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August 28, 2012

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2011-0103
Wasaga Distribution Inc. – 2012 Cost of Service Application
Energy Probe – Interrogatories to Applicant

Pursuant to Procedural Order No. 2, issued on August 17, 2012, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) in respect of the Applicant in the EB-2011-0103 proceeding.

Energy Probe has numbered its Interrogatories in the format requested by Mr. Cheung.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Jim Fraser, Wasaga Distribution Inc. (By email)
Joanne Tackaberry, Wasaga Distribution Inc. (By email)
James Sidlofsky, Borden Ladner Gervais LLP (By email)
Randy Aiken, Consultant to Energy Probe (By email)
Interested Parties (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Wasaga
Distribution Inc. for an order approving just and reasonable
rates and other charges for electricity distribution to be
effective May 1, 2012.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

August 28, 2012

**WASAGA DISTRIBUTION INC.
2012 RATES REBASING CASE
EB-2011-0103**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1.0 Energy Probe # 1

Ref: Exhibit 1, Tab 1, Schedule 8

Please confirm that the forecast revenues and revenue deficiency for 2013 have been calculated using the interim rates from the Interim Rate Order dated May 15, 2012. If this cannot be confirmed, please provide the forecasted revenues and revenue deficiency based on these interim rates.

1.0 Energy Probe # 2

Ref: Exhibit 1, Tab 1, Schedule 12

- a) Are the employees shown in the Utility Organizational Chart employees of WDI or WRSI or some other affiliate? Please explain fully.**
- b) Please show the costs associated with each of the Board of Directors shown on page 27 that have been included in the WDI revenue requirement. Please also show the allocation of any such costs included in the revenue requirement.**
- c) At page 24 the evidence states that WDI does not have any material transactions with any other affiliate, other than WRSI. Please provide the actual transactions between WDI and any other affiliates, other than WRSI, in 2008 through 2011 and the forecast for 2012. Please include Geosands Inc. in the list of other affiliates.**

1.0 Energy Probe # 3

Ref: Exhibit 1, Tab 2, Schedule 1

- a) Please confirm that the application and resulting revenue requirement are based on CGAAP and not MIFRS.**
- b) Please confirm that the only adjustment made has been a change to depreciation rates for the 2012 test year.**
- c) Please confirm that WDI plans to convert to MIFRS effective January 1, 2013.**
- d) Other than the change in depreciation, does WDI expect any changes related to the conversion to MIFRS, such as changes in capitalization, etc.?**

EXHIBIT 2 – RATE BASE

2.0 Energy Probe # 4

Ref: Exhibit 2, Schedule 1

- a) Please confirm that the 2011 data shown in Table 2.1 is actual data. If this cannot be confirmed, please update the table to reflect actual 2011 data.**
- b) What is the average asset life being used for 2012 for the aging infrastructure of over 30 and 40 years old which needs to be replaced?**
- c) Please confirm that the working capital allowance percentage for 2013 filers for those filers that do not file a lead-lag study is 13%.**

2.0 Energy Probe # 5

Ref: Exhibit 2, Schedule 3

- a) Please confirm that Table 2.8 reflects actual 2011 data.**
- b) Please explain why the forecast for 2012 shown in Table 2.9 assumes no additions to WIP in the test year despite additions in past years.**
- c) Please provide a description of the property under capital lease being added in 2012.**

2.0 Energy Probe # 6

Ref: Exhibit 2, Schedule 4

- a) What is the net impact on accumulated depreciation of the corrections related to the change in the timing of the additions of gross assets between Tables 2.10 and 2.12?**
- b) Does Table 2.15 reflect capital additions closed to rate base? If not, please provide a version of Table 2.15 that shows the capital additions closed to rate base by include a WIP line.**
- c) Please confirm that the actual 2011 capital expenditures, excluding the impact related to smart and stranded meters, would have been about \$284,000.**
- d) Please confirm that the \$750,000 average over 2006 through 2011 referenced on page 22 excludes the net impact of the addition of smart meters and the removal of stranded meters.**
- e) What are the average capital expenditures over 2006 through 2011 if the expenditure of \$1,646,261 is removed from the calculation?**

2.0 Energy Probe # 7

Ref: Exhibit 2, Schedule 7

- a) Please explain what WDI means by "Stranded assets have been included in account 1860 for the purpose of the rate setting process".**
- b) Has the net book value of the stranded meters been removed from the opening and closing balances in 2012 for the purpose of calculating rate base?**
- c) Does the WDI approach that results in residential and GS < 50 kW customers paying the same amount implicitly assume that the original capital cost of meters are the same for these two customer classes?**
- d) Please recalculate the net book value by rate class and the resulting rate riders shown in Table 2.25 using the relative meter costs for residential meters and GS < 50 kW meters as reflected in the last cost allocation model approved by the OEB for WDI. If WDI does not have this information, please use the relative costs for these meters as included in the current cost allocation model.**

- e) Please explain why the above approach does not make sense and would be inequitable to one or both classes.

2.0 Energy Probe # 8

Ref: Exhibit 2, Table 2.15 and Appendix 2A

Please provide a table for each of 2010, 2011 and 2012 that shows a comparison between the capital expenditures shown in Table 2.15 and those listed in the capital expense table on page 24 of Appendix 2A. Please explain any significant differences in each year.

EXHIBIT 3 – OPERATING REVENUE

3.0 Energy Probe # 9

Ref: Exhibit 3, Schedule 2

- a) Are the heating and cooling degree days shown in Table 3.4 based on a degree day difference from 18 degrees Celsius? If not, what is the base?
- b) What adjustment was made to the monthly total system energy purchases noted at line 100 on page 9?

3.0 Energy Probe # 10

Ref: Exhibit 3, Schedule 2 and Appendix 3A

- a) Did WDI try any other explanatory variables than those shown in Table 3.5, such as the unemployment rate, population or gross domestic product? If yes, please provide the results of those regressions, including the statistics found in Table 3.5, along with the forecast for 2012.
- b) Please provide the data found in Appendix 3A and any other explanatory variables that were included in the analysis in a live Excel spreadsheet. Please also include the values of the explanatory variables in 2012 used to generate the forecast in the live Excel spreadsheet.
- c) Please provide a table that shows the total loss factor for each year 2003 through 2011, along with the average over this period.

3.0 Energy Probe # 11

Ref: Exhibit 3, Schedule 2

- a) Please show, in detail, the calculation of the residential customer growth rate of 2.14% shown in Table 3.8 for 2012.**
- b) Please confirm that the average annual compound growth rate in residential customers between 2003 and 2011 is 3.42% per year.**
- c) What is the impact on the revenue deficiency if the residential customer forecast for 2012 is based on a growth rate of 3.42% over the 2011 figure? Please show all calculations.**
- d) Please explain how the 2012 figures in Table 3-12 were calculated based on the 2011 figures and the geometric means shown in Table 3-11.**

3.0 Energy Probe # 12

Ref: Exhibit 3, Schedule 2

- a) Based on the most recent information available, what was WDI's CDM kWh savings achieved in 2011?**
- b) Please provide the resulting allocation of kWh's by rate class of the CDM adjustment shown in Table 3.13.**
- c) Please confirm that based on the WDI approach, the CDM savings are based on purchases and not billed energy.**
- d) Please provide the actual kW figures for the most recent year-to-date period currently available for 2012 for the both the rate classes shown in Table 3.16. Please also provide the figures for the corresponding period in 2011 for both rate classes.**

3.0 Energy Probe # 13

Ref: Exhibit 3, Schedule 4

- a) Please explain the decrease in late payment charges shown in Table 3.24 in light of the increase forecast for bad debt.**

- b) Is the Note Receivable from WRSI still in effect in the 2012 test year? If yes, please provide a copy of the note and indicate the rate currently in effect on it.
- c) Please provide a table in the same level of detail as in Table 3.24 that shows the most recent year-to-date figures for 2012, along with the corresponding figures for the same year-to-date period in 2011.
- d) Please explain the \$3,000 reduction forecast for 2012 for collection charges.
- e) Please explain the reduction forecast in 2012 for SSS Admin Charges (account 4080) despite the growth in the number of customers forecast.
- f) Please explain the reduction forecast in 2011 for pole rentals (account 4210).
- g) Please explain why the building rental revenues have not increased since 2010.
- h) Please provide more details on the land lease agreement noted on page 27. In particular, what is the value of the land that is being leased that is included in the 2012 rate base? Please also provide the property tax associated with this land and whether or not this amount is included in the property tax component of the revenue requirement.
- i) How was the amount of \$23,232 for the land lease determined?

EXHIBIT 4 – OPERATING COSTS

4.0 Energy Probe # 14

Ref: Exhibit 4, Schedule 1, Table 4.1

- a) Please confirm that the average annual compound growth rate in OM&A costs between 2006 and 2011 is 5.5%.
- b) Please confirm that the forecast for 2012 is an increase of 25.9% over 2011 actual figures.
- c) Please provide a table in the same level of detail as Table 4.1 that shows the most recent year-to-date figures available for 2012 and the corresponding figures for the same period in 2011.
- d) What is the source of the inflation rate of 2.95% shown for 2012?
- e) What is the impact on the 2012 OM&A forecast if the inflation rate used is reduced to 2.00%?

4.0 Energy Probe # 15

Ref: Exhibit 4, Schedule 2, Table 4.3

- a) Please explain the significant increases forecast for each line item in billing and collecting.**
- b) Does WDI bill all of its customers on a monthly basis? If not, please indicate which customers are billed monthly and which are billed bimonthly.**
- c) Please confirm that the charitable donations shown in account 6205 are LEAP related.**

4.0 Energy Probe # 16

**Ref: Exhibit 4, Schedule 2, Table 4.4 &
Exhibit 3, Schedule 2, Table 3-3**

- a) Please explain the 2012 increase of \$87,750 shown in Table 4.4 compared to the increase in 2011 of \$56,900 despite the increase in the total number of customers in 2011 and 2012 being virtually identical, as shown in Table 3-3.**
- b) Please confirm that part of the \$87,750 increase is related to the increase in distribution revenues requested as part of this application.**
- c) Please provide the calculations and the formula used to arrive at the \$87,750 increase in MSA costs.**
- d) Please confirm that under the WDI MSA, the increase in other costs drives up the revenue requirement, thereby increasing distribution revenues and therefore increasing the costs under the MSA.**
- e) Please provide more information on the subsidization by WRSI noted on page 10, including all cost allocation information used to determine the value of \$350,000.**
- f) Please provide the actual year-to-date cost associated with the low income regulations as shown in Table 4.4.**
- g) Did actual spending in 2011 include any one time costs? If yes, please identify and quantify any such one-time costs incurred in 2011.**

- h) Please provide a breakdown of the \$100,000 increase in regulatory costs between the assignment of the staff member and the amortization over 4 years of the costs associated with the cost of service application.**
- i) Please reconcile the figures provided in the response to part (g) above with the figures shown in Table 4.6.**

4.0 Energy Probe # 17

Ref: Exhibit 4, Schedule 2, Table 4.5

- a) Please confirm that the average annual increase in the OM&A cost per customer between 2006 and 2011 was 2.8%.**
- b) Please provide the average annual inflation increase over the 2006 through 2011 period based on both the CPI and GDPIPIFDD measures of inflation.**

4.0 Energy Probe # 18

Ref: Exhibit 4, Schedule 2, Table 4.6

- a) Please provide the costs incurred to date for legal costs, consultant costs and other costs that are to be amortized over 4 years.**
- b) How much of the regulatory costs (legal, consultant, intervenor, other) are associated with an oral hearing on unsettled issues?**
- c) Please explain what costs are included in Other costs and show the estimated total cost of \$24,000 broken down into these components.**

4.0 Energy Probe # 19

Ref: Exhibit 4, Schedule 4

- a) For each group of employees shown in Table 4.8, please provide the actual percentage increase in salaries and wages for 2009, 2010 and 2011, along with the forecast for 2012.**
- b) Please provide the dollar figure for each group of employees associated with the percentage increase for 2012 requested in part (a) above.**

4.0 Energy Probe # 20

Ref: Exhibit 4, Schedules 2 and 5

- a) Please reconcile the 2012 figure of \$1,840,713 shown in Table 4.9 of Schedule 5 with the figures shown in Table 4.4 of Schedule 2.**
- b) The figures in Table 4.9 appear to indicate that the cost and price for the MSA services are the same, implying no mark up to costs. Please confirm that no mark up has been applied in determining the price paid by WDI. If this cannot be confirmed, please provide the cost for the service provided, along with the price paid for these services by WDI.**

4.0 Energy Probe # 21

Ref: Exhibit 4, Schedule 7 & Appendix 4B & 4C

- a) Please explain the difference in additions to the 2011 CCA schedule of \$423,083 shown in Table 4.20 with the addition of \$1,248,482 shown on the CCA schedules in the 2011 tax return.**
- b) Please update Tables 4.20 and 4.21 to reflect the actual 2011 CCA calculations filed as part of the 2011 tax return.**
- c) Please confirm that part of the additions to CCA class 10 shown in Tale 4.21 is for computer hardware.**
- d) Please explain why this computer hardware has been included in CCA class 10 at a rate of 30%, rather than in Class 52, with a rate of 55%. Please update the 2012 CCA to reflect the answer to part (a), along with the movement of the computer hardware to class 52.**
- e) Did WDI claim any tax credits in 2011, such as the apprenticeship training tax credit, co-op education tax credit or SR&ED? If yes, please provide the amount of the credit in 2011 and the forecast of the credit in 2012. If no forecast for 2012 was made despite claiming a credit in 2011, please explain.**

4.0 Energy Probe # 22

Ref: Exhibit 4, Appendix 4A

- a) Please explain how the costs for the MSA have been adjusted to reflect the reduction in the meter reading expenses as a result of no longer having to read these meters with an Itron hand held meter-reading device now that smart meters have been installed.
- b) Are any of the costs associated with the WRSI Board of Directors included and recovered through the MSA? If yes, please quantify the amount for 2012.
- c) With respect to capital construction projects, does WRSI mark up the costs to WDI on either the material or labour costs included in the project costs? If yes, please explain.

4.0 Energy Probe # 23

**Ref: Exhibit 4, Schedule 7 &
Exhibit 5, Schedule 1**

Please show the calculation of accounting net income before taxes of \$544,792 shown for 2012 in Table 4.18 of Exhibit 4, Schedule 7 based on the deemed return on equity for the test year of \$472,818 shown in Table 5.1 of Exhibit 5, Schedule 1.

EXHIBIT 6 – CALCULATION OF REVENUE DEFICIENCY OR SURPLUS

6.0 Energy Probe # 24

Ref: Exhibit 6, Schedule 1

- a) Please confirm that the 2011 figures shown in Table 6.1 are actual figures.
- b) Please explain why the deemed interest expense shown for 2011 does not include any short-term debt component.
- c) Please re-calculate the 2011 deficiency using the deemed capital structure and cost of capital parameters that were applicable to 2011 rates effective May 1, 2011, being 56% long-term debt at a rate of 5.32%, 4% short-term debt at a rate of 2.46% and 40% equity at a rate of 9.58%.
- d) Please add a line to the calculation requested in part (c) above that shows the return on deemed equity.

6.0 Energy Probe # 25

Ref: Notice of Proceeding and Order Respecting Interim Rates dated July 18, 2011

- a) Please confirm that the Board declared WDI's rates and charges interim as of July 18, 2011.**
- b) Please confirm that the Board noted its expectation that the issue of any over earnings for the remainder of the 2011 rate year, and the appropriate remedy (if any) to such overearnings would be an issue that may be explored in WDI's application.**
- c) Given the sufficiency noted in Interrogatory #24, what is WDI's proposal to deal with the disposition of this sufficiency?**

EXHIBIT 7 – COST ALLOCATION

7.0 Energy Probe # 26

Ref: Exhibit 7, Schedule 2

- a) Please confirm that the Board has updated some of the revenue to cost ranges from those issued in November 2007.**
- b) Please confirm that these new ranges would not impact the WDI proposals.**
- c) Please provide a revised Table 7.3 that reflects the proposal as presented with the exception that the USL class is lowered to the residential ratio of 103.58% and then both of these classes are lowered by the same amount to reflect the additional revenue generated from moving the street lighting class to 70%. Please provide the result revenue to cost ratios of this proposal.**
- d) What is the impact on the total bill of a street lighting customer of the WDI proposal to increase the revenue to cost ratio to 70%? Does WDI believe that any rate mitigation is required?**

EXHIBIT 8 – RATE DESIGN

8.0 Energy Probe # 27

Ref: Exhibit 8, Schedule 2

- a) Please add columns to Table 8.7 to show the floor and ceiling on the monthly distribution charges shown for each rate class, based on the calculations in the cost allocation model.**
- b) Are any of the proposed charges outside of the range between the floor and the ceiling calculations? If yes, does WDI propose any changes to the monthly distribution charges?**

8.0 Energy Probe # 28

Ref: Exhibit 8, Schedule 5

- a) Please explain the negative distribution loss factor shown for 2010.**
- b) Please explain why WDI is proposing a 7 year average to calculate the loss factors?**
- c) Please provide a revised Table 8.13 that uses a 5 year average from 2007 through 2011 to calculate the loss factors.**