

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.

**TECHNICAL CONFERENCE QUESTIONS OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

October 22, 2013

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

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

EXHIBIT 2 - RATE BASE

2-Energy Probe-60

**Ref: 2-Energy Probe-10 &
Exhibit 2, Tab 4, Schedule 1 &
2-Energy Probe-12**

- a) Please confirm that the updated fixed asset continuity schedule for 2013 included in the response to 2-Energy Probe-10 shows the same WIP at yearend of \$4,737,686 as in the original evidence at Exhibit 2, Tab 4, Schedule 1.**
- b) The response to 2-Energy Probe-12 indicates that because of delayed completion dates from 2013 to 2014 for a number of projects, there is an increase in WIP of about \$1,000,000. Please explain and show how this increase in WIP forecast for the end of 2013 has been reflected in the amounts closed to rate base in 2013.**

2-Energy Probe-61

**Ref: October 15, 2013 Interrogatory Responses Introduction &
Exhibit 2, Tab 3, Schedule 3, Attachment 1 &
2-Energy Probe-10**

Paragraph 9a of the October 15 Responses indicates there is an increased forecast for 2013 capital expenditures of \$724,900 mainly as the result of delays in delivery of some items from 2012 to 2013.

Does this mean the fixed asset continuity schedule for 2012 needs to be updated from that provided in Exhibit 2, Tab 3, Schedule 1, Attachment 1? If not, please explain why the delay of projects being closed to rate base from 2012 to 2013 does not affect the 2012 continuity schedule. If yes, please provide a revised 2012 continuity schedule.

2-Energy Probe-62

Ref: October 15, 2013 Interrogatory Responses Introduction

Paragraph 10 of the October 15 Responses indicates that there were small changes made to the 2014 capital expenditures forecast. However, the response to 2-Energy Probe-10b shows the same additions as in the original evidence (\$17,654,331). Please reconcile.

EXHIBIT 3 - OPERATING REVENUE

3-Energy Probe-63

Ref: October 15, 2013 Interrogatory Responses Introduction & Revised RRWF & 3-Energy Probe-20 & 3-Staff-15

- a) Paragraph 23 of the Responses notes two changes made to the load forecast, CDM activity variable and adjustment to the kW forecast for the GS>50 class. The revised RRWF shows an increase in distribution revenues at existing rates of \$37,897 from \$38,207,936 to \$38,245,833. The response to 3-Energy Probe-20 indicates that the impact on revenue at existing rates of the change in the forecast for the GS>50 kW forecast is \$220,740 from \$38,207,936 to \$38,428,676. Please confirm that the difference between \$38,428,676 and \$38,245,833 (\$182,843) is the reduction in distribution revenues from the updated CDM variable. If this cannot be confirmed, please provide a reconciliation between the increase in revenues in the revised RRWF and the response to 3-Energy Probe-20 that includes the impact of the change in the CDM variable and any other change(s) that KWHI has made in the load forecast.
- b) Please reconcile the change in the CDM activity variable with the statement at paragraph 25 of the Responses that the load forecast increased by 6,236,427 kWh. In particular, please show the reduction in the load forecast due to the CDM variable as provided in the response to 3-Staff-15 and any other change(s) made by KWHI in the load forecast.
- c) Please provide a summary of all the changes (such as changes to the CDM variable, changes to the CDM adjustment in 2014, changes to the employment and unemployment variables in 2014, etc.) that have been made to arrive at the new kWh forecast of 1,796,009,002. Please show the impact on the kWh forecast of each change that has been adopted, along with the impact on the revenue forecast using current rates that results in the \$37,897 increase shown in the revised RRWF.

- d) Please provide a live Excel spreadsheet that shows the equation and forecast of explanatory variables that results in the kWh forecast of 1,796,009,002 and the accompanying billed energy forecasts, cost of power, etc.

3-Energy Probe-64

Ref: 3-Energy Probe-25

- a) Please provide the annual occurrences for reconnection activity that average 857 for regulator hours and 153 for after regular hours, as shown in the response to part (d).
- b) Please provide the most current year to date figures for 2013 for the number of occurrences for reconnection activity during regular hours and for after regular hours.

3-Energy Probe-65

**Ref: 3-Energy Probe-27 &
Exhibit 3, Tab 1, Appendix 3-A**

Please update the 2014 cost of power to reflect the October 17, 2013 Regulated Price Plan Report, including an RPP price of \$0.089 per kWh and a non-RPP price of \$0.0876 per kWh, as well as the load forecast changes adopted by KWHI in the interrogatory responses. Please provide the updated calculations, as shown in the table in Appendix 3-A. Please also calculate the decrease in the revenue sufficiency as a result of the new load forecast and updated prices noted above.

EXHIBIT 4 - OPERATING COSTS

4-Energy Probe-66

Ref: 4-Staff-8

- a) What is the source of the 2.2% inflation rate for 2014?
- b) Please explain why KWHI has used 2.2% that was for January 1, 2013 rates, rather than the more recent 1.6% used for May 1, 2013 rates.
- c) What is the impact on OM&A costs for materials based on a 0.1% change (for example from 2.0% to 1.9%) in the assumed inflation rate for 2014?

- d) What is the impact on OM&A costs for labour based on a 0.1% change (for example from 2.0% to 1.9%) in the assumed inflation rate for 2014?

4-Energy Probe-67

**Ref: 2-Energy Probe-16 &
4-Staff-20**

The response to part (c) of 2-Energy Probe-16 indicates that the cost of moving to monthly billing in 2014 is \$200,000. However, the response to 4-Staff-20 indicates that the cost of monthly billing in 2014 is an increase of \$401,500. Please confirm that the total incremental cost of monthly billing in 2014 is this latter figure.

4-Energy Probe-68

**Ref: 4-Energy Probe-29 &
Appendix 2-JB**

- a) Please reconcile the cost driver impact of the conversion to IFRS in 2012 of \$1,227,168 shown in Appendix 2-JB with the figure of \$1,692,337 shown in the response to 4-Energy Probe-29, which was taken from Table 10-7.
- b) Is the \$1,692,337 difference between CGAAP and MCGAAP calculated for 2012 a good proxy for the difference in accounting for 2013 and 2014? If not, please provide an estimate of the difference for each of 2013 and 2014.

4-Energy Probe-69

Ref: 4-Energy Probe-24

Please explain what the third column represents in the table provided in the response to part (e). In particular, does it reflect the change in the year over year level of the price index or the percent change in the year over year figures?

4-Energy Probe-70

**Ref: 4-Energy Probe-37 &
Appendix 2-JB**

- a) Please explain the response to 4-Energy Probe-37 part (b) that indicates the incremental costs for 2013 and 2014 are \$345K and \$352K, respectively with

the figures provided in Appendix 2-JB of \$162,986 in 2013 and \$6,900 in 2014.

- b) Please provide the total smart meter related costs for each of 2012, 2013 and 2014.

4-Energy Probe-71

Ref: 4-Energy Probe-38

The response to part (b) is not complete. Despite not completing a lead/lag study, does KWHI agree that monthly billing, in place of bi-monthly billing will more closely match the inflows of revenue with the monthly billing of electricity costs from the IESO? If not, why not?

4-Energy Probe-72

**Ref: 4-Energy Probe-44 &
2-Energy Probe-10 &
RRWF**

- a) Please update this response to reflect the new total depreciation of \$705,600 shown in 2-Energy Probe-10 for transportation equipment based on the updated capital expenditures. In particular, based on this new depreciation expense, how much is capitalized and how much is expensed?
- b) The RRWF shows no change in OM&A as result of the interrogatories. Why has this figure not decreased given that the depreciation of transportation equipment has fallen from \$763,000 to \$705,600, which should result in a reduction of the portion that is charged to OM&A?

4-Energy Probe-73

**Ref: 4-Energy Probe-45 &
4-Energy Probe-46**

Has KWHI updated its income tax calculations shown in 4-Energy Probe-45 to reflect the change in tax credits noted in 4-Energy Probe-46 (i.e. reduction in credits from \$60,000 to \$42,000)?

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-74

Ref: 6-Energy Probe-53

Please provide an update to 6-Energy Probe-53, if necessary, to reflect any further changes that result from the responses to the supplemental interrogatories. Please provide both the Excel version of the RRWF and an updated tracking sheet.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-75

**Ref: October 15, 2013 Interrogatory Responses Introduction &
9-Staff 44 &
2-Energy Probe-10 &
Exhibit 9, Tab 1, Schedule 9**

- a) Please explain what paragraph 31 in the Responses refers to as the "outstanding issues" that need to be resolved. If this relates to the inclusion, or not, of WIP, please provide responses to parts (b), (c) and (d) below based on both approaches.**
- b) Please provide an updated version of Appendix 2-ED that reflects the capital expenditures for 2013 shown in the response to 2-Energy Probe-10.**
- c) Please provide an updated version of Table 9-28 in Exhibit 9, Tab 1, Schedule 9 that reflects the capital expenditures for 2013 shown in the response to 2-Energy Probe-10.**
- d) Please provide a reconciliation for any differences between the figures provided in the responses to (b) and (c) above.**
- e) When including WIP in the calculation, did KWHI use the after-tax amount, as provided for in the EB-2012-0161 Decision?**