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February 8, 2016

Ontario Energy Board
Attention: Kirsten Walli, Board Secretary
2300 Yonge Street
P.O. Box 2319
27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

Re: Wellington North Power Inc.
EB-2015-0110 - 2016 Cost of Service Application
Applicant Responses to Intervenor Clarification Questions

Pursuant to Procedural Order No.1 in OEB File EB-2015-0110, please find enclosed Wellington North Power Inc.'s (WNP) responses to Intervenor "Clarification Questions" received from Energy Probe Research Foundation on February 5th 2016.

Wellington North Power Inc. confirms the Applicant has also filed a copy of the interrogatory responses through the Board's e-filing service together with updated models. As per requirements, two copies will be mailed to the Ontario Energy Board.

Should you have any questions, please feel free to contact me.

Regards,

Richard Bucknall

Richard Bucknall

Chief Administrative Officer
Wellington North Power Inc.

Cc: OEB: Ms. Jane Scott and Mr. Michael Millar
Cc: Intervenors: Energy Probe Research Foundation; Vulnerable Energy Counsumers Colaition
Cc: Legal Counsel: Mr. James Sidlofsky

This document has been filed pursuant to the Board's e-filing Services.

Contents

EXHIBIT 2 – RATE BASE

1. 2-Staff-6 & 2-Energy Probe-4

The response indicates that in 2015 and 2016 the allocation of deferred revenue is included in account 4245 as "Other Income". However, the continuity schedule for 2015 (Ex. 2, Table 2.14) reflects the addition of $130,000 for deferred revenue.

a) Please confirm that the deferred revenue for 2015 has been removed for the calculation of rate base in the updated evidence from the interrogatory responses.
b) What is the deferred revenue that underpins the amounts shown in account 4245 for each of 2015 and 2016?

Wellington North Power's Response:

a) WNP confirms that in the updated continuity schedules (Table 2.14), the addition of $130,000 deferred revenue was removed since it did not occur in 2015.

b) The deferred revenue that is being annually allocated to 4245 is based on $433,666 balance in deferred revenue as of Jan 1, 2015. WNP is not electing to use the exemption for customer contributions and will apply IFRS to all customer contributions received.

EXHIBIT 3 – OPERATING REVENUE

2. 3-Energy Probe-13

a) Please explain why there is no trend variable used in 2015 and 2016 to forecast the monthly consumption, despite having the trend variable included in the regression analysis.
b) Please provide an updated live Excel spreadsheet that reflects the incorporation of the trend variable in the forecast of 2015 and 2016 values.
c) Based on the forecast provided in part (b) what is the impact on revenues at existing rates in 2016? Please provide the response in the same format as found in the tables provided in response to part (b) of 3-Energy Probe-13.

Wellington North Power's Response:

a) This was an oversight. As per response to part b) below, WNP has filed an amended excel spreadsheet.

The table below includes 2015 kWh purchases actuals and kWh billed actuals. When comparing 2015 actuals to the proposed forecast derived from using this trend variable method, there is a noticeable percentage difference as illustrated below:

Wellington North Power Inc. Weather Normal Load Forecast for 2016 Rate Application - Response to Clarification Question 2. 3-Energy Probe-13													
EB-2015-0110													
	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Weather Normal	2016 Weather Normal
Actual kWh Purchases	99,177,535	99,726,775	101,905,199	100,510,261	93,415,382	102,608,265	105,625,698	108,411,817	110,314,060	112,420,512	112,562,117	-	-
Predicted kWh Purchases	101,022,119	100,486,424	102,018,514	99,854,869	95,318,000	100,819,380	104,006,389	104,474,814	111,813,624	114,301,367		115,474,586	117,445,047
CDM Purchase Adjustment												(698,121)	(1,748,974)
Predicted kWh Purchases after CDM												114,776,465	115,696,074
					Difference between Predicted kWh Purchases (after CDM) to 2015 Actual							2,214,348	3,133,957
										% Difference		2.0%	2.8%
Billed kWh	92,239,845	93,628,881	95,248,613	93,522,520	86,446,481	96,062,450	99,140,087	101,548,388	103,789,320	105,637,369	105,811,007	107,401,826	108,262,348
					Difference between Forecasted Billed kWh Difference to 2015 Actual							1,590,819	2,451,341
										% Difference to 2015 Actual		1.5%	2.3%

The above table shows that including the trend methodology requested:

(i) The "Predicted kWh Purchases" for 2015 and 2016 after CDM adjustment are 114,776,465 kWh and 115,696,074 kWh respectively, representing a 2% and a 2.8% increase above 2015 actual kWh purchases.

(ii) The forecasted "Billed kWh" for 2015 and 2016 are 107,401,826 kWh and 108,262,348 kWh respectively, representing a 1.5% and a 2.3% increase above 2015 actual billed kWh.

In the Applicant's opinion, using this proposed trend methodology results in forecasted kWh purchases considerable higher when compared to prior years and consequently, may not be appropriate given WNP's stable customer-base (customer account numbers) over the past ten years.

b) WNP has filed an excel spreadsheet (named "WNP 2016 Load Forecast_IR_Clarification_2.3-EnergyProbe-13) as requested.

c) The table below illustrates the impact on revenues at existing rates between WNP's application and using the methodology requested:

As per Application filed
2016 Test Year

Customer Class Name	Customers (Connections)	Test Year Volume	Fixed Charge Revenue	Variable Revenue	TOTAL
Residential	3,251	26,005,466	$721,297	$481,101	$1,202,398
General Service < 50 kW	476	11,855,213	$223,972	$199,168	$423,140
General Service > 50 to 999 kW	38	41,588	$126,012	$144,678	$270,690
General Service 1,000 to 4,999kW	5	108,301	$135,296	$204,916	$340,213
Unmetered Scattered Load	1	3,024	$217	$44	$261
Sentinel Lighting	29	65	$1,839	$1,260	$3,099
Street Lighting	914	1,995	$78,092	$15,816	$93,908
Total Variable Revenue	**4,713**	**38,015,652**	**$1,286,726**	**$1,046,983**	**$2,333,709**

Updated Based on Scenario of Intervenor Clarification Question 2. 3-Energy Probe-13
2016 Test Year

Customer Class Name	Customers (Connections)	Test Year Volume	Fixed Charge Revenue	Variable Revenue	TOTAL
Residential	3,251	28,978,058	$721,297	$536,094	$1,257,391
General Service < 50 kW	476	13,210,340	$223,972	$221,934	$445,906
General Service > 50 to 999 kW	38	45,347	$126,012	$158,451	$284,464
General Service 1,000 to 4,999kW	5	108,301	$135,296	$204,916	$340,213
Unmetered Scattered Load	1	3,024	$217	$44	$261
Sentinel Lighting	29	65	$1,839	$1,260	$3,099
Street Lighting	914	1,995	$78,092	$15,816	$93,908
Total Variable Revenue	**4,713**	**42,347,131**	**$1,286,726**	**$1,138,516**	**$2,425,242**
Variance to Application	0 0.00%	4,331,479 11.39%	$ - 0.00%	$ 91,532.93 8.74%	$91,532.93 3.92%

The table below summarizes the impact on the cost of service as a result of change in the preparing this forecast version as requested:

Summary of Cost of Service Changes between Application and Intervenor Methodology

	2016 Application	Updated Evidence Based on in Applicant's Responses to Interrogatories (filed Jan 27th 2016)	Changes due to Intervenor Clarification Question 2. 3-Energy Probe-13	Difference (between IR Evidence filed and Intervenor Clarification Question 2.3-EP-13	
Long Term Debt	4.01%	4.01%	4.01%	0.00%	
Short Term Debt	1.65%	1.65%	1.65%	0.00%	
Return on Equity	9.19%	9.19%	9.19%	0.00%	
Weighted Debt Rate	3.85%	3.85%	3.85%	0.00%	
Regulated Rate of Return	**5.99%**	**5.99%**	**5.99%**	**0.00%**	
Controllable Expenses	$1,811,368	$1,813,728	$1,813,728	$0	0.0%
Power Supply Expense	$13,117,919	$14,006,131	$14,494,232	$488,101	3.7%
Total Eligible Distribution Expenses	$14,929,287	$15,819,859	$16,307,960	$488,101	3.3%
Working Capital Allowance Rate	7.50%	7.50%	7.50%	0.00%	
Total Working Capital Allowance ("WCA")	**$1,119,697**	**$1,186,489**	**$1,223,097**	**$103,400**	9.2%
Fixed Asset Opening Bal Bridge Year	$7,653,193	$7,683,811	$7,683,811	$0	0.0%
Fixed Asset Opening Bal Test Year	$9,155,083	$8,935,721	$8,935,721	$0	0.0%
Average Fixed Asset	$8,404,138	$8,309,766	$8,309,766	$0	0.0%
Working Capital Allowance	$1,119,697	$1,186,489	$1,223,097	$36,608	3.3%
Rate Base	**$9,523,835**	**$9,496,255**	**$9,532,863**	**$36,608**	0.4%
Regulated Rate of Return	5.99%	5.99%	5.99%	0.00%	
Regulated Return on Capital	**$570,249**	**$570,725**	**$572,925**	$2,200	0.4%
Deemed Interest Expense	$220,153	$221,643	$222,497	$854	0.4%
Deemed Return on Equity	$350,096	$349,082	$350,428	$1,346	0.4%
OM&A	$1,797,368	$1,799,728	$1,799,728	$0	0.0%
Property Tax	$14,000	$14,000	$14,000	$0	0.0%
Depreciation Expense	$361,570	$417,626	$417,626	$0	0.0%
PILs	$0	$5,051	$5,298	$247	0.0%
Service Revenue Requirement	**$2,743,188**	**$2,807,130**	**$2,809,577**	**$2,447**	0.1%
Revenue Offset	($150,588)	($128,808)	($128,808)	$0	0.0%
Revenue Requirement	**$2,592,599**	**$2,678,323**	**$2,680,769**	**$2,447**	0.1%

Note: The comparison (difference) above is between the methodology described in Clarification Question 2.3-Energy Probe-13 b) to the Applicant's updated information filed on January 27th 2016 in response to Interrogatories.

The table below is a replicated version of Table 3.22 updated to reflect the outcome of the load forecast applying the methodology described above:

Table 3.22: Actual Purchased kWh versus Adjusted kWh

Year	kWh Purchased	Predicted Purchases	Difference
2005	99,177,534.70	100,203,868.40	1.03%
2006	99,726,774.81	99,566,096.63	0.16%
2007	101,905,199.30	101,456,606.45	0.44%
2008	100,510,260.57	99,715,122.48	0.79%
2009	93,415,381.52	96,051,560.59	2.82%
2010	102,608,264.83	101,470,115.44	1.11%
2011	105,625,698.07	104,257,827.33	1.30%
2012	108,411,816.52	105,015,880.22	3.13%
2013	110,314,059.50	111,948,345.57	1.48%
2014	112,420,511.95	114,430,078.65	1.79%
Mean Average Percentage Error (MAPE) :			**1.41%**

Year	kWh Forecasted Purchases	year over year
2015	115,474,586.41	2.72%
2016	117,445,047.47	1.71%

The table below is a replicated version of Table 3.38 updated to reflect the outcome of the load forecast applying the conditions described above:

Table 3.38: Customer and Volume Load Forecast

Wellington North Power Inc. Weather Normal Load Forecast for 2016 Rate Application												
EB-2015-0110												
	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Weather Normal	2016 Weather Normal
Actual kWh Purchases	99,177,535	99,726,775	101,905,199	100,510,261	93,415,382	102,608,265	105,625,698	108,411,817	110,314,060	112,420,512		
Predicted kWh Purchases	100,203,868	99,566,097	101,456,606	99,715,122	96,051,561	101,470,115	104,257,827	105,015,880	111,948,346	114,430,079	115,474,586	117,445,047
% Difference	1.0%	-0.2%	-0.4%	-0.8%	2.8%	-1.1%	-1.3%	-3.1%	1.5%	1.8%		
CDM Purchase Adjustment						0	0	0	0	0	(698,121)	(1,748,974)
Predicted kWh Purchases after CDM											114,776,465	115,696,074
Billed kWh	92,239,845	93,628,881	95,248,613	93,522,520	86,446,481	96,062,450	99,140,087	101,548,388	103,789,320	105,637,369	107,401,826	108,262,348
By Class												
Residential												
Customers	2,869	2,923	2,959	3,002	3,037	3,073	3,103	3,126	3,161	3,190	3,220	3,251
kWh	25,217,181	25,227,824	25,023,794	25,142,788	25,158,787	25,200,723	25,802,534	24,795,447	25,357,835	25,941,256	27,645,624	28,978,058
General Service < 50 kW												
Customers	462	455	455	464	468	479	478	478	474	473	474	476
kWh	12,036,675	11,886,853	11,930,026	11,678,034	11,573,828	11,323,787	11,781,553	11,710,253	12,012,886	11,877,868	12,630,557	13,210,340
General Service 50 to 999 kW												
Customers	40	38	39	41	43	40	38	38	39	38	38	38
kWh	30,016,678	29,919,925	24,233,832	25,169,769	20,973,876	20,890,084	21,438,642	21,823,125	17,140,222	15,634,133	15,265,673	14,709,194
kW	45,546	51,134	72,261	73,818	64,960	62,105	65,571	67,391	53,734	47,684	47,062	45,347
General Service 1000 to 4,999 kW												
Customers	5	5	4	4	5	5	5	5	5	5	5	5
kWh	24,099,432	25,721,661	33,212,587	30,725,657	27,961,217	37,885,731	39,368,359	42,470,244	48,528,024	51,432,197	51,108,488	50,613,209
kW	86,247	90,065	68,832	67,494	72,545	83,945	85,844	89,307	103,015	110,732	109,361	108,301
Street Lights												
Customers	942	942	942	942	900	900	899	898	900	905	905	905
kWh	728,596	731,832	727,707	748,942	738,099	720,757	713,439	715,663	718,528	720,704	723,044	725,392
kW	1,998	2,010	2,007	2,048	2,026	1,981	1,964	1,963	1,978	1,983	1,988	1,995
Sentinel Lights												
Customers	23	23	24	34	31	28	28	28	28	28	29	29
kWh	39,379	38,909	38,081	36,606	33,138	31,636	28,024	26,093	26,093	25,478	24,275	23,128
kW	109	108	106	103	93	88	82	72	72	71	68	65
Unmetered Loads												
Connections	13	13	10	3	2	1	1	1	2	1	1	1
kWh	101,904	101,877	82,586	20,724	7,536	9,732	7,536	7,563	5,733	5,733	4,164	3,024
Total												
Customer/Connections	4,354	4,400	4,432	4,490	4,486	4,526	4,553	4,574	4,607	4,641	4,672	4,704
kWh	92,239,845	93,628,881	95,248,613	93,522,520	86,446,481	96,062,450	99,140,087	101,548,388	103,789,320	105,637,369	107,401,826	108,262,348
kW from applicable classes	133,901	143,317	143,206	143,463	139,624	148,119	153,460	158,734	158,799	160,470	158,480	155,708

3. 3-Energy Probe-16

The updated forecast for 2016 for account 4360 - Loss on disposition of utility and other property has a forecast loss of $28,000. The updated 2016 continuity schedule shows $27,635 in disposals at cost and an adjustment to accumulated depreciation for these disposals of $11,200. The difference, $16,435, would appear to the loss on disposition. Please explain how the $28,000 forecast was determined.

Wellington North Power's Response:

The $27,635 total disposals listed in the updated Table 2.15 as part of 2-Energy Probe-4 includes the $11,565 allocation of deferred revenue. This will not decrease the loss on disposal of assets, because this credit amount goes to 4245 as itemized in Appendix 2-H for 3-VECC-20. The total of the $16,435 in the question above plus the $11,565 is $28,000. The only disposals that will affect the 4360 account are the $39,200 asset disposal of smart meters and the $11,200 amortization offset of that account.

EXHIBIT 4 – OPERATING EXPENSES

4. 4-Energy Probe-21

Please explain why WNP has not forecast the split between capitalized and expensed employee costs for 2016? How has WNP estimated the 2016 OM&A without forecasting what portion of the 2016 employee costs would be included in OM&A?

Wellington North Power's Response:

This was an oversight. 4-Energy Probe-21 and 4-VECC-22 both requested updates to Appendix 2-K and since the latter question involved updating 2-K with 2015 actuals, that was all that was completed for the former question as well. The following table includes the OM&A Capital portion of employee costs for 2016 as requested.

Appendix 2-K
Employee Costs

	Last Rebasing Year - 2012-Board Approved	Last Rebasing Year - 2012-Actual	2013 Actuals	2014 Actuals	2015 Bridge Year	2016 Test Year
Number of Employees (FTEs including Part-Time)[1]						
Management (including executive)	4.0	4.0	3.0	3.0	4.0	4.0
Non-Management (union and non-union)	9.5	8.0	10.0	10.0	9.0	9.0
Total	13.5	12.0	13.0	13.0	13.0	13.0
Total Salary and Wages including ovetime and incentive pay						
Management (including executive)	467,885	439,768	314,113	334,197	471,091	392,599
Non-Management (union and non-union)	492,255	454,229	639,070	663,677	657,786	658,101
Total	$ 960,140	$ 893,997	$ 953,183	$ 997,874	$ 1,128,877	$ 1,050,699
Total Benefits (Current + Accrued)						
Management (including executive)	23,565	101,131	72,119	74,035	105,618	109,085
Non-Management (union and non-union)	21,301	113,584	158,457	171,880	158,318	165,015
Total	$ 44,866	$ 214,715	$ 230,576	$ 245,915	$ 263,935	$ 274,100
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	$ 491,450	$ 540,899	$ 386,232	$ 408,232	$ 576,709	$ 501,684
Non-Management (union and non-union)	$ 513,556	-$ 567,813	$ 797,527	$ 835,557	$ 816,104	$ 823,116
Total	$ 1,005,006	$ 1,108,712	$ 1,183,759	$ 1,243,789	$ 1,392,813	$ 1,324,799
Capital / OM&A Totals						
Capital		$ 119,444	$ 98,993	$ 142,418	$ 141,232	$ 133,000
OM&A		$ 989,268	$ 1,084,766	$ 1,101,371	$ 1,251,581	$ 1,191,799

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

5. 1-Staff-4 & 5-VECC-34

a) What would the 2012 ROE have been if the foregone revenue of $211,000 had been included in the calculation?
b) In addition to the above, if the smart meter expenses and amortization were removed from the calculation of net income, what would the 2012 ROE have been?

Wellington North Power's Response:

a) WNP estimate, if the foregone revenue of $211,000 had been included, the ROE in 2012 would have been 7.94%.

b) WNP estimate the ROE in 2012 would have been 5.57%, if the calculation had:

i. Included foregone revenue of $211,000;
ii. Excluded Smart Meter expenses of $105,542;
iii. Excluded Smart Meter amortization of $221,355;
iv. Excluded revenue of Smart Meter Rate Rider from prior period (-$281,316);
v. Excluded Tax adjustments impact due to the above items ($27,245);
vi. Excluded Smart Meter Carrying Charges Disposition of -$7,304

6. 5-VECC-35(c)

The response indicates that WNP has chosen to amortize the IO loan over 30 years because interest rates are at historic lows and that by choosing the longest term possible, it is reducing the exposure to higher interest rates in the future.

a) Has WNP considered replacing the affiliate debt based on the same rationale? If not, please explain why not?
b) Has WNP had any discussion with a third party debt provider to replace the affiliate debt? If yes, please provide details.

Wellington North Power's Response:

a) WNP has not considered replacing the affiliate debt based on the same rationale as noted.

The financing loans that WNP has with Infrastructure Ontario (IO) have been secured against tangible assets (for example, a substation replaced in 2014). WNP is uncertain whether IO would provide a loan to finance the Promissory Note.

b) No.