Wellington North Power Inc.
290 Queen Street West, PO Box 359, Mount Forest, ON N0G 2L0
Phone: 519.323.1710
Fax: 519 323 2425
Email: wnp@wellingtonnorthpower.com
www.wellingtonnorthpower.com

January 17, 2014

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 4th Generation Distribution Rate Application
Response to Energy Probe Submissions

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

An electronic copy of this Submission response 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 myself at rbucknall@wellingtonnorthpower.com or call 519-323-1710.

Yours truly,

Richard Bucknall

Regulatory Compliance and Office Manager

cc: Board Secretary (by e-mail)
cc: Stephen Vetsis – OEB Analyst, Applications & Regulatory Audit (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 Submissions

EB-2013-0178

Purpose:

The purpose of this document is to provide the Board with the reply submissions of Wellington North Power Inc. ("WNP") based on its review of Energy Probe's Submission document (dated December 13, 2013).

In its submission, WNP has inserted the comments from the Energy Probe Submissions document and, where relevant, the Applicant has provided a response.

WNP respect the views expressed in Energy Probe Submissions.

B - INCREMENTAL CAPITAL MODULE

Energy Probe submits that the use of the ICM for the replacement of a substation is appropriate. As such, Energy Probe's submissions on the ICM centers on the three eligibility criteria as set out by the Board: need, materiality and prudence. Energy Probe first makes submissions on the issue of whether the MS-2 substation should be given higher priority for replacement than the MS-4 substation.

However, as discussed below in each of the need, materiality and prudence sections, Energy Probe submits that the issue in this application is whether or not the expenditures to replace the MS-2 substation in 2014 are clearly non-discretionary.

a) MS-2 versus MS-4

Both the MS-2 and MS 4 substations are candidates for replacement because of the age and the condition of the assets. WNPI proposes to replace the MS-2 substation in 2014 and expects that the replacement of the MS-4 substation would take place in 2016.

WNPI provided its reasons for proceeding with MS-2 in 2014 rather than MS-4. In particular, WNPI has stated with MS-2 is more heavily utilized than MS-4 and it serves a larger number of customers, including industrial customers in the north end of Mount Forest. Further, the MS-2 replacement can be accomplished in 2014, while the replacement of the MS-4 substation may not be achievable by the end of 2014 due to the planning needed to deal with a number of site specific issues that would need to be dealt with.

Energy Probe submits that WNPI is in the best position to determine which substation should be assigned the highest priority for replacement. However, as noted below, mitigation measures can be implemented which would reduce the need to replace the MS-2 substation in its entirety for a period of 4 to 11 years. At the same time, it does not appear that any mitigation measures would extend the life of the MS-4 station.

As a result, it is submitted that if the Board denies the ICM rate rider associated with the full replacement of the MS-2 substation and given that the MS-4 substation cannot be replaced in 2014, then WNPI should bring forward an ICM request associated with the MS-4 substation in the 2015 rate application.

Wellington North Power Inc. - Response:

WNP acknowledge that Energy Probe appreciates that both the MS-2 and MS-4 substations are candidates for replacement because of the age and the condition of the assets. Summarised below, the Applicant re- confirms the main points that were included in the LDC's application and Interrogatory responses of why MS2 station is viewed as a higher priority for replacement over MS-4 and should be replaced in 2014:

MS-4 Substation:

a) The distribution plant in and around MS4 station requires significant upgrade to fully utilize this substation asset (for instance, the distribution plant (pole lines) at MS4 are under sized and need upgrading.) MS4 station will take more capital planning and related distribution plant construction. This will increase project schedule and cost and, for these reasons, WNP believes it will be difficult to re-build this asset and have it in-service before the end of 2014. (*WNP's response to Board Staff Interrogatory #3a and VECC Interrogatory #3a*);
b) MS4 has land constraints, being a 50' by 50' parcel. WNP is still working with Costello to develop a design concept for MS4 that will be effective. (*WNP's response to VECC Interrogatory #3a*).

MS-2 Substation:

c) The station transformer is more heavily utilized than MS4. MS2 station currently supplies four 4,160V circuits with capacity to supply 5MVA; whereas MS4 station currently supplies one 4,160V circuit with a capacity to supply 2MW (*WNP's response to Board Staff Interrogatory #3a and VECC Interrogatory #3a*);
d) MS2 exists in the critical industrial area in the north part of Mount Forest, i.e. location is close to important load with the majority of WNP's industrial customers being fed from MS2 *(reference: WNP's response to Board Staff Interrogatory #3a and VECC Interrogatory #3a)*;
e) As per WNP's response to Energy Probe Interrogatory #4b, *"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." (*WNP's response to Energy Probe Interrogatory #4b*);

Information:

f) Furthermore, as cited in WNP's response to Board Staff Interrogatory #1:
"However, as identified in the 3rd party Substation Condition Assessment report, WNP needs to invest in its' substations to comply with reliability as well as worker and public safety requirements and to replace aging infrastructure. *(A summary of the 3rd party Substation Condition Assessment Study was filed with WNP's 2014 IRM application in Appendix 5.)* WNP has re-financed existing assets and secured a loan for $1.6m from Infrastructure Ontario (IO) commencing November 1, 2013 which has been procured to finance the replacement of MS2 Substation. The LDC is aware that the company will need to pay all costs in 2014 to enable the new substation to be energized and in-service for 2014. Therefore, WNP is planning to:
   1) Use the funds secured from the IO loan to pay for the substation to be built, energized and in-service in 2014 and;
   2) Utilise the revenue collected from Rate Riders from the Incremental Capital to pay the IO monthly loan installment amounts."

Points (a) to (f) above were included in the IRM Application and Interrogatory responses and demonstrate WNP's commitment and plans to move forward to replace the MS2 substation and build a new station in 2014. WNP has secured financing from Infrastructure Ontario to fund the design, build and construction of MS2 in 2014.

Energy Probe's views represented in its Submissions document are opposite to those presented by Board Staff. In Board Staff's Submission (dated December 13th 2013 - EB-2013-0178), page 6 states "*in considering the size of the affected loads and complexities of the two respective projects, Board staff accepts WNP's proposal to prioritize the MS-2 substation rebuild over the MS-4 substation. Board staff notes that the forecasted costs for WNP's MS-2 substation replacement are comparable to similar projects approved by the Board for ICM recovery in prior applications.*"

Regarding Energy Probe's comment of "*...and given that the MS-4 substation cannot be replaced in 2014, then WNPI should bring forward an ICM request associated with the MS-4 substation in the 2015 rate application*", WNP respect this viewpoint and wish to submit the following comments:

- As per IRM Application, Exhibit 5: Incremental Capital Module page 58, the LDC is looking to replace this substation in the near future (2016) and will most likely be included in the Distributor's next cost of service application (2015 for 2016 rates);

- By replacing MS-2 substation in 2014, WNP will have experience in handling a substation re-build project and will be able to apply any "lessons learnt" to the re-build of MS4 substation planned in 2016; and

- As outlined in the points above, the Applicant views MS4 substation as less critical than MS2 substation – less critical in terms of utilization and integration with the LDC's distribution infrastructure. Consequently, WNP is confident that waiting to replace MS4 substation in 2016 will not cause any reliability or safety issues to the company or its customers.

b) Need

Energy Probe submits that WNPI has provided sufficient evidence and rationale to substantiate the need for the replacement of the MS-2 substation. In particular, the Substation Condition Assessment Study commissioned by WNPI in 2013 supports the need to replace both the MS-2 and MS-4 substations because of age and condition.

However, the issue is whether the replacement of the MS-2 substation needs to, or should, take place in 2014.

As indicated in the Substation Condition Assessment Study prepared by a third party, Costello Utility Consultants (Appendix 5 of the prefiled material), the MS-2 substation has been assigned a rating of "Red" (page 4 of the Costello report). This rating means the substation is in poor condition and mitigation is required immediately, within one year (page 1 of the Costello report).

The Costello report further indicates that the MS-2 substation will improve to "Yellow" once the safety issues identified in the report are resolved and the switchgear deficiencies are corrected (page 4 of the Costello report). The "Yellow" rating means that the substation would be in average condition and that mitigation is required between four and eleven years.

WNPI was asked for the costs for the option of improving the station to a "Yellow" rating (Board Staff Interrogatory #3). WNPI replied that it had already spent $14,000 to date on substation remediation as a result of the Costello report with more of the repair and maintenance costs expected in late 2013 and 2014. The response also indicates that cost of the perimeter fence - one of the issues identified in the Costello report - could be replaced for $30,000. No other cost estimates were provided.

Energy Probe submits that the replacement of the MS-2 substation is not required in 2014. Mitigation measures as outlined in the Costello report will extend the time by at least 4 years until further mitigation is required. Therefore, Energy Probe submits that the expenditures associated with the replacement of the MS-2 substation cannot be considered non-discretionary.

Wellington North Power Inc. - Response:

Having read Energy Probe's commentary under the section **b) Need** (page 3), WNP understands that the Intervenor's argument can be summarised as: whether MS-2 substation replacement should take place in 2014. Energy Probe acknowledges that "*WNPI has provided sufficient evidence and rationale to substantiate the need for the replacement of the MS-2 substation. In particular, the Substation Condition Assessment Study commissioned by WNPI in 2013 supports the need to replace both the MS-2 and MS-4 substations because of age and condition.*"

In Energy Probe's Submission, there is reference to how the current MS2 substation can move from a "red" status (i.e. mitigation action is required immediately, within one-year) to a "yellow"

status (i.e. average condition where mitigation is required between four to eleven years). WNP submit the following comments regarding this particular reference:

a) A "Yellow" status (as per the Substation Assessment Study prepared by Costello Utility Consultants for WNP – Appendix 5 of the LDC's IRM application) would move the rating of the substation to "Average" and potentially extend the asset life anywhere from an additional four (4) to eleven (11) years. WNP wish to point out that that both money and time would need to be spent in making the existing MS2 substation safe but, it is the LDC's opinion, that this is a short-term solution with no guarantee that the asset life would be extended by up to a further eleven (11) years – this is rather like delaying the inevitable.
Furthermore, WNP anticipate the "need" to rebuild (e.g. MS-4 substation) or replace major components of other LDC substations (e.g. MS-1 and MS-3) over the next two (2) to ten (10) years;

b) WNP questions if this is the best and most efficient use of spending rate-payers money. In WNP's opinion, the solution proposed by Energy Probe implies that the current MS2 substation is "patched" to address the problems identified for a quick solution. The applicant would rather "do things right" and build a new MS2 substation that will benefit from latest technology and offer a higher confidence in reliability and safety;

c) MS2 substation was operational in 1972 and has a transformer from the same year. WNP believe that it could be inefficient (costly) to continue to maintain this substation on a yearly basis and expensive to integrate any form of technology to enable Smart Grid technology for this aging asset;

d) As mentioned in WNP"s response to VECC's Interrogatory #1e, the impact of a major equipment failure at MS2 is significant when compared with the impact of a major equipment failure at MS4. If MS2 was to fail, the four feeders leaving MS2 would have to be backed-up by MS1, MS3 and MS4. That said, the impact of a MS2 failure affects the entire distribution system in Mount Forest and WNP see this as a risk if MS2 substation is not replaced in 2014;

e) In its' filed IRM application, WNP included the methodology that the LDC applied to prioritize and categorize its planned 2014 CapEx projects into Discretionary and Non-Discretionary categories (Exhibit 5 – incremental Capital Module, pages 76 to 79). This was a challenging exercise yet demonstrated the LDC's pragmatic and realistic approach in balancing what capital projects need to be undertaken in 2014 versus the cost-benefit to customers and the LDC. It is the opinion of the Applicant that the replacement of the MS2 substation is considered as non-discretionary;

f) WNP wishes to assure Board and Board Staff that it is moving forward with its plan to replace the MS2 substation and build a new station. As per the Applicant's response to Energy Probe Interrogatory #4b, WNP plans to issue a tender document in January / February 2014 for a contractor to design, build and construct the new substation (MS2) with an in-service date of quarter 4 2014.

g) In Board Staff's Submission (dated December 13th 2013) relating to OEB file EB-2013-0178, page 6 states, "*Given the concerns with safety and age of assets identified in the Costello report, Board Staff submits that the need and prudence criteria have been met for the proposed MS-2 substation rebuild.*" WNP believes that in its' Incremental Capital Module requirement as part of its 2014 IRM application, the LDC has presented compelling reasons justifying the need to replace MS2 substation and has provided information to why this needs to happen in 2014.

h) Finally, should the Board <u>not</u> approve WNP's ICM recovery for a new substation, then it could be argued that there is an inconsistency between this decision and prior applications (for example, EB-2011-0160 – Centre Wellington Hydro 2012 IRM Application).

c) Materiality

WNPI has updated the calculation of the materiality threshold as part of the interrogatory responses. In particular, WNPI has corrected the growth factor used in the model between 2011 and 2012 (Board Staff Interrogatory #6) and has updated the stretch factor used in the price cap index (Energy Probe Interrogatory #1). Energy Probe submits that both of these adjustments are appropriate.

WNPI agrees that the both the inflation factor and the productivity factor to be used in the calculation of the materiality threshold need to be updated (Energy Probe Interrogatory #2). Energy Probe notes that in the updated calculation filed with the interrogatory responses, WNPI has used an inflation factor of 1.60% and a productivity factor of -0.72%. In conjunction with the stretch factor of -0.45%, this has resulted in a price cap index of 0.43%.

Energy Probe submits that the inflation factor should be updated to the 1.70% that the Board calculated as the inflation value for 2014 rates on November 21, 2013. Similarly, the productivity factor should be updated to 0.00%. Combined with the stretch factor of -0.45%, the price cap index is 1.25%.

Energy Probe submits that the materiality threshold should be calculated based on the updated price cap index of 1.25%. Based on the updated information, Energy Probe submits that the materiality threshold would increase from $583,551 to $645,976. This would reduce the eligible incremental capital amount from $1,412,449 to $1,350,024. However, since WNPI is claiming a total incremental capital amount of $1,356,100 instead of the eligible incremental capital amount, there is only a small reduction in the total incremental capital amount to be used in the rate rider calculation to the level of $1,350,024.

However, as noted earlier, the issue in this case is whether or not the proposed expenditures to replace the MS-2 substation in 2014 are non-discretionary. If these expenditures are not non-discretionary in 2014, then WNPI's request would either fail the materiality test or result in a substantially lower total incremental capital amount, since the maximum allowable capital amount is the difference between the 2014 total nondiscretionary capital expenditures and the materiality threshold.

As shown in the table on page 79, the total non-discretionary spend in 2014 excluding the MS-2 substation is $636,000, which is less than the materiality threshold noted above of $645,976.

Energy Probe submits that the non-discretionary expenditures associated with the remediation of the MS-2 substation are likely to be substantially less than the $1,596,100 identified in Energy Probe Interrogatory #3 for the replacement of the substation. In addition, similar to the removal of the $240,000 that is already built into the capital budget identified in that same interrogatory response, there is not likely to be any incremental non-discretionary costs associated with remediation of the substation that would qualify for ICM treatment.

Wellington North Power Inc. - Response:

WNP has reviewed the comments made in the **c) Materiality** section of Energy Probe's Submission and the Applicant wishes to make the following comments:

a) WNP agrees that the Price Cap Index should be 1.25% when applying the following rate–setting parameters as issued by the OEB on November 21, 2013 in "EB-2010-0379 – Report

of the Board: Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors":

- Price Escalator (GDP – IPI) of 1.70%;
- Productivity factor of 0.00%

b) WNP agrees that the using the Price Cap Index of 1.25% would:

- Yield a Materiality CapEx Threshold of $645,976;
- Reduce the Eligible Incremental Capital Amount from $1,412,449 to $1,350,024;
- Result in the Total Incremental Capital Amount for the ICM Rate Rider Calculation to be $1,350,024 ($6,076 lower than the LDC's requested amount)

The table below provides a comparison summary between the Applicants revised Incremental Capital Workform that was submitted with its Interrogatory responses (November 27, 2013) and updated data to reflect the latest rate-setting parameters as issued by the Board on November 21, 2013:

	Incremental Capital Workform submitted with IR#1 Responses	Calculations applying Board Rate-Setting Parameters (21-Nov-2013)	
Price Escalator (GDP-IPI)	1.60%	1.70%	*Agreed - as per EB-2010-0379 Report of the Board Rate Setting Parameters & Benchmarking under RRFE - page 11*
Less: Productivity Factor	-0.72%	0%	*Agreed - as per EB-2010-0379 Report of the Board Rate Setting Parameters & Benchmarking under RRFE - page 17*
Less: Stretch Factor	-0.45%	-0.45%	*Agreed - as per EB-2010-0379 Report of the Board Rate Setting Parameters & Benchmarking under RRFE - Appendix D, page XXI*
Price Cap Index	**0.43%**	**1.25%**	
Growth	1.15%	1.15%	
Ratebase	$7,489,318	$7,489,318	
Depreciation	$387,630	$387,630	
DeadBand	20%	20%	
Threshold Test	150.54%	166.65%	
Threshold CapEx	$583,551	$645,976	
2014 Non-Discretionary Capital Budget	$1,996,000	$1,996,000	
Eligible Incremental Capital Amount	$1,412,449	$1,350,024	
Total Incremental Capital Amount for ICM Rate Rider Calculation	$1,356,100		
Difference between Incremental Capital Workform submitted in IR#1 Responses		($6,076)	

c) Should the Board accept the Total Incremental Capital Amount for the ICM Rate Rider Calculation to be $1,350,024, WNP realise that the ICM Rate Riders will be different to amounts calculated in the latest Incremental Capital Workform model that was filed with the Applicant's Interrogatory responses (November 27, 2013).

d) WNP is of the opinion that the MS2 Substation should be replaced in 2014 as justified in its IRM Application and Interrogatory responses. Expenditures relating to the replacement of MS2 substation are non-discretionary and therefore, WNP does not agree with Energy Probe's Submission stating that such expenditures "*in 2014 are non-discretionary*".

e) WNP's opinion of remediation of the existing MS2 substation is that this is not a medium or long-term solution for the LDC. Remediation costs that are incurred may extend the current assets life (by four to eleven years) but this is a risk that the LDC does not actively wish to take given the age, condition and importance of this substation to WNP's distribution infrastructure. As mentioned in WNP"s response to VECC's Interrogatory #1e, the impact of a major equipment failure at MS2 is significant when compared with the impact of a major equipment failure at MS4. If MS2 was to fail, the four feeders leaving MS2 would have to be backed-up by MS1, MS3 and MS4. That said, the impact of a MS2 failure affects the entire distribution system in Mount Forest and WNP see this as a risk if MS2 substation is not replaced in 2014.

f) Furthermore, in its' filed IRM application, WNP included the methodology that the LDC applied to prioritize and categorize its planned 2014 CapEx projects into Discretionary and Non-Discretionary categories (Exhibit 5 – incremental Capital Module, pages 76 to 79). This was a challenging exercise yet demonstrated the LDC's pragmatic and realistic approach in balancing what capital projects need to be undertaken in 2014 versus the cost-benefit to customers and stakeholders. It is the opinion of the Applicant that the replacement of the MS2 substation is considered as non-discretionary.

d) Prudence

WNPI provides three options to deal with MS-2 substation at page 60 of Exhibit 5. Energy Probe submits that Option 1, do nothing, is not acceptable as there is clearly a problem that needs to be addressed sooner rather than later.

The second option is the option supported by WNPI. Option 3 is the same as the proposed option, except that the existing transformer would be continue to be used, instead of a new transformer.

Energy Probe submits that the Board should not consider Option 3, even through WNPI notes that the transformer, which is 41 years old, is still in relatively good condition.

Using the existing transformer is likely to be a short term solution. A few years down the road this transformer would need to be replaced, given that the expected remaining life is only 4 years (VECC Interrogatory #1d). It is likely that the cost to replace the transformer at the point in time would be higher than if a new transformer is installed at the same time as the rest of the substation is replaced.

The remaining life of the transformer, at 4 years, ties in to the movement of the MS-2 substation from the "Red" classification rating in the Costello report to the "Yellow" category which means the mitigation is required between 4 and 11 years.

This brings Energy Probe to Option 4. This option, which was not considered by WNPI, is to remediate the MS-2 substation to deal with the issues identified in the Costello report that would improve the rating from "Red" to "Yellow" and extend the life of the substation by a minimum of four years.

Energy Probe submits that Option 4 is the most prudent option as it represents the most cost-effective option for ratepayers. The life of the existing substation can be extended for at least 4 additional years at a minimal cost. As the Costello reports indicates, once the safety issues are resolved and switchgear deficiencies are corrected, the substation would be in average condition.

Wellington North Power Inc. - Response:

WNP has reviewed the comments made in the **d) Prudence** section of Energy Probe's Submission and the Applicant wishes to make the following comments:

a) WNP agrees with Energy Probe's submission that Option 1 – "Do Nothing" is not an acceptable solution;

b) WNP does not agree with Energy Probe's Option 4 – To Remediate the MS-2 Substation. Energy Probe states that "*Option 4 is the most prudent option as it represents the most cost-effective option for ratepayers.*" WNP submits that this option is a cost-effective option to the rate-payer today (in 2014) yet at some point in the medium term, the substation will need to be replaced. Remediation costs may extend the life of the current substation from anywhere from four (4) years to eleven (11) years as per the 3rd party report filed with the

LDC's IRM application. The remediation work will extend the asset life but there is no definite answer on by how long (an approximate of between 4 years to 11 years has been provided by the 3rd party expert.) WNP do not doubt the 3rd party expert's viewpoint but feel that given the age, condition and types of faults identified at MS2 substation, it would be more cost-effective and sustainable solution for the rate-payers to replace the substation in 2014.

c) Under Energy Probe's Option 4, any remediation costs will be capitalized and incur depreciation expense.
Should the Board agree with Energy Probe's Option 4 submission, WNP will require direction from Board, Board Staff and/or Energy Probe to determine how many years depreciation expense should be calculated - 4 years, 5 years, 11 years...?

d) As stated in the Applicant's response to Energy Probe Interrogatory 4a, as per the 2012 audited financial statements (31st December 2012), MS2 substation is fully depreciated and has a net book value of $0. 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). A replacement substation will provide a contribution to the LDC's working capital allowance.

e) Should the Board <u>not</u> approve WNP's ICM recovery for a new substation, then it could be argued that there is an inconsistency between this decision and prior applications (for example, EB-2011-0160 – Centre Wellington Hydro 2012 IRM Application).

e) Calculation of Revenue Requirement and Rate Riders

WNPI has updated the calculation of the revenue requirement and the associated rate riders as part of the interrogatory responses. In particular, WNPI has updated/corrected the depreciation expense (Board Staff Interrogatory #2), and the capital cost allowance (Energy Probe Interrogatory #5) to calculate the revenue requirement.

Energy Probe believes these calculations are appropriate. However, it is submitted that the calculation needs to be updated to reflect the new materiality threshold noted in part (b) above, if the Board were to determine that the replacement of the MS-2 substation should proceed at this time.

Wellington North Power Inc. - Response:

Regarding calculation of Revenue Requirement and Rate Riders, WNP accepts the comments made by Energy Probe and is grateful for their assistance with completing the incremental revenue requirement calculation.

As per Energy Probe's Submission part (b) concerning the materiality threshold calculation, WNP agrees that using the Price Cap Index of 1.25% would:

- Yield a Materiality CapEx Threshold of $645,976;
- Reduce the Eligible Incremental Capital Amount from $1,412,449 to $1,350,024;
- Result in the Total Incremental Capital Amount for the ICM Rate Rider Calculation to be $1,350,024 ($6,076 lower than the LDC's requested amount).

The above information is further explained on page 10 of this document.

Furthermore, should the Board accept the Total Incremental Capital Amount for the ICM Rate Rider Calculation to be $1,350,024, WNP realise that the ICM Rate Riders will be different to amounts calculated in the latest Incremental Capital Workform model that was filed with the Applicant's Interrogatory responses (November 27, 2013).