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BY EMAIL

October 1, 2020

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

Dear Ms. Long:

**Re: EB-2020-0035 Kitchener-Wilmot Hydro Inc. - Application for 2021 Rates
OEB Staff Interrogatories**

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) Staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Kitchener-Wilmot Hydro Inc.'s responses to interrogatories are due by October 15, 2020.

Any questions relating to this letter should be directed to Marc Abramovitz at marc.abramovitz@oeb.ca or at 416-440-7690. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Marc Abramovitz
Advisor
Incentive Rate-Setting & Regulatory Accounting

Encl.

OEB Staff Interrogatories
2021 Electricity Distribution Rates Application
Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro)
EB-2020-0035
October 1, 2020

Staff-1

Ref 1: Manager's Summary, Page 8

Kitchener-Wilmot Hydro has requested disposition of its Group 1 Deferral and Variance Account Balances even though the threshold test has not been met. Kitchener-Wilmot Hydro noted that different classes of customers are affected (i.e. RPP vs non-RPP), and it is in the best interests of the customer to dispose of all balances immediately to avoid future intergenerational inequity.

Please provide further justification as to why the Group 1 DVA Balances should be disposed of, irrespective of the threshold test, and how a delay in disposition (until the threshold is met) would negatively affect customers.

Staff-2

Ref 1: Manager's Summary, Page 16-19

Using the 2021 Chapter 2 Appendices, please file an updated version of appendices 2-FA and 2-FB.

Staff-3

Ref 1: Application, p. 17

Ref 2: Report of the Board - Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09, Page 3

Kitchener-Wilmot Hydro is requesting recover for \$102,388 from incremental labour costs (\$97,951 from 2014-2018) and ongoing depreciation of the capital costs incurred from 2010-2013 (\$4,437 from 2014-2018).

As per Section 1.1 of the ON Reg 330/09, the ongoing OM&A costs are not eligible for provincial recovery, as "eligible investments" are focused on the initial or upfront OM&A cost in addition to the initial capital investment.

- a) In its 2014 application, Kitchener-Wilmot Hydro received \$25,656 in provincial compensation for start-up OM&A costs for the 2014 year. In its current application, Kitchener-Wilmot Hydro is requesting \$39,516 in start-up OM&A

- costs related to the 2014 year (as per 2-FA). Please discuss whether this amount is incremental to 2014 start-up OM&A of \$37,405 previously approved in 2014.
- b) In its 2014 application, please explain why Kitchener-Wilmot Hydro did not request start-up OM&A costs for the years 2015-2018.
 - c) Please demonstrate that the incremental labour costs were related to the capital assets approved in the 2014 COS proceeding. Please provide the applicable references of approvals from the prior cost of service proceeding.
 - d) For each year from 2014 to 2018, please break down the annual incremental labour costs into the applicable portion(s) associated with start-up labour costs and ongoing labour costs.
 - e) Please discuss whether Kitchener-Wilmot Hydro has considered whether its claims for the incremental labour costs would be categorized as rate retroactivity in light of ON Reg 330/09 and why Kitchener-Wilmot Hydro believes that it is appropriate to claim prior period incremental OM&A cost amounts (2014-2018) in this proceeding.
 - f) Please discuss whether Kitchener-Wilmot Hydro has relied on any precedent cases or policy guidance to arrive at its proposal for claiming prior period incremental OM&A cost amounts (2014-2018) and ongoing depreciation amounts (2010-2013).
 - g) Please explain why incremental labour costs were not brought forth to the OEB's attention prior to 2019.

Staff-4**Ref 1: EB-2019-0279 Decision and Order**

In the above reference, the OEB approved Kitchener-Wilmot Hydro's request for provincial funding for 2020 on an interim basis. In order to finalize these payments, the OEB requested that Kitchener-Wilmot Hydro provide further evidence supporting the 2020 funding request as well as evidence to support the payments for the years 2021 to 2024 in its application for 2021 distribution rates.

Please provide the breakdown of activities based on capital and operating expenses for each year from 2020 to 2024.

Staff-5**Ref 1:** LRAMVA Workform, Tab 8 (Street lighting)**Ref 2:** Application, p. 15

Kitchener-Wilmot Hydro notes that its street lighting retrofit projects were implemented in stages and the demand reductions were applied to the municipality's street lighting account respectively starting in July 2017. The energy and demand savings were summarized in Tab 8 of the LRAMVA workform, as follows:

	City of Kitchener	Township of Wilmot	Region of Waterloo	Consolidated Cumulative	
	kW	kW	kW	kW	kWh
Net Savings after applying Net to Gross Ratio of 90%					
First Year 2017	4,350.66	562.58	1,463.17	6,376.41	2,286,980.28
Persistence in 2018	15,161.96	1,316.61	5,396.39	21,874.96	7,845,232.42

- Please explain how the first year 2017 savings of 2,286,980 kWh from street lighting projects were calculated and confirm the kW/kWh conversion factor, as applicable.
- Please confirm how the 2018 energy savings of 7,845,232 kWh from street lighting projects were calculated and confirm the kW/kWh conversion factor, as applicable.
- Please clarify the specific reference source and rationale for using a net-to-gross (NTG) ratio of 90% to calculate net savings.
- Please discuss Kitchener-Wilmot Hydro's rationale for assuming that the street lighting demand savings can persist at 100% of its value from 2017 in 2018.

Staff-6**Ref 1:** LRAMVA Workform, Tab 8 (Street lighting)**Ref 2:** Appendix I, Street Lighting Verification (Rushby Energy Solutions)**Ref 3:** Application, p. 15

For the three street lighting projects undertaken in the City of Kitchener, Township of Wilmot, and Region of Waterloo, demand savings were calculated based on the change in billed demand in the current month relative to the previous month. In all cases, savings were calculated by taking the difference in billed demand from Aug 2017 relative to July 2017, and continuously for the following months until December 2017. While billed demand falls every month starting in July 2017 (as shown in Summary Table 8-a), the detailed project tables show what the billed demand was from the upgraded bulbs for the months of July 2017 and December 2017 only.

Appendix I includes street lighting verification reports from Rushby Energy Solutions that validated the number of bulbs and types of bulbs replaced, at the time it applied for an incentive from the IESO to offset the cost of the street lighting upgrades from HPS to LED.

- a) Please confirm that the street lighting upgrades to LED bulbs were performed gradually on a monthly basis and that the change in bulbs (from HPS to LED) were tracked on a monthly basis in each municipality.
- b) Please discuss how the billed demand figures were estimated monthly throughout the year from July to December (in Summary Table 8-a) when the detailed pre- and post-conversion tables show the original and final billed demand amounts (i.e., July 2017 and December 2017).
 - i. If there are different methodologies used in tracking and estimating savings by municipality, please highlight the key differences.
 - ii. In Tab 8, please expand on the detailed project tables to show the monthly installations on LED bulbs, as only the billed demand in July and December 2017 are provided. If the monthly billed demand data cannot be provided, please explain why.
- c) As the change in billed demand from the next month's demand was compared to the previous month, it would indicate that the baseline could change and is not fixed at the pre-conversion demand level (presumably in June 2017).
 - i. Please clarify whether the approach is meant to capture any changes in baseline with respect to the street lighting upgrades when taking the difference in billed demand from the current month to the previous month.
 - ii. Please confirm whether incremental savings are more accurately captured in this approach.
- d) Please confirm that the street light savings achieved in 2017 do not include savings due to natural replacements that were done outside of the municipality's participation in saveOnEnergy CDM program. If there are, please discuss whether savings from natural replacements can be quantified.

Staff-7

Ref 1: LRAMVA workform, Tab 1/ Tab 1-a (Updates)

- a) If Kitchener-Wilmot 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 record any changes to the LRAMVA workform, in response to any LRAMVA-related interrogatories, in “Table A-2. Updates to LRAMVA Disposition (Tab 1-a)”.