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

Ontario

**BY E-MAIL**

November 1, 2024

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

Dear Ms. Marconi:

**Re: Welland Hydro-Electric System Corp. (Welland Hydro-Electric System)**
**2025 Cost of Service Rate Application**
**Ontario Energy Board (OEB) File Number: EB-2024-0058**

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

Welland Hydro-Electric System's responses to interrogatories are due by November 21, 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: 2024.11.01 16:15:29 -04'00'

Narisa Jotiban
Senior Advisor – Electricity Distribution Rates

cc. All parties to EB-2024-0058

**OEB Staff Interrogatories**

**2025 Electricity Distribution Rates Application**
**Welland Hydro-Electric System Corp. (Welland Hydro-Electric System)**
**EB-2024-0058**
**November 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*.

## 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, Activity and Program Based Benchmarking, pp. 48-54**
**Ref 2: 2023 Unit Cost Calculations, October 17, 2024**

Question(s):

a) For Metering O&M, please provide an explanation for the high year-over-year rate of increase for unit costs (references 1 and 2) which occurred in 2021 and was maintained until 2023?

b) Please provide more details regarding Welland Hydro-Electric System's investigation into the cost components for Lines O&M unit costs. Has this investigation been concluded? If so, what were the findings? If not, when is the planned completion date?

**1-Staff-3**
**PP&E**
**Ref 1: Exhibit 1, Appendix 1-D – 2023 Audited Financial Statements, p. 99**
**Ref 2: Exhibit 1, Appendix 1-E – 2022 Audited Financial Statements, p. 139**
**Ref 3: Appendix 2-BA**

Preamble: OEB staff has complied the following table to compare the PP&E on the Audited Financial Statements (AFSs) with the fixed assets in Appendix 2-BA and noted some differences.

**Property, Plant and Equipment & Intangible assets**

| (in thousands of dollars) | **2021** | **2022** | **2023** |
|---|---|---|---|
| **Financial Statements** *(Notes 7 & 8)* | 38,712 | 40,882 | 43,729 |
| **Appendix 2-BA** *NBV (Total PP&E + Account 1995)* | 38,356 | 40,545 | 43,412 |
| **Difference** | 356 | 337 | 317 |

Question(s):

a) Please explain and reconcile the noted differences in the table above.
b) Please update Appendix 2-BA as needed.

**1-Staff-4**
**DVA balances**
**Ref 1: Exhibit 1, Appendix 1-E – 2023 Audited Financial Statements, p. 162**
**Ref 2: DVA Continuity Schedule, Tabs 2a and 2b**

Preamble: OEB staff notes that the sum of the DVA balances in the 2023 Audited Financial Statements does not reconcile with the sum of the RRR Reporting balances in the DVA Continuity Schedule. OEB staff has complied a table below to show the difference.

**DVA balance**

| (in thousands of dollars) | 2023 debit balance | 2023 credit balance | Total |
|---|---|---|---|
| Balance per 2023 F/S | 2765 | (2,031) | 734 |
| | Group 1 | Group 2 | |
| RRR Reporting as of Dec 31-23 | 781 | (1,203) | (422) |
| Difference | | | 1,156 |

Question(s):

a) Please explain and reconcile the difference noted in the table above.

## Exhibit 2 – Rate Base and Capital

**2-Staff-5**
**Non-Wires Solutions Guidelines for Electricity Distributors /Conservation Demand Management in Distribution System Planning**

**Ref 1: EB-2024-0118, Non-Wires Solutions Guidelines for Electricity Distributors, March 28, 2024**
**Ref 2: Distribution System Plan (DSP), Part 1, Attachment 2E, Section 5.3.5**

Preamble:
In reference 1, the OEB recently released its Non-Wires Solutions Guidelines for Electricity Distributors (NWS Guidelines) and the Benefit-Cost Analysis Framework for Addressing Electricity System Needs (BCA Framework). These aim to help distributors assess the economic feasibility of using non-wires solutions (NWS) to address defined electricity system needs. Electricity distributors must incorporate consideration of NWS into their distribution system planning process by evaluating whether a distribution rate-funded NWS may be a preferred approach to meeting a system need, thus avoiding or deferring spending on traditional infrastructure.

In reference 2, Welland Hydro-Electric Systems Corp indicated that its DSP has considered the new guideline and the use of NWS when making investment decisions.

Question(s):

a) Please explain how Welland Hydro-Electric System considered the requirement in the OEB's NWS Guidelines to meet its distribution system needs (including evaluating identified non-wires solutions using the methodology outlined in the BCA Framework).

**2-Staff-6**
**Ref 1: Exhibit 2, Table 5-4-9, p. 167 of PDF**
**Ref 2: Exhibit 9, Table 9-9, p. 13 and DVA Continuity Schedule, Tabs 2b**

Preamble:
In reference 1, Table 5-4-9 shows that 2023 budget and actual gross capital expenditures for General Plant. Welland Hydro-Electric System states that computer software upgrades for Green Button were implemented through subscription services rather than on premise ($75K).

In reference 2, Welland Hydro-Electric System proposes to dispose the balance of $76k in the DVA Account 1508 Green Button Initiative Costs and discontinue this account due to no activity.

Question(s):

a) Please explain why the costs associated with Green Button were included in both the gross capital expenditure for General Plant and the DVA account balance.

**2-Staff-7**
**Ref: Distribution System Plan, p. 14**

Preamble:
Welland Hydro-Electric System states that The City of Welland has experienced an uptick in housing and commercial development since 2019, resulting in increased expenditure in this category of investment. New development has triggered road relocation work and system expansions to facilitate new connections. The 2025-2029 forecast does not indicate any specific funds for road relocation work.

Question(s):

(a) Please confirm that there are no municipal road works expected in the forecast period requiring Welland Hydro-Electric System investment to relocate its plant.

**2-Staff-8**
**Ref: Distribution System Plan, p. 14**

Preamble:
Welland Hydro-Electric System states that meter pre-sampling and final sampling for meter seal extensions are expected to have a minor additional cost impact in the years 2025 through 2029.

Question(s):

(a) Please confirm that Welland Hydro-Electric System expect all meters to pass reverification testing over the forecast period and that there are no budget amounts for bulk replacement of meter groups that need to be replaced as a result of reverification testing failure.
(b) What is the forecast minor additional costs in the years 2025 through 2029?

**2-Staff-9**
**Ref: Distribution System Plan, pp. 15, 19, 41-44, and 50**

Preamble:
Welland Hydro-Electric System states that the DSP has incorporated integrating resilience into system planning through the Grid Modernization program. This is supported through customer engagement responses indicating a desire to ready the distribution system in advance of significant weather events.

Question(s):

(a) What specific distribution system hardening activities has Welland Hydro-Electric System considered to complement the improvements in resiliency being undertaken in the DSP forecast period?
(b) Has Welland Hydro-Electric System determined or studied what the impact of increased extreme weather events will have on its distribution system? If so, please provide the study or summarize the results.

**2-Staff-10**
**Ref: Distribution System Plan, pp. 16, 42, and 46**

Preamble:
Welland Hydro-Electric System states that in partnership with GSC member LDCs, procured an Electrification Strategy Study. This study provided insight on potential EV adoption rates and heating fuel source switching, along with recommendations on system preparedness. Welland Hydro-Electric System considered these recommendations in developing its capital investment plan over the forecast period.

Welland Hydro-Electric System states that its SmartMap system can identify portions of its distribution system where Level 2 or higher EV charging is deployed.

Questions:

(a) Please advise what data and process is used to identify EV charging at a particular location.

(b) In the 2017 – 2024 period, has there been any EV uptake impact on transformers and cable that has resulted in new build design standards and equipment replacement sizing?

**2-Staff-11**
**Ref: Distribution System Plan, pp. 30-31**

Preamble:
Welland Hydro-Electric System has experienced a number of serious electrical incidents in 2017 and 2022. Welland Hydro-Electric System states that it has incorporated mitigation of known safety risks into its capital investment plans. Specifically, there are system renewal projects incorporating the removal of restricted conductor from the distribution system.

Question(s):

(a) How much of the restricted conductor plant will be removed in the forecast period?
(b) When will final amounts of restricted conductor be removed from the distribution system?

**2-Staff-12**
**Ref: Distribution System Plan, p. 42**

Preamble:
Welland Hydro-Electric System states that system control service and associated costs are shared between Welland Hydro-Electric System and another GSC partner LDC.

Question(s):

(a) Please provide the relevant report/business case that documents the terms and conditions, including how cost is apportioned between Welland Hydro-Electric System and the other LDC.

**2-Staff-13**
**Ref: Distribution System Plan, pp. 51 and 54**

Preamble:
Welland Hydro-Electric System has compiled health index assessments for wood poles including those owned by Bell to which Welland Hydro-Electric System assets are attached.

Question(s):

(a) Is Welland Hydro-Electric System aware of whether Bell develops health index assessments for its poles?

(b) Does Welland Hydro-Electric System share the health index assessment results of Bell poles with Bell?
(c) Is there a cost sharing/assignment between Welland Hydro-Electric System and Bell for health index assessment work done on Bell assets?
(d) When a Bell pole requires replacement, what party will replace and own the pole?

**2-Staff-14**
**Ref 1: Distribution System Plan, pp. 40-41, 52, 76-78**
**Ref 2: Appendix 5-H: Asset Condition Assessment (2023), p. 52**

Preamble:
Welland Hydro-Electric System states that for wood poles it started using Polux testing in 2022 which is scheduled on a five-year cycle. The cyclical comprehensive pole testing and overhead inspection on its entire asset base has replaced the previously implemented hybrid approach that incorporated visual inspection methods. Pole testing and OH equipment visual inspection is performed on a five-year cycle by a qualified contractor.

Question(s):
(a) Does Welland Hydro-Electric System still adhere to a minimum 3-year visual inspection cycle (urban) on overhead assets by a qualified person as per the Appendix C of the OEB Distribution System Code or has it shifted to a 5-year cycle?

**2-Staff-15**
**Ref: Distribution System Plan, p. 110**

Preamble:
Table 5.2-2 provides Welland Hydro-Electric System's Forecast Gross Expenditures for the 2025-2029 period. Data from that table is summarized below.

| | **Average Annual Gross ($M)** | | **Increase ($M)** | **Increase (%)** |
|---|---|---|---|---|
| **Budget Category** | **2017-2023** | **2025-2029** | | |
| System Access | 1.0 | 1.7 | 0.7 | 70% |
| System Renewal | 2.1 | 3.1 | 1 | 48% |
| System Service | 0.15 | 0.4 | 0.25 | 167% |
| General Plant | 0.5 | 0.5 | 0 | 0% |
| Overall | 3.75 | 5.7 | 1.95 | 52% |

Question(s):

(a) Please confirm that Welland Hydro-Electric System has the internal and external resources in place to perform this amount of spend?
(b) What specific steps is Welland Hydro-Electric System taking to secure internal and external resources to perform this increased level of work.

**2-Staff-16**
**Ref: Appendix 5-A: Material Project Narratives, pp. 1-4**

Preamble:
The Material Investment Report (MIR) for General Services provides the number of new connections in the 2017 – 2023 period. Historical and Forecast costs for new connections are provided.

Question(s):

(a) Please provide a current forecast of new connections for 2024 and the forecast numbers for each of the 2025 – 2029 years.

**2-Staff-17**
**Ref 1: Appendix 5-A: Material Project Narratives, pp. 5-8**
**Ref 2: Appendix 2-AA**
**Ref 3: Report Back To The Minister On System Expansion For Housing Developments**
**Ref 4: System Expansion for Housing Developments Consultation**

Preamble:
The Material Investment Report (MIR) for Subdivisions provides the number of new connections in the 2017 – 2023 period. Historical and Forecast cost for new connections are provided.

On October 21, 2024, the OEB released *Report Back To The Minister On System Expansion For Housing Developments* (reference 3) as part of its System Expansion for Housing Developments Consultation (reference 4).

Question(s):

(a) Please provide the number of Subdivisions and related new connections expected to be completed for 2024.
(b) Please provide the forecast number of Subdivisions, related connections for each of the 2025 – 2029 years.
(c) Please provide a listing of known Subdivisions that will have connections in the 2025 forecast year.
(d) On October 21, 2024, the OEB released *Report Back To The Minister On System Expansion For Housing Developments* as part of its System Expansion

for Housing Developments Consultation. What analysis has Welland Hydro-Electric System done to date, to evaluate the impact of the report in reference 3 on system access capital contributions forecast in reference 2.

**2-Staff-18**
**Ref: Appendix 5-A: Material Project Narratives, pp. 9-12**

Preamble:
The Material Investment Report for Meters program covers capital expenditures related to the supply, installation, and maintenance of retail meters for the purpose of retail settlement and billing purposes. The report provides the number of failed meters replaced in the 2017 – 2023 period. Historical and Forecast costs for the meter program are provided.

Question(s):

(a) Please provide the number of new meters installed in each of the 2017 – 2023 historical period years.
(b) Please provide the estimated number of new meters installed and failed meters replaced for the year 2024.
(c) Please provide the number of new meter installations, failed meters and reverification costs budgeted for each of the 2025 – 2029 forecast years.

**2-Staff-19**
**Ref 1: Appendix 5-A: Material Project Narratives, pp. 13-17**
**Ref 2: Appendix 5-H: Asset Condition Assessment, (2023), pp. 20, 42-44, and 54**
**Ref 3: Distribution System Plan, p. 110**

Preamble:
The Material Investment Report for Substation Renewal covers capital expenditures related to the replacement of substation transformer 5T1, associated high voltage cables and terminations. Welland Hydro-Electric System's Asset Condition Assessment (ACA) indicates that the noted transformer is currently in "very good' condition, however independent third-party testing has indicated high levels of moisture ingress and dielectric strength below acceptable limit. The ACA indicated a Data Availability Index of 100% for Power Transformers. The ACA also indicated that one area where the power transformer HI formulation is notably lacking is results of electrical tests.

Question(s):

(a) What was the ACA Health Index points score for 5T1 as originally calculated by METSCO? Provide the original scores for each Power Transformer Condition Parameter.

(b) Was dielectric strength testing part of the comprehensive DGA and OQ report that Welland Hydro-Electric System provided to METSCO? If so, what was the difference between these results and those provided by the third party?
(c) Have Welland Hydro-Electric System asked METSCO to amend the power transformer HI formulation and recalculate the Health Index for 5T1, and other power transformers if applicable, with the new data provided by third party testing?
(d) The MIR states a Gross 2025 cost of $360k. Table 5.4-19 states a Gross cost of $330k. Please reconcile.
(e) What does the $360k cost in 2025 cover?
(f) What does the $300k cost in 2027 cover?

**2-Staff-20**
**Ref: Appendix 5-A: Material Project Narratives, pp. 18-25**

Preamble:
The Material Investment Report for OH and UG System Renewal – Rear-lot Conversion covers specific areas for rebuilding and voltage conversion. These projects require capital expenditures to replace deteriorated rear lot assets, perform voltage conversion from the 4.16kV to 27.6kV system, and remove restricted conductors from service. Rear-lot conversion requires the removal of overhead primary infrastructure (transformers, conductors and switches) from rear lot and replacement with assets in the municipally owned road allowance.

Question(s):
(a) How many services are affected for each of the three specified projects?
(b) For rear-lot conversions, how are meter and customer service entrance relocation issues factored into project cost?
(c) What are the specific projects and individual costs that are planned for the 2026-2029 forecast years?

**2-Staff-21**
**Ref: Appendix 5-A: Material Project Narratives, pp. 26-30**

Preamble:
The Material Investment Report for OH System Renewal - Thorold Rd. – Clare Ave. to Rose Ave covers capital expenditures related to the replacement assets that are approaching end of life and that have deteriorated in this area.

Question(s):
(a) What are the specific projects and individual costs that are planned for the 2026-2029 forecast years?

**2-Staff-22**
**Ref: Appendix 5-A: Material Project Narratives, pp. 31-36**

Preamble:
The Material Investment Report for Pole Replacements, Transformer Replacements and Reactive Replacements covers the capital expenditures related to the renewal of aging live-front switchgear units with current standard dead-front switchgear.

Question(s):

(a) How many switchgear are to be replaced in each of the 2025-2029 forecast years?

**2-Staff-23**
**Ref 1: Appendix 5-A: Material Project Narratives, pp. 37-40**
**Ref 2: Distribution System Plan, p. 110**

Preamble:
The Material Investment Report for Pole Replacements, Transformer Replacements and Reactive Replacements covers capital expenditures associated with miscellaneous renewals (i.e. individual asset replacements rather than rebuild projects) related to the above programs. The report states that Welland Hydro-Electric System intends to replace 40 poles per year in the forecast period.

Question(s):

(a) The Material Investment Report states a Gross 2025 cost of $666k. Table 5.4-19 states a Gross cost of $614k. Please reconcile.
(b) What is the Pole Replacement program cost in each of the 2025 – 2029 forecast years?
(c) How many Transformer replacements and associated costs are planned for in each of the 2025-2029 forecast years?
(d) What is the annual amount of Reactive Replacement cost in each of the 2025-2029 years

**2-Staff-24**
**Ref: Appendix 5-A: Material Project Narratives, pp. 41-44**

Preamble:
The Material Investment Report for Grid Modernization covers the addition and deployment of new automated devices to replace in-service technology that is antiquated and near end of life, minimize outage duration and impacts via segmentation of grid expansions and provide operators the ability to fully leverage real-time technology to promptly address system disturbances that require management. Welland

Hydro-Electric System intends to strategically deploy three automated devices each year during the period of 2025-2029.

Question(s):

(a) How many automated devices were deployed in each of the 2017-2024 years.
(b) What is the mix of automated devices deployed as recloser, mid-point sectionalizer, end-point sectionalizer and fault indicating switch in each of the 2025-2029 years.

**2-Staff-25**
**Ref: Appendix 5-A: Material Project Narratives, pp. 45-49**

Preamble:
The Material Investment Report for Information Systems covers investments in information systems by Welland Hydro-Electric System to address IT and OT hardware and software needs. In the historical period, between 2017 and 2020, Welland Hydro-Electric System brought critical systems (CIS, financial and document management systems) on premise to improve cybersecurity posture and cost control. This was a move from hosted infrastructure. Welland Hydro-Electric System implemented a virtual server environment on premise while implementing some cloud-based solutions. In 2022, Welland Hydro-Electric System solidified agreements with a third-party IT managed service provider which stabilized on-going operating costs associated with maintenance of Welland Hydro-Electric System's environment. In the 2025 Test Year, most of the planned expenditure is related to replacement of the virtualized environment. Welland Hydro-Electric System's forecasted capital costs associated with IT and OT systems reflect the trend of existing software vendors migrating to cloud-based solutions.

Question(s):

(a) What portions of the costs in the 2017-2023 historical period cover the move from a hosted off-premise solution to the on-premise solution?
(b) Is the virtual server platform to be replaced part of a physical server on premise?
(c) Is this a migration of service from on-premise to a cloud based system?

**2-Staff-26**
**Ref 1: Distribution System Plan, p. 98**
**Ref 2: Appendix 5-A: Material Project Narratives, pp. 50-53**
**Ref 3: Appendix 5-I: Fleet Assessment**

Preamble:
The Material Investment Report for Facilities covers investments in vehicle equipment that are essential for efficient construction and maintenance of the distribution system and for the quick restoration of power during outages.

Question(s):

(a) Table 5.4-15 indicates that 4 fleet units are to be replaced with 3 fleet units in 2025. Table 3 in the Material Investment Report indicates 2 vehicles to be replaced in 2025. Please reconcile.
(b) Table 5.4-19 indicates a cost for 2 vehicles replacements (light vehicle cost missing) of $614k. What is the additional cost of the light vehicle?
(c) The table in Section 3 of the Material Investment Report indicates a 2025 forecast cost of $529. Please update the table in Section 3 with corrected costs for the 2025 and the rest of the forecast period.
(d) Please explain to what extent has Welland Hydro-Electric System evaluated hybrid/full electric options against traditional combustion engine vehicles for light duty replacements in the 2025 year?

**2-Staff-27**
**Ref: Appendix 5-H: Asset Condition Assessment (2023), pp. 52-55**

Preamble:
The 2023 ACA by METSCO provides additional condition parameters that Welland Hydro-Electric System might consider implementing to work towards a best practice HI formulation for each asset class. Recommendations are also provided to improve the quality of data currently available to standardize the data collection process for future iterations of the ACA.

Question(s):

(a) For the recommendations provided, please advise of Welland Hydro-Electric System's acceptance or rejection of the individual recommendations and the time frame in which Welland Hydro-Electric System will institute the recommended practices.

**2-Staff-28**
**Renewable Enabling Improvements**
**Ref 1: Exhibit 2, Section 2.10, pp. 50-51**
**Ref 2: Appendix 2-FA**
**Ref 3: Appendix 2-FB**
**Ref 4: Appendix 2-FC**

Preamble:
In reference 1, Welland Hydro-Electric System states that the approval for Renewable Generation Connection Rate Protection (RGCRP) in its 2017 rebasing application related to an investment in 2014 at an actual cost of $88,852 and confirms that no additional costs related to this investment have been incurred.

Welland Hydro-Electric System also states that it has completed Appendix 2-FA and 2-FC to update depreciation and calculate a new up-to-date rate protection amount for the 2025 Test Year through to 2030.

OEB staff notes that Appendix 2-FA shows a list of renewable connection projects which presents a capital cost of $71,082 related to renewable enabling improvement connection project for 2025. Appendix 2-FB and Appendix 2-FC show the revenue requirement calculations for direct benefits and provincial amounts based on the renewable enabling improvement investment associated with the $71,082 capital cost and the renewable expansion investments of $88,852 respectively for the 2025 to 3030 period.

OEB staff also notes that it appears that the annual revenue requirement amounts for RGCRP (shown in Appendix 2-FB, row 44) for the 2025 to 2030 period are not included in Welland Hydro-Electric System's updated RGCRP amounts for the same period as shown in Table 2-27 in reference 1.

Question(s):

(a) Since Welland Hydro-Electric System confirms that there are no additional costs related to the original investment (approved in the 2017 rebasing application), please explain the capital cost of $71,082 for the renewable enabling improvement investment in Appendix 2-FA and the associated revenue requirement amounts for RGCRP for the 2025 to 3030 period that are presented in Appendix 2-FA and Appendix 2-FB. What is this information intended for?
(b) If Welland Hydro-Electric System is not requesting recovery for any new investments, please update Appendix 2-FA and Appendix 2-FB to exclude the $71,082 investment from the spreadsheets.
(c) Please revise Appendix 2-FA by extending the historical years starting from 2014 and also add the capital cost of $88,852 to Part B, Capital Costs line (row 71) and Total Capital Costs line (row 99).

**2-Staff-29**
**Renewable Expansion Investments**
**Ref 1: Exhibit 2, Section 2.10, pp. 50-51**
**Ref 2: Appendix 2-FC**
**Ref 3: EB-2016-0110, 2017 Chapter2 Appendices_Settlement_20170419, Appendix 2-FC**

Preamble:
In reference 1, Welland Hydro-Electric System states that it is proposing to update its annual rate protection amount from the current amount of $5,172 to a revised amount of

$5,107 in 2025. Table 2-27 in reference 1 shows a summary of the 2017 OEB-approved amount, and the updated 2025 to 2030 amounts.

OEB staff notes that the updated 2025 to 2030 amounts are calculated based on the actual capital cost of $88,852 for renewable expansion investment in Appendix 2-FC.

OEB staff also notes that Appendix 2-FC in reference 2 shows RGCRP calculations from 2020 to 3030 while the approved Appendix 2-FC from the 2017 cost of service application (reference 3) shows the RGCRP calculations from 2014 to 2017.

Question(s):

a) Please extend the RGCRP calculations in Appendix 2-FC (reference 2) to include the period 2014 to 2019. Please update the spreadsheet using the short-term interest rate, long-term interest rate, and ROE from the following sources:
   - The period 2014 to 2016: Approved 2013 cost of service application (EB-2012-0173).
   - The period 2017 to 2024: Approved 2017 cost of service application (EB-2016-0110).
   - The period 2025 to 2030: Proposed 2025 cost of service application (EB-2024-0058).

b) Based on the updated calculations in (a), please calculate the total annual RGCRP amount (row 44) for the 2014 to 2024.

c) Please calculate the difference between the total RGCRP amount in (b) and the total RGCRP amount of $52,360 received from IESO in Table 2-26 in reference 1.

**2-Staff-30**
**RGCRP - Short-term and Long-term Interest Rates**
**Ref 1: Appendix 2-FC**
**Ref 2: EB-2016-0110, 2017 Chapter2 Appendices_Settlement_20170419, Appendix 2-FC**

Preamble:
In reference 1, OEB staff notes that there are no return on short-term and long-term debt amounts in rows 32 and 33 respectively for the period 2020 to 2024 since the short-term and long term interest rates are 0% (cells B32 and B33).

Question(s):

a) Please confirm that the short-term and long-term interest rates for the 2020 and 2024 period are updated correctly in response to 2-staff-29 (a).

**2-Staff-31**
**RGCRP – Opening Accumulated Amortization**
**Ref 1: Appendix 2-FC**
**Ref 2: EB-2016-0110, 2017 Chapter2 Appendices_Settlement_20170419, Appendix 2-FC**

Preamble:
In reference 1, the opening accumulated amortization amount of 9,774 is input into cell E76 for the year 2020 and the amount in 2021 is calculated as $11,551 (cell F76).

In reference 2, the opening accumulated amortization depreciation amount in 2018 is calculated as $9,774 (cell K75) and the amount in 2019 is calculated as $11,551 (cell L75).

OEB staff notes that the opening accumulated amortization amounts between the two references appear to be shifted by two years.

Question(s):

a) Please explain how the depreciation amount of $9,774 in reference 1 is derived.
b) Please confirm OEB staff's observation noted above. If confirmed, please ensure that the opening accumulated amortization amounts are updated correctly in response to 2-staff-29 (a).

**2-Staff-32**
**RGCRP –Opening UCC**
**Ref 1: Appendix 2-FC**
**Ref 2: 2017 Chapter2 Appendices_Settlement_20170419, Appendix 2-FC**

Preamble:
In reference 1, the opening UCC amount of 56,218 is input into cell E88 for the year 2020 and the amount in 2021 is calculated as $51,721 (cell F88).

In reference 2, the opening UCC amount in 2018 is calculated as $56,218 (cell K87) and the amount in 2019 is calculated as $51,721 (cell L87).

OEB staff notes that the opening UCC amounts between the two references appear to be shifted by two years.

Question(s):

a) Please explain how the opening UCC amount of $56,218 in reference 1 is derived.

b) Please confirm OEB staff's observation noted above. If confirmed, please ensure that the opening UCC amounts are updated correctly in response to 2-staff-29 (a).

## Exhibit 3 – Customer and Load Forecast

**3-Staff-33**
**Ref: Exhibit 3, Table 3-17, p. 17**

Question(s):

a) Please provide a revised version of Table 3-17 that includes one additional column for year-to-date actual for 2024.

**3-Staff-34**
**Ref: Load Forecast Model**

Question(s):

a) Is embedded generation (e.g. MicroFit) included in the power purchased data in Load Forecast Model? If not, please adjust the power purchased data in the Load Forecast Model to include embedded generation.
b) Please revise the evidence that is affected by the change in (a) as needed.

**3-Staff-35**
**Ref: Load Forecast Model**

Preamble:
In the reference, OEB staff notes that the billed energy consumption for a large use customer is included in years 2014 and 2015. From 2016 to 2023, there was no energy consumption for this customer.
Question(s):

a) Please confirm whether the power purchase data for 2014 and 2015 used in the Load Forecast Model include the large use customer.
    i) If confirmed, please explain why the power purchases data include this large customer.
    ii) Please comment how the regression model accounts for the difference in energy consumption with no large use customer from 2016 to 2023.
b) As a scenario, please exclude the large use customer from the power purchased and billed energy consumption data, and provide a regression output.

**3-Staff-36**
**Load Forecast Model**
**Ref 1: Exhibit 3, p. 9**
**Ref 2: Load Forecast Model**

Preamble:
In reference 1, Welland Hydro-Electric System states that a multivariate regression model (used to predict total system purchased energy) has determined the drivers of year-over-year changes in its load growth. These drivers are weather (heating and cooling degree days), calendar variables (days in month and seasonal spring/fall flag), and the number of customers in the Residential, GS<50 kW and GS 50 to 4,999 kW rate classes.

OEB staff notes that regression model does not incorporate a COVID-19 variable (a variable that captures lockdown months) or a trend variable (a variable that increases by 1 each month) as an independent variable.

Question(s):
a) Has Welland Hydro-Electric System tested the regression model using the COVID-19 variable and trend variable? If so, what were the results. If not, please explain why not.
b) As a scenario, please add an additional COVID-19 variable that takes a value of 1 for each month for the lockdown months, and provide the regression output.
c) As a scenario, please add an additional trend variable that increases by 1 each month starting with 1 in January 2014, and provide the regression output.
d) If the variables in (b) and (c) are both statistically significant, as a scenario, please add these variables and provide the regression output.

**3-Staff-37**
**Ref 1: Distribution System Plan, pp. 92, 170, 175 of PDF**
**Ref 2: Load Forecast Model, Tab Rate Class Customer Model**
**Ref 3: Exhibit 3, Table 3-6 and 3-7, p. 12**

Preamble:
In reference 1, Welland Hydro-Electric System states that “the City of Welland became increasingly proactive in economic development initiatives aimed at increasing housing starts during the historical period. With recent participation by the municipality in the Ontario Government’s Building Faster Fund, it is likely that recently experienced residential growth rates will continue. This will continue to have an impact on the level of system access investment required to facilitate new electricity connections.”

Welland Hydro-Electric System also states that approximately 72% of system access spending in the forecast period is related to subdivision expansions in the service territory. Welland Hydro-Electric System projects that new connection growth will continue to be strong as in recent historical years, particularly due to economic development and accelerated housing initiatives driven by the municipality. The investment plan in the forecast period maintains alignment with year-over-year increases in the recent historical period.

With expected strong connection growth due to economic development and accelerated housing initiatives stated in reference 1 above, OEB staff notes that the ten-year average geomean growth rates used to determine 2024 and 2025 customer numbers especially for residential and GS<50 kW rate classes are lower than annual growth rates for the 2021 to 2023 period (references 2 and 3).

For GS>50 kW rate class, the growth rate in customer numbers shows a sharp decrease in 2021 due to a large decrease in customer numbers in 2021 which continue to remain relatively low for the period 2022 to 2023 compared to the period prior to 2021.

OEB staff has calculated the three-year average growth rate in customer numbers for Residential and GS rate classes using the most recent actual data from 2021 to 2023 and put together a comparison between ten-year average growth rates and three-year average growth rates for these three rate classes shown below.

| **Growth Rate in Customer Numbers** | **Residential Rate Class** | **GS<50 kW Rate Class** | **GS>50 kW Rate Class** |
|---|---|---|---|
| Ten-Year Average | 1.5% | 0.6% | -1.7% |
| Three-Year Average | 2.2% | 1.1% | -4.2% |

OEB staff also notes that the growth rate in customer numbers for Unmetered Scattered Load rate class has shown a declining trend with a large decrease from -1.5% in 2022 to -20.6% in 2023.

Question(s):

a) As a scenario, please provide a revised Load Forecast Model by updating the forecast 2024 and 2025 customer numbers for residential, GS<50 kW, and

GS>50 kW rate classes using the three-year average geomean growth rates (2021 to 2023) instead of ten-year average.

b) Please explain the sharp decrease in the growth rate of 20.6% in customer numbers for Unmetered Scattered Load rate class in 2023. Does Welland Hydro-Electric System consider the decrease in 2023 to be an outlier? If so, please update the models to exclude the 2023 data.
c) Please also comment whether Welland Hydro-Electric System expects the declining trend in customer numbers for the Unmetered Scatter Load rate class to continue in 2025?

## Exhibit 4 – Operations, Maintenance & Administration

**4-Staff-38**
**Inflation**
**Ref: Exhibit 4, pp. 17-23**

In the reference, Welland Hydro-Electric System provides primary cost drivers for OM&A costs for 2017 to 2025 and states that some of the cost drivers (e.g. postage and store material) are mainly affected by inflationary increases.

OEB staff has put together an annual inflation estimate using the 2017-approved OM&A as the base and escalating each year thereafter using the adjusted inflation value (OEB inflation minus stretch factor).

| | **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 = Dprevious year x (1+ Ccurrent year)) | (E) |
| 2017 OEB-approved | 1.90% | 0.15% | 1.75% | $6,800,000 | $6,800,000 |
| 2018 | 1.20% | 0.15% | 1.05% | $6,871,400 | $6,796,083 |
| 2019 | 1.50% | 0.15% | 1.35% | $6,964,164 | $6,935,869 |
| 2020 | 2.00% | 0.15% | 1.85% | $7,093,001 | $6,819,834 |
| 2021 | 2.20% | 0.15% | 2.05% | $7,238,407 | $6,784,453 |
| 2022 | 3.30% | 0.00% | 3.30% | $7,477,275 | $7,083,496 |
| 2023 | 3.70% | 0.00% | 3.70% | $7,753,934 | $7,238,271 |
| 2024 | 4.80% | 0.00% | 4.80% | $8,126,123 | $8,090,780 |
| 2025 | 3.60% | 0.00% | 3.60% | $8,418,663 | $8,823,658 |
| **$ Increase from 2017 OEB-approved to 2025** | - | - | - | $1,618,663 | $2,023,658 |
| **% Increase from 2017 OEB-approved to 2025** | - | - | - | 24% | 30% |

Question(s):

a) Please provide an explanation and details for costs that have escalated at greater than inflation (e.g. due to customer growth, contract costs rising above inflation, etc.)

**4-Staff-39**
**Business Environment Changes**
**Ref: Exhibit 4, pp. 13-16**

In the reference, Welland Hydro-Electric System provides an explanation of business environment changes that have led to significant cost pressures that impact both the historical and forecast period.

Question(s):

(a) Please provide a detailed list of significant changes (e.g. CIS upgrade, SmartMAP implementation, etc.) specific to Welland Hydro-Electric System that have affected or will affect OM&A costs for the historic period (2017-2023), the 2024 Bridge Year, as well as the forecast period (2025 to 2029).
   i) Please also indicate the year that the change occurred or will occur.
(b) Please provide a brief explanation on improvements resulting from upgrades or new implementations that have been made for each of these changes in (a).
(c) Please provide the cost increase or savings for each of the changes.
(d) 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-40**
**On-premise, Subscription-based, and cloud-based solutions**
**Ref 1: Exhibit 1, Appendix 1-A, p. 6 (p. 66 of PDF)**
**Ref 2: Exhibit 1, Appendix 1-A, p. 17 (p. 77 of PDF)**
**Ref 3: Exhibit 4, p. 19**

In reference 1, Welland Hydro-Electric System states that it continues to acquire the necessary resources to maintain compliance with the Ontario Cyber Security Standard. The maintenance of on premise and cloud-based IT systems via a third-party Managed Service Provider (MSP) continues in an effort to manage recurring OM&A impacts.

In reference 2, Welland Hydro-Electric System explains primary cost drivers of OM&A between 2017 to 2025 which include Advanced Distribution Management System (ADMS) Software and states that the platform is hosted and subscription based.

In reference 3, Welland Hydro-Electric System states that there is a requirement to upgrade its current CIS solution based on the vendor's migration to cloud contributing $36,536 of cost in 2025 and software maintenance and subscription costs have increased by $72,283 since the 2017 rebasing application.

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 2017-2029**

| | 2017 | 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 2017-2029**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| **Capex** | $ | $ | $ | $ | $ | $ | $ |
| **OM&A** | $ | $ | $ | $ | $ | $ | $ |

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|
| **Capex** | $ | $ | $ | $ | $ | $ |
| **OM&A** | $ | $ | $ | $ | $ | $ |

b) If applicable, please explain any cost savings as a result of moving to a subscription-based model or cloud-based solutions which Welland Hydro-Electric System would otherwise being incurring with on-premise solutions.

**4-Staff-41**
**Ref 1: Exhibit 4, pp. 17 and 20**
**Ref 2: Exhibit 1, p. 30**
**Ref 3: Exhibit 1, Appendix 1-F: Customer Engagement Survey, pp. 181 and 183 of PDF**

Preamble:
In reference 1, Welland Hydro-Electric System provides a cost driver table and an explanation that includes a postage cost increase of $101k over the 2017 to 2025 period.

In reference 2, Welland Hydro-Electric System states that its SilverBlaze portal is available to customers providing the ability to view usage and billing information. Customers can also view and download historical bill statements along with usage data for a specific billing period.

In reference 3, the customer engagement survey results related to priority within the next five years shows that increasing the use of e-billing and paper-free communication options to reduce environmental impact and improve cost-effectiveness achieved 79% in total respondents with an opinion (ranked 5th out of 7 in the category). In addition, interest in e-billing as a communication option from Welland Hydro-Electric System achieved 89% (ranked 1st out of 7 in the category) in total respondents with an opinion.
Question(s):

a) What is the current percentage of customers on e-billing?
b) Please describe any cost saving efforts that Welland Hydro-Electric System has made in the past or any plans it has over the next five years to encourage its customers to switch from paper bill to e-bill.
    i) If applicable, please provide any cost savings over the historic period or expected cost savings in the next five years.

**4-Staff-42**
**Ref: Exhibit 4, p. 58**

Preamble:
In the reference, Welland Hydro-Electric System states that:

> In 2020, WHESC engaged the services of Marjorie Richards & Associates Ltd. to review Job Descriptions and Job Evaluations for all management positions against the Hay Point methodology. A proposed salary structure based on the job evaluation results was implemented in 2021. For any positional changes that have occurred since the implementation in 2021, Marjorie Richards & Associates

Ltd. has been engaged to evaluate the individual position and assign a Hay Point score.

WHESC also participates in MEARIE salary benchmarking surveys annually. The survey results provide insight as to the appropriateness of positional salary levels. This data is used in part to inform the annual management salary review process.

Question(s):

a) Please explain how Welland Hydro-Electric System compared to the industry average as demonstrated by the MEARIE salary benchmarking surveys and reviewed by Majorie Richards & Associates Ltd.
b) What changes were made to the management staff compensation as a result of the MEARIE survey and reviewed by Majorie Richards & Associates Ltd.?
c) What was an average percentage increase in salary for management staff due to the evaluation in 2021 and thereafter?

**4-Staff-43**
**System Control Program and FTEs**
**Ref: Exhibit 4, pp. 28-30, 63**

Preamble:
From Table 4-19 in the reference, the year-over-year increase in System Control Operation Program costs was $97k (49%) in 2021 and $115k (35%) in 2023.

Welland Hydro-Electric System states that historically it managed a five day by eight-hour control room operation with one FTE. In 2021, Welland Hydro-Electric System outsourced system control operations to a third-party service provider which provided a 24 x 7 coverage model, contributing to the cost increase in that year. Welland Hydro-Electric System states that it was not able to achieve the desired results with the third-party and had to reassess the value of continuing without achieving expected outcomes.

In 2023, Welland Hydro-Electric System states that it pursued opportunities to share system control costs with Essex Powerlines Corporation (EPLC). Although Welland Hydro-Electric System started operating its system control operation in house in 2023, there was a period of overlap during which the outsourced service provider continued coverage in parallel with Welland Hydro-Electric System operators, which contributed to the cost increase in 2023. The third-party service terminated at the end of 2023.

In addition, Welland Hydro-Electric System states that of the staff complement of three in the System Control department, 1.6 equivalent FTEs are allocated to the company's activities including substation maintenance and operation and load dispatching while the other 1.4 equivalent cost resides in billable work to EPLC control room services.

Question(s):

a) Please explain what desired results Welland Hydro-Electric System was unable to achieve with the third-party.
b) How long was the period of overlap in 2023 when the outsourced service provider continued coverage in parallel with Welland Hydro-Electric System operators?
c) Please provide the cost associated with the third-party service during the period of overlap.
d) Please explain what other system control opportunities were evaluated and how Welland Hydro-Electric System determined that partnering with EPLC was the most cost-effective option as stated in reference 2.
e) Please explain what improvements have been made so far and are expected to be achieved in the forecast period by using and sharing the 24 x 7 coverage model with EPLC.
f) With cost increases due to additional FTEs from 1 to 3 in the system control department from the 2017 OEB-approved to 2025, has Welland Hydro-Electric System achieved any overall cost savings by sharing system control costs with EPLC?
    i) If so, please provide cost saving estimates associated with sharing system control costs with EPLC in 2023, 2024 and 2025 compared to what otherwise would have been if Welland Hydro-Electric System had continued with the five day by eight-hour control room operation.
    ii) If not, please explain.

**4-Staff-44**
**Overhead System Operation Program**
**Ref: Exhibit 4, pp. 22-34**

Preamble:
In the reference, Welland Hydro-Electric System states that the OM&A cost in Overhead System Operation program decreased by $132k from $311k in 2023 to $179k in 2024 due to an unplanned departure of the Health and Safety Officer in August of 2023 which contributed to a full year reduction of that portion of salary in 2024 as well as a re-allocation of the Line Supervisor duties to cover the duties of the Health and Safety Officer in the Maintenance Supervision and Engineering Program.

Welland Hydro-Electric System states that the OM&A cost in this program is forecast to increase by $188k to $367k in the 2025 Test Year from the 2024 Bridge Year due to the planned new FTE for the Health and Safety Officer position which returns the salary expenditure under this program to be in line with historical levels.

However, OEB staff notes that the highest actual program cost over the historic period (2017 – 2023) was $311k in 2023. The program cost of $367k in 2025 is $56k higher than the 2023 program cost of $311k and does not appear to be in line with historical levels.

Question(s):

a) Please provide additional cost drivers (if any) for the program cost in 2025 to be higher than historical levels.

**4-Staff-45**
**Overhead System Maintenance Program**
**Ref: Exhibit 4, p. 44**

Preamble:
In the reference, the OM&A cost in Overhead System Maintenance program increased by $252k from 2023 to 2024. Welland Hydro-Electric System states that the increase is largely due to salary increases related to engineering allocations to the program. The progression of union-based Engineering FTE's in 2024 and the addition of an Engineering Technician in 2024 contribute to the increase.

Question(s):

a) Please provide a breakdown of the $252k increase including progression of union-based Engineering FTE's and the addition of the Engineering Technician.
b) What is the engineering allocation percentage to this program?
c) Please explain work responsibilities of the added Engineering Technician and also why this position was added in 2024.

**4-Staff-46**
**Customer Service and Billing Program**
**Ref: Exhibit 4, pp. 47-48**

Preamble:
In the reference, Welland Hydro-Electric System states that there is an overall increase of $273k (29%) between the 2017 OEB-approved amounts and the 2025 Test Year in

this program. Salaries and benefits have declined by $88k as a result of the company's decision to contract bill processing to a third-party in 2023 to manage future operating cost pressures and gain stability in billing. Subcontracted service costs for bill processing have increased by $168k as a result. This is almost a direct offset of labour costs in comparison to 2017 COS salaries inflated to 2025 levels.

Welland Hydro-Electric System states that the year-over-year program cost increase from 2023 to 2025 are driven by outsourcing of bill processing. For 2025, customer facing enhancements planned for implementation in 2025 also contribute to the cost increase.

Question(s):

a) Please provide calculations showing the subcontracted service costs for bill processing being almost a direct offset of labour costs in comparison to the 2017 salaries inflated to 2025 levels.
b) Please explain what Welland Hydro-Electric System means by gaining stability in billing. Please also explain any performance improvements by outsourcing the billing process compared to keeping it in-house.
c) Please provide a list of the customer facing enhancements planned for implementation from 2025 to 2029 as well as forecast costs for each type of enhancement. Are the enhancements, budgeted as part of the 2025 OM&A costs , still scheduled to be implemented as planned for 2025?

**4-Staff-47**
**FTE – Engineering and Operations Assistant**
**Ref 1: Exhibit 4, p. 68**
**Ref 2: Exhibit 1, p. 41**

Preamble:
In the reference 1, the FTE increase of 3.2 from 2024 to 2025 is due to the addition of three new positions including Engineering and Operations Assistant. Welland Hydro-Electric System states that:

> The Engineering and Operations Assistant will take on existing duties from the Billing and Collections department currently conducted by CSRs. This reallocation accounts for 50% of the new position's duties. The balance of duties for this position are designed to manage growth impacts in the Engineering and Operations departments inclusive of service location request processing, coordination of ESA authorizations, field order dispatching, and records management.

In reference 2, Welland Hydro-Electric System states that:

> WHESC's performance against the "Telephone Calls Answered on Time" measure has declined over the historical period. Although still exceeding the OEB target of 65% or greater, WHESC attributes the decline in performance to growth and associated workload demand for new/upgrade service processing through the customer service department. WHESC has identified resource adjustments in the COS filing associated with this Application, with the intention of addressing declining performance.

Question(s):

a) Are the existing duties from the Billing and Collections department currently conducted by CSRs?
b) Please explain growth and associated workload demand for new/upgrade service processing through the customer service department in more detail.
c) Is the hiring of the Engineering of the Engineering and Operations Assistant intended to adjust resources for CSRs to address the declining performance in the "Telephone Calls Answered on Time" measure over the 2025 to 2029?

**4-Staff-48**
**FTEs, Wage, and Benefit Analysis**
**Ref: Exhibit 4, pp. 65-66**

In the reference, Table 4-47 shows FTE, Wage and benefit Variance Analysis from the 2017 actual to the 2025 Test Year. Welland provides an explanation for the variance in FTEs between 2020 and 2021 which shows a reduction of 1.0 FTE.

OEB staff notes that although there is a reduction of 1.00 FTE, the total salary and wages, total benefits, and total compensation (salary, wages and benefits) increased by $79k, $85k and $165k respectively in 2021. It appears that the increases are due to a period of overlap in the hire of a replacement Director of Engineering and Operations and the former Director of Engineering and Operations that replaced the retired President and CEO in 2021.

Question(s):

a) Please confirm staff's observation. If not confirmed, please explain why the total salary and wages, total benefits, and compensation show increases in 2021 in contrast to the decreased number of FTE.

**4-Staff-49**
**Pension and OPEBs**
**Ref 1: Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, December 15, 2022, p. 31**
**Ref 2: Exhibit 4, Section 4.2.4, Capitalized OM&A**
**Ref 3: Exhibit 4, Section 4.3.1.6, Employee Benefit Program**
**Ref 4: Chapter 2 Appendices Settlement, Appendix 2-D**
**Ref 5: 2017 Chapter2 Appendices_Settlement_20170419, Appendix 2-D**

Preamble:
In reference 1, the Filing Requirements state that:

> The distributor must provide details of employee benefit programs, including pensions, other post-employment retirement benefits (OPEBs), and other costs charged to OM&A. A breakdown of the pension and OPEBs amounts included in OM&A and capital must be provided for in the last OEB-approved rebasing application, and for historical, bridge and test years.

OEB staff has compiled a table below from the above noted references which shows the capitalized employee benefits to OM&A, the burden rates, the OMERS pension expenses, and the Employee Future Benefits.

**Table 1: Capitalized OM&A, Pension and Employee Future Benefits**

| | 2017 OEB-Approved | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Bridge | 2025 Test |
|---|---|---|---|---|---|---|---|---|---|---|
| Capitalized OM&A (Wages and benefits (Appendices 2D_Overhead) | 518,650 | 545,454 | 600,040 | 623,568 | 690,699 | 787,171 | 702,547 | 747,471 | 776,670 | 800,212 |
| Burden rates (Appendices 2D_Overhead) | 7% | 7% | 8% | 8% | 9% | 10% | 9% | 9% | 9% | 8% |
| OMERS Pension Premiums (Table 4-48: Benefit Expenses) | 389,897 | 362,434 | 375,951 | 378,475 | 394,007 | 396,930 | 352,302 | 369,763 | 422,096 | 476,843 |
| Employee Future Benefits (Table 4-48: Benefit Expenses) | 103,766 | 100,999 | 106,533 | 103,766 | 103,766 | 103,766 | 103,766 | 103,766 | 103,766 | 106,455 |

Question(s):

a) Please provide the breakdown of what is included in the "Capitalized OM&A (Wages and benefits)" in the table above. Does this amount include both OMERS pension premiums and Employee future benefits? If so, what is the percentage of OMERS pension premiums and Employee future benefits respectively being capitalized into OM&A? If not, please explain why they are not included in the capitalized OM&A.
b) Please provide the breakdown of OMERS pension expense & OPEBs amounts between capital and OM&A from the 2017 OEB-approved rebasing application to the 2025 Test Year on a year-by-year basis. In addition, please compute the percentage allocated to capital and percentage allocated to the OM&A respectively year-over-year and explain any significant increase/decrease of the percentage.
c) Please explain any changes in the allocation percentages between the capital and OM&A expenses compared to the 2017 allocation percentages approved in the 2017 rebasing application.

**4-Staff-50**
**Pension and OPEBs**
**Ref 1: Exhibit 1, Appendix 1-D – 2023 Audited Financial Statements, p. 127**
**Ref 2: Exhibit 1, Appendix 1-E – 2022 Audited Financial Statements, p. 167**
**Ref 3: Exhibit 4, Section 4.3.1.6, Employee Benefit Program**
**Ref 4: Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, EB-2015-0040, September 14, 2017**

Preamble:
In Reference 3, Welland Hydro-Electric System proposes continuing the cash method for the OPEB expense over 2025 to 2029 term. Welland Hydro-Electric System states that:

> The primary reason for WHESC's continued use of the cash methodology is that management has made changes to its OPEB plan that will reduce its annual expense over time. The changes implemented to the OPEB plan result in a significant reduction of offerings and thereby introduce a stable and predictable cost structure associated with a diminishing liability.
>
> In addition, use of the accrual methodology over the past five-year period would have resulted in a material shortfall averaging $75,175 annually. Although the OPEB expense will continue to decline over time, it is expected that over the next five-year rate term actual costs paid for current retirees receiving benefits will

> outweigh the accrual for active employees whose future expense is being accrued.

In Reference 4, Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs states that:

> Aligning regulatory treatment with the financial accounting treatment of the costs supports using the accrual method as the default method for calculating the amount of pension and OPEB costs to go into rates.
>
> Regulations and requirements for OPEBs and unregistered pension plans are less rigorous than for registered pension plans. There is no legislative requirement imposed on plan administrators to ensure that these plans are adequately funded.
>
> The OEB is not the regulator responsible for ensuring solvency of pension plans. The OEB will not prescribe a set-aside mechanism for OPEBs as part of this policy.

OEB staff has compiled a table (Table 2) below from the references notes above, which shows the difference between employee future benefits expenses and OPEBs under Accrual method.

**Table 2: Difference between Employee Future Benefits Future Benefits Expenses and OPEBs under Accrual Method**

| (in thousands of dollars) | Employee Future Benefits expense (Table 4-48: Benefit Expenses) | Actual OPEBs paid (cash method) (Table 4-50: Difference between Accrual and Cash Method) | OPEBs under Accrual method (per RSM) (Table 4-50: Difference between Accrual and Cash Method) | Difference (a-c) |
|---|---|---|---|---|
| | (a) | (b) | (c) | (d) |
| 2017 OEB-Approved | 103,766 | | | |
| 2017 Actual | 100,999 | | | |
| 2018 Actual | 106,533 | | | |
| 2019 Actual | 103,766 | | | |
| 2020 Actual | 103,766 | | | |

| | | | | |
|---|---|---|---|---|
| 2021 Actual | 103,766 | 128,850 | 60,317 | 43,449 |
| 2022 Actual | 103,766 | 146,394 | 58,196 | 45,570 |
| 2023 Actual | 103,766 | 146,023 | 56,568 | 47,198 |
| 2024 Bridge | 103,766 | 130,100 | 54,707 | 49,059 |
| 2025 Test Year | 106,455 | 106,455 | 52,160 | 54,295 |
| **Average (2017 Actual – 2025)** | **104,065** | **131,564** | **56,390** | **47,914** |

OEB staff compiles the post-employment benefit plan expense per Note 16 of Welland Hydro-Electric System's 2023 and 2022 AFSs in the table below.

**Table 3: Employee salaries and benefits**

| (in thousands of dollars) | 2023 | 2022 | 2021 |
|---|---|---|---|
| Post-employment benefit plan | 104 | 104 | 104 |

Question(s):

a) Based on Table 2 above:
   i) The amounts of employee future benefits are different from the amounts of actual OPEBs paid (cash method). Please explain the difference.
   ii) Please provide the amount of both Actual OPEBs paid (cash method and OPEBs under accrual method (per RSM) from 2017 to 2020.
   iii) The average difference between Employee Future Benefits and OPEBs under accrual method is $47,914 for the 2021 to 2025 while Welland Hydro-Electric System states that there is a material shortfall averaging $75,175 annually. Please explain the difference.

b) Per Table 3, based on the 2023 and 2022 audited financial statements, the post-employment benefit plan expense is $104k annually, which is approximately $46,000 higher than the OPEBs under accrual method which is determined by the actuarial report. Please explain the difference.

c) Please elaborate on why it is expected that actual costs paid for current retirees receiving benefits will outweigh the accrual for active employees whose future expense is being accrued over the next five-year rate term.

d) Please provide a table similar to Table 4-50 in Exhibit 4 for the 2026 to 2029 period, comparing the estimated OPEB expense on a cash basis and the estimated OPEB expense on an accrual basis.

e) Please clarify the statement that "the changes implemented to the OPEB plan result in a significant reduction of offerings and thereby introduce a stable and

predictable cost structure associated with a diminishing liability" and reconcile to the table requested above in d).

f) Please provide any adjustment needed, including the transitional adjustment, if the OEB orders Welland Hydro-Electric System to use the accrual basis for its OPEB expense starting in 2025 in this proceeding.
g) Please provide pros and cons of transitioning the OPEB to the accrual basis in next proceeding and transitioning the OPEB to the accrual basis in this proceeding.
h) Is Welland Hydro-Electric System aware of any regulated utilities whose OPEB expense are still being recovered from rates on cash basis? If so, please provide the related EB # approving these utilities' cash method of OPEB.

**4-Staff-51**
**Regulatory Costs**
**Ref: Exhibit 4, pp. 79**

In the reference, Table 4-61 shows the one-time regulatory cost of $243k related to this application.

Question(s):

a) Please explain all assumptions used to forecast the $243k one-time regulatory cost (e.g., number of intervenors, written vs oral hearing, etc.).

## Exhibit 5 – Cost of Capital

**5-Staff-52**
**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 Welland Hydro-Electric System proposes to implement the outcomes from the OEB's generic cost of capital proceeding, including the OEB's decision with respect to implementation. If this is not the case, please explain.

**5-Staff-53**
**Deemed Short-term Debt Rate**
**Ref 1: EB-2024-0063, OEB Letter and Accounting Order, July 26, 2024**
**Ref 2: EB-2024-0063, OEB Letter, October 31, 2024**

Preamble:
On July 26, 2024, the OEB issued a Letter and Accounting Order regarding prescribed interest rates and the deemed short-term debt rate (DSTDR).

Question(s):

a) Please confirm that Welland Hydro-Electric System will use the 2025 DSTDR as set out on October 31, 2024 (reference 2) on an interim basis.
b) Please confirm that Welland Hydro-Electric System will follow all other direction included in the OEB's Letter and Accounting Order issued on July 26, 2024, including the establishment of a new variance account for the DSTDR.

**5-Staff-54**
**2025 Cost of Capital Parameters**
**Ref: EB-2024-0063, OEB Letter, October 31, 2024**

Preamble:
On October 31, 2024, the OEB issued a letter updating 2025 Cost of Capital parameters.

Question(s):

a) Please update the evidence to reflect the 2025 Cost of Capital parameters in the reference.

**5-Staff-55**
**Long Term Debts**
**Ref 1: Exhibit 5, Section 5.2.5**
**Ref 2: Appendix 2 -OB**

Preamble:
In Reference 1, Welland Hydro-Electric System states that there is a planned additional third-party debt in the amount of $2,500,000 expected to be issued in January 2025. The noted interest rate on this new debt instruments is forecast to be 4.493%, with a term of 15 years.

Question(s):

a) Please provide information about the lender of the anticipated new loan.
b) Please confirm the interest rate of the new loan with the lender.
c) Please provide details regarding the purpose of the anticipated new loan. Is the debt funding designated for any particular initiative or capital project(s)?

## Exhibit 6 – Revenue Requirement

**6-Staff-56**
**Ref 1: Exhibit 6, Section 6.3.3, p. 17**
**Ref 2: Exhibit 4, Section 4.3.2.1, p. 77**
**Ref 3: Accounting Procedures Handbook for Electricity Distributors, pp. 127-128**
**Ref 4: Appendix 2-H**
**Ref 5: Appendix 2-N**

Preamble:
In reference 1, Welland Hydro-Electric System states that:

> WHESC has historically been capturing mark-up on invoices to its affiliate for sentinel light maintenance to Account 4235 Miscellaneous Services Revenue, sub-account Mark-up. Labour and material are directly charged to a billable invoice and not included in WHESC's OM&A costs. As a result of these transactions not being recorded in account 4375 and 4380, they will not reconcile with the balances recorded in OEB Appendix 2-N. The annual mark-up related to affiliate billings is not material.

In reference 2, Welland Hydro-Electric System states that:

> A 7% markup is added to total sentinel light maintenance costs. The difference between the price charged to the Welland Hydro Energy Services Corp. ("affiliate company") for the service and the actual cost for the service is credited to account 4235 Miscellaneous Services Revenue – Sub Account Markup on Work Orders in Welland Hydro Electric Systems Corp ("LDC").

Based on reference 3, Account 4375 shall record revenues from non rate-regulated utility operations and Account 4380 shall record expenses of non rate-regulated utility operations.

Question(s):

a) Since sentinel light maintenance is considered non rate-regulated operations, why has Welland Hydro-Electricity System historically recorded the mark-up on invoices to its affiliate for this maintenance in Account 4235 instead of capturing the revenues and expenses in Account 4375 and 4380?
b) Please provide a further breakdown of Account 4235 (reference 4) that includes the mark up on sentinel light maintenance invoices for 2025.
c) Please comment whether the mark up amount on sentinel light maintenance in (b) reconcile with the difference in price and cost for the service in reference 5.

**6-Staff-57**
**Ref 1: Exhibit 6, p.16**
**Ref 2: Appendix 2-H**
**Ref 3: Exhibit 8, p. 11**
**Ref 4**: **Decision and Order, EB-2024-0227, September 26, 2024**

Preamble:
In reference 1, Welland Hydro-Electricity System states that:

> Rent from Electric Property is forecasted to increase by $74,716 from the 2024 Bridge Year to the 2025 Test Year as the pole attachment charge revenues built into rates in the 2025 Test Year reflect the updated rates as required by the OEB.

In reference 3, Welland Hydro-Electricity System states that:

> WHESC is proposing a wireline pole attachment charge of $39.14. This rate is equal to the 2024 rate of $37.78 inflated by the OEB's 2025 inflation factor of 3.6%.

In reference 4 the OEB has issued its Decision and Order on the distribution pole attachment charge for 2025 which is $39.14 per attacher, per year, per pole.

Question(s):

a) Please explain the derivation of the pole attachment revenue for 2025 in Account 4210 – Rent from Electric Property.
b) Please confirm whether the pole attachment revenue for 2025 in Account 4210 is derived using the 2024 rate of $37.78 or the 2025 rate of $39.14. Please update the evidence to reflect the 2025 pole attachment charge of $39.14 as needed.

**6-Staff-58**
**Other Revenue–Interest and Dividend Income**
**Ref 1: Chapter 2 Appendix 2-H**
**Ref 2: 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: (i) interest income - bank balance, and (ii) interest income - regulatory accounts (row 236) from 2017 to 2025 Test Year.

In reference 2, 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 that the balances recorded in Account 4405 - Interest and Dividend Income for 2025 are not related to revenue or costs including interest associated with DVAs.

**6-Staff-59**
**PILs**
**Ref 1: Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, December 15, 2022, p.40**
**Ref 2: Exhibit 6, section 6.2.1.3 Tax Credits, p.12**
**Ref 3: PILs model**

Preamble:
Chapter 2 Filing Requirements in reference 1 states that:

The distributor must provide a calculation of tax credits (e.g., Apprenticeship Training Tax Credits, education tax credits, Ontario Regional Opportunities Investment Tax Credits).

In Reference 2, Welland Hydro-Electricity System states that it occasionally has apprentices and will claim the apprenticeship tax credit when available. It does not expect to have an apprenticeship tax credit available in the upcoming rate term and has not included this credit in the 2025 Test Year PILs calculation.

In Reference 3, OEB staff notes that Welland Hydro-Electricity System does not forecast any tax credits in the test year's PILs.

Question(s):

a) Please confirm whether there will be education tax credits or Ontario Regional Opportunities Investment tax credits available in the upcoming rate term. If so, please provide the estimated amount and explain what the revenue requirement impact would be. If not, please explain why not.
b) Please provide the historical tax credits by year from 2017 Board Approved to the 2025 Test Year.

**6-Staff-60**
**Accelerated CCA**
**Ref 1: Exhibit 6, section 6.2.1.7 Accelerated CCA, p.13**
**Ref 2: 1592 Accelerated CCA work form, Detailed Calculations**
**Ref 3: Appendix 2-BA**

Preamble:
OEB staff has compared total cost of acquisitions per Sch 8 in Tab "Detailed Calculations" of excel file for CCA (Reference 2) and additions in Fixed asset continuity schedule in Reference 3 and noted the difference in the table below.

**Table 4: Difference between Sch 8 and Fixed Asset Continuity**

| **1592 Accelerated CCA** | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| Total Cost of Acquisitions per Sch 8 | (a) | 2,346,598 | 3,371,916 | 3,091,240 | 3,233,751 | 3,455,894 | 3,724,642 |
| Audit Adjustments | (b) | (86,382) | (74,056) | (17,465) | | | |
| **Revised Additions** | (c) | 2,260,216 | 3,297,860 | 3,073,775 | 3,233,751 | 3,455,894 | 3,724,642 |
| **Appendix 2-BAAppendix 2-BA_Fixed Asset Cont_Additions** | (d) | 2,263,881 | 3,371,916 | 3,091,240 | 3,299,903 | 3,474,638 | 3,671,482 |
| Difference (c-d) | (d) | (3,665) | (74,056) | (17,465) | (66,152) | (18,744) | 53,160 |

Question(s):

a) Please provide the rationale of the audit adjustments in the Table 4 above.
b) Please explain why there are differences between revised additions and Appendix 2-BA.
c) Please update the CCA spreadsheet by including the calculation for 2024 Bridge Year, using forecasted capital additions for 2024.

**6-Staff-61**
**Other taxes**
**Ref 1: Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, December 15, 2022, p. 42**
**Ref 2: Exhibit 6, section 6.2.2 Other taxes, p.13**

Preamble:
In reference 1, the Filing Requirements states that:

> Taxes other than income taxes or PILs, as defined in the APH (e.g., property taxes), should only be included in Account 6105. Account 6105 is not an OM&A account and should therefore be excluded from all OM&A totals.

In Reference 2, Welland Hydro-Electricity System states that it includes property taxes in OM&A expenses. No amounts for property taxes are included in account 6105.

Question(s):

a) Which account in OM&A is the property tax recorded?

b) Please update and resubmit the evidence in accordance with the filing requirements as needed.

## Exhibit 7 – Cost Allocation

**7-Staff-62**
**Load Profiles**
**Ref 1: Exhibit 7, p. 7**
**Ref 2: Load Profile Model**
**Ref 3: Cost Allocation Model, Tab I8 Demand Data**

Preamble:
In reference 1, in its 2017 COS application (EB-2016-0110), Welland Hydro-Electricity System states that it used the load profiles provided by Hydro One in its cost allocation model based on 2004 data. Those load profiles were scaled to the 2017 consumption forecasts. In this application, Welland Hydro-Electricity System states that it has developed updated load profiles for all rate classes using a Historical Average method based on actual hourly load by rate class for 2021, 2022 and 2023.

In reference 2, Welland Hydro- Electricity System provides the Load Profile Model which includes hourly data by rate class from January 1, 2021 to December 31, 2023.

Question(s):

a) Please explain in detail why Welland Hydro-Electricity System has chosen the period 2021 to 2023 to derive the load profiles. Please also provide an explanation whether Welland Hydro-Electricity System has considered any impacts of COVID-19 on customer volumes that may be present in 2021 and 2022.
b) Please describe in detail the data sources, assumptions, and methodology used to produce the hourly data for each rate class (if they are different). Please also explain in detail the following:
    i) Are the hourly data used in the demand profiles the same as that is used for billing customers? If not, please explain.
    ii) Are the demand profile data based on meters at properties or accounts? If the data are based on meters, please explain how the hourly data are calculated for the same metered property with two different customers. For example, if one customer moves out and another one moves into the same property, are the hourly demand profile data calculated using metered data based on two customers at the same property? Do the

hourly demand profile data include zero usage during vacancy unless the meter is disconnected or removed?

iii) If the demand profile data are based on metered usage, how is an hourly demand calculated (e.g. an average kW demand over 15-minute interval meter reads)? Is there any loss adjustment applied to the metered data?

iv) Please explain how the data are collected/extracted for customers that have been reclassified.

v) Is the wholesale market participant customer included in the demand profile? If not, why not?

vi) Please explain in detail any adjustments made or any validation checks performed to the actual data used to derive the demand profile for the 2021 to 2023 period (e.g. any analysis used to identify outliers).

**7-Staff-63**
**Non-coincident Peak (NCP) and Coincident Peak (CP) Demand**
**Ref: Load Profile Model and Exhibit 7, Appendix 7-B, pp. 517-518**

Preamble:
Based on the NCP and CP calculations in the reference, OEB staff observes the following:

<u>Residential Rate Class</u>

- The NCP demand shows a large value of 62,530 kW (cell O26) in May 2022 relative to 36,666 kW (cell O8) in May 2021 and 39,212 kW (cell O44) in May 2023. Similarly, the CP demand also shows a large value of 62,530 kW in May 2022 relative to the same month in 2021 (which is 35,827 kW in cell X8) and 2023 (which is 38,956 kW in cell X44).
- The NCP demand shows a large value of 62,530 kW (cell O26) in May 2022 relative to 36,666 kW (cell O8) in May 2021 and 39,212 kW (cell O44) in May 2023.
- The CP demand shows a small value of 22,026 kW (cell X45) in June 2023 relative to 50,963 kW (cell X9) in June 2021 and 45,799 kW (cell X27) in June 2022.

<u>GS < 50 kW Rate Class</u>

- The NCP demand shows a large value of 19,710 kW (cell P12) in September 2021 relative to 9,321 kW (cell P30) in September 2022 and 11,215 kW (cell P48) in September 2023.
- The NCP demand shows a large value of 34,640 kW (cell P45) in June 2023 relative to 10,732 kW (cell P9) in June 2021 and 11,400 kW (cell P27) in June

2022. Similarly, the CP demand also shows a large value of 34,640 kW (cell Y45) in June 2023 relative to the same month in 2021 (which is 9,379 kW in cell Y9) and 2022 (which is 9,752 kW in cell Y27).

- The CP demand shows a large value of 13,948 kW (cell Y13) in October 2021 relative to 6,985 kW (cell Y31) in October 2022 and 8,672 kW (cell Y49) in October 2023.

OEB staff also notes that the Total Sales column (column U) in the Load Profile Model shows the maximum system peak for each month instead of a sum of the monthly NCP demand (which is the peak demand for a customer classification regardless of the time of occurrence) for all the rate classes combined (or a sum of column O to column T).

In addition, OEB staff notes that the Total Sales column (column U) for NCP shows the same values as the Total sales column (column AD) for co-incident peak (CP) (which is the demand of any customer classification at the time of the distributor system peak).

Question(s):

a) Please explain factors that caused the large variances in NCP and CP demand for the noted months between the three years.
b) Please explain whether any validation checks (e.g. outlier analysis) have been performed.
c) Since NCP is the peak demand for a customer classification regardless of the time of occurrence, why does the Total Sales column show monthly system peak data instead of a sum of NCP demand for all the rate classes each month?
d) Why are the Total Sales data for NCP in Column U the same the Total Sales data for CP in Column AD. Please explain and revise the data as needed.

**7-Staff-64**
**Total Consumption**
**Ref 1: Load Profile Model**
**Ref 2: Load Forecast Model, Tab Load Forecast Summary**

Question(s):

a) OEB staff notes that there are slight differences between total consumption numbers by rate class in the Load Profile Model (columns AG to AM) and those in the Load Forecast Model in reference 2 (columns I to K). Please explain.

**7-Staff-65**
**Weighting Factors – Billing and Collecting**
**Ref 1: Exhibit 7, p. 6**
**Ref 2: 2025 Cost Allocation Model, Tab I5.2**
**Ref 3: 2017 Cost Allocation Model Settlement, Tab I5.2**

Preamble:
In reference 1, Welland Hydro-Electricity System states that it conducted an analysis of the significant components of Billing and Collecting costs and was able to assign a total cost per rate class from which weighting factors were then determined relative to a Residential factor of 1.

OEB staff notes that the proposed 2025 weighting factors for GS > 50 kW and Street Lighting rate classes (references 1 and 2) are different from the approved weighting factors for these rate classes in the 2017 rebasing application (reference 3).
Question(s):

a) Please provide a spreadsheet that shows the derivation of the updated weighting factors for Billing and Collecting in reference 1.

**7-Staff-66**
**Revenue Calculation**
**Ref 1: 2025 Cost Allocation Model, Tab 6.1**
**Ref 2: DVA Continuity Schedule, Tab 4**

Preamble:
In reference 1, the total kWh excluding kWh from wholesale market participants (WMP) (row 29) shows 378,354,350.

In reference 2, the total metered kWh less WMP consumption (column K) shows 378,391,508. The metered kWh for WMP is 2,634,037 (cell J23).

OEB staff observes that the variance stems from kWh data for GS>50 kW (131,863,081 in reference 1 and 131,900,239 in reference 2). It appears that the WMP consumption data may be different between the two references.

Question(s):

a) Please explain the variance noted above and revise the evidence as needed.

# Exhibit 8 – Rate Design

**8-Staff-67**
**Bill Impacts**
**Ref 1: Tariff Schedule and Bill Impact Model, Tabs 3 and 6**
**Ref 2: Appendix 2-ZA and Appendix 2-ZB**
**Ref 3: RPP Price Report**
**Ref 4: Ontario Electricity Rebate**

Preamble:
On October 18, 2024, the OEB announced updates to electricity prices under the Regulated Price Plan (RPP) (reference 3) and Ontario Electricity Rebate (OER) which is 13.1% with an effective date of November 1, 2024.

Question(s):

a) Please update the excel models in references 1 and 2 to reflect the RPP and OER updates.

**8-Staff-68**
**Uniform Transmission Rates (UTRs)**
**Ref 1: RTSR Workform**
**Ref 2: Tariff Schedule and Bill Impact Model**
**Ref 3: Appendix 2-ZB**

Preamble:
The OEB is expected to issue a letter in November 2024 which provides calculations for 2025 preliminary Uniform Transmission Rates (UTRs) and facilitates their implementation in applicable 2025 electricity distributor rate applications for distributions with an effective date of January 1, 2025.

Question(s):

a) If the 2025 preliminary UTRs are available prior to the filing date for interrogatory responses, please update the models in references 1, 2, and 3 to reflect the 2025 preliminary UTRs.

**8-Staff-69**
**MicroFit**
**Ref: Exhibit 7, p. 11**

Preamble:
In the reference, Welland Hydro-Electricity System proposes to use the OEB's generic monthly MicroFIT service charge of $4.55, a decrease from $11 which was approved in its 2017 rebasing application. Welland Hydro-Electric System states that the change to the MicroFIT monthly service charge will not have a material impact to any customer group.

Question(s):

a) Please explain why Welland Hydro-Electricity System is proposing to update the current MicroFit charge to the OEB's generic charge.

## Exhibit 9 – Deferral & Variance Accounts

**9-Staff-70**
**DVA Continuity Schedule**
**Ref 1: Decision and Rate Order, EB-2022-0068, March 23, 2023, pp. 8-11**
**Ref 2: DVA Continuity Schedule 2024, Tab 2a**
**Ref 3: Accounting Procedures Handbook for Electricity Distributors, December 2011**

Preamble:
In reference 1, the OEB approved the disposition of a debit balance of $51,674 as of December 31, 2021, including interest projected to April 30, 2023, for Group 1 accounts on a final basis over a one-year period from May 1, 2023, to April 30, 2024.

For LRAMVA, the OEB approved the disposition of a debit balance of $89,719. For the 2023 rate year, the OEB also approved the requested LRAM-eligible amount of $22,126 a debit to be recovered from customers, and the associated rate riders. This amount is arrived at by applying Welland Hydro-Electricity System's approved rate adjustment of 3.70% for the 2023 rate year to its approved 2023 LRAM-eligible amount of $21,337 which was calculated based on the rates in effect for 2022.

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in reference 3.

OEB staff has compiled a table (Table 5) per Reference 1 as below, showing total approved disposition for 2023.

**Table 5: OEB Approved Disposition for 2023**

| Account Name | Account Number | Principal | Carrying Charge | Total Claim | Approved Disposition | Reference |
|---|---|---|---|---|---|---|
| Smart Meter Entity Variance Charge | 1,551 | (15,754) | (537) | (16,291) | (16,291) | Table 6.1 |
| RSVA - Wholesale Market Service Charge | 1,580 | 248,735 | 8,718 | 257,453 | 257,453 | Table 6.1 |
| Variance WMS - Sub-account CBR Class B | 1,580 | (41,631) | (1,458) | (43,089) | (43,089) | Table 6.1 |
| RSVA - Retail Transmission Network Charge | 1,584 | 246,744 | 8,585 | 255,329 | 255,329 | Table 6.1 |
| RSVA - Retail Transmission Connection Charge | 1,586 | 75,883 | 2,251 | 78,134 | 78,134 | Table 6.1 |
| RSVA - Power | 1,588 | (128,424) | (4,162) | (132,586) | (132,586) | Table 6.1 |
| RSVA - Global Adjustment | 1,589 | (380,226) | (13,153) | (393,379) | (393,379) | Table 6.1 |
| Disposition and Recovery of Regulatory Balances (2018) | 1,595 | 49,998 | (3,894) | 46,103 | 46,103 | Table 6.1 |
| **Total for Group 1 accounts** | | 55,325 | (3,650) | 51,674 | 51,674 | Table 6.1 |
| LRAMVA | 1,568 | 86,892 | 2,827 | 89,719 | 89,719 | Table 7.1 |
| LRAM-eligible amounts for the years 2023 | 1,568 | 21,337 | 0 | 22,126 | 22,126 | Table 7.2 |
| **Total approved disposition during 2023** | | 163,554 | (823) | 163,519 | **163,519** | |

In Reference 2, the DVA Continuity Schedule shows OEB-Approved Disposition during 2023 for the Disposition and Recovery/Refund of Regulatory Balances (2023) is a credit amount of ($163,554) for the principal and a debit amount of $823 for the carrying charge, which is in total a debit amount of $162,731.

OEB staff observes that the principal and interest amounts in Sub-account 1595 (2023) in Reference 2 do not match the total amounts approved by the OEB for disposition.

Question(s):

a) Please confirm OEB staff's observation.
   i) Please provide an explanation for the discrepancy and revise the schedule as applicable.
   ii) If not confirmed, please provide an explanation.

**9-Staff-71**
**Account 1592**
**Ref 1: Exhibit 9, section 9.1 Disposition of Deferral and Variance Accounts, Account 1592 PILS and Tax Variance Sub-account CCA Changes, pp.8 & 9**
**Ref 2: Exhibit 9, section 9.1.5 Disposition of Account 1592, Sub-account CCA Changes, pp.24 & 25**
**Ref 3: DVA Continuity Schedule, Tab 2b**

Preamble:
In Reference 1, Welland Hydro-Electricity System states that:

> There is a $138,397 difference in Account 1592 PILs and Tax Variance Sub-account CCA Changes between what was reported in the 2023 RRR 2.1.7 and what is included in the DVA Continuity Schedule. There is a $138,397 difference in Account 1592 PILs and Tax Variance Sub-account CCA Changes between what was reported in DVA Continuity Schedule and the 2023 Audited Financial Statements. During the preparation of this COS application, Welland Hydro-Electricity System has recalculated the actual difference in PILs experienced because of the Accelerated Investment Incentive Program ("AIIP") and determined that an additional credit amount of $138,397 is required (inclusive of principal and interest).

In Reference 2, Welland Hydro-Electricity System confirms that it has recorded the impact of the CCA rule changes in Account 1592 PILS and Tax Variance, Sub-account accelerated CCA from late 2018 up to and including the 2023 historical year. It also proposes to cease claiming AIIP, and as such cease recording transactions to Account 1592, Sub-account Accelerated CCA effective 2024. It is not proposing to smooth the

impact of the CCA rule changes and deposition over the IRM period nor to continue using this sub-account unless there are new changes to the CCA rules.

Question(s):

a) Please confirm that Welland Hydro-Electricity System will adopt the legacy CCA rule in the years of 2025 to 2027 when the AIIP is still available for the accelerated CCA deduction.
b) Please provide Welland Hydro-Electricity System's thought on continuing Account 1592 sub-account CCA changes in case of the behavior changes (i.e. Welland Hydro-Electricity System applies the AIIP in its actual tax filings of 2025 to 2027 while it promised not doing so in this application).

**9-Staff-72**
**Account 1557 – Meter Cost Deferral Account (MIST Meters)**
**Ref 1: Exhibit 9, section 9.1 Disposition of Deferral and Variance Accounts, Account 1557 – Meter Cost Deferral Account (MIST Meters), pp.14-16**
**Ref 2: Exhibit 2, section 2.1.1 Overview, pp. 6-7**
**Ref 3: Exhibit 5, section 5.2 Cost of Capital, p.10**
**Ref 4: DVA Continuity Schedule, Tab 2b**
**Ref 5: OEB Staff Error Checking Response, Item 5**

Preamble:
In Reference 1, there is a difference of $(85,072) in Account 1557 Meter Cost Deferral Account between 2023 AFS and the DVA Continuity Schedule. A debit amount of $2,362 (inclusive of principal and interest) is the recalculation done during the preparation of this application. The remaining amount of $82,710 is related to the capital purchase of MIST meters in 2018 that is included in PP&E for IFRS purposes and in Account 1557 MIST meter cost deferral for OEB reporting purposes.

Welland Hydro-Electricity System states it incurred a single incremental capital entry of $82,710 in 2018 relating to the installation of MIST meters. To prepare annual entries in Account 1557 relating to this expenditure, this amount has been converted into a capital-related revenue requirement (CRRR) for each year from 2018 through 2024 to determine depreciation, return on equity, deemed interest, and PILs. AIIP was not claimed and the half-year rule is included in the calculation of entries due to timing.

Welland Hydro-Electricity System also states that it incurs incremental OM&A MIST meter costs from June 2018 through December of 2024 as a direct result of the transition to MIST meters under a new contract. This cost calculates the difference between settlement service costs under the old, pre-MIST contract (Base Cost), and settlement service costs under the revised, post-MIST contract (Actual Cost). The Base

Cost assumed is increased each year from 2019 through 2024 by Welland Hydro-Electricity System's OEB-approved Price Cap Index, while the Actual Costs represent actual expenditures for settlement services.

Welland Hydro-Electricity System is proposing to dispose a debit balance of $229,409 including forecasted carrying charges on a final basis and to discontinue this account after the amount is approved.

OEB staff has compiled a table (Table 6) as below, showing the continuity schedule of MIST meters.

**Table 6: MIST Meters DVA Continuity from 2018 to 2025**

| MIST meters | CRRR Principal Debits to 1557 (Ref 1: Table 9-10 | OM&A Principal (Ref 1: Table 9-11) | Total Principal | Carrying Charge (Ref 4: Tab 2b) | Total Principal + CC |
|---|---|---|---|---|---|
| 2018 | 5,329 | 11,015 | 16,344 | 123 | 16,467 |
| 2019 | 10,467 | 23,116 | 33,583 | 746 | 34,329 |
| 2020 | 10,085 | 28,064 | 38,149 | 870 | 39,019 |
| 2021 | 9,703 | 25,039 | 34,742 | 607 | 35,349 |
| 2022 | 9,321 | 20,393 | 29,714 | 2,775 | 32,489 |
| 2023 | 8,939 | 17,683 | 26,622 | 8,424 | 35,046 |
| 2024 | 8,556 | 14,441 | 22,997 | 10,208 | 33,205 |
| 2025 | | | | 3,504 | 3,504 |
| **Total** | 62,400 | 139,751 | 202,151 | 27,257 | ***229,408*** |

Question(s):

a) Please provide the revenue requirement calculations from 2018 to 2024 per Table 6 above, including a breakdown of depreciation, return on equity, deemed interest, and PILs of CRRR Principal Debits to 1557.
b) Per OM&A MIST meter cost, please provide the breakdown of pre-MIST contract (Base Cost) and, post-MIST contract (Actual Cost).
c) Please explain how the incremental OM&A costs recorded in the account are 100% attributed to the Mister Meter installed in 2018 which is total cost of $82,710.

**9-Staff-73**
**GA Workform**
**Ref: GA Analysis Workform, Note 4 & 5**

Preamble:
In Reference 1, OEB staff notes that Note 4 includes unbilled adjustments for the current month and previous month when calculating the price variance.

Question(s):
Please explain why the reconciled items do not include “unbilled to actual revenue differences” for both prior year and current year (Item 2a & 2b remain unfilled) while Note 4 does.

**9-Staff-74**
**Pole Attachment Revenue Variance**
**Ref: Exhibit 9, section 9.1.7 Account 1508, Sub-account Pole Attachment Revenue Variance, Table 9-19, p.26**

Preamble:
Welland Hydro-Electricity System proposes to continue using the Pole Attachment Revenue variance account to record incremental revenue after December 2023 up to April 30, 2025, and carrying charges until its next rebasing application.

Question(s):

a) Please explain why Welland Hydro-Electricity System proposes to continue this account, given that Table 9-19 already includes the revenue forecast for the mentioned period.

**9-Staff-75**
**Retail Service Charges Related Accounts**
**Ref 1: Exhibit 9, section 9.1.4 Account 1508, Retail Service Charges Related Accounts, Table 9-17, p.23**

Preamble:
Welland Hydro-Electricity System proposes to continue using the Retail Service Charge Incremental Revenue account to record incremental revenue after December 2023 up to April 30, 2025, and carrying charges until its next rebasing application.

Question(s):

a) Please explain why Welland Hydro-Electricity System proposes to continue using this account, given that Table 9-17 already the revenue forecast for the mentioned period.

**9-Staff-76**
**Cloud DVA**
**Ref 1: Accounting Order (003-2023), November 2, 2023**
**Ref 2: Cloud Computing Implementation Q&As, February 2024**
**Ref 3: EB-2024-0063, Notice, March 6, 2024**

Preamble:
On November 2, 2023, the OEB issued the Accounting Order (003-2023) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs (Cloud Computing Implementation Report). The Cloud Computing Implementation Report notes that the Cloud Computing Implementation Account is generally intended to record cloud computing implementation costs when utilities first transition from on-premises solutions to cloud computing. In February 2024, the OEB hosted a webinar and Q&A session related to the Accounting Order for the establishment of a deferral account to record cloud computing arrangement implementation costs and issued a Q&A document.

On March 6, 2024, the OEB commenced a generic hearing (EB-2024-0063) on its own motion to consider cost of capital and other matters, including those related to the OEB's Cloud Computing Deferral Account (e.g., what type of interest rate, if any, should apply to this deferral account).

Question(s):

a) Please confirm whether Welland Hydro-Electricity System has considered cloud computing solutions in its rebasing term and whether any amounts have been included in its forecast.
   i) If not confirmed, please explain why Welland Hydro-Electricity System does not have proposal to address its cloud solution implementation needs during its rebasing term.

**9-Staff-77**
**Getting Ontario Connected Act (GOCA) Variance Account**
**Ref: The OEB's Decision and Order for Getting Ontario Connected Act Variance Account, October 31, 2023**

On October 31, 2023, the OEB issued a decision and order EB-2023-0143 for GOCA. 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.

Question(s):

a) Please confirm that the OM&A cost in the test year reflects the Bill 93 impact for Welland Hydro-Electricity System's locate cost.
   i) If so, please confirm that Account 1508 sub-account GOCA variance account is to be discontinued after this application and update the evidence accordingly.
   ii) If not, please provide the rationale why Bill 93 impact is not reflected in the test year's OM&A cost.

**9-Staff-78**
**Interest Rate**
**Ref 1: DVA Continuity Schedule, Tab 2a, column BQ and BR**
**Ref 2: DVA Continuity Schedule, Tab 2b, column BQ and BR**
**Ref 3: Exhibit 9, Table 9-2, p. 6**
**Ref 4: OEB's prescribed interest rates for Q4 2024**

OEB staff notes that Welland Hydro-Electricity System uses OEB prescribed interest rates up to Q3 2024 in references 1, 2 and 3. OEB has published the prescribed interest rates for Q4 2024 shown in reference 4.

Question(s):

a) Please update the applicable schedules in DVA Continuity and Exhibit 9 using the Q4 2024 rates.