PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

July 10, 2019 **VIA E-MAIL**

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Toronto, ON

Dear Ms. Walli:

Re: EB-2019-0049 – Kitchener-Wilmot Hydro Inc. 2020 Cost of Service Rates
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

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

Yours truly,

Mark Garner
Consultants for VECC/PIAC

Email copy:
Ms. Margaret Nanninga, Vice President Finance & CFO
mnanninga@kwhydro.ca

REQUESTOR NAME	**VECC**
TO:	**Kitchener Wilmot Hydro Inc. (KWHI)**
DATE:	**July 10, 2019**
CASE NO:	**EB-2019-0049**
APPLICATION NAME	**2020 COS Rate Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: Exhibit 1, page 94

a) Please update the KWHI scorecard for the 2018 actual results.

1.0-VECC-2

a) Please provide the total cost of the customer engagement work completed for this application. Please show separately external and internal costs of this work

2.0 RATE BASE (EXHIBIT 2)

2-0-VECC-3

Reference: Exhibit 2, Table 2.9.3.1-1 / Appendix 2-AA

a) Please confirm that the 2018 capital expenditure figures represent actual (not forecast) amounts. If this is not confirmed please update these tables for actual results.

2.0-VECC -4

Reference: Exhibit 2, EB-2013-0147 Exhibit 2, Tab 1, Schedule 2, pg. 34

a) Please confirm (or correct) that the prior cost of service application EB-2013-0147 KWH had put forward a proposal to recover $300,000 to replace its legacy CIS Application. Please explain how that proposal relates to the new proposal.

2.0-VECC -5

Reference: Exhibit 2, Page 219

The General Information on Project (5.4.3.2.A) for the CIS project shows only $1.675 million being expended on the CIS project in 2020. The evidence explains this is a $6.7 million project. Appendix 2-AA shows $5.190 million and $2.335 million being spent on IT/OT systems in 2019

and 2020 respectively.

a) Please provide a detailed budget for the CIS replacement showing all spending in the 2018 through 2020 period for capital and any incremental OM&A (including incremental licensing fees).

2.0-VECC-6

Reference: Exhibit 2, Appendix 2-AA

a) Please provide a table showing for each of the System Access categories:

- LRT Relocations,
- Roadway Relocations,
- Underground Residential Distribution; and,
- Commercial/Industrial/Apartment Services,

the capital contributions for each category in each year 2014 through 2020 (forecast). Please provide separately the residual capital contributions for each year associated with the remaining five system access categories and the total capital contributions for all capital projects in the period 2014 through 2020.

2.0-VECC-7

Reference: Exhibit 2 Distribution System Plan, page 207 (PDF 346) Table 4-33

a) Please reconcile Table 4-33 with Appendix 2-AA for the year 2020.

2.0-VECC -8

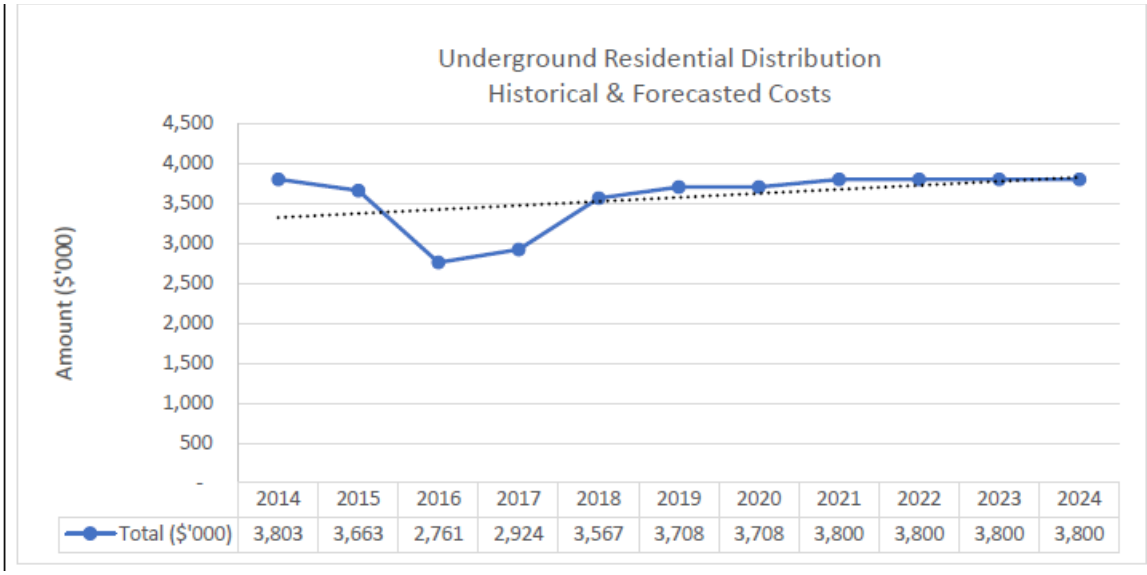
Reference: Exhibit 2, PDF pg. 549

a) Please confirm the forecast capital contribution for the Underground System Expansion to Supply New Developments is $170,000 for a project estimated to have a total cost of $1.7million. Please explain how this capital contribution was estimated.

2.0-VECC-9

Reference: Exhibit 2, PDF pg. 358

a) Please comment on the reason(s) for the decline in underground distribution capital expenditures in 2016 and 2017 (as shown on graph below).



2.0-VECC -10

Reference: Exhibit 2, Appendix 2-3 Distribution System Plan, Table 3-16 page 125 (PDF 264)

a) Please provide the current average and median age of the vehicle fleet (without trailers) in 2018 and the expected average and median age at the end of 2020 and 2023.

2.0-VECC-11

Reference: Exhibit 2, Appendix 2-3, Distribution System Plan, page 48 (PDF 187)

a) Does KWHI collect SAIDI/SAIFI data for the different categories of defective equipment? If yes please provide the past 5 years annual data for: overhead equipment, underground equipment and station equipment (and any subcategories collected such as overhead transformers, overhead switches, poles and pole hardware).

b) If such data is not collected please explain what efforts are made to collect data on equipment failure related outages.

2.0-VECC-12

Reference: EB-2013-0147 2013-2022 Estimated Expenditure & Exhibit 2, Appendix 2-3,Distribution Plan, Table 4-27, page 186 (PDF 325)

VECC has included a compendium to these interrogatories with two extracts from the evidence provided in KWHI's last cost of service application EB-2013-0147.

a) With respect to Appendix A please provide an assessment of the Utility's actual expenditures as compared to that forecast in the 2013-2022 Capital Expenditure Plan and as compared to Table 2.9.3.1-1.

b) The Plan amounts in Appendix A appear to be different than the planned amounts shown as the planned amounts in Table 4-27 of the current Distribution Plan. Please explain why the variance tracked in Table 4-27 is not from the planned presented in EB-2013-0147.

c) With respect to Appendix B (Stations 10 Year Plan) please explain whether the station projects estimated to be completed by 2019 in the "0147 Plan" have been completed and whether the remainder (2020-2022) of that plan is still current/relevant.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC-13

Reference: Exhibit 3, page 5 (lines 7-8) and page 6 (lines 23-26)
Load Forecast Model, Power Tab and Energy Tab

a) Do the IESO purchased power values used in the Load Forecast Model include purchases related to the GS>50 customer that is a wholesale market participant? If not, please reconcile this with the fact that, in the Energy Tab, the wholesale market participant customer is included in the allocation of the forecast purchased for 2019 and 2020.

b) Do the IESO purchased power values used in the Load Forecast Model include purchases related to the embedded distributor? If yes, please reconcile this with the fact that, in the Energy Tab, the embedded distributor is not included in the allocation of the forecast purchased for 2019 and 2020.

c) Please indicate the timing of the installation of LED lighting for purposes of street lighting in KWHI's service area.

d) How was kWh adjustment related to the installation of LED lighting determined?

e) In adjusting the purchase power values, were the values for the consumption loss attributed to either the three large use customers or LED street lighting adjusted for losses?

f) Does the calculation of the loss factor used in converting the forecast power purchased to billed load account for the various adjustments made to the historical purchased power values for purposes of the developing the regression model? If not, what is the impact on the billed energy forecast?

3.0-VECC-14

Reference: Exhibit 3, page 10 (lines 5-15) and page 11 (Table 3.1.7-2)
Load Forecast Model, CDM Tab

Preamble: The CDM Tab contains the following values for CDM

A	B	C	D	E	F	G
	Total Annual CDM Results	Total Annual CDM Results	Full year Increase over	Half year pattern		
2005	292,583	292,583	292,583	146,292	146,292	1,876
2006	11,429,858	10,724,827	10,432,244	5,508,705	5,238,628	67,162
2007	30,126,928	21,463,789	10,738,962	16,094,308	6,152,918	78,884
2008	34,400,975	27,058,909	5,595,120	24,261,349	2,960,726	37,958
2009	47,381,961	36,655,515	9,596,606	31,857,212	5,090,633	65,265
2010	54,664,487	39,643,598	2,988,083	38,149,557	1,984,886	25,447
2011	65,677,230	50,620,380	10,976,782	45,131,989	5,302,914	67,986
2012	71,029,722	56,622,172	6,001,792	53,621,276	4,002,206	51,310
2013	75,626,821	61,309,444	4,687,273	58,965,808	1,958,050	25,103
2014	83,853,806	70,275,491	8,966,047	65,792,468	5,169,848	66,280
2015	102,523,021	90,753,702	20,478,211	80,514,597	10,347,642	132,662
2016	121,091,398	110,125,229	19,371,527	100,439,466	11,169,172	143,195
2017	157,976,515	147,697,956	37,572,727	128,911,593	19,021,289	243,863
2018	149,693,568	139,710,565	- 7,987,391	143,704,261	- 1,302,269	- 16,696
2019	142,835,737	135,825,138	- 3,885,427	137,767,852	- 4,834,489	- 61,981
2020	137,021,969	132,002,384	- 3,822,754	133,913,761	236,631	3,034
Total		1,130,781,685		1,064,780,493		

a) The columns included in Table 3.1.7-2 only include the years 2013 to 2020. Please provide a revised version of the table that also includes 2008 to 2012 in the columns (i.e., all of the historical years used in developing the regression model).

b) Please provide the actual reports that support the net results set out in Column C of the CDM Tab. If the reports do not document the persisting savings through to 2020 each program year, please explain how the persisting values were determined.

c) It is noted that the regression was performed using 2009-2018 data. However no values for 2018 CDM program impacts were included. Please comment on how this omission will impact the regression analysis results and the ensuing purchased power forecast.

d) Please re-estimate the regression equation using just 2009-2017 data and then provide: : i) the resulting regression equation and statistics, ii) the resulting weather normalized forecast (i.e., similar to Table 3.1.10-4) and iii)

the supporting excel model. (Note: Manual adjustment for CDM impacts should include the forecast persisting savings from 2018 CDM programs).

3.0-VECC-15

Reference: Exhibit 3, pages 8 and 12

a) How did KWHI determine the explanatory variables used in the regression analysis?

b) Were other economic/demographic activity variable considered besides Number of Residential customers? If yes, please indicate what they were and why they were rejected.

c) It is noted that neither the CDM nor the Residential Customers variable are statistically significant. Given these results, please explain why they were retained as explanatory variables.

d) Please re-estimate the regression equation excluding both the CDM and Residential Customers variable and provide: i) the resulting regression equation and statistics, ii) the resulting weather normalized forecast (i.e., similar to Table 3.1.10-4) and iii) the supporting excel model.

e) Please provide an alternative regression model and load forecast where: i) the explanatory variable is the purchased power values used in the current Application plus the CDM variable for the month, ii) the explanatory variables are the same as those in the current Application – excluding CDM and iii) the regression analysis uses 2009-2017 historical data. As part of the response please provide i) the resulting regression equation and statistics, ii) the resulting weather normalized forecast (i.e., similar to Table 3.1.10-4) and iii) the supporting excel model.

3.0-VECC-16

Reference: Exhibit 3, pages 12-14
Load Forecast Model, Customer Tab

Preamble: The Customer Tab contains the following:

Average Number of Customers or Connections											
	Residential	GS<50 kW	GS>50 kW	WMP	GS>50 kW Cl A	Large User	Streetlights	USL	Subtotal	Embedded Distributor	Total
Growth Rate in Customer Numbers											
2009	1.0146	1.0145	0.9911			0.7500	1.0191	0.9963		1.0000	
2010	1.0164	1.0106	0.9841			0.3333	1.0148	0.9927		1.0000	
2011	1.0162	1.0121	0.9858			2.0000	0.9962	1.0370		1.0000	
2012	1.0157	1.0142	0.9713			1.0000	1.0032	1.0330		1.0000	
2013	1.0112	1.0055	0.9979	1.0000	1.0000	1.5000	0.9860	0.9709		1.0000	
2014	1.0121	1.0074	0.9937	1.0000	1.0000	0.6667	1.0419	1.0394		1.0000	
2015	1.0151	1.0067	0.9947	1.0000	1.0000	0.5000	1.0130	1.0163		1.0000	
2016	1.0171	1.0063	1.0011	1.0000	1.0000	1.0000	1.0098	0.9723		1.0000	
2017	1.0181	1.0116	0.9679	1.0000	27.000	1.0000	1.0260	1.0228		1.0000	
2018	1.0155	1.0059	1.0066	1.2500	1.2593	1.0000	0.9823	1.0507		1.0000	
Used	1.0140	1.0095	0.9936	1.0000	1.0000	0.8705	1.0091	1.0128		1.0000	
Geomean	1.0152	1.0095	0.9936	1.0379	1.7999	0.8705	1.0091	1.0128		1.0000	

a) Are the historic customer/connection counts use average annual values, mid-year values or year-end values?

b) Please provide the customer/connection counts by class as of most recent month available.

c) The Application states that KWHI used a growth rate equal to the geometric mean for all classes except Residential. However, in the Customer Tab a different approach also appears to have been used for the GS>50 class. Please reconcile.

d) Please re-calculate the forecast number of Residential and GS<50 customers based on the following approach: i) remove the added load transfer customers from the historic data, ii) calculate the resulting geomean growth rate for each class including 2018 data, iii) forecast the 2019 and 2020 counts by applying the geomean value to the 2018 value (excluding the load transfer customers and then adding back in the load transfer customers.

3.0-VECC-17

Reference: Exhibit 3, pages 16 and 18-20
Load Forecast Model, CDM Tab
Load Forecast Model, Energy Tab

Preamble: The CDM Tab calculates the following manual adjustments for 2019 and 2020:

	Proposed Cost of Service Method						
	2015	2016	2017	2018	2019	2020	Total
	kWh						
2015	2,936,389	2,936,389	2,936,389	2,936,389	2,936,389	2,936,389	17,618,333
2016		3,523,667	3,523,667	3,523,667	3,523,667	3,523,667	17,618,333
2017			4,404,583	4,404,583	4,404,583	4,404,583	17,618,333
2018				5,872,778	5,872,778	5,872,778	17,618,333
2019					8,809,167	8,809,167	17,618,333
2020						17,618,333	17,618,333
					Apply 1/2 year rule		
					5,872,778	5,872,778	
					4,404,583	8,809,167	
						8,809,167	
					10,277,361	23,491,111	

The Energy Tab sets out the following allocation to customer classes:

		Residential	GS<50 kW	GS>50 kW	WMP	Class A	Large User	Streetlights	USL
CDM		Manual Adjustment to the Load Forecast from 2019 and 2020 Programs on a Net Level							
		5.00%	25.00%	70.00%					
2019	(10,277,361)	(513,868)	(2,569,340)	(7,194,153)	0	0	0	0	0
2020	(23,491,111)	(1,174,556)	(5,872,778)	(16,443,778)	0	0	0	0	0

a) Please provide a copy of KWHI's most recent 2015-2020 CDM Plan as approved by the IESO.

b) Are the 2018-2020 annualized CDM savings used in the CDM Tab based on KWHI's most recent CDM Plan? If not, why not and what is the basis for the values?

c) Is the assignment of the CDM adjustment to customer classes in the Energy Tab based on KWHI's most recent CDM Plan? If not, why not and what is the basis for the values?

d) Why is the full value of the 2018 savings included in the adjustment when actual 2018 load were used in the development of the load forecast model?

3.0-VECC-18

Reference: Exhibit 3, pages 19-20

a) Is KWHI proposing to continue the LRAM Variance account for 2020?

b) If yes, what is the proposed LRAMVA threshold for 2020 in terms of: i) total kWh, ii) kWh by customer class and iii) kW for those classes that are demand billed? As part of the response, please indicate how the values proposed were calculated.

3.0-VECC-19

Reference: Exhibit 3, pages 18-20
Directive-CCF-Wind-down (http://www.ieso.ca/Sector-Participants/Conservation-Delivery-and-Tools/Interim-Framework)
Directive-Interim-Framework (http://www.ieso.ca/Sector-Participants/Conservation-Delivery-and-Tools/Interim-Framework)
Interim Framework CDM Plan – 20190524 (http://www.ieso.ca/Sector-Participants/Conservation-Delivery-and-Tools/Interim-Framework)

a) Please confirm that the CDM forecast through to 2020 in Table 3.2-1 is based on the Conservation First Framework implemented by the previous provincial government.

b) In March 2019 the current Minister of Energy issued directives i) discontinuing the Conservation First Framework and the Industrial Accelerator Program and ii) establishing a new Interim Framework. On June 5, 2019 the IESO published the new framework setting out both those programs that would be continued and those that would be discontinued. The IESO also released new program budgets and targets for 2019 and 2020. What impact will the revised framework (which only continues some of the of original Conservation First Framework's programs) have on the forecast CDM savings for 2019-2020 as set out in: i) KWHI's latest CDM Plan and ii) Table 3.2-1?

3.0-VECC-20

Reference: Exhibit 3, pages 34-35

a) Please explain the income reported with respect to Account #4245.

b) Please provide the derivation of the 2020 Pole Rental Revenue ($850,440) and indicate how the number of attachments assumed in the calculation compares with the actual number of attachments in 2018.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -21

Reference: Exhibit 4, pages 23, Table 4.1.1-2

a) Are contributions for the LRT construction and other capital works are credited to operating costs or capital cost an as an offset to rate base?

b) Please explain the difference between a "capital contribution" and an

"administrative offset". Specifically who pays the latter and for what purpose?

c) A review of Appendix 2-G "Detailed, Account by Account, OM&A Expense Table from EB-2013-0147 Exhibit 4, Tab 2, Schedule 8 shows no items identified as "administrative offset". Please explain the different presentation in this Application.

4.0-VECC-22

Reference: Exhibit 4, page 63 Table 4.4.3-1 and Appendix 2-K

a) Please amend Appendix 2-K to show for each year 2014 through 2020 the total amount of employee costs capitalized and expensed in each year.

4.0-VECC-23

Reference: Exhibit 4, Table 4.4.3.1-2 Change in Headcount

a) KWHI explains that the current CIS requires significant resources for the specialized labour to maintain its aging COBOL code. Given this, please explain why the replacement of this system would not lead to a reduced need for IT personnel.

4.0-VECC-24

Reference: Exhibit 4, Section 4.2.3. page 21

a) Please explain the reason(s) for the decrease in spending on the outage management system.

4.0-VECC-25

Reference: Exhibit 4, Table 4.2.3-1, page 23

a) In what year and month did KWHI introduce monthly billing?

b) In KWHI previous cost of service rates proceeding - EB-2013-0147 - the Utility forecast an incremental increase in OM&A of $178,000 in 2013 and $164,000 in 2014 for the costs of monthly billing (Table 4-5, Exhibit 4, Tab 1, Schedule 2). Table 4.2.3-2 suggests a further incremental cost of $465,270. Is this latter cost an ongoing annual cost and is it in addition to

those prior identified annual costs?

c) Please provide a breakdown of the annual incremental billing costs incurred since December 31, 2014.

4.0-VECC-26

Reference: Exhibit 4, Table 4.2.3-3, page 24

a) Table 4.2.3-3 shows the forecast test year (2020) OEB assessment fees at $421,700. Appendix 2-M shows the 2018 actual costs to be $236,695 and 2019 forecast costs as $237,500. Why does KWHI believe it's OEB assessment costs will nearly double from 2019 to 2020?

b) Please provide a breakdown of the $750,000 one-time costs incurred for this Application into the following categories:

- Legal costs
- External Consultant costs
- Internal staff costs
- Intervenor costs

For each category please show the amount of costs incurred to-date.

c) Are any of the one-time regulatory costs included in the presentation of OM&A costs shown/included in Appendix 2-JA for 2018 ($19,417,969) or for 2019 ($20,167,300)?

4.0-VECC-27

Reference: Exhibit 4, page 10

a) Please provide a breakdown of the $1.4 in incremental OM&A costs into the stated components: CIS/HR System Fees/OEB Cost Assessment/postage/ and other increases in HR Safety and additional maintenance expenses.

4.0-VECC-28

Reference: Exhibit 4, Table 4.4.2.1-1, page 60

a) KWHI states it has negotiated wage increase for 2018-2021. Please update Table 4.4.2-1 to show the 2021 percentage increase.

4.0-VECC-29

Reference: Exhibit 4, Table 4.10.1-1, page 91

a) Please explain why KWHI believes it will face an almost 7% increase in property taxes from that paid in 2018 when the past increases have been more modest at around 1.5% per year.

4.0-VECC-30

Reference: Exhibit 4, Appendix 2-N & Exhibit 4, page 77

a) Please explain why street lighting maintenance fees (Kitchener and Wilmot) paid to KWHI have declined significantly since 2014 (367,960) to 2020 ($293,300)

4.0-VECC-31

Reference: Exhibit 4,

a) Is KWHI a member of the Electricity Distributors Association? If yes please provide the fees paid to this association for the each of the years 2014 through 2020 (forecast).

4.0-VECC-32

Reference: Exhibit 4, page 45 & Appendix 2-JC

KWHI is proposing to increase its Overhead Maintenance program spending by about 400k in 2019 onwards as compared to the previous 5 years. At Exhibit 4 $132,300 of this is explained as an increase in the storm damage budget. Vegetation management is suggested as another area of incremental increase.

a) Please provide the vegetation management actuals and budget for the period 2014 through 2019.

b) Please identify any other significant incremental cost which is contributing to the rising cost in this category.

4.0 -VECC -33

Reference: Exhibit 4, pages 99-103

Preamble: It is noted that the LRAMVA claim is based on:

- Final 2016 Annual Verified Results Report – KWHI
- Final 2015 Annual Verified Results Report – KWHI
- 2011-2015 KWHI CDM Program Persistence Results

a) The Application states that the reports were filed in working Microsoft Excel format. However, the files do not appear on the OEB's website. Please provide.

b) Has KWHI received from the IESO its verified 2017 CDM Results report?
   i. If yes, please provide a copy and indicate if there were there any adjustments to the savings in 2015 or 2016 from 2015 and 2016 programs.
   ii. If adjustments were made, please provide an update the LRAMVA Work Form and claim accordingly.

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

5.0-VECC-34

Reference: E5/pg. 3 & Appendix 2-OB

a) The Appendix 2-OB for 2020 does not match Table 5.1-1 Deemed capital structure (4.88% vs 4.13%). Please confirm for the purpose of rate calculations the figure of 4.13% for long-term debt is being used.

b) Notwithstanding the Board's limit of 4.13% for affiliated debt for the purpose of rate calculation does KWH pay a rate higher (4.88%) to its debt holders?

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

n/a

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –35

Reference: Exhibit 7, page 3

a) Has KWHI had any discussions with Board Staff regarding initiatives the Board will undertake to "prescribe a method to weather normalize hour data"? If yes, please indicate what the outcome to date has been.

7.0 – VECC –36

Reference: Exhibit 7, pages 4

a) Please provide the analysis supporting the billing and collecting weighting factors set out in Table 7.1.3-2.

7.0 – VECC –37

Reference: Exhibit 7, page 2
Cost Allocation Model, Tabs I7.1 and I7.2
Exhibit 3, page 21

a) Please explain why the customer counts used in Tab I7.1 don't match those in the load forecast.

b) Who owns the meter associated with the embedded distributor?

c) Please explain why the customer counts used in Tab I7.2 don't match those in the load forecast.

d) Why are there no meter reading costs associated with the embedded distributor?

7.0 – VECC –38

Reference: Exhibit 7, pages 5-6 and Appendix 7.2
Cost Allocation Model, Tab I3

a) With respect to the TS (owned by the Host), please confirm that costs set out in Columns 2 and 3 are the total costs related to all of KWHI's Transformer Stations.

b) Please reconcile the Total OM&A costs and the Original Asset Costs for TS (Owned by Host) set out in Appendix 2-Q (Columns 2 & 3) with the values reported by account in the Cost Allocation Model (i.e., for each of Columns 2 and 3 please demonstrate that the directly allocated values in the relevant the accounts in Tab I3 sum to the value reported).

c) With respect to the O/H and U/G facilities in Appendix 2-Q, please confirm that the costs set out in Columns 2 and 3 are the total costs related to all of KWHI's O/H and U/G facilities.

d) Please reconcile the Total OM&A costs and the Original Asset Costs for each of O/H and U/G facilities set out in Appendix 2-Q (Columns 2 & 3)

with the values reported by account in the Cost Allocation Model (i.e., for each of Columns 2 and 3 please demonstrate that the directly allocated values in the relevant the accounts in Tab I3 sum to the value reported).

e) Please provide the derivation of the $6,796 in General and Administrative Expenses directly allocated to the Embedded Distributor class.

7.0 – VECC –39

Reference: Exhibit 7, pages 6-7 and Appendix 7.2
Cost Allocation Model, Tab I3
Tariff Schedule and Bill Impact Model – ED Bill Impacts

a) Please provide an alternative cost allocation model where cost are not directly allocated to the Embedded Distributor class based on Appendix 2-Q but rather the Embedded Distributor's load and customer count are included in the model's allocation of costs per Tab E3.

b) It is noted that the bill impact calculations for the Embedded Distributor do not include any amounts in total bill impact for the cost of purchasing energy from the IESO. Please explain why this is the case and provide the total bill impact when the cost of energy is included.

7.0 – VECC –40

Reference: Exhibit 7, page 9

a) Please provide KWHI's rationale for the proposed changes to the revenue to cost ratios for the following customer classes: i) Residential, ii) GS>50; iii) Large Use, iv) USL and v) Embedded Distributor

b) With respect to Table 7.3-1, would increasing the ratios for GS>50 and the Embedded Distributor to a value less than 98% offset the revenue loss from reducing the ratios for the GS<50 and Street Lighting classes to the levels proposed by KWHI? If yes, what would be the ratio?

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 41

Reference: Exhibit 8, page 8

a) How many KWHI customers were subject to standby charges in each of 2017 and 2018 and in what customer classes were they situated?

b) For each year what was the additional revenue earned from standby charges?

c) Do the historical load values used to calculate the kW/kWh ratios used in the Load Forecast model to derive the billing demand determinants include the kW that was subject to standby charges?

d) If the response to part c) is no, how are the revenues from standby charges accounted for in the determination of the Base Revenue Requirement and the subsequent design of rates?

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -42

Reference: Exhibit 9, page 23

a) The Board established the Cost Assessment Variance sub-account 1508 in order to capture the impact of the change in its cost assessment methodology on the fees paid by LDCs. In booking amounts into this account please explain how KWHI differentiated between the variances that would have incurred in the normal course (under either the old or new methodology) and those amounts incurred due to the change in methodology.

9.0-VECC-43

Reference: Exhibit 9, page 9

a) Why is the balance for the Loss of Specific Customer variance account (1572) allocated to all rate classes rather than the large customer class, or otherwise the commercial class of customers?

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