

Ontario Energy Board

IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c. 15, (Schedule B), as amended;

AND IN THE MATTER OF an application by Waterloo
North Hydro Inc. under Section 78 of the OEB Act to the
Ontario Energy Board for an Order or Orders approving
or fixing just and reasonable rates and other service
charges for the distribution of electricity as of January 1,
2016.

INTERROGATORIES OF

UNIVERSITY OF WATERLOO via E2 ENERGY INC.

(“UOFW” AND “E2”)

July 13th, 2015

WATERLOO NORTH HYDRO INC.

2016 RATES REBASING CASE

EB-2015-0108

UofW INTERROGATORIES

1-E2-1

General Large User, or “LU” Rate Category Inquiries

- i. How many customers are in the LU category? How long has it been since there was a change in number of customers in the LU category?
- ii. Are there any new LU customers anticipated during the Bridge or Test years or at any time during the Distribution System Plan (DSP) period to 2020?
- iii. Please confirm that the COP for the LU category is a percentage apportionment of the utility’s COP, which is predominantly based on the utility’s NSLS profile and majority Class B Global Adjustment (GA) customers rather than as based on the LU load profile and allocation of GA, which would be Class A. If different please provide details concerning the allocation methodology for COP.
- iv. Please confirm that the net asset value of the LU category is \$5.774 million and that it represents 3.14% of the utility’s total net asset value? If different please provide actual figures.

1-E2-2

Ref: Exhibit 1 Attachment 1-10, 2014 Audited Financial Statement, Dividends

- i. Dividends paid were \$3.776 million and \$3.630 million in 2013 and 2014 respectively, on total net revenues of \$33.365 million and \$33.762 million, respectively. This represents a Return on Revenue, or ROR for the Shareholders of 11.3% and 10.78%.
 - a. Were these ROR compared to other medium sized Local Distribution Companies (LDC) in Ontario?
 - b. Can you provide a comparison table of medium sized LDC’s ROR?
 - c. What is the ROR anticipated for each of the Bridge and Test years?
- ii. In management’s opinion, are the decision of the dividend declaration and the value of the declaration balancing the interests of both the shareholder and the rate payer including all upgrades to system assets and new one time LRT cost upgrades?
 - a. Has the matter been considered by the Board of WNH?
- iii. Does the decision and the value of the dividend declaration require approval of the majority of WNH independent directors on the board?

- iv. In management's opinion, is there a demonstrated balance and reasonableness applied to this dividend payment decision so that it does not impede cost effective and reliable service to the rate payer, nor further delay required system upgrades?
- v. Was a lower dividend payment proposed to the WNH Board in prior years, perhaps to accelerate capital improvements (e.g. reclosure installations, automation upgrades or protection and control systems) that would have improved rate payers' service levels, lowered outage occurrences or improved reliability?
- vi. Has the board of WNH been asked to consider lowering the shareholder dividend payment in any of the Bridge, Test or DSP period years in order to reduce the burden on the rate payers?

1-E2-3

Ref: Waterloo_2016Detailed_CA_Model_COS_20150501

- i. Please confirm that the utility is looking for an increase in its net operating revenues of \$4.154 million, above the \$32.439 million in net operating revenue it would expect to earn via its existing rates. If different can you please provide actual figures?
- ii. Is it reasonable to assume that the ROR will continue as in previous years and if so, how much of the increase in net operating revenues will be provided as a dividend to the shareholders?
- iii. If the increase in net operating revenues as identified in (i) above is more-or-less correct, does a 12.8% increase in revenue meet the Board's filing parameters? If not, how does WNH propose to comply?

1-E2-4

Ref: Exhibit 2, Attachment 2.1 Distribution System Plan, Table 1.5 (pg. 18)

Our records indicate that UofW, as your largest customer (LU rate category necessarily) contributed 16,604 kW in total for its non-coincident peak demand (noting additionally that its coincident peak would be less) for all of its accounts in September 2014 and not the 19,580 kW shown.

- i. Can you please explain the difference and confirm the accuracy of the other top 10 customers' contributions?
- ii. Does the discrepancy have any bearing on the rates or applicability to the LU rate class?

1-E2-5**Ref: Exhibit 2, Attachment 2.1, Appendix G.**

2016 System Access Investment Summary included the following:

Table 1-14: 2016 System Access Investment Summary

System Access	# Projects	Total \$	% of 2016 Investment Category
Total	40	\$ 6,622,858	100%
Materiality > \$175,000	15	\$ 5,738,833	87%
Material Project Drivers	# Projects	Total \$	% of 2016 Total Investments
Customer Requests	3	\$ 2,750,171	14.4%
Relocations (LRT)	7	\$ 1,768,099	9.3%
Relocations (Other)	3	\$ 703,694	3.7%
Meters	2	\$ 516,869	2.7%
Total	15	\$ 5,738,833	30.1%

This figures are presumed to have been transcribed to the rate-base. On page 41, it is disclosed that the Region of Waterloo will contribute 60% of the cost of the LRP relocation. However, the LRT 2016 Capital Project Summary for the seven (7) projects in Appendix G reflects capital costs of \$2,093,792, but having a net cost of \$1,194,407 after customer contributions.

- i. Please provide an explanation for the differences, both for the lower percentage contribution by the Region and the \$573,692 difference to the \$1,768,099 million reflected in Table 1-14?
- ii. How will WNH address the rate impact to its individual rate classes should any of the following occur:
 - a. The LRT project does not happen, or
 - b. The LRT is delayed?
- iii. Why are WNH's rate payers required to cover 40% of the LRT costs at all, but particularly if only 20% of the existing infrastructure is "approaching the end of its useful life"?

Per the Capital Project Summaries as detailed in Appendix D for Customer Requests, the capital projects total \$2,851,559 (\$2,257,764 and \$593,795), before consideration of the customer

contributions of \$1,170,488 (\$854,362 + \$316,126) for a net cost value of \$1,681,071.

- i. Please provide an explanation for the difference between this and the \$2,750,171?
- ii. The 200 new subdivision lots forecasted to cost \$593,795 have a customer contribution percentage of 53%, can you please confirm:
 - a. The precedence under which contractor and land developer agreements permit this percentage contribution;
 - b. Comparable customer contribution rates of comparable medium-sized LDC for similar projects;
 - c. Historical customer-contribution percentages for the period from 2011 to 2014?

2-E2-1

Ref: Exhibit 9, Proposed Rate Riders and Tables 26, 28, 29.

Modeling allocation assumptions for the LU are based on an annual consumption of 95,063,906 kWh and 173,581 kW / year. Including line losses, UofW, as the only LU consumer, actually consumed as follows: 87,273,575 kWh and 165,220 kW / year in Calendar Year 2012; 90,122,611 kWh and 168,361 kW / year in Calendar Year 2013; and 91,342,885 kWh and 165,723 kW / year in Calendar Year 2014.

- i. What input was sought from UofW to confirm such an increase in load and demand growth in the Test Year?
- ii. Were either UofW's Class A or CDM initiatives considered in the forecast?
- iii. What would be the change in the LU class rate rider allocations if an average of the last three years was used as a proxy?

2-E2-2

Ref: Exhibit 7, page 12 Table 7-8 Revenue to Cost Ratios

The revised table reflects that the LU rate had a 90.77% revenue to cost ratio in 2011, but that percentage had dropped to 76.65% by 2015. We note that UofW's delivery costs from WNH have increased since 2011, despite decreases in both UofW's annual consumption and demand levels.

- i. Please explain, in detail the underlying factors contributing to the decrease in percentage contribution?
- ii. Please advise if the change in ratio is at all attributable to the existence of a single customer in the LU category?
- iii. Please advise if the existence of only a single customer in this rate class would

warrant a lower Board target?

2-E2-3

Ref: Appendix 2-W, Bill Impacts, Large User

Ref: Waterloo_2016Detailed_CA_Model_COS_20150501

When we review the input allocation factors used for the LU rate category, we note that the parameters used include annual consumption of 95,063,906 kWh and 173,581 kW / year. Consumption for the 12 month period just ended April 30th 2015 was actually 89,886,067 kWh and 165,647 kW / year. UofW's actual regulated costs during this period were \$2.6808 million (including HST); however, when we apply the proposed rates, per Appendix 2-W against the same consumption and demand the cost under the proposed rates would be \$3.1591 million (including HST). This represents an annual increase of \$478,377, or \$39,865 / month or a 17.84% increase in the revenue being collect by Waterloo North Hydro.

- i. Is this difference best explained by having over-inflated the consumption and demand estimates in the excel model? Should it not be corrected?
- ii. Does a 17.84% increase fall within the parameters set by the Board? If not, how does WNH propose to comply with these parameters?

We are concerned that having a single customer in the LU rate category may further and disproportionately increase the rates based on the Application spreadsheet model. We have attempted a few iterations with the model which suggests that this could occur.

- iii. Can you please provide a summary analysis of the specific bill impact to UofW, as the sole LU consumer under the following scenarios:

Total WNH Consumption and Demand	Number of New (Added) LU Consumers	Total Monthly Proposed Delivery Cost to Existing LU Consumer (Subtotal C, Appendix 2W, Bill Impacts, Larger User)				
		Addition Consumption and Demand (per Customer)	3,200,000 kWh and 69,600 KW	4,000,000 kWh and 87,000 kW	6,000,000 kWh and 130,500 kW	8,000,000 kWh and 174,000 KW
Remains unchanged at 1,445,815,676 kWh and 2,025,508 kW	1					
	2					
	4					
Increases Incrementally	1					
	2					
	4					