November 15, 2018

BY RESS/COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli,

RE: Whitby Hydro Electric Corporation (Whitby Hydro) – 2019 Rate Application (EB- 2018-0079) – Interrogatory Responses

Pursuant to Procedural Order #1 and the one day extension approved by the OEB, please find enclosed Whitby Hydro's response to OEB staff interrogatories for the above noted proceeding.

Please contact me if you have any questions.

Regards,

Susan Reffle
Vice-President

cc: Mr. John Vellone (email)
Ms. Kelli Benincasa (email)

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OEB Staff Interrogatories
Whitby Hydro Electric Corporation (Whitby Hydro) 2019 IRM Application (EB-2018-0079)

Staff-IR 1

Ref: Managers Summary Page 6 and 21

Whitby Hydro provided a bill impact summary table on page 6 of the Managers Summary and also stated on page 21 of the Mangers Summary "Whitby Hydro prepared an Excel model (outside of the 2019 Rate Model)) to review bill impacts and as such, did not rely on the bill impact templates generated in the Board issued model (sheet 20)."

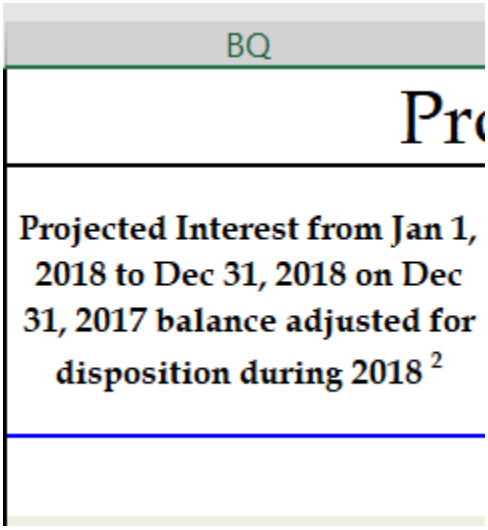
Please provide the Excel version of the bill impacts model that Whitby Hydro prepared.

Response:

An Excel version of the bill impacts model has been filed through the OEB's RESS portal. Please see: Staff IR_1_Whitby.xlsx

Staff-IR 2

Ref: Tab 3 Continuity Schedule of the Rate Generator Model Column BQ



Please fill out column BQ on Tab 3 of the Continuity Schedule for projected interest from Jan 1, 2018 to Dec. 31, 2018 on Dec, 31, 2017 balance adjusted for disposition during 2018.

Response:

As requested, an updated version of the Rate Generator Model has been provided with column BQ on Tab 3 of the Continuity Schedule filled out. The projected interest from Jan 1 2018 to Dec 31 2018 reflects a total amount of $3,981 for Group 1 Accounts. The updated Rate Generator Model has been filed through the OEB's RESS portal. Please see: Staff IR_2_Whitby.xlsb

Whitby Hydro advises that the projected interest amounts were not originally entered into the Rate Generator Model (column BQ) since the Total Claim for Group 1 balances did not trigger a requirement to dispose of the balances. As this update was not significant, it did not materially alter the Total Claim nor trigger a disposition request.

Staff-IR 3

Ref: Managers Summary Page 12 Global Adjustment (GA) for 11 Transition Customers from Class B to A in 2017

Whitby Hydro stated in the Managers Summary Page 12 "Whitby Hydro has followed the approach identified by the OEB in the 2019 Filing Requirements (Section 3.2.5.2) and the approach used in Tab 6.1a of the Rate Generator Model and proposed the $95,990 be approved for disposition in 2019."

Please provide the Excel spreadsheet that allocates the GA amount of $95,990 to the 11 customers that transitioned from Class B to Class A in 2017.

Response:

The Excel version of the Rate Generator model that allocates the GA amount to the transitioning customers has been filed through the OEB's RESS portal. Please see: Staff IR_3_Whitby.xlsb

Whitby Hydro notes that in order to access the relevant tabs and calculations related to the Class A transitioning customers, it was necessary to select a disposition request for all Group 1 Account balances (Tab 4, cell C30). However, for the purpose of this Application, Whitby Hydro is only requesting an interim disposition related to the 11 customers that transitioned from Class B to Class A in 2017. As such, other calculations included in the Excel model provided for Staff-IR 3 which relate to the remaining Group 1 account balances (allocation by rate class or rate riders etc.) are not applicable.

Staff-IR 4

Ref: Tab 3 Continuity Schedule Column BN of the Rate Generator Model, Managers Summary Page 10, Settlement Agreement EB-2017-0085/EB-2017-0292 and Decision and Rate Order EB-2015-0113/EB-2015-0251

From Tab 3 Continuity Schedule

Interest Disposition during 2018 - instructed by OEB
21,333
163
(66,137)
6,585
(12,999)
1,795
617
20,793
0
(39,962)
(1,571)

Taken from Settlement Agreement Page 18

Group 1 Deferral and Variance Account Balances: The Parties agree that the following table accurately describes Whitby Hydro's principal and interest amounts for disposition.

Account Name	Account Number	Principal Balance ($) A	Interest Balance ($) B	Total Claim ($) C=A+B
LV Variance Account	1550	979,715	20,352	1,000,067
Smart Meter Entity Variance Charge	1551	13,799	154	13,953
RSVA - Wholesale Market Service Charge	1580	(2,686,018)	(63,450)	(2,749,468)
Variance WMS - Sub-account CBR Class B	1580	168,263	6,414	174,677
RSVA - Retail Transmission Network Charge	1584	(549,528)	(12,453)	(561,981)
RSVA - Retail Transmission Connection Charge	1586	140,671	1,656	142,327
RSVA - Power	1588	(181,636)	803	(180,833)
RSVA - Global Adjustment	1589	411,200	20,364	431,564

Whitby Hydro stated in their Managers Summary Page 10 "The write off of carrying charges represents the difference between the carrying charges that were approved for disposition in 2018 rate application and the actual carrying charges incurred on the balances. This was due to a change in the prescribed rates."

The interest balances in column BN of the continuity schedule have been adjusted for actual interest rates vs forecast interest and therefore do not agree with balances approved for disposition in the Settlement Agreement EB-2018-0085/EB-2018-0292.

In Decision and Order EB-2015-0113 and EB-2015-0251 the OEB found that the amount should be removed from the 1595 account and stated "The OEB has no true-up process for the forecast vs actual interest rates and there has been no precedent for disposing of them through 1595."

Please provide an explanation as to why Whitby Hydro is adjusting previously disposed of balances.

Please update the DVA continuity schedule to reflect the OEB approved DVA account balances.

Response:

As the 2017 ending balances include the actual interest calculated (which differed from that forecasted and approved in EB-2017-0085/0292), any difference between the amounts must be addressed. As a result, Whitby Hydro books its disposition entries by transferring the approved amounts to Account 1595 and subsequently writes-off any differences in interest amounts (actual vs. approved) to the income statement.

In order to ensure the amount of the Total Claim in column BT accurately reflects only the amounts that should be considered for review and potential disposition, column BN is used to address both the approved disposition as well as any other required adjustments to the 2017 ending balances.

For clarity, a breakdown of column BN has been provided below which demonstrates that the approved interest amounts have been appropriately adjusted in the respective accounts and moved to Account 1595 while those related to the write-off of differences in interest (actual vs. approved) have not. An adjustment has also been included in BN related to LRAMVA to reflect the fact that the Application is proposing to dispose only of the impact of CDM Programs in 2016 and the persistence of 2011 to 2015 CDM programs in 2016, which is different from the actual 2017 ending balance. All of these adjustments to the 2017 balances are required to ensure that the Total Claim amount calculated in column BT is accurate for this Application.

If Whitby Hydro were to include only the approved disposition interest and did not take into account the adjustment for the write-off, the Total Claim amount would erroneously include interest amounts related to a period which had previously been approved for disposition.

As a result, Whitby Hydro advises that it has appropriately addressed the previously approved disposition balances and column BN reflects any other relevant adjustments required to ensure that the accurate amounts are included in the Total Claim for review and potential disposition. On this basis, Whitby Hydro advises that no updates are required to the interest amounts in column BN of the DVA continuity schedule.

Account Descriptions	Account #	Note 1 Approved Disposition	Note2 Write off	Note3 LRAMVA adjustment	Column BN
LV Variance Account	1550	20,352	981		21,333
Smart Metering Entity Charge Variance Account	1551	154	9		163
RSVA - Wholesale Market Service Charge[5]	1580	(63,450)	(2,687)		(66,137)
Variance WMS – Sub-account CBR Class A[5]	1580				0
Variance WMS – Sub-account CBR Class B[5]	1580	6,414	171		6,585
RSVA - Retail Transmission Network Charge	1584	(12,453)	(546)		(12,999)
RSVA - Retail Transmission Connection Charge	1586	1,656	139		1,795
RSVA - Power[4]	1588	803	(186)		617
RSVA - Global Adjustment[4]	1589	20,365	428		20,793
Disposition and Recovery/Refund of Regulatory Balances (2009)	1595				0
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	0	0		0
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595				0
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	(40,055)	93		(39,962)
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	(1,472)	(99)		(1,571)
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595				0
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595				0
(2018)[3] *Not to be disposed of until a year after rate rider has expired and that balance has been audited*	1595	67,686	0		67,686
RSVA - Global Adjustment	**1589**	20,365	428		20,793
Total Group 1 Balance excluding Account 1589 - Global Adjustment		(20,365)	(2,125)		(22,490)
Total Group 1 Balance		0	(1,697)	0	(1,697)
LRAM Variance Account (only input amounts if applying for disposition of this account)	**1568**	0	0	1,318	1,318
Total including Account 1568		0	(1,697)	1,318	(379)

Note 1: Per *Group 1 Deferral and Variance Account Balances* page 18 Settlement Proposal EB-2017-0085/EB-2017-0292

Note 2: the write off of carrying charges represents the difference between the carrying charges that were approved for disposition in the 2018 rate application and the actual carrying charges incurred on the balances. This difference was due to the change in the prescribed rates. As the write-off of the difference was not posted until 2018, it is necessary to adjust the balance in the continuity so that it is not included in the amount being reviewed for possible disposition

Note 3: Portion of LRAMVA removed from the 2017 balance as per EB-2018-0079 Appendix A page 3 & 4

Staff-IR 5

Ref: Tab 3 Continuity Schedule Column BM and Row 29 account 1589 of the Rate Generator Model and Settlement Agreement EB-2017-0085/EB-2017-0292 Page 18

Please provide an explanation as to why the amount of $440,320 entered in Column BM Row 29 account 1589 does not match the amount of $411,200 approved for disposition in the Settlement Agreement EB-2017-0085/EB-2017-0292 Page 18.

Response:

Column BM is made up of the approved disposition amount of $411,200 plus $29,120 which is related to the Global Adjustment true-up (as outlined in Note 5, item 1b) in the GA Analysis Workform.

The continuity has been completed so that the 2017 ending balances match those reported in the RRR filing (2.1.7) and column BM is used to capture any other items that should be added/removed in order to ensure the proposed disposition amounts for review are accurately reflected in the Total Claim (column BT). Whitby Hydro's approach and use of column BM was outlined in the Application on page 10, lines 3-13 and more specifically for global adjustment on page 13, lines 7-9.

While column BM is primarily used for any approved dispositions, it is also used to address any other items (Global Adjustment true-ups, LRAMVA related adjustments, write-off of any difference between approved and actual carrying charges etc.) that need to be considered to arrive at an accurate Total Claim amount.

Staff-IR 6 Whitby Hydro LRAMVA Questions

Whitby Hydro applied for a debit balance of $339,536 in lost revenues associated with new CDM program savings for 2016, persisting savings from 2011 to 2015 in 2016 and carrying charges. The full impact of lost revenues is claimed as there were no CDM adjustments made to the load forecast since its 2010 cost of service application (EB-2009-0274). This was later confirmed by the OEB in the 2013 rates decision (EB-2012-0077).

Ref: Tab 8 of LRAMVA workform (streetlighting projects)

a. Please confirm whether any funding from the IESO was received when Whitby undertook the LED upgrade for the streetlighting projects.

Response:

To clarify, Whitby Hydro has applied for a LRAMVA disposition of $346,347 related to new CDM program savings for 2016, persisting savings from 2011 to 2015 in 2016 and carrying charges.

The Town of Whitby undertook the LED upgrade for streetlights and received incentives under the IESO funded Retrofit Program.

b. Please confirm whether the streetlight savings are consistent with the Board approved load profile for streetlights, and whether a conversion factor was used to convert energy to demand savings.

Response:

The approach taken to calculate streetlight demand savings has been outlined in Appendix A of the Application (page 6, lines 15-21). It is further described in response c) below including a detailed Excel spreadsheet.

Since Whitby Hydro calculates the gross demand savings for billing based on the wattage difference between old and new lighting technology for each street light retrofitted each month, for the purpose of calculating street lighting LRAMVA, there is no requirement to use a conversion factor to convert from energy saving to demand savings.

Whitby Hydro notes that the Board's 2019 Filing Requirements (Chapter 3), requests confirmation that the street light savings were calculated in accordance with OEB approved load profiles for street lighting projects. Whitby Hydro has outlined its calculation of demand savings (gross and net) for use in billing and LRAMVA respectively, and advises that the load profile does not have an impact on the demand-based street lighting LRAMVA calculations.

However, for the purpose of fulfilling the Board's Filing Requirements, Whitby Hydro can confirm that the OEB-approved standard load profile for street lights is applied to the demand to determine energy (kWh). As such, the energy savings is inherently reflected in energy billed in a manner consistent with the OEB-approved standard load profile.

c. Please explain how the gross kW reduction was calculated for every month in the 2015 program year. Is this referring to the changes in billed demand, and what data was used to determine this? Please show detailed calculations in excel format to demonstrate how the baseline was estimated.

Response:

The methodology for calculating the gross kW reduction is outlined on Appendix A, page 6 of the Application. Specifically, it states,

Whitby Hydro reviews data provided by the Town of Whitby and a master list is generated that itemizes every light that has been retrofitted, the month it was changed, the old wattage and the converted wattage. Using this information, Whitby Hydro calculates the gross kW reduction (savings) per month.

The baseline is the wattage associated with the old street lighting technology for those lights that have been retrofitted in a given month. The gross kW reduction represents the change in billed demand. This is calculated in the month following the retrofit.

The calculated savings persist each month for the effective useful life of the new lighting technology as outlined in the IESO Prescriptive Measures and Assumptions List. For LED exterior area lights, the effective useful life is 12 years.

Detailed calculations are provided in an Excel model filed through the OEB's RESS portal {Staff IR_6_Whitby.xlxs} for both 2015 and 2016 streetlight retrofits.

d. It appears that 3,727 kW of demands savings from 2015 into 2016 are requested for recovery at cell S27 in tab 8.
   i. Please explain appropriateness of the approach used to determine persisting streetlighting savings in 2015 and 2016 (columns G to S).
   ii. Please discuss whether any alternative approach to determining savings persistence has been considered by Whitby?
   iii. Please discuss what persistence factor is assumed in the calculations and whether the persistence rate is consistent with the assumptions applied by the IESO for similar projects.

Response:

i. **Please see response c). The approach used for persisting streetlight savings is appropriate as it is aligned with the effective useful life identified in the IESO Prescriptive Measure and Assumptions List for the LED exterior area lights.**
ii. **Whitby Hydro did not consider any alternative approach to determining savings persistence.**
iii. **The persistence factor is 100% each month and this factor would continue until the end of the 12 year effective useful life. The information included in the Excel model provided in c) above facilitates the specific tracking required to address and calculate persistence over the appropriate timeframe. The 12 year effective**

useful life is consistent with the assumptions applied by the IESO for similar projects (see (i)).

e. It appears that 2,618 kW of savings is claimed in 2016.
   i. Please explain the significant increase in gross kW reduction from February 2016 to March 2016.
   ii. Please confirm that net additions have been excluded from 2016 gross billed demand.
   iii. Please explain how the gross kW reduction was calculated for every month in the 2016 program year.
   iv. Please discuss what persistence factor is assumed in the calculations and whether the persistence rate is consistent with the assumptions applied by the IESO for similar projects.

Response:

i. The gross kW savings is based on the difference between the old wattage and the converted wattage for the lights retrofitted in each month. In February 2016 there were 373 lights retrofitted compared to 902 in March 2016. As a result the savings increased due to the higher number of lights retrofitted in March. Please see the Excel spreadsheet provided in c) for additional details.

ii. Whitby Hydro confirms that net additions have been excluded from 2016 kW of savings. As explained in question c), the savings are only calculated on the existing lights which have been retrofitted.

iii. The gross kW reduction was calculated for every month in the 2016 program year using the same approach as was used for 2015. Please see response to question c) above for further details.

iv. Please see d) (iii).

f. In Tab 5 (2015-2020) of LRAMVA workform:
   i. Confirm whether the 2015 retrofit program deducted 31,610.91 kWh to account for energy savings from streetlight upgrades?
   ii. Confirm whether the 2016 retrofit program deducted 2,102,854 kWh to account for energy savings from streetlight upgrades?

Response:

As per Appendix A, page 6 of the Application, the following is the kWh of net savings that has been manually removed from the persistence results (Tab 5 in the LRAMVA Work Form).

Year	Net savings (kWh)
2015	1,694,954
2016	2,462,253

Whitby Hydro confirms the amounts identified of 31,610.91 kWh (i.) and 2,102,854 kWh (ii.) have been deducted from the 2015 and 2016 retrofit programs respectively.

For ease of reference, please see the table below which provides a breakdown including cell references for the kWhs deducted.

Cell reference in Tab 5	Year
	2015
E57	1,514,506
E58	60,912
E121	31,611
E122	87,925
	1,694,954
	2016
D304	2,102,854
D305	359,399
	2,462,253

Staff-IR 7 Accounting Related Questions

Ref: Calculation of Account 1576 per Appendices 2-EC (revised CGAAP/MIFRS values), Appendix 2-BA (revised CGAAP/MIFRS values), RRR 2.1.13 filings as of December 31 for years 2013 to 2017, and Whitby Hydro's Audited Financial Statements from 2013 to 2017

Whitby Hydro has requested final disposition of Account 1576 balance which has been calculated in Appendix 2-EC.

OEB staff notes material differences in the net book values of PP&E per Whitby Hydro's Chapter 2 Appendices (Appendix 2-EC & 2-BA) and its Audited Financial Statements (AFS) and 2.1.13 reporting for years 2013 to 2017.

OEB staff notes that there were only small discrepancies, which were explained, per the 2.1.13 reporting between the regulatory and the AFS net PP&E numbers for years 2013 to 2017. Additionally, the net PP&E per 2.1.13 reportings for regulatory are consistent with the AFS numbers.

However, the Appendices 2-BA and 2-EC filed in the current proceeding are materially different from 2.1.13 reporting as well as the AFS. Below are the relevant amounts for net PP&E:

	Net PP&E				
	2013	2014	2015	2016	2017
AFS	$ 68,230,000	$ 70,362,000	$ 84,288,000	$ 90,601,000	$ 96,290,000
2-EC	$ 68,625,082	$ 70,419,512	$ 72,311,421	$ 77,176,754	$ 81,594,285
Difference	$ (395,082)	$ (57,512)	$ 11,976,579	$ 13,424,246	$ 14,695,715

a) Please reconcile and explain the differences between values for the net PP&E per Whitby Hydro's AFS and Appendix 2-EC.

Response:

a) Please see table below.

Reconciliation of net PP&E Audited Financial Statements to Appendix 2E-C

	2013	2014	2015	2016	2017	
AFS - Net Fixed Assets	68,230,852	70,362,632	84,288,000	90,601,000	96,290,498	
AFS - Intangibles	248,088	111,854	542,953	458,348	253,498	
Half-year rule adjustment	368,325	368,325	368,000	368,000	368,000	1
Deferred revenue			(11,543,000)	(13,652,000)	(14,430,000)	2
RRR	68,847,265	70,842,811	73,655,953	77,775,348	82,481,996	3
WIP Net of Contributions	(130,183)	(47,237)	(987,754)	(261,100)	(569,503)	
Solar	(91,998)	(376,063)	(356,778)	(337,493)	(318,208)	
2-EC	**68,625,084**	**70,419,511**	**72,311,421**	**77,176,755**	**81,594,285**	
IR7	**68,625,082**	**70,419,512**	**72,311,421**	**77,176,754**	**81,594,285**	
Difference	2	(1)	-	1	-	

Notes:

1. Half-year rule adjustment for 2010, 2011, 2012 additions
2. IFRS requirement to classify capital contributions as deferred revenue commencing in 2015
3. RRR balance is inclusive of account 2440

b) Please recalculate the balance in Account 1576 and refile Appendix 2-EC with the numbers that are consistent with Whitby Hydro's AFS and 2.1.13 reportings, as required.

Response:

b) A recalculation is not required because the amounts in 2E-C are correct.

Staff-IR 8

Ref: Appendix B Account 1576

On page 11, Whitby Hydro mentioned that due to a restatement in 2016 and 2017, Account 1576 reflects minimal net changes; and these changes/corrections/catch-ups were identified as a result of internal review/analysis of Account 1576.

a) Please provide an analysis showing the components of Account 1576 (excluding recoveries through rate riders) that Whitby Hydro journalized for each year from 2013 to 2017 including:
   i. depreciation expense differences,
   ii. capitalization differences,
   iii. derecognition gains or losses on disposals of grouped fixed assets, and
   iv. Itemize any other components of account 1576, as applicable.

Response:

Please refer to IR 8 Tables 1-4 below.

IR8 Table 1

Account 1576 Breakdown of depreciation, capitalization and derecognition of assets

	2013	2014	2015	2016	2017	2018	
i. depreciation expenses (2B-A)							
CGAAP	6,522,559	5,214,081	5,581,922	5,242,228	5,132,569	5,689,962	
Adjustment to CGAAP				(407,155)			1
Total CGAAP	6,522,559	5,214,081	5,581,922	4,835,073	5,132,569	5,689,962	
RCGAAP/MIFRS	4,189,244	3,671,649	3,478,331	3,804,562	3,335,428	3,783,809	
Adjustment to MIFRS					411,830		2
Total RCGAAP/MIFRS	4,189,244	3,671,649	3,478,331	3,804,562	3,747,258	3,783,809	
	(2,333,315)	(1,542,432)	(2,103,591)	(1,030,511)	(1,385,311)	(1,906,153)	
ii. capitalization differences (2B-A)							
CGAAP	11,346,650	6,299,143	6,466,421	9,772,932	9,269,988	11,654,922	
RCGAAP/MIFRS	10,254,683	5,532,927	5,563,640	8,756,524	8,237,044	10,674,921	
	1,091,967	766,216	902,781	1,016,408	1,032,944	980,001	4
iii. derecognition gains or losses on disposals (IR8 Table 2)							
CGAAP	(35,480)	(66,848)	(193,400)	(86,629)	378,361	-	3
RCGAAP/MIFRS	(35,480)	(66,848)	(193,400)	(86,629)	(72,255)	(153,059)	5
	-	-	-	-	450,616	153,059	
1576 Annual activity	(1,241,348)	(776,216)	(1,200,810)	(14,103)	98,249	(773,093)	
1576 YTD (Appendix 2E-C total)	(1,241,348)	(2,017,564)	(3,218,374)	(3,232,477)	(3,134,228)	(3,907,321)	

Note:

1. Correction to CGAAP calculation made in 2016 but relating to 2015.
2. Change in useful lives for MIFRS in 2014 but applied to 1576 in 2017.
3. Refer to IR8 Table 3
4. Amounts identified in Table 2 in application, Appendix B - please see IRR #9
5. Refer to IR8 Table 2

IR8 Table 2
Details of Disposals 2013 - 2018

	2013	2014	2015	2016	2017	2018
Cost:						
Substation transformer		(59,985)	(94,500)			(30,000)
Transformers	(135,483)	(279,268)	(280,152)	(436,461)	(320,480)	(233,832)
Meters		(67,289)		(60,391)	(21,590)	(150,000)
	(135,483)	(406,542)	(374,652)	(496,852)	(342,070)	(413,832)
Accumulated depreciation:						
MS stations		59,985	39,930			7,000
Transformers	99,299	241,612	141,322	379,200	257,597	163,773
Meters	704	38,097		31,023	12,218	90,000
	100,003	339,694	181,252	410,223	269,815	260,773
Net	(35,480)	(66,848)	(193,400)	(86,629)	(72,255)	(153,059)

IR8 Table 3
CGAAP Adjustment for Disposals (2013 - 2016) in 2017

	2013	2014	2015	2016	2017
	(a)	(b)	(c)	(d)	(a+b+c+d)
Cost:					
Substation transformer	-	59,985	94,500	-	154,485
Transformers	135,483	279,268	280,152	436,461	1,131,364
Meters	-	67,289	-	60,391	127,680
	135,483	406,542	374,652	496,852	1,413,529
Accumulated depreciation:					
MS stations	-	(59,985)	(39,930)	-	(99,915)
Transformers	(99,299)	(241,612)	(141,322)	(379,200)	(861,433)
Meters	(704)	(38,097)	-	(31,023)	(69,824)
Meters					(3,996)
	(100,003)	(339,694)	(181,252)	(410,223)	(1,035,168)
Net	35,480	66,848	193,400	86,629	378,361

IR8 Table 4
Appendix 2-EC Detail

	2013	2014	2015	2016	2017	2018
PP&E Values under former CGAAP						
Opening net PPE	62,595,123	67,383,734	68,401,948	69,093,047	73,944,277	78,460,057
Net Additions						
Capitalizations differences (2B-A)	11,346,650	6,299,143	6,466,421	9,772,932	9,269,988	11,654,922
Disposals (IR8 Table 2)	(135,483)	(406,542)	(374,652)	(496,852)		
Adjustment for Disposals (IR 8 Table 3)					1,413,529	
	11,211,167	5,892,601	6,091,769	9,276,080	10,683,517	11,654,922
Net depreciation						
Gross depreciation	(6,522,559)	(5,214,081)	(5,581,922)	(4,835,073)	(5,132,569)	(5,689,962)
Disposals (IR8 Table 3)	100,003	339,694	181,252	410,223	(1,035,168)	
	(6,422,556)	(4,874,387)	(5,400,670)	(4,424,850)	(6,167,737)	(5,689,962)
Closing net PPE (1)	67,383,734	68,401,948	69,093,047	73,944,277	78,460,057	84,425,017
PP&E Values under revised CGAAP/MIFRS						
Opening net PPE	62,595,123	68,625,082	70,419,512	72,311,421	77,176,754	81,594,285
Net Additions						
Capitalizations differences (2B-A)	10,254,683	5,532,927	5,563,640	8,756,524	8,237,044	10,674,921
Disposals (IR8 Table 2)	(135,483)	(406,542)	(374,652)	(496,852)	(342,070)	(413,832)
	10,119,200	5,126,385	5,188,988	8,259,672	7,894,974	10,261,089
Net depreciation						
Gross depreciation	(4,189,244)	(3,671,649)	(3,478,331)	(3,804,562)	(3,747,258)	(3,783,809)
Disposals (IR8 Table 2)	100,003	339,694	181,252	410,223	269,815	260,773
	(4,089,241)	(3,331,955)	(3,297,079)	(3,394,339)	(3,477,443)	(3,523,036)
Closing net PPE(2)	68,625,082	70,419,512	72,311,421	77,176,754	81,594,285	88,332,338
Diffference in Closing net PP&E	(1,241,348)	(2,017,564)	(3,218,374)	(3,232,477)	(3,134,228)	(3,907,321)

b) Please provide an analysis showing the components of Account 1576 (excluding recoveries through rate riders) that should have been journalized, had the balances been originally recorded correctly, including:
   i. depreciation expense differences,
   ii. capitalization differences,
   iii. derecognition gains or losses on disposals of grouped fixed assets, and
   iv. Itemize any other components of account 1576, as applicable.

Response:

Please refer to table below.

Account 1576 Breakdown of depreciation, capitalization and derecognition of assets

	2013	2014	2015	2016	2017	2018	
i. depreciation expenses (2B-A)							
CGAAP	6,522,559	5,214,081	5,581,922	4,835,073	5,132,569	5,689,962	
Adjustment to CGAAP			(407,155)	407,155			1
Total CGAAP	6,522,559	5,214,081	5,174,767	5,242,228	5,132,569	5,689,962	
RCGAAP/MIFRS	4,189,244	3,671,649	3,478,331	3,804,562	3,747,258	3,783,809	
Adjustment to MIFRS		149,316	124,832	137,681	(411,830)		2
Total RCGAAP/MIFRS	4,189,244	3,820,965	3,603,163	3,942,243	3,335,428	3,783,809	
	(2,333,315)	(1,393,116)	(1,571,604)	(1,299,985)	(1,797,141)	(1,906,153)	
ii. capitalization differences (2B-A)							
CGAAP	11,346,650	6,299,143	6,466,421	9,772,932	9,269,988	11,654,922	
RCGAAP/MIFRS	10,254,683	5,532,927	5,563,640	8,756,524	8,237,044	10,674,921	
	1,091,967	766,216	902,781	1,016,408	1,032,944	980,001	4
iii. derecognition gains or losses on disposals (IR8 Table 2)							
CGAAP					(3,996)	-	
RCGAAP/MIFRS	(35,480)	(66,848)	(193,400)	(86,629)	(72,255)	(153,059)	3
	35,480	66,848	193,400	86,629	68,259	153,059	
1576 Annual activity	(1,205,868)	(560,052)	(475,423)	(196,948)	(695,938)	(773,093)	
1576 YTD (Appendix 2E-C total)	(1,205,868)	(1,765,920)	(2,241,342)	(2,438,290)	(3,134,228)	(3,907,321)	

Note:

1. Correction to CGAAP calculation made in 2016 but relating to 2015.
2. Change in useful lives for MIFRS in 2014 but applied to 1576 in 2017.
3. Refer to IR8 Table 2
4. Amounts identified in Table 2 in Application, Appendix B- please see IRR #9

c) Please reconcile the annual differences, in account 1576, between the two analysis prepared in part a) and b) above, and detail the adjustments required by year and explain the reasons for making these corrections.

Response:

1. **Through the review of the 2016 calculation for CGAAP an error related to 2015 was identified. The correction was made in 2016.**
2. **Change in useful lives for MIFRS was made in 2014 relating to meters but was applied to 1576 in 2017.**
3. **The Derecognition of assets for 2013- 2016 was applied to 1576 in 2017.**

d) Please update Appendix 2-EC (excluding recoveries from rate riders and return components) that should have been journalized, had the balances been originally recorded correctly

Response:

The ending balance in 1576 is correct and Appendix 2-EC does not need to be updated. Please refer to the table provided in IR8 b)

e) Please reconcile Appendix 2-EC (excluding recoveries from rate riders and return components) to the analysis derived in part a) of this question.

Response: Please see response in d) above.

f) Please reconcile Appendix 2-EC (excluding recoveries from rate riders and return components) as determined in part d) of this question to the analysis derived in part b) of this question.

Response: Please see response in d) above.

g) How are the differences reflected in Whitby Hydro's financial records; and how they were reported in the OEB 2.1.7 and other RRR reportings.

Response: Please see response to Staff IR 7.

Staff-IR 9

Ref: Table 2 – Impact of Changes to Capitalization Policy and Appendix 2-EC

i. The amounts for 2017 in Table 2 referenced do not match the difference in capitalized amounts per Appendix 2-EC. Please correct and refile the appropriate schedules.

ii. The amounts for 2018 per Table 2 referenced do not match the difference in capitalized amount per Appendix 2-EC. Please correct and refile the appropriate schedules.

Response:

i. The amounts for 2017 in Table 2 do match the difference in capitalized amounts per Appendix 2-EC. Please see Staff IR 8.

ii. **The amounts for 2018 in Table 2 do match the difference in capitalized amounts per Appendix 2-EC. Please see Staff IR 8.**

Staff-IR 10

Ref: Appendix B Account 1576 Final Disposition Methodology, Application Overview – pp. 3-5 – Relief sought (g) – Approval to use Account 1575.

Whitby Hydro has proposed to use Account 1575 going forward to track

- The impact of gains & losses on retirement and disposition of assets,
- Other accounting changes to PP&E, including impacts of annual review requirements under IAS 16.

OEB staff notes that the APH describes the purpose and scope of Article 510 as follows:
"…This guidance is in relation to the one-time transitional accounting adjustments required on…..adoption of IFRS….."

In addition, it states:
"….In respect of PP&E, a distributor must use deferral Account 1575, IFRS-CGAAP Transitional PP&E Amounts, to record differences arising as a result of accounting policy changes caused by the transition from previous Canadian GAAP to MIFRS."

OEB staff notes that the above excerpts indicate that Account 1575 was to be used only for the adjustments required for the transitional amounts, for adjustment to opening net PP&E. This account was not intended to be used as an ongoing deferral account.

a) Whitby Hydro states that it recorded gains & losses on retirement and disposition of assets. Confirm whether or not Whitby Hydro is referring to the derecognition of assets pertaining to grouped fixed assets that was required on adoption of IFRS. If so, confirm whether Whitby Hydro recorded such gains or losses annually since the adoption of IFRS, and the annual amount since adoption.

Response:

Whitby Hydro confirms it is referring to derecognition of assets pertaining to grouped fixed assets that was required on adoption of IFRS.

To clarify, Whitby Hydro has used Account 1576 (as it has not yet rebased under RGCAAP or MIFRS), to record the financial differences arising from the transition to IFRS regarding dispositions of PP&E. Under IFRS requirements, retirement of assets (pool of like assets) must be recorded each year, whereas under CGAAP no such adjustment was needed. These PP&E disposals are typically disposals that are outside the control of Whitby Hydro, relating to unexpected equipment failure or damage.

The annual recording of these disposals (related to pool of like or grouped assets) was applied on a prospective basis, beginning in 2013 when Whitby Hydro commenced implementing regulatory accounting changes for depreciation and capitalization policies (RCGAAP). The changes were made to advance the requirements of IFRS.

Please refer to response IRR # 8 b) and Tables 2 and 3 for annual disposal balances.

b) If the gains or losses recorded by Whitby Hydro are other than due to the derecognition of grouped fixed assets, please confirm the amount by year and explain what the gains or losses on retirement and disposition of fixed assets relate to.

Response:

Please see response to a)

c) As per the OEB policy report "Implementing IFRS in an IRM Environment", the OEB did not create or define a generic account to address ongoing volatility, and determined that utilities may apply for a utility-specific variance account if they can demonstrate the **probability of significant ongoing volatility after rebasing**.

d) Please demonstrate through evidence as to how and why Whitby Hydro has determined that there will be significant ongoing volatility under IFRS to warrant:
    1. the use of tracking changes to PP&E as a result of changes to IFRS Accounting Policy, and
    2. due to annual review requirements under IAS 16.

Response to c) & d):

There are three main areas that Whitby Hydro has currently identified as providing a reasonable degree of volatility:

1. **Derecognition gains and losses:**

   As outlined in IRR#8, it is evident that the derecognition gains and losses fluctuate from year to year and have a demonstrated degree of materiality and volatility.

   Whitby Hydro has proposed a final disposition of Account 1576 balances and an adjustment to 2018 Base Rates so that it may discontinue the use of Account 1576. However, a projection for gains and losses has not been included in the adjustment to 2018 Base Rates due to both the identified volatility of amounts and the need (IFRS requirement) to align its accounting policies with that of Veridian should the current MAADs application be approved.

2. **Whitby Hydro notes that the combination of the annual review of useful lives (required under IFRS, IAS 16) and the ten year rebasing period proposed under the current MAADs application has created a reasonable expectation of potential ongoing volatility prior to the next full rebasing. Please refer to IRR#8 c) and b) note 2, which identifies a change in useful lives for MIFRS, which further demonstrates this.**

   For example, on-going advances in technology (smart grid etc.) and climate change are expected to create additional volatility and a need to reassess the lifespans of existing PP&E. As a result, new PP&E procured could result in changes to existing component PP&E lifespans.

3. **Other accounting changes to PP&E subsequent to the adoption of IFRS. As accounting standards continue to evolve, there may be other PP&E changes implemented that would be considered material. The likelihood of this increases considering there is a ten year rebasing deferral timeline proposed in the current MAADs application.**

e) OEB staff notes that Whitby Hydro has recorded minimal losses on disposals on its Appendices 2-BA from 2015 to 2017 (under IFRS), and the Account 1576 calculation already includes the impact of such losses in Appendix 2-EC.

Note 21 (b) Explanation of transition to IFRS to Whitby Hydro's 2015 AFS states:

> "….If an entity applies this exemption, at the date of transition to IFRS; it shall test for impairment each item for which this exemption is used. The assets were tested for impairment at the date of transition and it was determined that **the assets were not impaired**."[Emphasis added]

Given that there were minimal losses on disposals after Whitby Hydro converted to IFRS in 2015, why does Whitby Hydro believe that the amounts would be material in future for it to require Account 1575 to record the impact of gains & losses on retirement and disposition of assets, and other accounting changes to PP&E, including impacts of annual review requirements under IAS 16?

Response:

Whitby Hydro disagrees that it has recorded minimal losses on disposals in 2015 to 2017 in Appendices 2-BA from 2015 to 2017. The amounts are $193,400, $86,629, and $72,255 for each of the respective years, and losses are forecasted to be $153,059 in 2018. Whitby Hydro advises that it erroneously missed capturing the losses in Account 1576 prior to 2017 and as such, Appendix 2-BA does not reflect these differences between CGAAP and RCGAAP/MIFRS until 2017 when the cumulative correction was recorded. This is further detailed in IRR#8.

With respect to Note 21 on Whitby Hydro's 2015 AFS, Whitby Hydro acknowledges that assets were tested for impairment at the date of transition to IFRS. Complying with IAS 16, Whitby Hydro determined that the assets were not impaired and that PP&E carrying amounts did not require adjustments.

In regards to PP&E annual recording for gains and losses on disposals, Whitby Hydro de-recognized an item of PP&E at the time the item was disposed or when no economic benefits were expected from the use of the asset.

The comments provided above in response to d) and e) serve to reaffirm that it is reasonable and appropriate to require the utilization of Account 1576 to record past gains and losses on retirement and disposition of assets as well as changes in useful lives. Referencing the same comments, it is also reasonable and appropriate to require the utilization of Account 1575 to record the continuing future impacts of gains and losses on retirement and disposition of assets, as well as other accounting changes to PP&E, including the impacts of annual review requirements under IAS 16.

f) According to Article 410, where a distributor for general financial reporting purposes under IFRS has accounted for the amount of gain or loss on the retirement of assets in a pool of like assets as a charge or credit to income, for reporting and rate application filings the distributor shall reclassify such gains and losses as depreciation expense and disclose the amount separately.

OEB staff notes that Whitby Hydro has correctly reclassified the gains and losses as depreciation expense in its Appendices 2-BAs and 2-EC.

OEB staff also notes that in each of the 3 years since adoption of IFRS, the depreciation expense recorded by Whitby Hydro was lower than the amount built into its rates.

Why does Whitby Hydro believe that the situation will change in the future that it would require Account 1575 to record gains and losses and impairment due to IAS 16?

Response:

Whitby Hydro has reflected the differences in depreciation in Account 1576 for six years and has returned those amounts to customers twice during that timeframe and has proposed a third final disposition in this Application.

Whitby Hydro has proposed a final disposition of Account 1576 balances and an adjustment to 2018 Base Rates so that it may discontinue the use of Account 1576. The proposed adjustment to 2018 Base Rates reflects a revenue requirement reduction of $572K, which captures the reduced depreciation and as a result, incorporates the current MIFRS depreciation levels.

Whitby Hydro does believe that the situation will require the utilization of Account 1575 in the future to record gains and losses from disposal and impairments due to IAS 16, and as referenced the OEB APH Guidance, dated March 2015. As the volatility seen in recent years (as outlined in c) and d)), is expected to continue and grow, Account 1575 will be required to track the financial impacts. In addition, the use of Account 1575 for tracking of gains and losses on disposals is not thought to be overly cumbersome administratively and is seen as providing more accurate impacts for customers.

In addition, and associated with in responses 10 c) and d) #1, in order to permit alignment of Accounting Policies to that of Veridian in regards to a proposed merge of both Whitby Hydro and Veridian, the utilization of Account 1575 is needed. Veridian presently uses Account 1575 for the

recording of its gains and losses on disposal. The MAADs application for the proposed merge identifies the IFRS requirement for alignment of accounting policies. This alignment of policies includes the recording of disposals and therefore the need for the proposed tracking of PP&E disposals, in Account 1575.

Staff-IR 11

Ref: Appendix B Account 1576 Final Disposition Methodology, Table 6 – 1576 Revenue Requirement. Table 5 – Rate rider calculation for Account 1576 based on 2016, 2017 and 2018 actual and forecast transactions

a) Whitby Hydro has calculated an adjustment to base rates of a credit of $571,640. OEB staff notes that Whitby Hydro's approach is not consistent with the OEB policy for calculating amounts in Account 1576

   When calculating the balance of account 1576, Appendix 2-EC must be used to calculate the differences between the capitalization and depreciation amounts using the accounting standards when rates were last rebased, and each year's actual (or in Whitby Hydro's case, projected) corresponding amounts using the accounting standards applicable in each year between rebasing under CGAAP and the first rebasing under MIFRS.

   Please explain what Whitby Hydro's rationale is for deviating from the OEB policy.

Response:

Whitby Hydro's Application requests approval of a final disposition of Account 1576 balances including:

1. **The establishment of rate riders to address the disposition of Account 1576 balances forecasted for 2018 including a calculated rate of return**
2. **An adjustment to 2018 base distribution rates for December 31, 2018 to address the accounting changes for capitalization and depreciation policies required for regulatory and IFRS**
3. **The discontinuation of Account 1576**

These items are inherently tied together to form the basis for a complete and final disposition.

Whitby Hydro's approach is directly linked to OEB policy as outlined below:

- **The forecasted 2018 balance in Account 1576 as requested for disposition (item 1) is supported by Appendix 2-EC. Details are outlined in the Application and through IRRs.**
- **The calculation of the 2018 proxy revenue requirement associated with the differences in capitalization and depreciation policy has direct linkages to the OEB policy including Appendix 2-EC. Specifically line items included in Table 6 of the Application (Appendix B) pull in the applicable information from Appendix 2-EC (as well as the underlying Table 2). These are used to form the basis of the 2018 proxy revenue requirement calculation related to the differences in capitalization and depreciation policies. On this basis, the revenue requirement calculation is directly linked to Appendix 2-EC with one exception related to gains/losses. Gains/losses were excluded from the 2018 proxy revenue requirement for the reasons outlined in the Application (Appendix B, page 14-15). More specifically, under the proposed merger with Veridian, Whitby Hydro would be required to adopt the accounting policies of Veridian. A continuation of tracking the gains/losses in a separate deferral account would facilitate this transition and more closely align the rates of both LDCs (under RCGAAP) from an accounting policy perspective.**

  To assist in further outlining the alignment of the 2018 Proxy Revenue Requirement with OEB policy (and Appendix 2-EC), a re-formatted version of Table 6 has been provided below.

Determination of 2018 Proxy Revenue Requirement for 1576 (previously Table 6)					
1576 Components					**Reference**
Net Additions -2018					
CGAAP (a)				11,654,922	Table 2-EC
MIFRS (b)			10,674,922		Schedule 2BA
Disposals			(413,832)		Schedule 2BA
MIFRS - net addtions			10,261,090	10,261,090	Table 2-EC
Capitalization Impact (a-b)					
CGAAP (a)				11,654,922	
MIFRS (b)				(10,674,922)	
				980,000	Table 2
Adjustment for test year				45,000	
Total Capitalization Impact				**1,025,000**	Table 2
Net Depreciation Expense - 2018					
CGAAP (c)				(5,689,962)	Table 2-EC
MIFRS (d)			(3,783,810)		Schedule 2BA
Disposals			260,773		Schedule 2BA
MIFRS - net depreciation expense			(3,523,037)	(3,523,037)	Table 2-EC
Difference in depreciation expense (c-d)					
CGAAP (c)				(5,689,962)	
MIFRS (d)				3,783,810	
				(1,906,152)	
Revenue Requirement Calculation					
Revenue Requirement					
Total Capitalization Impact (increase in operating expense)			1,025,000		activity 1576 (no
Difference in depreciation expense			(1,906,152)	(881,152)	disposals)
Deemed interest expense				116,336	
Income Tax Expense				51,192	
Utility Net Income				141,984	
Distribution Revenue				**(571,640)**	
Determination of 2018 Rate Base					
Rate Base					
Net Fixed Assets (A)					
Opening difference (1576)				3,134,228	Table 2-EC
Closing difference (1576)				3,907,321	Table 2-EC
Average difference (1576)				3,520,775	
Allowance for Working Capital (B)					
Controllable Expenses				1,025,000	
Working Capital Rate				15%	
Working Capital Allowance				153,750	
Rate Base (A+B)				3,674,525	
Determination of Cost of Capital and Returns					
Capitalization/Cost of Capital	%	$	%	$	
Long Term Debt	56%	2,057,734	5.480%	112,764	
Short Term Debt	4%	146,981	2.430%	3,572	
Total Debt	60%	2,204,715	5.277%	116,336	
Equity	40%	1,469,810	9.660%	141,984	
Total	100%	3,674,525	7.03%	258,320	
Determination of Taxable Income					
Utility Net Income				141,984	
A. Income Taxes - 26.5%				37,626	
B. Gross up of Income Taxes				13,566	
Income tax expense (A+B)				51,192	

The OEB's policy and standard process for closing out and discontinuing Account 1576 includes recalculating revenue requirement under the new accounting policy (RCGAAP or MIFRS) as part a rebasing application. The revenue requirement would then capture the new PP&E balances, operating and depreciation expense as well as the revised calculations for net income, deemed interest and taxes under the new capitalization and depreciation policy (RCGAAP or MIFRS).

Whitby Hydro noted in its Application (Appendix B, page 2) that Account 1576 was intended to be temporary in nature (emphasis added).

> ***Since most distributors are generally expected to remain on CGAAP for financial reporting until December 31, 2014, the result will be more distributors using Account 1576 instead of Account 1575 for a longer period of time than anticipated. Account 1576 was intended only as a short-term measure to address the interim deferral of IFRS in 2012 with the expectation of a changeover to IFRS in 2013. In addition, modified IFRS was expected to be the accounting basis used and approved for the 2013 cost of service rate applications and thus the use of Account 1575 would have applied rather than Account 1576.***

The Board's 2019 COS Filing Requirements no longer address Account 1576 which further supports the intended temporary nature of the account.

Whitby Hydro has utilized Account 1576 for a period of six years (2013-2018) and has continued to track the required activity as per the OEB policy. Further, applications were initiated by Whitby Hydro and approved by the Board for two interim dispositions which were not considered in the OEB's policy. As Whitby Hydro currently has a MAADs application in progress which identifies a ten year deferral for rebasing, continuing with Account 1576 for such a lengthy period is not practical and would be misaligned with the temporary nature upon which the OEB policy was intended and designed.

In order to address Account 1576 on a final basis outside of a cost of service, Whitby Hydro incorporated the OEB's policy for Account 1576 and tied it to a targeted rebasing on those accounting changes upon which Account 1576 is based. The re-formatted Table 6 (above), provides a breakdown. This revenue requirement approach is consistent with the OEB's general process and approach as it serves to incorporate the impact of accounting policy changes into rates as would normally occur during a cost of service.

Whitby Hydro highlights that using a revenue requirement determination to address rate related items in the absence of a cost of service or where a cost of

service timeline has been extended has been adopted by the OEB in other decisions. Specifically,

- **Smart Meter disposition generic methodology**
- **Whitby Hydro (EB-2017-0085/0292) – addressed smart meters as well as stranded meter disposition outside of a cost of service**
- **Alectra (EB-2017-0024) – decision and partial accounting order to address differences in pre-merger capitalization policies for the LDCs.**

This treatment has been accepted to determine fair and reasonable impacts to customers and customer rates in previous Board decisions.

Whitby Hydro believes it has followed the underlying policy for Account 1576 and has further incorporated additional principles and assumptions upon which the policy was based. The account was intended to be temporary in nature and its disposition was premised on a link to rebasing under the new accounting policies. As a result, a targeted rebasing to determine a proxy revenue requirement and calculate the impact to rates is appropriately aligned to OEB policy. This approach also ensures customers are treated in a consistent manner resulting in fair and reasonable rates.

b) Prepare a forecast for account 1576 from 2018[1] to 2028 for each of the following components (as well as the applicable annual return component):

   a. depreciation expense differences,
   b. capitalization differences,
   c. derecognition gains or losses on disposals of grouped fixed assets, and
   d. Itemize any other components of account 1576 as applicable.

Response:

While Whitby Hydro does undertake short and longer term planning for its distribution assets, a formalized 11 year forecast to track detailed capital and depreciation under both MIFRS and CGAAP is not available. Strictly for the purpose of this interrogatory, a high level forecast has been provided. The forecast has not been reviewed or approved by engineering or executive management and is intended for conceptual use only in this proceeding. Forecasts for this extended length of time provide directional observations and cannot be relied on with any significant degree of accuracy. On this basis, Table 1

[1] The forecast for 2018 should be updated incorporating the actual data to the end of September 2018.

has been provided below. The excel version has been filed through the OEB's RESS portal. Please see Staff IR_11b&f_Whitby.xlxs

1576 2EC Forecast 2018-2029 ($K)

	2018 Forecast Original	2018 Forecast Updated	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average
Depreciation Expense													
CGAAP	(5,690)	(5,626)	(5,981)	(6,209)	(6,294)	(6,545)	(6,713)	(6,699)	(6,652)	(6,708)	(6,781)	(6,912)	(6,549)
MIFRS	3,784	3,831	3,993	4,184	4,341	4,393	4,371	4,425	4,560	4,699	4,848	5,004	4,482
	(1,906)	(1,795)	(1,988)	(2,025)	(1,953)	(2,151)	(2,341)	(2,274)	(2,092)	(2,008)	(1,933)	(1,908)	(2,067)
Capitalization differences	980	980	1,026	1,073	1,143	1,165	1,187	1,210	1,233	1,257	1,281	1,264	1,184
Derecognition of Losses	153	153	193	87	72	153	193	87	72	153	193	87	129
1576 Annual activity	(773)	(662)	(769)	(865)	(737)	(833)	(961)	(977)	(787)	(599)	(459)	(558)	(755)
Opening balance	(3,134)	(3,134)	(3,796)	(4,565)	(5,430)	(6,168)	(7,001)	(7,962)	(8,939)	(9,726)	(10,325)	(10,784)	
Difference in Closing net PP&E (CGAAP and MIFRS)	(3,907)	(3,796)	(4,565)	(5,430)	(6,168)	(7,001)	(7,962)	(8,939)	(9,726)	(10,325)	(10,784)	(11,342)	
Adjustments to account 1576 Balance for Interim Dispositions													
Actual amount refunded to customers through rate riders (cumulative):													
EB 2015 -0113/0251	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	
EB 2016 -0114	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	
Less approved return on rate base- WACC 7.04%													
EB 2015 -0113/0251	(142)	(142)	(142)	(142)	(142)	(142)	(142)	(142)	(142)	(142)	(142)	(142)	
EB 2016 -0114	(85)	(85)	(85)	(85)	(85)	(85)	(85)	(85)	(85)	(85)	(85)	(85)	
Account 1576 Balance	(702)	(591)	(1,360)	(2,225)	(2,962)	(3,796)	(4,757)	(5,734)	(6,521)	(7,120)	(7,579)	(8,137)	
Effect on Deferral and Variance Account Rate Riders													
Approved return on rate base	(49)	(42)	(96)	(157)	(209)	(267)	(335)	(404)	(459)	(501)	(534)	(573)	
Amount included in Deferral Account rate rider calc.	(752)	(633)	(1,456)	(2,382)	(3,171)	(4,063)	(5,092)	(6,137)	(6,980)	(7,621)	(8,113)	(8,709)	

c) Prepare a forecast of Appendix 2-EC for 2018 to 2028, that reconciles to the table prepared in b) above (including the return component).

Response:

Please see response to b). The 10 year forecast has been provided in b) and consists of the key components of Appendix 2EC at a net level. The return component has also been calculated.

d) Using the updated 2018 forecast of the components (plus the return component) of the balance of account 1576 as per part b) of this question, recalculate the disposition rate ride. Please update the 2019 Rate Generator Model accordingly.

Response:

Based on the updated 2018 forecast, the recalculated disposition rate riders are below. The updated 2019 Rate Generator Model has been filed through the OEB's RESS portal. Please see: Staff IR_11d_Whitby.xlsb

IRR #11(d) -Rate Rider Calculation for Accounts 1576

Rate Adder Recovery Period	**1**	**year**

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Balance of Accounts 1575 and 1576	Rate Rider for Accounts 1576	
Residential	#customers	39,890	-$ 261,239	**-0.55**	**$/customer**
General Service less than 50 kW	kWh	86,378,928	-$ 66,402	**- 0.0008**	**/kWh**
General Service 50-4,999 kW	kW	917,926	-$ 300,359	**- 0.3272**	**/kW**
Unmetered Scattered Load	kWh	1,744,019	-$ 1,329	**- 0.0008**	**/kWh**
Sentinel Lighting	kW	88	$ -	**-**	**/kW**
Street Lighting	kW	12,797	-$ 3,671	**- 0.2869**	**/kW**
Total			**-$ 633,000**		

e) Using the updated 2018 (single year forecast) of the sum of the components of account 1576 (including the return component), recalculate the adjustment to 2018 Base Rates and update the 2019 Rate Generator Model

Response:

The adjustment to the 2018 Base Rates has been recalculated based on the updated 2018 single year forecast for 1576 (per b) above. This information is provided below. As the 2018 distribution rates are locked in the 2019 Rate Generator Model, Whitby Hydro is unable to provide an updated version of the model.

2018 Single Year Forecast (net activity)		(662,000)	(IRR 11b)
WACC	7.04%	(46,605)	
2018 Single Year Forecast (incl WACC)		(708,605)	

IRR #11(e): 1576 Forecast - Allocation by Rate Class and Rate Design (Fixed/Variable split)

Rate Class	Total			Fixed			Variable		
Residential	63.8%	$	(452,220)	100.0%	$	(452,220)	0.0%	$	-
GS<50 kW	9.7%	$	(68,696)	23.7%	$	(16,301)	76.3%	$	(52,395)
GS 50-4,999 kW	24.3%	$	(171,952)	20.9%	$	(35,895)	79.1%	$	(136,058)
USL	0.6%	$	(4,271)	36.6%	$	(1,565)	63.4%	$	(2,707)
Sentinel Lighting	0.0%	$	-	57.7%	$	-	42.3%	$	-
Street Lighting	1.6%	$	(11,466)	58.7%	$	(6,732)	41.3%	$	(4,734)
	100.0%	$	(708,605)		$	(512,712)		$	(195,893)

Allocation by Rate Class and Rate Design - per approved 2011 Cost of Service - consistent with 2019 Rate Generator Model (Tab 9)

IRR #11(e): 1576 Forecast - Adjustment to 2018 Base Distribution Rates (December 31, 2018)

Rate Class	# Customers	kW / kWh	Fixed Monthly Service Charge	Variable	
Residential	39,890	339,777,738	$ (0.94)	$ -	/kWh
GS<50 kW	2,238	86,378,928	$ (0.61)	$ (0.0006)	/kWh
GS 50-4,999 kW	370	917,926	$ (8.08)	$ (0.1482)	/kW
USL	372	1,744,019	$ (0.35)	$ (0.0016)	/kWh
Sentinel Lighting	38	88	$ -	$ -	/kW
Street Lighting	11,902	12,797	$ (0.05)	$ (0.3699)	/kW

# of Customers and kW/kWh per 2017 RRR

IRR #11 (e): 2018 Base Distribution Rates (December 31, 2018)

		Proposed 2018 Base Distribution Rate (1)		
		Monthly Service Charge	Volumetric	
Residential	2018 Approved Distribution Rates	$ 29.18	$ 0.0038	
	Base Rate Adjustment	$ (0.94)	$ -	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 28.24**	**$ 0.0038**	**/kWh**
GS<50 kW	2018 Approved Distribution Rates	$ 26.87	$ 0.0201	
	Base Rate Adjustment	$ (0.61)	$ (0.0006)	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 26.26**	**$ 0.0195**	**/kWh**
GS 50-4,999 kW	2018 Approved Distribution Rates	$ 207.90	$ 4.1399	
	Base Rate Adjustment	$ (8.08)	$ (0.1482)	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 199.82**	**$ 3.9917**	**/kW**
Unmetered Scattered	2018 Approved Distribution Rates	$ 10.07	$ 0.0325	
	Base Rate Adjustment	$ (0.35)	$ (0.0016)	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 9.72**	**$ 0.0309**	**/kWh**
Sentinel Lighting	2018 Approved Distribution Rates	$ 5.73	$ 15.4050	
	Base Rate Adjustment	$ -	$ -	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 5.73**	**$ 15.4050**	**/kW**
Street Lighting	2018 Approved Distribution Rates	$ 1.80	$ 7.0858	
	Base Rate Adjustment	$ (0.05)	$ (0.3699)	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 1.75**	**$ 6.7159**	**/kW**

f) Prepare a table for 2019 to 2028 comparing the forecast annual account 1576 amounts (including the return component) based on b) above, to the annual amount of $571,640 calculated by Whitby Hydro as a Base Rate adjustment for the same period.

Response:

Please see tables below. An excel version has been filed through the OEB'S RESS portal. Please see Staff IR_11b&f_Whitby.xlxs

IRR #11(f) - Comparison Table

$K		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average
Forecast - Net 1576 activity		(769)	(865)	(737)	(833)	(961)	(977)	(787)	(599)	(459)	(558)	(755)
Return (WACC)	7.04%	(54)	(61)	(52)	(59)	(68)	(69)	(55)	(42)	(32)	(39)	(53)
Forecast 1576 Annual Acct 1576 Amounts (incl return)		*(823)*	*(926)*	*(789)*	*(892)*	*(1,029)*	*(1,046)*	*(842)*	*(641)*	*(492)*	*(597)*	*(808)*
Proposed 2018 Proxy Revenue Requirement		*(572)*	*(572)*	*(572)*	*(572)*	*(572)*	*(572)*	*(572)*	*(572)*	*(572)*	*(572)*	*(572)*
Forecast - Revenue Requirement (see details below)		*(597)*	*(517)*	*(306)*	*(417)*	*(510)*	*(337)*	*(58)*	*109*	*253*	*303*	*(208)*

Calculation of Revenue Requirement 2018-2029 ($K)

		2018 Test Year	2018 Forecast	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average
Revenue Requirement														
Capitalization differences (Operating Expense)		1,025	980	1,026	1,073	1,143	1,165	1,187	1,210	1,233	1,257	1,281	1,264	1,184
Difference in depreciation		(1,906)	(1,795)	(1,988)	(2,025)	(1,953)	(2,151)	(2,341)	(2,274)	(2,092)	(2,008)	(1,933)	(1,908)	(2,067)
1576		(881)	(815)	(962)	(952)	(809)	(986)	(1,154)	(1,064)	(859)	(752)	(652)	(645)	(884)
Deemed Interest Expense		116	114	137	163	189	214	242	273	301	323	340	356	254
Income Tax Expense		52	50	60	72	83	94	106	120	132	143	150	156	112
Utility Net Income		142	140	168	199	231	261	296	334	368	395	415	435	310
Distribution Revenue		(571)	(511)	(597)	(517)	(307)	(417)	(510)	(337)	(58)	109	253	303	(208)
Determination of 2018 Rate Base Impact and Cost of Capital														
Rate Base Calculation														
Net Fixed Assets (A)														
Opening difference (1576)		3,134	3,134	3,796	4,565	5,430	6,167	7,001	7,962	8,939	9,726	10,324	10,784	
Additions - 1576		926	815	962	952	809	986	1,154	1,064	859	752	652	645	
Losses		(153)	(153)	(193)	(87)	(72)	(153)	(193)	(87)	(72)	(153)	(193)	(87)	
Closing difference (1576)		3,907	3,796	4,565	5,430	6,167	7,001	7,962	8,939	9,726	10,324	10,784	11,341	
Average difference (1576)		3,520	3,465	4,181	4,998	5,799	6,584	7,481	8,450	9,332	10,025	10,554	11,063	
Allowance for Working Capital (B)														
Controllable Expenses		1,025	980	1,026	1,073	1,143	1,165	1,187	1,210	1,233	1,257	1,281	1,264	
Working Capital Rate		15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	
Working Capital Allowance		154	147	154	161	172	175	178	182	185	188	192	190	
Rate Base (A+B)		3,674	3,612	4,335	5,159	5,970	6,759	7,659	8,632	9,517	10,213	10,746	11,252	
Capitalization/Cost of Capital/ Return														
Long Term Debt - ratio	56.00%	2,058	2,023	2,427	2,889	3,343	3,785	4,289	4,834	5,330	5,720	6,018	6,301	
Short Term Debt -ratio	4.00%	147	144	173	206	239	270	306	345	381	409	430	450	
Total Debt	60.00%	2,205	2,167	2,600	3,095	3,582	4,055	4,595	5,179	5,711	6,129	6,448	6,751	
Long Term Debt - rate of return	5.48%	113	111	133	158	183	207	235	265	292	313	330	345	
Short Term Debt - rate of return	2.43%	4	3	4	5	6	7	7	8	9	10	10	11	
Total Debt return	5.28%	116	114	137	163	189	214	242	273	301	323	340	356	
Equity- ratio	40%	1,470	1,445	1,734	2,063	2,388	2,704	3,064	3,453	3,807	4,085	4,299	4,501	
Equity- return	9.66%	142	140	168	199	231	261	296	334	368	395	415	435	
Total return	7.03%	258	254	305	363	420	475	538	607	669	718	756	791	
Determination of Taxable Income														
Utility Net Income		142	140	168	199	231	261	296	334	368	395	415	435	
A. Income Taxes - 26.5%		38	37	44	53	61	69	78	88	97	105	110	115	
B. Gross up of Income Taxes		14	13	16	19	22	25	28	32	35	38	40	41	
Income tax expense (A+B)		52	50	60	72	83	94	106	120	132	143	150	156	

g) Based on Whitby Hydro's response to part b) of this question, calculate the average of each of the following components (including the return component) for account 1576 from 2019 to 2028:

   a. depreciation expense differences,
   b. capitalization differences,
   c. derecognition gains or losses on disposals of grouped fixed assets, and
   d. Itemize any other components of account 1576 as applicable.

Response:

Please see response to b).

h) Based on the average calculated in part g) above, recalculate the adjustment to 2019 base rates and update the 2019 IRM Rate Generator Model.

Response:

For clarification purposes, the reference to "2019 base rates" should be "2018 base rates".

The adjustment to the 2018 Base Rates has been recalculated based on the 2019 to 2028 average for 1576 (per g) above). This information is provided below. As the 2018 distribution rates are locked in the 2019 Rate Generator Model, Whitby Hydro is unable to provide an updated version of the model.

Account 1576 Average (2019-2028)		(755,000)	(IRR 11b)
WACC	7.04%	(53,152)	
Account 1576 Average (incl WACC)		(808,152)	

IRR #11(h): 1576 Average Forecast - Allocation by Rate Class and Rate Design (Fixed/Variable split)

Rate Class	Total		Fixed		Variable	
Residential	63.8%	$ (515,749)	100.0%	$ (515,749)	0.0%	$ -
GS<50 kW	9.7%	$ (78,346)	23.7%	$ (18,591)	76.3%	$ (59,755)
GS 50-4,999 kW	24.3%	$ (196,109)	20.9%	$ (40,937)	79.1%	$ (155,171)
USL	0.6%	$ (4,871)	36.6%	$ (1,785)	63.4%	$ (3,087)
Sentinel Lighting	0.0%	$ -	57.7%	$ -	42.3%	$ -
Street Lighting	1.6%	$ (13,076)	58.7%	$ (7,678)	41.3%	$ (5,399)
	100.0%	$ (808,152)		$ (584,740)		$ (223,412)

Allocation by Rate Class and Rate Design - per approved 2011 Cost of Service - consistent with 2019 Rate Generator Model (Tab 9)

IRR #11(h): 1576 Average Forecast - Adjustment to 2018 Base Distribution Rates (December 31, 2018)

Rate Class	# Customers	kW / kWh	Fixed Monthly Service Charge	Variable
Residential	39,890	339,777,738	$ (1.08)	$ - /kWh
GS<50 kW	2,238	86,378,928	$ (0.69)	$ (0.0007) /kWh
GS 50-4,999 kW	370	917,926	$ (9.22)	$ (0.1690) /kW
USL	372	1,744,019	$ (0.40)	$ (0.0018) /kWh
Sentinel Lighting	38	88	$ -	$ - /kW
Street Lighting	11,902	12,797	$ (0.05)	$ (0.4219) /kW

# of Customers and kW/kWh per 2017 RRR

IRR #11 (h): 2018 Base Distribution Rates (December 31, 2018)

		Proposed 2018 Base Distribution Rate (1)		
		Monthly Service Charge	Volumetric	
Residential	2018 Approved Distribution Rates	$ 29.18	$ 0.0038	
	Base Rate Adjustment	$ (1.08)	$ -	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 28.10**	**$ 0.0038**	**/kWh**
GS<50 kW	2018 Approved Distribution Rates	$ 26.87	$ 0.0201	
	Base Rate Adjustment	$ (0.69)	$ (0.0007)	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 26.18**	**$ 0.0194**	**/kWh**
GS 50-4,999 kW	2018 Approved Distribution Rates	$ 207.90	$ 4.1399	
	Base Rate Adjustment	$ (9.22)	$ (0.1690)	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 198.68**	**$ 3.9709**	**/kW**
Unmetered Scattered	2018 Approved Distribution Rates	$ 10.07	$ 0.0325	
	Base Rate Adjustment	$ (0.40)	$ (0.0018)	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 9.67**	**$ 0.0307**	**/kWh**
Sentinel Lighting	2018 Approved Distribution Rates	$ 5.73	$ 15.4050	
	Base Rate Adjustment	$ -	$ -	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 5.73**	**$ 15.4050**	**/kW**
Street Lighting	2018 Approved Distribution Rates	$ 1.80	$ 7.0858	
	Base Rate Adjustment	$ (0.05)	$ (0.4219)	
	2018 Base Distribution Rate (Dec 31, 2018)	**$ 1.75**	**$ 6.6639**	**/kW**

i) Based on the updated 2019 Rate Generator Model, provide a bill impacts table for each customer class based on the original 2019 Rate Generator Model and another bill impact table based on the updated 2019 Rate Generator Model and calculate the change in bill impacts between the two impact tables.

Response:

Whitby Hydro has provided the following:

- **Two bill impact tables - the original bill impacts (Whitby Hydro Proposed), as well as the bill impacts resulting from the combined effect of d) and h) above.**
- **In the absence of an updated 2019 Rate Generator Model (see comments in h), an Excel model was created to perform the calculations that would have otherwise have been done in Tab 16 of the 2019 Rate Generator Model. These calculations applied a price cap adjustment to the adjusted 2018 Base Rates (as identified in h) above) to arrive at the 2019 distribution rates for use in the bill impact comparison.**

The summarized bill impacts and comparison have been provided below. An Excel version has been filed through the OEB's RESS portal. Please see Staff IR_11i_Whitby.xlsx.

2019 Bill Impact Summary **IRR #11 i)**

Customer Class	kWh (1)	kW	RPP Price (2)	Distribution Charges-A excl. pass-through (3a)		Distribution Charges-B incl. pass-through (3b)		Delivery Charges (4)		Total Bill (5)	
				$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
Residential	750		RPP TOU	$ (1.68)	-5.02%	$ 0.27	0.77%	$ 0.51	1.09%	$ 0.54	0.46%
Residential - 10th percentile	357		RPP TOU	$ (0.38)	-1.19%	$ 0.55	1.66%	$ 0.66	1.72%	$ 0.70	0.95%
GS<50 kW	2,000		RPP TOU	$ (4.53)	-6.20%	$ 0.67	0.86%	$ 1.30	1.24%	$ 1.36	0.47%
GS>50 kW	40,000	100	Non-RPP	$ (85.17)	-12.83%	$ (30.83)	-3.67%	$ (20.38)	-1.51%	$ (23.03)	-0.34%
Unmetered Scattered Load	500		RPP Tier	$ (2.04)	-7.61%	$ (0.59)	-2.14%	$ (0.43)	-1.26%	$ (0.45)	-0.58%
Sentinel Lights	150	1	RPP Tier	$ 0.12	0.58%	$ 1.09	5.26%	$ 1.17	4.76%	$ 1.32	3.16%
Street Lighting	368,000	795	Non-RPP	$ 1,544.95	5.62%	$ 1,862.90	6.38%	$ 1,926.74	5.97%	$ 2,177.22	2.49%

2019 Bill Impact Summary **Original (Whitby Hydro Proposed)**

Customer Class	kWh (1)	kW	RPP Price (2)	Distribution Charges-A excl. pass-through (3a)		Distribution Charges-B incl. pass-through (3b)		Delivery Charges (4)		Total Bill (5)	
				$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
Residential	750		RPP TOU	$ (1.46)	-4.36%	$ 0.49	1.39%	$ 0.73	1.56%	$ 0.77	0.65%
Residential - 10th percentile	357		RPP TOU	$ (0.16)	-0.50%	$ 0.77	2.32%	$ 0.88	2.29%	$ 0.93	1.27%
GS<50 kW	2,000		RPP TOU	$ (4.13)	-5.65%	$ 1.07	1.38%	$ 1.70	1.62%	$ 1.78	0.61%
GS>50 kW	40,000	100	Non-RPP	$ (83.61)	-12.60%	$ (29.27)	-3.48%	$ (18.82)	-1.39%	$ (21.27)	-0.32%
Unmetered Scattered Load	500		RPP Tier	$ (1.72)	-6.41%	$ (0.27)	-0.98%	$ (0.11)	-0.33%	$ (0.12)	-0.15%
Sentinel Lights	150	1	RPP Tier	$ 0.12	0.58%	$ 1.09	5.26%	$ 1.17	4.76%	$ 1.32	3.16%
Street Lighting	368,000	795	Non-RPP	$ 1,720.70	6.26%	$ 2,038.65	6.98%	$ 2,102.49	6.52%	$ 2,375.81	2.72%

Change in 2019 Bill Impacts

Customer Class	kWh (1)	kW	RPP Price (2)	Distribution Charges-A excl. pass-through (3a)		Distribution Charges-B incl. pass-through (3b)		Delivery Charges (4)		Total Bill (5)	
				$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
Residential	750		RPP TOU	$ (0.22)	-0.66%	$ (0.22)	-0.62%	$ (0.22)	-0.47%	$ (0.23)	-0.20%
Residential - 10th percentile	357		RPP TOU	$ (0.22)	-0.69%	$ (0.22)	-0.66%	$ (0.22)	-0.57%	$ (0.23)	-0.32%
GS<50 kW	2,000		RPP TOU	$ (0.40)	-0.55%	$ (0.40)	-0.51%	$ (0.40)	-0.38%	$ (0.42)	-0.14%
GS>50 kW	40,000	100	Non-RPP	$ (1.56)	-0.24%	$ (1.56)	-0.19%	$ (1.56)	-0.12%	$ (1.76)	-0.03%
Unmetered Scattered Load	500		RPP Tier	$ (0.32)	-1.19%	$ (0.32)	-1.16%	$ (0.32)	-0.93%	$ (0.34)	-0.43%
Sentinel Lights	150	1	RPP Tier	$ -	0.00%	$ -	0.00%	$ -	0.00%	$ -	0.00%
Street Lighting	368,000	795	Non-RPP	$ (175.75)	-0.64%	$ (175.75)	-0.60%	$ (175.75)	-0.54%	$ (198.59)	-0.23%

Notes:

(1) The residential standard used for illustrative purposes is 750 kWh per EB-2016-0153

(2) RPP Pricing for May 1, 2018 to April 30, 2019
Non-RPP assumes a weighted average price including Class B Global Adjustment (IESO's Monthly Market Report for May 2017, pg 22)
RPP TOU assumes average consumption of Off-peak (65%), Mid-peak (17%) and On-peak (18%) per OEB.

(3a) Distribution Charges-A includes Distribution Monthly Service Charge, Volumetric Charges,disposition of 1576 and LRAMVA

(3b) Distribution Charges-B includes those described in note 3(a) plus pass-through charges such as low voltage as well as Line Losses and the Smart Meter Entity Charge

(4) Delivery Charges include all Distribution Charges (per notes 3a and 3b), plus Transmission Service Charges

(5) Total Bill includes all Delivery Charges noted above plus commodity cost, regulatory costs (ie. wholesale market service, CBR, rural rate protection and standard supply service) and HST and the 8% Ontario Rebate for Electricity Consumers