PUBLIC INTEREST ADVOCACY CENTRE
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September 10, 2020 **VIA E-MAIL**

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
Toronto, ON

Dear Ms. Long:

Re: EB-2020-0059 – Waterloo North Hydro Inc. 2021 Rates Cost of Service Application
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

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

Yours truly,

Mark C Garner Digitally signed by Mark C Garner Date: 2020.09.10 17:21:12 -04'00'

Mark Garner
Consultants for VECC/PIAC

Copy:
Mr. Albert P. Singh, Vice President Finance and CFO, Waterloo North Hydro Inc.
asingh@wnhydro.com

REQUESTOR NAME	**VECC**
TO:	**Waterloo North Hydro (WNH)**
DATE:	**September 10, 2020**
CASE NO:	**EB-2020-0059**
APPLICATION NAME	**2021 Cost of Service Rate Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: Exhibit 1, page 20 / Exhibit 2 Appendix K

a) Please provide WNH's definition of a "major event" outage (day).

b) Please explain the circumstances of the major event outages in 2016, 2018 and 2019, including the duration of the event which caused the outage(s).

1.0-VECC-2

Reference: Exhibit 1, page 20

a) What is the default billing option for a customer opening an account with WNH?

b) Please provide a breakdown of residential customers who annually (customer x months) make payment by:

i. In-person;

ii. Mail –cheque;

iii. Through a financial institution;

iv. On-line though the WHN portal;

v. MoneyGram/Canada Post;

vi. Pre-authorized payment.

1.0-VECC-3

Reference: Exhibit 1, page 110

WNH explains that a "[*A]significant group of customers would like more overhead services moved underground. While this is not the majority, WNH determined that this customer group was large enough to make adjustments in the plan*."

a) WNH explains at pages 105-105 of Exhibit I WNH explains that customers were not aware of the cost difference between bills delivered by mail or electronically – but that "[*A]fter being told of the cost associated with traditional paper billing, they were asked what is preventing them from registering to receive an e-bill*. Did WNH provide similar information in respect to the cost of underground and overhead service? That is was the cost differential as between overhead and underground service provided prior to questions as to one's preference for overhead or underground service?

1.0-VECC-4

Reference: Exhibit 1, pages 120-122

a) Please update Tables 1-40 and 1-41 (Total Cost per..) to include 2019.

b) Please update Table 1-44 (DSP Implementation) to include 2019 results.

1.0-VECC-5

Reference: Exhibit 1, Attachment 1-7 Utility Pulse Summary

a) Please explain the nature of the "National" and "Ontario" and "Ontario LDC" comparative figures. Specifically, please detail the data used as a comparator and the timeframe over which that data was collected.

1.0-VECC-6

Reference: Exhibit 1, Appendix 1-9, Customer Engagement Survey Report

Brickworks Communications explained to customers in its survey (page 11) that "[*F]rom 2015 to 2019, WNH invested approximately $22.4 million annually. WNH's current proposed Plan is similar and is focused on replacing assets in poor condition before they fail (causing reliability and safety issues)*."

a) What would the approximate annual capital expenditure of WNH be between 2015 and 2019 if PSWHA and Non-PSWHA relocations were removed.

b) In its customer survey/outreach did WHN explain that a portion of its capital expenditures are not related to plant location moves and only incidentally connected to reliability and safety issues?

1.0-VECC-7

Reference: Exhibit 1, Attachment 1-15

a) Please update the Scorecard to include 2019 results.

2.0 RATE BASE (EXHIBIT 2)

2.0-VECC -8

Reference: Exhibit 2, page 62-63

The 2020 General Plant budget was originally forecast as $1,649,525 (EB-2015-0108 Appendix B Settlement Proposal). The current 2020 forecast for General Plant capital spending is $3,555,000 (Exhibit 2, Table 2-30, page 52), a difference of $1,905,475. WNH provides a list of General Plant projects related to this increase at page 62

a) Please provide the current in-service date for each of the projects listed as a reason for the overspending (as compared to the prior DSP projection) in General Plant capital expenditures in 2020.

2.0-VECC -9

Reference: Exhibit 2, page 40

The General Plant category of capital spending was more than 23% higher than set out in the last Board reviewed Distribution System Plan ($11,948,00 actual compared to $9,664,000 as shown in the EB-2015-0108 DSP).

a) Please explain the reasons the historical GP expenditures averaged $2.39 million whereas the EB-2015-0108 DSP anticipated an average annual spending in this category of $1.932 million.

2.0-VECC -10

Reference: Exhibit 2, page 65

> "*In 2021 there are three larger projects planned that have caused an increase between 2020 and 2021. Two of the projects are road relocations at the request of the road authority which are changing from overhead to underground. When there is a request/requirement from the road authority that WNH goes underground as part of the rebuild the requesting party funds the cost difference between the overhead and underground systems, in turn making their capital contribution higher. The third project is service for new commercial development*."

a) Please identify the three large projects attracting capital contributions and provide the total project cost and the capital contribution for each project.

2.0-VECC -11
Reference: Exhibit 2, page 77

Table 2-42 Major Events

Reporting Year	Cause Code	Number of Interruptions	Number of Customer Interruptions	Number of Hours of Customer Interruptions
2015	Equipment Failure	5	7,167	10,871
2015	Loss of Supply	9	7,060	8,890
2016	Adverse Weather	67	89,681	107,333
2016	Lightning	15	4,092	4,158
2016	Lightning	6	3,966	7,097
2017	Tree Contacts	5	4,788	5,571
2018	Adverse Weather	3	8,711	10,529
2018	Adverse Weather	15	16,623	55,867
2019	Adverse Weather	15	10,998	13,313

a) Please explain the circumstances under which equipment failure was noted as a “major event” interruption

2.0-VECC -12
Reference: Exhibit 2, Attachment 2-2, DSP, Table 2-26, pages 133

a) Please recast Table 2-26 to show the variance in contributed capital by capital expenditure category (i.e. System Access/Renewal/Service and General Plant).

2.0-VECC -13
Reference: Exhibit 2, Attachment 2-2, DSP, page 167 / WNH Distribution System Reliability Report, page 508

Table 3-4: Worst Performing Feeders (2016 - 2019)

Feeder #	2016	2017	2018	2019	3-Year Average	5 Year Average
HS22	56,289	376,305	269,864	476,499	374,223	242,664
3F68	29,779	95,748	144,302	216,539	152,196	100,257
HS20	118,855	215,197	136,402	49,337	133,645	105,488
HS11	8,321	5,849	180,538	183,445	123,277	100,694
3F61	10,337	331,633	24,170	11,919	122,574	77,722

Worst Performing Feeder Ranking	1st	2nd	3rd	4th	5th
Colour Code					

a) What capital projects are proposed in 2021-2025 to address the poor performance of the HS22 feeder?

b) Please provide a table in the format of Table 7-2: Worst Performing Feeder Actions Plans- 2019 that shows WNH's plan for addressing poor performing feeders during the course of the rate plan.

2.0-VECC -14
Reference: Exhibit 2, Attachment 2-2, DSP, page 66, Table 2-37

a) Please revise Table 2-37 to show for each year:
   i. capital contributions by capital expenditure category;
   ii. Under System Access capital contributions by line item.

2.0-VECC -15
Reference: Exhibit 2, Appendix B, page 1, 5.4.3.2

> 5.4.3.2.A explains "*Unlike projects that fall under the Public Service Works on Highways Act (PSWHA) , R.S.O. 1990, CHAPTER P.49, this program includes projects where an alternative cost arrangement is followed. The most common types of project in this category are overhead to underground line conversions driven by a municipality. Where the road authority directs WNH to replace aged overhead plant with underground, the road authority funds the cost difference between overhead and underground systems, typically between 75%-85% of total project cost, otherwise the cost recovery reaches up to 100%.*"

a) It is unclear whether the projects listed therein ($424,053) are net of any financial contribution. Please clarify.
b) If no contribution is provided please explain what the 75-100% refers to.

2.0-VECC -16
Reference: Exhibit 2, Appendix B, page 1, 5.4.3.2

WNH Project	Sub Project	Project Name	Total
06EN10	24	Waterloo - New Subdivisions	$152,558
06EN10	25	Woolwich - New Subdivisions	$653,486
06EN10	26	Wellesley - New Subdivisions	$73,866
06EN10	27	Waterloo West side Employment Lands (side road loop)	$202,036
		Total	$ 1,081,946

a) Please provide the estimated electrification (competition) date for each of the listed projects.

2.0-VECC -17
Reference: Exhibit 2, Exhibit 2, Appendix B, page 1, 5.4.3.2

a) Please explain the significant increase as compared to prior years in proposed capital spending in 2021 under the category "Miscellaneous/Other" (all categories - System Access/Renewal/Service and General Plant). Specifically, explain how cost estimates for this category of spending are derived.

2.0-VECC -18
Reference: Exhibit 2, Appendix B, page 1, 5.4.3.2

a) With respect to the project category "Grid Resiliency" please explain how many kilometers of overhead are estimated to be converted to underground for the estimated $200,000 per annum to be spent in this category.
b) What locations have been identified for overhead to underground conversion in 2021?

2.0-VECC -19

Reference: Exhibit 2, Appendix B, page 1, 5.4.3.2

a) Under the General Plant project "Building and Furniture Improvements" is an amount of $117k for "General Facilities". Please give some examples of what type of capital costs fit into this category.

2.0-VECC -20

Reference: Exhibit 2, pages 44-49
OEB Filing Requirements for 2021 Applications (May 14, 2020), Chapter 2, page 16

a) Please confirm that WNH is billed by the IESO for the commodity cost of power of delivered to its Embedded Distributor – HONI. If not confirmed please explain the inclusion of commodity cost associated with the Distributor in the determination of the cost of power for purposes of working capital.

b) Please confirm that WNH is billed by the IESO for the transmission network and connection charges related to the delivery of power to its Market Participants. If not confirmed, please explain the inclusion of transmission network and connection costs associated with the Market Participants in the determination of the cost of power for purposes of working capital.

c) Please explain why the Power Supply expense used in Table 2-26 to determine the 2021 working capital allowance is $199,535,876 as opposed to $169,611,597 (which includes the ORECA credit per the OEB Filing Guidelines).

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC-21

Reference: Exhibit 3, pages 4 and 11

Preamble: The Application (page 4) states: "*The updated regression analysis substituted Number of Customers for Employment in Kitchener-Waterloo-Cambridge*".

a) Please indicate what customer classes were included in Number of Customers variable and why the count for these particular customer classes was used.

3.0-VECC-22

Reference: Exhibit 3, page 10
Load Forecast Model (COS), Purchase Power Model Tab

Preamble: The Application states: "*WNH notes that Purchases from the IESO were adjusted by Long-Term Load Transfers (until cessation in 2017), Embedded Generation, Market Participant data and the correction of a Hydro One Networks Inc. (HONI) billing error in which incorrect meters were being attributed to, and purchases were being charged to WNH, by the IESO*".

The Application states: "*Data for WNH's total system load is available as far back as January 1996. This provides 288 monthly data points which are a reasonable data set for use in a multiple regression analysis. The average weather conditions over this period are applied in the prediction formula to determine a weather normalized forecast for 2020 and 2021. This analysis assumes weather normal conditions are based on a ten-year average of weather data*".

a) Please confirm that the Wallenstein Adjustment included in the Purchased Power Model Tab (Column C) represents the correction of the HON billing error.

b) Please explain the source of the Long-Term Load Transfers up to 2017 and why the adjustment led to a reduction in purchased power.

c) Page 9 of the Application indicates that the regression is based on data for the period January 1996 to December 2019 (i.e. 24 years). At page 10 the Application states that the average weather conditions over this period were used to determine "weather normal". However, the Application also states that weather normal conditions are based on a ten-year average. Please reconcile and clarify the basis for "weather normal" as used in the Application.

3.0-VECC-23

Reference: Exhibit 3, pages 11-13

a) Please confirm that the -1.89 coefficient for CDM means for every kWh of persisting CDM monthly purchases are reduced by 1.89 kWh.

b) In WNH's view does this result make sense intuitively and, if yes, why?

c) Please provide an alternative purchased power model (i.e., coefficients and statistical results) along with the resulting 2020 and 2021 load forecast where:

    a. The monthly purchased power values used to estimate the regression equation are increased by the persisting monthly CDM and the

regression equation is estimated using the balance of the explanatory variables as set out in the Application.

b. The 2020 and 2021 monthly purchases are first forecast using this regression model and the forecast values for the explanatory variables per step (i).

c. The resulting 2020 and 2021 forecast monthly purchases are reduced by the persisting CDM forecast for each month as set in the Application.

3.0-VECC-24

Reference: Exhibit 3, pages 14-15

Preamble: The Application states: "*To determine the total weather normalized energy billed forecast, the total system weather normalized purchases forecast is adjusted by a historical loss factor. The historical loss factor used is 3.57% which represents the average loss factor from 2003 to 2019 and encompasses all available historical data.*"

a) Please explain why an historical loss factor cannot be calculated using the same years (i.e., 1996-2019) as used to estimate the purchased power model.

3.0-VECC-25

Reference: Exhibit 3, pages 18-21
Load Forecast (COS) Model, Rate Class Customer Model Tab

Preamble: The Application (page 18) states: "*The annual customer/connections data is based on the average count opposed to the end of year count*".

The Application also states (page 20): "*WNH chose to apply the trend growth rate to each customer class to forecast 2020 and 2021 customer count. The exception is Direct Market Participant where the customer forecast has been held constant*".

a) Please explain how the "average count" was calculated (e.g., average of 12 monthly values).

b) If the average count is not based on the average of the monthly values, please explain why given that this data is available (i.e., was used in the purchased power model).

c) It is noted that the trend value for the Residential customer growth rate is 0.7% (more specifically 0.65%) and that this is the value used to forecast the class' customer count. Please explain why this is reasonable when the historical values for the period 1996-2019 are all greater than 0.7%.

d) It is noted that the trend value for the GS>50 customer growth is 2.5% and that this value is used to forecast the class' customer count. Please explain why this is reasonable when for the historical period used the annual growth rate only exceeded 2.5% three times out of 16.

e) Rather than using the trend in the customer/connection growth rates for each customer class (excluding the Market Participants), please provide a forecast for the 2020 and 2021 customer/connection counts for each class based on a trend analysis of actual customer/connection counts.

f) Please provide the actual customer/connection counts by customer class for June 2020 and July 2020.

3.0-VECC-26

Reference: Exhibit 3, pages 18-21
Load Forecast (COS) Model, Rate Class Customer Model Tab
Exhibit 7, Attachment 7-1, Tab I6.2-Customer Data
Exhibit 8, page and Attachment 8-5

Preamble: Exhibit 3 indicates the number of Street Lighting connections forecast for 2021 is 15,005.

The Cost Allocation model indicates the number of Street Lighting connections forecast for 2021 is 2,072 while the forecast number of devices is 15,005.

Exhibit 8 calculates the monthly service charge for Street Lighting based on 15,005 connections.

The proposed 2021 Street Lighting tariff indicates the monthly service charge is "per connection".

a) Please confirm that the15,005 is the forecast number of devices and not connections for 2021.

   i. If confirmed, please explain how the value of 2,072 for the 2021 forecast number of connections was determined.

   ii. If not confirmed, please indicate what the correct number of connections and devices is for the purposes of Tab I6.2 and how each were determined.

b) Please clarify whether the billing determinant for the monthly service charges is the number of connections or the number of devices.

   i. If the billing determinant is meant to be the number of devices, please confirm that the wording of the 2021 tariff needs to change accordingly.

   ii. If the billing determinant is to be the number of connections, please provide an updated derivation of the monthly service charge.

3.0-VECC-27

Reference: Exhibit 3, page 23

The Application states: "*The weather normalized values in Table 3-19 are exclusive of CDM programs. The impact and persistence of CDM programs has been included as a variable in the purchases regression model and WNH's methodology is described in more detail in 2.3.1.3*".

a) Please clarify whether the statement "exclusive of CDM programs" means that the forecast includes or excludes the impact of CDM programs?

3.0-VECC-28

Reference: Exhibit 3, pages 15-17 and Attachment 3-3
Load Forecast Model (COS), Power Purchased Model Tab

a) Has the IESO prepared any reports/information on the COVI-19 impacts on the electrical system more recent than the April 2020 report provided in Attachment 3-3? If yes, please provide a copy and indicate the most recent information regarding reductions in energy use relative to pre-pandemic conditions.

b) Please update Tables 3-7 and 3-8 to include the months of June, July and August 2020.

c) Please provide a schedule that sets out WNH's actual monthly power purchases for March through August 2020, using the same definition of power purchases as used in the load forecast model (per Exhibit 3, page 10)

d) Please provide the actual monthly Heating Degree Days and Cooling Degree Days for the months March through August 2020.

e) Using the actual Heating and Cooling Degree Days per part (d), WNH's purchase power model (per Purchased Power Model Tab), WNH's 2020 forecast for the other explanatory variables please provide the resulting prediction for the power purchased for the months of March through August 2020.

3.0-VECC-29

Reference: Exhibit 3, pages 24-25

a) Please explain why the kW/kWh ratio is based a trend analysis as opposed to an historical average (e.g., is the trend statistically significant)?

3.0-VECC-30
Reference: Exhibit 3, pages 17-18 /Exhibit 9, pages 40-41

The Application states (Exhibit 3, page 17): "*Based on this information, WNH has prepared a second load forecast that decreases kWh usage by the following: GS < 50kW customers by 10%, GS > 50 by 15% and Large User by 20% in 2021 and customer count decreases as follows: Residential by 1%, GS < 50kW customers by 5% and GS > 50 by 4%*."
The Application states (Exhibit 9, page 41): "*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*".

a) Are the kWh reduction percentages expressed on a per customer basis or for the overall customer class?
b) How were the assumed kWh reduction percentages established for each class?
c) The alternative forecast represents an 11.4% reduction in GWh (per Table 3-9). Please contrast this value with the IESO's most recent information regarding the impact of the pandemic on system load.
d) The Application states that the requested variance account would "track all variances from the Load Forecast included in this Application for both customer count and kWh". Does this mean that the variance account would also include variances arising due to the weather being different from "normal"?
    i. If yes, why is this appropriate?
e) With respect to the proposed variance account, would variances in load and revenues be tracked by customer class and would the resulting variances be recovered by customer class?
f) If weather variations were such that the loads exceeded forecast (even with the pandemic impacts) would customers receive a refund?

g) The OEB is currently undertaking a Consultation on the Deferral Account – Impacts arising from the COVID-19 Emergency (EB-2020-0133). Please explain why WNL needs a utility-specific sub-account as opposed to relying on the Accounting Order issued March 25, 2020 and the results of the OEB's consultation.

h) Does WNH expect the CIVID-19 impacts referenced on page 17 to continue after 2021 and for the balance of its upcoming IRM period?

i. If yes, why?

ii. If not, is it appropriate to use the revised forecast as the underpinning for the rates that will be set during WNH's subsequent IRM period?

3.0-VECC-31
Reference: Exhibit 3, pages 28-29
Load Forecast (COS) Model, CDM Activity Tab

a) Please provide the OPA/IESO reports that support the CDM activity values used for the 2006 to 2010 programs (per CDM Activity Tab, Column B).

b) Please provide a schedule/excel file that for each of the program years 2006 to 2010 sets out the persisting CDM impacts through to 2021 as follows:

Impact of Historical and Forecast CDM					
Calendar Year/ CDM Program Year	2006	Columns for Each Subsequent Year up to 2020			2021
2006 CDM Program Impacts					
Actual CDM impacts for each year to 2009 – one row per year					
2010 CDM Programs Impacts					
Total (Column B in CDM Activity Tab)					

c) Please provide the OPA/IESO reports that support the CDM activity values used for the 2011 to 2014 programs (per CDM Activity Tab, Column C).

d) Please provide a schedule/excel file that for each of the program years 2011 to 2014 sets out the persisting CDM impacts through to 2021 as follows:

Impact of Historical and Forecast CDM					
Calendar Year/ CDM Program Year	2011	Columns for Each Subsequent Year up to 2020			2021
2011 CDM Program Impacts					
Actual CDM impacts for each year to 2013 – one row per year					
2014 CDM Programs Impacts					
Total (Column C in CDM Activity Tab)					

e) The values set out in the CDM Activity Tab (Column G) for the annual impacts of the 2018 CDM programs do not appear to match those reported in the IESO's CDM Participation and Cost Reports for either 2018-12 or 2019-4 provided with the Application. For example, the CDM Activity Tab shows 2020 persisting savings of 16,271,900 kWh while the IESO's 2019-4 report shows savings of 11,612,613 kWh. Please provide the source document for the 2018 CDM activity values for the years 2018-2021 as used in the Application and explain where in the document the values used can be found.

f) Please provide the source document for the 2019 CDM activity values for the years 2019-2021 as used in the Application (CDM Activity Tab, Column H) and explain where in the document the values used can be found.

g) Please explain the basis for the 2020 CDM activity values for the years 2020-2021 as used in the Application (CDM Activity Tab, Column I). In particular, please identify the specific CDM programs assumed to be providing the results and whether they include any CDM programs other than those from the CFF framework.

3.0-VECC-32

Reference: Exhibit 3, page 28

The Application states:

> "*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.*
>
> *Furthermore, the calculation of a 2021 threshold for LRAMVA is not necessary due to the lack of new CDM programs. As a result, Appendix 2-I is also not required*."

a) Please confirm that WNH will not be making a future LRAM application for lost revenues in 2021 or subsequent years due to CDM savings achieved in 2020.

b) If not confirmed, please explain why a 2021 threshold for LRAMVA is not necessary.

3.0-VECC-33

Reference: Exhibit 3, page 46

Preamble: The Application states: "*As a part of the review of Customer Service Rules (EB-2017-0183), WNH has taken into Consideration the proposed amendments to the Distribution System Code, Standard Supply Service Code, Unit Submetering Code, and Gas Distribution Access Rule. In light of these proposed amendments, WNH has adjusted its budgeted revenue for the proposed changes*".

a) Please outline the specific adjustments that were made to the forecast 2021 Other Revenue to account for the noted proposed amendments. In doing so please indicate whether any of the adjustments are related to amendments that have actually been approved/implemented by the Board as opposed to those still only a "proposal".

3.0-VECC-34
Reference: Exhibit 3, pages 46-47

Preamble: The Application states:

"WNH has not proposed any new specific service charges or incorporated new rates or rules that would impact Other Revenue. In Exhibit 8, WNH is requesting new Specific Service Charges for Owner Requested Disconnection and Reconnection however these would be used as an offset to OM&A expenses instead of included in Other Revenue. Also, the changes to Customer Service Rules that were implemented in 2019 and 2020, did not impact Other Revenue and again were an offset to OM&A expenses".

a) Please indicate where in Exhibit 4 the revenues from the new Specific Service Charge for Owner Requested Disconnection and Reconnection and the 2019 and 2020 changes to Customer Service Rules have been incorporated as an offset to OM&A expenses.

3.0-VECC-35
Reference: Exhibit 3, page 48
Exhibit 1, page 66
Chapter 2 Appendices, Appendix 2-H

Preamble: In Exhibit 1, the Application states: "*WNH established an Embedded Distributor Class in its 2011 COS. HONI owns the circuits that cross into WNH's service territory and reside on WNH's poles. WNH receives pole rental revenue from HONI*".

a) Please explain why the revenue from Service Transaction Requests (Acct. 4084) is reported as a positive value such that it reduces Other Revenues.

b) Please explain the basis for the decrease in 2021 in revenues attributed to Retail Services (Acct. 4082) and Service Transaction Requests (Acct. 4084).

c) With respect to the pole rental revenue from HONI, under which account is it included in Other Revenue? For that specific account, please provide a break out of the pole rental revenue received from HONI for the years 2016-2021.

d) How is the rental rate used to charge HONI determined and, in particular, is the methodology consistent with OEB methodology used to determine the pole attachment rate?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -36
Reference: Exhibit 4, page 14

a) Please explain the difference between an “Administrative Credit” and a capital contribution.

b) Please amend Table 4-4 (Appendix 2-JA) to show separately for each year any “administrative credits.”

4.0 -VECC -37
Reference: Exhibit 4, page 75

a) If WNH is a member of the EDA please provide the amounts paid and forecast to be paid to the Electricity Distribution Association in the years 2016 through 2021.

4.0 -VECC -38
Reference: Exhibit 4, page 13

a) Please explain how the 2021 Bad Debt estimate was calculated.

4.0 -VECC- 39
Reference: Exhibit 4, page 13,16

a) What is the 2021 OM&A cost related to maintain a CDM service for WNH customers?
b) Please clarify what CDM related IT costs are being retained – specifically what service is being provided and at what cost.

4.0 -VECC -40
Reference: Exhibit 4, pages 76-

a) WNH last actual OEB assessment cost was approximately $207k. The Utility is forecasting an increase in this cost to 250k in 2021. Please explain the reasons for the increase.

4.0 -VECC -41
Reference: Exhibit 4, pages 76-

a) Please provide an update of the application costs (estimated to be $650,000) **incurred to date** by the listed categories (i.e. legal, consulting, intervenor and incremental costs).
b) Please list the Consultant Reports and the associated costs incurred in preparation of this application.

4.0 -VECC -42
Reference: Exhibit 4, pages 27-

a) Please list all the positions in 2020 and 2021 for which there is an employee being mentored by an employee expected to retire.

4.0 -VECC -43
Reference: Exhibit 4, pages 30--

a) How many staff were employed in the CDM area prior to the elimination of the Utility delivered CDM programs? How many of these employees are expected to remain with the Utility throughout 2021 and 2022?

4.0 -VECC -44
Reference: Exhibit 4, pages 38 & 43

a) Please explain how the forecast for Communications, Community and Customer Relations 2021 costs was estimated?

4.0 -VECC -45
Reference: Exhibit 4, page 44

In explaining the increase in IT services costs WNH explains: "*There are several reasons for the increase in IT services costs. First, WNH has invested in several new systems since 2016, many being cloud based and therefore have higher operating costs.*"

a) If cloud-based systems are more expensive than more traditional on-site solutions why is WNH investing in these systems?
b) If the Utility is investing in more cloud-based IT solutions why is it also increasing the number of FTEs in the IT area?

4.0 -VECC -46
Reference: Exhibit 4, pages 47

a) Please provide an update on the status of the ratification of the recently negotiated Collective Agreement.

4.0 -VECC -47
Reference: Exhibit 4, pages 50, Table 4-14 (Appendix 2-K)

a) Please amend Table 4-14 to show the total amount of employee compensation capitalized in each year.

4.0 -VECC -48
Reference: Exhibit 4, page 74, Table 4-34

a) Please confirm or correct the understanding that the reductions to OM&A as shown in Table 4-34 are offset by an equal cost also charged to OM&A (i.e. the net impact of affiliate activity as shown, for example in Appendix 2-JA, is zero).

4.0 -VECC -49
Reference: Exhibit 4, page 78

a) What portion of WNH's $42,000 in annual LEAP funding was dispersed in each year 2016 through 2019?

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

5.0-VECC-50
Reference: Exhibit 1, page 123

a) Please update Table 1-48 (Profitability) to include 2019 results.

5.0-VECC-51
Reference: Exhibit 1, Attachment 1-17, DBRS Morningstar Credit Report

The Report contains the following statement:
DBRS Morningstar (DBRS Morningstar) confirmed the Issuer Rating of Waterloo North Hydro Inc. (Waterloo North or the Company) at A (low) with a Stable trend. The rating reflects the stability of Waterloo North's electricity distribution business operating under a reasonable regulatory framework in a growing franchise area as well as the Company's strong financial risk profile.

Waterloo North's rating is one notch lower than its DBRS Morningstar-rated peers in the Ontario electricity distribution sector, largely as a result of the Company's above-average refinancing risk*. (emphasis added)*

a) Please explain what factors resulted in the above noted "above-average financing risk."

5.0-VECC-52
Reference: Exhibit 5, page 4

a) WNH notes that is promissory notes with Waterloo North Hydro Holding Corporation are callable upon 270 days' notice. The Utility intends to apply the Board's long-term debt affiliate rate (now 3.21%) to these notes. WNH was able to obtain a long-term loan starting June 2020 at the rate of 2.61%. Please explain why it would not have been more efficient (less costly) to replace the existing affiliate debt with new loans in 2020.

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –53
Reference: Exhibit 7, page 6 /Cost Allocation Model, Tab I4

The Application states: "*WNH has full costs for Services (USoA (Uniform System of Accounts) 1855) for Residential Customers only; all other classes pay for their own services via Contributed Capital USoA 1995/2440. The amount of contributed capital for GS<50kW customers is based on a flat rate per layout while GS>50kW customers pay actual costs*".

a) With respect to Tab I4, please confirm that the asset values set out in Column C are the gross asset values prior to the removal of capital contributions.

b) Tab I4 shows $6,858,140 in contributed capital that is attributed to Services (Acct. 1855). Does this amount represent the actual contributed capital paid by customers for their Services or is it simply based on an allocation of the total contributed capital to assets?

c) If based on an "allocation", please provide the 2021 cumulative value for the contributed capital WNH is forecast to receive as of 2021 for customers' Services.

d) Are the Services assets used to supply GS<50 NS GS>50 customers owned by WNH or the customers themselves?

i. If some or all of the Services assets used to supply GS<50 and GS>50 customers are owned by WNH, is WNH responsible for the ongoing OM&A costs related to these assets?

ii. In the Cost Allocation Model, are there OM&A costs attributed to Services assets that are subsequently allocated to the customer classes? If yes, please indicate where in the CA model this occurs and if the GS<50 and GS>50 classes are attributed a portion OM&A costs for these assets.

iii. If the GS<50 and GS>50 classes are not attributed a portion of the OM&A associated with the Services assets, what is WNH's estimate as to the annual OM&A cost for 2021 related to the Service assets used to supply each of these customer classes?

7.0 – VECC –54
Reference: Exhibit 7, page 7

a) Please provide the analysis underpinning the weighting factors set out in Table 7-2.

7.0 – VECC –55
Reference: Exhibit 7, page 8 Cost Allocation Model, Tab I6 – Customer Data and Tab I7.1 - Meter Capital

The Application states: "*WNH does not have any costs assigned to the Embedded Distributor rate class as it received the meter from HONI (Hydro One Networks Inc.) when WNH commenced as a Host Distributor in May 2006, thus, WNH has $0 meter costs for this rate class*".

a) Please explain why for each of the Residential, GS<50 and GS>50 classes the number of meters in Tab I7.1 is less than the forecast number of customers for the class.

b) Is WNH responsible for the ongoing OM&A costs related to the meter used for HONI?

c) If the response to part (b) is yes, in the Cost Allocation Model, are there OM&A costs attributed to Meter assets that are subsequently allocated to the customer classes?

i. If yes, please indicate where in the CA model this occurs and if the Embedded Distributor is attributed a portion OM&A costs for these assets.

ii. If the Embedded Distributor is not attributed a portion of the OM&A associated with the Meter assets, what is WNH's estimate as to the annual OM&A cost for 2021 related to the HONI meter?

7.0 – VECC –56

Reference: Exhibit 7, pages 13-15

The Application (page 14) states: "*WNH has not included any load displacement adjustments to the Load Forecast for these customers in Exhibit 3. Since the proposed approach makes the Standby Charge equivalent to the distribution volumetric rate for the applicable rate class, proposed rates in this Application inherently include this Standby Charge. Due to this, Revenue from Standby Charges have not been separated from Distribution Volumetric Revenue*".

a) WNH indicates that as of 2021 there will be ten load displacement customers within its service territory who from time to time require power from WNH, and will require capacity to exist for their load when their generation is off.

   i. For each of these customers, what is the expected installed capacity of the load displacement generation?

   ii. How many of these WNH's customers had load displacement generation in each of the years from 2006-2019 and in what customer classes were they?

b) If there were load displacement customers in 2019 and prior years, please confirm that for the period up to the end of 2019: i) WNH did not charge customers a Standby Charge and ii) the historic kW/kWh ratio values used in Exhibit 3 do not include any allowance/recognition of standby requirement other than when a customer's load displacement facilities were off and replacement power was required from WNH.

7.0 – VECC –57

Reference:Exhibit 7, page 18

The Application states: *"The 2021 Cost Allocation Model indicates the Revenue to Cost Ratios for all classes are within the Board's range. The Board has not set a target range for the Embedded Distributor rate class so WNH has assumed a range of 80 - 120%. WNH is proposing to maintain status quo ratios. Slight differences are due to rounding.*"

a) The Embedded Distributor ratio changes from 110.72% to 105.45%. Please confirm that this difference is entirely due to rounding.

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 58

Reference: Exhibit 8, pages 5-6

Preamble: The Board decisions referenced in support of WNH's proposal to maintain the fixed-variable split for all non-Residential customer classes (even those where the monthly service charge exceeds the Board's policy ceiling) were all issued more than seven years ago.

a) Please confirm that the more recent decision by the Board with respect to Hawkesbury's 2014 Cost of Service Application (EB-2013-0139) approved the maintaining the existing monthly service charge for the GS 50-4,999 kW class, as it was already above the ceiling value.

b) Can WNH identify any other more recent Board decision that dealt explicitly with the level of the monthly service charge for non-Residential customers and what the Board's directions were in instances where the current charge exceeded the policy ceiling?

8.0 –VECC - 59

Reference: Exhibit 8, pages 9-11

Preamble: The Application (page 9) states: "*WNH notes that in accordance with its billing arrangements with its Embedded Distributor, Retail Transmission Rates are not applicable*".

The Application also states (page 10): "*WNH has three > 50kW customers that will be charged on a gross load billing basis from Hydro One and one from Energy + for wholesale transmission services in 2020 due to load displacement generation greater or equal to 1MW with non-renewable generation and/or equal to or greater than 2 MW for renewable generation (wind, solar, biomass, bio-oil, bio-gas, landfill gas, or water). As a result, WNH proposes to charge the RTSR to these customers on a gross load basis."*

a) Is WNH billed by the IESO for transmission network and connection charges related to its service to the Embedded Distributor? If yes, please explain the basis for the billing arrangements with the Embedded Distributor whereby RTSRs are not applicable to that customer and how, under these arrangements, WNH is held "whole".

b) Exhibit 8 indicates that WNH expects to have four customers in 2021 with load displacement generation for which gross load billing of the RTSRs will be applicable. Exhibit 7 (page 14) indicates that WNH expects to have a

total of 10 customers in 2021 with displacement generation. Please explain the basis on which the other six will not be subject to gross load billing for the RTSRs.

8.0 –VECC - 60

Reference: Exhibit 8, pages 14-17

a) With respect to the Specific Charge for Owner Requested Disconnection/Reconnection at the Meter, please explain why the hours of time required by field staff increases from 1 hour if the work is performed during regular hour to 2.5 hours if the work is performed after regular hours.

b) With respect to the Specific Charge for Owner Requested Disconnection/Reconnection at the Pole/Transformer, please explain why the hours of time required by field staff increases from 3 hours if the work is performed during regular hour to 5.5 hours if the work is performed after regular hours.

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0-VECC -61
Reference: Exhibit 2, Attachment 2-2, DSP, page 55 / Exhibit 9, page 28

a) Please list all the MS/DS decommissioned sites not yet captured in the Sub-Account – 1508 MS Disposition.
b) If there are remaining sites not yet captured in this account please explain why WHN is proposing to eliminate the MS Group 2 sub-account?

9.0-VECC -62
Reference: Exhibit 9, page 40 /Exhibit 3, page 17

WHN proposes a 1509 sub-account "*to track all variances from the Load Forecast included in this Application for both customer count and kWh*.."

a) If the Board were to grant such an account what reduction in the allowed rate of return is the Utility suggesting in order to compensate ratepayers for the reduced forecast risk?

End of document