Response to Pre-Settlement Conference OEB Staff Clarification Questions

Cooperative Hydro Embrun (EB-2017-0035)

ADRClarification-Staff-1

Ref: 2-Staff-16

In response to 2-Staff-16, Cooperative Hydro Embrun confirmed that the cost of power calculation has been updated to reflect the most recent RPP prices (i.e. from the OEB's June 22, 2017 report).

(a) Please confirm that the calculation of the commodity includes a breakdown of Non-RPP customers eligible for the GA modifier and Non-RPP customers subject to full GA rates.

(b) Please provide updates to tables 16 and 17 of Exhibit 2 by including a column showing the breakdown GA-modifier eligible Non-RPP customers and commodity portion for Non-RPP customers that are not eligible.

Response:

CHE commits to including the GA modifying in the determination of the commodity. The revised calculations are not readily available however CHEI will work with Board Staff on CHEI, CWH and HHI to ensure that the calculations are done properly and consistently across all applications.

Breakdown GA-modifier Eligible Non-RPP Customers

Reference 2016 Stats – RRR 2.1.5

Class	kWh
Residential	463 022
Below 50 kW	343 332
Unmetered Scattered Load	9 044

ADRClarification-Staff-2

Distribution System Plan
Ref: 2-Staff-20
Ref: Distribution System Plan - Appendix C

Cooperative Hydro Embrun has provided that there are approximately 750 customers expected to connect for the Faubourg Ste-Marie subdivisions.

Please confirm if these units overlap with the subdivision projects provided in appendix C.

Response:

The 750 customers did not overlap the subdivision Feeder 4 project of Appendix C.

ADRClarification-Staff-3

Distribution System Plan
Ref: 2-Staff-22

Cooperative Hydro Embrun stated that the incremental cost of a 10MVA transformer compared to a 7MVA transformer is approximately 25%-30% greater.

Please provide the incremental dollar amount.

Response:

The incremental dollar amount is $70K

ADRClarification-Staff-4

Please describe the procurement process for the 2017 substation project. This should include the competitive bidding and the selection criteria used.

Response:

Stantec prepared performance specifications and drawings for tendering to a group of qualified substation contractors selected based on their previous experience with high voltage electrical work and/or substations. Drawings, specifications, supplementary information, instructions and bid forms were sent to the invited contractors by email and contractors were invited to attend a non-mandatory site visit to the substation. Bid submissions were reviewed by the Embrun Hydro board with Stantec, technically and financially, and the project was awarded to the winning proponent, K-Line Maintenance & Construction. K-Line then entered into a standard CCDC-14 Design-Build Stipulated Price Contract with Embrun Hydro for the execution of the detailed design and construction of the substation upgrades.

ADRClarification-Staff-5

Ref 1: EB-2017-0035, Interrogatory Responses, 8-VECC-39
Ref 2: EB-2017-0035, Chapter 2 Appendices, Tab 2-R Loss Factors
Ref 3: EB-2013-0122, Chapter 2 Appendices, Tab 2-R Loss Factors

(a) Please confirm your response to reference 1. Should the SFLF be 1.0034 or 1.0340?
(b) The data entered in the 2012 column in references 2 and 3 do not match. This changes the calculation of the Total Loss Factor. Please confirm the data entered in tab 2-R of the Chapter 2 Appendices for the current application and the proposed Loss Factor.
(c) Please explain why the SFLF calculations are different between the current proceeding and the last rebasing application.

Response:

a) Confirmed
b) The difference is due to the MicroFit which were not included in the total wholesale back in 2014 application.

YEAR	HYDRO ONE	MICROFIT	TOTAL	2014 CoS FILING
2012	29,716,224.00	27,670.00	29,743,894.00	29,716,224.00

c) The SFLF in the 2014 application was based on the loss from the utility's invoice. The use of actual SFLF (which was an error from Hydro One) was contested by Staff and ultimately accepted. The utility has opted to uses the province wide SFLF in the 2018 application which is consistent with its invoices from Hydro One since its last Cost of Service.

ADRClarification-Staff-6

Ref: Revised Revenue Requirement Workform, Tab 12
Ref: Revised Tariff and Bill Impact Model

In response to 8-VECC-37, Cooperative Hydro Embrun confirmed that there are two years remaining for the change to fixed rates for the Residential class (initially approved a 4-year transition period). However, the RRWF and the Tariff and Bill Impact Model are based on three years remaining. OEB staff notes an error in the description on Tab 12 of the RRWF. Due to this labelling error, Cooperative Hydro Embrun has input 3 years remaining as opposed to two.

Please confirm if Cooperative Hydro Embrun agrees, and make the necessary correction to the RRWF and the Tariff and Bill Impact model to account for this change.

Response:

Confirmed and agreed to (as long as the adjustment falls below the $4.00)

ADRClarification-Staff-7

Ref: Revised Tariff and Bill Impact Model

OEB staff notes that Tab 5 of the updated Tariff and Bill Impact Model filed on November 14, 2017 uses Cooperative Hydro Embrun's previously approved loss factor of 1.0663. OEB staff notes that the proposed loss factor of 1.0431 should be used.

Please make the necessary corrections to the Tariff and Bill Impact Model.

Response:

CHEI agrees to update the model as part of updates related to the Settlement Agreement

ADRClarification-Staff-8

Ref: CHEI 2018 TESI Load Forecasting Model_20171103, Tab "CDM Adjustment"

As noted in Appendix 2-I issued in July 2017 by the OEB, the derivation of the LRAMVA threshold for 2018 was calculated to be the aggregate forecast CDM savings impact from 2015 to the test year. However, as filed in the load forecast model, the 2015 impact is not captured in the 2018 LRAMVA threshold. As well, it appears the calculation of the 2018 LRAMVA threshold is not consistent with the formula included in Appendix 2-I. As a result, it has affected the 2018 LRAMVA threshold and CDM adjustment to the load forecast.

(a) Please clarify why the 2015 savings impact is not included in the 2018 LRAMVA threshold. If Cooperative Hydro Embrun agrees that the 2015 impact should be included, please revise the load forecast spreadsheet accordingly.
(b) Please update the calculation of the 2018 LRAMVA threshold to match the formula included in the "Appendix 2-I_LF_CDM" of the Chapter 2 2018 Filing Requirements (row 89).
(c) Based on the revision to b) above, please update the 2018 manual adjustment and the associated changes to the load forecast.

Response:

a) CHEI is of the view that since 2015 is final, it need not be included in the threshold however, CHEI does not particularly object to including it as its inclusion should have no effect on the utility's next LRAMVA disposal.
b) CHEI agrees to update the model as part of updates related to the Settlement Agreement
c) CHEI agrees to update the model as part of updates related to the Settlement Agreement

ADRClarification-Staff-9

Ref: Revised LRAMVA Workform, November 3, 2017

In the original LRAMVA request, lost revenues totaling a debit balance of $10,951 from the 2013 to 2015 program period were requested for approval. In the updated LRAMVA request, Cooperative Hydro Embrun's response to 4-Staff-40 shows that lost revenues totaling a debit balance of $3,054 from 2014, 2015 and 2016 programs are requested for approval.

(a) Please confirm a debit balance of $3,054 is requested for approval.
(b) Please confirm the 2013 lost revenues are not requested to be included in the disposition. If 2013 lost revenues are not requested to be included, please clarify why the savings from the 2013 year are excluded.
(c) Please revise Tables 1-a and 1-b of Tab 1 of the LRAMVA work form to ensure that the LRAMVA total and rate class totals are consistent. In Table 1-a, please over-ride the values in columns E and F, so that the correct years in the LRAMVA disposition are captured in this table. (Note that the totals by rate class in this table should inform the rate rider determinations in the Continuity Schedule).

Response:

a) No confirmed. CHEI proposed to update the model as a result of Staff and VECC's clarifying IRs which indicate that errors and omissions were made when populating the model. CHEI proposes to update the model as part of updates related to the Settlement Agreement
b) It's CHEI's revised understanding that persistence from 2013 is allowed therefore the utility proposes to include 2013 results and persistence in the model
c) CHEI agrees to update the model as suggested

ADRClarification-Staff-10

Ref: Revised LRAMVA Workform, Tab 4, November 3, 2017
Ref: CHE_2014 DRO Load Forecast Worksheet_rev_20140120, Tab "CDM Adjustment"

Since Cooperative Hydro Embrun last rebased in 2014, the forecast savings from the 2014 LRAMVA threshold was used as the comparator against actual 2014, 2015 and 2016 CDM savings. In the revised LRAMVA claim resubmitted to the OEB, only the persistence of 2015 savings in 2016 are included as part of this disposition.

(a) Please confirm that Cooperative Hydro Embrun is not seeking to claim the persisting savings from 2014 in 2015 and 2016.
(b) If Cooperative Hydro Embrun wishes to claim any historical persisting savings that were not embedded in the 2014 load forecast, please include them in the LRAMVA work form accordingly.

Response:

a) No confirmed. CHEI proposed to update the model as a result of Staff and VECC's clarifying IRs which indicate that errors and omissions were made when populating the model. CHEI proposes to update the model as part of updates related to the Settlement Agreement
b) CHEI agrees to update the model as suggested.

ADRClarification-Staff-11

Ref: Revised LRAMVA Workform, Tab 3, November 3, 2017

Cooperative Hydro Embrun confirmed that Tab 3 of the LRAMVA work form was revised. Based on Staff's review of the work form, it appears that row 16 has not been updated correctly.

(a) Please confirm that Cooperative Hydro Embrun's distribution rates are effective on January 1.
(b) With respect to 4-Staff-43, please confirm whether the values in row 16 should be 0 to reflect a January 1 rate implementation date, and adjust accordingly.

Response:

(a) confirmed
(b) confirmed

ADRClarification-Staff-12

Ref: Revised LRAMVA Workform, Tab 4, November 3, 2017

In Table 5-a of Tab 5, Cooperative Hydro Embrun claimed 300% of savings in the residential sector for the 2015 bi-annual retailer event (cell Y21). It would appear that 100% of the savings, rather than 300%, should be allocated to the residential class.

Please clarify whether or not this was included in error. If not, please provide rationale for the allocation. If it is an error, please correct as appropriate.

Response:

Confirmed that the 300% was in fact an error and will be corrected in the final LRAMVA model.

ADRClarification-Staff-13

Based on the above changes, please confirm the updated LRAMVA amount requested for disposition, and re-submit a revised LRAMVA work form.

Response:

Confirmed

ADRClarification-Staff-14

Once the LRAMVA amount is finalized, please ensure that the LRAMVA breakdown by rate class entered into the 2018 DVA Continuity Schedule (Tab 4) is consistent with the final amounts requested for approval from row 83 of Table 1-b, Tab 1 of the LRAMVA work form.

Response:

Agreed to and confirmed

ADRClarification-Staff-15

Ref: IRR 9-Staff-65

Cooperative Hydro Embrun has included a deferred taxes related debit amount of $13,016 in Account 1592 proposed for disposition. In addition, it has also included an amount related to Account 1592, HST/OVAT Input Tax Credits of $81 for disposition.

OEB staff notes that $13,016 recorded in Account 1592 is not related to a regulatory asset and is not eligible for recovery. In addition, Cooperative Hydro Embrun should have no amounts recorded in Account 1592, HST/OVAT Input Tax Credits as the amounts are already included in rates.

(a) Please explain these new entries in the DVA Continuity Schedule.

(b) Please remove the total of $13,097 from Account 1592 and the resulting rate rider calculations.

Response:

a) Amounts were wrongfully recorded in the DVA Continuity Schedule and were removed.

b) the DVA Continuity Schedule has been updated to reflect the removal of amounts in 1592.

ADRClarification-Staff-16

Ref 1: IRR 9-Staff-66
Ref 2: IRR 9-Staff-67
Ref 3: IRR 9-Staff-68
Ref 4: GA Analysis Workform for 2014, 2015 and 2016
Ref 5: DVA Continuity Schedule

1. Cooperative Hydro Embrun has not had dispositions of Group 1 accounts since 2014 where balances as of December 31, 2012 were disposed. Cooperative Hydro Embrun has provided its GA analysis for 2014, 2015 and 2016. However, a GA Analysis Workform was not submitted for 2013.
   (a) Please provide a completed copy of GA Analysis Workform for 2013.

Response:

a) GA Analysis Workform was completed and attached.

2. OEB staff notes that there are no amounts entered in columns G and H of the GA Analysis Workform for any of the 3 years.
   (a) Does Cooperative Hydro Embrun record unbilled revenues at year end?
   (b) If yes, please complete columns G and H of the GA Analysis Workform for each year.
   (c) If not, please explain why not.

Response:

a) The Cooperative Hydro Embrun records an unbilled revenue only at year-end for its financial statements. The unbilled revenue recorded is based on the actual client consumption for December. For the GA Analysis Workform, the column F represents actual billed consumption for the year in question. The amount for line "December" consists of the billed consumption and the related revenues are recorded as unbilled revenue in the same year in the financial statements. As such, there is no need to complete columns G&H of the GA Analysis work form since the consumption of the year is already complete and accurately recorded in the Workform

b) c) Refer to answer above for explanation on why G&H are not completed.

3. OEB staff notes that Cooperative Hydro Embrun has shown no reconciling items under 1b and 2b of the GA Analysis Workform. In response to OEB staff questions, it stated that all revenues and costs are based on actuals.
   (a) Please explain the inconsistency in this statement given that Cooperative Hydro Embrun's Audited Financial Statements show amounts for unbilled revenues.

Response:

a) For cut-off purposes, the Cooperative Hydro Embrun records an unbilled revenue only at year-end for its financial statements. The unbilled revenue recorded is based on the actual consumption of December. As such, there is no differences between unbilled and actual revenues.

4. OEB staff notes that Cooperative Hydro Embrun has made a number of changes to its DVA Continuity Schedule without providing any explanation. For example:
    a. Accounts 1535 has a new debit amount of $28,504 for disposition under the "Total Claims" column. Note: this account has been phased out, and accounting guidance was issued with respect to this account in 2015.
    b. Account 1555, Stranded Meters has a new debit amount of $5,797 under "Total Claims". Note: Cooperative Hydro Embrun has already had this account approved in a prior proceeding.
    c. Account 1576 has a debit balance of $201 under "Total Claim". Cooperative Hydro Embrun should not have a balance for disposition as it was already disposed in a prior proceeding.
    d. A separate rate rider was not calculated for Accounts 1580 and 1588, without any explanation (Note: There was one in the pre-filed evidence.)
    e. Rate riders have been changed to a 2 year disposition without any explanation (Notes: it was one year in the pre-filed evidence). OEB staff also notes that the Tariff and Bill Impact Model have not been updated for rate riders for deferral and variance accounts based on a two year recovery period.

Please provide an explanation for each sub-point noted above.

Response:

Amounts were wrongfully recorded in the DVA Continuity Schedule and were removed.

a) b) c) In repopulating the model during the IR phase, CHEI's external accountants inadvertently re-populate the DVA model to reflect the year end trial balances which included accounts 1535,1555 and 1576.

   CHEI notes that the OEB's DVA Model is designed to omit these discontinued accounts from Tab 5. Allocation of balances therefore there is no effect of including these balances in the continuity schedule on the rate rider calculations.

d) It would appear that the OEB model is designed to include the balances of accounts 1588/1589 in Group 1 in the absence of Wholesale Market Participant. The total balance for Group 1 at tab 5. Allocation of Balance suggests as such.

e) The utility changed the disposition to 2 years during IRs, when it was asked to include an audited 1595 balance in its disposition. This was done in an effort to rate mitigate the residential class.

VECC – 41

Reference: VECC #16

a) VECC #16 indicates that using 20-year weather normalization produces a 2018 purchase power forecast of 30,646,238 kWh while 10-year weather normalization produces 30,535,640 kWh for 2018. However, the Load Forecast Model (Bridge & Test Year Class Forecast Tab) indicates that the purchased power forecast for 2018 based on 10-year weather normalization in 30,646,339. Please reconcile and indicate whether i) the response to VECC #16 is incorrect or ii) the proposed forecast is based on 20-year weather normalization..

Response:

The average values in the model inadvertently filed the load forecast using a 20-year average instead of the original 10-year average. CHEI commits to correcting the issue in the final load forecast model.

VECC – 42

Reference: VECC #21

a) 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.
   a) Has the May 2017 CDM Plan filed in response to VECC 21 a) been approved by the IESO?
   b) If not, what is the most recent approved plan?

Response:

CHEI confirms that it has not updated its CDM Plan and that the version posted on the IESO website is the most accurate.

VECC – 43

Reference: IRR LRAMVA Work Form

Preamble: The revised LRAMVA workform shows a LRAMVA threshold of 388,472 kWh.

a) Please confirm that the CDM adjustment included in the approved load forecast for EB-2013-0122 was only for 2013 and 2014 CDM programs.
b) Please confirm that the annualized saving for each these two years was 38,880.76 kWh – for a total of 77,761.5 kWh
c) Please confirm that that the Residential allocation of CDM savings in EB-2013-0122 was 69.45%.

Response:

a) Confirmed
b) Confirmed
c) Confirmed

VECC – 44

Reference: IRR LRAMVA Workform

a) Please explain why for lost 2014 revenues, Embrun has not included the impact of 2013 CDM programs.
b) Please explain why for lost 2015 revenues, Embrun has not included the impact of 2013 and 2014 CDM programs.
c) Please explain why for lost 2016 revenues, Embrun has not included the impact of 2013 and 2014 CDM programs.

Response:

CHEI proposes to update the model to include impact from 2013-2014-2015 CDM programs.

VECC – 45

Reference: IRR Cost Allocation Model
Staff #55

a) The Meter Reading sheet in the Cost Allocation model (I7.2) still has no entries for GS<50. Please correct as required.

Response:

CHEI confirms that the meter reading should be included. The populated table is shown at the next page.

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Sheet I7.1 Meter Capital Worksheet -

		Residential			GS <50			GS > 50 to 4999 kW		
		1	2	3	1	2	3	1	2	3
		Number of Meters	Weighted Metering	Weighted Average Costs	Number of Meters	Weighted Metering	Weighted Average Costs	Number of Meters	Weighted Metering	Weighted Average Costs
	Allocation Percentage Weighted Factor			87.37%			11%			2%
	Cost Relative to Residential Average Cost			1.00			1.54			4.31
	Total	2100	304500	145	172	38380	223.1395349	9	5625	625
Meter Types	Cost per Meter (Installed)									
Single Phase 200 Amp - Urban	50		0			0			0	
Single Phase 200 Amp - Rural	150		0			0			0	
Central Meter	250		0			0			0	
Network Meter (Costs to be updated)	225		0			0			0	
Three-phase - No demand	210		0			0			0	
Smart Meters	300		0			0			0	
Demand without IT (usually three-phase)	625		0		28	17500		9	5625	
Demand with IT	2,100		0			0			0	
Demand with IT and Interval Capability - Secondary	2,300		0			0			0	
Demand with IT and Interval Capability - Primary	10,000		0			0			0	
Demand with IT and Interval Capability -Special (WMP)	40,000		0			0			0	
Smart Meters	145	2,100	304500		144	20880			0	
Smart Meters			0			0			0	
LDC Specific 3			0			0			0	

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Sheet I7.2 Meter Reading Worksheet -

Weighting Factors based on Contractor Pricing

Description		1			2			3		
		Residential			GS <50			GS > 50 to 4999 kW		
		Units	Weighted Factor	Weighted Average Costs	Units	Weighted Factor	Weighted Average Costs	Units	Weighted Factor	Weighted Average Costs
Allocation Percentage Weighted Factor				82.66%			6.77%			10.57%
Cost Relative to Residential Average Cost				1.00			1.00			29.84
Total		2,100	2,100	1.00	172	172	1.00	9	269	29.84
	Factor									
Residential - Urban -			0			0			0	
Residential - Urban - Outside with other services			0			0			0	
Residential - Urban - Inside			0			0			0	
Residential - Urban - Inside - with other services			0			0			0	
Residential - Rural - Outside			0			0			0	
Residential - Rural - Outside with other services			0			0			0	
Smart Meter	1.00	2,100	2,100		172	172			0	
Smart Meter with Demand			0			0			0	
GS - Walking			0			0			0	
GS - Walking - with other services			0			0			0	
GS - Vehicle with other services --- TOU Read			0			0			0	
GS - Vehicle with other services			0			0			0	
LDC Specific 3			0			0			0	
LDC Specific 4			0			0			0	
Interval			0			0			0	
LDC Specific 5			0			0			0	
Interval Meter	29.84		0			0		9	269	

VECC – 46

Reference: IRR Cost Allocation Model

a) It is noted that the Revenue Requirement allocation by customer class in the Cost Allocation Model (Tab O1. Line 40) does not match that used in the RRWF (Tab 11, Table A). The same applies for the Miscellaneous Revenues. Please correct the RRWF as necessary.

Response:

A print screen of the models dated Nov 3 seem to match.

A) *Allocated Costs*

	Name of Customer Class [3] From Sheet 10. Load Forecast	Costs Allocated from Previous Study [1]		%	Allocated Class Revenue Requirement [1] (7A)		%
1	Residential	$	687,249	77.36%	$	925,726	81.45%
2	General Service < 50 kW	$	107,690	12.12%	$	118,752	10.45%
3	General Service > 50 to 4999 kW	$	69,528	7.83%	$	59,425	5.23%
4	Unmetered Scattered Load	$	5,498	0.62%	$	4,951	0.44%
5	Street Lighting	$	18,461	2.08%	$	27,699	2.44%
6	other						
7	other						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
	Total	$	888,426	100.00%	**$**	**1,136,553**	100.00%
					$	**1,136,552.97**	

Rate Base Assets		Total	1 Residential	2 GS <50	3 GS > 50 to 4999 kW	7 Street Light	9 Unmetered Scattered Load
crev	Distribution Revenue at Existing Rates	$896,670	$699,757	$108,269	$66,491	$17,306	$4,847
mi	Miscellaneous Revenue (mi)	$29,658	$22,707	$5,971	$462	$410	$108
		Miscellaneous Revenue Input equals Output					
	Total Revenue at Existing Rates	**$926,329**	**$722,464**	**$114,240**	**$66,953**	**$17,716**	**$4,955**
	Factor required to recover deficiency (1 + D)	1.2344					
	Distribution Revenue at Status Quo Rates	$1,106,895	$863,815	$133,653	$82,079	$21,363	$5,984
	Miscellaneous Revenue (mi)	$29,658	$22,707	$5,971	$462	$410	$108
	Total Revenue at Status Quo Rates	**$1,136,553**	**$886,522**	**$139,624**	**$82,542**	**$21,773**	**$6,092**
	Expenses						
di	Distribution Costs (di)	$71,164	$51,757	$9,617	$6,914	$2,729	$148
cu	Customer Related Costs (cu)	$232,790	$209,753	$16,422	$873	$4,098	$1,644
ad	General and Administration (ad)	$418,017	$359,075	$36,040	$11,038	$9,418	$2,446
dep	Depreciation and Amortization (dep)	$165,121	$123,973	$21,690	$14,161	$4,997	$300
INPUT	PILs (INPUT)	$4,623	$3,357	$648	$490	$120	$8
INT	Interest	$79,681	$57,868	$11,174	$8,445	$2,062	$132
	Total Expenses	**$971,396**	**$805,783**	**$95,591**	**$41,921**	**$23,424**	**$4,678**
	Direct Allocation	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
NI	Allocated Net Income (NI)	$165,157	$119,943	$23,161	$17,504	$4,274	$273
	Revenue Requirement (includes NI)	**$1,136,553**	$925,726	$118,752	$59,425	$27,699	$4,951
		Revenue Requirement Input equals Output					

VECC – 47

Reference: VECC #39

a) With respect to VECC 39 – please clarify whether the HON SFLF used in the loss factor calculation should be 1.0034 (as referenced in VECC 39) or 1.034 (as reported in Appendix 2-R).

Response:

Confirmed. The models will be updated as part of the settlement agreement.