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July 13, 2015

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: EB-2015-0108 – Waterloo North Hydro Inc. - 2016 Distribution Rates
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)

Please find enclosed the interrogatories of VECC in the above-noted proceeding. We have also directed copies to the Applicant, their counsel as well as all intervenors via email.

Yours truly,

Michael Janigan
Counsel for VECC

Waterloo - Albert Singh - asingh@wnhydro.com
Counsel – John Vellone – jvellone@Blg.com
All Intervenors – via email

REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND NO:	**# 1**
TO:	**Waterloo North Hydro Inc. (WNH or Waterloo North)**
DATE:	**July 13, 2015**
CASE NO:	**EB-2015-0108**
APPLICATION NAME	**2016 Electricity Distribution Rate Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1
Reference: E1/pg.16

a) Please provide the "industry analysis" which "*indicates that major storms are becoming more frequent*".

1.0-VECC-2
Reference: E1/pg.17

The evidence states that WNH selected and began implementing a new Outage Management System in 2014. However, Appendix 2-AA shows a $190,000 investment for this project in 2015.

a) Please provide the total costs of the outage management system and the expected in-service dates.
b) Please provide the expected reduction in duration of outages from implementing this system.
c) What are the annual operating costs of this system and what are the expected benefits?

1.0-VECC-3
Reference E1/pg.30

a) What percentage of the residential and general service classes (respectively) who use in 2011 and 2014:

i. E-billing
ii. Direct deposit payment

1.0-VECC-4
Reference: E1/pg.25; 34-35

a) Given the number of initiatives listed at pages 34-35 why are WHN's SAIDI/SAIFI targets not more aggressive (as opposed to within the low and high bounds of the 2011-2014 actuals).
b) What is the consequence of not meeting these targets in any given year?

1.0-VECC-5
Reference: E1/Attachment 1-7 and 1-8

a) What information was provided to participants of the Innovate Research Consultation as to how WNH measures the effectiveness of its distribution and operational plans?
b) Page 24 of the Innovative Research Report shows customer perceptions of outages experienced. Please compare these survey results with the actual number of outages experienced by WNH customers. For example, the Innovative Research Report shows that 23% of customers believed they had experienced one outage in the past year. How many customers actually experienced an outage in the last year?
c) Similarly, at page 25 of the Utility Pulse Survey it reports 44% of customers believed they had 3-5 outages over the last 12 months. Please compare the Utility Pulse table results with actual outages and provide the actual percentage of customers who experienced an outage one, two, 3-5 etc. times over the past 12 months.
d) Based on WNH's review of the customer engagement/surveys how accurate are residential customers in their perception of the number of interruptions?

1.0-VECC-6
Reference: E1/Attachment 1-8/pg.46

a) In the customer feedback portion of the Innovative Research study it states:

As knowledge regarding cost drivers was generally low, customers turned to management, employee salaries and inefficiencies as points

of push-back. In fact, some customers believe that the workbook was purposefully general in order to create a favourable image of Waterloo North Hydro: "They tell you what they're spending on – what they think it's going to cost – but they're not really giving much. They give you labour costs here, but we don't know about management, we don't know what they're paying them"

How does WHN believe it could improve its survey/information so as to provide information on how WHN provides value for money, undertakes cost efficiencies and has the appropriate management/employee incentives?

b) Both surveys appear to present the respondent with a simple (and arguably false) choice of either accepting the Utility's proposed spending or face degradation of service. Is it WHN's position that any change in either capital spending or OM&A would lead to a degradation of reliability or other utility services. If so how this would is be measured?

1.0-VECC-7
Reference: E1/Attachment 1-14

a) Please update the OEB Scorecard to include 2014 results.

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC -8
Reference: E2 Appendix 2-AA & E2/pg.79

a) Please show the derivation of the $330,976 of "capitalized interest on building" and explain why it is included in 2011 rate base.

2.0-VECC-9
Reference: Appendix 2-AA

a) Please provide a table showing the Board approved (filed in application) budget for the New Service and Administration building and all the associated equipment including:

i. Building
ii. Roof
iii. Mechanical
iv. Parking Lot
v. Communications Tower
vi. Furniture
vii. Telephone System
viii. Generator
ix. Security
x. Other equipment

2.0-VECC-10
Reference: E2/pgs.44, 69 / Table 2-38 /

a) Please provide a table showing all the LRT investments for each of 2015 through 2016 showing the expected start and completion date for each segment.
b) Please provide the same form of table for all other road relocations for each of 2015 and 2016
c) For each year please show the expected capital contribution for each category (LRT and other Road Relocations)
d) In the DSP (pg.49) WNH makes this statement: "*It is important to note that WNH has been required to produce cost estimates and start engineering with the LRT plans only 10 - 30% complete. This presents the risk of having to perform rework in a climate of uncertainty*." Has WHN considered applying for a deferral account to capture the net costs of the LRT and other road relocations given both the uncertainty and the fact that these investments are beyond the control of Utility management?

2.0-VECC-11
Reference: E2/pg.59/Table 2-31

a) For each investment category shown in table 2-31 please show the capital contributions for each of the years 2011 through 2016.

2.0-VECC-12
Reference: E2/Attachment 2-1 (DSP) /pg.82
a) Please provide the Reliability Event Cause Table for <u>each</u> year 2010 through 2014.
b) Please provide WHN's project for these tables for 2015 through 2019.

2.0-VECC-13
Reference: E2/Attachment 2-1 (DSP) Table 3-46

a) Please provide the business plan for the CIS replacement.
b) Please provide the total budget, including expected ongoing service costs
c) Please provide an update as to the current status of this project.

2.0-VECC-14
Reference: E2/Attachment 2-1 (DSP) Table 3-46/ 3-47a

a) Please provide the same information as above for the Asset Management Software
b) Please provide the same information as above for the HR module.

2.0-VECC-15
Reference: E2/Appendix F

a) Appendix F demonstrates that WNH is an industry leader in undertaking detailed analysis of outages by cause. Given the information and analysis is available why does WNH not set targets for DSP outcome performance based on reducing (or maintaining) outage by cause, rather than the more general (and less informative) SAIDI/SAIFI metrics?
b) In WHN's view what metrics related to cause of outage (or circuit performance) might be best used to understand whether its distribution plan is effective in maintaining (or improving) reliability?

2.0-VECC-16
Reference: Appendix 2-AA

a) The two bucket trucks expected to be purchased in 2015 appear to be significantly more expensive (424k and 405k) then those purchased in 2014 (307k and 391k) or 2011 (307k). Please explain why?
b) How many bucket trucks (class 6 and above) will WNH have subsequent and prior to these purchases? If there is an incremental increase please explain why this is necessary.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -17
Reference: E3, pg. 3

a) Please provide a schedule that compares the results (i.e. coefficients and statistical results) of: i) the purchase power model as proposed by Waterloo North and ii) the model as specified for the 2011 COS Application but estimated using current data.

3.0 –VECC -18
Reference: E3, pg. 5 and 13
2015 Ontario Budget
http://www.fin.gov.on.ca/en/budget/ontariobudgets/2015/

a) Please recalculate the purchase power projections for 2015 and 2016 using the forecast employment growth rates set out in the 2015 Ontario Budget (i.e., 2015 – 1.1% and 2016 – 1.3%) and provide the supporting excel worksheet.

3.0 –VECC -19
Reference: E3, pg. 9 and 15-17

a) Please re-calculate the 2015 and 2016 customer/connection forecast (per Table 3-9) using the geo-mean growth rates set out in Table 3-8.

3.0 –VECC -20
Reference: E3, pg. 11-14

a) Please clarify whether the Number of Peak Hours was used as an independent variable in the equation. Lines 4-10 suggest it was not. However, lines 22-23 suggest it was.
b) Please revised the equation set out on page 11, lines 4-10 and/or Table 3-5 accordingly.
c) Please confirm that the values in Table 3-6 are prior to any manual adjustment for CDM.
d) Please clarify Waterloo North's definition of HDD and CDD (i.e. what baseline value for degrees Celsius was used for each)?
e) With respect to page 14, over what historical period was the 1.365 loss factor determined?

3.0 –VECC -21
Reference: E3, pg. 14-16

a) The Application (page 15, lines 10-11) states that Waterloo North "reviewed future development and proposed connections". Please indicate what information Waterloo North reviewed and its sources.
b) Please provide any recent projections of future growth prepared by the local or regional governments.
c) Given the increased emphasis that the Board plans to place on customer counts in setting future rates (see second reference above), has Waterloo North investigated any alternative approaches to forecasting customer count, particularly for the Residential class? If yes, what approaches have been considered?
d) Please reconcile the statement on page 16 that the GS>50 class grew by 24 customers in 2014 with the increase of 13 customers shown in Table 3-7.
e) Please reconcile the discussion on page 16 (lines 13-18) which suggests the number of streetlight connections declined by 109 in 2014 (i.e., 24-133) with the increase of 8 connections shown in Table 3-7.
f) Please reconcile the discussion on page 16 (lines 13-18) which indicates that there were 133 new metered GS<50 connections in 2014 due to certain streetlight connections being metered with the GS<50 customer count increase of 44 shown in Table 3-7.

3.0 –VECC -22
Reference: E3, pg. 18

a) The forecast of use per customer values set out in Table 3-12 appear to be the weather normalized values after the manual adjustment for CDM. Please confirm if this is the case.
b) Please explain how the non-normalize (pre-CDM adjustment) billed energy forecast (per Table 3-13) for each class was determined.

3.0 –VECC -23
Reference: E3, pg. 20-21
E4, Attachment 4-7, Table 5

a) With respect to page 20, the text at lines 16-18 indicates that Waterloo North will achieve its 4 year CDM energy target. However, the values in Table 3-15 indicate that Waterloo North will only achieve 91.6% of its CDM energy target. Please reconcile.
b) Please explain the basis for the 6,300,000 kWh savings attributed to 2014 programs in 2014.
c) Please provide copies of any plans Waterloo North has submitted to the OPA/IESO regarding how it intends to achieved its 2015-2020 CDM target.
d) Please provide copies of any reports/reviews prepared by the OPA/IESO regarding Waterloo North's 2015-2020 CDM plans.

3.0 –VECC -24
Reference: E3, pg. 22-23
Chapter 2 Appendices, Appendix 2-I

a) Please confirm that Table 3-18 sets out the 2015 and 2016 CDM adjustments by customer class for purposes of the load forecast and not for purposes of calculating LRAMVA amounts as suggested by the table's title.
b) Please confirm that the 2016 savings for LRAMVA purposes should be the sum of the annualized savings for 2015 and 2016 – 14,950,000 kWh – per Table 3-16. If not confirmed please provide what Waterloo North considers to be the appropriate value and explain why.
c) Please provide a breakdown by customer class of Waterloo North's expected 2016 savings for LRAMVA purposes.

3.0 –VECC -25
Reference: E3, pg. 39

a) Please provide the year to date Other Revenue for 2015 (broken down per Table 3-37) and indicate what months are included.
b) Please explain why the difference between Revenues for Non-Utility Operations (#4375) and the Expenses for Non-Utility Operations (#4380) has varied so significantly from year to year on an historical basis.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -26
Reference: E4/pg.10

a) With respect to the change to monthly billing:
   i. Please explain how the reduction in Bad Debt due to the change to monthly billing is calculated.
   ii. Please explain how the increase in Collection Charge Revenue is calculated.
   iii. Please reconcile the "normalized billing costs in 2016 of $78,118" (pg. 43) with the amounts shown at Table 4-5.

b) What is the current frequency of billing for each customer class and when does WNH propose to move to monthly billing for each rate class.

4.0-VECC-27
Reference: E4/p.12

a) Do the regulatory costs include the costs of the two customer surveys?
b) Please provide the costs of the Innovative Research and Utility Pulse Surveys.

4.0-VECC-28
Reference: E4/pgs.12, 23, 53

a) Please provide the number and the total compensation in 2016 for retirement and other backfill positions.
b) Of the 11 positions retiring in 2015 and 5 positions in 2016 as shown in Table 4-17, how many employees have announced/notified WNH of their intention to retire?

4.0 – VECC -29
Reference: E4/pg. 25

a) Please explain what incremental responsibilities are being filled by the 3.0 (2.5 + .5) FTEs added to the Billing and Settlement functions since 2011.

4.0 – VECC -30
Reference: E4/pg. 27

a) Please provide a table showing the corporate objectives/targets which are used for incentive pay.
b) Please provide a list of the positions for which each objective/target applies.
c) Please provide the percentage awarded (from total possible) incentive pay for each of 2011 through 2014.

4.0-VECC-31
Reference: E4/pg. 28

a) Between 2011 and 2014 the Canadian CPI rose by approximately 5.77% or 1.45% (see for example http://www.inflation.eu/inflation-rates/canada/historic-inflation). This is about ½ of the average wage awarded by WNH of 2.75% (not including benefits). Please explain what labour productivity initiatives were undertaken, measured and reported on which compensates for these above inflation compensation awards.

4.0-VECC-32
Reference: E4/pg. 43

a) With respect to incremental smart meter costs (meter reading, AMR and other costs) since 2011, WNH shows three separate figures: Table 4-7 (pg. 20) $140,101; and $201,237 and $207,336 (page 43). Please clarify which figure shows the net incremental costs of smart meters since 2011. Please also show the incremental costs and any net reductions due to the elimination of manual meter reading and other costs reduced since the introduction of smart meters.

4.0-VECC-33
Reference: E4/pg. 44

a) Please provide the reasons for the incremental increase of $381,018 in 2016 under the category Finance/Executive/IT etc.
b) Please explain what Administration Credit Transfer refers to.

4.0-VECC-34

a) Please provide WNH's tree trimming budget/actuals for the each of the years 2011 through 2016.

4.0-VECC-35
Reference: E4/pg.54

a) Please describe the responsibilities of the "Loss Prevention" FTE shown in Table 4-19.

4.0-VECC-36
Reference: E4/pg. 78/Table 4-37

a) Please provide a table similar to the second table on page 78 showing the actual application cost for 2011.
b) Please separate the categories of consultant and legal costs.
c) Please provide the actual incurred costs to-date for consultant and legal costs.

4.0-VECC-37
Reference: E4/pg. 79/Table 4-38

a) The preamble to Table 4-38 states that WNH is not seeking recovery any of the listed costs in that table. The table includes LEAP costs which at other places (pg. 102) WNH indicates it is seeking recovery of. Please confirm the LEAP costs are included in the proposed revenue requirement.

4.0-VECC-38
Reference: E4/pg. 93

a) At Table 4-47 WNH shows the asset groups outside of the Kinectrics Range. Please provide the revenue requirement/depreciation cost of the variation from the Kinectrics range in asset useful lives in 2016. Note – this questions seeks only to understand the materiality of the proposed variance, therefore an estimate of the impact is sufficient.

4.0 – VECC -39
Reference: E4, pg. 111
E4, Appendix 4-7, Table 5

a) With respect to page 111, please provide the 2011 Load Forecast analyses With and Without CDM as discussed at lines 12-20 and a summary schedule that sets out, by customer class the kWh and kW (where applicable) differences.
b) Please reconcile the 2011-2014 program savings shown on in Exhibit 3, Table 3-15 with OPA verified results as reported in Appendix 4-7, Table 5.

4.0 – VECC -40
Reference: E4, pg. 113-115
E4, Appendix 4-F

a) With respect to pg. 114, please confirm that the kW values reported by the OPA represent the impact on the annual peak as opposed to the impact on monthly peak demand.
b) Please confirm that for purposes of calculating the billing kW lost in Table 4-60 the annual peak kW impacts on page 114 were multiplied by 12
c) If part (b) is confirmed, what is the basis for Waterloo North's (implicit) assumption that the impact on the billing demand in each month will be equivalent to the impact verified for the time of the annual peak?

4.0 – VECC -41
Reference: E4, pg. 114-115
EB-2014-0099, Exhibit 4, Appendix 4-N, pg. 3

a) Did Waterloo North have a 3rd party review its LRAM calculations? If so, please provide the 3rd party report.
b) Does Waterloo North agree that the kW values reported for Demand Response programs represent kW under contract and that the contracted kW may not have been exercised in each month of the actual years in question, if at all? If not, why not?
c) Like many other electricity distributors, North Bay Hydro Distribution Limited contracted with a 3rd party (in their case IndEco Strategic Consulting Inc.) to perform the LRAMVA calculations for its recent COS Application. In its Report (referenced above), IndEco offered the following

explanation for excluding the kW impact of Demand Response Programs from the LRAMVA calculations:

> *For customer classes where the LDC charges for distribution based on the customer's peak monthly demand (kW in the month), the system peak reductions are only partially relevant. For initiatives like lighting upgrades in businesses operating during normal business hours, the peak demand reductions are likely to be maintained throughout the year, including during the customer's monthly peaks, and so may be used to estimate lost revenue. For other programs, in particular demand response programs, the customer's monthly peak may not correspond to the system's peak. Further, even if they are coincident, if a demand response event is called, and the customer's monthly peak is shaved, it is likely that the customer's second highest peak in the month is only slightly less than their highest peak. Thus, the impact on distribution revenues of the demand response program is likely to be minimal, and is assumed to have zero impact on lost load.*
>
> *Thus, no distribution revenues are estimated to be lost from large general service customers' participation in demand response programs.*

Does Waterloo North concur with this rationale and agree that the impact of demand response programs should be excluded? If not, why not?

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

5.0-VECC-42
Reference: E5/pg.4

a) Please confirm that the $9.9million CIBC loan has been negotiated June 1, 2015 as indicated in Table 5-1. Please also confirm the effective interest rate of this loan and it principal.

5.0-VECC-43
Reference: E5/

a) WNH is significantly under leveraged (holding approximately $102m of its notional $130m debt structure). Please explain why (or how) the term loans of $9.9m in 2015 and $7.2m in 2016 were determined given this fact.
b) Please explain why both loans are negotiated mid-year.
c) Please explain what due diligence WNH has done to ensure the loans it is negotiating are at market rate. Specifically please explain why WNH is not accessing Infrastructure Ontario lending which currently shows 20 year

debentures at 3.12-3.19% (http://www.infrastructureontario.ca/Templates/RateForm).

d) Please explain why all the loans WNH has negotiated are with one lender (CIBC) and based on the same methodology (Swap + 100 basis points). Specifically please explain how this borrowing strategy diversifies WNH debt exposure.

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

No questions

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –44
Reference: E7, pg. 3-4

a) With respect to the non-Residential customer classes, does Waterloo North perform any work related to the provision of Services assets (e.g. repairs/replacements) or the maintenance of such assets once installed?
b) If yes, please confirm whether the costs are all billed back directly to the customers and how the costs (and revenues if any) are treated in the Application.
c) Please confirm that, based on Waterloo North's approach (per page 4, lines 6-17), the gross costs (i.e. with no adjustment for contributed capital) associated with Services for the non-Residential classes are not included in the allocation base used for General Plant.

7.0 – VECC –45
Reference: E7, pg. 5

a) Please provide the supporting analysis that shows the allocation of each of the underlying accounts and which results in the aggregate weighing factors set out in Table 7-2.

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC -46
Reference: E8, pg. 5-7

a) Please confirm that, based on Table 8-4, if the Residential revenue requirement was to be recovered entirely through a fixed charge, then the 2016 monthly Residential fixed charge would be $31.89. If not, what would the charge be?
b) Please confirm that if the 2016 Residential monthly service charge, assuming the current fixed-variable split, was increased ¼ of the way to this value then the 2016 Residential charge would be $20.88. If not, what would the result be?
c) Please provide the resulting Residential total bill impacts (i.e. the Residential tables in Appendix 2-W) if this service charge (per part (b)) was adopted and the variable charge decreased accordingly.
d) Based on the most recent 12 months of billing data please indicate how many Residential customers fall into each of the following average monthly use categories:
   - 0-100 kWh
   - >100-250 kWh
   - >250-500 kWh
   - >500-800 kWh
   - >800-1,000 kWh
   - >1,000-1,500 kWh
   - >1,500-2,000 kWh
   - >2,000 kWh

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -47
Reference: E9/pg.16

a) Please provide the derivation of the $41,910 WIP component of Account 1576.

End of document