

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND:	# 1
TO:	Centre Wellington Hydro Ltd. (CWH)
DATE:	July 11, 2024
CASE NO:	EB-2024-0012
APPLICATION NAME	2025 Cost of Service Rate Application

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC -1

Reference: Exhibit 1, page 40

Preamble: The majority of CWH's customers receive a physical bill in the mail.

- a) How many of CWH's customers receive an e-bill?
- b) Please discuss if CWH has analyzed the costs and benefits of e-billing compared to mail billing and provide the outcome.
- c) Has CWH sought customer input on this issue? Please discuss.

2.0-VECC -2

Reference: Exhibit 1, page 58

Preamble: At Table 29, CWH provides the ROE deemed and achieved.

Please explain the drivers for the achieved ROE in 2023 and the forecast for 2024 and 2025.

2.0 RATE BASE AND CAPITAL (EXHIBIT 2)

2.0-VECC -3

Reference: Exhibit 2, page 34

Preamble: Table 2-14 provides the Outage Number by Cause Code Excluding MEDs.

Please provide a breakdown of Defective Equipment by Equipment Type.

2.0-VECC -4

Reference: Exhibit 2, page 36

Preamble: CWH is anticipating the delivery of the digger/RBD truck in 2024.

Please provide the current forecast delivery date.

2.0-VECC -5

Reference: Exhibit 2, page 56

Preamble: The existing four stations have a total capacity of 21MVA, and the average peak demand for the stations from 2021 to 2023 was 16.5MVA, with an absolute peak aggregate load of 19.1MVA. The existing capacity allows for the removal of one of the stations for scheduled or unplanned outages, but no other stations can be removed at the same time. The construction of the new substation is crucial to maintaining the accessibility and reliability of its service to customers.

- a) Please provide the age of each of the four substations.
- b) Please describe the circumstances in the past ten years where more than one station would need to be removed at the same time.

2.0-VECC -6

Reference: Exhibit 2, page 56

Preamble: Based on CWH's calculations, the expected ROE for 2024 is 10.06%. At Exhibit 1, page 58 the forecast ROE for 2024 is 11.0%. Please reconcile.

2.0-VECC -7

Reference: Exhibit 2, DSP Appendix A Building Fixtures page 2

Please discuss if the proposed capital expenditures in 2024 and 2025 could be paced over rate term.

2.0-VECC -8

Reference: Exhibit 2, DSP Appendix A IT Hardware – page 1

Preamble: Staff computers replaced based on a 3-year rotation to align with the warranty at time of purchase and ensure all systems are running on the same operating system, which helps with improved IT security.

Please provide the expected service life of a staff computer.

2.0-VECC -9

Reference: Exhibit 2, DSP Appendix A New Services page 2

Preamble: CWH provides the number of service upgrades for the years 2018 to 2022.

Please provide the number of service upgrades for the years 2023 to 2029.

2.0-VECC -10

Reference: Exhibit 2, DSP Appendix A Annual Pole Line Rebuild

Please provide the number of poles replaced in each of the years 2018 to 2023 and the forecast for each of the years 2024 to 2029.

2.0-VECC -11

Reference: Exhibit 2, DSP Appendix A Annual Pole Line Replacement

Preamble: CWH provides the number of poles replaced in each of the years 2018 to 2023.

Please provide the number of poles forecast to be replaced in each of the years 2024 to 2029.

2.0-VECC -12

Reference: Exhibit 2, DSP Appendix A CP9/Annual Distribution Transformers

Please explain the increase in gross capital costs from \$82,000 in 2022, to \$219,000 in 2024 and \$306,000 in 2025 and provide the associated asset units replaced in each year.

2.0-VECC -13

Reference: Exhibit 2, DSP Appendix A CP13 Metering

Preamble: CWH provides the number of meters purchased for the years 2018 to 2023.

Please provide the number of meters to be purchased for the years 2024 to 2029.

2.0-VECC -14

Reference: Exhibit 2, DSP Appendix A CP122 Fergus MS-5

Preamble: Through various consultations including the Regional Planning Process (RPP) with the Independent Electricity System Operator ("IESO") and Hydro One Networks Inc. ("HONI"), CWH's load forecast data identified approximately 5% increased load year over year over the 5-year CoS timeframe.

Please provide relevant correspondence from the IESO and HONI on this issue.

2.0-VECC -15

Reference: Exhibit 2, DSP Appendix A CP122 Fergus MS-5 page 5

- a) Page 5: Please provide the Asset Condition analysis and EV charging requests.
- b) Page 7: Please provide the cost estimate for Option 3.
- c) Please provide a detailed project schedule for the Fergus MS-5 project.
- d) Please provide the impact on reliability if the OEB does not approve this project.

2.0-VECC -16

Reference: Exhibit 2, DSP Appendix D

Preamble: CWH provides Metsco's Asset Condition Assessment 2021 report.

- a) Please provide a list of Asset Condition Assessment reports undertaken.
- b) Please provide any subsequent Asset Condition Assessment reports beyond 2021.
- c) Please provide CWH's first Asset Condition Assessment report.

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC -17

Reference: Exhibit 3, page 3

Preamble: The Application states:
"In this application, CWH has merged the General Service 50-2,999 kW and General Service 3000-4,999 kW into a new

General Service 50-4,999 KW.

CWH assesses its customers' consumption on a yearly basis to determine whether it should remain in the GS>50kW class. During its annual evaluation, CWH noted that the lone customer in the GS 3,000-4,999 kW class had persistently lingered near the lower threshold level and was likely to move there based on recent demand."

- a) Please provide more details regarding the basis for CWH's conclusion that the lone customer in the GS 3,000-4,999 class was likely to move into the GS 50-2,999 kW class?
- b) Since the preparation of the Application has the monthly demand for the lone customer in the current GS 3,000-4,999 kW class fallen below 3,000 kW? If yes, how often has this occurred (i.e., number of months above and below 3,000 kW)?

3.0-VECC -18

Reference: Exhibit 3, page 3

Preamble: The Application states:
"While preparing its Cost of Service application, CWH examined the cost allocation component of these two distinct classes to see if there was any advantage in keeping both. While determining the weighting criteria and various elements, it was found that there is little or no cost difference between customers with monthly demand greater than 3,000kW and those with demand less than that level; therefore, to be consistent with utilities of similar sizes, CWH opted to create a new combined class namely GS 50-4999kW."

- a) Please provide details regarding the results of CWH's assessment of differences/similarities in the cost allocation to the two customer classes.

3.0-VECC -19

Reference: Exhibit 3, page 12
Load Forecast Model, Input-Adjustments and Variables Tab

- a) In the Load Forecast Model, Input-Adjustments and Variable Tab, please explain what the "adjustments" in Columns C and D are each for.
- b) Please explain why the adjustments in Columns C and D are subtracted from the Unadjusted Wholesale Purchases (Column B) in order to derive the Revised Wholesale Purchases (Column H).
- c) Exhibit 8, Table 16 makes reference to a wholesale participant. Are one or more of CWH's customers an IESO market participant?

- i. If yes, how is this load accounted for in CWH's load forecast?
- d) The title to Table 5 (page 12) indicates that the values include Fit and MicroFit, please confirm whether or not this is actually the case.

3.0-VECC -20

Reference: Exhibit 3, page 15

Load Forecast Model

Preamble: The Application states:
"All relevant scenarios tested by the utility can be found in the regression model at table 6 entitled Regression Scenarios."

- a) The Load Forecast Model does not appear to include the referenced Table 6. Please provide.

3.0-VECC -21

Reference: Exhibit 3, page 16

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

- a) Were any other COVID-related variables tested?
- b) If yes, what other COVID-related variables were tested and why were they rejected?

3.0-VECC -22

Reference: Exhibit 3, page 16

Preamble: The Application states:
"During the process of testing the regression analysis, many different variables and times periods are tested to arrive to what the utility deems as the best R-Squared. CWH's rationale behind selecting or dropping certain variables involves a "no-worst" rationale. In other words, if a variable is justified and does not worsen the results, it is generally kept as one of the regression variables." (emphasis added)

- a) Please explain what CWH means by "justified"
- b) Please explain what CWH means by "does not worsen the results".
- c) Did CWH tests include consideration of a trend variable (i.e., a variable that increases by 1.0 each month?)

- i. If yes, what were the results ((i.e., resulting equation, statistics and forecast for 2024 and 2025)?
- ii. If not, please provide the results (i.e., resulting equation, statistics and forecast for 2024 and 2025) of including a trend variable along with the other variables proposed by CWH.

3.0-VECC -23

Reference: Exhibit 3, page 18
Load Forecast Model, Input-Adjustments & Variables Tab;
Input-Customer Data Tab and Bridge & Test Year Class
Forecast Tab

- a) Please confirm that the dependent variable used in the development of the regression model was the Revised Wholesale Purchases (per the Input-Adjustments and Variables Tab – Column H)
 - i. If confirmed, please explain why it is appropriate (in Exhibit 3, Table 9) to compare the predicted Wholesale Purchases values with actual unadjusted Wholesale Purchases.
- b) Please confirm that in the Load Forecast Bridge & Test Year Class Forecast Tab, for each of the Residential, GS<50 and GS>50 classes the ratio of historic sales to wholesale purchases (Column D) is calculated using the unadjusted Wholesale purchase values.
 - i. If confirmed please explain this is appropriate when the ratio is then applied to the predicted Wholesale purchases for which the regression model used the Revised Wholesale purchases as the dependent variable.
- c) Please provide a revised version of the Load Forecast model where in the Load Forecast Bridge & Test Year Class Forecast Tab, the historic ratios are calculated using the Revised Wholesale Purchase values for each year.

3.0-VECC -24

Reference: Exhibit 3, page 19

Preamble: The Application states:

“CWH has used a different weather station in the 2025 proposed load forecast therefore the utility is not providing an alternative twenty-year normal weather condition.”

- a) Please explain why CWH used a different weather station for the current Application (i.e., what station was previously used, what station is used for the current Application and why the change).
- b) .Please explain why the use of a different weather station precluded providing an alternative twenty-year normal weather condition forecast.

3.0-VECC -25

Reference: Load Forecast Model, Forecast Tab

- a) Please explain why different weather normal HDD and CDD values are used for 2024 versus 2025.

3.0-VECC -26

Reference: Exhibit 3, pages 20-21

- a) Please provide the actual customer/connection count for each of CWH's customer classes as of June 30, 2024.
 - i. If actual values are not available for June 30 2024 please provide the customer/connection count by customer class for the most recent month for which actual values are available.

4.0 OM&A (EXHIBIT 4)

4.0 -VECC -27

Reference: Exhibit 4, page 8

Preamble: CWH provides a list of significant changes specific to CWH.

- a) Please provide the corresponding dates for each item on the list.
- b) Please list the significant changes specific to CWH in 2025.

4.0 -VECC -28

Reference: Exhibit 4, Appendix 2-JB

- a) Please explain the increase in Outside Professional Services & Membership Dues in 2025.
- b) Please explain the increase in Capital/Ops Mtce Movement in 2025.

4.0 -VECC -29

Reference: Exhibit 4, page 37

Please explain the increase in union benefits from \$196,600 in 2018 (Board Approved) to \$361,376 in 2025.

4.0 -VECC -30

Reference: Exhibit 4, page 37

Please discuss CWH's Performance Pay Plan and provide the amounts paid in 2018 and the forecast for 2025.

4.0 -VECC -31

Reference: Exhibit 4

- a) Please provide the number of vacancies in 2022 and 2023.
- b) Please provide the current vacancies and include information on the vacant position(s) and number of days each position has been unfilled.

6.0 REVENUE REQUIREMENT (EXHIBIT 6)

6.0-VECC-32

Reference: Exhibit 6, page

- a) Please provide the basis for the 2024 and 2025 forecasts for the following Accounts:

- #4210
- #4235
- #4355
- #4360
- #4375
- #4380
- #4390

6.0-VECC-33

Reference: Exhibit 6, page 28

Preamble: The Application states:
"In account 4235 for 2025, CWH has recorded 100% of the joint pole revenue in this account. Between 2018 and 2024 CWH recorded the amount of joint pole revenue at the rate of \$22.35 in this account and the difference between the annual approved rate and the 2018 rate was recorded in a sub account of 1508 (this is being requested for disposal in this application, see Exhibit 9 for further details). In 2025 the joint pole revenue was calculated using the approved 2024 rate (\$37.78) +4.8%, the total joint pole revenue of \$104,289 is included in account

4235.”

- a) Please explain why CWH has included the revenues from the pole attachment rate in Account #4235 and not Account #4210 (Rent from Electric Property).
- b) Please provide the basis for the Joint Use Pole Attachments revenue portion of Account #4235 for 2023, 2024 and 2025 (i.e. # of poles, rate per pole, etc.).
- c) Please update the 2025 Joint Use Pole Attachments revenue to reflect the 3.6% inflation factor for 2025 as published by the OEB on June 20, 2024.
- d) Does OEB’s updated inflation factor of 3.6% for 2025 impact CWH’s 2025 revenue forecast for any other accounts? If so, please indicate which ones.
- e) As applicable please provide an updated version of Appendix 2-R that reflects the OEB’s updated inflation factor of 3.6% for 2025 t.

6.0-VECC-34

Reference: Exhibit 6, page 20

Preamble: At Table 9, CWH provides Other Operating Revenue.

- a) Please explain the variance in Other income or deductions 2018 Board Approved vs 2018 actuals.
- b) Please explain the variance in Other income or deductions 2023 Actual compared to 2022 Actual.
- c) Please provide the basis for Other income or deductions for 2024 forecast and 2025 projection.

7.0 COST ALLOCATION (EXHIBIT 7)

7.0-VECC-35

Reference: Exhibit 7, page 4

Preamble: The Application states:
“CWH is not seeking approval on a final basis, or changes to standby charges.”

- a) Does CWH currently have standby charges that have been approved on an

interim basis?

7.0-VECC-36

Reference: Exhibit 7, page 5 (Table 2)

- a) In Table 2, is the second part of the table (2018 Revenue Requirement restated (combined GS >50 classes)) based on: i) simply adding the results for the GS 50-2,999 and GS 3,000-4,999 classes as provided in the first part of the table or ii) redoing the cost allocation based on a single GS 50-4,999 class and the applicable allocators for the new (combined) rate class?
 - i. If the latter, were the demand allocators for the GS>50 class adjusted to account for the diversity in timing of NCP demand as between the GS 50-2,999 and the GS 3,000-4,999 classes?

7.0-VECC-37

Reference: Exhibit 7, page 8
**CWH's Conditions of Service, Sections 3.1, 3.2 and 3.3
Cost Allocation Model, Tab I4-BO Assets**

- a) CWH's Conditions of Service makes reference to customers paying a variable connection charge to cover costs above the basic connection. However Tab I4 does not show any contributed capital associated with Account #1855 (Services). Please reconcile.
- b) Does the basic connection allowance vary by customer class?
- c) Do the proposed Services weighting factors take into account the fact that customers are responsible for connection costs above the basic connection?

7.0-VECC-38

Reference: Exhibit 7, page 10

Preamble: The Application states:
"CWH updated the capital cost meter information on Sheet I7.1 and the meter reading information on I7.2 to reflect its most recent reading costs"

- a) Do all Residential, GS<50 and GS>50 each have only one meter that is owned and/or read by CWH?
- b) If not, how many customers have more than one meter and to which customer classes do they belong?

7.0-VECC-39

Reference: Exhibit 7, page 12
Exhibit 3, page 14

Preamble: The Application states (Exhibit 3, page 14):
“CWH has adopted a 10-year average from 2014 to 2023 as the definition of weather normal.”

- a) In developing the CP and NCP values for the Cost Allocation Model was the same 10 period (2014-2023) used to determine “weather normal” in Step 3 (b) per Exhibit 7, page 12?
- b) If not, why not?

7.0-VECC-40

Reference: Exhibit 7, page 25

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

- a) It is noted that the proposed ratio for GS>50 in Table 2 is 99.80% as opposed to 99.85% as indicated in the Preamble. Is the difference just due to rounding of the rates?

7.0-VECC-41

Reference: Exhibit 7, Appendix A, pdf page 33

Preamble: The Application states:
“Every October each year, CWH reviews a GS<50 kW and GS 50-4,999kW customer’s monthly kW demand data for the period October last year to September current year.
Criteria for moving from GS<50kW to GS 50-4,999kW:
○ 6 months out of 12 with over 55kW demand
○ 5 of those months must be consecutive
○ The average demand must be over 55 kW.”

- a) Prior to the proposed amalgamation of the GS 50-2,999 and GS 3,000-4,999 classes what was the criteria used for moving: i) a GS 50-2,999 customer to the GS 3,000-4,999 class and ii) a GS 3,000-4,999 customer to the GS 50-2,999 class?

7.0-VECC-42

Reference: Exhibit 7, Appendix A, Section 2.3 (pdf page 39)

- a) Please confirm that the Predicted Purchases with HDD/CDD and the Predicted Purchases without HDD/CDD will both include sales to customer classes that are assumed not be weather sensitive (i.e., GS>50, Street Lighting, USL and Sentinel).
- b) Please confirm that the percentages set out in Figure 4 are used for both the Residential and GS<50 classes and, in doing so, the methodology used by CWH assumes that the Residential and GS<50 classes have the same percentage of weather sensitive load in each month.
- c) Please confirm that the methodology used by CWH assumes that all hours in the month have the same percentage of weather sensitive load, regardless of the HDD/CDD values for that hour.

7.0-VECC-43

Reference: Exhibit 7, Appendix A, Section 2.3 (pdf pages 43-45)

- a) Please explain why it is necessary to identify and replace the outliers as described in Section 2.3 (i.e. why would using the actual values be inappropriate).

7.0-VECC-44

Reference: Exhibit 7, page 11

Preamble: The Application states:

“In CWH’s most previous Cost of Service application, EB-2017-0032, CWH relied on load profiles produced by Hydro One Networks Inc., (HONI) which were based on sample data from 2004. Within the previous CoS, the coincident peak and non-coincident peak values populated in worksheet I8 of the OEB’s Cost Allocation model were scaled from CWH’s initial cost allocation informational filing, using the ratio of the Test Year load forecast to the base year load for each rate class.”

- a) Please provide a version of CWH’s 2025 Cost Allocation model where the demand allocators (Tab I8) are derived using the same approach as in EB-2017-0032.

8.0 RATE DESIGN (EXHIBIT 8)

8.0-VECC-45

Reference: Exhibit 8, page 8

Preamble: The Application states:

“It was at this time in conjunction with completing the Cost

Allocation model and considering the weighting factors for various components within the model, that having two separate customer classes is redundant. It was determined there are no significant cost differences and overall burden due to the administration, billing, and operations CWH completes between a customer who has a monthly demand greater than 3,000kW and a customer that is below.”

- a) Based on the results of the Cost Allocation model used for CWH’s 2018 COS please provide a schedule that sets out for each of the GS 50-2,999 and GS 3,000-4,999 classes:
- i. The total allocated demand related costs
 - ii. The total forecast kW
 - iii. The ratio of item (i) to item (ii)
 - iv. The total allocated customer-related costs
 - v. The total forecast customer count
 - vi. The ration of item (iv) to item (v).

8.0-VECC-46

Reference: Exhibit 8, page 10

Preamble: The Application states:
“The Fixed to Variable ratio for the newly created General Service 50 – 4,999 kW is 14.82% fixed to 85.18% using the former General Service 50 – 2,999 KW as a benchmark to set the fixed to variable split for the newly combined class..”

- a) What would be the fixed to variable split for the newly combined class if the fixed and variable portions were calculated using the current 2024 rates for each class and the 2023 actual billing determinants for each class?

8.0-VECC-47

Reference: Exhibit 8, pages 19 (Table 10)
Tariff Schedule Bill Impact Model, Tab 6 – Bill Impacts

- a) Please clarify whether, in Table 10, the LV rates for the Residential, GS<50, and USL classes were calculated using the delivered loads for the loss adjusted loads.

8.0-VECC-48

Reference: Exhibit 8, pages 16 – 17
RTSR Workform, Tabs 3 and 5

- a) Please confirm that the RRR data in Tab 3 and the billing determinants in

Tab 5 are both based on the same year.

8.0–VECC -49

Reference: Exhibit 8, page 25

Preamble: The Application states:
“CWH is a fully embedded distributor to Hydro One Networks Inc. ("HONI") as the host distributor. CWH receives electricity from the host distributor from two sources, one of which is an IESO wholesale point and one of which is metered by means of a HONI retail point.”

- a) Why is CWH considered to be a fully embedded distributor if one of its supply delivery points is an IESO wholesale point?

8.0–VECC -50

Reference: Appendix 2-R

- a) With respect to Exhibit 8, Table 16, please explain the basis for assigning the Wholesale Market Participant a loss factor of 1.0453.
- b) Given CWH has no Large Use class customer, please explain the basis for the values shown in Row B of Appendix 2-R.

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