

**Wellington North Power Inc.'s (Applicant) Response to
OEB Staff Follow-Up Questions.**

2021 Electricity Distribution Rates Application

EB-2020-0061

February 26, 2021

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2-Staff-101

Planned Capital

Ref 1: 2-Staff-14

In reference 1, Wellington North Power provided Pollux Pole tester data for 2020.

- a) Please provide the number of poles determined to be in poor or very poor condition between 2016 and 2019, if available.
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Wellington North Power Inc.'s (WNP) Response:

- a) WNP began to using the Polux tester to test poles in 2017. The table below lists the number of "Orange" and "Red" poles from years 2017 to 2019.

Year	Condition	
	Orange	Red
2017	5	1
2018	5	5
2019	5	14

2-Staff-102

Depreciation

Ref 1: Chapter 2 appendices - Appendix 2-BA

Ref 2: Revenue Requirement Workform

The depreciation in reference 1 and reference 2 do not reconcile.

- a) Please update or explain the difference in depreciation.
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WNP's Response:

- a) WNP has reviewed the models filed with the Interrogatory responses (February 8th 2021) and confirms the following:
- The file "2021 Filing Requirements Chapter 2 Appendices EB-2020-0061 IR) in worksheet "App.2-BA Fixed Asset Cont" cell K110 shows the net depreciation amount as \$501,284.
 - The file "2021 Rev Reqt Workfrom EB-2020-0061 IR" in worksheet "3. Data Input Sheet" cell M37 shows the depreciation/amortization amount as \$501,284. This same amount flows through the worksheets in the Revenue Requirement model.

As per the OEB Case Manager, this question has been withdrawn as there is no discrepancy between the models filed by the Applicant.

4-Staff-103

Industry Membership Fees

Ref 1: 4-Staff-55

Ref 2: 4-VECC-33

Wellington North Power stated in reference 1 that it pays industry membership fees to Cornerstone Hydro Electric Concepts, Electricity Distributors Association, and Utilities Standards Forum. The total yearly cost in the test year is \$62k. The costs of the noted three membership fees total \$31k in reference 2.

- a) Please list what other membership fees Wellington North Power incurs.
 - b) Please explain what value these other memberships bring to Wellington North Power and its customers.
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WNP's Response:

Industry Membership fees is part of Accounting Procedures Handbook 5665 and the dollar amounts listed in the programs represent all 5665 costs. In this case the other \$31K represents the Directors annual fees and expenses. The Directors fees are automatically allocated from the payroll system and thus are less noticed when identifying costs.

- a) There are no other membership fees WNP incurs.
- b) Not Applicable.

4-Staff-104

Updated 2020 OM&A

Ref 1: Chapter 2 Appendices – 2-JC OM&A Programs

As part of the interrogatory responses Wellington North Power updated the 2020 OM&A budget. The Meter Maintenance & Reading program and Asset Management & Maintenance Department program decreased by approximately \$20k.

- a) Please explain the drop for both programs in 2020.
 - b) Please also explain the forecasting method used for the 2021 test year budget and justification for the assumptions used in the forecast.
-

WNP's Response:

- a) The 2020 costs in the initial application were based in 8 months of actual and 4 months of budgeted values. In the case of these two programs activity is heavily weighted toward the beginning of the year. This year there were also some high priority extra capital expenditures in the last 4 months which increased the labour allocation to capital. This results in a reduction in labour allocated to OM&A.
- b) WNP produces budgets from both a top down and bottom up approach and then reconciles the estimates to come up with a budgeted number. The top down approach involves calculating projected labour costs for the next year, and dividing these costs to the various APH OM&A accounts, as well as capital and overhead based on long term averages. In addition to that, there are known and predictable expenses that can be allocated to the various accounts. In the bottom up approach the starting point is whatever is in the GL for the previous 12 -14 months. The process of allocation of projected costs is very similar. When comparing the results of these approaches an assessment of the details takes place: do any short term changes represent a fundamental shift in the allocations of costs, or will cost allocations revert to historical norms. Since the Cost of Service Application spans a significant timeframe, it made sense to place greater weight on the historical averages where no permanent changes to costs were evident.

7-Staff-105

Ref 1: 7-Staff-68

The referenced question asked about 3-wire connections from small transformers in reference to the filed evidence. Wellington North Power's response provided details on 3-phase connections.

- a) Please clarify the proportion of Residential, GS < 50, and GS > 50 customers served by Wellington North Power provided service connections.
 - b) Please confirm that where Wellington North Power provides a service connection, it is only from small transformers, and that net cost to Wellington North Power (after capital contributions) would be similar regardless of the rate class.
 - c) If part b) cannot be confirmed, please provide a derivation of the average cost to Wellington North Power to connect a customer in each rate class.
-

WNP's Response:

To clarify, WNP assumes 3-wire to be 240/120 volt connections or single phase connections and that small transformers means single phase transformation.

Note: It was originally incorrectly understood that 3 wire meant 3 phase.

- a) WNP assumes the intent of this question is to identify, as a percentage, the residential, GS<50 and GS>50 customers who are connected to 240/120 single phase service.
Therefore, of the total numbers of customers connected to single phase, approximately 90% are residential and 10% are GS<50. There are no GS>50 connected to single phase.
- b) Confirmed.
- c) Not applicable.

9-Staff-106

Accounts 1588 and 1589

Ref 1: IRR 9-Staff-89

In response to the IRR referenced above, Wellington North Power has revised the 2015 to 2019 GA Analysis Workform to include reconciling items 2a/2b for unbilled to actual revenue true-up. These reconciling items should also be shown as principal adjustments in the Principal Adjustment tab. Please revise the GA Analysis Workform to include the principal adjustments.

WNP's Response:

WNP has adjusted the Principal Adjustment tab of the GA Analysis Workform with the "2a/2b for unbilled to actual revenue true-up" as requested.

A copy of the revised GA Analysis Workform has been included in the e-mail to all parties together with the Applicant's response to OEB Staff's clarification questions.

9-Staff-107

Accounts 1588 and 1589

Ref 1: IRR 9-Staff-93

In response to the IRR referenced above,

- a) Please confirm OEB staff's understanding, which is as follows: An entry of (\$500,430) was recorded in the 2017 general ledger for Account 1589. The (\$500,430) represents unbilled corrections from pre-2014 to June 2017. Of the (\$500,430), (\$241,899) represented unbilled corrections that were related to pre-2014. Account 1588 and 1589 2014 balances were disposed on a final basis.
 - b) The IRR states "\$241,899.68 of this 2017 entry had to be removed in 2018 due to the fact that Dec 31, 2014 balances were disposed of on a final basis and no adjustments previous to that date were to be made. The final correction did not get made in 2017 and had to be finalized in the accounting records in 2018." Please confirm that this means the (\$241,899) adjustment relating to pre-2014 was to be removed from the 2017 general ledger and therefore, there is a \$241,899 principal adjustment shown in the Principal Adjustment tab of the GA Analysis Workform in 2017.
 - c) If part b is confirmed, please explain why there is (\$241,899) principal adjustment shown in the Principal Adjustment tab of the GA Analysis Workform in 2018, which essentially reverses the removal of (\$241,899) adjustment as noted in part b (i.e. why was it not a permanent adjustment)?
 - d) If the (\$241,899) relates to pre-2014, and the purpose of the 2018 principal adjustment of (\$241,899) in the Principal Adjustment tab is to add this adjustment back to the balance, please explain why it would be a reconciling item in the 2018 GA Analysis Workform when the expected GA balance calculated only pertains to 2018, and the Net Change in Principal Balance in the GL for 2018 excludes the adjustment that pertains to pre-2014 transactions.
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WNP's Response:

- a) WNP confirms Board Staff's understanding.
- b) WNP confirms that the (\$241,899) adjustment relating to pre-2014 needed to be removed from the 2017 general ledger. However, this was done only for the Continuity Schedule in 2017, not in the GL.

- c) The permanent adjustment was made in 2018. The adjustment in 2017 was only on the continuity schedule.
- d) The Principal Adjustment of (\$241,899) in 2018 does not add this adjustment back to the balance. It offsets the actual adjustment made in the 2018 GL so that the net effect in 2018 on the Continuity Schedule is nil. The total of the changes in the GL at the end of 2018 is the same as the net effect on the continuity schedule in 2017 as illustrated in the table below.

Year	Change made in GL	Principal Adjustment (continuity Schedule)	Net effect
2017	(\$500,430)	\$241,900	(\$258,530)
2018	\$241,900	(\$241,900)	\$0
Total	(\$258,530)	\$0	

9-Staff-108

Accounts 1588 and 1589

Ref 1: IRR 9-Staff-97

In response to the IRR referenced above, the principal adjustments for Account 1588 were revised to include principal adjustments for CT 142 true-ups. In the Principal Adjustment tab of the GA Analysis Workform, 2015 to 2017 show principal adjustments for CT 142 true-ups and also for “RPP Year-end Reconciliation”. Please explain what is the nature for the RPP Year-end Reconciliation and how it differs from the CT 142 true-ups.

WNP's Response:

Background context – Monthly Settlement Submission including True-Up:

WNP uses the Global Adjustment (GA) 2nd Estimate rate that is posted on the IESO's website when submitting the monthly settlement forms to the IESO.

The GA 2nd Estimate is used for billing all WNP (RPP and non-RPP) customer rate classes.

All WNP customers are on a monthly calendar billing cycle (i.e. 1st to 30th /31st)

The utility uses the following calculation to derive monthly Regulated Price Plan (RPP) settlement submissions to the IESO:

- Total Wholesale kWh's Purchased from the IESO.
- Add: Generation kWh.
- Less: Street lighting kWh.
- Less: Retail Total (interval MIST metered) kWh.
- Equals: Net System Load Shape kWh.
- Less: Retailer Enrolled Residential and GS < 50 kW kWh.
- Equals: Regulated Price Plan kWh (Smart meter and Tier-priced accounts).

The Regulated Price Plan (RPP) kWh is multiplied by the 2nd Estimate GA rate and the “Conventional Meter” and “Smart Meter” monthly settlement submission forms are filed with the IESO. Once the IESO published the Actual GA rate, the RPP kWh amount is trued-up to the Actual GA rate and a true-up adjustment is included in that following month's IESO settlement submission.

As required for monthly settlement submission to the IESO, WNP also files the monthly kWh

volume for Class A customers (the customers who are participating in the ICI program) and generation (FIT and MicroFIT) kWh.

The above monthly settlement submission process and true-up process has been included in the Applicant's annual IRM applications as reviewed by OEB Staff. (e.g. EB-2018-0076; EB-2019-0073).

For the years up to and inclusive of 2018 and as noted in the Applicant's annual IRM applications:

"WNP performs an annual reconciliation taking all RPP billed accounts for the 12 month calendar year and compares this data to the information that was submitted each month to the IESO for settlement purposes. This reconciliation compares the billed energy kWh volume versus the settlement submitted kWh volume. Any volume variance was submitted to the IESO through the monthly settlement process".¹

Since 2019, WNP has moved from an annual reconciliation, as described above, to performing the reconciliation on a quarterly basis. The methodology and purpose, as described above, remains the same. WNP increased the frequency to support the implementation of the OEB's new accounting guidance related to Accounts 1588 and 1589.

Please note, the quarterly reconciliation process and true-up process were described in detail in the Applicant's "Exhibit 9 – Deferral & Variance Accounts"² as filed October 30th 2020.

¹ Wellington North Power Inc. EB-2018-0076 IRM Rate Application – Price Cap Index

² Wellington North Power Inc. EB-2020-0061 2021 Cost of Service Application, Section 9.9.3 Global Adjustment and the IESO Settlement Process

9-Staff-109

Tax Loss Carryforward

Ref 1: IRR 9-Staff-84

Ref 2: Exhibit 4, 4.9.1, p.74

In response to the IRR referenced above, Wellington Power North is projecting \$0 taxable income to continue for another 5 years. In Exhibit 4, Wellington Power North indicated that it expects the loss carry-forward will be depleted by 2026.

- a) Please confirm that the projected \$0 taxable income over the next 5 years would partially be due to the usage of the loss carry forward.
 - b) If loss carry forwards are not used in the 5 years, please clarify when Wellington Power North expects the loss carry-forward to be depleted.
 - c) Please provide a breakdown of the forecasted loss that will be used annually over the IR term.
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WNP's Response:

- a) Based on WNP's calculations using the test year PILS data, if the Accelerated Investment Incentive Program (AIIP) were not in place for 2021, the difference in the CCA claim would be \$128,330. The tax filing would change from adding \$46,983 to its tax reserves to using \$81,347 of WNP's existing reserves. It is difficult to project how government policies might change in the future to continue the AIIP in some form, however, the first year the AIIP is cut by 50%, WNP will be using its tax reserves rather than adding to them. In addition, when the AIIP is no longer in effect, the Loss carryforward reserves will be depleted quite quickly, since the AIIP has the additional (unintended?) effect of reducing the amount of CCA available to reduce taxable income in subsequent years.
- b) If the AIIP is phased out slowly or WNP requires larger than anticipated capital investments in the next five years, it is possible that loss carryforwards could last until 2028 or 2029. Neither of those factors are known to be probable at this point.

- c) As long as the AIPP is in effect, based on current capital spending and profitability projections, WNP projects that the CCA loss carryforward will continue to grow.

Because there are so many variables that affect loss carryforwards, it is difficult to project values, but the following is a reasonable estimate:

Year	Beginning Loss Carryforward	Loss Carryforward changes.
2021	\$345,741	\$46,983
2022	\$392,724	\$80,000
2023	\$472,724	\$35,000
2024	\$507,724	-\$120,000
2025	\$387,724	-\$200,000
2026	\$187,724	-\$187,724

9-Staff-110

Accounts 1518 and 1548

Ref: IRR 9-Staff-82

Wellington North Power has included a forecasted amount for 2020 and January to April 2021 for Account 1518 – RCVA Retail. Please confirm that this account and Account 1548 – RCVA STR will be discontinued after rebasing.

WNP's Response:

WNP confirms that, subject to approval by all parties to the disposition of balances in Account 1518 – RCVA Retail and Account 1548– RCVA STR as presented in the Continuity Schedule, after rebasing, these accounts will be discontinued.