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

BY E-MAIL

September 8, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Long:

Re: Waterloo North Hydro Inc. (Waterloo North Hydro)
Application for 2021 Electricity Distribution Rates
Ontario Energy Board File Number: EB-2020-0059

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Waterloo North Hydro and all intervenors have been copied on this filing.

Waterloo North Hydro's responses to interrogatories are due by September 28, 2020.

Yours truly,

Original Signed By

Donald Lau
Project Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

OEB Staff Interrogatories
2021 Electricity Distribution Rates Application
Waterloo North Hydro Inc. (Waterloo North Hydro)
EB-2020-0059
September 8, 2020

Exhibit 1 – Administration

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

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), 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.

In addition, please file an updated set of models that reflects the interrogatory responses.

1-Staff-2
Letters of Comment

Following publication of the Notice of Application, the OEB received two 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
Customer Survey
Ref 1: Attachment 1-9a Customer Engagement Report, pp. 4-5
Ref 2: Exhibit 1 – Changes After Engagement, pp. 109-111
Ref 3: Attachment 1-9b Customer Engagement Report
Ref 4: Chapter 2 appendices – 2-AB
Brickworks asked customers how important outages and causes of outages are to them based on costs. Then Brickworks asked customers to prioritize their preferences, which included reliability and costs. The outcome appears that reliability is only important up to the point it causes additional costs to the majority of customers. After the engagement, Waterloo North Hydro stated that it adjusted its plans by increasing capital by $422,000 to move overhead lines to underground and invest in innovative investments such as Customer Information System upgrades and smart switches and reclosers. Waterloo North Hydro also noted that to accommodate this increase in spending, it deferred capital spending for a new Enterprise Resource Planning System (ERPS) to 2022.

a) Did Waterloo North Hydro prepare a reliability to cost analysis to justify this change in the plan? If so, please provide.
b) Waterloo North Hydro stated that it determined that a significant group of customers would like overhead services moved underground. However, in the report in reference 3 it shows that 56% of customers would not be willing to pay more for underground distribution. Please explain how Waterloo North Hydro determined that it was prudent to increase area rebuilds by $200,000 to accommodate underground distribution.
c) Please provide the business case or capital investment details for the ERPS.
d) The total net capital expenditure for 2022 in reference 4 is higher than 2021. Please confirm if this is due to the deferral of the ERPS? If not please explain the increase.

1-Staff-4
Customer Survey
Ref 1: Attachment 1-9b Customer Engagement Report, p. 8
Ref 2: Chapter 2 Appendices – 2AA
Brickworks asked customers to rate their interest in improvements and upgrades in the next five years. In Waterloo North Hydro's system service capital budget it includes system investments such as contingency enhancement, grid modernization, grid resilience, and station equipment upgrades.

Please explain why the types of system upgrades included in Waterloo North Hydro's system service capital budget are not included in this section of the customer engagement.

1-Staff-5
Performance Measurement
Ref 1: Exhibit 1 – Performance Measurement, p. 118
Waterloo North Hydro stated that it is committed to improve reliability through reviewing the worst performing feeders on an on-going basis.

a) Please provide the list of worst performing feeders, which should include the feeder designation, length of the feeder, and reliability statistics for the feeder itself.
b) Based on this list of worst performing feeders, how many feeders on the list are addressed in the 2021 capital budget?
c) How has Waterloo North Hydro paced the capital budget to address the worst performing feeders?

1-Staff-6
Executive Compensation
Ref 1: Exhibit 1 – 2.1.4 Administration, pp. 54-56
As part of an approved settlement proposal dated November 13, 2015, Waterloo North Hydro agreed to undertake a review of its executive compensation incentive plans with its board of directors to evaluate the potential for more objective measures. Waterloo North Hydro stated that in December 2015, the Waterloo North Hydro board developed and approved a total compensation policy for its Executive team. Waterloo North Hydro also stated that it engages the services of an independent external compensation consultant who provides research to analyze the competitive markets and to establish total compensation that will attract, retain and motivate employees.

a) Please confirm if the development of the compensation policy approved in December 2015 started before the approved settlement proposal.
b) Did Waterloo North Hydro engage in the services of an independent external compensation consultant in the development of the December 2015 compensation policy? If not, why not? If so, what was the vintage of the competitive market research provided by the independent external compensation consultant?
c) Please explain the differences between the December 2015 compensation policy and the previous compensation policy.

d) Waterloo North Hydro stated that the goals, which incentive pay is based on, are weighted. Please provide the weights for the four performance objectives listed for the past five years.
e) Is there a cap to the total executive compensation? If so, how is it established? If not, how is the per unit executive compensation established?

1-Staff-7
Conditions of Service
Ref 1: Exhibit 1 – Statement Regarding Conditions of Service, p. 57
Waterloo North Hydro states that the Conditions of Service would be updated because of the proposed Standby Charges.

Please provide draft updates to the Conditions of Service, if the Standby Charges are approved.

Exhibit 2 – Rate Base

2-Staff-8
COVID Impacts
Ref 1: Exhibit 3 – COVID Impact to Load Forecast, p. 17
Waterloo North Hydro stated in reference 1 that "It is very difficult to determine at this time what the lasting implications of this pandemic will be on customers, businesses and electricity load however it will have long term impacts."

Waterloo North Hydro proposes either to use a load forecast that includes the forecasted impacts of COVID-19 or to track the difference between load forecast and actuals in a deferral and variance account for future disposition. Both of these options would effectively be for the five-year term.

a) Since Waterloo North Hydro has requested that COVID-19 impacts be taken into effect for the load forecast, has Waterloo North Hydro reflected COVID-19 impacts in its capital expenditures? If so, how?
b) If Waterloo North Hydro has not included COVID-19 impacts in its capital expenditures, please explain why?
c) Please provide the planned and actual capital expenditures from March to July, 2020.

2-Staff-9
Customer Information System
Ref 1: Exhibit 2 – Variance Analysis on Gross Assets, p. 34

Ref 2: EB-2015-0108 – Appendix G – Replacement of Customer Information System (CIS) Software

In Waterloo North Hydro's last cost of service application, the capital project summary showed that cost of the CIS software was estimated to be $378k, as shown in reference 2. In reference 1, Waterloo North Hydro stated that the new CIS system totalled $1.4M.

a) Please explain the variance in price for the new CIS.
b) If there was a scope change, please highlight the change in scope and provide an explanation to justify the change in scope.

2-Staff-10

Qualifying Generation Facilities

Ref 1: Exhibit 2 – Costs of Eligible Investments for the Connection of Qualifying Generation Facilities, p. 74

Ref 2: EB-2015-0108, Settlement Proposal

Waterloo North Hydro states that it has not identified any material eligible investments and has not filled out 2-FA through 2-FC. In Waterloo North Hydro's approved settlement proposal in EB-2015-0108, Waterloo North Hydro noted that it recorded the total cost of the qualifying projects in rate base and recorded the IESO revenue as a revenue offset.

a) Please confirm if the qualifying projects from EB-2015-0108 are still in rate base.
b) Please confirm if Waterloo North Hydro is requesting to recover the remaining qualifying project amounts through revenue requirement. .

2-Staff-11

Asset Condition Assessment

Ref 1: Exhibit 2 – Appendix A – Asset Condition Assessment Report

Waterloo North Hydro states that for poles and underground cables it used ENGIN, METSCO's asset analysis, prioritization, and optimization tool, in developing the asset assessment Health Indices for the replacement analysis recommendations in this report.

a) Please explain the process ENGIN uses to assess risk based on the health indices.
b) Please explain the process of deciding the pacing of asset replacements.

In the asset condition assessment report, Waterloo North Hydro provided how asset replacements are determined. Waterloo North Hydro stated that very poor and poor

condition assets are normally replaced between 1 to 2 years depending on the condition and risk assessments.

c) Please explain how Waterloo North Hydro determines that assets in very poor and poor condition need to be replaced between 1 to 2 years.
d) How does Waterloo North Hydro assess risk?

2-Staff-12
Station Transformers
Ref 1: Appendix A – Waterloo North Asset Condition Assessment Report – 2.2 Station Transformers, pp. 19-22

In Table 2-8, it states that if an asset condition is E then divide the overall health index by two.

a) Please explain the reason behind this and the justification for a factor of two.

In Table 2-9, the health index range for very poor and poor condition assets are twice as large as for the very good and good condition assets.

b) Please provide justification for why it is reasonable to have a smaller range for good assets and a larger range for poor assets.
c) Please provide support on how the health index ranges are decided.
d) Please confirm if this health index definition applies to all other assets.

2-Staff-13
Pole Replacement
Ref 1: Appendix A – Waterloo North Asset Condition Assessment Report – 2.8 Poles, pp. 47-54
Ref 2: Appendix K – Distribution System Reliability Report
In the asset condition assessment, Waterloo North Hydro proposes to replace around 3,000 poles over five years because they are in poor and very poor condition. In the Distribution System Reliability Report, it breaks out the number of outages due to defective equipment but not the specific equipment that is defective.

a) Please breakdown the SAIDI and SAIFI for defective equipment into the type of equipment that caused the outage.
b) Please explain if Waterloo North Hydro took into consideration the historical pole related outage information from the Distribution System Reliability Report when pacing pole replacements? If not, why not?

2-Staff-14
Material Capital Investments
Ref 1: Exhibit 2 – Table 4-22: 2021 Material Investments
Waterloo North Hydro provides a list of material investments for 2021 along with expected capital spending and prioritization.

a) Please provide similar tables for 2022-2025. For multi-year capital programs in 2021 that extend into 2022-2025 please present the capital budget side-by-side for comparison purposes.
b) For material capital investments in 2022-2025 that are not part of a 2021 capital program please provide a brief description of the project, including the objective and scope of work.

2-Staff-15
Overhead Line Renewal
Ref 1: Exhibit 2 – Appendix B – Overhead Line Renewal, pp. 19-22
Ref 2: Exhibit 2 – Appendix A – Asset Condition Assessment Report – 2.8 Poles, p. 47
Ref 3: EB-2015-0108 – Distribution System Plan – 3.2 Overview of Assets Managed, p. 125
Waterloo North Hydro's Overhead Line Renewal budget, which includes the Overhead Line Renewal program and the Overhead Line Renewal 4kV and 8kV program, is approximately 12% lower than historical actual spending. In EB-2015-0108, Waterloo North Hydro identified 715 poles in poor or very poor condition. In this application, Waterloo North Hydro identified 3,094 poles in poor and very poor condition. While Waterloo North Hydro has changed its health indices methodology, it is still predominantly based on age and strength of the pole.

a) Please provide an explanation for the increase in the number of identified poles in poor and very poor condition between the last application and the current application.
b) The historical spending for overhead line renewal has generally been higher than the 2021 capital budget even though there were less poles in poor or very poor condition to address. How has Waterloo North Hydro been able to address more required pole replacements with a smaller capital budget?
c) Please provide the number of poles replaced between 2016 and 2020.

2-Staff-16
Underground Line Renewal

Ref 1: Exhibit 2 – Appendix B – Underground Line Renewal, pp. 23-26
Ref 2: Exhibit 2 – Appendix A – Asset Condition Assessment Report – 2.9 Primary Underground Distribution Cables, p. 62
In reference 1, Waterloo North Hydro provides two projects it intends to complete in 2021. In reference 2, Waterloo North Hydro stated that it intends to replace approximately 7.1km of direct buried cable annually.

a) Please confirm the total km of underground line that will be installed under the two projects listed in reference 1.
b) Please provide the total km of underground line installed for each year between 2016 and 2020.
c) Has Waterloo North Hydro considered cable refurbishment instead of cable replacement? If not, why not?
d) In reference 2, it was recommended that 20% (37.5km) of direct buried cables in fair condition be proactively replaced over the forecast period. The proactive recommendation is based on the age of the cables in this category but age only comprises 25% of the health index. Please explain how Waterloo North Hydro justifies that proactive replacement of 37.5km of direct buried cables is prudent.

2-Staff-17
Overhead Line Renewal – Failing Conductor
Ref 1: Exhibit 2 – Appendix B – Overhead Line Renewal – Failing Conductor, pp. 23-26
Waterloo North Hydro states that it intends to replace overhead lines that have small conductors which have the tendency to become brittle as they age and fail prematurely, especially during storms. Waterloo North Hydro also states that while conductor condition is the main driver, other assets such as poles, transformers, insulators, arrestors are also replaced at the same time to be cost effective and less disruptive. This is because these assets are nearing end of life and would not normally survive a second life cycle.

a) There is no asset condition assessment related to overhead conductors. Please explain how Waterloo North Hydro identifies conductors that need to be replaced based on condition.
b) If the replacement of conductors is purely based on conductor size, please provide the threshold of conductor size that would warrant replacement and the total km of conductor of that size in Waterloo North Hydro's service territory.
c) Please provide the number of outages experienced between 2016 and 2020 related to failing conductors.

d) How does Waterloo North Hydro assess that assets along the replacement route of these conductors would not survive a second life cycle?
e) There is higher overhead line renewal spending in 2020 as compared to the historical average. Please explain the reason for this.

2-Staff-18
Station Equipment Renewal
Ref 1: Chapter 2 Appendices – 2AA
Waterloo North Hydro has a capital program called Station Equipment Renewal with a budget of $125,503 for the 2021 test year.

While the test year amount is below Waterloo North Hydro's materiality threshold, the historical actual amounts are not. Please provide a project summary for this program.

2-Staff-19
Miscellaneous/Other
Ref 1: Chapter 2 Appendices – 2AA
Waterloo North Hydro has several capital programs named miscellaneous/other for each capital investment category, which represent grouping of immaterial project. The 2021 budgeted amount is close to twice the amount of the average historical actuals for each capital investment category.

a) Please provide the methodology Waterloo North Hydro forecasts the amount in the miscellaneous/other budget.
b) Please provide an explanation of the forecasted increase in 2021.

2-Staff-20
Public Service Works on Highways Act Relocations (PSWHA) and Non-PSWHA
Ref 1: Exhibit 2 – Appendix B – Non-Public Service Works on Highways Act Relocations, pp. 1-3
Ref 2: Exhibit 2 – Appendix B – Public Service Works on Highways Act Relocations, pp. 4-6
Since 2016, the yearly actual spending for Non-PSWHA has been steadily declining while the PSWHA actual spending fluctuates.

Please provide all known relocation projects that fall into the PSWHA and Non-PSWHA capital program for 2022 to 2025.

2-Staff-21
Subdivisions Expansions

Ref 1: Exhibit 2 – Appendix B – Expansions Subdivisions, pp. 10-12
The Subdivisions Expansions investment is 25% higher than historical actuals when Waterloo North Hydro has seen declining customer growth rates since 2011.

Please provide all known subdivision expansion projects for 2022 to 2025, avoiding confidential information if possible.

2-Staff-22
Pole Condition
Ref 1: Exhibit 2 – Appendix A – Asset Condition Assessment Report – 2.8 Poles, p. 47
As part of Waterloo North Hydro's 2020 inspection and pole-testing program, Waterloo North Hydro stated that it would complete missing pole data in the condition assessment.

Please provide an updated condition assessment if available.

2-Staff-23
Contingency Enhancement
Ref 1: Exhibit 2 – Appendix B – Contingency Enhancement, pp. 41-43
Waterloo North Hydro has included one rebuild project in the Contingency Enhancement capital budget.

Please provide the total kilometers of line that will be rebuilt for the project.

2-Staff-24
Grid Modernization
Ref 1: Exhibit 2 – Appendix B – Grid Modernization, pp. 41-43
Waterloo North Hydro's strategy for urban feeders is to segment it into two parts, supplemented by remote tie switches on either side of the segmentation device. For rural feeders, due to typically long lengths, the strategy is to segment the feeder into three parts supplemented by remote tie switches on either side of all segmentation devices.

a) Please provide the number of reclosers and fault indicators that Waterloo North Hydro intends to install in 2021.
b) Please provide the number of feeders affected by the reclosers and fault indicators.
c) For the feeders affected please provide outage information between 2016 to 2020.

2-Staff-25
Grid Resiliency
Ref 1: Exhibit 2 – Appendix B – Grid Resiliency, pp. 48-50
Waterloo North Hydro intends to move a number of sections of residential services from overhead to underground in Waterloo North Hydro's most heavily treed areas where the primary lines were recently reconstructed.

Please provide the total length of the planned underground services.

2-Staff-26
Station Equipment Upgrade
Ref 1: Exhibit 2 – Appendix B – Station Equipment Upgrade, pp. 51-53
Ref 2: Asset Condition Assessment – Table 2-19 HMSTS "A" Breaker Condition Assessments
Waterloo North Hydro's station equipment upgrade budget for the 2021 test year is almost double the historical actuals. In the 2021 test year, Waterloo North Hydro intends to replace feeder breakers at Scheifele 'A' TS due to the short circuit rating limits. Based on the asset condition assessment provided, most of these breakers are still in very good condition.

a) Please explain what Waterloo North Hydro plans to do with the old breakers.
b) Please provide all known station equipment upgrade projects for 2022 to 2025 and confirm if they are connected to the asset condition assessment.
c) Based on the asset condition assessment the only assets that are in poor condition are the high voltage circuit switch at Schedifele 'B' TS and the protection relay at MTS#3. For future Station Equipment Upgrades that do not include assets that are in poor condition, what does Waterloo North Hydro plan to do with those assets?

2-Staff-27
Fleet – Trucks
Ref 1: Exhibit 2 – Appendix B – Fleet - Trucks, pp. 54-56
The fleet investments include the replacement of one large vehicle and the replacement of three small vehicles.

Please provide the type and number of vehicles purchased for each historical year between 2016 and 2020.

2-Staff-28

Information Technology – Asset Life Cycle
Ref 1: Exhibit 2 – Appendix B – Information Technology – Asset Life Cycle, pp. 57-59
Ref 2: Distribution System Plan - Appendix N – IT Management Plan
Ref 3: Chapter 2 appendices – 2-BB Service Life
Waterloo North Hydro has shown a three-year laptop replacement investment in reference 1. In the IT management plan it shows that a laptop's life cycle can be 3-5 years and the depreciation rate shown in reference 3 for laptops is five years.

Please explain the discrepancy between Waterloo North Hydro's depreciation rate of three years in reference 1 and the depreciation rate for computer hardware in reference 3.

2-Staff-29
Operational Technology Software
Ref 1: Exhibit 2 – Appendix B – Operational Technology Software, pp. 60-62
Ref 2: Distribution System Plan - Appendix N – IT Management Plan
Waterloo North Hydro intends to replace its graphical information system and has divided this project over several phases between 2019 and 2023. Phase 2 in the 2021 test year is for the migration from the old system to the new system.

In addition, Waterloo North Hydro's IT management plan states that it is monitoring the growing trend from the ownership and self-hosted model to a software as a service (SAAS) cloud model.

a) Please provide the projects that Waterloo North Hydro has planned in the capital program for 2024 and 2025.
b) In reference 2 table 5-4, Waterloo North Hydro provided a list of information technology software applications that it uses. For the applications that have a host model of self-managed or hybrid, are there possible alternatives for them to be cloud-hosted?

2-Staff-30
MS/DS Decommissioning
Ref 1: Exhibit 2 – Appendix B – MS/DS Decommissioning, pp. 66-68
Ref 2: Asset Condition Assessment – Table 2-34: DS Transformers Health Condition Assessments
Historically, Waterloo North Hydro retired all of the old 4.16kV municipal stations and some 8.32kV municipal stations. The 2021 capital budget is to complete phase II environmental assessments, associated work at three different sites, and prepare them

for sale. Waterloo North Hydro also stated that no properties are planned to be sold prior to the end of 2021.

a) Please provide a cost breakdown of the work required at the three sites.
b) Does Waterloo North Hydro have estimated sale prices for the three properties?
c) Does Waterloo North Hydro have a proposal on how any gain from the sale of these properties will be dealt with if they are sold in the coming years? If not, why not?
d) Based on the asset condition assessment, the remaining 8.32kV transformers are in relatively good health. Does Waterloo North Hydro have plans to retire these stations between 2022 and 2025?
e) If no more 8.32kV stations are going to be retired, what does Waterloo North Hydro intend to do with this capital program between 2022 and 2025?

Exhibit 3 – Operating Revenue

3-Staff-31
Load forecast
Ref 1: Exhibit 3 Load Forecast Model, Tab: Rate Class Customer Model. p.20
Waterloo North Hydro observes “that customer growth across the classes has slowed in recent years.” Waterloo North Hydro proposes to use a trend of growth rates to forecast growth to 2021.

Waterloo North Hydro appears to use an average of year beginning and year ending customer counts to forecast each year’s customer connections.

a) Please confirm OEB staff’s observation that customer connections are calculated using an average of the count at the beginning and end of each year, or explain the approach used.
b) Is Waterloo North Hydro able to determine the cause of the decrease in growth of customer connections?
c) How many customer connections does Waterloo North Hydro have in each rate class as of June 30, 2020?
d) Has Waterloo North Hydro considered other approaches to addressing the changing growth rates, such as shorter-term averages or regression methodologies? If not, why was a trend chosen in favour of other possible methodologies?

3-Staff-32
Load forecast

Ref 1: Exhibit 3 – Table 3-7 Total System Load Reductions March – May, 2020
Ref 2: Exhibit 3 – Table 3-8 kW April Variances for GS>50kW and Large User
Waterloo North Hydro has provided tables that compare Total System Load Reductions for March, April, and May of 2020 to 2019 and 2018. These are provided in kWh and kW for the total system, and by rate class for kW only in April.

a) Please provide these tables by rate class and month for the months January – July for both kW and kWh.
b) For January – July 2020, please provide the actual system purchases by month as well as predicted values based on the proposed load forecast. These predicted values should be based on actual explanatory variables, including weather, wherever possible. Where estimates are required, please identify what was estimated, and how it was estimated.
c) Please update and explain any trends Waterloo North Hydro has noticed with the updated tables provided above.

3-Staff-33
Load Forecast
Ref 1: Exhibit 3, COVID Impacts to Load Forecast, p.17
Ref 2: Exhibit 9, pp 40-41
Waterloo North Hydro proposes two options for the 2021 load forecast:

> Option 1: Allow for a special sub-account for WNH of Account 1509-Impacts Arising from the COVID-19 Emergency which calculates the variance between the load forecast included in this Application and actuals.
>
> Option 2: Use the revised COVID-19 adjusted load forecast included in this Application.

In requesting the new sub-account Load Forecast Variance under Account 1509 Impact Arising from the COVID-19 Emergency, Waterloo North Hydro states:

> Due to the COVID-19 pandemic during the time of the preparation of this Application, it has been difficult for WNH to determine the short and longer term impacts to load. While all will agree there will be long lasting effects, determining the specific impact to include in WNH's load forecast cannot be well supported at this time. A discussion of this is included in Exhibit 3 of this Application. WNH is requesting a sub-account under Account 1509 – Impacts Arising from the COVID-19 Emergency that is specific to WNH's situation.
>
> WNH is requesting to track all variances from the Load Forecast included in this Application for both customer count and kWh to be cleared through an annual

rate rider as part of the annual IRM application. WNH is requesting that this sub-account accrue carrying charges.

On March 25, 2020, the OEB issued an Accounting Order to set up an account for Lost Revenues.

a) Please confirm that the load forecast variance account is not needed if the OEB decides to approve the second option for the load forecast.
b) Please clarify whether the proposed load forecast variance account is symmetrical, i.e. Waterloo North Hydro will collect from customers the impacts resulting from an over-forecast of load/customer count and refund the impacts in the case of an under-forecast in load/customer count.
c) Please provide details of which variances are proposed to be tracked among forecasted energy, demand, and customer connections?
d) Is Waterloo North Hydro proposing to track variances to all customer classes, or to a subset of customer classes? If a subset, which classes?
e) For which year(s) is Waterloo North Hydro proposing to use the variance account to track and dispose of variances?
f) Please confirm whether or not variances resulting from any cause would be captured by this variance account.
g) If differences arising due to weather are to be captured by the variance account, please explain why, in Waterloo North Hydro's opinion, this is appropriate given that variances due to weather occur regularly, and are not normally recovered through a true-up mechanism such as a variance account.
h) If differences arising due to weather are not to be captured by the variance account, please provide the methodology by which variances due to weather vs COVID vs variances due to any other sources are to be determined, and which of these variances are to be trued up through the proposed variance account.
i) How does Waterloo North Hydro propose that easement of socioeconomic restrictions and economic recovery be reflected into the proposal for Option 1?
j) Has there been a consideration of Waterloo North Hydro's exposure to certain business sectors or customers and corresponding risk?
k) How does Waterloo North Hydro propose to address potentially burdening one class of customers due to the loss of load from another class in terms of equitability and cost causality?
l) How would the proposed variance account interact with the Lost Revenues sub-account approved by the OEB in its March accounting order?
m) Given that this proposed sub-account was not one of the three generic sub-accounts approved by the OEB in its March accounting order, please provide Waterloo North Hydro's assessment of the eligibility criteria for this sub-account, i.e. materiality, causation and prudence.

n) Is Waterloo North Hydro aware of any circumstances where the OEB has approved a similar variance account for load forecast uncertainty? If so, please provide references to the EB number and any associated OEB Decisions and Orders.
o) As an alternative to recording loss of load amounts in the Account, should there be consideration for early rebasing or a special rates adjustment to address redistribution of the overall lower load amongst the other rate classes?

3-Staff-34
Load Forecast
Ref 1: Load Forecast Model - Rate Class Energy Model tab
Ref 2: Chapter 2 Appendix 2-R
Waterloo North Hydro has used a 16-year historic average of losses to estimate losses in the test year. OEB Appendix 2-R uses a five-year historic average of losses to estimate losses in the test year. The loss factor in the load forecast model when all 16 years are used is 1.0357. When only the last five years are used, the loss factor is 1.0329.

The 16 years of historic losses are graphed below:

a) Does Waterloo North Hydro believe that the difference in losses between the earlier years relative to the later years is due to random variability, or due to systemic changes in its line losses?
b) If Waterloo North Hydro believes that the difference in line losses over the years is due to systemic changes, such as upgrades to lines, please explain why a 16-year average was chosen.

3-Staff-35
Load Forecast Model
Ref 1: Load Forecast Model – Rate Class Energy Model
In Waterloo North Hydro's Load Forecast model, under the tab "Rate Class Energy Model" and cell J91, Waterloo North Hydro provided the weather sensitive percentage for the GS>50kW rate class. There were also weather sensitive percentages for the residential, GS<50kW, and Large User rate class, which are derived from the GS>50kW rate class.

Please explain how the weather sensitive percentages were derived.

3-Staff-36
CDM Adjustment
Ref 1: Exhibit 3, section 2.3.1.3, page 28, lines 16 to 21
Ref 2: 2021 COS Load Forecast Model, Tab "CDM Activity"
Ref 3: 2019 Participation & Cost (P&C) Report, dated April 2019
Waterloo North Hydro provided the following preamble:

> *"Due to the inclusion of 2019 and 2020 projected net program savings in the Persistent CDM variable used in the regression model, a manual adjustment to the load forecast is not required. CDM results for historical years up to the conclusion of the program in 2019 are inherently included in the actual billed data in Table 3-14. The wind-down of the programs in 2020 is not significant and is sufficiently considered in the forecast usage per customer in Table 3-16."*

a) Please clarify whether actual 2019 CDM impacts have been incorporated into the base load forecast. If 2019 CDM savings are forecasted impacts, please discuss whether the base load forecast can be updated to include actual 2019 CDM program activity.
b) In light of your response to part a) above, please clarify the appropriateness of including 2019 and 2020 projected net savings in the load forecast through the CDM variable as opposed to establishing a separate CDM manual adjustment.
c) The 2019 net savings of 6,916,461 kWh included in CDM variable is not consistent with the P&C Report showing 211,878 kWh. Please discuss what program activity is included in the 2019 net savings of 6,916,461 kWh and explain how the persistence of 2019 program savings was estimated into 2020 and 2021. Please include reference(s) to any IESO reports or project level savings reports used.
d) Please discuss what program activity is included in the 2020 forecast savings of 11,436,208 kWh. As the P&C report does not include new program activity beyond April 2019, please explain how the persistence of 2020 program savings

was estimated into 2021 and include reference(s) to any IESO reports or project level savings reports used.

e) Based on the response to parts c) and d) above, please provide the breakdown of 2019 and 2020 projected net program savings by project, in excel format, showing the following detailed information:
    i. What framework (e.g. CFF wind-down program, interim framework, etc.) the project(s) are being completed under
    ii. The timing of approval for each project
    iii. Confirmation that LDC and its customer(s) have entered into a contractual agreement for the energy efficiency project(s) to be completed
    iv. The total estimated savings and project timeframe for each project(s) that LDC is contractually obligated to complete
f) Based on the half year rule used to estimate CDM impacts in the 2021 load forecast, it appears that 112,584,450 kWh is the cumulative CDM impact in 2021 from both savings persisting from 2006-2018 and forecast savings from 2019-2020. Please confirm if this is Waterloo North Hydro's proposal.
g) It does not appear that Waterloo North Hydro has proposed an LRAMVA threshold, as there is no CDM manual adjustment proposed. Please confirm that Waterloo North Hydro is not seeking approval of an LRAMVA threshold as part of this application.
h) In the event Waterloo North Hydro wishes to dispose of lost revenue amounts in the LRAMVA in a future application, please clarify what would be appropriate to compare against actual savings, if any, as 112,584,450 kWh of cumulative CDM savings are embedded into the 2021 load forecast. Specifically, please break out the net incremental savings from new CDM programs (2019 and 2020) from the persistent historical savings included in the CDM Persistent variable and show detailed calculations.
i) Waterloo North Hydro notes that 2020 CDM savings are sufficiently considered in forecast usage per customer. Please confirm whether the utility intends to true-up for any differences between forecast and actual CDM savings through the proposed Load Forecast variance account (a/c 1509) instead of using the LRAMVA.

3-Staff-37
Other Revenue – Specific Service Charges
Ref 1: Chapter 2 appendices – 2-H Other Operating Revenue
Ref 2: Exhibit 8 – Specific Service Charges, pp. 13-14

Waterloo North Hydro states that the proposed changes to specific service charges are recorded as offsets to distribution expenses and have been forecasted as a reduction in OM&A.

a) Please explain why Waterloo North Hydro has not recorded the offset as part of other revenue for the specific service charges.
b) Please provide the forecasted amount of the OM&A offset from the new specific service charges and the underlying calculations.
c) Please provide the OM&A budget where the revenue offset from the new specific service charges are included.

3-Staff-38
Other Revenue – Retail Service Revenues
Ref 1: Chapter 2 appendices – 2-H Other Operating Revenue
Ref 2: EB-2015-0304 Decision and Order, February 14, 2019
Waterloo North Hydro's historical Retail Service Revenues has been approximately $50,000. This was based on the 2016 approved retail service charges, which was prior to the OEB's Decision and Order in reference 2. The increase in retail service rates results in revenues greater than amounts previously approved in electricity rates.

Please explain how Waterloo North Hydro has forecasted a retail service revenue of $36,000 when most of the retail service rates have doubled.

3-Staff-39
Other Revenue – Miscellaneous Non-Operating Income
Ref 1: Chapter 2 appendices – 2-H Other Operating Revenue
Ref 2: Chapter 2 appendices – 2-BA Fixed Asset Continuity
Waterloo North Hydro has forecasted sale of scrap for 2020 and 2021 but in the fixed asset continuity schedule there are no forecasted disposals noted.

Please confirm if the sale of scrap is from the assets that Waterloo North Hydro disposes. If so, please explain why there are no forecasted disposals for 2020 and 2021.

Exhibit 4 – Operating Expenses

4-Staff-40
COVID Impacts
Ref 1: Exhibit 3 – COVID Impact to Load Forecast, p. 17
Waterloo North Hydro stated in reference 1 that "it is very difficult to determine at this time what the lasting implications of this pandemic will be on customers, businesses and electricity load however it will have long term impacts."

Waterloo North Hydro has proposed either to use a load forecast that includes the forecasted impacts of COVID-19 or to track the difference between load forecast and actuals in a deferral and variance account for future disposition. Both of these options would effectively be for the five-year term.

a) Since Waterloo North Hydro has requested that COVID-19 impacts be taken into affect for the load forecast, how has Waterloo North Hydro reflected COVID-19 impacts in its OM&A?
b) If Waterloo North Hydro has not included COVID-19 impacts in its OM&A, please explain why?
c) Please provide the planned and actual OM&A from March to July, 2020.

4-Staff-41
Operations, Maintenance, and Administration Summary
Ref 1: Chapter 2 appendices – 2-JA OM&A Programs
Ref 2: Chapter 2 appendices – 2-JC OM&A Programs
Ref 3: Revenue Requirement Workform – 9. Revenue Requirement
The total OM&A in 2-JA does not match 2-JC.

a) Please reconcile the two tables for 2020 and 2021.

The OM&A in reference 3 does not match 2-JA or 2-JC.

b) Please reconcile the two excel models.

4-Staff-42
Engineering and Operations
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
Ref 2: EB-2015-0108 Table 4-13 OM&A Program Tables
Waterloo North Hydro lists the Engineering and Operations OM&A program in reference 1 but this program was not in the last application (reference 2). Waterloo North Hydro also showed in reference 1 that this program spent 18% less than the OEB approved in the 2016 test year. Waterloo North Hydro also anticipates filling an asset management position in 2020 and providing training and development for engineering leadership in 2021.

a) Please reconcile the Engineering and Operations OM&A budget to the OM&A programs provided in reference 2.

b) Please provide an explanation for the 18% variance between the 2016 OEB-approved amount and the 2016 actual amount.
c) Please provide an update on the status of the asset management position.
d) Please provide the amount Waterloo North Hydro anticipates to spend on training and development and explain what types of training and development it plans to do.
e) Are these training costs reoccurring costs or one-time costs to develop training and development material?

4-Staff-43
Control Room
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
Ref 2: Exhibit 4 – Program Variance Analysis, p. 42
The Control Room OM&A program increased by 34% in 2018 and stays consistent through to 2021. Waterloo North Hydro states that since 2016, it has hired an additional full time employee to resolve a deficit of hours required for the control room.

a) Please explain the 34% increase for the Control Room budget in 2018.
b) Please confirm when the new employee for the control room was hired.
c) Was the new employee a qualified system operator or a system operator in training?
d) Please provide the typical staffing schedule for the control room, which should include the rotational schedule, number of staff, and hours of each shift.

4-Staff-44
Stations, Operations, and Maintenance
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
Ref 2: Exhibit 4 – Program Variance Analysis, p. 42
Ref 3: Distribution System Plan – Appendix B – MS/DS Decommissioning
Waterloo North Hydro states that between 2016 and 2019 it was able to retire five 4.16 kV stations. In reference 3, Waterloo North Hydro stated that by retiring a station there is expected OM&A savings of $19,000 per station. There was also an 18% increase between the 2016 OEB-approved and 2017 actuals amount for the Stations, Operations, and Maintenance program.

a) Please explain the 18% increase between the 2016 OEB-approved and 2017 actuals amount.
b) Did Waterloo North Hydro realize the expected OM&A savings after the retirement of the five 4.16kV stations? If so, how is it reflected in the Station, Operations, and Maintenance budget?

4-Staff-45
Overhead/Underground Distribution Operations and Maintenance
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
The Overhead Distribution Operations and Maintenance program has consistently seen actual spending above the OEB-approved amount with a 57.4% increase between the 2016 OEB-approved amount and 2017 actuals.

a) Please explain the consistently higher than OEB-approved spending and the variance between the 2016 OEB-approved capital budget and 2017 actuals for the Overhead Distribution Operations and Maintenance program.

4-Staff-46
Locates
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
Ref 2: Exhibit 4 – Program Descriptions, p. 36
Waterloo North Hydro stated that it has seen an increase in the number of locates in the past several years in reference 2 but the OM&A budget in reference 1 between 2019 and 2020 saw a 25% decrease.

Please provide an explanation for the variance in 2020.

4-Staff-47
Vegetation Management
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
Ref 2: Exhibit 2 – Appendix B – Grid Resiliency, pp. 48-50
Waterloo North Hydro states that the vegetation management cycle is every two and five years for each of the urban and rural areas, respectively. In the 2021 test year, Waterloo North Hydro also included a capital investment called Grid Resiliency to move sections of overhead services to underground services.

a) Please provide the number of kilometers of overhead and underground distribution services for the urban and rural area.
b) If there is a higher percentage of underground services in the urban area than the rural area then please explain why the urban area requires a higher clearing cycle than the rural area.
c) Please explain how the Grid Resiliency capital investment has affected the vegetation management OM&A budget. If it hasn't, please explain why.

4-Staff-48

Purchasing and Fleet
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
The Purchasing and Fleet budget saw a 70% increase between 2016 and 2017 actuals.

Please explain the variance.

4-Staff-49
Communications, Community & Customer Relations
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
Ref 2: Exhibit 1 – Attachment 1-7 Customer Satisfaction Survey
The 2021 Communications, Community & Customer Relations budget is 2.5 times larger than the 2016 OEB-approved amount. This is due to Waterloo North Hydro retaining two full time employees from the previous CDM function to establish a Key Accounts department. The role of this department is to provide energy management support and information for customers. Waterloo North Hydro also stated that it proceeded with the Key Accounts department because customers indicated that they would like this service to be provided. Based on the Customer Satisfaction Survey, 77% of customers said they are receiving the right amount of information on energy efficiency.

a) Please provide the roles and accountabilities for the two positions in the Key Accounts department and the services they are providing to customers.
b) If not, please point to evidence in the customer engagement results that indicates that customers are willing to pay for incremental services on energy management.
c) What CDM programs or initiatives will they help to support in 2021, if any?
d) Please explain the appropriateness of funding CDM staffing costs from distribution rates.

4-Staff-50
Administration and Finance
Ref 1: Exhibit 4 – Program Variance Analysis, p. 44
Waterloo North Hydro states that there are plans for executive recruitment to replace the CEO in 2021.

a) Please provide an update on the status of the recruitment.
b) Please provide details on setting the compensation for any new CEO.

4-Staff-51

Regulatory
Ref 1: Chapter 2 appendices – 2-JC OM&A Programs
Ref 2: Chapter 2 Appendices – 2-M Regulatory Costs
The test year regulatory costs provided in reference one is $516,027 but the test year regulatory costs provided in reference two is $603,139.

a) Please reconcile the regulatory costs in reference one and two.

Waterloo North Hydro expects to incur $400,000 in consulting costs for this application.

b) Please provide a break down of the different types of consultants that make up the costs and the amount spent to date.

Waterloo North Hydro expects to incur $115,000 in intervenor costs.

c) Please provide the number of intervenors Waterloo North Hydro used to estimate this amount.

4-Staff-52
Information Technology Services
Ref 1: Exhibit 4 – Program Variance Analysis, pp. 44-45
Waterloo North Hydro states that due to the additional systems it has adopted additional employees were required to manage these systems. The IT Services Department plans, operates and supports the organization's IT systems and infrastructure requirements, enabling business users to carry out their roles efficiently, productively and securely.

a) Please provide the number of IT tickets that were received by the IT department between 2016 to 2020.

4-Staff-53
Employee Compensation
Ref 1: Exhibit 4 – Employee Compensation, p. 47
Waterloo North Hydro stated that the current collective agreement with union staff ended March 31, 2020 and a new contract has been negotiated but has not been ratified due to COVID-19. Waterloo North Hydro estimated a wage increase of 1.5% for 2020 and 2.0% for 2021 and requested to update these estimates when the contract is ratified.

a) Please provide a status update on the ratification of the collective agreement.

b) If the estimated wage increases are different from the ratified contract then update the OM&A appendices as required.

4-Staff-54
Employee Costs
Ref 1: Chapter 2 Appendices – 2-K Employee Costs
Ref 2: Exhibit 4 – Headcount Year Over Year, pp. 51-52
In reference one, the 2016 OEB-approved FTEs was 132 and a total compensation of $13,975,802. However, the 2016 actuals show an actual FTE count of 130 and a total compensation of $14,508,623. In reference two, Waterloo North Hydro stated that there were retirements at the beginning of 2016, positions that were not filled until late 2016, and positions that remained vacant in 2016.

a) Please explain for 2016 why the actual total compensation is higher than the OEB approved when the number of FTEs were actually lower.

In 2016, the OEB approved 132 FTEs but over the historical period Waterloo North Hydro never reach the OEB-approved number of FTEs. There appears to be a trend of declining FTEs year over year. In 2021, Waterloo North Hydro is requesting 128 FTEs, which is six FTEs more than the 2019 actuals.

b) Please provide a table of the FTEs that were removed, vacant, or filled between 2016 and 2021.
c) Please explain how the OEB can be confident that Waterloo North Hydro will be able to achieve the requested number of FTEs.

4-Staff-55
Employee Benchmarking
Ref 1: Exhibit 4 – Table 4-22 Benchmarking
Waterloo North Hydro prepared a table comparing its number of customer, service area, and FTEs, for similar sized utilities.

Please add in the table the OM&A of each utility, the OM&A/customer, and the OM&A/FTE.

4-Staff-56
Shared Services
Ref 1: Exhibit 4 – Table 4-31 Shared Services and Corporate Cost Allocation
Ref 2: Exhibit 4 – Table 4-32 Charge to Affiliates for Services Provided

Corporate Administration and Finance costs are allocated based on average estimated time spent by Waterloo North Hydro staff who provide management and administrative services to the parent company. Since 2016, the percent of Corporate Administration and Finance costs allocated to the parent company has been steadily declining.

a) Please provide an explanation for the declining percentage.
b) Please provide the methodology used to estimate the time spent by Waterloo North Hydro staff on Corporate Administration and Finance for the parent company.

4-Staff-57
Post Employment Benefits
Ref: Exhibit 4 updated on July 4, 2020, pp. 65-68
Waterloo North Hydro forecasts $358,000 in post-employment benefits in 2021, which is to be recorded on an actual basis. Waterloo North Hydro explains that:

> WNH used the estimate of the benefit expense and plan obligation on the basis of IFRS IAS 19 as on December 31, 2019 and extrapolated the results for the 2020 Bridge Year and 2021 Test Year.

OEB staff notes that the 2019 actual post-employment expense is $301,109, which is based on the actuarial report for the post-retirement liability as at December 31, 2019.

Waterloo North Hydro further provides the capital and operating breakdown of the post-employment benefits in Table 4-28 as below:

Table 4-28 Post-Retirement and Other Benefits - Capital and Operating Breakdown

Item	2016 Board Approved	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Bridge	2021 Test
Post-Retirement Benefits	215,873	343,839	347,308	356,413	301,109	358,000	358,000
Operating, Maintenance and Administration		132,683	167,822	181,572	171,225	170,986	170,986
Capital		211,156	179,486	174,841	129,884	187,014	187,014

OEB staff calculates the percentages of the post-retirement expenses that are allocated to OM&A and capital in the table below:

	2016 Approved	2016	2017	2018	2019	2020	2021
Post-Retirement Benefit	215,873	343,839	347,308	356,413	301,109	358,000	358,000
% Allocated to OM&A		39%	48%	51%	57%	48%	48%
% Allocated to Capital		61%	52%	49%	43%	52%	52%

a) Please explain how Waterloo North Hydro extrapolated the 2019 results for 2020 and 2021.
b) Given the current low interest rate environment arising from the COVID-19 pandemic, please explain whether the extrapolation technique referred to above needs to be revised?
   i) If so, please provide a revised 2020 and 2021 extrapolation.
   ii) If not, why not?
c) Please explain why the percentage of post-retirement benefits allocated to OM&A has increased from 39% in 2016 to 48% in 2020 and 2021.

4-Staff-58
PILS
Ref 1: Exhibit 4, pp. 101 and 102
Ref 2: Exhibit 4, pp. 104 and 105
Ref 3: PILs model
Waterloo North Hydro states that:

> Table 4-52 below provides a summary of the 2016 through 2018 Actuals, 2019 Forecast and the 2020 Bridge and 2021 Test Year PILs estimates. The historical years' balance represents the actual numbers per the general ledger which are a mix of year-end provision estimates and prior year adjustments made when the tax returns were actually filed.

1 **Table 4-51 Summary of PILs**

Description	2016 Board Approved	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Bridge	2021 Test
Income taxes (current)	503,738	496,671	411,857	400,077	290,449	-	653,653
Income taxes (prior years)	-	54,778	44,398	32,165	(411,825)	-	-
Total Taxes per GL	**503,738**	**551,449**	**456,255**	**432,242**	**(121,376)**	**-**	**653,653**

OEB staff notes that Waterloo North Hydro did not forecast any income tax in the bridge year of 2020. OEB staff notes from the PILs model that one of the reasons for the loss in 2020 may be the net income before taxes of $6,950,130, which is $1,896,475 (21%) lower than the 2019 net income before taxes of $8,846,605.

With respect to the loss carry forwards expected in the 2021 test year, Waterloo North Hydro states that:

> WNH does not have any non-capital loss carryforwards as of 2019. However, due to negative taxable income expected in 2020, a loss carryforward of $417,530 is anticipated. WNH has applied one-fifth of this loss ($83,506) in 2021 to correspond with WNH's next anticipated COS filing.

a) Please explain the $(411,825) income tax for prior years that was recorded in 2019.
b) Please list and quantify the primary drivers for expected net income before taxes in 2020 being significantly lower than 2019.

4-Staff-59
PILS
Ref 1: Exhibit 4, p. 102
Waterloo North Hydro states that:

> At the time of filing this Application, WNH has not filed its 2019 corporate income tax returns. WNH does not expect significant changes between the final 2019 corporate income tax returns and the 2019 forecast income tax provision. WNH will provide a copy of the final 2019 tax returns as soon as they are available and update the Board's Income Tax/PILs Workform model for the 2019 Actuals.

a) Please confirm that Waterloo North Hydro has completed filing its 2019 tax return. If so, please provide a copy of the 2019 return and the updated PILs model. If not, please provide a timeline of when the filing will be made and the Tax/PILs Workform model updated.

4-Staff-60
PILS
Ref 1: PILs model
OEB staff notes from the "T1 Sch 1 Taxable Income Test" tab of the PILs model that Waterloo North has an item under the other additions section for "Lease Inducements Received (ITA 12(1)(x))" and the forecast amount of this addition of $101,361 is equal to the amount for this line item on the schedule 1 in 2019.

a) Please explain the nature of this item and why this item is included in the 2020 T1 in the "other additions" section.

4-Staff-61
Ref 1: PILs Workform, Tab T8
Ref 2: DVA Workform, Tab 2b
Ref 3: the OEB's Letter "Accounting Direction Regarding Bill C-97", July 25, 2019
Ref 4: Exhibit 9, p. 29
Waterloo North Hydro has implemented accelerated CCA in the PILs model as a result of the new Accelerated Investment Incentive Program (AIIP). In the OEB's July 25, 2019 letter Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, it states that:

> The OEB recognizes that there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. The OEB may consider a smoothing mechanism to address this.

The letter also states that:

> The OEB expects Utilities to record the impacts of CCA rule changes in the appropriate account (Account 1592 - PILs and Tax Variances and similar accounts for natural gas utilities and OPG) for the period November 21, 2018 until the effective date of the Utility's next cost-based rate order. For the purposes of increased transparency, the OEB is establishing a separate sub-account of Account 1592 - PILs and Tax Variances – CCA Changes specifically for the purposes of tracking the impact of changes in CCA rules.

In Exhibit 9 regarding the Account 1592 – PILs and Tax Variances, Waterloo North Hydro states that:

WNH did not have any eligible capital additions for 2018 but has calculated this amount for 2019.

OEB staff notes from schedule 8 of the bridge year 2020 and from the test year 2021 in the PILs workform that 100% of the capital additions during the year in 2020 and 2021 are considered the eligible investments under the AIIP.

a) Please confirm that all of Waterloo North's capital additions in the 2021 test year are forecast to be eligible for the AIIP.
b) Please discuss whether Waterloo North Hydro has considered smoothing of accelerated CCA for all its capital additions and what its conclusion is.
c) Please provide a calculation showing how Waterloo North Hydro would smooth CCA over the IRM period, and what the impact to PILs would be under a smoothed and unsmoothed scenario.
d) Please confirm that Waterloo North Hydro did not have any capital additions in 2018 eligible for AIIP because there was no eligible property acquired after November 20, 2018 and placed in service prior to Jan 1, 2019. If that is not the case, please explain.

Exhibit 5 – Cost of Capital

5-Staff-62
Long-Term Debt
Ref 1: Exhibit 5 – Table 5-1 Long-Term Bank Debt with CIBC
Waterloo North Hydro has shown one tranche of principle borrowing on April 1, 2020 for $3.6 million. This is part of the 2019 term loan at an interest rate of 3.271%.

a) Please explain why this principle borrowing is not part of the 2020 term loan at an interest rate of 2.608%.
b) Please also confirm that these are not banker's acceptance but bank debt.

Exhibit 7 – Cost Allocation

7-Staff-63
Weighting Factor
Ref 1: Exhibit 7, Weighting Factor for Billing and Collection, p. 7
Waterloo North Hydro states "WNH assigned an allocator to each internal account number that flows into the Billing and Collecting USoA accounts. These accounts were

allocated based on the number of customers, number of bills, billing complexity or a delinquency weighting."

Please provide the described analysis that produced the allocators.

7-Staff-64
Pole Attachment
Ref 1: Exhibit – 7 - Specific Customer Classes, pp. 11-12
Waterloo North Hydro has not directly allocated costs associated with the embedded distributor, nor does it have demand allocators, or customer connection allocators associated with the customer class. It states that the only customer in the class owns the circuits that cross into Waterloo North Hydro's service territory and that Waterloo North Hydro receives pole rental revenue from the customer. Waterloo North Hydro states that it does not have any capital invested in the Embedded Distributor rate class, only operating costs.

The generic pole attachment charge was set on a generic basis by determining the relative space required for each pole user.

a) Does Waterloo North Hydro maintain the embedded distributor's circuit conductor? If so, how is this compensated?
b) Does the embedded distributor pay the standard pole attachment rate? If not, how is the rate determined?
c) How much pole space is required by the embedded distributor, and how does this compare to a non-electrical pole attachment?

7-Staff-65
Standby Charge
Ref 1: Exhibit – 7 - Standby Charge, p. 15
Waterloo North Hydro states that it has notified all ten customers, who plan to have load displacement, of the proposed standby charges, that it had meetings with two customers, and has received feedback from one customer.

a) Has Waterloo North Hydro had any further communications, or received any additional feedback from customers regarding standby charges? If so, please provide.
b) Please provide the installation dates and volume reductions (monthly energy and demand reductions) resulting from load displacement generation installed in 2019 or prior years.
c) Please provide a load forecast scenario reflecting energy and demand that would be required in the absence of any load displacement generation. In doing this,

please add any load displacement energy to the system purchases prior running the regression. Please also add the load displacement energy and demand reductions back to the applicable rate classes before preparing the rate class forecasts.

7-Staff-66
Standby Charge
Ref 1: Exhibit 7 – Standby Charges, pp. 13-15
Waterloo North Hydro states that it would consult with customers to determine a contracted capacity reserve value, which is the capacity required in the absence of the load displacement generator. If the metered load is below the contracted capacity reserve value, then the standby charge would apply to the difference between the contracted capacity reserve value and the metered load. If the metered load is equal to or greater than the contracted capacity reserve value, then the standby charge would not apply.

a) Please explain how Waterloo North Hydro plans to determine the contracted capacity reserve value.
b) If the methodology is based on historical load profiles of customers, how does Waterloo North Hydro intend to measure the true load moving forward?
c) How often will the contracted capacity reserve value be updated?
d) The affects of the load displacement will be embedded in future load forecasts. How will Waterloo North Hydro account for this when deriving GS>50kW and Large Use distribution rates?
e) Does the standby charge apply to all GS>50kW and Large Use customers with load displacement? Or does it only apply to all GS>50kW and Large Use customers with load displacement generation greater than 1MW with non-renewable generation or 2MW with renewable generation.
f) For storage facilities, is there a size threshold similar to load displacement?

7-Staff-67
Customer Count
Ref 1: Cost Allocation Model Sheet I6.2 Customer Data; I7.1 Meter Capital
Waterloo North Hydro has populated the Meter Capital worksheet with fewer meters than customers as indicated in the table below:

	Forecasted Customers per I6.2 Customer Data	Total Meters per I7.1 Meter Capital	Difference

Residential	51,719	51,032	687 (1.3%)
General Service < 50 kW	5,989	5,822	167 (2.8%)
General Service > 50 kW	774	729	45 (5.8%)
Large Use	1	1	-

a) Please reconcile the differences in meter counts to customer counts.

Exhibit 8 – Rate Design

8-Staff-68
Fixed/Variable Proportion
Ref 1: Exhibit – 8 – Fixed/Variable Proportion, pp. 5-6
Waterloo North Hydro proposes to maintain the fixed/variable proportions. Table 8-5 indicates that General Service < 50 kW, General Service > 50 kW and Large Use all have fixed charges that are already above the Minimum System with Peak Load Carrying Capability (PLCC) Adjustment (the Ceiling Fixed Charge from the Cost Allocation Model), and all are proposed to increase. Also, Unmetered Scattered Load is proposed to increase to a level which exceeds the Minimum System with PLCC Adjustment.

a) Please calculate the variable charges that would result from the scenario where the fixed charges for the General Service < 50 kW, General Service > 50 kW and Large Use classes were held at the existing rates, and the fixed charge for the Unmetered Scattered Load were set to the Minimum System with PLCC Adjustment.

8-Staff-69
Retail Transmission Service Rates
Ref 1: Exhibit – 8 Retail Transmission Service Rates, p. 11
Waterloo North Hydro states “that in accordance with its billing arrangements with its Embedded Distributor, Retail Transmission Rates are not applicable”.

a) Does Waterloo North Hydro pay any UTRs, RTSRs, or LV charges with respect to the usage of the embedded distributor?
b) If the answer to a) is yes, please explain the billing arrangements with the embedded distributor that lead to RTSRs not being applied.

8-Staff-70
Retail Transmission Service Rates
Ref 1: Retail Transmission Service Rates model
Ref 2: EB-2018-0028, Decision and Final Rate Order, August 1, 2019
Ref 3: EB-2019-0031, Decision and Rate Order, January 23, 2020
In reference 2, the retail transmission rates for Energy+ were implemented August 1, 2019. In the Historical Wholesale tab in reference 1, it appears Waterloo North Hydro was not charged the 2019 retail transmission rate but the 2018.

a) Please confirm if this is correct. If so, please explain why Waterloo North Hydro was charged the 2018 retail transmission rates for august.

Energy+'s 2020 retail transmission rates were effective and implemented on March 1, 2020. In the Current Wholesale tab in reference 1, Waterloo North Hydro applied the 2020 retail transmission rates for all of 2020.

b) Please confirm if this was Waterloo North Hydro's intent or limitations of the model. If it is limitations of the model, please work with OEB staff to update this to reflect the actual effective and implementation date.

8-Staff-71
Retail Transmission Service Rates
Ref 1: Exhibit 8 – 2.8.3 Retail Transmission Service Rates
Ref 2: Exhibit 7 – Standby Charge, pp. 13-15
Waterloo North Hydro requests that the gross load billing methodology for RTSRs apply to any customers in the future that implement load displacement generation.

a) Please confirm if Waterloo North Hydro defines 'any customers' to be all customers that implement load displacement generation that are GS>50kW or Large Use.
b) Please confirm if Waterloo North Hydro communicated the gross load billing methodology for RTSRs to affected customers. If so, please provide details of the communications.

8-Staff-72
Standby Charge
Ref 1: Exhibit 8 – Attachment 8-5 - 2021 Proposed Tariff of Rates

Waterloo North Hydro proposes a standby charge for GS>50kW and Large Use customers who install load displacement generation or storage. However, in the 2021 proposed Tariff of Rates and Charges there is no tariff for Standby Power.

a) Please provide the tariff sheet for the Standby Power Service Classification.

8-Staff-73
Specific Service Charges
Ref 1: Exhibit 8 – Table 8-10 to Table 8-13
Waterloo North Hydro proposes four new charges "to allow for a generic charge to decrease billing and administration for each work request."

a) Has Waterloo North Hydro charged customers for this work in the past? If so, how were the charges determined?
b) For each proposed charges, how many incidents and how much revenue have been recorded for 2017, 2018, and 2019?
c) Where has associated revenue historically been recorded?

Waterloo North Hydro provided the calculations for the new specific service charges and the update to existing specific service charges. Waterloo North Hydro stated that it has several years of history to determine a standard cost based on time for labour and trucking.

d) Please provide the number of historical years used to develop the number of hours required for the specific service charges.
e) Please confirm that the field staff hours have not changed from the previously calculated specific service charges.
f) Please explain why additional hours are required for field staff after regular hours as compared to regular hours.
g) Please provide the labour and truck rates that were used for the development of the previous specific service charges.

8-Staff-74
Specific Service Charges
Ref: Exhibit – 8 – Specific Service Charges, p. 18
Waterloo North Hydro proposes to increase reconnection at meter charges under non-payment of account from $65 to $130 during regular hours and from $185 to $335 after regular hours. Waterloo North Hydro is also proposing new rates for reconnections at the pole.

a) How have reconnections at the pole under non-payment of account historically been charged?
b) Please provide details of any customer consultation in respect to the proposed changes to the charges.

8-Staff-75
Low Voltage
Ref 1: Exhibit 8 – Table 8-15 Calculation of LV Expenses
Ref 2: Exhibit 8 – Table 8-15a Low Voltage Charges – Determination of Rates
The volumetric rates for the embedded distributor rate class in the referenced decisions do not match those provided in the table 8-15.

a) Please provide a breakdown of the current LV charges in reference 1.

In reference 2, Waterloo North Hydro used Retail Transmission Connection Rates as part of the calculation.

b) Please update Table 8-15a with the updated Retail Transmission Connection Rates.

8-Staff-76
Loss Factor
Ref 1: Chapter 2 Appendices – 2-R Loss Factor
Waterloo North Hydro has removed the 4kV system through voltage conversion, but Waterloo North Hydro's total loss factor does not appear to materially improve over the last 5 years.

a) Please explain why the removal of the 4kV system has not improved Waterloo North Hydro's loss factor.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-77
Deferral and Variance Accounts
Ref 1: Exhibit 9 – Table 9-6 Deferral and Variance Account Balances
Ref 2: Deferral and Variance Account Workform – 2a. Continuity Schedule
Ref 3: Deferral and Variance Account Workform – 2b. Continuity Schedule
Ref 4: EB-2019-0071, Decision and Rate Order, December 12, 2019
The tables provided in reference 1, 2, and 3 do not reconcile.

a) Please reconcile the tables in reference 1, 2, and 3.

In reference 4, the OEB approved the disposition of DVA balances as at December 31, 2018 to be disposed through final rate riders over January 1, 2020 to December 31, 2020. In reference 1, there are no balances recorded in the 'principle disposition during 2020' columns.

b) Please correct or explain why balances have not been included.

9-Staff-78
LRAMVA
Ref 1: LRAMVA workform, Tabs 5 and 7 (2018 Savings)
Ref 2: 2019 Participation & Cost (P&C) Report, dated April 2019
For the following programs listed below, the 2018 kWh savings claimed in the LRAMVA workform do not match the unverified 2018 savings in the P&C Report. The demand savings in the LRAMVA workform are also provided in the table below:

	P&C report (kWh) – unverified 2018	LRAMVA workform (kWh)	LRAMVA workform (kW)
2018 Save on Energy Retrofit Program	8,887,016	13,671,189	2,008
2018 Save on Energy Small Business Lighting Program	6,162	14,920	4
2018 Save on Energy High Performance New Construction Program	90,528	342,367	359

a) Please explain why the savings in the LRAMVA workform for each of the above noted programs do not match the P&C Report. Please explain where the additional energy savings come from and why they are eligible for lost revenue recovery.
b) Please explain how the demand savings for each of the above noted programs were estimated and confirm assumptions used, such as the kW/kWh conversion factor.
c) Please file all supporting documentation including project level savings data, as applicable, to support a) and b) of this interrogatory.

9-Staff-79

LRAMVA
Ref 1: LRAMVA workform, Tab 8 (cell F33)
Ref 2: 2019 Participation & Cost (P&C) Report, dated April 2019
Ref 3: 2015-2017 Savings Persistence Report
The following table includes savings information for the 2016 and 2017 Save on Energy Program from the 2017 Savings Persistence Report and 2019 P&C Report. The LRAMVA workform includes savings from the 2017 Savings Persistence Report:

	2019 P&C Report (kWh)	2017 Savings Persistence Report (kWh)
2017 Save on Energy Retrofit Program	14,233,160	14,252,278
2016 Save on Energy Retrofit Program	8,761,493	5,109,557

Please explain why Waterloo North Hydro is claiming savings based on the 2017 Savings Persistence Report as opposed to the 2019 P&C Report, and the appropriateness of doing so.

9-Staff-80
LRAMVA
Ref 1: LRAMVA workform, Tab 6
A prescribed interest rate of 1.38% was used in Q3 and Q4 of 2020 to calculate projected carrying charges on the LRAMVA balance.

In light of the revised OEB letter on July 30, 2020, please discuss whether Waterloo North Hydro agrees to update Table 6 with the updated prescribed interest rate of 0.57% to re-calculate projected carrying charges. If yes, please update Table 6 of the LRAMVA workform.

9-Staff-81
LRAMVA
Ref 1: LRAMVA workform, Tab 1-a

a) If Waterloo North Hydro made any changes to the LRAMVA workform as a result of its responses to the above LRAMVA interrogatories, please file an updated LRAMVA workform, and confirm the LRAMVA balance requested for disposition, the disposition period and the revised rate riders.

b) Please confirm any changes to the LRAMVA workform in response to these LRAMVA interrogatories in "Table A-2. Updates to LRAMVA Disposition (Tab 1-a)".

9-Staff-82
Interest Rates
Ref 1: Exhibit 9, p. 16
Ref 2: The OEB's Prescribed Interest Rates Posted on the Website
Waterloo North Hydro states that it has calculated the carrying charges on the DVAs using the following interest rates in the Table 9-2:

Table 9-2 – Interest Rates Applies to Deferral and Variance Accounts

Period	Rate
Carrying Charge Rate Jan 1, 2016 - Sep 30, 2017	1.10%
Carrying Charge Rate Oct 1, 2017 - Mar 31, 2018	1.50%
Carrying Charge Rate Apr 1, 2018 - Sep 30, 2018	1.89%
Carrying Charge Rate Oct 1, 2018 - Dec 31, 2018	2.17%
Carrying Charge Rate Jan 1, 2019 - Mar 31,2019	2.45%
Carrying Charge Rate Apr 1, 2019 - Jun 30, 2020	2.18%
Carrying Charge Rate Jul 1, 2020 - Dec 31, 2020	1.38%

OEB staff notes that the OEB has amended the DVA prescribed interest rate for 2020 Q3 to 0.57% in its letter issued to all rate-regulated entities and interested parties on July 30, 2020.

a) Please update the forecasted carrying charges for the period of July 1 to December 31, 2020 using the updated interest rate of 0.57% and provide the updated DVA continuity schedule.

9-Staff-83
Deferral and Variance Accounts
Ref 1: Exhibit 9, pages 23 and 24
Ref 2: DVA continuity schedule
Waterloo North Hydro states that it has included the residual balances for three 2016 rate riders into the Account 1595 sub-account 2016 as below:

1) Rate riders for Recovery of the Account 1568 LRAMVA – 2016: $(24,273)
2) Rate riders for Recovery of Stranded Meter Assets: $(26,528)
3) Rate riders for Account 1576: $34,187

The Accounting Guidance issued in March 2015 provides the disposition entries for Account 1575 and Account 1576 and states that:

> The account balance plus the rate of return is disposed through a separate rate rider, distinct from any other rate rider that may be approved to implement the combined disposition of the remaining Group 1 and Group 2 accounts. As indicated in the July 2012 FAQs, the approved disposition of the account balance for both Account 1575 and Account 1576 would be reflected as an offset to depreciation expense over the approved amortization period.

OEB staff notes from the illustrative journal entries provided in the March 2015 Accounting Guidance that the disposition of Account 1576 does not flow through Account 1595.

a) Please remove the residual balance of $34,187 related to Account 1576 rate riders from Account 1595 sub-account 2016.

9-Staff-84
Other Post Employment Benefits
Ref 1: Exhibit 9, pp. 25-26
Ref 2: Report of the OEB: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEB) Costs, EB-2015-0040, September 14, 2017
Waterloo North Hydro's 2016 OEB-approved settlement agreement provided for a variance account as follows:

> A new deferral/variance account 1508 Other Regulatory Asset –Sub-account OPEB, for the purpose of recording the difference in revenue requirement each year, starting in the test year, between both the capitalized and OM&A components of OPEBs accounted for using a cost basis (as to be reflected in rates if this settlement is accepted by the Board) and both capitalized and OM&A components of OPEBs accounted for using an accrual basis **together with related PILs adjustments**. [Emphasis Added]

In this application, Waterloo North requests to include a forecast amount in the Account 1508 sub-account OPEB variance account which was approved in its 2016 CoS decision and order. Waterloo North Hydro states that:

Due to the immaterial and predictable forecast for 2020, WNH is requesting that the 2020 projection also be cleared as part of this Application and the account be discontinued.

Table 9-9 Sub-Account OPEB

OPEB	Cash	Accrual	Variance
2016	236,430	273,735	37,305
2017	285,972	347,307	61,335
2018	302,347	356,413	54,066
2019	287,977	301,109	13,132
2020 - Estimate	331,753	357,996	26,243
			192,081
Closing Interest Balances as of Dec 31-19 Adjusted for Dispositions during 2020			5,717
Projected Interest from Jan 1, 2020 to December 31, 2020 on Dec 31 -19 balance adjusted for disposition during 2020			2,952
Projected Interest from Jan 1, 2020 to December 31, 2020 on Dec 31 -20 balance adjusted for disposition during 2020			467
Total Claim - OPEB			**201,217**

OEB staff notes that the 2018 and 2019 accrual amounts in Table 9-9 match with the net benefit expenses in Note 11 of the 2018 and 2019 audited financial statements.

Appendix C of the OEB's Report for the Pension and OPEB costs, dated September 14, 2017, provides a generic variance account 1522 to track the differences between the forecast accrual amounts recovered in rates and the actual cash payments made for both pension and OPEBs in one account, on a go-forward basis. Page 20 of the report states that "For those utilities with a previously approved variance account, the new account will be effective as of their next approved cost-based rate order, if the accrual numbers for pension and OPEB costs are included in rates at that time".

a) Please explain what "the related PILs adjustments" that were included in the 2016 settlement agreement represent.
b) Please confirm that Waterloo North has included such PILs adjustments in the variance account 1508 sub-account OPEB. If not, why not?
c) Please provide evidence/rationale to support the predictability of the 2020 estimated accrual amount of $357,996 and cash amount of $331,753.

9-Staff-85
Deferral and Variance Accounts
Ref 1: Exhibit 9, pp. 26-27
Waterloo North Hydro requests to dispose of a credit balance of $529,269 regarding wireline attachments in a sub-account under Account 1508. The requested balance includes the 2020 estimated balance of $(245,919) and is broken down by years as follows:

Table 9-10 Sub-Account - Wireline Attachments

Wireline Attachments	Total	Revenue Claim	Variance
2018	287,317	265,842	(21,475)
2019	525,137	271,536	(253,601)
2020 - Estimate	509,254	263,335	(245,919)
			(520,995)
Closing Interest Balances as of Dec 31-19 Adjusted for Dispositions during 2020			(3,378)
Projected Interest from Jan 1, 2020 to December 31, 2020 on Dec 31 -19 balance adjusted for disposition during 2020			(4,896)
Total Claim - Wireline Attachments			**(529,269)**

a) Please provide the calculation for the “Total” and “Revenue Claim” numbers in the years of 2018 to 2019 by the number of poles multiplied by the $/pole.
b) Please compare the number of poles in 2020 to the number of poles in 2018 and 2019 and explain the variance if the variance is greater than 10%.

9-Staff-86
Deferral and Variance Accounts
Ref: Exhibit 9, pp. 27-28
Waterloo North Hydro states that:

> In its 2016 COS Application WNH was directed to track the net gains and losses on disposition of various Municipal Station (MS) properties inclusive of remediation costs. Upon disposition, the balance of this account was to be distributed with 75% to customers and 25% to WNH. This account is not symmetrical in the favour of customers if WNH was in an overall loss position.

The gains and losses of MSs and applicable carrying charges have been provided below in Table 9-11.

Table 9-11 Sub-Account – MS Disposition

MS Disposition	2016	2017	Total (Gain)/Loss
MS3	(700,068)	(243)	(700,311)
MS4	40,626	4,370	44,996
MS6	(23,816)		(23,816)
MS7		43,563	43,563
MS8	(22,154)		(22,154)
MS9		37,623	37,623
MS10			
			(620,099)
75%			(465,074)
Closing Interest Balances as of Dec 31-19 Adjusted for Dispositions during 2020			(25,441)
Projected Interest from Jan 1, 2020 to December 31, 2020 on Dec 31 -19 balance adjusted for disposition during 2020			(8,278)
Total Claim - MS Disposition			**(498,793)**

a) Please provide the calculation (proceeds and costs) for the net gain of $700,068 for the disposition of MS3 in 2016.

9-Staff-87
Deferral and Variance Accounts
Ref 1: Exhibit 9, pp. 29-30 and p. 36
Ref 2: Exhibit 4, p. 107
Waterloo North Hydro provides the following table to support the claim of $(251,138) in the Account 1592 sub-account PILs and tax variances due to the AIIP in 2019:

Table 9-13 CCA Acceleration

PILs and Tax Variance for 2006 and Subsequent Years - Recover PILs	Total	Claim 50%	Variance
2019	(493,491)	(246,746)	(246,746)
Projected Interest from Jan 1, 2020 to December 31, 2020 on Dec 31 -19 balance adjusted for disposition during 2020			(4,392)
Total Claim - PILs			**(251,138)**

The OEB's letter dated July 25, 2019 regarding the Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance states that:

> Under the Accounting Procedures Handbook, electricity distributors and transmitters are to record the impact of any differences that result from a legislative or regulatory change to the tax rates or rules assumed in the OEB Tax Model **that is used to determine the tax amount that underpins rates**. The impact of any differences **that are not reflected in rates** (due to such factors as timing of known changes) are to be recorded in Account 1592 - PILs and Tax Variances. Natural gas utilities and OPG have similar accounts.
>
> For natural gas utilities and electricity distributors and transmitters, the OEB's long-standing practice with respect to the impact of changes in taxes due to regulatory or legislated tax changes during an incentive rate-setting period has been to share the impacts between Utility shareholders and ratepayers on a 50/50 basis[1]. However, **Utilities should not expect that this practice will necessarily apply in respect of CCA rule changes**, and determinations as to the appropriate disposition methodology will be made at the time of each Utility's cost-based application. The OEB therefore expects that all Utilities will record the full revenue requirement impact of any changes in CCA rules that are not reflected in base rates. [Emphasis Added]

Waterloo North Hydro proposes the 50/50 sharing of the tax saving from the accelerated investment incentive amount between the shareholder and the ratepayers.

Waterloo North Hydro has not included the 2020 balance in the account and states that:

> The 1592 – PILS – CCA Changes will continue in 2020 prior to the change in treatment from this Application. WNH has not requested to forecast the 2020 balance for this account as it is material and unpredictable at this time.

a) Please confirm that the calculated amount of $493,491 in 2019 should be grossed-up to calculate the PILs impact on a revenue requirement basis.
   i) If confirmed, please apply the gross-up to both 2019 and 2020 balances.
   ii) If not, please explain why.
b) Please confirm the OEB staff's observation that Waterloo North Hydro calculates the revenue requirement impact of the 2019 differences due to the AIIP using the approved capital additions in its last cost of service application. If so, please explain why.
c) Please provide the calculated 2019 balance in Account 1592 using the 2019 actual capital expenditures and compare this figure with the existing balance recorded in Account 1592.
d) Please provide rationale for Waterloo North Hydro's proposal to only return 50% of the impacts of the AIIP to the utility's ratepayers, with giving due consideration to the OEB's letter dated July 25, 2019 regarding the establishment of this sub-account, which stated that utilities should not necessarily expect that a 50/50 sharing will apply to these impacts.
e) Is Waterloo North Hydro aware of any other circumstances in which the OEB approved refunding 50% of the AIIP impacts to ratepayers? If so, please provide references to the applicable evidence.

9-Staff-88
Deferral and Variance Accounts
Ref 1: DVA Continuity Schedule, Tab 6.1a and Tab 6.2a

OEB staff notes that Waterloo North Hydro did not enter any figures in the input cell D19 for "Non-RPP consumption less WMP consumption" on Tab 6.1a GA Allocation of the DVA continuity schedule. As a result, the transition customers' portion of total consumption is a negative 1.15%.

OEB staff also notes that Waterloo North Hydro did not enter any figures in the input cell D19 for "Total consumption less WMP consumption" on Tab 6.2a CBR.B_ Allocation of the DVA continuity schedule.

a) Please confirm the above OEB staff observations.
b) If confirmed, please update these two tabs of the DVA continuity schedule by including the consumption numbers in the relevant input cells.

9-Staff-89
Global Adjustment
Ref 1: GA Analysis Workform
Ref 2: EB-2019-0071 - GA Analysis Workform
OEB staff notes that Waterloo North Hydro includes a reconciling item #4 of $246,886 for the "Differences in Actual system losses and billed TLFs" on the GA Analysis Workform. OEB staff also notes that Waterloo North Hydro did not have that reconciling item for the differences in the actual losses and billed TLFs in the GA Analysis Workform for 2017 and 2018 requested for disposition in its 2020 IRM application.

a) Please explain why the differences in losses has resulted in a material reconciling item in this application while did not result in the reconciling item in 2017 and 2018 GA Analysis Workform of 2020 IRM application.
b) Please provide the supporting calculation for the $246,886 adjustment.

9-Staff-90
Deferral and Variance Accounts
Ref 1: Exhibit 9, pages 13 and 40
Ref 2: The Accounting Procedures Handbook (APH), Article 490
Ref 3: The APH Update – Accounting Guidance on the Commodity Pass-through Accounts 1588 and 1589
Ref 4: DVA continuity schedule
Ref 5: 2021 Filing Requirements, Chapter 3
Waterloo North Hydro states that:

> **2425 Other Deferred Credits**
>
> Included in this account is the new proposed rate rider for Power Liability Variance discussed later in this Exhibit. **WNH acknowledges that this is the not the correct USoA** however WNH wanted to ensure that the amount requested to be refunded to customers was included in the DVA Continuity Schedule. **This account will only be applicable to RPP customers** as discussed in Attachment 9-3 Power Liability Variance Explanation. [Emphasis Added]

OEB staff notes from the updated Exhibit 9 evidence that Waterloo North has changed the account to a sub-account under Account 1508 in the draft accounting order.

The APH Article 490 defines the Account 1588 as:

> Account 1588, RSVA Power
>
> This account shall be used monthly to record the net difference between:
> i) the energy amount charged to customers, including accruals,
>
> AND
>
> ii) the energy charge to a distributor using the settlement invoice received from the IESO, host distributor or embedded generator, including accruals.

The Accounting Guidance on the Commodity Pass-through Accounts 1588 and 1589 dated February 21, 2019 provides the journal entry examples of the RPP settlement true-ups, which are recorded in Account 4705 and ultimately reflected in Account 1588.

On page 40 of Exhibit 9, Waterloo North Hydro states that the balance in the Power liability variance account is to be disposed to all RPP customers:

> WNH is requesting that this balance be disposed of as a separate rate rider for all RPP customers as indicated in the DVA continuity schedule.

OEB staff notes from the DVA continuity schedule that the Power liability account balance is grouped with other Group 2 DVAs in the Group 2 rate riders' calculation.

Chapter 3 of 2021 Filing Requirements, page 10 states that:

> On October 31, 2019, the OEB issued a letter[13] to all electricity distributors discussing its approach to address accounting or other errors, in respect of Group 1 DVA, that have previously been disposed of by the OEB on a final basis. Where an accounting or other error is discovered after the balance in one of the Group 1 accounts has been cleared by a final order of the OEB, a distributor shall refer to this letter for further guidance.

OEB staff notes that Waterloo North Hydro confirmed the implementation of the new accounting guidance in its 2020 IRM application and the OEB had approved the

disposition of the Group 1 DVAs including Account 1588 as at final basis in the 2020 IRM application.

a) Please confirm OEB staff's understanding that the Power Liability Variance Account is to record the adjustments for the errors noted in the past RPP settlements with the IESO. If not, please explain.
b) If a) is confirmed, please confirm that these adjustments should be recorded in Account 1588 and be disposed to all Class B ratepayers.
c) If a) is confirmed, please fill out the "Principal Adjustments" tab in the GA Analysis Workform for the prior period adjustments for Account 1588. Please reflect the adjustments in Account 1588 and refile the DVA continuity schedule accordingly.
d) If a) is confirmed, please discuss Waterloo North's consideration of the OEB's October 31 letter.

9-Staff-91
Deferral and Variance Accounts
Ref 1: Exhibit 9, Attachment 9-3 Power Liability Variance Account;
Ref 2: 2020 IRM Application, Table 2.7a
OEB staff notes from the Table 2.7a of the 2020 IRM application that Waterloo North Hydro had included the true-up adjustments related to the RPP settlements in Account 1588 as below:

2017 True-Up (submitted in 2017)	2017 True-up (to be submitted)	2018 True-up (to be submitted)
$398,902	$794,379	$(298,382)

a) Please confirm that Waterloo North submitted these true-up adjustments to the IESO in 2019 and recorded these adjustments (which are an inherent part of the Charge type 1142) in Account 1588 in 2019.

9-Staff-92
Power Liability Variance
Ref 1: Attachment 9-3 Power Liability Variance Account
With respect to the RPP settlement errors, Waterloo North Hydro states that:

> The result is that WNH overstated the cost of RPP GA during the RPP settlement calculations for this period, overstating the amounts claimed from the IESO. The total RPP settlement true-up required is $2,788,012 owing to the IESO and is summarized in Table 2 below. WNH proposes that these amounts be paid to the

IESO upon OEB approval. The 2017 and 2018 differences have already been remitted as part of the true-ups submitted in 2019 during the transition to the new settlement process.

Table 2 - RPP Recalculation

Year	RPP Submitted ($)	RPP Recalc ($)	Difference $
2015	(3,392,260)	(929,060)	2,463,200
2016	(1,399,436)	(1,074,623)	324,812
	(4,791,695)	(2,003,683)	**2,788,012**

Waterloo North also provides Table 3 as below:

Table 3 - RPP Settlement Error Effect on Account 4705

	RPP settlement included in 4705			GA Reconciliation Accrual to COP included in 4705					
Year	Submitted	Revised	Difference	Accrued	Revised	Accr. Diff	Rev. in next period	Difference	Total Effect on 4705
2015	(3,392,260)	(929,060)	2,463,200	2,354,388	(108,812)	(2,463,200)	-	(2,463,200)	-
2016	(1,399,436)	(1,074,623)	324,812	3,372,192	584,180	(2,788,012)	2,463,200	(324,812)	-
2017	(12,442,456)	(12,480,698)	(38,241)	4,041,131	1,291,360	(2,749,771)	2,788,012	38,241	-
2018	(21,024,235)	(21,152,377)	(128,143)	3,900,222	1,278,594	(2,621,628)	2,749,771	128,143	-
2019							2,621,628	2,621,628	2,621,628
	(38,258,386)	(35,636,758)	2,621,628	13,667,933	3,045,322	(10,622,610)	10,622,610	-	2,621,628

Waterloo North Hydro states that:

> As Table 3 demonstrates, the revised GA Reconciliation Accrual eliminates the effect of the RPP settlement error on account 4705 for 2015-2018 with the exception of the reversal of the final accrual. This last accrual at December 31, 2018 contains the cumulative effect of the RPP settlement differences from 2015-2018. Typically, this December 31, 2018 accrual would have been reversed on January 1, 2019 and been included as part of Cost of Power in 2019. However, since the new settlement process was adopted as of January 1, 2019 this amount could not be reversed in 2019 to account 4705 and has been kept in Accounts Payable (2205) for disposal. The total amount of $2,621,628 represents an amount owing to WNH RPP customers. WNH requests that the full amount be disposed of along with the 2019 1588 balance.

a) Please confirm the following:
   i) Waterloo North is requesting to pay the $2,788,012 to the IESO with respect to the 2015 and 2016 over-claim of the GA related to the RPP customers and refund the $2,621,628 to the RPP customers
   ii) The $2,621,628 consists of the 2015 and 2016 amount of $2,788,012, 2017 additional true-up amount of $38,241 and 2018 additional true-up amount of $128,143

iii) The GA reconciliation process that was performed by Waterloo North does not conform to the process under the new accounting guidance issued in February 2019 which requires the monthly accrual of the CT1142 and the RPP portion of the GA in Account 1588

b) If any of the items in a) is not confirmed, please explain why and provide the details.
c) If all items in a) are confirmed and given that the RPP GA accrual and CT 1142 should be both recorded in Account 1588, please explain how the errors in the RPP settlements related to the RPP GA would result in a repayment to the IESO and a refund to the customers at the same time.

9-Staff-93
Power Liability Variance
Ref 1: Attachment 9-3 Power Liability Variance Account
In Attachment 9-3, Waterloo North Hydro has provided the appendices: App 1.a - IESO Invoice Summary, App 1.b – Class B Non-RPP GA, App 1.c- Class B RPP Settlement – Actual Submissions and App. 1.d – Class B RPP Settlement Recal to support the $2,621,628 Power variance to be disposed to the customers.

a) Please provide the excel versions of these appendices and show how the $2,621,628 is calculated.
b) Please use the month of December 2015 as an example to illustrate the RPP settlement error, resulted adjustment for the month and the impact on Account 1588.