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January 22, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St., 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: EB-2016-0091 - London Hydro 2017 Rates Rebasing Application – LPMA Clarification Questions

In lieu of a technical conference which could have been used to clarify interrogatory responses and the updated information provided late last week, I have put together a number of clarification questions.

I would ask that London Hydro provide written responses to these questions so they are on the record. It would also be appreciated if London Hydro could provide responses to as many of the questions as is possible before the beginning of the settlement conference as this would make better use of our time at the settlement conference.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Encl.

cc: David Arnold, London Hydro Inc. (e-mail)
Martin Benum, London Hydro Inc. (e-mail)
Andrew Taylor, The Energy Boutique (e-mail)
Intervenors (e-mail)

EB-2016-0091

Ontario Energy Board

London Hydro

Application for electricity distribution rates beginning May 1, 2017

CLARIFICATION QUESTIONS OF LONDON PROPERTY MANAGEMENT ASSOCIATION (“LPMA”)

January 22, 2017

<u>EXHIBIT 2 – RATE BASE</u>

<u>2-LPMA-1</u>

Ref: 2-LPMA-16

a) Please provide the calculations and all assumptions used based on the data provided in the table that results in the collections lag of 27.35 days.

b) Please explain what is meant by the “Current” column.

c) Please provide, if available a more detailed breakdown of the 1-30 day column into 1 to 15 days and 16 to 30 days.

<u>EXHIBIT 3 – OPERATING REVENUE</u>

3-LPMA-2

Ref: 3-STAFF-41, Attachment 1

In the original Table 309, the CDM programs for 2016 through 2020 were projected to be the same each year at 29,786,333 kWh. In the updated version, the 2017 through 2020 figures are all the same but the 2016 figure is higher. Please explain why the 2016 through 2017 figures are not all the same, using the same approach as in the original evidence.

<u>EXHIBIT 4 – OPERATING EXPENSES</u>

<u>4 LPMA-3</u>

Ref: 4-LPMA-33

When did LHI implement the changes in the DSC to reflect first payment to electricity services?

<u>4-LPMA-4</u>

Ref: 4-LPMA-34, Exhibit 4 Table 4-3, & January 20, 2017 IR Update Report

Appendix 2-L in the Chapter 2 Appendix spreadsheet filed with the January 20, 2017 IR Update Report does not appear to have been updated to reflect actual data for 2016. Please update Appendix 2-L (as shown in Table 4-3) to include actual data for 2016 (customers, OM&A and FTE’s). Please also reflect any changes that impact 2017, such as the customer forecast that results from the Update Report.

4-LPMA-5

Ref: 4-LPMA-37 & January 20, 2017 IR Update Report

Please update Table 4-60 to reflect actual data for 2016 that according to the IR Update Report is now available.

4-LPMA-6

Ref: 4-LPMA-39

The response is not clear as to where the revenues and associated costs are recorded. As a specific example, LHI receives revenue from the City of London for water billing and incurs costs to perform this function for the City.

a) Are the costs incurred to earn this revenue included in the OM&A accounts (5000 series) or are they separated out and included as an offset to other revenues in account 4380?

b) Are the revenues received from the City of London included in account 4375 in other revenues or some other revenue account, or are they used as an offset in the OM&A accounts?

4-LPMA-7

Ref: 4-LPMA-40

As a result of the DSC issue, LHI increased the OM&A expense in 2017 by $300,000. Would any of this amount be allocated to capital/billable line shown in Appendix 2-K in the response or would all of the $300,000 be in the total compensation included in OM&A?

EXHIBIT 7 – COST ALLOCATION

7-LPMA-8

Ref: 7-LPMA-57

a) Part (b) of the question asked for the total bill impact, while the response appears to show the distribution impact only. Please provide the total bill impact for each rate class.

b) Part (c) asked for the maximum revenue to cost ratio that can be used in 2017 for each of the classes that are below the floor of the target range that results in a maximum 10% increase in the total bill. The response appears to be based on the increase in distribution revenues only. Please provide the response based on the total bill impact.

EXHIBIT 8 - RATE DESIGN

8-LPMA-9

Ref: 8-STAFF-53

The response to part (e) shows costs of $198,100 associated with FIT and microFIT customers.

a) Have these costs been allocated to the GS < 50 and GS > 50 classes or are they allocated to all rate classes?

b) Please explain what is included in the engineer staff support cost? Is this cost for new customers or is there an ongoing cost associated with existing FIT and microFIT customers?

8-LPMA-10

Ref: 8-LPMA-58

The requested information has not been provided for Tables 8.14.1.3 through 8.14.1.6. Please provide the requested information.

8-LPMA-11

Ref: 8-LPMA-59

The response to part (a) refers to the response to 8-STAFF-53. However that response does not provide the reason for proposing to put microFIT and FIT customers in the GS<50 and GS>50 rate classes, rather than maintaining the existing rate classes as they are and directly allocating the $200,000 in costs associated with the microFIT and FIT customers to them. Please provide the reasons for the London Hydro proposal.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-LPMA-12

Ref: 9-LPMA-62

Please confirm that based on the actual bad expenses shown for 2014 through 2016, the average over those three years is $583,287 and that the variance account would capture any bad debt expenses in excess of $874,930. If this cannot be confirmed, please provide the correct figures.