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October 15, 2020

BY RESS

Ms. Christine Long, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

Re: Board File No. EB-2020-0035
Kitchener-Wilmot Hydro Inc. - Licence No. ED-2002-0573
Interrogatories

Dear Ms. Long:

On August 17, 2020, Kitchener-Wilmot Hydro Inc. ("KWHI") submitted its IRM Application to the Ontario Energy Board ("the Board") for rates effective January 1, 2021. Subsequently, the Board issued a Letter of Direction and Notice of Application and Hearing on September 1, 2020. As a result of the Notice of Application and Hearing, no intervention requests were received from the intervenors. KWHI now submits its responses to those interrogatories.

Contact the undersigned should you require any further information.

Respectfully submitted,

Original Signed By:

Margaret Nanninga, MBA, CPA, CGA
Vice President Finance & CFO

kb/attachments

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.

Kitchener-Wilmot Hydro Inc. (KWHI) last disposed of its Group 1 accounts in its 2020 Cost of Service application (EB-2019-0049). For the Group 1 accounts disposed of at that time, the balances that were disposed consisted of balances that accumulated for the one-year period to the end of 2018. KWHI is requesting disposition of its Group 1 accounts in this application again representing balances that accumulated in a one-year period (except the CBR B rate rider where the balance accumulated over two years).

As per a Board letter dated July 25, 2014, the Board now allows distributors more flexibility in the disposition of Group 1 balances. The Board stated that for greater efficiency distributors may seek to dispose Group 1 balances that do not exceed the threshold.

The proposed rate riders for the RPP Residential customer using 750 kWh is ($0.23) per kWh. Denial of the disposal and thereby removing the proposed rate riders would negatively impact residential RPP customers by increasing the residential customers' total bill. By disposing of deferral and variance accounts every year, there is a lesser bill impact due to lower deferral and variance account balances than when the balance is larger and meets the threshold.

In addition to the reduction of customer bill impacts, disposing of Group 1 Deferral and Variance accounts annually will also:

- allow KWHI to recover or repay its costs on a timely basis;
- avoids intergenerational inequity;
- make reconciliations easier to perform as the balances only accumulate over one year, not several years.

In previous years, distributors have been allowed to dispose of Group 1 balances despite not meeting the threshold. Recent examples include EB-2019-0065, EB-2018-0024 and EB-2018-0032.

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.

See the live excel file EB-2020-0035_KWHI_ATT_1_IRR_2021_Filing_Requirements_Chapter2_Appendices_20201015

KWHI has moved all previous expenses incurred in the period 2014-2018 into the year 2020 to reflect the period to claim the expenses.

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.

Yes, it is incremental. As a result of the 2014 Cost of Service Decision, new sub-accounts were set up to capture costs not previously disposed.

b) In its 2014 application, please explain why Kitchener-Wilmot Hydro did not request start-up OM&A costs for the years 2015-2018.

The 2014 Cost of Service application request only included actual costs incurred.

In KWHI's 2014 Cost of Service (EB-2013-0147) during the interrogatory phase, Board staff asked KWHI to include the budgeted OM&A start-up costs from the Green Energy Plan in Appendices 2-FA and 2-FB (2-Staff-10). For some reason, they were missed.

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.

EB-2013-0147 Settlement Proposal

- approved the removal of $118,700 in Renewable Generation assets from rate base (pg. 15)
- approved the removal of $71,300 in Accumulated Depreciation related to renewable generation assets (pg. 15)
- approval of an amount of $50,278 to be recovered from the IESO as a provincial benefit (pg. 43)
- approval of $7,079 recovery for the direct benefit calculation of Renewable Connection capital (pg. 43)
- approval of $3,209 recovery for the direct benefit calculation of Renewable Connection OM&A (pg. 43)

As part of KWHI's 2014 Cost of Service, KWHI submitted its Green Energy Plan (Exhibit 2 Tab 7). KWHI's Green Energy Plan stated that it was forecasted to spend $25,000 for asset installation in the years 2015 – 2017 (Green Energy Plan pg. 18). During the interrogatories, Board staff asked KWHI to include these amounts on Appendices 2-FA and 2-FB (2-Staff-10). This was missed.

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.

As per Appendix 2-FA, the amounts for 2014 – 2018 are all start up incremental 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.

KWHI did not file under Chapter 5 until its 2020 Cost of Service application. As per the cover letter to Chapter 5 filing requirements dated March 28, 2013, KWHI was permitted to record renewable energy generation costs in the deferral accounts that had been

established by the OEB.

It should be noted that KWHI never requested final disposal of these deferral accounts and that it expected to continue to accrue balances in these accounts on an ongoing basis. Final disposal would imply retroactive ratemaking while disposal of current balances does not.

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).

As per OEB filing requirements, a distributor should provide an update to the rate protection amount for the approved renewable investment for the test year and beyond in its Cost of Service application. KWHI did this in EB-2019-0049. Had KWHI not omitted OM&A amounts from its 2014 Cost of Service application, KWHI would be applying for a true up to its actual costs incurred.

The renewable generation assets acquired as a result of the Green Energy Plan filed in KWHI's 2014 Cost of Service (EB-2013-0147) will not be moved to rate base. KWHI continues to claim on-going depreciation as the assets have not yet reached end of life. The renewable generation assets have been socialized.

g) Please explain why incremental labour costs were not brought forth to the OEB's attention prior to 2019.

As per the Chapter 5 filing requirements dated March 28, 2013, KWHI had not yet filed under Chapter 5 and was able to continue to record renewable generation credits in its deferral accounts. KWHI reported to the OEB the balance in its deferral accounts as part of its annual filings to the OEB. Since the 2020 Cost of Service application included a Chapter 5 filing, KWHI applied for the disposition of the balances in its deferral accounts.

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.

From 2020 – 2024, KWHI is requesting the depreciation expense for renewable generation assets acquired. For 2020, KWHI is requesting the start-up costs of 2014 – 2018 of installing the assets acquired. There are no additional capital expenses.

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:

[redacted] Net Savings after applying Net to Gross Ratio of 90%	City of Kitchener	Township of Wilmot	Region of Waterloo	Consolidated Cumulative	
	kW	kW	kW	kW	kWh
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

a) 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.

KWHI calculated savings on a per fixture basis and applied net-to-gross ratio of 90% to the total watts reduced. Detailed calculations by month of installation have been added to EB-2020-0035_KWHI_IRR_ATT_2_2021-LRAMVA-Workform 20201015 on Tabs 9, 10 and 11 for each of the City, Region and Township.

In the first month, kWh are calculated as:

(Watts removed – Watts installed) * average number of days installed in the first month * daily average operating hours in each month

In the subsequent months, kWh are calculated as:

(Watts removed – Watts installed) * number of days per month * daily average operating hours per month = lost kWh

b) 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.

Similar to the above calculations, energy savings are calculated using the same methodology using the days and operating hours in the year:

(Watts removed – Watts installed) * number of days in year * daily average operating hours in a per year = lost kWh

c) Please clarify the specific reference source and rationale for using a net-to-gross (NTG) ratio of 90% to calculate net savings.

NTG ratio of 90% was sourced from the IESO report "EB-2020-0035_KWHI_IRR_ATT_3_2017 Verified Annual LDC CDM Program Results_Kitchener-Wilmot Hydro_Project List_20170629." This file is attached.

d) 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.

In the IESO report "EB-2020-0035_KWHI_IRR_ATT_3_2017 Verified Annual LDC CDM Program Results_Kitchener-Wilmot Hydro_Project List_20170629.", first year energy savings continue through to 2020 at 100%.

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.

Confirmed

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.

There are no differences in methodologies in the calculations of estimated savings by municipality. There was a coordinated effort from all municipalities in carrying

out this program.

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.

See "EB-2020-0035_KWHI_IRR_ATT_2_2021-LRAMVA-Workform 20201015.xlsx" LRAMVA workform. Three spreadsheets have been added for each streetlight project detailing the bulbs replaced each month, the wattage removed, the wattage installed, the calculation of kWh for 2017 and the persistence to 2018.

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.

The approach is meant to capture the lost revenue from the LED installation only. By using a baseline that does not change, any changes that are not as a result of the CDM streetlighting project are ignored.

ii. Please confirm whether incremental savings are more accurately captured in this approach.

Confirmed. KWHI calculated the reduction on a fixture by fixture basis beginning with the installation date, which provides an accurate representation of demand reduction for billing purposes. The savings captured are based on replacement installations only and provides an accurate representation of the incremental lost revenue.

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.

Confirmed. The streetlight savings achieved represent only lights replaced as part of the saveOnEnergy CDM program.

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.

The LRAMVA workform has been updated to include the detailed monthly installation of LED Bulbs and calculation of the kWh on the installed bulbs on Tabs 9, 10 and 11.

The requested LRAMVA balance requested for disposition has not changed nor has the disposition period or 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)".

Not required.