



**Wellington North Power Inc.**

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November 27, 2013

Attention: David S. MacIntosh  
Energy Probe Research Foundation  
225 Brunswick Avenue  
Toronto, ON M5S 2M6

Dear Mr. MacIntosh:

**Re: OEB File Number: EB-2013-0178**  
**Wellington North Power Inc. – ED-2002-0511**  
**2014 4<sup>th</sup> Generation Distribution Rate Application**  
**Response to Energy Probe Interrogatories**

Enclosed are Wellington North Power Inc.'s responses to Energy Probe Research Foundation's Interrogatories relating to the LDC's Incentive Rate Mechanism Adjustment Application for 2014 Distribution rates (file number: EB-2013-0178).

An electronic copy of these Interrogatory Responses has been filed on the OEB's RESS site and two hard copies have been sent by courier to the Board's office for the attention of the Board Secretary.

Should Energy Probe have questions regarding this matter please contact Richard Bucknall at [rbucknall@wellingtonnorthpower.com](mailto:rbucknall@wellingtonnorthpower.com) or myself at [jrosebrugh@wellingtonnorthpower.com](mailto:jrosebrugh@wellingtonnorthpower.com) or call 519-323-1710.

Yours truly,

Judy Rosebrugh

**President & CEO**

cc: Board Secretary (by e-mail)  
cc: Intervenors on Record (by e-mail)  
cc: Mr. Randy Aiken, Consultant to Energy Probe (by e-mail)  
cc: Ms. Shelley Grice, Consultant to VECC (by e-mail)

**Wellington North Power Inc. (“WNP”)  
2014 IRM Rate Application  
Applicants Responses to Energy Probe Interrogatories  
EB-2013-0178**

**Interrogatory #1**

Ref: Evidence, page 82

- a) What is the basis for using Stretch Factor Group V with a Stretch Factor Value of 0.40%?
- b) Does WNPI agree that this figure will be updated to reflect the stretch factor groups and corresponding stretch factor values as a result of the supplemental report on the RRFE where the Board will establish the stretch factors to apply to distributors for 2014? If not, why not?

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**Wellington North Power Inc. - Response:**

- a) WNP used Stretch Factor Group V when completing the Incremental Capital Workform. This was derived from the latest OEB information available at the time of writing the IRM application, namely the “2012 PEG Report (Report by Dr. Lawrence Kaufmann of the Pacific Economics Group, “Empirical Research in Support of Incentive Rate Setting in Ontario”)” issued on September 6, 2013. In this report, Table 15 “Assigned Stretch Factor Values” on page 26 showed Wellington North Power Inc having a Stretch Factor of 0.60% and therefore the LDC assumed that Group V should be selected when determining the Stretch Factor Group.

When selecting the Stretch Factor Group V, the Incremental Capital Workform automatically defaulted to show a Stretch Factor Value of 0.40% in worksheet “A1.1 LDC Information” of this model. The Stretch Factor value in cell D32 of this worksheet is protected and cannot be over-written.

Following the publication of “EB-2010-0379: Report of the Board: Rate setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity

*Distributors*" on November 21, 2013, Appendix D: 2014 Stretch Factor Assignments shows that Wellington North Power Inc is in Group IV with a Stretch Factor of 0.45%.

Based upon the above report and latest information, WNP has updated the Incremental Capital Workform sheet "*A1.1 LDC Information*" to show:

- Stretch Factor: **Group IV**
- Stretch Factor Value: **0.45%**

As discussed in WNP's response to Board Staff IR#2, the LDC has filed an updated version of the Incremental Capital Project workbook on the OEB's RESS site.

Submitted Files: [WellingtonNorth\\_EB-2013-0178\\_2014\\_IRM3\\_Incremental\\_Capital\\_Wrkfrm\\_V1.1\\_IR#1](#)

- b) Yes, WNP agrees that figure should be updated to reflect the stretch factor groups and corresponding stretch factor values as a result of the supplemental report on the RRFE where the Board will establish the stretch factors to apply to distributors for 2014.

## Interrogatory #2

Ref: Evidence, page 88

- a) Does WNPI agree that price escalator will be updated to reflect the Board's calculation of the price escalator for 2014 IRM applications?
- b) Does WNPI believe that the productivity factor should remain at 0.72% or should it be updated to reflect the Board's findings in the supplemental report that establishes the final productivity factor for 2014?
- c) Does WNPI plan on updating the growth factor of 1.44% to reflect actual growth in distribution revenues in 2013?

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### **Wellington North Power Inc. - Response:**

- a) Yes, WNP agrees that price escalator should be updated to reflect the Board's calculation of the price escalator for 2014 IRM applications.
- b) WNP believes that the productivity factor should be updated to reflect the Board's findings in the supplemental report that establishes the final productivity factor for 2014.
- c) WNP is not planning to update the growth factor in the Incremental Capital workform to reflect actual growth in distribution revenues in 2013 on the basis of:
  - Firstly, the LDC has used the prescribed model issued by the OEB which calculates growth by:
    - The last Cost of Service re-based year (worksheet "B1.3 Re-based Rev from Rates") which in WNP's situation is the year of 2012; and
    - Divides this by the most recent Actual Total Revenue (worksheet "C1.1 Ld Act-Mst Rcent Yr") Re-based Rev from Rates") which in WNP's situation is the year of 2011.

This model does not request data for the current year Actuals or a projection of current year.

- Secondly, although WNP could provide an indicative and unaudited view of 2013 distribution revenues, this would not be available until early in 2014. WNP stress that this information would be an **unaudited** view, because the year-end audited financials are not completed until April of each year. And furthermore, this information could be different to the revenues that will be shown in the 2013 Audited Financial Statements which are filed with the OEB and used in RRR filings (RRR filing 2.1.7 for Income Statement and RRR 2.1.5 Performance Based Regulation: Customers, Demand and Revenue).

It should be noted that as per the Applicant's response to Board Staff IR#6, by updating rate class General Service 50 to 999 kW from 38 customers to 40 customers, the **Service Charge Revenue** and consequently the **Total Revenue by Rate Class** amounts have increased compared to the values that were originally filed by WNP. The impact of these revenue changes (increases) has resulted in the growth percentage changing to **1.15%** (previously 1.44% as per initial IRM application) as shown in sheet "E1.1 Threshold Parameters" of the Incremental Capital Workform as illustrated in the table below:

<b>Growth</b>		
ICM Billing Determinants for Growth - Numerator : 2012 Re-based Forecast	<u>\$2,214,739</u>	A
ICM Billing Determinants for Growth - Denominator : 2011 Actual	<u>\$2,189,648</u>	B
<b>Growth</b>	<b>1.15%</b>	<b>C = A / B</b>

WNP has filed an updated version of the Incremental Capital Project Workform because the proposed Incremental Capital Rate Riders have changed (since WNP's IRM initial application) due to the revisions made as described under responses to Board Staff IRs #2 and #6 as well as the LDC's responses to Energy Probe IR#1 and IR#3. WNP has also filed an updated Rate Generator model reflecting the revised Incremental Rate Riders (Service Charge and Distribution Volumetric) and consequent changes to the Tariff Schedule and Bill Impact worksheets. These workforms have been filed on the OEB's RESS site.

### Interrogatory #3

Ref: Evidence, page 89

The evidence indicates that the eligible incremental capital amount is \$1,386,427. However, WNPI is only requesting a proposed incremental capital CAPEX of \$1,360,000.

Please explain why WNPI is not requesting the full amount of \$1,386,427 given that the 2014 non-discretionary capital budget exceeds the threshold CAPEX by this amount.

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#### Wellington North Power Inc. - Response:

- a) Wellington North Power Inc. is not requesting the full amount of the Eligible Incremental Capital amount (as per worksheet “E3.1 Summary of I C Projects” in the Incremental Capital workform) because the LDC’s had provisioned for \$240,000 in its Capital Budget for 2014 for replacing major asset equipment in its substation. As per Exhibit 5: Incremental Capital Module, page 76 “Proposed 2014 Capital Spending”:

*“In WNP’s Capital Expenditure plans (CapEx), the LDC has provisioned for approximately \$240,000 per year from 2014 onwards to replace major components of the substations. It should be noted that WNP filed a view of its Capital Expenditure plan for the period 2013 to 2018 in its’ Cost of Service application (EB-2011-0249 - Exhibit 2, Tab 5, Schedule 7 pages 254-257 contain tables, tables 2-60 to 2-65) which cited the provision for substation investment/refurbishment.  
(Appendix 4 contains tables summarising WNP’s CapEx plan for the period 2013 – 2018 reflecting the annual CapEx budget of \$760,000 that was approved in EB-2011-0249, with the substation items highlighted.)”*

Therefore, as WNP had already provisioned for \$240,000 for substation asset replacement in its CapEx budget for 2014, the LDC has deducted this amount from the forecast of a new substation to replace MS2 station, i.e.:

3 <sup>rd</sup> party forecast of new substation (Evidence page 73)	\$1,600,000
<b>LESS:</b> 2014 CapEx provision for substation asset replacement	\$240,000
Total Incremental Capital Amount for the ICM Rate Rider Calculation	\$1,360,000

The \$240,000 provision in 2014 CapEx budget is part of the annual \$760,000 CapEx budget expenditure that was approved in the WNP’s last cost of service application (EB-2011-0249)

and is being recovered in the rates approved from that application. Consequently, the LDC has been pragmatic in reviewing its initial 2014 CapEx plan and identified discretionary and non-discretionary capital projects, as discussed in the LDC's initial 2014 IRM application as discussed in Exhibit 5: Incremental Capital Module, page 76 to 79, "2014 Capital Spending – Discretionary and Non-Discretionary".

WNP has "deducted" the \$240,000 from the cost of the 5 MVA Power Transformers as shown in the comparison table below:

	As per 3rd Party Evidence pages 72 & 73		Removal of 2014 CapEx Provision	
		Cost Detail	Cost Detail	Notes
<b>Major equipment</b>				
3.1) Power Transformer 5 MVA	\$	240,000	\$0	\$240,000 removed as this has already been provisioned for in WNP's 2014 CapEx budget
3.2) Station Reclosers (3)	\$	90,000	\$	90,000
3.3) 44 kV PM Switches/Fuses	\$	55,000	\$	55,000
3.4) S&C Switchgear	\$	105,000	\$	105,000
3.5) Prefab Control Shack w/pad	\$	30,000	\$	30,000
<b>Sub-Total</b>	<b>\$</b>	<b>520,000</b>	<b>\$</b>	<b>280,000</b>
<b>Major equipment - continued</b>				
3.6) Station Service	\$	7,500	\$	7,500
3.7) 44 kV Cables/Terminators est. 120m	\$	20,000	\$	20,000
3.8) 15 kV 500 MCM Cables/Terminators est. 550m	\$	125,000	\$	125,000
3.9) Solid Blade Riser Switches (9)	\$	6,000	\$	6,000
3.10) Scada RTU	\$	45,000	\$	45,000
<b>Sub-Total</b>	<b>\$</b>	<b>203,500</b>	<b>\$</b>	<b>203,500</b>
<b>Other Capital Items</b>				
Property Costs	\$	15,000	\$	15,000
Engineering & Design	\$	176,500	\$	176,500
Civil construction	\$	387,500	\$	387,500
Electrical	\$	83,500	\$	83,500
Miscellaneous	\$	55,000	\$	55,000
WNP Staff Costs	\$	10,000	\$	10,000
Contingency	\$	145,100.0	\$	145,100
<b>Sub-Total</b>	<b>\$</b>	<b>872,600</b>	<b>\$</b>	<b>872,600</b>
<b>Budget Total</b>	<b>\$</b>	<b>1,596,100</b>	<b>\$</b>	<b>1,356,100</b>

It should be noted, that WNP has filed an updated version of the Incremental Capital Project Workform because the proposed Incremental Capital Rate Riders have changed (since WNP's IRM initial application) due to the revisions made as described under responses to Board Staff IRs #2 and #6 as well as the LDC's response to Energy Probe IR#1. WNP has also filed an updated Rate Generator model reflecting the revised Incremental Rate Riders (Service Charge and Distribution Volumetric) and consequent changes to the Tariff Schedule and Bill Impact worksheets. These workforms have been filed on the OEB's RESS site. The table below is an extract from the Incremental Capital workform showing

the revised Eligible Incremental Capital Amount and the Total Incremental Capital Amount for ICM Rate Rider Calculation:

**Updated Eligible Incremental Capital Amount from sheet E3.1 Summary of I C Projects of the Incremental Capital Workform**

<b>Summary of Incremental Capital Projects (ICPs)</b>				
<b>Calculation of Eligible Incremental Capital Amount</b>				
2014 Non-Discretionary Capital Budget (Including ICM Projects)	\$1,996,000.00		A	
Threshold CAPEX (as calculated on sheet E2.1)	\$583,551.32		B	
Eligible Incremental Capital Amount	= \$1,412,448.68		C = A - B	
<b>Summary of Proposed Incremental Capital Projects</b>				
Number of ICPs 3	Update Sheet			
<b>Project ID #</b>	<b>Incremental Capital Non-Discretionary Project Description</b>	<b>Incremental Capital CAPEX</b>	<b>Amortization Expense</b>	<b>CCA</b>
ICP 1	Distribution Substation replacement - MS2 - Major Equipment	\$280,000.00	\$7,325.00	\$22,400.00
ICP 2	Distribution Substation replacement - MS2 - Major Equipment - continued	\$203,500.00	\$6,175.00	\$21,680.00
ICP 3	Substation replacement - Non Major Equipment Capital Items	\$872,600.00	\$19,057.78	\$68,608.00
<b>Total Proposed Incremental Capital CAPEX</b>		<b>\$1,356,100.00</b>	<b>\$32,557.78</b>	<b>\$112,688.00</b>
<b>Total Incremental Capital Amount for ICM Rate Rider Calculation</b>		<b>\$1,356,100.00</b>		
<small>Note: The total incremental capital amount for the ICM rate rider calculation cannot exceed the eligible incremental capital amount.</small>				

**Note:** The Total Incremental Capital has reduced by \$4,000. This is because WNP has used the actual forecasted amount of \$1,596,100 (as per Evidence page 73) as opposed to the figure of \$1,600,000 that was initially included in the LDC's 2014 IRM application. As described above, WNP has then deducted the \$240,000 that was already provisioned for in the LDC's 2014 CapEx plan for substation asset equipment replacement to determine the Total Incremental Capital Amount for the ICM Rate Rider Calculation, i.e.:

3 <sup>rd</sup> party forecast of new substation (Evidence page 73)	\$1,596,100
<b>LESS:</b> 2014 CapEx provision for substation asset replacement	\$240,000
Total Incremental Capital Amount for the ICM Rate Rider Calculation	\$1,356,100

WNP has used the above methodology in determining the value for the Total Incremental Capital Amount for the ICM Rate Riders. However, if Energy Probe or Board Staff have an alternative method, WNP would be interested in receiving and reviewing this information.



#### Interrogatory #4

Ref: Evidence, page 89

The evidence indicates that the incremental capital project is a replacement of an existing asset.

- a) What is the projected net book value of the asset that is being replaced when it will be removed from service in 2014, or will it be fully depreciated?
- b) For financial accounting and regulatory accounting purposes, how will the removal of the asset from service be recognized?
- c) Does WNPI believe that there should be some adjustment to rates to reflect the removal of this asset from rate base? If not, does WNPI agree that, if approved, it will be recovering the cost of the new asset through the ICM rate rider and will continue to recover the costs (return on capital, depreciation, PILs) on the asset that is replaced through the existing rates?

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#### Wellington North Power Inc. - Response:

- a) For the substation that is being replaced, MS2 station, as at the last audited financial statement (December 31<sup>st</sup> 2012) the asset is fully depreciated and has a net book value of \$0 as shown in the table below:

Asset ID	Asset Description	Extended Asset Description	Account Group ID	Acquisition Date	Depreciation Duration (years)	Depreciation Start Year	Fully Depreciated Year	NBV at 31-Dec-2012
MS2MF001	MS2 Substation	Power Transformers - Overall	1820-1	1972	30	1972	2001	\$0.00
MS2MF002	MS2 Substation	Power Transformers - Bushing	1820-2	1972	30	1972	2001	\$0.00
MS2MF003	MS2 Substation	Power Transformers - Tap Changer	1820-3	1972	30	1972	2001	\$0.00
MS2MF004	MS2 Substation	Station Metal Clad Switchgear - Overall	1820-4	1972	30	1972	2001	\$0.00
MS2MF005	MS2 Substation	Station Switch	1820-5	1972	30	1972	2001	\$0.00
MS2MF006	MS2 Substation	Rigid Busbars	1820-6	1972	30	1972	2001	\$0.00
MS2MF007	MS2 Substation	Steel Structure	1820-7	1972	30	1972	2001	\$0.00
MS2MF008	MS2 Substation	Fence	1820-8	1972	30	1972	2001	\$0.00

This asset was fully depreciated in 2001 and since this date has not incurred any depreciation expense to WNP's rate-payers and has provided zero return to the LDC (i.e. \$0 contribution to the LDC's working capital allowance).

- b) WNP can treat the removal of the sub-station asset in the following two alternatives:
- WNP currently practices *Canadian Generally Accepted Accounting Principles (CGAAP)* in accordance with the CICA Handbook for financial reporting purposes. Section 3475 of the Handbook states that, “when a capital asset is disposed of, the cost and the accumulated amortization should be removed from the accounting records and any gain or loss recorded.” This is consistent with Article 410 of the Accounting Procedures Handbook prescribed by the Board.
  - WNP may consider that under Generally Accepted Accounting Principles (CICA s.3475.26), losses resulting from capital asset disposals and write-downs are permitted to be deferred under certain specific circumstances. The Board may require the difference between net carrying amount and the proceeds and disposal/retirement costs on disposal of property, plant and equipment to be considered in the determination of future rates charged to customers. In such circumstances the difference is deferred, provided that there is reasonable assurance that:
    - i. any excess of net carrying amount over proceeds on disposal will be recovered through future rates; or
    - ii. any excess of proceeds on disposal over net carrying amount will serve to reduce future rates (CICA s.3475.26)

As per audited financial statements for the period ending December 31, 2012, the sub-station asset to be replaced had a Net Book Value (NBV) of zero dollars, which translates to a neutral effect on future rates. Therefore, WNP will remove the cost and the accumulated amortization in accordance with CICA s.3475 and Article 410.

As per WNP's response to VECC IR#1(d), WNP's plan with the transformer that will be removed from the current MS2 substation is to keep it on-hand as spare, once removed from service. Although the transformer is 41 years old, it has shown good performance characteristics. The most recent oil analysis indicated an increase in CO and CO2 gases, which was noted to indicate cellulose overheating. WNP feels the remaining four years of life for this transformer are best served as a back-up for the LDC, as all WNP stations (except MS4) are 5MVA units. (Note: WNP transitioned to the Kinectrics depreciation rates in January 2012 and as per the “Asset Depreciation Study for the Ontario Energy Board”

(July 8, 2010) Kinectrics Inc. Report No: K-418033-RA-001-R000 Table F Summary of Results, pages 39 – 41, a power transformer has a Typical Useful Life of 45 years.)

Within Costello Associates' Incremental Capital Project Expenditures in WNP's 2014 IRM application, Exhibit 5: Incremental Capital Module, "Incremental Capital Project Expenditures" pages 72 and 73, this cost estimate include removal costs of the existing asset. WNP, working with Costello, is planning to issue a tender document in January / February 2014 for a contractor to design, build and construct the new substation and within this tender, WNP will include a clause regarding any disposal of salvage items will be recorded and treated by the LDC as Gain or Loss on Disposal.

- c) WNP does not agree that there should be any adjustment on rates to reflect the removal of this asset from this rate base because, as described above, this asset is fully depreciated and has a zero Net Book Value.

Equally, WNP does not agree with the statement that the LDC "*will continue to recover the costs (return on capital, depreciation, PILs) on the asset that is replaced through the existing rates*" because this asset is fully depreciated and has a zero Net Book Value.

WNP does agree with the comment that "*if approved, it will be recovering the cost of the new asset through the ICM rate rider.*"

## **Interrogatory #5**

Ref: Evidence, pages 81 & 91

- a) Please confirm that the depreciation amount of \$32,000 and CCA amount of \$128,000 shown on page 81 are both calculated on the basis of the gross asset addition of \$1,600,000.
- b) Please explain why the full amount of depreciation and CCA as noted in part (a) above have been included in the table on page 91 in the calculation of the incremental revenue requirement.
- c) Please provide a revised table from page 91 that reflects the proration of the depreciation and CCA amounts based on the ratio of the amounts to be recovered relative to the total cost of the project (i.e.  $1,360,000 / 1,600,000$  or 0.85).
- d) Does WNPI agree that the incremental revenue requirement should not reflect the total depreciation expense or the total CCA deduction for the \$1,600,000 project, when only \$1,360,000 has been deemed to be eligible?

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### **Wellington North Power Inc. - Response:**

- a) Wellington North Power Inc. confirms that in its' 2014 IRM application, the depreciation amount of \$32,000 and CCA amount of \$128,000 shown on page 81 were both calculated on the basis of the gross asset addition of \$1,600,000.
- b) In its' 2014 IRM application, Wellington North Power Inc. completed the Incremental Capital Project workbook applying a uniform depreciation rate of 2% as well as uniform CCA Class of 47 and CCA Rate of 8%.

Upon reviewing the IRs from Board Staff (in particular Board Staff IR#2) as well those submitted by Energy Probe, WNP acknowledge that the following revisions need to be made:

- Incremental Capital Projects worksheets to be updated to reflect the components of the new substation. By componentizing this project, WNP can then:
    - Apply the relevant depreciation period as per the Kinectrics depreciation study; and
    - Apply the relevant CCA Rate and CCA Class.
  - Update the Incremental Capital Summary to reflect the changes made in Incremental Capital Project worksheet(s);
  - Update the Rate Generator model to reflect the revised Incremental Capital Rate Riders for each class (i.e. update worksheet 11: *“Proposed Rates”* with the amended Incremental Capital Service Charge and Distribution Volumetric Rate Riders).
- c) As requested, WNP has provided a copy of the table that was shown on page 91 of the Applicant’s IRM submission applying a ratio of 0.85 (i.e. \$1,356,100 / \$1,600,000) to the depreciation values and CCA amounts – please see table on the following page.

In the table below:

- WNP has shown the values as per revised Incremental Capital Project Summary using the approach and methodology that was applied in WNP’s response to Board Staff IR#2. These values are shown in the column entitled “Values as Methodology Used in Response to Board Staff IR#2”. To the right of this column, WNP has shown the values as per Energy Probe methodology of applying a ratio 0.85 to the depreciation and CCA amounts – these are values where this ratio has been applied are highlighted in the table.
- The difference between the two methodologies is the Energy Probe approach provides an Incremental Revenue Requirement that is lower by \$2,347.

			Values as Methodology Used in Response to Board Staff IR#2		Values applying Ratio of 0.85 Methodology as per EProbe IR#5c
<b>Current Revenue Requirement</b>					
Current Revenue Requirement - Total		\$	2,230,378	A	\$ 2,230,378
<b>Return on Rate Base</b>					
Incremental Capital CAPEX		\$	1,356,100	B	\$ 1,356,100
Depreciation Expense		\$	32,558	C	\$ 27,674
Incremental Capital CAPEX to be included in Rate Base		\$	1,323,542	D = B - C	\$ 1,328,426
Deemed ShortTerm Debt %	4.0%	E	\$ 52,942	G = D * E	\$ 52,942
Deemed Long Term Debt %	56.0%	F	\$ 741,184	H = D * F	\$ 743,918
Short Term Interest	2.08%	I	\$ 1,101	K = G * I	\$ 1,101
Long Term Interest	4.42%	J	\$ 32,727	L = H * J	\$ 32,848
Return on Rate Base - Interest		\$	33,829	M = K + L	\$ 33,949
Deemed Equity %	40.0%	N	\$ 529,417	P = D * N	\$ 531,370
Return on Rate Base -Equity	9.12%	O	\$ 48,283	Q = P * O	\$ 48,461
Return on Rate Base - Total		\$	82,111	R = M + Q	\$ 82,410
<b>Amortization Expense</b>					
Amortization Expense - Incremental		C	\$ 32,558	S	\$ 27,674
<b>Grossed up PIL's</b>					
Regulatory Taxable Income		O	\$ 48,283	T	\$ 48,461
Add Back Amortization Expense		S	\$ 32,558	U	\$ 27,674
Deduct CCA			\$ 112,688	V	\$ 95,785
Incremental Taxable Income			-\$ 31,847	W = T + U - V	-\$ 19,650
Current Tax Rate (F1.1 Z-Factor Tax Changes)	15.5%	X			
PIL's Before Gross Up			-\$ 4,936	Y = W * X	-\$ 3,046
Incremental Grossed Up PIL's			-\$ 5,842	Z = Y / (1 - X)	-\$ 3,604
<b>Ontario Capital Tax</b>					
Incremental Capital CAPEX		\$	1,356,100	AA	\$ 1,356,100
Less : Available Capital Exemption (if any)		\$	-	AB	\$ -
Incremental Capital CAPEX subject to OCT		\$	1,356,100	AC = AA - AB	\$ 1,356,100
Ontario Capital Tax Rate (F1.1 Z-Factor Tax Changes)	0.000%	AD			
Incremental Ontario Capital Tax		\$	-	AE = AC * AD	\$ -
<b>Incremental Revenue Requirement</b>					
Return on Rate Base - Total		Q	\$ 82,111	AF	\$ 82,410
Amortization Expense - Total		S	\$ 32,558	AG	\$ 27,674
Incremental Grossed Up PIL's		Z	-\$ 5,842	AH	-\$ 3,604
Incremental Ontario Capital Tax		AE	\$ -	AI	\$ -
Incremental Revenue Requirement		\$	108,827	AF + AG + AH + AI	\$ 106,480
<b>Difference in Incremental Revenue Requirement</b>					(\$2,347)

WNP believes that the methodology that was applied in response to Board Staff IR #2 should be the approach used to calculate the LDC's Incremental Revenue Requirement because:

- In WNP's response to Board Staff IR #2, this approach is based upon the identified capital asset components, with their own specific depreciation and CCA Rate / Class that make-up the new substation. This could be described as a "Bottom-up approach" where the each asset component has its own depreciation rate and CCA Class / Rate.

The asset components have been separated and identified in the Incremental Capital Project workforms that have been filed together with WNP's IR responses.

- Applying Energy Probe's ratio methodology, this is like a "Top-Down approach" and probably suits applications where the asset information is grouped (as per WNP's initial application). However, as indicated above and in WNP's response to Board Staff IR #2, the LDC has identified the substation capital asset components and submitted this information.

WNP has updated the Incremental Capital Project workbook(s) and has filed this information on the OEB's RESS website. The Incremental Capital Project workbook is limited to listing five (5) asset components and therefore WNP has filed three (3) copies of this model (A, B and C) as summarised below:

<b>Asset Component</b>	<b>Capital Project workbook name</b>
<p><b>Substation replacement</b></p> <p><b>– Major Equipment</b></p> <ul style="list-style-type: none"> <li>• Power Transformer 5 MVA</li> <li>• Station Reclosers (x3)</li> <li>• 44 kV PM Switches/Fuses</li> <li>• S&amp;C Switchgear</li> <li>• Prefab. Control Shack with pad</li> </ul>	<p>WellingtonNorth_EB-2013-0178_2014_Inc_Cap_Project_V1.0_A_IR#1</p> <p><i>(This workbook is <u>A</u>)</i></p>
<p><b>Substation replacement</b></p> <p><b>– Major Equipment – <i>continued</i></b></p> <ul style="list-style-type: none"> <li>• Station Service</li> <li>• 44 kV Cables/Terminators est. 120m</li> <li>• 15 kV 500 MCM Cables/Terminators</li> <li>• Solid Blade Riser Switches (x9)</li> <li>• Scada RTU</li> </ul>	<p>WellingtonNorth_EB-2013-0178_2014_Inc_Cap_Project_V1.0_B_IR#1</p> <p><i>(This workbook is <u>B</u>)</i></p>

<b>Substation replacement</b>  <b>– Non Major Equipment Capital Items</b> <ul style="list-style-type: none"><li>• Property costs – legal &amp; surveying expenses</li><li>• Engineering &amp; Design</li><li>• Civil Construction</li><li>• Electrical work</li><li>• Insurance fees, permits, mobilization, WNP linemen &amp; engineering time, contingency</li></ul>	WellingtonNorth_EB-2013-0178_2014_Inc_Cap_Project_V1.0_C_IR#1  (This workbook is <u>C</u> )
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As discussed in WNP's Board Staff IR Response 2a), the LDC has filed an updated version of the Incremental Capital Project workbook on the OEB's RESS site. Furthermore, the LDC has also filed an updated Incremental Capital workform which takes into account the revised amortization expenses and CCA balances as a consequence of adjusting the deprecation rates for each component of the new substation.

Submitted Filenames: [WellingtonNorth\\_EB-2013-0178\\_2014\\_Inc\\_Cap\\_Project\\_V1.0\\_A\\_IR#1](#)  
[WellingtonNorth\\_EB-2013-0178\\_2014\\_Inc\\_Cap\\_Project\\_V1.0\\_B\\_IR#1](#)  
[WellingtonNorth\\_EB-2013-0178\\_2014\\_Inc\\_Cap\\_Project\\_V1.0\\_C\\_IR#1](#)  
[WellingtonNorth\\_EB-2013-0178\\_2014\\_IRM3\\_Incremental\\_Capital\\_Wrkfrm\\_V1.1\\_IR#1](#)

d) WNP agrees that the Incremental Revenue Requirement should reflect the total depreciation expense and the total CCA deduction for the deemed eligible amount of \$1,356,100 (not \$1,600,000).

[Note: the amount of \$1,600,000 has been updated with the figure of \$1,356,100 as this is the estimated capital expenditures as per Evidence page 56 and 57.]