Centre Wellington Hydro Ltd.

EB-2017-0032

Responses to OEB/VECC/SECC Clarification Questions

November 21, 2017

Contents

Exhibit 1

SEC-Clarification-1

Please provide a revised version of Appendices 2-AA and 2-JC showing the most recent available year-to-date actuals. Please also provide total capital expenditures and OM&A actuals at the point in time in 2016.

Response:

The below table reflects the 2-AA Capital Projects Table to September 30th, 2016 and September 30th, 2017.

	2016				2017		
	Jan- Sept	Oct - Dec Projection	TOTAL		Jan- Sept	Oct - Dec Projections	TOTAL Actual + Projection
System Access							
New Services	9,814	37,527	47,341		18,528	1,243	19,771
Water Street Widening	141,099	146,409	287,508				0
Wellington Place Hospital Service		0	0		634	14,000	14,634
Eastwood Subdivision		0	0		25,773	8,064	33,837
Murray Drive		0	0		39,439	5,498	44,937
Water St Customers paying for underground service conversion		-18,231	-18,231				0
New Services		-27,042	-27,042				0
Sub-Total	**150,913**	**138,663**	**289,576**		**84,374**	**28,805**	**113,179**
System Renewal							
Annual Pole Replacement	48,896	2,722	51,618		29,740		29,740
Transformers	77,580	989	78,569		70,220	17,000	87,220
Rodan Meter Platform		0	0		4,919	15,900	20,819
Tower St Concrete Poles	17,407	662	18,069				0
Braeside UG	1,367	46,262	47,629				0
Poletran replacement	6,959	208,221	215,180				0
MS 2 Waterloo	487,473	4,127	491,600		5,095		5,095
MS 4 Gzowski	660,827	30,753	691,580		14,034		14,034
Station 4 Riser Pole	53,039	6,734	59,773				0
CWEI Pole, Transformers		0	0		1,329		1,329
Hill St Conversion		0	0			60,429	60,429
Hill St Re-routing		0	0			31,480	31,480
Hill St		0	0		315	64,756	65,071
44kV Tie Re Route		0	0		30,919	138,452	169,371
Brock St Conversion		0	0		315	27,330	27,645
Colborne St OH to UG		0	0		23,335	8,547	31,882
St George St Pole Conversion		0	0		37,800		37,800
Sub-Total	**1,353,548**	**300,468**	**1,654,016**		**218,021**	**363,894**	**581,915**
System Service							
Meters	21,381	1,132	22,513		38,590	11,000	49,590
Contrib. Capital for meters		-1,167	-1,167				0
Contrib. Capital for CTs PTs		-2,055	-2,055				0
Sub-Total	**21,381**	**-2,090**	**19,291**		**38,590**	**11,000**	**49,590**
General Plant							
Computer Software		0				6,900	6,900
Building and Fixtures	7,145	66,556	73,701		29,150		85,707
Building and Fixtures - Cold Storage		0	0		56,557		
Office Furniture		0	0		4,919	15,757	20,676

Computer Hardware	55,096	0	55,096		7,455	27,584	35,039
Transportation Equipment	33,498	0	33,498		335,843	34,475	370,318
Stores Equipment		0	0				0
Tools, Shop and Garage Equip	5,599	0	5,599		6,875	2,886	9,761
Power Operated Equipment	1,476	544	2,020		0		0
Misc. Equipment			0		4,661		4,661
Sub-Total	**102,814**	**67,101**	**169,915**		**445,460**	**87,602**	**533,062**
TOTAL	**1,628,656**	**504,141**	**2,132,797**		**786,445**	**491,301**	**1,277,746**

The below table reflects the 2-JC Cost by Program to September 30th, 2016 and September 30th, 2017

Reporting Basis		**MIFRS**	**MIFRS**		**MIFRS**	**MIFRS**	**MIFRS**
Programs	**USoA**	**Jan-Sept 2016 Actual**	**Jan-Sept 2017 Actual**		**2016 Actual**	**2017 Forecast**	**2018 Forecast**
Customer Focus							
Community and Civic Co-ordination	5410 5415 5420 5425	$35,108	$38,717		$51,588	$55,900	$43,500
Customer Service, Mailing Costs, Billing and Collections	5305 5315 5320 5325 5330 5340	$263,989	$279,676		$352,637	$370,300	$400,000
Bad Debts Collection	5335	-$1,539	-$1,569		$2,133	$6,300	$6,300
Meter Reading	5310	$79,654	$80,124		$106,919	$110,900	$114,400
Service Locates	5155.007	$57,190	$68,680		$81,991	$74,400	$75,900
Sub-Total		$434,401	$465,627		$595,268	$617,800	$640,100
Operational Effectiveness							
Distribution & Transformer Stations -operating and maintenance	5016 5017 5030 5114	$17,971	$29,714		$19,524	$46,600	$43,900
Metering -operations maintenance	5065 5175	$43,058	$61,441		$59,019	$57,900	$74,300
Service Centre and Fixtures	5012 5110	$55,758	$57,880		$75,721	$78,400	$79,100
Asset management & maintenance department							
Overhead lines, conductor, devices and services	5020 5025 5125 5130	$78,994	$49,809		$102,213	$65,800	$66,300
Underground Lines, conductor, devices and services	5040 5045 5150 5155.002	$19,833	$60,885		$34,780	$44,900	$43,200
Load dispatch activities, mapping, training & conferences	5010 5085	$41,355	$78,144		$73,908	$69,700	$67,900
Operations & engineering, Inspection drafting & design construction services	5005 5105	$70,784	$79,360		$98,573	$116,000	$125,400
Distribution Transformers	5035 5055 5160	$10,555	$35,025		$18,757	$57,500	$57,400
Vegetation Management-Tree trimming	5135	$63,029	$50,359		$66,115	$69,900	$64,600
Underground conduit	5145	$464	$82		$3,228	$1,400	$1,400
Poles Towers & Fixtures	5095 5120	$15,805	$15,371		$33,126	$27,700	$29,000
Executive, Financial, Legal, Professional and Insurance Services	5610 5615 5630 5635 5640	$445,005	$476,281		$670,601	$693,900	$715,800
Post-employment costs	5645 5646	$8,957	$9,348		$16,744	$24,100	$18,400
Office building & security costs	5620 5675	$66,613	$65,709		$90,005	$88,900	$90,000
Corporate Dues, Directors, Advertising	5660 5665	$66,943	$66,012		$87,625	$98,100	$100,900
Other	5195 6225	$1,232	$1,568		$1,862	$2,900	$2,900
Sub-Total		$1,006,357	$1,136,987		$1,451,801	$1,543,700	$1,580,500
Public and Regulatory Responsiveness							
Regulatory & Compliance	5655	$69,569	$107,585		$77,610	$121,700	$168,400
Electrical Safety Authority Fees	5680	$10,223	$10,199		$10,223	$10,400	$10,500

Smart Meter data management program			$0				
LEAP	6205	$3,930	$3,930		$3,930	$3,900	$4,800
Sub-Total		$83,722	$121,714		$91,763	$136,000	$183,700
TOTAL OM&A		**1,524,480**	**1,724,328**		**2,138,832**	**2,297,500**	**2,404,300**
Integrity Check					**2,138,832**	**2,297,500**	**2,404,300**
% Spent to End of Sept compared to Actual and/or Budget amounts		**71.28%**	**75.05%**				
Projected spending if continued at same rate to Dec 31st		**2,032,641**	**2,299,105**				
December 31st Actual or Budget Amounts		**2,138,832**	**2,297,500**				

Exhibit 2

2-Clarification Staff-1

Ref: 1-Staff-2
2-Staff-11

Preamble:

Centre Wellington Hydro has provided in the response to 2-Staff-11 the breakdown of the $5.5 million of these upgrades to distribution stations by year, from 2012 through 2016. These costs have been allocated to USoA account 1820. However, OEB staff notes that in the response to 1-Staff-2, Centre Wellington Hydro stated in a presentation delivered to customers that it had "invested $10 million from 2012 to 2016 to rebuild six stations to reduce outages."

Question(s):

a) Please state what the correct number is regarding distribution station upgrades – is it $5.5 million or $10 million?

b) Please state whether the $5.5 million or $10 million is recorded in rate base, specifically where in Appendix 2-BA, Fixed Asset Continuity Schedule, these amounts are recorded.

Response(s):
CWH invested approximately $5.5 M into distribution stations upgrades and approximately $10 M total into the capital (distribution and general plant) expenditures. The presentation stated "CWH invested $10M from 2012 to 2016 to rebuild six Stations to reduce outages" and should have been phrased "CWH invested $10M for all system upgrades from 2012 to 2016 including to rebuild six Stations to reduce outages"

The bullet below, taken from the next slide that was in the customer presentation states this with better clarity:
"CWH is at the end of a four-year OEB approved Cost of Service term with aggressive capital expenditures of $10M or $2.5M annual investment primarily into rebuilding stations."

2-Clarification Staff-2

Ref: 2-Staff-8
Preamble:

In the response to 2-Staff-8, Centre Wellington Hydro provided an updated amount of 2013 actual capital additions from $2,372,444 to $3,563,699. However, this increase is not reflected in the revised Appendix 2-BA – Fixed Asset Continuity Schedule. OEB staff notes that there may be other inconsistencies in the evidence.

Question(s):

a) **Please update the evidence to reflect a consistent amount of actual capital additions for all** years. For example, Table 10: Capital Expenditure Summary and Table 30: Capital Expenditure Summary Appendix 2-AB should reconcile to Appendix 2-BA for 2013.

Response(s):

a) The 2013 capital additions, without including the smart meter deployment transfer from account 1555, is $2,200,837. The smart meter deployment from account 1555 was $1.191M to account 1860 and $172K to account 1611. CWH has revised the FA Continuity Schedule for 2013 to reflect this, and has included the smart meter deployment transfer in the opening balance of the accounts previously mentioned as the amounts are from a previous period, therefore should not have been included in the 2013 transactions. CWH has also updated Appendix 2-AB by removing the smart meter deployment, as was requested in IR question 2-SEC-7.

2-Clarification Staff-3

Ref: 2-Staff-10

Preamble:

Centre Wellington Hydro was asked to update the commodity values used in the cost of power for 2018 Test Year Working Capital and Rate Base, effective July 1, 2017. In its response, Centre Wellington Hydro stated:

> The Commodity forecast filed in conjunction with these responses have been updated to use the Regulated Price Plan-Price Report (May 1, 2017 to April 30, 2018) issued on April 20, 2017.

Question(s):

a) Please provide a derivation of 2018 test year Working Capital Allowance reflecting the proposed controllable expenses, as well as Cost of Power. The Cost of Power should be based on the proposed load forecast, commodity prices as of July 1, 2017, reflecting the price adjustment under the Fair Hydro Plan, as well as all other pass-through costs of power.

Response(s):

See table at the next page

Rate Base

Particulars	CGAAP Last Board Approved	CGAAP 2013	CGAAP 2014	CGAAP 2015	NEWGAAP 2016	NEWGAAP 2017	NEWGAAP 2018
Net Capital Assets in Service:							
Opening Balance	8,768,155	7,462,317	10,208,709	12,001,213	13,273,121	14,741,768	15,464,868
Ending Balance	10,097,111	10,208,709	12,001,213	13,273,121	14,741,768	15,464,868	15,640,468
Average Balance	9,432,633	8,835,513	11,104,961	12,637,167	14,007,445	15,103,318	15,552,668
Working Capital Allowance	2,346,078	2,296,341	2,371,620	2,494,549	2,773,893	2,919,637	1,690,208
Total Rate Base	**11,778,711**	**11,131,854**	**13,476,581**	**15,131,716**	**16,781,338**	**18,022,955**	**17,242,877**

Expenses for Working Capital	CGAAP Last Board Approved	CGAAP 2013	CGAAP 2014	CGAAP 2015	NEWGAAP 2016	NEWGAAP 2017	NEWGAAP 2018
Eligible Distribution Expenses:							
3500-Distribution Expenses - Operation	269,500	303,224	313,306	326,133	312,568	366,200	366,900
3550-Distribution Expenses - Maintenance	302,200	317,930	283,489	310,601	354,386	344,000	361,500
3650-Billing and Collecting	446,705	434,218	437,448	449,490	461,688	487,500	520,700
3700-Community Relations	28,600	25,327	31,565	23,290	51,588	55,900	43,500
3800-Administrative and General Expenses	975,100	960,815	980,552	964,755	958,600	1,043,900	1,111,700
Adjust to arrive to RRWF of DRO	- 1,900						
Property Taxes	34,500	14,849	14,454	14,643	19,795	17,300	19,200
Total Eligible Distribution Expenses	2,054,705	2,056,363	2,060,813	2,088,911	2,158,627	2,314,800	2,423,500
3350-Power Supply Expenses	15,992,047	15,607,801	16,182,418	17,099,926	19,179,014	20,143,943	20,112,611
Total Expenses for Working Capital	18,046,752	17,664,165	18,243,232	19,188,837	21,337,641	22,458,743	22,536,111
Working Capital factor	13%	13%	13%	13%	13%	13%	7.5%
Total Working Capital	**2,346,078**	**2,296,341**	**2,371,620**	**2,494,549**	**2,773,893**	**2,919,637**	**1,690,208**

2-Clarification Staff-4

Ref: 2-Staff-36

Preamble:

Centre Wellington Hydro stated that it “did not consider an Advanced Capital Module for the purchase of the digger truck in 2020.”

Question(s):

a) Regarding a request for an Advanced Capital Module (ACM), are there any other capital expenditures from 2018 to 2022 that Centre Wellington Hydro may consider an ACM? Please explain.

Response(s):

CWH did not consider the ACM for the 2018 purchase of the digger truck because we scaled the total overall capital budget to include the replacement of the digger truck.

CWH might consider an ACM in 2022, the last year of the IRM term, for the replacement of the distribution station transformer.

2-Clarification Staff-5

Ref: 2-Staff-27b
Distribution System Plan - Material Capital Investment

Preamble:

Centre Wellington Hydro stated that Hydro One did not pay a capital contribution for the 2012 capital project - CP15

Question(s):

a) Please confirm if Centre Wellington Hydro and Hydro One have a joint use agreement.

b) If so, does this project fall under that agreement and has the cost allocation, as per the agreement been followed?

Response(s):

a) Yes, CWH has a joint use agreement for Licensed Occupancy of Power Utility Distribution Poles with Hydro One.

b) Yes, this project fell under the above-mentioned agreement and the cost allocation has been followed.

2-Clarification Staff-6

Ref: 2-Staff-33
Distribution System Plan – Material Capital Investment

Preamble:

Centre Wellington Hydro stated that the customer and or developer would be required to contribute a capital contribution.

Question(s):

Please provide the amount of the capital contribution.

Response(s):

When using the total capital cost of $244K based on the design at the time of budget preparation, CWH evaluated the extension of the line for the Hospital through the approved economic evaluation process and there was no capital contribution required at that time. Therefore, based on a capital cost of $244K there would be no capital contribution.

However, should the design and associated estimated cost change, CWH will re-run the economic evaluation and determine whether or not a capital contribution is required. CWH follows OEB guidelines in computing these charges.

SEC-Clarification-2

[2-Staff-20, 2-VECC-6] The Applicant has provided information regarding outages by outage code. Please provide the outage description for each outage code.

Response:

The following table includes the description for each cause code.

SAIDI & SAIFI by Cause Code												
Cause code		2012**		2013**		2014		2015		2016	
		SAIDI	SAIFI	SAIDI	SAIFI	SAIDI	SAIFI	SAIDI	SAIFI	SAIDI	SAIFI
0	Unknown/Other					0.00	0.01	0.00	0.00	0.00	0.00
1	Scheduled Outage					0.02	0.06	0.09	0.02	0.06	0.02
2	Loss of Supply					0.00	0.68	0.00	0.00	3.73	1.57
3	Tree Contacts					0.00	0.00	0.00	0.00	0.00	0.00
4	Lightning					0.00	0.01	0.00	0.00	0.01	0.01
5	Defective Equipment					0.00	0.00	0.05	0.04	0.03	0.08
6	Adverse Weather					0.00	0.00	0.00	0.00	0.00	0.00
7	Adverse Environment					0.00	0.00	0.00	0.00	0.00	0.00
8	Human Element					0.00	0.00	0.00	0.00	0.00	0.00
9	Foreign Interference					0.00	0.00	0.00	0.00	0.00	0.00
**SAIDI and SAIFI were not calculated by cause code in 2012 or 2013											

Exhibit 3

3-Clarification Staff-7

Ref: 3-Staff-40

Preamble:

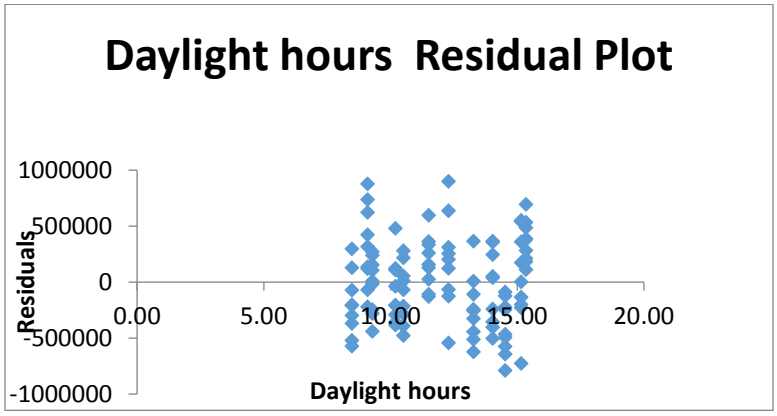
Centre Wellington Hydro was asked for a residual plot of the regression model. However, Centre Wellington Hydro provided a scatter plot. A residual plot is an interpretation of how much residual error exists between the data and the model on the scatter plot. It tells you whether this is the best model or whether there is a better alternative.

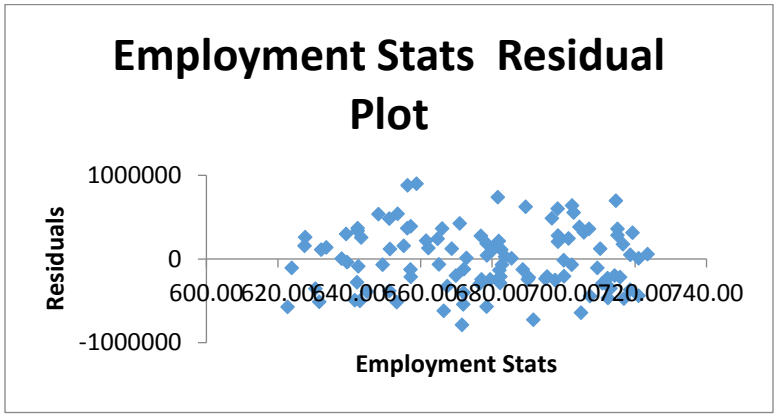
Question(s):

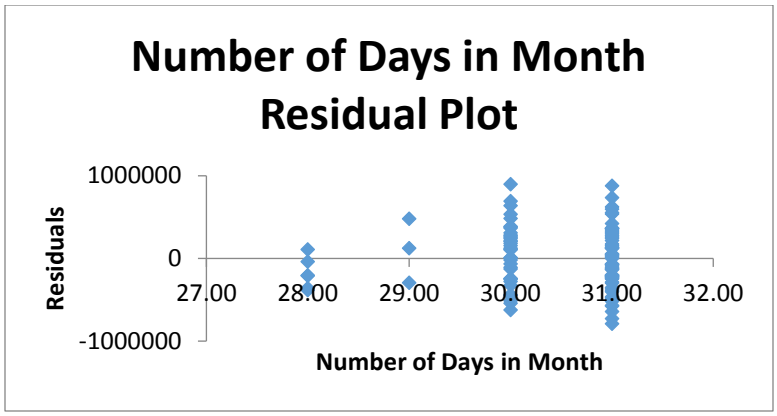
a) Please provide the residual plot of the regression model.

Response(s):

Please see charts below.



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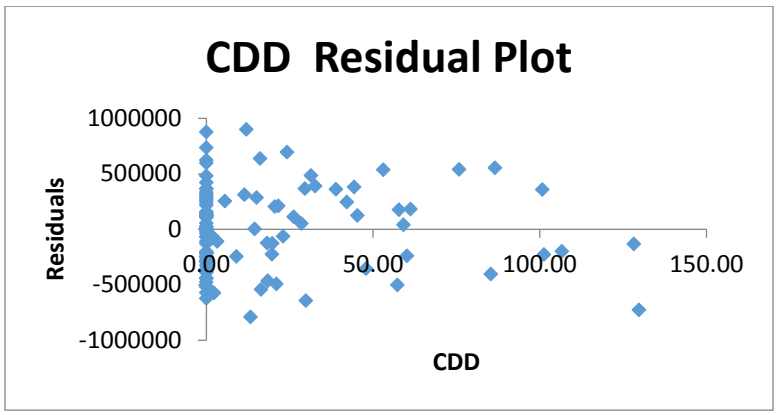
Residuals
27.00
28.00
29.00
30.00
31.00
32.00
Number of Days in Month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Residuals
0.00
50.00
100.00
150.00
CDD

3-Clarification Staff-8

Ref: 3-Staff-42

Preamble:

Centre Wellington Hydro was asked to re-run the regression results including or excluding certain variables. If the R square improved as a result of these scenarios, Centre Wellington Hydro was requested to provide a revised load forecast.
The scenario 3-Staff-42 (d) “excluding Employment Stats and including number of holidays in a month” provides the best R square and Adjusted R square (Adjusted R square is a better indicator as it takes into account the number of independent variables). However, Centre Wellington Hydro has declined to provide a revised load forecast stating that even if the R square is higher, the coefficients show counter intuitive results. This is a matter of argument.

Question(s):

a) Please provide the requested information, which was to provide a revised load forecast if the R square improved as a result of the scenario 3-Staff-42 (d).

Response(s):

The issue was addressed and resolved verbally in settlement conference. The exercise was deemed futile as the variable in question yielded counter intuitive results. VECC agreed with the utility.

VECC – 38

Reference: Staff 43 a)

a) Is Loblaws a distribution customer of CWL and, if so, in which customer class?
b) Is the Loblaws' load included in class load used in Bridge and Test Year Class Forecast Tab in determining the class' share of predicted wholesale purchases?
c) If not, how is the Loblaws load incorporated into the forecast?

Response(s):

a) Yes, Loblaws is a distribution customer of CWH and in GS 50 to 2,999 kW class.

b) No response is available at this time but will be addressed at the settlement conference on Monday, November 20, 2017.

c) No response is available at this time but will be addressed at the settlement conference on Monday, November 20, 2017.

VECC – 39

Reference: VECC 14 b)

a) The CDM plan referenced in VECC 14 b) shows 2,000 MWh of program savings in 2017 from the Process and Systems Upgrades Program.
   i. Is CWL on track to attain these savings in 2017?
   ii. What customer classes is this associated with?
b) In recent proceedings with other Ontario electricity distributors VECC has been advised that the initial CDM plans approved by the IESO are often revised and new plans approved. Is the CDM plan referenced in VECC 14 b) the most recent CDM plan for CWL that has been approved by the IESO?
c) If not, please provide the most recently IESO approved plan.

Response(s):

a)
   i. Yes
   ii. GS3000-5\4999
b) The version on the IESO website (and filed with the IRRs is the most recent version.
c) n/a.

VECC – 40

Reference: IRR Load Forecast Model, CDM Adjustment Tab

a) Please explain why the CDM results for 2015 are now included in the adjustment, when they were not included in the load forecast filed with the initial application.
b) Please explain why the impact of 2016 CDM program in 2018 is not based on the IESO`s estimate of the savings persisting in 2018 from 2016 CDM Programs.

Response(s):

This utility is using a newly released OEB model which indicated that 2015 should be included. CHW has corrected the model and used savings persisting to 2018 from 2016 programs.

Exhibit 4

4-Clarification Staff-9

Ref: 4.0-VECC-18
Preamble:

The total forecasted 2017 Bridge Year OM&A is $2,297,500, as per Appendix 2-JA. Centre Wellington Hydro provided an analysis to support the 2017 Bridge Year OM&A. Nine months of actuals to September 30, 2017 were included, plus a three-month forecast from October to December 2017. OEB staff notes that this calculation results in a pro-forma 2017 Bridge Year OM&A of $1.983 million. However, OEB staff believes that this amount may be incorrect as only $48k is included as Maintenance Expense, versus 2017 Maintenance Expense of $344k as per Table 2: Appendix 2-JA – Summary of Recoverable OM&A Expenses.

Question(s):

a) Please provide an updated analysis to support the 2017 Bridge Year OM&A, so that a correct amount of Maintenance Expense is included in the analysis.

b) Please update Centre Wellington Hydro's evidence, as required.

Response(s):

a) and b) CWH has updated the Table provided in answer to VECC's question 18 to reflect the corrected totals for Maintenance Expenses and has added at the bottom of the table the amount of $3,930 for account 6205 – Donations-sub account LEAP to be included, as this amount is recoverable through rates.

General Ledger Account Description	Original 2017 Budget	2017 Actual Expenses + 3 month projection	Difference (original budget less Actual plus projected)
DISTRIBUTION EXPENSES-OPERATIONS			
5005-Operaation Supervision & Engineering	*79,500*	*75,845*	*3,655*
5010-Load Dispatching	*11,700*	*14,139*	*(2,439)*
5012-Station Building & Fixtures Expense	*78,400*	*62,389*	*16,011*
5016-Distribution Station Eq.-Labour	*900*	*42*	*858*
5017-Distribution Station Eq.-Supplies & Expenses	*32,800*	*18,472*	*14,328*
5020-OH Distribution Lines & Feeders- Labour	*12,900*	*8,324*	*4,576*
5025-OH Distribution Lines & Feeders-Supplies & Exp.	*13,300*	*13,300*	*-*
5030-OH Sub-transmission Feeders-Operation	*600*	*-*	*600*
5035-OH Distribution Transformers-Operation	*2,500*	*441*	*2,059*
5040-UG Distribution Lines & Feeders-Labour	*-*	*91*	*(91)*
5055-UG Distribution Transformers	*12,300*	*483*	*11,817*
5065-Meter Expense	*57,000*	*77,649*	*(20,649)*
5085-Miscellaneous Distribution Expense	*58,000*	*81,869*	*(23,869)*
5095-OH Distribution Lines & Feeders-Rental Paid	*6,300*	*5,862*	*438*
TOTAL Distribution Expenses-Operation	**$366,200**	**$358,906**	**$7,294**

DISTRIBUTION EXPENSES-MAINTENANCE			
5114-Mtce Distribution Station Equipment	*12,300*	*11,427*	*873*
5120-Mtce Poles, Towers & Fixtures	*21,400*	*18,657*	*2,743*
5125-Mtce OH Conductors & Devices	*10,800*	*17,576*	*(6,776)*
5130-Mtce OH Services	*28,800*	*33,967*	*(5,167)*
5135-Mtce OH Distribution Lines & Feeder-Right of Way	*69,900*	*59,803*	*10,097*
5145-Mtce UG Conduit	*1,400*	*400*	*1,000*
5150-Mtce UG Conductors & Devices	*3,200*	*5,329*	*(2,129)*
5155-Mtce UG Services	*116,100*	*170,550*	*(54,450)*
5160-Mtce Line Transformers	*42,700*	*34,621*	*8,079*
5165-Mtce Street Lighting & Signal Systems	*-*	*(0)*	*0*
5175-Mtce of Meters	*900*	*-*	*900*
TOTAL Distribution Expenses-Maintenance	**344,000**	**374,424**	**(30,424)**

General Ledger Account Description	Original 2017 Budget	2017 Actual Expenses + 3 month projection	Difference (original budget less Actual plus projected)
BILLING AND COLLECTING			
5305-Supervision	*47,300*	*54,600*	*(7,300)*
5310-Meter Reading Expense	*110,900*	*110,099*	*801*
5315-Customer Billing	*226,400*	*244,670*	*(18,270)*
5320-Collecting	*96,600*	*78,509*	*18,091*
5325-Collecting-Cash over and Short		*(9)*	*9*
5335-Bad Debt Expense	*6,300*	*19,216*	*(12,916)*
TOTAL Billing & Collecting	**$487,500**	**$507,085**	**($19,585)**
COMMUNITY RELATIONS			
5410-Community Relations-Sundry	*29,800.0*	*26,295.1*	*3,504.9*
5415-Energy Conservation	*9,100.0*	*-*	*9,100.0*
5420-Community Safety Program	*8,500.0*	*7,850.0*	*650.0*
5425-Misc Customer Service and Informational Expenses	*8,500.0*	*7,936.1*	*563.9*
TOTAL Community Relations	**$55,900**	**$42,081**	**$13,819**
ADMINISTRATIVE & GENERAL EXPENSES			
5610-Management Salaries & Expenses	*368,200*	*359,270*	*8,930*
5615-General Administrative Salaries & Expenses	*228,200*	*211,989*	*16,211*
5620-Office Supplies & Expenses	*62,000*	*81,679*	*(19,679)*
5630-Outside Services	*49,700*	*56,573*	*(6,873)*
5635-Property Insurance	*5,700*	*5,718*	*(18)*
5640-Injuries & Damages	*42,100*	*35,047*	*7,053*
5646-Employee Pensions & OPEB	*24,100*	*18,472*	*5,628*
5655-Regulatory Expenses	*121,700*	*136,365*	*(14,665)*
5660-General Advertising Expenses	*500*	*-*	*500*
5665-Miscellaneous General Expenses	*97,600*	*88,683*	*8,917*
5675-Mtce of General Plant	*26,900*	*22,434*	*4,466*
5680-Electrical Safety Authority Fees	*10,400*	*10,199*	*201*
TOTAL Administrative & General Expenses	**$1,037,100**	**$1,026,429**	**$10,672**
6225-Other Deductions	*2,900*	*1,568*	*1,332*
6205-Donations-LEAP	*3,900*	*3,930*	*(30)*
TOTAL OM&A (5000, 5100,5300,5400,5600 +6225)	**$2,297,500**	**$2,314,422**	**($16,922)**

4-Clarification Staff-10

Ref: 4-Staff-53
4-Staff-59
Appendix 2-K
Exhibit 4, page 84

Preamble:

Appendix 2-K shows that total compensation of both management and non-management (union and non-union) have increased by 17.8% or $268,732 from $1,511,168 in 2013 OEB approved to $1,779,900 in the 2018 Test Year. This represents an approximate increase per year of 3.6%. The big increases in total compensation are a 4.8% increase from 2016 to 2017 and 6.7% from 2017 to 2018.

Question(s):

a) Please confirm that a staff reorganization was conducted that promoted certain staff members to management positions, effective January 1, 2017, as outlined in Exhibit 4, page 84. If this reorganization was made effective another date, please explain and provide more detail.

b) Please clarify and explain that the main driver of the 2017 increase from 2016 of 4.8% for total compensation is due to the creation of new management positions. If this is not the case, please explain.

c) Please provide an explanation of the 6.7% increase in total compensation from 2018 versus 2017, and also detail the drivers of this increase that are incremental to the proposed 2.15% increase in salary/wages and 0.35% increase in benefits.

Response(s):

a) CWH confirms that the change in positions were effective January 1, 2017.

b) The increase in compensation between 2016 actual and 2017 forecast amount as explained on page 86 of Exhibit 4 is due to:
   - Anticipated 2017 contract increase of 2.5%
   - Replacement of 1 full-time employee who resigned mid-September 2016 and not replaced until January 2017
   - Anticipation that all staff members will be in place for the full year of 2017

- Two full time journeymen moving up the wage scale as they work towards completing apprenticeship training.
- Not previously stated, is the return of a full-time employee who was on leave between July 2015-July 2016.
- In 2017, CWH forecasted having 15.29 FTE's vs. 14.51 actual FTE's in 2016.
- Statutory benefits increased by 15% between 2016 and 2017
- In 2017, CWH projected company benefits to show a decrease of 0.4 % which was incorrect but we were working on the best estimates we had when setting the budget in 2016 for 2017.

c) As stated in Exhibit 4, the increases are due to:

- Wage & benefit increase of 2.5% over the 2017 forecasted wages.
- Two Apprentice journeymen lineman moving to full journeyman Line pay scale.
- In 2018, CWH has projected a decrease in statutory benefits of 1.7% or $2,700
- The forecasted company benefits have increased by 9.6% or $20,700 which takes into consideration the increases that have taken place in 2017 as well as the 2018 anticipated increase.

4-Clarification Staff-11

Ref: 4-Staff-54
4-Staff-58

Preamble:

Centre Wellington stated that “all full-time positions will be retained after the retirement of the management staff member.”

Centre Wellington Hydro has also stated that the Vice President/ Treasurer position will still be required after the Vice President/ Treasurer retires, in addition to the Manager Finance/ Regulatory because of changes such as customer service/ billing changes and RRR requirements.

For example in the response to 4-Staff-58, Centre Wellington Hydro stated that “In 2013, the staff person who would have worked on the 2013 Cost of Service application and RRR reporting was on leave and therefore no time was posted to this category. The Vice President / Treasurer completed that portion of duties and all their time was posted to account 5610-Management Salaries and Expenses.”

Question(s):

a) Please provide a more detailed explanation as to why positions such as the Vice President/ Treasurer and Manager Finance/ Regulatory will both be required going forward, when in the past (e.g. in 2013) the Vice President/ Treasurer was able to conduct their own duties, in addition to working on the 2013 CoS application and assisting with RRR filings.

Response(s):

In 2013, CWH hired a contract person to complete part of the work being completed by the Financial Administrator (now Manager of Finance and Regulatory) but the contract person did not work on the CoS as the replacement person had no experience in that area and therefore no additional internal staff time was posted to Regulatory expense category 6. The time spent by the Vice President/Treasurer was allocated to account 5610. CWH also used a 3rd party to assist more extensively with the 2013 CoS. In order to complete the final stages of the 2013 CoS the Vice President / Treasurer put in an extensive amount of overtime to complete the work that would have been done by the two positions. The Financial Administrator assisted in completing the 2013 CoS application in 2012 but went on leave shortly after the application was filed and was unavailable to assist with answering the IR’s and written submission.

On the return of the staff member on leave, CWH was behind three months in completing day-to-day work that had been pushed off temporarily. Due to staff being off on leave, CWH was unable to implement the Fixed Asset Module; the Work Order Module; upgrade the electronic document filing system, and training on report writing program. CWH also was not able to complete annual analysis required for variances between each year to provide explanations for the 2018 CoS application and therefore in 2016 and 2017 the 2018 Cost of Service Application again required extensive overtime from staff in order to submit the application by the May 1, 2017 deadline.

As an example of overtime required by staff in order to complete the Interrogatories on time for the 2018 cost of service application within the three week timeframe, staff has recorded a total of 142.75 over time hours, in addition to regular hours. This is the equivalent of just over 4 full-time staff members working one week each to answer the 343 sub-questions asked during the IR process. CWH also had assistance from 3rd party vendors in answering the IR's.

In 2018, CWH has reduced the amount of anticipated overtime required by the office staff to stay current with day to day work and to implement continued increased requirements required by the Ministry and by the OEB.

CWH anticipates that they will require the 14 full time employees and 1.29 part-time FTE's for the full COS application period.

CWH desires to balance work load across employees in each department to ensure a productive environment is realized while mitigating the need for high levels of overtime experienced in the past.

4-Clarification Staff-12

Ref: 4-Staff-65
Preamble:

With respect to the LRAMVA disposition for Account 1568, OEB Staff has questions that relate to corrections to the LRAMVA amount.

In the interrogatory response 4-Staff-65, the LRAMVA amount was revised from a credit balance of $1,992 to a debit balance of $9,667 to dispose the lost revenues amounts for 2015 and 2016. The lost revenues for the 2016 year was added to the original claim. Also, in the updated LRAMVA claim, it includes the persistence of 2015 savings in 2017.

In Table 5-b of Tab 5 of the LRAMVA work form, the rate class allocations of the 2016 program savings were not populated in columns Y to AE. Because there are no rate allocation percentages provided, there are in fact no savings from 2016 included in the LRAMVA disposition.

Question(s):

a) Please confirm whether there should be rate class allocations for 2016 savings.

b) If yes, please confirm that Centre Wellington Hydro will populate Table 5-b of Tab 5 with the rate class allocations for the 2016 program year.

Response(s):

a) Confirmed
b) Confirmed

4-Clarification Staff-13

Ref: 4-Staff-65
Preamble:

With respect to the LRAMVA disposition for Account 1568, OEB Staff has further questions that relate to corrections to the LRAMVA amount.

In Table 5-c of Tab 5 of the LRAMVA work form, the persistence of 2015 savings are proposed to be claimed in 2017. However, as the 2017 program savings have not been verified by the IESO, claiming the persistence of 2015 savings in 2017 will create a situation where the 2017 LRAMVA amount is deemed final in this disposition, and cannot be changed once actual 2017 results become known at a later time.

Question(s):

a) Please provide the rationale for including the persistence of 2015 in 2017 in this claim.

b) If Centre Wellington Hydro agrees with removing the persistence of 2015 in 2017 in this claim, please update Table 3-a of the work form by deleting the volumetric rates in row 130 of Tab 3.

Response(s):

a) The inclusion of persistence of 2015 in 2017 was made in error.
b) Agreed with and done.

4-Clarification Staff-14

Ref: 4-Staff-68
Preamble:

OEB staff has questions that relate to clarification on the amount of persisting savings included in the LRAMVA disposition.

Since Centre Wellington Hydro last rebased in 2013, the forecast savings from the 2013 LRAMVA threshold is used as the comparator against actual 2015 and 2016 CDM savings. Until the next rebasing, which is this year in 2018, it would appear to Staff that the persistence of savings from 2011 to 2014 into 2015 and 2016 would be eligible to be included in the LRAMVA claim.

Question(s):

a) In response to the above noted interrogatory, please confirm that Centre Wellington Hydro is not seeking to claim the persisting savings from 2011 to 2014 in 2015 and 2016.

b) Based on the changes that are agreed to, please confirm the updated LRAMVA amount requested for disposition, and re-submit a revised LRAMVA work form.

Response(s):

a) Confirmed
b) Confirmed

SEC- Clarification-3

[4-SEC-19] Please respond to the interrogatory as posed. The interrogatory only requested the number of FTEs in each category, not a compensation breakdown.

Response:

See below table.

	Last Rebasing Year - 2013- Board Approved	Last Rebasing Year - 2013- Actual	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year
Number of Employees (FTEs including Part-Time)1							
Management (including executive)		3.00	3.00	3.00	3.00	5.00	5.00
Non-Management (union and non-union)	16.50	12.28	12.28	12.28	12.28	10.29	10.29
Total	16.50	15.28	15.28	15.28	15.28	15.29	15.29

VECC – 41

Reference: IRR LRAMVA Work Form

Staff Clarification Question - 13

a) If CWL intends on seeking recovery of 2017 lost revenues, why are there no forecast lost revenues included in the calculation

Response(s):

The utility commits to updating the LRAMVA Workform to remove any recovery for 2017 as the results have not yet been finalized.

VECC – 44

Ref: Exhibit 4 / 4-Staff-63
Appendix 2-BA
Appendix 2-CE
RRWF

Preamble:

OEB staff asked several questions regarding depreciation expense. As a result of the interrogatory responses, the amount of 2018 test year deprecation has been updated to $769,277 as per App.2-CE_MIFRS_DepExp_2018. However, OEB staff notes that the 2018 test year deprecation in App.2-BA_FA Cont 2018 MIFRS has remained unchanged at $694,200. OEB staff also notes that the depreciation expense in the RRWF is $590,700.

a) Please state which is the correct 2018 test year depreciation expense number that should be used and update the evidence as required.

Response(s):

a) The correct 2018 test year depreciation expense is $694,200, as found on the App.2-BA_FA Cont 2018 MIFRS, this amount has not changed from CWH's original filing. The $769,277 referred to above is on App.2-CE_MIFRS_DepExp2018 in column "2018 Depreciation Expense" as a calculated field. The adjacent column on this same sheet is "2018 Depreciation Expense per Appendix 2-BA Fixed Assets, Column J" and shows $694,200. Material variances between these two columns have been explained in response to IR 4-Staff-63 on page 40 of CWH's responses.

The RRWF shows the depreciation expense as $590,700, which is $694,200 less $103,000 for transportation depreciation and $500 for stores depreciation. This calculation was shown in Ex 2, Table 18 "Fixed Asset Continuity Schedule for 2018 MIFRS". These two depreciation amounts have been removed for the purpose of calculating the Base Revenue Requirement in the RRWF as these are part of the overhead burdens which are directly allocated to Capital and Operations and Maintenance costs in the application.

Exhibit 7

7-Clarification Staff-15

Ref: 7-Staff-75
Question(s):

a) Please describe the typical residential service connection in terms of length of conductor from the secondary bus to the demarcation point (typically the meter), and the current carrying capability of the conductor used.

b) Please describe the typical street light service connection in terms of length of conductor from the secondary bus to the demarcation point, and the current carrying capability of the conductor used.

c) If materially different: How are these the same cost?

Response(s):

a) Typically a residential service length is anywhere between 10 meters and 50 meters in length with a current carrying capacity of 100 amp to 200 amp.

b) Street light service connections can be similar distances as residential services and the current carrying capacity is typically 15 amps to 55 amps.

c) N/A

7-Clarification Staff-16

Ref: 7-VECC-33

Question(s):

a) A typical configuration involving a customer owned transformer would entail all assets and equipment connected to the low-voltage side of the transformer being dedicated to serving that one customer. Please explain the connection arrangement with the GS 3000-4999 customer.

b) Is the low voltage side of the transformer connected to the secondary bus used to serve all secondary customers in the area?

c) If so, wouldn't the customer owned transformer not be dedicated, but functionally either providing transformation to other customers, or enabling the transformer owner to receive transformation from other nearby transformers?

d) If not, and the secondary side exclusively serves the one customer, does Centre Wellington Hydro agree it is appropriate to say that the customer does not receive secondary distribution as any low voltage assets are functioning more as a service drop than a distribution system?

Response(s):

a) All assets and equipment connected to the low-voltage side of the transformer are dedicated to servicing that one GS 3000-4999 customer.
b) No, the low voltage secondary side of the transformer is not used to service any other customers in the area.
c) The customer owned transformer is dedicated to its service only and no other customers.
d) CWH requires some clarification to respond and will address on Monday, November 20, 2017.

7-Clarification Staff-17

Ref: 7-Staff-80
Question(s):

a) The Hydro One load profiles from 2004 provide NCP entries for the cost allocation sheet I8 Demand Data, rows 55, 61, and 67 – based on the total load from all connected customers in each rate class. It is up to LDCs to then determine how much of that load exists on the Primary (rows 56,62, and 68), Line Transformer (rows 57,63, and 69), and Secondary (rows 58, 64, and 70). An updated load profile is not requested in this question.

   Please provide additional information regarding the proportion of load that is connected at each level of the system. Please update the evidence as required. Please see sheet I8 Demand Data of the cost allocation model filed in June 15, 2013 in EB-2012-0113 for an example.

b) It is OEB staff's understanding that the GS 3000-4999 customer, and some GS 50-2,999 customers do not make use of Centre Wellington Hydro supplied Line Transformers.

   i. Please confirm OEB staff's understanding noted above. If this is not the case, please explain.

   ii. If this is the case, the load associated with customer owned transformers should not be included in rows 57, 63, and 69 of Sheet I8 Demand Data in the Cost Allocation Model. Please update the evidence as required.

c) It is OEB staff's understanding that where a customer owns a transformer, that transformer is located on the customer's property, and any low-voltage assets would then be either customer owned, or part of the service drop – in which case, the customer does not receive secondary distribution either.

   i. Please confirm OEB staff's understanding noted above. If this is not the case, please explain.

   ii. If this is the case, the Secondary NCP on rows 58, 64, and 70 would be not more than the Line Transformer NCP. Please update the evidence as required.

d) Also, OEB staff remains unclear why, on sheet I6.1 Revenue, cell H27, the forecasted kW of customers receiving line transformer allowance is not the same as cell H26.

   If there is only one customer, please clarify if the customer is receiving line transformer allowance for some, but not all of its metering points. Please update the evidence as required.

Response(s):

a) This information is not available.
b)
   a. Confirmed
   b. Agreed with and corrected
c)
   a. Confirmed
   b. Agreed with and corrected
d) Agreed with and corrected

7-Clarification Staff-18

Ref: 7-Staff-82
Preamble:

The calculation of the load profiles includes several errors, including circular references, and the selection of the wrong months for peaks. The end result is that as stated in the initial IR, these errors have resulted in logically impossible results.

Several class have a 4 NCP value (representing the monthly peaks from the four highest peaking months) more than 4 times the 1 NCP (representing the highest peak of the year). Naturally, the second, third, and fourth highest peak should be no higher than the overall highest peak, so the sum of the four highest peaks should be no higher than 4 times the overall highest peak. A similar inconsistency with the 1 NCP and 12 NCP was also observed.

Question(s):

a) Please confirm that the above noted issue can be fixed with the following modifications to the file named CWH_2018_IRR_CA Demand Data_20171110 and update the evidence where required:

   i. On sheet “Hourly load shapes by class” cell U8802 can reference cells U8788, and cells U8803:U8813 can similarly reference the cells from the above block (this will address the circular reference).

      Cell U8815 should contain the formula: “=LARGE(U$8802:U$8813,1)”

      The formula can be adjusted in cells U8816:U8818 to produce the second, third, and fourth largest peaks.

   ii. On Sheet Revised Inputs to CA model, row 16 should reference row 8815 of the sheet hourly load shapes by class.

      Row 19 should reference the sum of rows 8815:8818 of the sheet hourly load shapes by class.

      Row 22 should reference the sum of rows 8802:8813 of the sheet hourly load shapes by class.

Row 27 should use the MAX function to reference the maximum value from the rows 8788:8799 of the sheet hourly load shapes by class.

Response(s):
The model filed along with the settlement agreement reflects all the above changes.

7-Clarification Staff-19

Ref: 7-Staff-84

Preamble:

The Revenue Requirement Work Form, Sheet 11 still indicates rate classes moving slightly away from unity (GS < 50 and Street Light), rate classes which should be moving to the boundary, but are only moving near the boundary (Sentinel Light, General Service 3,000-4,999), and rate classes with unnecessary moves (Unmetered Scattered Load).

Question(s):

a) Where a move is not required or intended, on table B) of this sheet, please confirm that column 7D should be populated with the same value from 7C.

b) Where a move to a boundary is required, please confirm that a goal seek may be helpful. Please ensure that the final models reflecting the settlement have made these corrections.

c) Please update evidence where required.

Response(s):

Revenue to Cost Ratios are recalculated and approved by the parties as part of the settlement agreement.

VECC – 42

Reference: VECC 33 a)

a) According to VECC 33 a) – the GS 3000-5000 customer has three meters. If they are all owned by CWL then why isn't the meter count in Tab I7.1 – 3 (as opposed to one)?

Response(s):

CWH did not put the three meters in the meter count because it is one customer service with one virtual meter, used to bill from an aggregate of 3 meters employing multiple metering instruments.

It may be appropriate for CWH to add 2 meters (for a total of 3 meters for this one customer) to Tab I7.1

VECC – 43

Reference: IRR Cost Allocation Model, Sheet O3.6

a) The cost allocation model identifies the following costs as being related to MicroFIT service (Sheet O3.6): Are all of the activities identified (e.g. Maintenance of Meters, Meter Reading and Billing) performed by Utilismart?
b) If not, which ones are still performed by CWL and why shouldn`t the costs for these activities also be included in the calculation of the MicroFIT charge?

Description	**Residential**	**Monthly Unit Cost**
Customer Premises - Operations Labour (5070)	$ -	$ -
Customer Premises - Materials and Expenses (5075)	$ -	$ -
Meter Expenses (5065)	$ 53,381.79	$ 0.73
Maintenance of Meters (5175)	$ 654.55	$ 0.01
Meter Reading Expenses (5310)	$ 100,512.26	$ 1.37
Customer Billing (5315)	$ 213,892.74	$ 2.92
Amortization Expense - General Plant Assigned to Meters	$ 4,990.17	$ 0.07
Admin and General Expenses allocated to O&M expenses for meters	$ 65,367.71	$ 0.89
Allocated PILS (general plant assigned to meters)	$ -	$ -
Interest Expense	$ 1,677.81	$ 0.02
Income Expenses	$ 2,675.61	$ 0.04
Total Cost	$ 443,152.63	$ 6.05
Number of Residential Customers	6107.014294	

Response(s):

a) No, Utilismart is the wholesale retail settlement provider and provides CWH with the kWh generated by each mircoFIT customer monthly.
b) CWH performs all the below listed activities.

Exhibit 8

8-Clarification Staff-20
Ref: 8-Staff-92
Question(s):

a) Based on where the application stands now and once Centre Wellington Hydro makes corrections to its models and has recalculated rates, please show the bill impacts and propose rate mitigation for classes if the impact is over 10%.

Response(s):
On the completion of the settlement conference and once agreement has been reached, CWH will look at a mitigation proposal for all classes over the 10%. If for example Street Lights are over 10% due to the recovery of LRAMVA, CWH will look at spreading the rate rider over a longer period of time than one (1) year.

Exhibit 9

9-Clarification Staff-21
Ref: 9-Staff-97
Question(s):

Centre Wellington Hydro has provided an updated DVA Continuity Schedule. OEB staff has summarized the true-up related adjustments in the Table below. After accounting for adjustments in Account 1588 due to true-up requirements, OEB staff notes that the balance in Account has been adjusted for an unexplained debit amount of $64,181. Please explain the debit adjustments totaling $64,181 in Account 1588.

	Account 1588	**Account 1589**
Prefiled	(34,483)	318,403
2014 adjustment	(116,950)	47,178
2015 adjustment	23,574	(18,189)
2016 adjustment	10,305	(10,305)
Adjusted Balance	(117,554)	337,087
IRR Bal for disposition	(53,373)	337,293
Unexplained Difference	64,181	206

Response(s):

The variance of $64,181 relates to adjustments that were made in the transactions column for 2016 and 2017. This adjustment was made to show only the annual transactions in the Transaction Debit/Credit column. There was a total reallocation of $18,685 between account 1588 and 1589. The variance of $205 relates to an interest adjustment due to reallocation of amounts in the various years. CWH has provided a table below detailing the adjustments.

	Account 1588	**Account 1589**
Prefiled	(34,483)	318,403
2014 Adjustment 2 Column	(116,950)	47,178
2015 Transactions Debit/Credit during 2015 Column Adjustment	69,772	0
2015 Adjustment	23,574	(18,189)
2016 Transactions Debit/Credit during 2016 Column adjustment	(5,385)	0
2016 Adjustment	10,305	(10,305)
Adjusted Balance	(53,168)	337,088
IRR Balance for Disposition	(53,373)	337,293
Unexplained Difference (Revised Interest 2017)	205	(205)