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

Ontario

BY E-MAIL

July 12, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: Centre Wellington Hydro Ltd. (Centre Wellington Hydro)
2025 Cost of Service Rate Application
Ontario Energy Board (OEB) File Number: EB-2024-0012

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

Centre Wellington Hydro's responses to interrogatories are due by August 1, 2024. Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Narisa Jotiban

Digitally signed by Narisa Jotiban
Date: 2024.07.12 14:58:29 -04'00'

Narisa Jotiban
Senior Advisor – Electricity Distribution Rates

cc. All parties to EB-2024-0012

OEB Staff Interrogatories

2025 Electricity Distribution Rates Application
Centre Wellington Hydro Ltd. (Centre Wellington Hydro)
EB-2024-0012
July 12, 2024

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

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. Please ensure the models used are the latest available models on the OEB's 2024 Electricity Distributor Rate Applications webpage.

1-Staff-2
Ref 1: Exhibit 1, p. 50
Ref 2: 2019 Scorecard Management Discussion and Analysis

Preamble:
Based on Centre Wellington Hydro's 2022 scorecard in reference 1, Centre Wellington Hydro has achieved ROE outside of the dead band of +/-300 basis points in 2019 (381 basis points below deemed).

In reference 2, Centre Wellington Hydro explains that the achieved ROE was below the dead band primarily because of a tax adjustment on the regulatory balance.

Question(s):

a) Please explain the tax adjustment on the regulatory balance in further detail and provide additional calculations/spreadsheets to support the explanations.

1-Staff-3
Activity and Program Benchmarking
Ref 1: 2022 Unit Cost Calculations - October 11, 2023
Ref 2: Exhibit 1, Table 19, p. 53

Preamble:
References 2 provides a summary of the Activity and Program Benchmarking unit cost results for Billing OM&A from reference 1.

In reference 2, Centre Wellington Hydro states that:

> The higher-than-average OM&A expenditures are in part due to CWH taking a very focused approach to accurate billing with minimal estimation and delinquent accounts and in part due to spreading out the costs related for the necessary systems and staffing to complete billing across fewer customers for a small LDC.

Question(s):

a) Considering Centre Wellington Hydro's 48.6% above-average status compared to industry standards, with the scorecard 'Billing Accuracy' metric only improving from 99.82% to 99.9%, please provide further details on the specific measures taken to ensure accurate billing.
b) Provide the benefit cost analysis performed to show why the increase in Billing O&M is warranted for less than 0.1% performance improvement while still being above 1.5% above industry target?
c) The causes of the consistent year-over-year increases in Billing O&M per Customer costs from 2019 to 2022.

1-Staff-4
Activity and Program Benchmarking
Ref 1: 2022 Unit Cost Calculations - October 11, 2023
Ref 2: Exhibit 1, Table 25, p. 55

Preamble:
Reference 2 provides a summary of the Activity and Program Benchmarking unit cost results for Lines OM&A from reference 1.

In reference 2, Centre Wellington Hydro states that it attributes Line Maintenance programs to extremely positive reliability performance of the system and low outages.

Question(s):

a) What factors contributed to the 25% increase in the Lines O&M unit cost from 2021 to 2022?
b) Please provide additional details about the reliability metrics that Centre Wellington Hydro is specifically referring to? What specific metrics are used to measure this reliability, and what were the results that indicate positive performance?

1-Staff-5
Activity and Program Benchmarking
Ref 1: 2022 Unit Cost Calculations - October 11, 2023
Ref 2: Exhibit 1, Table 26, p. 55

Preamble:
Reference 2 provides a summary of the Activity and Program Benchmarking unit cost results for Stations OM&A from reference 1.

In reference 2, Centre Wellington Hydro states in the explanation provided for Stations O&M that:

> Further to this CWH contracts out all station maintenance for both scheduled and unplanned work that is required.

Question(s):

a) Please elaborate further on Centre Wellington Hydro's practice of outsourcing all station maintenance, both scheduled and unplanned. Specifically, how does this outsourcing strategy influence Centre Wellington Hydro’s operational costs, and what strategies are implemented to ensure cost efficiency in this contractual arrangement?
b) OEB staff notes that the provincial average figure for Stations O&M provided in Exhibit 1 appears incorrect. Please verify and adjust this figure as needed.

1-Staff-6
Activity and Program Benchmarking
Ref 1: 2022 Unit Cost Calculations - October 11, 2023
Ref 2: Exhibit 1, Table 23, p. 54

Preamble:
Reference 2 provides a summary of the Activity and Program Benchmarking unit cost results for Poles, Towers and Fixtures O&M from reference 1.

In reference 2, Centre Wellington Hydro states in the explanation provided for Poles, Towers and Fixtures O&M that:

> CWH had an aggressive pole testing and inspection over the 5-year period which contributed to the higher than average spend.

Question(s):

a) Please provide more details on the aggressive pole testing and inspection program.
   i. What activities were undertaken as part of this initiative, and how has it impacted overall system reliability and performance?
   ii. How many cycles are there for a full-service area inspection
   iii. For each of the last five years, what percentage of total poles were inspected in each of those years?
b) The year-over-year trend shows significant variability in Poles, Towers, and Fixtures O&M costs. What factors contributed to this variability? Specifically, what led to the 109% increase from 2021 to 2022?
c) Given that Centre Wellington Hydro's average unit cost per pole is 66% higher than the industry average, are there any measures in place to reduce these operational costs moving forward while still maintaining asset integrity and safety?

1-Staff-7
Activity and Program Benchmarking
Ref 1: 2022 Unit Cost Calculations - October 11, 2023
Ref 2: Exhibit 1, Table 24, p. 54

Preamble:
Reference 2 provides a summary of the Activity and Program Benchmarking unit cost results for Poles, Towers and Fixtures CapEx (Table 24) from reference 1.

Question(s):

a) What specific factors contributed to the upward trend observed in Table 24 where unit costs ($/Pole) increased by 36.5% from 2020 to 2021 and by 52.0% from 2021 to 2022?

1-Staff-8
Activity and Program Benchmarking
Ref 1: 2022 Unit Cost Calculations - October 11, 2023
Ref 2: Exhibit 1, Table 28, p. 56

Preamble:
Reference 2 provides a summary of the Activity and Program Benchmarking unit cost results for Line Transformer CapEx from reference 1.

In reference 2, Line Transformer CAPEX increased by 34% in 2019 compared to 2018 and by 222% in 2022 compared to 2021.

Centre Wellington Hydro states that:

> CWH has experienced significantly higher transformer procurement costs over the last three years and expects this trend to continue into the future which will lead to higher capital expenditures.

Question(s):

a) Please provide detailed factors contributing to these increases. How many line transformer units were installed in each year from 2020 to 2022?
b) Please elaborate on the specific reasons for the rising transformer procurement costs, particularly for overhead and underground distribution line transformers.
c) Are there any strategic decisions or alternative approaches being considered to manage or reduce future capital expenditures for transformers?

1-Staff-9
Distributor Consolidation
Ref: Exhibit 1, pp. 62-64

Preamble:
Centre Wellington Hydro states that it has a long history collaborating with several organizations such as Cornerstone Hydro Electric Concepts (CHEC) and Utility Collaborative Services (UCS) to share costs and/or resources. In addition, Centre Wellington Hydro also collaborates with and is a member of other organizations, groups or LDCs' by using their services. Examples include Electricity Distributors Association,

Utilities Standard Forum (USF), ERTH, Municipal Electric Association Reciprocal Insurance Exchange (MEARIE) that provide competitive offerings, resources and support, to name a few.

Question(s):

a) Please provide details and quantification on where the collaborations have been incorporated into the current application for 2025 rates.

Exhibit 2 – Rate Base and Capital

2-Staff-10
2024 Bridge Year Actuals
Ref: Chapter 2 Appendix 2-AA

Preamble:
Centre Wellington Hydro has provided its forecasted capital plan for 2024 but has not specified how many months of data are included in the forecast as actual spending.

Question(s):

a) Please update Chapter 2 Appendices 2-AA, 2-AB, 2-BA, and other affected models to reflect updates to 2024 estimates, if any.
b) Please confirm that there are no expenditures for 'System Supervisory Equipment' and 'Mill Street Conversion – Twp Coshare' in the historical or forecast period given that there is a line item for these programs in Chapter 2 Appendix 2-AA. If there are no expenditures, please remove the items.

2-Staff-11
2024 Bridge Year Projects
Ref: Chapter 2 Appendix 2-AA

Preamble:
Centre Wellington Hydro has historically spent on average $1M per year from 2018-2023. However, in 2024, capital spending will increase to $3M in part due to three projects: EMS-2 Transformer ($994k), Computer Software ($246k), and Transportation ($640k).

Question(s):

a) Please explain when and how Centre Wellington Hydro formulated its capital plan for 2023 and 2024 given that these years were outside of the previous DSP period.

2-Staff-12
Defective Equipment Outages
Ref: Exhibit 2 – Rate Base, Table 2-14 and Table 2-15, pp.37-38

Preamble:
Centre Wellington Hydro has provided reliability data from 2018-2023 for various cause codes including defective outages.

Question(s):

a) Please provide a breakdown of customer interruptions/hours of customer interruptions by distribution station if available.
b) What does Centre Wellington Hydro attribute to the decrease in defective equipment customer interruptions/hours of interruption following 2019?

2-Staff-13
Elora MS-2 Project
Ref 1: Exhibit 2 – Rate Base, p. 15
Ref 2: Distribution System Plan: Material Investment Narrative – Fergus MS-5
Ref 3: Distribution System Plan: Asset Condition Assessment 2021, p. 57

Preamble:
In reference 1, Centre Wellington Hydro states that it is replacing the Elora MS-2 station transformer for an estimated $994k in the 2024 Bridge Year. The transformer was manufactured in 1973 and refurbished in 1997. The status quo 5MVA size was not adequate to service Elora's total load if required during peak load seasons in the event the Elora MS-1 station is taken out of service.

Question(s):

a) What is the status of this project?
b) According to reference 2 (Exhibit 2, p. 246 of PDF), the Elora MS-2 station was last rebuilt in 2016 ($497k). Please clarify if the transformer was not part of this rebuild. If the transformer was part of the rebuild, how was future loading considered during the rebuild in 2016 to avoid early replacement?
c) As per reference 1, Centre Wellington Hydro notes in its 2018-2022 Distribution System Plan that Elora MS-2 was a risk due to its age. However, according to the 2021 Asset Condition Assessment in reference 3, the transformer is in overall 'good' condition. Please confirm whether Centre Wellington Hydro still considers the station to be a risk despite the asset condition results and why.
d) What is the new capacity of the station?

e) What is Centre Wellington Hydro's target/accepted utilization percentage for Elora MS-1/Elora MS-2?
f) Please provide a table for Elora similar to that provided for the Fergus distribution system as per reference 2 (Exhibit 2, p. 252 of PDF) forecasting the peak load in the near- and medium-term forecast. Please list any assumptions used to prepare the forecast.

2-Staff-14
New Services
Ref 1: Distribution System Plan, Material Investment Narrative – New Services
Ref 2: Distribution System Plan, Material Narrative – Fergus MS-5, p. 244 of PDF
Ref 3: Exhibit 2, Section 2.6.6, p. 54
Ref 4: Exhibit 3, Table 16, p. 27

Preamble:
In reference 1, Centre Wellington Hydro states that the "development of new subdivisions is limited and within [Centre Wellington Hydro's] service territory the municipalities residential development potential plans indicate approximately 200 new residences within the 5-year timeframe." Historically, Centre Wellington Hydro has performed 198 to 218 service upgrades from 2018 to 2021 and 166 in 2022.

In reference 2, Centre Wellington Hydro stated that "the new station will accommodate the anticipated growth in the Township of Centre Wellington, which is expected to be 10% over this DSP timeframe."

In reference 3, Centre Wellington Hydro states that through various consultations including the Regional Planning Process with the Independent Electricity System Operator and Hydro One Networks Inc., its load forecast data identified approximately 5% increased load year-over-year over the 5-year cost of service timeframe.

In Reference 4, Centre Wellington Hydro provides the volume load forecasts for 2018 to 2023, 2024 Bridge Year, and 2025 Test Year. OEB staff calculated a decrease of 1% in volume from 2018 Actual to 2025 Test Year and an increase of 0.2% from 2024 Bridge Year to 2025 Test Year. OEB staff notes that the percentage load growth in 2025 is inconsistent with the forecast 5% year-over-year load growth in reference 3.

Question(s):
a) How many service upgrades are expected in 2025? Has Centre Wellington Hydro estimated the same number of new service upgrades over the forecast period (2026-2029)?

b) Please explain the correlation between the estimated number of new service upgrades and the annual 5% increased load over the 5-year cost of service timeframe.
    i. Please explain how Centre Wellington Hydro derived the forecast 5% year-over-year load increase.
c) Please clarify whether the anticipated growth of 10% in reference 2 is customer growth or load growth over the DSP timeframe.
    i. If 10% represents load growth, please explain the inconsistency between the load growth percentages in reference 2 and reference 3. Please reconcile these two references as needed.
d) Please explain the inconsistency in the 2025 forecast load growth of 5% in reference 3 and 0.2% in reference 4.

2-Staff-15
Fleet Purchases
Ref 1: Exhibit 2 – Rate Base, p.15
Ref 2: Distribution System Plan, pp.109-110
Ref 3: Distribution System Plan, p.104

Preamble:
In reference 1, Centre Wellington Hydro forecasted the acquisition of a new digger truck in 2024 for $640k. The applicant notes that the truck replaces a vehicle that was purchased in 2007 and has fully depreciated.

In reference 2, Centre Wellington Hydro notes that it considers extending the life of the vehicles beyond typical timeframes if the vehicles are still functioning and are not incurring huge maintenance costs.

In reference 3, Centre Wellington Hydro notes that fleet investment will be required in 2028 and 2029.

Question(s):
a) Please describe the methodology used to determine that the digger truck needed replacement. Was the truck experiencing increased maintenance costs and/or presenting any undue safety hazard or risk at the time of ordering the new one?
b) Please describe how Centre Wellington Hydro demonstrated economic prudence when selecting the replacement digger truck set to be delivered in 2024.
c) Please describe what vehicles are being replaced in 2028 and 2029 as per reference 3. Please discuss why these vehicles are being replaced and at what costs. Are any of the purchases in 2028 or 2029 for electric alternatives?

2-Staff-16
Computer Software
Ref: Exhibit 2 – Rate Base, p. 37

Preamble:
Centre Wellington Hydro has forecasted to spend $246k on computer software in 2024. Centre Wellington Hydro notes that $183k is to obtain an ESRI Enterprise license due to its current ESRI system becoming obsolete and no longer supported.

Question(s):

a) When did the ESRI system become obsolete?
b) If the ESRI system is already obsolete, why did Centre Wellington Hydro wait until the system became obsolete before replacing it?
c) Please describe the risk of deferring the project to future years.
d) What is the status of this project?

2-Staff-17
METSCO Asset Condition Assessment Recommendations
Ref: Asset Condition Assessment, pp. 79-83

Preamble:
METSCO conducted an Asset Condition Assessment for Centre Wellington Hydro, which was based on data from 2020 for distribution assets and May 2021 data for station assets. As part of its Asset Condition Assessment, METSCO made several recommendations.

Question(s):

a) Please explain if and/or how Centre Wellington Hydro has addressed or plans to address the recommendations made by METSCO when it comes to improving:
    a. the health index of several of the asset types
    b. Data availability, such as low Data Availability Indices for certain asset types (especially wood poles), as well as changing from a three-tier condition parameter grading system to a five-tier system.
b) Did Centre Wellington Hydro consider conducting a renewed Asset Condition Assessment to align with its 2025 Test Year? If so, what was the reason why a renewed Asset Condition Assessment was not conducted?
c) Did METSCO provide a flag-for-action plan or a recommendation of how many assets of each type to address per year?

2-Staff-18
Scheduled Outages
Ref: Distribution System Plan, pp. 34 and 37

Preamble:
Centre Wellington Hydro notes that, excluding major event days, scheduled outages made up 68% of outages and 21% of customer hours of interruption from 2018-2023.

Question(s):

a) What steps, if any, is Centre Wellington Hydro taking to lower the number of outages and customer hours of interruption due to scheduled outages?

2-Staff-19
Pole Replacements
Ref 1: Distribution System Plan, Appendix D, Asset Condition Assessment 2021 Report, p. 34
Ref 2: Chapter 2 Appendix 2-AA
Ref 3: Distribution System Plan, Material Investment Narrative – Annual Pole Line Rebuild, Exhibit 2, p.215 of PDF
Ref 4: Distribution System Plan, Material Investment Narrative – Annual Pole Replacement, Exhibit 2, p.225 of PDF

Preamble:
In reference 1, only approximately 59% of Centre Wellington Hydro's poles have been tested for strength, rot, damage, or other defects.

According to the capital plan in reference 2, Centre Wellington Hydro plans to spend $115k on the Annual Pole Replacement program and $121k on the Pole Line Rebuild program in 2025. Combined, this is 18% of the $1.3M capital budget for the test year.

In reference 4 Centre Wellington Hydro stated that it plans to replace 5-10 poles annually in the forecast period as part of the Annual Pole Replacement program.

Question(s):

a) As per reference 3, Centre Wellington Hydro states that pole line rebuilds are dependent on several considerations, including the condition, age and health index scores of in-service poles, and opportunities to create efficiencies between planned pole rebuild projects and other third-party projects. Please describe the Forfar St & St David St 2025 pole line rebuild project in the context of these considerations.

b) Does Centre Wellington Hydro have pole strength data on the poles being replaced as part of the Forfar St & St David 2025 pole line rebuild project?
c) What testing strategy does Centre Wellington Hydro use to test its poles given that only 59% have been tested? For instance, does Centre Wellington Hydro do sample testing on pole lines (for example, every third pole on a pole line) or it test by area?
d) How many poles did Centre Wellington Hydro include in its estimate to determine the $115k budget for the Annual Pole Replacement program? What other assumptions are included in this estimate?

2-Staff-20
CP9 Annual Distribution Transformers
Ref 1: Distribution System Plan, Material Investment Narrative CP9 / Annual Distribution Transformers
Ref 2: Distribution System Plan, Figure 2-3 and Figure 2-4, pp.30-31
Ref 3: Distribution System Plan, Appendix D - Asset Condition Assessment, Table 0-2, p.11

Preamble:
In reference 1, Centre Wellington Hydro notes that it is planning to replace thirteen transformers per year as well as purchase additional three-phase pad-mount transformers. From 2018-2023, Centre Wellington Hydro notes that it replaced sixteen transformers. The average annual cost of the program was $82k from 2018-2023.

Question(s):
a) Please explain why there is a need to increase spending on distribution transformer replacements in 2024 and 2025 ($219k and $306k respectively) given that both SAIDI and SAIFI have trended downwards (reference 2) and given that less than 4% of pole-mounted and pad-mounted transformers are in poor condition according to Asset Condition Assessment results (reference 3).

2-Staff-21
Equipment Delivery Lead Times
Ref 1: Distribution System Plan – Material Investment Narrative: Distribution Transformers, Exhibit 2, p. 231 of PDF
Ref 2: Distribution System Plan, Table 4-8, p. 98
Ref 3: Distribution System Plan, p.10
Ref 4: Distribution System Plan – Material Investment Narrative: Distribution Transformers, Exhibit 2, p. 245 of PDF
Ref 5: Exhibit 4, p. 21

Preamble:
In reference 3, Centre Wellington Hydro states that the lead time for ordering and shipment of material is becoming longer.

In references 1-4, Centre Wellington Hydro discusses the lead time for equipment such as transformers, reclosers, and meters, and the need for spare equipment due to this lead time.

In reference 5, Centre Wellington Hydro states that:

> In 2019 CWH had a station transformer fail and a temporary transformer was borrowed from a neighbouring LDC until a new transformer was purchased, delivered, and installed. The increase in this account was related to having the temporary transformer installed and energized. This increased the cost in account 5114 by $36K in 2019. CWH notes that the costs for installing the new, permanent transformer were capitalized. The failure of the transformer was not in CWH's control and was very fortunate to have a replacement available at a neighbouring LDC.

Question(s):

a) Given the incident in reference 5, does Centre Wellington Hydro have a reciprocal agreement with other utilities to share spare equipment (such as transformers, reclosers, meters, etc.) to avoid long lead times and reduce costs if no replacement is available? If not, has this option been considered? Please explain.

2-Staff-22
Capital Contributions
Ref 1: Chapter 2 Appendix 2-AB
Ref 2: Exhibit 2 Rate Base, p. 37

Preamble:
Centre Wellington Hydro has reported its planned capital amounts from 2018-2022 as well as its forecasted capital plan from 2025-2029 on a net basis instead of a gross basis.
In reference 2, Centre Wellington Hydro states that it has not planned nor is it aware of any developments or new services that will trigger capital contributions.

Question(s):

a) Please confirm whether Centre Wellington Hydro had accounted for capital contributions in its planned amounts from 2018-2022.
b) Please provide additional explanation as to why Centre Wellington Hydro expects no capital contributions over the 2025-2029 period.
c) For what type of projects does Centre Wellington Hydro typically receive capital contributions?

2-Staff-23
St David St N Reconstruction Connecting Link Project
Ref: Distribution System Plan – Material Investment Narrative: St David St N Reconst Connecting Link, Exhibit 2, p. 236 of PDF

Preamble:
In the reference 1, Centre Wellington Hydro notes that the Township is planning a road construction project along St David St North in Fergus and will be replacing three existing poles that were installed circa 1990.

Question(s):

a) Given that this is part of a road construction project, why is the Township not contributing to this project?
b) As part of the project, Centre Wellington Hydro noted that it is converting some assets into underground assets. Please provide cost-benefit rationale for converting these assets underground.

2-Staff-24
Building Fixtures
Ref: Distribution System Plan – Material Investment Narrative: Building Fixtures, Exhibit 2, pp. 193-194 of PDF

Preamble:
Centre Wellington Hydro has spent $117k in building fixtures in 2023, plans to spend $45k in 2024, and $72k in 2025. Investments in 2025 include two bay door replacements, parking lot/yard enhancements, and other general replacement repairs and upgrades.

Question(s):

a) Please provide the implications of deferring the bay door replacements and/or the parking lot/yard enhancements from 2025, given that Centre Wellington Hydro has stated that these are low-priority projects.

b) Please provide the cost of the bay door replacements and the parking lot/yard enhancements separately.

2-Staff-25
Gartshore Extension
Ref: Distribution System Plan – Material Investment Narrative: Gartshore Extension, Exhibit 2, p.207 of PDF

Preamble:
Centre Wellington Hydro states that the Gartshore Extension project will extend the 4/44kV north to service a new Operations Centre as well as provide flexibility for future commercial-industrial-residential land servicing. Centre Wellington Hydro has estimated the cost of the project to be $423k in 2025 but is awaiting the anticipated loading for the connection to complete an economical evaluation and to determine potential capital contributions.

Question(s):

a) Since the time of filing its cost of service application, has Centre Wellington Hydro completed the economic evaluation? If so, please provide an updated cost breakdown. If not, when is the economic evaluation anticipated to be complete?
b) Please break down how the estimate of $423k was derived.
c) Does Centre Wellington Hydro expect a high variance in the estimate for the extension once an evaluation is complete? If not, why not?
d) Please confirm if the $423k includes an estimate for capital contributions. If not, why not?

2-Staff-26
Fergus MS-5 Project
Ref 1: Exhibit 2 – Rate Base, p.55
Ref 2: Distribution System Plan – Material Investment Narrative: Fergus MS-5, Exhibit 2, p. 244 of PDF
Ref 3: Distribution System Plan – Material Investment Narrative: Fergus MS-5, Exhibit 2, p. 253 of PDF
Ref 4: Distribution System Plan – Material Investment Narrative: Fergus MS-5, Exhibit 2, pp. 245-246 of PDF
Ref 5: Distribution System Plan – Material Investment Narrative: Fergus MS-5, Exhibit 2, p. 252 of PDF

Preamble:
As per reference 1, Centre Wellington Hydro is seeking Advanced Capital Module (ACM) treatment for the construction of a new distribution station, Fergus MS-5 (6/8MVA).
In reference 2, Centre Wellington Hydro states that there are four existing distribution stations in the Fergus distribution system with a combined capacity of 21MVA.

In reference 3, Centre Wellington Hydro provided the utilization normal and absolute peak utilization of each Fergus MS. In reference 3, Centre Wellington Hydro also provided a figure depicting the Fergus distribution stations.

In reference 4, Centre Wellington Hydro states that it replaced the fully depreciated 5MVA station transformer at Fergus MS-2 in 2019 with a 6MVA unit.

In reference 5, Centre Wellington Hydro provided a near-term and medium-term forecast for the Fergus distribution system.

Question(s):

a) What is an acceptable/target utilization for each Fergus MS and why?
b) Are the existing four Fergus MS rated to have cooling fans? If so, do these stations have fans installed? If not, has Centre Wellington Hydro done a cost/benefit analysis of installing fans to increase capacity?
c) Fergus MS-5 is rated at 6/8 MVA. Will Fergus MS-5 be installed with fans to maximize capacity?
d) Please explain how Centre Wellington Hydro determined that 6/8MVA was the ideal size for Fergus MS-5 in the context of the mid-term and long-term expected load growth while balancing costs. Please describe how Centre Wellington Hydro considered distributed energy resources, and the adoption of EV’s and electric heating when sizing Fergus MS-5.
e) When upgrading Fergus MS-2 from 5MVA to 6MVA in 2019 as per reference 4, did Centre Wellington Hydro consider further increasing capacity to Fergus MS-2 to delay the need for Fergus MS-5? Please explain.
f) Please expand upon why Fergus MS-2 has limited flexibility to use feeders from other stations to support switching and loading purposes as per reference 3. With the installation of Fergus MS-5, what are the plans for improving upon the “limited flexibility to use feeders from other stations to support for switching and loading purposes” at Fergus MS-2?
g) Please list any assumptions used to prepare the near and medium-term peak load forecast in reference 5.

2-Staff-27
Fergus MS-5 Project – Cost Breakdown
Ref 1: Distribution System Plan – Material Investment Narrative: Fergus MS-5, Exhibit 2, p.246 of PDF
Ref 2: Exhibit 2 – Rate Base, Table 44, p.54

Preamble:
Centre Wellington Hydro provides a cost breakdown of the $3.4M Fergus MS-5 project in reference 2.

In reference 1, Centre Wellington Hydro notes that the project is identical to the Elora MS-1 new station build in 2014 of $1.9M but the cost estimate for Fergus MS-5 is 70% greater due to supply chain costs.

Question(s):

a) Please file Centre Wellington Hydro's latest budget sheet for the ACM project breaking down the seven cost categories in Table 44 of reference 2.
b) Please describe how the cost breakdown in Table 44 of reference 2 was developed. What types of methodologies were used in the estimate (for example, were suppliers contacted for quotes, were estimates based on past work, and/or were estimates based on reference material)?
c) What class of construction estimate is provided in Table 44 of reference 2? What is Centre Wellington Hydro's expected +/- percentage of error on the $3.4M estimate?
d) Has Centre Wellington Hydro already begun the purchase of major equipment? If so, please provide a list of equipment that has been purchased including associated costs, and equipment that still needs to be purchased including costs.
e) Please explain why the 15% contingency is included in the cost breakdown in Table 44 and how the percentage is derived (i.e. provide assumptions and methodology). What other contingencies, safety factors, or major assumptions are included in the budget?
f) Given that the project is identical to the Elora MS-1 build as per reference 1, please provide a cost breakdown comparison between Elora MS-1 and Fergus MS-5. Please explain any major increases in cost.

2-Staff-28
Fergus MS-5 Project – ACM Model and ROE
Ref 1: Exhibit 2, pp. 55-56 and ACM Model
Ref 2: OEB Letter - 2025 Inflation Parameters
Ref 3: Revenue Requirement Workform, Tab 13, Columns O-S

Preamble:
In reference 1, as part of its Advanced Capital Module request, Centre Wellington Hydro has filed the ACM Model using the 2024 inflation factor of 4.8%.

In reference 2, the OEB released the 2025 inflation factor of 3.6% for electricity distributors on June 20, 2024.

Centre Wellington Hydro has stated that its 2024 ROE is calculated to be 10.06%.

OEB staff notes that some of the numbers in the ACM Model appear incorrect:

- Tab 3, Cell H21 should read 0.0228.
- Tab 6, Cell C20 should read 0.
- Tab 6, Cell E22 should read 98.

OEB staff also notes that the calculated current base revenue amounts in Tab 7, columns L-N in the ACM Model do not reconcile with the amounts in reference 3.

Question(s):

a) Please update the ACM model with the 2025 inflation factor of 3.6%. Please also enable macros on the models, ensuring that the final tab populates with the preliminary rate rider calculations.
b) Please provide Centre Wellington Hydro's 2026 expected ROE if possible, with and without incremental funding.
c) Please confirm OEB staff's observation on the incorrect numbers in the ACM Model and revise the evidence as needed.
d) Please explain the discrepancies in the current base revenues in the ACM Model and the Revenue Requirement Workform (e.g. rounding). Please revise the evidence as needed.

2-Staff-29
Non-Wire Solutions
Ref 1: Exhibit 2, Appendix B, p. 8, Table 2-4
Ref 2: Exhibit 2, p. 88, section 5.3.5
Ref 3: Exhibit 2, Appendix A, p. 49

Preamble:
Table 2-4 (reference 1) provides forecasted capital investment over the planning period. This table briefly explains Centre Wellington Hydro's gross capital expenses of $4.4M in 2026. Of this, $3.4M is allocated for constructing a new distribution station in Fergus (Fergus MS 5), which is planned for commissioning in Q1 of 2026.

In reference 2: Centre Wellington Hydro states that it considered CDM as part of its planning process.

In reference 3, Centre Wellington Hydro notes the following regarding Battery Energy Storage Systems (BESS) alternatives when planning the Fergus MS-5 project:

> [Centre Wellington Hydro] did not consider a non-wires solution, specifically a BESS project, as our challenge is not capacity on the sub-transmission feeder that currently has adequate capacity with additional capacity available, or meeting a portion of peak demand on the 4kV system for a select few hours which are generally the benefits of BESS systems. Rather, needing a solution to allow for appropriately loaded feeders as per their design parameters with flexible switching options for normal and abnormal scenarios for the distribution system as a whole within the 4kV systems inherent distance capabilities.

Question(s):
a) How does Centre Wellington Hydro consider CDM (or other non-wires solutions) in its planning process to determine their viability as alternatives to the planned investments over the forecast period.
b) Specifically, how did Centre Wellington Hydro consider CDM in planning for the construction of the new Distribution Station Fergus MS-5? Does the need for redundancy and flexibility rule out other demand side solutions like energy efficiency and demand response?

2-Staff-30
Fixed Asset Continuity Schedule
Ref 1: Exhibit 3, pp. 25-26
Ref 2: 10_CWH_Updated_2025 Chapter 2_20240605.xls, Tab App2.BA

Preamble:
OEB staff notes that the 2024 & 2025 Total PP&E in reference 1 deviates from what was reported in reference 2. The table below presents a summary of the variances that is compiled by OEB staff:

	Reference 1	Reference 2	Variance
2024 Closing Balance - Cost	$33,427,826	$33,427,827 (Cell G607)	-
2025 Opening Balance – Cost	$33,427,827	$33,635,728 (Cell D699)	$207,901
2025 Additions - Cost	$1,318,200	$1,110,298	$(207,901)

Questions:

a) Please explain the variance, as it appears to OEB staff, that is related to Construction Work in Progress.
   i. Please revise the schedules or the evidence as needed.

Exhibit 3 – Customer and Load Forecast

3-Staff-31
Customer Forecast
Ref 1: Exhibit 3, p. 20
Ref 2: Load Forecasting Model excel file, Tab Input – Customer Data

Preamble:
In reference 1, Centre Wellington Hydro states that it has used historical customer/connection usage from 2014 to 2023 to forecast future usage.

In reference 2, the geomean used to forecast 2024/2025 customers/connections does not include 2023 data.

Question(s):

a) Please update the Load Forecasting Model in reference 2 to include 2023 customers/connections data in the geomean calculations.

3-Staff-32
Load Forecast
Ref 1: Exhibit 1, p. 57
Ref 2: Exhibit 2, DSP, p. 10 (p. 85 of PDF)
Ref 3: Exhibit 3, p. 14-19 and Load Forecasting Model
Ref 4: Distribution System Plan, Material Investment Narrative, Fergus MS-5, p. 252 of PDF

Preamble:
In reference 1, Centre Wellington Hydro states that:

> Establishing a reliable distribution system that can accommodate REG's is one way to proactively facilitate positive change and CWH will continue to focus on renewing its distribution system with this in mind. Along with the adoption of EV's as their use is a positive step to fighting climate change and CWH is encouraging the use of EV's by installing chargers in both its service areas, Fergus and Elora. CWH has installed 3 chargers in its service territory to date, which are currently free of charge to users.

In reference 2, Centre Wellington Hydro states that the Fergus MS-5 station will also increase capacity to service new growth load that is anticipated in the Township of Centre Wellington, as well as load growth associated with the increase in electrification that Ontario is seeing due to increased uptake of EVs and heating electrification.

In reference 3, Centre Wellington Hydro provides load forecasts from 2018 to 2025.

In reference 4, Centre Wellington Hydro provides a near-term (2023-2027) and mid-term (2028-2032) load forecasts for the Fergus distribution system.

Question(s):

a) Based on the information in reference 1, has Centre Wellington Hydro incorporated the impact of Distributed Energy Resources/other emerging technologies such as electric vehicles and electric heating into its load forecasts? Please explain.
    i. If not, please provide the load forecasts (or an estimate) for these technologies if Centre Wellington Hydro has developed them separately (if available).

b) Given Centre Wellington Hydro's statement in reference 2, does the Fergus distribution system load forecast in reference 4 include growth due to EV's, electric heating adoption or other DERs? If so, why does the load forecast from Exhibit 3 not incorporate the impacts of these technologies?

3-Staff-33
Load Forecast
Ref: Exhibit 3, p. 14

Preamble:
Centre Wellington Hydro states that:

> CWH tested and included a Covid flag to identify the lockdown of March, April and May of 2020. This variable has been used in many applications and has proven to be favorable in CWH's case.

Question(s):

a) Was a variable using a longer time horizon than March-May 2020 to capture broader impacts of COVID-19 considered?
   i. If so, what were the results? If not, why not?
b) Has Centre Wellington observed COVID-19 related changes in consumption outside of March-May 2020?

3-Staff-34
Load Forecast
Ref: Load Forecasting Model, Tab Bridge&Test Year Class Forecast

Preamble:
In the reference, as part of its load forecast methodology, Centre Wellington Hydro used an average of ten-year historical data (2014-2023) for all rate classes except two sets of data for Street Lighting (KWh per connection and 3-year KW per connection) to forecast 2024 and 2025 loads. For the kWh per connection and kW per connection data for Street Lighting, an average of three-year historical data (2020-2022) was used.

a) Please explain why the three-year average of kWh per connection and the three-year average KW per connection were used instead of ten-year average.

Exhibit 4 – Operations, Maintenance & Administration

4-Staff-35
Cost Drivers - Inflation
Ref: Exhibit 4

Preamble:
Centre Wellington Hydro states that inflation is one of the largest cost drivers for OM&A between 2018 and 2025.

Question(s):

a) Please provide an annual inflation estimate using the 2018 OEB-approved OM&A as the base and escalating each year thereafter using the adjusted inflation value (OEB inflation minus stretch factor) from 2018 OEB-approved to 2025 in the format shown below.

	OEB Inflation (%)	**Stretch Factor (%)**	**Adjusted Inflation (%)**	**OM&A Cost Escalated by Adjusted Inflation ($)**	**Total OM&A Cost from Appendix 2-JA ($)**
	(A)	(B)	(C = A - B)	(D = $D_{previous\ year}$ x (1+ $C_{current\ year}$))	(E)
2018 OEB-Approved	%	%	%	$2,344,300	$2,344,300
2019	%	%	%	$	$2,573,894
2020	%	%	%	$	$2,433,090
2021	%	%	%	$	$2,423,285
2022	%	%	%	$	$2,692,398
2023	%	%	%	$	$2,768,957
2024	%	%	%	$	$2,940,005
2025	%	%	%	$	$3,130,127
$ Increase from 2018 OEB-approved to 2025	-	-	-	$	$785,827
% Increase from 2018 OEB-approved to 2025	-	-	-	%	34%

b) From the table in (a), please calculate the percentage of the total inflation amount ($ increase from 2018 OEB-approved to 2025 in column D) as part of the total

increase in OM&A cost ($ increase from 2018 OEB-approved to 2025 in column E) from the 2018 OEB-approved to the 2025 Test Year.

4-Staff-36
Labour Allocation
Ref: Exhibit 4, p. 15

Preamble:
Centre Wellington Hydro states that one significant cost driver for OM&A is labour allocation between capital and operations and maintenance. Depending on the focus for capital jobs and unplanned interruptions, the operations staff can see fluctuations in their time between these two categories. Centre Wellington Hydro staff construct the capital projects using contractors only where it is necessary. There are fluctuations in Centre Wellington Hydro's labour required for capital projects.

Question(s):

a) Please provide the labour allocation percentages between capital and operations and maintenance from 2018 OEB-approved, 2018 Actual – 2023, 2024 Bridge Year, and 2025 Test Year. Please explain any significant changes in the labour allocation percentages.

4-Staff-37
Business Environment Changes
Ref: Exhibit 4, p. 8

Preamble:
In the reference, Centre Wellington Hydro provides a list of significant changes specific to Centre Wellington Hydro due to regulatory environment changes over the past seven years which include:

- Implement CIS updates to accommodate regulatory requirements
- Upgrade of CIS
- Upgrade of Financial System
- Implementing EFT payments for Centre Wellington Hydro's Accounts Payable
- Implementing a paperless solution for the financial area of Centre Wellington Hydro
- Changing Centre Wellington Hydro's CIS and Financial Systems IT hosting services provider
- Changing Centre Wellington Hydro's IT management service provider
- Implemented IVR system to assist with collection reminder notices.

- Very successful uptake in net metering with Centre Wellington Hydro's residents
- Implementing real time service order tablets for field staff
- Implementing a shared services arrangement with CHEC members to acquire a GIS 35 expert to manage necessary ESRI GIS license requirements and upgrades.

Question(s):

a) Please provide a brief explanation on improvements that have been made for each of these changes.
b) Please provide the cost increase or savings for each of the changes.
c) Please indicate whether any of the changes is a result of shifting from on-premise solutions to subscription-based or cloud-based solutions.

4-Staff-38
Business Environment Changes
Ref: Exhibit 4, p. 9

Preamble:
In the reference, Centre Wellington Hydro states that it will implement the following changes in 2024:

- A customer bill redesign to have a clearer monthly bill for customers to understand their usage patterns and what they owe.
- A new customer portal, SilverBlaze.
- Replace the gatekeepers and upgrade software to run Centre Wellington Hydro's AMI mesh network.
- New protocols for billing net meters via the MDMR.
- Complete migrating Centre Wellington Hydro's current GIS application to an enterprise system

Question(s):

a) Please provide additional changes expected in the forecast 2024 – 2029 period if they are not on the list.
b) Have these changes already been implemented? If not, when are they expected to be implemented?
c) Please provide a brief explanation on improvements that will be made for each of these changes.
d) Please provide the forecast cost increase or savings for each of the changes.
e) Please indicate whether any of the changes is a result of shifting from on-premise solutions to subscription-based or cloud-based solutions.

4-Staff-39
On-premise, Subscription-based, and cloud-based solutions
Ref 1: Exhibit 4, p. 13
Ref 2: Exhibit 1, Appendix A, p. 24 (p. 93 of PDF)

In reference 1, Centre Wellington Hydro provides an explanation for OM&A cost increases from 2018 to 2025. Centre Wellington Hydro states that since 2018, some costs that were formerly purchased outright have transitioned to a subscription-based model including computer operating systems, software applications, and cloud-based solutions. Centre Wellington Hydro has not observed a proportional decrease in the cost of its assets, so the related depreciation expense for these assets has remained similar.

In reference 2, Centre Wellington Hydro explains cost challenges in its Business Plan (2023-2029). Centre Wellington Hydro states that cloud-based solutions for systems and process in the industry are also driving up OM&A costs and overall costs in general as these have shifted from an upfront capital cost to monthly service and maintenance fees. These costs are typically higher over the timeframes than upfront capital costs would be attributed too.

Question(s):

a) Please complete the following tables on capital and OM&A spending between on-premise solutions and subscription-based model/cloud-based solutions.

Costs for On-premise Solutions from 2018-2029

	2018	2019	2020	2021	2022	2023
Capex	$	$	$	$	$	$
OM&A	$	$	$	$	$	$

	2024	2025	2026	2027	2028	2029
Capex	$	$	$	$	$	$
OM&A	$	$	$	$	$	$

Costs for Subscription-based/Cloud-based Solutions from 2018-2029

	2018	2019	2020	2021	2022	2023
Capex	$	$	$	$	$	$
OM&A	$	$	$	$	$	$

	2024	2025	2026	2027	2028	2029
Capex	$	$	$	$	$	$
OM&A	$	$	$	$	$	$

b) Please explain any cost savings as a result of moving to a subscription-based model or cloud-based solutions which Centre Wellington Hydro would otherwise being incurring with on-premise solutions.

4-Staff-40
Vegetation Management Costs
Ref 1: Exhibit 4, pp. 12 and 31
Ref 2: Chapter 2 Appendix 2-JC

Preamble:
Centre Wellington Hydro states in reference 1 that:

> Tree trimming will cost $113K in 2025, up from $59K in 2018. There are an additional 130 hours in 2025 for tree trimming, compared to 2018 Board Approved however the difference is that nearly half of the labour hour costs were designated for a co-op student in 2018, albeit at a reduced burden allocation and wage rate.

Centre Wellington Hydro also states that in 2024 it has increased the expenditure in account 5135 for tree trimming over the amount in 2023 in order to address the recent high vegetation growth years and falls in line with Centre Wellington Hydro's commitment to proactive vegetation management to mitigate outages due to tree and limb contact during adverse weather.

Question(s):

a) Please provide a number of outages as a result of tree and limb contact during adverse weather from 2018 to 2023 and 2024 year-to-date.
b) Please explain in more detail why is there a forecast increase of 130 hours of tree trimming required in 2025 compared to 2018?

4-Staff-41
Miscellaneous Distribution Expense Program
Ref 1: Chapter 2 Appendix 2-JC
Ref 2: Exhibit 4, pp. 39-40
Ref 3: Chapter 2 Appendix 2-K

Preamble:
In reference 1, OM&A costs for Account 5085-Miscellaneous Distribution Expense increased sharply by 152%, 99% and 29% in 2020 and 2022 respectively.

In reference 2, Centre Wellington Hydro explains an overall increase for Account 5085 which includes a shared GIS expert and an increased cost of training resulted from an employee being an apprentice in two programs (powerline maintainer and a meter technician). Centre Wellington Hydro states that the apprentice is expected to be employed in the future, and the current training budget through 2025 will remain in effect.

Question(s):

a) Please explain drivers of the increases specifically for each of the years in 2020 and 2022.
b) For the apprentice being trained in two programs, please provide the following:
    i. The cost of training per year since the first year of training until 2025 and a brief explanation of different costs associated with the training.
    ii. When is the training expected to be completed?

4-Staff-42
Locates
Ref 1: Exhibit 4, Table 3, p. 15
Ref 2: Exhibit 4, pp. 25 and 39
Ref 3: Exhibit 4, p. 38

Preamble:
In reference 1, OEB staff notes that the cost driver for locates show an overall decrease from the 2018 OEB-approved to 2021.

In reference 2, Centre Wellington Hydro states that it stopped using a third party for conducting locates in March 2020 as the timing metric of completing the locates in 5 days was not being met. In 2021, Centre wellington Hydro reduced labour costs by hiring a part time dedicated staff member to complete locates for most of the year, and

there was an overall reduction in locate requests in 2021 which led to an over $55K reduction in 2021 compared to 2020.

In reference 3, Centre Wellington Hydro states that there is an additional 0.55 FTE dedicated to performing underground locates and other functions related to fieldwork.

Question(s):

a) Please provide annual locate costs incurred from using the third party during the historic period.
b) Please explain whether bringing the locator in-house resulted in cost savings over the historic period.
    i. If so, please provide cost savings as a result of bringing the locator in-house compared to the cost that Centre Wellington Hydro would otherwise incur with the third-party locator.
    ii. If not, please provide cost increases from bringing the locator in-house

4-Staff-43
Ref 1: The OEB's Decision and Order for Getting Ontario Connected Act Variance Account, October 31, 2023
Ref 2: Exhibit 4, p. 31

Preamble:
In reference 1, the OEB issued a decision and order EB-2023-0143 for Getting Ontario Connected Act Variance Account (GOCA variance account) on October 31, 2023. The decision states that:

> The OEB notes that the GOCA variance account will only be available to a utility until the end of its current IRM period. The account is not available for utilities that have reflected Bill 93 in their most recent rebasing applications.
> The disposition of any balance in this account will be subject to a prudence review and a requirement to establish that any cost incurred over and above what is provided for in initial and IRM adjusted base rates is an incremental cost resulting from Bill 93.

In reference 2, Centre Wellington Hydro states that the forecast locate expenses [when discussing maintenance expenses for the 2024 bridge year] are based on historical activity without any expected impact from the Getting Ontario Connected Act (GOCA). In the event there is an impact CWH will take advantage of the GOCA account provided by the OEB.

Question(s):

a) In light of the OEB's decision that GOCA will only be available to the end of the current IRM term, please explain why Centre Wellington cannot include the expected impact from the GOCA in its OM&A expense for the test year.

Exhibit 5 – Cost of Capital

5-Staff-44
Ref 1: EB-2024-0063, Notice, March 6, 2024
Ref 2: EB-2024-0063, OEB Letter, April 22, 2024

Preamble:
On March 6, 2024, the OEB commenced a hearing (EB-2024-0063) on its own motion to consider the methodology for determining the values of the cost of capital parameters and deemed capital structure to be used to set rates for electricity transmitters, electricity distributors, natural gas utilities, and Ontario Power Generation Inc. The methodology for determining the OEB's prescribed interest rates and matters related to the OEB's Cloud Computing Deferral Account will also be considered, including what type of interest rate, if any, should apply to this deferral account.

On April 22, 2024, the OEB approved the final Issues List for this proceeding, including the following two issues, amongst other issues:

18. How should any changes in the cost of capital parameters and/or capital structure of a utility be implemented (e.g., on a one-time basis upon rebasing or gradually over a rate term)?

19. Should changes in the cost of capital parameters and/or capital structure arising out of this proceeding (if any) be implemented for utilities that are in the middle of an approved rate term, and if so, how?

Question(s):

a) Please confirm that the applicant proposes to implement the outcomes from the OEB's generic cost of capital proceeding, including what the OEB decides with respect to implementation. If this is not the case, please explain.

5-Staff-45
Ref 1: Exhibit 5, pp. 9-10
Ref 2: Chapter 2 Appendix 2-OB
Ref 3: Chapter 2 Appendix 2-OA

Preamble:
In reference 1, Centre Wellington Hydro explains its long-term debt instruments which include a promissory note of $5.0M that was issued with the Township of Centre Wellington at the rate of 7.25% that on November 1, 2000, the financing of $1.5M in 2024 to replenish cash after a large capital spend in 2023, and the financing of $3.2M in 2025 for the new Fergus MS-5 station (ACM project) which will be built in 2025 and energized in 2026. At the time of filing the application, Wellington Hydro states that it has not secured the financing with a third-party and therefore has used the deemed long-term debt rate for these two loans.

For the promissory note with the Township of Centre Wellington, OEB staff notes that the interest rate of 7.25% is significantly higher than interest rates from other lenders which drives the weighted long-term debt rate higher.

In reference 2 (Appendix 2-OB), Centre Wellington Hydro provides the debt instruments from 2018 to 2025. The weighted long-term debt rate is 5.31% (cell H169) for 2025. OEB staff notes that the last two debt instruments for 2025 in Appendix 2-OB do not show the start dates for these loans.

OEB staff also notes that the loan of $3.2M for the ACM project (Fergus MS-5 station) is included in the 2025 debt instrument table in Appendix 2-OB when the cost of this project is not part of the 2025 rate base of $20.3M.

Reference 3 (Appendix 2-OA) shows the Capital Structure and Cost of Capital table for 2025 rates setting.

OEB staff notes that the proposed 2025 long-term debt rate of 4.58% (Appendix 2-OA) for rates setting does not reconcile with the weighted long-term debt rate of 5.31% from Appendix 2-OB.

Question(s):

a) Has Centre Wellington Hydro secured the loans of $1.5M (in 2024) and $3.2M (in 2025) with the third-party lenders yet?
    i. If so, please update rows 5 and 6 in the 2025 Debt Instruments table (Appendix 2-OB) to reflect updated information including the start dates.

ii. If not, please add tentative start dates in cells F160 and F161 in Appendix 2-OB.

b) Has Centre Wellington Hydro considered renegotiating the contract with the Township of Centre Wellington or other financing strategy to reduce the interest rate? Please explain.

c) Please explain why Centre Wellington Hydro applied the deemed long-term debt rate of 4.58% in cell K22 in Appendix 2-OA instead of using the weighted long-term debt rate of 5.31% (cell in Appendix 2-OB).
   i. Will Centre Wellington Hydro update the long-term debt rate in cell K22 in Appendix 2-OA to reflect the OEB's 2025 deemed long-term debt rate as the information becomes available?

d) Please run a scenario where the interest rate of 7.25% for promissory note with the Township of Centre Wellington Hydro (in the 2025 Debt Instruments table in Appendix 2-OB) is replaced with the OEB's 2024 deemed long-term debt rate of 4.38%, and the 2025 debt issue related to the new station is removed. Based on this scenario, please provide the following:
   i. Updated 2025 Debt Instruments table in Appendix 2-OB with an updated weighted average long-term debt rate.
   ii. Updated 2025 Cost of Capital table in Appendix 2-OA using the updated weighted average long-term debt rate in (i) as an input for the long-term debt rate in cell K12.

Exhibit 6 – Revenue Requirement

6-Staff-46
Other Revenue–Interest and Dividend Income
Ref 1: Chapter 2 Appendix 2-H
Ref 2: Exhibit 6, pp. 26-27
Ref 3: Filing Requirements, Chapter 2, December 15, 2022, Section 2.6.3, p. 43

Preamble:
Appendix 2-H in reference 1 shows a breakdown of Account 4405 – Interest and Dividend Income which records Regulatory – Carry Interest Earned (Row 152) from 2018 to 2025 Test Year.

In reference 2, Centre Wellington Hydro states that:

> In account 4405, in 2023 CWH had an increase in interest income earned. CWH had a healthy cash balance each month as well as the interest rate steadily increased, resulting in an increase in interest earned. CWH also saw an increase

> in carrying charges calculated on the RCVA and RSVA accounts with the prescribed interest rate also increasing.
>
> In 2024 CWH anticipates increasing financing for the large capital expenditures in 2023 and 2024, therefore CWH is projecting a lower cash balance and therefore a lower interest amount earned, as seen in account 4405.

In reference 3, the Filing Requirements state that revenues or costs (including interest) associated with deferral and variance accounts (DVAs) must not be included in other revenues.

Question(s):

a) Please confirm whether Account 4405 contains interest amounts related to DVAs or not.
    i. If so, please revise Appendix 2-H to remove any interest amounts associated with DVAs as needed.

6-Staff-47
Ref: Exhibit 6, p. 14

Preamble:
Centre Wellington Hydro states that, at the time of filing its application, the distributor has not filed its 2023 corporate income tax returns.

Question(s):

a) Please provide a copy of the 2023 filed tax returns, if available.
b) Please provide an updated PILS work form including 2023 actuals.

6-Staff-48
Ref 1: Exhibit 6, pp. 9, 14,16-17
Ref 2: OEB Letter - Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019
Ref 3: Centre Wellington's 2018 cost of service application, PILs model
Ref 4: Chapter 2 Appendix 2-BA

Preamble:
In Reference 1, Centre Wellington Hydro states that:

> CWH is not including an amount for PILs in the 2025 rates, this is the same as in 2018. Between 2018 and 2023 CWH has taken the accelerated CCA, however

> for 2024, the bridge year, and 2025, the test year, CWH is proposing to not take the accelerated CCA. CWH would have been able to maintain zero PILs in 2018 to 2023 even had the Accelerated CCA related credits not been used. CWH has a large loss carryover and expects that PILs will remain zero to at least 2029.
>
> At the time of filing CWH has not filed its 2023 PILs return with the Ministry, therefore the Notice of Assessment is outstanding. CWH's external auditor, KPMG, has used the 2025 OEB PILs Tax Work Form model to calculate the amount of taxes for inclusion in its 2025 rates, using the taxable income for the 2025 Test Year provided by CWH. PILs have been computed under MIFRS accounting policies. CWH in conjunction with KPMG have ensured that the current and proposed tax rates have been applied, that the amount of PILs calculated appears reasonable.
>
> Instead of recording (fictional) tax savings because of the application of Accelerated CCA from 2018 to 2023, the Accelerated CCA credits created between 2018 and 2023 are being brought forward to the credit of ratepayers in the test year and beyond. As a result of CWH's election not to take Accelerated CCA in the 2024 bridge and 2025 Test years, there will be no amounts recorded in Account 1592 to reflect the impact of Accelerated CCA in 2024 or the impact of the phase out of Accelerated CCA between 2024 and 2027.

In reference 1, Centre Wellington Hydro is requesting to close Account 1592 because it has a zero balance.

Reference 2 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, Sub-Account CCA Changes.

OEB staff notes that Centre Wellington Hydro had used the OEB's PILs model which applied the legacy half-year rule at the time for its 2018 PILs. OEB staff also notes from the 2018 PILs model that was updated with the settlement proposal (specifically the T1 Taxable Income Test Year) that there is a large difference between the amortization of $590,700 and the CCA deducted for the test year of $1,395,390.

With the information in the PILs model of this application and the model in 2018 rebasing application, OEB staff compiled certain information in the following table:

	The PILs model in this application			PILs model of 2018 rebasing
	2023	**2024**	**2025**	**2018**
Capital Addition $	n/a	3,181,201	1,318,200	973,000
UCC ending $	14,472,821	16,174,674	16,053,521	16,152,667
Amortization added back in T1	754,379	820,063	872,779	590,700
CCA deducted in T1	1,220,817	1,291,075	1,425,154	1,395,390
Amortization less CCA (OEB staff calculation)	(466,438)	(471,012)	(552,375)	(804,690)
Net Income for Tax Purpose (before applying the loss carryforward)	110,483	226,833	220,306	(147,855)
Loss carry forward	2,024,691	1,797,858	1,577,552	1,148,408

Question(s):

a) Please clarify the statement of "for 2024, the bridge year, and 2025, the test year, CWH is proposing to not take the accelerated CCA" while Centre Wellington Hydro has used the OEB's PILs model for the CCA calculations for bridge year and test year. Please update the PILs model by removing the Accelerated rule in 2024 and 2025 if Centre Wellington Hydro confirms that it will not apply the accelerated CCA rule for its capital additions in the actual tax filings for these two years.

b) Please confirm the table compiled by OEB staff as above and revise the information in the table as applicable.

c) For the PILs information in the 2018 PILs model of last rebasing application (reference 3), please explain why there was a large difference between the amortization added back and CCA deducted in 2018 T1 while the half year rule was still applied for the capital additions in the year. In explaining the large difference of $804,690, please identify the asset class where the amortization of the asset class was much lower than the CCA of the year.

d) As per the table compiled by OEB staff above, the loss carry forward has increased from $1,148,408 at end of 2018 in the 2018 PILs model to $2,024,691. Please provide the reasons of the increase including:
   i. The difference between the amortization and the CCAs

ii. The loss attributable to the application of the accelerated CCA rule on the capital additions
iii. Others (please provide the specific reasons)

e) Please calculate the balance of Account 1592 for each of the years in the following format.
   i. OEB staff filled in actual capital additions from Appendix 2-BA (reference 4), please indicate whether there are any discrepancies with Centre Wellington's actual tax filings and explain.

	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Actual capital additions per Appendix 2BA	1,195,088	1,702,859	631,186	678,323	684,081	1,139,070	
Legacy CCA based on the half-year rule **(A)**							
Accelerated CCA based on the legacy **(B)**							
Difference **(C=B-A)**							
Grossed up based on effective tax rate							
Account 1592 – $ balance							

f) Please provide the loss carry forward amount by excluding the balance in Account 1592 as calculated above.

6-Staff-49
Ref 1: Exhibit 6, p. 8
Ref 2: Exhibit 6, 2022 Income tax return, Schedule 4 Corporation Loss Continuity and Application
Ref 3: Chapter 2 Filing Requirements, December 15, 2022, Section 2.6.2 Taxes or Payments In Lieu of Taxes (PILs) and Property Taxes
Ref 4: Exhibit 6, p. 14

Preamble:
In reference 1, Centre Wellington Hydro provided the following information on its PILs:

	2018	2019	2020	2021	2022	2023	2024	2025
Grossed up PILs	$0	($237,202)	$182,631	$33,157	$53,883	$46,293	$0	$0

Per the Chapter 2 Filing Requirements for cost-of-service applications, distributors must make use of the stand-alone principle when determining these amounts (see section 2.0.3). Distributors are expected to exercise sound tax planning and are expected, for rate-setting purposes, to maximize tax credits and take the maximum deductions allowed.
OEB staff notes that in reference 3, at the beginning of 2018, Centre Wellington Hydro had $850k in loss carryforward to apply.

Additionally, Centre Wellington Hydro stated that they consulted KPMG to assist in preparing the PILs model and assessing the impact of AIIP on the CoS (reference 4).

Question(s):

a) Please confirm whether Centre Wellington Hydro applied any of its significant loss carry forward in its income tax returns for the years 2018 through 2023, and in what amounts.
    i. If confirmed, was the loss carryforward maximized for the year? If not, why not?
    ii. If not confirmed, please explain why no losses were applied.
b) Centre Wellington stated that they consulted KPMG to assist in preparing the PILs model and assessing the impact of AIIP on the CoS. Please describe any tax planning advice that KPMG gave to Centre Wellington for its rebasing term.

Exhibit 7 – Cost Allocation

7-Staff-50
Ref: Cost Allocation Model, Tab I7.1, Cells F54-59, I49, I52-I55, I57-58

Preamble:
OEB staff notes that the cells in the reference contain no formula, resulting in no calculated meter costs for residential and GS<50 rate classes.

Based on OEB staff's calculation, the missing formulas result in additional meter costs of $2,031,400 and $123,588 for residential and GS<50 rate classes respectively.

Question(s):

a) Please confirm OEB staff's observation and calculation.
b) If confirmed in (a), please revise the evidence as needed.

7-Staff-51
Revenue
Ref: Cost Allocation Model, Tab I6.1

Preamble:
For GS>50kW rate class, the forecast kW included in CDEM for customers receiving line transformer allowance (cell F27) has decreased significantly from 134,287 kW (sum of GS > 50 to 2999 kW and GS > 3000 to 5000 kW) in the last OEB-approved to 93,768 kW in this application.

Question(s):
a) Please confirm that the value in cell F27 is accurate.
    i. If confirmed, please explain the large decrease.
    ii. If not confirmed, please revise the evidence as needed.

7-Staff-52
Weighting Factors
Ref: Exhibit 7, p. 13 and Cost Allocation Model, Tab I5.2

Preamble:
Centre Wellington Hydro states that the weightings are based on a review of time and costs incurred in servicing its customer classes. OEB staff notes that weighting factors

for some of the rate classes have changed compared to the last OEB approved weighing factors used in 2018.

Question(s):

a) Please provide the derivation of the proposed weighting factors.
b) Please explain why the weighting factors have changed from the 2018 OEB approved.

7-Staff-53
Load Profile Methodology and Assumptions
Ref 1: Exhibit 7, p. 12
Ref 2: Exhibit 7, Appendix A, p. 29 of PDF

Preamble:
In reference 1, Centre Wellington Hydro states that it has used actual hourly demand data based on rate class for 2023 to develop the load profiles.

In reference 2, Centre Wellington Hydro states that to update load profiles, it opted to prioritize the year 2023 over an average of earlier years, as it considered that 2023 accurately represents a year of normalcy after the pandemic.

Question(s):

a) How many years of historical hourly demand data prior to 2023 does Centre Wellington Hydro have access to?
    i. If one year or more, did Centre Wellington Hydro test using historical average of the hourly demand data? What were the results?

7-Staff-54
Load Profile Methodology
Ref: Exhibit 7, Appendix A, p. 31 of PDF

Preamble:
In the reference, Centre Wellington Hydro provides its methodology for each rate class.

For the Unmetered Scattered Load rate class, Centre Wellington Hydro states the following:

> CWH bills Unmetered Scattered Load based on number of connections, kW per connection, and operation hours per day per month. This results in the sentinel lighting profile.

> kW and number of connections are provided by the customer upon connection.
>
> CWH used the sentinel lighting profile to create an hourly demand profile.

Question(s):

a) Why does the billing of Unmetered Scattered Load result in the Sentinel Lighting profile? Please explain.
b) Why did Centre Wellington Hydro use the Sentinel Lighting profile to create an hourly demand profile for the Unmetered Scattered Load rate class. Please explain.

7-Staff-55
Revenue to Cost Ratio
Ref 1: Exhibit 7, p. 12
Ref 2: Exhibit 8, p. 27

Preamble:
Centre Wellington Hydro states that:

> CWH proposes to reduce the ratio for the Residential class to 103.26% from 104.94% to absorb the shortfall created by the USL and Street Light class being brought up to the floor of .80. Both the General Service <50kW at 94.17% and GS 50-4999kW at 99.85% stayed the same.

OEB staff notes that the adjustment is proposed to be fully implemented for 2025.

In reference 2, Centre Wellington Hydro states that:

> Two classes, USL and Street Lighting, fell above a total bill impact of 10%. CWH is open to exploring rate mitigation tactics for any classes that fall above the threshold. Such tactics could involve adjustments to the cost allocation process or rate design such as revenue to cost adjustments over multiples years if necessary.

Question(s):

a) Have USL and Street Lighting customers been informed about the proposed total bill impacts?
b) Please provide a scenario to adjust the revenue to cost ratios for the USL and Street Lighting class over multiple years in order to avoid bill impacts over 10% for both rate classes. Please describe the subsequent adjustments/bill impacts on the remaining rate classes.

c) Please describe any other rate mitigation proposals considered by Centre Wellington Hydro and why they were not proposed in the current application.

7-Staff-56
Cost Allocation
Ref: Cost Allocation Model (Excel), Tab I6.1, Cell K29

Question(s):

a) OEB staff notes that KWh data for Sentinel Lighting in cell K29 appears to be missing. Please update this cell to include kWh data for this rate class.

Exhibit 8 – Rate Design

8-Staff-57
Ref 1: Tariff Schedule and Bill Impact Model
Ref 2: OEB Letter - 2025 Inflation Parameters

Preamble:
The Tariff Schedule and Bill Impact Model in reference 1, Tab 3 contains Miscellaneous Service Charges which are calculated based on an inflation factor of 4.8% for 2023.

In reference 2, the OEB has recently issued a letter on June 20, 2024 with updated 2025 Inflation Parameters. In the letter, the OEB states that it has calculated the 2025 inflation factor for electricity distributors to be 3.6%.

Question(s):

a) Please update the Miscellaneous Service Charges in Tab 3 (reference 1) to reflect the 2025 inflation factor of 3.6%.
b) Please revise other tabs in reference 1 to reflect the update in (a).

8-Staff-58
RTSRs
Ref 1: RTSR Workform
Ref 2: Decision and Rate Order, EB-2023-0222, January 18, 2024
Ref 3: Partial Decision and Rate Order, EB-2023-0030, June 13, 2024

Preamble:
In reference 2, the OEB approved the 2024 Uniform Transmission Rates (UTRs) on January 18, 2024.

In Reference 3, OEB approved 2024 Hydro One Network Inc.'s host Retail Transmission Service Rates (RTSRs) on December 14, 2023.

Question(s):

a) Please confirm which historic year of Reporting and Record Keeping Requirements (RRR) data has been used at reference 1.
b) Please confirm which year of wholesale purchase volumes have been used.

8-Staff-59
Low Voltage
Ref: Exhibit 8, p. 14

Preamble:
Centre Wellington Hydro states that the 2025 projected low voltage charges are based on an internal review of historical charges.

Question(s):

a) Please provide and explain the calculation used to derive the 2025 low voltage charges of $466,034.
b) Please provide the low voltage expense that would result if the most recent Hydro One's rates excluding rate riders were applied to a five-year average of 2019-2023 volumes.

8-Staff-60
Loss Factor
Ref 1: Chapter 2 Appendix 2-R
Ref 2: Exhibit 8, Table 17, p. 26
Ref 3: Exhibit 8, Table 16, p. 25
Ref 4: 2018 Chapter 2 Appendix 2-R, Settlement Proposal
Ref 5: Tariff Schedule and Bill Impact Model

Preamble:
OEB staff notes that lines B, C, G and I in reference 1 do not reconcile with Table 17 in reference 2.

In reference 3, Centre Wellington Hydro presents a calculation of Supply Facilities Loss Factor 2023 data in Table 16. Centre Wellington Hydro states that it has calculated its supply loss factor using a weighted average of the IESO and Hydro One 2023 data which results in the Supply Facility Loss Factor of 1.0242 (Table 16) instead of a 5-year average.

In reference 4, the OEB approved Centre Wellington Hydro's proposed Supply Facilities Loss Factor (line H) in its 2018 rebasing application which was calculated based on a 5-year average of historical data.

Question(s):

a) Please reconcile the difference between reference 1 and reference 2 and revise the evidence as needed. Please also update the Tariff and Bill Impact Model accordingly.
b) Please explain the variance between the Supply Facility Loss Factor of 1.0242 in Table 16 (reference 3) and the 5-year historical average (2019-2023) in line H in Table 17 (reference 2).
c) Please explain why Centre Wellington Hydro used a different approach to calculate Supply Facilities Loss Factor in Table 16 (reference 3) from the methodology that was approved (using 5-year average of historical data in reference 4) in its last rebasing application.

8-Staff-61
Bill Impacts
Ref 1: Exhibit 8, Table 1, p. 5
Ref 2: Exhibit 8, p. 8

Preamble:
Table 1 in reference 1 show the bill impacts for all rate classes.

OEB staff notes that the bill impacts for GS>50 to 2,999 kW and GS>3,000 to 4,999 kW are based on the same 2025 unit rates (due to the proposal to merge these two rate classes).

In reference 2, Centre Wellington Hydro states that:

> It was determined there are no significant cost differences and overall burden due to the administration, billing, and operations CWH completes between a customer who has a monthly demand greater than 3,000kW and a customer that is below.

Question(s):

a) Please provide any bill impact analysis Centre Wellington Hydro conducted comparing bill impacts with and without the proposed merger of classes.

Exhibit 9 – Deferral & Variance Accounts

9-Staff-62
Ref 1: Exhibit 9, P. 20
Ref 2: EB-2022-0200 Decision and Rate Order, December 8, 2022, p. 20

Preamble:
Centre Wellington Hydro indicates that it "is requesting to discontinue use of the LRAMVA for one or more activities related to distribution rate-funded CDM activities."

In reference 2, consistent with the OEB practice, the OEB's 2023 IRM decision for Centre Wellington Hydro set the LRAMVA balance to zero and indicated that no further entries to the LRAMVA are permitted at this time, but that the LRAMVA will not be discontinued, in the event that Centre Wellington Hydro requests the use of the LRAMVA for a CDM activity in a future application, which the OEB will consider on a case-by-case basis.

Question(s):

a) Please confirm that in accordance with OEB's practice as indicated in reference 2, Centre Wellington Hydro intends to maintain the DVA account, but does not anticipate recording any further amounts at this time.

9-Staff-63
DVA Continuity Schedule
Ref 1: Prescribed interest rates
Ref 2: DVA Continuity Schedule

Preamble:
In reference 1, the OEB has recently published its prescribed interest rate for deferral and variance account balances for Q3 2024 of 5.20%.

OEB staff notes that the DVA Continuity Schedule in reference 2 has not been updated with the Q3 2024 prescribed interest rate of 5.20%.

Question(s):

a) Please update the total balance and carrying charges in the DVA Continuity Schedule to reflect the updated Q3 2024 prescribed interest rates.

9-Staff-64
Group 2 DVA Balances
Ref 1: Exhibit 1, p. 37
Ref 2: Exhibit 9, pp. 9-10 and 13
Ref 3: OEB Letter on Green Button Implementation
Ref 4: OEB Letter on Accounting Order - Customer Choice Initiative
Ref 5: OEB Letter on Accounting Order for Ultra Low Overnight Option
Ref 6: OEB Letter on Revisions to the Ontario Energy Board Cost Assessment Model

Preamble:
Centre Wellington Hydro notes in Reference 1 that it has used $50,000 as a materiality threshold throughout this application.

In Reference 2, Centre Wellington Hydro is requesting the disposition of the following accounts.

- Account 1508 – Customer Choice Initiative Costs (debit balance of $9,434.41),
- Account 1508 – Green Button Initiative Costs (debit balance of $19,155.05),
- Account 1508 – ULO Implementation Cost (debit balance of $5,125.43) and
- Account 1508 OEB assessment (debit balance of $15,402.76).

References 3, 4, 5 and 6 note that “The OEB will assess any claimed costs recorded in the sub-account at the time the subaccount is requested for disposition, subject to the causation, materiality and prudence criteria”.

Questions:

a) Please explain why Centre Wellington Hydro is requesting disposition of accounts with balances less than $50,000.

b) Is Centre Wellington Hydro agreeable to closing the following accounts. If not, please explain.
   i. Green Button Initiative Costs
   ii. Customer Choice Initiative Costs
   iii. ULO Implementation Costs