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**BY E-MAIL**

May 31, 2017

Florence Thiessen, CPA, CGA  
Centre Wellington Hydro Ltd.  
730 Gartshore St. P.O. Box 217  
Fergus ON N1M 2W8  
[thiessen@cwhydro.ca](mailto:thiessen@cwhydro.ca)

Dear Ms. Thiessen:

**Re: Centre Wellington Hydro Ltd.  
Application for Rates  
OEB File Number EB-2017-0032**

A preliminary review of the application of Centre Wellington Hydro Ltd. (Centre Wellington Hydro) has identified that certain sections of the evidence supporting the application do not comply with the OEB's Filing Requirements<sup>1</sup> for cost of service applications and/or the associated spreadsheets, models and workforms. As a result, the OEB is unable to process your application at this time.

The missing information is noted in the table below:

Chapter 2 Filing Requirement Reference - page #	Description	CWH Comments & Where revisions are located
11	<p><u>Exhibit 1 – Administrative Documents, Section 1.3.11- Conditions of Service, page 15</u></p> <p>In light of the noted changes to Centre Wellington Hydro’s Conditions of Service, the following confirmation was not provided:</p> <ul style="list-style-type: none"> <li>- “A confirmation that there are no rates and charges listed in the Conditions of Service that are not on the distributor’s Tariff of Rates and Charges must be provided”;</li> <li>- To confirm if there are any rates or charges that do not appear on its tariff sheet</li> </ul>	<p>CWH confirms that there are no rates and charges listed in the Conditions of Service that are not on CWH’s Tariff of Rates and Charges.</p> <p>In Exhibit 8- Rate Design page 25, Section 8.1.19, it is stated that “CWH does not have any charges other than the ones that are listed below and listed in the utility’s tariff sheet.” Footnote 13.</p> <p>Exhibit 8-Rate Design, page 35, Section 8.1.13, Footnote 30, CWH states “The changes to the Conditions of Service did not result in any rates or charges that appear on the tariff sheet.”</p> <p>CWH understands that no further action required for this section.</p>

<sup>1</sup> Chapter 2 of the Filing Requirements for Electricity Distribution Rate Applications – 2016 Edition for 2017 Rate Applications, dated July 14, 2016.

Chapter 2 Filing Requirement Reference -	Description	
14 & 15	<p><u>Exhibit 1 – Administrative Documents, Section 1.9 – Scorecard Analysis, page 68 and Exhibit 1, Section 5.5 Target Performance in the Business Plan</u></p> <p>In relation to Performance Management (p. 14) the Filing Requirements require the following information be provided:</p> <ul style="list-style-type: none"> <li>- “.... a distributor should discuss its performance for each of the distributor’s scorecard measures over the last five years, and explain the drivers for its performance”.</li> <li>- “The distributor <b>must</b> discuss its plan(s) for continuous improvement.”</li> <li>- “Applicants must identify performance improvement targets that are being set by the distributor for itself that would lead to enhancements to the distributor’s scorecard performance over the term of the rate- setting plan.”[Emphasis Added]</li> <li>- “The applicant <b>must</b> provide a forecast of its efficiency assessments using the PEG forecasting model for the test year for the purposes of providing the OEB with a directional indicator of efficiency. The application should discuss how the distributor’s self assessment has informed its business plan and the application.” [Emphasis Added]</li> </ul>	<p>The scorecard is in section 1.9 and the Scorecard Analysis follows. All of this section, 1.9 in Exhibit 1, has been revised, starting on page 68 through to page 88.</p> <p>The OEB staff member confirmed that the requested information in the first sentence had been provided.</p> <p>This has been added to section 1.9 in Exhibit 1, starting on page 68 through to 88.</p>

<p>22</p>	<p><u>Exhibit 2 – Rate Base, Section 2.5.1 – Planning, page 47-48</u></p> <p>Information on “Planned” capital expenditures in Appendix 2-AB, as noted in the OEB’s Filing Requirements which states: “If no previous plan has been filed, applicants are only required to enter their planned total capital budget in the “plan” column for each historical year and for the Bridge Year including the OEB-approved amount for the last rebasing year”.</p> <p>Note: This item also noted below in the section Chapter 5 - Consolidated Distribution System Plan Filing Requirements, page 16-18.</p>	<p>CWH has amended Table 30 on page 48 of Exhibit 2, section 2.5.1, which is Chapter 2 Appendices Table 2-AB. Variances regarding Planned vs. Actual have been explained below the table.</p>
<p>22</p>	<p><u>Exhibit 2 – Rate Base, Section 2.5.1 – Planning, page 49</u></p> <p>At the above reference, Centre Wellington Hydro states that "All variances of jobs over \$50,000 have been explained in detail in the DSP in section 4.2.1. Details have not been repeated here as the details are lengthy".</p> <p>Information has not been provided on:</p> <ul style="list-style-type: none"> <li>- Variances and "explanation for variances, including that of actuals versus OEB-approved amounts for last OEB-approved CoS application";</li> <li>- "...for capital projects that have a project life cycle greater than one year, the proposed accounting treatment, including the treatment of the cost of funds for construction work-in-progress."</li> </ul>	<p>The historic balances for WIP do not exceed the materiality threshold of \$50,000 threshold, therefore this was not explained.</p> <p>CWH provided a description of accounting treatment for work-in-progress has been added in section 2.5.1, page 49 of Exhibit 2.</p>

<p>Ch 5 p16-18</p>	<p><u>DSP Section 4.2</u></p> <p>Information on “Planned” capital expenditures in Appendix 2-AB, as noted in the OEB’s Filing Requirements which states: “If no previous plan has been filed, applicants are only required to enter their planned total capital budget in the “plan” column for each historical year and for the Bridge Year including the OEB-approved amount for the last rebasing year”.</p> <p>Explanation of variances were not provided for:</p> <ul style="list-style-type: none"> <li>- Significant variances in “plan vs. actual”</li> <li>- Significant variances in “year-over-year” results</li> </ul> <p>Note: This item is also noted above in relation to Exhibit 2 – Rate Base Section 2.5.1 – Planning, page 47-48</p>	<p>CWH has amended Table 30 on page 48 of Exhibit 2, section 2.5.1, which is Chapter 2 Appendices Table 2-AB. Variances regarding Planned vs. Actual have been explained below the table. Page 50</p> <p>CWH added Table 31 in Exhibit 2, section 2.5.1. This table shows the capital expenditures year-over-year. This is on pages 50-56.</p>
<p>31</p>	<p><u>Exhibit 3 – Operating Revenues, Section 3.1.9 – Determination of Customer Forecast, page 29</u></p> <p>Information on "Explanation of major changes, explanations of bridge and test year forecasts by rate class, for last rebasing variance analysis between last OEB-approved and actuals with explanations for material differences."</p>	<p>CWH revised Exhibit 3 Section 3.3.1 to reflect Chapter 2 filing requirements as detailed in references on pages 31 &amp; 32 as requested by the OEB staff.</p> <p>Amendments are presented on Pages 49 - 56</p>
<p>31 &amp; 32</p>	<p><u>Exhibit 3 – Operating Revenues, Section 3.1.10 – Determination of Forecast, page 31 and 3.3.1 - Variance Analysis of Load Forecast, page 47</u></p> <p>Information on “Explanations for material changes in the definition of or major changes over time (should be done for both historical actuals against each other and historical weather-normalized actuals over time), explanations of the bridge and test year forecasts by rate class, variance analysis between the last OEB-approved and the actual and weather-normalized actual results.”</p>	<p>In section 3.3.2 Variance analysis of distribution revenues, Table 37, CWH provides a year over year analysis of revenues between 2013 Board approved revenue and 2018 test year.</p> <p>The latter part of this question references back to reference 31 and is presented in Pages 49 – 56.</p>

<p>35</p>	<p><u>Exhibit 4 – Operating Expenses, Section 4.3.1 – Program Descriptions, page 53</u></p> <p>Information on variances between test-year and last OEB-approved and explanation for variances.</p>	<p>CWH has provided in section 4.3.1 Table 12 showing the programs split for 2013 OEB approved and the variance between 2013 OEB approved and 2018 Test year.</p> <p>In section 4.3.2 Program Variance Analysis has added a variance analysis between 2013 OEB approved and the 2018 Test year with expenditures over the \$50,000 Threshold.</p> <p>The additional information can be found on page 54, 73-76.</p>
<p>35 &amp; 36</p>	<p><u>Exhibit 4 – Operating Expenses, Section 4.4 - Workforce Planning and Employee Compensation, page 78</u></p> <p>Information on Workforce Planning and Employee Compensation, specifically:</p> <ul style="list-style-type: none"> <li>- "...description of their previous and proposed workforce plans, including compensation strategy" that is in addition to the information already provided at Exh 4 page 75-83;</li> <li>- "...discuss the outcomes of previous plans and how these outcomes have impacted their proposed plans including an explanation for all material changes to head count and compensation."</li> <li>- Relevant studies (e.g. compensation benchmarking), if available.</li> </ul>	<p>In Exhibit 4, section 4.4 CWH explains that "the compensation package includes an annual adjustment equal to the annual percentage increase included in the union contract which was based on industry experience and projections." CWH also discussed the compensation process on Page 75-77.</p> <p>On page 83. under Table 18 and in Employee Staff Levels, page 84, CWH explains the movement of existing staff to management positions and reasons for this movement.</p> <p>In section 4.4 CWH states relevant studies available for filing.</p> <p>The additional information can be found on pages 80, 83-84.</p>

<p>37</p>	<p><u>Exhibit 4 – Operating Costs, Section 4.5 – Shared Services and Corporate Cost Allocation, page 84</u></p> <p>Reconciliation of Shared Services revenue with Other Revenue</p>	<p>In section 4.5 Shared Services &amp; Corporate cost allocation CWH on page 95-96 CWH has added a section that reconciles corporate cost allocation with the amounts shown in Other Operating Revenues Appendix 2-H. This is the reconciliation of accounts 4375-Revenues from Non- Rate Regulated Operations and 4380-Expenses from Non- Rate Regulated Operations.</p> <p>CWH has no transactions recorded as shared services.</p> <p>CWH missed the reconciliation of non-rate regulated revenue to Other Operating Revenues as this item was listed on the OEB check list.</p>
<p>60</p>	<p><u>Exhibit 8 – Rate Design, Section 8.1.12 – Revenue Reconciliation, Page 33</u></p> <p>Information on "...detailed calculations of revenue per rate class under current rates" in respect of the information provided in Table 17 at the above reference."</p>	<p>Revenue per rate class at current rates is presented multiple times throughout the application: Table 5 Business Plan, Exhibit 1; Tab 1 Ex 6.2.1; Table 1 Ex 8.1.1; Table 1 Ex. 8.1.3.</p> <p>No information is required as per board staff as the above provides the information requested.</p>

<p>70</p>	<p><u>Exhibit 9 – Deferral and Variance Accounts, Section 9.10.3 – Global Adjustment and IESO Settlement Process, Page 43-44</u></p> <p>Explanation on treatment of embedded generation/distribution in the IESO Settlement process.</p>	<p>In section 9.10.3-Global Adjustment and the IESO Settlement process is described on page 44, CWH has provided the following additional information.</p> <p>CWH does not have its own embedded generation.</p> <p>CWH however does have MicroFIT, FITs, and RESOP customers. The kWh generated is reported to the IESO as actual on-peak and off-peak kWh generation. The difference between the contracted IESO price and the WAP is reported on the 1598 monthly submission and the difference is credited back to the LDC on the IESO monthly invoice.</p> <p>The amounts submitted to the IESO via charge codes 1410-Renewable energy standard offer program settlement amount and 1412-Feed-in tariff program settlement amount is reported to the IESO by the 4<sup>th</sup> business day of the month at the actual amounts as provided by our 3<sup>rd</sup> party settlement provider.</p>
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The OEB expects that Centre Wellington Hydro will file the above listed required information as soon as possible.

If any of the information that is identified as missing is located in sections other than those identified in the Filing Requirements, or if any of the information is not applicable in your circumstances, please provide an explanation when filing the remainder of the required information.

Please direct any questions relating to this application to Fiona O’Connell, Project Advisor at 416-440-8102 or [Fiona.OConnell@oeb.ca](mailto:Fiona.OConnell@oeb.ca).

Yours truly,

*Original signed by*

Kristi Sebalj  
Registrar