

EB-2015-0110

Wellington North Power Inc.

**Application for electricity distribution rates and other
charges beginning May 1, 2016**

**CLARIFICATION QUESTIONS OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

February 5, 2016

**WELLINGTON NORTH POWER INC.
2016 RATES REBASING CASE
EB-2015-0110**

**ENERGY PROBE RESEARCH FOUNDATION
CLARIFICATION QUESTIONS**

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?

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.

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.

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?

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?

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.