Ontario Energy Board | Commission de l'énergie de l'Ontario

BY E-MAIL

July 4, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro)
Application for 2020 electricity distribution rates
OEB Staff Interrogatories
Ontario Energy Board File Number: EB-2019-0049

In accordance with Procedural Order No. 2, please find attached OEB staff's interrogatories in the above noted proceeding. Kitchener-Wilmot Hydro and all intervenors have been copied on this filing.

Kitchener-Wilmot Hydro's responses to interrogatories are due by July 31, 2019.

Yours truly,

Original Signed By

Donald Lau
Project Advisor – Rates Major Applications

Attach.

OEB Staff Interrogatories
2020 Electricity Distribution Rates Application
Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro)
EB-2019-0049
July 4, 2019

Exhibit 1 – Administration

1-Staff-1
Updated Revenue Requirement Work Form (RRWF)

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), 12 (Residential Rate Design) and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

1-Staff-2
Letters of Comment

Following publication of the Notice of Application, the OEB received six letters of comment. Section 2.1.7 of the Filing Requirements states that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-3
Scorecard
Ref: Table 1.7.2-1 Projected Kitchener-Wilmot Hydro Scorecard
Ref: Exhibit 1 – 1.7.2 Scorecard – Billing Accuracy, p.96
Ref: Exhibit 1 – 1.7.2 Scorecard – Serious Electrical Incident Index, p.97

Kitchener-Wilmot Hydro provided a scorecard up to 2018 in table 1.7.2-1. In the scorecard, the billing accuracy declined in the past few years. In Kitchener-Wilmot Hydro's explanation, it seemed to imply that billing accuracy is related to the use of an old legacy billing system.

a) Please confirm if the decline in billing accuracy is due to an old billing system or list the causes of the decline in billing accuracy.
b) With the new Customer Information System (CIS) does Kitchener-Wilmot Hydro anticipate an improvement to the billing accuracy? If so, what aspects does the new system offer that the legacy system could not?

Kitchener-Wilmot Hydro also had an increase in the number of serious electrical incidents in 2018. Kitchener-Wilmot Hydro noted that the guidelines for reporting serious electrical incidents were revised in 2017.

c) Please provide the number of serious electrical incidents for 2018 if Kitchener-Wilmot Hydro was still reporting under the guidelines prior to 2017.

1-Staff-4
Customer Contact
Ref: Exhibit 1 – Table 1.6.1.2-2 Changes in Customer Contacts
The referenced table shows that customer contact is trending towards digital communications and customers are expecting more digital tools to be available to them but do not want to pay extra.

a) What capabilities does the new CIS have to meet customers' expectations for more digital tools?
b) For each of these digital tools, please provide the estimated contribution to the total CIS project cost and explain how Kitchener-Wilmot Hydro assessed that these digital tools are worth the costs to customers.

1-Staff-5
Kitchener-Wilmot Hydro Electricity Videos
Ref: Exhibit 1 – 1.6.1.4 Behind the Scenes
Kitchener-Wilmot Hydro developed videos that provides information about electricity, bills, outages, hydro scams, and customers rules and rights. These videos are available on YouTube and have been viewed 11,000 times collectively.

a) Please provide the estimated cost and the number of views for each video.
b) Does Kitchener-Wilmot plan to continue making these types of videos?

1-Staff-6
Succession Plans
Ref: Appendix 1-2 Kitchener-Wilmot Hydro Business Plan – 5.1 People and Safety
Kitchener-Wilmot Hydro provided in its business plan that there are eight eligible retirements in 2020, six in 2021, and nine in 2022. It also plans to develop a succession program in 2019-2020.

a) Please provide the roles and responsibilities of each eligible retirement.
b) Has a succession plan program been developed? If so, please the program plan.

1-Staff-7
Customer Engagement
Ref: Appendix 1-26: Online Workbook Reports
The customers' responses in the workbook report shows that 84% of customers are generally satisfied with the services they receive and would like to see lower rates as a priority. Customers further responded that Kitchener-Wilmot Hydro should keep spending levels consistent and defer investments to lessen the impact of bill increases. Finally, 56% of customers said that Kitchener-Wilmot Hydro should stick with a basic CIS solution. However, Kitchener-Wilmot has decided to go with a tier 1 CIS solution, which doesn't appear to be considered basic.

a) Please explain Kitchener-Wilmot Hydro's decision to invest in a tier 1 system when that it is not what the customers prefer.
b) As a result of investing more money in a tier 1 CIS system, were there a list of projects that were deferred and how did Kitchener-Wilmot Hydro assess that these projects were lower priority than the CIS system.

Exhibit 2 – Rate Base

2-Staff-8
Rate Base
Ref: Exhibit 2: Rate Base, Table 2.2-8 – 2019 Bridge vs 2020 Test
Ref: Chapter 2 Appendices – 2-BA Fixed Asset Cont
In 2020, Kitchener-Wilmot Hydro's working capital allowance (WCA) changed from 13% to 7.5% and, among other factors, resulted in a decrease of $11.2 million for WCA. The total rate base, however, has shown almost no change because of higher average fixed assets, which offset the decrease in WCA. Kitchener-Wilmot Hydro explains that the higher average fixed assets were due to resetting its cost envelope and transferring the cost of the CIS from construction work in progress (CWIP) to rate base.

a) Please provide the balance in CWIP for each year from 2014 to 2019.
b) Please provide the methodology in forecasting the in-service additions for the test year based on forecasted capital expenditures.

2-Staff-9
Information Technology/Operation Technology (IT/OT) Investments
Ref: Distribution System Plan – 4.4.1.1 General Plant
The investment in IT/OT systems were higher than expected in 2018. This project was the result of the server infrastructure being at end-of-life.

a) Please provide the business case for the replacement of the IT/OT systems.

2-Staff-10
Defective Equipment Outages
Ref: Distribution System Plan - Table 2-18
Ref: Distribution System Plan - Table 2-19
Kitchener-Wilmot Hydro provided a breakdown of outages for defective equipment and foreign interference for 2018 in Table 2-18 and Table 2-19.

a) Please provide a similar table for defective equipment outages and foreign interference for each year between 2014-2017.

2-Staff-11
System Losses
Ref: Distribution System Plan - Table 2-25
Kitchener-Wilmot Hydro provided system losses between 2014-2018 in Table 2-25 and it shows that there has been no improvement to losses from 2014 to 2018.

a) Has Kitchener-Wilmot Hydro reviewed the distribution system to identify areas that cause the most losses? If not, does Kitchener-Wilmot Hydro take into consideration losses during its planning?

2-Staff-12
Vegetation Management
Ref: Distribution System Plan 3.3.1.3 Description of Maintenance and Inspection Practices
Ref: EB-2013-0147 Asset Management Strategy, February 2013
Kitchener-Wilmot Hydro's asset management strategy in 2013 for vegetation management was a five-year clearing cycle. The current clearing cycle is a six-year cycle and Kitchener-Wilmot Hydro stated that a reduction in cycle frequency would result in cost savings.

a) Please provide the estimated cost savings of moving from a five-year vegetation management cycle to a six-year cycle.
b) Please provide the yearly OM&A spent or expected to spend on vegetation management from 2014-2020.
c) Kitchener-Wilmot Hydro stated that each zone is inspected the year following tree trimming. Is that the only time that Kitchener-Wilmot Hydro inspects a zone?
d) Does Kitchener-Wilmot Hydro clear each zone only based on cycle time or does it have a method to evaluate suspect trees to focus its vegetation management resources.

2-Staff-13
Material Investments
Ref: Appendix 2-AA Capital Projects table
Ref: Distribution System Plan 4.4.2 Material Investments – Table 4-33 Material Investments Allocated for 2020
In Table 4-33, Kitchener-Wilmot Hydro provided projects in 2020 that were above the materiality threshold, which totalled to $18.8 million in capital expenditures, net of recoverable costs. The total capital expenditures requested in 2020 is approximately $24.6 million, a difference of $5.8 million. While most of this difference is due to recoverable costs, it is difficult to reconcile the two tables.

a) Please group each project in table 4-33 into the categories in Appendix 2-AA.
b) For all non-material projects, please group them together into the categories in Appendix 2-AA and provide the following: a sub-grouping of the projects as Kitchener-Wilmot Hydro deems appropriate; a narrative on the nature of the work for each sub-grouping; and the list of projects for each sub-grouping, as applicable.

2-Staff-14
Relocations Due to Roadway Modifications
Ref: Appendix 2-AA Capital Projects table
Ref: Distribution System Plan, Appendix A – SA 3-20-3 and 4-20-6
In Appendix A, the project justification for roadway relocations only shows a list of possible projects for 2020, along with the trending used for the forecasted $1.7 million. Kitchener-Wilmot Hydro also stated that the general intention is to complete the project one year prior to the road works.

a) Please update the list of projects based on the latest known road works.
b) Kitchener-Wilmot Hydro had forecasted future relocation expenditures based on trending the historical actuals between 2014-2018. During these years, there was significant work done to accommodate the Light Rail Transit (LRT) system. How has Kitchener-Wilmot Hydro normalized the trending to account for the incremental spending for the LRT system?
c) Kitchener-Wilmot Hydro stated that it tries to complete the relocations one year prior to the road works, which means that in 2019 Kitchener-Wilmot Hydro should have a confident list of projects for 2020. Please explain why Kitchener-Wilmot Hydro used a trending method instead of a bottom-up estimation of known projects for the test year?

2-Staff-15
Voltage Conversion
Ref: Appendix 2-AA Capital Projects table
Ref: Distribution System Plan 4.1.2.2 System Renewal. Table 4-3 2020-2024 System Renewal Expenditure Plan
Ref: EB-2013-0147 – Kitchener-Wilmot Capital Expenditure Program 2013-2022 Appendix A
Kitchener-Wilmot Hydro has forecasted $1.375 million for voltage conversion in 2020 and continues to increase each year until 2024.

a) Kitchener-Wilmot Hydro stated that as assets reach end-of-life they would be replaced with assets that have a higher voltage rating in preparation for voltage conversions. Would replacing end-of-life assets in this way be considered a voltage conversion investments?
b) Please provide Kitchener-Wilmot Hydro's voltage conversion strategy. (ie. When does it expect to fully remove the 8.32kV system? Is conversion done station by station, such that the station can be retired? Is conversion only used as a mechanism for load relief?)
c) Please provide the number of 8.32kV circuit kilometers for each distribution feeder.
d) In EB-2013-0147, the capital expenditure forecast for voltage conversion was $600k. Kitchener-Wilmot Hydro's requested capital expenditure is twice that amount. Please explain what has changed since the last cost of service to justify the accelerated voltage conversion.

2-Staff-16
System Access – Commercial, Industrial & Apartment Services
Ref: Appendix 2-AA Capital Projects Table
Ref: Distribution System Plan 4.1.2.1.4 Installation of Commercial, Industrial & Apartment Services
Ref: Load Forecasting Model - Summary
Kitchener-Wilmot Hydro forecasted a capital spend of $1.209 million in 2020 for commercial, industrial, and apartment services. This represents a 28.58% increase from the historical 6-year average. Kitchener-Wilmot Hydro stated in the Distribution System Plan (DSP) that it is anticipating an increase in development activities along the LRT route, which will require underground servicing. In the load forecasting model, only the residential rate class is showing growth while the GS<50 kW, GS>50 kW, and Large User rate classes are generally trending lower usage.

a) Please provide evidence to justify the anticipation of development along the LRT route.
b) Please explain how Kitchener-Wilmot Hydro has reflected the expected new load in the load forecast.

2-Staff-17
Transformer and Distribution Stations Renewal
Ref: Appendix 2-AA Capital Projects Table
Ref: Distribution System Plan 4.1.2.2.1 Transformer and Distribution Stations Renewal
Ref: EB-2013-0147 – Kitchener-Wilmot Capital Expenditure Program 2013-2022 Appendix B
In Kitchener-Wilmot Hydro's last cost of service (EB-2013-0147), Kitchener-Wilmot Hydro had proposed to install arc resistance on the #5TS switchgear at the end of 2016 and replace #6TS's protections and control (P&C) equipment by the end of 2017. These projects are again proposed for the 2020 test year.

a) Please confirm if these are the same projects. If so, why are the investments reappearing in the test year?
b) If the capital funds were deferred to other priorities/projects, please provide a record on where the funds were deferred and the justification.

2-Staff-18
#5TS – Replace Power Transformers & Oil Retention Pits
Ref: Distribution System Plan – 4.1.2.2 System Renewal – Planned Initatives
Ref: Appendix O – Station's Major Equipment 10 Year Plan 2019-2028
Kitchener-Wilmot Hydro provided a schedule of work to be done for transformation facilities between 2019 to 2028. One major project on the schedule, at a total cost of $6.4 million, is the replacement of power transforms and oil retention pits at #5TS. Kitchener-Wilmot Hydro also stated that this project replaces the two existing 83 MVA transformers, which are at end of life, with two 100 MVA transformers.

a) Please provide the business case and scope of work for this project.
b) Please provide the cost differences between an 83 MVA and 100 MVA transformer unit.
c) Is there anticipated load growth in this specific area? If so, please provide evidence of the load growth.
d) Please provide the distribution operating map of this area including neighbouring stations and feeders.

2-Staff-19
Pole Replacement
Ref: Appendix 2-AA Capital Projects Table
Ref: Distribution System Plan 4.1.2.2.2 Replacement of Pole Line Assets
Ref: Kitchener-Wilmot Hydro Asset Condition Assessment (ACA)
Kitchener-Wilmot Hydro is proposing to replace 425-450 poles each year for the next 10 years with a capital budget of $3.5 million. The approximate unit cost of replacing each pole is $7,700-$8,200.

a) Please provide historical unit costs of replacing poles in the Kitchener-Wilmot service territory.
b) Please provide the number of poles replaced under road relocation, voltage conversion, and any other programs that involve the replacement of poles. If available, provide the demographics of the poles replaced.

The ACA also shows that the assessment methodology slightly weighs the pole strength higher than the pole demographics. The ACA only found 3,233 poles in poor and very poor condition but Kitchener-Wilmot proposes to replace 4,250 poles over the next 10 years.

c) Please explain how Kitchener-Wilmot Hydro assessed that approximately an additional 1000 poles in the fair category would need to be replaced.
d) For the years 2014 to 2018, please provide the yearly outages caused by pole failures and the cause of the failure.

2-Staff-20
System Expansion to Supply New Developments
Ref: Distribution System Plan 4.1.2.3.1 System Expansion to Supply New Developments
Ref: Underground System Expansion to Supply New Developments – Budget Item No: 4-20-5
Kitchener-Wilmot Hydro has stated that it will continue with the construction of new underground distribution system to supply the increasing demand to Kitchener's downtown core. This was supported by Kitchener-Wilmot Hydro's capital project summary. The summary stated that there has been an influx of 3000-4000 new customers and an estimated peak demand of 12MVA. These developments were required to have foundation in the ground by July 2019.

a) Based on the numbers provided, the average peak demand per new customer is 3-4kVA assuming concurrent peaks. Please provide the assumptions used to estimate the 3-4kVA peak usage.
b) Please confirm if the 3000-4000 new customers have already fully materialized. If they have not fully materialized, please provide the expected dates the remaining load will materialize.
c) If there are customers that will materialize in 2020 from the numbers above, how has Kitchener-Wilmot Hydro taken this additional load into consideration in the load forecast?
d) Please provide an update on the status of the developments and are they on track to have foundations completed by July 2019.
e) Please provide a list of neighbouring TSs and feeders that have the capability to supply this area.

2-Staff-21
Innovation and Reliability
Ref: Distribution System Plan 4.1.2.3.2 Innovation and Reliability
Ref: Innovation and Reliability Improvement – Overhead Distribution – Budget Item 3-20-7, 4-20-9
Ref: Ref: Appendix 1-2 KWHI Business Plan – 5.2 Innovation and Enabling Technologies
Kitchener-Wilmot Hydro intends to install Smart Grid devices on selected feeders that either have a large exposure to elements that cause outages (long lines), feed customers critically sensitive to outage duration, or have a history of poor reliability or service customers that are remote from the service center.

a) Please provide the overall scope and project timeline for Kitchener-Wilmot Hydro's Smart Grid system.
b) Has Kitchener-Wilmot Hydro seen reliability improvements on feeders with Smart Devices installed? If so, please provide evidence of that.
c) Please provide the operational philosophy for the Smart Grid system.
d) Are the reclosers replaced prior to their end-of-life? If so, has Kitchener-Wilmot Hydro considered phasing in Smart Grid devices as assets reach end-of-life?

Kitchener-Wilmot Hydro also stated in its business plan that it plans to accelerate the automated recloser program by installing a minimum 6 to 8 per year.

e) Prior to acceleration, what was the number of reclosers replaced by automated reclosers?
f) Are replacements of reclosers during line rebuilds included in this program?

2-Staff-22
Emergency Backup Generator Replacement
Ref: Emergency Backup Generator Replacement – Budget Item 1-20-1
Kitchener-Wilmot Hydro proposes to replace the existing 70kW backup generator with a 300kW unit to provide backup power for the entire office and service center in Kitchener.

a) Is the Kitchener-Wilmot Hydro Supervisory Control and Data Acquisition (SCADA) system located in this building?
b) Please provide a list of the emergency loads.
c) Do any of the loads in the list above have an uninterruptable power supply (UPS)? If so, please provide the UPS's operation time.
d) Please provide the building's outage history between the years 2014-2018.
e) Does the office receive redundant supply from the distribution system? If not, why not?

2-Staff-23
Customer Information System
Ref: Appendix P – CIS Replacement Business Case
The business case differentiated a Tier 1 and Tier 2 CIS solution. A Tier 1 solution allows for greater integration of Kitchener-Wilmot Hydro's operations as the system develops. Phase 1 of a Tier 1 solution also had a scope that included the Geographic Information System (GIS) interface and Outage Management System (OMS) interface.

a) Please confirm if the current scope of work is creating a CIS system that allows for the capability to interface with the GIS and OMS systems in the future or will the communication between the CIS, GIS, and OMS be fully operational.
b) Has Kitchener-Wilmot Hydro considered how this CIS system can tie into its SCADA system or Smart Grid in the future?

Kitchener-Wilmot Hydro identified that one of the risks of not undertaking this project is that there would be limited analytics for management decisions and real-time data access.

c) How will Kitchener-Wilmot Hydro use this new CIS information for its asset management and capital expenditure planning?

In the recommendation section of the business case, Kitchener-Wilmot Hydro stated that there is a 15% contingency for this project.

d) Please provide the supporting information on assessing that a 15% contingency is appropriate.

One of the risk mitigations Kitchener-Wilmot Hydro identified was to maintain strict timelines to complete the CIS project.

e) Please provide the project schedule, milestones, and deliverables for the CIS project.

Kitchener-Wilmot Hydro also identified a Phase 2 to the CIS system, which includes ability to contact customers, a customer portal, and field work order integration.

f) Please confirm that Phase 2 is independent of Phase 1 and will have its own independent business case to justify the costs.
g) Has Kitchener-Wilmot Hydro developed a scope of work for Phase 2? If so, please provide the scope of work.

Exhibit 3 – Operating Revenue

3-Staff-24
Conservation Demand Management (CDM) Revenue
Ref: App. 2-H Other Oper Rev – Account 4375
Kitchener-Wilmot Hydro has included $4,562,600 in CDM revenues for 2020 and in past years have included CDM incentives in CDM revenues.

a) Please explain what else is included in the CDM revenue and if Kitchener-Wilmot Hydro has included any CDM incentives for 2020.

3-Staff-25
Other Operating Revenue
Ref: App. 2-H Other Oper Rev – Account 4210
The amount Kitchener-Wilmot Hydro receives as revenue from pole rentals is shown in Account 4210.

a) Please confirm if the entire amount shown in Account 4210 is due to the wireline pole attachment charges.
b) The wireline pole attachment charge took effect January 1, 2019 but the pole rental revenue for 2019 is similar to all the previous years. Please explain how Kitchener-Wilmot Hydro forecasted the pole rental revenue amount of $527,100 for 2019.

c) The wireline pole attachment charge of $43.63 is a 195% increase from the previous charge of $22.35. Prorating this against the average pole rental revenue seen between 2014-2018, would indicate a rental revenue of $982,824. Please explain how Kitchener-Wilmot Hydro forecasted the pole rental revenue of $850,400.

3-Staff-26
Load Forecast
Ref: Exhibit 3, page 6; Appendix 3-2

Kitchener-Wilmot Hydro stated that it "has included an adjustment to the historic purchases for the loss of street lighting consumption due to the installation of LED lighting as well as the consumption loss of three (3) large use customers, thus reducing the historic purchases to more accurately model future customer consumption."

The Large Use rate class has historically included between one to four customers in each year. Over this time, energy use has varied considerably with periods of increases and decreases. Kitchener-Wilmot Hydro has proposed a Large Use adjustment of 48GWh in 2009, decreasing in every subsequent year. Since 2015, there has been one customer in the rate class, and this is expected to persist into 2020.

In preparing its forecast of Large Use customer class consumption, Kitchener-Wilmot Hydro has used a trend of average use per customer and forecasted customer counts. The trend of historic use per customer includes both the discontinued customers and the remaining customer. The forecast for this rate class has not been adjusted to reflect the wholesale purchases forecast, or planned CDM.

a) Please explain the derivation of the adjustment to wholesale purchases with respect to changes in the use of the Large Use customers.
b) Has Kitchener-Wilmot Hydro considered removing Large Use consumption from wholesale purchases entirely and forecasting the rate class independent of other rate classes? If not, why not?
c) Has Kitchener-Wilmot Hydro considered using only the historic consumption of the remaining customer in order to forecast the energy and demand for the Large Use class in 2020?

3-Staff-27
Load Forecast
Ref: Exhibit 3, page 8; Appendix 3-2
Kitchener-Wilmot Hydro has performed a regression model using heating and cooling degree days, number of days per month, a spring / fall flag, the number of peak hours in the month, CDM activity and a residential customer count as explanatory variables.

a) Has Kitchener-Wilmot Hydro prepared a regression model which uses an economic indicator such as GDP or employment as an explanatory variable?
    a. If so, please provide the results and explain why it was rejected.
    b. If not, please prepare a load forecast model and resulting class forecast where GDP is added as an explanatory variable.
b) The Residential Customers explanatory variable has a t-stat of 0.16. Please explain why this variable was retained despite the apparent lack of statistical significance.

3-Staff-28
Load Forecast
Ref: Exhibit 3, page 10; Appendix 3-2
Kitchener-Wilmot Hydro explained that the data sources for CDM explanatory variable as it relates to the 2006-2017 time period. It then states that “the impact of 2019 and 2020 CDM programs has not been included in the CDM activity variable since they do not impact the actual purchases used in the regression analysis.”

The explanatory variable CDM used in the regression has a peak value of 12,083,877 in December 2017. It then decreases each month in 2018 (decrease of 16,696) and 2019 (decrease of 61,981) before increasing each month in 2020 (increase of 3,034).

a) Please confirm that the CDM variable does not reflect CDM program delivery in 2018.
b) Please confirm that the decreases in 2018 and 2019 are due to losses in persistence of programs delivered in years up to and including 2017.
c) Please explain the source of the increase in the CDM variable in 2020.
d) If point a) cannot be confirmed, please provide a derivation of the CDM variable including program delivery, loss of persistence and other factors as required.
e) If point a) is confirmed, please provide a load forecast scenario where the CDM variable also reflects CDM programs delivered in 2018. Please use the best available information for 2018 program delivery, and explain the source of the information. In the scenario, please ensure that a full load forecast is provided, including billing determinants and regression statistics.

3-Staff-29
Load Forecast
Ref: Exhibit 3, page 10; Appendix 3-2
Kitchener-Wilmot Hydro explained that the Peak Hours explanatory variable as follows: "This measurement of the daylight hours per month captures the variation in demand between months due to the need for electric lighting". However, this explanatory variable does not exhibit the expected seasonality of more daylight in the summer months than the winter months. In addition, the coefficient is positive indicating that more daylight results in more energy consumption. This appears counterintuitive in the context of the electric lighting explanation.

a) Please explain the derivation of the Peak Hours explanatory variable.
b) Please explain the apparent counterintuitive coefficient given the intent of this variable.

3-Staff-30
Load Forecast
Ref: Exhibit 3, pages 12-13; Appendix 3-2; DSP Appendix B
Kitchener-Wilmot Hydro stated that "The Residential class forecast customer count has been increased by 1.4% for the 2020 Test Year rather than the 1.5% calculated because 2016 and 2017 had some unusual increases that affected the geomean." The Geomean growth rate of the years 2009-2015 is 1.45%, and the growth rate of 2018 was 1.55%.

It its DSP, Kitchener Wilmot Hydro identified 22 proposed development projects in downtown Kitchener, a majority of which have a residential component.

a) Please explain the cause of the increases in 2016 and 2017, and number of additional customers resulting from each cause.
b) Please explain why a growth rate of 1.4% was selected when simply omitting 2016 and 2017 would result in a higher growth rate.
c) Please provide a forecast of expected customer additions in 2019 and 2020 from development projects Kitchener-Wilmot Hydro is aware of.

3-Staff-31
Load Forecast
Ref: Exhibit 3, pages 17-18; Appendix 3-2; Load Forecast Model, sheet Load
Kitchener-Wilmot Hydro states that:

> *"The annual historical ratios are then calculated between the billed kW and the billed kWh. KWHI utilized the average of 2009 to 2018 for all classes, with the exception, of the GS>50 kW class. The average of 2013 to 2018 was used for this class because the transition of Class A customers and the Wholesale Market Participants (WMP) produced results that were unreasonable as the ratios are different for primary metered customers."*

Kitchener-Wilmot Hydro calculated 0.2657% for the historic actual ratio for GS > 50 kW. However, the Load Forecast model indicates that the ratio of 0.2657% applies only to the GS > 50 kW customers that are not WMP, and are not Class A. In fact, the load forecast appears to have calculated the GS > 50 kW rate class demand in three parts. It arrived at a forecast of GS > 50 kW demand for customers that are neither WMP nor Class A of 1,471,892 kW based on the six year average of ratios described above. It arrived at a forecast of 34,080 kW based on 2018 demand for GS > 50 kW WMP. Finally, it arrived at a forecast GS > 50 kW Class A demand of 502,671 kW based on a six year average of ratios for these customers. This results in a total GS > 50 kW class forecast of 2,008,643 kW.

a) Please confirm that there was only one Class A customer in the GS > 50 kW rate class in the years 2013-2016, and that this reflects four of the six years used in calculating the ratio of energy to demand used in forecasting demand for GS > 50 kW Class A customers.
b) Please also confirm that Kitchener-Wilmot Hydro had 34 Class A customers in its GS > 50 kW class in 2018, and has forecasted the same number of customers in 2019 and 2020.
c) As a scenario, please prepare a GS > 50 kW class total demand forecast based on a ratio of total class energy to total class demand.

3-Staff-32
Load Forecast
Ref: Exhibit 3 Appendix 3-2
Kitchener-Wilmot Hydro has prepared its forecast of GS > 50 kW customers in three parts. A forecast of WMP customers, a forecast of Class A customers, and a forecast of GS > 50 kW customers who are neither WMP nor Class A.

a) As a scenario, please prepare a customer forecast where
    1) GS > 50 kW customers as a whole are forecasted using a geometric mean growth rate.
    2) GS > 50 kW WMP and GS > 50 kW Class A customers are forecasted using the proposed methodology.
    3) GS > 50 kW customers exclusive of GS > 50 kW WMP and GS > 50 kW Class A customers are calculated by subtracting the forecasts in part b. from the forecast in part a.

3-Staff-33
Load Forecast
Ref: Exhibit 3 page 19; Load Forecast Model, sheet CDM
Kitchener-Wilmot Hydro has identified verified savings of 2.9 GWh in 2015, 3.5GWh in 2016, and 4.4 GWh in 2017. It forecasts 5.9 GWh in 2018, 8.8 GWh in 2019, and 17.6 GWh in 2020.

It calculated a 2020 CDM adjustment of 23.5 GWh by totalling 100% of 2018, 100% of 2019, and 50% of 2020 (8.8 GWh).

a) How does Kitchener-Wilmot Hydro plan to deliver CDM programs totalling 8.8 GWh of savings in 2019 and 17.6 GWh of savings in 2020 when the most it has delivered in the most recent three years of verified results is 4.4 GWh?
b) Why has Kitchener-Wilmot Hydro included 100% of forecasted CDM for 2018 when this is a historic actual year in the regression model?
c) Given the recent revocation of the 2015-2020 Conservation First Framework, please explain whether the overall CDM target of 105,710,000 kWh appropriately reflects planned CDM savings of those projects that Kitchener-Wilmot is contractually obligated to complete under the former Conservation First Framework.
d) For all projected CDM savings from outstanding CDM programs in 2019 and 2020 for the 2020 test year, please provide supporting documentation (such as detailed CDM reports, revised CDM plan, or delivery agreements) to confirm the level of projected savings and associated projects under the former Conservation First Framework.
e) Please re-file all relevant tables and supporting documentation to show the changes and impact on the load forecast.
f) Please confirm the corresponding LRAMVA threshold requested for approval as part of the application, and proposed rate class breakdown of the LRAMVA threshold. Please update Appendix 2-I of the Chapter 2 Appendices based on the CDM adjustment data included in Kitchener-Wilmot's Load Forecast model.

Exhibit 4 – Operating Expenses

4-Staff-34
Operating, Maintenance, and Administration (OM&A) Expenses
Ref: Table 4.2.2.1 – Recoverable OM&A Expenses
Ref: Appendix 2-JC OM&A Programs Table
Kitchener-Wilmot Hydro provided the total yearly OM&A in Table 4.2.2.1, but for 2015 it does not reconcile with the total OM&A levels provided in Appendix 2-JC.

a) Please confirm which table is correct or reconcile the values.

4-Staff-35
Cyber Security
Ref: Exhibit 4 – Operating Costs – Cyber Security, p. 28 of 103
Kitchener-Wilmot Hydro has proposed an incremental cost of $180k for cyber security, which provides the ability to monitor, detect, respond, and recover from cyber security events. This cost includes the expense of third-party network monitoring, training for staff, and annual audits.

a) Please provide the scope of work included in the Request for Tender for the third party network monitoring.
b) What were Kitchener-Wilmot Hydro's selection criteria for the third party network monitoring vendor?
c) Please provide the type of training provided to staff each year for cyber security.
d) Please provide the scope of work for the annual security audits and the results of the audits.
e) Has Kitchener-Wilmot Hydro completed its Cyber Security Self-Certification requirement? If not, please provide a completed certification.
f) Is the cyber security infrastructure on-site or cloud based?

4-Staff-36
Variance Analysis Programs
Ref: Exhibit 4 – 4.3.4 Variance Analysis Programs
Kitchener-Wilmot Hydro has tried to separate the cost increases due to inflation for labour and non-labour components of the program.

a) Please provide the inflation factors assumed for each year for labour and non-labour components.

4-Staff-37
Engineering and Operations
Ref: Exhibit 4 – 4.3.4.2 Engineering and Operations, p. 50 of 103
Kitchener-Wilmot Hydro has proposed to hire an asset manager in 2019 to provide the necessary oversight and direction of Kitchener-Wilmot Hydro's strategy and policy to manage the distribution assets. Kitchener-Wilmot Hydro also proposed to hire a part-time designer to address design work overflow.

a) Please provide the job posting for the two positions and an update on the status of filling two positions.
b) With the estimated budget numbers on p. 50, it appears the budget for the two positions is approximately $256,500. Please confirm if this is correct or provide the expected budget for these two incremental positions.
c) Please confirm if the asset manager will maintain the DSP in the future.
d) Is the design work overflow constant through out the year or a result of specific projects, such as new customer connections?
e) Please provide the amount of charged overtime for design work between the years 2014-2018.
f) Please breakdown the budget for the engineering and operations program between engineering, reliability monitoring, customer complaint response, managing damage claims, and other operational duties for the years 2014-2020. Alternatively, if there is a more suitable breakdown of this program please provide the information and justification. For each broken down item please provide a summary of the work included.

4-Staff-38
Control Room and Stations Operations
Ref: Exhibit 4 – 4.3.4.1 Control Room and Stations Operations, p. 43 of 103
Kitchener-Wilmot Hydro attributed the difference of $300,200 between the test year and the 2014 OEB approved amount to the hiring of two control room operators and an increase in overtime charged for the control room during busy periods.

a) How many control room operators were approved in the 2014 OEB approved OM&A?
b) Please provide the overtime costs charged for control room operations for the years 2014-2018.
c) What is the status of hiring the 7^{th} control room operator?
d) Please provide information on daily operations of the control room, including but not limited to, the operator duties, the number of operators per shift, the length of each shift, rotational schedules, and succession plans.

4-Staff-39
Overhead Maintenance
Ref: Exhibit 4 – 4.3.4.1 Overhead Maintenance, p. 44 of 103
Ref: Distribution System Plan - Figure 2.23 Historical trend Tree Contact related outages
Ref: Distribution System Plan Table 2-17 Customer Hours Interrupted by Cause Codes (2014-2018) – excluding MEDs

Kitchener-Wilmot Hydro has increased its outside contracting expenditures on its overhead maintenance program by $217,000 for tree trimming and animal proofing. Kitchener-Wilmot Hydro also increased its storm damage budget as it has experienced several major storms.

a) Please breakdown the budget for this program between tree trimming, animal proofing, storm damage, emergency repairs, equipment maintenance, and insulator washing for the years 2014-2020. Alternatively, if there is a more suitable breakdown of this program please provide the information and justification. For each broken down item please provide a summary of the work included.
b) Figure 2.23 shows that the historical trend of tree contact related outages has declined between 2014-2018. During 2014-2018, the Overhead Maintenance program, which includes tree trimming, has had relatively constant costs. However, in 2019 and 2020 the Overhead Maintenance program increases by 13% and it appears this may be due to increased tree trimming. Please provide justification for increasing the budget required for tree trimming if there is already a declining trend.
c) Table 2-17 shows that with the exception of 2017, which appears to be an outlier, adverse weather outages are trending downwards. Please explain Kitchener-Wilmot Hydro's justification for the increase in storm damage budget even though it appears adverse weather outages are trending downwards.

4-Staff-40
Regulatory Costs
Ref: Exhibit 4 – 4.3.4.2 Regulatory Costs, p. 52 of 103
Ref: Appendix 2-M Regulatory Costs
Kitchener-Wilmot Hydro has stated that the regulatory cost increases are due to OEB costs, the preparation of the cost of service, and increased salary costs for a regulatory accountant. Appendix 2-M also shows significant increase to OEB Annual Assessment, legal costs, and consultant costs.

a) For appendix 2-M, please breakdown the costs of “OEB Annual Assessment”, as appropriate.
b) Please provide Kitchener-Wilmot’s forecasting methodology and assumptions for the “OEB Annual Assessment” costs for 2020.
c) For appendix 2-M, please breakdown the costs of “operating expenses associated with staff resource allocated to regulatory matters” between salaries and other expenses, as appropriate.
d) What are the roles and responsibility of each staff?
e) The legal costs have increased by 57.11% since the last cost of service. Please explain what additional legal costs Kitchener-Wilmot Hydro expects to incur compared to 2014.
f) Please provide the legal costs accrued to date.
g) For appendix 2-M, please breakdown the costs of “consultants’ costs” to the particular tasks the consultants were hired to accomplish, such as the DSP or asset condition assessment.
h) Please provide the consultant costs accrued to date.
i) Please confirm if the regulatory costs included funding for a community meeting?

4-Staff-41
Information Technology (IT)
Ref: Exhibit 2 – Appendix P – CIS Replacement Business Case
Ref: Exhibit 4 – 4.2.4 Customer Information System
Ref: Exhibit 4 – 4.3.4.1 Information Technology, p. 47 of 103
Kitchener-Wilmot Hydro stated that its old CIS system, COBOL, is 30+ years old and is maintained in-house. This old CIS system only had three programmers that had the skills to maintain the system and two have already retired.

a) Please provide the number of hours that IT staff needed for the maintenance of the old CIS system.
b) What efficiencies were gained with the new CIS system compared to the old CIS system in terms of yearly maintenance?
c) Has Kitchener-Wilmot Hydro back filled the two retired IT positions? If not, what is the current status of those positions?

4-Staff-42
Compensation Strategy
Ref: Exhibit 4 – 4.4.2 Overview of Compensation Strategy
Ref: Table 4.4.2.1 – Average Age
Kitchener-Wilmot Hydro provided the average age of its employees and divided it into four categories in table 4.4.2.1. Kitchener-Wilmot Hydro also stated that it has been actively recruiting power line technicians and apprentices in order to prepare for retiring crew foremen.

a) Please provide the number of employees in each of the four categories provided in table 4.4.2.1.
b) For each category, what is the average years of experience for employees when they retire?
c) For each category, what is the average years of experience for new employees that replace the retired employees?
d) Please provide the number of employees that have retired between 2014 and 2019.

Kitchener-Wilmot Hydro stated that its compensation plan is reviewed against Broader Public Sector and LDC Sector.

e) Please provide the analysis of Kitchener-Wilmot Hydro's compensation plan compared to other LDCs of similar size and geographic area.

4-Staff-43
Headcount
Ref: Table 4.4.3-1 – Employee Costs
Ref: Table 4.4.3.1-1 – Headcount at end of the year
Ref: Appendix 2-K Employee Costs
Kitchener-Wilmot Hydro provided three tables that shows the number of employees in Kitchener-Wilmot Hydro's workforce.

a) The number of employees shown in Appendix 2-K does not match the number of employees shown in Table 4.4.3-1. Please reconcile the tables and explain the difference.
b) Kitchener-Wilmot Hydro provided a headcount by department in Table 4.4.3.1-1. Please provide a breakdown for the total employee count by departments, similar to Appendix 2-K.

4-Staff-44
Payment in Lieu of Taxes (PILs)
Ref: Exhibit - 4. Appendix 4-5
Ref: Exhibit - 4. Appendix 4-8

a) Please provide a copy of the 2018 Income Tax Return
b) Please update the PILs model (using the updated 2020 OEB PILs model) for the historical, bridge, and test years to align with Kitchener-Wilmot Hydro's closing 2018 tax continuity schedules as appropriate (Schedule 4, Schedule 8, Schedule 13), and update any other areas of the application that include the 2020 PILs forecast.

4-Staff-45
Payment in Lieu of Taxes
Ref: Chapter 2 Appendix 2-C; Exhibit 4 – OEB PILs Model Tab T1
The depreciation for 2020 in Appendix 2-C is calculated as $10,475,700. The amortization of tangible assets for 2020 in tab T1 of the OEB PILs model (add back for tax purposes) is $10,463,000.

a) Please explain the discrepancy between these two figures and, as appropriate, please update the OEB PILs tax model tab T1 to align with the depreciation figures used elsewhere in the application.

4-Staff-46
Payment in Lieu of Taxes
Ref: Exhibit - 4 Table 4.10.2.3-1 - CIS CCA adjustment
Ref: Exhibit - 9 Tab 2b.
The 2019 Budget Implementation Act (Bill C-97) was given royal assent on June, 21, 2019. Bill C-97 includes changes to the Income Tax Act that included new accelerated capital cost allowance (CCA) deductions on capital assets acquired after November 20, 2018. Generally speaking, the first-year CCA claim is three times the amount it would have been under the prior rules for these assets. The tax rates and rules assumed in Kitchener-Wilmot Hydro's existing rates do not include these tax deductions.

a) Please prepare an analysis to calculate the revenue requirement impact for 2018 as a result of the new accelerated CCA rules and adjust the Account 1592 principal and interest balances accordingly.
b) Please provide the same analysis in a) above for calendar 2019 and confirm that Kitchener-Wilmot Hydro will record these entries in Account 1592 during 2019. If this is not confirmed, please explain Kitchener-Wilmot Hydro's position.

c) Please confirm that Kitchener-Wilmot Hydro will update its forecast of the 2020 test year PILs calculation by incorporating the new accelerated CCA rules in Schedule 8 of the OEB PILs model.
d) Please provide an analysis of what the impact of the accelerated CCA tax rules will be over the full 2020 to 2024 period.
e) If the analysis in part d) shows that CCA deductions over the 2020 to 2024 period will be volatile for all assets (including the CIS system), please explain Kitchener-Wilmot Hydro's position on whether a smoothing technique should be applied for CCA in general (rather than just the CIS system).

4-Staff-47
Payment in Lieu of Taxes
Ref: Exhibit – 4 Table 4.10.2.3-1 - CIS CCA adjustment
Kitchener-Wilmot Hydro is proposing to calculate a 5-year average of CCA deductions available over the rate term, and use this calculated figure as the test year CCA, with respect to a new CIS system that is expected to go into service in 2020. Kitchener-Wilmot Hydro states that the CCA deductions over the five-year rebasing period would be lower in year 1 and then would peak in 2021, declining each year, resulting in a volatile CCA adjustment each year.

a) Please updated Table 4.10.2.3-1 to include the impacts of the accelerated CCA rules in 4-Staff-46.
b) Please explain what process Kitchener-Wilmot Hydro undertook to identify any other variability in its forecast CCA deductions from 2020 to 2024, including whether there are any deductions available from 2021 to 2024 that are not proportionally reflected in the 2020 test year.
c) Please confirm that this CIS system is a one-time investment, and that there are no ongoing investments for assets of a similar nature from years 2021 to 2024.

Exhibit 5 – Cost of Capital

5-Staff-48
Debt Instruments
Ref: Appendix 2-OB Debt Instruments
Ref: Exhibit 5 – 5.1.1 Long-Term Debt
Kitchener-Wilmot Hydro stated that the long-term debt rate is the interest rate on the promissory note to the City of Kitchener and the City of Wilmot and uses the OEB established rate. For 2019, the OEB deemed long-term debt rate is 4.13%. In Appendix 2-OB, the long-term debt rate used was 4.88% in 2020.

a) Please reconcile the values or provide an explanation.

Exhibit 7 – Cost Allocation

7-Staff-49
Cost Allocation
Ref: Exhibit 7 page 4; Cost Allocation Model, sheet I5.2 Weighting Factors
Kitchener-Wilmot Hydro states that "To determine the weighting factor to be used for each customer class, the cost for Billings and Collections were totaled and allocated to a typical bill for each customer class."

a) Please provide a derivation of the billing and collecting weighting factors used.

7-Staff-50
Cost Allocation
Ref: Cost Allocation Model sheet I6.2 Customer Data; sheet I7.1 Meter Capital; sheet I7.2 Meter Reading
Kitchener-Wilmot Hydro has proposed 89,860 residential customers but only 87,901 meters and meter reads are entered for the rate class. Similarly, Kitchener-Wilmot Hydro has proposed 8,136 GS < 50 kW customers but only have 8,024 meters and meter reads.

a) Please review the planned meter counts and meter reading counts to ensure that there is consistency between the expected number of customers and expected number of meters.

7-Staff-51
Cost Allocation
Ref: Cost Allocation Model sheet I6.1 Revenue; sheet I6.2 Customer Data; sheet I8 Demand Data
Kitchener-Wilmot Hydro has forecasted that in the GS > 50 kW rate class, 1,071,514kW of the 2,008,643kW billing demand will be subject to Transformer Ownership Allowance (TOA). Kitchener-Wilmot Hydro has stated that there are 938 customers in the class, of which, 768 customers require the use of a utility owned Line Transformer, implying that the remaining 170 customers will be served by their own transformers. However, the Line Transformer 4NCP and Secondary 4NCP for GS > 50kW are 487,951kW compared to the Primary 4NCP of 501,008kW.

a) Please reconcile the apparent discrepancy that nearly the entire Primary 4NCP is included in the Line Transformer 4NCP and Secondary 4NCP, while slightly more than half of the billing demand qualifies for TOA.
b) Please reconcile the similar discrepancies related to 1NCP and 12NCP.

7-Staff-52
Cost Allocation
Ref: Exhibit 7 page 5; Cost Allocation Model; Chapter 2 Appendix 2-Q
Kitchener-Wilmot Hydro has performed a direct allocation of costs to the embedded distributor using Appendix 2-Q.

Direct Allocation has been used with respect to the asset accounts

- 1808 – Buildings and Fixtures
- 1815 – Transformer Station Equipment
- 1830 – Poles, Towers and Fixtures
- 1835 – Overhead Conductors and Devices
- 1840 – Underground Conduit
- 1845 – Underground Conductors and Devices
- 1855 – Services

As well as a portion of 2105 – Accumulated Amortization of Electric Utility Plant.

There is no direct allocation nor any allocation through the model of costs related to:

- 1820 – Distribution Station Equipment
- 1860 – Meters

Appendix 2-Q appears inconsistent with the cost allocation model:

	Cost Allocation	Appendix 2-Q
Gross Fixed Assets		
1830 – Poles, Towers and Fixtures	$53,694,577	
1835 – Overhead Towers and Fixtures	$52,971,333	
Total Overhead	$106,665,910	$85,644,736
1840 – Underground Conduit	$46,058,892	
1845 – Underground Conductors and Devices	$60,244,444	
Total Underground	$106,303,336	$66,026,088
Accumulated Amortization		
1830 – Poles, Towers and Fixtures	$19,550,588	
1835 – Overhead Towers and Fixtures	$20,062,503	
Total Overhead	$39,613,090	$34,895,066
1840 – Underground Conduit	$13,253,355	
1845 – Underground Conductors and Devices	$27,112,677	
Total Underground	$40,366,032	$32,066,613

a) Please confirm that Kitchener-Wilmot Hydro does not use a distribution station to serve the embedded distributor
b) Please revise sheets I7.1 Meter Capital and I7.2 Meter Reading to reflect the costs of metering the embedded distributor, or explain why this is not necessary.
c) Please reconcile the apparent inconsistencies identified above between the cost allocation model and Appendix 2-Q.

7-Staff-53
Cost Allocation
Ref: Exhibit 7, page 6; Cost Allocation Model sheet I9 Direct Allocation; sheet O1 Revenue Customer Data; sheet O6 Source Data for E2
Kitchener-Wilmot Hydro stated that

> *"The 2019 Cost Allocation model used for this Application is different from the Cost Allocation model used in the 2014 Cost of Service Application. The updated model allocates to the embedded distributor expenses for General and Administration, Depreciation and Amortization, PILs, Interest and Allocated Net Income. This amount of $75,107 is the driver of the large increase."*

OEB staff has reviewed the cost allocation model filed with the 2014 Cost of Service application and the Cost Allocation model filed in this application and notes the following:

1. The NFA allocator, has been updated. This is used to allocate Cost of Capital Parameters (PILs, Interest and Allocated Net Income) as well as Taxes other than Income Taxes. It now includes the directly allocated net fixed assets. This is a result of a change to sheet O6 Source Data for E2, rows 94 (to add the directly allocated distribution plant gross fixed assets) and 100 (to capture directly allocated accumulated depreciation).
2. The NFA ECC allocator builds on the NFA allocator, and has also been updated. It has been changed in O6 Source Data for E2 row 98 (to capture directly allocated contributed capital). However, it has not been changed to capture directly allocated accumulated amortization (minus accumulated amortization on contributed capital).
3. The present functionality of the Cost Allocation model is to directly allocate cost of capital parameters on the bottom of sheet I9 Direct Allocation, then to allocate a share of the residual pooled cost of capital parameters using the NFA allocator (which includes directly allocated capital), resulting in a double allocation.
4. The NFA ECC allocator presented in O6 Source Data for E2 row 103 is overstated because it does not include the directly allocated accumulated depreciation.

To address these concerns, OEB staff have prepared an alternate version of the Cost Allocation model with the following revisions:

5. The directly allocated cost of capital parameters have been removed at the bottom of sheet I9 Direct Allocation.
6. Sheet O6, cell M101 has been revised to include the directly allocated accumulated depreciation.

a) Please state whether Kitchener-Wilmot Hydro agrees with each of OEB staff's observations numbered one through four, and if not why.
b) Please state whether Kitchener-Wilmot Hydro believes the each of OEB staff's modifications numbered five and six are appropriate. If Kitchener-Wilmot Hydro would make different changes or believes that none are required, please explain.

7-Staff-54
Cost Allocation
Ref: Exhibit 7 page 7, Exhibit 3 Appendix 3-2
Kitchener-Wilmot Hydro proposes to continue charging its standby rate, which is approved on an interim basis.

a) Please provide a breakdown, by rate class of standby volume and revenue for the years 2014-2018.
b) Please confirm that standby kW demand is included in the historical actual kW demand by rate class.

7-Staff-55
Cost Allocation
Ref: Exhibit 7 page 9
Kitchener-Wilmot Hydro proposed to adjust all revenue-to-cost ratios from the status quo levels.

Three rate classes were outside the OEB prescribed ranges, and all three are proposed to move to the boundary. The revenue proposed for collection from the GS < 50 kW rate class was reduced from $6,254,854 (status quo) to $6,195,147, a reduction of $59,707. The revenue proposed for collection from the Street Lighting rate class was reduced from $358,532 (status quo) to $334,895, a reduction of $23,637. The revenue proposed for collection from the Embedded Distributor was increased from $111,076 (status quo) to $147,161, an increase of $36,085. In total, these reflect a reduction of $47,259, which would need to be recovered from other rate classes.

In addition, Kitchener-Wilmot Hydro proposed to reduce the Residential rate class revenue-to-cost ratio from 98% to 97.5% and the Unmetered Scattered Load (USL) rate class revenue-to-cost ratio from 113.7% to 110.0%. It also proposed to increase the GS > 50 kW revenue-to-cost ratio from 95.6% to 97.0% and the Large Use revenue-to-cost ratio from 99.9% to 100.0%.

a) Please provide a rationale for the proposal to reduce the residential revenue-to-cost ratio from 98% further below unity to 97.5%.
b) Please provide the reason for reducing the USL revenue-to-cost ratio when this rate class was already within the range, and this change necessitates further movement in other rate classes.
c) Please provide the revenue-to-cost ratios and allocated revenue that would result from:

1) Adjusting the revenue-to-cost ratios for those rate classes outside the range to the nearest boundary of the range.
2) Adjusting other revenue-to-cost ratios in other rate classes only as necessary to recover the overall shortfall that would result from implementing part 1.

Exhibit 8 – Rate Design

8-Staff-56
Non-payment of Account Service Charges
Ref: Appendix 8-4 – KWHI Proposed Tariff Schedule
Ref: EB-2017-0183 Rate Order, March 14, 2019
In the EB-2017-0183 Rate Order, the OEB eliminated the Collection of Account charge and the Late Payment – Per Annum. In addition, references to "disconnect/reconnect" should be read as "reconnect". These changes have not been reflected in Kitchener-Wilmot's proposed Tariff of Rates and Charges.

a) Please remove the Collection of Account charge and the Late Payment – Per Annum from the Tariff of Rates and Charges.
b) Please update Other Operating Revenue to reflect this removal.
c) Please update the "disconnect/reconnect" charges to read as "reconnect" in the Tariff of Rates and Charges.

8-Staff-57
Retail Transmission Service Rates (RTSRs)
Ref: RTSR Workform – 4. RRR Data
Ref: RTSR Workform – 5. UTR and Sub-Transmission
Ref: RTSR Workform – 6. Historical Wholesale
In the RTSR Workform, Kitchener-Wilmot Hydro showed the Large User non-loss adjusted metered kW to be 64,612kW. In the Reporting and Record Keeping Requirements (RRR) filing for 2018, it shows the metered kW for Large Users to be 69,070kW.

a) Please reconcile the numbers or provide an explanation.

The uniform transmission rates (UTRs) for 2017 appear to be 2016 UTRs.

b) Please work with OEB staff to update the model with correct rates or use the 2020 RTSR model when it becomes available.

The historical wholesale information provided appear to be 2018 data.

c) Please fill out the data for the 2017 year. If the intention was to use 2018 data because it will be 2020 UTRs, please update the RTSRs when the 2020 model becomes available.

8-Staff-58
Specific Service Charge
Ref: Exhibit 8 – Table 8.5-2 Meter Removal Without Authorization
Kitchener-Wilmot Hydro is proposing to increase the specific service charge – meter removal without authorization from the current rate of $60 to $355.

a) In table 8.5-2, Kitchener-Wilmot Hydro showed a breakdown of the hours and resources used. Please explain the work done for each labour item in the table.

8-Staff-59
Cost Allocation
Ref: Exhibit 8, pages 6; Cost Allocation Model, O2 Fixed Charge|Floor|Ceiling
Kitchener-Wilmot Hydro is proposing to increase the fixed charge for three rate classes which are already above the ceiling value related to the Minimum System with PLCC Adjustment. These are the GS < 50 kW rate class from $27.76 to $29.77, the GS > 50 kW rate class from $183.23 to $201.56, and the Large Use rate class from $17,188.81 to $18.636.69. In addition, the proposed fixed charge for the Unmetered Scattered Load rate class of $7.77 would put it above the ceiling of $7.75.

a) Please calculate the variable charges that would result from the scenario where the fixed charges for these rate classes were held to the greater of their existing fixed charge, or ceiling value related to the Minimum System with PLCC Adjustment.

8-Staff-60

Ref: Exhibit 8, page 8; Revenue Requirement Work Form (RRWF), sheet 13. Rate Design

The proposed distribution rates on page 8 do not reconcile to the rate calculated in the RRWF.

	Fixed Charge		Variable Charge	
	RRWF	Exhibit 8	RRWF	Exhibit 8
GS < 50	**29.76**	**29.77**	0.0143	0.0143
GS > 50	**190.08**	**201.56**	**4.9527**	**5.2084**
Large User	**16,148.43**	**18,636.69**	**1.4814**	**1.6556**
Street Lighting	0.76	0.76	**5.0585**	**5.0693**
Unmetered Scattered Load	**7.76**	**7.77**	0.0151	0.0151

In addition, the column labelled Transformer Ownership Allowance in the RRWF is populated with $0.60 for both the GS > 50 and Large User rate classes. This column should be populated with the total allowance applicable to each rate class (i.e. rate * volume).

a) Please make the necessary revisions so that the RRWF and proposed rates are reconciled.

8-Staff-61

Rate Design

Ref: Load Forecast Model, sheet Load; Exhibit 8, page 10; Cost Allocation Model

Kitchener-Wilmot Hydro has forecasted that 1,071,514 kW of GS > 50 kW demand will be subject to transformer ownership allowance in 2020 and has calculated this to be a $642,908 credit to the applicable customers.

a) In the Load Forecasting Model, sheet Load, column H, rows 3-12, please clarify if the total historic actual transformer ownership allowance for all GS > 50 kW customers is included, or if specific groups of customers are excluded from these values.
b) Please explain the purpose of the values in column J, rows 3-12 and 13-14 on the same worksheet.
c) Please explain the cause of the increase in the values in column J, rows 11-12 relative to rows 3-10.

d) Please explain why the denominator in the formulas in column J, rows 3-12 includes only the GS > 50 kW, excluding WMP and Class A, while the nominator in column H, rows 13-14 includes all three components of the GS > 50 kW class demand.

8-Staff-62
Loss Adjustment
Ref: Exhibit 8, pages 17; Chapter 2 Appendix 2-R
Kitchener-Wilmot Hydro has not populated values for row A(1) in the Loss Adjustment Factors calculation. The values in row B reflecting the "Portion of 'Wholesale' kWh delivered to distributor for its Large Use Customer(s)" are 1.0053 times the values in row E reflecting the "Portion of 'Retail' kWh delivered by distributor to its Large Use Customer(s)". The proposed Supply Facilities Loss Factor is 1.0053.

a) Please ensure that row A(1) is completed in the loss factor calculation.
b) Please clarify whether the only losses applicable to the Large Use customer are the upstream supply facility losses, or if the losses reflect the losses in Kitchener-Wilmot Hydro's system.
c) Please ensure that the value in row E corresponds to the energy delivered to the Large Use customer at its meter point, and that the value entered in row B includes any losses in Kitchener-Wilmot Hydro's system, but not any upstream losses.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-63
Interest Rate Applied
Ref: Exhibit 9 – Table 9.2.6-1 Interest Rates Applied to Deferral and Variance Accounts
Ref: Exhibit 9 – Table 9.2.6-2 Interest Rates Applied to Account 1522
Kitchener-Wilmot Hydro provided interest rates used for each quarter in 2019 and assumed the 1st quarter interest rates for the whole year. The OEB has since provided the 2nd quarter interest rates.

a) Please update all affected models and calculations with the new 2nd quarter interest rates from the 2nd quarter until year end.

9-Staff-64
Account 1580 Sub-account CBR Class B
Ref: Exhibit 9 – 9.4.1 Overview
Ref: Filing Guidelines Chapter 3 - 3.2.5.4 Capacity Based Recovery
Kitchener-Wilmot Hydro stated that it is not seeking the disposition of Account 1580 sub-account CBR Class B as the amount is too insignificant as to produce a rate rider in one or more rate classes. The chapter 2 filing guidelines states the following:

> *"in the event that the allocated CBR Class B amount results in a volumetric rate rider that rounds to zero at the fourth decimal place in one or more rate classes, the entire balance in Account 1580, Sub-account CBR Class B will be added to the Account 1580 WMS control account to be disposed through the general purpose Group 1 DVA rate riders"*

a) Please explain why Kitchener-Wilmot Hydro has chosen not to dispose the amount in Account 1580 sub-account CBR Class B.

9-Staff-65
Global Adjustment
Ref: Ex. 9.7.1 Global Adjustment Settlement Process
On February 21, 2019 the OEB issued a letter (the letter), as well as detailed Accounting Guidance, to all rate-regulated licensed electricity distributors, which stated the following:

> *"Today, the OEB is providing an initial set of standardized requirements for regulatory accounting and RPP settlements. For some distributors, the result of implementing this guidance may be that changes will be required to their current processes even though the current processes result in accurate balances."*

The letter further stated:

"If any distributor is of the view that there may be systemic issues with their RPP settlement and related accounting processes that may give rise to material errors or discrepancies, or if the OEB has identified issues with balances, those distributors are expected to correct those balances before filing for disposition in an annual rate application. Distributors not adjusting balances prior to January 1, 2019 should confirm in their rate application that they have considered the accounting guidance and are of the view that no adjustments are required."

a) Please confirm whether or not Kitchener-Wilmot Hydro has incorporated the updated regulatory accounting and RPP settlement guidance into its processes, as of the current date. If so, when did KWHI make these changes? If not, when does Kitchener-Wilmot Hydro expect to make these changes?
b) If the changes above have already been made, please describe the nature and magnitude of any significant changes required in order for Kitchener-Wilmot Hydro to comply with the standardization requirements laid out in the guidance.
c) Did Kitchener-Wilmot Hydro revise any 2018 transactions (or prior years not disposed of on a final basis) within Accounts 1588 or 15899 as a result of implementing the new accounting guidance? If so please itemize a detailed list of the adjustment(s), the reason for the adjustment(s), the dollar impacts, and which cells they are included in within the DVA continuity schedule. If not, please provide confirmation, as indicated in the letter, that Kitchener-Wilmot Hydro has considered the accounting guidance and is of the view that no adjustments are required.

9-Staff-66
Global Adjustment
Ref: Exhibit – 9 9.7.1 Global Adjustment Settlement Process (pp. 35 of 38)
Kitchener-Wilmot Hydro states the following with respect to its RPP settlement process:

> *"When providing consumption estimates for the RPP versus market price claim via the IESO portal, KWHI forecasts the RPP volume based on meter readings. The volume is based on actual consumption in a month. True ups are performed starting three months after the initial forecast and continue for six months after the first true up. The true up uses the actual GA charge"*

a) Please differentiate (if any difference exists) between what information is used for RPP volume upon initial estimate versus RPP volume in true-up processes.
b) If estimated volume is based on meter readings, does this mean the Kitchener-Wilmot Hydro does not have a quantity variance in its true-up processes, and rather only a price variance? Please explain.
c) If there is no quantity variance, please provide rationale for the need to wait between three and six months after a settlement month to true-up with the IESO based on actual quantities and prices?
d) Please confirm that all price and quantity true-ups for each month of 2018 is included in either the 2018 transactions or 2018 principal adjustments in the DVA continuity schedule.

9-Staff-67
Global Adjustment
Ref: GA Analysis Workform
Ref: DVA Continuity Schedule Tab 2a
OEB Staff is seeking a full reconciliation between the amounts requested for disposition and the amounts reported in RRR by calendar year. Currently, there is a variance in column BV for Account 1588 in the amount $2,055,092. OEB Staff also notes that Kitchener-Wilmot Hydro has included an amount of $955,570 in Column BF with respect to Account 1588.

a) Please provide a more detailed breakdown of all the adjustments that comprise the $955,570 and, for each component, indicate the following:
    1) A detailed description of the adjustment (eg. reversing entry from prior year adjustments, settlement true-ups recorded in 2019 that relate to 2018, unbilled revenue differences recorded in 2019 that relate to 2018, etc.)
    2) The fiscal year this adjustment pertains to
    3) The fiscal year that this adjustment was actually journalized to the general ledger
    4) If any of the components relate to settlement true-ups, please provide additional details with respect to which months are being trued-up and what is being trued up (GA price, HOEP, or RPP/Non-RPP quantities).

9-Staff-68
Global Adjustment
Ref: GA Analysis Workform
Ref: DVA Continuity Schedule Tab 2a
OEB Staff is seeking a full reconciliation between the amounts requested for disposition and the amounts reported in RRR by calendar year. Currently, there is a variance in column BV for Account 1589 in the amount ($2,250,159). OEB Staff also notes that Kitchener-Wilmot Hydro has included an amount of $1,551,997 in Column BF with respect to Account 1589.

a) Please provide a more detailed breakdown of all the adjustments that comprise the $1,551,997 and, for each component, indicate the following:
    1) A detailed description of the adjustment (eg. reversing entry from prior year adjustments, settlement true-ups recorded in 2019 that relate to 2018, unbilled revenue differences recorded in 2019 that relate to 2018, etc.)
    2) The fiscal year this adjustment pertains to

3) The fiscal year that this adjustment was actually journalized to the general ledger
4) If any of the components relate to settlement true-ups, please provide additional details with respect to which months are being trued-up and what is being trued up (GA price, HOEP, RPP/Non-RPP consumption, etc).

9-Staff-69
Deferral and Variance account
Ref: DVA Continuity Schedule Tab 2b – Account 1508 Sub-account Pole Rental Revenue
Ref: Chapter 2 Appendices Appendix 2-H Other Operating Revenue
Kitchener-Wilmot Hydro has proposed to dispose of the excess pole rental revenue earned up to December 31, 2018, which was recognized as a result of the charge increasing from $22.35 to $28.09 in September 30, 2018.

a) Please confirm that Kitchener-Wilmot Hydro has included the most recent charge of $43.63, effective January 1, 2019, for the purposes of forecasting other operating revenue. If this is not the case, please explain why not.
b) Please confirm that Kitchener-Wilmot Hydro has commencing charging the Pole Rental rate of $43.63 as of January 1, 2019, and has been recording the difference between $43.63 and $22.35 in this sub-account during 2019. If this is not the case, please explain why not.
c) Does Kitchener-Wilmot Hydro believe that it can reasonably forecast the December 31, 2019 balance in the Pole Rental Revenue account? If so, what would Kitchener-Wilmot Hydro's position be with respect to refunding these amounts in the current application and discontinuing this sub-account effective January 1, 2020, rather than waiting until the subsequent cost-based application?
d) Please provide Kitchener-Wilmot Hydro's best estimate of what the Pole Rental Revenue sub-account balance will be as of the end of December 31, 2019, given year to date amounts and projections for the remainder of 2019.
e) If Kitchener-Wilmot Hydro can reasonably forecast the December 31, 2019 balance in the Pole Rental Revenue account, please make this adjustment in the DVA continuity schedule and recalculate the amount requested for disposition and the associated rate riders.

9-Staff-70
Deferral and Variance account
Ref: DVA Continuity Schedule Tab 2b – Accounts 1518 and 1548 Retail Service Charges
Ref: Chapter 2 Appendices Appendix 2-H Other Operating Revenue
Ref: Decision and Order In the matter of energy retailer service charges effective May 1, 2019 (EB-2015-0304)[1]

Kitchener-Wilmot Hydro is proposing to dispose of the balances in Accounts 1518 and 1548 as of December 31, 2018, for the excess of costs over revenues with respect to services rendered for retail services.

a) Please confirm that Kitchener-Wilmot Hydro has included the revenues (in Appendix 2-H) and costs (in OM&A) for retail services in its proposed distribution rates using the updated charges outlined in the EB-2015-0304 Decision and Order. If this is not the case, please explain why not.
b) Please confirm that Kitchener-Wilmot Hydro has implemented the new service charges outlined in the Decision and Order above with respect to retail services as of May 1, 2019, and has continued to accumulate the retail service cost and revenue variances in Accounts 1518 and 1548. If this is not the case, please explain why not.
c) Please provide Kitchener-Wilmot Hydro's best estimate of what the Account 1518 and 1548 balances will be as of the end of December 31, 2019, given year to date amounts and projections for the remainder of 2019.
d) Does Kitchener-Wilmot Hydro believe that it can reasonably forecast the December 31, 2019 balances in these accounts? If so, what would Kitchener-Wilmot Hydro's position be with respect to collecting these amounts in the current application, as well as discontinuing these accounts effective January 1, 2020, as opposed to waiting until the subsequent cost-based application?
e) If Kitchener-Wilmot Hydro can reasonably forecast the December 31, 2019 balance in Accounts 1518 and 1546, please make this adjustment in the DVA continuity schedule and recalculate the amount requested for disposition and the associated rate riders.
f) The use of Account 1518 and Account 1548 is predicated on the fact that retail service costs and revenues are excluded from distribution rates (and thus are recorded in variance accounts instead). Please confirm that Kitchener-Wilmot Hydro excluded these items from the calculation of their distribution rates in their prior rate application. If this is not the case, please explain, in detail, the types of costs and revenues included in distribution rates versus the ones that have been recorded in these variance accounts.

[1] Decision and Order (EB-2015-0304)

9-Staff-71
Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)
Ref: EB-2013-0147, 2014 Settlement Agreement (Table #3e), p. 22 of 46
Ref: Table 2-a (Tab 2) of LRAMVA workform
Ref: Tables 5-a and 5-b (Tab 5) of LRAMVA workform
In this LRAMVA application, Kitchener-Wilmot Hydro is seeking to claim lost revenues from 2015 and 2016 program activity, including the persistence of 2011 and 2012 programs into 2015 and 2016.

In the approved settlement proposal for 2014 rates, the LRAMVA threshold of 18,623,388 kWh was comprised of only the persistence of 2013 and 2014 forecast savings in 2014.

a) Please confirm whether the 2014 load forecast from the last rebasing application was reduced by actual 2011 and 2012 CDM savings. If yes, please discuss the appropriateness of including the persistence of 2011 and 2012 actual savings in 2015 and 2016 of this LRAMVA claim.
b) Please discuss whether Kitchener-Wilmot Hydro agrees to remove the persistence of 2011 and 2012 programs in 2015 and 2016 in Table 5-a and Table 5-b.

9-Staff-72
LRAMVA
Ref: Table 5-a (Tab 5) of LRAMVA workform (program #4)
In 2015, Kitchener-Wilmot Hydro allocated 2% of savings from the HVAC Initiative to the GS<50 kW class. OEB staff noticed that previous year's HVAC savings were attributable to only residential customers from 2011 to 2014 and in 2016.

a) Please explain how the 2% allocation of savings from the 2015 HVAC program to the GS<50 kW class was derived, and why there is a change in allocation from historical years noted above.

9-Staff-73
LRAMVA
Ref: Table 5-a (Tab 5) of LRAMVA workform (program #8)
Ref: 2017 Final Verified Results Report (available through IESO website)
It appears the savings adjustment for the 2015 Direct Install Lighting and Water Heating Initiative was not included in Table 5-a of the LRAMVA workform.

a) Please discuss the rationale for not including the savings adjustment for the 2015 Direct Install Lighting and Water Heating Initiative. If this was excluded in error, please include the adjustments for this program in Table 5-a.

9-Staff-74
LRAMVA
Ref: Exhibit 9 of Application
Section 2.4.6.2 of the Chapter 2 Filing Requirements indicates that distributors should file an excel copy of the savings documentation issued by the IESO to support the figures included in the LRAMVA workform.

a) Please file an excel copy of the following:
    - 2014 Final CDM Annual Report
    - 2011-2014 Persistence Savings Report
    - 2017 Final Verified Annual CDM Program Results

b) If Kitchener-Wilmot Hydro has made any changes to the LRAMVA work form as a result of its responses to the above LRAMVA interrogatories, please file an updated LRAMVA work form, a revised LRAMVA balance requested for disposition, and a table summarizing the revised rate riders.

c) Please confirm any changes to the LRAMVA workform in response to these LRAMVA interrogatories in “Table A-2. Updates to LRAMVA Disposition (Tab 2)”.