



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. <http://www.piac.ca>

Michael Janigan
Counsel for VECC
613-562-4002

September 24, 2013

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2013-0147 Kitchener-Wilmot Hydro Inc.

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

Encl.

cc. Kitchener-Wilmot Hydro Inc.

Attn: Ms. Margaret Nanninga, V.P. Finance Kitchener-Wilmot Hydro

e-mail: mnanninga@kwhydro.on.ca

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND NO:	# 1
TO:	Kitchener-Wilmot Hydro Inc. (KWHI or Kitchener)
DATE:	September 24, 2013
CASE NO:	EB-2013-0147
APPLICATION NAME	2014 Cost of Service Electricity Distribution Rate Application

1. GENERAL

1.0- VECC- 1

Reference: Exhibit 4, Tab 2, Schedule 2, Schedule 5, Schedule 8

- a) Please explain how KWHI communicates the availability of the LEAP program to its existing and potential customers?
- b) Who is KWHI's LEAP social agency partner?
- c) Has KWHI been provided an accounting of the donations made in 2011 and 2012? If yes please provide this summary.

2. RATE BASE (Exhibit 2)

2.0-VECC – 2

Reference: Exhibit 2, Tab 5, Schedule 1

- a) Please provide KWHI's reduction in working capital requirements that will result from moving from bi-monthly to monthly billing. If no reduction is contemplated please explain why.

2.0-VECC – 3

Reference: Exhibit 2, Tab 4, Schedule 1

- a) Please provide the annual capital expenditures (actual and forecast) for the years 2009 through 2018 for projects related to the distribution system line/voltage upgrade for the Wilmot Township distribution system.
- b) For each year please provide separately any contributions in aid of construction that were provided or are expected for this project.

2.0-VECC – 4

Reference: Exhibit 2, Tab 2, Schedule 5

- a) Please provide the capital contributions by USoA account for which it pertains for the years 2010 through 2014 (forecast).

2.0-VECC – 5

Reference: Exhibit 2, Tab 4, Schedule 3

- a) Please provide an update to the 2013 spending for Roadway Modifications (\$1,155,000). Please indicate the amount spent to-date, the amount anticipated to year-end and the amount committed capital contributions provided by the municipality and or other level of government.

2.0-VECC – 6

Reference: Exhibit 2, Tab 4, Schedule 3

- a) The capital budget for “Replacement of Pole Line Assets Due to Age/Condition” has increased significantly in each year since 2009 rising from \$735K to \$2,575K in 2014. Please explain the reasons for this.
- b) Please provide the budget for this type of project for 2015 through 2018.
- c) Please update the 2013 Pole Replacement budget to show actual spent to-date and (separately) projected year-end spending.

2.0-VECC – 7

Reference: Exhibit 2, Tab 4, Schedule 3

- a) There is a significant increase in the trend in capital spending after 2009. Please explain, in general terms, the reasons for this trend change.

2.0-VECC – 8

Reference: Exhibit 2, Tab 4, Schedule 4/Exhibit 4, Tab 3, Schedule 1 (2013 capital plan)

- a) Are there any plans to move or relocate the administration office or service centre during the next 5 years?

2.0- VECC - 9

Reference: Exhibit 2, Tab 4, Schedule 5, Table 2.7

- a) Please explain what the incremental labour costs of \$360,000 in respect to incremental smart meter costs are for.
- b) Is the \$711,900 in incremental smart meter costs referred to in Table 2.7 net of any reduction in manual meter reading costs?
- c) Please provide the amount paid for manual meter reading in the last full year (2009?) in which all meters were read manually.
- d) Please explain what “Software Escrow Fees” are and are for.

2.0 – VECC – 10

Reference: Exhibit 2, Tab 6, Schedule 2

- a) Please provide the causes of service interruptions by category (see sample table below – or descriptors used by KWHI).

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

2.0-VECC – 11

Reference: Exhibit 2, Tab 4, Schedule 7 / Tab 7, Schedule 1

- a) Please provide the total capital and OM&A Green Energy Plan related costs (separately) that will be incurred in 2013.
- b) Are any of the above costs included in the 2014 revenue requirement and used in the calculation of the proposed new rates?

3. LOAD FORECAST/ OPERATING REVENUE (Exhibit 3)

3.0-VECC – 12

Reference: Exhibit 3, Tab 1, Schedule 4, page 5

- a) For the one large user that is closing down operations, is the “service” being disconnected/discontinued or will a nominal load still continue to exist at the delivery point? If the latter, what is the expected monthly load after closure?

3.0 – VECC – 13

Reference: Exhibit 3, Tab 1, Schedule 4, pages 5-8
Excel Load Forecast Model, Purchased Power Model Tab
2013 Ontario Budget
(<http://www.fin.gov.on.ca/en/budget/ontariobudgets/2013/>)

3-Staff-17 a)

- a) Have sales to Kitchener's embedded distributor always been excluded from Kitchener's power purchase data? If not, for what years was it included and how was the historic purchased power data adjusted to account for this?
- b) Please re-do the regression equation on page 6 without the CDM variable and provide the resulting equation, regression statistics and predicted 2014 purchases.
- c) Why were both employment and unemployment included as variables? Please re-do the regression equation excluding the unemployment variable and provide the resulting equation and regression statistics.
- d) The Excel Load Forecast model filed with the application shows that employment and unemployment levels are forecast to be constant through 2013 and 2014 at December 2012 levels. What is the basis for this forecast?
- e) The 2013 Ontario Budget calls for employment growth increases in 2013 and 2014 of 1.2% and 1.4% respectively and a decrease in unemployment rates. Please what is the forecast power purchases for 2014 using these growth rates in conjunction with:
 - i. The regression model estimated by Kitchener in its Application
 - ii. The regression model developed in response to part (c)?
- f) With respect to Table 3-17, please provide a schedule that sets out the impact as assumed in the regression model from the 2008-2012 CDM programs, showing the impact of each year's programs in each year of the historical period.
- g) Please provide a schedule that sets out the impact as assumed in the forecast for 2013 and 2014 of the CDM programs implemented in 2008 through 2012. Please show the impact of each of these year's programs on the 2013 and 2014 separately.

- h) If the final 2012 OPA Report (as requested in 3-Staff-17 a)) is not available, please provide any preliminary reports the OPA has produced on CDM savings from 2012 programs.

3.0 – VECC –14

Reference: Exhibit 3, Tab 1, Schedule 4, pages 11-14

Exhibit 3, Tab 1, Schedule 5, pages 4-5

Excel Load Forecast Model, Retail Class Energy Model Tab

- a) Contrary to the text in the Application (Schedule 5, page 5, lines 10-11) there is no adjustment shown to the Large User rate class forecast at the referenced cell. Please provide the derivation of the 2014 Large User class load prior to the loss of Maple Leaf Foods.
- b) The Retail Class Energy Model Tab does not show the actual calculation (i.e. formulae used) to determine the Non-normalized weather billed energy by class as set out in Table 3-26, please provide a version that does so.
- c) Please provide Kitchener's actual customer count by rate class (comparable to Table 3-20) for the end of June 2013.

3.0 – VECC – 15

Reference: Exhibit 3, Tab 1, Schedule 4, pages 15-18

Board Decision and Order re: Centre Wellington Hydro's 2013 Rates (EB-2012-0113), pages 6-7

- a) On page 15, the text at lines 6-8 suggests that the -3 GWh difference for 2014 is prior to CDM adjustments, whereas the text at lines 24-26 suggests it is after. Please reconcile. Also, is the value -3 GWh or - 0.3 GWh?
- b) In its Decision regarding Wellington Hydro's 2013 rates the Board directed that the impact in the first year of a CDM program be adjusted using the "half-year rule". Please recalculate the manual adjustment for 2014 (per Table 3-29) so as to be consistent with on the Board's direction in the Centre Wellington Decision.
- c) Please indicate how the 61,748 kW value for the GS>50 LRAM (Table 3-30) was calculated.

3.0 – VECC – 16

Reference: Exhibit 3, Tab 1, Schedule 5, page 2

- a) If 2012 was an anomaly, why not determine the historical average without this year's value?

3.0 – VECC –17

Reference: Exhibit 3, Tab 1, Schedule 8, page 1

- a) Please explain further why the customer contracting for the OPA's DR3 program resulted in no standby charges.
- b) Will the customer be participating in DR3 in 2014? If not, why are there assumed to be no standby charges?

3.0 – VECC – 18

Reference: Exhibit 3, Tab 1, Schedule 9, page 1

- a) Please provide the 2013 year to date Other Revenues at the level of detail set out in Table 3-48 and provide the 2012 values for the same period.
- b) Does Kitchener have any micro-fit customers? If yes, how many were there in 2012; how many are forecast for 2013 and 2014; and where are the revenues reported in Table 3-48?

3.0 – VECC –19

Reference: Exhibit 3, Tab 1, Schedule 9, pages 5-8

- a) Are separate charges applied to both the disconnect and the reconnect activities or does the proposed charge cover both activities?
- b) Please confirm that the after regular hours charge only applies if a reconnection is requested after regular hours and does not apply if only the disconnection is done after hours.
- c) Please confirm that there are no "credit agency costs" associated with Kitchener's proposed Credit Reference/Check charge.

4. OPERATING COSTS (Exhibit 4)

4.0 - VECC- 20

Reference: Appendix 2-K KW Revised Filing Requirement or Exhibit 4, Tab 4, Schedule 1, Attachment 2 of 2

- a) Please provide the month ending August 31 total salary and wages and (separately) the project year-end payments.
- b) Please show the difference in 2012 MCGAAP and CGAAP for capitalized compensation (i.e. restate 2012 total compensation capitalized under CGAAP).

4.0 - VECC- 21

Reference: Exhibit 4, Tab 1, Schedule 2 – 2010 comparisons

- a) Please provide a breakdown comparison (major elements) of account 5655 – Regulatory Expense for 2010 vs. 2014.
- b) Please provide a breakdown comparison of account 5315 – Customer Billing for 2010 vs. 2014.
- c) Please provide a breakdown comparison of account 5310 – Meter Reading Expense for 2010 vs. 2014.

4.0 - VECC- 22

Reference: Exhibit 4, Tab 2, Schedule 5

- a) Please provide the calculation which shows the derivation of the proposed \$46,000 in LEAP funding for 2014.

4.0 - VECC- 23

Reference: Exhibit 4, Tab 1

- a) Please provide association fees paid to the EDA for each of the years 2010 through 2014 (forecast).
- b) Separately provide and describe the cost of all other association memberships.

4.0 - VECC- 24

Reference: Exhibit 4, Tab 1, Schedule 1, pg.1

- a) KWHI notes that 2012 expenses were increased by \$1.6m due the adoption of MCGAP. Please provide a breakdown showing the element sources of this increase.
- b) At the same reference it notes that 2012 expenses increased by \$1.1m due to the Smart Meter Cost Recovery Decision. Please explain the element sources (i.e. components) of this increase. Is this amount a one-time cost or a recurring incremental part of OM&A?

4.0 - VECC- 25

Reference: Exhibit 4, Tab 3, Schedule 1, pg. 16

- a) Please provide the forecast software maintenance costs for the Outage Management System.

4.0 - VECC- 26

Reference: Exhibit 4, Tab 4, Schedule 1,pg. 10 / Attachment 2

- a) Please reconcile the Benefits shown at Exhibit 4, Tab 4, Schedule 1 with the Total Benefits shown at Appendix 2-K.
- b) Please explain the increase shown in Board Approved 2010 Benefits (943k) as compared to 2010 Actuals (2,671k).

4.0 – VECC – 27

Reference: Exhibit 1, Tab 1, Schedule 19

Preamble: *The street lighting services have been provided by KWHI in the past but are expected to be moved to an affiliate of KWHI, Kitchener Energy Services Inc. (KESI) by mid-2013. KESI is currently in the process of completing service agreements with the City of Kitchener with the other parties to follow. Once the service agreements are final, KWHI will outsource this activity to KESI using a cost recovery basis plus a rate of return. (Page 1 of 1).*

- a) The evidence implies that after the service agreement KESI will contract with KWHI to serve the City of Kitchener. Please confirm this correct interpretation of the above statement.
- b) If so, please explain why KESI is not contracting directly with the City of Kitchener. In your response please detail what if any relationship is expected between KWHI and KESI in 2014.

4.0 - VECC- 28

Reference: Exhibit 4, Tab 5, Schedule 1, Table 4-19

- a) Do the items marked "Revenue" in Table 4-19 represent the costs incurred by KWHI for streetlight related activity made on behalf of the municipalities?

4.0-VECC – 29

Reference: Exhibit 4, Tab 6, Schedule 1, Attachment 1 of 1

Preamble: KWHI's Procurement Policy reads in part: *"Where the estimated value of goods or services required exceeds \$100,000 the purchase shall be made by a request for sealed tenders"*.

- a) KWHI's Non-Affiliated Vendors list shows a number of purchases which exceed the \$100k value, but which appear not to have been tendered (i.e. subject to quote). Please explain this apparent discrepancy.
- b) Was the Mearie Group insurance purchase subject to a competitive process? If yes, please explain the process. If not, please explain why not and what steps were taken to ensure that the insurance package purchased was competitive with other offerings.

4.0-VECC – 30

Reference: Exhibit 4, Tab 7, Schedule 1

- a) What would be the 2014 revenue requirement adjustment if all the useful lives of assets chosen by KWHI were compliant with the Kinectrics recommendations (i.e. elimination of variations shown in Table 4-24 through 4-33)?

4.0-VECC – 31

Reference: Exhibit 4, Tab 2, Schedule 8, Attachment 1 of 1

- a) Please update Appendix 2-G 2013 column to show the OM&A spent to-date (month ending August) and, in a separate column the projected spending for the remainder of the year.

COST ALLOCATION (Exhibit 7)

7.0-VECC – 32

Reference: Exhibit 7, Tab 1, Schedule 1, pages 2-4

- a) Please explain why the Billing & Collecting weighting factor for GS<50 is 0.80 – less than that for Residential.
- b) Please explain why there is no weighting factor assigned to the Embedded Distributor for Billing & Collecting.
- c) Please explain why there is no Meter Capital cost assigned to the Embedded Distributor.
- d) Please explain why there is no Meter Reading cost assigned to the Embedded Distributor.

7.0-VECC – 33

Reference: Exhibit 7, Tab 1, Schedule 1, pages 5-7

- a) Please confirm that directly allocated asset costs are not included in the allocation factor used in the Board's CA Model to assign General Plant (i.e., generally the 1900 series accounts) costs. This can be seen from an examination of Sheet O5.
- b) Please confirm that Kitchener has not included the capital cost of any General Plant in its direct allocation (per Table 7-6).
- c) Is it Kitchener's view that the Embedded Distributor should not be accountable for a share of any of the General Plant costs? If yes, please list the individual accounts and provide an explanation for each.
- d) Please confirm that directly allocated expenses are not included in the allocation factor used in the Board's CA model to allocate Administrative and General Expenses (i.e. generally the 5600 series accounts). This can also be seen by inspecting Sheet O5.

- e) Is it Kitchener's view that the Embedded Distributor should not be accountable for a share of any of the other Administrative and General Costs? If yes, please list the individual accounts and provide an explanation for each.
- f) Please explain how the direct allocation was established for each of the items listed in Tables 7-6 and 7-7.
- g) Please calculate revised allocators for General Plant and Administrative & General Expenses that include the relevant costs directly assigned to the Embedded Distributor.
- h) Using these allocators from part (g) what dollars from each cost category should be assigned to the Embedded Distributor?
- i) Please re-do the cost allocation directly assigning to the Embedded Distributor the General Plant and Administrative & General Expenses identified above.

7.0-VECC – 34

Reference: Exhibit 7, Tab 1

- a) As required, please update the Tables in Exhibit 7, Tab 1 to reflect the results of the revised Cost Allocation Model run filed on August 9, 2013.

7.0-VECC – 35

Reference: Exhibit 7, Tab 1, Schedule 1, page 10

- b) Please confirm that the load profiles used in the cost allocation are based on 2004 data from Hydro One. If not, what is the basis for the load profiles?
- c) Given the current status of the load profiles used, why is it appropriate to move the revenue to cost ratios for the two GS classes and the Large User class to 100%?

RATE DESIGN (Exhibit 8)

8.0-VECC – 36

Reference: Exhibit 8, Tab 1, Schedule 1, pages 3-4

- a) For each of the Distributors listed in Table 8-7, how does the monthly service charge in their last Cost of Service application compare to the Customer Unit Cost per Month – Minimum System with PLCC Adjustment value as calculated at that time?
- b) Please confirm that the fixed-variable splits used for the GS>50 and Large User classes were prior to adjusting variable revenues for the transformer ownership allowance. If yes, please re-calculate the fixed-variable split and the resulting monthly charge for each class after deducting this allowance.

DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)

8.0-VECC – 37

Reference: Exhibit 9, Tab 1, Schedule 9

- a) In respect to Account 1576, KWHI notes that the calculation is in conformance with the Board's FAQ of July 2012. Is the balance in conformance with the Board's further direction of June 25, 2013 and specifically the inclusion of return component?

8.0-VECC – 38

Reference: Exhibit 9, Tab 1, Schedule 6, pg. 68

- b) KWHI is applying for LRAMVA program persistence for 2013. However, OPA results for 2013 are still outstanding. Please confirm that KWHI believes this request is in accordance with 2012 Guidelines for Conservation and Demand Management EB-2012-0003, Appendix A, page 1 which appears to show that LDCs who rebase in 2013 on a future test year are only eligible for 2013 programs and 2012 and 2011 persistence amounts.

End of document