



PUBLIC INTEREST ADVOCACY CENTRE
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March 1, 2017

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-2016-0110 – Welland Hydro-Electric System Corp. – 2017 Rate Application
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

Wayne Armstrong, Director of Finance & Chief Operating Officer
Email: warmstrong@wellandhydro.com

REQUESTOR NAME	VECC
TO:	Welland Hydro-Electric Corp. (Welland)
DATE:	March 1, 2017
CASE NO:	EB-2016-0110
APPLICATION NAME	2017 COS Application

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: E1/T/pg.65

- a) If Welland has concluded from its survey's that customers are not willing to support IT investments for improved on-line services, why then is Welland proceeding with this project?
- b) Two figures are discussed in the description of the project(s) for on-line improvements - \$40,000 in "Total Cost of the Project" and \$50,000 or less in upgrades to computer systems. Please clarify the total cost of the project and what portion(s) of the amounts are expected to be spent during the rate plan period.

1.0-VECC-2

Reference: E1/pgs.74 & 75

- a) Please update Table 1-22 to include 2016 actual results.
- b) What are the consequences of failing to meet the performance improvement targets for SAID and SAIFI? Specifically, what impact does failure have on compensation for the Welland management?

1.0-VECC-3

Reference: E1/pg. 76, 77, 81

- a) Please update Table 1-23, 1-24 and 1-26 for 2016 results.

1.0-VECC-4

Reference: E1/ PDF pg. 144

- a) Please update the Scorecard to include 2016 actual results.

1.0-VECC-5

Reference: E1/ Appendix 1-G Innovative Research Group Study pg.58
(PDF pg.237)

- a) The Innovative Survey indicates that 33% of Welland customers are unaware of e-billing options. What efforts has Welland made to communicate alternatives to paper billing?

1.0-VECC-6

Reference: E1/Appendix 1-G/pgs.12 & 18 (PDF pgs. 191 &197)

- a) The Innovative Research Group Report states “*However, several (residential customers) did object to the deposit that is required to open a Welland Hydro account, even if their account with a previous local distribution company was in good standing.*” Please provide the Welland’s requirements with respect to customers attempting to demonstrate 1 year of good payment history with another utility (as set out in the Distribution System Code).

1.0-VECC-7

Reference: E1/Appendix 1-G

- a) Were the participants aware of the participation incentive (\$100 GS / \$80 Residential) prior to taking the survey?
- b) Welland has a residential and GS customer population of over 22,000 of which 16 participated in the survey. What is the statistical significance /margin of error for this survey?
- c) Given the survey size why the results should be considered meaningful?

1.0-VECC-8

Reference:

- a) Please provide a table showing for the period 2012 through 2016
 - i. Net earnings
 - ii. Retained earnings beginning of year
 - iii. Dividends
- b) Please provide Welland’s Dividend policy.

2.0 RATE BASE (EXHIBIT 2)

2.0-VECC-9

Reference: E2/pg.12 / Table 2-17

- a) With respect to fixed asset continuity why is there no work in progress for 2016 or forecast for 2017 whereas all the proceeding years had amounts of work in progress?

2.0-VECC-10

Reference: E2/pg.24

- a) Please provide a table showing all contributions (deferred revenue) for each year 2013 through 2017 (forecast)
- b) Please provide the actual 2016 contributions.
- c) Please explain how the 2017 forecast for contributions is calculated.
- d) Please provide the 2013 capital contributions agreed upon in the last cost of service application.

2.0-VECC-11

Reference: E2/pg.30

- a) Please explain why the 26 year old digger/derrick truck to be replaced in 2017 was not replaced in 2014 when it became apparent that a significant investment (\$9,296) would need to be made in order to keep it operating?

2.0-VECC-12

Reference: E2/pg.

- a) Please update Appendix 2-AA to include 2016 actuals.
- b) Please explain any significant variances from the 2016 budget to actual.

2.0 – VECC -13

Reference: E2/pg. 35

- a) Please update the working capital allowance for the October 16, 2016 Regulated Price Plan Report (Nov.1 2016-October 31 – 2017) and the updated (October 27, 2016) Board issued cost of capital parameters (see 5-Staff-57).

2.0-VECC-14

Reference: E2/pg. 40 Table 2-24

- a) Please update Table 2-24 to show 2016 actuals and to show the budgeted amounts for 2014 and 2015.

2.0-VECC-15

Reference: E2/pg.43 & Appendix 2-G DSP/pg. 110 Table 5-36

- a) Please provide the actual cost and delivery date of the International bucket truck and the Digger/Derrick.
- b) Please explain why part of the bucket truck cost was included in 2015 CWIP.
- c) Please provide Welland Vehicle replacement costs for 2012 and 2013.
- d) Based on past experience and the description for vehicle replacements in 2021 it would appear that Welland schedules major vehicle replacements for the bridge and test year of its cost of service application time periods. Please explain why.
- e) Please provide Welland's vehicle replacement policy.

2.0-VECC-16

Reference: E2/pg.47/Table 2-26A

- a) Please explain why there are no forecast capital contributions with respect to the forecast 50k in subdivision plant expansion.
- b) Please separate contributed capital related to subdivisions from all other contributed capital in the line entitled "Contributed Capital Sale of Transformers/Meters."

2.0-VECC-17

Reference: E2/pg. 64 / Appendix 2-G

- a) Please update Appendix 2-G (Table 2-30) to include 2016 Actuals.

2.0-VECC-18

Reference: Appendix 2-A DSP /pg. 23 (PDF 109)

- a) Please provide interruptions hours by cause code in the form of Figure 2-17 for 2016.
- b) Please update the Summary of Defective Equipment outages to add 2016.

2.0-VECC-19

Reference: Appendix 2-A DSP /pgs. 66-68

- a) Please explain the term “useful life” as used in these charts. Specifically, is useful life measured by depreciation or by asset assessment? If the former please explain what form of asset assessment is undertaken and whether a health index of major asset categories has been completed.
- b) If an asset health index is available please provide a table showing, by asset category, the total asset population and the percentage of assets in good, fair and poor condition (or whatever asset condition characterization is used by Welland).

2.0-VECC-20

Reference: Appendix 2-A DSP

- a) Welland is proposing to significantly increase its annual capital expenditures as compared to the prior 5 years. What changes have happened occurred since the last cost of service application in distribution planning which support the request for the greater amount of capital spending?
- b) Please explain what new asset information has been gathered since the last cost of service application which supports this increase.
- c) Did Welland develop its distribution plan in-house?
- d) Has Welland had a third party review its distribution system plan? If yes, please provide that party’s report on the plan.

2.0-VECC-21

Reference: Appendix 2-A DSP/ Tables 5-35

- a) Please show how the implementation of the asset replacements as shown in Table 5-35 would impact asset useful lives by recasting Figures 5-32 to 5-34 to show the expected results at the end of 2021.

2.0-VECC-22

Reference: E2/pg.22 – Continuity Schedules

- a) Please update Tables 2-13 and 2-14 (Fixed Asset Continuity Schedules) to show 2016 actual results and any resulting change in 2017 fixed assets.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -23

Reference: Exhibit 3, page 5 (lines 8-9); page 12 (Table 3-7) and page 13 (Table 3-9)

- a) Please explain how the “average” customer/connection count for each year was determined (e.g. monthly averages, average of opening and closing year values, etc.).
- b) Please provide the actual 2016 customer/connection count for each customer class calculated on a similar basis.
- c) Did the Large Use customer cease operation in 2015 or was it transferred to another customer class for 2016?

3.0 –VECC -24

Reference: Exhibit 3, pages 2 and 8-9

- a) Do the purchased power values used by Welland in its regression model include purchases from microFIT, FIT or other forms of local generation? If not, what would the monthly purchases of such generation be for the period 2002 to 2015?
- b) Did Welland test to see whether customer count or an economic activity variable such as GDP or employment would be a statistically significant explanatory variable? If yes, what were the results? If not, why not?
- c) One would intuitively expect the CDM Activity variable to have a coefficient reasonably close to -1.0. Can Welland explain why the coefficient in its model is materially less than this (i.e., -7.6)?
- d) Please provide: i) the actual purchases for 2016; ii) the actual HDD and CDD value for 2016 and iii) the predicted purchases for 2016 using Welland’s load forecast model.

3.0 –VECC -25

Reference: Exhibit 3, page 9 (lines 21-31)

- a) Please provide a clean (and more legible) copy of Appendix 4-H.
- b) Please provide Welland’s 2015-2020 CDM Plan (page 9, line 29).
- c) Please provide the 2006-2010 Final CDM Results report for Welland (page 9, line 27). If this report does not contain the persisting impacts of 2006-2010 CDM programs through to 2015 please provide the IESO (or other source) used for this information.

- d) Please provide the IESO Report for Welland's Actual Verified 2015 CDM Results along with any reports from the IESO regarding the persisting effects of verified 2015 CDM programs.

3.0 –VECC -26

Reference: Exhibit 3, page 9 (lines 21-31)
Load Forecast Model - CDM Tab (Excel file)
Welland 2011-2014 CDM Results with Persistence (Excel file)

- a) Please confirm that in determining the CDM variable the first year savings from 2011-2014 CDM programs were not adjusted to reflect savings adjustments made in subsequent years (e.g., the 2011 CDM program savings used for 2011 were 2,018,776 kWh and did not include the 279,457 kWh adjustment for 2011 recorded in 2012).
- b) Please re-calculate the historical CDM savings variable to account for this issue and to update the 2015 CDM savings for the actual verified 2015 CDM results.
- c) Based on the results in part (b) and any revisions required to historic purchased power values to account for local generation, please re-estimate the load forecast equation and provide the results (i.e., equation and regression statistics) along with revised versions of Tables 3-2, 3-5, 3-6 and 3-18 as well as the supporting load forecast model file.

3.0 –VECC -27

Reference: Exhibit 3, page 6 (Table 3-3); pages 14-16 and page 19

- a) Please provide the actual billed energy (and kW where applicable) by rate class for 2016.
- b) Please update Table 3-10 to include actuals for 2016.
- c) Please re-do Tables 3-12, 3-13 and 3-18 using the 2016 actual usage per customer as the basis for the customer class forecasts.

3.0 –VECC -28

Reference: Exhibit 3, pages 32-33

- a) Please update Table 3-37 for actual (unaudited) 2016 values.
- b) Is the "loss" recorded in Account 4355 for 2017 a one-time event?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0-VECC-29

Reference: E4/pg.3

- a) Please update the following Tables for the 2016 actual results
 - i. Table 4-1
 - ii. Appendix 2-JA
 - iii. Appendix 2-JB
 - iv. Table 4-5
 - v. Appendix 2-JC
 - vi. Table 4-9 (Appendix 2-K)

4.0-VECC-30

Reference: E2/pg.21 Appendix 2-JC

- a) Please provide the bad debt expense for years 2012 through 2017, showing the actual 2016 bad debt and explaining how the 2017 forecast cost is estimated.

4.0-VECC-31

Reference: E2/pg.26

- a) What is the cost of the IT outsourcing which replaced the internal resource?

4.0-VECC-32

Reference: E2/pg. 26/Table 4-9

- a) The bottom of Table 4-9 includes a number of rows not normally included in the Board format Appendix 2-K. The first line– “Capitalized Labour” is self-explanatory, however the following items are not. Please explain the meaning/relevance of other three items (“CDM/Third Party/Associate Billings”).
- b) Please also explain how Welland thinks the line titled Total Compensation OM&A should be compared year on year. For example, why is the 2013 actual figure for this line significantly lower than the Board approved amount?
- c) Please amend Table 4-13 to show 2012 actuals.

4-VECC-33

Reference: E4/pg.30

- a) What was the percentage increase in compensation related to the one time adders for lineman in 2015?
- b) Does Table 4-10 incorporate the one-time adders?

4.0-VECC-34

Reference: E4/pg.47

- a) Please provide the EDA fees paid in each year 2012 through 2017 (forecast)
- b) Please explain why the fees paid to the EDA increase from approximately 54k in 2013 to approximately 106k in 2014 and then back down to 54k again in 2015.

4.0-VECC-35

Reference: E4/pg. 47 Table 4-19

- a) Please explain the spike in MEARIE Insurance fees in 2014.
- b) Please explain the significant increase in these fees since 2013
- c) Please provide the 2016 actual fees and the 2017 expected fees.
- d) Welland appears to have two insurance carriers MEARIE and Frank Cowan Insurance. Please explain the reason for two carriers.

4.0-VECC-36

Reference: E4/pg.49

- a) Welland states that it *"will use the deferred account approved by the OEB to capture increases in the 2016 Bridge Year."* Please provide the Board direction with respect to the establishment of the account for the revised OEB assessment costs.
- b) Please provide the one-time application costs incurred to date.
- c) Why has Welland included customer engagement costs under regulatory application one-time costs? Please provide any reference to Board direction for this treatment.

4.0-VECC-37

Reference: E4/pg.56-58

- a) Please confirm that Welland has 3 asset classes in which it has chosen useful life outside the Kinectrics TUL range as shown in Table 4-25: 1820 Distribution Stations both <>50kV and 1845 UG Conductors. Are the Battery Bank/Chargers common to both < and > 50 kV stations?
- b) What studies has Welland undertaken to support the revised TUL.

4.0-VECC-38

Reference: E4/pg.65

- a) Please update Table 4-31 to reflect 2016 actual PILs.
- b) Please explain the tax rule change that excluded Welland from the Small Business Tax Deduction.

4.0-VECC-39

Reference: E4/pg.66

- a) Welland proposes to amortize the tax carry forward loss of \$139,419 over the term of the rate plan. Is Welland aware of any precedent supporting this treatment?
- b) Table 4-32 does not appear to show any adjustment in 2017 for the amortized carry forward loss. Please explain how this adjustment is made.

4.0-VECC-40

Reference: E4/pg.70

- a) What are Welland's 2016 property tax assessments? Has the 2017 mill rate been announced for 2017. If so what is the estimated 2017 property tax based on 2016 increased by the 2017 announced mill rate.

4.0 -VECC -41

Reference: Exhibit 4, LRAMVA Work Form

- a) The LRAMVA Work Form (2011-2014 LRAM Tab) does not appear to include any persisting results in 2012 from 2011 CDM programs. Please review and reconcile.
- b) The LRAMVA Work Form (2011-2014 LRAM Tab) values do not all reconcile with those reported in the IESO Report (Appendix 4-H). For

example, the reported savings for 2011 from pre-2011 programs is 92,719 in the LRAMVA Work Form versus 928,364 kWh in the IESO Report. Please review and correct the inputs to the LRAMVA model as needed.

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

5.0-VECC-42

Reference: E5

- a) When did the \$3.7 million TD debt come due?
- b) Why did Welland not replace this debt?

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –43

Reference: Exhibit 7, page 4 (lines 10-14)

- a) It is noted that in the CA Model the total cost for Meter Reading (Account 5310) are \$26,088. Please reconcile this values with \$34,545, the sum of values quoted at lines 10-14
- b) Please explain why the cost of meter monitoring at the TS is included in Account 5310 as opposed to in one of the Transformer Station Equipment Accounts (e.g. #4820).

7.0 – VECC –44

Reference: Exhibit 7, page 8 (lines 12-24)
Cost Allocation Model, Tab O3.6

- a) Please confirm that the \$10 charge from the Service Provider is just for providing hourly generation data – the equivalent of meter reading.
- b) It is noted that the Welland-specific microFIT charge from Tab O3.6 would be \$5.16 inclusive of \$0.01 in meter reading expense. Why would it not be appropriate to charge microFIT customer for the other of elements of the microFIT charge set out in Tab O3.6 such as meter maintenance?
- c) Does the proposed cost of \$1.00 adequately cover the full cost of preparing and issuing a bill?
- d) Why is it appropriate to include the \$0.25 SSS Administrative Charge?

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 45

Reference: Exhibit 8, page 9

- a) Are customers charged if the disconnection notice is delivered and no payment is collected?
- b) What is the basis for the \$30 and \$165 proposed values?
- c) When would Welland deliver a Final Disconnection Notice after regular hours?
- d) If the decision as to time of delivery is at Welland's discretion, why should the customer be charged extra for delivery after regular hours?

8.0 –VECC - 46

Reference: Exhibit 8, page 12

- a) Why were bills with usage below 50 kWh per month excluded?
- b) What would be the 10% percentile usage value be if all customers with 12 monthly bills were included?

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -47

Reference: Exhibit 9/pg. 8 / Table 9-6 pg.14

- a) Why/how does the premature failure of smart meter meet the criteria of IFRS-CGAAP transition amounts? Specifically how were these meters previously pooled under CGAAP as compared to their subsequent accounting under IFRS.

9.0-VECC-48

Reference: E9/pg. 7

- a) Please confirm that in its last cost of service application (EB-2012-0173) Welland received approval for the disposal of \$46,162 in Incremental IFRS transition related costs as of December 31, 2012.
- b) Please show how in Table 9-5 the amount of \$25,806 results from expenses incurred in 2013 through 2016.
- c) Please provide the amounts (separately) paid to KPMG and Deloitte in the period 2013 – 2016.