

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, Sched. B, as amended:

AND IN THE MATTER OF an application by Kitchener-
Wilmot Hydro Inc. for an Order or Orders approving or fixing
just and reasonable rates and other service charges for the
distribution of electricity, effective January 1, 2014.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

September 20, 2013

**KITCHENER-WILMOT HYDRO INC.
2014 RATES REBASING CASE
EB-2013-0147**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, Tab 1, Schedule 1

Has there been any change in the transmission assets that were previously deemed by the Board as distribution assets?

1-Energy Probe-2

Ref: Exhibit 1, Tab 1, Schedule 19

What is the current status of the movement of street lighting services to Kitchener Energy Services Inc.?

1-Energy Probe-3

Ref: Exhibit 1, Tab 2, Schedule 9

Does KWHI pay any costs associated with the Board of Directors of its parent company, or the affiliate KESI? If yes, please provide the 2014 test year forecast of these costs to be paid by KWHI and describe the allocation methodology used to determine the amount.

EXHIBIT 2 - RATE BASE

2-Energy Probe-4

Ref: Exhibit 2, Tab 1, Schedule 2

- a) How many months of actual data for 2013 are included in the figures provided in Table 2-2?**

- b) Please provide an updated Table 2-2 that reflects the most recent year-to-date information available for 2013, along with the most current projection for the remainder of the bridge year and any changes that may result in the 2014 test year as a result of the updated 2013 figures.

2-Energy Probe-5

Ref: Exhibit 2, Tab 1, Schedule 2

The variance explanation for Account 1920 shown on pages 33 and 34 reflect four projects that total \$170,000 out of the variance of \$360,000. What is the remaining \$190,000 related to?

2-Energy Probe-6

Ref: Exhibit 2, Tab 2, Schedule 1

- a) Please provide a copy of the most recent available monthly capital expenditure report that compares actual costs compared to budget as noted on page 1.
- b) Has the capital budget forecast for 2014 been reviewed and approved by KWHI's Board of Directors? If not, when will this review and approval take place?

2-Energy Probe-7

Ref: Exhibit 2, Tab 2, Schedule 1, Attachment 1

- a) Has KWHI made any changes to its capitalization policy from that used to set rates in the last cost of service application for 2010 rates, other than the changes related to MIFRS/Modified CGAAP? If yes, please provide details.
- b) Did KWHI make any changes to its depreciation rates from those used to determine the Board approved 2010 revenue requirement prior to the adoption of the modified CGAAP rates in 2012? If yes, please provide details.
- c) Has KWHI made any changes to the modified CGAAP depreciation rates that were adopted in 2012 in 2013 or forecast for 2014? If yes, please provide details.

- d) At page 4, the evidence indicates that full amortization is recorded in the year of acquisition and none in the year of disposal, except for readily identified assets, which are amortized on a monthly basis. Please confirm that this was the same methodology used to calculate the depreciation expense included in the 2012 Board approved revenue requirement. If this cannot be confirmed, please explain any differences in the methodology used for the 2010 test year and that used for actual 2010 through 2012, and forecasts for 2013 and 2014.

2-Energy Probe-8

Ref: Exhibit 2, Tab 2, Schedule 3

- a) Has KWHI used the half year depreciation rule for accounts 1915 through 1960 which are mainly readily identified assets and are amortized on a monthly basis for financial accounting?
- b) Is KWHI proposing to change the depreciation expense recorded for financial purposes to match the half year rule used for regulatory purposes? If not, why not?

2-Energy Probe-9

Ref: Exhibit 2, Tab 3, Schedule 3, Attachment 1

- a) Please explain why the disposals from accumulated depreciation shown for Account 1860 (Meters) in the 2011 fixed asset continuity schedule is larger than the disposals shown for gross assets.
- b) Please explain what assets are included in Account 1995 (OEB Clearing Account) beginning in 2012.
- c) Please explain the disposal of \$72,814 in accumulated depreciation in Account 1850 (Line Transformers - Overhead) in the 2012 fixed asset continuity schedule while there is no corresponding disposal shown for gross assets.
- d) Please explain the disposal of \$36,631 in gross assets without any corresponding adjustment to accumulated depreciation in Account 1915 (Office Furniture and Equipment (10 years)) in the 2012 fixed asset continuity schedule.

- e) Please explain why there are no disposals of gross assets or accumulated depreciation, other than for Account 1930 (Transportation Equipment) shown in the continuity schedules for 2013 and 2014 (see part (f) below). Is this because the assets expected to be disposed of are all forecast to be fully depreciated?
- f) Please explain the disposal of meters in Account 1860 in the 2014 continuity schedule that are not fully depreciated.
- g) The 2014 test year continuity schedule shows a reduction in the depreciation expense of \$643,000 for fully allocated depreciation associated with transportation equipment. How much of this amount has been capitalized and how much has been included in OM&A expenses?
- h) Please explain why KWHI has included additions to computer hardware in CCA Class 10 in both 2013 and 2014. Please confirm that CCA Class 50 is to be used for computer hardware acquired after March, 2007.

2-Energy Probe-10

Ref: Exhibit 2, Tab 3, Schedule 3, Attachment 1

- a) Please provide an updated fixed asset continuity schedule for 2013 that reflects the most recent actual capital expenditures to date in 2013 along with the most current projection for the remainder of 2013, consistent with the response to 2-Energy Probe-4.
- b) Please provide an updated fixed asset continuity schedule for 2014 that reflects the changes noted in part (a) above and is consistent with the response to 2-Energy Probe-4.

2-Energy Probe-11

Ref: Exhibit 2, Tab 4, Schedule 1, Attachment 1

The schedules show that the Year End WIP for 2009 through 2013 range from about \$3.8 million to \$9.3 million and with an average over this period of approximately \$6.2 million. The forecast year end WIP for 2014 is \$3.8 million. Please explain why it is reasonable to assume that the test year WIP will be at the lower end of this historical range.

2-Energy Probe-12

Ref: Exhibit 2, Tab 4, Schedule 3

For each of the projects listed for 2013 (pages 65-79) that includes an expected completion date, please update the completion date, if applicable, to reflect work performed to date and the most current projection of when the project will be completed and placed in service. For any projects that are now expected to be completed beyond the end of 2013, please indicate the amount of expenditures forecast to be included in WIP at the end of the bridge year.

2-Energy Probe-13

Ref: Exhibit 2, Tab 4, Schedule 5

How much of the OM&A smart meter related costs shown on page 3 (\$653,091 O&M, \$379,723 B&C and \$51,649 Admin) are actually incurred in 2012 and how much was incurred in previous years?

2-Energy Probe-14

**Ref: Exhibit 2, Tab 4, Schedule 6 &
Exhibit 2, Tab 3, Schedule 3, Attachment 1**

- a) Please explain the significant increase in the gross asset value of stranded meters shown in Tab 2-8 of Exhibit 2, Tab 4, Schedule 6 between 2009 and 2010.**
- b) Please reconcile the this increase with the figures (including additions) shown for meters in the 2010 fixed asset continuity schedule in Exhibit 2, tab 3, Schedule 3, Attachment 1.**

2-Energy Probe-15

Ref: Exhibit 2, Tab 5, Schedule 1

Please provide a Board file number with respect to the "*generic proceeding/consultation*" referred to in the Board's decision on page 2. Did KWHI participate in the process?

2-Energy Probe-16

Ref: Exhibit 2, Tab 5, Schedule 1

The evidence indicates that KWHI plans to change its residential billing cycles from bi-monthly to monthly in the near future.

- a) What other rate classes does KWHI currently bill on a bi-monthly basis?**
- b) Is the movement of the residential billing cycles from bi-monthly to monthly taking place in 2013 or 2014?**
- c) What are the additional costs included in the 2014 revenue requirement associated with the movement of the residential billing cycle from bi-monthly to monthly billing?**
- d) Has KWHI made any changes associated with bad debt and/or collection expense as a result of the proposed move from bi-monthly to monthly billing? If yes, please provide details. If not, please explain why not.**

EXHIBIT 3 - OPERATING REVENUE

3-Energy Probe-17

Ref: Exhibit 3, Tab 1, Schedule 2

- a) What is the Accounting Changes Under CGAAP shown in Table 3-1 for 2012 and 2013 related to?**
- b) Please explain why and how KWHI's rate of return was decreased to coincide with the revenue requirement created under pre-2012 GAAP**

3-Energy Probe-18

Ref: Exhibit 3, Tab 1, Schedule 4

- a) Please explain why the average loss factor used to adjust the purchases forecast is not for the same period (1997 through 2012) as is the data used to estimate the regression equation, but rather 2000 through 2012. If available, please calculate the loss factor for 1997 through 2012.**

- b) Did KWHI attempt to remove the actual consumption for the Maple Leaf/J.M. Schneider account over the period 1997 through 2012 and run the regression excluding this account which is expected to be closed in 2014? If not, why not?**

3-Energy Probe-19

Ref: Exhibit 3, Tab 1, Schedule 4

Based on the spreadsheet provided, it does not appear that KWHI has forecast any changes in the level of employment or unemployment from that recorded in December 2012.

- a) Please confirm that this is the case and explain why no forecast change to either variable was made.**
- b) Please update the employment and unemployment variables to reflect the most recent data available. Based on those figures, please provide the forecast for 2014. Please also provide the live Excel spreadsheet that reflects this update.**

3-Energy Probe-20

Ref: Exhibit 3, Tab 1, Schedule 4

- a) Please confirm that the GS>50 kW/kWh ratio shown in Table 3-33 has remained relatively flat between 2002 and 2012.**
- b) Please calculate the kW forecast for the 2014 year based on using the average rate for 2002 through 2012 for the GS>50 class.**
- c) What is the impact on the revenue deficiency/sufficiency in 2014 of this change?**

3-Energy Probe-21

Ref: Exhibit 3, Tab 1, Schedule 4

Please provide a table that shows that derivation of the energy purchases and billed kWh forecast for 2014, starting with the 1,906.0 GWh shown in Table 3-19 for purchases and the 1,842.5 GWh Billed forecast noted on page 11, the adjustments for CDM, the large use customer and the embedded distributor to arrive at the energy purchase figure 1,871.8 GWh and billed energy of 1,789.8 GWh shown in Table 3-35.

3-Energy Probe-22

Ref: Exhibit 3, Tab 1, Schedule 5

- a) Please explain why KWHI believes that 2002 and 2012 figures should be included in the averages used to forecast the embedded distributor figures, as shown in Table 3-36.**
- b) Please provide a revised Table 3-36 that only uses 2007 through 2011 data in the calculation of the averages.**
- c) What is the impact on the revenue deficiency/sufficiency if the average calculated in part (b) above was used for the embedded distributor in 2014?**
- d) Please provide the most recent year-to-date consumption (kW and kWh) for 2013 and the corresponding figures for the same period in each of 2007 through 2011.**

3-Energy Probe-23

Ref: Exhibit 3, Tab 1, Schedule 5

With respect to the closure of the Maple Leaf Foods plant, please provide the following:

- a) The reduction in the kWh forecast for 2014 and how this figure was arrived at;**
- b) The most current expectation of when the plant and distribution center will be closed;**
- c) The expected distribution revenue that KWHI will receive in 2014 before the plant and distribution center close;**

- d) The expected use, if known, of the property that houses the plant and distribution center, including any indication of any plans that the City of Kitchener may have for the property;**
- e) Confirmation that KWHI has not included any distribution revenue in the 2014 forecast from this customer. If this cannot be confirmed, please indicate the total distribution revenue included in the 2014 forecast.**

3-Energy Probe-24

Ref: Exhibit 3, Tab 1, Schedule 5

Please update Table 3-39 to reflect actual data for as many months are currently available in 2013.

3-Energy Probe-25

Ref: Exhibit 3, Tab 1, Schedule 9

- a) Please provide the most current year-to-date actual revenues available for 2013 in the same level of detail as shown in Table 3-48. Please also provide the figures for the corresponding period in 2012.**
- b) Please reconcile the 2014 forecast of \$321,800 shown in Table 3-51 for change of occupancy charges with the \$20 proposed rate and 16,680 occurrences in 2014.**
- c) Please explain why KWHI believes that the account setup/change of occupancy charge should be rounded to the nearest \$5.**
- d) Please reconcile the 2014 forecast of \$63,300 shown in Table 3-51 for reconnection charges revenue with the proposed rates and number of occurrences noted on pages 5 through 7.**
- e) Please explain the 50% claw back on the fixed asset gains shown in 2014 in Table 3-48. What are the gains related to?**

3-Energy Probe-26

**Ref: Exhibit 3, Tab 1, Schedule 10 &
Exhibit 3, Tab 1, Schedule 4**

- a) What assumptions has KWHI made with respect to the increase in the number of customers forecast in calculating the SSS and retailer service revenues? In particular, please show the link between the customer forecast in Exhibit 3, Tab 1, Schedule 4 with the increases in revenue shown for 2013 and 2014 in the figure shown in the top table on page 1 of Exhibit 3, Tab 1, Schedule 10.**
- b) With respect to Account 4210, please provide the amount of rent received for its basement for each of the years shown.**
- c) Where did KWHI have its training facilities while the basement was being rented out to a third party?**
- d) Does KWHI have any obsolete inventory in 2013 or forecast for 2014, similar to that written off in 2012? Please explain fully.**

3-Energy Probe-27

Ref: Exhibit 3, Tab 1, Appendix 3-A

- a) Please explain why KWHI has used a non-RPP price of \$0.08717 to calculate the cost of power.**
- b) Please confirm that this figure is sum of \$0.02105 for the load-weighted price for RPP customers and \$0.06612 for the global adjustment in the April, 2013 Regulated Price Plan Price Report. If this cannot be confirmed, please indicate how the \$0.081717 has been arrived at.**
- c) Please recalculate the cost of power for 2014 using a non-RPP price of \$0.08545, being the sum of the global adjustment and the forecast wholesale electricity price.**

3-Energy Probe-28

Ref: Exhibit 3, Tab 1, Appendix 3-C

Please provide the most recent year-to-date figures available for 2013 in the same level of detail as found in Appendix 2-F (excluding Account 4350). Please also provide the figures for the corresponding period in 2012 in the same level of detail.

EXHIBIT 4 - OPERATING COSTS

4-Energy Probe-29

**Ref: Exhibit 4, Tab 1, Schedule 1 &
Exhibit 6, Tab 1, Schedule 1 &
Exhibit 4, Tab 1, Schedule 2**

At page 1 of the Exhibit 4, Tab 1, Schedule 1 evidence it is indicated that controllable expenses increased by \$1.6 million due to the adoption of modified CGAAP in 2012. An analysis of Table 6-3 in Exhibit 6, Tab 1, Schedule 1 shows a difference of \$1,593,886.

- a) Table 4-5 in Exhibit 4, Tab 1, Schedule 2 shows a cost driver in 2012 for accounting changes of \$1,227,168. Please reconcile this figure with the \$1,593,886 noted above and indicate which figure is the actual impact in 2012 due to the adoption of modified CGAAP.**
- b) Is the figure provided in the response to part (a) a good proxy for the difference between CGAAP and modified CGAAP for 2013 and 2014? If not, please provide an estimate of the increase in OM&A in each of 2013 and 2014 as the result of the adoption of modified CGAAP in 2012.**

4-Energy Probe-30

Ref: Exhibit 4, Tab 1, Schedule 1

Table 4-5 reflects an increase in the 2012 OM&A costs for the smart meter decision of \$1,084,463.

Please break this amount down by the year the costs were actually incurred.

4-Energy Probe-31

Ref: Exhibit 4, Tab 1, Schedule 1

At the bottom of page 1, KWHI indicates that the total allowable operating costs will increase by 1.1% between the Board approved level for 2012 and the forecast for 2014.

- a) Please confirm that this increase includes the impact of depreciation expenses.**

- b) What is the increase between the Board approved 2010 level and the forecast for 2014 excluding depreciation costs (i.e. controllable OM&A costs plus property taxes)?

4-Energy Probe-32

Ref: Exhibit 4, Tab 1, Schedule 1 & RRWF

Please reconcile the OM&A figure for 2014 of \$18,523,200 shown in Table 4-1 with the figure of \$18,523,800 used in the RRWF.

4-Energy Probe-33

**Ref: Exhibit 4, Tab 1, Schedule 2 &
Exhibit 4, Tab 1, Schedule 1**

- a) Please confirm the following differences between Table 4-3 and Table 4-1:
- i) Administrative and General lower by \$61,322 in Table 4-3 for 2009;
 - ii) Community Relations lower by \$47,465 in Table 4-3 for 2011;
 - iii) Community Relations lower by \$46,465 in Table 4-3 for 2012; and
 - iv) Administrative and General lower \$5,422 in Table 4-1 for 2012.
- b) Please explain each of the differences noted above in part (a) or as corrected in part (a).
- c) Are some or all of the differences related to expenses that are not recoverable for regulatory purposes? If this is the case, please provide a revised Table 4-1 that only included recoverable expenses for regulatory purposes. Please also provide a revised Table 4-5 that only includes recoverable OM&A costs for regulatory purposes.
- d) Please provide the most recent year-to-date figures available for OM&A expenses in the same level of detail as found in Table 4-1 (excluding property tax and amortization). Please provide the figures for the corresponding period in 2012. In doing so, please do not include any cost incurred prior to 2012, but included in the 2012 OM&A expense, as a result of the smart meter decision.

4-Energy Probe-34

Ref: Exhibit 4, Tab 1, Schedule 2

- a) Please provide the source for the historical inflation rates shown on page 6.**
- b) Please provide the source for the forecasted inflation rates for 2013 and 2014 shown on page 6.**
- c) Please provide the annual inflation rates based on the GDPIPIFDD for 2010 through 2012 (Statistics Canada V62307283, Matrix 380-0066).**
- d) Please provide the annual inflation rates based on the GDPIPIFDD for 2010 through 2012 (Statistics Canada V62307283, Matrix 380-0066).**
- e) Please provide the quarterly year-over year inflation rate for each quarter of 2013 that is currently available (i.e. Q1 2013 vs. Q1 2012, etc.) from the same source referenced in part (c) above.**
- f) The inflation rate for 2013 is shown as 1.6% and that for 2014 is shown as 2.0%. However, the inflation figure shown in Table 4-5 for 2014 is nearly double the amount shown for 2013. Please reconcile and show the calculation of the inflation cost drivers for each of 2011 through 2012.**

4-Energy Probe-35

Ref: Exhibit 4, Tab 2, Schedule 2

- a) What would the increase in payroll costs for 2014 be if the increases for 2012, 2013 and 2014 were reduced to 2.0% per year?**
- b) What percent increases were given to management employees and other non-unionized employees in each of 2009 through 2012, and what is the forecast for 2013 and 2014?**
- c) Please provide the dollar impact of the increases from part (b) above for each year, similar those calculated for unionized employees on pages 1 and 2.**

4-Energy Probe-36

Ref: Exhibit 4, Tab 2, Schedule 2 &
Exhibit 4, Tab 1, Schedule 2

- a) Please explain why there are no reductions shown in 2013 or 2014 in Table 4-5 related to the diversion of resources to OPA programs, as explained on page 3 of Exhibit 4, Tab 2, Schedule 2.
- b) Please provide details on the fully allocated costing methodology used to allocate costs to the OPA programs.
- c) What is the total cost allocated to OPA programs in the 2014 test year?

4-Energy Probe-37

Ref: Exhibit 4, Tab 2, Schedule 2

- a) Please explain the incremental costs for smart meters shown in Table 4-5 for 2013 and 2014 of \$345,000 and \$351,900, respectively. What are the amounts included in 2012 associated with the noted cost drivers: meter reading fees, data systems and software maintenance costs.
- b) The figures imply that in 2014, smart meter related OM&A costs will be \$1,781,363 (\$1,084,463 + \$345,000 + \$351,900). Please confirm that this is accurate, and explain how this is possible given that the \$1,084,563 figure includes expenses incurred prior to 2012. If not, please provide the total smart meter related OM&A costs for the 2014 test year.

4-Energy Probe-38

Ref: Exhibit 4, Tab 2, Schedule 2

The evidence indicates that KWHI is moving to monthly billing in 2013 in order to assist customers with cash flow concerns due to rising electricity bills.

- a) Has KWHI moved to monthly billing? If not, why does KWHI expect to move to monthly billing?
- b) Does the move to monthly billing assist KWHI with its cash flow? If not, please explain fully.

- c) **KWHI is forecasting an increase in collection expense. Please explain why this expense continues to rise despite the efforts to assist customers with their cash flow concerns.**
- d) **KWHI is not forecasting a decrease in bad debt expense. Please explain why there is decrease despite the efforts to assist customers with their cash flow concerns.**

4-Energy Probe-39

Ref: Exhibit 4, Tab 2, Schedule 2

In the paragraph related to the Service Centre on page 5, the last sentence ends with "and are not 100% charged to OM&A". Should "not" be "now"?

4-Energy Probe-40

**Ref: Exhibit 4, Tab 2, Schedule 8 &
Exhibit 4, Tab 1, Schedule 1 &
Exhibit 4, Tab 1, Schedule 2**

- a) **Are the non-recoverable amounts shown in Table 4-7 in Exhibit 4, Tab 2, Schedule 8 included in the amounts shown in Table 4-1 in Exhibit 4, tab 1, Schedule 1?**
- b) **Are the non-recoverable amounts shown in Table 4-7 in Exhibit 4, Tab 2, Schedule 8 included in the amounts shown in Table 4-3 in Exhibit 4, Tab 1, Schedule 2?**
- c) **Are the non-recoverable amounts shown in Table 4-7 in Exhibit 4, tab 2, Schedule 8 included in the amounts shown in Table 4-5 in Exhibit 4, Tab 1, Schedule 2?**

4-Energy Probe-41

Ref: Exhibit 4, Tab 3, Schedule 1

- a) **The analysis of Information Technology expenses provided on pages 15 - 17 indicates that the increase in 2012 was due to a number of items. However, the table shows an increase of only \$11,000 between 2011 and 2012. Please reconcile.**

- b) The increase in information technology costs shown in table are \$266,724 in 2013 and \$267,700 in 2014. The explanations provided on page 16 account for only a fraction of these increases. Please provide a more detail breakdown of the increases in 2013 and 2014 and show the associated dollars with each of the reasons provided on page 16.

4-Energy Probe-42

Ref: Exhibit 4, Tab 7, Schedule 1

The evidence indicates that KWHI has used the half year methodology for both pooled and identifiable assets for the 2014 test year.

- a) **How has the depreciation been calculated for each of these two types of assets in 2009 through 2013? Did KWHI make any changes during this period?**
- b) **How was the depreciation calculated as part of the cost of service application for 2010 rates? Have any changes in the methodology or rates used in that filing been made through to 2013 other than the change in rates in 2012 when KWHI moved to modified CGAAP?**

4-Energy Probe-43

**Ref: Exhibit 4, Tab 7, Schedule 1 &
Exhibit 2, Tab 3, Schedule 3 & RRWF**

Please reconcile the 2014 depreciation expense of \$8,205,852 shown in Table 4-21 in Exhibit 4, Tab 7, Schedule 1 and the resulting net depreciation expense of \$6,077,500 shown in Appendix 2-B for 2014 in Exhibit 2, Tab 3, Schedule 3, Attachment 1 (after adjustments for account 1576 and transportation) to the figure of \$6,164,947 shown in the RRWF. What is the difference of approximately \$87,000 related to?

4-Energy Probe-44

Ref: Exhibit 4, Tab 7, Schedule 1 & Exhibit 2, Tab 3, Schedule 3

The above referenced exhibits indicate that \$643,000 in transportation equipment depreciation has been allocated to capital and OM&A in 2014.

- a) **Please indicate the amount allocated to capital and the amount allocated to OM&A in 2014.**

- b) Is the amount allocated to OM&A in 2014 included in the total OM&A expenses for the test year of \$18,523,200 as shown in Table 4-1 or is this amount in addition to the amount shown in Table 4-1?

4-Energy Probe-45

Ref: Exhibit 4, Tab 8, Schedule 1

- a) Please explain the addition of \$1,000 to taxable income in 2014 shown in Table 4-37. Is this related to recoverable or non-recoverable expenses?
- b) Please indicate what is included in the \$60,000 for Other Additions in 2014 in Table 4-37.
- c) Please provide a breakdown of the \$95,000 in Miscellaneous Deductions shown in Table 4-37 for 2014.

4-Energy Probe-46

**Ref: Exhibit 4, Tab 8, Schedule 1 &
Exhibit 4, Tab 4, Schedule 1**

- a) Please reconcile the 2 co-op students noted on page 4 of Exhibit 4, Tab 8, Schedule 1 with the figures provided at page 4 of Exhibit 4, Tab 4, Schedule 1.
- b) Please reconcile the 2 apprentices that qualify for the Federal Apprenticeship Tax Credit as noted on page 4 of Exhibit 4, Tab 8, Schedule 1, with the figures provided at pages 2-3 of Exhibit 4, Tab 4, Schedule 1. In particular, since the federal credit is available for the first two years of the program, has KWHI taken into account the apprentices hired part way through 2012, those hired in 2013 and those forecast to be hired in 2014?
- c) Please reconcile the three Apprentice Powerline Technicians noted on page 2 of Exhibit 2, Tab 4, Schedule 1 with the statement on the following page that two additional Powerline Technicians are planned for the 2013 bridge year and two more in 2014.

- d) Please reconcile the 5 apprentices that qualify for the Ontario Apprenticeship Tax Credit in 2014 (page 4 of Exhibit 4, Tab 8, Schedule 1) with the numbers of apprentices shown at pages 2-3 of Exhibit 4, Tab 4, Schedule 1. In particular, since the provincial credit is available for the first four years of the apprenticeship, has KWHI taken into account the apprentices hired part way through 2010, along with those hired in 2011, 2012 and forecast to be hired in 2013 and 2014?
- e) Please reconcile the \$6,000 in Ontario Co-op Education Tax Credits based on 2 co-op students noted on page 4 of Exhibit 4, Tab 8, Schedule 1 with number of 3 co-ops shown in Table 4-39 for 2014.
- f) What is the impact on the 2014 taxable income of the Schedule One Adjustment noted on pages 7 and 8 of Exhibit 4, Tab 8, Schedule 1?

4-Energy Probe-47

Ref: Exhibit 4, Tab 8, Schedule 1

- a) Please explain why KWHI has included capital expenditures on computer software in CCA Class 50, rather than in CCA Class 12 in both 2013 and 2014 as shown in Tables 4-43 and 4-44 in Exhibit 4, Tab 8, Schedule 1, despite the continuity statements for these years shown in Appendix 2-B in Exhibit 2, Tab 3, Schedule 3, Attachment 1 indicating that the computer software expenditures are in CCA Class 12.
- b) Please provide revised Tables 4-43 and 4-44 with the computer software additions added to CCA Class 12 rather than Class 50.
- c) What is the impact on the 2014 CCA deduction and the PILs payable for 2014 of this change?

4-Energy Probe-48

**Ref: Exhibit 4, Tab 8, Schedule 1, &
RRWF &
Exhibit 4, Tab 8, Schedule 3**

Page 1 of Exhibit 4, Tab 8, Schedule 3 indicates that the PILs amount calculated using the OEB's Income Tax/PILs workform is \$433,327. However, the actual workform shows a calculated amount of \$420,495. This difference is discussed on page 11 of Exhibit 4, Tab 8, Schedule 1. However, the grossed up income taxes shown in the RRWF is \$429,466. Please reconcile this figure to the two previous figures.

4-Energy Probe-49

**Ref: Exhibit 4, Tab 8, Schedule 2 &
Exhibit 4, Tab 4, Schedule 1**

The Ontario Apprenticeship Training Tax Credit shown in the 2012 filed tax return in Attachment 1 of Exhibit 4, Tab 8, Schedule 2 shows the calculation of the credits for four individuals hired in 2012.

- a) Please confirm that these four individuals hired in 2012 are the same four Powerline Technicians noted on page 2 of Exhibit 4, Tab 4, Schedule 1 as being hired in 2012.**
- b) Why was there no Ontario Apprenticeship Training Tax Credit claimed associated with the two Powerline Technicians hired in 2010 or the four hired in 2011?**
- c) Do any of the other apprentice positions shown in Exhibit 4, Tab 4, Schedule 1 qualify for the Ontario Apprenticeship Training Tax Credit (Meter Technician, P&C Technician, Station Operator Trainee, Engineering Technicians)?**

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

5-Energy Probe-50

Ref: Exhibit 5, Tab 1, Schedule 2

Has KWHI investigated the cost of replacing all or parts of the unsecured promissory notes from the two shareholders with financing from third parties? If not, why not? If yes, please provide all correspondence regarding amounts, term lengths, rates and other terms of any financing available to KWHI.

5-Energy Probe-51

**Ref: Exhibit 5, Tab 1, Schedule 2 &
Exhibit 5, Tab 1, Schedule 3**

Please confirm that KWHI will use the deemed long term debt rate issued by the Board for January 1, 2014 rates, which will be based on September, 2013 data and probably issued in November, 2013 rather than based on January, 2014 market interest rate information as stated in the evidence. If this cannot be confirmed for the deemed long term debt rate, return on equity rate and deemed short term debt rate, please explain.

5-Energy Probe-52

**Ref: Exhibit 5, Tab 1, Schedule 4 &
Exhibit 5, Tab 1, Schedule 1**

Please explain why the interest rate associated with the shareholder loans shown in the 2014 table in Appendix 2-OB of Exhibit 5, Tab 1, Schedule 4 is 6.0% rather than the 4.12% shown in Table 5-2 of Exhibit 5, Tab 1, Schedule 1.

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-53

Ref: All Interrogatories

- a) Please provide a revised RRWF (live Excel spreadsheet) that reflects all changes and/or corrections made to the filing as a result of the interrogatory responses.**
- b) Please provide a tracking sheet that shows the original requested deficiency/sufficiency, the impact of each individual change/correction (with a reference to the interrogatory) that has been made, and the resulting deficiency/sufficiency request.**

EXHIBIT 7 - COST ALLOCATION

7-Energy Probe-54

Ref: Exhibit 7, Tab 1, Schedule 1

Is Table 7-5 based on the changes discussed for Services, Billing and Collection and Meter Capital only? If no, what other changes are included in the changes shown in Table 7-5?

7-Energy Probe-55

Ref: Exhibit 7, Tab 1, Schedule 1

- a) Please confirm that no billing and collection costs, meter reading costs or any administration costs have been allocated to the embedded distributor customer class. If confirmed, please explain why no costs of this type have been allocated to the customer.**
- b) Please confirm that no regulatory costs have been allocated to the embedded customer.**
- c) Please confirm that additional costs were incurred in preparing the cost of service application as a result of the inclusion of the embedded customer class in the cost allocation model and need to calculate the amounts for direct allocation. Please provide an estimate of these costs.**

7-Energy Probe-56

**Ref: August 9 Material &
Exhibit 8, Tab 3, Schedule 3**

Please assume for the purposes of this interrogatory that the proposed revenue to cost ratios shown in Part (c) of Appendix 2-P in the August 9th material are set equal to the Status Quo Ratios values with the exception that the ratios for the Street Lighting and USL are reduced to 120% and the Embedded Distributor class is set to 100% and any revenue shortfall is recovered through an increase in the ratios for the Large User and Residential classes by setting them equal to one another to recover the revenue shortfall.

- a) Please provide the revenue to cost ratio for the Large User and Residential classes required under this approach.**

- b) Please provide revised bill impacts based upon the above approach as shown in Appendix 2-W of Exhibit 8, Tab 3, Schedule 3, Attachment 1.
- c) Please provide a revised Table 8-18 based upon the above approach and the updated August 9 material.

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-57

**Ref: Exhibit 8, Tab 1, Schedule 1 &
August 9 Material**

- a) What would be the proposed fixed charge for the Residential class if KWHI maintained the current fixed/variable proportions for this rate class?
- b) Please add a column to Table 8-7 that shows the current fixed proportion of revenues for the Residential class from the distributors shown in Table 8-7, as referenced in the paragraph immediately preceding the table.
- c) Please provide a revised Table 8-18 (Exhibit 8, Tab 3, Schedule 3) that reflects a Residential fixed charge based on maintaining the fixed/variable split as requested in part (a) above and the August 9 material for the overall sufficiency.

8-Energy Probe-58

Ref: Exhibit 8, Tab 2, Schedule 7

Please explain how the transformer ownership credit works for the Large Use class when there is only one customer forecast to be in that class in 2014. In particular, does this remaining customer provide its own equipment? If yes, please explain why a credit is needed if no costs are being incurred by KWHI for this customer. If no, please explain why the customer is receiving a credit.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-59

**Ref: Exhibit 9, Tab 1, Schedule 9 &
August 9 Update**

- a) Please explain the different net additions and net depreciation amounts shown for 2013 in the August 9 Update (Appendix 2-ED) relative to that shown in Table 9-28 in the original evidence.**
- b) Please explain how KWHI earned the "excess" return on the account balance as noted on the first page under Board Information Request #3.**
- c) Please provide a version of Appendix 2-ED that reflects the WACC applied for in 2014 and follows the calculation shown in Note 2.**
- d) Please show where the Distribution Revenue allocator is calculated that is proposed to be used as the allocator for Account 1576.**
- e) Please provide the allocation by rate class if Total Net Plant plus Directly Allocated Net Fixed Assets (from sheet O1 of the cost allocation model) were used as the allocator for Account 1576, in the same format as that shown in the August 9 material.**