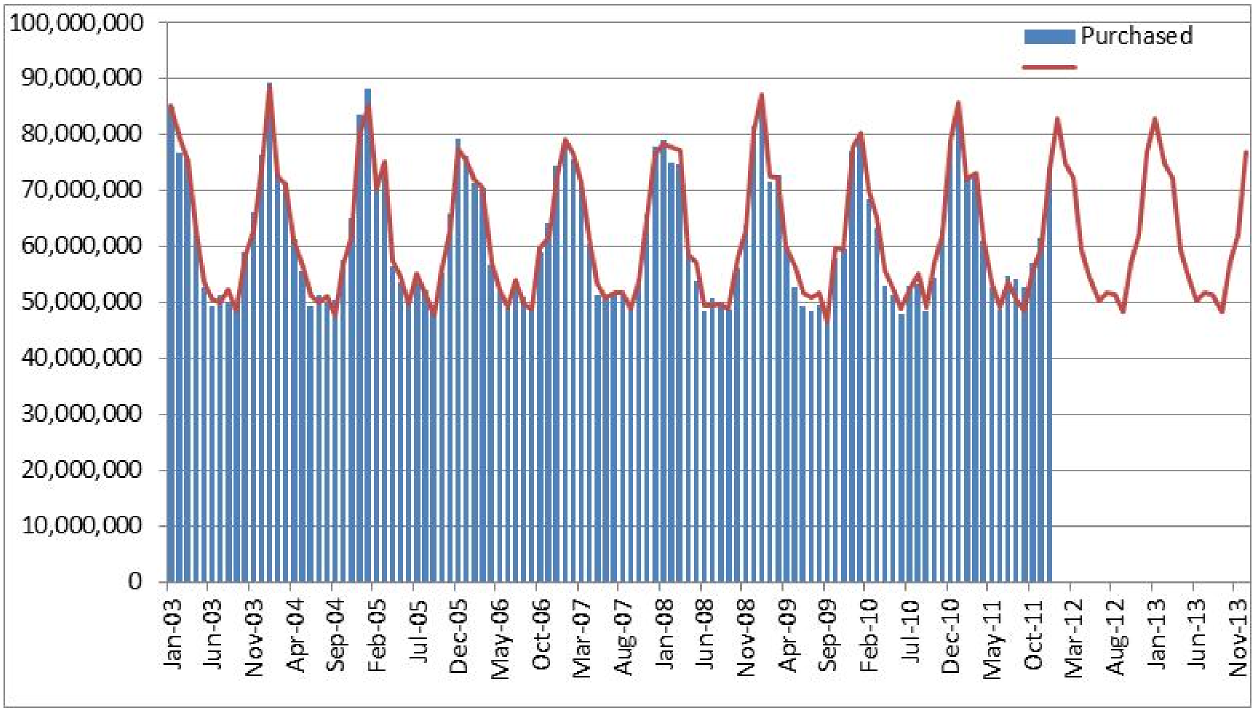
This concept of the annualized versus the real impact on consumption would also apply to historical programs. In this case, the actual impact of 2005 CDM programs on 2005 consumption should 292,583/2 = 146,291.5 kWh. The monthly values in 2005 should be linearly interpolated from 0 such that the sum would equal the 146,291.5 kWh, not 292,583 kWh as constructed.

For 2006, the full annualized persistence of 2005 programs (i.e., 292,583 kWh) is assumed, and the incremental annualized savings for 2006 should be divided by 2 to reflect the half-year impact of the 2006 CDM programs in the first year, 2006.

a) Please prepare a CDM activity variable that reflects the half-year rule impact of CDM programs in the first year.
b) Please re-run the regression model with this variable. Provide all regression statistics in the standard Microsoft Excel regression output format, and provide the regression model, including the construction of the CDM variable in this format.
c) Please provide KWHI's views as to why the estimated coefficient from the regression model is 3.88 and why the the estimated CDM coefficient is greater than unity in value.
d) Please provide KWHI’s views of the reasonableness of multiplying the persistence of 2011 and 2012 CDM programs on the 2013 and 2014 forecast by the CDM coefficient.

3-Staff-16 Ref: Exhibit 3/Tab 1/Schedule 4/Table 3-18

a) As the regression model is based on monthly data, please file a version of the graph of actuals versus fitted based on the monthly results in a format similar to that shown below.



b) Please provide the Mean Absolute Percentage Error of the model based on the monthly residuals.
c) Please provide a) and b) based on the model estimated in response to 3-Staff-16 c).

3-Staff-17 Exhibit 3/Tab 1/Schedule 4

a) Please provide a copy of the final 2012 OPA report for KWHI, if available.
b) Please provide a completed Appendix 2-I from the Appendices to the Filing Requirements for Transmission and Distribution Applications, issued July 17, 2013. This Appendix should also be provided in working Microsoft Excel format.

Exhibit 4 – Operating Expenses

4-Staff-18 Ref: Exhibit 4/Tab 1/Schedule 2/page 6 – Inflation

On page 6 of this exhibit, KWHI documents that it has used the following inflation rates in its operating expense derivation:

Year	**2010**	**2011**	**2012**	**2013**	**2014**
Inflation Rate (%)	1.3	2.0	2.1	1.6	2.0

a) Is this inflation rate for labour, non-labour (i.e., materials) or both?
b) What is the definition and data source of this inflation rate? What is the basis for the forecast for 2014?

4-Staff-19 Ref: Exhibit 4/Tab 1/Schedule 2 – Drivers of OM&A Increases

In Table 4-5, KWHI documents the drivers for the increases in OM&A expenses by year from 2010.

a) General Salary Increases is shown as one factor, while Inflation is shown as a separate factor.
   i. Please identify whether cost of living increases that may be part of a labour agreement or are part of annual increases for non-union staff are reflected under General Salary Increases or are shown under Inflation.
   ii. The largest incremental increase for inflation is shown as $275,929 for the 2014 test year. Please explain this increase.
b) KWHI documents that the decision from its stand-alone Smart Meter Application EB-2012-0288 has an incremental impact of $1,084,463 in 2012, and forecasts further incremental OM&A expenses of $354,000 for 2013 and $351,900 for 2014. Please provide further explanation of the further incremental increases in OM&A due to smart meters for each of 2013 and 2014.

4-Staff-20 Ref: Exhibit 4/Tab 2/Schedule 2 and Appendix 2-J – Monthly Billing

On page 4 of this exhibit, KWHI states that it is planning to move to monthly billing, and provides the following table:

		2013	2014
Billing and Collecting			
	Postage	35,000	65,000
	Office Supplies	13,000	13,000
Customer Service			
	Postage	136,000	266,000
	Office Supplies	38,000	72,000
Total		**222,000**	**416,000**

a) What is the status of KWHI's move to monthly billing?
b) KWHI states that monthly billing is being done "to assist customers with cash flow concerns due to rising electricity bills". Monthly billing should also aid KWHI's cash flow and hence reduce its cash working capital requirements. How

has KWHI taken the move to monthly billing into account in determining its working capital allowance?

c) Please explain the table above. Are these total OM&A expenses or incremental OM&A due to monthly billing?
d) The Microsoft Excel version of Appendix 2-J documents that monthly billing is a driver of OM&A expenses with an incremental cost of $178,000 in 2013 and $164,000 in 2014. Please show the relationship between the above table and the entries in Appendix 2-J.
e) Please explain the difference between "Billing and Collecting" and "Customer Service", and why the costs for "Customer Service" are significantly higher.
f) Does KWHI have, or plan to have by the end of 2014, other options for customers to receive their bills on-line to reduce paper and postage expenses? If so, are these reflected in the increased costs shown?

4-Staff-21 Ref: Exhibit 4/Tab 1/Schedule 2/Table 4-3 – Billing and Collecting

In Table 4-3, KWHI documents its OM&A expenses by account. With respect to Billing and Collecting, the increases in 2012 to 2014 are largely shown by increases over 10% per annum in Account 5315 – Customer Billing and Account 5320 – Collecting, as shown below:

Account Description	Last Rebasing Year (2010 Actuals)	2011 Actual	2012 Actual[2]	Bridge Year 2013[3]	Test Year 2014
Billing and Collecting					
5305 Supervision	$ 198,624	$ 237,871	$ 242,320	$ 256,000	$ 278,700
5310 Meter Reading Expense	$ 474,328	$ 437,507	$ 800,933	$ 529,600	$ 512,400
5315 Customer Billing	$ 1,324,913	$ 1,338,095	$ 1,414,088	$ 1,620,800	$ 1,857,200
5320 Collecting	$ 722,738	$ 772,098	$ 909,893	$ 1,063,800	$ 1,138,500
5325 Collecting - Cash Over and Short	$ 109	$ 103			
5330 Collection Charges	$ 25,764	$ 28,531			
5335 Bad Debt Expense	-$ 46,363	$ 103,015	$ 146,917	$ 147,000	$ 147,000
5340 Miscellaneous Customer Accounts Expenses		$ 2,682			
Total - Billing and Collecting	$ 2,700,114	$ 2,919,902	$ 3,514,152	$ 3,617,200	$ 3,933,800

a) Please identify the drivers of the increase in customer billing, differentiating between the move to monthly billing addressed in 4-Staff-3 above.
b) Please identify the drivers of the increases in customer collecting expenses.

4-Staff-22 Ref: Exhibit 4/Tab 2/Schedule 8/Attachment 1 – Appendix 2-J

In the Attachment to this exhibit, the hardcopy of Appendix 2-J refers to 2012, 2013 and 2014 as being reported under MIFRS, and the 2014 OM&A is documented as $18,523,801. In the Chapter 2 Appendices filed in Microsoft Excel format on June 21, 2013, Appendix 2-J shows all years under CGAAP and the 2014 test year OM&A

forecast is $18,523,200. Please confirm that the Microsoft Excel version of Appendix 2-J is the correct one corresponding to KWHI's revised Application.

4-Staff-23 Ref: Appendix 2-M and Exhibit 4/Tab 2/Schedule 3 – Regulatory Costs

In Exhibit 4/Tab 2/Schedule 3, KWHI documents that it has $272,500 of one-time costs associated with the preparation of this Application, and it proposes to recover these costs over 4 years at $68,000 per year.

In the Microsoft Excel version of Appendix 2-B, KWHI provides the following table showing one-time costs for this Application:

Please fill out the following table for all one-time costs related to this cost of service application

		Historical Year(s)	2013 Bridge Year	2014 Test Year
4	Expert Witness costs for regulatory matters		$ -	$ -
6	Consultants' costs for regulatory matters	$ 61,788	$ 107,000	$ -
7	Operating expenses associated with staff resources allocated to regulatory matters	$ 55,030	$ 67,000	$ -
8	Operating expenses associated with other resources allocated to regulatory matters [1]	$ 8,352	$ 28,400	$ -
11	Intervenor costs	$ 36,888	$ 70,000	

This table documents $162,058 for historical years (pre-2013) and $272,400 for 2013. No costs are shown for 2014 as KWHI has proposed that new rates will be in place for January 1, 2014.

a) Please explain each of the costs shown for the historical year(s), including how these are one-time costs associated with this current cost of service Application.
b) How are the historical year costs, before 2013, being recovered in KWHI's Application?
c) Please confirm that the operating expenses for internal KWHI staff and resources being allocated as one-time costs for this Cost of Service Application are incremental to the normal OM&A budget recovered in existing distribution rates.

4-Staff-24 Ref: Exhibit 4/Tab 3/Schedule 1 – Information Technology Expenses

On pages 15 to 19 of this exhibit, KWHI documents the annual expenses for Information Technology. KWHI documents the following for I.T. expenses by year.

Activity	2010	2011	2012	2013	2014
	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Information Technology	1,190,006	1,266,025	1,277,076	1,543,800	1,811,500

KWHI explains that the expenses include salary increases of about $40.2K for 2013 and $59.2K for 2014. Even taking these into account, the year-over-year increases for 2013 and 2014 would exceed the materiality threshold of $175K.

a) Please provide further explanation of the IT projects documented on page 16 associated with the increases for 2013 and 2014.
b) Please provide the year-to-date and the estimate for 2013 year-end for Information Technology expenses based on the work and projects being done this year.

4-Staff-25 Ref: Exhibit 4/Tab 4/Schedule 1 and Appendix 2-K

KWHI documents that it expects to have a Full-time Equivalent complement of 177 by December 31, 2014. KWHI also notes that, in addition, it employs a number of co-op students in various departments. KWHI notes that 13 co-op students are hired to develop the necessary skills and that, particularly for certain skilled positions, such as for Powerline Technicians, KWHI would to be able to hire some as part of succession planning for retiring employees.

On page 8 of this exhibit, KWHI states:

> KWHI's employee complement, compensation and benefits are set out in Appendix 2 - K. Appendix 2 - K reports the actual wages and salaries paid, rather than the general ledger balances and does not include members of the Board (Directors), temporary employees or students.

Please complete Appendix 2-K documenting the all employee complement and compensation representing the complete full-time equivalent employees based on all full-time and part-time employees, including co-op students. KWHI may wish to use the amended Appendix 2-K as issued with the Filing Requirements for Transmission and Distribution Applications issued on July 17, 2013.

4-Staff-26 Ref: Exhibit 4/Tab 7/Schedule 1/Table 4-21

The Board issued updated Filing Requirements for Transmission and Distribution Applications, and associated Microsoft Excel spreadsheet Appendices on July 17, 2013. In the updated Appendices, the instruction for using Appendix 2-C CGAAP tab in documenting depreciation expense, states:

> If an applicant chooses to remain on CGAAP or adopt ASPE and make the capitalization and depreciation expense policies in 2012, the applicant must complete Appendix 2-CN to Appendix 2-CQ (inclusive).

KWHI provided the depreciation expenses for 2009 to 2014 under CGAAP in Table 4-21. However, KWHI has not provided the supporting calculations of the depreciation expenses in each year in Appendices 2-CN to 2-CQ.

Please complete and file Appendices 2-CN to 2-CQ and reconcile the amounts with Table 4-21.

4-Staff-27 Ref: PILS Work Form for 2013 Filers: Adjusted Taxable Income-Bridge Year Tab and Chapter 2 Filing Requirements for Electricity Distribution Rate Applications, S.2.7.5, p.33, dated July 17, 2013

The 2014 COS Filing Requirements state:

> Regulatory assets (and regulatory liabilities) should generally be excluded from PILs calculations both when they were created, and when they were collected, regardless of the actual tax treatment accorded those amounts.
>
> In the Income Tax/ PILs Work Form: Adjusted Taxable Income-Bridge Year Tab, KWHI included under “Other Additions” the amount of $3,676,200 for Account 1576 which is not consistent with the COS Filing Requirements. The amount of $3,676,200 for Account 1576 should not be included under the “Other Additions”.

Please remove the Account 1576 amount of $3,676,200 from the Adjusted Taxable Income – Bridge Year, “Other Additions” (PILS Work Form) and file the revised Adjusted Taxable Income for the Bridge Year Tab.

4-Staff-28 Exhibit 4/Tab 8/Schedule 1 – Discussion Regarding the PILs Calculation

In this exhibit, KWHI discusses the issue that it sees has arisen due to the change in depreciation rates, which generally widens the gap between depreciation rates for financial reporting and rate-setting purposes, and the Capital Cost Allowance (“CCA”) rates used for tax calculations. In the short term, this results in reductions to taxable income, estimated at about ($2M) for 2013 and ($6M) for 2014, and hence reduced estimated PILs expenses. These reductions are beyond the impacts of reductions to corporate income tax rates since KWHI's last cost of service application.

In addition to its analysis, on pages 15-16 of this exhibit, KWHI makes several conclusions and proposals on this issue.

a) What specific approvals is KWHI seeking from the Board in this application? If KWHI is seeking an accounting order, please provide KWHI's proposed draft accounting order.
b) CCA rates are set by the Canada Revenue Agency pursuant to the Federal *Income Tax Act*. On what basis does KWHI make the statement "it would seem possible that the Ontario Energy Board Act could be revised to include revised CCA rates for PILS"? What is KWHI proposing with this statement?

Exhibit 5 – Cost of Capital

5-Staff-29 Ref: Exhibit 5/Tab 1/Schedule 2, Exhibit 5/Tab 1/Schedule 4/Attachment 2, Exhibit 5/Tab 1/Schedule 4/Attachment 4, Appendix 2-OB (2014) – Affiliated Debt Rate

Table 5-6 shows that KWHI has proposed a 4.13% weighted average long-term cost of debt for 2014, subject to any update to be issued by the Board in accordance with the Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (the "Cost of Capital Report"), issued December 11, 2009. This is composed of an Infrastructure Ontario loan with a rate of 4.28% and affiliated loans to the shareholders, the City of Kitchener and the Township of Wilmot, which attract the Board's deemed long-term debt rate.

The copy of the Promissory Note between KWHI and the City of Kitchener filed in Exhibit 5/Tab 1/Schedule 4/Attachment 2 states that the Established Rate for the Promissory Note, effective January 1, 2003, is the Ontario Energy Board Established Rate.

The Microsoft Excel version of Appendix 2-OB for 2014 corresponds with Table 5-6. However, the copy shown in the Application in Exhibit 5/Tab 1/Schedule 4/Attachment 4 shows a rate of 6.00% for the shareholder loans with the City of Kitchener and the Township of Wilmot.

a) Please confirm that the "Ontario Energy Board Established Rate" documented in the executed Promissory Note refers to the Board's issued deemed long-term debt rate. In the alternative, please explain.
b) Please explain the rate of 6.00%, rather than the deemed long-term debt rate, shown for the shareholder loans for 2014 in Exhibit 4/Tab 1/Schedule 4/Attachment 4.

5-Staff-30 Ref: Exhibit 5/Tab 1.Schedule 4 – Long-term Debt

In this exhibit, KWHI states:

> KWHI does not currently have plans to take on additional long term debt at this time. KWHI notes; however, that its cash balances have been decreasing at a rate of approximately $3,000,000 per year and the issuance of new debt over the next rebasing cycle may become unavoidable.

Please explain the reasons why the cash balance is decreasing by approximately $3 million per annum.

Exhibit 6 – Revenue Requirement and Revenue Sufficiency/Deficiency

6-Staff-31 Ref: Exhibit 6/Tab 1/Schedule 2 /Table 6-6

Please augment Table 6-6 showing the achieved Return on Equity in each year, including the 2010 Board-approved and the 2013 bridge and 2014 test year estimates, and based on both actual and deemed capital structures.

6-Staff-32 Ref: Exhibit 6/Tab 1/Schedule 3/Table 6-10

In this exhibit, in Table 6-10 and on the following page, KWHI describes the drivers of its revenue sufficiency. Table 6-10 is replicated below.

Table 6-10

Summary of the Components of Revenue Sufficiency

Driver	Increase (Decrease) from 2010 Board Approved ($)	Increase (Decrease) from 2010 Board Approved (%)	Impact on Revenue Sufficiency ($)	Impact on Revenue Sufficiency (%)	Evidentiary Reference
Net Fixed Assets	44,325,665	31.96%	(832,510)	36.5%	Exhibit 2
Working Capital	3,422,063	14.87%	(120,326)	5.3%	Exhibit 2
Cost of Capital (Deemed)	-1.32%	-18.06%	172,126	-7.6%	Exhibit 6
Distribution	276,351	1.12%	(1,556,197)	68.3%	Exhibit 4

Expenses					
PILs (Deemed)	(2,820,697)	-86.68%	(26,979)	1.2%	Exhibit 4
Other Revenue	177,688	9.55%	126,959	-5.6%	Exhibit 3
Transformer Ownership Allowance	(54,244)	-7.49%	(41,694)	1.5%	Exhibit 3
Throughput Revenue	(2,050,740)	-5.31%	(2,278,621)	100.0%	

a) Please explain the derivation of the entries in Table 6-10.
b) Transformer Ownership Allowance is listed as a driver of the revenue sufficiency. The overall revenue sufficiency of $2,278,621 corresponds with that shown in the RRWF for the June 21, 2013 updated Application. The RRWF calculates and summarizes the service revenue requirement and the base revenue requirement before the Transformer Ownership Allowance credit is added on for the purpose of factoring the recovery of the credit amount to be collected from customers in affected classes. In effect, the Transformer Ownership Allowance is treated as a pass-through cost and the utility is held harmless for compensating customers that provide their own transformation. In this case, please explain how the Transformer Ownership Allowance can be a driver of the revenue sufficiency for the service and base revenue requirement.
c) Please provide an update for Table 6-10 reflecting the revenue requirement as updated in the August 9, 2013 filing. This update should also reflect any changes that KWHI is making in responses to interrogatories from Board staff and other intervenors.

Exhibit 7 – Cost Allocation

7-Staff-33 Ref: Exhibit 7/Tab 1/Schedule 1, Exhibit 8/Tab 1/Schedule 1 – GS > 50 kW Class Split

a) On what basis did KWHI ascertain that “the cost to service customers above and below 1350 kW is not significantly different (beyond the cost of supplying and installing a transformer)?
b) In the fixed/variable (“F/V”) ratios shown in Table 8-5, KWHI documents a n F/V split of 23.3%/76.7% for the GS > 50 kW class compared to a 66.7%/33.3% split for Large Use. The proposed monthly service charge for GS > 50 kW customers is $237.32 versus $14,501.61 for Large Use customers. Customers in the GS 1350-4999 kW category would have attributes probably intermediate between many GS > 50 kW customers with demand below 1350 kW and Large Use customers. Has KWHI considered the issue of a more accurate cost allocation

and a rate design better aligned with the cost to serve, including the F/V split, for GS 1350-4999 kW customers?

7-Staff-34 Ref: Exhibit 7/Tab 1/Schedule 1/page 3 – Wholesale Meters

KWHI has not identified any metering cost for the Embedded Distributor (worksheet I-7.1), and has not identified any cost of wholesale metering (Sub-account 1820-3 in worksheet I-3).

Please describe any meters that are owned and/or operated by KWHI that measure the load (kW) of Waterloo North, as distinct from the loads of customers, including the cost of such meters and O&M costs that are associated with them.

Exhibit 8 – Rate Design

8-Staff-35 Ref: Exhibit 8/Tab 1/Schedule 1 – Fixed/Variable Split and Proposed Rates

Below Table 8-5, KWHI states: "Consistent with recent Board Decisions on Cost of Service Applications, KWHI is proposing to maintain the current fixed/variable proportions for all rate classes except for Residential"

Two pages later, above Table 8-8, KWHI states: "This application proposes to adjust the fixed/variable split on rate classes where this is permitted. The proposed Fixed/Variable split is presented in Table 8-8 below."

Tables 8-5 and 8-8 show different fixed (revenue) ratios.

In response to the Board's letter of August 1, 2013 requesting additional information per the Filing Requirements for Transmission and Distribution Applications issued July 17, 2013, KWHI filed updated evidence, including an updated Cost Allocation model and proposed rates on August 9 and 13, 2013.

a) If necessary, provide updates to applicable Tables in Exhibit 8 to correspond with the updated evidence filed on August 9 and 13, 2013.
b) Please confirm whether KWHI is maintaining existing F/V ratios or changing them. Please explain the rationale for KWHI's proposal.

8-Staff-36 Ref: Exhibit 8/Tab 2/Schedule 1/p. 2 – Retail Transmission Service Rates

KWHI is proposing to increase its RTSRs by 7% (Network) and 2% (Connection), observing that there has been a gap between wholesale cost and RTSR revenue in recent years.

Please provide year-to-date amounts and projected 2013 year-end amounts for Accounts 4066, 4068, 4714 and 4716.

8-Staff-37 Ref: Exhibit 8/Tab 2/Schedule 1 and Attachment 1 – Retail Transmission Service Rates

In light of the timing of its filing of its Application, KWHI noted that there was no 2014 Retail Transmission Service Rates ("RTSR") model available, and filed a copy of the 2013 RTSR model approved in its 2013 IRM application EB-2012-0143.

A 2014 RTSR model was issued on July 17, 2013 as part of the updated Filing Requirements for Transmission and Distribution Applications. The model is available on the Board's website at http://www.ontarioenergyboard.ca/OEB/_Documents/2014EDR/2014%20RTSR%20MODEL_V4.0_20130715.xlsm .

Please file an updated 2014 RTSR model and update Exhibit 8/Tab 2/Schedule 1, as necessary.

8-Staff-38 Ref: Exhibit 8/Tab 3/Schedule 1/Attachment 1, Appendix 2-V, Revenue Requirement Work Form/Tab "Rev_Reqt" – Distribution Rate Revenue

The RRWF and Appendix 2-V show 2014 distribution rate revenue of $37,414,668, whereas Table 8-17 shows rate revenue (after Transformer Ownership Allowance) of $35,259,622. Please explain which of these numbers is correct, and if necessary please recalculate the proposed distribution rates.

8-Staff-39 Ref: Exhibit 8/Tab 1/Schedule 1/p. 4, Exhibit 8/Tab 3/Schedule 3/Attachment 1, Cost Allocation Model/Sheet O-2 – Residential Monthly Service Charge

The proposed tariff sheet and the Bill Impact sheet in Attachment 1 show a proposed Monthly Service Charge of $11.72, and a Distribution (sub-total B) bill impact of 15.72%. In contrast, Appendix 2-W shows a proposed charge of $12.53 and an impact of 20.83%. This charge appears to be consistent with the cost allocation model and the statement at Exhibit 8-1-1, top of p. 4. Please clarify which charge KWHI is proposing for the Residential class.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-40 Ref: Exhibit 9/Tab 1/Schedule 1 – Differences from RRRs

On page 15 of this exhibit, KWHI states that the balances of Account 1588 – LRAMVA differs from the December RRR 2.1.7 Trial Balance as "[t]he transactions to this account were not recorded until after the trial balance for 2012 was submitted on April 30, 2012."

a) Please confirm the date that the 2012 trial balance was submitted to the Board under RRR 2.1.7.
b) The final OPA report for 2011 CDM programs was issued to KWHI in 2012 Q3. Please explain why the Account 1568 entries were not recorded until after the 2012 trial balance was submitted.

9-Staff-41 Ref: Exhibit 9/Tab 1/Schedule 3 – Account 1508 sub-account IFRS Transition Costs

In this Exhibit, KWHI documents that it is applying for disposition of the IFRS Transition Costs sub-account balance, with a principal amount of $191,266 to December 31, 2012 plus carrying charges.

However, as KWHI has documented elsewhere in its Application, KWHI has not fully adopted IFRS for financial reporting purposes, and has not completed all changes necessary to adopt IFRS.

The Board's general policy and practice is not to dispose of the Account 1508 sub-account IFRS Transition Costs until the distributor has completed its adoption of IFRS for financial and regulatory purposes and so has a complete record of such costs to review.

Board staff notes that S.2.12.3 of the 2014 Filing Requirements refer to Accounting Procedures Handbook – FAQ #1 and FAQ #2, dated October 2009 and states the following with respect to the disposition of Account 1508 Other Regulatory Assets, Sub-account Deferred IFRS Transition:

> As per the October 2009 APH FAQ #1 and FAQ #2, an applicant must file a request for review and disposition of the balance in Account 1508 Other Regulatory Assets, Sub-account Deferred IFRS Transition Costs or Account 1508 Other Regulatory Assets, Sub-account IFRS Transition Costs Variance, in its next cost of service rate application immediately after the IFRS transition period.

Given that KWHI's IFRS adoption will be on January 1, 2015 and given S.2.12.3 of the 2014 filing requirements, please explain why KWHI is seeking disposition of the $197,646 balance in this current rate application instead of requesting disposition in the next rate proceeding when the IFRS transition period is complete.

9-Staff-42 Ref: Exhibit 9/Tab 1/Schedule 1/p. 11 and Accounting Procedures Handbook, Article 490, p. 9

The APH guidelines require the accrual of both revenues and expenses.

KWHI indicated that that it uses the accrual method of accounting for its expenses but did not indicate if KWHI uses accrual for DVA revenues.

a) What method of regulatory accounting, i.e. cash versus accrual, does KWHI use for its DVA revenues starting in 2012 and onwards?
b) If KWH does not use the accrual basis for its DVA revenues, please explain why not and please quantify the total accrued DVA revenues for 2012.

9-Staff-43 Ref: Exhibit 9/Tab 1/Schedule 1/p. 15, Exhibit 9/Tab 1/Schedule 2/Table 9-5 – Total Claim by Account Number, 2014 Filing Requirements for Transmission & Distribution Applications: Chapter 2 Appendices, Appendix 2-TB and DVA Work Form (WF) for 2013 Filers – Account 1592, PILs and Tax Variance for 2006 and Subsequent Years – Sub-account HST/OVAT Input Tax Credits

Appendix 2-TB of the 2014 Filing Requirements requires that 100% of the balance in Account 1592, PILs and Tax Variances for 2006 and Subsequent Years, Sub-account HST/OVAT Input Tax Credits (ITCs) be recorded in this table in Appendix 2-TB.

KWHI is requesting disposition for the balance of $162,202, refund to customers for Account 1592, sub account HST/OVAT ITCs. KWHI indicates that the credit balance of $162,202 reported in the DVA WF in Account 1592 –PILS & Taxes Variance – Sub-account HST/OVAT is 50% of the balance reported in this sub-account as of December 31, 2013, as 50% of the savings flow back to customers (as per Board direction).

Board staff notes that KWHI did not provide the analysis required in the filing requirements.

Please complete and file Appendix 2-TB (an update issued on July 17, 2013 as part of the Filing Requirements for Transmission and Distribution Applications, replacing Appendix 2-T from the 2013 Filing Requirements) showing 100% of the balance in Account 1592, Sub-account HST/OVAT ITCs.

9-Staff-44 Ref: Exhibit 2/Tab 3/Schedule 3, Appendix 2-B: Fixed Asset Continuity Schedules for 2011-13, Revenue Requirement Work Form/Cost of Capital Tab, Appendix 2-EB (as part of KWHI's August 9, 2013 update in response to the Board's Request for Information dated August 2-ED, Chapter 2 Filing Requirements for Electricity Distribution Rate Applications, S.2.12.5, p.53, dated July 17, 2013 - Account 1576, Accounting Changes Under CGAAP

In Appendix 2-ED, Board staff noted that there are differences between the individual balances listed under the PP&E Values under former CGAAP, the individual balances listed under the PP&E Values under the revised CGAAP and the balances in Appendix 2-B for 2012 and 2013. In addition, Board staff also noted that the Weighted Average Cost of Capital (WACC) rate used of 7.31% in Appendix 2-ED is different from the Revenue Requirement WACC of 5.99%.

Board policy and the 2014 filing requirements require the applicant to have a separate rate rider for disposition of the balance in Account 1576.

> A separate volumetric rate rider for Account 1576 for the clearance of the Account balance over the proposed disposition period, including all calculations showing its derivation.

Board staff noted that, in the August 9, 2013 KWHI's letter responding to the Board's Request for Information, KWHI indicated that KWHI believes that the distribution revenue is the appropriate measure for this rate rider instead of KWHI's volumetric data as per the filing requirements.

a) Please reconcile all the figures under the former CGAAP and revised CGAAP in Appendix 2-ED to the applicable Appendices 2-B for the opening net PP&E, Net Additions, Net Depreciation, and Closing net PP&E for 2012 to 2013. Please file the necessary revised schedules if required.
b) Please update Appendix 2-ED to reflect the correct weighted average cost of capital and the 1576 rate rider calculation.
c) Please recalculate separate rate riders for Account 1576 using volumetric data.

9-Staff-45 Ref: Exhibit 9/Tab 1/Schedule 1/p. 16 & Table 9-4 "Interest Calculation to December 31, 2013 on Deferral and Variance Account Balances" and Exhibit 9/Tab 1/Schedule 2/Table 9-5 and Table 9-10 "Rate Rider Calculation (Net of Global Adjustment)"

At the first reference, on page 16, there is an amount of $37,405 shown under the column "Total" for the "Renewable Connection –OM&A - Account 1532".

The Report of the Board referenced in 2-Staff-2, requires that any distributor who incurred eligible capital and OM&A costs necessary for the purpose of “enabling the connection of qualifying generation facility” (see page 3 at Section 1.1 Regulation 330/09, & first bullet) to calculate the “direct benefits” to customers of the distributor (KWHI in this case) per Section 3.2.2.3 of that same Report of the Board.

a) Please re-file an amended Table 9-4 of the first reference after removing the $37,405 amount for Renewable Connection – OM&A , Account No.1532
b) Please re-file an amended Table 9-5 in the second reference, to remove the $37,405 amount for Renewable Connection – OM&A , Account No.1532
c) Please file a an amended Table 9-10 in the second reference to include in the rate rider calculation the direct benefit portion of the $307, 405 for r the deferral account 1532 per the following approach:
    - First, calculate the “direct benefit” calculation, as prescribed in the second reference, on the $37,405 since the noted OM&A amount is an eligible amount according to the Report of the Board; and
    - Calculate a rate rider to dispose of and recover the portion designated as direct benefit, from the calculation in the bullet above.

LRAMVA

9-Staff-46 Ref: Exhibit 9/Tab 1/Schedule 1, Exhibit 9/Tab 1/Schedule 2, Exhibit 9/Tab 1/Schedule 8 and Exhibit 9/Tab 1/Schedule 11/Attachment 2 of 13 – Appendix B – Account 1568 – LRAMVA

KWHI states that it is applying for disposition of the Account 1568 balance of $414,350, pertaining to the lost revenues from the impact of 2011 CDM programs, including 2010 CDM programs completed in 2011, in 2011 and the persistence in 2012 and 2013 (i.e. up to December 31, 2013).

KWHI is requesting approval of 2011 persisting lost revenues into 2012 and 2013. The persisting 2011 lost revenues in 2012 are $133,215 and in 2013 is $134,156. 2011 lost revenues in 2011 equals $138,214.

a) What balances of Account 1568 have been audited?
b) In other applications, the Board has generally approved the disposition of DVA balances corresponding to the last Audited Financial Statements. In this Application, KWHI’s latest Audited Financial Statements are as of December 31, 2012, and KWHI has requested disposition of other Group 1 and Group 2 DVA balances to December 31, 2012 plus carrying charges to December 31, 2013.

i. Please provide KWHI's views on amending the LRAMVA request to dispose of the balance as of December 31, 2012 plus carrying charges to December 31, 2013.
ii. Please provide the calculations showing what would be the Account 1568 principal balance to December 31, 2012 plus carrying charges to December 31, 2013.

c) In Table 9-5, KWHI shows the Principal Balance for Account 1568 as of December 31, 2012 being $405,585, and carrying charges calculated for January 1 to December 31, 2013 based on that principal balance. In Table 9-21, KWHI shows the 2011 CDM program impacts and persistence by year and customer class, showing that the cumulative impact to December 31, 2012 is $271,429 and the cumulative impact to December 31, 2013 is $405,585. Please reconcile Tables 9-5 and 9-21 as to what is the balance at the end of each year and the calculation of the carrying charges based on applying the prescribed interest rate to the opening principal balance in each month.
d) Please discuss why the 2011 persisting LRAMVA amounts are lower in 2012 than they are in 2013.
e) Please discuss the methodology that was followed in calculating KWHI's 2011 persisting CDM savings in 2012 and 2013.

9-Staff-47 Ref: Exhibit 9/Tab 1/Schedule 1/page 9 and Exhibit 9/Tab 1/ Schedule 8/Table 9-1

KWHI has requested approval for clearance of its LRAMVA – Account 1568 in the amount of $414,350, which includes $8,765 in carrying charges. KWHI's LRAMVA amount includes lost revenues from 2011 OPA Province-Wide CDM Programs in 2011 and persisting in 2012 and 2013.

Please reconcile the LRAMVA amount of $414,350 found at Exhibit 9/Tab 1/Schedule 8/pg. 9 with the LRAMVA amount of $409,452 in the Table 9-1 at Exhibit 9/Tab 1/Schedule 8. Please discuss why there is a difference.

Stranded Meters

9-Staff-48 Ref: Exhibit 9/Tab 1/Schedule 7 – Stranded Meters

On page 3 of this exhibit, KWHI states:

> KWHI has split the costs of the stranded conventional meters by using the split calculated in its 2007 Cost Allocation Informational Filing, Sheet 17.1 Meter Capital (attached as Appendix C). Table 9-20 below shows the

breakdown of stranded meter costs by rate class. Note the total Stranded Meters by Class (C) is the net book value as of December 31, 2013.

Please confirm that the reference should be to Exhibit 9/Tab 1/Schedule 11/Appendix I.