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October 24, 2013

VIA 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: Kitchener Wilmot Hydro Inc. (Kitchener)
2013 Distribution Rate Application (EB-2013-0147)
Questions for Technical Conference

Set out below are specific questions that the Vulnerable Energy Consumers Coalition (VECC) will be asking at the October 28th Technical Conference.

VECC continues to review the evidence and may at the Technical have further questions of clarification on all the issues responded to in the interrogatories.

Yours truly,

Michael Janigan
Counsel for VECC

Cc: Kitchener Wilmot - Margaret Nanninga, - mnanninga@kwhydro.on.ca

KITCHENER WILMOT HYDRO INC. ("KITCHENER")
2014 RATE APPLICATION (EB-2013-0147)
VECC TECHNICAL CONFERENCE QUESTIONS

NB: Numbering continues from last VECC Interrogatory # 38

GENERAL (Exhibit 1)

1.0-VECC TCQ – 39

Reference: 1-Staff-2

a) Please explain how management derived the 9% administration fee.
b) Please explain the apparent dichotomy between the two statements made by Kitchener:
   " *Consistent with the historical process, there has not been a return on capital added to the invoices issued for street lighting services*"
   and
   "*The revenues and costs related to street lighting services have not been transferred to KESI in the revenue requirement model. $67,800 has been calculated as a return on capital for 2014 and is included as a revenue offset*".

OPERATING COSTS (EXHIBIT 2)

2.0-VECC TCQ – 40

Reference: 2-EP-6

a) There is a significant increase in the 2013 capital budget forecast for the following items
   I. 1815 – Relays
   II. 1850 –Transformers (various)
   III. 1908 – Building and Structures
   IV. 1930 Transportation Equipment

   Please explain the reasons

4.0-VECC TCQ – 41

Reference: 4 Energy Probe -46

a) Is Kitchener projecting (and applying for) an increase in compensation costs in 2014 due to its revised number of students it forecasts it will hire in 2014?

4.0-VECC TCQ – 42

Reference: 4.0-VECC-23

a) Please clarify what HR costs have been included in the 2014 application – the internal HR specialist and/or the $14k for outside MEARIE HR consulting.

4.0-VECC TCQ – 43

Reference: 4.0 – VECC- 29

a) Please provide the source and derivation of the estimated $14 million in premium reductions MEARIE has provided to LDCs. What portion of this relates directly to Kitchener.

OPERATING REVENUE (Exhibit 3)

3.0-VECC TCQ – 44

Reference: Oct. 15, 2013, Interrogatory Response Introduction, par. 25

a) Please provide a table similar to Table 3-35 in the June 2013 Application but which sets out the revised 2014 load forecast. In this new table please include additional rows which show i) the sub-totals for all customer classes except the embedded distributor, ii) the forecast for the embedded distributor and iii) the over totals.

b) Please provide the Load Forecast Excel Spreadsheets consistent with this updated projection. (Note: The Excel Spreadsheet model - "KWH_IRR_ Load Forecast Model 2014-IR Final_xslx_20131015" filed on October 15, 2013 does not appear to be consistent with the revisions discussed in the above reference as it shows a reduction, as opposed to an increase, from the load forecast as originally filed).

3.0-VECC TCQ – 45

Reference: 3-Staff-14 a)
3-Energy Probe-23 a)

a) Energy Probe 23 a) indicates that the reduction in 2014 load due to the removal of Maple Leaf Foods was 31.04 GWh. However, the June Application indicates that the 2014 billed energy before any adjustment is 1842.5 GWh (E3/T1/S4, page 11) and after the LU adjustment but before CDM the total billed energy is 1808.2 GWh (E3/T1/S4, page 15) - suggesting that 34.3 GWh was removed. Please reconcile.

b) What are the billing kWs associated with the 31.04 and 34.3 GWh values? In particular is it reasonable to determine the associated billing kWs using these energy values and the 0.1981% ratio from Table 3-33 of the June 2013 Application?

c) What would be the resulting 2014 revenue from Maple Leaf Foods using Kitchener-Wilmot's proposed 2014 LU rates and the billing kWs from part (b)?

3.0 – VECC TCQ – 46

Reference: 3-Staff-17 a) – Final 2012 OPA Report
3-VECC-13 f)

Preamble: Page 8 of the Final 2012 OPA Report shows the impact of the 2012 CDM programs declining after 2012 (i.e. 6.6 GWh in 2012 but only 6.4 GWh in 2014). In contrast, in its Application (Table 3-29), Kitchener-Wilmot assumed the 2012 savings would persist in future years.

a) Please revise Table 3-29 to be consistent with the OPA's final 2012 Report and indicate what the resulting impact would be on i) manual CDM adjustment for 2014 and ii) the LRAM for 2014.
b) Please revise the response to VECC 13 f) to reflect the results in the OPA's final 2012 Report as to the impact in 2013 and 2014 of the 2011 and 2012 CDM programs
c) Please provide a revised total system purchase forecast (prior to CDM and LU adjustment) based on the Kitchener-Wilmot's regression model but updating the CDM variable for 2013 and 2014 to the reflect these revised estimates as to the impact of 2005-2012 CDM programs in 2013 and 2014.

3.0 – VECC TCQ – 47

Reference: 3-Energy Probe-21

a) The response states that Table 3-35 (June Application) does not include adjustments for system losses and CDM. Please confirm that this statement only applies to the 1,871,814,743 kWh value reported for 2014 predicted purchases and that the forecast of billing determinants shown for each customer class have been adjusted for system losses and CDM.

3.0 – VECC TCQ – 48

Reference: 3-VECC-13 e)

a) Is the 1,821,300,211 kWh projection for 2014 comparable to the 1,906.0 GWh projection in the June 2013 Application (Table 3-19) – i.e. were both calculated using the same regression equation but with different values for 2014 employment and unemployment? As part of the response, please provide the supporting calculations for the 1,821.3 GWh value, including the projected 2014 employment and unemployment values used for each month.
b) If not, what are the predicted purchases for 2014 based on the approach outlined in the original interrogatory?
c) If yes, please explain why the result is lower than Kitchener-Wilmot's forecast of 1,906.0 GWh when the employment (which has a positive coefficient) is now projected to be higher and the unemployment (which has a negative coefficient) is now projected to be lower than in the June 2013 Application.

3.0 – VECC TCQ – 49

Reference: 3-VECC-14 b)

a) Please confirm that the referenced Excel Spreadsheet is one on titled "KWHI_IRR_ Load Forecasting Model 2014-IR Final_xlsm_20131015" filed on October 15, 2013. If not, please provide the appropriate copy.
b) The file referenced in the response to part (a) contains a significantly lower purchased power forecast for 2014 (1,891.5 GWh) than that in the June 2013 Application (1,906.0 GWh). Please explain why and which forecast Kitchener-Wilmot is proposing as the basis for its 2014 rate application.

3.0 – VECC TCQ – 50

Reference: 3-VECC-14 c)

a) Please confirm that Kitchener-Wilmot now has three large users (prior to the loss of Maple Leaf Foods).
b) Is this the result of one of the existing GS>50 customers being re-classified as a Large User?

3.0 – VECC TCQ – 51

Reference: 3-VECC-15 b)

a) The response states that the difference between the non-normalized and normalized forecast is 3 GWh. Please reconcile this response with:
    - Table 3-31 in the June Application which shows a difference of 0.3 GWh.
    - The response to 3-Energy Probe 21 which shows a weather normal load forecast of 1,808.2 GWh for 2014 – which is 0.3 GWh lower than the non-normalized forecast of 1,808.5 (per Table 3-26).

COST ALLOCATION (Exhibit 7)

7.0-VECC TCQ – 52

Reference: 7-Staff-34

b) If Waterloo North Hydro, owns, operates and maintains the wholesale revenue metering associated with Wellesley DS, where and what is the wholesale revenue metering that is discussed in the second paragraph of the response which appears to be owned by KWHI?

7.0-VECC TCQ – 53

Reference: 7-Energy Probe-55 b)
7-VECC-33 g)
Appendix 2-Q

a) What is the basis for the 9% mark-up used for Administration costs?

b) From Kitchener-Wilmot's 2014 cost allocation please provide (with reference to the source used from the cost allocation model):

   i. The total Administrative and General Expenses that are allocated using O&M,

   ii. The total O&M costs used as the allocation base,

   iii. The total O&M costs directly allocated to the Embedded Distributor, and

   iv. The resulting percentage for (i)/((ii)+ (iii))?

c) From Kitchener-Wilmot's 2014 cost allocation what are (with reference to the source used from the cost allocation model):

   i. The total General Plant costs that are being allocated'

   ii. The total value of the allocation base used,

   iii. The cost for the assets allocated to the Embedded Distributor, and

   iv. The resulting percentage for (i)/((ii)+(iii)).

7.0-VECC TCQ – 54

Reference: 7-VECC 32 b) – d)

a) Please explain more fully why direct allocation results in there being no Billing & Collecting; Meter Capital or Meter Reading costs assigned to the Embedded Distributor. Is it simply because, in each case, the direct costs cannot be separated out?

7.0-VECC TCQ – 55

Reference: 7-VECC 34

a) Please confirm that for Table 7-11 in the response, the 2014 Revenue at Existing Rates should total $38,207,936 (i.e. exclude the transformer allowance) and provide a revised Table.

RATE DESIGN (Exhibit 8)

8.0-VECC TCQ – 56

Reference: 8-Staff 35 b)

a) Please explain more fully why it is appropriate to keep the fixed charges for all classes, except Residential, at their 2013 values – particularly when it results in significant changes for some of the F/V ratios.

8.0-VECC TCQ – 57

Reference: 8-Energy Probe 57 b) / 8-Staff 35 b)

a) The response to Energy Probe 57 b) suggests that a fixed charge percentage of 46.2% would yield a fixed charge of $10.09 for the Residential class. However, the response to Staff 35 b) suggests that the proposed charge of $12.53 will yield a lower fixed charge percentage of 42.7%. Please reconcile as, in principle, a higher fixed percentage should yield a higher fixed charge.

8.0-VECC TCQ – 58

Reference: 8-VECC 36 b) / 8-Staff 35 b)

a) Please review the response provided to VECC 36 b), as the total revenues by class shown in Table 8-5 of the Application sum to the revenues at current rates as reported in the Cost Allocation model (Sheet I6.1) prior to any deduction for the transformer discount.

b) Please explain the difference in the fixed /variable split as reported in Table 8-5 versus Staff 35 b) for the GS>50 and Large User classes.

DEFERRAL AND VARIANCE ACCOUNTS

8.0-VECC TCQ – 59

Reference: 9-Energy Probe-59

a) Please provide the actual and regulatory return on equity for each of 2009 through 2012.

End of document