

# ECONALYSIS CONSULTING SERVICES

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October 24, 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-2017-0032 –Centre Wellington Hydro Ltd. EB-2017-0032  
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the Notice of Intervention of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

*Mark Garner*

Consultant for VECC

Center Wellington:

Ms. Florence Thiessen, Vice President/Treasurer – [fthiessen@cwhydro.ca](mailto:fthiessen@cwhydro.ca)

<b>REQUESTOR NAME</b>	<b>VECC</b>
<b>INFORMATION REQUEST ROUND:</b>	<b># 1</b>
<b>TO:</b>	<b>Centre Wellington Hydro Ltd. (CWHI)</b>
<b>DATE:</b>	<b>October 24, 2017</b>
<b>CASE NO:</b>	<b>EB-2017-0032</b>
<b>APPLICATION NAME</b>	<b>2018 COS Application</b>

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## **1.0 ADMINISTRATION (EXHIBIT 1)**

### **1.0-VECC-1**

Reference: Exhibit 1/Section 1.7.2

- a) Is the 2014 Utility Pulse the most recent customer survey completed by CWHI?
- b) Please provide the cost of that study.
- c) Please clarify the subject of the Utility Pulse survey. Was it of CWHI or of all the CHEC member utilities?

### **1.0-VECC-2**

Reference: Exhibit 1/Section 1.9

- a) Please provide the 2016 CWHI scorecard.

## **2.0 RATE BASE (EXHIBIT 2)**

### **2.0 – VECC -3**

Reference: Exhibit 2/Section 2.1.4

- a) The Various Continuity Schedules show total 2013 additions of \$2,372,444, whereas Appendix 2-AA (Excel) shows an amount of capital expenditures of \$3,563,699. In all other years Appendix 2-AA and the Continuity Schedule Total Capital Expenditure and Additions match. Please explain the variance in 2013.

### **2.0-VECC-4**

Reference: Exhibit 2/Section 2.5.1/pg. 58

- a) Please amend Appendix 2-AA to show 2013 Board approved amounts.

#### 2.0-VECC-5

Reference: Exhibit 2/Appendix B/DSP/Table 3 (PDFpg90/115)

- a) Please amend Tables 3 & 13, so as to show for each station the actual and forecast spending on each station for year 2017 through 2022

#### 2.0-VECC-6

Reference: Exhibit 2/Appendix B/DSP/Section 2.4 (PDFpg98)

- a) Please provide the outages (SAID/SAFI) by cause code for each year 2012 through 2016.

#### 2.0-VECC-7

Reference: Exhibit 2/Appendix B/DSP/Section 4.2.0/ Table 22

- a) Please explain the IT (Computer Software investments to be made in 2018 (50k) and 2019 (80k).

#### 2.0-VECC-8

Reference: Exhibit 2/Appendix B/Asset Management Plan (AMP)

- a) Please provide a table showing for each major asset classes (e.g. station transformers, breakers, wood poles, distribution transformers, OH Switches, underground cables, underground switches, meters etc.):
  - I. Whether the asset condition assessment data is based on- age only, age and testing, or testing only.
  - II. If testing was used please describe for each asset the type of testing (e.g. oil sample) and the percentage population of the asset tested.

### **3.0 OPERATING REVENUE (EXHIBIT 3)**

#### 3.0 –VECC -9

Reference: Exhibit 3, page 15, Table 3

- a) Please confirm that the monthly wholesale purchases set out in Table 3 include purchases from embedded generation as well as Hydro One and

the IESO.

- b) Please explain why CWHI used only 9 years of wholesale purchase data. Why wasn't data from earlier years also included?

### 3.0 –VECC -10

Reference: Exhibit 3, page 21

- a) The Application states that “during the process of testing the regression analysis, many different variables and times periods are tested to arrive at the best R-Squared”. Please indicate what other variables were tested over and above those ultimately used for the model.

### 3.0 –VECC -11

Reference: Exhibit 3, pages 23-24

Load Forecast Model, Input Tab

- a) The Application suggests (page 23, lines 7-8) that the wholesale purchases were adjusted after the regression model was estimated. However, the Load Forecast Model appears to have used the Adjusted Wholesale Purchase values to estimate the regression equation. Please confirm whether the regression equation was estimated using the Actual or the Adjusted Wholesale Purchase values.
- b) There does not appear to be any explanation provided as to why the wholesale purchases were “adjusted”. Please explain.
- c) If the model was estimated using the Adjusted Wholesale purchase values, please re-do Table 8 such that it compares the Adjusted Wholesale values to the Predicted values.

### 3.0 –VECC -12

Reference: Exhibit 3, pages 20

Load Forecast Excel Model, Forecast Tab

- a) The Application states that “To project the adjusted wholesale purchases for the bridge and test year, the model uses, for the most part, a simple average of the last ten years of historical data. CWH has applied this method of prediction to all variables”. However, in the Load Forecast model the HDD and CDD value used for 2018 appear not be based on the average for the years 2008-2016 as the Application states (page 15), but rather on an average of the values for 2009-2017 plus the 9 year (2008-2016) average. Please explain why.

- b) Please re-do the wholesale power purchase forecast for 2018 using the average of the HDD and CDD values for the 2007-2016 period.
- c) The 2018 employment values used in the model are “hard coded” such that it is not clear how they were determined. Please explain how the values were calculated and why the approach used is appropriate.
- d) Is CWHI aware of any independent forecasts that are prepared for employment in the Kitchener-Waterloo region? If so, please provide.

### 3.0 –VECC -13

Reference: Exhibit 3, page 30

- a) Are the customer/connection counts shown in Table 12 year-end or average annual values?
- b) Please provide the actual customer/connection count by class as of June 30, 2017.
- c) Please provide the customer/connection counts by class for the most recent month available.

### 3.0 –VECC -14

Reference: Exhibit 3, pages 38-42

- a) At page 41, CWHI states that its approved CDM Plan has been filed with the Application. Please indicate where in the Application materials it can be found or provide a copy.
- b) Please confirm that, based on CWHI's approved CDM Plan the expected energy savings from 2016, 2017 and 2018 CDM programs are 1,185 MWh, 3,011 MWh and 1,121 MWh respectively.
- c) Please provide a copy of CWHI's verified 2016 CDM Results (the excel version).
- d) Please confirm that the verified results from 2016 CDM programs persisting in 2018 is 1,552,888 kWh.
- e) Please reconcile the preceding values with the 2018 CDM adjustment proposed in the Application.
- f) Please provide a schedule that compares the CDM adjustment for Residential (per Table 24) with the sum of 50% of 2016, 100% of 2017, and 50% of 2018 savings for Residential per CWHI's Approved CDM Plan and actual verified 2016 results persisting in 2018.

### 3.0 –VECC -15

Reference: Exhibit 3, pages 66 and 76  
Cost Allocation Model, Tab O3.6

- a) With respect to page 66, in what account are the revenues from the microFIT service charges recorded and what were the revenues for 2016?
- b) What are the incremental revenues for 2018 attributable to the proposed increase in the MicroFIT service charge per page 76?
- c) What services does Utilismart provide and do they replace all of the activities and costs set out in Tab O3.6?
- d) If there are remaining costs that CWHI occurs and that are attributable to MicroFIT customers why shouldn't they be added to the \$10.

### 3.0 –VECC -16

Reference: Exhibit 3, page 76

- a) Please outline the changes implemented by the Ministry of Energy referred to on lines 5-6 and how they impact the number of notification letters.
- b) What were the number of letters issued in 2016 and the associated revenues?

### 3.0 –VECC -17

Reference: Exhibit 3, page 77

- a) Please outline more clearly CWHI's proposal with respect to its Specific Charge for Access to Power Pole (i.e., when and how would the adjustment be made) and why the timing is linked to the Working Group setting a standard rate as opposed to a Board decision/directive.

## **4.0 OPERATING COSTS (EXHIBIT 4)**

### 4.0-VECC-18

Reference Exhibit 4, Section 4.2.1/4.3.1/Appendix 2-JC

- a) Please confirm that all OM&A in the Tables in Exhibit 4 show 2016 actual (not forecast) costs. If this is not confirmed please provide the OM&A summary and Appendix 2-JC (CWHI's USoA version) with 2016 actual costs included.

- b) Please revise Appendix 2-JC CWHI's USoA version) to show 2017 costs to date.

#### 4.0-VECC-19

Reference: Exhibit 4, Section 4.2.1

- a) Please provide the actual bad debt costs for 2017 to date.
- b) Please explain how the estimate of 2018 bad debt costs was estimated.

#### 4.0-VECC-20

Reference: Exhibit 4/Section 4.1.1/page 14

*Preamble: CWH explains that a large increase in OM&A is attributable to the cost of doing the OEB and ESA mandated surveys.*

- a) Please provide the costs of each of these surveys for each year 2013 through 2018.
- b) Please comment on the possibility of reducing these costs by combining surveys.

#### 4.0-VECC-21

Reference: Exhibit 4/Section 4.1.1/page 15

- a) Please explain the role and responsibilities of the "special project manager" at CWH.
- b) Has this position a job description? If so please provide it.
- c) Is this a permanent or temporary position? If the latter when is the expected end-date of the position.

#### 4.0-VECC-22

Reference: Exhibit 4/Section 4.2.1/pgs.36,48

- a) CWHI states it has incurred increase metering expenses due to failure of smart meters. Please provide more detail on the increased cost and expected increased cost in the future of smart meters, including:
  - I. Type of meters experiencing premature failure
  - II. Book depreciation vs actual experience
  - III. Discussion with meter manufacture (if any)

- IV. CWHI's plan for replacement of faulty meters (i.e. manufacture type, warranty provisions etc.).
- V. Overall comparison of experience of smart meter costs as compared to older generation mechanical meters.
- b) CWHI has proposed to use 15 year life for meters (Exhibit 2 Appendix A) rather than the 25-35 life suggested by the Kinectric study. How was this 15 year life chosen?

#### 4.0-VECC-23

Reference: Exhibit 4/Section 4.3.1/page 60

- a) Please explain why meter reading costs have been increasing significantly above inflation (approx. 1.9%) at 3.25% to 3.65%.

#### 4.0-VECC-24

Reference: Exhibit 4/Section 4.3.1/page 70

- a) Please provide the fees paid to the EDA annual in each year 2013 through 2018 (forecast).
- b) Please provide the same any CHEC membership or staff related fees.

#### 4.0-VECC-25

Reference: Exhibit 4/Section 4.3.1/pg.75

- a) Please explain the increase in employee training costs & travel in 2018 as compared to prior years.
- b) Is this increase a one-time matter related to activities in 2018 or are these ongoing costs?

#### 4.0-VECC-26

Reference: Exhibit 4/Section 4.4/Table 18 /p.83

- a) Please provide Table 18 (Appendix 2-K) to show separately union and non-union positions and compensation.
- b) Please also add a row showing the total amount of compensation capitalized in each year.



#### 4.0-VECC-27

Reference: Exhibit 4/Section 4.4/

- a) Please provide a table describing the 15 actual positions in 2014 and the 15 positions forecast for 2018.

#### 4.0-VECC-28

Reference: Exhibit 4/Section 4.4/Table 20, pg. 87

- a) Does CWHI receive information on union settlements at other Ontario Utilities from the EDA, CHEC or any other source?
- b) Please provide the wage comparisons CWHI has used during its past negotiations with the IBEW.

#### 4.0-VECC-29

Reference: Exhibit 4/Section 4.3.2/Table 17 & Excel Chapter 2 Appendix 20170626 Appendix 2-M 7 /Section 4.4.3 Table 35

- a) Please confirm that the actual amortized costs of the last COS application included in rates for 2013 through 2017 was \$28,053 (i.e. \$140,267/5). If this is not correct please provide the actual and Board approved cost for the prior application that was amortized for the period 2013-2017.
- b) The Application Cost (2<sup>nd</sup>) Table in Appendix 2-M (Excel) shows a cost for Expert Witness of \$30,000. Please explain what witness costs are being contemplated with this estimate.

#### 4.0 -VECC -30

Reference: Exhibit 4, pages 136-138  
LRAMVA Work Form

- a) Please clarify what CWHI is requesting in regards to CDM Lost Revenue recovery. The LRAMVA Work Form shows a negative balance of \$1,991.53. However, Exhibit 4 does not make reference to CWHI seeking to clear Account #1568 and the DVA Continuity Schedule does not include any amounts for Account #1568.
- b) If CWHI is seeking recovery of the impacts of any programs implemented in 2011-2014, please provide a copy of the IESO's Report regarding CWHI's Verified 2011-2014 savings (in Excel format). Please also provide any reports from the IESO regarding the persistence of these savings through to 2015.

- c) If CWHI is seeking recovery of the impacts of any programs implemented in 2015, please provide a copy of the IESO's Report regarding CWHI's Verified 2015 savings in Excel format.
- d) If CWHI is seeking recovery of the impacts of any programs implemented in 2011-2015, please provide the Board approved LRAMVA baselines for these years and references to previous decisions or evidence that supports these values.

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

5.0-VECC-31

Reference: E5/Section 5.2/Table 2/3 (Appendix 2-OA/OB)

- a) Using Table 3, Year 2018 please show the derivation of the 3.81% long-term debt rate used in Table 2 (Appendix 2-OA) and which shows the actual interest paid (i.e. including blended debt instruments) on each debt instrument.

5.0-VECC-32

Reference: E5/Section/Appendix A

- a) Please provide the amortization schedules for each of the three Infrastructure Ontario Loans.
- b) What is the difference between the 3.75% and 3.78% semi-annual rate shown on the \$1.238M loan. Please explain why the 3.75% is the more appropriate rate to use in calculating the weighted cost of long-term debt.

## **6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)**

## **7.0 COST ALLOCATION (EXHIBIT 7)**

7.0 – VECC –33

Reference: Exhibit 7, pages 10 – 11  
Cost Allocation Model, Tabs I7.1 and I7.2

- a) Does the GS >3000-5000 customer have more than one meter point?
  - If yes, why is there only one meter shown in Tabs I7.1 and I7.2 of the Cost Allocation Model)?
  - If no, why on page 10 do the total kW for the class differ from the kW receiving the line transformer allowance?

- b) On page 10, why is the GS>3000-5000 customer shown as being part of the Line Transformer Customer Base and the Secondary Customer Base?
- c) For the Residential, GS<50 and GS 50-2999 classes, why don't the number of customers shown on page 10 match the number of meters by class in Tab I7.1?

## **8.0 RATE DESIGN (EXHIBIT 8)**

8.0 –VECC - 34

Reference: Exhibit 8, page 16

- a) Please update the RTSR Work Form to incorporate Hydro One's 2017 UTRs.

8.0 –VECC - 35

Reference: Exhibit 8, page 25

- a) Please confirm that CWHI's MicroFlt rates for 2017 have not yet been considered by the Board.

8.0 –VECC - 36

Reference: Exhibit 8, pages 30-  
Chapter 2 Appendices, Appendix 2-R (Loss Factors)

- a) Please explain how the 1.0137 Supply Facilities Loss Factor was derived.

## **9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)**

9.0 –VECC -37

Reference: Exhibit 9/pg. 14

- a) Please confirm that the entire amount of \$90,845 in Deferred IFRS Transition Costs was paid to BDO.
- b) If this is not confirmed please provide a breakdown of that amount paid to BDO and all other amounts.

**End of document**